



CENTRAL BANK
of BARBADOS

1999 ANNUAL REPORT



LETTER OF TRANSMITTAL

Central Bank of Barbados
Tom Adams Financial Centre
Church Village
BRIDGETOWN

March 29, 2000

Dear Prime Minister:

In accordance with Section 52(2) of the Central Bank of Barbados Act, Cap 323C, Laws of Barbados, I have the honour to submit to you in your capacity as Minister of Finance, the Bank's Annual Accounts for the year ended December 31, 1999 as certified by the External Auditors in accordance with Section 51 of the Act, together with the Report on its operations during 1999.

The original of the Auditors' Report and Certificate was forwarded to you with my letter of February 28, 2000.

I am,
Yours faithfully,

A handwritten signature in black ink, appearing to read 'Marion V. Williams'.

Marion V. Williams
Governor

The Rt. Hon. Owen S. Arthur, MP
Prime Minister and Minister of
Finance and Economic Affairs
Prime Minister's Office
Government Headquarters
Bay Street
St. Michael



DIRECTORS AND SENIOR OFFICERS

BOARD OF DIRECTORS

Marion Williams, Ph.D., F.C.I.B., C.M.A.
Chairman

Sir Stephen E. Emtage, M. Phil., K.A.

Miss Lynette Eastmond, LL.B., LL.M.

Erskine R. Griffith, Esq., M.Sc. G.C.M.

John B. Simpson, Esq.

Patrick B. Toppin, Esq. F.C.C.A., C.A.

H. Adrian Clarke, Esq., M.A. (Econ.)
Secretary to the Board

SENIOR OFFICERS

Marion Williams, Ph.D., F.C.I.B., C.M.A.
Governor

Victor M. Springer, Esq., M.B.A.
Director, Banking and Currency

R. Delisle Worrell, Ph.D., G.C.M.
Deputy Governor (on secondment)

Hensley T. Sobers, Esq.
Director, Human Resources

H. Adrian Clarke, Esq., M.A. (Econ.)
Secretary

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

Daniel O. Boamah, Ph.D.
Director, Research

Anderson D. Best, Esq., C.G.A.
Deputy Financial Controller

Kenneth F. Brathwaite, Esq., B.Sc. (Econ.)
Director, Exchange Control

Mrs. Sylvia E. Blenman
Deputy Director, Banking & Currency

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

Roland Craigwell, Ph.D.
Chief Economist, Research

Ian DeV. Carrington, Esq., M.B.A., M.C.I.M.
Director, Bank Supervision

Abdul R. Mehter, Esq., M.B.A., F.C.I.S.
Deputy Director, Services

Harold E. Codrington, Esq., M.A. (Econ.)
Adviser

Sonia L. Richards, Ph.D.
Legal Officer

Brian A. Greene, Esq., M.B.A., A.C.I.B.
Director, Internal Audit

Miss Muriel D. Saunders
Deputy Director (Statistics), Research

Cleviston L. Haynes, Esq., M.A. (Econ.)
Adviser

Miss Julia A. Weekes, B.Sc.
Deputy Director, Banking & Currency

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

Peter Whitehall, Esq., M.P.A.
Deputy Director (Economics), Research

Jefferson O. Reeves, Esq., M.B.A.
Director, Credit Insurance and Guarantees

Geoffrey A. Yearwood, Esq., M.Sc.
Deputy Director, Management Information Systems



CONTENTS

OVERVIEW

Review of 1999	1
Prospects for 2000	2

ECONOMIC REVIEW

Production, Prices and Employment	3
Financial Sector	9
Government Operations	13
Foreign Trade and Payments	19
Regional Economic Developments	23
International Economic Developments	33

ADMINISTRATION	39
-----------------------	----

OPERATIONS	41
-------------------	----

Central Bank Plans for 2000	56
-----------------------------	----

AUDITORS CERTIFICATE AND FINANCIAL STATEMENTS	63
--	----

**TABLES**

The Number of Licensed Active International Business Companies	7
Selected Indicators of the Banking System	10
Credit to the Non-Financial Private Sector by Financial Institutions	11
Domestic Deposits at Financial Institutions	12
Summary of Government Operations	14
Government Financing	17
Merchandise Trade Balance	20
Balance of Payments	21
Tourist Arrivals	23
Monetary Indicators	29
Government Operations	31
Foreign Sector Developments	32
Some International Economic Indicators	34
Financial Indicators in the International Markets	34
Economic Indicators of Emerging Markets	35
Commodity Prices	36
Foreign Currency Transactions	42
Purchases of Foreign Currency Notes	42
Export Credit Insurance and Guarantees	46
Key Indicators of ICF Operations	48

CHARTS

Estimates of real GDP (1974 Prices)	1
Tourism Arrivals: Percentage by Market	3
Changes in Tourism Arrivals	4
Sugar Production	5
Average Annual Inflation Rate	7
Annual Unemployment Rates	8
Excess Liquidity Ratio	9
Commercial Banks' Credit to Private Sector and Domestic Deposits	11
Selected Interest Rates	13
Summary of Government Operations	15
Government Revenue by Source	16
Government Expenditure	17
Central Government Debt	18
Retained Imports	19
Composition of Domestic Exports	20
Tourist Expenditure	22
Net Long-Term Private Sector Capital and Financial Account Transactions	22
ICF Annual Loan Approvals	47
ICF Annual Loan Disbursements	47



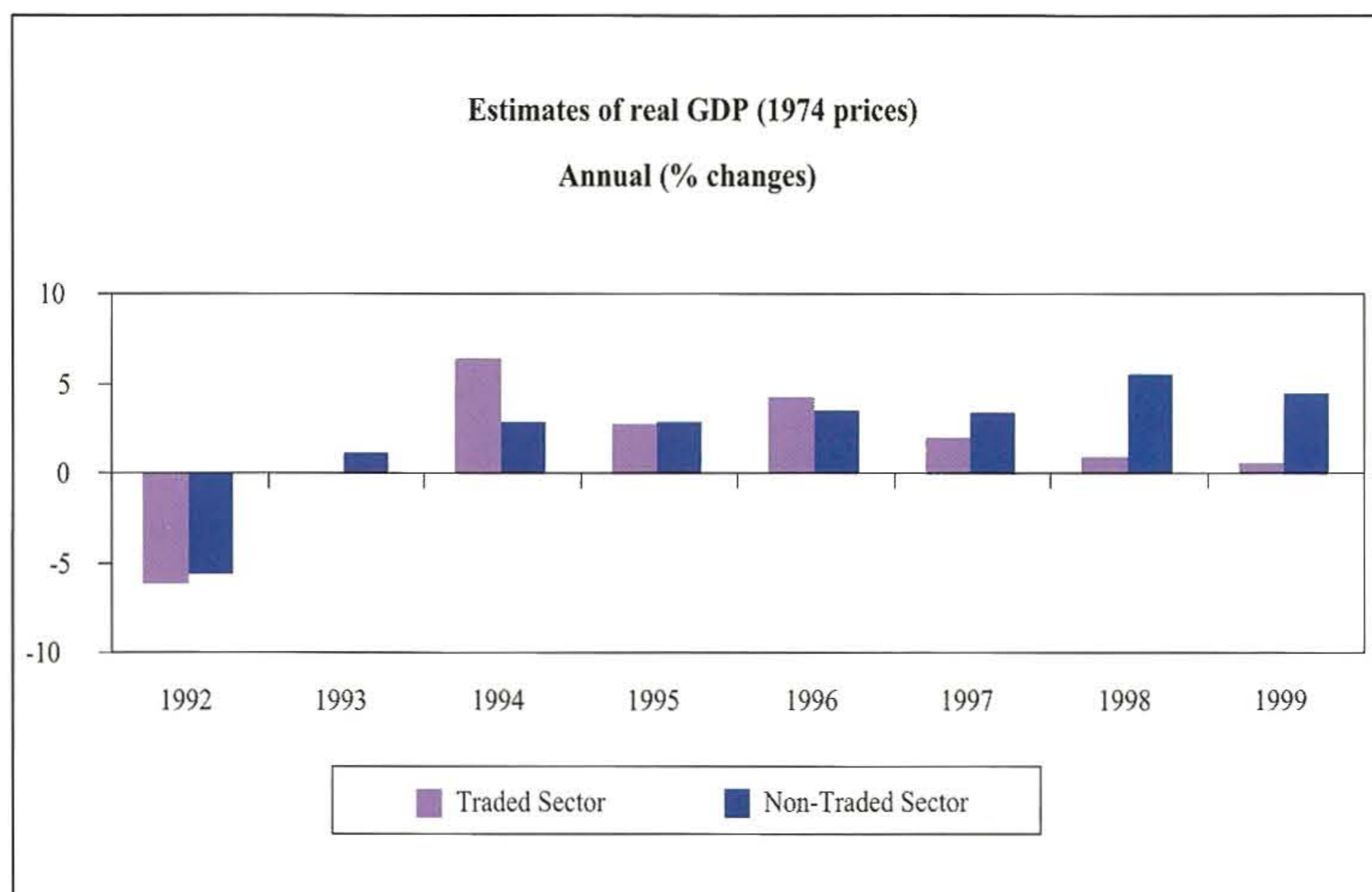
OVERVIEW

Review of 1999

The Barbados economy continued to grow in 1999, with real GDP estimated to have increased by 3.1%, compared with 4.4% a year ago and an average of 3.6% over the past 5 years. This is the seventh consecutive year of expansion. As in 1998, growth was spurred by new investment, particularly in the tourism sector, which has led to continued expansion in the construction sector. With the sustained increase in investment, the investment ratio rose to an estimated 18%, up from 9.5% in 1992. For the third successive year output in the non-traded sectors outstripped that of the traded sectors which increased by 0.7%. Renewed confidence arising from strong growth, a decline in unemployment, a rise in real incomes and easy availability of credit continued to stimulate private spending. The average rate of unemployment for 1999 declined to 10.4%, the lowest since consistent published labour market data became available in 1975, while the annual average inflation rate remained low, at 1.6%.

The weaker than expected performance of the traded sectors reflects several factors. Moderate growth in long-stay tourist arrivals, despite the closure of two major hotels for reconstruction, was barely sufficient to offset a significant decline in cruise passenger arrivals. After five straight years of steady expansion, manufacturing output deteriorated as most of its major sub-sectors were affected by trade liberalisation and increased regional and extra-regional competition. In addition, while sugar made a modest recovery from the drought-induced slump of the previous year, non-sugar agriculture rose despite a reduced fish catch and a decline in milk production.

The modest performance of the traded sectors resulted in a slow down in the growth of foreign receipts from goods and services. This, plus high import spending on capital and consumer goods, led to a widening of the external current account deficit. This is the third consecutive current account deficit. In 1999 it was financed by significant private and public sector capital inflows. Private capital inflows





were mainly for hotel-related activities and public utilities while the public capital inflows included a \$150 million borrowing from the regional market early in the year. The surplus on the capital account, made possible by the foreign borrowing, enabled the net international reserves (NIR) to rise by \$74.5 million, while the import reserve cover increased to 14.1 weeks at year-end from 12.9 weeks in the previous year.

Liquidity tightened throughout 1999 as private sector credit grew rapidly, sustaining the strong demand for imports. In order to slow down the resulting foreign exchange loss, the Central Bank introduced various policy measures to reduce the supply of credit. The Bank increased the cash reserve requirement by one percentage point to 6%, raised its discount rate to commercial banks from 9% to 10%, and also withdrew 1.5% of deposits under its control from the banking system, investing them in foreign securities. These measures caused liquidity in the banking system to tighten further in the latter half of the year. In November, the Bank moved the minimum deposit rate at commercial banks from 4% to 5% primarily to encourage savings. By year-end the excess liquidity ratio was 4%, the lowest since 1991 and down from 8.5% a year earlier. The tight liquidity conditions resulted in a modest increase in the treasury bill rate and following the change in the minimum deposit rate in November, banks raised their prime lending rates.

The fiscal deficit for the calendar year widened to 2.7% of gross domestic product, about three times higher than that recorded for 1998. Revenue growth slowed, primarily because net receipts from the value added tax (VAT) declined for the first time since its introduction in 1997, largely reflecting increased refunds to business firms. However, there were significant increases in revenue from corporate and property taxes. In addition, higher demand for imports of consumer and capital goods led to increased taxes on international trade. Although revenue performed below par, total expenditure continued to grow steadily. The deficit was financed

mainly from foreign sources as liquidity in the domestic banking system tightened.

Prospects for 2000

The economy is projected to grow by between 2% and 3% in the year 2000. The traded sectors are expected to perform better than in 1999, with tourism being the major contributor. Cruise tourism is likely to recover from the slump in 1999 and long-stay arrivals are projected to register moderate growth. Manufacturing activity is also projected to improve somewhat and it is expected that the manufacturing firms will continue to adjust their cost structures to enable them to compete effectively in an environment of increasing trade liberalisation. A marginal increase in sugar output is expected.

Growth in the non-traded sectors is expected to slow as construction activity is likely to be constrained by a shortage of skilled labour resources. Modest growth in tourism and continued growth in the construction sector is expected to sustain the wholesale and retail sectors and other auxiliary services. In spite of the anticipated rise in international prices, mostly oil, inflation is expected to remain low as the process of liberalisation continues.

The current account of the balance of payments is likely to register another deficit during 2000. The high level of investment will continue to raise import demand in excess of the growth in commodity export earnings and tourism receipts. However, a capital account surplus is again expected as private sector flows are likely to continue to finance a substantial share of investment. With external debt service flows projected to decline, Barbados should maintain an import cover at acceptable levels, even with no new borrowing.

Despite the repayment of the 1991-93 salary cut, Government is expected to keep its deficit to a moderate level. Liquidity in the financial system is expected to improve during the first half of the year but private sector credit demand is likely to remain buoyant.

**ECONOMIC
REVIEW**

Production, Prices and Employment

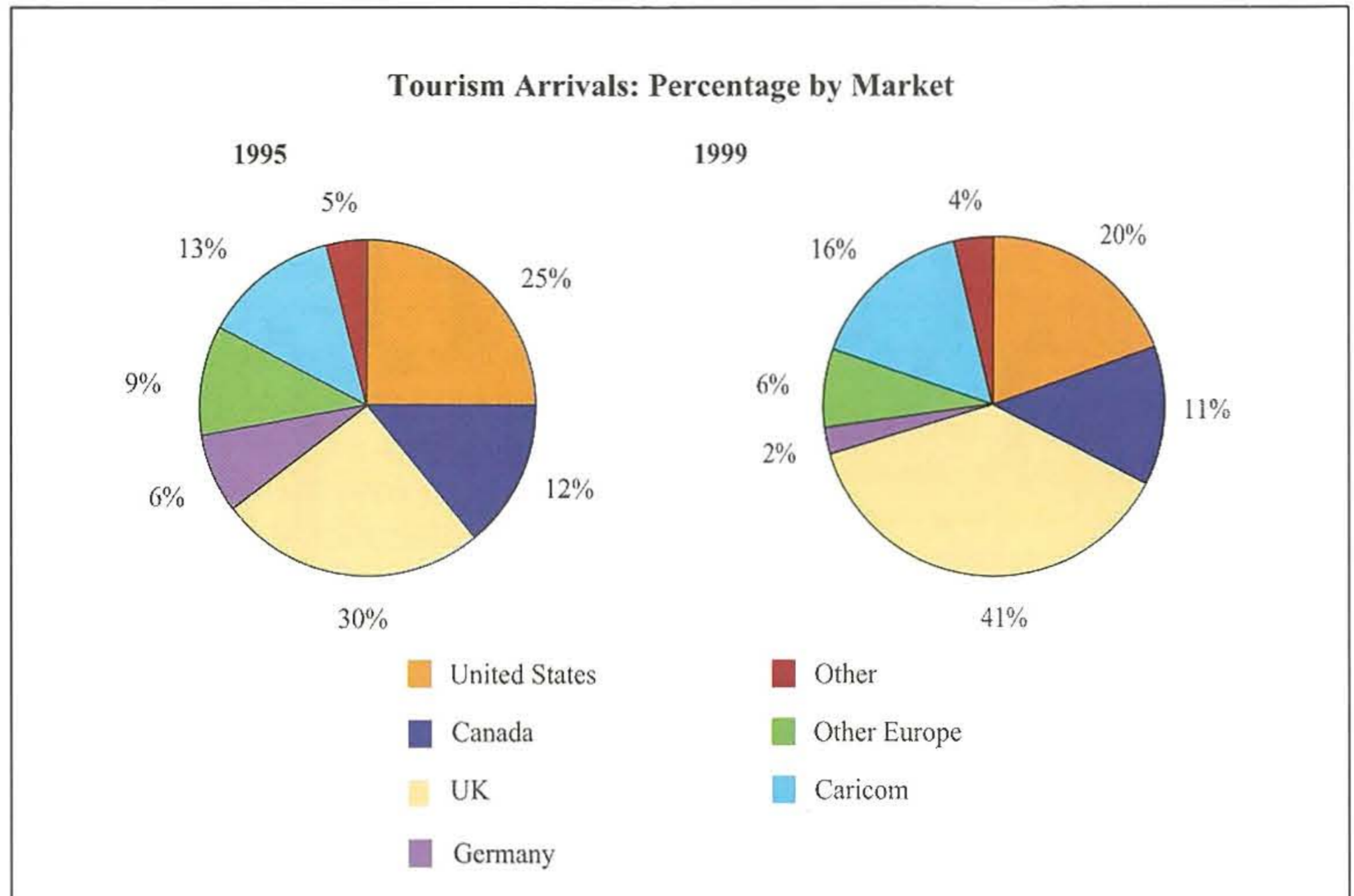
Tourism

Real value added in the tourism sector grew by only 0.1%, during 1999 after six consecutive years of steady growth. Long-stay tourists rose by 2% during 1999 compared with 8% for 1998 when arrivals were buoyed above trend by the increase in visitors who came for the English cricket tour. There was an expected fall-off during the first half of 1999 as activity returned to normal growth trends from the spurt of the corresponding period in 1998. However, in the second half of the year long-stay arrivals increased by 4.5%. Cruise ship passenger arrivals contracted by 14.6%, the second successive year of decline and reflects increased competition from both regional and extra regional destinations and the loss of service of a major ship between January and March of 1999 which brought approximately 2500 passengers per week.

Most of the long-stay visitors were from the United

Kingdom as Barbados was able to maintain its high visibility in this market. The number of UK visitors increased by 11.8% in 1999, after growing by 19.7% during 1998. The United Kingdom is now fully established as the main source market, accounting for over 38% of total arrivals and growing at an average rate of 13% per annum since 1991.

Marketing efforts in the US helped this market segment to record its first increase, though marginal (1%), since 1995. Arrivals from Caricom grew by over 20%, putting the share of this market at 16.2% of total arrivals. Caricom is now the third largest source of visitors, exceeding Canada (11.2%) and Continental Europe (12%). Despite the upswing in the German economy, Barbados lost further ground in this market. The number of German visitors now stands at 10,293 persons, about one third the level in 1995. Arrivals from non-traditional European markets also fell (38.7%), a factor that some tourism officials have attributed to the difficulty in room availability caused by the cricket series in the previous year. Arrivals out





of Canada were 2.6% lower than in 1998 as the Canadian dollar remained weak against the US dollar.

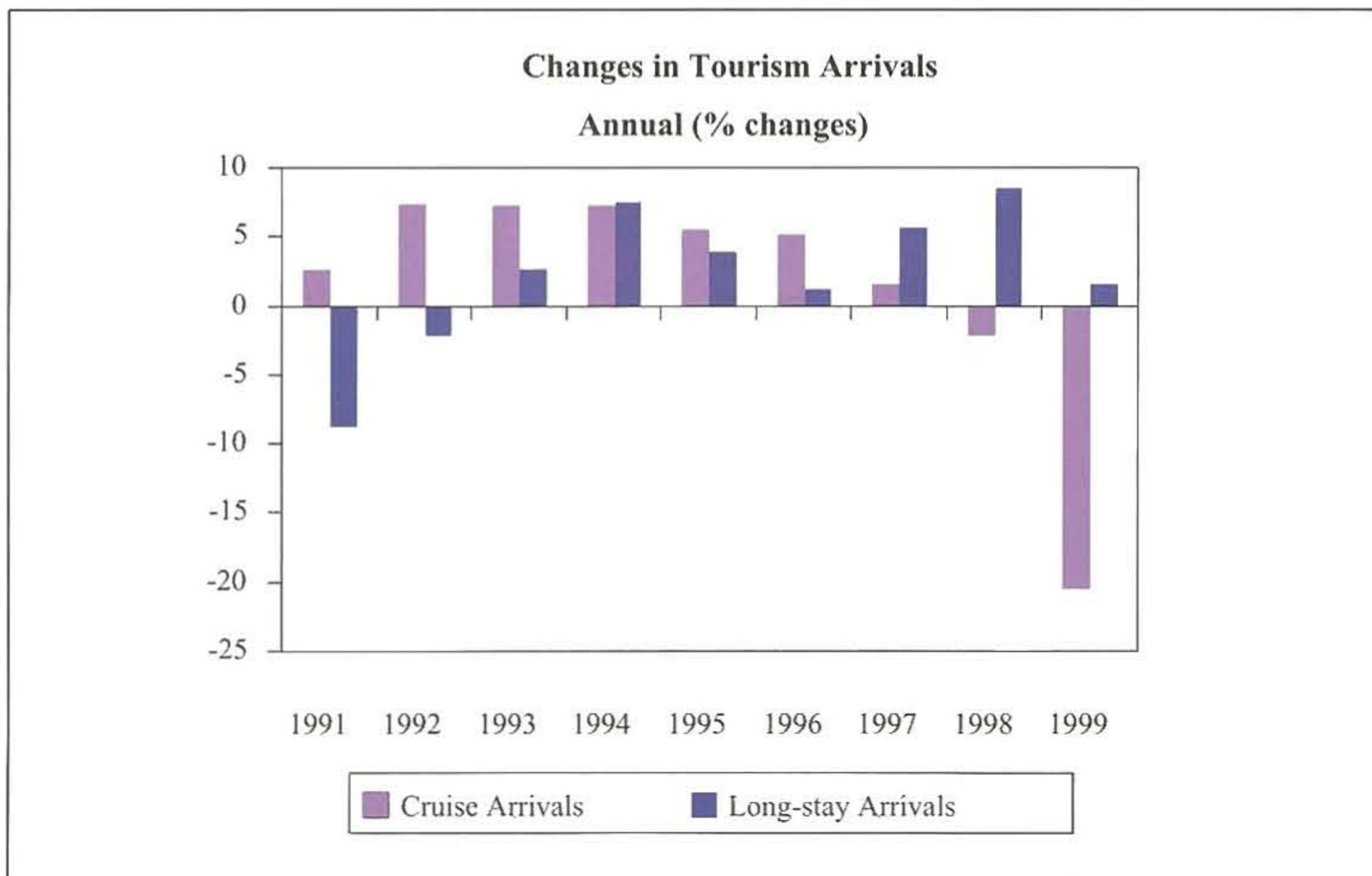
In the area of cruise tourism, a number of extraordinary events contributed to the significant decline in cruise passenger arrivals. Apart from the loss of service of a major ship between January and March, Barbados also lost the services of another cruise liner for 5 weeks due to dry docking and itinerary trials, while yet another cruise liner discontinued its visits from May 31, 1999. In addition, Barbados lost ground to countries with recently-developed and well-marketed modern facilities elsewhere in the region and to destinations geographically closer to the United States. Competitors, like Jamaica and the Bahamas, have benefitted from the growing demand for shorter cruises by a younger more excitement-driven cruise passenger.

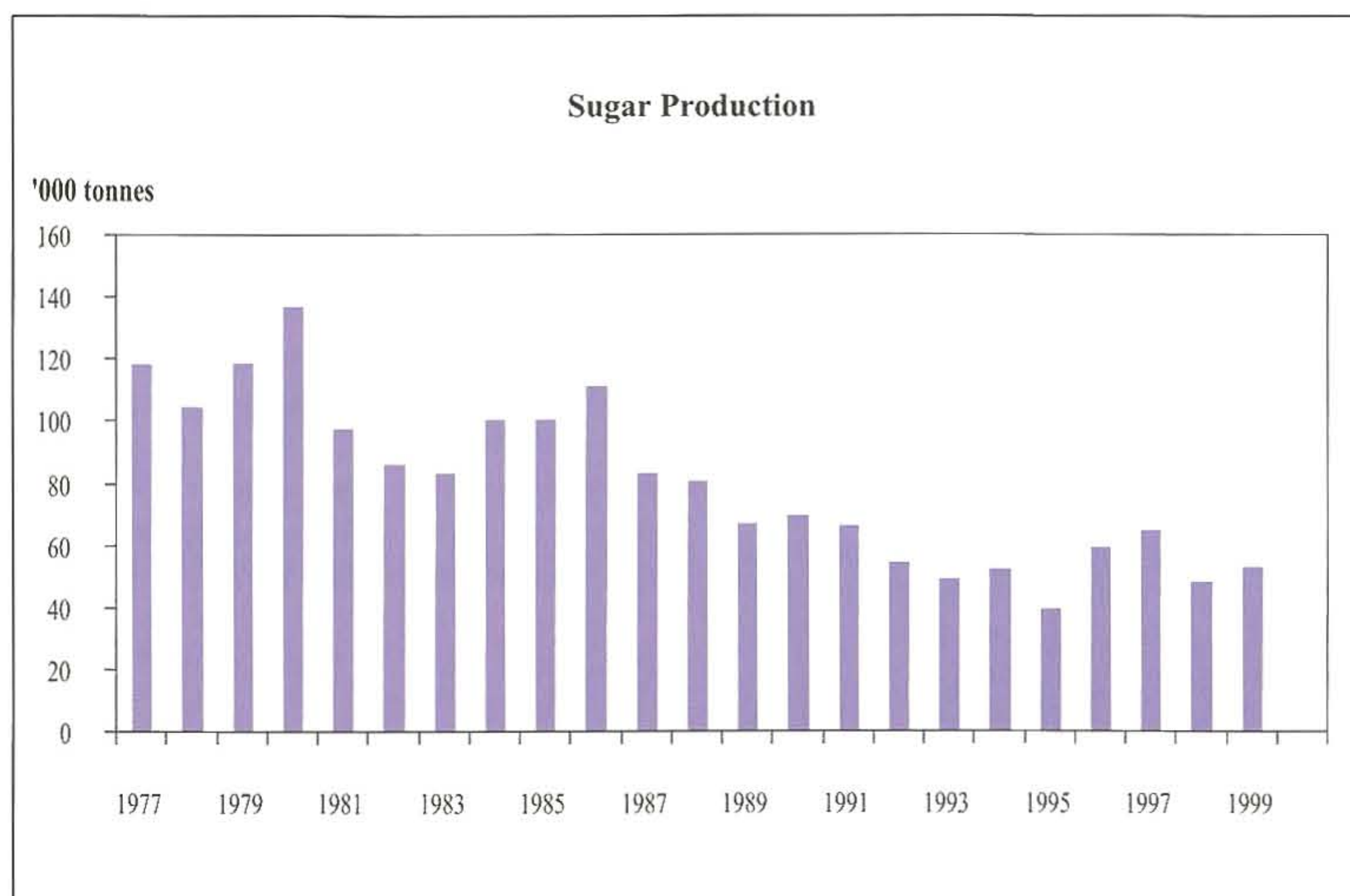
After a period of robust growth between 1986 and 1993, cruise ship activity slowed considerably before falling in 1998 and subsequently in 1999. There were

65,859 fewer cruise passengers in 1999 than in 1998. Some of the newer destinations, like St Lucia, gained from cruise liners' efforts at varying their itinerary to meet changing customer demands. This was to the detriment of more established destinations, like Barbados.

Agriculture

Agricultural production grew moderately with increasing output of both sugar and non-sugar crops. The sugar crop recovered by 10.9% from the drought-induced slump of 1998 to reach 53,196 tonnes. Increased acreage planted and favourable weather conditions during the growing season contributed to higher yields and output. However, Barbados was unable to meet its 54,000 tonnes contractual obligation to the European Union (EU). This reflects the combined impact of a late start to the harvest as a result of protracted wage negotiations and the unavailability of stocks as these were utilised to meet the 1998 shortfall of 6,000 tonnes caused by adverse weather conditions and a spate of cane fires.





Sugar receipts were lower owing to reduced export volume and a fall in the Euro against the US dollar.

Overall non-sugar agriculture grew by 3.7% for the year, with a particularly strong start in the first quarter of the year, during which all the major sub-sectors recorded positive growth. The output of chicken rose by 4% due in large measure to the substitution of chicken for fish by consumers during the second half of the year. Indeed, during the third and fourth quarters, chicken production rose by 7.8% and 6.6%, respectively, after recording marginal growth of 1.1% during the first half of the year. Food crop production was also higher, after falling in 1998. Fish landings were 15.1% lower due in part to unfavourable weather in the second quarter which affected the migratory patterns of popular fish and to a spate of fish kills in the third and fourth quarters. During the fourth quarter, fish catches dropped by over 25%. Milk production fell by 12.2%, adversely affected by a reduced number of milk-producing heifers and a prolonged rainy period.

Manufacturing

Output in the manufacturing sector declined by 0.6%. This was the first fall since the end of the recession in 1993 as increased competition from regional and extra-regional sources depressed activity in most of the major sub-sectors. Government, in keeping with its regional obligations under the Common External Tariff (CET), reduced the highest rate of import duty to 20%, pared the surtax on extra-regional imports to 35% and removed licences on regionally-produced soft drinks. The latter dampened activity in the beverages sub-sector which had in the last five years recorded output growth of between 7% and 8% annually. During this five-year period, the booming economy provided favourable conditions for the growth of both the beverages and food-processing sub-sectors which witnessed the entry of a few new companies. In 1999, output in the beverages and food processing sub-sectors fell by 4.5% and 2.4%, respectively.

The chemical industry showed signs of recovering



from the 1998 slump. Production rose by a marginal 0.7%, in contrast to an 11.3% decline in 1998. There was also some positive growth in some of the smaller sub-sectors. Output of other non-metallic mineral products (i.e concrete blocks, trowel plastics, clay tiles) increased (by 11.5%) for the fourth consecutive year, stimulated by the growth in construction.

Construction

Construction activity continued to strengthen during 1999, owing to high levels of investor confidence in the economy and the demands of the tourism sector. Output in the construction sector rose by an estimated 5.5% following the robust growth of 19.8% registered a year ago. The slower growth in construction activity was mainly attributed to a shortage of skilled workmen with a concomitant rise in production costs. These two factors led to a delay in a number of projects. In addition to tourism-related and commercial building projects which dominated the previous year's activity, high-income residential building also made a significant contribution to 1999's performance. Residential activity was concentrated in condominiums and town house developments, including Millennium Heights, Margate Gardens and the Ridge View Estate. Work on the rebuilding of the Sandy Lane Hotel was accelerated, while work continued on the Royal Westmoreland Golf Course, Port St. Charles Marina and other tourism-related ventures. Commercial building activity was related mainly to the refurbishment and construction of a number of financial institutions. Public sector activity comprised the south coast sewerage project, the airport redevelopment, refurbishment aspects of the EDUTECH 2000 project and the road works and drainage phases of the Bridgetown rehabilitation programme.

Business and Other Services

Continued expansion in construction activity contributed to growth of 4.4% in the wholesale and retail sector, following the 6.2% rise recorded in 1998. The transportation, storage and communication sector and the other business services sector each grew by 3.8% during 1999.

The Barbados Agency for Micro Enterprise Development, also known as Fund Access, assisted in the formation of 30 small businesses and the expansion of 54 others with a total investment of \$1.2 million, creating 86 new jobs in the process. By comparison, the agency had assisted in the expansion of 96 small businesses and the setting up of an additional 75 a year earlier, with an initial capital investment of \$1.8 million that led to the creation of 209 new jobs. During 1999, the Barbados Investment and Development Corporation assisted in the start-up of 35 small businesses compared to the 23 recorded in the previous year. Initial investment in these new businesses totalled \$813,400 and 112 new jobs were generated. This compares to an initial investment of \$567,400 and 52 new jobs recorded in 1998.

International Business

The number of new offshore companies licensed in 1999 fell to 477 compared to 798 and 813 for 1997 and 1998, respectively. This decline was reflected in all the sub-categories with the only exception being offshore banks, which attracted five new entrants compared to one licensed in 1998. Some 326, new international business companies were licensed, which was much lower than the 441 recorded in 1998, while 212 new licences were issued to foreign sales corporations which were about one third the number of new entrants recorded in the previous year. Five exempt insurance companies and nineteen societies with restricted liabilities made entry into the international business sector, compared to the 23 and 33, respectively licensed in 1998.

Energy

With the continued expansion in the domestic economy, electricity consumption grew by 2.8% in 1999, compared with an increase of 6% in 1998. Electricity consumption for residential users rose by 5.8% as customers installed more appliances.



The Number of Licensed Active International Business Companies

	1993	1994	1995	1996	1997	1998	1999 ^P
International Business Companies (IBCs)	1171	1474	1822	2126	2632	3073	3399
Foreign Sales Corporations(FSCs)	923	1172	1514	1726	2291	2608	2867
Exempt Insurance Companies (EICs)	190	194	205	193	200	200	369
Exempt Insurance Management Companies	54	38	38	38	36	32	32
Societies with Restricted Liabilities	-	-	-	14	32	65	97
Offshore Banks	19	26	33	40	44	43	47

P: Provisional

Source: Central Bank of Barbados

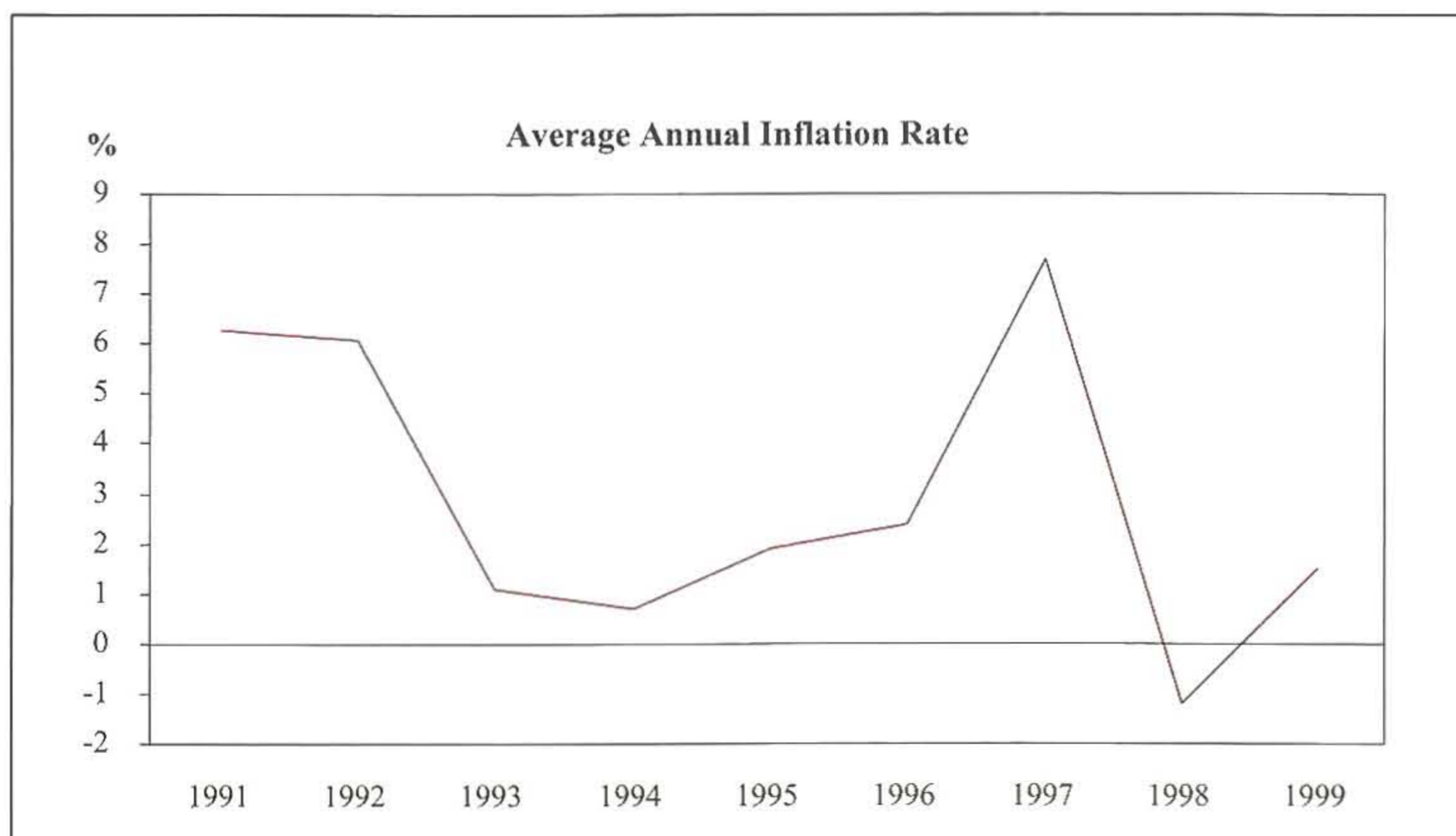
Commercial and industrial consumption increased slightly during 1999, mainly as a result of a fall in manufacturing activity and slower growth in the tourism sector during the year.

The production of crude oil grew by 23% in 1999 compared to an increase of 75.9% in 1998. This continued strong growth in oil production in 1999 was mainly the result of the reintroduction of old wells which were not in use in 1998. A total of 708,489 barrels of oil was produced in 1999. Sales of

natural gas are estimated to have grown by 0.3% in 1999, in comparison to 39.3% in 1998.

Prices, Wages and Employment

For the year ending December 1999, Barbados registered a relatively low rate of inflation of 1.6%, compared to a fall (1.2%) in 1998. On a point-to-point basis, retail prices increased by 2.9% compared to rise of 1.7% in 1998. Food prices exerted the most significant upward pressure on overall inflation, in

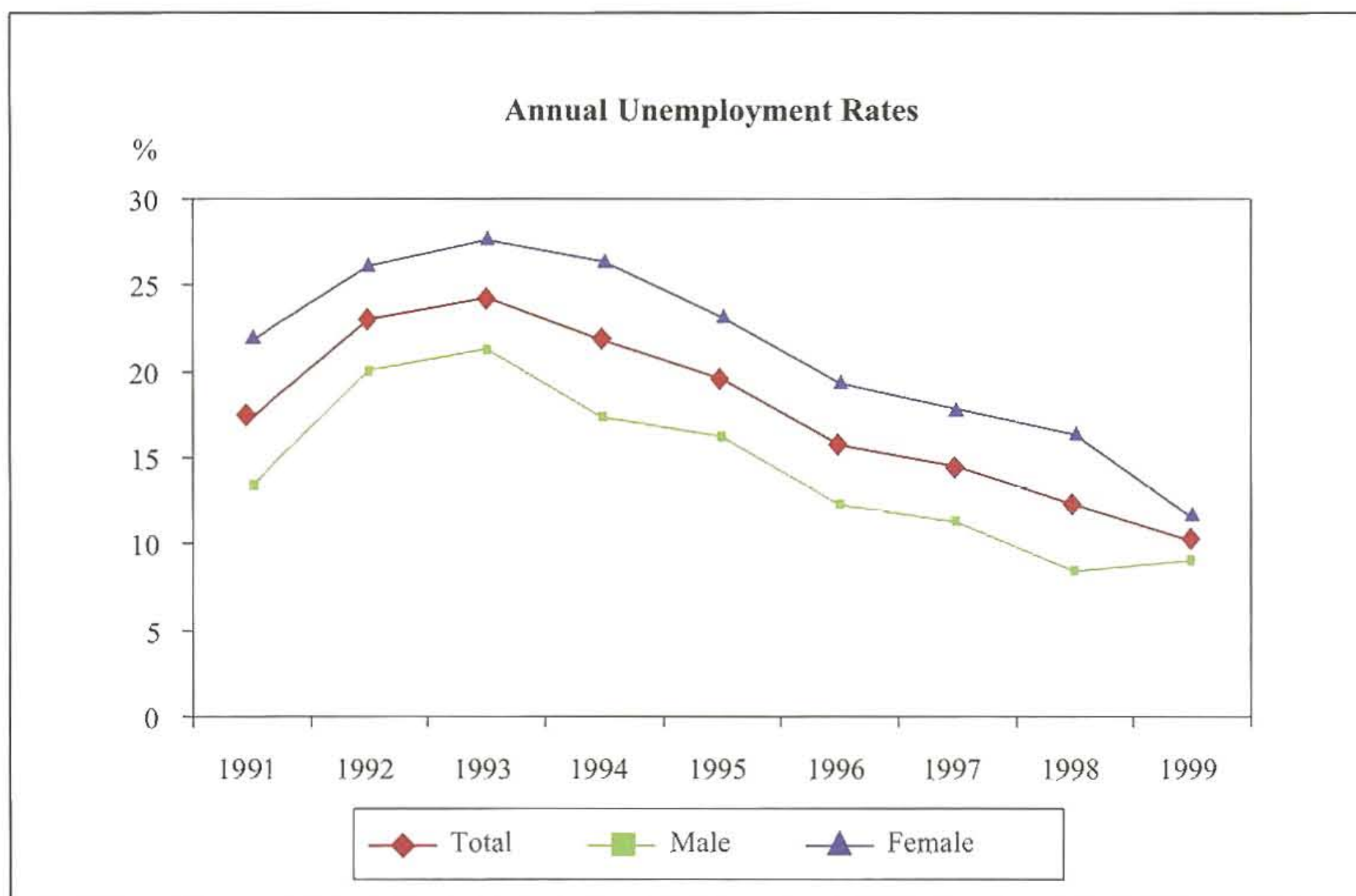




particular during the second half of the year, partly as a result of depressed output in the non-sugar agricultural sector. Food prices increased, on average, by 2.6% in 1999, compared with a decrease of 4.4% in 1998 which was largely due to a zero rating of a basket of food items in September of 1997. The index of housing prices rose by 2.5% compared with an increase of 3.9% in 1998. This may reflect the general rise in building costs due to higher wages in the construction sector and rising disposable incomes in the economy.

Despite rising international oil prices, the index of fuel and light prices declined by 3.8% during 1999. This was the result of a decision made by Government to absorb most of the increase in oil prices by lowering the excise tax on gasoline from approximately 65.1 cents per litre to 56.8 cents per litre. Except for the price indices of household operations and supplies and transportation, all the other components of the retail price index rose during the year.

The unemployment rate fell for the sixth consecutive year, in line with the continued expansion of domestic economic activity. The average unemployment rate for 1999 was estimated at 10.4% compared with 12.2% in 1998, and it was the lowest since 1975. At the end of December, the rate was estimated at 9.8%, compared with 11.8% and 12.2% at the same time in 1998 and 1997, respectively. According to the continuous household sample surveys, an estimated 122,200 persons were employed in Barbados at the end of 1999, an increase of 4,800 persons over 1998. This was mainly the result of increased job opportunities in construction and quarrying, general services and government services. Marginal increases in employment were registered in agriculture and fishing and in the electricity, gas and water sectors. However, employment in sugar, manufacturing, tourism, wholesale and retail trade, transportation and communication and finance, insurance and business services all fell during the year. The average unemployment rate for females was 13.3%, approximately three percentage points





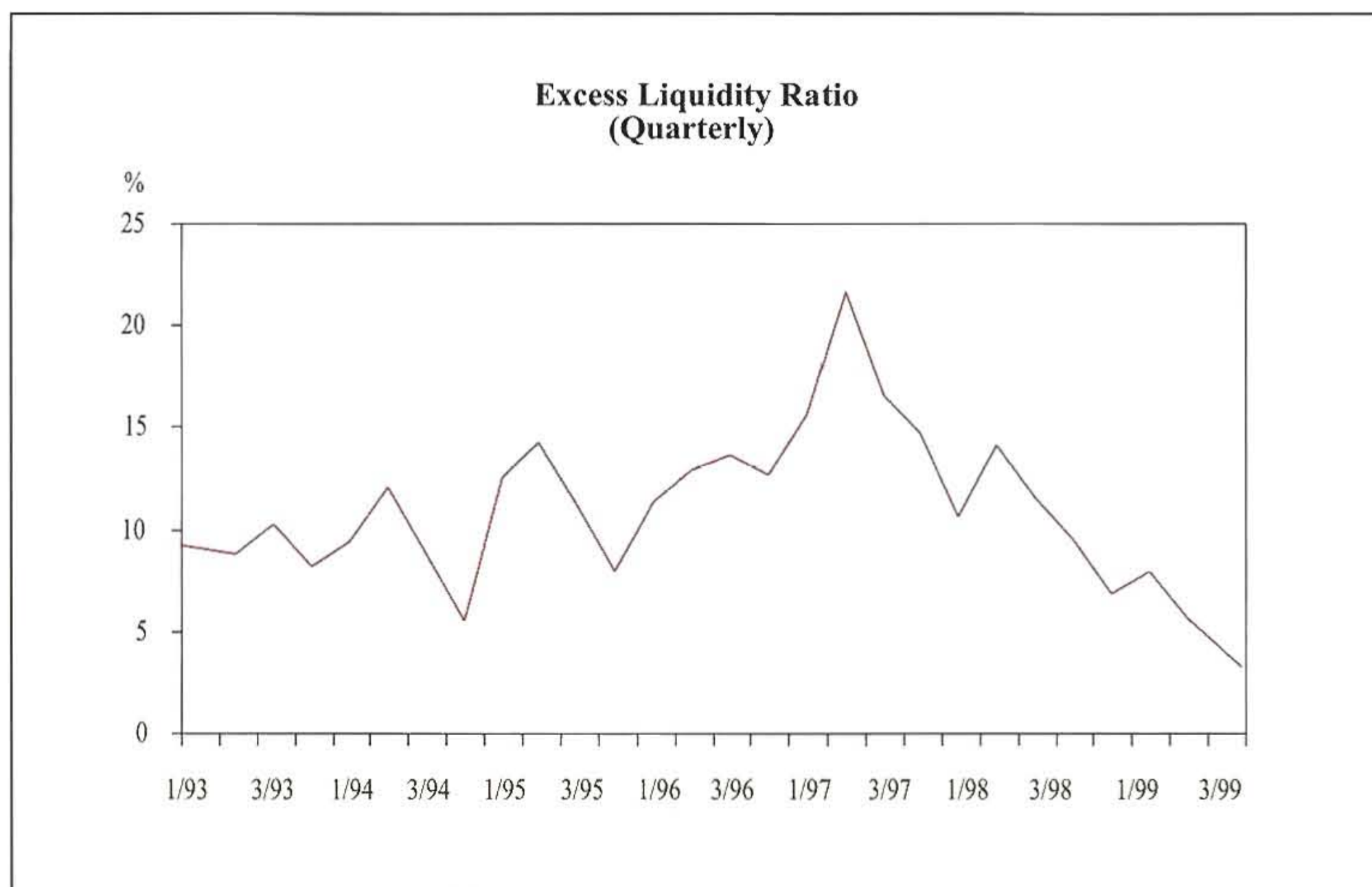
lower than for the corresponding period in 1998. Over the same period, average male unemployment declined to 7.8%, in comparison to 8.4% in 1998.

In 1999, average overall output per person remained relatively unchanged in comparison to 1998. Even then, private and public sector wage agreements during the year ranged between 3% and 5%. In tourism, the major foreign exchange earning sector, hotel workers received a 4% wage increase in 1999. With an inflation rate of 1.6%, this implies an increase in real wages of 2.4%. However, real tourism output rose by only 0.2% in 1999. Similarly, public sector employees received a 4% increase, including a productivity bonus for fiscal year 1999/2000, also implying a rise in real wages of about 2.4%. In general the real wage of public servants has been increasing since 1997/98. After a general wage freeze between 1993/94 and 1994/95 and a period of wage restraint from 1995/96 to 1996/97, wage rates in the public sector rose at an average rate of 4.6% between 1997/98 and 1998/99. In the meanwhile, the

rate of inflation was recorded at approximately 2% per fiscal year between 1993/94 to 1998/99

Financial Sector

Liquidity in the financial system tightened dramatically during 1999, with the excess liquidity ratio falling from 8.5% to 4% of domestic deposits. The sustained increase in credit from 1998, particularly into the first half of 1999, created liquidity pressures and a weakening of the net international reserves (NIR). To avert further deterioration in the NIR, the Central Bank tightened monetary policy. A one percentage point increase in both the cash reserve requirement of commercial banks and the discount rate was intended to curtail the robust expansion in credit. The Central Bank also removed \$51.2 million of deposits under its management from the financial system and invested them in securities overseas. In addition, a penalty of twice the discount rate was imposed on commercial banks which sought repeated accommodation at the





**Selected Indicators of the Banking System
as at December
(\$ Million)**

	1995	1996	1997	1998	1999 ^P
Net Internation Reserves	367.8	580.7	642.5	568.2	665.0
Monetary Authorities	340.6	513.7	549.8	538.7	613.2
Commercial banks	27.2	67.0	92.7	29.5	51.8
Net Domestic Assets	1664.1	1768.1	1860.4	2197.4	2405.6
Credit to public sector	362.1	399.5	353.1	333.3	325.6
Central Government (net)	539.2	641.7	673.5	585.7	573.7
Rest of Public Sector	-177.1	-242.2	-320.5	-252.4	-248.2
Credit to rest of financial system	42.1	46.0	97.1	114.8	92.6
Liabilities to other financial institutions	147.1	227.7	265.7	225.2	250.1
Credit to the non-financial private sector	1471.2	1549.5	1851.0	2152.6	2464.5
Liabilities to the non-financial private sector	2031.9	2348.8	2502.9	2765.6	3070.6
Currency in Circulation	200.3	220.1	239.6	268.2	302.7
Demand Deposits	347.3	485.0	504.3	596.0	660.4
Time Deposits	208.3	257.9	257.0	246.8	338.6
Savings Deposits	1276.0	1385.8	1502.0	1654.6	1768.9
Memo:					
Domestic Deposits	2213.1	2655.7	2979.4	3103.5	3411.2

P: Provisional

Source: Central Bank of Barbados

Central Bank's discount window. Despite the rise in the discount rate, commercial banks increased both the frequency and volume of advances from the Bank during the last four months of the year. Toward year-end, in an effort to encourage persons to save more and to dampen spending, the minimum deposit rate was raised by a percentage point. At the end of the year, the high credit expansion had been contained, as credit growth during the last six months of 1999 slowed to approximately half of the average recorded for the corresponding period in the previous five years, bringing the overall growth for the year in line with trend rates of growth.

Domestic Credit

Lending by all financial institutions expanded at a

much slower pace than in 1998. Credit flows to the non-financial private sector grew by \$273.2 million, compared to \$371.8 million and \$247.5 million in 1998 and 1997, respectively.

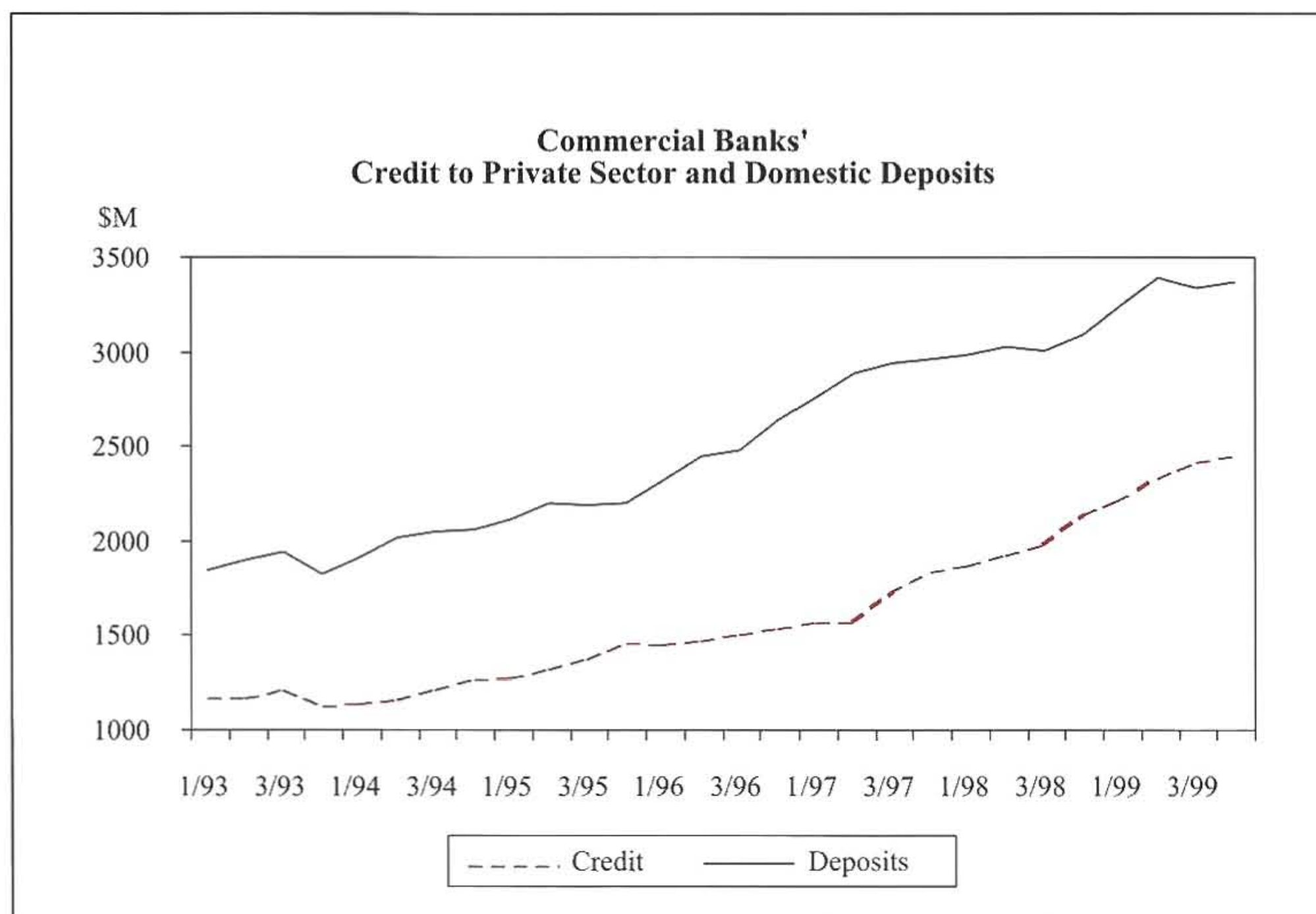
The growth in bank lending was very sharp during the first half of the year but slowed as liquidity tightened. Non-financial private sector credit from commercial banks for 1999 rose by an estimated \$311.9 million. This includes a \$92.3 million transfer from a commercial bank's trust division to its commercial arm. The underlying expansion of \$219.6 million compares with increases of \$295.9 million and \$207.5 million for 1998 and 1997, respectively. However, in 1999 more than 60% of the expansion occurred in the first half of the year in contrast to 30% in 1998 and 10% in 1997. The new



**Credit to the Non-Financial Private Sector
by Financial Institutions
(\$ Millions)**

Source	1995	1996	1997	1998	1999 ^P
BDB	69.8	62.2	47.4	47.4	0.0
BMFC	96.9	100.9	105.8	107.9	111.0
BNB-AD	10.0	9.4	0.0	0.0	0.0
Finance Companies	36.9	51.7	52.1	76.8	126.6
Commercial Banks	1471.2	1549.5	1851.0	2152.6	2464.5
Trust Companies	405.0	425.2	381.8	433.3	378.6
Insurance Companies	292.7	302.8	311.1	308.8	319.3
Total	2382.5	2501.7	2749.2	3126.8	3400.0

P: Provisional
Source: Central Bank of Barbados



credit was concentrated in the personal (\$75.8 million), professional and other services (\$52.1 million), distribution (\$55.2 million) and construction (\$27.8 million) sectors.

Personal sector credit was heavily influenced by new motor car purchases, home improvement and real estate purchases. Mortgage loans rose by approximately \$42.9 million, the majority of which was for



Domestic Deposits at Financial Institutions
(\$ Millions)

Institutions	1996	1997	1998	1999^P
Trust Companies	370.5	291.1	305.9	285.8
Commercial Banks	2655.7	2979.4	3103.6	3411.2
BNB-AD	40.8	0.0	0.0	0.0
Finance Companies	54.4	65.6	97.5	133.5
TOTAL	3121.4	3336.1	3507.0	3830.5

P: Provisional

Source: Central Bank of Barbados

private dwellings. Credit to tourism, transport and manufacturing also recorded increases of \$26.7 million, \$16.5 million and \$8.3 million, respectively, while credit to entertainment and catering services declined by \$2.8 million.

Private sector credit from finance companies rose by \$49.8 million during 1999, of which \$36.3 million went to the personal sector, principally to finance the purchase of vehicles. Abstracting from the internal transfer, lending by trust companies increased by \$37.8 million, mainly going for residential construction and consumer purchases.

Credit unions extended an estimated \$18 million in credit, about the same amount as in 1998. Most of this lending continued to be for consumer durables and personal expenditure.

Deposits

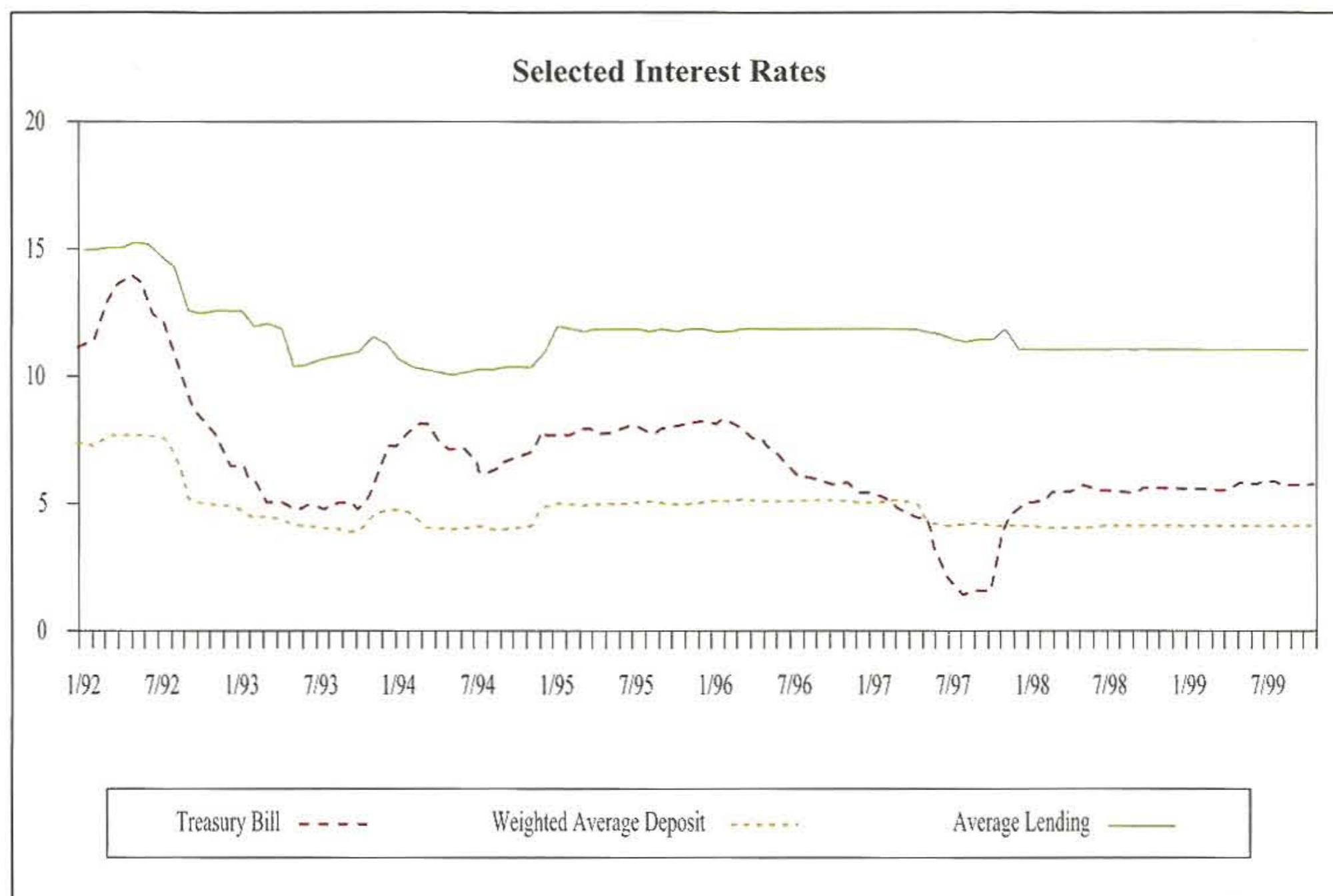
Domestic deposits at financial institutions increased by \$323.5 million (9.2%), with commercial banks responsible for over 90% of the growth. During the first half of the year, domestic deposits at commercial banks grew by \$304.1 million. However, deposit growth slowed in the second half of the year, partially because the Central Bank withdrew some of the

deposits under its control in an attempt to slow down credit growth. Growth in private sector liabilities amounted to \$305 million, with the deposits of business firms recording an increase of \$148.7 million. Private individuals saved an additional \$172.2 million, compared to \$192.2 million in 1998, which meant that their share in overall deposits fell by a percentage point to 54%. During the year private financial institutions increased their holdings at the commercial banks by \$40.7 million. Public sector deposits fell despite an increase in NIS holdings of \$55 million.

Household financial savings contributed significantly to the \$35 million increase in deposits at the non-bank financial institutions during the year. However, trust companies' deposits fell as one trust company closed out its operations.

Interest Rates

The liquidity situation pushed up the treasury bill rate to 6.1% from 5.7% a year earlier. The savings rate moved from 4% to 5%, and the weighted average deposit rate increased from 4.2% to 5.1% while the prime lending rate rose from between 8.75% and 9.75% to between 10% and 10.25%. Yields on new debenture issues ranged from 7.5% to 8% compared



to 7.25% to 7.5% in 1998. Interest rates on savings bonds remained unchanged.

Capital Market Developments

At December 31, 1999, overall market capitalization on the Securities Exchange of Barbados, including both Barbadian and foreign domiciled companies, closed at \$5.9 billion. This compares with an overall market capitalization of \$4.8 billion for 1998. On a dis-aggregated level, market capitalization of Barbadian domiciled companies closed at \$4 billion compared with \$3.5 billion for 1998, while that of the foreign domiciled companies closed at \$1.9 billion compared to \$1.3 billion in 1998.

The volume and value of common shares which changed hands in regular trades fell by approximately 60% and 65%, respectively. In 1998, 17.5 million shares valued at \$67.9 million were traded compared with 7 million shares for a value of \$23.5 million in 1999. After four consecutive years of

being both the volume and value leader, CIBC W.I. Holdings was surpassed as volume leader by Grace Kennedy of Jamaica, while maintaining its position as value leader. Two new companies were listed on the Exchange during the year, Neal and Massy of Trinidad and Tobago and Grace Kennedy of Jamaica.

The value of Government paper traded on the Exchange totalled just over half million dollars, compared with \$3.6 million in 1998, and consisted mainly of treasury notes. There were four Government issues of debentures, three issues of savings bonds and two issues of treasury notes compared with three, four and three respectively for 1998. The number of domestic mutual funds remained unchanged at eight, with an average asset base of approximately \$130 million, an increase of \$10 million.

Government Operations

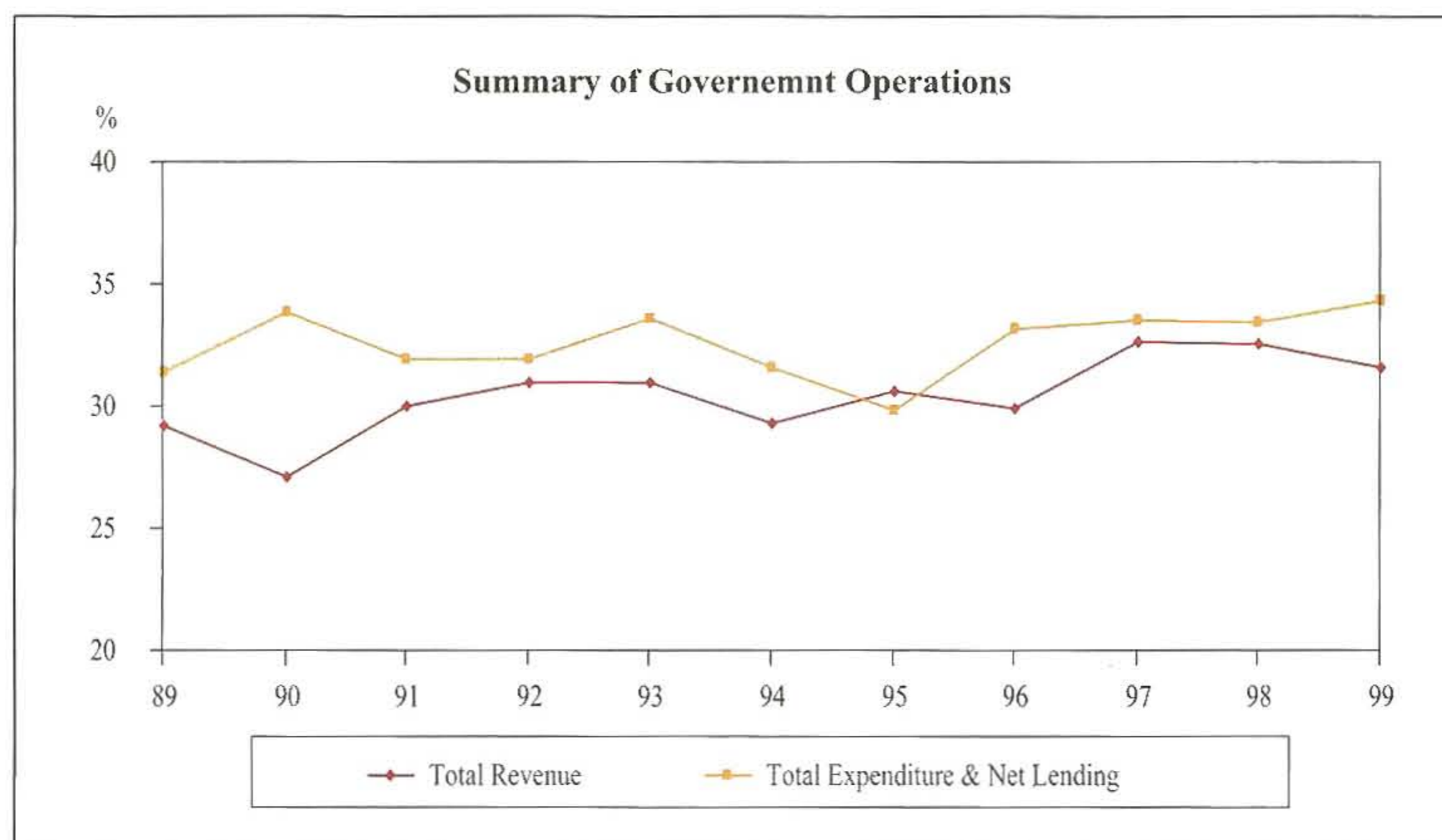
During calendar 1999, the fiscal deficit widened to \$133.4 million or 2.7% of GDP. This compares with

Summary of Government Operations
(**\$ Million**)

	1996	1997	1998	1999 ^P
Total Revenue	1207.3	1437.6	1540.4	1560.7
Tax Revenue	1084.9	1347.8	1426.9	1469.2
<i>Direct Taxes</i>	473.3	512.0	548.6	606.1
Personal	226.4	238.2	268.2	264.7
Corporate	135.1	150.6	149.6	209.8
Levies	14.6	15.9	17.2	15.5
Property	66.9	77.1	80.8	91.6
Other	30.4	30.2	32.8	24.5
<i>Indirect Taxes</i>	611.6	835.8	878.3	863.1
Consumption	303.7	33.1	0.4	0.0
Stamp	86.3	14.4	15.4	13.2
VAT	0.0	411.2	452.8	437.9
Excises	1.9	146.6	174.7	166.4
Import Duties	87.9	122.4	132.5	139.0
Hotel & Restaurant	24.4	4.4	0.5	0.7
Other	109.0	103.9	102.3	105.9
<i>Non-Tax Revenue & Grants</i>	122.4	89.8	113.5	91.5
Non-tax revenue	106.5	75.0	98.3	69.8
Grants	0.7	0.0	0.0	0.0
Post Office	15.2	14.8	15.3	21.7
Current Expenditure	1157.1	1213.4	1332.4	1437.4
Wages & Salaries	495.7	506.4	576.5	589.0
Goods & Services	129.0	155.7	152.5	163.1
Interest Payments	214.6	189.7	203.8	252.4
External	58.2	42.0	41.9	63.6
Domestic	156.4	147.7	161.9	188.8
Transfers & Subsidies	317.9	361.6	399.6	432.9
Current Balance	50.2	224.2	208.0	123.3
Capital Expenditure & Net Lending	180.1	263.2	247.8	256.7
Capital Expenditure	180.3	257.7	255.2	263.9
Net Lending	-0.2	5.5	-7.4	-7.2
Total Expenditure & Net Lending	1337.2	1476.6	1580.2	1694.1
Fiscal Balance	-129.9	-39.0	-39.8	-133.4
Fiscal Balance to GDP Ratio	3.3	0.9	0.8	2.7

P: Provisional

Source: Accountant General and Central Bank of Barbados

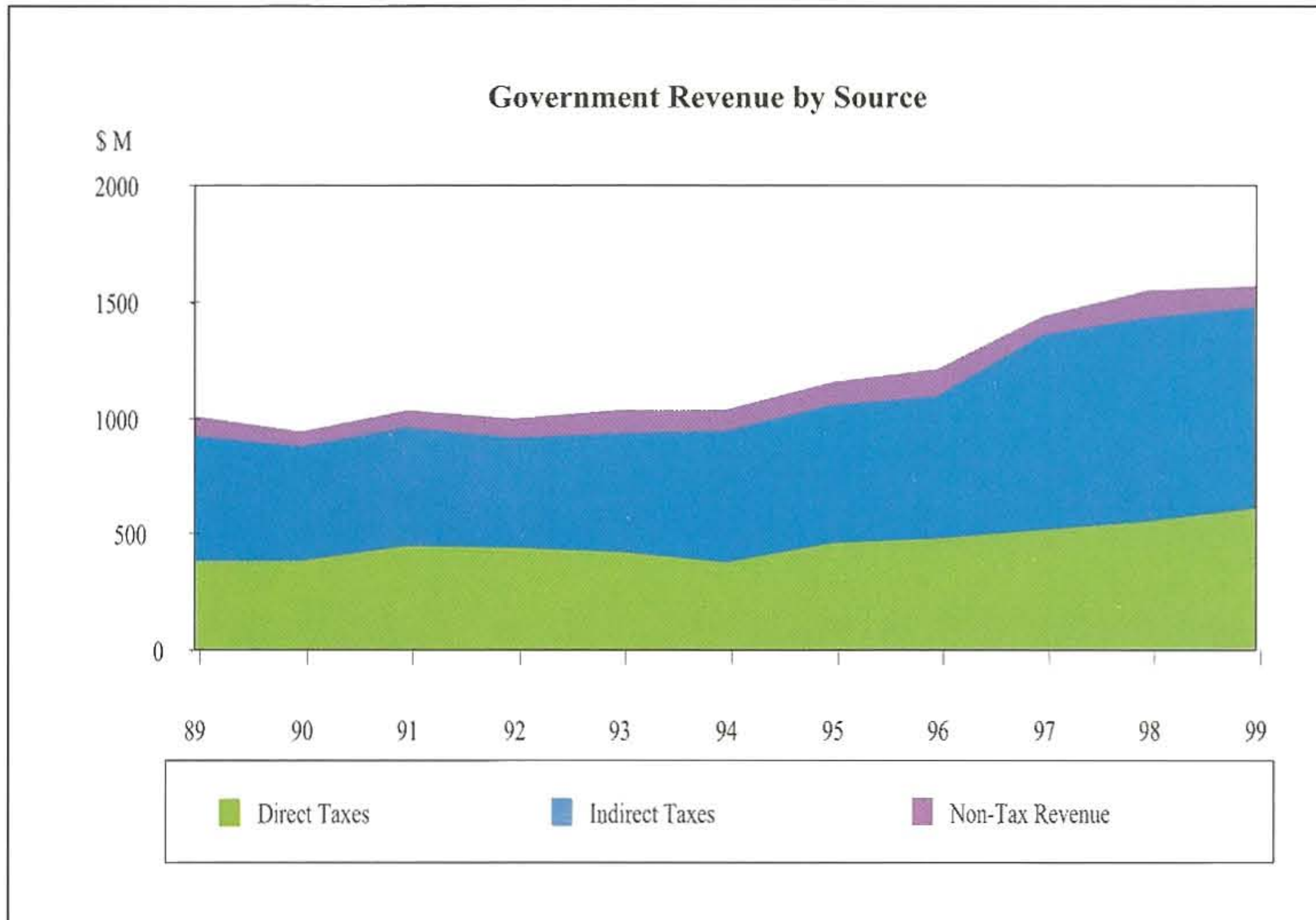


modest deficits of around of 0.8% of GDP in 1997 and 1998. Expenditure growth remained moderate but the deficit increased because of a marked slowdown in revenue collections, which grew by a mere 1.3%, the slowest rate since 1994.

Revenue

Indirect taxes, which are the main source of government's revenue (accounting for about 55% of total revenue), fell by 1.7%. VAT collections recorded a decline of 3.3% in 1999, the result of a combination of higher payments of refunds by Government and an increased incidences of delinquency on the part of some businesses. Excise taxes decreased by 4.8%, compared with robust growth of 19.2% in 1998. This unexpected outcome is due primarily to a build up in arrears, although excise tax on diesel and gasoline was reduced during the August budget. However, import duties continued to grow steadily (up 4.9%), a reflection of the strong demand for consumer and capital goods. During 1999, collections from stamp duty decreased by \$1.9 million to \$13.2 million.

Collections from direct taxes were more encouraging, growing by 10.5% in 1999. This increase, which accounts for more than 38% of total government revenue, was mainly fuelled by a higher than average intake from taxes on profits of companies and property. High profitability of businesses, which was facilitated by the growth in the economy, is responsible for the estimated \$209.8 million collected in corporate taxes, compared with an average of \$142.7 million for the period 1995-1998. On the other hand, a combination of the revaluation on property carried out earlier in the year and collections of arrears are responsible for the rise of 13.4% in property taxes, compared with a 4.8% increase in 1998. There was a fall off in receipts from personal income taxes (1.3%), after robust growth of 12.6% in 1998 when revenue was boosted by taxes paid on a substantial amount of salary arrears. The new \$500 reverse tax credit for low income earners and increased tax exemptions contributed to the reduction in revenue. Taxes on personal income declined for the first time since 1992. Levies paid by employers for training of staff fell to \$15.5 million during the period.



Non-tax revenue decreased by 19.4% to \$91.5 million. The intake in 1999 is below the average of \$106.5 million recorded for the four-year period ending 1998. On this occasion, the strong growth in Post Office revenue was not enough to offset the significant decline in special receipts. Revenue from civil aviation was recorded at \$12.3 million, while property income was \$5.8 million.

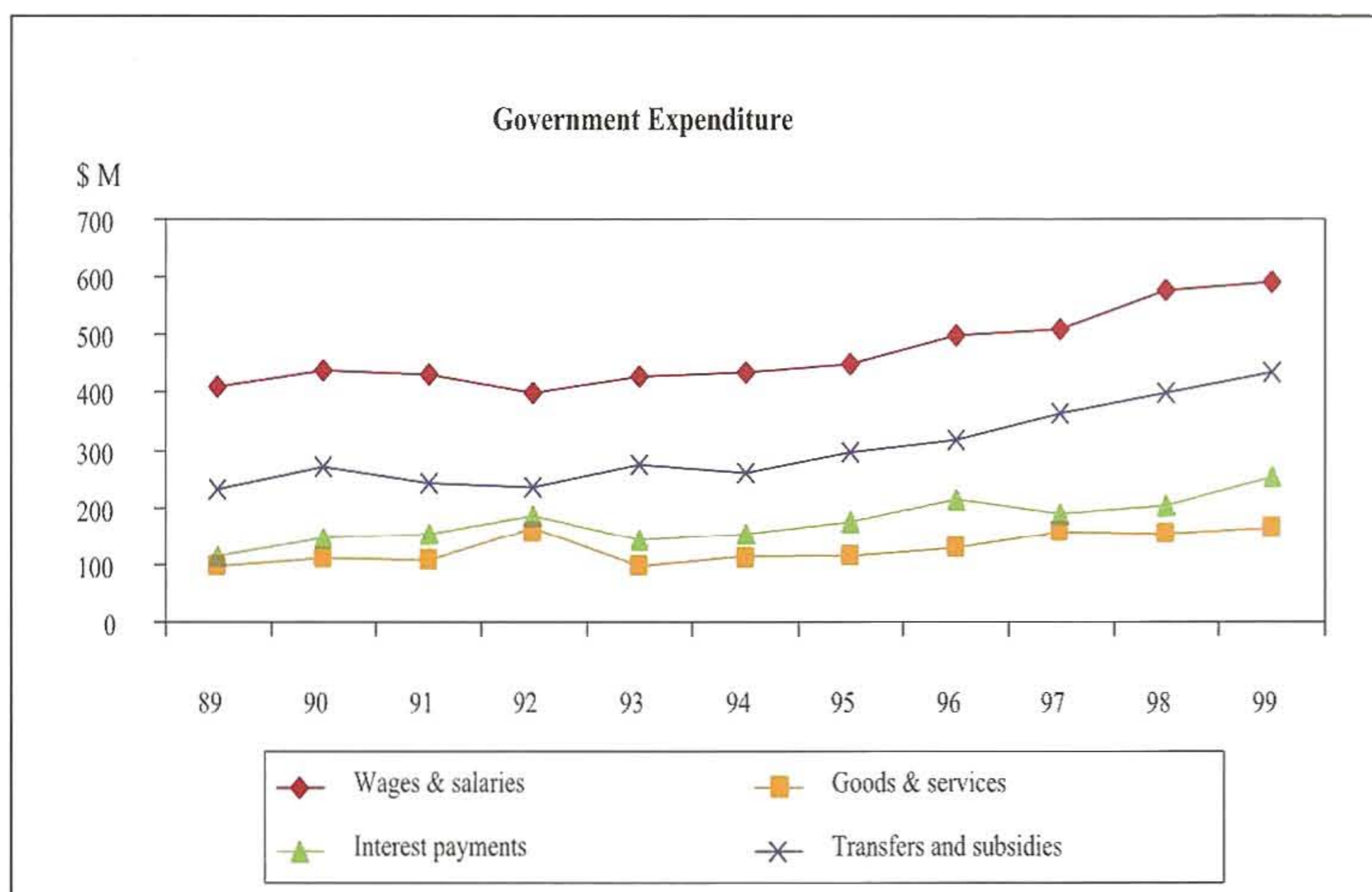
Expenditure

Government expenditure growth of 7.2% was marginally higher than in 1998. Growth in current expenditure slowed to 7.9% from an average of 8.9% for the period 1995 -1998. Transfers and subsidies rose by 8.3% resulting in an average annual rate of 10.9% over the past six years. This represents a reversal of the contraction in Government spending on this item during the recessionary period of 1990 to 1992. For the year, most of the spending was on pensions, tourism, tertiary education, welfare and the upkeep of the environment.

Expenditure on goods and services grew by 7%, after a contraction of 2.1% in 1998. Interest payments increased by 23.8%, in contrast to growth of 7.2% one year earlier, with over eighty percent of these outlays being made on domestic loans.

As a percentage of GDP, Government’s spending on recurrent items increased steadily from 24.7% to 27.7% between 1989 and 1994, then grew more slowly to reach 29.1% in 1999. The majority of this expenditure went towards the payment of wages and salaries, which rose from 11.9% of GDP in 1989 to 12.5% of GDP in 1994, before falling back to 11.9% in 1999. In contrast, transfers and subsidies continued to grow throughout the period, amounting to 8.8% of GDP in 1999, up from 6.7% and 7.5% in 1989 and 1994, respectively.

During 1999, capital expenditure grew by 3.4% to \$263.9 million, compared with a decline of 1% in 1998. The major projects financed during the period

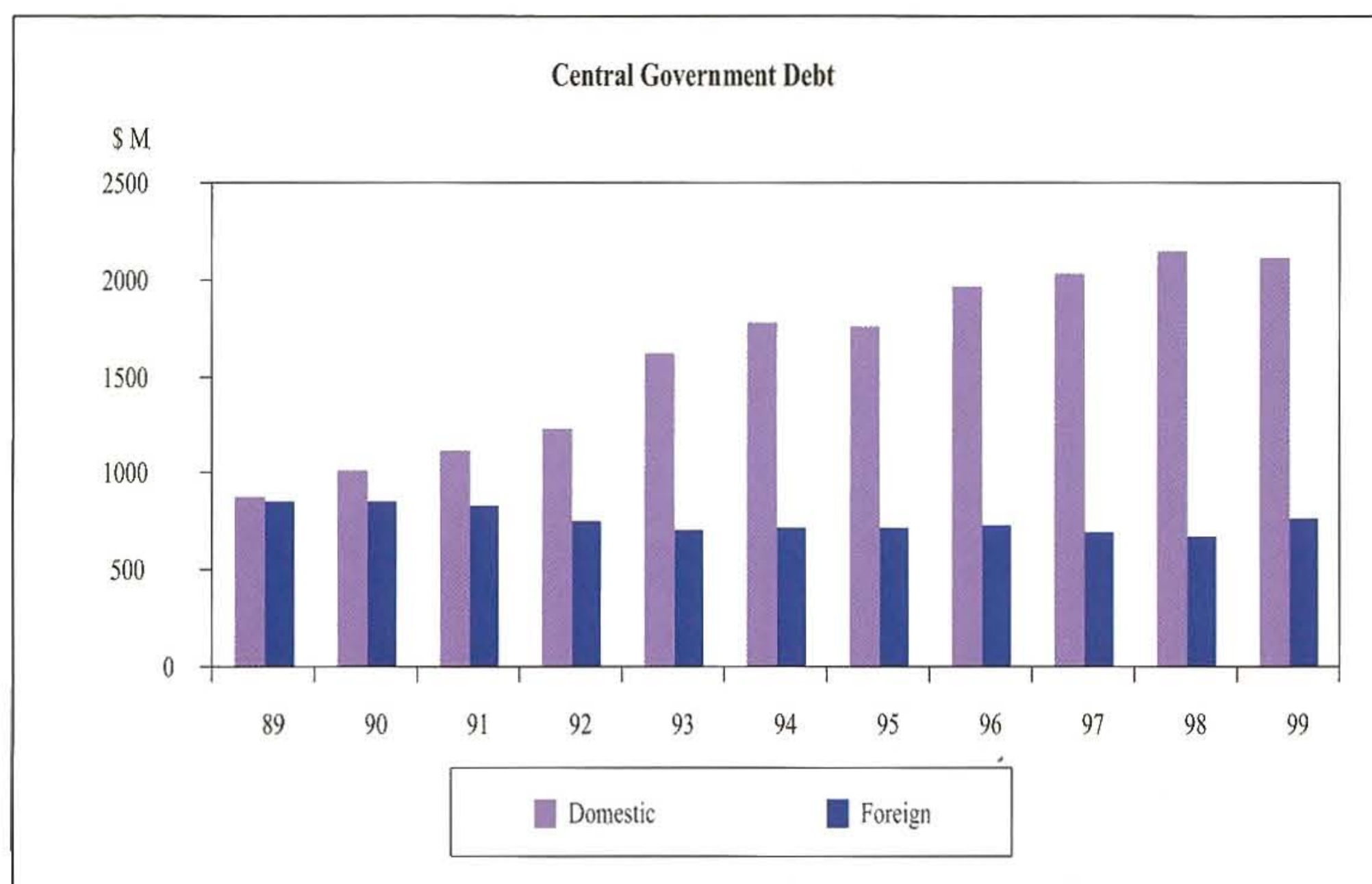


Government Financing
(\$ Million)

	1996	1997	1998	1999 ^P
Domestic Financing	115.8	73.0	67.4	51.6
Central Bank	-105.0	-5.6	4.7	17.2
Commercial Banks	207.9	44.7	-63.2	-88.4
National Insurance Board	130.2	36.6	134.3	12.6
Other	-117.0	-2.7	-8.5	110.2
Foreign Financing	14.1	-34.0	-28.6	81.8
Capital Markets	0.0	0.0	0.0	150.0
Project Funds	60.6	44.7	30.4	37.9
Policy Loans	30.0	0.0	20.0	0.0
Amortisation	-76.5	-78.7	-78.0	-106.1
Total Financing	129.9	39.0	39.8	133.4

P: Provisional

Source: Accountant General and Central Bank of Barbados



include the Edutech 2000 programme, which is being funded jointly by the Inter-American Development Bank, the Caribbean Development Bank and the Government of Barbados, the airport expansion project and the Bridgetown rehabilitation project. Capital expenditure as a percentage of GDP was estimated at 5.4% in 1999, compared with 5.8% and 3.5% in 1989 and 1994, respectively.

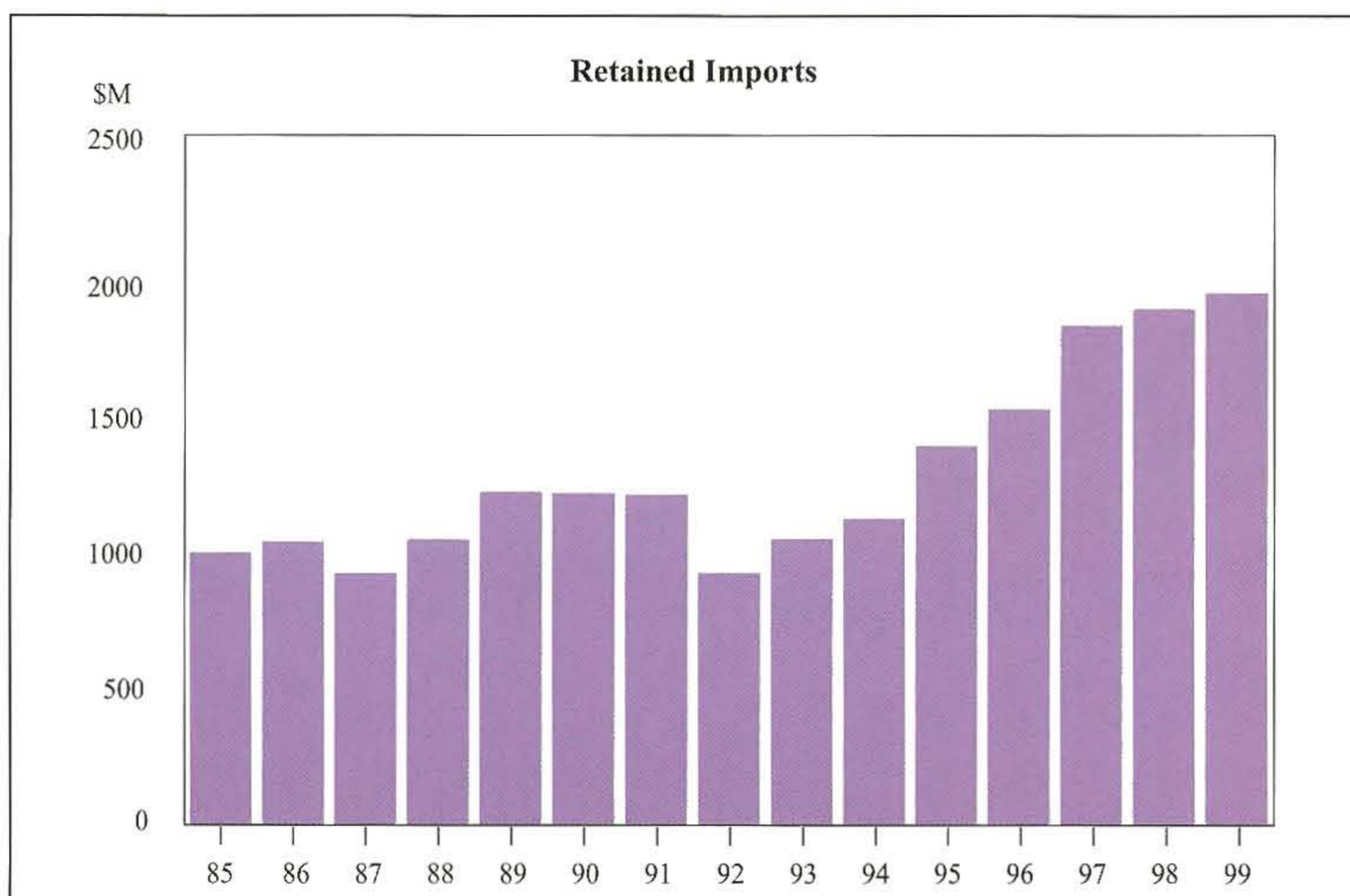
Financing

For the first time in six years, the Government's fiscal deficit was financed primarily by foreign funds (\$81.8 million). A bond issue valued at \$150 million, which was raised on the regional capital market, was the single largest source of this financing. More than half of the disbursements of project funds (\$37.9 million) was spent on the airport expansion project (\$18.5 million) and the road rehabilitation project (\$6.4 million). Amortization of foreign loans amounted to nearly \$106.1 million, of which \$61 million represented obligations to the Bankers' Trust. In 1998, amortisation payments were \$78 million.

With the declining level of excess liquidity in the financial system, commercial banks reduced their lending to Government. During the last quarter of 1999, several treasury bill tenders were under-subscribed and the Central Bank recorded a \$17.2 million increase in net lending to Government for the year. During the review period, the National Insurance Service provided \$12.6 million in Government financing.

Debt

In the year to December, the Central Government's total debt increased by 2% to \$2,872.1 million, while the debt to GDP ratio fell from 59.6% to 58.2%. Domestic debt, which continues to constitute the majority of Government's debt (73.4%), contracted slightly during the period. Total short-term debt decreased by 14.8%, compared with growth of 5.2% in 1998, while the longer term securities declined marginally (0.2%) after growth of 7.5% one year earlier. The ratio of domestic debt to GDP is estimated at 42.7%, compared with 45.3% in 1998. On the other hand, foreign debt grew by 10.3% to



\$764.6 million, mainly due to the borrowing on the regional capital market. This resulted in a modest increase in the ratio of foreign debt to GDP (1.2 percentage points) to 15.5%, after nine consecutive years of contraction.

Foreign Trade and Payments

The balance of payments recorded a surplus, mainly on the basis of a large increase on the capital and financial account. This was equivalent to 2% of GDP at market prices. However, for the third consecutive year, the current account registered a deficit as the high import demand for capital and consumer goods accelerated. The import/GDP ratio was estimated at 39.8%, some 0.2 percentage points more than the average ratio since 1995.

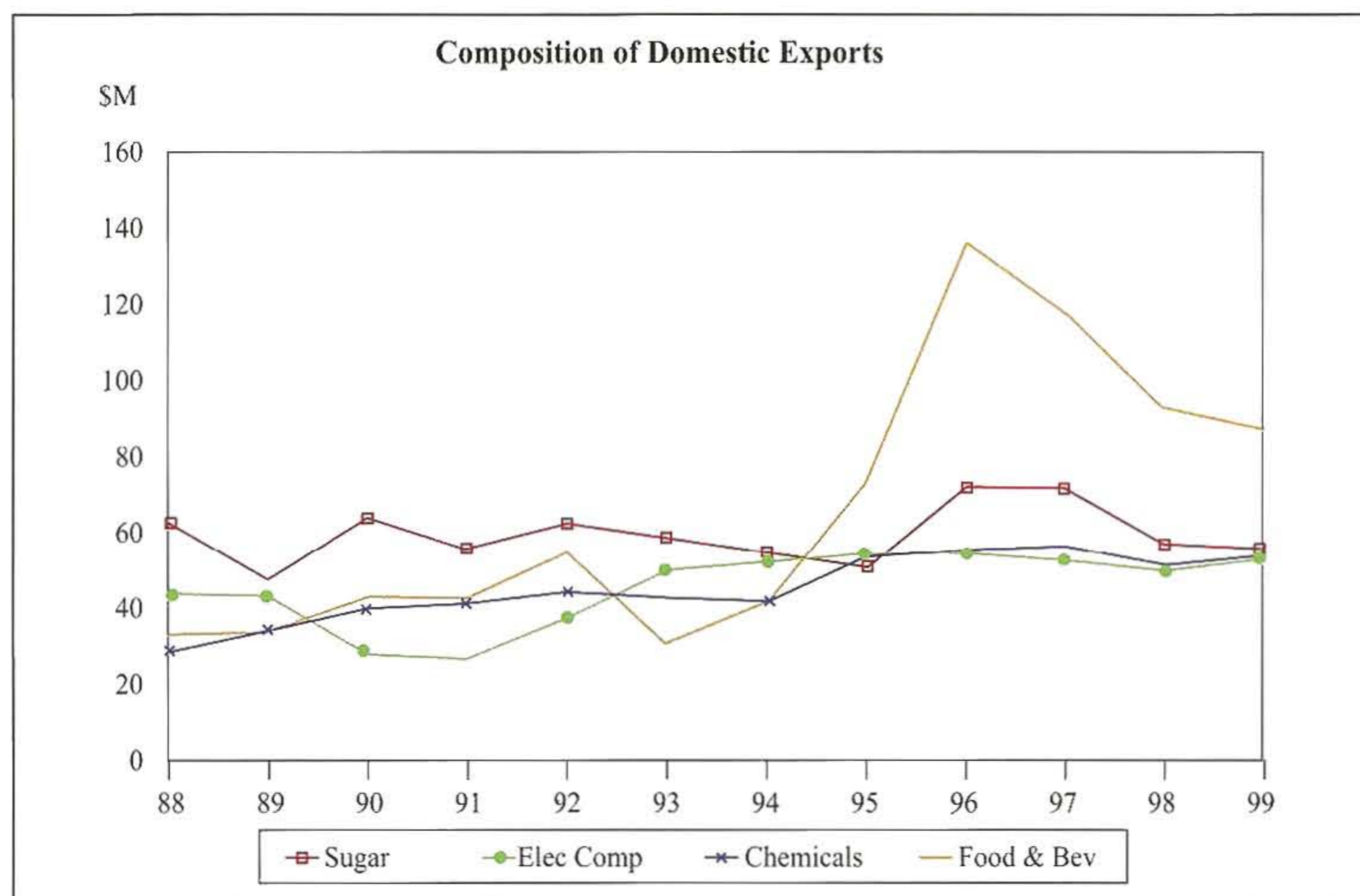
Current Account Developments

Retained imports grew by approximately 3.3% during 1999, following an increase of 3.1% in the previous year. The principal source of the increase was capital goods which were estimated to have expanded by 15.6% after a small rise of 1.4% one

year earlier. Consumer goods rose by 7.2%, almost the same rate as in 1998. Trade liberalisation, the buoyant economy and declining domestic food production contributed to an additional \$18.4 million in the purchases of food and beverages from abroad. In addition, there was increased spending on motor cars, raising the annual expenditure on this item to an estimated \$110 million, about 16% more than in 1998. Most of the increase in motor car imports was concentrated in the first quarter.

Intermediate goods contracted for the second consecutive year, declining on this occasion by some 8.6%, after falling by 0.2% in 1998. This was due in part to a slowdown in imports of construction materials and the fact that Barbados has stopped the importation of reformat since the closure of the oil refinery in 1998.

Domestic exports turned in an improved performance, increasing by approximately 0.7% in contrast to a fall of 9.9% in 1998. This was due primarily to sales of electronic components which



were 7.3% higher in contrast to a decline of 5.3% in 1998 and a 3.3% rise in chemicals. Sugar earnings were 1.4% lower than in 1998 as a result of the depreciation of the euro against the US dollar. Sales

of food and beverages continued their downward slide, falling on this occasion by 5.8%. Net foreign receipts from services slowed considerably during 1999, growing by only 1.2%, compared with the

**Merchandise Trade Balance
(\$ Million)**

	1996	1997	1998	1999 ^P
Domestic Exports	428.4	420.9	379.2	381.9
Sugar	71.9	71.3	56.4	55.4
Electronic Components	53.5	51.9	49.1	52.7
Chemicals	54.7	56.4	51.1	52.8
Food and Beverages	136.3	116.9	92.4	87.0
All Other	112.0	124.4	130.2	134.0
Retained Imports	1534.5	1846.0	1902.4	1964.6
Consumer Goods	640.4	765.5	815.2	873.6
Capital Goods	314.6	407.2	413.0	477.8
Intermediate Goods	574.2	669.4	667.6	609.6
Miscellaneous Goods	5.3	3.9	6.6	3.6

P: Provisional

Source: Accountant General and Central Bank of Barbados



Balance of Payments
(\$ Million)

	1996	1997	1998	1999 ^P
Current Account	142.2	-98.6	-111.8	-152.1
Merchandise Trade Balance	-912.5	-1197.1	-1288.0	-1342.3
Total credits	573.4	573.2	514.1	484.1
Exports (BOP)	487.4	479.6	409.4	388.0
Other*	86.0	98.6	104.7	96.1
Total debits	1485.9	1775.3	1802.1	1826.4
Imports (BOP)	1485.4	1775.1	1798.6	1818.4
Other*	0.5	0.2	3.5	8.0
Services (Net)	1079.6	1099.4	1182.8	1196.5
Of which Travel credits	1318.6	1326.8	1423.8	1425.0
Current Transfers	79.5	94.5	105.5	111.9
Capital and Financial Account	9.8	78.8	48.2	208.7
Public	4.0	-54.3	-24.5	81.1
Private	47.0	63.4	33.3	151.4
Errors and Omissions	74.4	95.0	-10.8	40.3
Overall Surplus(+)/Deficit(-)	226.4	75.2	-74.4	96.8
Net Official Financing	-64.4	-31.4	0.0	0.0
IMF	-51.0	-18.1	0.0	0.0
Other Monetary Authority	0.0	0.0	0.0	0.0
Other Financial Institutions	-13.4	-13.3	0.0	0.0
Change in Foreign Reserves (-increase/+ decrease) (CBB basis)	162.0	-43.8	74.4	-96.8
Adjusted by commercial banks' position (Net)	39.9	25.7	-63.3	22.3
Change in Net International Reserves (NIR)				
(IMF basis) (-increase/+decrease)	173.1	-36.0	11.1	-74.5

P = Provisional

N.B. The above balance of payments presentation is now consistent with the Fifth Edition treatment of items and not the Fourth Edition as had been the case in previous years.

* This category is made up of goods bought in ports, goods for processing and repairs on goods.

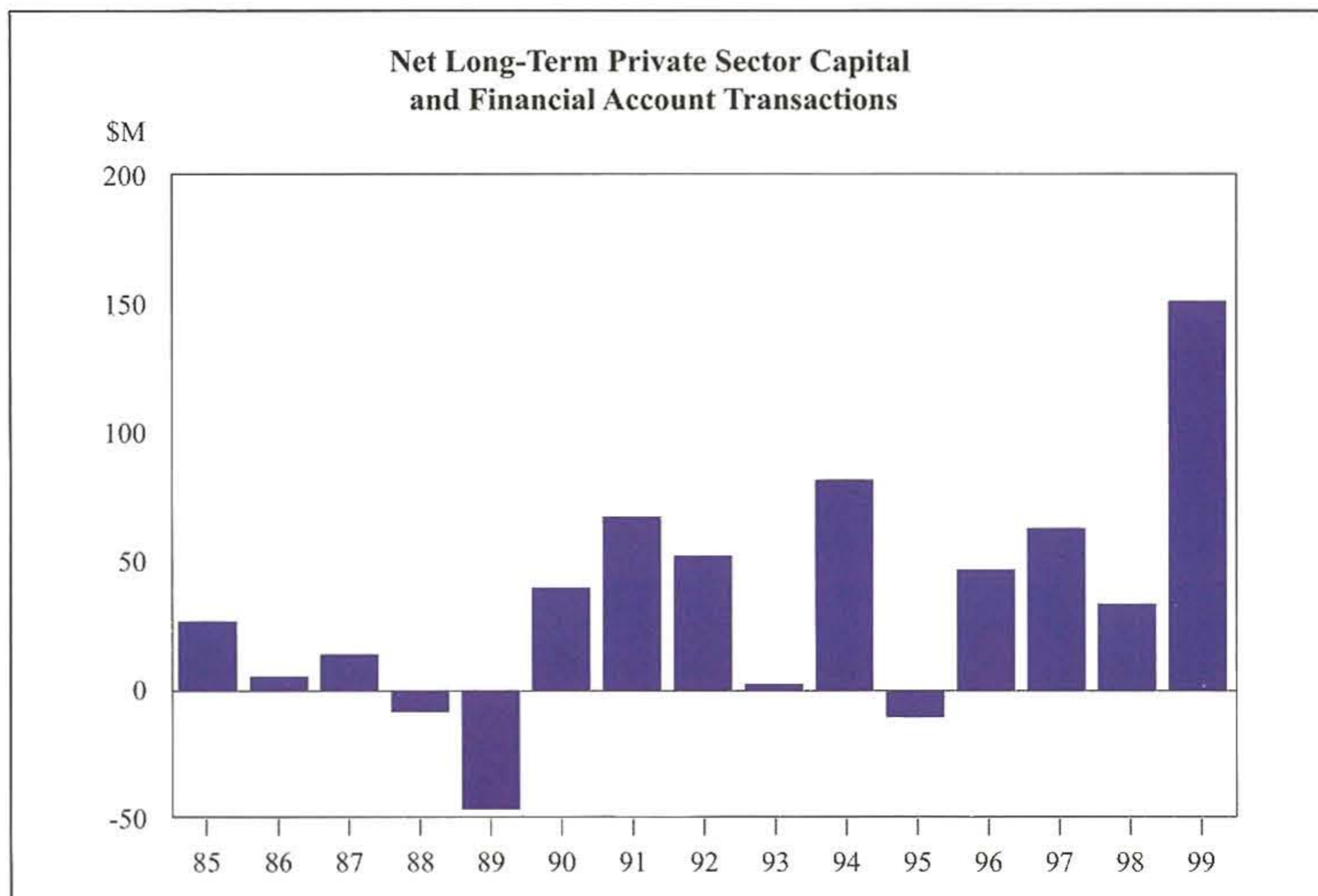
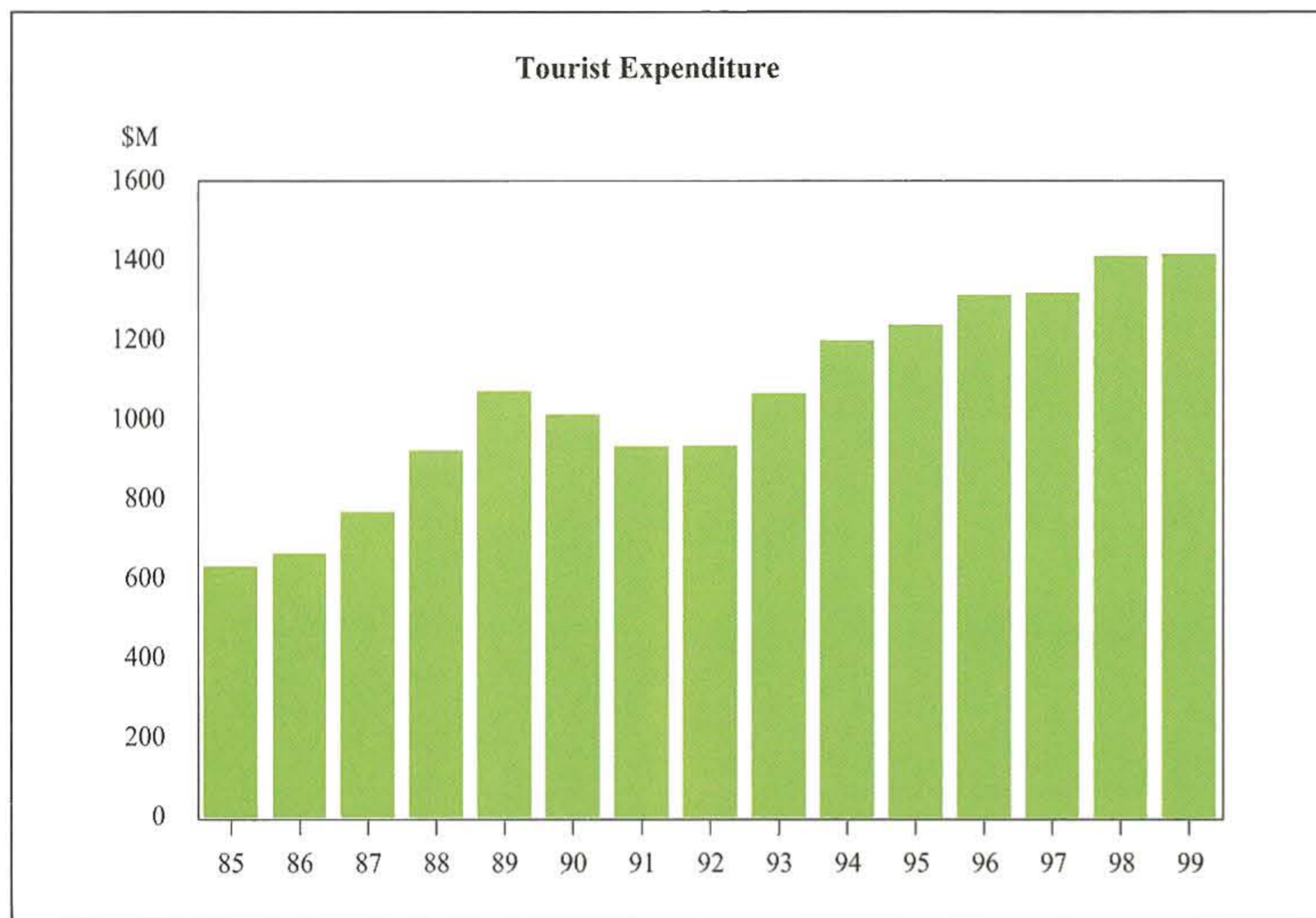
Source: Accountant General and Central Bank of Barbados

7.5% expansion in the previous year. The major reason for this slowdown was the performance of earnings from travel which grew by a mere 0.1%. In 1998, travel receipts increased by 7.3%. In addition, net transportation outflows increased slightly over 1998 on account of higher freight payments made by Barbadian firms to foreign companies. Net income outflows increased in 1999 because of higher foreign interest payments.

Capital and Financial Account Developments

The capital and financial account recorded a surplus

of approximately \$208.7 million in 1999, significantly higher than the surplus of \$48.2 million one year earlier. It was the fourth straight year that a surplus had been registered. The huge surplus was spurred by net long-term inflows both of a public and private sector nature. Net long-term public sector inflows amounted to approximately \$81.1 million in 1999. This was in stark contrast to the deficit of \$24.5 million in 1998. Foreign disbursements to the Government of Barbados were estimated at \$188.9 million, three times higher than in the previous year. This large total was primarily due to Government's





borrowing of \$150 million on the regional capital market during the second quarter of the year. In addition, public sector project inflows totalled almost \$40 million.

Net long-term private sector inflows were estimated at \$151.4 million, just over four times the amount in 1998. This total was the highest since the net inflows of \$81.6 million recorded in 1994. Most of the transactions occurred in the last six months of 1999 and were mainly for hotel-related activities and public utilities.

Foreign Debt Service

During 1999, Barbados' foreign debt service rose by \$19.5 million to \$196.5 million or approximately 7.6% of goods and non-factor services, unlike 1998 when debt service payments declined by \$59.8 million (25%). This rise was reflected both in foreign amortization and interest payments. Total foreign amortisation payments increased by \$2.2 million in 1999, after a contraction of \$40.2 million in 1998. This was mainly due to higher payments by Central Government (\$28.6 million) which more than offset the fall of \$24.8 million in private guaranteed debt.

Foreign interest payments grew by \$17.3 million during 1999. This was due to an increase of \$11.8 million by Central Government and \$4.2 million on private non-guaranteed debt.

Regional Economic Developments

Overview

The first nine months of 1999 were marked, on balance, by slower economic activity than occurred in the corresponding period of 1998. Depressed international prices for the region's major export goods and unfavourable weather conditions generally constrained the level of output. Nevertheless, among the English-speaking Caricom countries, there were remarkable achievements in the level of output of some commodities as industries either

seriously set about realising higher levels of productivity and efficiency or took advantage of fortuitous circumstances in the external market, as in the case of the nutmeg industry in Grenada. The performance of the region's tourist industry was mixed during the review period but construction activity remained buoyant in both the public and private sectors.

Despite depressed markets for exports, the net

Tourist Arrivals (January - September)

	% change on previous year	
	Stay-Over Visitors	Cruise Passengers
	1999	1999
OECS :	3.3	-3.9
Anguilla	11.9	nil
Antigua & Barbuda	3.8	-13.7
Dominica	7.4	-17.3
Grenada	8.3	-3.8
St. Kitts & Nevis	-14.8	-14.2
St. Lucia	6.7	-1.1
St. Vincent & Grenadines	-2.7	95.4
Bahamas	12.9	14.4
Belize	1.2	n.a.
Bermuda	-3.4	5.3
Cayman Islands	-2.2	n.a.
Jamaica	3.5	9.3
St. Maarten	3.3	n.a.
Barbados	1.7	-20.5
Aruba	3.8	n.a.
Curaçao	1.8	n.a.

Source: CTO - Data as supplied by member countries
Statistical Service, Barbados
Central Banks of the Bahamas and Belize



The Regional Negotiation Machinery The Hub of Caricom's External Trade Relations

Formation and Role

The idea of the Regional Negotiation Machinery (RNM) was initiated by the Caricom Secretariat. The idea took root at a time when preparations were being made for the launching of talks related to the World Trade Organization (WTO), the Free Trade Area of the Americas (FTAA) and the successor agreement to the Lomé IV Convention. It was motivated by a consciousness of the need for the region to approach these negotiations with a better understanding of the principles that would govern them, against a background of globalisation and trade liberalisation and the phased removal of preferential trading arrangements. A Chief Negotiator and a Chief Coordinator were appointed to put the institutional arrangements in place and to cultivate and nurture the region's capacity to negotiate.

The role of the RNM is fourfold: -

- (i) to provide strategic guidance to all external trade negotiations. At present, this relates primarily to multi-lateral negotiations though, in recent times, it has been asked to get involved in the sculpture of bilateral trade arrangements. The RNM was not formed to actually go to negotiations but to provide the strategic guidance to the negotiations by identifying the paramount interests of Caricom and funneling those interests into the individual negotiations. Moreover, the RNM, through the provision of strategic guidance, performs the role of building consensus among Caricom member-states on extra-regional trade relations. The objectives within the strategies adopted have been

and will at all times be in harmony with those of the intended Caricom Single Market and Economy;

- (ii) to provide technical assistance and training to Caricom member-states. By so doing, the member-states' capacity to negotiate is enhanced;
- (iii) to coordinate the participation of member-states in the negotiations; and
- (iv) to conduct technical studies which enhance all negotiations.

Funding of the RNM

In October 1998, the Barbados Government, through its Prime Minister, was given the responsibility of mobilising the resources for the RNM to conduct its work. The mechanism is funded by the member states of Caricom and by donor agencies. The funds from Caricom go to meeting operational expenses like travel, administrative, consulting and payroll expenses. The donor funds are used for studies and training. In recent times the machinery has been working with the OECS to conduct country studies which highlight how the three sets of negotiations (WTO, ACP¹-EU² and FTAA) will influence their development prospects for the future. This helps with the OECS's own policy formulation at a national and sub-regional level.

Negotiations

Three multilateral trade negotiations are at present conducted at three separate venues.

Brussels

Talks on a successor agreement to the Lomé IV Convention are held in Brussels. CARIFORUM, of which Caricom is a part, is a constituent of the ACP delegation. The RNM has first to pursue a CARIFORUM position and then seek to insert

¹ Association of African, Caribbean & Pacific Countries

² European Union



that stance, through the activities of the Caribbean group of ambassadors in Brussels, into that of the ACP group. Negotiations, therefore, take place at the level of ambassadors. The RNM has a full-time representative in Brussels at the mission of the East Caribbean States to provide the needed link between the mechanism and the ambassadors.

Geneva

In Geneva, the preparations for WTO negotiations take place at an ambassadorial level. Caricom has three missions in this city, namely, Jamaica, Barbados and Trinidad and Tobago, in addition to which collaboration is made with Cuba and the Dominican Republic. The process of preparations is on-going with the submissions made being included in a document called 'The Ministerial Declaration', which is routinely revised. The RNM has a full-time representative who provides the technical link between the machinery and the missions as discussions proceed daily. In this way the RNM is initially involved in all submissions on the various issues.

Miami

Negotiations related to the establishment of the FTAA are Miami-based and take place at two levels-technocrats and ministers. Here, Caricom can sit as a sub-region. The discussions are subdivided into nine negotiating groups and three committees, which are superintended by a Trade Negotiations Committee. This Committee consists of Vice-Ministers or Permanent Secretaries of foreign trade and oversees the management and procedure of the negotiations under the guidance of a Ministerial Committee. The Ministerial Committee convenes every eighteen months.

Each negotiating group concerns itself with one specific area, such as, services, investment, market access, anti-dumping and countervailing duties, agriculture, intellectual property, dispute settlement, government procurement and competition policy.

One committee acts as a consultative group on small economies, another is called 'The Committee of Public and Private Sector Representatives on Electronic Commerce' and the third is a committee of government representatives on civil society. A Caricom lead negotiator was appointed for each negotiating group along with an alternate-lead negotiator. These lead and alternate-lead negotiators constitute themselves into a College of Negotiators, consisting of twenty-three (23) members. The College meets to assess: -

- (i) the state of the negotiations;
- (ii) the process and inter-linkages across the groups; and
- (iii) to produce consolidated reports. In order to accomplish this, each lead negotiator writes reports on all group meetings, which are then submitted to the College. The consolidated reports are in turn forwarded to the RNM through its Administrative Secretary in Miami.

The three institutions that provide the technical assistance to the FTAA negotiations are the IDB, ECLAC and the OAS Trade Unit and are all based in Washington, D.C. Consequently, the RNM has a representative in Washington on secondment from the Jamaican Government's Mission there, who provides support by:-

- (a) circulating all the reports from the lead negotiators
- (b) preparing briefs for ministers and officials attending the Trade Negotiations Committee meetings; and
- (c) negotiating for technical assistance from the IDB, ECLAC and the OAS Trade Unit.

Managerial Bases

The office of the RNM's Chief Negotiator is strategically located in London. The Barbados office is the Regional Headquarters of the RNM



and the interface with Caricom member-states is maintained from there. The technical assistance project directors are also located in Barbados. However, the Chief Technical Adviser, who is responsible for evolving the technical preparation for the RNM's strategic guidance, is situated in Jamaica.

Reporting Procedures

The Heads of Government of Caricom created a sub-committee called the Prime Ministerial Sub-Committee for External Negotiations. Even though it is an open-ended committee, it has six standing members - Jamaica, Trinidad & Tobago, Barbados, Guyana, St. Lucia and Dominica. The RNM presents its proposals, strategic guidance and reports of the on-going negotiations to this Committee. The RNM also convenes meetings with the Council for Trade and Economic Development (COTED), a Caricom institution, which deals with all trade related matters along with agriculture and tourism.

Focus of Negotiations

In all three multi-lateral trade negotiations, the RNM has been pressing for arrangements that address the vulnerability of small economies through the adoption of trade provisions which mitigate the vulnerabilities or, at least, compensate for them. This requires that, in each of the negotiating areas, the RNM prepare and seek to insert and negotiate specific provisions that address the issue of vulnerability.

Of particular concern, is the principle of 'reciprocity' in future trading relations as agreed in the last Uruguay Round of talks. This WTO ruling is applicable to all nations except the world's poorest. Consequently, the region seeks special differential treatment since it is feared that reciprocal arrangements can exacerbate problems

of vulnerability. More specifically, the region pursues positive differentiation on the basis of small size which would give positive development benefits. Such differentiation should be reflected in:-

- (i) flexibility in commitments;
- (ii) no requirement of commitments in some cases;
- (iii) provision of financial and technical assistance to help in capacity building towards greater competitiveness; and
- (iv) the provision of reasonably long transitional periods to reciprocal arrangements.

Alliances

Since strong argument and strategic alliances are critical to the success of these involved negotiations, the RNM embraces the responsibility of seeking new and maintaining old alliances, within and without the region. The machinery has been courting a closer bond with the non-Caricom members of the Association of Caribbean States (ACS) and is examining the possibility of using the ACS Trade Committee as a forum for concerted opinions that will be of a supportive benefit in FTAA negotiations. In addition, the RNM seeks and holds alliances with persons of First World countries who are sympathetic to the concerns and positions held by regional states. Canada has been very supportive, vocal and positive about issues of concern to developing countries, particularly in FTAA negotiations. The RNM is currently seeking to develop an alliance with the EU with respect to WTO issues and, where possible, the same is tried with the USA, Andean Community³ and the MERCOSUR⁴ countries in Latin America.

³ The Andean Community is a Latin American Economic Trading Arrangement consisting of Columbia, Peru, Ecuador, Bolivia and Venezuela.

⁴ MERCOSUR is a Latin American Economic Trading Block consisting of Brazil, Argentina, Paraguay and Uruguay.



international reserves (NIR) of most countries were on the rise when compared with the corresponding period of 1998, the only exceptions being Jamaica and Guyana. Furthermore, all the countries for which data were available, save the Bahamas, improved their performance on the current account of the balance of payments. The only serious deterioration of central governments' current account position was realised in Trinidad and Tobago, where resort was made to the international capital market to place a US\$230 million Eurobond in September. Monetary authorities in the countries with floating exchange rate regimes were consistently required to engage in open market activities to control excess liquidity in the banking system. Generally, however, interest rates were trending downwards along with the price of government paper. The rate of inflation also followed this trend, the only exception being in Guyana, where the economy continues to be affected by social tension.

Tourism

Most of the Anglophone Caricom countries recorded growth over the first three quarters of 1999. The Bahamas, Jamaica, the OECS and Belize recorded growth in long-stay visitors. Growth in the Bahamas was the outcome of substantial new investment and refurbishment of hotel plant over the past two years coupled with an aggressive marketing campaign. Jamaica also reaped results from similar planning and marketing strategies, even though its success was threatened by adverse publicity associated with crime and violence during 1999. Unfortunately, hurricane damage to hotel plant in the third quarter of 1998 and the associated negative press seriously curtailed growth in St. Kitts and Nevis. The European market provided the most consistent supply of visitors to the English-speaking countries while the US market improved slightly over its performance in the corresponding nine-month period of 1998. At the same time, arrivals from Canada continued to fall off. It appears that growth in both the Canadian and US home-tourism markets, along with problems associated with inadequate and

interrupted passenger airlift out of the USA, and acting as a constraint on the growth of tourist arrivals from North America to eastern Caribbean territories, with the exception of Grenada.

Four of the Anglophone Caricom member-states recorded significant growth in cruise passenger arrivals. St. Vincent and the Grenadines registered the largest increase (95.4%) while arrivals in the Bahamas, Jamaica and St. Lucia also rose. All other destinations within Caricom were adversely affected either by damage sustained to port facilities through hurricane activity, as was the case of St. Kitts and Nevis, or by decisions of the industry's management aimed at responding to the demands of an increasingly younger clientele coupled with strategies to contain or reduce operational costs.

Agriculture

The agricultural sector in the region was stressed by the weak prices of exported commodities but industrial problems and inclement weather, in some cases, further dampened output of this sector. Nevertheless, the sterling performance of the sugar industry, which posted a 43.6% rise in output, contributed to welcomed expansion of production in Guyana's agricultural sector. Sugar officials attributed the increase over the 5% growth one year earlier to good seasonal weather coupled with improved industrial relations in the industry. Non-sugar production, particularly of fruits and vegetables, also grew as attempts were made to satisfy growing export demand since the elimination of the pink mealy bug in the previous year. The destructive presence of the pink mealy bug, first detected in April 1997, had led to a ban on non-sugar agricultural produce in export markets well into the third quarter of 1998. Rice production expanded by 8.7%, in spite of lower export prices, following a 15.6% fall in the corresponding period one year ago due to the influence of the El Niño phenomenon on the weather. In Jamaica, sugar output also grew (19.5%) but there was a downturn (18.4%) in the production of bananas during the first three quarters.



In Trinidad and Tobago, agricultural production weakened further by 2.3% following the 18.7% decline recorded in the previous year. Nevertheless, good seasonal weather in the third quarter contributed to an 11.5% expansion in sugar output, which was dampened in the first half of the year by adverse weather, industrial and managerial disputes, mechanical problems and cane fires. Citrus production almost returned to its 1997 level as 34.1% growth was recorded, reversing the 26.1% contraction in 1998 that was induced by the El Niño weather pattern. Cocoa and coffee production fell in concert with export prices, well below the levels achieved in the corresponding period of 1998.

Both commodities from Belize, exported under the preferential arrangement between the African Caribbean and Pacific (ACP) States and the EU, recorded a rise in their levels of production. Output of sugar expanded by 4.7% over the 9.2% of the previous year and that of bananas by 1.9%. The persistent depression in the international market for citrus concentrate resulted in a continued contraction in output of this commodity during the nine-month period. The 8.1% fall in production over the corresponding period of 1998 was followed by a further 9.6% decline.

Minerals, Metals and Timber

As was the case with agricultural production, output of these commodities was affected by changing international prices. Oil production in Trinidad and Tobago grew by 3% and was stimulated by a strong recovery of the international price for crude oil, which more than doubled since the beginning of the year. However, there was a significant fall (18.3%) in the production of petroleum-based products such as gasoline, diesel, fuel oil and aviation fuel. Notwithstanding, the main impetus for the 8.1% growth recorded in the petroleum sector during the first nine months of the year came from the petrochemical sub-sector, which expanded by 18.5% over the 20.3% rise one year earlier. Sustained direct investment in this sector resulted in significant

output growth in the production of nitrogenous fertilizers (22.9%), natural gas liquids (21.7%) and methanol (13.7%). The addition of two new plants in the second quarter contributed to the expansion in the output of fertilizers, which was buffeted by a 20.6% tumble in the export price of urea since September 1998. The achievement in the production of methanol was realized despite a 4.1% fall over one year in the contract price for methanol while some operational problems, which had temporarily interrupted production during the second quarter at the new Atlantic LNG plant in April, did not curtail growth in output of natural gas liquids.

In Jamaica, falling demand on the world market resulted in a 22.7% contraction in the output of bauxite. On the other hand, a 13% increase in the international price of alumina since the end of the third quarter of 1998, along with the implementation of strategies to improve efficiency and output, spurred a 3.4% expansion in output of this commodity. In spite of a depression in the international market, timber production in Guyana rose by 44.8%, reversing the 36.1% fall in the comparable period of 1998. Diamond production was boosted by higher export demand, realising a 27.8% increase in output, which was in contrast to the 6.7% decline of the previous year. The decrease of the international price of both gold and bauxite affected production of these commodities. Gold mining activity contracted by 5% but that of bauxite rose by 11.9%, following the 1.7% contraction in the previous year.

Prices and Interest Rates

The average rate of inflation across the region continued to be moderate, ranging from a deflation of 1.7% in Belize to 8.5% in Guyana. A protracted industrial dispute and higher fuel prices placed upward pressure on the cost of food, housing and transportation in Guyana, raising the average inflation rate from 3.3% in 1998. In Jamaica, the average rate of inflation was 6%, approximately three percentage points below that of the previous year, as



Monetary Indicators
(January - September)
(End of Period)

Country	Inflation Rate 12-Mth Mov Avg (%)		Wt. Avg. Deposit Rate (%)		Wt. Avg. Loan Rate (%)		Treasury Bill Rate (%)		Excess Reserves / Deposits (%)		Exchange Rate (= US\$ 1.00)	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Bahamas	1.2	1.2	4.7	5.7	11.8	12.4	1.1	3.4	3.7	1.9	1.0	1.0
Jamaica	6.0	9.3	13.5	14.8	28.8	33.7	17.9	21.8	n.a.	n.a.	39.9	36.6
Belize	-1.7	-1.3	5.7	6.2	16.3	16.5	6.0	6.0	7.3	3.6	2.0	2.0
OECS	n.a.	n.a.	4.5	4.4	12.0	11.5	n.a.	n.a.	1.5	2.2	2.7	2.7
Trinidad and Tobago	2.8	5.3	5.7	6.4	16.2	15.6	10.2	11.9	-0.6	1.1	6.3	6.3
Guyana	8.5	3.3	9.5	8.1	17.9	18.5	11.1	8.5	n.a.	n.a.	179.0	151.5

Source: Respective Central Bank publications

International Financial Statistics, August 1999 - IMF publication

n.a. = Not Available

tight monetary policy measures aimed at price stability were gradually relaxed. The spread between the weighted average deposit and loan rates in Jamaica narrowed further as both rates were on the decline. The weighted average deposit rate in the Bahamas, Belize and Trinidad and Tobago was also lower than one year earlier while that in the OECS and Guyana was raised. Loan rates moved downward in the Bahamas, Belize and Guyana but upward in the OECS and Trinidad and Tobago.

Excess liquidity was on the rise in the Bahamas and Belize. Moreover, the liquidity situation in both Guyana and Trinidad and Tobago was such that in each case the monetary authority had to engage in open market operations to remove large sums of excess cash from the commercial banking system. In Trinidad and Tobago, the problem was especially acute in the first two quarters and was generated by the Government's use of the overdraft facility at the

Central Bank to finance their fiscal deficit, after having almost reached its legal borrowing limits. However, efforts to manage liquidity and credit through open market options of treasury bills were partially undermined by onward selling of treasury bills acquired by commercial banks. Consequently, the discount rate on treasury bills fell by approximately one and a half percentage points. On the other hand, the increased need to withdraw excess cash from the banking system in Guyana forced the treasury bill rate up by 2.6 percentage points.

Exchange Rates

The currency of Guyana and Jamaica depreciated by 18.1% and 8.8%, respectively, compared with one year earlier. Rising demand for foreign exchange in both countries, induced in part by the lowering of external tariffs placed pressure on the currencies. In addition, very modest export receipts due to weak international commodity prices contributed to the



decline in the value of the currency. It was for the latter reason that the Trinidad and Tobago dollar intermittently came under pressure during the review period and pressed the Central Bank into making calculated interventions in the foreign exchange market in order to stabilize the currency. Consequently, the exchange rate was unchanged compared with one year earlier.

Capital Market Developments

Declines in receipts from petroleum products, Trinidad and Tobago's main export, as compared to the corresponding period of the previous year, coupled with diminished investor confidence significantly limited the performance of the equities market over the first three quarters of 1999. The Trinidad and Tobago Stock Exchange Ltd. recorded a 35.1% decline in the volume of regular shares traded, valued at TT\$425.4 million, when compared with the corresponding period of the previous year. However, a TT\$33 million rise in the value of shares transferred in block helped to cushion the 54.2% fall in the value of share-transactions in regular trading despite the cross-listing of two new companies on the Exchange: Prestige Holdings Ltd. and Barbados Shipping and Trading Co. Ltd. Nevertheless, Trinidad Cement Ltd. and National Flour Mills Ltd. maintained their position among the top three volume leaders when comparison is made with the corresponding period last year. Angostura Holdings, National Flour Mills and Lever (Bros.) Ltd. were the top three performing stocks and had appreciation rates of 20.4%, 10% and 6.7%, respectively. Eighteen stocks declined during the nine-month period, eight more than in the corresponding period of the previous year. The newly listed stocks contributed to a 3.4% rise in market capitalization, which amounted to TT\$26.4 billion at September. However, the closing market index of 401.73 points reflected the general softness of the equity market and was 54.18 points below the closing index one year ago.

In like manner, activity on the Jamaica Stock

Exchange was constrained by weakened investor confidence. This was due to the fallout from the global financial crisis acting in concert with relatively weak economic fundamentals in the Jamaican economy. About 313 million ordinary shares valued at J\$1.2 billion were traded during the first three quarters. Moreover, the 40.1 million shares traded in block contributed to J\$1.68 billion in total transfers. However, the total volume and value of shares traded were, respectively, 31.6% and 4% below those recorded over the corresponding period of 1998. Cable and Wireless (Jamaica) Ltd. was the only firm that maintained its position among the top three volume leaders when compared with the same period of the previous year. The top three advancing stocks over the review period were Dehring, Bunting and Golding, Hardware and Lumber Co. and Trafalgar Development Bank, appreciating by 100%, 78.3% and 70.4%, respectively. A total of 22 stocks advanced while 12 declined. Market capitalisation, which rose by 24.8% since the end of last year, was spurred by the cross-listing of Trinidad Cement Limited stock on the Exchange and was J\$98.6 billion at September. The market index closed at 20,677.67 points, reflecting a downturn in overall activity of 18.26% over the three quarters.

Government Operations

Controlled recurrent expenditure in the face of a softening revenue position along with improved tax administration enabled the governments of the English-speaking Caribbean countries, save that of Trinidad and Tobago, to achieve a commendable outcome on their current account. The Jamaican Government was successful in cutting its overall deficit by over 20% compared to the corresponding period of 1998. An 8.4% and 53.6% rise in tax and non-tax revenue, respectively, coupled with a 10.3% reduction in the wage bill, contributed significantly to this improvement. This performance was the more remarkable in the face of a 23.8% and 12% increase respectively in domestic and foreign interest payments, which could not undo the sterling efforts at containing current expenditure growth within 1.5%



Government Operations
(January-September)
(US\$ Million)

Country	Current Revenue		Current Expenditure		Capital Revenue		Capital Expenditure		Current A/C Surplus(+) /Deficit (-)		Overall Surplus(+) /Deficit (-)	
	1999 ^P	1998	1999 ^P	1998	1999 ^P	1998	1999 ^P	1998	1999 ^P	1998	1999 ^P	1998
Bahamas	642.7	573.2	626.0	576.2	0.3	0.5	75.4	59.6	16.7	-3.0	-59.4	-62.2
Jamaica	1461.0	1441.8	1614.4	1733.0	25.6	14.0	141.5	143.3	-153.4	-291.2	-273.2	-343.2
Belize	114.1	115.5	101.5	95.0	12.9	5.0	57.3	32.3	12.6	20.6	-24.2	-2.0
OECS	475.8	459.6	459.3	437.3	n.a.	n.a.	n.a.	n.a.	16.5	22.3	n.a.	n.a.
Trinidad and Tobago	1186.8	1194.1	1237.3	1127.3	24.3	4.5	49.9	92.2	-50.5	66.8	-76.2	-20.9
Guyana	139.0	157.6	119.4	126.7	7.0	13.5	46.0	81.1	19.6	30.9	-19.4	-36.7

P = Provisional

n.a.= Not Available

Source: Respective Central Bank publications
Ministry of Finance & Planning, Jamaica

of the recorded balance one year earlier. In Guyana, lower revenue earnings (11.8% fall) induced a sharp cutback in the Government's capital works programme with the result that the overall deficit was almost halved when compared to 1998. The revenue base was weakened as a result of the prolonged public sector strike, which paralysed both the Customs and Inland Revenue Departments, particularly in the second quarter. The concerted effort by the Government of Guyana to reduce recurrent expenditure resulted in the achievement of a surplus on the current account.

In Trinidad and Tobago, a 9.7% growth in current expenditure, at a time when matching revenue declined marginally, markedly reversed the surplus outcome on the current account realized in the corresponding nine-month period of 1998. Every item of expenditure recorded growth. A rise of 22.4% in the level of interest payments, primarily to fulfil domestic debt obligations, and a 6.7% increase in the

wage bill for public workers, inclusive of an adjustment for salary arrears, were the major contributing factors. Moreover, even though capital expenditure was almost halved and capital revenue was over five times the figure recorded in 1998, the fiscal deficit widened to just over three and a half times that of the previous year.

Outstanding central government domestic debt expanded throughout most of the Anglophone Caricom countries with Jamaica (40.5% - August) and Belize (23.5%) recording the fastest growth. Generally, the liquid conditions of the domestic financial market provided the means by which governments could finance their budget deficits as well as raise counterpart finance for capital-works projects. However, use of this financing option by the Government of Trinidad and Tobago was curtailed in the first two quarters pending parliamentary approval of increased borrowing limits that were granted in July. Only in Guyana was



Foreign Sector Developments
(January - September)
(US\$ Million)

Country	Net International Reserves of Monetary Authority		Surplus(+) / Deficit(-)					
			Visible Trade Balance		BOP Current A/C Balance		Overall BOP Balance	
	Sep'99 ^p	Sep'98	1999 ^p	1998	1999 ^p	1998	1999 ^p	1998
Bahamas	433.2	331.1	-95.1	-1027.9	384.9	646.5	-94.4	-111.6
Jamaica	526.2	616.9	-758.4	-732.2	-40.6	-91.6	n.a.	n.a.
Belize	65.9	55.7	-120.5	-88.2	n.a.	n.a.	n.a.	n.a.
OECS	314.8	300.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Trinidad and Tobago	884.8	727.1	-43.6	-621.5	21.0	-539.1	117.7	42.1
Guyana	114.2	134.0	-35.0	-66.0	-50.7	-76.7	-6.4	-6.9

P = Provisional

n.a. = Not Available

Source: Respective Central Bank Publications

a contraction (4.6%) registered and this followed a 5% reduction in domestic indebtedness during the corresponding nine-month period of the previous year.

Hurricane damage in the Bahamas spurred an 18.1% rise in the external debt of the central government. This represented a reversal of the contraction realized over the comparable period one year earlier. Trinidad and Tobago (9.9%), with their return to the international capital market, and Belize (8.2%) also recorded growth in their outstanding stock of external debt. However, the external debt obligation of both Jamaica and Guyana fell by 8% and 5.6%, respectively.

Foreign Sector Developments

During the first three quarters of the year, the NIR of the Bahamas and Trinidad and Tobago improved significantly. A 9.3% expansion in tourist receipts coupled with borrowings on the international capital market spurred a US\$ 102.1 million rise in the NIR of the Bahamas. A small surplus was recorded on the current account of the balance of payments of Trinidad and Tobago compared to a deficit for the

corresponding period in 1998. This outcome was the result of an 8.6% rise in export receipts and an 18.7% decline in imports. A US\$291 million reduction in imports of machinery and equipment contributed significantly to this outcome along with a decline in consumption goods. A tailing off of investment in the energy sector, (the last plant, Titan Methanol, being completed in September), occasioned the fall in machinery imports. The tapering off was also recognizable in the capital account, where there was a US\$232.5 million reduction in foreign direct investment compared to 1998. In addition, a surge in overseas investment in the amount of US\$544.3 million by resident companies contributed to the deficit balance on the capital account. However, proceeds from the Government's US\$230 million Eurobond moderated the deficit and contributed to a rise in the surplus on the overall balance.

The NIR of Belize was also boosted by an inflow of foreign funds of US\$20 million resulting from the securitization of mortgage loans of the Belize Investment Management Company (BIMCO) on Trinidad and Tobago's capital market. This was



sufficient to offset the impact of continued depressed export commodity prices.

The NIR of the monetary authority in Guyana contracted slightly compared to the corresponding period of 1998 due to rising demand for foreign exchange. In Jamaica, foreign exchange demand was also on the rise and the situation was exacerbated by a US\$44 million fall in export receipts, which was not offset by increased tourism receipts. As a consequence, there was a US\$90.7 million decrease in the NIR by September compared with one year earlier. Furthermore, attempts at raising US\$150 million on the international capital market in the first half of the year were unsuccessful.

In spite of the fall in receipts of all major export commodities, the current account of the BOP improved in Jamaica due to declining imports and substantial improvement in the services and income accounts. The 5.5% fall in the level of goods imported was occasioned by a contraction in all major categories, with raw materials, capital and consumer goods declining by 8.1%, 7.1% and 1%, respectively. The increased activity in the tourism sector boosted the net services balance by 7.5% while net investment income flows rose by 15.2%.

In Guyana, the current account surplus narrowed, primarily on account of increased (9.6%) import demand acting in concert with a fall (6%) in export receipts. However, the recorded values of visible imports and exports over the three quarters represented a correction to the values reported for the first half of 1999 which were affected by operational disruptions at Customs House due to the strike by civil servants during that period. Improved production levels spurred a rise (23.7%) in sugar exports and contributed to a US\$17 million increase in receipts over the review period. Adverse terms of trade dampened the increase in receipts from the export of timber and rice, which realized increased trade volumes of 44.8% and 8.7%, respectively. In the case of bauxite, the weak export price resulted in

a US\$5 million fall in receipts despite a 2.3% rise in the volume traded.

International Economic Developments

Overview

The major industrial economies recovered strongly in 1999, with strong growth in the US, and an economic recovery in Europe. The recovery in the global growth rate, along with a policy of production curtailment among OPEC states, led to a surge in global oil prices. Despite the rise in oil prices, global inflation remained low, although rates were higher than in 1998. After falling in the first half of 1999, bond yields recovered in the latter half of the year in line with faster growth in the developed world. The increase in growth rates led to a decline in the unemployment rate in all of the major industrial countries with the exception of Japan. Evidence of recovery in the Japanese economy led to a 10% appreciation of the yen against the dollar. A net outflow of capital also resulted in a depreciation of the new European currency, the Euro, which slid close to parity with the US dollar by year end. Excluding oil, commodity prices were generally depressed, with the International Monetary Fund's indices for agriculture, raw materials and food and beverages declining by 15%, 24% and 0.1%, respectively.

North America

Strong growth in productivity and domestic consumption resulted in the United States economy expanding by 4.2% in 1999, marginally lower than the 4.3% growth experienced in 1998. This buoyancy was reflected in the unemployment rate which fell to 4.1% at year end while retail sales surged by 9.9% over 1998. However, this robust growth led to a widening of the US trade deficit to \$255 billion for the first nine months of the year, well up from the previous high of \$164 billion in 1998. This cumulative deficit represented 3.1% of gross domestic product, close to the record of 3.2% set in 1997. Reflecting the increased pace of consumption,



Some International Economic Indicators
(End of 1998 and 1999)
Industrial Economies

Countries	Real Output* (% Growth)		Unemployment (% Rate)		Inflation (% Rate)	
	1999	1998	1999	1998	1999	1998
United States	4.2	4.3	4.1	4.3	2.7	1.6
Britain	2.7	1.3	5.9	6.2	1.8	2.8
Japan	1.4	-2.8	4.6	4.3	-1.1	0.6
France	2.4	3.3	10.6	11.5	1.3	0.3
Germany	1.5	2.1	10.2	10.7	1.0	0.5
Italy	1.0	1.3	11.4	12.0	2.0	1.5
Canada	3.7	3.1	6.9	8.0	2.6	1.0

*:The data show the percentage change in output for the twelve month period.

Source: The Economist and OECD Estimates

Financial Indicators in the International Markets
(End of 1998 and 1999)

Countries	Interest Rates (Short Term)		Exchange Rates (Per \$US)		Stock Market (Movement of Major Indices)	
	1999	1998	1999	1998	1999	1998
Industrial Countries						
United States	5.8	5.0	1.0	1.0	11160.2	9274.6
Britain	5.9	6.3	0.6	0.6	6702.1	5882.6
Euro Zone	3.5	3.3	1.0	0.9	1279.8	n.a.
Japan	0.1	0.5	104.0	116.0	18165.5	13842.2
Canada	4.7	4.7	1.5	1.5	7930.3	6430.1
Emerging Markets						
China	2.0	9.0	8.3	8.3	1498.1	1221.4
Hong Kong	5.8	5.6	7.8	7.8	15846.7	10121.4
South Korea	7.4	7.7	1135.0	1158.0	986.3	562.5
Indonesia	12.7	56.6	7195.0	7938.0	678.1	427.1
Brazil	16.3	29.3	1.9	1.2	16245.0	6784.0
Mexico	12.3	31.2	9.6	9.8	6764.3	3960.8
Venezuela	10.0	33.8	651.0	566.0	5370.8	4763.5
Russia	55.0	60.0	27.3	23.7	179.0	61.3
Argentina	7.9	15.2	1.0	1.0	532.7	430.1
Chile	5.0	18.1	5.3	4.7	5180.2	3594.8

Source: The Economist, the Financial Times, the Wall Street Journal.

US consumer debt as a share of household income reached a historic peak. However, the overall household balance sheet remained strong because household assets - primarily stock market equity - rose by an even faster rate, raising household net worth. The Federal Reserve Board kept interest rates steady at 4.75% during the first half-year of 1999. During the second half the Fed increased interest rates three times (to 5.5%) on its belief that the shrinking pool of available labour increased the risk of an acceleration in inflation. Between January and May, 1999, the dollar appreciated by 7.9% against the yen to reach 122.1 yen. Subsequently, concerns about the size of the US current account deficit and emerging evidence of a recovery in the Japanese economy led to a decline in the dollar/yen rate to 104 yen by year-end.

Real output in Canada grew by 3.7% in 1999, compared to an increase of 3.1% in the comparable period of the previous year. Industrial production rose by 5.8% over November 1998 as Canada, which exports 85% of its goods to the US, benefitted from exuberant growth in that country. Export growth, led by sales of machinery and automotive products, was also aided by a weaker Canadian dollar which has declined continually since 1997. The Canadian unemployment rate fell to 6.9% in December, the lowest rate recorded since the peak of the last economic cycle in 1989.

Europe

The British economy expanded by 2.7% in 1999, with most of the growth accruing in the services sector. The expansion in the economy led to a fall in

**Economic Indicators of Emerging Markets
(End of 1998 and 1999)
Emerging Markets**

Countries	Real Output (% Growth)		Inflation (% Rate)		Foreign Reserves (US\$bn)	
	Q3 '99	Q3 '98	1999	1998	1999	1998
China	7.0	6.8	-1.0	-1.5	154.0	141.1
Hong Kong	4.5	-7.1	-4.0	2.5	93.3	89.6
South Korea	12.3	-6.8	0.8	6.9	74.0	52.0
Indonesia	5.8 [#]	-17.4	1.3	82.4	26.2	19.0
Brazil	3.1 [#]	-0.1	8.4	3.2	40.4	41.2
Mexico	5.2 [#]	5.0	16.6	15.9	31.8	31.8
Venezuela	-4.5 [#]	-4.8	21.2	23.4	12.3	11.9
Russia	8.8 [#]	-9.9	62.0	52.2	8.5	7.8
Argentina	-4.1	-6.9	-1.8	0.6	21.8	24.0
Chile	-1.5	2.7	2.9	4.2	14.6	15.4

[#]: December 1999

Source: The Economist, the International Financial Statistics

the unemployment rate to 5.9% compared to 6.2% in the same period of 1998. The manufacturing sector remained somewhat depressed in the first half of the year due in part to a persistently strong pound which curtailed exports. However, in the latter half of the year the industrial sector recovered strongly in the face of rising domestic and international demand for British goods. The strong pound reduced economic activity in the industrial sector, which grew by 1.9% in 1999.

The economies of the Euro area grew by 2.3% in the twelve month period ending September 1999. The expansion was led by the peripheral economies of the Euro area such as Spain, Portugal and Ireland. Output grew more slowly in the "core" EU areas of Germany and Italy, where both economies expanded by 1.2%. Unemployment in these two countries, while falling, remained high at 10.2% and 11.4%, respectively. Since its inception, the Euro has generally fallen against the US dollar despite evidence of a recovery

Commodity Prices

Commodities	End of 1999	End of 1998	% Change for one year
Food			
(Index of Market Prices)	71.7	95.3	-24.7
Sugar*			
(US cents/pound)	6.2	9.2	-32.3
Bananas			
(US cents/pound)	17.5	19.6	-10.7
Rice			
(US \$/metric ton)	379.9	471.5	-19.4
Wheat			
(US \$/bushel)	2.8	3.4	-17.6
Soybeans			
(US \$/metric ton)	199.0	230.0	-13.5
Metals			
Iron Ore			
(US\$/metric ton)	27.0	29.6	-8.7
Copper			
(US cents/pound)	80.0	66.9	19.6
Gold			
(US \$/fine ounce)	282.9	291.7	-3.0
Silver			
(US cents/ troy ounce)	521.1	488.7	6.6
Petroleum			
(US\$/barrel)	23.6	9.8	14.0

* Brazil

Source: the International Financial Statistics



in the European economy and a half point increase in the interest rate by the European Central Bank in November. By the end of December it had fallen close to parity with the US dollar, a decline of about 15%.

Latin America

Real output in Brazil grew by 3.1% on an annualised basis compared to a decline of 1.9% in 1998. Despite a currency devaluation of almost 40% in January, the inflation rate was estimated at only 8.4% at the end of the third quarter of 1999. In Argentina, output fell by 4.1% in the twelve month period ending September as that country continued to experience negative effects from the Brazilian devaluation. The Argentine recession showed signs of bottoming out in the final quarter with industrial production falling by only 0.5%. In Mexico, output expanded by 5.2% in 1999 as the Mexican economy benefited from rising exports to the US. Short term interest rates fell compared to the first quarter of 1998, when fears of contagion from the Asian crisis led the Mexican authorities to raise interest rates to prevent capital outflows.

Asia

Underlining the region's recovery, the Asian Development Bank raised its growth forecast to 5.7% for 1999, compared to regional growth rates of 2.3% and 6.1% in 1998 and 1997, respectively. This economic resurgence was fuelled by strong exports, expansionary fiscal and monetary policies and the return of international capital.

Despite the general recovery in Asia, Japan remains delicately poised between halting growth and recovery. With ten successive spending packages since 1992, the Japanese economy finally showed signs of sustained growth in the first half of the year. Output expanded by 1.4% on an annualised basis in 1999 compared to a decline of 2.8% recorded in the previous year. However, the nascent recovery was threatened by a combination of stagnating consumption growth and the appreciation of the yen.

Nevertheless, net exports rose by 2.3%, led by strong exports to a recovering Asia, the United States and Europe.

In China, the economy expanded by 7% in the twelve month period ending September, up from the 6.8% growth in the comparable period of the previous year. This acceleration occurred despite a slackening in both state and foreign investment and the oversupply of most manufactured goods in the economy. Foreign investment flows slowed in the first nine months of the year to US \$29.2 billion, a decline of 6.8%. Deflation continues to plague the Chinese economy with the oversupply of domestic manufactured goods having resulted in 24 consecutive months of falling prices.

South Korea's GDP expanded by an astounding 12.3% in the twelve month period ending September 1999, despite the collapse of the country's second largest conglomerate, the Daewoo chaebol. This performance was due to a surge in exports which benefited from the won's decline in the previous year. There was a rise in industrial production of almost 24.1% for the year.

Commodities

Oil prices surged by over 100% during the year, with Brent crude reaching \$23.6 per barrel by the end of 1999. This rise was due to the combined impact of the OPEC states, Norway and Mexico to stick to agreed limits on production and falling stocks of crude in developed countries.

Heavy selling of gold stocks by Central Banks, coupled with weak investment demand led to a fall in gold prices during the first nine months of the year. Gold, which started the year at \$291.7 per ounce, fell to \$256.8 per ounce by the end of August 1999. In a bid to maximise income from gold sales European central banks agreed in late September to restrict gold sales and loans for five years. This move pushed the price briefly above \$330 per pound. However, subsequent sales by the Netherlands and



the UK once again depressed prices, as gold ended the year at \$282.9 per ounce.

Sugar prices remained depressed throughout the first nine months of the year, falling by over 20%

between January and the end of September. With the world market currently awash with surplus sugar, the International Sugar Organisation expects surplus stocks to account for half of world imports by the end of next year.



ADMINISTRATION

The Board of Directors

In November 1999, Dr. Marion Williams was appointed Governor of the Bank and Chairman of the Board for a term of five years. Dr. Williams is an officer of long standing in the Bank, having joined the staff from the Eastern Caribbean Currency Authority in 1973, and has distinguished herself as Economist, Manager, Adviser and Deputy Governor. Highly qualified in economics, accounting and banking, Dr. Williams has made significant contributions to the success of the Bank and to the management of the economy during her years at the Bank. She succeeds Mr. Winston Cox who left in April.

At the Independence celebrations of 1999 Mr. Stephen Emtage was knighted. For the longest serving member of the Board of Directors, this was the culmination of a career of the greatest distinction in the public as well as the private sector. The Board, management and staff of the Central Bank extend their warmest congratulations to Sir Stephen.

In 1998 the Board established an Audit Committee which became fully operational during 1999. This is a new feature for the Bank which will impact on both the internal and external audit functions

The Board met twelve times during the year.

Management and Staff

The Bank's staff continued to pursue further educational goals during the year including post-graduate degrees, diplomas, professional qualifications and a variety of certificates.

Mrs. Nola Bynoe-Mayers obtained an MBA in International Business and Mr. Anton Belgrave achieved a Masters in Economics. Mrs. Emelda Browne completed a B.Sc. in Economics and Management and Mrs. Juliet Hunte a B.A. in Linguistics. Mr. Roger Gumbs completed a CGA

programme. Mrs. Hyacinth Moore successfully completed the chartered Secretaries and Administrators programme while Mr. Denis Graham obtained the Executive Diploma in Management Studies. Mr. Ian Cumberbatch and Mr. Mark Blenman gained the Executive Business and Security Certificate.

Members of staff also attended a variety of computer related in-house training courses as well as other one day seminars.

During 1999 five Clerical Officers; four Security Officers; two Analyst/Programmers; two Assistant Analyst/Programmers; one Investment Analyst; one Research Officer and one Secretary I joined the permanent establishment of the Bank.

Eleven officers received promotions during the year: Mrs. Terry Gittens-Jordan was promoted to the post of Senior Currency Officer; Mrs. Magna Kirton to the post of Banking Officer and Miss Michelle Johnson and Miss Margaret Phillips to the post of Currency Officer, all in the Banking and Currency Department. Other promotions were Mrs. Emelda Browne and Miss Jennifer Clarke to the post of Statistical Officer in the Research Department; Mr. Kevin Greenidge to Senior Economist, also in the Research Department; Mrs. Kimberley McDonald to Human Resource Officer; Mr. Roger Gumbs to Examiner in the Bank Supervision Department; Miss Hazel Weir to Exchange Control Officer and Mr. Peter Rochester to Senior Analyst/Programme in the M.I.S. Department.

One of the longest serving members of staff, Miss Muriel Saunders, Deputy Director of Statistics, retired from the Bank during the year. Also retiring were Miss Greta Goodridge, Mrs. Cleotha Stapleton-Brown and Mr. Carl Moore.

In addition to the departure of Governor Winston Cox, there were six resignations from the Bank during the year.



At December 31, 1999 the number of established posts was two hundred and sixty-three of which two hundred and twenty-one were filled by permanent employees and forty-five by temporary appointments.

Public Affairs

The Year 2000 (Y2K) Programme

The Year 2000 computer awareness programme continued for the entire year with regular announcements in both the print and electronic media. From July 1 to December 31 the Bank's countdown clock appeared on the nightly television news from Monday to Friday and, in April, the Bank won an award for "*The Most Innovative use of the Media*" in the Barbados Society of Marketing Professionals 1998 awards competition.

The Bank sponsored a seminar for Barbadian small business and, with Clico Mortgage and Finance Corporation, sponsored a highly successful seminar, "The Year 2000 and the Legal Issues" at Sherbourne Centre on May 12.

The Public Affairs Section also lent strong support to the Bank's Y2K Command Centre, set up during the last month of the year.

Frank Collymore Literary Endowment

The awards ceremony of the Bank's latest outreach

programme, the Frank Collymore Literary Endowment, took place on March 13 in the Grande Salle. In the presence of a standing-room-only audience, poet Margaret Gill took the first prize of a grant of \$10,000. Second prize went to Dana Gilkes and third to Charmaine Gill. At year end, the second round was well on its way, with a response entry even larger than that of the first year.

Sir Winston Scott Lecture

Outstanding Caribbean scholar, Professor Gordon Rohlehr, delivered the 24th Annual Sir Winston Scott Memorial Lecture at the Frank Collymore Hall on November 22. His subject – "George Lamming and Kamau Brathwaite: Nationalists, Caribbean Regionalists, Internationalists" – attracted a large and enthusiastic audience which included Professor Brathwaite.

Schools' Programme

The Schools' Programme, "The Economy of Barbados", completed another successful year – the fifteenth to date – as the Bank continued to enlighten and educate fifth and sixth formers and students of some tertiary institutions on the functioning of the Barbadian economy. The Bank's economists and other resource persons delivered several lectures to a number of groups in the Training Centre.

OPERATIONS

Accounts Department

The net operating surplus for financial year ended December 31, 1999 was \$359,447. Current income totalled \$37.5 million and represented a decrease of \$3.1 million. This decrease is attributed to lower holdings of local assets and lower international interest rates. Income earned on Advances to Government under the Ways and Means Facility amounted to \$14,681, as Government maintained a net credit for balance most of the year. Current expenditure totalled \$37.1 million and represents a decrease of \$2.7 million compared with 1998.

During the year, the Bank received \$4.8 million in respect of interest on balances under the CMCF Agreement and \$4.4 million in principal repayments. At December 31, 1999, the cumulative principal repayments received under this facility amounted to \$71.2 million.

The Board of Directors, with the approval of the Minister of Finance, appropriated \$359,447 to the Consolidated Fund.

Annexed to this report are the Balance Sheet of the Central Bank of Barbados as of December 31, 1999, the Profit and Loss Account, the Profit and Loss Appropriation Account, the Auditors' Certificate and the explanatory notes.

Banking & Currency Department

Relationships with Financial Institutions

During the first quarter of 1999, excess cash holdings in the banking system were relatively high, peaking at an average of \$82.6 million for the month of January. The average excess cash holdings for the first quarter amounted to \$50.2 million. For the second quarter, excess liquidity peaked during the month of May with an average of \$71.2 million. The average for that quarter was \$55.7 million.

The excess cash in the banking system declined steadily from the end of the third quarter, with the average for the month ended September 30, 1999 at \$13.1 million. Consequently, temporary advances to commercial banks increased steadily from the third quarter. The outstanding balance at December 31, 1999 amounted to \$15 million.

The facility of \$9.5 million, which was originally extended to the Barbados Development Bank, remains outstanding as at end of the year. It is now the liability of CRL, one of the successor institutions.

Public Debt

Long Term Securities

During 1999, \$113.1 million in long term government securities matured. The Central Bank, on behalf of Government opened two issues of Treasury Notes and four issues of Debentures, with a total nominal value of \$170 million for subscription. There were forty-nine transfers of securities representing a turnover of approximately \$2.4 million.

At the year end, local long term government securities outstanding were approximately \$1.8 billion and the market value of the Sinking Fund was at \$186.1 million.

Savings Bonds

In 1999, two issues of Savings Bonds matured totalling a nominal value of \$7.5 million. Three new issues were raised with a total nominal value of \$19.5 million. At the year end, the nominal value of savings bonds outstanding stood at \$100 million.

Relationships with Government

Treasury Bills

There were twenty-three issues of Treasury Bills during the year. In April 1999, the Accountant General, on behalf of Government, introduced a six month maturity Treasury Bill in addition to the three month Treasury Bill. For the majority of the year issues were oversubscribed. The average tender rate



Foreign Currency Transactions
(S'000)

	Sales		Purchases	
	1998	1999	1998	1999
Non Regional				
DM/EURO	1,933	1,675	141	83
CAN\$	11,060	8,735	811	2,048
GBP	55,039	64,086	21,860	3,756
US\$	361,318	355,428	310,493	449,271
Sub Total	429,350	439,924	333,305	455,158
Regional				
BES	144	249	1,793	1,907
EC\$	94,998	99,559	82,812	69,719
GUY\$	11,454	17,391	984	3,111
J\$	39	63	441	995
TTS	3,323	2,781	9,546	6,505
Sub Total	109,953	120,043	95,576	82,237
Total	539,308	549,967	489,439	537,395

Source: Central Bank of Barbados

Purchases of Foreign Currency Notes
(\$ Million)

Currency	Amount Redeemed (\$ Million)	
	1998	1999
US\$	34.6	28.4
GBP	32.9	31.6
CAN\$	6.2	4.5
DM	3.0	1.7
Subtotal	76.7	66.3
EC\$	2.8	2.4
Total	79.5	68.7

Source: Central Bank of Barbados

for the ninety day maturity bills peaked at 6.05% p.a. for the issue dated December 24, 1999. For the six month maturity bills, the peak rate was 6.57% p.a. for the issue dated May 27, 1999.

During the year, three issues of Treasury Bills were under subscribed; the Central Bank took up shortfalls totalling \$40.7 million in March 1999. The Bank also tendered for, and was allotted, \$104.01 million at various times during the year.

Purchases and Sales of Treasury Bills

In 1999, purchases from commercial banks totalled \$210.5 million and sales were \$223.8 million. At the beginning of the year, the Bank held \$19.5 million in Treasury Bills.

The Bank's average holding was \$32.9 million during of the first quarter, \$2 million during the second, \$43



million during the third and \$29.8 million during the last quarter. At year end the Bank held \$19.5 million in Treasury Bills.

Ways and Means

The Ways and Means account of Government fluctuated during the year, peaking at \$117.1 million in October and closing the year at \$63.1 million.

Trading in Foreign Currencies

Non-Regional

There was a marginal increase (0.19%) in the sale of foreign currencies compared to 1998. This was primarily due to the decline in sales in U.S. and Canadian dollar denominated transactions; sale of Canadian dollar denominated drafts and telegraphic transfers declined by 21%, whereas there was an increase of approximately 16% in Pound Sterling transactions.

Purchases increased overall by 9.6%, and there was an increase of 36.5% in purchases of the non regional currencies. Purchases of Canadian currency increased by 250%, and those of Sterling and US by 17%.

Regional

There was more than a three fold increase of trades in the Guyana dollar. Purchases declined by 15% and 21% respectively in transactions denominated in Eastern Caribbean and Trinidad and Tobago currencies.

There was an increase in sales of the regional currencies by approximately 9.2%. There was a significant rise in the sale of Guyana dollars (52%) and marginal expansions in the other currencies.

Trading in foreign currencies reflected a net sales position of \$56.1 million.

Foreign Currency Cash Transactions

During the year, \$68 million in foreign currency

notes were purchased representing a 13.7% decline from the previous year's purchases. Declines were registered in the purchase of pounds sterling, deutsche marks, the US dollar and the Canadian dollar.

Foreign Assets

At the end of the year, the Bank's holdings in foreign assets were US\$ 448.02 million, representing an increase of 5% from the previous year. The portfolio of short and medium term securities was approximately US\$ 176.5 million. Of this sum, Euro deposits amounted to US\$33.6 million, Treasury Bills US\$129.1 million, while foreign bonds and Repurchase Agreement, totalled US\$10.1 million and US\$3.7 million respectively.

Bank Supervision Department

The principal focus of the Bank Supervision Department in 1999 continued to be an assessment of the preparedness of financial institutions for the century date change. The Department's assessment programme for financial institutions was subject to an external review by an international professional service firm. The review found that the programme was largely in compliance with international best practices but made some recommendations which enhanced the Department's initiatives in this regard. Following up on the work which was undertaken in the two previous years, the Department undertook a second round of onsite examinations of onshore institutions and a second survey of offshore banks. Since financial institutions were at an advanced stage of preparation at the start of the year, much of the Department's work focused on the development of contingency plans by licensees to ensure that there would be minimal disruption of services in the event of any system failures. The Department participated in the Central Bank's command centre to ensure that there would be continuous contact with institutions during the rollover period. This period passed uneventfully and all institutions have reported that all systems have continued to function without



disruption. The Department maintained contact with regional and international supervisors on issues related to the century date change.

Apart from its Year 2000 inspections, the Department undertook four onsite examinations of financial institutions. In all instances, examinations were focused on specific issues at these institutions. The Department continued to undertake quarterly offsite reviews of the financial institutions for which it has regulatory responsibility. In an effort to improve the timeliness of the report arising out of the quarterly review, the Department only reported on those institutions where specific concerns existed. All information submitted by institutions was, however, still subject to a full analysis. The Department also analysed the audited financial statements of 42 offshore banks, 5 commercial banks and 10 non-bank financial institutions. The Department continued its practice of meeting with the directors of offshore banks and conducted 27 such meetings during the course of the year.

The Department processed 13 applications for offshore banking licences during the course of the year. By year-end five new licences had been granted, one application was withdrawn and seven applications were at various stages of processing. A request for voluntary liquidation by one offshore bank was approved and the bank ceased operations during the course of the year. At the end of the year there were 47 offshore banks and 21 onshore financial institutions licensed to operate in Barbados.

The Department continued to focus on staff training with emphasis on general on-site and off-site examination techniques, financial risk management and internal controls, auditing in a computerised environment and mutual evaluation techniques. The Department provided a training opportunity for an officer of the Grenada Financial Services Authority through a two week attachment during which time she was exposed to the Department's approach to the regulation of financial institutions.

The Department devoted considerable time to the drafting of comments for the proposed new legislation for the offshore banking sector. These recommendations were guided, in part, by growing international concerns about offshore financial centres and the need to attain compliance with the Core Principles of Banking Supervision. These 25 principles were developed by the Basle Committee on Banking Supervision in 1997 in an effort to define the conditions necessary for the establishment of an effective supervisory system. The principles cover the following areas:

- preconditions for effective supervision;
- licensing and structure;
- prudential regulations and requirements;
- methods of on-going bank supervision;
- information requirements;
- formal powers of supervision; and
- cross-border banking.

The Department continued to play an active role in the work of regional and international bodies, including the Caribbean Group of Bank Supervisors, the Offshore Group of Bank Supervisors and the Caribbean Financial Action Task Force (CFATF). The Association of Banking Supervisors of Latin America and the Caribbean of which the Central Bank was a member, was replaced by the Association of Banking Supervisors of the Americas. The Central Bank has joined this new body which for the first time in its history has opened membership to Canada and the USA, which have both indicated their intention of joining. The Department participated in a Mutual Evaluation of The British Virgin Islands under the CFATF by providing a financial expert on the examination team. These examinations assess the adequacy of the anti-money laundering infrastructure of Caribbean territories.

Interaction with the Department's various publics continued in 1999. Apart from regular meetings with officials of financial institutions, presentations on the Department's activities were made to professional

service providers and students from a number of educational institutions including the School of Continuing Studies of the University of the West Indies, Florida International University and Florida State University.

The Department continued to represent the Bank on the Sub-Committee on Services of the Technical Committee on External Trade Negotiations, the Mutual Funds Advisory Committee, the Bank Card Task Force and a Year 2000 Committee comprising local bankers.

The Department continued to host a forum of local regulators which includes the Office of the Supervisor of Insurance, the Division of International Business, the Corporate Affairs and Intellectual Property Office, the Cooperatives Department and the Securities Exchange of Barbados.

Exchange Control Department

During the year an evaluation of the Exchange Control regime in the context of the commitment to a gradual process of liberalisation was conducted. However, there was no further liberalisation of exchange controls.

Actual registered inflows of private foreign investment totalled BDS\$162.5 million in 1999 as compared to BDS\$169.4 million in 1998. Real estate and loan capital inflows still represented a significant portion of the private foreign investment inflows.

Export receivables for the year 1999 were BDS\$308.1 million as compared with BDS\$328.9 million in 1998. Export receivables statutorily due increased from BDS\$70.6 million in 1998 to BDS\$93.8 million in 1999. However, an amount of BDS\$53.5 million in respect of sugar receipts, was in the banking system but the documentation was not received until January 17, 2000.

Export Credit Insurance and Guarantees Department

During the year the Export Credit and Guarantees Department provided insurance coverage for exports totalling \$1.11 million, as compared to \$1.18 million in 1998. Coverage to Jamaica declined by 36% due to a reduction in orders received, while coverage to Trinidad increased by 67% due mainly to the securing of new contracts by an exporter trading in spices. Coverage of exports to the OECS countries recorded a decline of 10% over the 1998 levels. The total maximum liability for insurance business underwritten during the year recorded a marginal change moving from \$2.43 million in 1998 to \$2.44 million in 1999. After adjustments for reinstatements, reductions and cancellations the total maximum liability at year end stood at \$1.95 million as compared to \$1.94 million at the end of 1998.

Small businesses continue to make good use of the Credit Guarantee Scheme for Small Businesses, despite a decline in the level of utilisation (17.48%) when compared to 1998. This could be attributed to a relaxation in the policies of commercial banks towards the granting of loans to small businesses without Central Bank assistance. Total lines of credit decreased from \$1,033,465 to \$852,782 during the year. The number of guarantees issued decreased from 24 to 17 and carried a total maximum liability of \$682,226 at year-end.

During 1999 five (5) Small Business Guarantee claim settlements totalling \$111,224.03 were made in respect of defaults of \$129,043.00.

Barbados Investment Fund

During the financial year ended August 31, 1999 the Barbados Investment Fund approved two new investments totalling \$1.3 million. This brought total investments to \$9.6 million in 26 projects since the Fund commenced operations in 1992.

In 1999, investment activity remained low as the



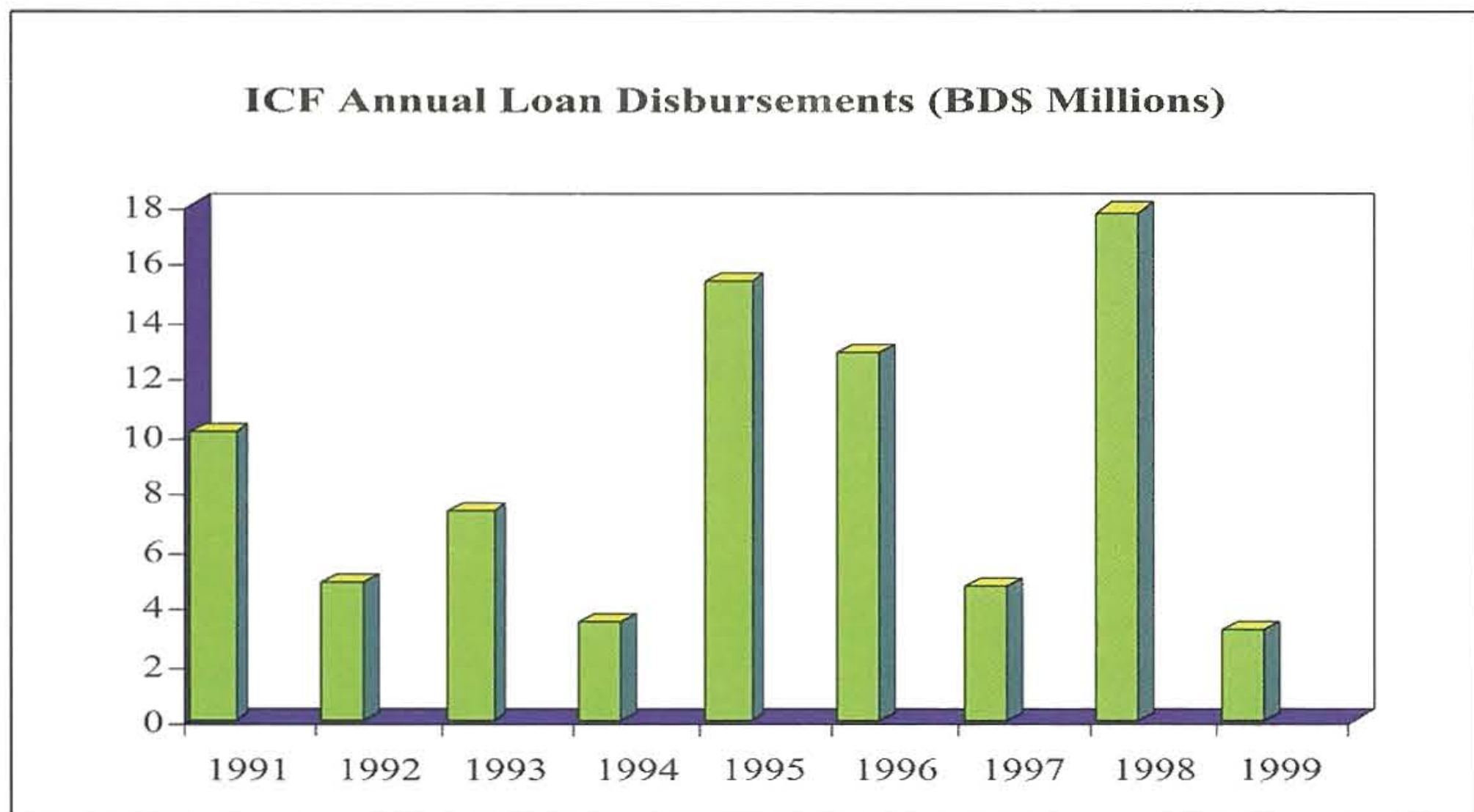
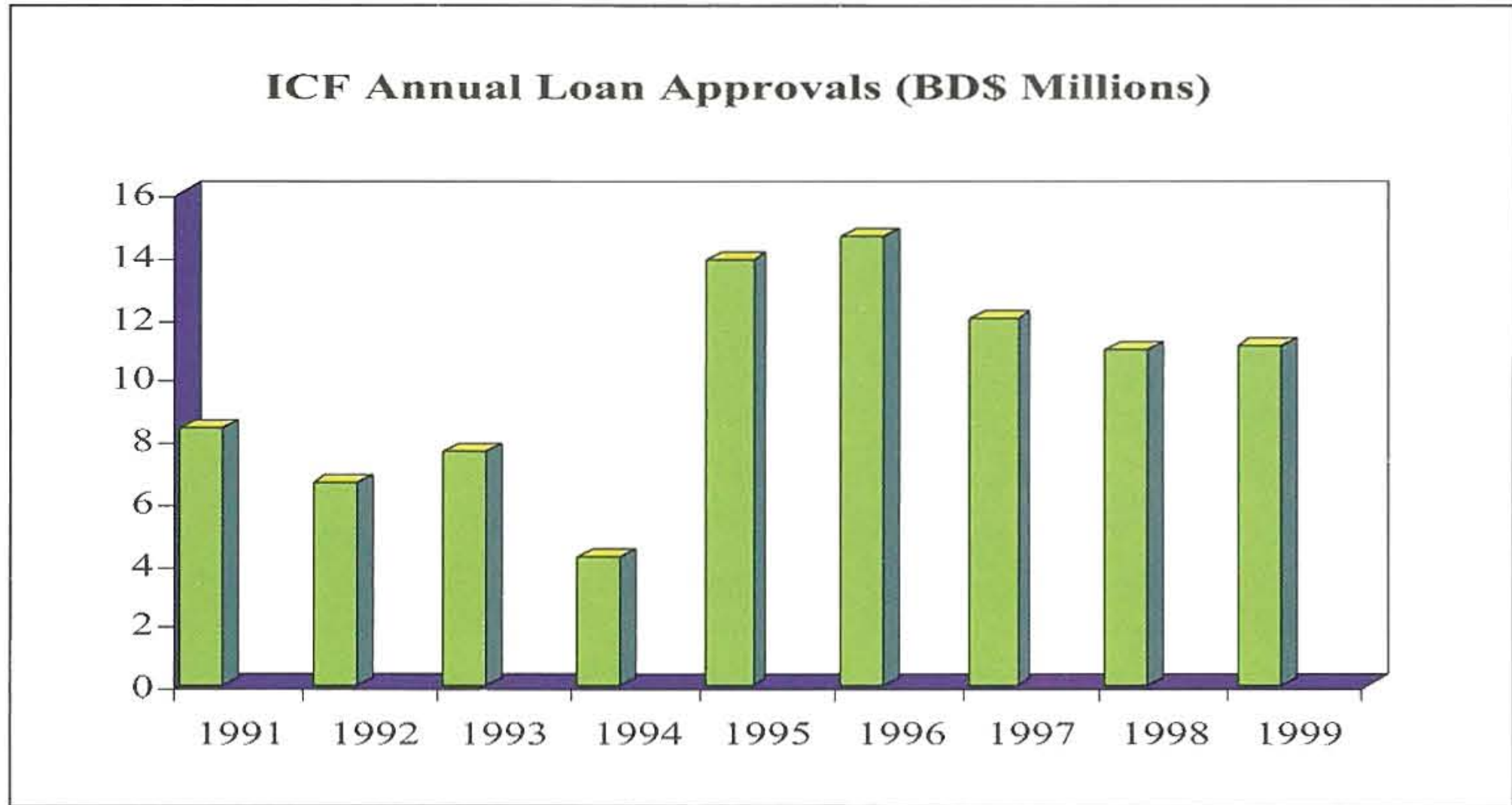
Export Credit Insurance and Guarantees
(\$ Million)

	1998	1999
Export Credit Insurance:		
Maximum liability at year end	1.94	1.95
Post-shipment financing cover provided during the year	0.22	0.07
Value of goods insured during the year	1.18	1.11
Claims paid	0.04	-
Recoveries	-	-
No. of Policies in force at year end	7	6
Export Finance Guarantee:		
Maximum liability at year end (pre-shipment)	-	0.03
Maximum liability at year end (post-shipment)	0.14	0.07
Total lines of credit for the year (pre-shipment)	0.17	0.04
Total lines of credit for the year (post-shipment)	0.25	0.08
No. of Guarantees in force at year end	1	1
Small Business Guarantees:		
Maximum liability at year end	0.83	0.68
Total lines of credit for year	0.03	0.85
Claims paid	0.13	0.11
Recoveries	0.002	0.004
No. of Guarantees in force at year end	24	17

Source: Central Bank of Barbados

Fund Manager continued to be very selective in investments. During the year, current investments were written down by \$115,000 as compared to \$1.0 million in the previous year. The Fund disposed of two investments during the year thereby realising a net gain of \$225,148. The Fund Manager reported that for the year ending August 31, 1999 the investment portfolio performed moderately well even though four or five projects showed little sign of advancement. The investment portfolio was valued at \$6.1 million at the end of the period.

The Fund reported an operating surplus of \$347,695 for the year ended August 31, 1999, as compared to \$62,991 for the previous year. The main factor contributing to the increased revenue was the gain of \$225,148 on the sale of two investments. The Fund continued to meet its administrative costs through income from investments, dividends and bond interest. These revenue streams will grow stronger as the Fund matures and the individual projects generate higher levels of cashflow.



Industrial Credit Fund

After reaching record levels in 1998, the value of disbursements declined significantly during the year. However, the value of loan approvals was slightly above the level in 1998. The reduced liquidity in the commercial banking system did not result in an

expected increase in demand for ICF funding as many of the projects financed by the banks were not eligible for ICF funding.

The ICF approved ten applications totalling \$11 million in 1999 compared to seven loan applications



Key Indicators of ICF Operations
((\$Million))

Indicators	1992	1993	1994	1995	1996	1997	1998	1999 ^(P)
Loan Approvals	6.6	7.6	4.2	13.8	14.6	11.9	10.9	11.0
Loan Disbursements	4.8	7.3	3.5	15.4	12.9	4.7	17.8	3.6
Principal Repayments	4.3	7.6	4.0	5.4	6.0	3.8	8.3	4.7
Loans Outstanding	22.5	22.1	21.0	30.8	37.6	20.6	30.1	29.0
Net Income	3.6	1.9	1.8	2.4	2.6	2.0	2.2	2.1
Capital Inflows	4.8	6.9	0.37	1.9	0.0	0.0	0.0	0.0
Net Worth	42.0	51.0	54.0	57.6	59.6	61.1	62.5	63.6

P: Provisional

Source: Central Bank of Barbados

totalling \$10.9 million in 1998. Cumulative approvals increased to \$120.8 million, while new disbursements of \$3.6 million increased net cumulative disbursements to \$112.0 million. Tourism accounted for most (\$8.4 million) of the new approvals, while the remainder went to manufacturing (\$1.6 million) and agro-industry (\$1 million). The balance of loans approved but undisbursed stood at \$8.7 million at year end.

Principal repayments received during the year amounted to \$4.7 million, bringing total cumulative repayments to \$83 million at December 31, 1999. The overall loan and investment portfolio declined by \$1.2 million to \$59.9 million at year-end.

After making provision of \$1.2 million for the repayment of principal and interest on the European Investment Bank loan, the ICF's net worth increased to \$63.6 million, compared to \$62.5 million at the end of 1998. Net income has been provisionally estimated at \$2.1 million for 1999.

The operations of the Livestock Development Project were transferred from the ICF to the Rural Development Commission during the year.

Human Resources Department

During 1999, the Human Resources Department conducted Job Analysis and Human Resources research to ensure that the Bank's Human Resources Management practices conformed with the evolving needs of the Bank. Recruitment and selection procedures were enhanced and included structured interviewing, assessment profiling, aptitude testing and post-interview briefing.

The Department also played an integral role in the preparation for Y2K rollover, ensuring the availability and re-training of staff to meet a contingency mode of operation. In an effort to upgrade the Bank's Human Resources Information System, the Department provided the Management Information Systems Department with Input/Output Specifications designed to quickly fulfill the Human Resources Management information needs of the Bank and facilitate human resource planning decisions.

The Department's consultative and advisory role gained recognition and support as the year progressed. A model for participative management was adopted by all directors and heads of Department and revisions to the Performance Appraisal commenced.



The year ended with the Bank and the Barbados Workers Union engaged in negotiations to effect new salaries and to agree to a consolidated and comprehensive set of policies and provisions to govern industrial relations.

Internal Audit Department

In 1999, in addition to the conduct of audits of crucial areas of the Bank's operations, the Internal Audit Department devoted resources to Project 2000 - the Bank's internal Year 2000 Project. Two members of staff were assigned to the audit of this project and worked continuously, auditing and reviewing the departmental Y2K contingency plans and the Bank's Y2K preparedness.

A Senior Examiner assumed management of Project 2000 following the departure of the previously appointed manager.

Other crucial systems reviewed and/or audited related to Security and Maintenance, the Central Purchasing, Prophecy Classic system and SWIFT. All systems rolled over smoothly into the new year.

Training of Internal Audit staff continued in 1999 with the Bank hosting two courses - A CEMLA sponsored course entitled "Internal Auditing and Information" and the Institute of Internal Auditors' Seminar on "Internal Controls and an Introduction to Control Self Assessment". Participants from regional Central Banks attended the CEMLA Course, while staff from other departments in the Bank participated in the second course. Both courses were informative, instructive and were well received.

Management Information Systems Department (MISD)

Nineteen ninety-nine was a very challenging year for the MISD. The Department recognised that the majority of its resources had to be devoted to the Y2K readiness effort while still pressing ahead with its responsibilities in the other critical areas. In

accordance with international practices to facilitate the Y2K readiness effort, it was decided that the development of new applications would be severely curtailed. This resulted in a decision to develop only the Savings Bond System and the Personnel Phase II System.

A steering committee for Information Technology (IT) was established to provide guidance to the MISD in the deployment of IT to improve the efficiency and effectiveness of the organisation. This committee comprises the Deputy Governor - Operations, Bank Secretary, Director - Internal Audit Department, and the management of the MISD. Its role includes the following:

- Monitoring the Information Technology Strategic Plan to ensure compliance with the corporate plan and overall corporate requirements.
- Managing the information systems project portfolio, setting priorities for the development of information systems, allocating the necessary resources, and monitoring the progress of each project against the objectives and budget.

On the eve of the twenty-first century, it was necessary to upgrade the following aspects of the Bank's IT infrastructure to effect the smooth transition into the new century. These changes include:

- A new networking infrastructure based on the use of Asynchronous Transfer Mode (ATM) and Gigabit Ethernet on the backbone,
- Shifting Graphical User Interface (GUI) software,
- An Internet infrastructure deploying Lotus Notes for both internal and external e-mail as well as access to the Internet,
- In addition, a strategic decision was made to move to the Microsoft suite of office



products. This will result in the use of Word and Excel as the official wordprocessing and spreadsheet applications in the year 2000.

Systems Administration and Technical Support (SATS) Section

Under the umbrella of the SATS Section, the following was accomplished:

- Upgrading and testing of the Bank's hardware and software to ensure Y2K readiness.
- Updating of the Department's Disaster Recovery and Contingency Plan.
- Establishment of an organisational-wide E-mail facility based on the use of Lotus Notes.
- Establishment of a Laptop Pool as a mechanism for protecting and administering the usage of the Bank's portable computers.
- Upgrading of the CS-DRMS Debt Package under the SCO UNIX operating system.
- Configuration and administration of the SWIFT infrastructure.
- Acquisition, installation, configuration, and distribution of the new IT equipment (PCs, laptops, printers, etc.).
- Continuous improvements in the provision of the Department's Help Desk facility.
- User training in the following areas: Windows NT, Lotus Notes, WordPerfect, ProphecyOpen and PowerPoint.

Application Development and Maintenance (ADM) Section

Under the umbrella of the ADM Section, the following were accomplished:

- Upgrading and testing of the Bank's applications to ensure Y2K readiness.

- Formulation of Application Development Standards to facilitate the development of windows-based rather than character-based Ingres applications.
- Development of the Savings Bond System as a windows-based Ingres application.
- Analysis, design, and prototype of a new Personnel System.
- Establishment of a GUI Prophecy environment (ProphecyOpen) to replace the character-based Prophecy environment (Prophecy Classic).
- Maintenance and enhancements to existing applications

The Department's second annual seminar and exhibition were held in March 1999, with a theme "Strengthening Partnerships With Our Users". The Department also produced three documents: Internet Policy, Laptop Pool Policy and Application Development standards. The quarterly newsletter PC Headlines was also produced.

Internal Year 2000 Initiatives (Project 2000)

Overview

Over the last two years Project 2000 concentrated on making the Central Bank of Barbados Y2K ready. Our efforts have been very successful, to date we have had no disruptions in service. Project 2000, MIS, Internal Audit and all staff are to be commended for the tremendous effort involved.

All aspects of the generally accepted Y2K Project Phases namely, Awareness, Inventory, Assessment, Testing, Renovation, Implementation and Contingency Strategies were all completed prior to year-end. As a direct result, the Central Bank of Barbados experienced a smooth rollover into the year 2000. Our business partners have also reported glitch-free rollovers.

The Y2K Project Manager sat as a member of the National Y2K Technical Subcommittee. This



involved attending monthly planning and status meetings.

Discussions with the commercial banks resulted in a comprehensive year end plan which highlighted the Central Bank's services that would be made available to commercial banks for pre-event, event and post event eventualities.

Participation in both committees allowed the Central Bank the opportunity to be a part of the wider national Y2K efforts.

During 1999, there were both external and internal audits of Project 2000. Their reviews indicated that they were satisfied that Project 2000 followed internationally accepted best practices.

Training

During the course of the Y2K Project, committee members attended both local and overseas training courses/seminars.

Awareness

In this phase of the Project, emphasis was placed on monthly reports and presentations to the Board, newsletters, informal briefings, staff workshops, disclosure statements, papers and presentations to various audiences.

Newsletters were compiled and distributed by Project 2000 throughout the life of the Project. This helped to inform staff of departmental and project progress. From the feedback received staff welcomed the regular updates.

Disclosure statements were issued to stakeholders on a monthly basis and all tenants received a disclosure statement. These statements helped to reassure all parties of the Y2K readiness of the Bank. The Bank also issued a Year 2000 Readiness Statement on December 14, 1999. The booklet "*The Central Bank, the Year 2000 Challenge*" was issued to all

staff, the media and stakeholders in early December 1999. This can also be found on the Central Bank's website at [http:// www:centralbank.org.bb](http://www.centralbank.org.bb).

Several papers and presentations were delivered by project members during the course of the project. Some were done locally, others overseas.

Inventory

A detailed inventory of hardware, software, internally developed systems, inter-departmental interfaces and external interfaces was compiled. This enabled us to isolate the few Y2K non-compliant equipment in use in the Bank. The freeze placed on new system development has now been lifted. We will continue to abide by the Central Bank's Information Technology standard of using four-digit date fields.

Assessment

Our assessment of the entire inventory enabled us to move swiftly to remove or upgrade non-compliant specialised application software. We were also able to analyse all responses received from our business partners. In this way we kept abreast of the status of their Y2K projects.

Testing

All systems, hardware and software were successfully tested. The testing included User Acceptance Testing (UAT). Here the users did the testing in conjunction with the MIS test team and or vendors. This promoted user satisfaction and confidence in the systems.

Renovation

The Project 2000 team kept a close watch on vendor sites to ascertain any changes that needed to be done to the hardware or software. The upgrades that needed to be done on software or hardware were completed on schedule.

Implementation

It is the policy of the Central Bank to write-off all computer equipment at the end of four years. All non-



compliant systems fell within this time frame. Therefore it was easier to replace them at that point in time. All systems in the Central Bank are virtually new or under four years of age. This systematic replacement policy has helped us to contain the Y2K budget.

Contingency Strategies

Departmental contingency plans were completed. An Enterprise Plan was also done. All plans were tested by departments in the presence of Internal Audit and the Project 2000 Contingency Strategy Team.

Rollover Strategies

Rollover strategies were needed to ensure that a structured programme was in place to facilitate a smooth rollover into the year 2000. Each department prepared rollover strategies and these formed the basis of the Rollover Plan. During the period December 13 - 30, 1999, rollover and contingency strategy meetings were held with departments. The purpose of these meetings was to ensure that each staff member was aware of the plans and strategies for his department and the enterprise.

Command Centre

A Command Centre was established and put into operation from December 21, 1999. Two successful simulation exercises were carried out on December 8, 1999 and December 22, 1999. The Centre was officially closed on January 7, 2000. During its time of operation the Centre was used for monitoring Y2K events in New Zealand and other parts of the world, and handling calls from CERO, the Press, business partners and staff. On Saturday January 1, 2000 it was especially useful in receiving and analyzing departmental status reports and coordinating a joint press statement with the Bank Supervision Department.

Conclusion

The Year 2000 experiences have been very challenging and beneficial to the Central Bank of Barbados. The Bank has had no disruptions in service

and there has been no need to invoke contingency plans. Management and staff must be commended for a job well done. In the process we have derived several benefits which include:

- (1) The opportunity for the Bank to review and revamp its Business Recovery Plan;
- (2) The opportunity to prepare a detailed inventory of all computer-related assets;
- (3) The establishment of the ownership of business processes;
- (4) The establishment of the importance of good vendor management;
- (5) The awareness of the need for a formal Risk Management Programme in the Bank;
- (6) The writing of departmental contingency plans and an Enterprise Contingency Plan;
- (7) The collaboration and strengthening of relationships with commercial banks, government and private businesses, and the Bank's external customers in general;
- (8) The revamping and upgrading of the Bank's hardware and software;

The information systems, hardware and software have had a comprehensive workover and we are truly ready for the new century. Project 2000 has been successfully completed.

Research Department

During 1999, the Bank continued to utilise its various reports and statistical periodicals to disseminate information on economic matters to its various publics. The Research Department produced the *1998 Annual Report*, the *Economic Review* in June,



September and December, the *Annual Statistical Digest*, the monthly *Economic and Financial Statistics*, the *Balance of Payments of Barbados*, and quarterly *Press Releases* on current and future economic developments. Also, the Department continued with the Schools' outreach programme lecturing to 12 schools compared with 10 in 1998. In addition, the Department published its 1999 *Working Papers*.

The Annual Review Seminar, which was again conducted over 3 days, remained very popular with local and regional economists. Present were economists from the Eastern Caribbean Central Bank, the Central Bank of Trinidad and Tobago, the University of the West Indies, the University of the French Antilles (Guadeloupe Campus), the Ministries of Finance and International Business in Barbados, the Sir Arthur Lewis Institute of Social and Economic Studies (formerly the Institute of Social and Economic Research) and the Caribbean Development Bank. Papers presented over the first two days dealt with such issues as Motor Car Imports, Gender Sensitive Budgeting, Pension Scheme Financing, Risk Sharing, Dollarisation and Moral Hazard in the Banking Industry.

On the third and fourth days, there was an econometric workshop on time series modelling given by Chief Economist at the Bank, Dr. Roland Craigwell. In addition, there was a panel discussion, hosted by the Barbados Economics Society and the Central Bank of Barbados. It was entitled "An Evaluation of a Regional Economic Partnership Agreement between ECM and Cariforum" based on a paper by Dr. Shelton Nicholls of the UWI, St. Augustine Campus.

The Statistical Section continued to develop the statistical database within the AREMOS software, while at the same time encouraging other users to access the facility. During the year the stage was reached where all tables in the *Economic and Financial Statistics* and *Annual Statistical Digest*

were produced directly from the database.

The Statistical Section undertook a two-week training course in AREMOS to expose participants to the more technical aspects of the software. Following this, an AREMOS database system was successfully implemented for the Maintenance Department to monitor the usage of various utilities.

Apart from the general operational activities of the Library, the main focus during 1999 was the upgrading of the Bank's Internet site. In March an Internet Planning Committee met with the web-site administrator to discuss various revisions for the site. Proposed revisions include: a what's new page, a frequently asked questions page, selection of statistical tables, schedules for the Frank Collymore Hall and a smaller segment targeted at students studying economics at the introductory level.

A one-day seminar sponsored by the Library Association of Barbados was held in September 1999, at which both Librarians presented papers. The papers were "Professional Networking: Avenue for Image Building", by Aldeen Payne and "Cataloguing: A Futuristic Approach", by Angela Skeete.

Publications by Central Bank Economists during 1999

"The Role of the Central Bank of Barbados in the Field of Statistics and the Barbados Economy", by Daniel Boamah, in *Bulletin of the Irving Fisher Committee on Central Bank Statistics*, No. 5, October, 1999.

"Bank Fragility in the Caribbean", by Roland Craigwell and Tracy Polius, in *Social and Economic Studies*, Vol. 47, Nos. 2 & 3, June - September 1999.

"The Determinants of the Capital Structures of Listed Companies on the Securities Exchange of Barbados", by Roland Craigwell and André Murray, in *Money Affairs*, Vol. XII, No. I, January - June 1999.



“An Overview of Current Labour Market Programmes in Barbados”, by Roland Craigwell and Suzanne Stumpp, in the Bank’s *Economic Review*, Vol. XXVI, No. 1, June 1999.

“The Performance of the Securities Exchange of Barbados”, by Roland Craigwell and Christelle Grandbois, in *Savings and Development*, Vol. XX, No. 4, 1999.

“Report on the Human Development Index”, by Jennifer Griffith, in the Bank’s *Economic Review*, Vol. XXVI, No. 3, December 1999.

“The Growth Potential of Trade Among Developing Countries: Insights for CARICOM” by Denny Lewis-Bynoe, in *The Journal of Eastern Caribbean Studies*, Vol. 24, No. 3, September 1999.

“A Case Study on Vulnerability Groups: The Impact of Trade Regulations on Women in the Caribbean” by Denny Lewis-Bynoe, in *Labour Market Issues in the Context of Economic Integration and Free Trade - A Caribbean Perspective*, Edited by Willi Momm, International Labour Organisation, Caribbean Office, 1999.

“A Note on the Measurement of Construction Activity in Barbados” by Denny Lewis-Bynoe, in the Bank’s *Economic Review*, Vol. XXVI, No. 3, December 1999.

“Estimating Real Value Added in the Construction Sector of Barbados”, by Adrian Carter and Peter Whitehall, in the Bank’s *Economic Review*, Vol. XXVI, No. 3, December 1999.

Papers Presented at Conferences during 1999

“The Role of the Central Bank of Barbados in the Field of Statistics and the Barbados Economy”, by Daniel Boamah, the 52nd Meeting of the International Statistical Institute, Helsinki, Finland, August.

“Social Partnerships in Economic Development: Lessons from the Barbados Experience”, by Harold

Codrington, the 10th Annual Convention of the Congress of Political Economists International, Tallin, Estonia, July.

“An Aggregate Forecasting Model of the Government Sector in Barbados”, by Roland Craigwell, 19th Annual International Symposium on Forecasting, Washington, U.S.A., June.

“Comments on Commercial Bank Efficiency in the Caribbean”, by Roland Craigwell, Caribbean Centre for Monetary Studies Seminar, Trinidad, November.

“Lectures on Econometrics for Central Bankers”, by Roland Craigwell, CEMLA Course, Jamaica, November.

“The Impact of Regulatory Measures on Commercial Bank Interest Rates: A Micro Analysis of the Barbadian Case”, by Kevin Greenidge, the 47th International Atlantic Economic Society Conference, Vienna, Austria, March.

“A Study of Motor Car Imports in Barbados”, by Trevor Campbell, the 48th Conference of International Atlantic Economic Society, Montreal, Canada, November.

“The Potency of Monetary and Fiscal Policies in Caribbean Countries: A Cointegrating VAR approach”, by Alwyn Jordan, the 31st Annual Caribbean Centre for Monetary Studies Conference, Suriname, October.

“The Advantages of the Euro as a Public Debt Instrument”, by Marion Williams, presented at CAIC Conference on Caribbean Public Sector, Regional Trade and Monetary Policy, Trinidad, October.

“The Challenges of Developing an Integrated Capital Market in the Caribbean”, by Marion Williams, prepared for the ISER Conference commemorating its 30th Anniversary, Barbados, January.



Secretariat

Frank Collymore Hall

The Frank Collymore Hall completed a major part of its refurbishing programme in 1999; make-over of the lobby, refitting of the meeting room, repairs to the Instrument Room and dressing rooms and the replacement of stage doors left and right. The seats in the auditorium were re-upholstered as well. This was in keeping with the Hall's efforts to maintain its place as the premier performing arts facility in the country.

Services & Maintenance

Services

During 1999 a Central Purchasing System was implemented in an effort to reduce the cost of services and supplies and improve efficiency in the processing of the related documentation. There were significant improvement in both areas. Measures are in train to deal with residual problems to enhance the efficient management of the system.

A Procedural Manual which will detail the operations of the Section was in preparation for some time but will become a reality shortly. Besides providing daily guidance to existing officers, it will also serve as a critical orientation tool for new recruits.

Maintenance

The wide and varied projects stretched the Section's resources. As a result, a number of projects were deferred. A pooling of resources allowed for a smooth functioning of the Bank with minimal staff dislocation.

Some of the major projects executed were:

- ATM/PABX Cabling
- FCH Refurbishment
- Cleaning and Sealing of Exterior Walls
- Downlighters & Carriage Way Ceiling
- Landscaping
- Carpet and Workstation Replacement
- New UPS System
- Central Purchasing Store Room
- Electronic Security & Surveillance System

These will provide for:

- Speedier network response times
- Improved internal and external communication.
- Improved security
- Ergonomically friendly internal environment
- Aesthetically pleasing external environment.

The Network/Duct/PABX System was completed at the end of November 1999. This was the largest individual project. The benefits of this project include faster network, Internet access and a state of the art telephone system including video conferencing.

The external environment was considerably enhanced through refurbishment of the landscaped areas which commenced during the latter half of the year. After some setbacks the project is close to completion.

In keeping with the policy of providing an ergonomically sound environment, the phased replacement of workstations and carpet commenced in 1999. With the establishment of the Human Resources Department, office accommodation was provided on level 7 with minimum discomfort to staff during relocation.

In keeping with the Strategic Plan, internal and external environmental monitoring committees were established.

Security Services

By the end of the year the new electronic security system had been almost completely installed and other security enhancements implemented. An in-house training programme on the new computerised system for security officers continued throughout the year. There were three additions to the security staff, bringing it to its full complement, thereby enabling better coverage of the Bank and its employees.

External training continued with attachments of two officers to the Central Bank of Trinidad and Tobago. All officers were further enrolled in a self-training course offered from the U.K. and some successfully



completed the course on security offered by the UWI School of Continuing Education.

Central Bank Plans for 2000

Accounts Department

The Department proposes to convert accounting modules from a text to a graphical user environment and upgrade the data entry process from delayed batch to on-line real time. This change-over will provide external users with access to databases and improve data management and retrieval. The existing centralised purchasing system will be integrated with the accounting modules, in order to maximise benefits from centralisation and improve cost management.

The Bank proposes to review the Financial Rules and ensure, where applicable, consistency with International Accounting Standards.

The Clearing Housing and Automated Payment Systems, and Data Imaging Solutions will be advanced in the coming year, as the Department plans to be more technological driven to meet the increasing demands of its external users.

Banking and Currency Department

The challenges facing the Banking and Currency Department during the new year will centre around training to improve both the technical and managerial skills of the department's officers. This will ensure continued improvement in financial risk assessment and in the general management of the operations.

The relatively low interest rate environment, particularly in our major markets, will also prove quite a challenge as we seek to optimise the return on foreign assets, as well as on pension and sinking funds.

The Department intends to intensify training in the

SWIFT payment system to maximise the benefits from this very secure payments system. Computerisation of the operations will continue with the testing of the additional modules of the Savings Bond System and currency operations.

The Department will seek to ensure the timely quarterly publication of the Capital Markets Monitor and also to develop a benchmark to gauge the performance of its investment portfolios. The Department will seek to improve its overall efficiency by providing its customers with timely accurate information.

It will also seek to assist in the general enlightenment of the Bank's several publics by hosting appropriate seminars and contributing articles to business newsletters and to other specialised magazines and newspapers.

Bank Supervision Department

With a smooth and uneventful passage into 2000 by all licensed financial institutions the Department will be able to move its focus away from issues related to the century date change. Resources will therefore be available to undertake onsite inspections of financial institutions, focusing on more conventional safety and soundness issues. The Department will continue to devise mechanisms that will assist it in undertaking risk based examinations while maintaining an appropriate focus on all institutions. There will also be the continuing challenge of adapting examination methodologies to the changing environment in the financial sector. This will require a continuous review of the products and practices of financial institutions and an examination of the supervisory approaches recommended by international best practices. The Department will continue its quarterly analysis of financial institutions, its review of annual audited financial statements and its meetings with directors of offshore banks.

The Department will continue to provide appropriate training opportunities for its staff. It will participate

in the ongoing regional training programmes for bank supervisors and will continue to focus on training in risk-based supervision and electronic data processing examinations.

The Department will continue to address the appropriateness of the legislative and regulatory framework within which it works. The increasing international concerns about offshore financial centres and the need to attain full compliance with the Core Principles of Banking Supervision will, to a large extent, guide this process.

Over the past two years, the department has focused considerable attention on improvements in the efficiency of its operations. This focus will continue into 2000 as the Department seeks to be more timely and effective in the delivery of its services. Some emphasis will be placed on the establishment of criteria for the measurement of productivity gains. Towards the end of 1999 the Department's research capability was enhanced. The new capacity will enable the Department to conduct research in areas that are expected to enhance the quality of its work.

The Department will seek to improve its level of computerisation. Work on the commercial loans database, which was suspended as year 2000 initiatives intensified, will recommence. Investigations will also be undertaken to establish the extent to which our examination methodologies can be enhanced by the further use of technology.

Exchange Control

It is expected that further liberalisation of Exchange Control will be considered during the Year 2000. The Department plans to complete the computerisation of the registration and repatriation of inward foreign investment. When this system is in place it would facilitate a more expeditious processing of such applications.

Export Credit Insurance and Guarantees Department

The Export Credit Insurance and Guarantees Department will continue to respond to the needs of exporters of goods and/or services. New emphasis will be placed on providing facilities for the export of services so that enterprises operating in this sector can have access to facilities that will enable them to achieve their full potential. Similarly, every encouragement will be given to exporters of manufactured goods to assist them in penetrating those niche markets which offer opportunity for growth and development.

The Department will also investigate new ways of providing facilities that will encourage increased trade between Barbados and the rest of the region.

It is expected that the results of a feasibility study regarding the establishment of an EX-IM bank will become available.

The Department will work closely with the Ministry responsible for small business development in the implementation of the new Small Business Development Act. It is anticipated that the new legislation will bring about greater accessibility to the Central Bank's loan guarantee scheme by non-bank financial institutions and other specially designated organisations.

Additional financial sources will be sought for the Industrial Credit Fund to assist in financing the special \$30 million loan fund for small and medium-sized hotels.

The Export Credit Insurance and Guarantees Department will expose its staff to the latest developments in credit insurance, finance guarantees and project finance. It will also embark on a promotion programme to ensure that the users of its facilities, including financial intermediaries, industrialists, and small and medium-sized enterprises, are kept fully aware of the benefits of the existing



facilities and of any new facilities introduced during the course of 2000.

Human Resources

In 2000, the Human Resources Department will place major emphasis on:

- influencing the communication styles in the Bank to fit the tenets of the Management Charter.
- facilitating the establishment and maintenance of standards of performance and accountability which encourage a culture of excellence and leadership;
- completing a comprehensive set of human resources systems, policies and procedures;
- implementing and administering an upgraded Awards and Recognition programme;
- complementing professional development programmes with personal growth training and seminars;
- increasing the awareness and commitment of staff to the need for ensuring a healthy, safe and secure work environment;
- providing management with data and information that will enhance planning and development of organisational effectiveness; and
- encouraging balanced living, particularly of work and family life.

To be successful, the strategies will be to promote the line managers as the people managers and focus the role of the Human Resources Department as a partner and a provider of specialised human resources services throughout the Bank.

Internal Audit Department

In the year 2000, the Internal Audit Department will continue to assist departments in achieving effectiveness and efficiency in their operations. This will be done through the introduction of Control Self Assessment in the Bank (postponed from 1999 because of the concentration on the Y2K Project).

Staff in the Department will undergo training in Audit Command Language, a computer assisted auditing programme which will greatly facilitate the conduct of audits. In addition, attendance at the Institute of Internal Auditors sponsored courses will continue.

In 2000, efforts will continue to promote a better awareness of the role of the Department. To assist in this process, the Department will enlist the support of the MIS Department in establishing a web site in the Bank's intranet.

MIS Department (MISD)

Overview

The MISD is driven by a desire to transform the Central Bank of Barbados into an organisation in which the majority of its information is received, processed, and disseminated electronically. This desire can become a reality with the recent advances in the Information Technology (IT) arena and our policy of "one PC per desk". It is planned that every employee will have a PC in the year 2000 with special provisions made for support staff to have access as required.

The MISD will concentrate on deploying Lotus Notes and the Internet/Intranet as the main conduit through which we achieve the above-mentioned transformation. In particular, Lotus Notes will be utilised to automate those internal manual processes whose efficiency can be substantially improved through computerisation. In this regard, the Department has concrete plans for the utilisation of



Lotus Notes to automate the workflow applications and to establish electronic bulletin boards for disseminating internal information.

The Internet/Intranet will be utilised to communicate with the external world through the receipt and dissemination of electronic information. The majority of the information which the Bank supplies to its customers is in a paper-based format and is not confidential. It is planned that this information will be placed on the Bank's web site. The MISD recognises that the effectiveness of a web site is primarily determined by the emphasis on content and also on the regular updating of information. In this regard, the Bank, rather than a third party, will assume full responsibility for the maintenance of its web site. Under this scenario, the Intranet Committee should control this process, with the MISD being given the mandate to host the web site and to construct the web pages.

The IT industry is concentrating on manufacturing software primarily for a Graphical User Interface (GUI) environment and consequently, very little software is being manufactured for a character-based environment. Accordingly, the MISD will address the rewriting of its Ingres character-based applications in the year 2000 while continuing with its quest to develop new applications.

The IT industry is embracing the Microsoft suite of automation products at the expense of established office automation products like Corel WordPerfect Office. The MISD has reviewed the Bank's office automation strategy and has determined that the institution will benefit tremendously from the adoption of Microsoft Office as the office automation software of choice. As a consequence of this, Microsoft Word will replace Corel WordPerfect while Microsoft Excel will replace Lotus 1-2-3.

The challenges, which the Department will face in 2000, include the following:-

- Ensuring a smooth transition to the Microsoft suite of office automation products;
- User development;
- Vendor management;
- Keeping the IT infrastructure running smoothly;
- Securing the IT infrastructure taking into consideration that:
 - (a) The "one PC per desk" scenario is rapidly becoming a reality and this brings with it a number of concerns about security breaches, unauthorised access, equipment tampering and so on. In addition, the Department will need to maintain its reputation:
 - for professional technical support in a "one PC per desk" scenario;
 - Education of the user community to recognise that software selection must be based on business requirements;
 - Gaining widespread acceptance for the use of AREMOS as the Statistical Database Management System;
 - Utilising the services of the MIS Service Officer on the "front-line" to advance the use of the technology from the training perspective;
 - Retention of the existing staff through an increased emphasis on career aspirations, promotional opportunities and training; and
 - Ensuring that any user training in IT is timely, relevant, and geared towards the transferral of knowledge.



- (b) The Virtual Private Network (VPN) is being "opened up" to accommodate selected external customers. The MIS Department must be eternally vigilant to prevent security breaches, and unauthorised access.

Plans

Development of New Applications

The new applications to be developed in the year 2000, will be finalised after the MISD Steering Committee has met. However, the areas of emphasis are expected to be Capital Outflows and Fixed Assets (deferred because of Y2K) with Staff Advances and Payroll as the likely candidates for rewriting in the new GUI format. The Prophecy Open modules, Budgeting and Bank Reconciliation are also scheduled for implementation. in 2000.

Support For Major Applications

The MISD will continue to offer installation and maintenance support for the INGRES, PROPHECY, AREMOS, and CS-DRMS environments during the year. The department will also continue its support of the standard office automation software.

Training

MISD Training

Emphasis will be placed on training in the following areas: web site development, web pages construction, internet and intranet security, project management, training for trainers, and training in the microsoft office automation products.

User Training

The development of users in the use of the technology continues to be one of the major challenges for the MISD. The establishment of a properly equipped training facility has been identified in the Strategic Plan as a requirement for the development of users. Accordingly the

MISD will seek to have this facility established early in 2000.

The MISD, in anticipation of the need to convince users to switch from Corel WordPerfect to Microsoft Word, will be conducting special training in this area during the year. However, the Department is recommending that the Bank develops a strategy of having its key users trained externally to supplement the MIS sponsored training.

User training will be conducted in the following areas: Microsoft Office, Microsoft Word, Microsoft Excel, Lotus Notes, PROPHECY (Budgeting, Fixed Assets) Network orientation, and in-house developed applications (Personnel Phase 2, Savings Bonds).

A vibrant training programme must be coupled with a highly efficient Help Desk facility in order to be responsive to the users' needs and problems. Consequently, the MISD will be placing special emphasis on the continued improvement of its Help Desk facility in 2000.

Research Department

In 2000, the Research Department will continue to focus on the development of a comprehensive staff manual, formulation of policy indicators to improve understanding of the economic impact of key service sectors of the economy and effect operational efficiencies through structural re-organisation, better records management and service quality, enhanced by extensive human resource development and staff training.

Emphasis will be placed on the rapid integration of young and inexperienced staff into the mainstream of quality service delivery and a balance will be maintained between operational work and technical research. In this regard, the Annual Review Seminar will continue to be the main training tool of



professional staff who are expected to make presentations. The Department will also continue its public outreach programme through seminars, conferences, publications and regional central bank interaction.

The programme aimed at improving the analytical capability of the Statistical Section will continue during the year 2000. Major projects will include an electronic link-up with the Accounting Management System and all other source institutions, revision of appropriate Banking Schedules, preparation of user manuals and the design of sub-systems for the AREMOS programme to produce reports in the exact format requested by the Bank Supervision Department. This programme will call for collaborative effort with both the MIS and Bank Supervision Departments.

The advancement of technical and operational efficiency in the AREMOS programme will continue and a wider cross-section of training will be undertaken. It is envisioned that much of the clerical needs of the statistical section will be reduced.

During 2000, the Library will continue the computerisation of checking and routing procedures of all new issues received as well as scanning of contents pages of selected books and serials for wide dissemination of concise data and information on a timely basis. It will continue to provide updates for the Bank's Internet site and work towards the full implementation of an Intranet System for the Bank, providing access to Caribbean financial and banking news, online newspapers, new information and broadcasts to the staff.

Priority will be given to proper records management in the Department. Attention will be paid to itemising records that need to be kept on file, those that need to be packaged and archived and those that need to be destroyed.

It is envisaged that the Library will play a major role in the establishment of a Records Management Centre in the Bank.

Secretariat

Frank Collymore Hall

During 2000 it is planned to complete the final two stages of the refurbishment programme with the replacement of the lighting consoles, other improvements to the lighting system and upgrading of the sound system. It is felt that with these in place the Frank Collymore Hall will be able to maintain its lead in the provision of performing arts facilities in Barbados. In addition, the Grande Salle and use of the Hall as a venue for meetings will be more vigorously marketed.

Services & Maintenance

Services

The Services Section will build on the gains of 1999 as it continues to satisfy the needs of its publics. It proposes with the assistance of the MISD to make improvements in the Central Purchasing System. It is anticipated that the system will be transferred to Prophecy from D-Base to enhance its administration. To reduce costs, the list of items purchased will be rationalised.

A tracking system for Purchase Orders is planned. Increased operational staff meetings and a more structured status reporting system should enhance the management of the section. A feedback mechanism will be introduced to determine customer satisfaction, for example, post conference/seminar surveys.

Maintenance

Following a very hectic 1999 it is anticipated that 2000 will be less active. Work will continue on the new security system which should be completed by the end of the first quarter. There will be increased protection of staff and property with the initiation of new surveillance equipment and replacement of existing units. A new fire alarm system will also be installed.

To assist in the Bank's water conservation efforts, an underground water tank will be constructed to capture runoff from the buildings. The water will be used for



irrigation purposes. Increased efforts will be directed towards maintaining and enhancing the landscaped areas. The phased replacement of workstations and carpet will continue and should be concluded during the year.

The year 2000 will also see increased energy conservation efforts through a phased re-lamping process. The revolving doors will be replaced and preventative maintenance activity at the main building and Newlands will be increased. An additional technician, hopefully, will be added to the unit to assist in this programme. Where appropriate, service contracts will be brought in-house. A project tracking system will also be implemented.

Where the budget allows, staff training locally, regionally and internationally will continue.

Security Services

During the first quarter a new Chief of Security will be appointed to replace the previous incumbent who was transferred to a new post.

By the end of the first quarter the installation of the new security system should be completed by Mosler Inc. and this will include greatly enhanced camera surveillance in the Secure Block. The installation at the public lifts of a cage to require the use of badges should be completed early in the year. There will be continued training, in-house and off-site, and the final exams of Professional Guard will be administered to all officers.

Acknowledgements

The Board of Directors expresses its appreciation to all members of staff for their efforts during 1999.



Chartered Accountants

Mail Address
P.O. Box 690C
Bridgetown
Barbados

Office Address
Hastings
Christ Church
Barbados

Telephone (246) 427-5230
Fax (246) 427-7123
E-mail kpmgbds@caribsurf.com

AUDITORS' CERTIFICATE TO THE BOARD OF DIRECTORS

We have audited the accompanying balance sheet of the Central Bank of Barbados as of December 31, 1999 and the related profit and loss and profit and loss appropriation accounts for the year then ended. These financial statements are the responsibility of the management of the Central Bank of Barbados. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Central Bank of Barbados as of December 31, 1999 and the results of its operations for the year then ended in accordance with the Central Bank of Barbados Act, Cap. 323C. and the significant accounting policies stipulated in Note 1.

Bridgetown, Barbados
February 16, 2000

KPMG
Chartered Accountants



KPMG a Partnership, is a member of KPMG International, a Swiss Association

Jeffrey W. Gellineau
Darcy W. Boyce
Irving F. Burrowes
Michael A. Edghill
Carol L. Nicholls

James M. Payne
Frank V. Myers (Non-resident)
Cleveland S. Seaforth (Non-resident)

Brian A. Glasgow (Non-resident)
Reuben M. John (Non-resident)



BALANCE SHEET
December 31, 1999
with comparative figures for 1998

ASSETS			
	<u>NOTES</u>	<u>1999</u>	<u>1998</u>
		BD\$	BD\$
RESERVE OF EXTERNAL ASSETS:			
Balances Held Abroad	2	157,809,528	181,573,625
Foreign Notes and Coins		10,639,487	5,718,299
Foreign Securities		271,177,025	238,225,551
		<u>439,626,040</u>	<u>425,517,475</u>
International Monetary Fund:			
Holdings of Special Drawing Rights	3	12,640,027	57,000
		<u>452,266,067</u>	<u>425,574,475</u>
LOCAL ASSETS:			
Securities:			
	4		
Barbados Government Treasury Bills		19,236,724	49,372,836
Barbados Government Debentures		635,000	635,000
		<u>19,871,724</u>	<u>50,007,836</u>
Discounts and Advances:			
Government		63,200,000	-
Financial Institutions	13	9,000,000	9,000,000
Commercial Banks		15,000,000	23,500,000
		<u>87,200,000</u>	<u>32,500,000</u>
Fixed Assets (Net)	5	97,500,160	95,640,961
Other Assets	6	76,478,729	105,543,047
		<u>281,050,613</u>	<u>283,691,844</u>
Total Local Assets		<u>733,316,680</u>	<u>709,266,319</u>

See accompanying notes to accounts.



BALANCE SHEET
December 31, 1999
with comparative figures for 1998

LIABILITIES, CAPITAL AND RESERVES

	<u>NOTES</u>	<u>1999</u>	<u>1998</u>
		<u>BD\$</u>	<u>BD\$</u>
LIABILITIES:			
Notes and Coins in Circulation	7	391,622,915	334,041,212
Deposits:			
Government		83,990,499	97,232,965
Banks		109,858,480	149,278,006
Financial Institutions		5,253,407	777,124
Other		1,761,916	3,574,123
		<u>200,864,302</u>	<u>250,862,218</u>
Other Liabilities:			
Term Deposits (Foreign)		14,051,679	15,887,779
Allocation of Special Drawing Rights	8	21,901,529	21,827,433
Other	9	91,376,255	72,647,677
		<u>127,329,463</u>	<u>110,362,889</u>
Special Funds	10	1,500,000	2,000,000
Total Liabilities		<u>721,316,680</u>	<u>697,266,319</u>
CAPITAL AND RESERVES:			
Authorised capital: BDS\$5,000,000			
Paid up capital: Government of Barbados		2,000,000	2,000,000
General Reserve		10,000,000	10,000,000
Net Capital and Reserves		<u>12,000,000</u>	<u>12,000,000</u>
Commitments	11		
		<u>733,316,680</u>	<u>709,266,319</u>

Approved on behalf of the Board of Directors:

Governor

Financial Controller



Profit and Loss Account
For the year ended December 31, 1999
with comparative figures for 1998

	<u>1999</u>	<u>1998</u>
	<u>BD\$</u>	<u>BD\$</u>
INCOME:		
Commissions and Fees	7,882,647	7,618,513
Difference in Exchange	(452,552)	(157,857)
Discounts:		
Treasury Bills	15,226,852	15,114,110
Interest:		
Advances	1,507,273	1,458,966
Deposits	9,383,111	8,778,272
Securities	2,621,987	2,164,007
Other Income	1,303,532	5,581,126
Total Income	<u>37,472,850</u>	<u>40,557,137</u>
EXPENSES:		
<i>Operating:</i>		
Administrative Expenses	12,231,651	10,718,939
Contingencies	100,000	-
Contribution to Pension Fund	1,411,995	1,541,952
Contribution to Refurbishment of Frank Collymore Hall	16,199	300,000
Contribution to Staff Welfare Fund	-	600,000
Depreciation	3,799,331	2,789,408
Interest	1,019,600	1,992,919
Minting of Coins	1,031,828	1,313,361
Printing of Notes	2,907,517	1,491,484
Salaries and Allowances	14,595,282	15,888,155
Operating expenses	<u>37,113,403</u>	<u>36,636,218</u>
<i>Non-Operating:</i>		
Contribution to Barbados Investment Fund	-	1,000,000
Contribution to Establishment of a Chair at UWI	-	200,000
Contribution to Redevelopment of Church Village	-	2,000,000
Non-Operating expenses	<u>-</u>	<u>3,200,000</u>
Total Expenses	<u>37,113,403</u>	<u>39,836,218</u>
Net Profit Before Appropriation	<u>359,447</u>	<u>720,919</u>

See accompanying notes to accounts.



Profit and Loss Appropriation Account
For the year ended December 31, 1999
with comparative figures for 1998

	1999	1998
	BD\$\$	BD\$\$
Balance brought forward	—	—
Net profit before Appropriation	359,447	720,919
Deduct:		
Transfer to Credit Guarantee Fund	—	500,000
Transfer to Consolidated Fund	359,447	220,919
Balance carried forward	—	—

Note: The appropriation of profit has been made in accordance with Section 9 of the Central Bank of Barbados Act, Cap. 323C.

See accompanying notes to accounts.

**Notes to Accounts**

December 31, 1999

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Central Bank of Barbados Act, Cap. 323C and the following significant accounting policies:

(a) *Revenue and Expenses:*

Revenue and expenses are accounted for on the accrual basis except that interest on the Caricom Multilateral Clearing Facility account is recognised when received.

(b) *Translation of Foreign Currencies:*

Assets and liabilities designated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Gains and losses resulting from foreign currency translations and transactions are included in the Profit and Loss Account.

(c) *Foreign Securities:*

Treasury bills and unquoted securities are valued at cost.

Other securities are valued at market and the resulting gains and losses on revaluation are deferred pending realization.

(d) *Numismatic Coins:*

The nominal value of numismatic coins sold is excluded from the balance of 'notes and coins in circulation' while the net proceeds from sales are included in the Profit and Loss Account under Other Income.

(e) *Local Securities:*

Local securities are valued at cost.

(f) *Depreciation:*

Furniture, equipment, motor vehicles and buildings including the Frank Collymore Hall are depreciated on the straight-line basis over their estimated useful lives.

2. BALANCES HELD ABROAD

Under a rescheduling arrangement with other participants of the Caricom Multilateral Clearing Facility (C.M.C.F.), the Bank agreed to consolidate balances of interest and principal due to the Bank by C.M.C.F. as at September 30, 1989. The agreed consolidated total was \$154,744,770, which is repayable over ten years after a moratorium of ten years commencing October 1, 1989.

By interim arrangement of December 02, 1994, it was agreed that Barbados may offset against the principal amount due under C.M.C.F., balances on bilateral accounts due by Barbados to Guyana.

As at December 31, 1999, the C.M.C.F. balance included in Balances Held Abroad was \$83,520,261 (1998 - \$87,913,952). In 1987, the Bank adopted the policy of recognizing interest only to the extent that it is received. Interest on the C.M.C.F. balance is charged at a rate of 5% per annum.



Notes to Accounts, Continued

December 31, 1999

3. HOLDINGS OF SPECIAL DRAWING RIGHTS

Holdings of Special Drawing Rights pertain to the value of Special Drawing Rights held at December 31, 1999. The rate of translation of SDRs into Barbados dollars at December 31, 1999 was SDR .367052 (1998 – SDR .368298).

4. SECURITIES

Local securities comprise:

	1999		1998	
	Nominal Value	Cost	Nominal Value	Cost
	\$	\$	\$	\$
(a) Barbados Government Treasury Bills	19,500,500	19,236,724	50,000,000	49,372,836
(b) Barbados Government Debentures	635,000	635,000	635,000	635,000

5. FIXED ASSETS

Fixed assets comprise:

	1999		1998	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
	\$	\$	\$	\$
Freehold land and building				
Office	85,130,083	6,255,880	78,874,203	80,125,379
Frank Collymore Hall	6,982,910	513,147	6,469,763	6,572,392
Residence	2,417,659	47,198	2,370,461	1,733,787
Furniture and equipment	20,704,276	11,291,901	9,412,375	6,935,508
Vehicles	916,680	543,322	373,358	273,895
	116,151,608	18,651,448	97,500,160	95,640,961



Notes to Accounts, Continued
December 31, 1999

6. OTHER ASSETS

Other assets include:

	1999	1998
	\$	\$
Accrued income on local investments	247,647	239,429
Cheques in process of collection	41,398,788	66,394,857
Fiscal Agency Payment Account	6,728,246	12,006,691
Investment Deposits	11,598,364	11,598,364
Prepayments	313,834	408,978
Staff Advances	12,484,737	11,535,992
Revaluation of securities	430,800	-
Sundry Balances	3,276,313	3,358,736
	<u>76,478,729</u>	<u>105,543,047</u>

7. NOTES AND COINS IN CIRCULATION

At December 31, 1999, the nominal value of numismatic coins sold totalled approximately \$10.4 million (1998 - \$10.4 million). See note 1 (d).

8. ALLOCATION OF SPECIAL DRAWING RIGHTS

This amount represents the liability to the International Monetary Fund in respect of Special Drawing Rights allocated by the Fund.



Notes to Accounts, Continued

December 31, 1999

9. OTHER

This amount comprises

	1999	1998
	\$	\$
Accounts Payable	5,143,545	5,471,368
Contingencies	279,418	687,536
Contribution Payable - Establishment of a Chair at UWI	1,200,000	1,200,000
Contribution Payable - Redevelopment of Church Village	2,000,000	2,000,000
Debenture Interest Payment Account	6,755,161	12,002,328
Domestic Clearing	2,916,516	2,212,965
Dormant Accounts - Commercial Banks*	6,178,726	5,765,667
Export Development Fund	224,613	224,613
Industrial Credit Fund	4,848,539	4,105,384
Barbados Investment Fund	1,000,000	1,000,000
Redemption of Debentures Account	54,153,120	27,930,020
Refurbishment of Frank Collymore Hall	-	279,647
Revaluation of Securities	-	494,400
Sinking Fund Contribution Account	1,811,024	4,141,331
Small Business Fund	330,000	330,000
Staff Pension Fund	1,074,225	1,336,455
Staff Welfare Fund	2,914,147	2,986,013
Sundry Balances	547,221	479,950
	<u>91,376,255</u>	<u>72,647,677</u>

*This account represents balances deposited with the Central Bank of Barbados in accordance with Section 88(3) of the Financial Institutions Act, 1997-16.

10. SPECIAL FUNDS

This amount comprises the following balances:

	1999	1998
	\$	\$
Credit Guarantee	-	500,000
Special Credit Trust	1,500,000	1,500,000
	<u>1,500,000</u>	<u>2,000,000</u>



Notes to Accounts, Continued

December 31, 1999

11. COMMITMENTS

At December 31, 1999 the Bank had guaranteed settlement of approximately \$562,603 under the following schemes:

	<u>Value of Contracts</u>	<u>Guarantee</u>
	\$	\$
(i) Credit Insurance Scheme for Small Businesses	718,521	485,090
(ii) Export Credit Insurance and Guarantee	86,125	77,513
	<u>804,646</u>	<u>562,603</u>

12. CONTINGENCIES

Proceedings involving contractual liability have been instituted against the Bank for amounts of US\$914,530 and CND\$3,377. The plaintiff has filed a specially endorsed motion, and a defense was filed on behalf of the Bank. The Bank believes it has an excellent defense to the plaintiff's claim. The Bank believes that the final disposition of this matter will not have a material adverse effect on the Bank's financial position or results of operations.

13. DISCOUNTS AND ADVANCES – FINANCIAL INSTITUTIONS

This amount represents a six-month revolving loan facility, which bears interest at a rate of 6% per annum. Prior to 1997 the loan was due from the Barbados Development Bank and was guaranteed by the Government of Barbados. During 1998, the facility was transferred to CRL Limited. The Government has undertaken to provide a guarantee in favour of CRL Limited.

**Notes to Accounts, Continued**

December 31, 1999

14. TAXATION

The Bank is exempt from corporation tax in accordance with Section 56 of the Central Bank of Barbados Act, Cap. 323C.

15. THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerised systems use two digits rather than four to identify a year. Date-sensitive systems may recognise the year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. The Bank has addressed the Year 2000 Issue and its date sensitive systems recognise the change. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those relating to customers, suppliers or other third parties, have been fully resolved.

16. RECLASSIFICATION

Certain amounts for 1998 have been reclassified to conform with the current year's presentation.