
THE

House of Assembly Debates

(OFFICIAL REPORT)

FIRST SESSION 1999 – 2004

HOUSE OF ASSEMBLY

Tuesday, June 18, 2002

Pursuant to the adjournment, the House of Assembly met at 11.20 a.m. on Tuesday, June 18, 2002.

PRESENT

His Honour I. A. ROETT, G.C.M., B.A., Dip. Ed., (Speaker)

His Honour J. M. EDGHILL, J.P. (Deputy Speaker)

Hon. Sir HENRY FORDE, K.A., Q.C., M.A., LL.M. (Cantab.)

Rt. Hon. O. S. ARTHUR, M.Sc. (Econ.), (Prime Minister, Minister of Finance and Economic Affairs and Minister for the Civil Service)

Hon. Miss B. A. MILLER (Deputy Prime Minister, Minister of Foreign Affairs and Foreign Trade)

Mr. D. J. H. THOMPSON, LL.B. (Hons.) (Leader of the Opposition)

Hon. Sir HAROLD St. JOHN, K.A., Q.C., LL.B.

Mr. L. R. TULL, Q.C., M.A. (Oxon.)

Hon. Dr. R. L. CHELTENHAM, Q.C., M.A., M.Sc. (Econ.)

Mr. G. W. PAYNE, LL.B.

Hon. R. C. EASTMOND, J.P., B.A. (Hons.), Dip. Ed., LL.B. (Hons.), L.E.C., J.P. (Minister of Labour and Social Security)

Mr. D. CARTER (Chairman of Committees)

Hon. R. N. GREENIDGE, B.A., LL.B. (Minister of Education, Youth Affairs and Sports)

Hon. G. A. CLARKE, B.Sc., Dip. Ed., J.P. (Minister of Housing and Lands)

Hon. R. D. MARSHALL (Minister of Public Works and Transport)

Hon. H. F. LASHLEY (Minister of Social Transformation)

Hon. R. St. C. TOPPIN, LL.B. (Minister of Commerce, Consumer Affairs and Business Development)

Mr. D. St. E. KELLMAN

Hon. Miss H. E. THOMPSON, LL.B. (Minister of Physical Development and Environment)

Hon. Miss M. A. MOTTLEY, Q.C., LL.B. (Attorney-General and Minister of Home Affairs) (Leader of the House)

Mr. M. Z. WILLIAMS

Mr. T. A. PRESCOD, B.A.

Rev. J. J. S. ATHERLEY, B.A., B.Sc., J.P. (Parliamentary Secretary to the Attorney-General and Minister of Home Affairs)

Mr. D. T. GILL, B.Sc.

Hon. A. P. WOOD, J.P., B.Sc., M.Sc., M.Phil. (Minister of Agriculture and Rural Development)

Hon. R. R. FARLEY, B.Sc., J.P. (Minister of Industry and International Business)

Hon. Miss C. Y. FORDE, J.P. (Minister of State, Ministry of Education, Youth Affairs and Sports)

Prayers were taken by Canon Father Ivan Harewood.

Mr. SPEAKER: The House is now in session.

MINUTES

Mr. SPEAKER: The Minutes of Tuesday, June 11, 2002.

Hon. R. N. GREENIDGE: Mr. Speaker, I beg to move that the Minutes for the Honourable the House of Assembly for its meeting of Tuesday, June 11, 2002, which Minutes have been circulated, be taken as read.

Hon. R. D. MARSHALL: I beg to second that, Sir.

Mr. SPEAKER: If there are no corrections or observations, then let these Minutes stand confirmed.

SUSPENSION OF STANDING ORDERS

Hon. R. N. GREENIDGE: Mr. Speaker, I beg to move that Standing Orders Nos. 6, 16, 18, 20, 42(5), 43 and 44 be suspended for the rest of today's Sitting.

Hon. G. A. CLARKE: I beg to second that, Sir.

The question was put and resolved in the affirmative without division.

GOVERNMENT BUSINESS

ORDER NO. 9 – THE LOCAL LOANS
(AMENDMENT) BILL, 2002

Hon. R. R. FARLEY: Mr. Speaker, I rise to start the debate at the second reading stage of this Bill and also to amend the Local Loans Act which has the very simple intention of raising the limit under this legislation. As you are aware, the actions of a Minister of Finance with respect to use of his debt management strategy is constrained on the outer limits by the Laws of this country. It requires parliamentary approval in order for the Minister of Finance to lawfully undertake to incur debt on behalf of the country. Sir, the undertaking of debt is part of the strategy to induce national development.

Mr. Speaker, I want to say at the outset that I am going to use this presentation to remind this Parliament of the Government's most excellent record to the aspect of its economic management and also to make a very simple but important and fundamental point of the importance of mature, insightful and accurate use of this particular economic instrument for the purposes of development.

Sir, by way of the legislative instruments, the Parliament of Barbados is asked to provide its oversight and to give approval of debt financing under instruments such as this Local Loans Act, 1988, the External Loans Act, 1972, the Savings Bonds Act, Chapter 104 (A), 1980, the Special Loans Act, Chapter 105, 1968, and there are also Treasury Bills and Tax Certificates Act, Chapter 106, 1997.

I want to make it abundantly clear that the lawful use of these instruments is also subject to great public accountability. There is no possibility whatsoever, any secret dealings or secret undertakings in relation to the use of loan financing on the local or international market.

I also want to point out that by way of the accountability and reporting, accountability is recognised, not only locally but internationally; that if one were to examine the Estimates of Expenditure laid before this Parliament in any given year, one would find that with the Estimates of 2002 – 2003, Appendix D of the document, a

full account of the public situation in Barbados by way of a statement of the public debt and sinking fund as at December 31, 2001, appendices where tables are given for proceeds raised under the Local Loans Act, the External Loans Act and all of the other enactments which I have mentioned previously.

Sir, it is under that well-planned and well-intentioned glare of public scrutiny that I would propose to introduce this particular measure. Let me make it abundantly clear that this measure which in effect increases the authority of the Minister of Finance to raise loans locally by an amount of \$400 million, is not an indication of an intention to go to the market to do that tomorrow. Good governance and respect for the law require a mandate that this Parliament should approve and increase a limit before a Minister of Finance attempts to utilise that limit.

Sir, as part of that governance we are moving today to raise the limit which would provide cover for activities to be undertaken over the next four or five years. The last time we did that was in 1997, when an adjustment was made of this technical instrument to allow for the Minister of Finance to use the leeway provided to effect finance.

Mr. Speaker, that must be compared and deeply contrasted with the approach of the Other Side. The Democratic Labour Party displayed no regard for the Parliament of Barbados in its approach to debt management in this country, while we are today coming to raise the limit as required by law before going into these matters. The Democratic Labour Party will long be remembered for its excursions into fiscal mismanagement. They were off to what can only be described as a merry frolic with the public finances of Barbados. Sir, they were off on a happy jaunt when they showed no regard for instruments such as the overdraft limit of the Ways and Means Account of the Central Bank of Barbados.

Sir, you will recall that under the Laws of Barbados a limit is set based on a percentage of GDP as the maximum figure by which the Government can get an overdraft at the Central Bank. In the early 1990s, the Government raised the limit on several occasions. Sir, after they raised the limit, they also breached the limit. In fact, it called for a flurry of correspondence coming from the Central Bank of Barbados to remind the Government that it was, in fact, operating under a breach of the Law. Of course, it would not have taken the Central Bank to remind the Government that it was also operating a breach of commonsense. Sir, the first rule any school boy knows is that a breach of commonsense is a breach of the school rules.

11.30 a.m.

We know, Sir, that fiscal policy is the primary instrument for the management of small open economies and

that the deleterious effects of exceeding the overdraft limit, that is, financing the deficit by printing money, creates tremendous harm and the evidence is clear to see, based on what has happened during the course of the early 1990s under the Democratic Labour Party.

I want, Sir, to start by way of contrasting a tale of two managers: the economic management of the Barbados Labour Party and the economic management of the Democratic Labour Party. Compare this downturn in the economy with their crash landing of the economy in the early 1990s and note that the Government does not utilise financing through the Central Bank by way of overdraft, by way of the Ways and Means Account to finance deficits.

I also need to make an essential point that the difference between our management of the economy at this point in an economic downturn with theirs is that our economic fundamentals are strong. You know and I know, Sir, that the Opposition, because it is the Opposition, and also because of the very incoherent signals and the incoherent analysis that has come from that Side from time to time based on the differences of perspectives of the three or four leaders, or potential leaders, or leading spokesmen – we never know quite what the situation is from day to day – that in this matter an attempt will be made to mislead an unsuspecting public concerning what this measure is about and what its impact will be on the economy and this society.

Thankfully, Sir, not all commentators on this issue of economic management and particularly of the use of a debt management strategy are into deep politics. We have to discount everything that the Opposition will say based on the fact that they have an axe to grind. On the other hand, let us put this debate in context. Standard & Poor's rating agency, not a Barbadian enterprise, not a political party, not an entity involved in Barbadian domestic affairs in general, nor in Barbadian political affairs specifically, no axe to grind, no position to defend, in fact, Sir, if there is one position that Standard & Poor's has to defend it is its integrity. It depends for its future on being an impregnable source of independent opinion on the creditworthiness of companies and countries.

It has evolved over a period of time a very impressive system of providing ratings for companies and countries so that if individuals, or corporations, or third parties of any kind have to do business with that company or country, they have an independent assessment of how creditworthy they are. They do not have to depend upon whether they like the individuals they are dealing with, whether they have a good smile, are handsome or beautiful, or whether one party is on, or one party is out, they have independent assessment.

The second important fact that will put this in context is that this rating and this assessment of the economy as given by Standard & Poor's is dated May 9, 2002. It is an

assessment that has come after September 11, and after the Estimates, and after the fullest examination of all pertinent factors, the world economy, the domestic economy and the policies of the Government. It has taken account of all of those, and what has it concluded? It concluded that the A-rating which is its third or fourth highest category operating, and which puts us alongside several countries in Europe in terms of our creditworthiness that they awarded us a year previously, that it should stand.

All that we have done as well as all that has happened to us by way of the global economic downturn and the events of September 11 still does not change the fact that the creditworthiness of Barbados continues to be very high. In fact, Sir, they say that the May 2002 ratings affirmation reflects Barbados' record of prudent, economic management which gives the Government the flexibility to use fiscal policy as a stabiliser to cushion the impact of the cyclical economic downturn of 2001.

I quote from Standard & Poor's Sovereign Ratings on Barbados and these ratings are published on every country and several private corporations. For example, the Caribbean Development Bank has a triple A rating. Sir, this is an instrument known to the international and the local investing community. In fact, Sir, for the benefit of the Honourable Member for St. Lucy who clearly is very intrigued and interested in learning more about these things, this rating, based on this document, is one of the principal factors considered by international agencies when making a determination as to what will be the cost of financing, how much risk is there in lending money to Barbados. Even after all that has happened, they are happy with us. Sir, I will quote from this from time to time as we proceed.

Let me say, Sir, that this document indicates what we already know and this Barbados Labour Party Administration has always espoused the need to have a prudent debt management strategy that recognises the need to have a manageable debt burden and the need to utilise our capacity to be able to obtain credit to finance our future development. 11.40 a.m.

Sir, think of how far back Barbados would be, if it did not use its ability to attract both local and international credit to do a number of capital projects and to pursue a number of social development strategies in education, health and the like, but I would speak more about that later. Let me say though, that a fundamental precept which we follow, in terms of the use of debt financing for deficits and development, is that we fundamentally believe, and the records will show that current revenue must always cover current expenditure. In fact, not only do our records show, but Standard and Poor indicate a consistent trend where public savings is in the region of 5 per cent of GDP and where the Government is therefore able to not only cover its current expenditure but to make a contribution towards the Capital Works Programme.

Mr. D. St. E. KELLMAN: On a point of order, Sir. The Honourable Member is misleading the House by giving the impression that under his Government, the current revenue matches the current expenditure. One only has to look at the 2002-2003 document on the front page where it says that the estimated current revenue is \$1 595 387 938 and the estimated total expenditure is \$2 289 216 360.

Hon. R. R. FARLEY: Mr. Speaker, if the Honourable Member for St. Lucy was in frequent conversation with the Honourable Member for St. John who understands these matters – sometimes by his public announcements, you might not think so – he would have explained this concept to him. I said, Sir, that current expenditure is only a subset of the total and I also made the point that current revenue exceeds current expenditure and we are able to make a contribution towards capital expenditure. What is given as total expenditure is current plus capital and I hope that the communication flow across the divide, where I am able to explain these things to my friend, the Honourable Member for St. Lucy, will also replicate itself on the Other Side because the Honourable Member for St. John could have explained this to him. However, during the course of the day, Sir, I hope that the Honourable Member for St. John will explain it to him.

Sir, it is a fundamental point and let me get beyond the jargon because what it means is that the Government of Barbados does not borrow, either locally or internationally, to meet things like wages and salaries, goods and services and things of that sort and that is very important.

There are countries around the world which are in such bad shape that they engage in that sort of practise and that leads nowhere. This Government does not do that, so that when the great hullabaloo is made about debt that is incurred by a Government, let it be clear that this Barbados Labour Party Administration, functioning as the Government of Barbados, pursues a strategy by which debt is incurred in support of long-term development, and the building of capacity by way of financing our capital expenditure primarily.

Sir, let us look a bit more at the current context. We have a situation in which there are a number of things happening. First of all whilst Barbados has an excellent international credit-rating and has access to the international capital market, we have a situation as well, in which there is an abundance of reserves. We have \$1.5 billion in reserves and I must make the fundamental point, Sir, that the growth in reserves did not depend on the last bond issue which we made. When you separate out that bond issue, the growth in reserves equates or just surpasses the growth in reserves of the previous year, so that there is still that underlying capacity of the economy to generate foreign reserve.

Sir, that is important because it speaks again to what Standard and Poor identified as a country with strong economic fundamentals and prudent economic management which, in its opinion, is well able to write out the current economic downturn and return a path of growth in a short time. Sir, that is their assessment.

Sir, we also have a situation in which there is excess liquidity in our banking system and let me say that the build up of the liquidity in the banking system is a product of two things. First of all, the buoyant economy that we have had with consecutive years of growth over the past eight years, but you will also recall that for several and, indeed, in many of his economic policy statements in the form of the Budget before this Parliament, the Minister of Finance identified the need for Barbadians to increase the levels of savings.

He made the important point that as time went on and as circumstances changed, there would be a need for Barbadians to be able to finance its development more through its own savings, than depending on the savings of people in other countries by way of foreign loans or loans with international organisations.

Sir, over time, we have seen that Barbados has graduated from the World Bank. We only had a temporary accommodation in the HIV/AIDS programme, that in relation to our financing from the Inter-American Development Bank, which continues, but continues under a cloud because the USA has started to abstain on the last two or three loan applications for Barbados and the Bahamas because there is a view that our economies are well off, our per capita incomes are high and, therefore, there is no need for us to access those international organisations for concessionary finance. That is a source of finance which is on the decline.

Also, Sir, what makes it very important and appropriate to use a substantial or greater mix of a local source of finance is the fact that the cost of finance in Barbados has so declined and not by accident, but by deliberate concerted action on the part of the Government, as well as the market forces, that the Treasury Bill rate at the end of last year at 4 per cent, was the lowest that it has been for many years. I believe in the early 1990s it was around 9 per cent.
11.30 a.m.

Mr. Speaker, as it now stands, financing can be obtained on the local market at rates which approximate those available through entities in the Caribbean Development Bank. Therefore, the moment is right for us to tap into the local market. It also flows from that fundamental precept where we believe the efforts, by way of tax incentives and others which the Minister of Finance made to urge Barbadians to save more and to earn on those savings, have

paid off by providing us with a pool of funds which must not be allowed to sit but to be used for national development.

Sir, I well recall that after the events of September 11, 2001, where we evolved a strategy to counter the potential negative effects of September 11, including a determination that we wanted to reduce the cost of doing business and the cost of finance by a reduction in interest rates, the spokesman for the Opposition in the Other Place – again the Honourable Member for St. John knew better than to have gotten himself involved in that – went across the length and breadth of Barbados indicating that we needed to increase interest rates, which was counter to what any rational, right-thinking knowledgeable economist would have gone for. Again, in fairness to the Honourable Member for St. Lucy, he did not get involved in that either. It only goes to show the incoherence that comes from the Other Side; some Members say one thing while other Members say other things.

Sir, the strategy, therefore, of providing greater access to finance and at reduced cost is not only working to the benefit of the Government, but also to private individuals and companies. In fact, the point has to be made that there can be no concern expressed in this particular matter of seeking to use more domestic finance to finance Government's operations in the way it was traditionally done, that is, when Government attempted to use local financing, there was often the accusation that there will be the crowding out of the private sector.

In this case, it is not so and for the very simple reason that there is enough money to go around. It is not a case where the Government, by way of putting new Government paper on the market, would be so absorbing what limited liquidity there is, that if private investors wanted to source financing, they could not. That is an important consideration because the Government would certainly not want, in this particular environment, to undertake a programme and to institute a policy which would result in the crowding out of private sector investment.

In fact, part of what we are seeking to do to further encourage private sector investment is to have a number of public/private sector partnerships in projects such as the Grantley Adams International Airport Expansion, the 1 000 housing lots and the new Hilton Hotel where, even as we speak, in some cases arrangements have been made. In some cases, arrangements are on stream for joint Government/private financing of the development of hundreds of houses for Barbadians, using the national savings which have been the result of prudent, visionary Government policies, as was exposed by the Minister of Finance in 1995/1996 and the ongoing years.

Sir, projects such as the new Judicial Complex will provide investment opportunities for local private sector

companies by way of transfer arrangement, again using the financing.

Sir, the other important feature to note is that, not only in Barbados but around the world, Governments are taking somewhat of a minority role as far as being the leading entity for undertaking debt. That private debt by way of mortgages, credit cards and other forms are going faster than public debt. This indicates a very active and aggressive sector of private individuals and companies seeking to improve themselves in the future.

The fundamental point is that there will be no crowding out of private sector investment. Also, there is every good reason why national savings should be used to finance the creation of public goods. Sir, an important precept – to have huge national savings sitting as excess liquidity in the banking system whilst there is still the need for roads, housing, improved health care and other public goods will be a grave sin – and we are not about to commit it.

Mr. Speaker, you will also recall during the course of last year, we had the economic crisis as precipitated by the events of September 11, 2001 where the Government made a deliberate decision to pursue an expansionary fiscal policy in an effort to achieve the basic objectives in the maintenance of jobs, first of all. That was not a priority in the early 1990s. In fact, the loss of jobs appeared to have been a priority. It was the principal plank of the economic strategy to fight the downturn then. That was not so in our case, Sir. The principal strategy was the protection of jobs, particularly in the public sector as an economic anchor.

Another strategy was to minimise the economic downturn overall and, more specifically, to use very targeted and focussed intervention in our productive sectors to ensure that we were able to emerge from the crisis period with our productive sector intact and, therefore, able to capitalise on the growth opportunities whenever they returned.

Mr. Speaker, that expansionary policy contributed to the greater than usual fiscal deficit which we had last year. As you know, Sir, this Administration has always indicated that it likes to maintain low, manageable fiscal deficits. However, the difference between the events post September 11, 2001, and the events around the year of 1991 is that, whereas this BLP Administration had sound economic fundamentals, significant reserves and therefore, had the fiscal elbow room to be able to commit \$30 million as an intervention package to stabilise the economy and to protect the jobs of our people, the DLP had no room to do anything by way of expansion. They had to be contented with a further collapse and a shrinking of the economy before it could have been made to grow again.

Sir, even after we pursued the policies as we did in the post September 11 events, independent and impartial observers have noted they have no trepidation about maintaining the sound creditworthiness of the Barbados economy.

Sir, let us look at some of the things they had to say. At the end of the day, this matter about Parliament being able to set a reasonable limit on what debt a Minister of Finance could incur has to be anchored within the context of not doing anything to damage the creditworthiness of the country but further using that creditworthiness to achieve some public good. Sir, let us look at our economic prospects.
12.05 p.m.

Sir, I quote from Standard & Poor, an international well-respected agency:

“Prudent economic policies have given Barbados a high standard of living, a skilled labour force and an institutional framework that sustains economic flexibility.”

It also noted that the impact of the global economic downturn on Barbados was less than was initially feared in 2001 because our tourism declined by only 6 per cent after an 8 per cent in the previous year. It also went on to note that these results were a reflection of the direct strategy pursued by the Government in order to protect the vital interest of these important productive sectors.

Sir, even against the background of the negative impact of trade liberalisation, even after the downturn in the world economy and even after the further downturn induced by September 11, the economic fundamentals of Barbados allowed us to pursue counter policies. We did not have to cut in the face of a downturn. Instead, we were able to inject and return to a path of growth.

Sir, I want to further make the point that part of what this Administration had to do in order to boost our growth over the past eight years was to correct some of the mismanagement from that first recession. You will recall that we were able to accommodate a pay back in cash of the 8 per cent of the salary of public officers which were taken from them.

Sir, the fundamental point I am making is that the Government's management of the economy and the fiscal policy adopted has allowed the Government to not only correct some of the misdeeds of the past but also maintain a stable and sound position to improve our creditworthiness.

Sir, we did not inherit this Administration with an A-rating because around 1999, Barbados had the greatest

jump in credit-rating from one level to another of any sovereign country yet still we were also able to put ourselves in a condition where we could ride out the wave by way of a further injection, particularly in our capital programme.

Sir, even in the current context of a slowdown, we were able to pursue a capital programme and maintain economic activity so that the pace of our development is not slowed or constrained. This is in contrast to what happened in the last downturn because it is important for us to compare like with like. We cannot compare the economy at its highest point of growth with the economy at its lowest point of decline because the test of economic soundness and economic management and the ability to manage an economy is not how well you do in prosperity but how the economy is managed in adversity.

Sir, according to Standard & Poor's, the Barbados Labour Party Administration, in the face of the adversity of a general slowdown in the world's economy in 2001, and the further tipping of the scale in the recession after September 11 has maintain sound policy and has been excellent managers of the economy. Sir, it is against that impressive endorsement from this agency that does not have an axe to grind that we will be in a position to pursue the strategies for our future growth.

I also want to say that the public needs not fear because we are doing several things at the same time. First, given the background of our excellent reserve position, there is no intention of Barbados going back to the international market any time in the near future. In fact, the point has to be made that the bond issue of 2001 was done against a background of great uncertainty in the international markets.

There was every expectation that access to finance would be reduced, that the cost of finance would increase and with the clear signs back then of economic difficulties in Argentina and the possibility of their default on their international loan obligations, that the prospect of small developing countries being able to go to the market to obtain finance would have put us in a most disadvantageous position.

The conscious and sober decision was, therefore taken to go to the markets as a precautionary measure, as a hedge against the possibility that we might not be able to access later on. Also, to ensure that our reserve cover position was without question or challenge in order to cover the period during which our economy has to undergo rapid economic transformation particularly under the pressure of trade liberalisation.

12.10 p.m.

It is clear that in order for us to protect our economy in the future, we need to take account of the fact that agriculture and manufacture are worthy of every possible form of protection and a safeguard. We cannot use instruments built primarily around high tariffs because of the negative impacts which are the other two major earning sectors, tourism and the international business and financial services sector.

Therefore, we made the sober decision that during the time when we had to make this rapid transformation to make tourism more competitive, to reduce the cost of inputs into that activity, whether it is agriculture or manufacturing cost, also providing for the use of those sectors financing such as would assist the transformation. Notwithstanding the downturn in the international economy, notwithstanding the tight fiscal circumstances, this Administration has been able in pursuit of the necessary transformation of the economy, to establish a very clear programme of sectoral development for tourism, financial services, agriculture and manufacturing.

Sir, in our tourism, we are the only Caribbean country, to have the lowest rate of decline. There was a rate of decline but our rate was lower than other Caribbean countries. Also, we have been able to provide direct financial support for the tourism sector by way of the \$10 million which was provided to cover losses which were incurred during the post September 11. We also have the \$30 million tourism loan programme to provide loan financing to help with the refurbishment of the small hotels, particularly those on the South Coast of the island.

We have been providing financing for the GEMS of Barbados Project which has been successful in improving the quality of the room stock along the South Coast. We have been able to acquire and improve properties. In fact, the properties have shown a capital appreciation over and above what they were worth when they were first acquired, and that is an investment which we will continue to support.

Sir, we have a new Tourism Development Act which provides a clear and coherent incentive framework for all aspects of the tourism industry, not just hotels as in the Hotel Aids Act. Sir, it is a very clear strategy. In the tight fiscal times, the Government allotted increased sums for the marketing of Barbados during the emergency programme as well as in the current Estimates for the year 2002-2003. Sir, there has been a concerted effort by Government to restructure and transform our tourism industry to ensure a clear basis for our earning in the future.

Sir, we are mindful of the fact that one of the things we need to do is to ensure our continued earning power in order to be able to deal with our debt service. Similarly, for financial services, we have developed a programme for the accelerated growth of the international business and financial

services sector, a programme which is based on us doing a number of important things. At the very fundamental level we have an enhanced marketing and promotion programme working jointly with the private sector, which has already seen the involvement of entities in Barbados with a greater range of marketing in the insurance and other sectors.

We are aggressively pursuing the expansion of the Tax Treaty network. There is an ongoing effort, and successfully so, and greater coordination between government departments to ensure that it is easier for investors to do business here than before. The reform of the telecommunication sector will yield a reduction in international communication cost and greater technological solutions. We have seen this Honourable House contemplate and approve new products and services by way of legislative changes to bring new insurance products on stream in Barbados.

Also, substantial effort has been made by the regulatory agencies in Barbados to deal with the introduction of international best practice in the regulation of the sector. Sir, as a country we need to move beyond financial services and move to the export of the wider range of services, education, culture and health services. Sir, there is a concerted programme concerning these matters in our manufacturing, to help with the transformation of that sector and to maintain our economic stability.

We have been able to support a very successful "Buy Local" campaign. Sir, over half million dollars were injected by the Government as part of the post September 11 programme. Indeed, we are considering a further request for the support of the Government for an extended programme. Sir, that programme has heightened the awareness of Barbadians concerning the quality and the availability of locally produced items, that what was an 8 per cent decline in the sector last year was turned around to being a 0.8 per cent growth in the first quarter of this year, and that is a very important turn around.

Sir, we also recognise that we need to finance the transformation of our competitiveness to earn foreign exchange. Therefore, the \$25 million which has been allocated by way of the Industrial Investment Unemployment Fund, functioning through the Enterprise Growth Fund, is there to provide financing for the retooling and the restructuring of the sector.

Sir, as if that were not enough, because it is certainly more than what many countries are doing for their manufacturing sectors, even in tight fiscal times, we have been able to provide \$5 million a year in grants to the manufacturing sector to help them as part of a technical assistance programme in the area of export, marketing,

improved labelling, product design, plant layout, the improvement of efficiency and generally making them more successful in the market.

Mr. Speaker, in the agriculture sector the Government has done more than many countries to provide support and safeguard mechanisms. Sir, some countries have provided safeguards but they have not provided the tools to help these sectors transform to meet the requirements of a new liberalised world. We have done that by way of the creation of the Agriculture Development Fund to raise \$27 million which is available to assist farmers by way of new irrigation, planting methods and research and development.

12.20 p.m.

Sir, I am satisfied that the basis for the return to growth has been laid by way of these policies which I broadly touched on and that the transformation of the economy will be assured by way of these measures that have to be discussed.

Sir, let me look more closely at the matter of the public debt. I think that I have established the reasons why a country will from time to time incur debt and I have also established the basis for the credibility of this Administration concerning economic management in general and the management and use of debt to leverage development in particular. The debt levels of Barbados continue to be low when compared to other countries in general and more particularly compared with other countries with similar credit ratings internationally.

One important criteria, particularly as it relates to foreign debt, is the ability to service that debt. What percentage of your export earnings are you paying out by way of servicing your debt, is a very important measure. In the case of Barbados, that has been and continues to be low. It is under 10 per cent. Indeed, the figures are 7.4 per cent for 2001. What that indicates is that there is no likelihood of Barbados defaulting on any of its obligations. The other important point that has to be made is that one has to be careful in examining absolute numbers, that is numbers put out there by themselves.

It is important when examining debt levels to treat the numbers in their relative context because, clearly, Sir, over the last 25-30 years the level of overall debt has grown. What is important, Sir, is to place that growth within the context of the growth of the wider economy. GDP has continued to grow, Sir, over the years. We are now in an economy which has a GDP market value of some \$5.3 billion. That is up substantially from what it would have been many years ago. Indeed, even if we go back to 1996-1997, there has been at least a \$1 billion increase in the GDP and market value.

Of course, when you go back further in the 70s and 80s, there were times we were under \$1 million. The increase in debt reflects the increased cost of providing the capital for infrastructure and other uses for which the debt has been made. Concerning relativity, Sir, the overall debt of Barbados, both external and domestic, continues to be low compared to our similarly rated peers.

Sir, what is of note as well is that there has been very little deviation in terms of how much of our overall debt is local and how much of it is foreign. In 1981, Sir, 62 per cent of the debt was domestic and 38 per cent was foreign. The year 2001, those ratios were in the region of 63.5 per cent domestic and 36.5 per cent foreign so that there has been a relativity maintained. Again, if we were to do the comparison along the line of the comparison with GDP it would yield similar results. What is particularly important and noteworthy is that the note as given by Standard & Poor's in its commentary on our debt indicates that the debt has been used well. In fact, it notes that the debt, as we all know, Sir, has been used for the purpose of improved economic and social benefit for roads, schools and the like.

I want to say to this House that at present the Government's public sector investment programme, certainly at March 31, 2002 had a value of approximately \$1.17 billion and this included projects in our current programme such as the Airport Expansion Project, the Bridgetown Road Improvement Project, EduTech, the construction of the Eagle Hall Market now concluded and the dredging of the Bridgetown Port to enable it to accommodate mega ships.

You will recall, Sir, that we were able to accommodate the largest cruise ship that there is floating around the world in Barbados in April/May. Again that is important. If it could not come to Barbados it would go somewhere else. So this is part of what we do. We build capacity to earn.

The Public Sector Investment Programme included the London Bourne Towers and the London Bourne sports facility has been completed and those people who drive past Country Road will see the wonderful Country Park Towers under construction adjacent to some well designed, aesthetically pleasing two-storey units. Included in that programme, Sir, is a Forensic Sciences Centre to be able to provide those important services not only for solving crime but for other purposes, the Cheapside Market Renovation Project to provide for opportunity for our small business persons to participate in a meaningful and dignified way in our economy.

It was certainly a great travesty to have a market in such bad condition that those small business persons would rather function outside in the sun and in the rain, rather than go in there, so the Public Sector Investment Programme,

the purposes for which the national debt of Barbados has been applied, has been all about enhancing the quality of the lives, both economic and social, of the people of Barbados.

Included in that Public Sector Investment Programme is the Skeetes Bay and Consett Bay Fisheries Project to provide two landing sites for the people of St. John and St. Philip. The Community Resources Centre included the Community Technology Programme because we have enhanced and built a number of community resource centres, but we are also putting in the technology to bridge the digital divide.

We have as well an Urban Rehabilitation Programme which will include an extension of the reclaimed waterfront car park, the redevelopment of the Princess Alice Bus Stand which is underway. You can see the conversion of the old Town Hall into a new tourism oriented facility with shops, restaurants and vending facilities. We are certainly taking an eyesore out of the centre of Bridgetown.

12.30 p.m.

Sir, the St. Lawrence Gap development – and you can see the work which has been done there on the first half of the Gap, and the second half is to follow close on the heels of the Sewerage Project. We have, of course, the Programme of some \$40 million for the provision of concrete roads, in addition to our Asphalt Road Programme, to make sure that ordinary Barbadians, good decent taxpayers, do not have in this 21st Century, to walk through the mud and to leave their good shoes at the neighbour at the bottom of the gap...

Asides.

Hon. R. R. FARLEY: ...and when you walk down in the old shoes, you stop by the neighbour at the front of the gap to put on your good shoes to catch the bus or to go to church or wherever you are going...

For example, there are roads like that such as Powder Road and Mansion Road, which are areas that you know well, Mr. Speaker, have been beneficiaries of this Public Sector Investment Programme, financed as part of this debt management strategy.

Asides.

Hon. R. R. FARLEY: Pie Corner in St. Lucy, which the Honourable Member for St. Lucy knows, Sir, and Charnocks in Christ Church, by Pugs Bar, a popular place opposite the Airport and we can list them all over the island.

Sir, the Programme is wide. We take a broad view of national development. The Coastal Conservation Programme is all part of that – the Urban and Rural Development Commissions, provision of housing and street lights, the St. George Glebe Complex, Sir, the Police Station

and other community resources, the relocation of the Coast Guard Station, as well as the Headley's Land Development Project. This is an area where people panicked whenever the rain was set up. You know this old expression. They used to have to panic, but not anymore, because of this Public Investment Programme financing part of the debt we have incurred and will incur, just to bring development and growth to our people.

Nowhere in our eight years, Sir, or nowhere at our time at the helm, we had to abandon any of our projects, like the many that dotted the landscape of this country, during the period of the administration of the Democratic Labour Party.

Sir, one will recall the Glebe Polyclinic in St. John, the building that was supposed to have been the post office and other community facilities, or a civic centre at Oistins, the very poor management of the fiscal arrangements concerning the Sherbourne Conference Centre and we could go on and on about the very poor project management, Sir, and the fact that nowhere during the time of the Democratic Labour Party's last Administration. They boast of a comprehensive public investment programme which had both economic and social dimensions and was well executed and successfully completed.

Sir, in addition, areas like health and other matters have not been left out. You will recall that this Government was a world leader in its enlightened approach to the fight against HIV/AIDS. You will also recall, Sir, that the Government of Barbados, on its own free will and accord, had made the decision to provide anti-retroviral drugs for pregnant women, to stop the transmission of HIV/AIDS from mother to children as a first step.

Then, we have gone beyond that and made a commitment to provide \$100 million over a five-year period to deal with everything from education to expanded drug treatment and the like, that the people in South Africa had to take the Government to court to get them to budge and agree that they should provide this kind of support for their people. Sir, those are the kinds of reasons why we would incur debt.

Sir, as indicated earlier, we have a number of alternative instruments and methods under which debt is incurred, depending on whether it is local or foreign. Sir, let me look specifically at this matter of the Local Loans Act and how it is used.

Let me say, first of all, as I indicated previously, that the adjustment which is being proposed is merely an adjustment in the limit, well in advance of need, such as would allow over the next four, five, six years or whatever, a Minister of Finance to be able to utilise debt management by way of raising funds locally, as part of the tools of fiscal management.

Sir, as it stands now, there is a ceiling limit of \$1.8 billion, as in section 3 of the Local Loans Act, approved by Parliament. The nominal value of Local Debentures and Treasury Notes outstanding, as of April 30, 2002, stood at \$1.7 billion. As you know, the Central Bank is our agent for the provision of securities which we propose, during the course of the year, to actually utilise some \$180 million and therefore, the need to raise the limit.

I want to say, Sir, that let us not forget that the adjustment of this limit is part of what we need to do, but I must draw attention, because I know that the Opposition will want to make a great song and dance. They will want to make some statements which would perhaps confuse the public, so I think I need to go back a bit. Over the past 11 years, the Government has found it necessary to adjust these limits on the Local Loans Act.

On November 2, 1990, the Democratic Labour Party raised the limit by \$100 million. The Democratic Labour Party again, Sir, in December 1992, a year later, raised it by another \$100 million. In less than a year later, nine months or thereabouts on August 27, 1993, the Democratic Labour Party raised the limit by \$447 million. On March 28, 1994, the Democratic Labour Party raised the limit by a further \$303 million, an increase of \$950 million in four years.

12.40 p.m.

Sir, let them not come to make a great song and dance, let them come on very sound economic ground. Clearly, the situation there was for them to be scrambling to raise finance. This was also the period when, with no regard for the Law, they were breaching the overdraft limit at the Central Bank. It was also the period when issues were being made on saving bonds, under the Saving Bonds Act, that did not enjoy the lawful authority of Parliament.

In fact, in December 1994, one of the things that the BLP had to do was to pass a Validation Bill, validating any issues which were raised between the value of \$25 million to \$50 million – that is, the \$25 million that was raised without the Law having made provision which were undertaken between 1986 and 1994.

What we are doing is ensuring that long before there becomes the need for any adjustments, that prudent adjustments are made, and to emphasise the fact that this is not an indication that we will go to the market tomorrow to raise \$400 million. What usually occurs is that during the course of any given financial year, the Central Bank of Barbados, on behalf of the Government, will issue public advertisements indicating the availability of Treasury Notes and other securities for whatever the value, with a maturity date of a given period and, with a price attached with an interest rate implied therein. Sir, that will be done under the

lawful authority. I repeat, this is not a proposal by the Government of Barbados to raise \$400 million on the market. This simply is to set a legal limit to ensure we do not breach the legal arrangements.

Sir, as indicated, that amount is set to take account of the continued growth of the economy. If we take market price as the value, \$5.3 million in 2001 projects to be \$5.5 billion in 2002, and will continue to grow. Therefore, the amounts which can be accessed under this loan need to be adjusted as well.

Sir, our total debt is well within manageable proportions. In the Standard and Poor's Report, if Members are able to peruse it, it will indicate that for Barbados, it is relatively low. The total Domestic Debt for December stood at \$2.3 billion of which Treasury Notes would have represented \$1.7 billion and Treasury Bills making up the remainder. Foreign Debt stood at \$1.3 billion. In both cases, these are debts that were spread over many years.

In fact, one of the important features of the debt profile of Barbados today, as compared with the debt profile of Barbados in the early 1990s under the last Administration is that, based on sound management, our creditworthiness has allowed us to obtain long repayment terms. Therefore, the debt has been adjusted such that there is no dangerous bunching of debts. At the moment, there is nothing on our books which is similar to the Barclays Bank Loan of approximately \$190 million.

Asides.

Hon. R. R. FARLEY: Sir, that amounted to a situation in which the country would have had to endure a large hit on its Foreign Reserves. I believe in that case that, because of the dire economic circumstances, the usual provisions for the establishment and maintenance of a sinking fund to make sure that when it was time to redeem the debt, there were no funds to do so. In this scenario, there is no such thing.

Therefore, Sir, what we are advancing with this measure is the need to utilise our massive excess liquidity in the domestic banking system which has been developed because of Government's strong policy for the increase in savings to provide financing for public and private sector projects.

Remember Sir, let us not take this for granted. It was not always that way. There was a time when there were no funds available by way of domestic savings for financing projects in the public and private sectors. Remember our last visit to the international capital market in September was for precautionary purposes and was done against a background of good Foreign Reserves and strong fundamentals.

In 1991 when the last Administration went to the Market, they did so against the background of having only \$11 million in foreign reserves. Let us remember the cost and terms under which they were able to obtain limited finance then, it represented a great strain on the country by way of our need to repay. Let us remember that we, on this Side, can show what we have done with the debt we have incurred.

Sir, the transformation of the country since 1994 is clear. The repositioning of the economy is well on the way to prepare for the impact of trade liberalisation and to take advantage of growth prospects for the new economy. Therefore, let us bear those points in mind.

Sir, I will repeat. Given the strong foreign reserves position we have, we do not propose to go to the international markets any time soon. My reference to the strong credit-rating by Standard and Poor's is by way of illustration of the fact that even after all of our economic circumstances have been taken into account, that in May 2002, a reputable international agency still considers Barbados to be well poised to return to the path of growth.

It has endorsed Barbados' strategy of utilising its foreign reserves as the fundamental strength of its economy, to pursue an expansionary fiscal policy – letting the deficit increase a bit – so that we can continue economic activity. They have specifically endorsed and have expressed their confidence in the very prudent leadership of this country's Administration, particularly the Prime Minister and Minister of Finance.
12.50 p.m.

We have in this matter a tale of two scenarios of economic management – The Democratic Labour Party which when faced with a downturn in the economy had so squandered the resources prior to the downturn that they had no fallback position.

On the other hand, we have an administration who, through careful management, had so developed assets that they could be employed to help the country ride out the downturn such that a decision could be made that the maintenance of jobs would be a central plank of the strategy as opposed to trimming jobs being a central plank of the strategy. Therefore, this matter of how we manage our economy in general and how we utilise debt to leverage economic and social development is of fundamental importance.

Sir, I am satisfied, as is Standard & Poor, that there is wisdom in utilising more of our domestic savings to finance our development. Based on availability, there will be no crowding out of the private sector because we have substantial excess of savings and through deliberate Government strategy, we have lowered interest rates contrary to the unsolicited advice of the Opposition to raise

interest rates. Sir, because we have lowered interest rates on several occasions during last year in Barbados, we are now able to benefit to have low-cost finance available for financing our development.

Sir, we have options and we are maintaining strong fundamentals. The Estimates, as presented to the House in March, indicate that current revenue will cover current expenditure so that we are able to make a contribution towards capital expenditure from the excess that is left and, therefore, debt which is incurred to finance the deficit is being used to build capacity and on projects which will enhance our ability to earn either by way of building social capital like education and health or by way of earning capacity by way of tourism infrastructure directly as in the case of the Hilton and GEMS Project, or indirectly by way of provision of public infrastructure to support private development so that roads, the desalination plant for our water supply, housing and other infrastructure become the backbone on which we leverage the injection of private capital.

It is also being used to build additional golf courses and in the high number of hotel investment projects and other tourism-related infrastructure which are currently before the Chief Town Planner; by way of the private capacity which will see us transform Bridgetown, St. Lawrence Gap and Speightstown, improve the quality of the room stock in the tourism industry on the South Coast and generally enhance our capacity to earn.

Sir, we anticipate that in years to come when other Members of Parliament review what we have done by way of our action today in commending this Local Loan Act to raise the limit, and by way of the prudent management of the economy and the society during this period that they, like Standard and Poor's, will cite the Government of Barbados as an excellent example of economic management which others should follow.

Sir, I will conclude by saying that the outlook by Standard & Poor's for Barbados is stable and is based on the expectation that the Government will do all the right things.

Mr. Speaker, I could not close on a better endorsement of our policies than that.

I beg to move the Second Reading of this amendment to the Local Loans Act which is intended to raise the limit of loans which might be raised on the domestic markets by \$400 million. The Government will not go to the market tomorrow but this will cover the next six years to ensure that we are able to raise financing as required. This is in keeping with our approach, unlike the last Administration who raised the limit every year because our last adjustment was in 1997.

Mr. Speaker, I beg to move that this Bill be read a second time.

Hon. R. D. MARSHALL: I beg to second that.

RECOMMITAL

PAPERS

Hon. R. N. GREENIDGE: Mr. Speaker, I am commanded to lay the following:

1. Report prepared with regard to the queries raised on the operations of the Ministry of Finance and Economic Affairs in the Auditor General's Report for the financial year ended 31st March, 2001.
2. Report on the Accounts of the Social Investment Fund for the quarter ended 31st March, 2001.
3. Report on the Accounts of the Social Investment Fund for the quarter ended 31st March, 2002.
4. Report on the Accounts of the Public Enterprise Investment Fund for the financial year ended 31st March, 2001.
5. Report on the Accounts of the Public Enterprise Investment Fund for the financial year ended 31st March, 2002.

Hon. R. R. FARLEY: Mr. Speaker, I am commanded to lay the following:

The ACP-EU Partnership Agreement signed in COTONOU on 23rd June, 2000.

Hon. R. D. MARSHALL: Mr. Speaker, I am commanded to lay the following:

The Annual Reports of the Barbados Water Authority for the years 1998 and 1999.

Hon. H. F. LASHLEY: Mr. Speaker, I am commanded to lay the following:

The Annual Report of the National Assistance Board for the financial year April 1, 2000 to March 31, 2001.

SUSPENSION

Hon. R. N. GREENIDGE: Mr. Speaker, Sir, I beg to move that this House be suspended until 2.00 p.m.

Hon. G. A. CLARKE: I beg to second that.

The question that the House be suspended until 2.00 p.m. was put and resolved in the affirmative without division and Mr. SPEAKER suspended the House accordingly.
1.00 p.m.

RESUMPTION

Mr. SPEAKER: This House is resumed.

Mr. D. J. H. THOMPSON: Mr. Speaker, I participated in several debates on amendments to the Local Loans Act since 1987 and I have, as Minister of Finance, piloted two such amendments. I cannot say that on any occasion such an amendment has been piloted that it would have given rise to the kind of speech which the Honourable Member for Christ Church East would have delivered in here today.

Having heard him on several occasions speak in the Other Place, I tried to carry out some psychoanalysis of what would have propelled him to introduce such an uncontroversial amendment with such a defensive mode on the one hand, when he is seeking to set out the record of the Government, and on the other hand believe that it required the kind of criticism of previous Administrations.

Sir, there is nothing big about amending the Local Loans Act. There is something that the Honourable Member should have done that he did not do and that is in the absence of the foremost senior Members of the Government from this debate, might have propelled him to excesses that would not normally attend a debate like this. Apart from one element which was missing from the debate and which, in fact, is at the crux of any amendment to the Local Loans Act that it does not come about as a result of a specific initiative that Government has to undertake, was missing from this particular debate.

Sir, to liken this amendment to the Act in which the Government is raising the limit by the second highest amount in the modern economic history of Barbados, prior to that, the only other occasion would have been in 1994, when to facilitate a specific initiative on which Both Sides of the House agreed, and that was the sugar industry debt, not created under the Democratic Labour Party.

The Honourable Member for Christ Church East walked into a trap which wiser men would have avoided. When the Democratic Labour Party left office in 1976, there was no Barbados National Bank (BNB). The sugar industry debt was the debt of private institutions. The BNB was formed by the Barbados Labour Party and it aggressively went after every sugar plantation account until there was only one left by 1986, when it left office, that was not under the portfolio of the BNB. There was only one plantation that was being financed outside of the Barbados National Bank.

Sir, by 1990, possibly sometime before that, it was that sugar industry debt sought so zealously by the Government, and they may have had a valid policy reason for seeking it, that caused us to have to clean up the BNB's portfolio.

Asides.

Mr. D. J. H. THOMPSON: Sir, the BNB was a successor to two private banks, neither of which had a sugar portfolio. Barclay's Bank had the most significant sugar portfolio prior to that.

Asides.

Mr. D. J. H. THOMPSON: Sir, the point is, all of that was put into the BNB, not by the Democratic Labour Party's policy decision. I do not wish to divide the debate in that way, because we had to have a sugar industry and something had to be done. When the BNB became compromised by that sugar industry debt, we had to take some action which would have included raising the limit under the Local Loans Act to facilitate the transfer of that debt which the Honourable Member for Christ Church East seemed blissfully unaware of.

Mr. Speaker, I heard the Honourable Member refer to the school rules in his debate. When I was in first form, a fifth former, who is now working in the Town and Country Planning Department, gave me some lines to write. The lines were, "A breach of commonsense is a breach of the school rules." Sir, the rules at my school did not end there and it is a pity that the Honourable Member did not know the other operative part of the rule. Sir, the other part of the rule is, "It is better to remain silent and be thought of as a fool than to open your mouth and remove all doubt."

Sir, I was required to write that rule 100 times.

Asides.

Mr. SPEAKER: I hope that the Honourable Member is not referring to the Honourable Member.

Mr. D. J. H. THOMPSON: Sir, no less than I assumed that he was referring to me or anybody in the Democratic Labour Party when he said a breach of commonsense is a breach of a school rule. Sir, to the extent that he was not referring to me, I am not referring to him.

Asides.

Mr. D. J. H. THOMPSON: Sir, I wrote the lines 100 lines and, therefore, after that I felt inclined to go a bit deeper than the surface.

Mr. Speaker, we have had increases in the limit of the Local Loans Act and they were supported by Both Sides. Unless Government, by increasing the limits, is going to

crowd out the private sector, then there is nothing wrong about increasing Government's borrowing limits under the Local Loans Act. That is what it is there for. Unless you are going to be so reckless as to go into the private financial market and seek to mop up the last remaining funds and crowd out the private sector from legitimate investments that they want to make, there cannot be anything wrong with it.

Sir, a prudent Minister of Finance, whether acting or otherwise, would want to answer a simple question, one which, regrettably, has not crossed the mind of the Honourable Member for Christ Church East. Mr. Speaker, that question is, why is it that liquidity is so high and why is it he is not able to point to any single private investment that would be sharing the spoils of that liquidity with Government?

Sir, all the Honourable Member did was talk about all the Government's projects which he called capacity-building projects, which by having access to funds which are available in the commercial banks by raising the local loans limit, Government would be able to continue.

Sir, everybody knows that if the economy is to grow and develop and jobs are to be created, the first question you should be asking yourselves as Government, and the Minister should seek to ask himself and seek to answer in this debate is, why is the private sector not competing with Government for those funds? Why is it the *Broad Street Journal* could report that the difference between consumer lending and mortgages is, mortgages are now outstripping consumer lending in terms of the portfolio of banking institutions in Barbados? People are basically paying off their loans so that the savings rates have not increased substantially. All of those are questions that the Honourable Member for Christ Church East as a young parliamentarian given a very important portfolio should be asking himself. 2.10 p.m.

The alternative to that has been a presentation by the Honourable Member for Christ Church East in which he was all over the place ranging from sector to sector, project to project, as if seeking to make us believe that raising the limit in respect to local loans is going to sustain the Barbados economy, just as the Honourable Members on that Side tried to make the public believe some months ago that the emergency economic package, the highlight of which was borrowing money on the international capital markets, was the saviour of the Barbados economy.

If that were so, Sir, I believe that Errol Barrow's statement many years ago in this House when speaking to a Shadow Minister of Finance, now the Minister of Finance, that if he knew that that kind of voodoo economics would be

the product of an Economics department at Cave Hill, he would have reduced the budget allocation by the Barbados Government to the University of the West Indies – borrowing out of a crisis and in this particular situation the Government once again said that we do not need to borrow but we are going to increase the limit in case we need to borrow.

Sir, all of us know quite differently in relation to Government's fiscal position. We know what impact the current recession will have on the Value Added Tax receipts and on other aspects of Government's operation and the Government is basically paving the way to enter into the market to mop up a significant portion of the excess liquidity and is doing so by raising the limit by the second highest amount in the history of the existence of the Local Loans Act.

Previous increases have not been of that magnitude unless, as I said, they have been for specific scenarios, one of which was the sugar industry debt which had to be financed when it was taken out of the Barbados National Bank portfolio. That was one aspect of the presentation that we heard today. The second aspect can be dismissed very quickly.

The Honourable Member has been part of a Government that has been in office for eight years. They take the credit when things are going well and, therefore, when things are not going so well and it is clear that initiatives are being taken out of desperation or out of an attempt to correct the structural difficulties in the economy, then the Government needs to stand up and say so to the public of Barbados without prevaricating or seeking to put an interpretation on economic events that it is not deserving.

For the Honourable Member to say that the Government is not going to go to the market tomorrow is no comfort to me. As soon as you increase the limit, the Government has the option of going to the market tomorrow and absorbing all of it, or doing so over a period of time; but this Parliament does not have the power to bind the Government to stop it from taking up all, or to ensure that it takes up less, or that it does it over 10 years or otherwise.

Once the limit is increased, the Government is entitled essentially to absorb the full extent of the limit and any promises by the Honourable Member for Christ Church East relative to how borrowed funds will or will not be spent are not accepted by me, Sir, because the purposes for which the Government went to the international capital markets last year have been changed already, and having borrowed the money, it is now saying it will use that money that it borrowed to put down, which it did not need, to complete specific government projects, many of which have been

characterised by squandermania and many of which are suspect.

Therefore, large amounts of money that had been borrowed on the international capital markets are now going to be diverted to complete projects which will have questionable outcome and which the public, not Standard & Poor's, the calypsonians who live in Barbados, the fishermen in Silver Sands who live in Barbados, and the people who sell newspapers and other items at St. Patrick's Roundabout who live in Barbados, not the officials from Standard & Poor's who fly in once a year, the people to whom the Honourable Member for Christ Church East Central was ultimately accountable in 1999, but who in the year 2002 could find it possible to say, having gone through the entire speech this afternoon, that he can think of no better an endorsement than one which comes from Standard & Poor's.

Sir, that is a bold statement for any parliamentarian to make in here and least of all one who is the acting Minister of Economic Development because the ultimate endorsement I assume that a parliamentarian would want would be not from his peers, not from people living overseas, not from an international financial institution, particularly the type that the Right Honourable Member for St. Peter wanted to banish from Barbados just eight years ago, but from the people who elected the Honourable Member for Christ Church East.

That is the endorsement that I assume would have been most important to him in a debate of this nature, an endorsement by which the people employed in the tourism sector could say they disagree with the predictions of their Member of Parliament's private sector friends – the former President of the BHTA, the leaders of the Chamber of Commerce for whom he once worked, the current President of the BHTA and all of those others to whom he once had access, who are now telling Barbadians that this would be one of the most horrible summer tourist seasons that we have ever had. They would not have been nauseated because maybe they did not have their lunch, but they would find it unbelievable that a current Minister of Economic Development could tell you that this initiative is part of the process of continuing economic growth in Barbados.

Those were the words that the Honourable Member for Christ Church East used as if he has not woken up to the reality that the Barbados economy is not currently enjoying economic growth, not by anything that the Opposition has said but what the Governor of the Central Bank has said, by what the Government, by its own statistics has said, including those published under the watch of the Honourable Member, by what the leaders of the agricultural, tourism, international business and financial services and manufacturing sectors have all said about the state of the Barbados economy.

Yet, the Honourable Member, in a moment of self-congratulation, given more to hyperbole than to rational thought, said to this House that increasing the local loans limit to \$400 million was one of the initiatives to continue economic growth in the Barbados economy.

Hon. R. R. FARLEY: Mr. Speaker, on a point of order. I said no such thing during my presentation. The Honourable Member is seeking to attribute statements that he would have loved if I had said so. Therefore, I can understand his imagination getting ahead of him. Clearly, Sir, I would not have indicated that during the course of my presentation. I would ask him, Sir, to withdraw those words that he attributed to me because I did not say that.

Mr. D. J. H. THOMPSON: He said it, Sir. He may not have remembered that he said it but he said it. He may have said it in error and he is entitled to say that he said it in error. If the Honourable Member is getting up to say that he really meant resumption of economic growth I agree with him, Sir. That is what the Honourable Member meant to say but at no point in his presentation did he come to grips with the fact that the Barbados economy is really facing major problems. What he was interested in doing, Sir, is telling us what Standard & Poor's was saying about our credit rating.

Sir, anytime you have such a misguided analysis proceeding from the lips of somebody temporarily charged with running the finances of the Barbados economy, then you have to be extremely worried. I never knew that a credit rating could surpass the feelings of the people who might be laid off in Waterford, those vendors and others who may be dislocated as a lack of spending power by Barbadians, the persons who operate in all sectors of the Barbados economy who are facing difficulties at this time.

2.20 p.m.

Sir, that is the point I think the Honourable Member for Christ Church East needs to come to grips with for the benefit of Honourable Members of this House, not just for me, because it does not ring pleasurably in my ears to hear that the Barbados economy is facing the kinds of difficulties that it is facing, especially when you hear Government Ministers make the same foolish assertions that everybody is facing the same problem.

St. Kitts has just had 2 per cent of economic growth. Jamaica, in the face of September 11, 2001 registered economic growth. Check the out-turn figures for Trinidad. St. Vincent, an economy that was reeling and had excessive levels of unemployment, in the year 2001, registered economic growth. Barbados is performing very badly relative to other Caribbean economies. Sir, that is a fact not borne out by anything I have imagined.

The Caribbean Development Bank recently published the statistics relative to the performance of the respective economies of the Caribbean and Barbados was lagging considerably in relation to those economies.

Sir, that is not something the Honourable Member for Christ Church East can deny because he was present at the meeting in the Cayman Islands. He also participated in the events and I assume as a Governor, would have endorsed the report of the Chairman or for that matter, the President of the Caribbean Development Bank, which was reproduced in our newspapers in Barbados to demonstrate that the Barbados economy, of all the Caribbean economies, is not the worse, but is one of the worse in terms of performance at this current time.

You are not hearing, other than perhaps in Dominica, and they are part of the OECS, the problems faced by Caribbean economies relative to their foreign reserves. In many of the Caribbean economies you are not even hearing big issues relative to unemployment. The nature of the economic crisis that faces many Caribbean countries is changing.

Therefore, some of the old issues that would have been part of the 1991 economic scenario are not currently afflicting the economies of the Caribbean for a variety of reasons. Institutional change, that is, their economies are not as dependent on the kinds of investments that they were once dependent on, that some of them have gone through structural adjustment and reform, so that the problems that we are facing now in the year, 2002, manifest themselves in different ways.

It is not a big boast for Barbados to say that it has significant foreign reserves because none of the other countries in Caribbean are currently facing that kind of crisis, so that there is nothing that so substantially differentiates us from other Caribbean countries in relation to that aspect of our economic performance. The Government needs to identify very clearly, other than foreign borrowing, an investment in a very narrow sector of the tourism market, luxury villas, luxury housing and golf courses and so on, on what the Barbados economy has been depending to survive during the year 2001 and as we are now almost to the midpoint to the year 2002.

Therefore, Sir, I am not surprised at all. I was on point No. 2, that the Honourable Member for Christ Church East would have been as defensive as he was in this particular debate seeking to lash out at the Democratic Labour Party for the 1991 performance, which is not on all fours and bears no relationship to the current state of the Barbados economy. In 1991, we were facing a foreign exchange crisis. We had

higher levels of unemployment and there were other major challenges that we faced, but those are not the challenges that Barbados faces now, or yet.

The business sector in Barbados is recognising that there are going to be some challenges which are going to be even greater than those we faced in 1991, despite the high level of our foreign reserves, despite the fact that unemployment has been somewhat abated and despite the fact that we would have had eight successive years of economic growth.

The biggest challenge is the question of competitiveness, the question of cost in the Barbados economy and instead of focussing on that, the Government constantly focusses on the messenger. If the private sector raises concerns about the cost, the objective is to attack the private sector for saying what people, including Standard and Poor's which the Honourable Member for Christ Church East so glowingly praises in here and holds up as the benchmark for economic performance in this country, in other words, if Standard and Poor's say you are doing well, that, as he said, is the best endorsement you can have.

The same Standard and Poor's raises issues relative to the problems in the offshore sector in Barbados, a portfolio for which the Honourable Member for Christ Church East has had responsibility for eight years. That is one of their biggest concerns. I am talking about international business and financial services.

Aside.

Mr. D. J. H. THOMPSON: Only three, well since he wants me to share the blame with others, for which the Honourable Member for Christ Church East, together with other persons of varying degrees of competence, which obviously do not surpass his, Sir, have held for the past eight years.

Standard and Poor's raised the cost structure in the international business sector, telecommunications rates, all of these things that have consistently been raised. In the tourism sector, valid recommendations and suggestions have been made and comments about the cost structure. In the agricultural sector, we can see where the challenges are faced, relative to the future of agriculture in Barbados and the manufacturing sector or what is left of it faces the same kinds of problems. Then, all of the private sector entities talk about bureaucracy.

This Government takes it as a personal insult when anybody talks about bureaucracy. They talked about it 20 years ago also and with validity. They were talking about it in 1994 with some validity, what makes it less valid now in the year 2002? It cannot be public sector reform because

that has been an abysmal failure, so perhaps what the private sector is saying is that having public sector reform we should have better levels of output and performance in the public sector.

Of course, they have not remembered that public sector reform was merely a slogan, to appease the private sector, to make them think that something was happening, that there were major reforms taking place in all of the departments of Government, that there would be citizen charters published every month, that you would have a green paper in every area looking at institutional reform.

The House had only one Green Paper that looked at institutional reform, all of the others simply regurgitated Manifesto Pledges for timed deadlines that the Government itself was then not able to meet, whether it was in telecommunications, in the tourism sector, whether it was in the agricultural sector and the Government then sets up committee after committee.

2.30 p.m.

Mr. Speaker, what is so pathetic about the performance of this Government in relation to the financial affairs of this country is that, having introduced a whole raft of tax concessions, the Government then gets annoyed with the private sector when they do not take advantage of those tax concessions. Instead of the Government inspecting the concessions to see if there is anything wrong with them that was preventing the private sector from taking advantage, the Government attacks the private sector and says that Government has done everything in order to give the private sector the advantage when they had not done so and, therefore, the private sector is responsible for the state of Barbados' economy today.

Sir, a Minister of Finance that had his feet on the ground would design the kind of economic packages, including tax incentives, so that people could benefit. It does not make sense announcing tax concessions, only to find that no one can benefit from them.

This Government, in its previous incarnation, announced a tax concession on foreign earnings in the offshore sector and for years no lawyer, nor accountant, could have benefitted from that particular concession. They were not able to translate the announcement of the policy into a sensible and workable procedure adopted by the tax authorities so that persons could have benefitted. Yet, every time the Government gets up, whether at election times or in Parliament, they boast how they have put in place these wonderful concessions. Then in 1993 when the Direct Tax reform was done, it then saw not a single person benefitting from those concessions.

Likewise, the recent concessions given in relation to the manufacturing sector, I would like to know what the report is on concessions that were given for agricultural production. I am going to wait with baited breath to hear how many persons in Barbados have applied for and have benefitted from the concessions which were given under the recent Tourism Incentives legislation. The same structure – an allowance equivalent to 150 per cent of the amount expended by the taxpayer is to be claimed.

This Government still continues to believe that by simply announcing these rafts of concessions from which nobody benefits, that Government is doing something wonderful for the private sector in Barbados. I am not saying the private sector are paragons of virtue. They have their limitations, both in relation to how they operate their businesses and how best they could benefit from those concessions. They may not have the capacity to do so.

Mr. Speaker, that demonstrates the level of emptiness, not only in the Honourable Member's presentation today but of Budget presentations, of incentives legislation, of all the talk about Government stimulating economic development in this country, a country that had basically survived on a building boom, the tourism sector and foreign borrowing in the past eight years, with higher level of taxation being imposed on everyone.

The Honourable Member for Christ Church East felt he could have a whole economic debate today, without once addressing a single issue which concerns the people who do business in Barbados – not the persons who draw taxpayers money as a salary – but those who have to work and to employ people in order to keep this economy going. The Honourable Member for Christ Church East could not have made a single statement to address their concerns about the cost structure, the levels of taxation in Barbados, the bureaucracy and about any other concerns that they had been legitimately raising in recent times. All of that was to be dealt with by way of attacking the messenger and not the message.

The Honourable Member for Christ Church East's job was to annihilate the DLP. He felt that in doing so and in preparing the people for what the DLP might say, the people of Barbados are, by his estimation, so ignorant that when he tells them they are doing well, even though they are not, they will still believe they are doing well. He felt that once he pronounces there are high levels of foreign reserves, that there is no need to borrow money but that Government is simply increasing the limit, that there was no need to borrow US \$150 million last year but that it was simply borrowed, they would imbibe all of that.

He believes that from their personal experiences, whether it is fishermen, farmers, boutique owners in many of the new tourism attractions in Bay Street, Pelican Village

and the Bridgetown Port, which many of them are failing and are closing down – and not since September 11 but prior and continuing – the additional 1 200 persons who would have lost their jobs prior to and since September 11 that all of these persons are simply sitting in their living rooms with their radios on, imbibing all of the sweet sounding talk of the Honourable Member for Christ Church East, which goes against their own personal life experiences.

The Honourable Member for Christ Church East does not feel any need in this debate, as the principal architect of Government, to say anything about any critical initiatives which the Government is going to introduce to deal with the structural problems that afflict our economy.

The Honourable Member for Christ Church East has made great store about the credit ratings of the Barbados economy, oblivious to the fact that many of the very companies on the United States Stock Market, the value of whose stocks are plunging precipitously downwards, wiping out people's entire life investments and disrupting pension funds.

Sir, one can go into the impact of it in detail. Companies that had A+ ratings, including one of the largest corporations in the world, many of those corporations which, 12 months ago, would have had all kinds of credit ratings from Standards and Poor's and other agencies, and about which more than was said about the Barbados economy, would have been said about their having substantial reserves, pensions funds receiving satisfactorily remuneration, long-term investment prospects, high returns on the shares, *et cetera*.

A company which had shares worth \$18, plunged to 18 cents in the space of six months. These companies were given credit ratings from Standard and Poor's and from Moody's. The Honourable Member expects the Barbadian public to believe that because Standard and Poor's feels good about Barbados' economy, the people of Barbados, businessmen, workers, *et cetera*, are to be so flattered by Standard and Poor's that they can go into the supermarket and carry Standard and Poor's with them, or they can save their jobs by telling them this. I agree with a statement made by a Minister. Friday night I drove from TNT Barbecue City, University Hill to Speightstown. One restaurant had guests in Holetown. All of the others I thought were actually closed.

Asides.

2.40 p.m.

Mr. D. J. H. THOMPSON: Sir, the owners and workers in those restaurants will tell you that on weekend nights they face major problems and if that continues, the businesses will shut down and those employees will be sent home, but the Honourable Member for

Christ Church East will continue to tell them that Standard & Poor's has given a high rating so they should not bother about the fact that the hotel is running on 35 per cent occupancy because Standard & Poor's gave a high rating.

Sir, they should not worry about the impact of the VAT or the lack of investment in the Barbados economy because Standard & Poor's has given us a good rating. This is what this debate has been reduced to by the infusions of the Honourable Member for Christ Church East.

Sir, he says that the Opposition has a political axe to grind but I have an axe to grind with anybody who tells me that my reality is the reality of Standard & Poor's. I have a political axe to grind because the public workers in Barbados have not gotten their just deserve by way of salary negotiations but are now being told that Standard & Poor's said that we have a good credit rating.

Sir, it is that kind of approach that led recently to a comment by the former head of a private sector agency that the Government is so concerned about meeting its international obligations, satisfying Standard & Poor's, boasting about how it can borrow on the international market even though it does not need to, about passing all of the objective criteria that international economists and others apply to the state of an economy, of going to all of the meetings and passing all the laws necessary, and of pleasing the delegates of the Organisation of American States Conference, as we heard from the Honourable Member for the City last week who said how great this country is and how wonderful we are. The Government met all of their obligations but, Sir, there are some people who do not feel that way.

Asides.

Mr. D. J. H. THOMPSON: Can you tell me that everybody in St. Thomas, the constituency which you now represent, went to sleep satisfied last night and that they have no concerns at all about their future, their children's future or the future of this country or the current direction we are going in? Are you going to tell your constituents to listen to the Organisation of American States when they are hungry or do not have enough money to send their children to school every day?

Are you going to tell them to talk to Standard & Poor's when they go into the supermarket and the VAT is so high, when the hotel in which they work put them on a three-day week or when the plantation or factory they work for is closing down? Are you going to tell them to talk to Standard & Poor's because the Honourable Member for Christ Church East told us today that he can think of no better endorsement than Standard & Poor's?

Sir, I have never heard anything like that in the 15 years that I have been in this Chamber. Even when previous Governments were passing IMF tests in Barbados, they were still at the same time expressing their reservations and concerns about the requirements of those international institutions and the problems that were afflicting the economy.

The Honourable Member for Christ Church East could not identify a single concern that he had about the state of the Barbados economy in the face of a recession and in the face of an emergency economic package that has not worked because, according to the hoteliers, we will have the most horrible summer season we ever had but, in the face of all of that, the Honourable Member tells us that Standard & Poor's will explain why we are raising the local loan limit.

Standard & Poor's cannot explain why a Barbadian cannot or does not go into the bank in Barbados to borrow \$200 million to build a new hotel but the Barbados Hotel Tourism Association will tell you it is because of the cost structure.

Standard & Poor's cannot tell you why people are not borrowing and investing in agriculture in Barbados but the Barbadian who is applying for the loan as well as the bank itself might be able to tell you why they are not accessing all of that excess liquidity that is currently in the banking system.

Sir, any social engineer would tell you that the levels of liquidity in Barbados in the banking system are dangerously high particularly against the background where so many people are trained in small business development, also against the background where the Government constantly tells us that there is going to be a reversal of the current recession and where, the Government by its own admission today, has lowered interest rates.

Sir, the Government did all of that but people are still not getting money out of the banking system to the extent that you have to mop up \$400 million over the next five years, and in the face of so many people crying for opportunities to access finance to recapitalise their businesses to save their businesses from going under, against a background where banks are closing down small businesses in Barbados because they cannot meet their obligations and the banks are refusing to refinance people who have loans that have become delinquent before September 11.

Sir, the Government is telling the people that if they want to know the state of the Barbados' economy they do not have to look in their purses or back pockets but call Standard & Poor's because they have endorsed the policies of this Government.

This has been a remarkable debate in the context of the local loan legislation in Barbados. To my memory, I have not heard a debate characterized by the approach which the Honourable Member for Christ Church East brought to this one.

The Honourable Member should ask why the private sector is not competing with Government to borrow that money. What is the problem in the Barbados economy despite all that the Government has done to create a situation where you have that kind of liquidity and in the light of the fact that the Government has put in place an emergency economic package and has undertaken reform?

Sir, this Government introduces structural reforms but yet tells you that there are no structural problems in the economy, that the problems we see are surface problems, that because we had eight years of growth, high level of foreign reserves and low unemployment that by those three indicators we do not have structural problems. They still cannot answer why with no structural problems, the main engines of the Barbados economy are not performing at this time. Sir, we are in denial and in a state of complacency. 2.50 p.m.

Sir, the Minister of Tourism flies in the face of the statistics his own Ministry puts out. He tells you what the problems are with airlifts when things were going bad. Sir, the Honourable Member has added more airlines seats in the shortest possible time of any Minister of Tourism.

Mr. Speaker, despite that, US Air and some other airlines he was able to bring back to Barbados. Sir, he went out personally and took away the pain from tourism and restored some health to the industry. Yet, the private operatives in the tourism sector can tell you that they have been facing crisis after crisis.

Sir, the Government's answer to that is to say that there are personality problems, they are unintelligent and they cannot tell you how much money they are going to lose, so the Government made inadequate provisions. The Government never knew of these problems. Crime is not a problem, beach harassment is not a problem, low level of investment in every area or luxury accommodation is not a problem.

Sir, the Government has become complacent. On the face of it you have eight years of economic growth, a record by the Honourable Member for St. Peter's standard, now that the chickens are coming home to roost, some of the very concerns... You are free to ignore the Opposition because that is the Government's right and prerogative but you are not free to ignore the wishes and aspirations of the average man in this country or the people, who at the end of day are going to drive the businesses that make Barbados work.

Sir, in the agriculture sector, despite the pleas of a "Nation Editorial", uncharacteristic to the Minister of Agriculture to get a grip on the portfolio and tell us the way forward, what you had was the sugar sector spiralling into nothingness. Southern Meats, twice capitalised by the Government of Barbados, is on the verge of collapse. I believe the Honourable Member for St. Joseph must be laughing when he heard the new initiative, a week ago, to increase onion production in Barbados and the quantity of onions that we import, from those persons currently charged with the administration of the agriculture sector in this country.

I believe that the Honourable Member for Christ Church East said that there was 1 per cent growth in some area. I do not know if he meant the offshore sector or what, because by that time I had slightly tuned out of his speech. I hope that is what he said because it is his portfolio. Sir, with all of the meetings, with all the operatives in the industry, an injection of \$2 million and all the focus which the Government said it brought to the offshore sector, if we get a 1 per cent increase, although it would not take us back to the year 2000's level, at least there might be some hope or light at the end of the tunnel.

We have seen what has been happening in the manufacturing sector despite the World Cup, which the Minister of Tourism blames for the decline in tourism. I believe that should have been used as one of the jokes at the Caribbean Comedy Festival. Sir, despite the World Cup, there are destinations in the Caribbean that have enjoyed improved levels of visitors.

For example, the Cayman Islands and some other countries that depend on the US market and some of whom are driven by all-inclusive with most of their visitors from the US market, are getting visitor arrivals and in some cases registering growth in the tourism sector. They are not depending on the all-inclusive market the same way that we are but, at the same time, despite all that the Government has said, we do not seem to be able to get our tourism arrivals back up. As I said before, what we are benefitting from is an attempt to mislead the public on the true state of the tourism sector in Barbados.

Thirdly, the emergency package has not met the success that was intended, despite what the Honourable Member for Christ Church East failed to say about, because he did not trespass too much on it because that was his masterpiece. Sir, his piece of sculpture was putting together the emergency package. The high point was to borrow money and put it aside since we did not need it and three months later the Government announced that it is going to take the same money to complete projects like EduTech, the South Coast Sewerage Project and other projects which

it had to finance on budget and for which it said it had money at the time when we were undertaking the Estimates.

The fourth indictment against the Government is its failure to address those structural problems that afflict the Barbados economy. There is the low level of investment, the need for tax relief, the comments of bureaucracy and the impact that bureaucracy is having on the ability of persons who want to invest in this economy, including Barbadians. Finally, the Minister failed to touch on the problems of cost in the Barbados economy.

Sir, if I was to characterise this debate in a few words, I would say that the Honourable Member for Christ Church East is the greatest advertiser for Standard & Poor's. I do not think that there is any other Minister of Finance who would be politically reckless enough to suggest that the people of Barbados have detached themselves from their own reality and must look to Standard and Poor's to inform about the state of their digestion, about their ability to get to work, housing for the elderly in Barbados, social and economic problems, problems in our school and problems in relation to people who want to access land but cannot afford it.

All of the community problems that we face, and the violent crime in our comment, we are supposed to look to Standard & Poor's to find an answer to those problems despite the fact that the people in this country give this Government 26 seats in the last Election for the representatives that they elected, not Standard & Poor's, to increase their standard of living to justify the money that they are receiving in salary every month from the taxpayers.

Sir, though I say that on the face of it an increase in the level of local loans in Barbados is not such a dramatic event but the fact that the Honourable Member for Christ Church East turned it into such a dramatic event tells me that there must be something more about this than meets the eye. I hope that there will be other persons in this debate who will have the courage to tell us exactly what it is that is either not apparent to the naked eye or that would have caused the Honourable Member for Christ Church East to be so animated and constrained to launch an attack on the Opposition and by implication on the sensibilities of Barbadians.

I thank you, Sir.

Hon. G. A. CLARKE: Mr. Speaker, I rise to give my support to this worthwhile venture. Sir, from the outset I must say that over the years there were several increases under the Local Loans Act. In November, 1990, the limit was raised from \$350 million to \$450 million. In March of 1994, the limit was raised from \$997 million to \$1.3 billion. In March of 1994, it went from \$1.3 billion to \$1.8 billion. It is proposed now to increase it from \$1.8 billion to \$2.2 billion. 3.00 p.m.

Mr. Speaker, this increase today is important because there are several undertakings which the Government must meet over the next four or five years and I want first to look at what are some of the things we will do in the Ministry of Housing, especially what the Barbados Mortgage Finance will be doing when it goes to the market later this year or early next year to borrow \$50 million to ensure that a number of persons will obtain mortgages either at seven per cent or nine per cent.

Mr. Speaker, before I do so, however, I want to look at a feature of a debt profile which is in keeping with what countries that seek to manage debt would do. The debt service ratio, or the external debt service as a percentage of the exports declined from 25 per cent in 1991 to 7.4 per cent in 2000. Under the Democratic Labour Party the debt ratio was 25 per cent of the exports whereas today it is only 7.4 per cent. A country suffering from so high a percentage usually ends up in what economists call a "debt overhang". When countries end up in this position, it is therefore very difficult for these countries not only to manage the debt but they find that the debt usually strangles them and they always end up in what economists call the "debt trap".

Barbados today is not in a debt trap. Barbados continues to provide and service its debt in a way that it has not done under the Democratic Labour Party because, as the Honourable Member for Christ Church East presented today, under the Democratic Labour Party the debt service which was quite high was not properly serviced under that regime.

Today when we increase the debt it is not only to help our capital programme but it is to help ensure that the country, both the private sector and the public sector programmes, continue. It is also important to note that when the country borrows it borrows in such a way that it does not impinge too much on future generations.

I must say that the limit today is in keeping with what we project to help the future that future generations will not suffer because of these loans, that they will be used to shore up business and I believe that will be, as the Honourable Member for Christ Church East said, to help build institutional capacity. It will also facilitate private sector investment in a more enabling environment which would help business to flourish.

I believe that once excess liquidity in the banking system remains in the banking system and is not committed to any capital project that it does not help to shore up the economy. You need the funds within the system to be lent to persons who want to open businesses to persons who want mortgages and persons who want to do business and other small ventures within the economy.

It is important for a government to use this excess liquidity to help in our capital programme. Government today is doing a number of ventures and the Member for Christ Church East has pointed out the number of ventures that Government is currently undertaking. There are a number of ventures that we can talk about, Hilton, the Airport, new ventures across Barbados in tourism and agriculture, new ventures in manufacturing, all these things are happening and when one listens to the speech of the Honourable Member for St. John one thinks of the days of the Democratic Labour Party.

He points us to the position where if one were not living today and were living in 1991 and 1993 one could say this is how it was but I am saying that persons are not suffering in terms of unemployment. We agree that the economy is not as it was two years ago but this economy surely is not in the state that it was under the Democratic Labour Party and when one looks at the management of this economy, one can see that the Minister of Finance has put tremendous funds in incentives for agriculture, manufacturing and in tourism.

Mr. Speaker, one has to look carefully at what the business ventures do. It is a fact of life that the private sector sometimes wants all things bright. Some private sector entities do not understand that there must be hard times and good times. In Bible times, Mr. Speaker, we hear about seven years of plenty and seven years of famine and this has always been, but it is important for us to understand the dynamics of the business world.

Mr. Speaker, it is a fact that there are a lot of business people in Barbados who like to live in what we call in St. George, "living high on the hog". They want to make substantial huge profits year after year. A number of businesses do not like to reinvest their profits and some of them do not understand that by reinvesting their profits they help to create employment.

Some hoteliers would want 100 per cent occupancy year after year. This is the ideal thing but the reality is because of the nature of tourism and the nature of what is happening today that they will not be able to have 100 per cent occupancy, that they have to live with what is happening today.

The reality is, and the Minister of Tourism has pointed out, that because of the games in Japan and Korea most Europeans are now travelling to watch football, and this is a fact. People are following the football games in Korea and Japan and therefore the majority of people have diverted their attention to the Far East. Therefore, one cannot expect that the Caribbean would be the focal point.
3.10 p.m.

All Caribbean destinations today are suffering because of tourism. I believe, Mr. Speaker, that the Honourable Member for St. John should look at the reality of the situation, for it is not true to say that the Barbadian economy is among the worst in the Caribbean. I do not know from what text the Honourable Member is reading and quoting these statistics, but everybody in the Caribbean has recognised that Barbados is still a very strong economy.

Mr. D. J. H. THOMPSON: Mr. Speaker, on a point of order. The Honourable Member is misleading the House, because I made it quite clear that I was quoting from the Report of the President of the Caribbean Development Bank who said that in terms of performance over the last year, the Barbados economy was one of the worst performing economies in the Caribbean. I did not distort it and even though you may not like it, those are the facts.

Hon. G. A. CLARKE: Mr. Speaker, when one speaks about positive and negative growth, one has to be very careful, because there are times when an economy will not grow in a year, but that does not mean that economy is doing worse than any other country. It does not mean that the country is doing badly because it has negative growth.

You need growth, but you cannot say that because I did not increase over the last year, that I am doing so badly. It is a fact of life that everybody would expect to have growth every year, but because a particular country in year five was doing \$20 million, and it is doing the same \$20 million in year six, it does not mean that it is doing badly.

Mr. Speaker, I believe that in reality, Barbados still is very important to most Caribbean destinations. It is still doing very well in most economists' estimation and the Leader of the Opposition is well aware because he travels throughout the Caribbean, and he knows that Barbados is doing better than most of the OECS countries, most of the developed countries and small States of its size.

Mr. Speaker, I want to say also that when one looks at what is happening in the marketplace, the excess liquidity of over \$400 million that was estimated a year ago, the Barbados Mortgage Finance Corporation (BMFC) will be going to the market for \$50 million to assist in the financing of mortgages to low and middle income earners.

The BMFC proposes to disburse these funds to qualified first time home owners, whose income does not exceed \$9 000 per month. That is the income of the middle income earners where persons can now access funds up to \$300 000. In that brief you would notice that the person whose income is \$5 000 per month, once they qualify for the mortgage can obtain it at 7.5 per cent, borrowing funds of \$175 000 or lower. Sir, for those householders whose income is \$5 000 or more, they will qualify for loans up to \$300 000 but that would be borrowed at the 9 per cent.

Mr. Speaker, the BMFC is proposing that even persons whose income is above the \$5 000 per month, will be able to borrow up to \$300 000 up to 100 per cent loans. They will be able to borrow all of the money because we recognise that in the mortgage market, there are a number of persons who find it very difficult to obtain loans.

There are lots of various bank charges and other related things that banks and other financial institutions have been asking for that we are hoping we can drop. Even legal fees, Mr. Speaker, the BMFC is also proposing that some of the legal fees can be paid from the funds borrowed, once the person is working for the type of salary, either the \$5 000 family income or the \$5 000 above.

Mr. Speaker, for the 6 per cent loans, persons will be able, once the income is \$3 000 or less, to borrow up to \$100 000 at the 6 per cent. All of this is important because the BMFC will be floating a bond later this year. We hope that we can do it in two tranches, Sir, \$30 million for the first tranche and then \$20 million in the following year.

This is important because the projection up to the end of the year is for \$33 million which we are hoping to lend to more than 300 persons. At the end of the year 2003, it is expected that a further projection of about \$25 million to \$30 million will be needed to satisfy loans.

Mr. Speaker, it is important then for the Government to raise a ceiling above the current \$1.8 billion. It is important for us to do so because we have to go to the market, not only to satisfy the mortgage for the joint venture programme. I have said last time, that the Government has approved a joint venture programme involving the private sector where we are hoping to put all the lands in two phases into an accelerated housing programme. Of course, I notice that the Honourable Member for Christ Church East spoke about Standard and Poor's and reported on the sustainability of the Barbados economy.

One of the things that has been pointed out in that Report is the rising cost of land. The Government recognises that something has to be done. Therefore, the accelerated housing programme will commence very shortly. Cabinet has already approved the joint venture programme involving the private sector, a number of private entities, local contractors as well as foreign contractors. We will be bringing contractors from U.K., Canada and the Caribbean and of course, we will be using a number of reputable contractors from Barbados to help with this programme.
3.20 p.m.

Mr. Speaker, the programme has been completed. A lot of the land has been approved by the Town and Country Planning Department. We are now at a stage where we can

facilitate the programme. Mr. Speaker, I believe this will very much impact on the amount of money that can be borrowed from the market.

Mr. Speaker, we also believe there is a need for more Barbadians to become involved in the development of the land. We will be going to the market for those persons who have not shown intent at this stage to come into a programme, especially those in the private sector with lots of funds now tied up in a credit union, or in a banking institution. They can come into a programme to help to facilitate home ownership.

As you know, Mr. Speaker, it is important for us to accelerate the building programme and one must not use the Town and Country Planning Department as an excuse. I believe that Department has done a lot of work over the past six years to accelerate the requests. We are now at a position where a number of ventures that were in the system for a number of years can now be put into the market to accelerate programmes for job creation, as well as investment opportunities for a number of persons.

Mr. Speaker, I believe this is an important step in raising the limit. This will help us to bring the money for housing. I believe, in the future, we will have to go for housing bonds as well where the National Housing Corporation will be able to access some of this fund for loans for the General Workers Loan Fund as well as for their own Capital Works Programme. Since this Fund is now sitting in a banking institution, Mr. Speaker, I believe it will be well used, not only to help Government but also the private sector in moving Barbados forward.

Mr. Speaker, once this loan is put to good use, to create investment and does not impact on future generations, I believe the intentions are good and we should support such a venture.

Mr. Speaker, over the last number of years, all of the money raised, both through external and local debts, have been used for the good of Barbados. We have not wasted the funds. Anyone can see where the funds were put. More employment can be created and this is indeed a good venture.

With those remarks, I beg to thank you.

Mr. D. St. E. KELLMAN: Mr. Speaker, I rise to speak in this debate. Mr. Speaker, the problems facing Barbados have nothing to do with housing or land but with the capacity to push the economy in the direction that would satisfy all of the things previously spoken. One must ask oneself, what sense would it make for a government to continue borrowing both on the external and local markets in order to prop up an economy if the capacity is not there?

Mr. Speaker, the biggest problem now facing Barbados is the capacity to increase and I have not heard anything in this House to encourage Barbadians to believe that something is being done to give them any hope in developing the capacity to increase our foreign resources by increasing our productivity.

Mr. Speaker, we must increase our productivity if we are to achieve the things that we have spoken about. It is clear to me the economy of Barbados is like a car which turns up at a gas station and where both diesel and gasoline are being put in it simultaneously. We have to decide the direction in which we are going. We cannot be driving a vehicle and putting both gasoline and diesel in it at the same time.

Mr. Speaker, one would recognise that, as far back as 1994, the International Monetary Fund (IMF), Inter-American Development Bank (IADB) and the Organisation for Economic Coordination and Development (OECD), gave us enough pointers to indicate to us that what we needed in this country was a policy to make the workers and local investors happy. Instead, what we have done was to play with the system.

One minute we are playing left wing, while the other minute we are playing right wing. When the OECD had criticised us and said we were treating foreign players better than the locals, we got angry with them. Now we are faced with a situation where every day one hears the people involved in the productive sectors are asking for a reduction in taxation.

Mr. Speaker, we do not need a reduction in taxation in this country. We need a shift in taxation. If there is a tax system where the workers are complaining, the productive sectors are complaining, then what we need to do is to find a system that will make every player who has asked for an increased in capacity happy. Once there are happy workers and investors, it means the country would see an increase in productivity. Mr. Speaker, what we do have, when dealing with foreign investors, is a better system in place but when we are dealing with local investors and workers, we have the wrong system.

Mr. Speaker, there is no doubt that lower interest rates would be the best policy at this time. One cannot simply put lower interest rates and do nothing about them. The reason why countries put lower interest rates in place is to increase investments where businesses are being encouraged to open to create employment and to create economic activity in the country. Sir, what do we have? We have low interest rates and there is no one going to the banks to borrow the money to open any new business.

Sir, it all has to do with something I have been saying in this Parliament for a long time. It has to do with our

Companies Act. Most Barbadians feel happier in putting their money in banks than to invest in companies. They believe that, as the Companies Act stands, it does not guarantee them a return on their investment. Whereas, when the money is put in the banks, even at three per cent on a yearly basis, they are guaranteed to get some level of return.

What is needed is a change in the Companies Act to prevent directors in Barbados from having too much power because when companies make profits, these directors do not even have to pay a dividend. There is no law in Barbados that makes a director pay a dividend, even if the company has made a profit and, therefore, who would want to invest in a company even though there is evidence? A good example is the demutualisation of the Mutual Bank where one can be a policy holder/shareholder where, on becoming demutualised, a person can receive a share certificate and still an insurance policy.

Sir, why in a small country like Barbados are we taking so long to increase the investment capacity to change the Companies Act which would encourage more Barbadians to get on board and to expand the economy of Barbados?

What is also interesting is that with lower interest rates, the cost of doing business becomes cheaper, yet we are not seeing the businesses opening to suit the low interest rates. I am not saying that the interest rates should be pushed upwards because, in my opinion, they should be lowered. For this country to go forward it cannot go forward on high interest rates. High interest rates mean an additional cost to Government, to business which, in terms of the consumer will have to pay either through taxation or through the cost of good.

Sir, we need an expansion of the economy of Barbados to put more people to work and in the right direction. Sir, I will go back to another initiative which I had given the Government. We have to stop this foolishness of building markets for people. We have to give them the capacity to market their local produce and, instead of waiting for customers to come to them, they must go to the customers. 3.30 p.m.

Sir, the same way you can stay at home and use the Internet to import goods from overseas, we have to allow our local farmers to be more aggressive and turn up on the doorsteps with the vegetables grown by our farmers and fisherfolks so that when people go to the supermarket and see the foreign goods, they do not buy them because the items would have already been delivered to their homes.

Sir, this debate has to do with the upliftment of the masses of people of Barbados and this is the kind of development lacking in this Parliament. Sir, when I speak in

this Parliament it is like in Time Tunnel. We are in a time lag here in Parliament and we are suffering because when important initiatives are given to Parliament by me, they are not accepted.

Sir, we have to recognise that this is the time for a change. The truth is that a lot of people did not understand the 1994 economy programme given by the Democratic Labour Party. Sir, eight years after the IADB and IMF allowed us to make a shift from direct taxes to indirect taxes as well as introduced the Government of the day to VAT, we are now discussing whether direct or indirect taxation is the correct taxation policy for Barbados and when you listen to the workers and businessmen, they do not want to be productive because they see an enemy.

We need to remove the enemy and increase the capacity of the work in order to stretch and expand. Sir, we have to allow workers and investors to operate at their maximum but we are limiting and frustrating people and the country is suffering because we are turning up at the gas station and putting the wrong fuel in the car.

Mr. Speaker, we must understand that the same way the offshore sector can come into Barbados and reap benefits, we must allow our companies in Barbados to do likewise. Sir, if we have a low interest rate, the only thing that foreign companies can do is to invest providing the right Central Bank policies are in place.

Mr. Speaker, it is time for a new vision in this country and the people of Barbados cannot be deprived of that new vision. We suffer from a ten-year syndrome and we will be into another ten-year period soon so the voice in the wilderness must be given the leverage to come out from the wilderness and deliver the goods on behalf of the masses because if more people become unemployed there will be an increase in crime.

Sir, if the car turns up at the gas station and gets the right fuel, investors from outside Barbados will recognise that we are putting the right fuel in the car and, Sir, you will be surprised by the number of people who will be tempted to come here to get the right fuel too.

Sir, if you listen to the private sector you will understand that they want a clear policy and direction to work with. It is foolishness to believe that every year the productive sector should beg for concessions from the Government. They must be allowed to operate without having to give and then beg back for concessions. We need to remove that level of thinking that is stifling the productive sectors and keeping them from expanding.

Mr. SPEAKER: Honourable Member, you are going far and wide. Please connect what you are saying to the Bill before the House.

Mr. D. St. E. KELLMAN: Sir, we do not need to go only to the local market and borrow but we need to understand that borrowing on the local market is only part of the economic plan and that the whole economic plan is part of a whole comprehensive plan that must come into play.

Sir, when we debated the \$200 million loan, I warned this House then that because of the high liquidity in the local economy that there was no need to borrow money, that \$200 million. I told that it would cost us \$742 million in repayment and that we should have turned to the local market because there was a lot of money there. Sir, if you check *Hansard*, you will find my advice there. The Government went on the foreign market, borrowed the money and ended up paying \$221 million to foreigners to service a loan that we could have borrowed in the local market and it would not have cost us one cent in foreign exchange if it were done on the local market.

Sir, we have created economic problems for the siblings of Barbados by saddling them with US \$221 million in interest and we do not have any increased capacity to service the loan.
3.40 p.m.

Sir, I cannot knock borrowing on the local market because that is where we should have borrowed that money from in the first place and we would not now have to worry about \$221 million which will now become a nightmare for us.

The Honourable Member for Christ Church East talked about the Barclay's Bank loan. When we borrowed the loan from Barclay's Bank, the exchange rate was BDS \$4 to one pound sterling. Today, the exchange rate of the pound is less than \$3, which means that there was a depreciation of the pound. It now makes it easier to repay that loan than when it was first borrowed.

Mr. Speaker, if you check with the Central Bank you would see that we would have received \$120 million in principal and we would now only have to repay \$90 million, which is a saving of over \$30 million. Sir, you would not benefit on this particular loan.

The Minister also challenged the capacity of the Democratic Labour Party when it comes to borrowing. Sir, if you look at the debate when we were discussing the \$40 million for the construction of roads, you would see that the Honourable Member for St. Lucy showed that the Barbados Labour Party has the capacity to borrow at higher rates.

Asides.

Mr. D. St. E. KELLMAN: Sir, I have shown that the bullet loan, as bad as it sounds, because it was borrowed in

pound sterling and the pound has depreciated, so, you cannot only connect the interest. Whenever we look at a loan, we look at the interest rate but we do not look at the value of the currency to fall and we cannot be judged on that bullet loan, but we must be judged on this bullet loan. Sir, I can tell you that this loan is in US currency and the rate is fixed. You will not see any foreign exchange losses or gains on this loan.

Asides.

Hon. R. R. FARLEY: On a point of elucidation. This Administration has not at any point in time been engaged in a loan which can be described as a bullet loan. Sir, within the last loan, there was a bond issue which has been placed on the market in which a sinking fund has been established and which interest payments are made semi-annually.

Mr. D. St. E. KELLMAN: Mr. Speaker, the Honourable Member is misleading the House because the interest is supposed to be repaid semi-annually but the bonds are to be repaid in a ten-year period. I think that the Honourable Member would have to look at his notes regarding information on this particular loan.

Sir, I did the calculation and the Honourable Member needs to be educated on this particular matter. The Honourable Member needs to read my notes and he would be well advised to do so.

Sir, we need a tax system that will increase our productivity. We need to allow our workers the opportunity to work. We need to have businesses in Barbados to be able to produce. Barbadians were at some point in time some of the most productive people in the world, but we have allowed the system to erode that from Barbadians. Sir, our workers can become productive once more if we give them the tools to do so. We cannot continue to make negative pathways for our productive people to travel and expect productivity.

Sir, when VAT was introduced, that programme needed refining and that was the error which was made. When one listened to what was said in here today, it is clear that there was supposed to be a shift in the system but that shift has not occurred. Instead of that shift occurring, we now see a car turning up at the gas station and putting in gasoline and diesel at the same time.

I thank you, Sir.

Hon. Miss H. E. THOMPSON: Mr. Speaker, I rise in this debate to make some comments on the measure currently before the House. On hearing the Honourable Members for St. John and St. Lucy speak, I felt like an extremist and I wondered whether this is the same Barbados in which I live. Their experience has not necessarily been mine. I would like

to think that I do keep my ears and feet to the ground and I am not one of those on the frequent flyer programme, on which the Honourable Member for St. John is a member.

Sir, listening to the Honourable Member for St. Lucy, I was not sure I was hearing from the true Leader of the Opposition, the *de facto* Leader of the Opposition or the deluded Leader of the Opposition in terms of the information that he was putting out, because he was suggesting that taxation should not be reduced when, in fact, a person from the Senate whom I understand is the Leader of the Democratic Labour Party, at this time, Sir, if that is a reality, one can never be sure in the political culture what obtains in the Opposition who is really the leader. That other person was suggesting that what was desperately needed was a taxation reduction.

Sir, if I may start by making a political point before I deal with the economy of this country. Sir, the problem with the Democratic Labour Party is, they are not speaking to the public with any degree of credibility. If you have today one leader saying that what is needed for the country is "A", tomorrow another aspiring leader would speak and say that the country needs "B", then another person who wants to be the leader, or perhaps the real leader, under their Constitution gives another prescription, they have to confuse the public.

It certainly gives the country the impression of a Party that does not know what it is doing. They do not speak with one voice or do not have one consensus on policy or approach. Sir, when you couple that with the fact they have not yet been able to nominate a batch of candidates or a single candidate without confusion for a constituency, one has to wonder where the Opposition is and if given the opportunity what depth they could cause us to plunge to. That is only a political point. I would wish now to turn to the economic and financial matters at hand.

Sir, the accessing of loans to fund the Government's financing has been a traditional approach for funding the Government's capital programmes, financing local projects and in times of crisis, to act as a buffer to local funding. It gives the Government some degree of leeway and manoeuvrability in times when there are restrictions and difficulty to carry out its programmes.

Sir, what is happening here is nothing new. It is nothing that is unprecedented in our history of economics, finance or politics. It is something that has happened repeatedly over time. In fact, between November, 1990 and early 1994, before the Election was called, on four occasions during that period, the last Administration gave to the Housing exactly the same facility which the Government is seeking today.
3.50 p.m.

Since September 1994, this Administration has made use of the facility on two occasions, in 1997 and now today five years later in 2002. Whereas in a four-year period they sought this facility, every year over an eight-year period we have sought it twice, three years into our administration and now five years post the first accessing of the facility. So let the public not think that this is anything mysterious and frightening that they have to approach with trepidation and wonder. This is a normal thing that happens in the course of financing of Government projects.

What exactly are these projects? I think that we need to look at that, Sir. Over the course of the last few years and particularly the last three in terms of what our projected spending is, a figure of \$1 176.7 million constituted the public sector investment programme. Some of it was loan funding but \$457.2 million had to be found by the Government to facilitate capital projects in Barbados and that is the norm, Sir. We are not talking about anything mysterious – whenever there is a capital project, outside of those projects which are funded exclusively by Government – and there have also been a number of those, so let me start with those first.

You know that a lot of money has been put into the Queen Elizabeth Hospital to recapitalise it. We know that the Ministry of Public Works has an intensive road repair programme ongoing. When this Administration came to office, the statistics from the Ministry of Public Works showed that as high as 60 per cent of the roads in Barbados were in poor repair and either needed serious refurbishment, complete upgrading and, of course, there are a range of tenancies in both rural and urban Barbados without access to roads at all which needed to have roads, so that Ministry has an intensive programme going.

There has to be recapitalisation at the Defence Force, purchase of new equipment and new vehicles to outfit them to deal with the current issues. The Police Department has long been complaining about the state of police stations and the absence of motor vehicles to do their work and so funding had to be found for that. Similarly, new equipment had to be put into the Schools Meals Department, the fire stations had to be repaired and new fire service equipment bought. These are the local initiatives which were funded out of Government budget entirely.

Loans were sought to carry out a large number of projects in every sector of Barbados and I gave the figure for those loans. The tradition is that when Government seeks a loan we are required to put in 30 per cent if we are getting a 70 per cent loan. If a project costs \$100, Sir, you may get 60 or 70 per cent from an international finance organisation. You then have to come up with the 40 per cent or 30 per cent, so there is a requirement for Government to put up funding for capital projects and there has been a large number of these.

You can look around Barbados with the naked eye and see where some of the money has been spent. At this time, the Airport Expansion Project has started. Everybody is aware of the Bridgetown Road Improvement Project. All the little children who are carrying home computers or all the schools that are being upgraded for the EduTech project, the construction of Eagle Hall Market, the dredging of the Port to accommodate mega ships, the mega cruise liners that are now being built and which will be the next wing of tourism.

I am being told by the Honourable Member for St. Michael West that \$4 million has been spent in Headley Land alone. In my constituency and Hall's Village where people have never before had roads, people are now getting a road to walk on for the first time and that has been the experience of every member in here, including the Honourable Member for St. John, who did not bother to give his own people roads but now we are doing it for him.

The Forensic Sciences Centre which is needed at this time and will itself become a revenue generating centre because it will be the best equipped of its kind in the Caribbean will be servicing the rest of the Caribbean. The London Bourne Towers, the Country Park Towers, the Cheapside Renovation project, the redevelopment of the markets, including the proposed redevelopment of the Fairchild Street market.

We know that work has started on Cheapside. Work is completed on Eagle Hall. The next one to be done is Fairchild Street; Skeetes Bay and Consett Bay Fisheries Complexes, the Administration of Justice Programme with all its components, including the construction of a new criminal justice centre; the various community resource centres which have been equipped with computers so that people in the communities can access these facilities and use them to upgrade their skills or acquire computer skills to make them more marketable or more relevant in the current labour market.

The National Housing Office Complex, and I will only speak about the one at Country Road, the Urban Rehabilitation Programme which has included expensive waterfront repairs, the work all along the Pierhead, including the boardwalk and lighting, the pedestrianisation of Swan Street and the putting up of lights there and the further redevelopment work that is to be done on Broad Street and Swan Street and on the Jubilee Gardens and the old Town Hall and the redevelopment of the Spirit Bond, the St. Lawrence Gap street scape, the new bus terminal, all of these projects from which Barbadians benefit daily, where people work, where people go for recreation and use for various types of activities have cost money to deliver a certain high quality product to the Barbadian public and we intend to continue to ensure that the infrastructure of Barbados remains high quality to ensure that we continue providing opportunities for entrepreneurship and jobs for people and to continue to act as a stimulus for economic activity.

The Arch Hall Fire Station, the Coastal Conservation programme, housing and street lighting, the concrete road programme, the Complex at St. George, the Coast Guard relocation project – we know that there will also be another set of vendor kiosks going up at Redman's Village in St. Thomas, another set at Deacon's Road, a set at Jackson and a set at Haynesville. To deliver these things, the funding has to come from somewhere and that is what this local loan is all about. Government is saying that we have a very intense capital investment programme which is ongoing, a programme which is aimed at continuing to improve the quality of life for all Barbadians and we need to fund this programme and hence we are borrowing on the local market to facilitate these various construction and related activities.

What is happening today, and I am being shown the front page of today's paper which says "\$4M Q.E.H. Facelift" and other works ongoing at the QEH in relation to equipment. These things cost money. They do not happen by manna dropping from the sky, by the waving of a magic wand.

The Honourable Member for St. John said that he drove from St. James to St. Peter and there was nobody in any restaurant. He did not indicate that he got out and looked in, that he went into any car park in an area where lots of people's car parks you cannot get to, he asserted that every restaurant was empty. I find that totally amazing, especially when his colleague, if, in fact, he can be called a colleague, sitting next to him, the Honourable Member for St. Lucy, was insisting that Moon Town was full on Saturday night. I do not know if it is that all of the activity has moved into the small business sector to Moon Town and related areas away from the big restaurants.
4.00 p.m.

We must make the point that this activity, these facilities, this construction, these activities to which I am referring are taking place against a background where the economic environment has changed. First of all Barbados can no longer, because it is now regarded as too developed, have access to concessionary financing while other countries in the Caribbean continue to have this access. We have graduated from the World Bank. At the Inter-American Development Bank, the US consistently vote against Barbados getting loans from the IADB.

In addition, we are in a situation where the engines which drove the economy, are no longer operating in the same way.

Asides.

Hon. Miss H. E. THOMPSON: Yes, because of external circumstances, and let us look at those. The Honourable Member for St. John gave the impression that

the economy is in recession, the Government is keeping it a secret and we are not talking to the issue. I would wish to remind the Honourable Member for St. John and anybody else who has forgotten that before the figures on the economy even came to the public's attention, that the Right Honourable Member for St. Peter in a Budget last year came into Parliament and said that he did not like what he was seeing emerging in the economy, that there was a slowdown and that what he was putting up therefore, was a package intended to stimulate the various sectors of the economy, recognising that even with that stimulation, we will not have the same percentage of growth that we had in previous years, but that we would continue to have growth, even if it was very modest.

Sir, the Government is not seeking to hide it, we anticipated it, we warned people about it and we sought to take measures to deal with the various sectors of the economy. I am talking about the background to the economic recession:

1. Limited or no access to concessionary financing.
2. A slowdown in the economy which predated September 11, 2001 and let me speak to that.

The Barbados economy, to some extent is dependent on economic activity in the first world. Prior to September 11, all of the major economies in the world were in recession. The Japanese economy, which was one of the strongest economies in the world, was in recession to the extent that the present Japanese Prime Minister is now being heavily criticised for not being able to get the Japanese economy back on its feet.

The U.S. economy, after having unprecedented growth under the Clinton administration, has started to go into clear economic decline, so much so that Greenspan, the Chairman of the FED kept dropping interest rates, ten times in a matter of months, in an attempt to stimulate economic activity in the U.S.A. So the U.S. economy was in recession and that is where a lot of our tourists come from and the U.K. economy and, indeed, all of the other economies in Europe were in recession.

Sir, here is Barbados, a small open economy, without natural resources from which it can generate revenue and the areas of economic activity on which it is dependent internationally are all going into recession. Then you have an OECD assault on the international financial services sector which was the second major plank of economic activity and foreign exchange coming into Barbados.

Sir, to say that the problem in the economy rests entirely and solely with the Government is to fail to acknowledge that there is an international economic climate

which is not conducive to growth in Barbados at this time and not only is it not conducive to growth, the statement must be stronger than that, that it virtually puts an assault on all the major revenue earning sectors of our economy. That is the reality.

Sir, it is against that background that the Government is continuing to try to stimulate the economy, to continue growth, to continue pushing the construction sector, to continue the delivery of goods, services, and various projects for the improvement of quality of life.

Then, came September 11, 2001, after all of that is happening. You then have the event of September 11, 2001 which is now recognised as an international crisis. I have not seen the figures for the rest of the Caribbean of which the Honourable Member for St. John spoke. What I know for a fact, however, is that in the Eastern Caribbean the tourism product is in so much trouble. While we are complaining here in Barbados, the tourism product in the Eastern Caribbean is in real crisis, so much so that hotels all over the Eastern Caribbean are being sold out. One hotelier even spoke of going to the Minister of Tourism's desk, in one eastern Caribbean country and leaving the keys to his hotel on the Minister of Tourism's desk and telling him, "You keep those, I am going", and he left the country. He walked away from the investment, because the economy was so bad.

There are other Caribbean economies and they are all competing with us for the same market. The Eastern Caribbean in particular, in addition to the slowdown in their tourism industry are struggling because revenues from the banana industry are reduced by as much as 60 per cent. Sir, this notion of economic growth in the Eastern Caribbean is really very false. The reality is, that in several of the countries of the Caribbean and the Eastern Caribbean, our sisters and brothers are having difficulty even paying the civil servants, while we in Barbados, in the face of an economic recession are giving ours a salary increase.

In that regard, Sir, it must be manifest to the public, the difference in the economic management style of the two Administrations, because nobody can forget that when this economy was in crisis in the 1991 – 1994 period, the former Administration was cutting salaries. We are seeking, Sir, to so manage the economy, to so manage to cut and contrive, so manage to continue to stimulate, that even in the face of recession, we can give increases to civil servants. Do not mind that some of their own high profile members are trying to stop the membership of certain institutions from taking the salary increase, and that shows the unreasonableness of certain individuals. These are the people who sat down and cut the salaries but in the face of an economic recession, are refusing to take a salary increase, even though it may not have been what they would have wanted previously. Sir, this is totally ridiculous and you therefore have to wonder about

the extent to which people are being actuated. Their activities are inspired by political loyalties as opposed to their loyalty to the country and the institutions which they serve.
4.10 p.m.

Mr. Speaker, a person cannot serve God and mammon. Here we are seeing the country is in recession and persons are prepared to offer a modest increase while a particular institution is even asking for a higher increase.

Mr. Speaker, let us remember when coming to Government after the defamation of the 1991 to 1994 period, that unemployment ranged as high as 25 per cent.

Mr. SPEAKER: The Honourable Member has two minutes in which to conclude.

Hon. Miss H. E. THOMPSON: Sir, I am only in the first paragraph of my speech. Thank you, Sir. As always, I will be guided by it.

Sir, today unemployment is at 10 per cent. Therefore, despite having a downturn in the economy, there is still a larger number of people at work. Once people are working it then means money is coming into the homes, persons are still trying to pay their bills and send their children to school, *et cetera*.

Mr. Speaker, I have some information to share with the Honourable House. It represents recent statements made that we have sent out to the Press.

Mr. Speaker, one of the points made by the Member for St. John was about liquidity in the system. One of the difficulties with liquidity in the system is caution. Whenever there is talk of a recession in the economy, out of a sense of caution or fear, people tend to hold onto whatever money they have rather than continuing with investments. They do not want to put their monies into risk bearing activities.

Mr. Speaker, the local banking system is still showing a high degree of conservativeness. It still takes too long to access loans for mortgages. Sometimes it takes up to three months. Persons still cannot get loans and particularly for small businesses, it is still difficult to get small funding from the banks. The banks are still not putting enough money into venture capital investments and that is what we need.

There are many entrepreneurs who want to invest in new and niche areas. In fact, with globalisation and liberalisation, that is an opportunity that will present itself to us for persons to enter into partnerships in order to mobilise capital and to get into new or specialist areas of economic activities and entrepreneurship. Therefore, the banks in

Barbados need to have the courage to put money into such ventures. Yes, they are going to lose some of that money because whenever there are ventures of such sort, a number of them will fail but persons do want and will attempt to repay the loans if these banks can work with them and relax some of the very stringent conditions. Sometimes the only thing a person does not have to produce is a birth certificate.

Mr. Speaker, there was once a businessman who wanted a \$7 000 loan. The bank said he would have had to mortgage his house in order to receive that loan. If that is going to be the approach, then there will be liquidity in the system because if I had a house, on which there is no mortgage and I wanted a loan of \$7,000, if the bank cannot trust me to repay the loan on a monthly basis, then why would I put up my house as collateral? Therefore, the bank has to bear some level of responsibility for the lack of activity we are seeing.

Mr. SPEAKER: Could you conclude, please?

Hon. Miss H. E. THOMPSON: Yes, Sir. Mr. Speaker, the Town Planning Department has a substantial role to play in the stimulation of economic activity in Barbados. In many respects, Town Planning application approvals are the nucleus for economic activity, particularly in the construction sector. We have been systematically trying to improve the rates and times during which applications are processed to get them out to the public, so that activity can be stimulated.

In fact, although a recent outgoing President of the Barbados Hotel and Tourism Authority (BHTA) was making the point that we were slowing down activity in the tourism sector, I would wish to report to the House that, in the last three years, over 15 hotels have been given permission for in excess of 1 000 new rooms. In addition, there have been other approvals and the Town Planning Department has allowed the hotels to increase the number of rooms in their establishment. Therefore, we have allowed an increase density to land space hence giving them the opportunity to increase their bed space.

Sir, what I am concerned about regarding tourism is that we do not have a sufficient name brand recognition in the marketplace. Whenever I travel, I can see advertisements from other destinations but not enough from Barbados. This is one of the critical aspects of our marketing strategies.

Mr. Speaker, I am happy to give support to the Bill before the House and to indicate that, while the Government concedes the economy is in recession, this picture of absolute and dire gloom to the point of national extremist being painted by the Opposition, is far from the reality. The Government will continue to stimulate activity and to improve the quality of life of all our people.

I am much obliged to you, Sir.

Hon. R. N. GREENIDGE: Mr. Speaker, I want to make a very short contribution to the debate.

The Local Loans (Amendment) Act, 2002, is a piece of legislation which can and should be used as an instrument of fiscal control. It is an Act based on commonsense and accountability.

This Act has an inbuilt restriction on the amount Government can borrow. The only way in which we can increase the amounts borrowed under this Act is by coming to the House and increasing the statutory limit, which is what we are doing today. Parliament must approve, as required by law, before the Minister of Finance undertakes that debt.

Mr. Speaker, Government's borrowing is not something which we should allow to get out of control. I believe any Administration, whether it is a BLP or a DLP Administration would want this to happen.

Mr. Speaker, this Act can be used as a barometer as to our debt and our debt management. The restrictions within the Act are to be treated as a kind of safeguard to minimise any fiscal catastrophe or uncertainty. One of its aims is to ensure efficient debt management. Those who borrow, as well as the tax-paying public, should be satisfied they are able to borrow under this Act without mortgaging out the country.

Mr. Speaker, I believe the debate need not have been as political as the Opposition wants it to appear. This Administration is comfortable with increasing the outer limit of the Act hence, the amendment and hence the proposed increase of \$400 million.

4.20 p.m.

Mr. Speaker, as has been pointed out already by a number of speakers, between 1990 and 1994 the Democratic Labour Party Administration increased the outer limit under the Act on four separate occasions in circumstances where the economy was clearly in shambles.

In the contributions coming from both Members on the Other Side, they criticised the Minister of Finance for shoring up the foreign reserves of the country. The Honourable Member for St. Lucy asked why we should borrow on the external market to prop up the economy and both he and the Honourable Member for St. John reflected on the \$200 million which the Government borrowed. They seem to be saying that the reserves only look good because of borrowing. In reality they were criticising the Government for having a good credit-rating.

Sir, you cannot blame Standard & Poor's for saying this. Indeed, the Honourable Member for St. John took Standard & Poor's who is an independent body to task. We have a situation where the Barbados Labour Party is saying that things are good and the Democratic Labour Party is saying that things are bad, but here is an independent body saying that it is good management, yet we are told that we should not pay attention to that independent body but we should believe what the Democratic Labour Party is saying.

Mr. Speaker, a country must have the ability to borrow. A country cannot go to the credit market and simply say that it has come to borrow a loan. Sir, there are countries in the Caribbean that would like to borrow but they cannot borrow because no financial lending institution will lend money to a country that is broke. If Barbados were a credit risk, we would not be having this argument in here today because nobody would want to lend Barbados anything.

Mr. Speaker, on March 28, 1994, in a similar debate recorded at page 4725 of *Hansard*, nobody makes that point clearer than the Honourable Member for St. John. The Honourable Member was regretting the fact then that they were not able to access loans. In the last paragraph of his winding up speech in that debate the Honourable Member said:

"The last point I want to make is that it would have been attractive had we been able to go to the international market last year for funds."

Sir, it was the Honourable Member for St. John who said that. It was not Standard & Poor's that made that statement. Mr. Speaker, in 1991 and 1992 nobody wanted to lend us one red cent. We went cap in hand, genuflecting asking everybody to bail us out and nobody would lend us. We collected less in our cap than some churches collect in their collection plate on a rainy Sunday morning, so Standard & Poor's would not have found anything positive to say about us in those days.

Mr. D. J. H. THOMPSON: Mr. Speaker, on a point of order. I do not want to start the process of educating the Acting Prime Minister on these matters but Barbados did not have a credit-rating in those days. It is this Government that proceeded to seek a credit-rating so we would not be analysed by Standard & Poor's on those days. We went to the market without a credit-rating but now the Government is seeking a credit-rating as a means of getting loans easier and this is why you will find Standard & Poor's and other entities assessing the credit risk now. You cannot compare a period when there was no assessment to one when there is now an assessment.

Hon. R. N. GREENIDGE: Mr. Speaker, everyone on the international lending market was dissatisfied with the

management of this country from 1991 to 1994. When the Government of the day realised that this country was not marketable they resorted to things like selling off the family silver. They sold the shares at BET, Bartel, the Flour Mill and they gave away Heywood's Hotel. Heywood's Hotel which was constructed at a cost close to \$80 million was given away for \$35 million.

Asides.

Hon. R. N. GREENIDGE: Mr. Speaker, I am getting old and my memory is not as sharp as it used to be and I do not recall which law firm received the commission for the sale but the Minister of Finance might be able to tell me or we can get Standard & Poor's to remind us.

Asides.

Hon. R. N. GREENIDGE: Mr. Speaker, even if we borrowed as the Opposition suggested as a purely preemptive measure, what is wrong with that? These are trying economic times. Countries wealthier than Barbados are in trouble and we would be stupid as a Government to think that this country is in command of its economic destiny that nothing will happen to Barbados.

Sir, if we have taken preemptive actions, it means that we are organised and sensible enough to create a buffer for hard times. Nothing is wrong with a Government ensuring that there is something when we need it. This is the best form of risk management and those hard times may or may not come our way but you would not be a good manager if you feel it may happen and take no precautionary steps at all.
4.30 p.m.

Mr. Speaker, borrowing in circumstances such as those is not an indication of our inability to manage. Some of the most successful businesses borrow. Sir, because you borrow, it does not mean that you are heading towards a crisis and a disaster. It does not mean that you are insolvent as a country. It does not mean that things are so bad when you borrow to build a road. It does not mean that there is any crisis.

Sir, I say to the Minister of Finance to take advantage of the situation now that your credit-rating is good. The biggest and best managed countries in the world do it. Whenever they see an opportunity to enhance their foreign reserves, they borrow.

Mr. Speaker, I speak to you as one former athlete to another.

Asides.

Hon. R. N. GREENIDGE: Mr. Speaker, if you are in a race and you are in front, you try to stay in front. You do

not wait until everybody in the race catches up with you and then you try to sprint, because if you wait too late to sprint some fellow might beat you at the tape.

I do not know if the Honourable Member of the Opposition can understand that athletic imagery. I understand that he is no longer in front and sprinting. I understand that he has dropped out of the race.

Sir, the point that I am making is, we would not want to be in the wrong place at the wrong time, that is, in the same international arena jostling with others for the same money at a time when everybody is looking desperately at the same lenders. I agree with other speakers that we undertake this particular debt to further our own development.

Sir, some of the projects for which we have had to look for funding have already been identified. Those projects include the EduTech schools in all the parishes, the Skeetes Bay and Consett Bay projects, the concrete tenantry roads and street lighting under the Rural Development Commission. I think that both Members of the Opposition, even though they do not agree on a lot of things, would be forced to agree that the projects for which this money is being borrowed would be beneficial to all.

Mr. Speaker, these projects are not being done at a parochial or partisan level. These projects are island-wide and this money is not being spent irresponsibly or recklessly. I would like to ask those two Honourable Members this question. Would they prefer for us not to do those projects at all, roads in St. Lucy and the Consett Bay project in St. John? Would they rather us tell the people in St. John and St. Lucy to hold strain for their fish market, roads and street lights? Is it a way of the Opposition Members telling their constituents that they do not deserve these things?

Mr. Speaker, I have no problem in supporting this amendment to increase the outer limit of the Local Loans Act.

I am obliged to you, Sir.

Hon. Sir HAROLD St. JOHN: Mr. Speaker, periodically in this Chamber over the last 25 years, I have listened to debates on similar Resolutions. I want to say that it is not unusual for an Opposition on occasions such as this to castigate the Government for what is, in their opinion, the running of the country which has resulted in the need for additional borrowing to be sought by way of amendment to the Local Loans Act, or be allowed to borrow on the foreign market. That is a position and a posture that one must expect in parliamentary life.

It is an occasion when one must reflect upon the wisdom of borrowing and the use for which the borrowing

will be put. As I understand it, at present, the borrowing limit for the local loan has not been exhausted. There is still a margin which has not been reached and which can be utilised by the Government from the local market. Local debentures and treasury notes as at February 28, 2002, stand at approximately \$1.508 billion and the statutory limit is \$1.8 billion. There is a balance of approximately \$300 million that can be utilised.

However, based upon the Estimates for this year, it is expected that there is a need for the Government to issue approximately \$180 million in Government Securities for this fiscal year. It is also important to recognise that the debt management and the advisory service are provided by the Central Bank of Barbados to the Government. It is also important to recognise that even with the best Government of the world, given the state of the world's economy and Barbados' economy, it is highly unlikely that the revenues will prove to be buoyant in this fiscal year. In short, unless there is a drastic reduction in current expenditure, the need for the borrowing of \$180 million may well be extended.

There is no doubt about it that the position is, in all probability, we are likely to exceed what is available. There is no intention of the Government to reduce the level of expenditure on the current or capital accounts in the current fiscal situation. So that what we must be looking at then is whether we borrow locally or from abroad. Fortunately for all of us, parallel with this need on the part of the Government to borrow this money, is a liquidity in the Barbados system. I think one of the lessons we have learnt over the course of observing the pattern of behaviour in Barbados for many years is that very often, parallel with the need for the Government to borrow, there is a need on the part of lenders for instruments to place their money. That is what is happening at the present moment.
4.40 p.m.

As I understand it, the Treasury Bills rate at the present moment is around 1.8 per cent to 2.0 per cent. The banks are complaining and other capital intermediaries are complaining that they are looking for instruments to invest the money they have on deposit and, as is well known in small countries with unsophisticated capital markets such as we have in Barbados, the Government paper is regarded as a very desirable objective.

I am not surprised at this juncture with the need of the Government for money, with a lot of savings with no outlet, that the Central Bank no doubt has advised the Government that this is an appropriate time to tap the domestic market. We all know, Sir, that we find ourselves in a position in Barbados in which we are not regarded as being poor enough by a number of multilateral institutions to get money by way of soft loans any more or, indeed, to get money by way of any loans at all except in exceptional circumstances such

as the loan from the World Bank or with tremendous preconditions and red tape as in the case of the Inter-American Development Bank.

In truth and in fact, we have to rely to a large extent on our own domestic savings and in the international market for our capital needs. Honourable Members have said, and the public must recognise, that the Government over the course of the last seven to eight years has embarked on very ambitious capital development programmes. I do not have to delineate them. I am sure that Honourable Members have already done that.

I know that in my own constituency every day I see the impact of the Government's development programmes and I will say that my constituency is not one of the fortunate ones because, as I have said before, my constituency shares with the Honourable Member for St. John the distinction of having projects which were started during the Democratic Labour Party's time and have not been completed. There does not seem to be any possibility of his getting the St. John polyclinic finished nor of my getting Oistins finished. I do not think so but the position is that I cannot quarrel because I have seen the Sewerage Scheme start from Bridgetown and now it is in my constituency and, as I understand it, the balance that is to be completed is less than a mile.

I am pleased to note that the Government has been paying the contractor and the contractor is working with due despatch and that the pipes are being put in and the truck main and all the side roads are now being done to the extent that Oistins has been re-paved with barbed green and people can pass through. You can now drive from Silver Sands right down, not Oistins Hill yet because Oistins Hill seems to be a project like the St. John Polyclinic and the post office. It is one of those that the Ministry puts on the back burner. Pressure will be sufficiently strong and they will have to go back.

The basic position is that that is one of the projects. The Sewerage Scheme in the South Coast that started at Bay Land is now in Oistins. There is no doubt that considerable unforeseen circumstances both above and under the ground were met and that is a project that this Government has to put its money by way of counterpart funds to finance any additional costs over and above the Inter-American Development Bank loan, so we must get that money from somewhere and that can only come from our domestic savings.

In addition to that, I have seen the development in St. Lawrence Gap. It is not finished yet. The whole western part in St. Lawrence Gap is finished but not the eastern part. I have lived for 30 odd years with complaints of people in Dover and in Maxwell about bad drainage. We have to fix

that. We can no longer, given the importance of that area to the tourist industry, postpone the decision to drain that. I know personally because I have witnessed it and I have talked with the people that a number of schemes have been devised by the best engineers that we have for drainage and all of them have come to a sorry end in the sense that they have not fully been able to devise a drainage scheme that will take care of the problems there for the simple reason that it is all reclaimed land.

Nature did not intend what was essentially a swamp area to be built up to the extent to which it is now. They have even dug wells 200 feet deep with the new machines that have been brought into Barbados but all it has done is to relieve the period of time that it takes when there is a heavy rainfall from six hours for the water to saturate to three hours. They have not solved the problem yet, so that is the problem that we have to deal with.

My constituency is only one of the constituencies in which all of these works have been carried out and I want to talk of the spectacular ones because I have driven through the Pine on the way here and it is a marvel to see what has been done on Pine Road. That cost money. All of the road system of the Inner Bridgetown Road Development Project was a project that was discussed between 1976-81. It was postponed by various administrators because the time was not appropriate but we had reached the stage with the rise in the amount of traffic that you could not postpone any longer. This Government had to face that issue and had to finance it.

Anybody who is familiar with the Inter-American Development Bank procedures will know that once they are committed to a project, however long prior to its execution, it is very difficult to get additional funds so that it means for a government like Barbados we have to finance it and that means that our need for borrowing for counterpart funds alone has increased over a period of time. In short, the Government is really a victim of its own ambitious programme because the more it carries out a programme the more financing it has to have. That is one of the reasons why we reached the position here.

Sir, I mentioned that we are also in a position where, luckily, we have money available in the form of savings in the private sector which is looking for an outlet. People do not realise that within the next month there is going to be about \$150 million available which was invested in Life of Barbados which is going to look for a home. Where is it going to go? If there is no reasonable outlet, it will have to go into the commercial banks and I know and can say for a fact, Sir, that there are some commercial banks now which are so liquid that if you carry \$1 million to them and say that you want them to take this and deposit, they would say I do not want it.

On the other hand, there are some who will say they would give 7 per cent for it. You may go after the 7 per cent but you might not be sure when you would ever get it back. That is the position. We are in an economic position in which there is a lot of liquidity and I only need to mention that \$130 million. I am sure that the Honourable Member for Christ Church West would be in a far better position than I am to speak about this that bodies such as the National Insurance is looking for investments.

As a matter of fact, according to what I heard on the radio two weeks ago they are in a position where because their investment income from deposits at the banks has suffered so much from reduction of interest rates, they themselves feel the impact.
4.50 p.m.

I say all of this but I also have to say something else. It is necessary for Governments of small countries like us to be careful. We must be careful and we must continuously remember that there are periods of exceptionally good times, but those good times can very quickly become for reasons totally out of our control, times which are not so good. Therefore, it is our duty to ensure that when we borrow the money, that we spend it in productive activity, for activity related to satisfying great social needs.

With regard to Barbados, if there is a deficiency, there is a deficiency in some of the social needs that are unsatisfied. None of us could be satisfied with the state of housing in Barbados. If there is one thing this Administration has done, is that it has attempted to make a frontal attack upon the needs for improving housing. There is no Administration, in all of my years, that has done more to create the infrastructural requirements for the major thrust in housing. They have the land and the will. The only thing is, that they have not been able yet, to identify the mechanisms necessary to translate the will and the land into a finalised end product. That is a major challenge of this Administration.

They do not need any more land or will, but they have to try and find people who will take advantage, by way of joint venture schemes with the Government, to be able to translate a final product arising out of that. I want to say, Sir, that over 800 acres of land have been acquired. This land has been acquired from people in Barbados and they have to be paid. I hope that part of this borrowing will be used to pay the owners of that land. It is a problem that has to be faced. You cannot get away from that. With the road systems you had to acquire land and the Barbados Constitution demands that the people should be paid.

Sir, to the extent that money is spent in providing the undoubted social need for housing in Barbados, I think that is a worthy expenditure, but I want it to be clearly

understood that I am not one of those who believe that it is a good policy of the Government to borrow money at 5 per cent or 6 per cent interest, then build houses and highly subsidise those houses for people other than the people who fall below a tranche of income that is non-taxable. I do not believe it because you are being "penny wise and pound foolish".

This community cannot continue to have a situation in which we go out and borrow money for the purpose of creating, what I would say in many respects, is a new middle-class or improving from one class to another class and, at the same time, we expect to be able to give them at a highly subsidised rate.

Subsidies must go for the people who cannot in all reasonableness afford to pay for their houses, and that is one of my concerns in Barbados, that we identify four or five thousand houses that the Barbados Housing Authority has now and they are being occupied, in many instances, by people who should now be moving into the property-owning class because they have the earnings that can justify a mortgage over a long period. I am not talking about five, seven or ten years, I am talking about 20, 25 or 30 years and they will be earning enough money to be able to own those houses.

Sir, while we all agree of the need for the borrowing of the money, the need to spend it in desirable social objectives. I think we have to be careful and we have to be men and women enough to tell that to the public. I can tell them that because I do not have to depend on them again.

Asides.

Hon. Sir HAROLD St. JOHN: I am finish so there is no problem in me saying that, but I used to say it before and I will continue to say it, so that, Sir, I expected the Opposition to behave in the manner that they did. After all, that is their function. They must keep the Government on their toes. They must explain to the public where they see a danger and it is our function to rebutt their arguments and to point out that what we are doing is nothing unusual, nothing that other countries are not doing.

I think I read recently, Sir, that in the United States of America, that both the House of Representatives and the Senate have recently passed a similar Bill for much the same reason, that interest rates there have gone down and there are people who are clamouring for opportunities for Government paper. Sir, as big as the country is, there is a great need in the United States of America. We only have to see what is happening.

The United States of America has passed a massive Bill that is going to put billions of dollars in the hands of the

farmers, to subsidise the farmers because the farmers say that they are not making a living.

Asides.

Hon. Sir HAROLD St. JOHN: Sir, that is a desirable social and environmental objective. What the Honourable Member for St. Lucy must do is to go tomorrow to that massive consultation that is due to take place among the agriculturalists. He can go there and make his input. He can talk to the farmers and help the Minister and explain his position.

Sir, that is the position and I, wholeheartedly, support this Bill.

Hon. Sir HENRY FORDE: Mr. Speaker, the Honourable Member for Christ Church South has made most of the points that I myself would have made, speaking from a perspective of over 35 years in parliamentary life in this country. Therefore, he has seen debates on increasing the limit of the Loans Act in the House on many occasions. Indeed, he would have seen debate on increasing the limit on foreign borrowing.

I think we have to let the country know that Barbados borrows from itself for domestic loans to use those loans principally for financing capital projects. The projects particularly relate to our infrastructural and human resource development. It is very important that we do this, and unless we are able, therefore, to find in the financing, to take care of our Capital Works Programme some of the things which the public desire to see happen in this country, to improve the environment and infrastructure of Barbados would not take place.

We cannot tax people to finance at all times, the Capital Works that we require whether they are for roads, schools, expansion of the hospital, expansion of urban development, looking at renovation of our urban tenancies, any of those areas. You have to find the funds from somewhere, in order to provide these things.
5.00 p.m.

It can come out of the public by extraordinary taxation which will eventually lead to a dying economy or like what any sensible person does in their private life. When a person is expanding or improving oneself, one borrows and pays back over a period of years. If, as the Government has been borrowing cheaply, then one prefers to do that.

Sir, at times we have to borrow externally because part of the cost of our infrastructural development is obviously buying goods and services from overseas and we have to pay in currency other than Barbados dollars. Sir, where we can borrow domestically for counterpart funds which are largely

spent back in Barbados, then we should do so and do so cheaply.

Mr. Speaker, recently the Government has been borrowing very cheaply. Treasury Bills have been going at a very low rate, as the Minister of Economic Development will tell you, at 1.29 per cent. I think the highest the Treasury Bills have ever reached within the last two years has been just over two per cent. That is cheap money and eventually it must impact on someone.

Mr. Speaker, let me frankly confess that, as Chairman of the National Insurance Scheme, while the low interest rates are being seen by some as a plus, they also have disadvantages for the earning capacity of the National Insurance Scheme. Therefore, if we have to lend to the banks, as we are at present, at 3 per cent, that is the highest rate of interest we are getting on either 6 or 12 months' money. Therefore, instruments are needed where we can lend a longer term, at a better rate of interest, so to earn more money in order to pay the increasing pensions that people want while, at the same time, to secure both the economic and fiscal strength of the National Insurance Fund.

Mr. Speaker, I have once said that, at this time, there is going to be an additional \$200 million going back to the shareholders of Life of Barbados. The National Insurance Fund, as every one knows, owns 10 per cent of the shares of Life of Barbados. We will make a substantial capital gain so that we have a pool of funds coming into our hands, not only our original investment but the traditional capital gains in excess of \$20 million that we have to invest.

Sir, if we have that money to invest, we want to invest it in a way that it is of benefit to the shareholders in the National Insurance Board – the public of Barbados and pensioners – and that, at the same time, it is not used to distort the economy.

I think the Central Bank's advice is very important to the Government. At this time, the Government must bring instruments in order to help with the problem of those people who have cash in their hands.

Sir, I would hate to think that \$200 million goes into the consumer market to be spent on Japanese cars or overseas. I want to see that money being reinvested in private companies in Barbados in order to help private investments. Also in Government paper so that Government will be able to undertake the infrastructural work that it has to do and is doing.

Mr. Speaker, in any event, we are taking from the working people of this country funds on a weekly basis. We, therefore, have a duty to look for the best investments that

they can earn the highest rates of income in order to improve the National Insurance Fund. I know there are not many instruments available on the market but corporate Barbados should do part of their financing by themselves by having bonds available or private issues.

I would like to suggest to the Government that perhaps this is a good time for them to come back on the market with some of the Barbados National Bank Incorporated shares and Insurance Corporation of Barbados shares.

People ran away from corporatising the Bridgetown Port but we have to finance Port expansion. It is also an ideal time for Government to come to the Pension Funds or the National Insurance Scheme for either long-term or medium-term money, possibly between 7 to 15 years or, if the Government prefers a 10-year bond.

Sir, Port expansion is extremely necessary because it is going to help the productive sector. It will help the sector in that the mega ships that are coming here, need us to do additional things at our Port in order to keep our Port as number one in the world. Those mega ships are going to contribute to tourism development in order to assist, from the Port worker to the taxi driver which will flow over into other sectors of the economy.

Mr. Speaker, we need not use all of the money for projects that are consumer oriented. I would like to see us using the opportunity for loans and bonds in order to continue the restructuring of the sugar industry and agricultural industry as a whole.

I do not believe the future of the Caribbean can rest solely on tourism. I do not believe that it could rest on tourism and financial services. I believe the world of e-commerce and the development that is happening is going to starve Governments such as ours, even if we are to collect through VAT. Therefore, Government must look at areas where they can expand and be self-sufficient.

I think it is a mistake for Barbadians to begin to write off agriculture rather than seeing it as an area for new investments. Mr. Speaker, I am deeply disappointed that the cotton industry which has such tremendous potentials for earning foreign income and foreign exchange is an area in which we have not seen much money being put.

I have, for many years, and particularly when I led this Party as Leader of the Opposition, spoken on numerous occasions about the potential of cotton. I am not going to repeat that speech here. People forget very easily but the Government has to say to WISICA that it has to get on with the job of collecting the debt due from the Japanese protecting the trademark and developing the cotton industry.

I believe the Japanese Government owes CARSICOT in excess of US \$3 million to US \$5 million. Not only is that foreign exchange but it is also important. The Government has to get that money in. It has now settled with the investors from Canada. We have to move in that sphere. Today, cotton is earning more than US \$7.00 per pound but we are not planting the cotton that is necessary. These are points we have to make. Unless investment money is put into this area, then we will not get any returns. I believe the country cannot be misled.

Unfortunately, I hear a lot of misrepresentations daily on the call-in radio programmes about the Government's profile. I do not know any Government in the world at the moment, not even the USA, that has been able, in the last 18 months to 2 years, to escape the effects of the recession that has been worldwide.
5.10 p.m.

I listened last night to an analysis of the German economy where people in the construction industry are on strike for higher wages. The point was made that unemployment is running in Western Germany at 7.5 per cent and in the part of Germany that was formerly Eastern Germany, it is running higher than that. Sir, unemployment is running in Russia, a strong economy, higher than it is in Barbados. I can do this analysis for almost every western developed country in Eastern Europe and elsewhere.

I believe that this Government and the Barbadian public have performed very well in the last few years in trying to maintain a sound economy and, at the same time, being able to increase wages, pensions and spending on education with the vital EduTech Programme that is positioning our young people for competition in the world of technology today.

Sir, we have to spend more on expanding the Samuel Jackman Prescod Polytechnic and tertiary education. I am glad to see Professor Beckles join with those of us who for years have been calling to increase the number of people going to tertiary institutions because we need to have a minimum of 55 per cent of Barbadians going to tertiary institutions.

Sir, the areas of Applied Science and Applied Arts are extremely important for us because as a small developing country, in a world becoming globalised where we are in competition with almost every other person, we must use the best resources we have. Sir, I still believe that the best resource is our people and we need to provide them with a good education so that they can look for the opportunities available whether they carry on business in this corner of the globe or emigrate to other places to carry on their business.

Mr. Speaker, I want to see more money spent at the tertiary level. We cannot do it from the resources of only

this generation's pocket. Sir, I did economics when I attended university but I am still trying to teach myself more of it, but I have never found an economist who could explain to me why it is wrong to make future generations pay for part of today's infrastructural development that is going to benefit future generations.

Sir, we cannot finance our development completely out of annual fiscal surpluses. It would be lovely to be able to do that but when we build or expand the hospital, build the highways, or put in a proper sewerage system, I do not believe that only my generation should pay for it. I want to see my children's generation have some responsibility and bear the cost of some of the benefits that we are handing down to them.

Sir, if we had the land space and the natural resources which other countries have, we would have higher private investment. Recently, our private investment has tended to be in tourism and I want to see less people taking good agriculture land and turning it into concrete. I want to see more going to the real areas where there is potential in future for development.

I believe that the Government must continue to set the lead as it has done in its programme but I want to ask the private sector to redouble their efforts. I do not want to single out any Barbadian company but there are at least three Barbadian companies, but particularly one that has expanded and is able to compete globally in Latin America and the Caribbean alongside companies from Switzerland, the United States of America and elsewhere and are earning foreign exchange by that expansion.

Sir, the Goddard Group is an example of a company that I would like to see in Barbados that has started small and has been able to expand to be a public company. This is what we can do if we show the initiative and use the opportunities available to us, Sir.

Mr. Speaker, with the increase in the limit of local loans I do not believe that Government is immediately going to use \$500 million. I know this year Government will have to use some of the money, particularly as the Government is giving what I think is a reasonable increase to the public workers of Barbados. Obviously there is going to be some shortfall in revenue when an economy contracts but Government debt does not contract because the Government still has to pay for the hospitals, its teachers and provide supplies that are necessary, so Government may have to borrow this year in the region of \$200 million on the local market. It can do so at reasonable rates of interest and it must try to improve the collection agencies.

Sir, I am not satisfied that we are collecting what is legitimately due to Government properly. I must appeal to Barbadians to pay to the Government what is due to it.

Government has in excess of \$300 million in taxes due to it. I am not sure what is the figure due at the National Insurance Scheme and the same goes for land tax. Mr. Speaker, the public of Barbados must accept their responsibility and people must budget to pay their bills because if all of us pay up, Government will not have to borrow and it will have enough to pay more to its workers and at the same time it will be in a position to lower the tax rate.

5.20 p.m.

Sir, I want more people back to work. I want us to get back to the halcyon days when the unemployment rate dropped below 10 per cent. The more people are employed, the more funds will become available not only to their families but also for us to use for the betterment of the country.

Mr. Speaker, I have spoken longer than I intended but this Bill is necessary and I think that we would be acting irresponsibly if we make the public believe that Government should not, at this time, increase the borrowing limit. I do not want us to break the laws of Barbados. We have had a position where we once came to the Parliament and broke the Central Bank Act. I do not believe that any Government can set that example.

We must be able to look ahead of time and if we see that the Government has to borrow approximately \$180 million, then we would have to do that. However, I think that it will be a little more than that given the commitment to a salary increase and the position in how the revenue has been responding so far.

I hope that the last quarter of this year will see an improvement in our tourist figures and our foreign exchange earnings. It may not be necessary in the latter part of the fiscal year to borrow this amount. I hope that we would get good weather and we have to pray for it. We need to be able to produce more sugar than we are producing.

I live in the country and I am a country man. I want an increase in the foreign exchange. This year, because of the reduction in the tonnage of sugar and the value of the EU dollars, we are at a disadvantage. If we can earn more in foreign exchange, get better weather and we can produce more vegetables and prove for ourselves, then I believe that the economy would rebound again.

Sir, when this is accomplished, we can deal with moves which the United States and elsewhere want to deny in the financial market. Mr. Speaker, I am deeply concerned about the misunderstanding that there is in the United States Senate about our low-tax jurisdiction in order to attract investors from their country to Barbados.

There is almost hostility in the developed world, particularly in the OECD, towards countries like ours, who

had the imagination and creativity to deal with markets for financial services. Sir, we have done it and done it well. Now, rather than being admired and being copied, we find that countries like the United States of America and other OECD countries want to shut us out from earning dollars.

Sir, companies realise that if the United States loses revenue of \$200 million to us, because of its companies locating here, that is negligible to them. Mr. Speaker, what is so bad about this is, the United States has in Delaware a jurisdiction similar to what we encourage here in Barbados.

Sir, if you read the Economist or any reputable publication of the United Kingdom, you will see that Britain is arguing that it wants to create an atmosphere for foreign companies to locate there. The arguing of the taxation system puts them in a position that they are trying to do what we have done so well in the last 20 years.

Mr. Speaker, Barbadians must be told that we have to keep our wits about us and seek by our own initiatives in order to maintain our standard of living. I do not believe that there is any Barbadian, whether they are on the Other Side or this Side, who would want to wish this country ill. I believe that this measure is necessary and I can understand the Opposition, the Honourable Member for St. John in particular, seeking to make capital out of any increase in borrowing, making people believe that we are running the country badly.

I wish I had the capacity at this time to borrow at a lower interest rate for my own economic development. That is what the Government is doing. The Government is borrowing at a low interest rate now for the good of the country. People understand that if the man in the street can borrow at 3 per cent rather than borrowing at 22 per cent or 18.5 per cent compounded, he would be able to build his home, provide an education for his children and he would be doing things for the benefit of himself. Sir, if the Government can borrow now at a reasonable rate of interest, this is the proper time for borrowing.

I thank you.

Hon. R. R. FARLEY: Mr. Speaker, I rise at the conclusion of the second reading of this Bill. I want to thank those Honourable Members who have participated in the debate today. We have had some interesting contributions, full and rich on this Side and wondering and wavering on that Side. We are very clear on why we are doing what we are doing by way of a proposal to increase the limit on the sums which can be accessed under the Local Loans Act.

Sir, I want to remind Honourable Members that there are a few responses which cause an economy to move in relation to the economic slowdown which we are facing. You

can in the face of either an increase in expenditure or low revenue, you can cut back on Government's services and programmes, thereby further contracting the economy.
5.30 p.m.

That is not an option, Sir. The Government in its response to the September 11 slowdown indicated that it would pursue counter-cyclical fiscal policies. We would, therefore, spend to stimulate the economy and we can do that because of the basically strong reserves and fiscal position which we have. We could also increase taxation which extracts money out of the economy and leads to a further tightening of the situation. That is not an option for us. In fact, Sir, the Democratic Labour Party in their last turn at the helm did both, cut Government programmes and increased taxes in the face of severity. They made it even worse by inappropriate policies.

We can use the means of financing available to us to finance the deficit which in this case relates to a minor difference on the capital side because current revenue is able to more than adequately cover current expenditure. In fact, Sir, we are really investing in our future rather than postponing any other events. I hope that at the end of this debate the Honourable Member for St. Lucy has a better understanding of the difference between total expenditure and current expenditure.

Mr. D. St. E. KELLMAN: On a point of order. The Honourable Member is misleading the House by giving the impression that I do not know the difference between total expenditure and current expenditure. I would like to use page 2 of the Estimates to show that I understand what is current expenditure and what is current revenue.

Hon. R. R. FARLEY: I am pleased, Mr. Speaker, that the Honourable Member now accepts that contrary to what he had said earlier in the debate that he now understands. I appreciate the fact that the debate has helped him.

Mr. D. St. E. KELLMAN: The Honourable Member is misleading the House. What I did is to compare deliberately total revenue to total current expenditure to find out if the Honourable Member really understood what he was saying because he was making the point that any good fiscal management would allow you to have total revenue higher than total expenditure.

Sir, I understand why the Honourable Member is so hot under his collar. The deficit from current expenditure and current revenue is \$120.9 million which means that you do not have any current revenue to help with your capital expenditure and it is a non-point by the Honourable Member.

Hon. R. R. FARLEY: Mr. Speaker, it is difficult to retain composure and clear thought after listening to the

Honourable Member. I would not want the Honourable Member to distort the records of this House, because it is very clear and the Estimates are very clear on the matter that you have current revenue, you have current expenditure and you could also add the capital expenditure to get total expenditure. The historical trend if you review Estimates after Estimates in this Administration is that we have our revenue covering our current expenditure and that deficits are financed on the capital side to facilitate our future development.

Sir, the Honourable Member, just as he did in his main presentation, wants to confuse us on this Side but we will not be sidetracked. I want to say that the Government really uses this legislation in very specific ways. The Government issues debentures and Treasury Notes under this Local Loans Act as a means of providing financing for its operations as well as providing an investment avenue. In fact, an examination of the current holdings of debentures and Treasury Notes at the end of January this year will indicate that of the \$1.17 billion in debentures and notes which have been issued under their Local Loans Act that commercial banks have some \$554 million in holdings. We have a number of other institutional investors, the National Insurance Board – \$735 million, trust companies – \$23 million and other insurance companies – \$124 million.

Sir, this provides an opportunity for institutional investors to have an investment avenue. The point made by the Honourable Members of the need not only to have this instrument but also other investment instruments of Government available in the high liquidity situation is a point well made. I want to point Members to the fact that areas of high liquidity come and go and we have seen a situation in which a tightening of the liquidity situation raises the cost of finance as well as puts into deep question the matter of availability of finance. It is really up to us in this situation of high liquidity to ensure that we capitalise on the availability and the low cost of the finance to implement aspects of the Government's medium to long-term programme and much discussion has been engaged on those matters.

Sir, I want to respond very briefly to the ludicrous position taken by the Leader of the Opposition in which he sought to suggest in a very lame manner either that we should not pay attention to what independent commentators like Standard & Poor's may say or that that is the only thing that this side is thinking about, but one of the reasons why we would have to pay more attention to what they say than what he may say and other individuals and gurus within the Democratic Labour Party is that there is this famous picture of "Nightmare on Elm Street" where it was Freddy Krueger who was this ghost that you could not get to disappear.

There seems now to be a nightmare on George Street and a number of persons whose political lives we thought

had ended either by the natural fluxion of time or by rejection by the people are now rearing their heads in all forms and fashions either as heads of groups of retirees or "past this" or "ex that" of the Democratic Labour Party, capitalising on the weakness, the absence of leadership, the vacuum, to speak on various matters.

In addition to that, Sir, there is also the very unsavoury situation in which some apostles of the Democratic Labour Party are clothing themselves in the garments of organisations of civil society, masquerading as heads of associates or spokesmen of these organisations and turning what would normally be otherwise fair comment and a proper involvement of those organisations in civil society into part of the political carnival that we have emanating from George Street.

Therefore, Sir, one can expect...

Aside.

Hon. R. R. FARLEY: I am being told, Sir, that in the Bahamian context it would be a political Junkanoo dance.

Sir, we can expect that those rejects, those political hacks who are part of the nightmare on George Street will come out swinging to attempt to pervert in the public's mind what is really a very simple and sensible action and we heard the first swing from the former Leader of the Democratic Labour Party by his own admission in here, the Honourable Leader of the Opposition, when he sought to suggest that the Government in this debate, or no time at all, appeared to have acknowledged that the economy was going through some challenges, that there was an economic downturn and that work needed to be done in various sectors of the economy.
5.40 p.m.

Sir, there is nothing further from the truth, but we know what his article will say. He has already given us a hint in here and we could expect to read about it on Friday, so I believe he has left here all ready to write it. Clearly, Barbados is vulnerable to adverse circumstances. When the United States' economy sneezes, Barbados catches a cold, and that has been the case for many a year. Worse yet though, Sir, is when there is a wider world downturn, that puts us in an even worse situation.

Our vulnerability to external circumstances, Sir, puts us in our foreign exchange position which can be affected by declines in tourism, the international business sector, even agriculture and manufacturing, all of which have exporting components.

Therefore, Sir, as part of our aid to recovery, we will depend to a large extent on the recovery of the world

economy, in general, and the United States' economy in particular. We also know and we have said, Sir, and we have led a public debate on this, that Barbados is not just a passive participant in what is happening. There are a number of things which we in our domestic economy can do and indeed must do. We have said, Sir, that we as Barbadians all of us, must do a number of things.

As a Government, for example, we must maintain fiscal prudence. That is why, unlike the Democratic Labour Party, we have not used or abused the Ways and Means account at the Central Bank, no money creation. The Democratic Labour Party for example, has raised and raised the overdraft limit until it was 17.5 per cent of GDP. Even when it was at those unprecedented levels, Sir, they breached it, causing the Central Bank to have to write a letter a day, to say to the Democratic Labour Party Administration that you are over the limit, \$50 million, \$62 million and \$82 million over the limit. Please reduce it.

When we took office, Sir, we felt that there was no need for a limit of 17.5 per cent, and we reduced it to 10 per cent and we have hardly used it. We have not come near to reaching that limit, so maintaining fiscal prudence, whether it is in terms, Sir, of taxation strategy, whether it is by way of our debt management strategy, or any other aspect of our fiscal policy.

We also know, Sir, that here in Barbados we in Barbados need to continue to reduce cost. The cost of doing business generally, reduce our prices and the like where we can, as well as maintaining reasonable and stable labour cost as well, and we have led that debate. We have to be cost competitive in the international context. Therefore, the Government for its part, is looking at ways in which it can reduce the cost of doing business, cutting out some of the bureaucracy, and time wasting, some of having businesses running to and fro to do a simple transaction, if you consider, Sir, the amount of time and therefore the amount of money it would cost, sometimes to do simple things, like clearing goods through customs or paying your road tax, doing basic things, those are the things that are lower to the bottom line.

We have led the debate, Sir, and we have identified and indicated that we in Barbados need to focus on raising our productivity levels. In fact, Sir, some of the economies with the highest costs have been continually able to improve themselves, by improving their competitiveness through productivity increases. The United States, in Germany the labour costs are higher than ours but they have a strong focus on productivity and we need to do that.

As a matter of fact, having as a country and people decided that exchange rate variations could not be used as a policy instrument for increasing price competitiveness in our

export sectors, it means that we have to focus on productivity improvement as a means of improving competitiveness. That is getting more done with the same or less, in all aspects of life, in the public sector and in the private sector.

In fact, Sir, you will recall that the Right Honourable Prime Minister and Minister of Finance would have created the Commission on Competitiveness in one of his earlier Budgets, 1999, I believe it was, and that the National Productivity Council has been embarking on an enhanced work programme which was given a boost in the last few weeks when I signed with the Inter-American Development Bank to receive a grant of almost \$1 million to enhance productivity enhancement work in the private and public sectors to make sure that we are able to increase our competitiveness in this country.

We need also, Sir, and we have led a debate on this, to continue the shift which is being made towards having a full fledged service economy, recognising that our greatest potential for foreign exchange earnings is in the areas of service exports and that an economy which has strength will be in a position to support its agricultural and manufacturing sectors.

In fact, Sir, as it stands now, agriculture and manufacturing which are the sectors which were built among preferential access to Europe, CBI, the United States and Canada, respectively and high tariffs, obviously fall victim to anything but arm initiative of the European Union, the reduction in subsidies in Europe, thereby affecting the price which is paid for our sugar, the WTO liberalisation efforts which affect our manufacturing and the like.

Certainly to the extent that we have been able, while maintaining aspects of our commodity exports to also earn from services that have been a stabilising factor and help us to do better than some of our Caribbean players. Take for example, Sir, the fact that export of goods for over 17 per cent of our total exports, that is goods and services, Sir, versus 22 per cent 10 years ago and that is a continual shift that we need.

Sir, the accusation that the Government has not addressed some of the fundamental issues as they affect the domestic economy is far from true and really represents some of the distortions which you could only expect to come from the nightmare on George Street. I am satisfied that the measure that is being proposed will provide the dual purpose as indicated earlier, of providing an investment opportunity in liquid situation as well as allowing the Government to continue its very important capital programme which has been presented here today in great detail.

With those few words of response to some of the issues which were raised, Mr. Speaker, I beg to move that this Bill be read a second time.

Hon. G. A. CLARKE: I beg to second that, Sir.
6.50 p.m.

On the motion of Hon. R. R. FARLEY, seconded by Hon. R. N. GREENIDGE, the Bill was read a second time.

On the motion of Hon. R. R. FARLEY, seconded by Hon. R. N. GREENIDGE, the House resolved itself into Committee, Mr. D. CARTER in the Chair.

COMMITTEE

Mr. CHAIRMAN: The House is in Committee.

Clauses 1 – 2 were called and passed.

On the motion of Hon. R. R. FARLEY, seconded by Hon. R. N. GREENIDGE, Mr. CHAIRMAN reported to His Honour the SPEAKER, the passing of one Bill in Committee of Supply and Mr. SPEAKER resumed the Chair and reported accordingly.

On the separate motions of Hon. R. R. FARLEY, seconded by Hon. R. N. GREENIDGE, the Bill was read a

third time and passed and cited as the Local Loans (Amendment) Act, 2002.

ADJOURNMENT

Hon. R. N. GREENIDGE: Mr. Speaker, that brings us to the end of Government's Business for today. I beg to move that this Honourable House do now adjourn until Tuesday, June 25, 2002, at 11.00 a.m.

Mr. Speaker, speaking briefly on the Adjournment, it is anticipated that, on that occasion, there will be a short Sitting of this Honourable Chamber and on the following day there will be a Sitting in the Other Place where there will be a Resolution on the recognition of Her Majesty, Queen Elizabeth II Golden Jubilee.

I believe the said Resolution was forwarded to Buckingham Palace.

Hon. G. A. CLARKE: I beg to second that, Sir.

The question that the Honourable House do now adjourn until Tuesday, June 25, 2002, at 11.00 am was put and resolved in the affirmative without division and Mr. SPEAKER adjourned the House accordingly.
6.02 p.m.