

2014 Annual Review of Policy and Operations

**ENCOURAGING RENEWABLE ENERGY
IN BARBADOS**



ENCOURAGING RENEWABLE ENERGY IN BARBADOS

Virtually every country has almost unlimited sources of renewable energy arising from natural resources such as wind, rain, sunlight, tides, volcanoes, biofuel, and the like. Renewable energy has obvious known applications, such as the provision of electricity, hot water, heating and motor fuel, and has significant potential economic benefits.

Thus, scientists speak of the importance of developing a green economy, one in which economic development is undertaken in a manner which does not degrade the environment but facilitates reduction of common pollutants such as oil, coal, lead and carbon. In this regard, they promote the need to reduce the carbon footprint, often defined as the emission of carbon dioxide, methane gas and other greenhouse gases.

Barbados has long been involved in the manufacture of renewable energy systems, and at the height of the sugar industry, facilitated by the mostly flat topography and the intense and successful cultivation of sugar, the island had one of the highest number of windmills per square mile in the world. During the last four decades, Barbados has increasingly been engaged in the manufacture of solar water systems and in recent years the Government has made it official policy to transform the economy into a green economy. The national green economy plan seeks to facilitate sustainable development and it is envisioned that the country can build on existing capacities and systems, both in the public and private sectors, using tax incentives, and leveraging relationships with international institutions, *inter alia*.

Energy Finance

The Government of Barbados has borrowed US\$10 million from the Inter-American Development Bank (IDB) to establish a Sustainable Energy Investment Programme, known as the *Smart Fund*, to provide financial and technical support to renewable energy and energy efficient projects. The *Smart Fund* has already begun disbursing technical assistance grants to fund energy audits, as well as loans to implement photovoltaic solutions.

Greening and Renewable Energy at the Central Bank

In 2014, the Bank commissioned a grid-tied photovoltaic system for the Church Village Green. The same technologies have already been implemented at the official residence of the Governor. In 2012, the Bank acquired a hybrid Toyota Camry which has both an electric motor and gas engine. Only at speeds over 60 kph does it use the gasoline engine, also recharging the battery. The braking system also produces kinetic energy that feeds the electric battery. The Bank hopes to be in a position to periodically come off the national grid and fully meet its own electricity needs.



2014 Annual Review of Policy and Operations

**ENCOURAGING RENEWABLE ENERGY
IN BARBADOS**



CONTENTS

Vision Statement & Values	6
Board of Directors	8
Senior Management and Other Senior Officers	9
Governor's Message	10
1. Review of Economic Policy	13
2. Financial Stability	21
3. Money, Credit and Capital Markets	23
4. Currency Management	26
5. Business Continuity and Physical Development	30
6. Information Technology	31
7. People and Programmes	32
8. Domestic Outreach	34
9. International Relations	40
10. Publications and Papers	42

ACKNOWLEDGEMENTS

EDITORIAL COORDINATOR: Peter Whitehall
ADMINISTRATIVE COORDINATOR: Laurie Blackman
DESIGN: Blueprint Creative
PRINTING: Panagraphix Inc.

OUR VISION: The Vision of the Central Bank of Barbados is to create and maintain a caring, happy, dynamic, world-class organisation nurtured within a cooperative culture.

MISSION STATEMENT: The Mission of the Central Bank of Barbados is to foster an economic and financial environment conducive to sustainable economic growth and development.

CORPORATE PROFILE

The Central Bank of Barbados, set up by the government in 1972 as a statutory organisation, is responsible for:

- regulating the issue, supply, availability and international exchange of money;
- promoting monetary stability;
- promoting a sound financial structure;
- fostering development of the money and capital markets; and
- fostering credit and exchange conditions conducive to the orderly and sustained economic development of Barbados.



OUR VALUES: The Bank's pursuit of its mission is guided by a set of fundamental principles and values. These define the approach to be taken by management and staff in the performance of their duties and in their interaction with each other, and with the Bank's several publics.

These principles and values are as follows:

■ **Innovation and High Performance**

We believe that new ideas, the promotion of critical thinking, inquisitiveness, nimbleness and flexibility will enhance our ability to achieve high performance in all of our endeavours.

■ **Integrity and Transparency**

We acknowledge that our performance, success and reputation hinge on the highest standards of ethical behavior. We therefore promise to provide open communication and to be consistent in our application of policies across the organization. We will always practise honesty and fiscal responsibility in all of our undertakings as a way of building trust among our stakeholders and getting public support for our policy initiatives.

■ **Respect and Empathy**

We are committed to building relationships through respect for each other, respect for diversity and open dialogue. We will promote and acknowledge behaviours that demonstrate genuine care and concern for the well-being and welfare of others.

■ **Accountability**

We will be accountable to all of our stakeholders by being timely, open and accurate with our information and data, and in our actions. We will ensure the safety and security of all assets and resources under our responsibility, so as to engender the peace of mind of all our publics.

■ **Development and Inclusiveness**

We value the development of our staff through education, training and shared knowledge and experiences. We also encourage their participation and involvement in the decision-making process.



BOARD OF DIRECTORS

BOARD MATTERS

The Board of Directors of the Bank has been entrusted, pursuant to Section 10 of the Central Bank of Barbados Act Cap. 323 C of the Laws of Barbados, with the overall responsibility for the policy and general administration of the Bank. The Board is empowered by the Act to make by-laws regulating the conduct of the Bank's business and may also make regulations and issue orders for the purpose of giving effect to the provisions of the Act.

The Board has delegated some of this responsibility to the Governor and senior officers of the Bank who are tasked with the daily responsibility of executing the policies established by the Board.

Composition of the Board

The Board consists of the Governor as Chairman, the Director of Finance and Economic Affairs and five (5) other Directors who are persons of recognized experience in the areas of law, economics, finance and business. At present the members of the Board are; Dr. DeLisle Worrell, (Chairman), Mr. Cecil McCarthy, Dr. Justin Robinson, Ms. Onika Stewart, Mr. Bjorn Bjerckhamn and Mr. Martin

Cox. The latter two gentlemen joined the Board in 2014, replacing Mr. Harold Hoyte and Mr. Grantley Smith respectively. There is currently one vacancy on the Board occasioned by the untimely death of Mr. Ashley Toppin on December 13, 2014.

Mr. Elson Gaskin is the Bank Secretary and is the officer chiefly responsible for Board administration. During the year under review, Dr. Worrell was reappointed as Governor of the Bank and Chairman of the Board for a second term.

Sub-committees of the Board

There is one sub-committee of the Board, namely the Audit Committee. This committee addresses matters pertaining to the internal audit functions of the Bank and reviews the draft audited financial statements of the Bank, in conjunction with the external auditors, prior to the said statements being approved by the Board. Apart from the Audit Committee, a member of the Board also sits on the Committee of Management of the Staff Pension Fund.



SENIOR MANAGEMENT

**R. DeLisle Worrell,
G.C.M., Ph.D.**
Governor

**Mr. Harold E. Codrington,
M.A. (Econ.)**
Deputy Governor

**Mr. Cleviston L. Haynes,
M.A. (Econ.)**
Deputy Governor

**Mrs. Marlene E. Bayne,
M.B.A.**
Director, Bank Supervision

**Mr. David A. Boyce,
M.B.A., A.F.A.**
Director, Foreign Exchange
and Export Credits, Ag.

**Mr. Charles Briggs,
M.B.A., C.Eng**
Director, Facilities,
Management

**Mr. Michael D. Carrington,
M.B.A., F.C.C.A.**
Financial Controller

**Mrs. Michelle Doyle-Lowe,
M. Phil., CFA.**
Adviser to Governor
(Director, Research and
Economic Analysis)

**Mr. Elson Gaskin,
LL.B., L.E.C, M.B.A., MICBS**
Bank Secretary

**Ms. Janice D. Marshall,
M.B.A.**
Director, Management,
Information Systems

**Mrs. Janis O. Marville,
M.Sc., FCIPD**
Director, Human Resources

**Mr. Steve A. Vaughn,
F.C.C.A., C.I.A.**
Director, Internal Audit

**Ms. Julia A. Weekes,
CFA.**
Director, Banking, Currency
and Investments

**Mr. Peter H. Whitehall,
B.Sc. (Econ), M.P.A.**
Director, Foreign Exchange
and Export Credits
(Adviser to Governor, Ag.)

**Ms. Celeste J. Wood,
M.Sc., M.B.A.**
Adviser to Governor

***Note – Kevin C. Greenidge,
Ph.D.**
Director, Research and
Economic Analysis (on
leave)

OTHER SENIOR OFFICERS

**Ms. Pamela Arthur,
M.Sc.**
Assistant Director,
Governor's Office

**Mr. Anton D. Belgrave,
M.A. (Econ)**
Deputy Director, Research
and Economic Analysis

**Ms. Wilma Belgrave,
A.C.I.S.**
Assistant Director, Bank
Supervision

**Ms. Debbie Briggs,
A.C.C.A.**
Deputy Director, Banking,
Currency & Investments

**Ms. Novaline Brewster,
J.P., M.Sc.**
Public Affairs Officer,
Governor's Office

**Mr. Ian Collymore,
M.Sc.**
Assistant Director, Foreign
Exchange & Export Credits

**Ms. Sadie Dixon,
M.Sc., LL.B., LL.M., M.A., LEC,**
Legal Counsel

**Mr. Darrin Downes,
LL.B., M.A.**
Chief Research Economist,
Research and Economic
Analysis

**Ms. Octavia O. Gibson,
J.P., M.Sc.**
Deputy Director, Banking,
Currency & Investments

**Mrs. Cheryl A. Greenidge,
M.B.A.**
Deputy Director, Bank
Supervision

**Mrs. Josephine Haywood,
C.G.A.**
Assistant Director,
Management Information
Systems

**Ms. Tamara Hurley,
M.B.A.**
Risk Assessment Analyst,
Bank Supervision

**Mr. Hartley O. Jordan,
M.B.A.**
Deputy Director, Facilities
Management

**Mrs. Sheryl A. Peter-Kirton,
M.Sc.**
Deputy Director, Research
and Economic Analysis

**Mr. Peter deC. Rochester,
M.B.A.**
Deputy Director,
Management Information
Systems

**Ms. Angela Skeete,
M.A.**
Assistant Director, Research
and Economic Analysis

**Mr. Philmore Thorne,
B.Sc. F.C.C.A., F.C.A.**
Deputy Financial Controller

GOVERNOR'S MESSAGE



Dr. DeLisle Worrell
Governor

I want to begin by celebrating our achievements during the past five years, which are numerous, and in some cases path-breaking, and of which we can all be truly proud.

Firstly, and most important, we have led the way in upgrading the quality of economic policy in Barbados. Superior economic policy is something Barbados has become known for throughout the Caribbean, and it is in no small measure due to the collaborative efforts of the Government and the Central Bank of Barbados over the years. The improvement in the Bank's contribution reflects the dedication of management and staff who stood up under relentless pressure of deadlines, processed and analysed data, prepared charts, tables, reports and presentations, participated in discussions and roadshows, or undertook other activities that fed into the policy mix.

Notably, financial oversight has been upgraded, thanks to the Research and Economic Analysis Department (READ) and its Financial Stability Unit (FSU), the Bank Supervision Department, our legal team, the Foreign Exchange and Export Credits Department (FEEC), and everyone else involved. Having aligned our supervision of banks to international standards from the early years of the Basel Committee on Banking Supervision, we have made further strides in the last five years, with the ongoing capacity building in the Bank Supervision Department, and with the introduction of our Financial Stability Report (FSR) and Updates. Stress testing and

the use of sophisticated tools of financial risk assessment are now part of our regular toolkit, and we have completed our third Financial Sector Assessment Programme (FSAP), in which we were highly rated.

We must also celebrate the improvements we have made to our headquarters building. The seamlessness with which we were able to replace our elevators, with installations completed well within the scheduled time, and with virtually no disruption of the flow between floors, has set a new standard for this kind of project.

We have also streamlined our credit and guarantee schemes, which are now promoted more effectively, thanks to our FEEC and Communications staff. There is now general awareness, among entrepreneurs and the financial system, of the extent and variety of Central Bank finance and guarantee schemes.

Another thing we must celebrate is the panache with which we introduced our new currency notes, on the 40th Anniversary of our first issue of Barbados currency. Our Currency staff and our Communications unit produced a campaign of which any industrialised country would have been proud, and we are overjoyed by their success. They have demonstrated once again the excellence of which we are capable.

Our *'One Cent Drive'* to benefit sufferers of Alzheimer's disease must also rank as a heartwarming effort of national significance which raised the awareness of the prevalence of this disease and generated significant monetary contributions. Hats off to those who came up with the idea and to the enthusiastic volunteers who partnered with us to make it happen.

Our Sir Winston Scott Memorial Lecture has always featured the finest minds in the world, and we have kept the standard high. Our Annual Review Seminar has nurtured a whole generation of economists, and our Christmas parties have always been classy. We have built on this foundation in recent years, with highlights such as our first Distinguished Visiting Scholar Caribbean Economic Forum, annual conferences for domestic and international financial institutions, a path-breaking conference on renewable energy, and the recent three-day seminar on macroeconomics, presented by Professor Tarron Khemraj.

We celebrated our 40th anniversary, and our first-ever open house was highly acclaimed. We sponsored two very influential conferences on Emotional Intelligence, which have benefitted major companies in Barbados as well as the Central Bank of Belize, which have followed our lead.

The Central Bank has always been conscious of its obligation to enrich the Bridgetown experience, particularly the community in the vicinity of our headquarters. In the past couple of years our contributions in this regard have been the renovation of the Masonic Lodge and collaboration with the Barbados Tourism Incorporated in the completion of Church Village Green. Both developments have been ably executed and we salute the input of the Facilities Management team, our consultants and advisors on these projects.

We must all celebrate the introduction of new systems for staff empowerment over the past five years, principally the bank-wide professional and technical staff streaming initiative. Our heartfelt thanks to the Human Resources

“The Bank makes outstanding use of the Internet and international institutions and investors are impressed by the extent of economic information available on the CBB website. “

and other Departments for completing the arduous process of making it happen.

I have left for last the most important and effective of all of our innovations of the past five years, that is, our internal and external communications. No other Central Bank issues its press releases and communiqués simultaneously in video, audio and print. Also, our public information and outreach initiatives are on par with that of central banks in advanced economies, a fact which was confirmed by Dr. Fred Bergsten, our Distinguished Visiting Fellow. The serial programmes of five minute micro documentaries on the economy have proven to be ideal for people on the move, and are well received, owing to the clarity and directness of their messages.

The Bank makes outstanding use of the Internet and international institutions and investors are impressed by the extent of economic information available on the CBB website. In addition, we rank alongside leading international institutions in respect of our live streaming of events, while teleconferences and video conferences are a regular feature of how we do business. With respect to our internal communications, our achievement is even more spectacular. As far as I am aware, CBB-TV is unparalleled anywhere. While many companies may use their intranet as an effective means of communication, I am yet to come across any that produces a monthly internal video magazine to keep staff up to date.



For all this we are in debt to the Communications team, the MISD staff, our technical team, and our many audio and video collaborators. They do an outstanding job, every single time. Notably, team members are drawn from several departments and several levels in the organisation, and there is no hierarchy and no lines of authority. I suggest the Communications Group as a model for many of the Bank's functions, going forward.

We also need to complete the reform of the culture of the Bank, and high on the agenda of unfinished business is a focus on staff development and leadership. Further, It is anticipated that the Central Bank will be reorganised in a manner that would engender increased operational efficiencies at all levels.

We have achieved a great deal, building on the solid foundation on which our Central Bank rests, and we have much to celebrate. We are among the leading institutions in this country, public or private, and every member of our staff has had a hand in maintaining our standards and reputation. For all this, I am eternally grateful.

Above left: Governor Worrell makes a presentation to the family of the late Professor Roland Craigwell, represented by (from left): daughters Jhane and Mone, and wife, Peggy.

Above right: During the 2014 IBFS Conference Governor Worrell interacts with Professor Walid Hejazi, whose presentation examined the mutually beneficial Canada-Barbados relationship.

REVIEW OF ECONOMIC POLICY

Overview

The Barbadian economy remained sluggish with real GDP estimated to have increased by just 0.3% over the previous year, but there were encouraging signs during 2014. Small increases in growth were recorded in the tourism and construction sectors, and domestic inflation moderated, partly because of lower international fuel prices. The fiscal consolidation measures implemented over the past 18 months reduced the deficit and stabilised the balance of payments. Moreover, there were higher foreign capital inflows which helped the foreign reserves to revert to their long-term seasonal pattern, even though there was some decline.

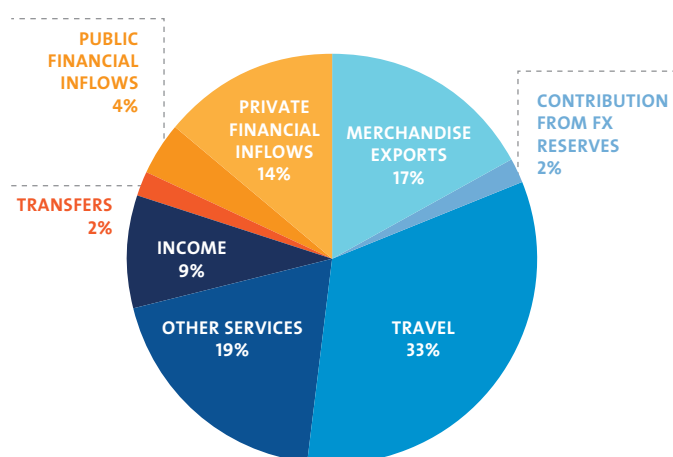
The overriding concern of economic policy in Barbados in 2014 was to stabilise the balance of foreign exchange inflows and outflows, and thereby to ensure that the Central Bank maintained foreign reserves adequate to protect the value of the Barbados dollar, in terms of US currency. By the end of the year it appeared that this objective had been attained: estimated foreign currency outflows of \$5,800 million were almost completely financed by foreign currency inflows, and the Central Bank was required to supply foreign exchange for only \$92 million, or 1.6 percent of the total.

TABLE 1 – FOREIGN EXCHANGE PAYMENTS (BDS \$MILLIONS)

	2013	2014
FX Outflows	5,715.8	5,800.4
<i>Mainly Financed by:</i>		
Merchandise Exports	1,550.8	1,576.9
Travel Receipts	1,927.8	1,894.9
Other Services	417.1	429.8
Income	497.5	525.1
Transfers	139.7	140.0
Public Financial Inflows	381.7	234.2
Private Financial Inflows	458.5	777.7
Change in International Reserves	(313.5)	(92.0)

Source: Central Bank of Barbados

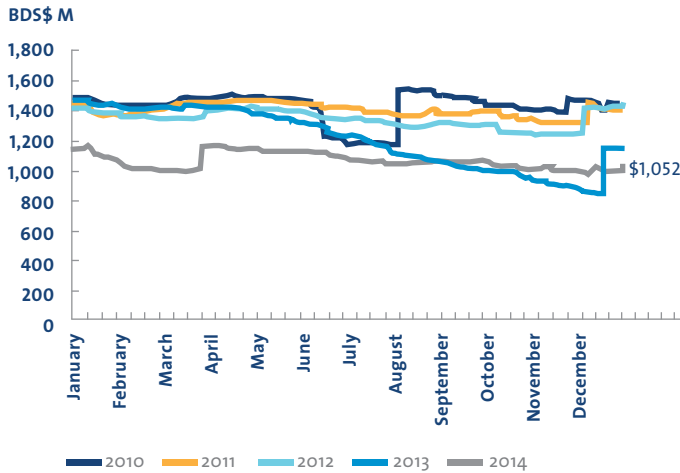
FIGURE 1 – FOREIGN EXCHANGE INFLOWS



Source: Central Bank of Barbados

Moreover, the pattern of daily foreign exchange movements over the year returned to normal, suggesting that active foreign exchange market participants are no longer apprehensive about the future value of the local currency. This contrasts with the significant decline in foreign reserves between April and November 2013.

FIGURE 2 – INTERNATIONAL RESERVES (2010-2014)



Source: Central Bank of Barbados

The Barbados strategy for maintaining external balance involves containment of foreign expenditures in the near term, and increasing foreign earnings in the longer run. In the short term, spending is reduced by curtailing the ability to spend, by increasing taxes, reducing Government employment, and reducing Government purchases of goods and services. This reduces the disposable income of individuals and of companies that sell to Government. As a result, they will buy less of everything including imports. The rationale which informs the decision by how much expenditure must be cut is shown in Figure 3 and Figure 4.

FIGURE 3 – EXPENDITURE ADJUSTMENT

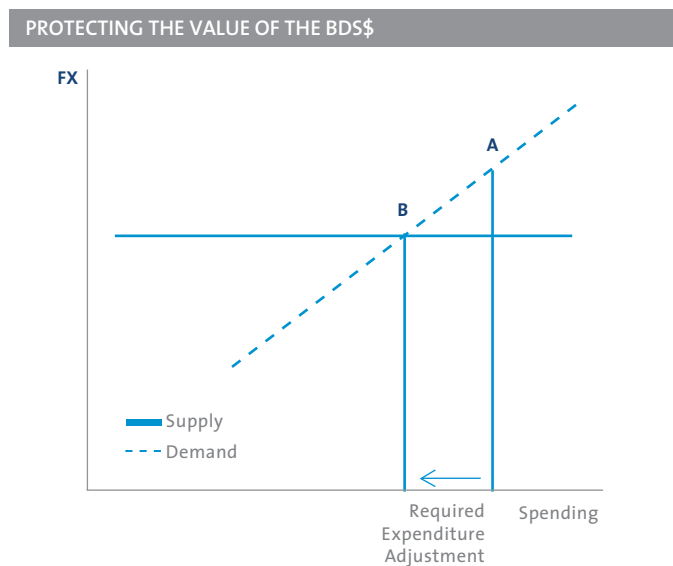


TABLE 2 – FISCAL ADJUSTMENT

AUGUST BUDGET: FORECAST FOREIGN EXCHANGE FLOWS FOR SEPT 2013-MAR 2015

	\$ MILLION
Gross FX Inflows	9,629
Gross FX Outflows	9,485
Projected International Reserves Gain	144

Fiscal Adjustment \$461M

*A fiscal adjustment of \$461 million reduces imports and results in a reserve import cover of 15.2 weeks by the end of March 2015.

In 2013 it was observed that foreign spending was in excess of earnings, and the fiscal adjustment programme that was put in place in August and December of that year was designed to be sufficiently large to bring spending down in line with foreign earnings. This objective appears to have been achieved by the end of 2014.

A second objective of the fiscal programme was to strengthen incentives for investment in tourism-related activity, green energy, and exports of other goods and services. All tourism-related services were afforded the benefit of the lower VAT previously enjoyed only by hotels, and a standardised list of items eligible for duty rebate is being readied for implementation in the fiscal year that begins in April 2015. Government, Central Bank and Government agencies are collaborating with private service providers to develop new products and new markets for IBFS services. Energy policies are being reviewed to sustain growing momentum for the use of solar generation of electricity, with installed PV systems now producing 3 mega-watt hours to 7 mega-watt hours of power annually. Although this is only 3.5 percent of installed capacity, it represents an increase of 130 percent in one year.

Tourism and related activities, international business and financial services, rum, chemicals, other food and beverages, and green energy are all activities in which Barbados already has a competitive edge on the international market, because of our education, health services, Social Partnership, good infrastructure and communications, and our readiness to adopt new technology. This is attested to by the annual Global Competitiveness Report, published by the Global Forum. All told, Barbados ranks at No. 5 in competitiveness in Latin America and the Caribbean, slightly ahead of regional leaders such as Brazil and Mexico. Overall,

Barbados is outperformed by Puerto Rico, Chile, Panama and Costa Rica in Latin America and the Caribbean, but it scores more highly than Brazil, Mexico, Colombia, Peru and others.

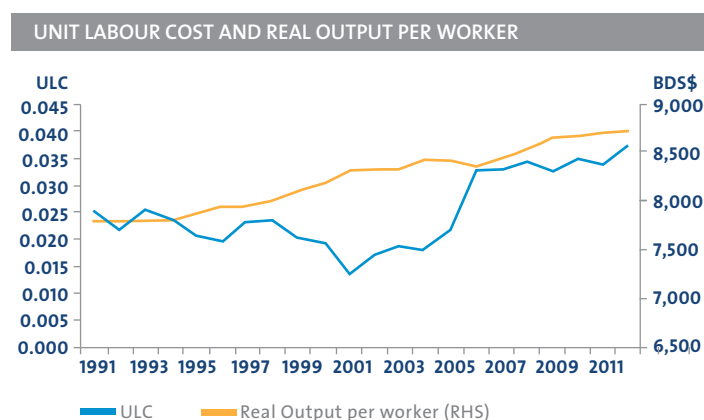
The growth of the economy in 2014, a marginal 0.3 percent, was fuelled by foreign exchange surpluses of the tourism sector, and of activities related to tourism. In 2014, tourism receipts declined by \$28 million, while investment in tourism-related projects grew by \$70 million. Further increases of foreign earnings from tourism, international business and exports, and savings from green energy, will support projected economic growth of between 1.5 and two percent in 2015, and even stronger performance in subsequent years.

The underlying sources of increased competitiveness for the Barbadian economy going forward are improvements in labour productivity, enhancement of the quality of products and services, the development of new products and markets in areas where Barbados may expect to have a comparative advantage, and improved efficiency in the provision of Government incentives and support services.

Real output per worker slumped in the 1990s, recovered in the first half of the 2000s, and has continued to increase at a modest pace since the mid-2000s. However, compared

with the early 1990s, productivity increases have not caught up with the increases in labour costs as shown in Figure 4 and Table 3.

FIGURE 4 – LABOUR COSTS AND REAL OUTPUT



What is more, labour productivity gains have been smaller each year on average, in tourism, distribution, manufacturing and construction, as reported by the Productivity Council, leaving finance as the only sector where productivity gains have accelerated. Except for finance, productivity increases have slowed from five percent or more in the mid-2000s, to at most one percent.

TABLE 3 – PRODUCTIVITY AND UNIT LABOUR COSTS BY SECTOR

	HOTELS	CONSTRUCTION	DISTRIBUTION	FINANCE	MANUFACTURING
2002	-3.7				5.1
2003	-5.9		10.7	5.5	10.6
2004	29.8		3.7	4.1	31.5
2005	18.6		0.4	0.3	5
2006	0		-1.5	5.3	-1.2
2007	-2.2		3.7	0.5	-0.9
2008	7.2	6.4	7.6	-9.4	3.7
2009	-9.7	5.7	-1.1	6.1	4.5
2010	1.1	-28.7	-6.4	1	-5
2011	1.6	-3	9.3	37	0.4

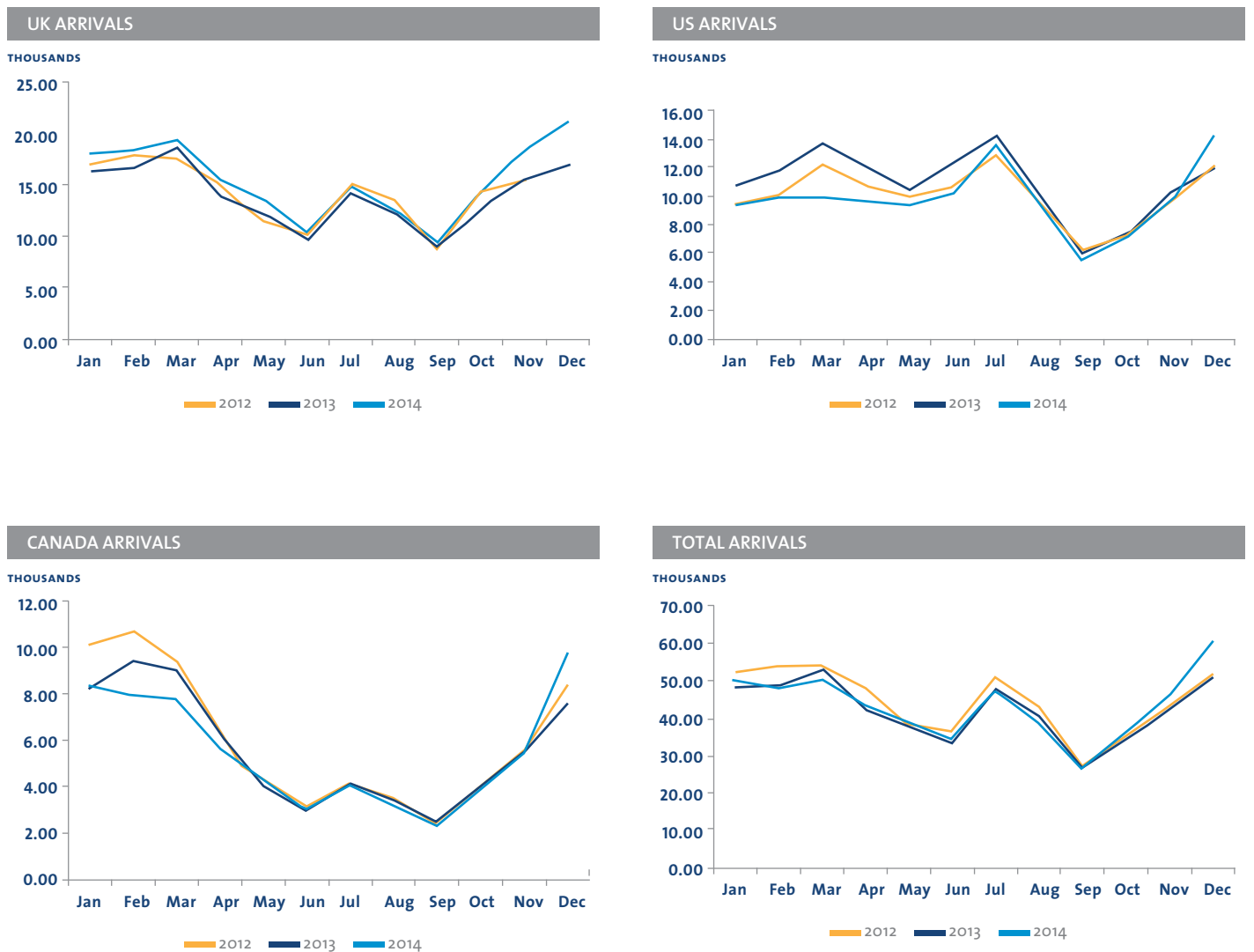
Tourism

The tourist experience in Barbados is now much richer than it has ever been, and initiatives in 2014 served to enhance the scope of things to do and see on the island. The most notable innovations in 2014 were in the area of sports tourism, with the hosting at the Bushy Park Racing Circuit of the world-famous Top Gear Festival and the motoring Race of Champions. The opening of the Bushy Park facility adds to the other internationally comparable venues for sports: yachting, golf, polo, swimming, surfing and cricket. They all continue to attract international events, and

sportsmen and teams come to use Barbados’ facilities for pleasure and training.

The tourist experience has also been broadened and deepened by the development of the cultural industries. The most important event on the cultural calendar each year is the Crop Over Festival. The Festival’s contribution to tourism is evident from the boost to visitor arrivals that characterises the months of July and August, as shown in Figure 5.

FIGURE 5 – LONG-STAY ARRIVALS BY MAIN MARKET SOURCE



The development of musical entertainment over the years is another way in which Barbados' cultural industry has grown. There is now a series of major festivals of different genres of music throughout the year, and the musical industry offers full time employment for a growing number of professionals.

Barbados has developed a vibrant and varied culinary culture, ranging from food vans and roadside establishments, through traditional bars and food at entertainment venues, fast food with a Caribbean flavour, to high-end restaurants that make dining a special experience.

An outstanding heritage preservation movement has grown up in Barbados over the past decades. World class facilities are now on offer, including the Barbados Museum, St Nicholas Abbey, historic churches, George Washington House, Sunbury House, the Morgan Lewis Mill, and many more. The Museum, the Barbados National Trust and other organisations have taken the first tentative steps to develop the economic potential of Historic Barbados and its Garrison which, together, was declared a World Heritage Site by UNESCO in 2011.

Sports, cuisine, music and heritage are among the many ways in which Barbados offers a more competitive experience for visitors, and those who live and work here part-time or full-time. These activities not only generate income that grows the national product, they also improve the quality of life for all Barbadians, who can now access services at home that were previously available only in foreign metropolitan centres.

The tourism sector was given a shot in the arm with the purchase of the former Almond properties by the Sandals Group, and the refurbishment and expansion of the former Casuarina Hotel.

International Business and Financial Services

The challenges facing the IBFS sector are immense, and we are yet to see a turnaround in the sector, which has seen some erosion of business in the last few years. In the immediate aftermath of the 2008 crisis there was another attempt to implicate small international financial centres

in the failure of the international financial system, but no evidence has emerged to support that contention. The emphasis in North America and Europe has now shifted to deterring "aggressive tax avoidance", including some arrangements and practices which hitherto were considered acceptable by the authorities in those countries. This has been done, not through formal legal processes ratified in a democratic way, but by administrative processes, and arbitrary changes in interpretation. As a result, long-established international financial institutions and others have been challenged on business they have undertaken in Barbados for many years, to the mutual benefit of the international companies, and Barbados and Canada.

Barbados' response to initiatives in this direction from Canada - our biggest source of IBFS business - the US and OECD countries, is to remind our international partners that the Barbadian international business and financial services sector was built on a foundation of a negotiated legal framework of Double Taxation Agreements and Bilateral Investment Treaties, with cooperation with foreign authorities in the implementation and administration of their provisions. Our IBFS sector is overseen by Barbadian authorities on principles that are maintained in accordance with guidance from the Basel Committee on Banking Supervision, the IMF/World Bank Financial Sector Assessment Programme, the Financial Action Task Force on anti-money laundering, the OECD's Global Forum on the exchange of tax information, and most recently, the Financial Stability Board, through its Regional Consultative Group for the Americas.

In September 2014, Invest Barbados and the Central Bank organised an international conference on "International Financial Centres in a Digitally Interconnected World" at which presentations were made demonstrating how Barbados and other well regulated IFC's provided opportunities for international companies to enhance their global competitiveness by locating businesses of substance in the country. The message of the quality and competitiveness of Barbados' IBFS sector was promoted through missions to Canada by Barbadian official delegations, including by Central Bank, through working papers published by Central Bank, and in Barbados' representation at the international oversight bodies.

Private firms in the IBFS sector have taken the lead in the exploration of new markets in Latin America, the Middle East, Africa and elsewhere, fully supported by Government and its agencies. These efforts have started to yield positive results in Latin America in particular, where some companies are garnering new business.

Barbados continued to strengthen the framework of international cooperation for its International Business and Financial Services (IBFS), in the face of challenges to the sector during 2014. In November 2014, Barbados signed an Agreement between the Government of the United States of America and the Government of Barbados to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act (FATCA). In addition, the Double Taxation Agreements (DTAs) between the Government of Barbados and the Governments of Singapore and Malta, as well as Tax Information Exchange Agreements with Denmark, Greenland and Faroe Islands all came into force in 2014. Furthermore, a new DTA between the Government of Barbados and the Republic of Rwanda was signed in December, 2014, which opens the opportunity to forge greater trade, investment and diplomatic ties with other African states.

At the Fall 2014 meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum), Barbados committed to be an “early adopter”, agreeing to sign onto the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, by 2017. This Convention implements the new standard on Automatic Exchange of Information (AEOI).

The enactment of the International Business (Miscellaneous Provisions) Act, 2014 has created a greater degree of operational certainty to the investment regime. This Act makes provision for a revised fee structure and for International Business Companies (IBCs) and Societies with Restricted Liability (SRLs) to be granted indefinite licences.

Green Energy

Barbados was a pioneer in the widespread use of solar energy for water heating by households, and solar water heaters are now commonplace. In the past two years the use of photovoltaics for power generation by homes and businesses has begun to flourish. The demand for green

energy solutions is growing, and there are an increasing number of suppliers already in the market. Financial institutions have begun to appreciate the potential of this market, and several are promoting lending in support of green energy initiatives. Government provides tax incentives in support, and has contracted considerable IDB funding for these activities. In addition, an enterprising local firm has started the importation of electric cars and is also providing solar powered charging stations and maintenance services for their clients.

Barbados has an abundant supply of solar and wind energy, with enough potential to supply the island’s total power needs many times over. The production of electricity by companies, farms and households, using solar and wind, to meet their own needs and to feed into the central grid, is now technically feasible and affordable. However, major investment would be needed in large scale storage in order to ensure the stability of a national grid which depended mainly on these variable power sources. If that were done, Barbados could largely free itself of the need to import fuel for power generation, which could yield about \$500 million a year in foreign currency savings. The foreign currency savings would be even greater if all transportation were to be converted to electricity. With the technology now available this is feasible and affordable only for motor cars.

Rum and Other Exports

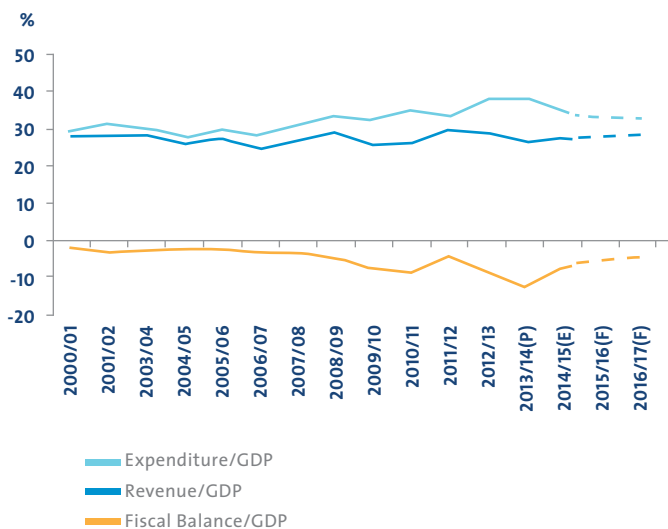
The rum industry has grown in recent years, largely because of exports of quality rums aged, packaged and labelled in Barbados. However, the industry has run into headwinds from heavily subsidized rum from the US Virgin Islands and Puerto Rico, and production fell in 2014, back to the level of 2011. Chemicals vie with rum as the main export of physical goods. Exports rose somewhat in 2014, but remain well below the peak of 2011. The other significant export is food (not including sugar) which has not changed much in the past four years. Rum, chemicals and food account for about 45 percent of exports of goods. Exports of sugar were \$18 million, or 4 percent.

The Fiscal Challenge

After the setback of the 12 percent deficit for Fiscal 2013/14, the fiscal measures of August and December 2013 were in effect a correction designed to bring the medium term fiscal deficit back on track. The deficit for Fiscal 2014/15

is targetted at 7.2 percent, somewhat worse than was planned. That deficit acts as the anchor for further fiscal consolidation over the next 5 years, to reduce the deficit to a level that is sustainable over the medium term. The target trajectory of the fiscal deficit is shown in Figure 6. It contemplates a fiscal deficit in 2016/17 which is less than the expected nominal growth in GDP, so that the ratio of the deficit to GDP declines from that year onward.

FIGURE 6 – FISCAL BALANCE TO GDP



Source: Central Bank of Barbados

In order to stay on this track, expenditures on Government wages and salaries must be further reduced, and subventions to state-owned enterprises must be cut substantially. In addition, tax revenues must be enhanced, through rationalisation of tax incentives, and efficiency gains in tax administration. Increases in labour productivity, in the provision of all public services as well as in the collection of taxes, will be at the core of the reforms needed to achieve the required fiscal consolidation. The imposition in 2014 of partial payment of tuition fees for students of the University of the West Indies has opened the debate on the desirable mix of public and private funding of tertiary education. This issue arises also with respect to health expenditures. The operating expenses of the Queen Elizabeth Hospital, the UWI, the Barbados Transport Board and other major public enterprises that provide social, educational and health services have

exceeded allocations provided for them in the Annual Estimates of Expenditure for many years. The expenditure overrun peaked at \$135 million, in Fiscal Year 2013/14. Table 4 provides data on the overruns for three major state-owned entities, the Queen Elizabeth Hospital (QE), the University of the West Indies (UWI), and the Sanitation Service Authority (SSA).

TABLE 4 – OPERATING EXPENDITURE: MAJOR PUBLIC UTILITIES

INSTITUTION	APPROVED ESTIMATE	OUTTURN	DIFFERENCE	
			\$	%
2012/13				
QE	154.1	207.9	53.8	34.9
UWI	71.8	106.7	34.9	48.6
SSA	54.7	46.2	-8.5	-15.5
2013/14				
QE	146.7	216.6	69.9	47.6
UWI	71.3	151.2	79.9	112.1
SSA	53.2	38.1	-15.1	-28.3

Foreign Exchange Led Growth

Growth and employment in the medium term will be propelled by tourism, international business and financial services, rum, food and beverages, chemicals and other exports, green energy and foreign receipts from cultural services. Additional impetus will be given by investment and construction that is financed mainly by foreign exchange. Government does not have the financial resources to contribute positively to growth; however, there need be no drag on real growth from Government if targets for productivity growth are achieved. Government aims to maintain unchanged the scope and quality of public services, while reducing the numbers employed in the public sector, by increasing the average productivity of civil servants.

Monetary Policy

Interest rates in Barbados have always followed the general trend of rates in the US, as far back as anyone can remember. The advent of the Central Bank and the introduction of the Barbados currency in 1973 did not noticeably affect the relationship, and interest rate trends in Barbados continue to track US rates up to the present.

There is an intuitive logic which explains the relationship: most Barbadian companies of any size, and many well-to-do Barbadians, do business and have banking relationships abroad, and therefore can choose between local and foreign credit. If local credit becomes too expensive, local bank branches lose business to the overseas competition.

The relationship is not an exact one, however. Local interest rates for loans tend to be noticeably higher than equivalent US interest rates, although the match with deposit rates is much closer. A characteristic of the local banking market which has been much commented on over the years, is the wide spread between the interest rate on loans and that on deposits. It is simply a matter of small size: in large metropolitan markets, banks sustain their profitability by making small margins on millions of transactions every day; the Barbados market offers comparatively few transactions, and so the banks need to obtain a larger margin on each.

Interest rates in Barbados may deviate from the US trend from time to time, when there is a shortage of Barbados dollar finance to meet the local demand for credit. Shortages of liquidity have been rare, even in difficult times.

Over the years, the Central Bank of Barbados has dismantled the panoply of stipulated interest rates which were the norm for many countries in the 1970s. Most recently the Bank has dispensed with its notional discount rate, the rate at which commercial banks may borrow from the Central Bank. The Central Bank in 2014 initiated a new regime of market guidance for short term interest rates, based on the Treasury Bill market. The result of the Treasury Bill auction, held approximately every other week, is an indicator of the tightness of the liquid funds market. If there is a shortage of liquidity, the Treasury Bill rate tends to rise. In the current circumstances where commercial banks all have pools of excess liquidity, the Treasury Bill rate should fall, and the Bank's interventions in the Treasury Bill market have been informed by that logic. However, the pattern of short term rates has been erratic, varying between 2.29% and 3.35% in the last quarter of 2014, because the Government continued to experience cash flow problems which kept Central Bank credit to Government constantly at the borrowing limits.

FINANCIAL STABILITY

Overview

The banking system remained stable and highly liquid during 2014, despite the depressed state of economic activity. Though the non-performing loan ratio increased slightly during the year, banks' provisions against losses remained more than adequate, and the system continued to be well capitalised. Banks also continued to be profitable in 2014, with most institutions reporting positive net income over the period. The Bank again prepared its annual Financial Stability Report (FSR) at year-end and published a mid-year update in July 2014 to its 2013 FSR. An agreement with respect to the FATCA was also signed with the United States of America (US) to facilitate the exchange of financial information of interest to the revenue authorities of each country.

TABLE 1 – LICENSED FINANCIAL INSTITUTIONS

TYPE OF INSTITUTION	2008	2009	2010	2011	2012	2013	2014
Domestic							
Commercial Banks	6	7	7	7	6	6	6
Bank Holding Company	1	1	1	1	1	1	1
Near Banks	15	14	13	13	12	12	12
Total Onshore	22	22	21	21	19	19	19
Offshore	49	50	45	45	46	40	36
Total Licensed Institutions	71	72	66	66	65	59	55

Source: Central Bank of Barbados

At year-end, the Bank had direct regulatory oversight for the supervision of six commercial banks and a bank holding company, together with 12 domestic near banks and 36 international banks. During the year, two new entities were licensed, seven international banks were in the process of winding up and three completed this process. There were no new licence applications pending under the International Financial Services Act.

The Financial Services Commission (FSC), which oversees the regulation of non-bank financial institutions, including insurance companies, continued to work along with the Central Bank to strengthen prudential oversight of the entire financial system.

Financial Stability Report (FSR)

The Bank published a mid-year update in July 2014 to its 2013 FSR, as well as prepared its 2014 report at year-end. The FSR evaluates the current trends of the financial system and assesses whether there are key risks that pose a threat to the stability of the system. In addition, stress test analysis is conducted to assess the resilience of the financial system to macroeconomic and other negative exogenous shocks. The results suggest that while most domestic banks are able to withstand a range of shocks, specific vulnerabilities could emerge under severe stress.

Banking Regulation Framework

The regulation and supervision of institutions licensed under the Financial Institutions Act (FIA) and the International Financial Services Act (IFSA) remain a critical element of the Bank's mandate of maintaining and promoting financial stability. In an effort to improve its compliance with international standards and best practices, the Bank continued to enhance its regulatory framework through various initiatives in response to emerging developments. In addition, projects to address recommendations from the 2013 Financial Sector Assessment Programme (FSAP) exercise, including updates to legislation and existing guidelines, are in progress.

The Bank continued to work with other domestic regulators and stakeholders on various national issues, including the Global Forum on Transparency and Exchange of Information for Tax Purposes Peer Review and Financial Action Task Force initiatives. During the year, the

Department maintained close working relationships with regional and international regulatory bodies. Cooperation and collaboration with local, regional and international regulatory agencies are supported by Memoranda of Understanding.

The Bank again participated in meetings of the Executive Committee of the Caribbean Centre for Money and Finance and the Board of Caribbean Information and Credit Rating Services Limited (CARICRIS).

In addition, the Bank was active in the Joint Policy Working Group established by the Ministry of Industry, International Business, Commerce and Small Business Development to examine initiatives to strengthen the competitiveness of the international business and financial services sector.

Policy Development

The Bank continued its efforts with the implementation of Basel II/III and issued the following draft guidelines to the industry for comments:

- **The Internal Capital Adequacy Assessment Process (ICAAP) Guideline** - meant to provide a general guide to the formulation and implementation of an ICAAP. Through its ICAAP, each bank should assess the total amount of capital necessary to safeguard against all risks inherent in its business, both current and forward looking.
- **The Capital Adequacy Guideline: Standardised Approach to Credit Risk** - provides the framework for calculating risk-weighted assets by assigning on-balance sheet assets and off-balance sheet exposures in the banking book to broad categories of credit risk for the purpose of computing a licensee's capital adequacy ratio.
- **The Capital Adequacy Guideline: Measurement of Operational Risk** - based on the Basic Indicator and Standardised Approach options outlined in the Basel Committee on Banking Supervision (Committee) Revised Framework on Capital Measurement and Capital Standards.

Financial Sector Assessment Programme (FSAP)

During 2013, the Bank underwent an FSAP assessment by the International Monetary Fund and The World Bank and the resulting Financial System Stability Assessment Report was published in February 2014. The Report noted that since the 2008 FSAP Update, Barbados had substantially improved its legal, regulatory and supervisory frameworks to support the banking system.

FATCA (Foreign Account Tax Compliance Act)

During the year, Barbados made significant progress in adjusting to the implications of the Foreign Account Tax Compliance Act (FATCA), a United States federal law requiring its citizens to report their financial accounts held outside of the United States. A FATCA model 1 A agreement was signed between Barbados and the United States of America (US) at Bridgetown on November 17, 2014. Under this agreement, both Barbados and the US will collect bank account and other prescribed information on each other's citizens and transmit it to the Revenue Authority of each country. Prior to September 30, 2015, Barbados will pass FATCA regulations and negotiate a Competent Authority Agreement between the Barbados Revenue Authority and the US Internal Revenue Service to operationalise the FATCA. Countries refusing to comply run the risk of causing their financial institutions to be subject to a 30% withholding tax on both income and capital from US sources.

2015 Priorities

- *Further enhancement of the regulatory and supervisory framework for licensees*
- *Continuation of the work on Basel II/III implementation*
- *Continuation of dialogue with the domestic, regional and international banking sectors and regulators towards strengthening home-host relationships and consolidated supervision*
- *Contribution to national preparedness and response to Country assessments (e.g. FSAP, CFATF Mutual Evaluation, OECD Global Forum Peer Reviews)*

MONEY, CREDIT AND CAPITAL MARKETS

Overview

During the year, the prevailing high liquidity conditions in commercial banks continued to constrain the demand for the special credit, insurance, guarantee and trade receivables facilities administered by the Central Bank.

Liquidity Management

The high level of excess liquidity in the banking system in 2014 resulted in no borrowings by the commercial banks from the Central Bank. During the year, commercial banks discounted \$83.0 million in Treasury Bills to the Bank and purchased \$40.5 million in Treasury Bills from the Bank. The Bank maintained its active stance in the primary market, with purchases of \$1.5 billion in Treasury Bills during the year compared to purchases of \$858.5 million in 2013. At year-end, the Bank's holdings of Treasury Bills stood at \$418.4 million.

Government Bond Market

The Bank issues Government Savings Bonds and Barbados Government Treasury Notes and Debentures on behalf of Government as a means of raising funds and managing domestic liquidity. Four issues of Treasury Notes and four issues of Debentures with a nominal value of \$685.0 million were offered to the public in 2014, in maturities ranging from two years to 20 years at a weighted average coupon of 6.33 percent per annum. Rollover of security issues maturing in the year totalled \$410.0 million, resulting in the net issuance of \$275.0 million in new debt. During the same year, \$529.0 million of securities, including securities issued before 2014, were sold.

In 2014, two Savings Bond issues totalling \$20.0 million were offered to the public. Two Savings Bond issues of nominal value \$30.0 million matured during the year and certificates presented for redemptions for those issues totalled \$12.0 million as at December 31, 2014. During the reporting period, redemptions from prior saving bonds

issues totalled \$5.5 million resulting in an outstanding balance for savings bonds of \$95.5 million at the end of 2014.

Foreign Exchange

Registrations of private foreign investment totalled BDS\$542.6 million in 2014 compared to BDS\$420.4 million in 2013. Equity Capital and Real Estate increased by 191% and 17% respectively, while Loan Capital decreased by 33%. Actual inflows of private foreign investment totalled BDS\$50.9 million in 2014 compared to BDS\$40.1 million in 2013. Loan Capital increased by 337%, while Equity Capital declined by 43%. There were no registrations of actual inflows in Real Estate.

Trading in Foreign Currencies

In 2014 the Bank was again a net seller of foreign exchange to the banking system as foreign exchange outflows outstripped inflows, although at a lower level than in 2013. Higher sales of foreign currency to the banks, together with lower purchases from banks resulted in net sales of \$255.7 million in 2014, compared to net sales of \$317.1 million in 2013. Foreign exchange purchases from banks decreased from \$71.2 million in 2013 to \$61.3 million in 2014. During the year, \$15.5 million in foreign notes were purchased compared to \$88.5 million in 2013.

Export Credits & Guarantees

The number of small and medium-sized enterprises using the collateral support provided by the credit guarantee scheme increased marginally during the year. At the end of 2014, there were 33 guarantees outstanding with a maximum liability of \$2.1 million, compared to 31

guarantees with a maximum liability of \$1.8 million at the end of 2013. Total lines of credit increased from \$2.4 million to \$2.7 million during the year.

During the year no export credit insurance coverage, export finance guarantees or tourism loan guarantees were provided by the facilities.

Trade Receivables Liquidity Facility

The difficulty in obtaining certification from the various ministries has contributed to a drop in the number of applications reaching the department. During the year, eight small businesses obtained financing under the Trade Receivables Liquidity compared to five in 2013. Though the number of guarantees approved declined from 24 to 17 guarantees, the value of the approvals increased from \$967,178.69 in 2013 to \$1,384,727.07 in 2014. At the end of the year, there were three guarantees outstanding, totalling \$434,765.81.

Housing Credit Fund

The Housing Credit Fund (HCF) recorded another year of inactivity and no new loans or disbursements were made. As a result, net income, estimated at \$3.2 million, was lower than the \$3.8 million recorded in 2013. In addition, during the year, Government reduced its capital contributions by \$20.8 million. The overall result was that the HCF's net worth declined markedly from \$169.4 million in 2013 to \$153.5 million at December 31, 2014.

On November 15, 2014, the administration of the HCF was transferred to the Foreign Exchange & Export Credits Department as the Bank sought to streamline all its financing facilities. In addition, changes are expected to be made to the operating policies to resuscitate the Fund's activities.

Industrial Credit Fund

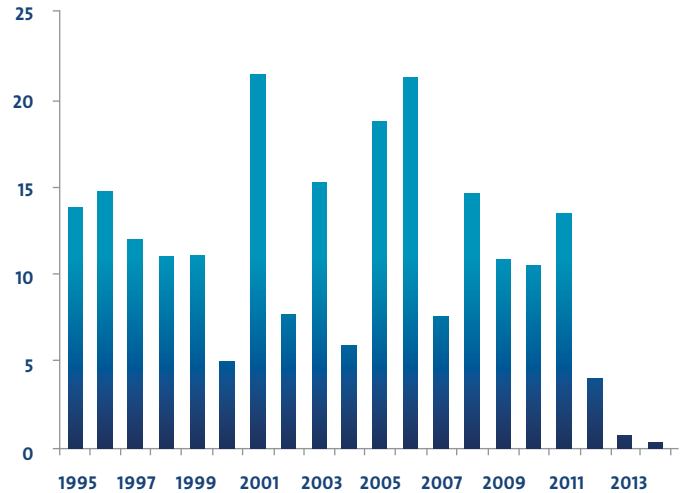
The slow demand for credit in the banking sector continued to impact on the performance of the Industrial Credit Fund (ICF) during the year. Both the value of loan approvals and the level of disbursements declined in 2014, when compared to 2013.

The ICF approved one application for \$0.05 million compared to two applications valued at \$0.7 million in 2013. After making an adjustment for a loan approval of \$1.0 million, cumulative approvals (including cancellations totaling

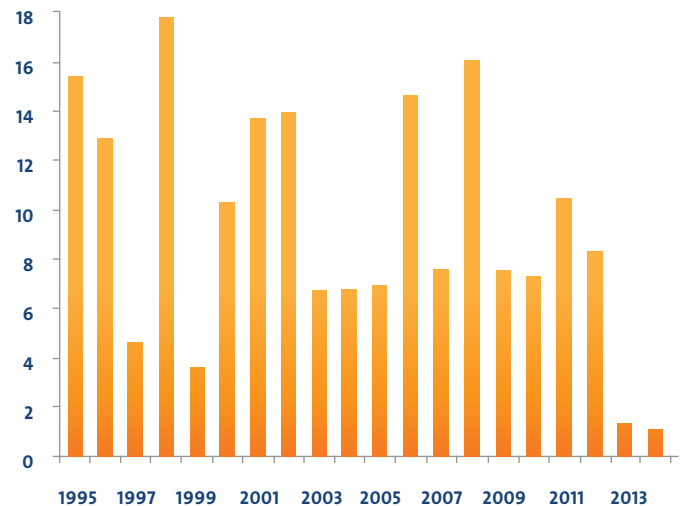
\$19.5 million) rose to \$275.5 million. New disbursements amounting to \$1.1 million increased net cumulative disbursements to \$244.4 million. The balance of loans approved but undisbursed was \$11.6 million at year-end.

No Capital Contributions were received during the year. Net income was estimated at \$1.9 million compared to \$2.2 million in 2013. The ICF's net worth is estimated to have increased from \$135.0 million in 2013 to \$136.9 million at December 31, 2014.

ICF ANNUAL LOAN APPROVALS (BDS\$ MILLIONS)



ICF ANNUAL LOAN DISBURSEMENTS (BDS\$ MILLIONS)



KEY INDICATORS OF ICF OPERATIONS (BDS \$MILLIONS)

INDICATORS	2011	2012	2013	2014P
Loan Approvals	13.3	3.9	0.7	0.05
Loan Disbursements	9.4	8.3	1.3	1.1
Principal Repayments	13.4	5.2	8.8	6.0
Loans Outstanding	38.2	41.2	33.7	28.8
Net Income	2.3	1.6	2.2	1.9
Funds Transfer	0.0	0.0	0.0	0.0
Capital Inflows	0.0	0.0	0.0	0.0
Net Worth	131.2	132.8	135.0	136.9

Source: Central Bank of Barbados
P: Provisional

KEY INDICATORS OF HCF OPERATIONS (BDS \$MILLIONS)

INDICATORS	2011	2012	2013	2014P
Loan Approvals	3.5	0.0	0.0	0.0
Loan Disbursements	8.0	0.0	0.0	0.0
Principal Repayments	9.5	6.8	9.4	11.5
Loans Outstanding	124.8	118.0	108.6	97.1
Net Income	3.9	4.1	3.8	3.2
Capital Inflows	0.0	0.0	0.0	0.0
Net Worth	158.7	163.9	169.4	153.5

Source: Central Bank of Barbados
P: Provisional

CURRENCY MANAGEMENT

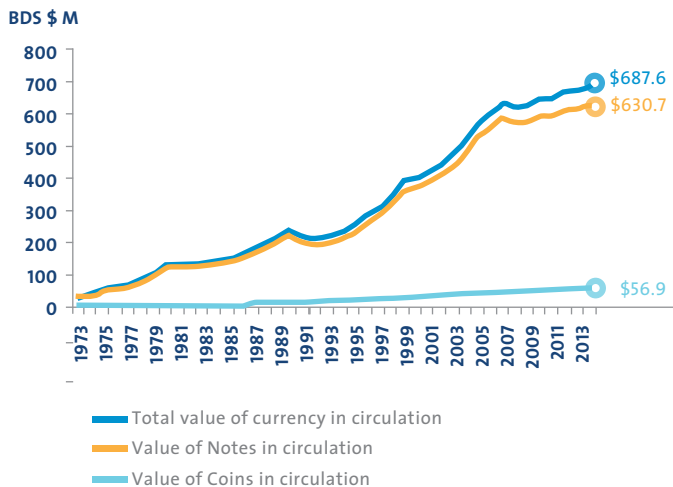
Overview

The introduction of the new series of banknotes in 2013 has had an impact on counterfeit activity in Barbados. The Currency Department in conjunction with the Bank's Security team continued to partner with the Royal Barbados Police Force to examine counterfeiting trends, exchange information and advise the public on counterfeiting activity. The one cent coin was withdrawn from circulation, accompanied by the cessation of its issuance in May of 2014. A coin study is being conducted by staff to explore the cost structure of the coins currently manufactured on the behalf of the Bank.

Maintaining a Steady Supply of Currency in Circulation

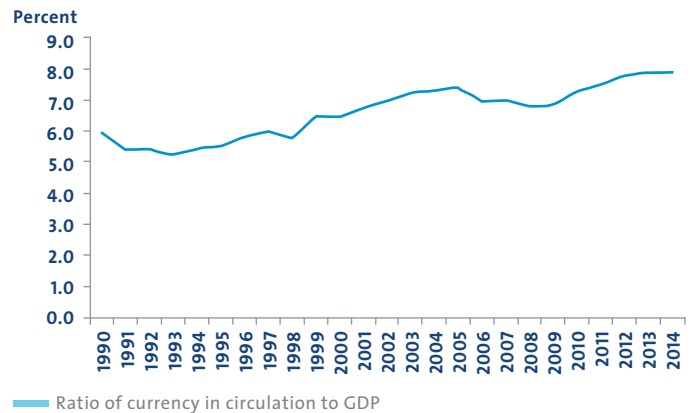
During 2014, the value of currency in circulation was recorded at \$687.6 million, a two per cent (\$13 million) increase when compared to the value in circulation as at the end of December 2013. This growth in circulation represents the sixth consecutive year of expansion in currency with the public since the two per cent decline experienced during 2008. At the end of 2014, banknotes accounted for 92 per cent (\$630.7 million) of the total value of currency in circulation while coins accounted for eight per cent (\$56.9 million).

VALUE OF CURRENCY IN CIRCULATION



Source: Central Bank of Barbados

RATIO OF VALUE OF CURRENCY IN CIRCULATION TO GDP



Source: Central Bank of Barbados

Currency in circulation as a proportion to GDP shows that cash continues to be an important means of payment. Its proportion to GDP has risen gradually and consistently over the period, as shown in the figures below.

Issues

The value of currency issued to the public during 2014 fell by \$23 million to \$1,088.9 million, in contrast to a \$42 million increase last year. Notes accounted for 97% of the currency issued to the public, while coins represented 3%.

It's a Small Change!
From **May 7, 2014**, the Central Bank of Barbados will no longer be issuing one cents.

Due to this, retailers will not be giving one cents as change and a 'rounding' system will take effect for **cash purchases only**.

Round down...
to the nearest 5 cent (.00 or .05) when your **total bill** ends in **1, 2, 6 or 7**
 $\$100.01$ or $\$100.02 = \100.00
 $\$100.06$ or $\$100.07 = \100.05

Round up...
to the nearest 5 cent (.05 or .10) when your **total bill** ends in **3, 4, 8 or 9**
 $\$100.03$ or $\$100.04 = \100.05
 $\$100.08$ or $\$100.09 = \100.10

Here are 2 examples:

Bread: \$3.20 + Milk: \$2.62 <hr/> TOTAL: \$5.82 Total rounded down to \$5.80 You pay \$5.80 cash!	Apples: \$5.99 + Grapes: \$7.89 <hr/> TOTAL: \$13.88 Total rounded up to \$13.90 If you tender \$15.00 cash Your change will be \$1.10
---	--

Only your total bill, not individual prices, should be rounded.
 Payments made electronically or by cheque, credit card or debit card will not be affected.
 Retailers will not give one cents as change but will continue to accept one cents for cash transactions.
 Financial institutions will not give one cents but will continue to accept one cents.
 Your maximum gain or loss per transaction is 2 cents.

Central Bank of Barbados, Tom Adams Financial Centre, Church Village, Bridgetown, St. Michael.
 Telephone: (266) 416-8899 | Email: info@centralbank.org.bb | www.centralbank.org.bb
 Hotline: (266) 227-8138
 Follow us on: Facebook, Twitter, YouTube

A vigorous public education campaign was developed to sensitise consumers to the phasing out of the one cent coin.

As at the end of December 2014, the volume of notes issued was down by 6%, following the 1% decline in 2013. The \$20 note continued to be the most widely circulated note, followed by the \$50 note and the \$100 note, respectively.

The issue of coins to the public continued to decline, falling by 41% during 2014, following a 26% decline in the previous year. This was mainly attributed to the Bank's announcement in February of 2014 of the removal of the one cent coin from circulation, and the eventual cessation of its issuance in May of 2014.

Given the reduction in the volume of coins distributed to the public during 2013, the issue of one cent coins to the public fell by 93% (\$12 million) during 2014. Issues of the other denominations also decreased during 2014.

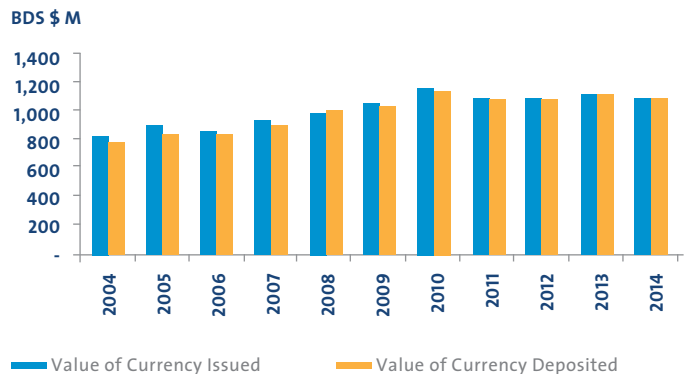
Contrary to expectations, the demand for the five cent coin plunged by 39% after climbing by two percent in 2013. Issuance of the ten cent, twenty five cent and dollar coin also continued to decline, decreasing by 38%, 24% and 19%, respectively.

Deposits

The value of currency deposited with the Central Bank decreased by \$29 million relative to that of 2013. Notes redeemed accounted for 98% of currency deposited with the Central Bank, while coins accounted for two percent of deposits. Again, the \$20 note continues to be the most widely redeemed note, followed by the \$50 note, then the \$100 note and the \$2 note.

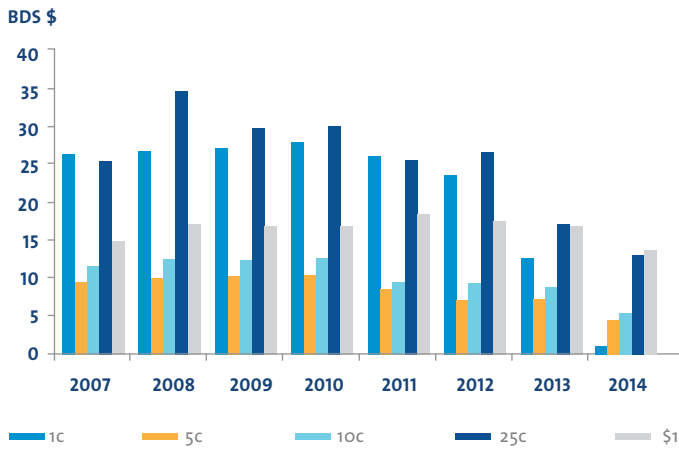
The volume of coins redeemed in 2014 was close to twice the amount deposited with the Bank during 2013. The high level of redemption was as a result of the decision of the Bank to stop issuing one cent coins as of May 07, 2014. During 2014, 46.7 million one cent coins were returned to the Bank compared to 5.3 million deposited during 2013. Deposits of the five cent coin at the Central Bank also increased contrary to expectations, as higher demand for the other denominations was anticipated with the withdrawal of the one cent coin. Deposits of the ten cent, twenty five cent and dollar coin, however, decreased by 5%, 18% and 19%, respectively.

VALUE OF ISSUES AND DEPOSITS

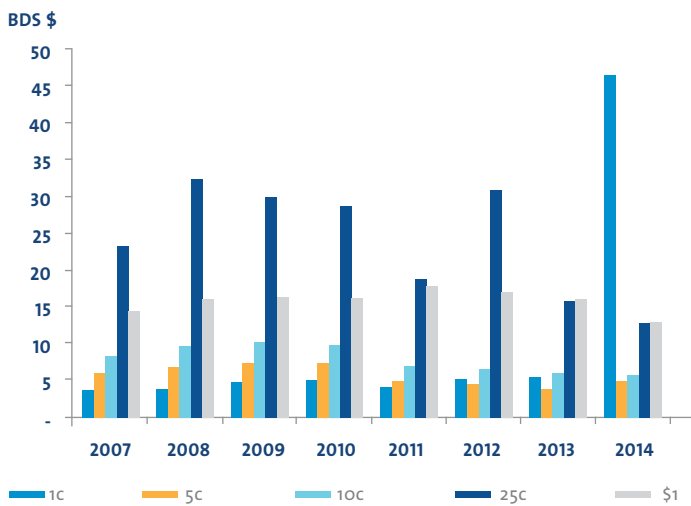


Source: Central Bank of Barbados

ISSUE OF COINS BY DENOMINATION 2007 TO 2014



REDEMPTION OF COIN 2007 TO 2014



The return of large quantities of other higher denominations of coin to an issuing authority when the lowest denomination coin is recalled from circulation constitutes a so-called 'money box effect'. This phenomenon was seen in Barbados, and it was the experience of Canada, Australia and Hungary as well, with the public exchanging other coinages that were stored in jars and boxes, at the banks and post offices.

Destruction of Unfit Notes

As at December 31, 2014, the value of unfit notes destroyed totalled \$119.4 million, some \$300 million less than the amount destroyed as at the end of last year. Notes awaiting destruction at the end of 2014 amounted to \$141.1 million. The fall off in the destruction of unfit notes is directly related to the inability of the current notes processing machine to authenticate and destroy the new family of banknotes deposited by commercial banks as mutilated currency. The process of note destruction will be enhanced by the purchase of more sophisticated equipment in 2015.

Counterfeit Deterrence

As part of the effort against counterfeiting, the Currency Department hosted the Bank's annual Know Your Money events (rebranded *Take Note!*), in support of the tagline for the new family of banknotes in May and June 2014. Sessions were conducted for financial institutions, retailers and school children. A special programme was conducted for service stations and establishments commonly targeted by counterfeiters, by members of the Currency Unit with assistance from representatives of the Royal Barbados Police Force. Participants were exposed to the features of both the existing and new series of banknotes, given the opportunity to examine the difference between actual and fake notes, advised on actions to be taken when presented with a counterfeit note, and the role the Police Force plays in combating counterfeiting.

NUMBER OF COUNTERFEIT NOTES



During 2014, some 381 counterfeit notes were removed from circulation, 576 less than those removed from circulation during 2013. The statistics indicate that the new banknotes have had an impact on counterfeit activity in Barbados. They also show a shift in the denomination being targeted by counterfeiters. Since 2004, the \$100 note has been the most widely targeted note by counterfeiters, rising from 166 counterfeit notes being removed from circulation in 2004 to 561 counterfeit notes in 2013. With the introduction of the new series, the number of counterfeit \$100 notes removed from circulation fell to 75.

Numismatic Programme

The Department continues to market and sell existing numismatic coins and uncirculated banknotes. Collectors are regularly appraised as new notes and coins become available. Tarnished coins currently in stock will also be sold for their metal worth and the proceeds used to enhance offerings to collectors and the general public.

2015 Currency Priorities

- *Implementation of a new notes processing system (DLR7000)*
- *Introducing a Clean Note policy document*
- *Establishing a Facebook page of numismatic items for sale*

Below left: Currency Officer Sherri Bishop explains features of the new series of banknotes to the staff of Jordan's Supermarket.

Below right: Jannette Carter and Clovone Roach of the Currency Unit displayed numismatic items during the CBB/UWI Open Campus 15th Anniversary Open Day.



BUSINESS CONTINUITY AND PHYSICAL DEVELOPMENT

Overview

The Bank continued to practice prudent procurement and quality assurance strategies to ensure cost effective purchases and appropriate service from service providers. Initiatives continued towards making the physical plant efficient in its use of energy, water and materials, as well as creating a healthy environment for employees, tenants and visitors.

The Bank conducted a series of failover exercises to gauge the readiness for Payment Systems in the event of an emergency which would necessitate operations being initiated at or from the Hotsite. The inclusion of external participants will be fully integrated in the 2015 failover exercise agenda.

The Bank successfully completed the installation of new freight and staff elevators, and the installation and configuration of a CCTV system to monitor all elevators in the interest of the safety and security of staff and tenants.

During the year, the Church Village Green was formally opened and at this facility CCTV and grid-tied photovoltaic systems were also installed. In addition, major refurbishment was undertaken at the Frank Collymore Hall including the replacement of the stage, and the provision of a reservoir of potable water for use by the facility.

2015 Priorities

- *Expanding failover exercises to include external participants*
- *Improving readiness with respect to disaster recovery with emphasis on the increased use of the Hotsite by users*
- *Upgrade of systems, equipment and security facilities*
- *Completing the operations manual for the Business Continuity Programme*
- *Refurbishment of departments, the Frank Collymore Hall and the Masonic Lodge*

INFORMATION TECHNOLOGY

Overview

The overarching strategic information technology objective continued to be the improvement of the operational efficiency in the Bank through the use of cutting edge technology in a secure environment. In 2014, the process of redesigning and upgrading the two external websites and the intranet was started, and the projects should be completed during the coming year.

The Bank has implemented Automated Clearing House (ACH) processing for payments to suppliers and ad hoc payments to staff, greatly reducing the number of cheques being printed by the Bank. A new module of the Technology One accounting system was implemented as well, allowing for end-to-end processing of the procurement process from quotation to payment of the supplier, thereby providing greater efficiencies to the entire cycle.

The process to create a new website for the Bank was started. This is expected to be completed by the end of the first quarter of 2015, after which the redesign of the Frank Collymore Hall's (FCH) website will commence. The Bank continued its efforts to accelerate the greening of IT, which targets a reduction in the Bank's carbon footprint through the following initiatives:

- Further reducing the number of physical servers (server spread) that require large amounts of electrical energy to power and cool the systems. This entailed the consolidation of server services/applications to improve efficiency in utilisation of electrical power and physical resources (processor, memory and storage). There was also increased use of blade servers – smaller powerful physical servers which share a common chassis.
- Reducing the amount of paper consumed through increased use of network scanning functionality.
- The migration of servers from Windows 2008 to Windows 2012 as required by the articulated virtualised server architecture. Also, the migration from Windows

XP to Windows 7 and Windows 8.1 on the desktops (PCs and laptops) was completed, and new technology tools and methods will be engaged in order to expedite and automate some of these recurring processes in 2015.

2015 Priorities

- *Developing a new ICT strategy for the Central Bank*
- *Implementing Vault Management, Savings Bonds, Dematerialisation of Government Securities, Contracts and Bank Supervision Computerisation systems\projects*
- *The replacement of Aremos Statistical Database*
- *Upgrading the Bank's VOIP system with enhanced telephony and video functionality*
- *Redesigning the Intranet using SharePoint technology*
- *Enhancement of the greening IT initiatives through further server virtualisation and implementation of a document management programme*
- *Continued expansion of EDI to non-bank financial institutions*

PEOPLE AND PROGRAMMES

Overview

The Bank maintained its commitment to leadership, emotional intelligence, performance management and promoting healthy employee relations. During the year, the CBB Wellness Programme was developed, demonstrating that the Bank cares, and promoting the relationship between health and happiness.

Employee Health and Wellness

Employee Wellness, under the theme, “CBB Cares – Leading Through Wellness” was a major focus for the year 2014. Employees were encouraged to ‘Eat Well, Get Active and Laugh a Lot’, and specific initiatives were launched to support and motivate employees.

At the beginning of the year, employees received CBB “Wellness Kits” and were urged to participate in the National 10,000 Steps Programme sponsored by the Barbados Chamber of Commerce & Industry, the Barbados Employers’ Confederation and the Small Business Association. After the 90-day duration, the Central Bank emerged in the top 10 among participating Companies. The Bank’s own inter-departmental competition continued for the remainder of the year, motivating employees toward a long-term commitment to improving their own health and life-style choices.

A new programme, *Healthy Thursdays*, was also introduced where one Thursday each month was devoted to a deliberate focus on making healthy choices. Employees were persuaded to eat healthy on that day and to increase water consumption. This, along with lectures on exercise, stress and healthy food options, the distribution of health features and information via email, a session with a local comedian, and a Health Extravaganza, formed part of the emphasis on health each month.

Towards the end of the year, a Cardiovascular Onsite Screening Programme was introduced within the Bank. The Programme is aimed at identifying health risks as well as interventions to reduce risk and to promote healthy lifestyles and non-communicable disease management.

Education and Certification

During the year 2014, Miss Olivia Husbands was awarded the Master of Science in Management (Financial Management) by the University of the West Indies (UWI), Cave Hill Campus.

Mr. Anthony Leslie received the University of Leicester Arts Foundation Degree in Security & Risk Management, with Merit.

Miss Kimarie Clement was admitted as a member of the Association of Chartered Certified Accountants (ACCA) following completion of the programme.

Miss Juanita Simmons successfully completed the CRISC (Certified in Risk and Information Systems Control) programme offered by ISACA.

Mr. Erskine Hinds passed the Records Management, Part 1 Certificate Programme, offered by the University of the West Indies (UWI), Cave Hill Campus.



Mr. Tyrone Moe and Mr. Gregory Morris completed the certificate in Supervisory Management offered by UWI Open Campus and Barbados Institute of Management and Productivity (BIMAP), respectively. Miss Gail Best completed the United Nations Institute for Training and Research (UNITAR) Basic Course on Public Debt.

Promotions

Mr. Robert Kellman was promoted from Assistant Systems Administrator to Systems Administrator and Miss Alicia Bascombe from Clerical Officer to Credit Officer.

Five persons were promoted from Security Officer to Senior Security Officer with retroactive effect: Mr. Anthony Leslie and Mr. Gregory Morris were promoted effective January 1, 2013; Mr. Marlon White, Miss Kay Reid and Mr. Vasco Boyce were promoted effective July 1, 2013.

Staff Movements

Four persons joined the Bank's permanent establishment during the year and six persons resigned, including Dr. Kevin Greenidge, Director, Research and Economic Analysis Department.

The new retirees included Mr. Fidel Johnson, Security Officer; Mr. Andrew Layne, Senior Security Officer, Mr. Denis Graham, Senior Records and Information Administrator, and Mr. Cameron Layne, Senior Accounting Officer II. Denis, Andrew and Cameron had each been with the Bank for over 30 years.

In 2014 the Bank also bid a sad farewell to our friend and colleague, Miss Lisa Holligan who died in July.

At the end of December 2014, the staff complement stood at 267, of which 246 were permanent employees.

Employee wellness kits distributed to all staff were well-received as indicated by Receptionist Zydi Garnes and Security Officer Rudie Mitchell.

DOMESTIC OUTREACH

Overview

The Bank hosted an array of activities to inform audiences locally, regionally and internationally about the status of the Barbados economy and the efforts at resuscitating it. While this year's agenda featured the usual conferences, seminars, workshops and the publication of economic documents, the highlight activity was the visit of the Bank's first-ever Distinguished Visiting Fellow, Dr. Fred Bergsten of the Washington-based Peterson Institute. The strong tradition of domestic outreach, making charitable contributions and funding scholarships continued as well, as we worked with strategic partners to support community exhibitions and special programmes.

Distinguished Visiting Fellow

The Bank hosted its first Distinguished Visiting Fellow, Dr. Fred Bergsten, a Senior Fellow and Director Emeritus of the Washington-based Peterson Institute for International Economics. During the six-week sabbatical, Dr. Bergsten paid courtesy calls on Prime Minister, The Right Honourable Freundel Stuart and The Honourable Christopher Sinckler, Minister of Finance and Economic Affairs. He facilitated seminars on economic matters for the Bank's staff, as well as for economists and management students at the UWI Cave Hill Campus. He also participated in an interview on international world affairs with Governor DeLisle Worrell.



Governor Worrell presented a lunchtime lecture at the Peterson Institute of International Economics at the invitation of host Fred Bergsten, Senior Fellow and Director Emeritus of the Washington-based institution.

The feature event was a live broadcast moderated by regional journalist, Julian Rogers. Along with the studio audience, they examined the economic prowess of emerging markets, the reform of the international monetary system and a strategy for the world economy in the 21st century. This forum was broadcast on television and radio stations in 18 Caribbean countries, and received rave reviews from many audiences for the quality of the content.

Dr. Bergsten was very complimentary of Barbados' economic management and the general consensus in the country to stoutly defend the fixed exchange rate. Later in the year, Governor Worrell was privileged to deliver a lunchtime lecture at the Peterson Institute on the topic, "Macroeconomic Options for Very Small Open Economies".

Sir Winston Scott Memorial Lecture

With over 40,000 diabetics in Barbados, the focus of the 39th Sir Winston Scott Memorial Lecture was on "Diabetes: the Tale of Genes and Sugar". The lecturer, Professor Frances Ashcroft, a researcher at Oxford University, reiterated in her presentation that diabetes is a lifestyle disease, and encouraged persons to improve eating habits and to exercise.



Professor Frances Ashcroft was the featured speaker at this year's Sir Winston Scott Memorial Lecture.

The professor, who has an international reputation for work in the areas of insulin secretion, Type 2 diabetes and neonatal diabetes, was also a guest on a one-hour discussion television forum. Dr. Oscar Jordan and Dr. Carlisle Goddard, President and Trustee of the Diabetes Foundation, respectively, also participated in the event and broadcaster Rosemary Alleyne served as moderator.

IBFS Conference

The Central Bank of Barbados hosted its annual one-day International Business and Financial Services (IBFS) symposium, which was said to generate renewed momentum in the industry, the second-largest earner of foreign exchange for Barbados. Under the theme "Moving from Pass to First Class", the presenters demonstrated that Barbados possesses the expertise, the tax and legislative framework and incentives, the know-how and skills to restore the sector to vibrancy.

The presenters included Partner and tax expert with Couzin Taylor LLP, Angelo Nikolakakis and Associate Professor, Rotman School of Management, Walid Hejazi. They identified the challenges confronting the industry as a result of intensified competition from other jurisdictions, and the constantly-changing international rules and regulations, while also reminding participants of the tremendous opportunities that abound.



Canadian Senator Don Oliver (ret.) and Professor Walid Hejazi listen to presentations during the 2014 IBFS Conference.

Domestic Financial Institutions' Conference

Under the theme, "Maintaining a Strong Financial Community", key presenters encouraged discussion on trends being seen within the local financial sector. Maintaining a strong financial community requires the ability to foster growth, and a robust panel discussion examined challenges experienced by local start-up companies. Issues surrounding cybersecurity for financial institutions were also addressed, and the audience was briefed on effective systems and measures to employ in their efforts to minimize breaches and thus, maintain a safe financial community.

September 11 IFCs Conference

To ensure that Barbados is out front and is an integral part of the solution (and not the problem), Invest Barbados hosted an international conference in September 2014, with support from the Bank. Under the theme "IFCs in a Borderless Digital Economy", the event was designed to safeguard the Barbados advantage. Barbados is a unique and quietly successful international financial centre owing to the good governance of its institutions, proven record of continuously improving regulatory oversight, its vast network of double taxation treaties, and a democratic country with a stable political environment premised on the Rule of Law.

During the conference, it was noted by former Canadian Senator Don Oliver and others that Barbados must focus on extending proven strengths and successes as a buttress against any change in standards and rules of doing business. Barbados could deepen and broaden itself as an expert in international legal advice, and give immediate consideration to enlarging its training facilities for investment advisors skilled in Big Data Analytics. This will help make Barbados a prime destination for digitally advanced asset management.

Annual Review Seminar

The theme of the 2014 Annual Review Seminar was “Caribbean Economies: At Risk or on the Rise?” The seminar opened with a feature address by Mr. Adrian Carter, recipient of the inaugural De La Rue Scholarship. This was followed by a special presentation to the family of our late colleague, friend and mentor, Professor Roland Craigwell. A number of thought-provoking studies covering both macro-and micro-economics were presented on renewable energy solutions, financial stability, price dynamics, labour economics and other topics.

Monetary Policy in Small Very Open Economies

The Bank broke new ground when it hosted a three-day conference on Monetary Policy in Small Very Open Economies (SVOEs). The seminar was facilitated by Dr. Tarron Khemraj, the William G. and Marie Selby Associate Professor of Economics at New College of Florida. He is also the author of the recently-published book *Money, Banking and Foreign Exchange Markets in Emerging Economies*, and has published numerous articles in Caribbean and international journals.

The seminar examined some basic ideas outside the realm of standard money and banking textbooks that are applicable to SVOEs such as those in the Caribbean. He argued that in most instances the theories and practices meant for the advanced capitalist economies are applied to SVOEs, without considering how peculiar structural features require variation in the received wisdom. Attendees indicated that the seminar stirred new thinking and stimulated new approaches to solving the region’s economic issues.



Dr. Tarron Khemraj, of the New College of Florida, facilitated a 3-day Seminar entitled “Monetary Policy in Small Very Open Economies”.

Media

The Bank issued its quarterly press releases on the performance of the economy. Press conferences that followed the dissemination of the press releases were discontinued in mid-year. Instead, later in the year, the Bank hosted a televised panel discussion on “The Barbados Economy: Consolidation and Growth Strategy”. Panelists included the Governor; Ms. Tracey Shuffler, President of the Barbados Chamber of Commerce and Industry; Mr. Andrew Brathwaite, a chartered accountant; and Mr. Jewel Brathwaite, a business journalist. Local broadcast journalist, Mr. David Ellis served as moderator.

Competitiveness Series

In a 15-part television series, the Bank and the National Productivity Council explored the challenge for Barbados in ‘moving from good to great’, from occasional flashes of brilliance to excellence as a daily habit, in the area of competitiveness. Barbados is already widely admired and respected in the Caribbean and beyond, for the transformation of its economy and for the enviable quality of the lives of its citizens. The series therefore demonstrated how to take the country’s performance to the next level, where it can create incomparable experiences for residents and visitors, and establish a reputation as a byword for efficiency in services.

Stakeholder Engagement

Investors and business persons on the island were informed directly by Governor Worrell through a series of monthly discussions about the state of the economy and progress of the country's economic management. To this end, the Governor arranged meetings for the business community and other interest groups and circulated a monthly letter.

Speaking Engagements

The Governor was invited to address many interest groups, including the CFA's Annual Forecast Dinner, the Fair Trading Commission's annual lecture, the Invest Barbados-sponsored conference on "IFCs in a Borderless Digital World", a CARTAC Workshop on External Statistics, the Barbados Renewable Energy Association and the 50th anniversary luncheon of the Barbados Association of Professional Engineers. He also spoke on the occasion of the release of PricewaterhouseCoopers' 17th Annual Government and Global CEO Survey.

Scholarships

- SPISE**
 Sean Gloumeau, a 6th form student at Harrison College, was the recipient of the Bank's scholarship in the Student Programme for Innovation in Science and Engineering



Local 6th form student Sean Gloumeau was the Bank's 2014 SPISE (Student Programme for Innovation in Science and Engineering) Scholar.

(SPISE) at the University of the West Indies, Cave Hill Campus. SPISE is an intensive four-week enrichment residential summer programme for gifted Caribbean high school students like Sean, who are interested in studying and exploring careers in science and engineering. Sean, who is completing his second year of CAPE studies at Harrison College in Physics, Biology and Chemistry, dreams of becoming an actuary, a neurologist or a biochemist. Commenting on his experience in the prestigious SPISE programme, Sean said, "SPISE was a true eye-opener as to what true science is."

- Central Bank Scholars**
 Jamilia Beckles and Alesia Skeete were the 2013/14 recipients of the Central Bank of Barbados Scholarships. Beckles, a final year student in the BSc in Economics and Mathematics or Accounting at the Cave Hill Campus, received BDS\$12,000 over two years. Skeete was awarded the scholarship for excellence in Economics. Her award was valued at BDS\$16,000. The awards also afforded them the opportunity to intern in the Bank's Research and Economics Analysis Department where they sharpened their skills in economics research under the guidance of Dr. Winston Moore, Senior Lecturer, Department of Economics, UWI Cave Hill Campus. The scholarships are open to students at the UWI Cave Hill Campus pursuing studies in Economics or Economics and Mathematics or Accounts.



Governor Worrell continued to meet with stakeholders, members of the business community and other interest groups to discuss the state of the economy and the country's economic management.

- De La Rue Scholarship**
 Mr. Adrian Carter was the recipient of the inaugural De La Rue Scholarship. A former central banker, Mr. Carter is now Senior Analyst at the Barbados Light and Power Company



Mr. Adrian Carter, recipient of the inaugural De La Rue Scholarship, addressed participants at the 2014 Annual Review Seminar.

and was awarded the scholarship based on the strength of his qualifications, stated goals and objectives, as well as his potential ability to represent the De La Rue Scholarship as a Student Ambassador. De La Rue, the manufacturers of the Barbadian banknotes, sponsor the biennial award, valued at BDS\$35,000. The Scholarship is open to nationals of Barbados who are pursuing a full-time postgraduate MSc. Programme or who are in the final year of an MPhil/PhD programme in Economics or Finance at UWI, Cave Hill Campus.

CBB/UWI Open Campus 15th Anniversary Open Day

The 15th anniversary of the joint CBB/UWI Open Campus lunchtime lecture series was commemorated by a series of events. Included were a lecture by Sir Dwight Venner, a cricket match, and an Open Day and Health Fair on the Frank Collymore Hall terrace. During the Open Day, a display of numismatic items included the \$10 silver proof UWI coin minted in celebration of the University's 50th anniversary.

Youth Pan Project

The year 2014 marked the 13th year of the NCF co-sponsored Youth Pan Project (YPP), formerly Pan In The Plaza. The 2014 theme "YPP Pan On The Move: A Common Approach" was chosen to highlight the commonality of standardized steel pans for all of the participants. The Youth Pan Ensemble was invited to open the Crop Over "Pan Pun De Sand" event and also to perform at the



Upon completion of the Staff Photography Course organised by the Sports Club, Lisa Brathwaite introduces "Window to the Sea", the photo she displayed in the Exhibition that followed.

Bridgetown Market. The 2014 workshop welcomed visiting artists such as the UK School Sherborne Swing Band, Jonathan Scales Fourchestra and members of the T&T Massy All Stars Steel Orchestra who demonstrated performing techniques and imparted other invaluable skills to the YPP participants.

Crop Over Visual Arts Festival

The Bank marked 21 years of sponsorship under the theme, "From Harvest Home to Crop Over" which encouraged participants to reflect innovative techniques in the items they chose to exhibit in their respective media. A Craft Symposium and a workshop preceded the Exhibition which sought to bring new marketability, exposure, presentation and an educational element, and was once again spread over three different core exhibition sites, including the Grande Salle.

The Governor's Award was won by Omowale Stewart for his painting "We Crop We Culture?". Ashanti Trotman's sculpture "When Sugar Was King" was awarded the Central Bank Award of Excellence valued at \$ 10,000.00.

Frank Collymore Literary Endowment (FCLE) Awards

A two-day "Writers Helping Writers" editing workshop was held in April, facilitated by Andy Taitt with the support of other FCLE Committee members. Overall, eight seasoned and budding writers benefitted from these sessions.

Sherwyn Walters was the featured speaker at the 17th Annual FCLE Awards Ceremony and examined the topic, “Partners in Multi-focused Journeys -- The Writer and The Society (Again!)”. The talk explored writers’ special engagement with the society.

The Committee awarded the following prizes:

1st Prize	“A Difficult Age” (Poetry)	Carlyon Blackman
3rd Prize	“Black Coral” (Prose Fiction)	Austin Yearwood
3rd Prize	“Dreaming A Nation” (Non Fiction)	Frederick Smith and Alan Smith
Prime Minister Award	“Friday’s Girl Child” (Prose Fiction)	Isabel G. Hutchinson
John Wickham Award	NOT AWARDED	

Frank Collymore Hall (FCH)

City Nights was transferred to the Church Village Green this year, and featured two themed nights, namely, “Village Rhythms” and “Village Melodies.” These events were so well received that patrons requested more events of this type on the Green on a regular basis.

2015 Priorities

- *Development of a new website*
- *Hosting the Governor of the Central Bank of Denmark, Per Callesen, who will participate in a seminar for economists and the business community on ‘Experiences with fixed exchange rates and economic performance in small European economies’.*
- *Coordinating and hosting a Chinese New Year Festival and a re-launch of the Barbados Chinese Friendship Association on the Church Village Green in collaboration with the Chinese Embassy and other stakeholders.*
- *Hosting the Bank’s second Distinguished Visiting Fellow, Jamaican-born, Dr. Peter Blair Henry, Dean of New York University’s Leonard N. Stern School of Business.*
- *Hosting Dr. Tarron Khemraj, the William G. and Marie Selby Associate Professor of Economics at New College of Florida.*

INTERNATIONAL RELATIONS

Overview

The Bank remained active in regional and international fora and continued its work with well-recognised financial oversight bodies. Central Bank representatives made a number of presentations on fiscal policy, and the performance of the economy to international audiences. Itineraries were also coordinated for representatives of international organisations visiting the island in conjunction with annual reviews and in-depth meetings.

CEMLA

Michelle Doyle-Lowe represented the Bank at CEMLA's Board of Governors' Meeting in Washington, D.C. during October. The Agenda included presentations on the World Economic Outlook and topics under consideration by the Financial Stability Board.

Financial Stability Board

The Governor attended the first biannual meeting of the Financial Stability Board's Regional Consultative Group in Bogota, Colombia in June. During the session, he spoke on the Caribbean experience with financial system reform. Deputy Governor Haynes was the Bank's representative at the second meeting that was held in Panama City, Panama in December.

CARICOM Committee of Central Bank Governors

Governor Worrell and Deputy Governor Haynes attended the November meeting of the CARICOM Committee of Central Bank Governors in Trinidad and Tobago in November.

CARTAC

During March, Mr. Chandar Henry, CARTAC's External Sector Statistics Advisor, conducted a Training Workshop for the Balance of Payments Unit of the Research and Economic Analysis Department. Deputy Governor Codrington represented the Bank at meetings of CARTAC's Steering Committee in Jamaica during May and in the Bahamas during December.

Mission to Canada

During September, the Governor led a Bank team on an annual visit to Canada to discuss issues associated with the financial sector. Meetings were held with the High Commission to Canada, representatives of commercial banks, regulatory officials, the Barbados International Business Association and the Bank of Canada. Some of the discussion points were the challenges facing the International Business and Financial Services sector, the effects of downgrades by ratings agencies and the choice between establishing subsidiaries or branches. During meetings with Barbados' consular representatives and the Canada-CARICOM Parliamentary Friendship Group, Governor Worrell presented on the Barbados brand and its competitiveness.

IMF / World Bank

A team from the International Monetary Fund (IMF) as usual conducted follow-up visits following the Article IV Consultation held in 2013. The meetings facilitated the IMF's regular monitoring of economy, a review of the fiscal consolidation programme and provision of related policy advice. The team met with the Minister of Finance, the Governor, and representatives from the Ministry of Finance and Economic Affairs, the Ministry of Tourism and International Transport, the Ministry of Industry, International Business, Commerce and Small Business Development, the Legislature, the private sector, labour unions and academia.

The Bank sent a delegation to both the Spring and Annual meetings of the IMF and World Bank. During the Spring meetings, the delegation met with the IMF and World Bank Executive Directors for Barbados, and with the Western Hemisphere, Money and Capital Markets and Fiscal Affairs Departments of the IMF. The Governor also made a presentation on Debt and Fiscal Sustainability at an IMF seminar.

During the Annual Meetings, the Barbados team held discussions with the multilateral financial institutions, investment banks and rating agencies and attended meetings of Commonwealth Finance Ministers and Commonwealth Central Bank Governors. Governor Worrell also participated as a panelist on a session entitled “Caribbean Economies: Has Recovery Arrived?” in a seminar hosted by CIBC World Markets.

IADB/CDB

In-depth meetings were held with the Inter-American Development Bank and the Caribbean Development Bank concerning their respective country strategy programmes, with the European Union in accessing funds under its Human Resources Development Programme, and with the Latin American Development Bank (CAF) regarding Barbados’ membership in that institution. Discussions entailed updates on the macro economy and issues relating to their respective country strategies for Barbados.

Regulatory Matters

The Bank remained active in regional and international fora and continued its work with well recognised financial oversight bodies, including the Organisation for Economic Cooperation and Development, the Financial Action Task Force and the Caribbean Financial Action Task Force. The

Bank also worked closely with the Association of Banks of the Americas, the Caribbean Group of Banking Supervisors and the Group of International Finance Centre Supervisors (formerly the Offshore Group of Bank Supervisors) where issues pertinent to global standards and international financial matters are discussed.

Similarly, the Bank continued to attend regulatory colleges and engaged in quarterly conference calls with regional and international regulators and was represented on regional regulatory Working Groups to discuss matters such as Basel II/III and Loan Classification and Provisioning Standards.

Other

In April, the Governor held talks with His Excellency Bernard Holiday, Governor of St. Maarten. The visiting team included the Ambassador of the Kingdom of the Netherlands and the Honorary Consul of the Kingdom of the Netherlands in Barbados.

Governor Worrell and Michelle Doyle-Lowe accompanied the Minister of Finance during a series of meetings with bankers and investors in London, New York and Boston during June. The team delivered an overview and engaged in discussions on the latest developments in, and prospects for, the Barbados economy.

PUBLICATIONS AND PAPERS

PUBLICATIONS

Browne, Rudolph and Winston Moore. (2014). "Simulating the Effects of Changes in Tax and Benefit Policies on Income Inequality for Barbados." *The Journal of Public Sector Policy Analysis* vol 7, pages 105-122.

Bynoe, Ryan and Mahalia Jackman. (2014). "A Note on the Recent Trends in Aggregate Household Consumption Expenditure in Barbados." *The Journal of Public Sector Policy Analysis* vol 7, pages 90-104.

Codrington, Harold, (2014), "Public Transport in Barbados: An Opportunity for Sustainable Development", in *Economic and Social Conditions in Transition*. Irmela Gorges and Linda Winkler (eds.), Verlag Dr. Kovac, Hamberg.

Naitram, Simon. (2014). "Offshore Financial Centers in the Global Capital Network." *Global Economy Journal* vol 14(3-4), pages 435-451.

WORKING PAPERS

Browne, Rudolph and Winston Moore. (2014). "Predicting Tourist Arrivals During Downturns." Central Bank of Barbados Working Papers.

Downes, Darrin; Jason LaCorbinière and Simon Naitram. (2014). "The Anatomy of the Barbados Recession: Trends, Causes and Comparisons." Central Bank of Barbados Working Papers.

Lowe, Shane and Tiffany Grosvenor. (2014). "Developments in Commercial Bank Credit Distribution: Are All Banks the Same?" Central Bank of Barbados Working Papers.

Mamingi, Nlandu; De'nelle Williams and Rudolph Browne. (2014). "Modelling and Forecasting the Unemployment Rate in Barbados". Central Bank of Barbados Working Papers.

Mamingi, Nlandu; Nichelle Yearwood and Tracy Maynard. (2014). "The Impact of Regulation on Economic Growth in the Caribbean: A Panel Data Investigation." Central Bank of Barbados Working Papers.

Mamingi, Nlandu; Nkenge Lawrence and Jason LaCorbinière. (2014). "Modelling the Binding Constraints to Economic Growth in Barbados." Central Bank of Barbados Working Papers.

Moore, Winston and Justin Carter. (2014). "Supporting the Growth of Service Exports in the Caribbean: Is There a Role for Policy Intervention?" Central Bank of Barbados Working Papers.

Worrell, DeLisle and Shane Lowe. (2014). "Barbados' International Competitiveness." Central Bank of Barbados Working Papers.

PAPERS PRESENTED AT CONFERENCES

Belgrave, Anton; Tiffany Grosvenor, Shane Lowe and Kester Guy. "A framework for constructing a real estate index for Barbados: A progress report." 46th Annual Monetary Studies Conference, Trinidad, November 18-20, 2014.

Carter, Justin and Winston Moore. "Supporting the growth of export services in the Caribbean: Is there a role for policy intervention?" 34th Central Bank of Barbados Annual Review Seminar, Barbados, July 22-25, 2014.

Codrington, Harold. "Financing tertiary education in Barbados." 27th Annual Conference of the Congress of Political Economists International (COPE), Zurich, Switzerland, July 6-12, 2014.

Guy, Kester; Shane Lowe and Tiffany Grosvenor. "The effects of loan portfolio diversification on commercial banks' performance over the business cycle: The case of Barbados." 34th Central Bank of Barbados Annual Review Seminar, Barbados, July 22-25, 2014.

Guy, Kester; Shane Lowe and Tiffany Grosvenor. "Loan concentration and bank performance." 46th Annual Monetary Studies Conference, Trinidad, November 18-20, 2014.

Jackman, Mahalia, Rudolph Browne and Lisa Drakes. "Three cheers for welfare: Public opinions on the social responsibility of government in the Caribbean." 34th Central Bank of Barbados Annual Review Seminar, Barbados, July 22-25, 2014.

LaCorbinière, Jason; Nkenge Lawrence and Nlandu Mamingi. "Economic growth resumption in Barbados: An eclectic approach." 34th Central Bank of Barbados Annual Review Seminar, Barbados, July 22-25, 2014.

Mamingi, Nlandu; De'Nelle Williams and Rudolph Browne. "Modelling and forecasting the unemployment rate: A case study of Barbados." 34th Central Bank of Barbados Annual Review Seminar, Barbados, July 22-25, 2014.

Maynard, Tracy; Simon Naitram and Gail Best. "The tax structure and economic growth in Barbados." 34th Central Bank of Barbados Annual Review Seminar, Barbados, July 22-25, 2014.

Moore, Winston and Rudolph Browne. "Predicting tourist arrivals during a crisis." 34th Central Bank of Barbados Annual Review Seminar, Barbados, July 22-25, 2014.

Naitram, Simon. "Modelling uncertainty: Forecasting international reserves." 34th Central Bank of Barbados Annual Review Seminar, Barbados, July 22-25, 2014.

Skeete, Alesia; DeLisle Worrell and Winston Moore. "Debt, risk and credit ratings: An assessment using the case of Barbados." 34th Central Bank of Barbados Annual Review Seminar, Barbados, July 22-25, 2014.

Walkes, Carlon; Christopher Kinch and Julian Jones. "An investigation of the competitiveness of agro-processing in Barbados: The case of food and beverages." 34th Central Bank of Barbados Annual Review Seminar, Barbados, July 22-25, 2014.

Worrell, DeLisle; Peter Whitehall and Sherry-Ann Mayers. "Dollarisation is the second best option for small open economies." SALISES Conference, St. Augustine, University of the West Indies, April, 2014.

Worrell, DeLisle; Winston Moore, Lisa Drakes and Jamila Beckles. "Small size, structure and devaluation." 34th Central Bank of Barbados Annual Review Seminar, Barbados, July 22-25, 2014.

Yearwood, Nichelle; Nlandu Mamingi and Tracy Maynard. "Impact of regulation on economic growth." 34th Central Bank of Barbados Annual Review Seminar, Barbados, July 22-25, 2014.



NOTES



NOTES



NOTES



2014 Annual Review of Policy and Operations

**ENCOURAGING RENEWABLE ENERGY
IN BARBADOS**

CENTRAL BANK OF BARBADOS
Tom Adams Financial Centre
Church Village, Bridgetown, St. Michael
Telephone: 246 • 436 • 6870
Email: info@centralbank.org.bb

www.centralbank.org.bb