

Kevin Greenidge: Shared seas, shared struggles - a Caribbean perspective on the challenges facing small island developing states

Speech by Dr Kevin Greenidge, Governor of the Central Bank of Barbados, at the IMF Pacific Island High-Level Conference, Bridgetown, 12 March 2026.

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Ni sa bula Vinaka (Hello),

I have to confess something to you this evening. When I stepped off the plane in Nadi two days ago, after nearly thirty hours of travel from Barbados, I expected to feel very far from home. But as I listened to your discussions today, something quite different happened. I did not feel far from home at all. I felt as though I were sitting in a meeting of Caribbean finance ministers.

The same concerns about food prices that keep Pacific households awake at night keep Caribbean households awake at night. The same young people who leave Tonga and Samoa for better wages in Auckland and Sydney leave Barbados and Jamaica for better wages in Toronto and New York. The same fiscal pressures that stretch your budgets after every cyclone stretch ours after every hurricane. And the same struggle to access affordable climate finance, without adding to an already heavy debt burden, is our struggle too.

We are separated by 16,000 kilometres of ocean. But in every way that matters for economic policy, we are neighbours.

Tonight, I want to talk about shared seas and shared struggles. About how Barbados confronted a crisis that nearly broke us, and what we learned in the process. Not because we have all the answers. We do not. But because I believe a Caribbean perspective on the challenges facing small island developing states speaks directly to what you discussed today, and because the ties between our two regions deserve to be much deeper than they are.

Let me briefly acknowledge the backdrop. The global environment has become more hostile to small, open economies. Trade is fragmenting. Supply chains are being rewired for strategic interests, not efficiency. Borrowing costs have risen. And for import dependent island economies, every disruption lands directly in our households: in the price of rice, in the cost of fuel, in the electricity bill. This makes reform harder. But it also makes it more urgent.

The Crisis

In May 2018, Barbados was in trouble. Serious trouble. Our public debt had reached 179 percent of GDP, the third highest in the world. International reserves had fallen to 220 million US dollars, barely four weeks of import cover. We had lost access to capital markets. Nearly two billion dollars in arrears had accumulated to domestic suppliers, utilities, and creditors. Confidence, both domestic and international, had evaporated.

Barbados was not just economically distressed. It was politically and socially fragile. Citizens could feel that the system was not working. Businesses were not being paid. Government services were deteriorating. And the sense that things could get worse, much worse, was palpable.

The Response: BERT

The Government's response was to design a homegrown reform programme called BERT: the Barbados Economic Recovery and Transformation Plan. I want to stress that word **homegrown**. BERT was not imposed from outside. It was conceived by Barbadians, negotiated through our Social Partnership, the tripartite body that brings together government, the private sector, and trade unions, and tabled in Parliament as a national resolution. The IMF's Extended Fund Facility supported it. But the programme was ours. That ownership made all the difference.

BERT has now gone through three phases, and each one maps directly onto the themes you have been discussing today. Let me walk you through them, not as a catalogue of reforms, but as a story of what it takes for a small island state to pull itself back from the edge and begin building something durable.

Phase One: Stopping the Bleeding

The first phase, BERT 2018, was about survival. We had to restore fiscal stability, and we had to do it fast. Within two years, we moved the primary balance from a deficit of three and a half percent of GDP to a surplus of six percent. We restructured our entire public debt, domestic and external, reducing debt service costs by roughly 600 million Barbados dollars a year. We overhauled fiscal governance, reformed tax policy, and tightened oversight of state-owned enterprises. The programme held through seven IMF reviews over four years, through a pandemic and through natural disasters, without losing discipline.

But here is the part I want to emphasise, because it is the part that matters most for this room. We did all of this while protecting social spending. Health, education, and social protection were ring-fenced in the programme. The burden of adjustment was deliberately shifted away from labour and the most vulnerable and towards capital and the visitor economy. Free tertiary education was maintained, and later restored in full, even during the pandemic.

That was not only the right thing to do. It was the smart thing to do. Adjustment programmes that impose the cost on the poorest lose public support and eventually fail. The Social Partnership gave BERT legitimacy. Protecting the vulnerable gave it durability.

When COVID-19 struck in 2020, tourism collapsed overnight. The economy contracted by nearly 18 percent. Then volcanic ashfall from neighbouring St. Vincent. Then Hurricane Elsa. Three consecutive shocks in two years. But because we had built fiscal buffers through two years of discipline, we had the space to respond. We lowered our surplus target, expanded emergency health and social spending, and kept the reform programme on track. The IMF augmented our facility to support the response. All targets continued to be met.

The lesson, and it is directly relevant to the Pacific, is this: fiscal discipline is not austerity for its own sake. It is the creation of policy space. Space to invest. Space to protect. Space to respond when the storm comes. And for small island states, the storm always comes.

Barbados is not the only Caribbean country to have walked this road. Jamaica completed a decade-long IMF-supported reform that fundamentally transformed its fiscal trajectory, turning persistent deficits into sustained surpluses while protecting social investment. Grenada, after being devastated by Hurricane Ivan, implemented fiscal responsibility legislation with automatic escape clauses for natural disasters, a model that has since been studied around the world. These Caribbean experiences demonstrate something important: small states are not passive recipients of external advice. We are capable of designing, owning, and sustaining ambitious reform, even through repeated shocks, if the political commitment and institutional framework are in place.

I see the same potential in this region. Tonga's fiscal rules have provided an anchor, and the fact that debt sustainability gains paused when the wage-bill anchor was breached tells its own story about the importance of enforcement. Palau's tax reform, lifting the tax ratio from 18 to nearly 23 percent in two years while cushioning households with targeted transfers, is a remarkable achievement. The peer exchange between Palau and the Marshall Islands is exactly the kind of learning we should be scaling across both our regions.

Phase Two: Building Resilience

The second phase, BERT 2022, was about moving from stabilisation to transformation. By then, the immediate crisis had passed. The question was: what kind of economy do we want to become?

Two instruments defined this phase. The first was a successor EFF arrangement. The second, and this is where Barbados broke new ground, was one of the world's first arrangements under the IMF's Resilience and Sustainability Facility. The RSF gave us approximately 189 million US dollars in long-term climate financing, and it required us to embed climate considerations into every layer of our policy framework.

Let me tell you what that looked like in practice. We incorporated climate risk into our budget documentation and fiscal risk analysis. We introduced green procurement rules and climate budget tagging. We enacted new legislation for flood resilience, water re-use, and energy reform. We electrified 65 percent of our public bus fleet, the highest share in the Caribbean. And our Central Bank adopted a formal climate strategy and joined the Network for Greening the Financial System. **Climate was no longer a side conversation. It was woven into the fabric of our economic framework.**

But we went beyond policy frameworks. We pioneered financial instruments. In the 2018–19 debt restructuring, we had already embedded natural disaster and pandemic clauses into our new bonds, the first sovereign restructuring to do so. These clauses allow interest to be capitalised and principal payments to be deferred for two years after a qualifying disaster. When Tropical Storm Kirk struck Barbados in October 2018, the Caribbean Catastrophe Risk Insurance Facility paid out 5.8 million US dollars within

days. That speed of response, money in the government's account within a week of the event, is something that every Pacific Island government understands the value of. Your own CCRIF equivalent, the Pacific Resilience Facility, represents the same principle: pre-arranged, fast-disbursing risk financing that does not require months of bureaucratic process while your people are waiting for help.

Under BERT 2022, we completed a debt-for-nature swap, establishing the Barbados Environmental Sustainability Fund for marine conservation. And then we executed the world's first debt-for-climate-resilience operation, backed by 300 million US dollars in guarantees from the IDB and the European Investment Bank, with Green Climate Fund support, generating 125 million US dollars in savings now being invested in water resource management and food security infrastructure. The innovation here is that we unlocked adaptation financing without adding to the sovereign debt burden. That is the model the Bridgetown Initiative is trying to scale globally.

At the global level, Barbados championed the Bridgetown Initiative, calling for natural disaster clauses in all sovereign lending, reformed access criteria for vulnerable states, and new instruments to mobilise private capital for climate adaptation. The Initiative has already produced results. The IMF's Resilience and Sustainability Trust is one. The commitment to re-channel 100 billion US dollars in SDRs is another. And there is now a new Loss and Damage Fund.

Your conference materials note that Pacific Island Countries face average annual adaptation needs of 24.5 percent of GDP, with current financing covering barely a quarter. I want to be direct: those numbers are not just statistics. They represent schools that will flood, freshwater that will turn saline, and communities that will be forced to move. In the Caribbean, we know what these numbers look like when they become reality. When Hurricane Maria hit Dominica in 2017, it caused damage equivalent to 226 percent of GDP. The entire island's infrastructure was destroyed. In 2024, Hurricane Beryl became the earliest Category 5 Atlantic hurricane on record, tearing through the Caribbean and causing significant damage in Barbados. For your atoll nations, the Marshall Islands, Kiribati, Tuvalu, the existential nature of climate change is not a metaphor. It is measured in metres of sea level rise.

Papua New Guinea's new RSF arrangement is an important step. The Pacific Resilience Facility, still well short of its 500 million dollar capitalisation target, needs much stronger support from the international community. And COP31, to be hosted by Australia in partnership with the Pacific, is an opportunity the Caribbean and the Pacific must seize together. Our voice is louder when we speak as one. I would welcome the opportunity to coordinate our positions in the lead-up, so that when we arrive in Australia, small island states are not asking for attention. We are commanding it.

Phase Three: Transformation

BERT 2026, our current phase, is about something more ambitious still. We are no longer stabilising. We are no longer just recovering. We are transforming. The programme is built on five pillars: productivity and competitiveness; fiscal sustainability; financial market development; climate resilience; and human capital. Each pillar addresses challenges that I heard echoed in your discussions today.

The results of the first two phases give us the foundation. Debt has fallen from 179 percent to under 95 percent of GDP. Reserves have risen from 220 million to 3.3 billion Barbados dollars, almost 32 weeks of import cover. The economy has grown for 17 consecutive quarters. Unemployment has fallen to 6.1 percent, the lowest on record, well below the two-decade average of over 10 percent. We returned to international capital markets with a 500 million dollar bond issuance that was oversubscribed, the first since the restructuring. Since 2018, Barbados has repaid nearly 8.5 billion Barbados dollars in debt, far more than it borrowed over the same period.

But we know the work is not done. Labour productivity growth has averaged less than one percent a year. Private investment has not yet reached the scale we need. Thirty-five percent of our climate adaptation needs are funded. And the cost of living remains the issue our citizens care about most.

Sir Arthur Lewis, a Caribbean son from St. Lucia and the first Black Nobel laureate in Economics, wrote that *"good economics begins with a concern for improving the conditions under which people live."* That is the standard by which BERT must ultimately be judged. Not by the debt ratio, not by the reserve cover, not by the IMF review outcomes, but by whether a mother in Bridgetown can afford to feed her children a healthy meal. Whether a young graduate in St. Philip can find work that keeps them in Barbados rather than pushing them to emigrate. Whether an elderly pensioner in St. Lucy can keep the lights on.

That is why BERT 2026 is built around people, not just balance sheets. It means affordable housing. It means skills training aligned with labour market demand. It means climate-smart agriculture to reduce the food import bill. It means BIMPay, our national instant payments system launching later this month, so government transfers can reach vulnerable households in seconds after a disaster, not weeks. And it means citizen ownership of renewable energy projects, so ordinary Barbadians share in the returns of the green transition.

But modernising domestic payments is only half the story. The other half is staying connected to the global financial system. In the Caribbean, the withdrawal of correspondent banking relationships by major international banks, what we call de-risking, has been one of the most serious threats to that connectivity over the past decade. Remittance costs have risen. Trade finance has become harder to access. For countries where remittances represent 15 to 22 percent of GDP, this is not a banking problem. It is a livelihoods problem. I was encouraged by the G20 Safe Payment Corridor work and the finding that money laundering risks in Pacific remittance corridors are low. But assessments without regulatory action change nothing. Translating low-risk findings into simplified due diligence is the real fight, and it is one our regions should wage together.

Barbados's own exit from the FATF grey list in 2024, after years of painstaking reform, was hard-won. The European Union has since delisted us. The payoff is real: lower costs, better banking access, and greater confidence from international partners.

I suspect every minister and governor in this room could tell a similar story about their own citizens. The parents in Fiji who watch food prices outstrip wages. The families in Tonga who depend on remittances from Auckland to make it through the month. The

young people in Samoa who see no future at home. These are the people all of our programmes must serve.

A Word to My Fellow Central Bankers

Allow me to speak briefly, and a little more personally, to the governors and central bank officials in this room.

We face a set of challenges that central bankers in larger economies simply do not have to contend with. Our financial markets are shallow. Our banking sectors are concentrated. Excess liquidity is persistent and difficult to manage. Policy transmission is weak. And our most talented analysts are constantly being recruited away, by the private sector, by international institutions, by larger central banks that can pay more and offer more.

In Barbados, we have been working steadily to modernise our central bank under BERT. A new Central Bank Act in 2020 strengthened our mandate and limited monetary financing. We have introduced daily liquidity forecasting, established an Emergency Liquidity Assistance framework, and are working toward a clearer benchmark policy rate. We launched a fintech sandbox. We adopted a climate strategy. And we are days away from launching BIMPay.

I was genuinely impressed by the progress I heard about today. Tonga's model-based forecasting and its reactivated interest rate corridor. Papua New Guinea's new Central Bank Act, with its independent Monetary Policy Committee. Solomon Islands' Forecasting and Policy Analysis System. Vanuatu's modernised legislation. These are not small achievements. Building analytical capacity in a central bank with a staff of fifty or a hundred, in a country where every trained economist is a precious asset, that is hard work. It deserves recognition.

Three things I have learned. First, modernisation is a marathon. Laws and models are the starting point, not the finish line. The culture of evidence-based decision-making takes years to build. Second, invest in your people. Training, career development, and a genuine sense of institutional mission are the only ways to compete for talent in a small labour market. Third, do not try to do it alone. Regional cooperation among central banks, sharing models, seconding staff, running joint training, can multiply the impact of limited resources. In the Caribbean, CARTAC and the Caribbean Centre for Money and Finance have been invaluable. I know PFTAC plays a similar role here, and it deserves every dollar of support it receives.

Closing

Distinguished colleagues, I want to leave you with a thought that goes beyond policy.

The global financial system was not designed for small island states. It was designed by large continental economies, for large continental economies. Its rules on debt, on access to concessional finance, on income thresholds, were written without us at the table. And too often, those rules punish us for vulnerabilities we did not create.

We should not have to choose between servicing our debts and protecting our people from rising seas. We should not be classified as middle-income and locked out of affordable finance when a single storm can destroy half our GDP. We should not bear the highest per capita cost of a climate crisis to which we have contributed almost nothing.

The Bridgetown Initiative exists because Barbados decided that it was not enough to manage within a broken system. We had to try to change the system. And I know the Pacific has been saying the same thing, in different words, for decades.

So here is my call. Let us stop being polite about this. Let us make our case together, the Caribbean and the Pacific, with clarity, with evidence, and with the moral authority that comes from living on the front line of a crisis we did not cause. Let us coordinate before COP31. Let us align our positions at the IMF and the World Bank. Let us share what works, whether it is Palau teaching the Marshall Islands about tax reform, or Barbados sharing its experience with debt-for-climate instruments, or the Pacific teaching the Caribbean about community-based disaster resilience and marine stewardship. Let us build the kind of small-state coalition that cannot be ignored.

I would welcome the opportunity to host Pacific counterparts in Barbados. To send our central bank and finance officials to learn from the innovative work happening across this region. To build practical bridges between PFTAC and CARTAC, between our central banks, between our finance ministries. These should not be occasional exchanges. They should be standing partnerships.

Our experience tells me that even small states under severe pressure can do more than the world expects, if reform is owned, sequenced, and sustained. Barbados did it with discipline, with social partnership, with innovation, and with a stubborn refusal to accept that our size should determine our ambition.

And if we do it together, the Caribbean and the Pacific, we will be more than resilient. We will be formidable.

Vinaka vakalevu. Thank you, and good evening.