

Annex

**Barbados-European Community
Country Strategy Paper
and
National Indicative Programme
for the period 2008-2013
(10th EDF)**

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The Government of Barbados and the European Commission hereby agree as follows:

- (1) The Government of Barbados (represented by Mr. Bentley Gibbs and Mrs. Juanita Thorington-Powlett, the National Authorising Officers,) and the European Commission, (represented by Mr Amos Tincani, and Mr Valeriano Diaz, the Heads of the European Commission Delegation to Barbados and the Eastern Caribbean) hereinafter referred to as the Parties, held discussions in Bridgetown from June 2006 to April 2008 with a view to determining the broad lines of cooperation for the period 2008–2013.

During these discussions, the Country Strategy Paper and an Indicative Programme of Community aid in favour of Barbados were drawn up in accordance with Articles 2 and 4 of Appendix IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, as revised in Luxembourg on 25 June 2005. These discussions complete the programming process in Barbados.

The Country Strategy Paper and the Indicative Programme are annexed.

- (2) As regards the indicative programmable financial resources which the Community plans to make available to Barbados for the period 2008-2013, an amount of €9.8 million is scheduled for the allocation referred to in Article 3.2(a) of Appendix IV to the ACP-EC Partnership Agreement (A allocation) and of € 0.2 million for the allocation referred to in Article 3.2(b) (B allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of Appendix IV to the ACP-EC Partnership Agreement.
- (3) The A allocation is intended to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community assistance. The Indicative Programme in Part 2 concerns the A allocation. It also takes into consideration financing from which Barbados benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B allocation is intended to cover unforeseen needs, such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B allocation will be triggered in response to specific mechanisms and procedures and therefore does not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of this Country Strategy Paper and Indicative Programme upon the entry into force of the 10th EDF multiannual financial framework for the period 2008-2013 of the revised ACP-EC Partnership but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of Barbados within the limits of the A and B allocations referred to in this document. The relevant projects and programmes will be run in accordance with the rules and procedures laid down in the 10th EDF multiannual financial framework for the period 2008-2013. Financing decisions can also be taken on the basis of Article 15(4) in conjunction with Article 4(1)(d) of Appendix IV to the ACP-EC Partnership Agreement for support to non-State actors or on the basis of Article 72(6) to the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B-allocations. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council regulations on the implementation of the 10th EDF and on the financial regulation applicable to the 10th EDF and in Appendix IV to the ACP-EC Partnership Agreement.
- (6) The European Investment Bank may contribute to implementation of this Country Strategy Paper by operations financed from the Investment Facility and/or from its own

resources, in accordance with Paragraphs 2(c) and 3 of Appendix Ib to the ACP-EC Partnership Agreement regarding the 10th EDF multi-annual financial framework for the period 2008-2013.

- (7) In accordance with Article 5 of Appendix IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation will undertake an annual operational review of the Indicative Programme and a mid-term and end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of needs and performance at the time.

The mid-term review will be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid-term and end-of-term reviews, the Community may revise the resource allocation in the light of needs and performance at the time.

Without prejudice to Article 5.7 of Appendix IV concerning reviews, the allocations may be increased according to Article 3(5) of Appendix IV in order to take account of special needs or exceptional performance.

- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10th EDF multiannual financial framework for the period 2008-2013, will be regarded as definitive within eight weeks of the date of signature, unless either party communicates the contrary before the end of this period.

Done at Bridgetown, Barbados, this 5th day of December 2008

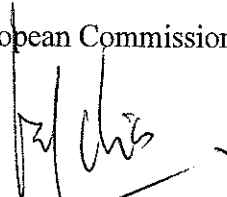
Signatures

For the Government of Barbados

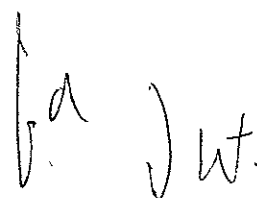


Hon. David Estwick
Minister of Economic Affairs and
Empowerment, Innovation, Trade, Industry
and Commerce

For the European Commission



Mr. Valeriano Diaz
Head of Delegation
Delegation of the European Commission to Barbados
and the Eastern Caribbean



LIST OF ACRONYMS

ACP	Africa, Caribbean, Pacific
ACS	Association of Caribbean States
BLP	Barbados Labour Party
CARICOM	Caribbean Community
CARIFORUM	Caribbean Forum
CARTAC	Caribbean Regional Technical Assistance Centre
CDB	Caribbean Development Bank
CDE	Centre for the Development of Enterprise
CEDA	Caribbean Export Development Agency
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
CEHI	Caribbean Health Institute
CIDA	Canadian International Development Agency
CRIP	Caribbean Regional Indicative Programme
CRNM	Caribbean Regional Negotiating Machinery
CSM	CARICOM Single Market
CSME	CARICOM Single Market and Economy
CSP(s)	Country Strategy Paper(s)
CTA	Centre for the Development of Agriculture
CTO	Caribbean Tourism Organisation
DFID	Department for International Development
DIPECHO	Disaster Preparedness Programme
DLP	Democratic Labour Party
EC	European Commission
ECCB	Eastern Caribbean Central Bank
ECHO	European Commission Humanitarian Aid Office
ECLAC	Economic Commission for Latin America and the Caribbean
EDF	European Development Fund
EDUTECH	Education Sector Enhancement Programme
EEZ	Exclusive Economic Zone
EIB	European Investment Bank
EPA(s)	Economic Partnership Agreement(s)
EU	European Union
FA	Financing Agreement
FTAA	Free Trade Area of the Americas
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HPI	Human Poverty Index
HRD	Human Resource Development
ICC	International Cricket Council
ICT	Information and Communications Technology
IDB	Inter-American Development Bank
IFIs	International Financial Institutions
IICA	Inter-American Institute for Cooperation on Agriculture
ILO	International Labour Organisation
IMF	International Monetary Fund
IOM	International Organisation for Migration
IPPA	Investment Promotion and Protection Agreements
LAC	Latin America and Caribbean
MDG(s)	Millennium Development Goal(s)
MTR	Mid-Term Review
NAO	National Authorising Office(r)
NDP	National Democratic Party
NIP	National Indicative Programme

NSA(s)	Non-State Actor(s)
NSP	National Strategic Plan
NVQs	National Vocational Qualifications
OAS	Organisation of American States
OCT	Overseas Countries and Territories
OECD	Organisation for Economic Cooperation and Development
OECS	Organisation of Eastern Caribbean States
PEP	People's Empowerment Party
PPP	Purchasing Power Parity
PSIP	Public-Sector Investment Programme
RIP	Regional Indicative Programme
RSS	Regional Security System
RTA	Regional Technical Assistance
SALW	Small Arms and Light Weapons
SWAp	Sector-Wide Approach
TA	Technical Assistance
TCF	Technical Cooperation Facility
TRTA	Trade-Related Technical Assistance
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
US(A)	United States (of America)
USAID	United States Agency for International Development
WB	World Bank
WMD	Weapons of Mass Destruction
WTO	World Trade Organisation

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SUMMARY

The purpose of this Country Support Strategy is to provide a framework for EU assistance to Barbados under the 10th EDF. It outlines the current status of the bilateral relations, gives a detailed country diagnosis, summarises the Government's development agenda, reviews the past and present EC cooperation and the activities of other major donors and concludes with the proposed EU response strategy and the corresponding indicative work programme.

Barbados is a parliamentary democracy, independent since 1966, and is a member of the Commonwealth. The British monarch, represented by the Governor-General, is the Head of State. Executive power is exercised by the Prime Minister and his Cabinet. Over the period September 1994 to January 2008 the Government was formed by the Barbados Labour Party administration. From January 15, 2008, the Democratic Labour Party formed the new Government with the Honourable David Thompson as the new Prime Minister. Over the forty years since independence, Barbados has transformed itself from a low-income economy dependent on sugar production into an upper-middle-income economy, which relies heavily on tourism and financial services, but has been resilient in the face of external shocks. With a GDP of US\$3.4 billion (at current market prices) in 2007, a population of about 275,000 and a per capita income of US\$10,100 (at current market prices), poverty rates are the lowest in the Caribbean. Barbados has also received investment grade rating. After a deep recession in 1990, the Barbadian economy grew steadily at 3% to 5% during the 1990s before contracting again in 2001. Growth picked up again in 2003 at 2%, and the economy grew by 4.8% in 2004, 4.1% in 2005, 3.9% in 2006 and 4.3% in 2007 (Barbados Economic and Social Report 2007), despite the low rates of private investment and the sluggish performance of manufactured and agricultural exports.

Social indicators in Barbados are very good by Caribbean standards. Ever since the 1940s, successive governments have placed high emphasis on social development and have built up a strong legislative and institutional framework to plan and implement social policy. The 2007-2008 UNDP Human Development Report ranks Barbados 31st among all countries. The new administration sees Barbados becoming a "fully developed society that is prosperous, socially just and globally competitive" by the end of the first quarter of this century. Overall, the Plan outlines the framework for comprehensive economic diversification and restructuring that should in turn lead to enhanced competitiveness, flexibility and resilience of the economy, better governance and social cohesion. In addition, the Barbados Adaptation Strategy 2006–2014 targets transformation of sugar production into a sugarcane industry (including a fuel cane project) and diversification of the economy as a whole by means of human resources development, entrepreneurship, cultural industries and other measures. EC assistance focused on human resource development under the 7th and 8th EDF, while 9th EDF funds targeted the health sector in the form of sectoral budget support. Barbados is also a beneficiary of the EU/ACP Sugar Protocol.

The EC and the Government propose to allocate approximately 85% of the A envelope under the 10th EDF to a Skills Development Sectoral Support Programme. The specific objective is to strengthen skills and improve the employability of Barbadians in order to reduce vulnerability among the youth and to improve the economy's competitiveness, while taking into account its needs for environmental management. This focal sector is also in line with the EPA negotiations and implementation. The choice of a sectoral budget support scheme is supported by the Government's tight fiscal policy stance that continues to underpin macroeconomic adjustment efforts. There is also a precedent under the 9th EDF. 10% of the A envelope of the 10th EDF will be reserved for a Technical Cooperation Facility (TCF),

particularly to support non-State actors (NSAs) and to provide trade-related technical assistance (TRTA). The remaining 5% will go to technical assistance to the NAO.

PART I – STRATEGY PAPER

CHAPTER 1 – THE FRAMEWORK OF RELATIONS BETWEEN THE EC AND BARBADOS

1.1. General objectives of the EC's external policy

In accordance with Article 177 of the *Treaty establishing the European Community*, Community policy in the sphere of development cooperation is to foster:

- the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- the smooth and gradual integration of the developing countries into the world economy;
- the campaign against poverty in the developing countries.

Europe should project a coherent role as a global partner, inspired by its core values in assuming regional responsibilities, promoting sustainable development and contributing to civilian and strategic security.

The Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance and the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc.).

EU external action, including the Common Foreign and Security Policy, common trade policy and cooperation with third countries, provides a framework both for integrating all EU instruments and for developing gradually a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted the EU with even greater responsibilities, as regional leader and as global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

The EU policy objective of *strengthening regional cooperation between the ACP States and its overseas countries and territories (OCT) and outermost regions* is particularly important in the Caribbean, where there are several British and Netherlands OCTs and three French Departments (DOMs). In recent years, the DOMs have considerably strengthened their relationship with OECS countries, in particular within the framework of the EU Interreg III-B Caribbean Programme and the Association of Caribbean States (ACS), yet joint cooperation activities are still at an early stage of development. The Clovis Beaugard Conference (Martinique, 17-18 November 2005), gathering together for the first time the Caribbean DOMs and OCTs, CARIFORUM Member States, EU Member States (France, the Netherlands and UK) and the European Commission, paved the way for strengthening regional cooperation between the DOMs, OCTs and the neighbouring Caribbean countries and gave a commitment to work in the areas of trade and investment, interconnections, HIV/AIDS and natural disasters.

In an increasingly interdependent and globalised world, one of the major objectives of EU development policy is to assist developing countries to tie together the globalisation process better. EU cooperation has been primarily oriented towards ensuring that the full CSME and the development-oriented EU-CARIFORUM Economic Partnership Agreement (EPA) enter into force by January 2008. By establishing the EPA, the EU is seeking to help the Caribbean ACP partners to seize the opportunities offered by the new global challenges and to address transitional costs, by combining trade relations with very substantial support for economic and development cooperation.

1.2. Strategic objectives of cooperation with Barbados

The Treaty objectives are confirmed in Article 1 of the ACP-EU Partnership Agreement, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The primary and overarching objective of the EU development policy is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. This policy is pursued in line with the international agenda, with particular attention for the Millennium Development goals as well as the promotion of human rights and good governance. Cooperation between the Community and Barbados is geared to pursuing these objectives, taking into account the fundamental principles set out in Article 2, in particular encouragement of “ownership” of the strategy by the country and populations concerned, and the essential elements and fundamental element, as defined in Articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted European Consensus on Development sets the general policy framework at EU level. The primary and overarching objective of EU development policy is eradication of poverty in the context of sustainable development, in line with the international agenda and paying particular attention to the *Millennium Development Goals (MDGs)*. Human rights and good governance are recognised as other important objectives.

Better aid effectiveness is essential to achieving poverty eradication. Therefore the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multiannual programming based on partner countries’ strategies and processes, common implementation mechanisms, joint donor-wide missions and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States’ experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The purpose is that all EU non-aid policies make a positive contribution to developing countries’ efforts to attain the MDGs.

The principle of concentration will guide the Community country and regional programming. This means selecting a limited number of priority areas of action, through dialogue with partner countries, rather than spreading efforts in too many sectors. In this context, the Community will be primarily active in the following nine areas, bearing in mind its comparative advantages in a number of these: trade and regional integration; the environment

and sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile States; human development; social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS. Even if Barbados is not located in the area of the Caribbean which is particularly hurricane-prone, EC assistance is also geared to help the Government to reduce the risk and impact of natural disasters.

Support to tackle HIV/AIDS and other major endemic health problems in the region is a priority for the Caribbean. To this end, the EU will continue to replenish the Global Fund to Fight AIDS, Tuberculosis and Malaria and has already published a Communication on combating HIV/AIDS (COM(2005) 654 final).

1.3. Main bilateral agreements

With effect from 2006, Barbados has signed bilateral agreements to avoid double taxation and prevent tax evasion with the following countries: United Kingdom (by virtue of the 1954 Agreement between the UK and Barbados), Finland, Malta, Sweden and, more recently, Austria and the Netherlands, and also with Switzerland and Norway. The terms of these agreements vary considerably, but the general effect is to provide for exchanges of tax information, strengthen bilateral intellectual property protection, give benefits to nationals working and investing in the partner countries and enhance opportunities for trade and investment in the partner countries. Barbados is also seeking to conclude new bilateral tax and investment agreements with Ireland, Italy and France.

To cement their close relationship, the UK and the Caribbean countries meet every two years to discuss key issues of concern between the region and the UK. The 5th UK-Caribbean Forum (Barbados, 26-28 April 2006) discussed the impact of the reform of the EU sugar regime on the Caribbean, the need for human resource development, capacity-building for legal drafting, further debt relief and support for the CSME-RDF and national and regional security issues ahead of the 2007 ICC Cricket World Cup.

CHAPTER 2 – COUNTRY DIAGNOSIS

2.1. Analysis of the political, economic, social and environmental situation in Barbados

2.1.1 Political and institutional situation

Barbados is a parliamentary democracy, independent since 1966, and is a member of the Commonwealth. The British monarch, represented by the Governor-General, is the Head of State. Executive power is exercised by the Prime Minister and his Government. The bicameral Parliament consists of the House of Assembly and the Senate.¹ The 30 members of the House are elected by universal suffrage for five-year terms, while the Senate's 21 members are appointed by the Governor-General – 12 on the recommendation of the Prime Minister, 2 on the recommendation of the leader of the opposition and 7 at the Governor-General's discretion. The judiciary is independent and consists of Magistrate Courts, which are statutorily authorised, and a Supreme Court, which has a mandate under the Constitution. In 2005, Barbados replaced the UK Privy Council, which had previously served as the final Court of Appeal, by the Caribbean Court of Justice as its highest judicial body. The island is divided into 11 parishes. The capital, Bridgetown, is located in the parish of St Michael. There is no local government.

The main political parties of Barbados are the Barbados Labour Party (BLP) and the Democratic Labour Party (DLP). A new political party, the People's Empowerment Party (PEP), was formed in 2005. Over the period September 1994 to January 2008 the Government of Barbados was formed by the Barbados Labour Party. There was a recent change in government as the Democratic Labour Party under David Thompson won the 2008 General Election.

Barbados ranks very highly with respect to protection of human rights. It has a long history of enforcing these rights. In terms of compliance with international agreements on human rights, Barbados ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) in 1980 and the Convention on the Rights of the Child in 1990. Notwithstanding these facts, the country has not ratified a number of essential international human rights conventions, such as the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT) and the Second Optional Protocol to the International Covenant on Civil and Political Rights. The European Union will therefore promote, by political dialogue, ratification of all these instruments and abolition of the death penalty, which still exists under Barbadian law.

Concerning security issues, the results of the Barbados crime survey conducted in 2002 showed that Barbados had one of the lowest crime rates of the 35 industrialised and developing countries which recently took part in the International Crime Victimization Survey. It found that Barbadians are more likely than people in most countries to think that the police do a good job in controlling crime and in being helpful. Since 2002, Barbados has witnessed significant decreases in crime. For example, between 2002 and 2005 serious crimes fell by 22%, crimes against visitors by 48%, crimes involving firearms by 29% and overall

¹ The Barbados House of Assembly, which began meeting in 1639, is the third oldest legislative body in the Western hemisphere – predated only by Bermuda's legislature and the Virginia House of Burgesses.

reported crime by 19%. Compared with other Caribbean countries, Barbados recorded below-average rates of vehicle theft, theft from vehicles, vehicle vandalism, robbery and assault, and well below-average rates for personal theft, sex offences, consumer fraud and corruption. Trafficking and abuse of illegal drugs, however, continues to be a major concern for law enforcement agencies in the region due to its geographical location between the major drug-producing nations in South America and the major drug-consuming nations in North America. Barbados has ratified the Rome Statute of the International Court of Justice and has not concluded a bilateral “non-surrender” agreement with the USA in relation to Article 98 of the Statute.

2.1.2 Economic and commercial situation

Overview

Over the forty-one years since independence, Barbados has transformed itself from a low-income economy dependent on sugar production into an upper-middle-income economy, which relies heavily on tourism and financial services. Generally, it has been resilient in the face of external shocks.

With a GDP of US\$3.4 billion (at current market prices), a population of about 275,000 and a per capita income of US\$10,100 (at current market prices), poverty rates are the lowest in the Caribbean. Barbados is also one of only six countries in Latin America and the Caribbean with an investment grade rating and has the highest per capita income in the Eastern Caribbean.

Tourism drives the Barbados economy, but the international business and financial services sector has become an increasingly important source of foreign exchange and economic growth. As at December 2007, the sector included 3 trust companies, 11 finance companies, 55 offshore banks, 2448 registered international business companies (IBCs) and 164 exempt insurance companies (EICs).

It is noteworthy that in this regard the transparency and tax information exchange features of Barbados’s tax system raised no concern on the part of the OECD. Barbados has, however, recognised that this does not preclude potential vulnerability to inappropriate use of its tax system, including the legislation relating to the international business and financial services sector. This vulnerability is faced not only by Barbados but also by other countries, including those in the EU. Barbados is therefore continuing to work with the CFATF, the FATF and the IMF mutual evaluation mechanisms to identify and address potential weaknesses with a view to taking active steps to ensure the integrity of its fiscal systems.

The sugar industry, once dominant, now generates less than 1% of GDP and employs a permanent workforce of approximately 800 people. The Barbados labour force comprised 143 700 persons at the end of 2007, with an unemployment rate of 7.4%. The Government and the private sector have been working to prepare the country for the CARICOM Single Market and Economy (CSME), a European Union-style single market launched in January 2006. The year 2008 has been set as the target for completion of policies and programmes for the initial framework for the Single Economy.

Recent economic performance

From 1993, growth rates averaged between 3% and 5% except in 2001, when the economy contracted by 2.6% in the wake of the September 11 terrorist attacks and the global drop-off in tourism. Over the last five years, the economy has grown by 4.8% in 2004, 4.1% in 2005, 3.9% in 2006 and 4.3% in 2007. Recently, economic activity has been boosted by the growth in the sectors producing non-tradable goods. The average rate of unemployment dipped from 8.7% in 2006 to 7.4% in 2007.

Growth has been hampered by low rates of private investment and the sluggish performance of manufactured and agricultural exports. Even during the period of relatively good performance in the 1990s, private investment remained low. Over 1995–2003, for example, it averaged 13% of GDP, compared with 22% for CARICOM as a whole. The strong growth of imports has overshadowed the growth in exports, thus contributing to the weakening of the current account balance over time. The surpluses of the mid-1990s were replaced by deficits averaging over 6% of GDP up to 2003. In 2004 and 2005 the current account deficit peaked at 12.7% and 12.1% respectively. Despite having narrowed to 8.6% in 2006, it is still high even though it fell to 7% in 2007.

With regard to public finances, the Government instituted a countercyclical fiscal policy aimed at promoting economic activity and upgrading the productive sectors, particularly tourism, to counteract the recession in 2001 and 2002. This resulted in a precipitous increase in the fiscal deficit and in debt. The fiscal deficit (central Government) soared from 2.5% in 2000/01 to a high of 6.4% in 2002/03. Extra-budgetary spending also rose in support of construction activities geared to boosting investment in the economic and social sectors, such as the redevelopment of the Hilton Hotel and the Grantley Adams International Airport. Once the recession abated, measures were put in place to reduce the deficit: in 2003 it fell by more than half to 3% of GDP, fell slightly to 2.2% in 2004, increased to 4.3% in 2005, before improving to 2% in 2006. It was estimated to have increased to 4.4% in 2007. In 2005, central Government debt was 81.5% of GDP, dropping to an estimated 76.6% in 2006 and 76.3% in 2007.

Accompanying the robust growth in the economy has been a significant increase in the average rate of inflation between 2005 and 2007. The average rate of inflation spiked in 2005 and 2006 at 6.1% and 7.3% respectively – up from 1.4% in 2004 – owing in large measure to the increase in international oil prices. However, inflation decelerated to 4.1% in 2007.

Structure and management of public finances

A complete public finances management (PFM) assessment based on the PEFA/PMF methodology was conducted in October 2006 for the period 2003 to 2006. A previous PFM review was completed in 2003. As part of the arrangements for reviewing improvements in PFM systems under the 9th EDF SBS Health Sector Programme, bi-annual PFM updates are undertaken by external consultants. The most recent update was completed in August 2007. In general, PFM systems in Barbados are regarded as sound, with a solid legal basis. The Ministry of Finance has a strong record of maintaining aggregate fiscal discipline and, over the years, has moved to more efficient and effective systems capable of supporting greater emphasis on service delivery and improved allocation efficiency without loss of control and accountability. However the Government has acknowledged that there are weaknesses and potential for improvements in their PFM systems. The main weaknesses identified in the 2006

assessment included tax administration particularly with regard to revenue collections (tax and non tax) and the lack of policy-based budgeting. In addition the report highlighted that increasing numbers of autonomous or semi autonomous agencies (Statutory Boards and Commissions) would eventually undermine accountability and control, unless more effective reporting and oversight were instituted. Also the non-functioning Public Accounts Committee was seen as undermining the overall accountability of Parliament for ensuring effective scrutiny of the budget. The 2006 PEFA and most recent PFM Update have confirmed the Government commitment to addressing these weaknesses through several key and major initiatives including modernisation of tax administration, progressive introduction of multi-year budgeting and a shift from cash- to accrual-based accounting.

Assessment of the reform process

The Government of Barbados has made significant progress with adjustment of the fiscal deficit. The Government has committed itself to further reduction in the medium term while the external economic environment remains favourable. This will ensure that adequate reserve cover is maintained and that the debt ratio is placed firmly on a declining path. It would also help to relieve the burden on monetary policy to shore up the reserve position and to facilitate adequate credit growth to support private investment and economic activity.

The Government has also made a strong effort to trim expenditure and is in the process of improving the tax administration system by streamlining the revenue collection agencies. These measures would partially offset the projected revenue loss from the decline in customs duties as a result of trade liberalisation. The authorities' efforts to promote private-sector participation in provision of economic infrastructure and services is a positive sign, but the expenditure commitments and legal arrangements associated with these projects will need to be carefully monitored and controlled.

In brief, there is scope to accelerate structural reforms in a wide range of areas. The Government has already made significant progress, including "corporatisation" of the airport authority. It has also introduced greater openness and competition in the telecommunications sector. The Government is now focusing on reforms relating to the budgetary process, tax policy and privatisation and is committed to further trade and carefully phased capital account liberalisation in the context of the CSME. At the same time, there is scope to accelerate and deepen the structural reform effort, including removing import and export licences as far as feasible, reforming the sugar sector, increasing labour market flexibility and rationalising fiscal incentives.

Trade policy and external environment, in particular regional cooperation agreements and EPA

Barbados hosts a number of regional organisations, the most important of which are the Caribbean Development Bank (CDB), the Caribbean Export Development Agency (CEDA), the Caribbean Tourism Organisation (CTO) and the Caribbean Disaster and Emergency Response Agency (CDERA). It is a member of CARICOM (the Caribbean Community) and the Association of Caribbean States (ACS). CARICOM members are in the process of establishing a Common Single Market and Economy (CSME) that will include not only a fully functioning common market, but also harmonisation of macroeconomic policies and eventual monetary integration. Barbados, along with Belize, Guyana, Jamaica, Suriname and

Trinidad and Tobago, signed an agreement in January 2006 to establish the common market, while the OECS countries similarly indicated their intention to do so at the time. The OECS eventually signed in July 2006. The ACS, established as a mechanism for consultation, cooperation and concerted action, brings together all the countries of the Caribbean Basin (the sovereign states of Central America, CARICOM, Cuba, the Dominican Republic, Colombia, Mexico and Venezuela). Barbados also belongs to the group of 16 ACP States which make up the Caribbean Forum (CARIFORUM).

The envisaged reduction of import duties in the context of WTO (Doha Development Round) and the EPA, as well as the change of the market conditions for sugar in the context of the reform of the EU sugar regime, are expected to affect some of the traditional agricultural and manufacturing products of Barbados. Accordingly, the authorities' structural reform agenda is supporting urgent development of new productive activities, notably services. Capital flows have been liberalised for the OECS, except for outward investment in Government securities. For other CARICOM members, capital outflows are restricted to private equity investment. Controls remain in place vis-à-vis the rest of the world for all capital outflows from Barbados.

The EU and the African, Caribbean and Pacific (ACP) countries had been working to put in place new Economic Partnership Agreements (EPAs) by the start of 2008. The EPAs aim at progressively and asymmetrically removing barriers to trade and enhancing cooperation in all areas related to trade. They also aim at providing an open, transparent and predictable framework for goods and services to circulate freely and to promote incoming investment, thus increasing the competitiveness of the ACP countries.

On 16 December 2007 the European Commission initialled a comprehensive EPA with Barbados and the other CARIFORUM countries (CARICOM plus the Dominican Republic) covering all areas under negotiation.

The general approach is to build on and reinforce regional integration in the Caribbean (market-building) and, in subsequent market opening, to use asymmetric flexibility for the benefit of the Caribbean in terms of product coverage and periods for tariff elimination, thereby helping to promote sustained wealth creation and development.

Medium-term economic prospects

Economic activity in Barbados is expected to continue to grow, anchored by the tourism industry and the international business and financial sector, as the Government of Barbados moves to increase marketing activities and to create a more enabling environment. Increasing levels of international competition will prove challenging to the agriculture and manufacturing sectors where there has been no strong growth in recent years. Non-traded real sector activity is expected to be buoyant given continuing higher investor confidence resulting from greater concentration on adequate housing for the population and an increase in the tourism plant. The rate of unemployment is expected to continue to be relatively low.

The authorities are committed to continuing structural reforms in order to sustain growth and competitiveness over the medium term, while continuing policies which will safeguard the fixed exchange rate and maintain a stable environment conducive to economic growth. Central Government revenue is likely to rise in line with growth in economic activity, despite reductions in the marginal rate of corporation tax and changes to the income tax arrangements. Growth in revenue will have to exceed growth in expenditure if the targeted overall deficit of 2% of GDP is to be maintained. The external trade current account is not

likely to improve significantly in the short term as many of the initiatives to build new capacity in the productive sectors will take time to be implemented.

The September 2007 Article IV mission focused on streamlined consultations around the Government's decision fully to liberalise the capital account which marks a milestone in its strategy of regional and global integration. While the removal of remaining controls is unlikely to trigger major market reactions, it does entail medium-term risks. Liberalisation heightens the threat of sudden capital reversals that could undermine the peg in the absence of an adequate reserve cushion. Policies should aim to contain these risks. Discussions with the Fund have therefore focused on three critical policy areas.

(i) *Fiscal consolidation* — to bolster international reserves and reduce public debt in order to ensure the sustainability of the peg and an effective policy response to shocks. The policies announced are unlikely to achieve the Government's debt objective. A more ambitious target of eliminating the public-sector deficit, excluding the NIS position, by 2012 would put the debt ratio on a firmly declining trend. The Government has a range of options to achieve such savings, including reining in future projects, in particular the multi-purpose sugarcane plant project. Other options include improving tax administration, raising VAT rates, reducing tax exemptions and adjusting selected utility tariffs. Consolidating the activities of all public entities would also facilitate proper planning.

(ii) *Market-based monetary policy instruments* — to manage domestic liquidity in a more volatile environment. The Central Bank is rightly preparing a shift to indirect policy instruments. Preparations to activate the discount facility as the main vehicle for managing liquidity are progressing well, but to allow time for the market to develop, the minimum deposit rate should be phased out gradually.

(iii) *Financial sector regulation and supervision* — to guard against excessive exposure in an open capital account environment, plans to improve prudential oversight of the financial sector are expected to be investigated given the need for swift implementation. Attention is being given to finalising and implementing pending guidelines and legislation, establishing a strong Financial Services Commission to supervise the non-bank sector and pressing for an effective supervisory framework at regional level.

2.1.3 Social situation, including decent work and employment

Barbados has invested heavily in social development. Ever since the 1940s, successive Governments have placed considerable emphasis on social development and have built up a strong legislative and institutional framework for planning and implementing social policy. The Human Development Report ranked Barbados 31st out of all countries in 2007-2008 in terms of adult literacy, school enrolment, life expectancy at birth and per capita gross domestic product (GDP). Nonetheless, there are still a number of social challenges facing the nation, including small but concentrated pockets of poverty within society and an increase in lifestyle-related diseases such as diabetes, hypertension and heart disease. Respiratory ailments are also on the increase. HIV/AIDS likewise poses challenges to the overall development of the country. The Government has been proactive in seeking to extend its HIV/AIDS programmes and negotiating a new Phase II project with the World Bank.

Education

The State provides free public education from pre-primary to university level. Education is compulsory for children between the ages of 5 and 16 and the net enrolment rate in primary and secondary education is 100%. A number of programmes such as provision of school meals at primary level, a text book loan scheme, transport assistance, a uniform grant, bursaries to the few private secondary schools and a wide range of grants and scholarships at tertiary level are designed to ensure the active participation of all students.

Given universal access to primary and secondary education, attention is shifting towards correcting the weaknesses that remain in the system and improving quality. Attempts to increase the number of students leaving secondary school with adequate certification and to make the curriculum more relevant to Barbados's development needs and to its integration into a more liberalised and global environment are among the current policy priorities. With regard to tertiary education, the national strategic objective is to have one tertiary level graduate per household by 2015. Furthermore, premised on the assumption that early learning experiences contribute to the sound educational development of children, the Government is now targeting universal access to early childhood education.

The economy's demand for skilled labour accompanied by the exodus of nurses and teachers to the developed world have resulted in shortages in these areas. The economy needs to respond to this challenge while addressing its other objectives in the areas of education and training.

Health

The health sector has been undergoing reforms in response to the changing social and economic environment as Barbados has started to face an increasing number of new challenges. These include, among others, an ageing population, environmental risks, the threat posed by HIV/AIDS and new and re-emerging diseases and, last but not least, the increased cost of providing adequate health care. Free health care is provided to citizens at the primary, secondary, and tertiary care levels.

Concerning HIV/AIDS, the epidemic in the Caribbean is the worst in the Western hemisphere and is second in magnitude only to that in Sub-Saharan Africa. Haiti is by far the worst affected by the disease. Better reporting systems in Barbados and Bahamas are contributing to a better understanding of the magnitude of the epidemic (World Bank, 2001).² Statistics reveal the following figures on the epidemic in Barbados: 89% of the reported cases fall within the economically productive age group of 25-49 years; one in every four cases reported is a woman; and the number of HIV-infected cases rose cumulatively from 2 in 1984 to 2 999 by March 2005, although over the last five years the absolute number of HIV-AIDS deaths has been declining significantly (from 80 in 2000 to 9 in 2005). This reduction is due to the significant investment in HIV/AIDS awareness which emphasises healthy lifestyles and safe sex practices combined with the introduction of free anti-retroviral drugs to persons infected by HIV/AIDS.

With respect to health-care financing, the challenge facing the Ministry of Health is to ensure equity in access to health care, provide adequate levels of nursing, improve efficiency in the

² World Bank, *HIV/AIDS in the Caribbean: Issues and Options*, 2001.

delivery of treatment and sustain current levels of health care. In 2003, the Government adopted the Barbados Strategic Plan for Health 2002-2012 which takes an integrated approach to secure the national vision of health, safety and prosperity based on the challenges the system has to face. In 2004, health-sector investment, which was estimated at 12.9% of the total public investment, focused largely on HIV control and prevention and on solid waste management. This trend continued in 2005.

Social protection

Barbados has developed an extensive social protection network, which includes a social security system and both public and private pension schemes. Moreover, Barbados is the only Caribbean country that has an unemployment insurance scheme, which is intended to assist contributors at times when they are temporarily out of work for up to a maximum of 26 weeks, but may also provide for retraining to enhance their prospects for re-entering the workforce. The Government has proposed to boost efforts to retrain present beneficiaries of the unemployment scheme by establishing a \$10 million retraining fund for this purpose. The National Insurance Board will manage the Fund and will collaborate with its parent ministry and the Ministry of Education and Human Resource Development on determining the nature and content of the programmes to be funded. The pension scheme also offers wide coverage in Barbados. However, its sustainability is challenged by the low birth rate that is tilting the balance between contributors to and recipients from the pension system. The Government therefore undertook a series of reforms geared to ensuring sustainability, including a gradual increase in contributions and an increase in the retirement age.

Employment

The official unemployment rate has ranged between 7.4% to 10% over the past five years, having fallen precipitously since the early 1990s when it reached a high of 24.3% in 1993. It can be said that since 2000 the unemployment rate in Barbados has stabilised around 10%, being slightly lower for males than for females, and declining to about 8% over the last few years. This is primarily due to the sustained growth recorded in the construction and tourism sectors during the last decade.

Although Barbados has attained high standards in education, major gaps persist with labour skills and productivity. Despite an overall surplus of labour, with unemployment standing below 10%, there are critical labour shortages in specific professions. This suggests that the vocational training and tertiary education institutions need to be better aligned with the needs of the business sector. Accreditation of skilled labour is another area that warrants attention to facilitate labour mobility. The Government of Barbados is actively developing a system of accreditation at national level for skilled persons in the form of introducing the National Vocational Qualifications (NVQs). A regional effort is also being made to harmonise accreditation across CARICOM. The institutional framework for the labour market is relatively sound, reflecting the policy developments and engagement of the major social partners. However, it needs to be reviewed and updated to increase flexibility in the light of technological changes that are transforming the way the international marketplace functions. The need for reforms in favour of productivity-based payment schemes has already been recognised under the social contract. The National Productivity Council has a mandate to facilitate these programmes.

Putting the situation into context, therefore, the challenges facing Barbados are access to basic education or overall quality, but more so the relevance of that education to opportunities available on the global market. Indeed, the requisite skills for employment have changed drastically over the past decade and education itself has broadened from a specific cohort to a more lifelong nature. As a result, skills training is required not only for what used to be considered technical and vocational areas, but now also for communication, employability, entrepreneurship, negotiation, human relations and other skills as well.

2.1.4 Environmental situation

In Barbados, flooding has resulted in significant soil erosion and crop losses every year. The runoff has also had an adverse impact on coastal water quality and natural coastal water habitats. Strong sea surges due to adverse weather have resulted in beach erosion from time to time. The country also faces an annual hurricane peril that could adversely affect economic development by damaging tourism assets and reducing tourist arrivals and earnings, causing destruction of the natural environment and necessitating unanticipated fiscal spending that could set back economic stability. In response to this threat, the Government has strengthened its disaster preparedness and mitigation efforts and has sought to pursue adequate insurance measures, both in the formal sense and in terms of a fiscal margin for such a possibility. Sea level rise, manifested in serious beach erosion along the island's coasts, is another major challenge. Programmes are being developed to mitigate this threat, including work by the Coastal Zone Management Unit and promotion of ozone-safe practices both at home and abroad.

Barbados is also regarded as a country where water is scarce. So far, however, the country has managed to provide universal water supply. However, expansion of economic activity, especially in the tourism sector, depends critically on the availability of fresh water. The water supply faces several challenges. The operations of the Barbados Water Authority are subsidised by the central Government. Public policy is to ensure access to water for all at affordable rates. However, the need to subsidise the water sector has been due largely to challenges in the water production and distribution system. The Government has decided that the availability of water must not act as a limiting factor on economic development and has begun to pursue a major programme to reduce water losses and augment water sources. There are also concerns over the management of waste water as this has implications for public health and the competitiveness of the tourism sector. Investments have been made to address these challenges. The Bridgetown and the South Coast Sewerage Projects were examples of such investments. A major sewerage project is now being planned for the island's West coast.

Climate change is already having significant and serious impacts on developing countries as highlighted in the recent reports of the Intergovernmental Panel on Climate Change (IPPC). These impacts will increase over years and decades to come and are projected to include wide-scale flooding, increased risk of epidemics and famine due to water contamination and loss of arable land and, significantly for the island nations such as Barbados, an increase in extreme weather events such as cyclones and hurricanes. Projected sea level rise will affect coastal areas. Climate change is a threat to development and diminishes the chances of achieving the Millennium Development Goals. In this context, adaptation to climate change becomes a pre-condition for sustainable development.

2.1.5 Barbados in the international context

As a founding member of the 15-member Caribbean Community and Common Market (CARICOM), Barbados is playing a leading role in efforts to deepen regional integration by establishing a CARICOM Single Market and Economy (CSME). The CSME embodies steps to liberalise the movement of goods, services, persons and capital and the right of establishment within the Caribbean Community. This amounts to an enlargement of the market for goods and services and of the economic area for resource allocation and investment. In addition, regional cooperation will give Barbados a louder voice in negotiations in international arenas such as the World Trade Organisation (WTO) and the EU/ACP. Deeper CARICOM integration will help Barbados to overcome its limitations in terms of resources and market size and to capitalise on its existing advantages. The proposed lifting of restrictions on cross-border investment in services and rules of establishment under the CSME will facilitate greater investment in Barbados and allow Barbadian financial, tourism management and other service companies to build on their strengths, investing within the region and acquiring experience to compete in a wider, global context. Greater competition will encourage stronger firms to grow and will weed out the less efficient. The free movement of labour will help restrain the growth of wage costs in Barbados, while access to lower-cost resources and products in other countries will help to moderate prices.

Migration is another important factor concerning Barbados at international level as it has been the major contributor to population change in the country. Barbados has reached the final stages of the demographic transition, with low fertility and mortality rates. Barbados has one of the largest concentrations of immigrants, with 12.3% of all Caribbean migrants in the region. The net migration rate in Barbados in 2006 was -0.31/1000 people. The main destinations for emigration have been Europe, Canada and the USA.

In 2005 Barbados accepted an invitation from the OECD to participate in its Global Forum on Taxation aimed at working towards a level playing field between OECD and non-OECD countries by implementing agreed principles of transparency and exchanging tax information. In addition to participating in the last Global Forum on Taxation in Melbourne from 15 to 16 November 2005, Barbados also responded to the OECD survey questionnaire on transparency and tax information exchange and participated in the exercise for updating the factual assessment as on 1 January 2007.

2.2. Poverty reduction analysis

The 2007/2008 Human Poverty Index (HPI-1) value for Barbados (3%) ranks the country 1st out of the 108 developing countries for which the index was calculated.³ It must be added that there are no up-to-date comprehensive data on poverty. The last comprehensive survey was undertaken in 1996 by the Inter-American Development Bank. Proxies for the extent of poverty are taken from informal surveys and by examining the number of persons seeking assistance from welfare agencies. A small survey was undertaken with the assistance of the Commonwealth Secretariat in 2003 but it concentrated on only a few communities.

³ The Human Development Report 1997 introduced the human poverty index (HPI), which focuses on the proportion of people below a threshold level in basic dimensions of human development – living a long and healthy life, having access to education and a decent standard of living, much as the poverty headcount measures the proportion of people below a certain income level. HPI-1 measures human poverty in developing countries. Ref: http://hdr.undp.org/statistics/data/country_fact_sheets/cty_fs_BRB.html.

Based on the 1996 data, it is estimated that approximately 7 000 households, or 35 000 people, are living below the poverty line in Barbados. This equals 8.7% of all households or approximately 13.9% of the total population. 59% of these households are headed by females and 57% of the poor families are headed by single parents. Moreover, 54% of the heads of households have only primary education, whereas just 40% have secondary-level education. In addition, most of the poor are found in urban Barbados. These variables – namely, gender, educational attainment, employment and geographical location (urban) – have become the primary considerations in formulation of policies and programmes to combat poverty.

Although extreme poverty is not pervasive in Barbados, the existence of small but concentrated pockets prompted the Government to put poverty at the top of the national development agenda.⁴ Successive Governments have always adopted multi-dimensional approaches to poverty, on the basis that the economic and social dimensions of development are inextricably linked.

The Government of Barbados has therefore made a firm commitment to improve the availability of adequate data on poverty. This commitment led to the establishment of a Research and Planning Unit in the Ministry of Social Transformation in 2006 and preparations for a comprehensive national survey on poverty/assessment of living conditions which is expected to be launched in the latter half of 2008. The survey will be funded in part by a grant of US\$250, 000 from the Caribbean Development Bank. A national consultation on poverty to support this initiative was held in early July 2006. This adds further impetus to the initiatives to eradicate poverty which culminated in establishment of the Ministry of Social Transformation in 1999 which brought together virtually all the agencies dealing with poverty across the public sector. Successive governments have also invested heavily in education, health care, housing and the provision of social safety nets as a means of fighting against poverty.

The strategies and programmes pursued by Barbados to combat poverty give priority to developing and modernising public institutions and social management, strengthening mechanisms for participation by civil society to overcome poverty and discrimination, promoting and financing social investment and implementing strategies and programmes to combat marginalisation and discrimination against women, indigenous people and other vulnerable groups, including children and the elderly. They also include initiatives to empower communities and develop community-based organisations.

2.3. The development strategy of Barbados

In December 2006 the Barbados Parliament adopted the “National Strategic Plan of Barbados 2006–2025: Global Excellence, Barbadian Traditions”, which was the fruit of wide consultations with key stakeholders in the private sector, the labour movement and civil society. It describes Barbados’s vision of becoming a “fully developed society that is prosperous, socially just and globally competitive” by the end of the first quarter of this century. Overall, the Plan outlines the framework for comprehensive economic diversification and restructuring that should in turn lead to enhanced competitiveness, flexibility and resilience of the Barbadian economy, better governance and social cohesion.

⁴ “Barbados – Poverty reduction strategies pursued during the last decade”, Ministry of Social Transformation, October 2003.

The Plan proposes six strategic goals in pursuit of the national vision for 2025. These are: (i) unleashing the spirit of the nation; (ii) new governance for new times; (iii) building social capital; (iv) strengthening physical infrastructure and preserving the environment; (v) enhancing Barbados's prosperity and competitiveness; and (vi) branding Barbados globally.

The new Government has committed to the overall goals of the National Strategic Plan but is reviewing it with a view to further streamlining and reprioritising. Significant emphasis is expected on social capital development early in the period.

The main issues deciding short- to medium-term priorities are: (i) the deterioration of the balance of payments and associated international reserve loss, and the consequent need to raise competitiveness; (ii) the extensive changes in international economic conditions following the World Trade Organisation (WTO) changes and impending changes in trade relations with the EU; (iii) the need to achieve full readiness to implement the CSME; and (iv) the need to prepare to seize the opportunities stemming from hosting the final of the ICC Cricket World Cup in 2007.

Based on these considerations, the Government has formulated a package of measures, supported by spending allocations, to strengthen service orientation and performance, foster tourism growth and international business and financial services, reduce taxes, modernise tax administration and strengthen export promotion. In the social sector, the Government is committed to enhancing support for youth programmes, assistance for integration of persons with disabilities and the building of local government through the development of Constituency Councils geared toward reducing bureaucracy and enhancing effectiveness at the community level. The Government also committed itself to broadening the economic base following the impetus of the International Cricket Council (ICC) World Cup in 2007.

The Government of Barbados has set an indicative medium-term growth target of 3%-5%. Given a population growth rate close to zero, this translates into real *per capita* growth of nearly 3%-5%. This conservative growth target reflects the authorities' emphasis on maintaining a balance between economic growth and stability and their concern about the need to exercise some demand restraint in the face of the widening balance of payments deficit.

Out of awareness that the country will not be able to compete, in the long term, selling bulk raw sugar on a market with lower prices, the Government of Barbados has started to explore more sustainable economic activities for the sugarcane industry. In this light the Barbados Adaptation Strategy 2006–2014 was developed. The Strategy envisages two complementary strategic lines of action. The first, the sugarcane industry component, consists of the plan for transformation of the sugar industry into a sugarcane industry and implementation of the fuel cane project. The second line of action, the economic diversification component, recognises the need for complementary economic reforms to support the adaptation to changes in the EU sugar regime. Wider economic diversification will be achieved by means of the following strategic action:

- enhancement of research, innovation and development capacity;
- human resources development;
- creation of an entrepreneurial society;

- development of cultural industries;
- development of an efficient and reliable energy sector;
- development of the business and financial services sector and the non-traditional services sector.

2.4. Analysis of the viability of current policies and the medium-term challenges

The most fundamental challenge facing Barbados at the moment is the need to raise its level of competitiveness relative to that of its main trading partners.⁵ The competitiveness of firms depends on country-level competitiveness as well as on specific product markets and the firms' internal characteristics. Barbados's competitiveness has already been showing symptoms of decline in recent years, especially in manufacturing and agriculture.

The clearest overall indication of the weaker competitiveness of Barbadian products is the drop in the country's balance of payments current account – from a comfortable surplus in the early 1990s to a widening deficit in more recent years. In general, studies have found that Barbados does not have a sufficiently competitive merchandise export sector.⁶ The contraction of the sugar industry has played a major role in declining merchandise export earnings, as sugar earnings fell from BDS\$106 million in 1980 to approximately BDS\$46.3 million in 2007, just above the BDS\$44.6 million earned from the 2006 sugar crop. The majority of the sugar produced is exported to meet Barbados's agreed quantities under the Sugar Protocol with the EU. This quota was adjusted to 32,097 tonnes in 2004 while in the 1960's Barbados was producing close to 200,000 tons of sugar. Earnings from rum exports have surpassed those of sugar with rum earning BDS\$44.3 million in 2006 and BDS\$67.5 million in 2007.

Another sign of weakness is the downward trend in the investment/GDP ratio. This fell from 25% in 1980 to just over 15% in 2002. Over that period, the Barbados ratio has averaged a higher percentage than Latin America and the Caribbean as a whole but lower than the high-growth economies of Asia. Although data on productivity are limited, the available indicators also suggest that productivity has failed to keep pace with wages. In addition, prices for Barbadian products have risen relative to those of its trading partners.

Furthermore, Barbados continues to face a series of critical challenges typical of small, open, island economies. In particular, it is vulnerable to international economic shocks and natural disasters, which are heightened by its undiversified production structure and high infrastructure costs relative to the population and the tax base.

One weak spot of immediate relevance is the country's dependence on imported petroleum products. The current round of rising oil prices adds to the urgency of finding renewable alternative energy sources. Barbados produces a small amount of oil but its main source of

⁵ This section builds on the assessment conducted by the Inter-American Development Bank (IDB) of the competitiveness challenges faced by Barbados. The Bank's Competitiveness Strategy defines competitiveness at country level as "the quality of the economic and institutional environment for the sustainable development of private productive activity and the increase in productivity."

⁶ Jessen, Anneke and Vignoles, Christopher "Barbados: Trade and Integration as a Strategy for Growth", IDB – INTAL – ITD Occasional Paper #28, 2004.

energy is imported petroleum products, which accounted for approximately 19% of its total import expenditure in 2007. Higher petroleum prices will affect Barbados by widening its current account deficit, given the lack of an automatic pass-through mechanism from international prices to consumer prices to curb consumer demand. Under these circumstances, Barbados needs to adopt both short-term and long-term strategies to address the problem of rising energy costs. In the short run, the emphasis will be placed on implementing measures to curb petroleum consumption in response to rising prices. In the long run, it will be necessary to look for alternative, renewable sources of energy.⁷

Many factors lie behind the competitiveness challenge in Barbados. These include: relatively high utility costs, with electricity being one example (increased competition has, however, resulted in a significant reduction in telecommunications costs); inadequate transport infrastructure; difficulties for small firms to gain access to finance; weaknesses in public- and private-sector management; labour market rigidities; the low integration of information and communication technology (ICT) into business activity; and inadequate availability and use of statistical information by both the public and private sectors.

At the same time, Barbados has many advantages on which it can build a stronger competitive position in the world economy, particularly its high levels of social development and stable government, institutions and economy. Deeper CARICOM integration will help Barbados to overcome its limitations in terms of resources and market size and to capitalise on its existing advantages. The proposed lifting of restrictions on cross-border investment in services and rules of establishment under the CSME will facilitate greater investment in Barbados and allow Barbadian financial, tourism management and other service companies to build on their strengths, investing within the region and acquiring experience to compete in a wider, global context. Greater competition will encourage stronger firms to grow and will weed out the less efficient. The free movement of labour will help restrain the growth of wage costs in Barbados, while access to lower-cost resources and products in other countries will help to moderate prices.

⁷ Sugar production for fuel grade ethanol may be an option, as studies show it that it becomes profitable at oil prices above US\$30 per barrel (Hertford, Reed: "Barbados: Agriculture's Competitiveness. Report of a study carried out for the IDB", 2005). The present movement of prices above US\$60 per barrel raises the viability of this option.

CHAPTER 3 – OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY

3.1. Overview of past and present EC cooperation (lessons learned)

EC assistance focused on human resource development under the 7th and 8th EDF, while 9th EDF funds targeted the health sector in the form of sectoral budget support.

Barbados originally benefited from a 9th EDF allocation of €6.5 million from the A envelope and €0.3 million from the B envelope. Following transfers of funds left over from previous EDF allocations, the amount in the A envelope totals €12.9 million.

Unallocated funds for Barbados under the 9th EDF total about €682.000 (all figures as at the end of February 2006). Taking into account possible decommitments from ongoing projects during 2006, estimates suggest that about €760.000 would be available for new commitments, which would be used to prepare the action under the 10th EDF.

Barbados will benefit from much more significant funding from the 2007-2013 Sugar Facility than its allocation under the National Indicative Programme (NIP). The Government of Barbados and the EC drafted an Adaptation Strategy, which was submitted to Brussels in early 2006.

The cooperation between the Delegation and the Government of Barbados is reasonably good but problems with managing some tender procedures somewhat slowed down implementation of activities. This situation has been partially redressed by ongoing dialogue between the Government of Barbados and the Delegation at all stages of the project management cycle and by training on EU procedures for staff of the NAO.

3.1.1. Focal sectors (and macroeconomic support)

9th EDF –NIP (€6.5 million) – Focal Sector: Health Sector Development

The Country Strategy Paper and National Indicative Programme (NIP) for Barbados under the 9th EDF were signed on 19 March 2003. 90% of the A envelope under the 9th EDF (€5.85 million) was allocated to the focal sector “Health Sector Development” in the form of sectoral budget support. A further amount of unspent balances from previous National Indicative Programmes (NIPs) was also allocated to activities in this focal sector to make a total of €10.5 million.

The need for health sector reform in Barbados arose from the increasing concern at the nation’s capacity to sustain current levels of health care amidst rising costs and increasing demand for services, together with the phenomena of an ageing population and the increasing prevalence of non-communicable diseases. As the first step towards designing the programme to support the health sector, the European Commission provided assistance for finalisation of the Government’s Strategic Plan for Health 2002-2012. In a partnership with the Ministry of Health and donors operating in the health sector, the Strategic Plan for Health 2002-2012 will serve as a basis for the action in this sector. The Financing Agreement was signed by the Government in December 2004. The technical assistance work started in November 2005 and

will help to identify recommendations for improving health services and reporting on the progress made with implementation of reforms. The first tranche of €1 million to the Government of Barbados was disbursed in January 2006 and the Delegation disbursed the second tranche later the same year.

7th EDF-NIP (€5.5 million) and 8th EDF-NIP (€7 million) – Focal Sector 1: Human Resources Development

Barbados Hospitality Institute (€2.22 million): The aim of this project was to improve the quality of service in the hotel and restaurant sectors by providing fuller training based on updated curricula. The project resulted in construction and equipment of a 20-room Hotel Training Institute. Construction was completed in 1997 and final acceptance of all supplies followed in mid-2001. The project has been a resounding success and has provided a model for other countries in the region wishing to implement similar schemes.

Expansion of the Barbados Language Centre (€3.95 million): This programme aims at improving the quality of human resources in Barbados by developing foreign language capacity to support competitive sectors, including tourism, with the purpose of creating a sustainable environment which will provide individuals with the language skills required to meet the needs of a competitive export-oriented economy. The project encompasses the following activities: design, construction and equipment of a new language centre, development of maintenance plans and management and financing structures, establishment of a working party of public- and private-sector organisations to manage an awareness-raising campaign, link-ups with foreign language teachers in secondary schools and follow-up to monitor the career paths of graduates. The international technical assistance component was completed in 2005 with some measure of success in terms of improvements in management, assessment and materials development. The tender for the civil works component was awarded in 2006. In 2005 a three-year extension was granted for this project, largely to complete the civil works components.

Multiannual training programme and special facility aimed at improving economic management capacity (€900.000): The objective of this programme is to strengthen human resources in critical areas and to reinforce project planning and economic management capacity by means of targeted training courses, such as postgraduate training in economics, statistics and financial and project management in the context of the ongoing public-sector reform programme. Funds were committed for 13 scholarships. The Financing Agreement expired in September 2004.

Effectiveness in implementation of current operations

There are no major points of disagreement between the EC and the Government in terms of implementation of the various activities financed by the EC over the years. Cooperation with the NAO and its departments is good, although experience has shown that reinforcing the structure and assisting with capacity-building may be necessary, especially in the light of the significant resources to be provided under the Sugar Compensation Facility. The NAO in Barbados is also the Delegated Regional Officer for all regional projects implemented in Barbados (about 40% of the total) and this is putting a strain on its management capacity.

Barbados is the first Eastern Caribbean country to benefit from a budget support programme. It is not yet possible to evaluate the results of this approach since the first tranche was not disbursed until early 2006.

Use of the resources set aside for non-State actors

No resources were set aside for non-State actors under the 9th EDF. However, with the aim of involving civil society in the EU/Barbados Development Partnership, the December 2004 MTR agreed on setting up a NSA Advisory Panel, representative of civil society in Barbados. The Government of Barbados established an NSA Advisory Panel in early 2006 and support was provided from the Technical Cooperation Facility for NSAs. The NSA Panel was consulted during the 10th EDF programming exercise.

3.1.2 Projects and programmes outside the focal sectors

Under the 9th EDF, €300.000 of the A envelope was earmarked for studies, audits and technical assistance under the Technical Cooperation Facility (TCF). The financing proposal for the TCF was prepared in December 2003 and the Facility was signed by the Commission in April 2004 and by the Government of Barbados in November 2004. Some of the funds were used to assist the Government in drawing up its Sugar Adaptation Strategy.

Also under the 9th EDF, €1.4 million was allocated to equip a Forensic Science Laboratory (on a co-financing basis) to strengthen the capability of the Government of Barbados to combat drug trafficking and abuse. The Government of Barbados financed the construction phase itself and the EC funds were used for equipment, books and manuals.

3.1.3 Utilisation of the B envelope

Following the mid-term review, it was decided to maintain the €0.3 million allocation from the B envelope (intended to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings), as established in the original 9th EDF Country Strategy Paper and the National Indicative Programme.

3.1.4 Other instruments

Caribbean Regional Indicative Programmes (CRIP- EDF)

Barbados, as a member of CARICOM/CARIFORUM, is a beneficiary of the many regional programmes funded from the EDF. €105 million and €90 million were made available under the 7th and 8th EDF CRIP respectively. The focal sector for the 9th EDF CRIP support is regional economic integration and integration into the world economy, for which €57 million is available.

Support from all ACP funds (EDF)

The EC approved €50 million in August 2003 for the ACP Trade.Com Programme. This aims at reinforcing the analytical and research capacity for trade policy formulation by providing immediate assistance for ongoing negotiations and promoting activities for institutional

support in the area of trade support services to ACP countries. A specific project for the Caribbean region was initiated in 2004. Under this project, the CARICOM Secretariat benefits from the services of a trade adviser.

In 2001, a €70 million project was approved by the EU to support the Caribbean rum sector in facing the challenges posed by liberalisation of the spirits market. The programme aims at supporting the modernisation of distilleries, helping them to face the environmental impact, providing technical assistance to strengthen competitiveness and effectively targeting European markets. As the location of a number of major distilleries, Barbados is likely to benefit substantially from this programme.

Thematic budget lines (EC budget)

Barbados is a beneficiary of the EU/ACP Sugar Protocol. The advantage derived by Barbados from the Sugar Protocol is the significant difference between the guaranteed quota price and average world market prices. The annual value of access to the EU market for Barbados is approximately €18.9 million.

In response to the reform of the EU sugar regime and in keeping with the “Action plan for Accompanying Measures for Sugar Protocol countries affected by the reform of the EU sugar regime” (document SEC(2005) 61 of 17 January 2005) and Regulation (EC) No 266/2006 of 15 February 2006 establishing accompanying measures, the Government of Barbados completed a comprehensive multiannual adaptation strategy in April 2006. The country’s 2006 allocation amounted to €2.332.000 in view of supporting projects, technical studies and coordination services geared to transform the sugar industry and to promote wider diversification. The allocation in 2007 amounted to €11.133.000 geared for the development of Information and Communication Technology (ICT) capacity and infrastructure, while the allocation 2008 is €10.134.000, intended to support Information Communication Technology, Human Resource Development and Private Sector Development. The amounts of the 2009-2013 allocations are expected to be of a similar scale.

A Caribbean regional programme under budget line B7-701 (human rights development) was approved by the EC in 2003 to further restrict implementation of the death penalty in the Commonwealth Caribbean and with a view to eventual abolition.

European Commission Humanitarian Aid Office (ECHO)

The Commission launched its first Disaster Preparedness (DIPECHO) Programme for the Caribbean in 1998, making available some €6 million for activities to prepare for and mitigate disasters and also, to a lesser degree, for disaster prevention. The 4th DIPECHO plan for the Caribbean was approved by the EC in 2003. The new plan has a budget of €2.5 million and covers activities in Haiti, Cuba, the Dominican Republic, Jamaica, St Kitts and Nevis, St Lucia and St Vincent and the Grenadines.

European Investment Bank (EIB)

The EIB provided over 10% of the overall financing for the Barbados PSIP over the period 1999-2002. Under Lomé I, II and III it made lines of credit available to the Barbados Development Bank and to the Industrial Credit Fund to finance small and medium-sized enterprises in industry and tourism. Loans to the Barbados Light and Power Company under

Lomé IV and Lomé IV bis have added up to €50 million, while loans totalling €25 million have been made available for the South Coast Sewerage and the Airport Development projects. The total funding made available to Barbados from the EIB under the Lomé Conventions is almost €100 million. However, Barbados has not submitted any projects for approval by the Bank since 2001.

Centre for the Development of Enterprise (CDE)

The CDE supports private-sector development by providing non-financial services to ACP companies and businesses and support to joint initiatives set up by economic operators from the Community and from the ACP States. In the OECS region, the CDE is supporting private-sector development by means of sectoral programmes on construction and mining, agro-processing, wood, herbal medicines and tourism. Over the period 1999-2005, the CDE assisted Barbados with a total of 19 projects carrying out 23 measures at a total cost of €184 097 of which €90 509 was contributed by the CDE.

The PROINV€ST programme, funded under EDF all-ACP funds and managed by the CDE, aims at increasing investments between the Caribbean and Europe. PROINV€ST has a fund of €110 million over five years to support private-sector development in the African, Caribbean and Pacific countries.

Centre for the Development of Agriculture (CTA)

CTA supports development of policy and institutional capacity and of the information and communication management capacity of agricultural and rural development organisations in ACP countries. CTA assists organisations with formulating and implementing policies and programmes to reduce poverty, promote sustainable food security and preserve natural resources. In 2005, Barbados benefited from CTA support to agricultural and rural development in the Caribbean at regional and national levels. At national level, the activities were targeted at the public and non-public sector and implemented by means of direct partnership arrangements between CTA and the relevant institutions. The activities at regional level were implemented in collaboration with CARDI (CTA's Regional Branch Office for the Caribbean) and the Inter-American Institute for Cooperation on Agriculture (IICA).

3.2 Information on the programmes of the Member States and other donors (complementarity)

The EC, with grants, and the Inter-American Development Bank (IDB) and the Caribbean Development Bank (CDB), mainly with loans, are the only institutions providing a significant level of assistance to Barbados and the OECS countries. A number of international and bilateral agencies maintain a presence in Barbados, but their activities are mainly focused on the smaller Eastern Caribbean States.

By virtue of the size of its portfolio and its strategic dialogue with the country, the IDB is the country's most important international development partner. IDB's financing accounted for 17% of total capital expenditure and 64% of total project financing from foreign sources over the period 2001-2004. The overall goal of IDB's support to Barbados for 2005-2008 is to strengthen competitiveness as a basis for sustained and private-sector-led growth and improved well-being of the population. The Country Strategy is geared to addressing the

following aspects: public-sector institutional weaknesses; prudent macroeconomic policies, focusing on improving the fiscal balance and containing debt; labour market reform and improvement of private-sector management practices in line with international practice; SME and entrepreneurship development; strengthening service orientation; expanding market access; enhancing human and physical capital and capacity-building with a direct impact on the private-sector environment and performance; neighbourhood upgrading; and transport improvements. Most of these areas will be addressed by means of technical assistance and institution-building facilities.

The CDB has initiated preparation of a Country Strategy Paper for Barbados which should be completed and put to the Board for consideration in 2008. Coordination between the two banks in Barbados is focused on the education sector, where the IDB and the CDB are co-financing a major education programme, EDUTECH. The CDB is also providing assistance to infrastructural projects which enhance sites heavily used by locals and visitors alike through the Urban Rehabilitation Programme. The IDB is coordinating with the CDB on preparation of the country financing parameters for Barbados, and the two institutions could consider a common sector-wide approach (SWAp) to education in the future, probably during the next Country Strategy period (2009-2012).

The US\$825.000 Canada Fund for Local Initiatives provides financial support to small-scale projects in Barbados and the OECS region, in the form of economic, technical and social development assistance to communities and NGOs.

The United Kingdom (UK) continues to provide significant support to the Commonwealth Caribbean (£10.5 million for 2005-06). The UK Department for International Development's (DFID) current strategy in the region emphasises working with and through regional institutions. The DFID's programmes in the region are focused on three broad themes: economic management and public service delivery; trade, competitiveness and economic integration; and HIV/AIDS, crime and violence. In addition, the UK has provided significant levels of bilateral debt relief to the Caribbean over recent years under the Commonwealth Debt Initiative. The DFID provided financial assistance to Barbados for development of the Barbados Adaptation Strategy 2006-2014.

Barbados also receives technical assistance from the Caribbean Regional Technical Assistance Centre (CARTAC), based in Barbados, which provides technical assistance and training in core areas of economic and financial management at the request of participating countries. CARTAC operates like a UNDP project and is funded by all major donors, including the EC (the largest contributor being the Canadian International Development Agency (CIDA)).

The donor community present in the Eastern Caribbean region has agreed to work via "Coordination Groups", under the umbrella of the United Nations Development Programme (UNDP) in order to address specific areas of importance and those requiring immediate action. Groups have been established in the following areas: disaster management, climate change and environmental management (led by the CIDA); governance and ICT (led by the DFID); poverty and social sector development (led by the UNDP); and trade and the private sector (formerly led by the EC Delegation in Barbados, but to be merged with the CRNM Donor Coordination Group).

The World Bank (WB) and UNDP have introduced an on-line tool to support donor coordination: the RedBook On-line (www.redbookonline.net). This database contains details

of projects funded by donors in the Eastern Caribbean, plus relevant documents (Strategy Papers, Article IV consultations, studies, etc.). Once this tool has been finalised it will be widened to the whole Caribbean.

While the EC Delegation has good relationships with all donors and works particularly closely with the DFID, WB and International Monetary Fund (IMF), especially in programming budget support programmes (which it is co-financing with the WB and DFID), donor coordination so far has been on a limited *ad hoc* basis. There is therefore a need for more systematic policy and operational coordination in the Eastern Caribbean. Coordination of policy-based assistance is a major challenge, given the relatively limited role of the WB and the IMF in Barbados and OECS countries. It is hoped that operational cooperation will be launched with the CDB by a memorandum of understanding and a contribution agreement (subject to an institutional and financial audit). Cooperation with the IDB is also being actively pursued. In 2006, the EIB opened a Caribbean Country Office in Martinique and this should considerably enhance the EIB's portfolio and cooperation with EC Delegations in the region.

Donor dialogue has recently improved around the OECS/Economic Union debate and the various donors' Country Strategy Papers (the Delegation has been consulted on the new programming strategies of the WB, the IDB, the CDB and UNDP, and vice-versa). There is scope for more structured cooperation, which could be built on:

- upgrading/scaling-up viable, small pilot projects that some donors implement;
- systematic sharing of the significant analytical work;
- harmonising individual donor CSPs;
- launching complementary action between grant donors (EC) and lenders (IDB, CDB and EIB) making use of co-financing, where feasible;
- introducing a working procedure of donor cooperation based on budget support.

3.3 Other EC policies

The political dialogue between the EU and the Caribbean countries takes place primarily via the joint ACP–EC institutions. The annual dialogue between CARIFORUM and the European Commission provides a further opportunity to discuss a wide range of issues of mutual interest. The bi-annual EU-LAC Summit is another major opportunity to advance EU-Caribbean political dialogue at the highest level and to address the evolving relationship between the Caribbean, its neighbours and the EU.

The EC "*renewed strategy*" towards *Latin America and the Caribbean* underlines the strong determination to strengthen the EU-LAC partnership. The strategy includes stepping up political dialogue between the two regions, stimulating economic and commercial exchanges, encouraging regional integration, tackling inequality and tailoring EC development and aid policy more closely to real conditions in Latin America and the Caribbean. The 4th EU-Latin America/Caribbean Summit ("*Strengthening the bi-regional strategic association*", Vienna, 11-12 May 2006) made commitments to reinforcing cooperation on human rights, protection of the environment and the fight against drug trafficking and poverty.

The Commission's *Communication on an EU–Caribbean Partnership for Growth, Stability and Development* (March 2006) outlines the future policy for EU–Caribbean relations. Aiming at enhancing the Caribbean's own reform and development agenda, the EU approach

is based on shaping a political partnership based on shared values, addressing economic and environmental opportunities and vulnerabilities and promoting social cohesion and combating poverty. An EU–CARIFORUM sub-regional meeting following the EU-LAC Summit (13 May 2006) gave a commitment to deepening cooperation to support regional integration, social cohesion and development of human resources and to addressing the impact of migration, terrorist threats, drug-trafficking, organised crime, HIV/AIDS and economic and environmental challenges. Specifically, the EU and the Caribbean States have agreed to foster cooperation to address security threats, including non-proliferation of weapons of mass destruction (WMD), illicit small arms and light weapons (SALW), and to combat terrorism. The EU also committed itself to consider supporting establishment of a Regional Development Fund for the Caribbean as a critical contribution to the restructuring and adjustment resulting from the upcoming establishment of the CARICOM Single Market and Economy (CSME).

Barbados still faces challenges within the agriculture sector due to its small size. The fortune of the sugar industry in Barbados, as traditionally organised, is expected to continue to decline. Consequently, the challenge facing rural development implies encouraging diversification, an issue addressed in the National Sugar Adaptation Strategy to be supported by EU funding.

The most significant new measures to support the development of rural areas, under the 2006 Government budget, are the Youth Agricultural Programme, the enhancement of the Land-for-the-Landless Programme, which provides land resources to persons who wish to farm but have no land, and designation of the Scotland District as a special development area. In addition, the Government will pilot a project using the Home Agricultural Station of the Ministry of Agriculture as a site for research, production and training on agricultural practices such as greenhouses and hydroponics. An initial amount of \$2 million will be provided from the Agricultural Development Fund for capitalisation of this programme. The Scotland District has been earmarked for significant development aimed at maintaining the integrity of the land, while also stimulating economic activity. The majority of the land in the Scotland District is privately owned. Accordingly, investment in the area will be encouraged, not only in agriculture, but also by establishing linkages with other sectors. In addition, the Government has committed itself to attaining a level of food security in a number of areas.

3.4 Political dialogue between the EC and Barbados

The political dialogue between the EU and the Caribbean takes place mainly via the joint ACP–EC institutions, in particular the Council of Ministers and the Joint Assembly, which includes Members of Parliament of the signatory States. At regional level, a specific yearly dialogue between CARIFORUM and the European Commission provides an opportunity to discuss a wide range of issues of mutual interest. The EU and the Caribbean base their political systems on pluralist democracy, fundamental rights and the rule of law, acting together and adopting multilateral approaches to global challenges.

In the framework of Article 8 of the Cotonou Partnership Agreement, the first political dialogue between EC and Member States’ representatives and Barbados Government representatives was held on the fringes of the ACP seminar in early March 2005. Topics discussed included the developments towards an EU foreign policy, drugs and drug-related

crime, regional security and the role of the Regional Security System (RSS), regional integration, the CSME and the ICC.

Another opportunity for political dialogue was during the EU-Caribbean Programming Seminar held in Santo Domingo in April 2006 attended by Commissioner Louis Michel. A new round of political dialogue took place in the context of the end-of-term review of the 9th EDF cooperation in 2006-2007.

3.5 State of the partnership with Barbados and progress towards harmonisation

In Barbados and OECS countries, only two Member States are present on the ground and have cooperation programmes, namely the UK (DFID) and France. Most of the DFID's programmes are of a regional nature (CARICOM-wide). The DFID has very few bilateral programmes in the OECS countries (Dominica and Grenada) limited to addressing strategic issues such as fiscal and public-sector reform. France has a rather limited cooperation programme since the OECS countries are no longer part of the *Zone de Solidarité Prioritaire*. France therefore funds only small *ad hoc* activities in these countries.

There are regular consultations, sharing of information and very good cooperation with these Member States, for instance with the DFID on development of the Sugar Adaptation Strategies and Country Macroeconomic Assessments.

An opportunity for consultation was offered to all EU Member States present in the region. Also, on 20 June 2006 in St Kitts, the Delegation held a major consultation session on the 10th EDF Programming in Barbados and the OECS countries, which was attended by the seven NAOs and all major donors and agencies and in which both the UK and France participated.

CHAPTER 4 – RESPONSE STRATEGY

Based on the analyses made in the previous chapters, the European Commission's (EC) response strategy takes account of the substantial funds available, in addition to the 10th EDF envelope, from the Accompanying Measures for Sugar Protocol countries (AMSP), avoiding any overlap with them and considering the following aspects:

- the challenges and opportunities presented by globalisation and trade liberalisation, especially by the establishment of the Caribbean Single Market and Economy (CSME) and the need to adapt a country of limited natural resources to these new realities;
- the formulation by the Government of the “National Strategic Plan of Barbados 2006–2025: Global Excellence, Barbadian Traditions” and of the Barbados Adaptation Strategy 2006–2014;
- the main fields of activity to be covered by the Barbados Sugar Adaptation Strategy, namely human resource development (including by means of development of information and communication technology capacity and infrastructure), private-sector development and sugar diversification;
- the sectors already covered by past and ongoing EC cooperation (in particular, the support for development of human resources under the 7th and 8th EDFs and the sectoral budget support for the health sector) along with the cooperation from other development partners;
- the need to ensure complementarity between the action envisaged under the NIP and the support provided under the Caribbean Regional Indicative Programme (to focus on regional integration and trade-related technical assistance (TRTA), ICT and transport, tertiary education, HIV/AIDS, the environment/natural disasters, security, crime and drugs) and to ensure that the NIP is “integration-friendly”;
- the lack of major points of disagreement between the EC and the Government in terms of implementation of the various measures financed by the EC over the years;
- the objectives of the new EU development policy, as defined in the EU Consensus for Development and in the Communication on an EU-Caribbean Partnership for Growth, Stability and Development, and the comparative advantages of the EC as a provider of foreign aid;
- the need for a more effective donors' policy and operational coordination around the countries' home-grown policies and strategies to ensure full ownership of the measures funded by donors;
- the need for mainstreaming cross-cutting issues, in view of ensuring, among other objectives, that the rights of women and environmental issues are taken adequately into consideration.

4.1. Focal sector: Skills development

The proposal is to concentrate the A envelope on skills development as the sole focal sector of the EC country strategy for Barbados, paying special attention to the qualifications needed by youths, in particular youths at risk, in order to integrate and perform better in the new economy, while taking into account the need for efficient environmental management.

The reasons for this strategic choice are as follows:

- (i) “Expand the level of education and training” is the first objective of Goal Three of the National Strategic Plan for Barbados (“Building Social Capital”). “Develop youth” is another objective of Goal Three, placing special emphasis on improving use of information and communications technology in youth education programmes and implementing programmes that will see marginalised young people being re-integrated into the mainstream of society. This includes initiatives to improve access to quality education services at the Samuel Jackman Prescod Polytechnic, secondary schools, Barbados Cadet Corps, youth groups and the Barbados Youth Service, and in also for labour market skills to develop entrepreneurship and facilitate business incubation.
- (ii) Consequently, the country’s medium-term development strategy has addressed the issue of skills development, stressing that education in general should focus on enlarging knowledge with a view to improving human life.
- (iii) The changing international, regional and national arrangements also dictate that positive steps should be taken to develop in youth the skills that are relevant to the needs of the individual and society.
- (iv) Finding a job akin to their level of education is the most important challenge for youths. Having not only “knowledge” but also a “skill” is the prerequisite for their integration into the job market. “Having the right skill” concerns youth across all educational levels – from those seeking employment in the new economy (with a university or tertiary degree) to those adolescents considered “at risk” (with minimal levels of education).
- (v) The tendency of some unskilled adolescents to engage in petty crime.
- (vi) Furthermore, human resource development is one of the main fields of activity under the Barbados Adaptation Strategy. The resources allocated by the National Indicative Programme (NIP) under the 10th EDF will complement and merge with Sugar Facility resources for this priority area.
- (vii) The necessity of preserving the environment which is also the foundation for development of the tourism industry.

Consequently, the proposal is to concentrate approximately 85% of the A envelope under the 10th EDF on a Skills Development Sectoral Support Programme that will assist the Government of Barbados with implementation of skills development programmes.

The overall objective of the programme is to support the Government in its efforts to increase competitiveness and to allow sustainable growth and poverty alleviation. The specific objective is support it to strengthen skills and to improve the employability of Barbadians in order to reduce vulnerability among youth and to improve overall productivity.

The consistency of this strategic choice with the current policies sustained by Barbados is evident. The Government has adopted six primary goals for its development strategy. Goal Three places people at the heart of the development process. It promotes measures to build social capital. This involves developing the human resources necessary to function in a knowledge-based services economy and creating appropriate family and community values. This calls for a revolution in education, which will unlock the productive potential of all Barbadians. The Government is already addressing skills development with a number of schemes. Examples are the expansion of the Barbados Community College, the Erdiston Teachers Training College and the Samuel Jackman Prescod Polytechnic proposed Institute of International Securities and Financial Regulation and the National Adolescent Strategic Intervention Programme. The proposed programme is also consistent with priorities addressed in past cooperation under the 7th and 8th EDF, which gave high priority to human resources development, and with current cooperation under the EC response to the Barbados Adaptation Strategy for the period 2007–2013, which makes human resource development (HRD) one of its main fields of activity. This component of the Adaptation Strategy aims at developing human resources capacity in line with current and future trends in the *local* job market. In particular, action will focus on eliminating the gap between supply and demand for labour (mainly in the private sector), by establishing channels of communication between key stakeholders (e.g. technical vocational training/academic establishments and the private sector).

The choice of a sectoral budget support scheme as a suitable mechanism for delivery of EC aid under the 10th EDF is supported by the Government's tight fiscal policy stance that continues to underpin macroeconomic adjustment efforts. There is also a precedent under the 9th EDF, which enabled the European Commission (EC) to allocate funding for health sector development also in the form of sectoral budget support. Furthermore, budget support is the preferred approach for supporting the Barbados Adaptation Strategy under the new EU Sugar Facility for the period 2007-2013. The funds from the NIP would complement the Sugar Facility Assistance for HRD. Eligibility criteria for budget support need to be fulfilled, and should the conditions for budget support not be met, the project approach will be used to support this focal sector.

Cross-cutting issues will be mainstreamed under the aegis of the proposed budget support scheme. Indicators of achievement that will enable the EC to measure progress on policy reforms will ensure that the rights of women and the indigenous people are taken into consideration and adequate protection of the environment is provided.

On complementarity with other donors, the proposed programme takes into account past and ongoing projects and the strategic choices made by similar agencies such as the Caribbean Development Bank (CDB), the Inter-American Development Bank (IDB) and the UK Department for International Development (DFID) for the entire Eastern Caribbean region.

The programme will be designed in close cooperation with the CDB and the IDB which are involved in the education sector. In particular, HRD for increased competitiveness is one of the objectives of the new IDB Multiannual Country Strategy.

4.2. Non-focal sector 1: Technical Cooperation Facility (TCF)

Approximately 10% of the A envelope will be allocated to the Technical Cooperation Facility, notably to support non-State actors and to provide trade-related technical assistance (TRTA).

The overall objective of the TCF is to support implementation of the National Indicative Programme (NIP) and other relevant *ad hoc* activities as needs emerge. The specific objective is to provide rapid financing for (i) technical assistance; (ii) training support and capacity-building; and (iii) conferences and seminars.

It is already envisaged that part of the funds under the TCF could be used for the following purposes:

- Support for non-State actors, notably by means of consolidation of the NSA National Advisory Panel, as a key instrument for enhanced dialogue between the Government, the EU, the private sector and civil society organisations. NSAs can benefit from the three main fields of activity of the TCF. The participation of NSAs at all levels in a country's development is one of the fundamental principles of the Cotonou Agreement. NSAs are to be encouraged to take part in the design, implementation and review of national development strategies.
- Trade-related technical assistance. This would support the Government in facing specific needs linked notably to the follow-up of international trade negotiations, including the EU-CARIFORUM Economic Partnership Agreements and the establishment of the Caribbean Single Market and Economy.

4.3. Non-focal sector 2: Technical assistance to the National Authorising Officer (NAO)

Approximately 5% of the A envelope will be allocated to technical assistance to the NAO.

The objective is to provide technical assistance to the NAO in order to ensure efficient management and coordination of European Commission (EC) (not only EDF) funds and to guarantee a higher implementation rate in the future.

Past and present cooperation has shown the utmost importance of providing the NAO with the human resources necessary to ensure more effective, efficient and rapid implementation of EU-funded operations. This is even truer, considering that the NAO in Barbados also acts as Deputy Regional Authorising Officer for a large number of projects funded from the CRIP. Furthermore, the NAO will have to manage funds totalling several times the amount allocated from the NIP under the Sugar Facility.

PART 2 - NATIONAL INDICATIVE PROGRAMME (NIP)

1. Indicative Programme

1.1. Introduction

On the basis of the cooperation strategy presented in Part 1 and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the framework for action in each sector, the financing timetable and a detailed schedule of activities for all programmes listed over a rolling three-year period.

The amounts mentioned in this chapter indicate the overall breakdown of funds between the focal sector(s), macroeconomic support and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or *ad hoc* reviews. However, any adjustment resulting in a substantial change to the structure of the response strategy will require a formal decision in the form of an addendum to the strategy paper.

Barbados's eligibility for budget support was confirmed under the 9th EDF NIP (health sector) and under the Sugar AMSP 2007 (ICT). The Government is expected to remain eligible for SBS under the AMSP from 2008 to 2010 for which a performance monitoring framework for multiple sectors will be completed, including for human resource development. The proposed method of delivery for the 10th EDF NIP is sectoral budget support given that:

Development or reform policy and strategy: The Government of Barbados has given a commitment to HRD in the *National Strategic Plan of Barbados 2006-2025* and funds were planned under AMSP 2006 for a consultative process with a wide cross-section of stakeholders to develop a National HRD Sectoral Strategy to guide implementation of the SBS under the AMSP and the 10th EDF NIP.

Macroeconomic policy: Barbados has positive economic and social indicators by regional standards, along with strong and stable political institutions. These are the consequence of implementation of a stability-oriented macroeconomic policy. The latest IMF Article IV mission (in September 2007) reported a broadly favourable outlook for growth with inflation expected to decline – although noting that, in the absence of further policy tightening, the wider public-sector position is set to weaken and the current account deficit to remain sizeable.

Public financial management: A PFM assessment based on the PEFA/PMF methodology was conducted in 2006. In general, PFM systems in Barbados are regarded as sound, with a solid legal basis. The Ministry of Finance has a strong record of maintaining aggregate fiscal discipline and, over the years, the Government of Barbados has introduced reforms to move to more efficient and effective PFM systems, including major initiatives such as modernisation of tax administration, progressive introduction of multi-year budgeting and a shift from cash- to accrual-based accounting. As highlighted in the August 2007 bi-annual PFM update (commissioned under the 9th EDF Health SBS programme) the Government has also carried out the following PFM reform initiatives:

- Launch of an IADB supported programme on the modernisation of customs and VAT;
- Completion of an initial situational assessment of procurement throughout government and in discussion with IADB for support to a three year programme of reform in this area;
- Revised the Constitution to strengthen the role of the Auditor General in relation to the audit of statutory bodies and commissions;

- Enacted the Financial Management and Audit Act, 2007 in March 2007 and MoF has issued Treasury Instructions in support of the Act; and
- Supported the training of staff in internal audit and revenue forecasting.

The continuation of the roll out of multi-year budgeting and improvements in the monitoring of statutory boards and commissions, continue to help address the main weaknesses identified in the 2006 PEFA assessment. The next PFM update is scheduled for April 2008, the findings of which will be used to assess Barbados' continued eligibility for budget support under the AMSP instrument and 10th EDF NIP.

1.2. Financial instruments

1.2.1. 10th EDF (A envelope): €9.8 million

This envelope will cover long-term programmable development operations under the strategy, in particular:

Focal Sector: Skills Development. This allocation is intended to cover the long-term development activities identified in the context of the response strategy. It is also geared, in this context, to the promotion of the country's research capacity and skills, among other fields in the areas of renewable energies and other environment-related matters, and will take into account cross-cutting issues like the rights of women and the preservation of the environment. It will absorb €8.33 million, which is approximately 85% of the total funds made available by the EC under the 10th EDF. The method of delivery will be sectoral budget support.

Non-focal Sector 1: Technical Cooperation Facility (TCF), notably to support non-State actors and to provide trade-related technical assistance. This will take up to €980.000, which is 10% of the total allocation.

Non-focal Sector 2: Technical Assistance to the NAO. This will take up to €490.000, which is approximately 5% of the total allocation.

1.2.2. 10th EDF (B envelope): €0.2million

This envelope will cover unforeseen needs, such as emergency assistance where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of operational or *ad hoc* reviews.

1.2.3. Investment Facility

In addition to the above-mentioned financial instruments, of which the A envelope is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility managed by the European Investment Bank. The Investment Facility is not part of the NIP. Some specific activities may be supported by the Centre for the Development of Enterprise (CDE) and the Centre for the Development of Agriculture (CTA).

1.2.4. Caribbean Regional Indicative Programme (CRIP)

The 10th EDF Caribbean Regional Indicative Programme allocation will cover long-term programmable development operations under the regional strategy for the Caribbean Forum (CARIFORUM). The allocation is not part of the National Indicative Programme but will clearly have repercussions at national level since the main field of activity under the CRIP will focus on support for regional integration.

1.2.5. Other financial instruments

Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007-2013 subject to special procedure and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes "investing in people", "non state actors in development", "migration and asylum", "environment and sustainable management of natural resources" and "food security" (for which calls for proposals are made annually since 2007) as well as actions funded from other instruments such as the stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance. For these instruments calls for proposals are made annually since 2007. Legal entities from Barbados can also participate in international scientific and technological cooperation across the entire 7th Research Framework Programme (2007-2013).

1.2.6. Monitoring and evaluation

Monitoring of results and evaluations of impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this CSP.

The results and impact of the Community's cooperation with Barbados implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

1.3. Focal sector: Skills development

An indicative amount of €8.33 million will be set aside for the action in this focal sector.

The overall objective of the programme is to increase competitiveness to allow sustainable growth and poverty alleviation. The specific objective is to strengthen skills and improve employability of Barbadians in order to reduce vulnerability among youth and to improve overall productivity.

This action is fully consistent with and integrated into the Government's own long-term strategy. The National Strategic Plan (NSP) aims at maximising the potential for substantial increases in economic growth and building a strong and stable macroeconomy. This would be achieved notably by diversifying Barbados's production base and enhancing its competitiveness, by placing enhancement of the skills, capacity and flexibility of the domestic labour force at the centre of the development process.

The plan is to implement the action by means of sectoral budget support, should all the requisite conditions be met. If they are not met the project approach will be used. Sectoral budget support will ensure full ownership of the Skills Development Programme by the Government based on its National Development Strategy and the Adaptation Strategy. It will also facilitate the merging of NIP resources with resources from the Sugar Facility.

The main outputs expected under this Sectoral Support Programme are:

- i) a skills needs assessment mechanism allowing systematic and regular consultation with all relevant stakeholders (especially employers and trade unions) to assess the skills and training needed, based on a demand-driven approach. This will also look at establishment of a set of core competences for lifelong learning, which will include ICT and attitudes to life and to entrepreneurship;
- ii) an improved framework for skills development linked to competitive sectors and facilitating private-sector involvement in provision of training;
- iii) an improved framework for development of appropriate strategic measures to meet the needs of, and integrate into the mainstream of society, vulnerable and marginalised youth;
- iv) enhanced development and implementation of skills training and productivity enhancement programmes, including vocational training;
- v) improved training linked to the development of life skills for youth;
- vi) improved and more efficient tertiary-level education, including upgrading of teachers' skills in identified relevant sectors;
- vii) development of a regionally coherent national system of certification and accreditation;
- viii) stronger institutions supporting skills development;
- ix) development of a sustainable financing mechanism for training, to which the Government, employers and trainees would contribute.

The outputs and indicators to be used under the sectoral support programme will be further defined when preparing the human resource development (HRD) activities planned under the Barbados Adaptation Strategy.

The main sectoral policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this field are to:

- (a) strengthen the appropriate institutions to deliver greater and more efficient services for the development and protection of youth, including the reform of the juvenile justice system to keep youth out of crime and the building out of improvements in the judicial system under the Justice Improvement Project;
- (b) improve use of information and communications technology (ICT) in youth education programmes and also create greater access to ICT and bridge the digital divide by means of initiatives such as the Community Technology Project under the Ministry of Social Care, Constituency Empowerment and Urban Development;
- (c) undertake initiatives to attract and retain young persons in entrepreneurship programmes;
- (d) form strategic partnerships with the private sector and civil society to undertake mentoring and counselling programmes for the youth;
- (e) implement programmes that will re-integrate marginalised young people into the mainstream of society;

- (f) develop innovative partnerships and apprenticeship schemes with the private sector to re-tool and rehabilitate the unemployed and those who are marginalised as a result of juvenile delinquency;
- (g) ensure equal participation of boys and girls in the programme;
- (h) review, revise and continue the education reform policy initiatives designed to improve the quality of education and to ensure that the education system keeps pace with economic and technological change. These policies include the White Paper on Education Reform (1995), Curriculum 2000 and the Education Sector Enhancement Programme (EDUTECH) started in 1997;
- (i) develop and implement a revised Strategic Plan for Education 2008-2012 and the draft Medium-Term Strategy Paper 2008-2010;
- (j) continue the labour market enhancement programme by developing the Barbados Labour Market Information System and the Caribbean Labour Market Information System;
- (k) continue the system of national accreditation for vocational skills and enhance the collaboration between public and private training providers;
- (l) enhance and augment the vocational training available to businesses under the Employment and Training Fund;
- (m) continue to expand the level of post secondary training available to the population by expanding existing campuses, establishing the Institute of International Securities and Financial Regulation and using innovative methods such as distance education.

1.4. General budget support

The indicative programme does not provide for general budget support. However, in the light of changing needs, it may be decided to reallocate funds from other points in the NIP to this type of support. Such decisions can be taken in the form of a specific agreement between the Chief Authorising Officer and the National Authorising Officer or within the context of an operational, mid-term, final or *ad hoc* review.

1.5. Other programmes

Technical Cooperation Facility

An indicative amount of €980.000 will be set aside for the Technical Cooperation Facility (TCF), notably to support non-State actors (NSAs) and fiscal, tax and trade-related technical assistance.

The overall objective of the TCF is to support implementation of the NIP and other relevant ad-hoc activities as needs emerge. The specific objective is to provide rapid financing for i) technical assistance; ii) training support and capacity building; iii) conferences and seminars; iv) promoting scientific research and the use of results from past scientific and technological cooperation as well as other relevant Community programmes.

It is already envisaged that part of the funds under the TCF could be used for the following purposes:

- Support for non-State actors, notably by means of consolidation of the NSA National Advisory Panel, as a key instrument for enhanced dialogue between the Government,

the EU, the private sector and civil society organisations. NSAs can benefit from the three main fields of activity of the TCF. The participation of NSAs at all levels in a country's development is one of the fundamental principles of the Cotonou Agreement. NSAs are to be encouraged to take part in the design, implementation and review of national development strategies. The action would aim at strengthening the capacity of NSAs, in order to support NSAs' involvement in the policy dialogue within the country, especially of small organisations with the capacity to reach and represent vulnerable or isolated groups of the population, and to allow them to play a more meaningful role on the national scene. This would focus mainly on strengthening the NSAs' internal structure and organisation, broadening their networks, improving their management and setting up sustainable fund-raising mechanisms. Monitoring mechanisms to assess the quality of involvement will also be introduced.

Support for non-State actors eligible for funding as defined in Article 6 of the Cotonou Agreement and Article 4(1)(d) of Appendix IV to the revised agreement may cover activities including, inter alia, capacity building, advocacy, research, awareness raising, monitoring and delivery of services to the population. In supporting non-State actors, the EC may make use of Article 15(4) which allows it to be the Contracting Authority.

- Trade-related technical assistance. This would support the Government in facing specific needs linked notably to the follow-up of international trade negotiations, including the EU-CARIFORUM Economic Partnership Agreements and the establishment of the Caribbean Single Market and Economy.

The main measures to be taken by the Government as a contribution to implementation of the response strategy in the non-focal sectors are:

- *NSAs*: Encourage the operations of the NSA Advisory Panel, widely representative of civil society, which should become the legitimate partner within the tri-partite dialogue with Government and the EU. Facilitate establishment and operation of an institutional framework for consultation with civil society on national issues.
- *TRTA*: Ensure adequate staffing to cover trade negotiations in different fora, in particular under the EU-CARIFORUM Economic Partnership Agreement (EPA). Remain committed to regional integration and to conclusion of international trade negotiations.

Fiscal and tax-related technical assistance: This would sustain efforts to support Barbados in continuing efforts to implement international best practice in management and design of its fiscal arrangements to enhance their competitiveness while ensuring that they are appropriately used by residents and non-residents by means of capacity- and institution-building for the administration concerned. This assistance would allow Barbados to continue to develop its tax system, where appropriate drawing on the experience and design of other international business and financial services centres.

Technical assistance to the National Authorising Officer (NAO)

An indicative amount of €490.000 will be set aside for providing technical assistance to the NAO.

The objective is to provide technical assistance to the NAO in order to ensure efficient management and coordination of European Commission (EC) (not only EDF) funds and to

guarantee a higher implementation rate in the future. Past and present cooperation has shown the utmost importance of providing the NAO with the human resources necessary to ensure more effective, efficient and rapid implementation of EU-funded projects. This is even truer, considering that the NAO in Barbados also acts as Deputy Regional Authorising Officer for a large number of projects funded from the CRIP. Furthermore, the NAO will have to manage funds totalling several times the amount allocated from the NIP under the Sugar Facility. This allocation for providing technical assistance to the NAO will also be complemented by funds from the Sugar Facility.

1.6. Framework for action and performance indicators

Focal sector – Skills development

	Reasons for Action	Objectively Verifiable Indicators	Means of Verification	Assumptions
Overall Objectives	To increase competitiveness to allow sustainable growth and poverty alleviation	3-5% economic growth HDI ranking Improvement in country competitiveness ranking % reduction in number of new registrations at Welfare and Poverty Alleviation Bureaus	Widely available economic statistics United Nations Development Programme World Bank Country Competitiveness Indicators Social statistics generated by the Ministries of Education; Labour; and Planning	Macroeconomic scenario remains stable
Purpose of Programme	To strengthen skills and improve employability of Barbadians in order to reduce vulnerability among youth and to improve overall productivity	% increase in youth employment, including percentage of students finding a job in the first year after completing their studies % increase in the number of new enterprises established, including youth business start-ups % reduction in capacity deficits across key sectors % reduction in reported crime and repeat offences amongst youth % increase in the number of new skills in the economy	Statistics generated by the Ministries of Education, and Human Resources Development; Labour and Civil Service; Home Affairs, and Finance, Economic Affairs and Energy; and by the Chamber of Commerce/Registrar of Companies	Government keeps committed to priorities of both National Strategic Plan and Sugar Adaptation Strategy
Results	<ol style="list-style-type: none"> Setting-up of a skills needs assessment mechanism Improved framework for skills development linked to competitive sectors and facilitating private-sector involvement in provision of training Improved framework for strategic measures to meet the needs of vulnerable youth Enhanced development and implementation of skills training and productivity enhancement programmes, including vocational training Improved training linked to the development of life skills for youth Improved and more efficient tertiary-level education, including upgrading of teachers' skills in identified relevant sectors Development of a regionally coherent national system of certification and accreditation Stronger institutions supporting skills development Development of a sustainable financing mechanism for training, to which the Government, employers and trainees would contribute 	<p>Tripartite committee (labour, private sector and Government) established and operational</p> <p>Initiatives/regulations adopted to facilitate skills development (e.g. incentives for firms hiring interns)</p> <p>Initiatives/regulations adopted to meet the needs of youth at risk</p> <p>Number of new specific skills development training courses Number of trainees attending % increase in enrolment in vocational training % increase in businesses seeking vocational training for staff % increase in the number of private training service providers.</p> <p>Number of new specific training courses % of youth engaged in post-secondary education and other training (languages, computer skills, etc.)</p> <p>Number of and % increase in trained teachers; % increase in tertiary enrolment; % increase in completion rates</p> <p>Establishment of regionally coherent national certification and accreditation system</p> <p>Number of projects in place aimed at strengthening skills development institutions</p> <p>Mechanism established and operational</p>	<p>Reports, meetings and statistics from the Ministries of Education and Human Resources Development; Finance, Economic Affairs and Energy; Labour and Civil Service; Trade, Industry and Commerce; Home Affairs (and Police); and from the Chamber of Commerce/Registrar of Companies; Barbados Private-Sector Agency; micro-enterprise institutions such as the Barbados Youth Business Trust; Funds Access and the Enterprise Growth Fund; Planning/Parliament proceedings</p>	<p>Continued commitment by the social partners</p> <p>Implementation of agreed policy initiatives such as the National Adolescent Strategic Intervention Programme</p>

1.7. Indicative timetable of commitments and disbursements

Indicative timetable of global commitments

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2
FOCAL SECTOR – Skills development	8.33 M€						
- Skills Development Programme (sectoral support)	8.33 M€		8.33				
NON-FOCAL SECTORS							
- Technical Cooperation Facility	0.98 M€		0.98				
- TA to the NAO	0.49 M€		0.49				
- Contribution to regional programmes							
Total Commitments:	9.8 M€		9.8				
Total Cumulative Commitments:	9.8 M€		9.8				

Indicative timetable of disbursements

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2
FOCAL SECTOR – Skills development	8.33 M€						
- Skills Development Programme (sectoral support)	8.33 M€			3		3	
NON-FOCAL SECTORS							
- Technical Cooperation Facility	0.98 M€		0.2	0.1	0.2	0.1	0.1
- TA to the NAO	0.49 M€		0.10	0.10	0.05	0.05	0.05
Total Commitments:	9.8 M€		0.3	3.2	0.25	3.15	0.15
Total Cumulative Commitments:	9.8 M€		0.3	3.5	3.75	6.9	7.05

1.8. Schedule of activities

FOCAL SECTOR (8.288 M€)	Indicative allocation	2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Project 1	8.33 M€	FS*	FS	FP	FD	ζ	ζ	ζ	ζ	ζ	ζ	ζ	ζ
NON-FOCAL SECTORS (1.17 M€)		2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Technical Cooperation Facility	0.98 M€	FP	FP	FD	ζ	ζ	ζ	ζ	ζ	ζ	ζ	ζ	ζ
- TA to the NAO	0.49 M€	FP	FP	FD	ζ	ζ	ζ	ζ	ζ	ζ	ζ	ζ	ζ

FS: Feasibility study

FP: Financing proposal

FD: Financing decision

ζ : Project implementation

* FS will start before 2008 using 9th EDF or Sugar Facility funds.

ANNEXES

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ANNEX 1 – “Country at a glance” table

A. TABLE OF MACROECONOMIC INDICATORS

Annex 5
BARBADOS: MAIN ECONOMIC INDICATORS

	1995	1996	1997	1998	1999	2000	2001	2002	2003a/	2004a/	2005a/
	<i>Annual rates of growth b/</i>										
Gross domestic product	2.5	3.1	4.6	6.3	0.2	2.6	-3.4	-0.6	3.7	4.6	3.2
Gross domestic product per capita	2.1	2.7	3.0	4.0	2.9	3.4	-3.2	-0.8	0.5		
Gross domestic product by economic activity											
Sugar	-26.0	63.9	9.4	-25.9	11.2	9.6	-14.7	-9.8	-19.2	-6.1	14.2
Non-sugar agriculture and fisheries	18.0	1.4	-7.5	-3.2	8.4	0.0	-5.8	-0.6	2.1	-4.3	-0.6
Manufacture	8.4	-0.9	3.8	3.4	-2.4	-0.6	-8.2	0.3	-0.8	1.4	1.7
Construction	12.1	4.0	14.2	16.9	10.0	2.6	-4.4	3.1	3.0	3.6	3.8
Basic services c/	3.5	3.1	3.2	5.4	4.5	1.4	2.7	-0.7	1.0	4.1	3.9
Other services d/	1.1	2.3	2.9	4.6	2.6	4.6	-2.2	-0.4	1.5	6.8	4.4
Balance of payments	<i>Millions of US dollars</i>										
Current account balance	44	71	-49	-82	-147	-290	-111	-187	-169	-292	-273
Merchandise balance	-446	-466	-599	-651	-714	-744	-681	-714	-816	-680	-1,010
Exports fob	246	287	299	270	275	298	271	241	260	278	277
Imports fob	-691	-743	-888	921	-969	-1,030	-952	-956	-1,066	-1,258	-1,287
Services balance	503	540	550	591	571	603	570	538	632	672	706
Income account	-48	-62	-48	-66	-71	-82	-93	-102	-107	-107	-109
Unilateral transfers	34	40	47	53	67	78	94	86	93	98	105
Financial and capital balance e/	-26	-22	20	56	121	191	288	177	301	114	208
Net foreign direct investment	9	9	14	15	16	18	18	17	352	...	...
Financial capital f/	-9	7	54	88	116	236	300	130	-203	...	...
Global balance	42	86	17	-6	36	178	222	89	188	-170	-46
Variation in reserve assets g/	-25	-61	-9	6	-37	-179	-223	-89	-187	170	46
Other indicators of the external sector											
External debt (millions of US dollars)	479	481	428	453	492	606	639	756	737	792	798
External debt (% of GDP)	26.7	24.1	20.1	19.6	19.9	23.7	21.1	30.6	27.4	28.2	26.5
Employment											
Participation rate h/	68.2	68.1	67.8	67.8	67.8	68.6	69.5	68.6	...		
Unemployment rate i/	19.6	15.8	14.5	12.3	10.4	9.3	9.9	10.3	11.0	9.6	8.9
Prices											
Rate of change in the consumer price index (end of period)	1.9	2.4	7.7	-1.2	1.6	2.4	2.8	0.2	1.6	1.4	3.2
Real interest rate on deposits	6.1	5.1	3.9	4.3	4.7	4.8	3.0	2.6	2.5		
Real lending interest rate	11.6	11.6	11.0	11.8	11.5	11.7	10.8	10.3	10.0		
Non-financial consolidated public sector	<i>Millions of Barbadian dollars</i>										
Revenue	1,086	1,176	1,224	1,471	1,559	1,820	1,731	1,712	1,867	1,898	1,972
Expenditure	-1,117	-1,207	-1,373	-1,523	-1,596	-1,698	-1,828	2,029	2,009	2,019	2,135
Fiscal result	-31	-31	-149	-52	-37	-88	-97	-316	-162	-123	-163
Public debt											
Internal	1,762	1,967	2,037	2,141	2,134	2,204	2,333	2,606	2,615		
External (US dollars million)	359	365	350	343	392	508	450	673	667	643	678
Global balance	-0.7	-3.2	-4.5	-1.6	-1.1	-2.1	-2.9	-6.4	-2.8	-2.2	-2.7
Money and credit	<i>Percentages of GDP</i>										
Domestic credit	44.5	44.3	42.4	46.4	49.3	44.0	39.2	44.2	38.8	41.6	58.5
To the public sector	13.7	14.5	15.9	14.1	12.6	12.5	13.4	15.4	17.6	15.7	20.7
To the private sector	30.3	30.8	26.5	32.3	36.7	31.5	25.8	28.8	21.2	25.9	37.8
Money supply and deposits in domestic currency (M2)	54.3	68.8	57.0	68.3	62.0	65.2	69.2	78.7	77.4	79.7	86

Source: ECLAC, on the basis of official information

a/ Preliminary data.

b/ On the basis of constant 1974 prices.

c/ Includes electricity, gas, water and transport, storage and communications.

d/ Includes retail trade, restaurants and hotels, financial establishments, insurance, real estate and social and personal services.

e/ Includes errors and omissions.

f/ Includes the capital and financial balance minus net foreign direct investment and plus errors and omissions.

g/ The sign (-) denotes an increase in reserves.

h/ Economic active population as a percentage of the working population.

i/ Rate of unemployment as a percentage of the economic active population. Includes hidden unemployment.

B. TABLE OF INDICATORS FOR THE MDGS

	1990	1994	1997	2000	2003	2004
Goal 1: Eradicate extreme poverty and hunger						
Income share held by lowest 20%	..	..	..	..	..	..
Malnutrition prevalence, weight for age (% of children under 5)	..	..	..	..	..	..
Poverty gap at \$1 a day (PPP) (%)	..	..	..	..	..	..
Poverty headcount ratio at \$1 a day (PPP) (% of population)	..	..	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..	..	..
Prevalence of under nourishment (% of population)	..	..	3	..	3	3
Goal 2: Achieve universal primary education						
Literacy rate, youth total (% of people ages 15-24)	100	..	..	..	..	..
Persistence to grade 5, total (% of cohort)	..	..	..	100	97	97
Primary completion rate, total (% of relevant age group)	..	..	..	100.0	115.9	108.0
School enrolment, primary (% net)	..	..	..	100	100	100
Goal 3: Promote gender equality and empower women						
Proportion of seats held by women in national parliament (%)	4.0	..	11.0	11.0	11.0	13.0
Ratio of girls to boys in primary and secondary education (%)	..	..	..	100.7	100.0	99.9
Ratio of young literate females to males (% ages 15-24)	100.0	..	..	..	..	..
Share of women employed in the non-agricultural sector (% of total non-agricultural employment)	46	47	47	48	48	48
Goal 4: Reduce child mortality						
Immunization, measles (% of children ages 12-23 months)	87.0	97.0	92.0	94.0	90.0	98.0
Mortality rate, infant (per 1, 000 live births)	14	..	..	12	..	10
Mortality rate, under-5 (per 1, 000)	16	..	..	14	..	12
Goal 5: Improve maternal health						
Births attended by skilled health staff (% of total)	..	..	..	98.0	..	..
Maternal mortality ratio (modeled estimate, per 100, 000 live births)	..	..	..	95.0	..	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases						
Children orphaned by HIV/AIDS	..	..	..	..	..	..
Contraceptive prevalence (% of women ages 15-49)	..	..	..	..	..	..
Incidence of tuberculosis (per 100, 000 people)	18.1	..	..	..	..	11.5
Prevalence of HIV, female (% ages 15-24)	..	..	..	..	..	..
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	..	2	2
Tuberculosis cases detected under DOTS (%)	..	..	..	..	34.4	138.7
Goal 7: Ensure environmental sustainability						
CO2 emissions (metric tons per capita)	4.2	2.9	3.4	4.5	4.6	..
Forest area (% of land area)	5	..	..	5	..	..
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	..	..	..	..	..	..
Improved sanitation facilities (% of population with access)	100	..	..	..	99	..
Improved water source (% of population with access)	100	..	..	..	100	..
Nationally protected areas (% of total land area)	..	..	..	..	..	..
Goal 8: Develop a global partnership for development						
Aid per capita (current US\$)	11.2	-3.2	16.4	0.9	74.2	108.2
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	15	7	6	4	6	6
Fixed line and mobile phone subscribers (per 1, 000 people)	280.5	338.3	441.6	572.4	1021.6	1249.1
Internet users (per 1, 000 people)	0.0	..	7.6	37.6	372.9	557.9
Personal computers (per 1, 000 people)	..	..	68.2	82.7	115.6	126.4
Total debt service (% of exports of goods, services and income)	15	8	6	4	5	5
Unemployment, youth female (% of female labour force ages 15-24)	40.5	52.2	35.3	21.8	26.0	..
Unemployment, youth male (% of male labour force ages 15-24)	21.8	35.4	26.2	17.6	21.3	..
Unemployment, youth total (% of total labour force ages 15-24)	30.7	41.8	30.3	19.4	23.4	..
Other						
Fertility rate, total (births per woman)	1.7	..	1.8	1.8	1.8	1.7
GNI per capita, Atlas method (current US\$)	6630.0	6600.0	7880.0	8670.0	..	..
GNI, Atlas method (current US\$) (billions)	1.7	1.7	2.1	2.3	..	..
Gross capital formation (% of GDP)	18.8	13.4	16.7	17.2	17.0	..
Life expectancy at birth, total (years)	74.9	..	76.1	75.4	74.9	75.4
Literacy rate, adult total (% of people ages 15 and above)	99.4	..	..	..	..	..
Population, total (millions)	0.3	0.3	0.3	0.3	0.3	0.3
Trade (% of GDP)	100.8	107.5	115.5	106.2	102.8	102.8

Source: World Development Indicators database, April 2006

ANNEX 2 – Donor matrix

	Agriculture	Manufacturing	Tourism	Water and sanitation	Transport / Infrastructure / Telecommunications	Health	Social Sector (Education, Poverty, Housing, Gender, etc.)	Trade, Regional Integration	Public Reforms, Economic Mgt and Governance	Competitiveness and Private Sector	Other / Multisector
European Union (EU)						X	X	X	X		X
Inter-American Development Bank (IDB)				X		X	X		X	X	
Caribbean Development Bank (CDB)	X	X	X	X	X		X				X

ANNEX 3 – Executive summary of the Country Environmental Profile

Basic Geographic Profile

Location: Caribbean

Geographic co-ordinates: Latitude 13° 04'N, 59° 37'W

Area (sq km):

Total: 430 km²

Land: 430

Water: N/A

Land boundaries:

Total (km): N/A

Border countries: N/A

Coastline (km):

92 km

Maritime claims:

Potential Extended Continental Shelf beyond 200 nautical mile limit: 200 nautical miles from baseline
EEZ

Territorial sea: 12 nautical miles

Climate: Tropical with rainy season; mean temperature is 23 degrees Celsius during the winter months and 27 degrees Celsius during the summer months.

Terrain: Gently sloping on the West Coast and precipitous on the East Coast of the island.

Natural resources:

Petroleum, natural gas, limestone, sand, shales, clays, and fish.

Industries: Sugar and molasses, rum, other foods and beverages, food processing, chemicals, electrical components, clothing, cement.

Environmental policy profile

Policy on main national issues:

Land: The overall responsibility for land use planning resides with Town and Country Development Planning Office (TCDPO) and its enforcement of the Town Planning Act 1963 (cap.240). The TCDPO prepares and revises the Physical Development Plan (PDP). This Plan seeks to achieve the efficient allocation of land among the various competing uses. The most recent revision was in 1998. PDP covers a planning period extending up to the year 2010. With respect to agricultural land, the main existing legislation would be the Soil Conservation (Scotland District) Act (1959). The Agricultural Sector Plan (1993-2000) was prepared to ensure that practices within the agricultural sector serve to maximise productivity and ensure optimal use of land available for agriculture, promote the adoption of farming systems which are environmentally friendly and ensure preservation of adequate areas of arable land for future generations. With respect to drainage control and flood prevention, the Drainage Unit of the Ministry of Public Works and Transport has responsibility for all aspects of evaluation of development, monitoring and reporting of such matters. This unit functions under the Prevention of Floods Act (1952) which provides for flood prevention works and the

designation of special flood areas. In 1996, a study of Storm Water Drainage in the Bridgetown urban area, the West Coast and the south coast was conducted, updating on earlier (1973) study. Also another important point to note is the proposed Environmental and Natural Resource Management Plan which offers a number of recommended new management actions in all the areas of land resources management addressed.

Minerals and Energy Resources: Existing legislation that covers these activities include the Town and Country Planning Act (cap. 240), the Soil Conservation (Scotland District) (Amendment) Act 1991 (1991-3). The Petroleum Winning Operations Act, 1951 (cap. 281) regulates the exploration and exploitation of oil resources; the National Petroleum Corporation Act (Supply of Natural Gas) Regulations 1982; the Mines Regulation Act (cap. 350); and the Quarries Act 1963 (cap. 353). More specifically the Quarries Act (cap. 353) is currently being amended to allow it to more fully address arrangements for effective management of relevant natural resources, including monitoring of quarry operations and post-quarrying site rehabilitation and use. The revised Physical Development Plan (1998) proposes implementation of strict controls in areas to be designated Natural Heritage Conservation Areas; these are predominantly within the Scotland District area of the proposed National Park. A 1997 Green Paper on Energy called for the specific actions in the areas of energy conservation and energy sources. The expansion of natural gas production and supply that has taken place in the last several decades has clear environmental advantages not only because it is cleaner than other fossil fuels, but it also reduces the reliance on bottled gas (LPG) and likewise the risks associated with its explosiveness and flammability. One potentially beneficial policy direction taken with respect to energy is its exploration of renewable energy sources. Barbados' experience with renewable energy technologies spans thirty (30) years, involving experimentation with solar thermal, wind, photovoltaic and wave energy.

Fresh Water Resources: The 1963 Underground Water Protection Policy (revised 1972) protects water catchment areas and the subterranean supply through the establishment of water zones. Incorporated into the Zoning Policy are various provisions relating to private sewage and wastewater disposal systems, which seek to control any development that could be damaging to the national water resources. The Zoning Policy was established under development conditions that were substantially different, in character and scale, from what currently obtains. The policy therefore needs to be reviewed to incorporate the potential impacts of the release of modern industrial chemicals and agrochemicals into the environment. Since 1982, the Barbados Water Authority (Water Services) Regulations were enacted to facilitate promotion of the use of water conservation strategies including the temporary reduction of water pressure in the supply system, and the temporary increase in the tariff blocks of the pricing system. The 1997 Policy Framework for Water Resources Development and Management took into account the findings of the Water Resources Management and Water Loss Studies (WRMWLS) and of previous studies, and used these as the basis for developing a comprehensive water resources development and management plan to the year 2016 and beyond. The policy direction now includes a series of strategies in the areas of demand management and augmentation, institutional capacity building, and policy and legislation. The draft 1998 Environmental and Natural Resources Management Plan proposes a number of institutional changes for a more streamlined and integrated approach to natural resources management, including specific recommendations for water resources management. Dual plumbing for recycling, water tank requirements, treatment of sewage, lifetime rates and reverse tax credits to protect the vulnerable are being investigated as additional support initiatives.

Coastal and Marine Resources: The Coastal Zone Management Unit (CZMU) was established as the result of a series of in-depth studies of coastal issues and the institutional arrangements needed for effective management of the coastal resources in Barbados. The establishment of the Unit is a manifestation of the high priority placed on this subject by the Government of Barbados. Two additional important products of the studies were the Coastal Zone Management Act 1998-39(CZMA) and the Marine Pollution Control Act 1998 (MPCA), to be administered by the CZMU and the

Environmental Engineering Division, respectively. The proposed Environmental Management Act, which provides for the integrated and comprehensive management of the Barbados environment, will incorporate the Coastal Zone Management Act (1998-39) and the Marine Pollution Control Act (1998).

Prior to the 1993-96 Fisheries Act, some fragmentary legislation existed which made reference to the marine and coastal resources. The Barbados Territorial Waters Act 1979 (cap. 386); contains provisions relevant to the protection of marine life, including the prohibition of fishing or extraction of living resources by foreign ships under “innocent passage: and empowers the Minister of Foreign Affairs to provide for the “regulation of fishing”. The Marine Boundaries and Jurisdiction Act, 1979 (cap. 387) provides a definition of fish, prohibits fishing within the 200 mile EEZ without the permission or an agreement with, the government of Barbados and establishes penalties for illegal fishing. The fisheries Act 1993-96 consolidate the above provisions and further provide for the Management and Development of fisheries in accordance with statutory schemes. The first Fisheries Management Plan (FMP) was developed 1997 in accordance with the requirements of the Act, to ensure the optimum utilisation of the Fisheries resources in the waters of Barbados for the benefit of the people of Barbados.

Biological Diversity: Until very recently, any policy relating to the conservation and management of biological diversity was integral to land use planning policy in the case of terrestrial resources, and marine legislation which pre-dated the Coastal Zone Management Act (1998-39) and the Marine Pollution Act (1998). Today the Town and Country Planning Act (cap. 240) 1963, is still pivotal to the national policy response and legislative strategy for protection of biological resources. The Town and Country Planning Act provides the central mechanism for the regulation of land use, and in this regard it is relevant to the protection of biodiversity. It has in the past been used where possible to prevent encroachment of physical development into ecologically sensitive areas, consistent with the Physical Development Plan (1998). The Environmental Management Plan identifies issues and opportunities that need to be addressed as a consequence of the pressures and impacts on biological diversity. The Coastal Zone Management Plan (CZMP, 1998), which is embodied in the 1998 Coastal Zone Management Act, provides for the conservation and management of coastal and marine biodiversity. It also provides for the designation of marine reserves, which may include submarine areas along with adjacent land that is ecologically linked. In addition, the CZMP provides for the conservation and management of Natural Heritage Conservation Areas (OS²) and Coastal Landscape Protection Zones (OS³) established under the 1998 National Physical Development Plan. The Fisheries Management Plan (1997) which is prepared in accordance with Fisheries Act provides for protection of the marine environment and conservation of marine biodiversity. Finally, and perhaps, most pertinently, the Ministry of Physical Development and Environment has recently concluded a consultancy for the preparation of a country study on biodiversity, with the principal output being a Draft National Biodiversity Strategy Action Plan (2002). The draft National Biodiversity Strategy and Action Plan (NBSAP) 2002 identifies priorities and initiatives for conserving biodiversity, as well as appropriate methodologies for implementation, and proposes management plans for specific species, including alien and exotic species.

Atmosphere and Climate: The 1992 Coastal Conservation Institutional Strengthening Study and the more recent 1998 Environmental Management and Land Use Planning (EMLUP) Study both made recommendations for capacity building of the Environmental Engineering Division to enable it to carry out the important work in the area of air quality management and control. The draft Environmental Management Plan also details an air quality-monitoring programme to be implemented by the Division Environmental Engineering Division (EED) or proposed Environmental Protection Unit (EPU). Response to the problem of climate change takes the form of mitigation and/or adaptation strategies. The emphasis for island countries with respect to domestic policy has to be adaptation. In this regard, Barbados is already well advanced in terms of both the analysis of coastal impacts and in the preparation of an institutional and planning framework for Coastal Zone

Management. In addition, at the regional level Barbados is participating in the GEF-funded project: Caribbean Planning for Adaptation to Climate Change (CPACC). Barbados is the site of a pilot study on Coastal Vulnerability and Risk Assessment, in which the Coastal Management Unit (CZMU) is responsible for monitoring sea level changes around the island. At the international level, Barbados has ratified the United Nations Framework Convention on Climate Change (UNFCCC), and is an active member of the Intergovernmental Panel on Climate Change (IPCC). Barbados participates regularly in the Conferences of the Parties to the UNFCCC and its subsidiary bodies, and does its part to keep the international community focused on adopting policies that lead to the real and concrete reduction of global greenhouse gas emissions. The protection of Bridgetown and other vulnerable coastal areas as a result of climate change and rising sea level will be a major priority. The construction of a breakwater in these areas may be necessary.

Waste Management: The management of waste in Barbados has traditionally been treated as a public health issue on the premise that improper handling; storage and disposal can lead to disease and health problems. As a result, the primary legislation is the Health Services Act, 1969 (cap. 44). The Sanitation Service Authority Act (cap. 382) establishes the Sanitation Service Authority (SSA) to carry out any functions conferred upon it by regulations made under the Health Services Act, including the removal of refuse and the provision of appliances for deposit, disposal and destruction of refuse. The Barbados Water Authority Act (cap. 274A) provides that the Authority established by that Act must provide and maintain sewerage works for the purpose of receiving, treating and disposing of sewerage.

ANNEX 4 – Country migration profile

The International Organization for Migration (IOM) is in the process of implementing with the OAS a regional program on migration management in 13 Caribbean countries (Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Guyana, Haiti, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago). Results should be made available between 2006 and 2007. Availability of statistics has been identified as a serious weakness in the region and IOM and ECLAC are planning to implement a capacity building programme within this area.

Also CARICOM is currently conducting a study on migration in the Caribbean which is intended to identify trends and explain reasons why people in the region migrate. The study follows the release of a United Nations report, which shows a rapid increase in world migration. The report, which should be published by the end of 2006, is expected to pay particular attention to the migration of teachers and nurses from the region, which has left regional educational and health institutions in deep problems.

As a predominantly maritime region, migration has been a significant characteristic in Caribbean history, with a great deal of this conducted informally. Three main flows of irregular migration have been noted in the region today: illegal entry into the Caribbean from other regions, notably China and Latin America, using it as a transit point; illegal emigration from the Caribbean to North America and Europe; and the intra-regional migration within the Caribbean from poor to rich countries. Regulating migration faces several barriers in the island states. First, many of the countries are dependent upon high flows of visitors to their territories as tourism is their primary export, and it is difficult to ensure that all those entering do not overstay. Second, the vast majority of borders are coastal and spreads over a myriad of small islands. Though the US Coast Guard offers a number of Caribbean states joint interdiction services, monitoring these porous borders requires huge resources that are not available in the region.

Though there has traditionally been a considerable amount of intra-Caribbean movement, the impact of globalization has contributed to a rise in migration, and female migration in particular. Many migrants come from poor or working-class circumstances, crossing borders or moving to cities in search of opportunities that will help improve their socioeconomic status. Others may migrate due to the devastation caused by conflict or natural disasters, to join family members or friends, or to seek out better educational opportunities.

Barbados is a destination country for migrants seeking to improve their socioeconomic status, and in turn potential victims of human trafficking. Barbados is seen as attractive destination point because of higher levels of social and economic development. Opportunities are believed to exist in specific industries such as tourism and agriculture. All this is coupled with the increasing need among countries, including those in the Caribbean, for low-skilled, inexpensive, and temporary labour. In Barbados, most immigrants come from the region; 65% of the foreign-born residents are originally from CARICOM countries. The most important source countries are St. Lucia, St. Vincent and Guyana, with extra-regional immigration predominately from the UK, US and India. More than half of the immigrants are female, mostly adults of working age.

Currently, external migration from Barbados continues although the traditional extra-regional outlets to the US, Canada and the UK have become less accessible. In recent years, however, the US has been recruiting teachers from the Caribbean and the US and the UK have recruited nurses. Persons taking up these opportunities are usually previously trained and experienced, and tend to primarily be women. Barbados also serves as a transit point. Some persons try to get Barbadian citizenship which makes it easier to get a US visa, and also to travel to Canada.

The net migration rate for Barbados was estimated in 2006 at -0.31 migrant(s)/1 000 population (Source: TheWorld FactBook)

ANNEX 5 – CSP drafting process: particular attention to involvement of NSA and local authorities

A first round of consultations between the EC and the Government of Barbados took place in April 2006 (“ACP Seminar Santo Domingo”) with the presence of Commissioner L. Michel, who stressed the importance attached to Public Sector Reform and Private Sector Development and to the link between the regional and national programming. On a bilateral basis, dialogue started with the Government on the Sugar National Adaptation Strategy, which will form the bases for EC funded assistance for accompanying measures to facilitate the transition the sugar industry has to go through.

With specific reference to NSAs, during the MTR “in-country-meeting” of December 2004 and with the aim of strengthening civil society involvement in EU/Barbados development partnership, it was agreed that a non state actor (NSA) advisory panel, representative of Barbados’s civil society, would be established by the Government of Barbados. The panel would provide a forum for tripartite dialogue, information and consultation on development cooperation between the EU and Barbados. In the second half of 2005, a team of international consultants assisted the Government and the Delegation with the mapping of NSAs in Barbados and the selection of members of the Panel.

In May 2006, a team of international consultants was recruited in order to facilitate consultations and dialogue among stakeholders in the phase of drafting the Country Strategy Paper (CSP) and the National Indicative Programme (NIP). The process has included a first round of meetings with the NAO and relevant government officials, aiming at providing the government with a comprehensive overview of the planning and main elements of the programming exercise, as well as gaining insight on the national priorities, strategies and plans as well as national orientations for the 10th EDF.

This exchange has been followed by further in-country consultations, which have involved both government and Non-State Actors, to present and discuss the 10th EDF programming exercise and programming orientations and priorities for Barbados. Such an exercise aimed at ensuring the dynamic participation of all Barbados key stakeholders in the programming exercise and that the future NSA Advisory Panel meetings will actually represent a national forum for constructive dialogue, mutual understanding and consensus building.

Within the process of drafting Barbados’s CSP and NIP, a Programming Regional Workshop was held at in June 2006, involving all NAOs of the seven Eastern Caribbean countries for which the EC Delegation in Barbados is responsible (i.e. Antigua & Barbuda, Barbados, Dominica, Grenada, St Lucia, St Kitts and Nevis, St Vincent and the Grenadines), and representatives of the donors active in the region (CIDA, CDB, CARTAC, ECCB, EIB, French Cooperation, IDB, IMF, OECS, DFID, UNDP, USAID and WB). The workshop aimed at discussing in a comprehensive forum the 10th EDF programming exercise, the main priority reforms at the regional level and for each concerned country, and the possibility for synergies and coordination between the countries in their priorities for cooperation with the EU and other Donors.

A last round of consultation with the NAOs was organised in Barbados in mid-July 2006 in order to agree on the Intervention Framework for the 10th EDF and finalise the CSPs.

ANNEX 6 – The harmonisation road map (where there is one)

Refer to paragraph 3.5 in the main document

ANNEX 7 – Table including partner country positions in relation to key international conventions

HUMAN RIGHTS – MAIN GLOBAL CONVENTIONS

Convention	Barbados status
Convention on the Prevention and Punishment of the Crime of Genocide	14 Jan 1980 a
Agreement establishing the Fund for the Development of the Indigenous Peoples of Latin America and the Caribbean	----
International Covenant on Economic, Social and Cultural Rights (CESCR)	03 Jan 76 a
International Covenant on Civil and Political Rights (CCPR)	23 Mar 76 a
Optional Protocol to the International Covenant on Civil and Political Rights (CCPR-OP1)	23 Mar 76 a
Second Optional Protocol to the International Covenant on Civil and Political Rights, aimed at the abolition of the death penalty (CCPR-OP2-DP)	-----
International Convention on the Elimination of All Forms of Racial Discrimination (CERD)	08 Dec 72 a
Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)	03 Sep 81
Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW-OP)	----
Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT)	----
Convention on the Rights of the Child (CRC)	08 Nov 90
Optional Protocol to the Convention on the Rights of the Child (CRC-OP-AC)	----
Optional Protocol to the Convention on the Rights of the Child (CRC-OP-SC)	19 July 2007 s
International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (MWC)	----

The dates listed refer to the date of ratification, unless followed by: an "a" which signifies accession; "d", which signifies succession; "s", which signifies signature only

ILO CONVENTIONS

Barbados ratified 39 instrument(s)

Convention	Ratification date	Status
C5 Minimum Age (Industry) Convention, 1919	08:05:1967	denounced on 04:01:2000
C7 Minimum Age (Sea) Convention, 1920	08:05:1967	denounced on 04:01:2000
C10 Minimum Age (Agriculture) Convention, 1921	02:10:1978	denounced on 04:01:2000
C11 Right of Association (Agriculture) Convention, 1921	08:05:1967	ratified
C12 Workmen's Compensation (Agriculture) Convention, 1921	08:05:1967	ratified
C17 Workmen's Compensation (Accidents) Convention, 1925	08:05:1967	ratified
C19 Equality of Treatment (Accident Compensation) Convention, 1925	08:05:1967	ratified
C22 Seamen's Articles of Agreement Convention, 1926	08:05:1967	ratified
C26 Minimum Wage-Fixing Machinery Convention, 1928	08:05:1967	ratified
C29 Forced Labour Convention, 1930	08:05:1967	ratified
C42 Workmen's Compensation (Occupational Diseases) Convention (Revised), 1934	08:05:1967	ratified
C50 Recruiting of Indigenous Workers Convention, 1936	08:05:1967	ratified
C63 Convention concerning Statistics of Wages and Hours of Work, 1938	08:05:1967	ratified
C65 Penal Sanctions (Indigenous Workers) Convention, 1939	08:05:1967	ratified
C74 Certification of Able Seamen Convention, 1946	08:05:1967	ratified
C81 Labour Inspection Convention, 1947	08:05:1967	ratified
C86 Contracts of Employment (Indigenous Workers) Convention, 1947	08:05:1967	ratified
C87 Freedom of Association and Protection of the Right to Organise Convention, 1948	08:05:1967	ratified
C90 Night Work of Young Persons (Industry) Convention (Revised), 1948	15:01:1976	ratified
C94 Labour Clauses (Public Contracts) Convention, 1949	08:05:1967	ratified
C95 Protection of Wages Convention, 1949	08:05:1967	ratified
C97 Migration for Employment Convention (Revised), 1949	08:05:1967	ratified
C98 Right to Organise and Collective Bargaining Convention, 1949	08:05:1967	ratified
C100 Equal Remuneration Convention, 1951	19:09:1974	ratified
C101 Holidays with Pay (Agriculture) Convention, 1952	08:05:1967	ratified
C102 Social Security (Minimum Standards) Convention, 1952	11:07:1972	ratified
C105 Abolition of Forced Labour Convention, 1957	08:05:1967	ratified

C108 Seafarers' Identity Documents Convention, 1958	08:05:1967	ratified
C111 Discrimination (Employment and Occupation) Convention, 1958	14:10:1974	ratified
C115 Radiation Protection Convention, 1960	08:05:1967	ratified
C118 Equality of Treatment (Social Security) Convention, 1962	14:10:1974	ratified
C122 Employment Policy Convention, 1964	15:03:1976	ratified
C128 Invalidity, Old-Age and Survivors' Benefits Convention, 1967	15:09:1972	ratified
C135 Workers' Representatives Convention, 1971	25:04:1977	ratified
C138 Minimum Age Convention, 1973	04:01:2000	ratified
C144 Tripartite Consultation (International Labour Standards) Convention, 1976	06:04:1983	ratified
C147 Merchant Shipping (Minimum Standards) Convention, 1976	16:05:1994	ratified
C172 Working Conditions (Hotels and Restaurants) Convention, 1991	22:06:1997	ratified
C182 Worst Forms of Child Labour Convention, 1999	23:10:2000	ratified

INTERAMERICAN CONVENTION AGAINST CORRUPTION (1996)

SIGNATORY COUNTRIES	DATE	STATUS
Antigua & Barbuda	01/13/04	RA
Barbados	04/06/01	SI
Dominica	09/14/04	AC
Grenada	11/15/01	RA
St Lucia	01/23/03	AC
St. Kitts & Nevis	08/04/04	RA
St. Vincent & Grenadines	05/28/01	AC

RA = RATIFICATION
SI = SIGNATURE
AC = ACCESSION

ROME STATUTE OF THE INTERNATIONAL CRIMINAL COURT (1998)

Country	Signature	Ratification, Acceptance(A), Approval(AA), Accession(a)
Antigua & Barbuda	23 Oct 1998	18 Jun 2001
Barbados	8 Sep 2000	10 Dec 2002
Dominica		12 Feb 2001 a
Grenada	----	----
St Lucia	27 aug 1999	----
St. Kitts & Nevis	----	----
St.Vincent & Grenadines		3 Dec 2002 a

ANNEX 8 – Debt Sustainability Analysis (if available from the IFIs, where appropriate)

Taken from IMF - Staff Report for the 2005 Article IV Consultation, July 2005
<http://www.imf.org/external/pubs/ft/scr/2005/cr05297.pdf>

The fiscal position improved slightly in FY 2004/05 for the nonfinancial public sector as a whole, but is expected to deteriorate in FY 2005/06.

The mission projects an increase in the deficit of about 1 percentage point of GDP to 7 percent of GDP, owing in part to increases in public investment projects related to the build-up to the World Cup cricket games. As a result, the ratio of primary public expenditures to GDP, which is already high by Caribbean standards, will rise further. At the same time, public debt (comprising central government and government-guaranteed debt for the public enterprises) is projected to rise from 86 percent of GDP in FY 2004/05 to 88 percent of GDP in FY 2005/06, far exceeding the average of 74.7% for Latin America and the Caribbean and 74.4% for emerging market countries but slightly below the 90.9% for the Caribbean average.

Barbados: Public Debt in Comparison with
Latin American and Caribbean Averages, 2004 1/
(In percent of GDP)

	External	Total
Barbados	23.9	86.1
Latin America and Caribbean	45.8	71.7
Caribbean	52.0	90.9
Central America	52.9	69.9
Memorandum item:		
Emerging markets average 2/	38.4	74.4

Sources: Country authorities and Fund staff estimates.

1/ Figures refer to unweighted averages. Data for Barbados refer to end-year figures for FY 2004/05. Entire sample comprises 24 countries for Latin America and the Caribbean. For the Caribbean, ECCU countries are combined as one observation.

2/ Refers to 2003 data for 25 countries from the IMF Fiscal Affairs Department's emerging markets database. Argentina and Poland are excluded from the external debt data.

Table 8. Barbados: Public Sector Debt Sustainability Framework, 2002/03–2010/11
(In percent of GDP, unless otherwise indicated)

	Historical			Projections						Debt-stabilizing Primary Balance 10/
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	
I. Baseline Projections										
Public sector debt 1/	86.9	85.0	86.1	88.0	88.4	87.0	86.8	86.6	85.5	1.6
Of which: foreign-currency denominated	27.9	26.1	26.8	24.2	22.6	20.8	19.5	18.0	16.7	
Change in public sector debt	4.0	-1.9	1.1	1.9	0.0	-1.1	-0.2	-0.2	-1.1	
Identified debt-creating flows (A+7+1)	12.9	-3.4	4.3	0.9	0.0	-1.1	-0.1	-0.2	-0.6	
Primary deficit	7.4	1.4	4.2	2.1	-0.4	-1.7	-1.8	-1.8	-2.2	
Revenue and grants	33.9	34.2	33.0	32.5	31.0	30.6	30.2	29.8	29.8	
Primary (noninterest) expenditure	41.3	35.6	37.2	34.6	30.6	28.9	28.4	28.0	27.6	
Automatic debt dynamics 2/	5.5	-1.3	0.1	-0.2	0.4	0.6	1.6	1.6	1.6	
Contribution from interest rate/growth differential 3/	5.5	-1.3	0.1	-0.2	0.4	0.6	1.6	1.6	1.6	
Of which: contribution from real interest rate	6.3	0.8	3.5	2.3	3.2	3.3	3.3	3.3	3.2	
Of which: contribution from real GDP growth	-0.7	-2.1	-3.4	-2.6	-2.8	-2.6	-1.7	-1.7	-1.6	
Contribution from exchange rate depreciation 4/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other identified debt-creating flows	0.0	-3.5	0.0	-1.0	0.0	0.0	0.0	0.0	0.0	
Privatization receipts (negative)	0.0	-3.5	0.0	-1.0	0.0	0.0	0.0	0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other (specify, e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes (2-3)	-8.9	1.5	-3.2	1.0	0.0	0.0	0.0	0.0	-0.5	
Public sector debt-to-revenue ratio 1/	256.3	248.5	261.2	270.8	283.9	284.1	287.3	290.6	286.9	
Gross financing need 5/	32.8	27.3	27.7	25.0	23.1	22.6	23.3	22.6	22.1	
In billions of U.S. dollars	830.3	743.9	790.5	757.4	737.4	760.8	815.9	823.8	837.1	
Key macroeconomic and fiscal assumptions										
				10-Year Historical Average	10-Year Standard Deviation					Projected Average
Real GDP growth (in percent)	0.8	2.6	4.2	2.4	2.1	3.2	3.4	3.1	2.0	2.0
Average nominal interest rate on public debt (in percent) 6/	6.5	6.2	5.7	6.7	0.7	5.9	6.0	6.0	5.9	5.9
Average real interest rate (nominal rate minus change in GDP deflator, in percent)	7.5	1.1	4.4	4.1	1.9	3.0	3.9	4.0	4.0	3.9
Nominal appreciation (increase in U.S. dollar value of local currency, in percent)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inflation rate (GDP deflator, in percent)	-1.0	5.1	1.3	2.6	1.9	2.9	2.0	2.0	2.0	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	24.8	-11.6	8.1	5.6	11.2	-4.0	-8.6	-2.8	0.5	0.5
Primary deficit	7.4	1.4	4.2	-0.3	3.7	2.1	-0.4	-1.7	-1.8	-2.2
II. Stress Tests for Public Debt Ratio										
A. Alternative scenarios										
A1. Key variables are at their historical averages in 2006/07–09/10 7/	88.0	89.2	90.5	91.8	93.1	93.9	93.1	93.9	92.9	1.6
A2. No policy change (constant primary balance) in 2006/07–09/10	88.0	90.5	93.3	97.2	101.1	104.5				1.9
A3. Country-specific shock in 2006/07, with reduction in GDP growth (relative to baseline) of one standard deviation 8/	89.0	89.9	88.0	88.6	88.4	87.3				1.6
A4. Selected variables are consistent with market forecast in 2006/07–09/10	88.0	88.0	87.0	86.8	86.6	85.5				1.6
B. Bound tests										
B1. Real interest rate is at historical average plus two standard deviations in 2006/07 and 2007/08	88.0	91.5	94.0	93.9	93.9	92.9				1.7
B2. Real GDP growth is at historical average minus two standard deviations in 2006/07 and 2007/08	88.0	94.4	101.3	104.4	107.5	109.7				2.0
B3. Primary balance is at historical average minus two standard deviations in 2006/07 and 2007/08	88.0	95.6	103.6	103.7	103.8	103.1				1.9
B4. Combination of B1–B3 using one standard deviation shocks	88.0	96.5	105.5	105.7	105.9	105.1				1.9
B5. One time 50 percent real depreciation in 2006/07 9/	88.0	99.5	98.5	98.6	98.6	97.8				1.8
B6. 10 percent of GDP increase in other debt-creating flows in 2006/07	88.0	98.0	97.0	97.1	97.1	96.2				1.8

Source: Fund staff estimates and projections.

- 1/ Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.
2/ Derived as $[(1 - \alpha)(1 + g) - g + \alpha\alpha(1 + r)](1 + g)^{t-1} r_0$ times previous period debt ratio, with r = interest rate; α = growth rate of GDP deflator; g = real GDP growth rate; α = share of foreign-currency denominated debt, and ϵ = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar)
3/ The real interest rate contribution is derived from the denominator in footnote 2/ as $r - \alpha(1 + g)$ and the real growth contribution as g
4/ The exchange rate contribution is derived from the numerator in footnote 2/ as $\alpha\epsilon(1 + r)$
5/ Defined as public sector deficit, plus amortization of medium and long-term public sector debt, plus short-term debt at end of previous period.
6/ Derived as nominal interest expenditure divided by previous period debt stock.
7/ The key variables include real GDP growth, real interest rate, and primary balance in percent of GDP.
8/ The implied change in other key variables under this scenario is discussed in the text.
9/ Real depreciation is defined as nominal depreciation (measured by percentage fall in dollar value of local currency) minus domestic inflation (based on GDP deflator).
10/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

ANNEX 9 — List of Government’s commitments

	Governance area	Prospective commitments
1.	Political democratic governance	
	- Human rights	The continued observance of international conventions on human rights. It should be noted that the Barbados Constitution determines the Protection of the Fundamental Rights and Freedoms of every person in Barbados
	- Fundamental freedoms	The continued observance of fundamental freedoms. These fundamental rights and freedoms are protected under the Constitution of Barbados. Barbados is a model democracy.
	- Electoral process	To undertake sound electoral practices and to exercise free and fair elections. The electoral processes in Barbados are considered free and fair and there are no existing problems that undermine the credibility of the electoral process.
	- Principles of constitutional democracy	The continued observance and practice of the principles of constitutional democracy. These principles are provided for under the Constitution of Barbados.
4.	Government effectiveness	

<p>- Institutional capacity</p>	<p>Promote greater openness, transparency and accountability in government operations.</p> <ul style="list-style-type: none"> • Enact a new Public Service Act to encourage modern management practices • Introduce upgraded performance management systems • Create a Central Information Management Agency to champion e-government and facilitate the use of ICT solutions. • Development of a Manpower Resources Plan • Development of a five-year training plan for the public service. <p>With respect to disaster management, Barbados will develop a Comprehensive National Multi-hazard Disaster Management Plan and improve administrative structures.</p>
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	<p>-Government effectiveness</p> <p>- Public finance management</p>	<p><i>Consider how the tax systems supporting the international business and financial services sector could be re-designed where necessary to maintain Barbados' competitiveness in this area while paying due regard to concerns about inappropriate use by its taxpayers and those of other countries and the vulnerability of its system to abuse.</i></p> <p>Enhance Revenue Forecasting</p> <p>Enhance loan negotiation techniques</p> <p>Enhance revenue collection and improve tax administration</p> <ul style="list-style-type: none"> - Revise and automate current administrative practices - Automate and modernise non-tax revenue agencies such as the Corporate Affairs Department and the Barbados Licensing Authority - Establish a Central Revenue Collection Agency to remove the administrative fragmentation in the revenue collections system. <p>Enhance Public Expenditure Management</p> <ul style="list-style-type: none"> - Fully implementing an accruals-based method of accounting - Fully introduce multi-year budgeting - Implement Value for Money Auditing - Develop medium term strategic plans for line ministries - Enhance project planning in line ministries <p>Improve debt management</p> <ul style="list-style-type: none"> - Implement enhanced systems for monitoring and analysing debt - Establish a Debt Management Unit - Maintain the fiscal deficit within manageable limits, the target being 2% of GDP
5.	Economic governance	

	<p>- Private sector/market friendly policies</p>	<p>Enhance business facilitation; simplification of the process of registering and transacting business by:</p> <ul style="list-style-type: none"> • Continuing the Enabling Environment For Private Sector Investment project (EEPSI) where a One-Stop-Shop solution is being developed for investors 24 hours a day. • Full electronic document processing at Customs through the implementation of ASYCUDA++ • Enhancing financial market efficiency e.g. developing secondary markets for government securities and mortgages <p>Continue the process of liberalisation to enhance the working of the market mechanism and to remove distortions to the system. Pursue the negotiation of agreements that mitigate the effect of double taxation and provide the most advantageous platform for the promotion and protection of investment. Enhance the framework for new product development and the expansion of existing ones for services such as insurance and re-insurance throughout the Region. Ensure an appropriate balance of regulation with business facilitation. Rationalise the role of those public sector institutions providing financial assistance with in the various sub-sectors through the creation of a central coordinating agency such as the Barbados Development Finance Inc.</p>
	<p>- Management of natural resources</p>	<p>Barbados commits to the implementation of environmentally friendly and sustainable practices, including working toward the achievement of the goals of the Barbados Programme of Action for the Sustainable Development of Small Island Developing States agreed at the Global Conference on the Sustainable Development of Small Island Developing States held in Bridgetown, Barbados, 25 April-6 May 1994. Establish a National Park Development Plan for the development of national park places throughout the island. Implement the National Biodiversity Strategy and Action Plan. Establish and implement an Environmental Management System.</p>
<p>6.</p>	<p>Internal and external security</p>	

	- Internal stability / conflict	There are no conflicts and/or immediately recognisable threats to the rule of law in Barbados. Barbados commits itself to the principles of justice, equity and inclusion for all. Barbados also commits to enhancing its legal and judicial systems not only to ensure a better functioning system but also to ensure that social justice and legal justice are seen to coincide.
	- External threats and global security	Barbados commits itself to the maintenance of human rights and unless threatened commits itself to peaceful relations with all nations. It also commits itself to the non-proliferation of all weapons of war. Barbados also enforces all international commitments to fight terrorism and illegal activities such as money laundering.
7.	Social governance	Enhance the participation of civil society in development by providing appropriate mechanisms to include them in decision-making and overall governance such as a deepening of the Social Partnership. Continue to apply and honour the relevant ILO Conventions. Expand the fight against HIV/AIDS and the building of awareness of safe lifestyle practices. Implement and amend laws so as to ensure gender neutrality/equity and to protect the rights of the vulnerable. Establish focal points across the private sector to ensure gender mainstreaming in policy and decision-making.
8.	International and regional context	
	- Regional integration	Barbados has committed to lead the integration process within the Region and to abide by and apply all the commitments therein. Barbados is also committed to fully implementing the CARICOM Single Market and Economy.
	- Involvement in regional peer review mechanisms (e.g. APRM)	Not applicable with respect to the African Peer Review. Barbados is nonetheless committed to working within the framework of CARICOM and its Council for Social and Human Development to ensure the sustainable and people-centred development of the Region.

- Migration	<ul style="list-style-type: none"> - Establish an inter-ministerial committee to advise on migrant workers in the context of the CSME - Develop and implement a comprehensive migrant worker policy - Allow for the free movement of people in agreed categories in the Region as well as ensuring “hassle-free” travel (no passports required) for CARICOM nationals. - Develop legislation on employment rights. - Review immigration policy with respect to illegal immigration and human trafficking.
Quality of Partnership	
-Political dialogue	Further dialogue will continue in the context of the EU-CARIFORUM partnership
-Programming dialogue	<ul style="list-style-type: none"> - Establishment of a framework for the coordination of all financial, technical and economic cooperation with donors and third parties. Continued openness in dialogue involving civil society
-Non state actors (NSAs)	<ul style="list-style-type: none"> - Enhance the institutional capacity of NSAs to deliver joint programmes. - Create a Charter of Rights for Civil Society - Develop more formal mechanisms through which a joint NSA voice could be heard on national developmental issues.

ANNEX 10 – Map of Barbados