



# **How Can Innovation and Collaboration Aid in Fostering a Sound and Sustainable Economic Environment for Barbados?**

Dr. Kevin Greenidge  
Governor, Central Bank of Barbados  
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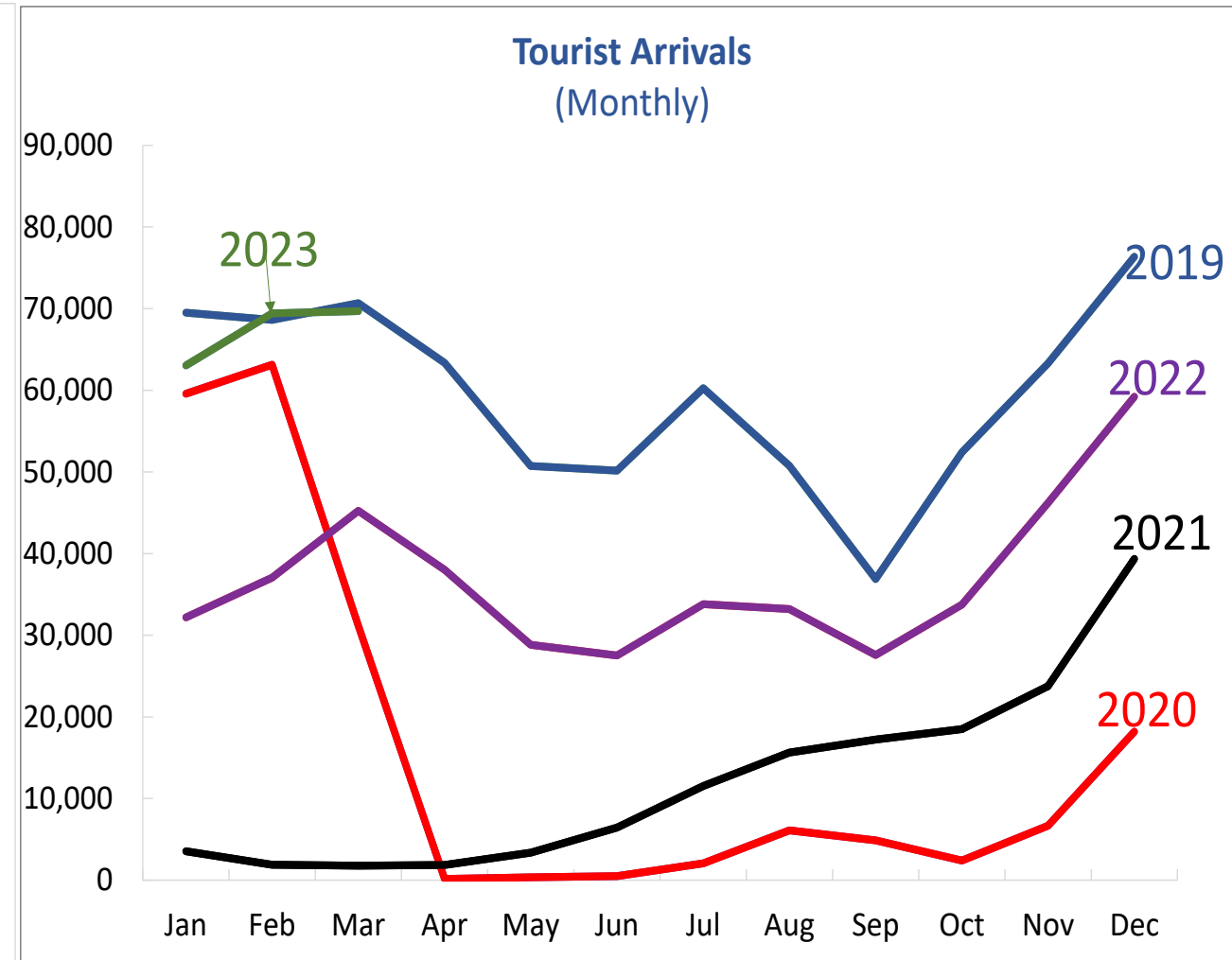
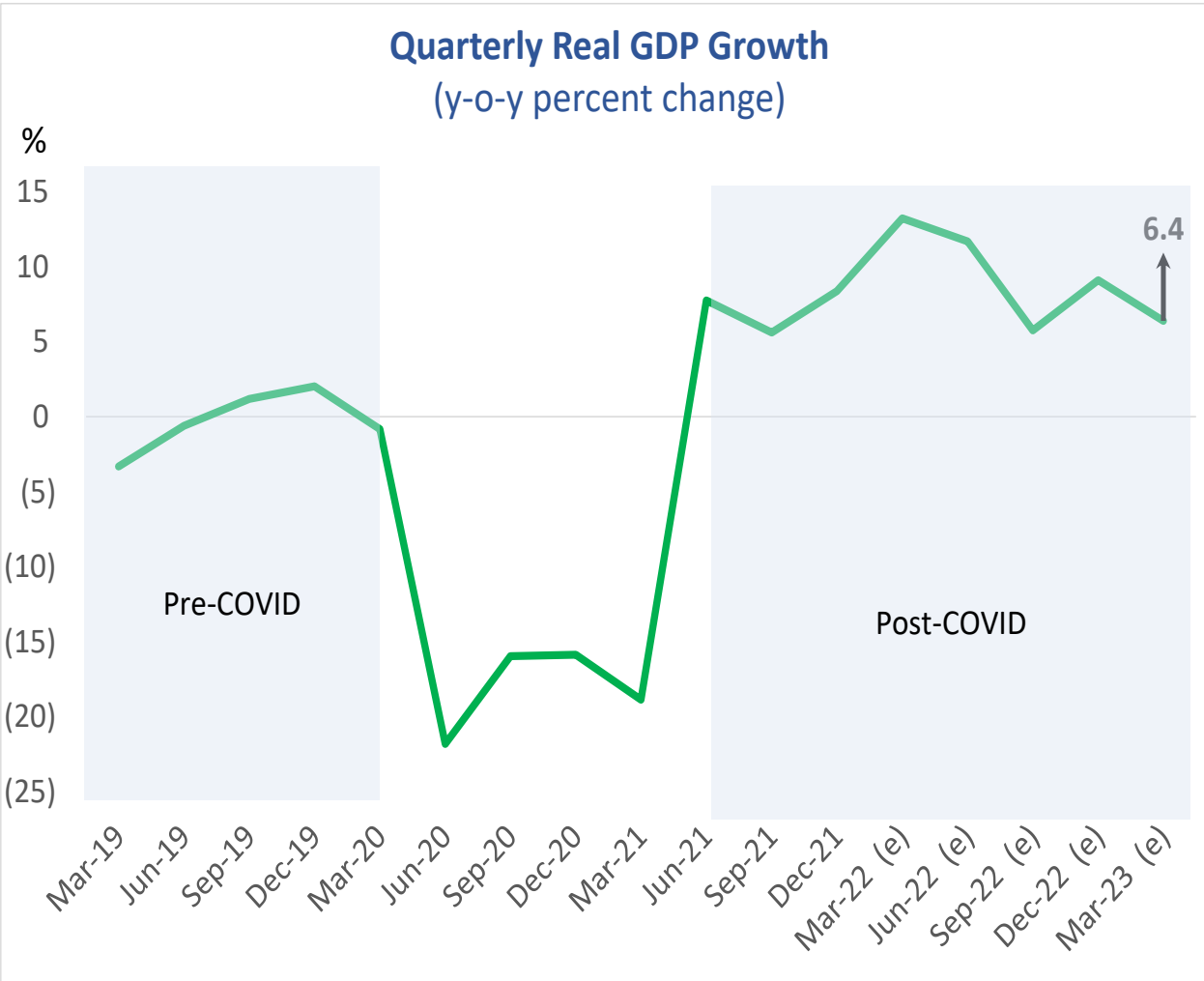
# **Current State of the Barbados Economy**



# The Barbados economy has recovered

2023 Q1 growth of 6.4% represents 8 consecutive quarters of growth...

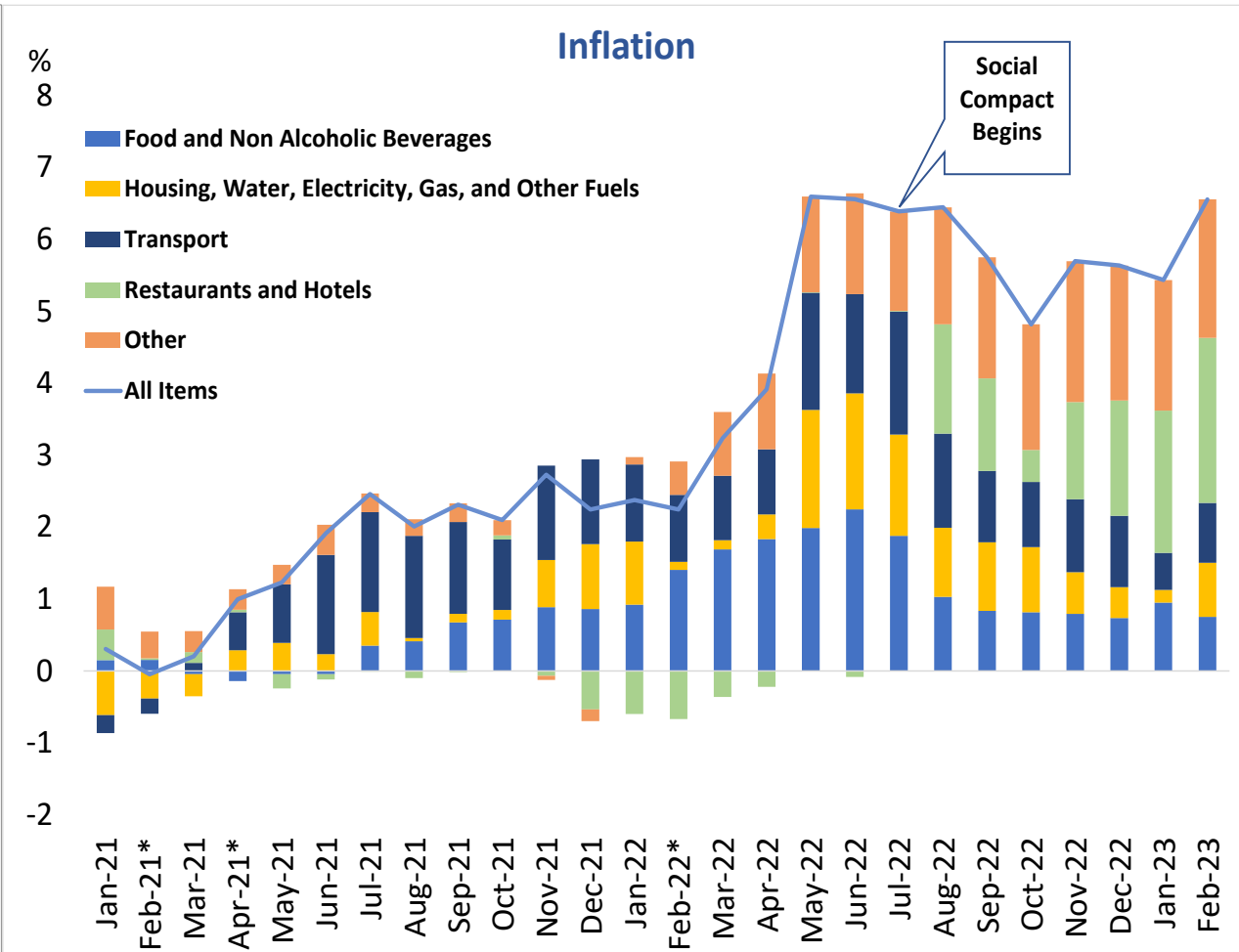
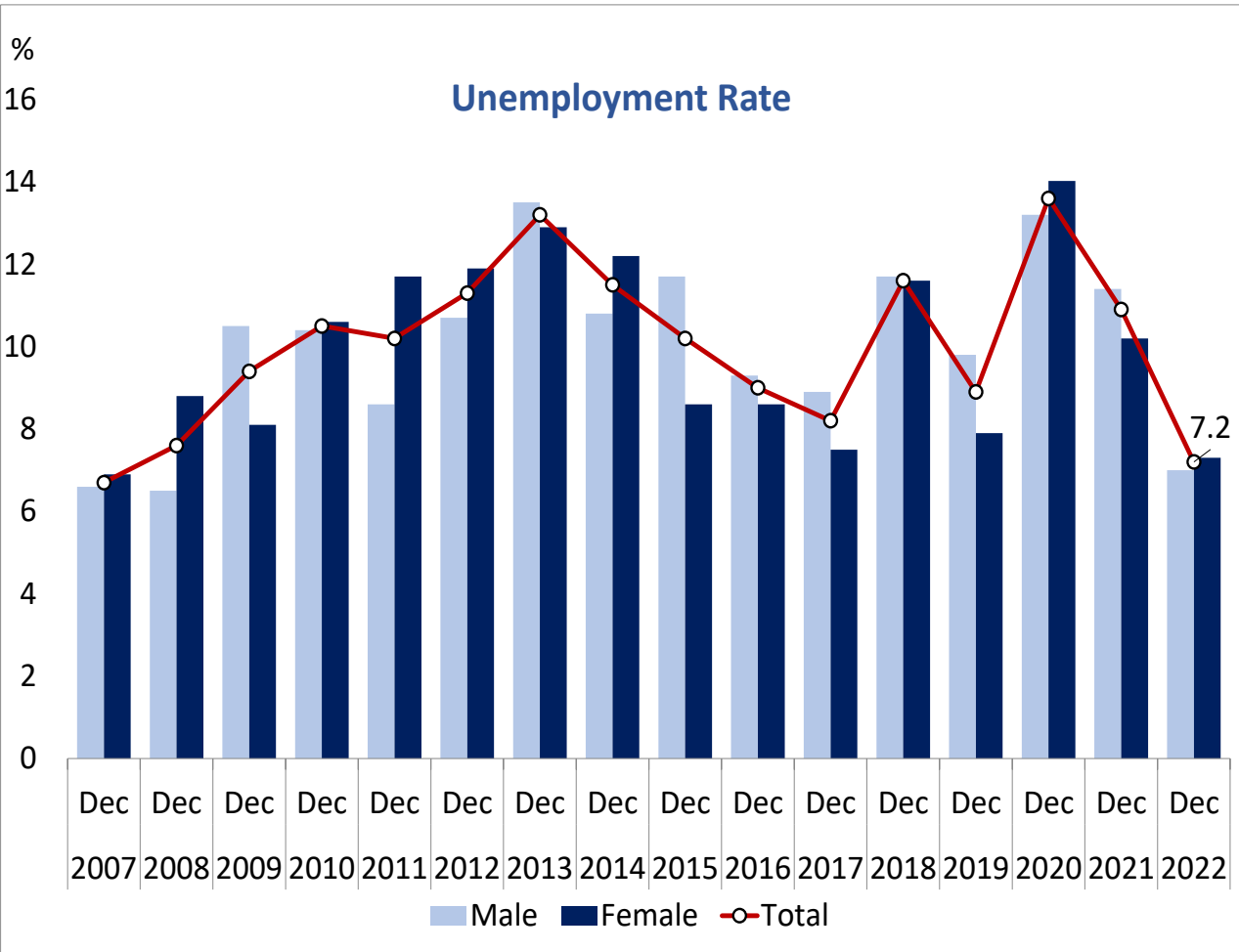
Arrivals are virtually back to pre-COVID levels...



# Domestic conditions continue to improve

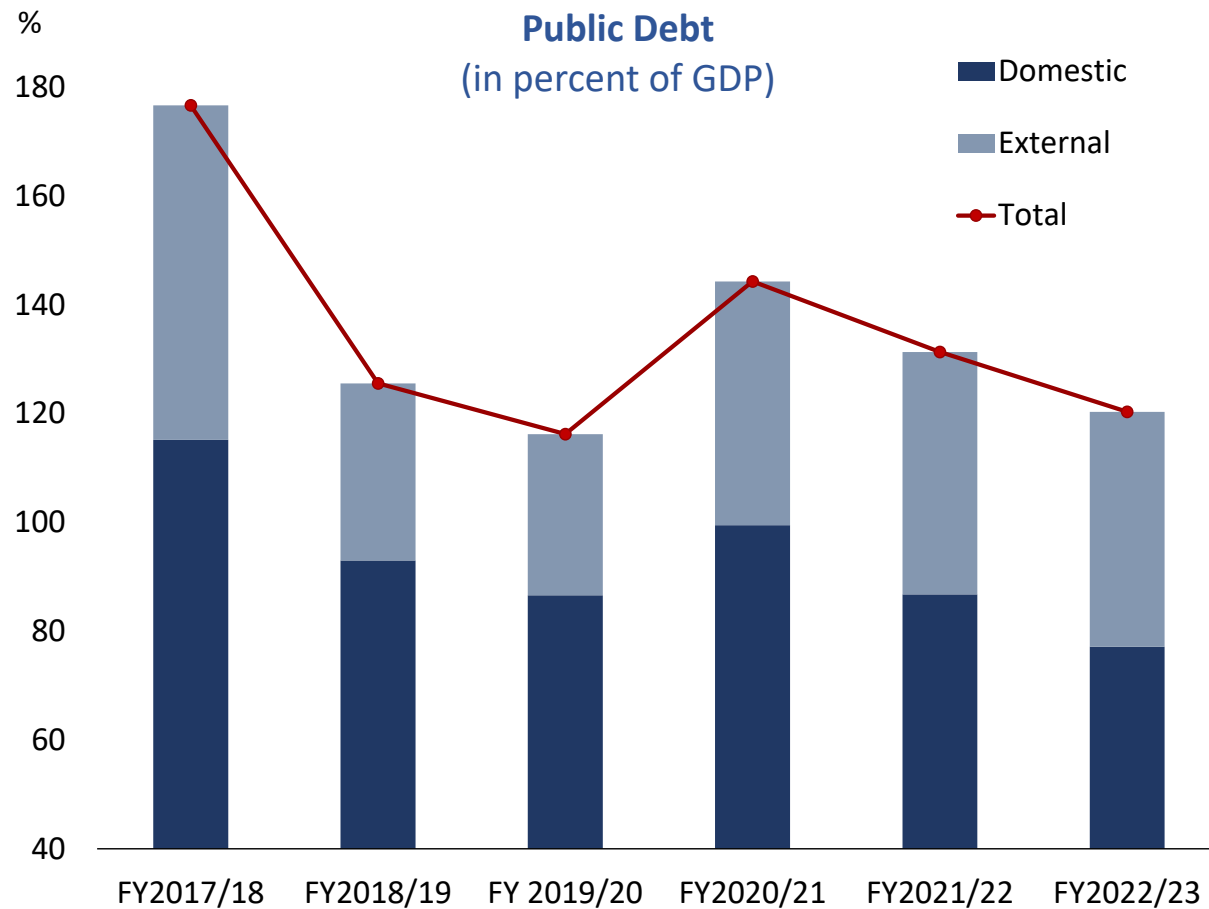
*Unemployment rates are the lowest since 2007...*

*...while inflationary pressures are abating.*



# Indebtedness continues to fall, and reserves are at a historic high

*The debt-to-GDP ratio has fallen to 119.6%*

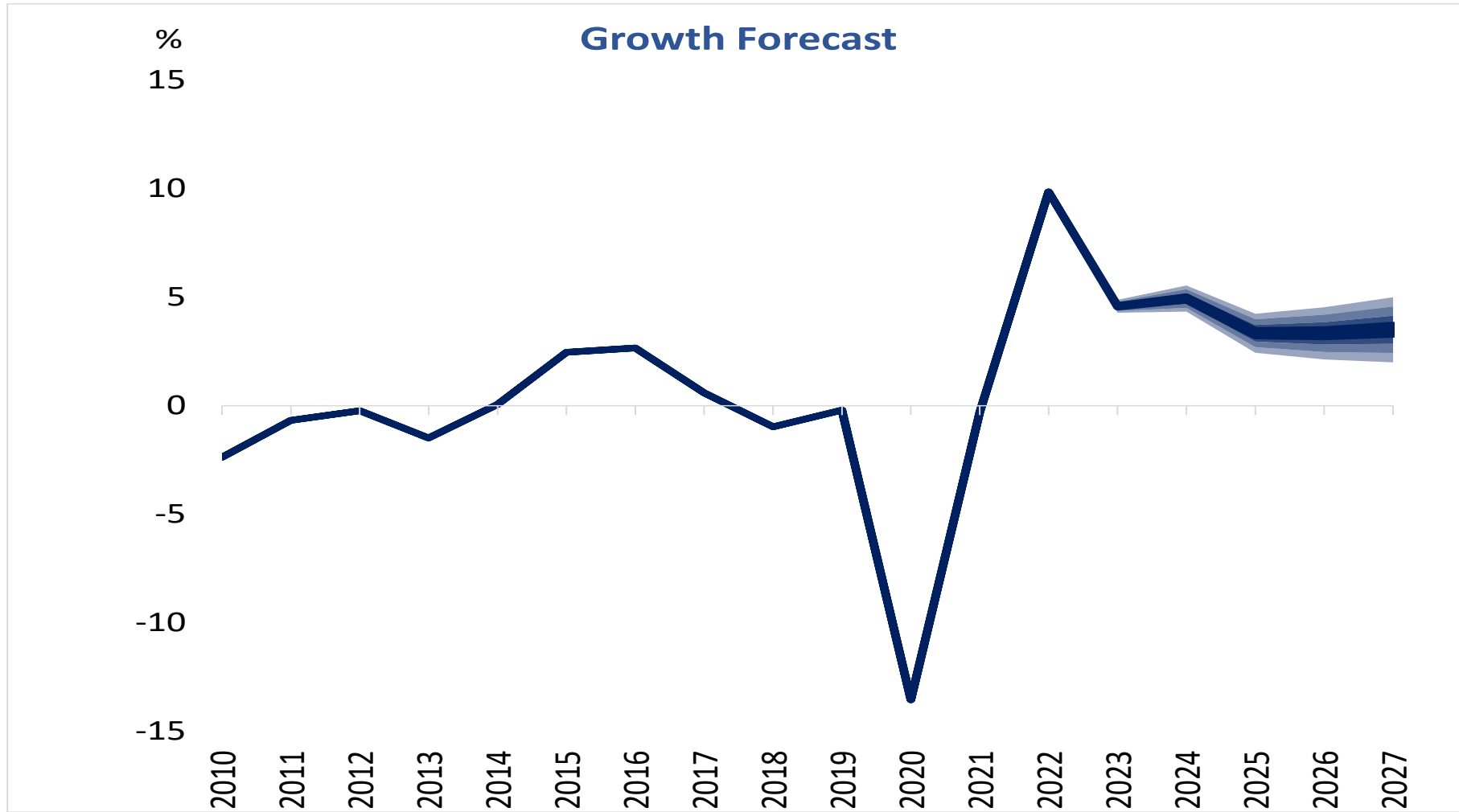


*And reserves stands at \$3.2 billion*



# Growth should remain robust

*Real GDP should continue to expand, within the range of 4 to 5 percent over the medium-term.*



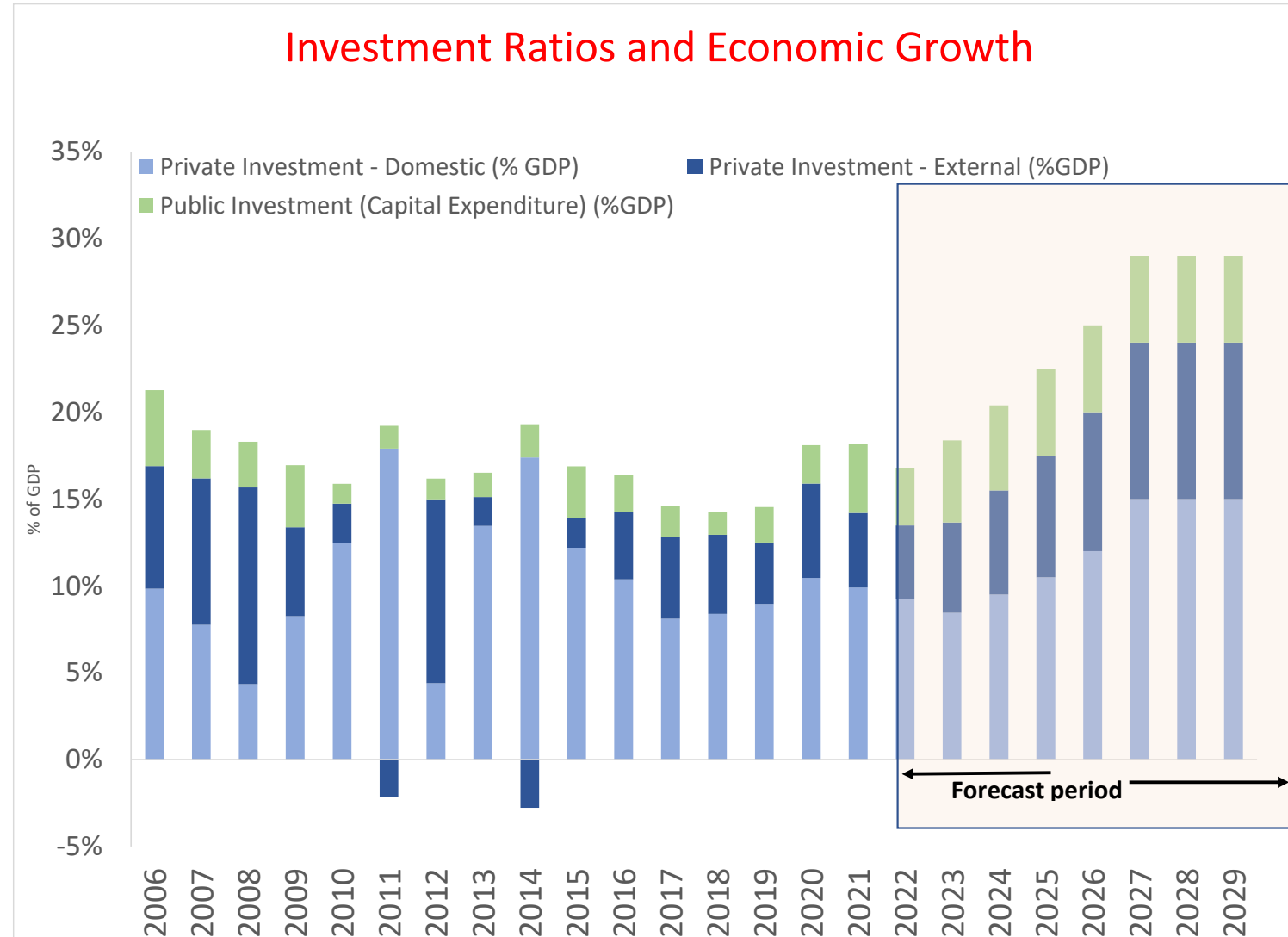
# **Investment is What Drives Growth**

*...and innovation and collaboration can facilitate.*



# Innovation is what drives growth

- In 2006, an Investment/GDP ratio of 21% (Public = 4.4%; Foreign = 7.1%; Domestic 9.8%) supported an economic growth rate of 3.8 percent.
- The investment ratios fell continuously since then to 2018 (by end-2018 Public = 1.3%; Foreign = 4.6%; Domestic 8.4%) and the economy stagnated.
- To achieve the targeted 5% economic growth rate over the medium-term
- We will increase public investment to 5% of GDP (highest on record);
- Gov't investment = \$425m FY2021/22 & \$476m (FY2022/23)
- **We need the private sector to raise investment from the current 8% of GDP (approx. \$975m) to 15% (an annual average of \$2b).**





# Investment is what drives growth

## Innovation and collaboration are critical in achieving our investment goals.

□ Innovation involves the introduction of new products, services, or processes that improve efficiency, reduce costs, and increase productivity.

➤ *We need to deconstruct and reconstruct how we do things!*

□ Collaboration involves working together with different stakeholders to achieve common goals.

➤ *We need to work together to access new markets, share resources, reduce costs, and develop new products and services!*



# **Key Areas for Innovation & Collaboration**



# Key Areas for Collaboration & Innovation

- **Invest in the Green Transition:**

- **Energy generation:**

- the FTC has published revised Feed-in Tariffs (FITs) for independent power producers (IPPs) for a range of renewable energy technologies – January 2023.
  - Continues to favor smaller projects.
  - Reissued rates on wind and solar but none on bio-mass.
  - FIT mechanism to cover renewable energy from 1MW to 10MW to further accelerate the execution of renewable energy projects.
- Ministry is in the process of developing a procurement framework to administer an option – Put out the capacity for tender and potential investor bid on price, technology and size system they proposed to use.
- National energy plan to evolve it into a National Energy Investment Plan.
- PPA – template established but allows for negotiations on the commercial terms.
- Ask: Provide information on prospective projects so the commission can appropriate determine rates based on local costs – not only on RE but on Storage.
- Ensuring that the local population is enfranchised and can benefit from the alternative energy dividend.



# Key Areas for Collaboration & Innovation

- **Invest in the Green Transition:**
- **Innovative in our push to move beyond Solar Energy generation:**
  - B'dos is the first country in the Caribbean to pursue **innovative financing** through the blue bonds where we repurchased some of our debt at a lower cost and used the interest savings to help us protect our marine environment to the tune of US \$50 million in the next 15 years.
  - Investing in Natural Gas as the bridging fuel towards full Green transition
  - Wind Power is also a prime area for investment: both onshore and offshore.
    - The north of the island is among the top 10 locations in the world for investment in wind.
  - Also is the development of green and blue hydrogen.
    - Demand for hydrogen increasing and technology is improving rapidly making it even more profitable.



# Key Areas for Collaboration & Innovation

## Housing:

- HOPE: Home Ownership Powered by Renewable Energy (HOPE). At least 10,000 houses in five years.
- Innovative by de-risking who is entitled to get a mortgage: For people will not otherwise be able to get affordable property with the assignment of the revenue.
- Innovative by providing a pathway to ownership for those unable to participate in any of the HOPE schemes because their income levels are too low or too irregular - the NHC will purchase from HOPE new houses and housing units for a 30-year rent-to-own programme.
- Innovative by not adding to the fiscal burden by delivering programs through HOPE rather than through housing corporation.



# Key Areas for Collaboration & Innovation

## Housing:

- Innovative is the use of the Housing Credit Fund to start the program which is repaid when the stage payments come in and then use bridging finance to do new developments with applicants doing stage payments.
- Get involved - Joint venture partnership with NHC on
  - housing projects to build – bringing capital to do infrastructure while NHC provide the land. Use the photo-voltaic (PV) earning to lower the cost to the customer.
  - Procurement strategy/partnership (for commercial entities) that reduces the cost of building – finishings, etc.



# Key Areas for Collaboration & Innovation

## Housing – Climate Resilient Homes:

- **Innovating to be able to make homes more climate resilient:**
  - Roof straps and the water tanks; in a climate crisis every household should have a water tank going forward
  - Creates employment opportunities – installers
  - Government has already committed in principle to the establishment of a revolving fund that will help those households to install water-saving devices and water tanks and that people then can opt how they can repay for it over what time period.



# Key Areas for Collaboration & Innovation

- **Greening the Transport Sector:**

- Gov't continuing the shift toward electric vehicles and any new alternatives to fossil fuels.
- Fiscal Incentives are in place to reduce import duties, excise taxes and VAT on electric vehicles.
- We have the largest electric bus fleet in the region of 49 electric buses (about 70 percent of available bus fleet) with another 10 being ordered.
- The Government plans to continue to increase the share of electric vehicles in public transportation.
- A revolving fund at Fund Access to aid in the acquisition of, or for the conversion to electric or plug-in hybrid vehicles – Opportunity for PSVs.
- Opportunity for finance companies to provide more attractive rates and thus benefit from widening their customer base.
- Companies can follow Gov't initiative in greening their fleet.





# Key Areas for Collaboration & Innovation

- **Opportunities in Tourism:**

- The Government will build on the BEST program to expand access to affordable capital to upgrade and enhance an ageing and maturing tourism product so that the country may become more competitive and profitable in its tourism offerings.
- This will be an essential compliment to the efforts to expand airlift and tourism revenues.
- Turning BTMI into a PPP (private investors needed particularly in the advertising space) so that it can be more agile in the marketing of Barbados for the tourism sector is critical.
- Construction boom in the sector: Hotel Indigo; Pendry Hotel; Royalton Hotel; Marriott's Group - \$100 million refurbishment; Pierhead Project.



# Key Areas for Collaboration & Innovation

- **Invest in Education and Skills Development:**
  - Focus on positioning Barbados as a global knowledge and innovation hub.
  - Investment and partnerships to train and place young Barbadians in well-paid global jobs that they can perform from Barbados (E.g Cyber Security, Coding, Software Development, Digital Advertising, Video Game Development, Contact centers, customer and technical support, Health insurance claims processing, etc.).
  - GoB is introducing programmes in supervisory management, customer service excellence, and in hospitality, working with the National Transformation Initiative; The Jean and Norma Holder Institute for Hospitality, and, in a recent MOU with the Florida International University, to establish a campus in Barbados within the next 12 months.



# Key Areas for Collaboration & Innovation

- **Invest in Education and Skills Development:**

- Use innovative techniques within your business to create a more engaging learning experience for employees. E.g.
  - Gamification – e.g. a game where employees compete against each other to see who can close the most deals,
  - Microlearning – e.g. a customer service training program could include short videos or quizzes that employees can complete during their breaks.
  - Virtual reality – creating a simulated environment that mimics real-life scenarios. e.g. a safety training program could include a virtual reality simulation of a hazardous work environment.
  - Adaptive learning - involves using data and analytics to personalize the learning experience for each employee. E.g. an adaptive learning program could adjust the difficulty level of quizzes based on an employee's performance.



# Key Areas for Collaboration & Innovation

- **Invest in Food Security:**

- Expanding agriculture production Feed program
- Collaborative partnerships with Guyana and Brazil (private sector) to procure high-quality and affordable fresh produce supply
- Agro-processing: based on domestic and exports
- Fish-processing: mariculture (marine fish farming) – making Barbados a hub for export
- Development of Barbados as an agro-processing and logistics hub for Caribbean produce.
- Reclamation of water from HOPE housing program:
  - harvesting rain run-off from its roofs and roads and utilizing water treatment plants to re-purpose the water.
  - all water collected is then used for agricultural irrigation to further Barbados' food security initiative.



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# Key Areas for Collaboration & Innovation

- **Invest in Food Security:**
  - There is provision for construction of a new Tissue Culture Laboratory:
    - providing clean planting material and continued research to boost exports of key products, like sweet potatoes and peppers.
  - Large businesses should seek to assist small businesses with growth potential, by providing shelf space in their retail and distribution channels for locally made goods – not just food.



# Key Areas for Collaboration & Innovation

- **Mobilizing Domestic Savings for Local Investment:**
  - Our financial system is quite liquid (\$6.3 billion in total and \$3 billion above what is prudentially required).
  - Need to move some of that liquidity/savings into productive investment.
    - We are working with the Banks on reducing fees which will lower the costs for businesses.
    - We are working with all financial institutions to bring new instruments to the market to facilitate investment.



# Key Areas for Innovation & Collaboration

## • Mobilizing Domestic Savings for Local Investment:

### *Traditional Instruments*

- **Treasury Bills**
  - Fixed yield (preferred) versus auction process
  - Smaller issue sizes initially and increase sizes based on demand
  - 3-month and 6-month maturities
  - Issued by the Treasury
- **Savings Bonds**
  - Retail investors
  - 5-year discount securities
  - Demand instruments
- **Treasury Notes**
  - Fixed term instruments
  - Semi-annual or quarterly interest payments
  - Natural disaster clauses

### *New Instruments*

- **Reverse Auctions**
  - Timetable of auctions
  - Auction size
  - Pricing mechanism – market based or yield curve
  - Framework for acceptance of offers
  - Notification to relevant parties
- **Bonds-on-demand Facility at Commercial Banks**
  - Determination of issue parameters
  - Types of securities
  - Issue sizes
  - Pricing – par or yield to maturity
  - Targeted investor class





# Key Areas for Collaboration & Innovation

- **Mobilizing Domestic Savings for Local Investment:**
- ***New Instruments continued...***
- Establishment of a Unit Trust (budget initiative)- explore these opportunities for quality investment products
  - Legislative & operational framework (*To be done*)
- Repo Market (Awaiting final approval)
- The Parties agree that the Repurchase Transactions entered into between them may be in respect of the following securities:
  - Government of Barbados Treasury Bills, Series Bonds, Treasury Notes and Debentures;
  - Unless otherwise agreed by the Parties, the minimal value of the Repurchase Transaction shall be \$1,000,000.00.
- “ON-TAP” Government bond issues

**The Private Sector, including the banks, are encouraged to participate in these initiatives – BOSS+ etc**



# Key Areas for Collaboration & Innovation

- **Invest in International Business:**
  - Fully leveraging Barbados' geographical location and skills profile to establish the island as leading hub for global business and headquartering.
  - Building and leveraging high-quality regulatory framework as a global competitive advantage.



# Key Areas for Collaboration & Innovation

- **Invest in the Heritage and Creative Economy:**
  - Development of 52-Week Events Calendar
  - Leveraging Barbados' unique archival asset to develop a globally renowned and highly lucrative Heritage and Creative Economy.
  - 10s of millions of physical records to be digitised and showcased in a world-class museum. This will not only create a unique tourism product, but also paves the path for the development of sub-industries and businesses related to Genealogy, Precision Medicine, etc.
  - Creation of highly competitive incentives framework in order to position Barbados as a global hub for the development and production of film and other digital content.



# Key Areas for Collaboration & Innovation

- **Invest in Health and Wellness:**
  - Particular attention is being given to leveraging the country's expertise in educational and health services to develop Barbados as a vibrant Life Sciences Hub.
  - The investment in biotechnology and medical technology support systems to foster high-quality value chain industrial linkages with manufacturing, tourism, education, etc.
  - Substantial expansion of Wellness and Pharmaceutical industries.



**Thank You**

