# THE

# House of Assembly Debates

## (UNOFFICIAL REPORT)

FIRST SESSION 2013 – 2018

## HOUSE OF ASSEMBLY

*Tuesday, August 13, 2013*

Pursuant to the adjournment, the House of Assembly met at 10.00 a.m. on Tuesday, August 13, 2013.

PRESENT

The full list of Members present is to be inserted from the Votes and Proceedings. Members identified from the record of this Sitting:

His Honour M. A. CARRINGTON (Speaker)
Hon. R. L. SEALY (Minister of Tourism)
Hon. J. D. E. BOYCE (Minister of Health)
Hon. S. A. LASHLEY (Minister of Culture, Sports and Youth)
Hon. C. P. SINCKLER (Minister of Finance and Economic Affairs)

Mr. SPEAKER: Good afternoon, all members. This House is now in session. Members, I have with me the minutes for a meeting held on Tuesday July 23, 2013.

MINUTES

Hon. J. D. E. BOYCE: Mr. Speaker, Sir, I beg to move that the minutes be taken as read. Seconded.

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

PAPERS

Hon. S. A. LASHLEY: National Sports Council annual report, April 1st, 2010 to March 31st, 2011.

Hon. R. L. SEALY: Mr. Speaker, I am commanded to lay the annual reports for the Barbados Tourism Authority for the years 2008 to 2009 and 2009 to 2010. I am obliged.

Hon. J. D. E. BOYCE: Mr. Speaker, Sir, I am commanded by the Honourable Minister of Finance, the medium term growth and development strategy of Barbados 2013–2020. I am obliged.

FIRST READINGS OF BILLS

Hon. J. D. E. BOYCE: Mr. Speaker, Sir, I beg to move the first reading of the National Insurance and Social Security Amendment No. 2, Bill 2013.

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

Hon. J. D. E. BOYCE: Mr. Speaker, Sir, I beg to move the first reading of the Income Tax Amendment Bill 2013.

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

ORDERS OF THE DAY

SUSPENSION OF STANDING ORDERS

Hon. J. D. E. BOYCE: Mr. Speaker, Sir, I beg to move the suspension of Standing Orders Nos. 6, 16, 18, 20, 42(5), 43 and 44 for the remainder of today's sitting.

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

GOVERNMENT BUSINESS

Mr. CLERK: Order Number three, Sir, in the name of the Honourable Minister of Finance and Economic Affairs to present the financial statement and budgetary proposals for the year 2013.

ORDER NO. 3 – FINANCIAL STATEMENT AND BUDGETARY PROPOSALS FOR THE YEAR 2013

Mr. SPEAKER: Yes, Honourable Minister of Finance.

Hon. C. P. SINCKLER: Thank you very much, Mr. Speaker, Sir. Mr. Speaker, Sir, as I rise to present this financial statement and budgetary proposals, the central feature of which will be a revised growth and fiscal adjustment strategy for Barbados, I am minded of the biblical injunction to be found in the Book of Ecclesiastes, chapter three, which states, To everything there is a season and a time to every purpose under the heaven. A time to be born and a time to die. A time to plant and a time to pluck up that which is planted. A time to kill and a time to heal. A time to break down and a time to build up. A time to weep and a time to laugh. A time to mourn and a time to dance. A time to cast away stones and a time to gather stones together. A time to embrace and a time to refrain from embracing. A time to get and a time to lose. A time to keep and a time to cast away. A time to rend and a time to sew, a time to keep silent and a time to speak, a time to love and a time to hate, a time of war and a time of peace.

I call this verse divine, Sir, because I genuinely believe that it succinctly captures the critical juncture at which all of us in Barbados and as Barbadians have arrived on our journey for social, economic, cultural, and indeed political development. It is a juncture in time, Sir, that presents this country with a real opportunity to choose a path of restructuring and revitalisation, not just to the obvious systems that drive our economy and society, but importantly as well to the core beliefs, values and philosophical moorings that characterise who we are as a people, what quality of life we want, and the imprint we want on history's page.

The exercise we undertake over the next few days, and certainly in the weeks ahead, cannot be pigeonholed into a narrow discourse over only the merits and demerits of this measure or that measure, or about who was right and about who was wrong. It certainly, Sir, should not be about who wants which party in office and the naked and anti-democratic reactionary hot air about the regime change some may desire through bluster rather than ballot. Rather, Sir, it has to be a critical national conversation about how we maintain Barbados' standing as a leading developing country in the world, and more importantly, how we build on what we already have in an effort to surpass even our most generous expectations.

It has to be, Sir, a national dialogue characterised not by fear or fear-mongering, but based on a platform of optimism that starts from the belief that our best days are yet ahead of us, simply because we are starting from a position of strength. We have experience and we have knowledge. We have accomplishments and more importantly, Sir, we know what we can achieve still if we work collectively as a people, black, white or Indian, worker or management, public or private, B or D. So that this exercise, Sir, must be about how we can build the national fortitude and the insatiable desire to undertake the kind of change which we can extend our possibilities beyond mere hopes and toward the crafting of a firm and credible pathway to development of the country that is socially balanced, economically sound, environmentally sustainable and characterised by good governance.

This, Mr. Speaker, fellow Barbadians, is our season to take stock. It is our season to pursue a rigorous examination of self, of communities, of systems, and of the country as a whole. It is our season to be frank, honest, constructive, and productive in our engagement among ourselves and with the rest of the world. My sincere hope, Sir, is that in the course of my presentation here this evening, I can convey that sense of openness and seriousness of purpose, even as I set the stage for what will be a call on all Barbadians to forge a collective movement to stabilise our economy and usher in a more determined agenda for structural change that will better equip us to confront the challenges of a modern world.

To this extent, Sir, attractive as it might be, ours is not a mission today to entertain ourselves with the instantaneous but never lasting gratification of retail politics. Ours is a mission to present frankly and fairly the facts pertaining to the current state of the Barbados economy, in particular the state of the public finances and the impact which this is having on our efforts to forge a return to sustainable economic growth in our economy. More pointedly, Sir, our mission is to set out not just how we propose to deal with these issues, but more importantly how we intend in the short and medium term to engage in an intense process of intervention by the state over the next two years to unlock the factors which can secure us the growth we so clearly need to sustain ourselves.

In this regard, Sir, permit me to say that we in this administration begin from the point of departure by saying to all Barbadians that our macroeconomic programme has gone off track and needs to be brought back into line with what we believe is consistent with the objectives required for economic sustainability characterised by growing international reserves, exchange rate stability, suitable and balanced economic growth, and adequate yet affordable social services provision. However, before we can get to those specific interventions, it behoves me to set the context within which we are operating and what has led us to this point for the need for a serious course correction in our short and medium-term economic management strategy.

THE GLOBAL CRISIS AND ITS IMPACT ON BARBADOS' ECONOMY

Mr. Speaker, regardless of whatever one may wish to believe, the genesis of our economic problems has a direct link to the very unfavourable economic environment which this country and several others like it across the world have had to face since 2007. Indeed, Sir, picture if you will the scenario with respect to Barbados' macroeconomic performance in the post-2007 period. After growing consistently by an average of about 3 per cent per year between 2002 and 2007, when the global economy was booming and international demand for our goods and services were outstripped only by the robust foreign exchange investment inflows into the country, our economy stalled in 2008 at the beginning of the then unfolding international financial and economic crisis. A crisis which is now, Mr. Speaker, accepted to be the worst any Barbados government - I may even say any Minister of Finance - has had to deal with in near 100 years.

By 2009, with the evolving crisis hitting hard on our key trading partners - the USA, Canada, to a lesser extent Britain and of course the Caribbean - this translated into the largest real economic contraction in Barbados since 1992, the period of the last major crisis. The economy declined by 4.5 per cent and our fiscal deficit reached near 10 per cent at the end of fiscal 2010. To put the decline into perspective, Sir, despite some green shoots in 2010 and 2011, the unanticipated depth and duration of this global recession has meant that on average, real economic activity has fallen by 1 per cent every year since 2008.

The traded sectors in particular have borne the brunt of the impact. A decline in global GDP, depressed credit markets and elevated levels of unemployment in our trading partners significantly reduced the demand for domestically produced goods and services. Tourism, which is known to be our most vital industry, but which itself was already beginning to show signs of wear prior to the crisis, has been hard hit - perhaps hardest hit. Long-stay arrivals fell in 2009, for example, Mr. Speaker, by 9 per cent, the largest decline recorded in over two decades. And despite a strong intervention from the government to help property owners weather the storm and to pump more money into marketing, the resultant improvements in 2010 and 2011 were soon dissipated as reduced airlift capacity in major source markets and the loss of Almond and a number of other smaller hotels contributed to a 5.5 per cent decline in 2012. Overall, by the end of last year, long-stay arrivals remained 7 per cent below levels recorded in 2007. Remember, Sir, we are dealing with the worst recession ever in the history of the world.

This situation has been exacerbated by the fact that those who chose to vacation in Barbados are now spending much less than in previous years. In fact, since 2008, average visitor spending fell by five percent for five consecutive years, equivalent to almost $300 million in losses per year. Mr. Speaker, Sir, $300 million in losses per year. This is despite an improvement even in the average length of stay during the same period.

So the depressed economic conditions from this all filter through to other critical sectors, especially the international business and financial services, which lost considerable value between 2008 and 2010 and have not regained sufficient ground to allow it to come anywhere close to its pre-crisis levels in terms of a contribution to the Barbados economy. While manufacturing and agriculture both had significant output challenges even prior to the onset of the crisis, these were only multiplied because of it. Manufacturing, for example, Mr. Speaker, Sir, in terms of output, decreased by 12.2 per cent in 2009, significantly higher than the 0.7 per cent and the 1.2 per cent for 2006 and 2007 respectively. While the impact on the agricultural sector was less severe and driven by other domestic conditions, agricultural output nevertheless fell by just over 5 per cent during the last two years on average.

Again, the knock-on effects of the slowdown in tourism-related activity were observed in the non-traded sector which declined by 4.1 per cent in 2009 for the first time since 2001 and currently remains below 2008 levels. Waning investor confidence, increased levels of uncertainty in the international credit markets, and reduced tourism activity resulted in a postponement of several real estate development projects across the country. No fault of this government, no fault of the last government, just the reality. Consequently, the construction sector, which had seen an incredible 15 years of growth prior to 2007, fell by 5.6 per cent in 2008, plummeted to a decline of 18.2 per cent in 2009, and has not recovered in any great degree since then. Inevitably, mining and quarrying also suffered their greatest declines, plunging by as much as 37 per cent in 2009 and by a further 13.6 per cent and 8 per cent in 2011 and 2012, respectively. Wholesale and retail trade, business and other services, transport, storage, communication - all of these sectors, Mr. Speaker, Sir, had the fundamentals of their growth undermined by this most virulent and hideous international recession.

So that the slump in domestic economic activity meant that employers found it difficult to maintain employment at pre-crisis levels. Unemployment crept to 11.6 per cent by the end of last year, as over 5 500 Barbadians lost their jobs since 2008. Mr. Speaker, Sir, even in spite of efforts by this Government to assist - whether it is the $24 million, $25 million tourism investment, whether it is postponing NIS payments to help with cash flow, whether it is waiving penalties and interest on debt - regardless of whatever it is, the difficulties of the situation became too much for some people to hold on to employees and they had to release them. Now this could have been worse. It could have been horribly worse, had

this administration not taken the policy position to maintain employment levels in the public service. I shudder to think, Mr. Speaker, Sir, what the level of unemployment would have been in Barbados had we adopted the advice from some persons in the community and gone on a vicious slashing spree, laying off from gardener to Governor General.

Inflation, Mr. Speaker, Sir, in the period reached a near 20-year high of 9.5 per cent in 2011. A direct effect of the pass-through of higher oil and food prices due to shortages brought on by drought conditions in the United States, pushing up prices at an annual average rate of 6.3 per cent during 2008 and 2012, well above the 1.7 per cent average recorded between 2000 and 2004. When people speak, Mr. Speaker, Sir, about inflation, about cost of living, about the price of food, we have to remind them of these facts. Between 2000 and 2004, the average increase was 1.7 per cent in world prices. Between 2008 and 2012, it has been 6.8 per cent.

We are not making these points, Mr. Speaker, Sir, to beg for an excuse - these are the facts. But that is only half of the story. I make these points to bring a level of seriousness and clarity to the debate that has gone on in this country seemingly oblivious to the very deep hole out of which this economy of Barbados has been made to climb. It is as if, Mr. Speaker, Sir, some people believe that history began yesterday. What was this economy asked to do? With an entirely unfavourable international economic environment, and with an economy sorely lacking sustainable economic diversification and restructuring, Mr. Speaker, Sir, that made the task even more difficult and in some instances unattainable.

While the real economy was feeling the direct impact of the international crisis, the secondary effects began to show up, Sir, in our fiscal accounts. In our first year in office, tax revenue growth slowed to about one-third of what it had been during the previous five years. Those revenues were driven mainly by economic activity - VAT, corporate and trade taxes. These were the ones that were most affected. This meant that our 2008 and 2009 deficit was worse than the previous year by nearly $140 million. On account, Mr. Speaker, Sir, not of higher expenditures but of lower revenues. That, Mr. Speaker, Sir, equated to just 1.5 per cent of GDP.

By the next year, revenues collapsed altogether. VAT, corporate and import-related tax receipts fell by $200 million. Remember, Mr. Speaker, in 2008–09, $140 million. In 2009–10, $200 million. That was before any VAT increase in Barbados. Listen very carefully, Mr. Speaker, Sir. That is equivalent to 10 per cent of government's own overall income.

Can you imagine, sir, any scenario in which the most brilliant economists would have to manage an economy with such a gaping hole in its revenues and with such social provisions to be taken care of like health, education, public transport, and the like. We will leave and go, Mr. Speaker, sir, to speak about the other ones in relation to the prison and so forth. We've been over all of that already. So the deficit widened even further and the pace of public debt accumulation because when you have a deficit share, you have to borrow to fill the gap. And so the public debt accumulation started to accelerate. And even in spite of these challenges, sir, all of what I have just described, the one area in which we were able to hold together behind a robust external account management policy was our international reserves. Indeed, despite the lower than anticipated upturn of the trading sectors, the stock of foreign reserves or international reserves increased from 1 359 million to 1 464.3 million, resulting in an increase of import cover from 16.4 weeks in 2008 to 19.5 weeks by the end of last year. And I want you to bear this in mind. 1 463. 64.3 million or 1.4 billion. I want you to bear this in mind, sir. Even in the face of declining tourism earnings, a significant fall-off in foreign direct investment because of the international crisis, and an increase in all energy prices and food prices as well, the reserves were maintained through governments, robust management and an intervention of fiscal strategies. It was on this platform, sir, that the relative stability was maintained in the local economy and which permitted us up until now to adopt a more gradualist approach to the fiscal adjustment and medium-term economic restructuring which this economy requires.

But all of that, sir, all of that changed significantly from around April this year, just after the general election, when we began to see a serious slide in our net international reserves. Mr. Speaker, sir, all of that changed significantly. Remember, at the end of 2012, we had $1.4 billion in reserves, 19 weeks of import cover, and by April, right up to April, that went. And suddenly after the general election, the foreign reserves started to dissipate and disappear. Mr. Speaker, sir.

Now some have argued, sir, that our approach was incorrect, that we ought to have gone in more heavy with the fiscal adjustment, particularly on the expenditure side, and imposed drastic cuts at the beginning of the crisis. We argue differently since we believe that those such measures were not necessary if the foreign exchange anchor was not in immediate danger. And to have done so, Mr. Speaker, sir, would have driven an already depressed economy even further down. It is why we also did not believe that attempting to go the other extreme, to try to spur economic growth by putting consumer spending on steroids was sustainable because in a depressed foreign exchange earning environment, it would have placed our international reserves under tremendous pressure long

before now. Indeed, Mr. Speaker, sir, one wonders where we would have been today had we adopted that policy wholesale of giving Barbados, of changing up the foreign reserves and giving Barbadians to head into town to shop for hairdos, Remy hair and the fancy nails as we were being told we should do.

But sir, all of this economic, unfortunate economic news, even with the best of wills, Mr. Speaker, sir, it was bound to undermine our fiscal stability if we continued or if it continued for an expanded period of time. Unfortunately, sir, for us it has. As a government, we are faced with two simultaneous challenges. Or we were faced with two, and we still are faced with two simultaneous challenges. The imperative to rein in the growing fiscal imbalances and a duty to provide a cushion for the most vulnerable during the crisis. We committed ourselves to maintaining employment in the civil service while at the same time systematically adjusting our tax structure in a way that would not place an undue burden on any one group.

Sir, it is not a policy of which this government is ashamed. I make that point again, Mr. Speaker, sir, it is a policy. It is not a policy of which we are ashamed. We believe we did the right thing in the prevailing circumstances.

In the budget of 2010, recognising a weakened financial position and the implications this would have on our efforts to have an early restoration of growth, we introduced a series of revenue raising and expenditure control measures aimed at consolidating the fiscal deficit in line with the objectives of the medium-term fiscal strategy which called for a balanced budget by 2015–2016. In 2011, we began to see some progress. Real GDP after declining by almost 5 per cent the previous year grew by close to 1 per cent. Tax revenues increased by nearly $10 million. As we got, Mr. Speaker, sir, more than $2.5 million more VAT receipts contrary to popular belief that the increase in VAT did not work. It worked, Mr. Speaker, sir, and our deficit as a percentage of GDP was almost cut in half from 9.1 per cent down to 4.6 per cent in that year.

Unfortunately, as I noted, these modest achievements which we saw in 2010 and 2011 did not produce the momentum necessary to propel the economy as recovery in the United States was sluggish and a new fiscal crisis exploded across Europe and also affected the British economy, our largest source market for tourists. As a result, by 2012, by the 2012 fiscal year, our GDP growth had stalled. The growth targets under the medium-term fiscal strategy, which had been crafted two years prior, against a much more optimistic international forecast, were now largely unattainable given the prevailing economic conditions, and despite our continued efforts, the fiscal deficit widened beyond these objectives as revenues again continued their rapid deterioration.

Given some successes in the end of the financial year 2011–2012 in reducing the fiscal deficit to 4.4 per cent of GDP, the outcome for 2013 was a disappointing one, as the gains made previously were virtually eroded. The salient point to be made here, sir, is that with the best will in the world, when an economy such as ours suffers such a dramatic loss in revenue, as we did in 2009–10 by $200 million, making up that ground will almost be exceedingly challenging, especially if the main growth sectors in the economy are being severely impacted upon by a negative international economic environment.

However, again, even with the decline that we had since then, in the year 2012, our foreign reserves were still in a very good position. Sir, even with a weak tourism season, up until the end of the close of the first quarter of this year, the monetary authorities or the Central Bank were reporting that they were only required to expend $17 million U.S. of the net international reserves since our inflows pretty much matched our outflows up to the end of the first quarter. So that when we were reporting, Mr. Speaker, sir, all last year and up until March or even April this year, that the stability of the foreign exchange anchor was providing to the economy was largely intact - that, sir, was a fact. It was a fact. And we always said it that our focus was going to be on ensuring that we defended the Barbados dollar, that we ensured we had enough international reserves to be able to meet our daily commitments for households and businesses and others, and that we maintain that relative stability in the Barbados economy. Up until March of this year, I say without fear of contradiction, that was a fact.

Since April of this year, however, again I repeat in the immediate post-election period, that scenario has changed dramatically, when coupled with a deteriorating fiscal position, carried forward from the last fiscal year, if left unattended, will portend very dangerous consequences for our economy. And it is to these issues that I now turn my attention. In doing so, sir, it is incumbent on me to lay out the facts as they relate to the current state of our economy, based on the latest data we have at our disposal from the relevant authorities.

Let us first get a general overview of the financial statement for the year 2012–13 and for the first three months of the current fiscal year.

## FISCAL PERFORMANCE APRIL 1ST TO JUNE 30TH, 2013

2012 - March 31st, 2013. Preliminary information received from the Accountant General indicates that current revenue for the period April 1st, 2012 to March 30th, 2013 was $2 320.4 million, a decrease of $203.8 million or 0.8 per cent from the period recorded for the corresponding period during 2011–12. The $2 320.4

million was also $299.7 million less than the amount budgeted.

Taxes on income and profits realised $689.7 million, an amount of $82.5 million or 10.6 per cent less than collected in the corresponding period for 2012 and $129.9 million less than budgeted. Corporation taxes decreased by $24.6 million for the period under review. Refunds of corporation taxes for the period April 2012 to March 2013 was $9.8 million as compared to $20.8 million for the corresponding period last financial year.

With respect to income taxes, $73.4 million less was recorded for the April 2012 to March 2013 period. It should be noted that refunds of income taxes were $103.1 million for the period under review, while they were $104.2 million for the corresponding period in 2011–2012. Withholding taxes increased by $15.5 million over the corresponding period for 2012.

Taxes on property increased by $4.9 million over the corresponding period in 2011–12, to $238.6 million. This amount was also less than the amount budgeted by $8.1 million.

Taxes on goods and services decreased by $76.1 million or 14.8 per cent to $1 136.6 million. The amount was $112.5 million less than budgeted. Receipts of VAT totalled $878.2 million, a decrease of $61.6 million over the corresponding period of 2012–2013. VAT refunds for the period under review were $53.2 million compared to $27.7 million in the corresponding period last year as the ministry sought to have the VAT unit pay a faster rate of returns. Excise duty recorded $149.5 million, a decrease of $11.3 million from the actual outturn of 2012. Import duties increased by $2.5 million to $198.1 million. However, this amount was $13.9 million less than budgeted.

Special receipts decreased by $46.6 million to $23.5 million. This was due to an accounting adjustment related to a prior year transaction with respect to transfers to the UWI. Non-tax revenue recorded $90.7 million, an amount of $21.3 million less than for the corresponding period in 2012.

Expenditure. Current expenditure exclusive of amortisation of $540.7 million decreased by $78.7 million or 2.8 per cent from the 2012 figure to $2 895.2 million. Wages and salaries increased from $804.3 million in the corresponding period of 2012 to $807.1 million due mainly to increments. It should be noted that the amount budgeted for wages and salaries was $818.6 million. Expenditure on goods and services decreased by $7.7 million to $391.8 million. This was $41 million less than budgeted.

Expenditure on current transfers increased by $51.2 million for the period April 2012 to March 2013. The increase was due mainly to higher transfers of $22.6 million to public institutions and an increase in other benefits of $25.6 million.

Total debt payments for the period April 2012 to March 2013 amounted to $1 100.2 million with interest payments of $559.5 million and amortisation of $540.7 million. Interest payments and amortisation increased by $32.3 million and $86 million respectively over the corresponding period in 2012. The increase in amortisation can be attributed to the redemption of a $100 million bond in May 2012. It should be noted that the total debt payments for the period were $26.4 million less than originally budgeted.

Capital expenditures for the period under review was $93.7 million compared to $91.9 million for the corresponding period in 2012, and capital formation increased by $7.5 million and capital transfers decreased by $6.3 million.

Total expenditure for April 2012 to March 2013, therefore, was $3 529.6 million compared to $3 363 million in the corresponding period for 2012. The deficit therefore, Mr. Speaker, sir, of $668.5 million represents 7.9 per cent of GDP at market prices. This deficit was higher than the 4.4 per cent of GDP originally projected, mainly due to an underperformance, as you have seen, of revenue. The deficit for the corresponding period of 2012 was $384.2 million, representing 4.4 per cent of GDP at market prices.

If we look now, sir, at the fiscal performance for the period April 1 to June 30, 2013, which is this year, the first period of this current financial year - the first three months. Preliminary information, and this is preliminary information, sir, received from the Accountant General indicates that the current revenue for the period April 1st to June 30th, 2013 was $483.9 million, a decrease of $91.8 million or 15.6 per cent from the corresponding period for 2012. The $483.8 million collected is also $162.7 million less than originally budgeted. So as you can see, the decline in revenue has continued into this year and is pretty significant.

Taxes on incomes and profits realised $149 million, an amount of $36 million less, or 19.5 per cent less than collected for the corresponding period in 2012. This amount is also $56.1 million less than the original target. Corporate taxes decreased by $32 million for the period under review. Refunds of corporate taxes for the period April to June 2013 was $1.25 million whereas there were no refunds for the corresponding period last financial year. With respect to income taxes, $13.3 million less was recorded for the period April to June 2013. It should be noted that refunds of income taxes were $26.9 million for

the period under review while they were $36.6 million for the corresponding period in 2012. Withholding taxes increased by $9.3 million over the corresponding period of 2012.

Taxes on property decreased by $2.4 million over the corresponding period to $5.2 million. Taxes on goods and services decreased by $44.3 million or 14.8 per cent to $255.6 million. This is also $72 million less than originally targeted. Receipts of VAT totalled $200.9 million, a decrease of $29.4 million over the corresponding period 2012–13. VAT refunds for the period under review were $16.7 million compared to $9.8 million for the corresponding period last year. Excise duties recorded $26.8 million, a decrease of $12.7 million from the actual outturn of 2012, while import duties decreased by $1.4 million to $44.6 million. This represented a decrease of 3 per cent from the amount collected in 2012.

Special receipts increased by $3.6 million to $9.1 million. This was due to an increase of $3.9 million in the training levy. Non-tax revenue recorded $17.9 million, an amount of $10 million less than the corresponding period. In May 2012, an amount of $12.5 million in property income was received from the Barbados National Oil Company as a dividend.

In terms of expenditure, current expenditure exclusive of amortisation of $102.2 million decreased by $17.7 million or 2.6 per cent from the corresponding 2012 figure of $672.3 million. Wages and salaries increased from $200.4 million in the corresponding period 2012 to $202.7 million. However, this is $2 million less than was targeted. Expenditure on goods and services increased by $2.7 million to $74 million. Expenditure on current transfers decreased, moving from $218.8 million in 2012 to $208.7 million for the period April to June 2013. This is $7 million less than the amount originally targeted.

Total debt payments in the period April to June 2013 amounted to $272.9 million with interest payments of $170.7 million and amortisation payments of $102.2 million. Interest payments and amortisation decreased by $13 million and $86.9 million respectively over the corresponding period for the previous year. Capital expenditure for the period under review was $15.7 million compared to $12.3 million for the corresponding period 2012.

Capital formation increased by $1.5 million, capital transfers increased by $1.6 million. Total expenditure for April to June 2013, therefore, was $790.1 million compared to $891.4 million for the corresponding period in 2012. On the basis of these, therefore, Mr. Speaker, the deficit of $204.1 million represents 2.3 per cent of GDP at market prices of $8 811.8 million. The deficit for the corresponding period for 2012 was $126.6 million, representing 1.4 per cent of GDP at market prices of $9 292.7 million.

In terms of the six months review for the economy, Mr. Speaker, colleagues, these public finance figures, particularly the negative outturn on the revenue side, continue to be driven in large part by a weakened performance in real economic activity is of some concern, some major concern. This, as we know, began in the latter part of 2012, behind a softening in demand for goods and services abroad and domestically, and a deceleration in the output in the domestic non-traded sectors. Following a flat 2012, according to the latest six-month review by the Central Bank of Barbados, there was a contraction in all the main foreign exchange earning sectors, while private capital inflows were less than the previous period.

Some of the major highlights in the recent domestic economic performance were as follows:

One. Real economic activity, as measured by GDP, at constant prices contracted by 0.6 per cent owing to a 3.7 per cent decline in the tradable sector and weak performance in the non-tradable activities.

Two. The decline in the tradable sector was due mainly to a 1.4 per cent decline in tourism output and depressed performances in both manufacturing and agricultural sectors. On the non-traded side, construction activity declined by an estimated 9 per cent while the distribution sector remained subdued due to weak performance in tourism in particular.

Three. Disappointing tourism performance was due to several percent decline in long-stay visitor arrivals from all major markets. In the case of the United States of America, this market declined by 10.6 per cent. Canada, 8.5 per cent. And the UK, 1.6 per cent. Caricom by 16.9 per cent. Only Germany and other European markets recorded positive results. These two markets expanded by 25.7 per cent and 9.6 per cent respectively.

Four. At the end of June 2012, the moving average rate of inflation slowed to 2.7 per cent compared to 8.4 per cent for the corresponding period in 2012, while the average rate of unemployment stood at 11.5 per cent at the end of March 2013, in contrast to 11.8 per cent for the same period of 2012.

Five. [Inaudible.] is the average.

Six. Gross public sector debt at the end of 2012 stood at 98.2 per cent of GDP and when netted out stood at 56 per cent.

Seven. While there continue to be high liquidity in the financial sector, the level of non-performing loans in the banking system increased.

Eight. Also, there was a deterioration in the external account deficit to 6.3 per cent due to a 3 per cent increase in retained imports.

Nine. There was an increased pressure on the foreign reserve cover, which fell to 16 weeks of imports by the end of June 2013, compared to 19 weeks at the end of March 2013.

So, Mr. Speaker, sir, against the backdrop of these realities, and ever mindful of the fact that the global economy is unlikely, especially among our key trading partners, to rebound robustly over the next 12 to 18 months, it is now absolutely necessary for government to intervene to procure some very specific short to medium term objectives. These can be listed as follows:

One. The maintenance of stability of the foreign exchange market and through it a protection of the fixed exchange rate regime.

Two. A faster rate of fiscal consolidation in the public finances underpinned by an appropriate, credible downward adjustment in the expenditure budget.

Three. A faster return to economic growth in the short to medium term through primarily better facilitation of private and public investment projects.

Our diagnostic analysis leads us to conclude that if left alone, the macroeconomic instability will set in and take root behind a further deterioration in the public finances through a much higher deficit than last year, an increase in the public debt to GDP ratio, and with an accompanying unsustainable increases in debt service costs and a continuation of the precipitous and dangerous decline in the country's net international reserves.

Based on the Ministry of Finance and Central Bank analyses, on the current trajectory, the fiscal deficit as a percentage of GDP, if left alone, will likely end the current financial year somewhere between 8 to 9 per cent of GDP. This is based on an expected moderate increase in expenditure through supplementary requests and a continued rapid fall-off in revenues, as you have seen, and as economic activity continues to contract, even though slower in the next six months.

Equally, on the current pace, we are also predicting that without intervention to stem the decline, the net international reserves will likely close the year just below the billion-dollar mark, or roughly around the minimum industry standard of 12.5 weeks of import cover. Neither of these scenarios portends any favourable circumstances for Barbadians or Barbados. In this regard, therefore, it is absolutely necessary that government intervenes now to alter the trajectory of the macro fundamentals.

While we are investigating from an empirical perspective, sir, what has been driving such a steep drain in the international reserves, preliminary evidence has hinted that it cannot be substantially explained by leakage of foreign exchange through increased imports or other similar transactions. Yes, we've had a soft tourism earnings season and foreign direct investment has been slow, has been below the 2012 levels somewhat. But neither of these are separately or taken together, nor indeed are outlays for external debt payments have behaved in a hugely abnormal fashion. In this case, therefore, we have been surmising that the usual flows of foreign exchange are not making it into the system, and that this is working as a drain factor on the reserves as more and more demands are placed on the Central Bank to meet daily requirements. If this is indeed the case, and noting the loss of over $300 million in reserves in just over three months, it would be over $300 million. It would be reasonable. It would be reasonable to deduce that much of this can be attributed to a decline in overall confidence in our economy by foreign and domestic investors alike.

Given this, sir, the prolongation of the international downturn, the persistently high budget deficits of the government and its unsustainable debt levels, together with its sluggish growth figures, can be highlighted as the chief contributors to this apparent declining confidence. One of the good things that we have developed over the course of the period of this economic turbulence is an internal economic management and review system that meets on a regular basis not only to assess the country's economic performance but to shape policies which can directly respond to challenges when they arise. It is through this mechanism, sir, that from as early as March 2012 - March this year - when we started to see an unusual foreign exchange movement that I instructed the Division of Economic Affairs and Planning to work with the Central Bank and the Finance Division to craft a new growth and development strategy with a stronger fiscal adjustment component and a medium-term restructuring program for the non-financial public service or what we call the statutory entities.

Indeed, sir, immediately following the passage of the annual estimates of revenue and expenditure in this honourable chamber, my team set to work to craft the draft medium-term growth and development strategy, which benefited richly not only from the input of several ministries and government statutory entities, but from the vibrant contributions of the private sector and the labour movement. And I pause, Mr. Speaker, sir, to give my profound thanks to all who have contributed to that

document, particularly our partners in the social partnership, but also outside of that as well.

In June of this year, the initial draft document was released for public consumption and debate, as the Prime Minister hosted a national consultation on the economy with a wide cross-section of institutional, sectoral and individual interests. That consultation was followed in the weeks thereafter with the Ministry hosting - this is the Ministry of Finance - hosting separate caucuses with key players and stakeholders across the economy, not only on the specifics of the strategy but on the challenges facing our economy and likely interventions by government. This extensive process of consultation, of which, sir, we must be proud, concluded with a full meeting of the subcommittee of the social partnership, where again both the strategy and many of its recommendations came under close scrutiny as to their practicality and appropriateness.

And Mr. Speaker, following even more internal review and consultations among ministry staff and others, I am therefore happy to report to this Parliament and to Barbados as a whole that the Cabinet has approved for laying in this House the New Growth and Development Strategy of Barbados, Mr. Speaker, sir, which the Honourable Leader of the House laid earlier this evening. This Growth and Development Strategy 2013–2020 charts a clear direction for sustainable green economic growth and development priorities for the next eight years. It defines government's plans to institute a sequence of managed structural adjustments and reforms which are critical to the country's sustainable economic, human, and social development over the planning horizon identified.

The theme of the Barbados Growth and Development Strategy 2013–2020 is adjustment, reform, recovery, sustainability. Immediate adjustment is needed to reduce the fiscal deficit and the debt-to-GDP ratio to more sustainable levels while growing the foreign reserves. Reform speaks to the necessary policies and programmes and institutions which must be implemented in the short to medium term in order to strengthen Barbados' economic and social fundamentals. The positive economic impacts of the adjustment and the reform activities will, we believe, facilitate our recovery and return to a trajectory of economic growth. The strategy proposes that growth should be managed on the basis of annual targets set by the social partnership in consultation with the government or set by the government in consultation with the social partnership, with progress and achievement reports of the aforementioned targets being closely monitored and controlled. Sustainability of our economic growth and development over the planning period will be assured through this nation's commitment, sir, to productivity, efficiency, competitiveness and service excellence.

Mr. Speaker, sir, we absolutely have as a nation to dedicate ourselves 150 per cent to lifting our productivity, to increasing our efficiencies, bettering our competitiveness and ensuring that service delivery is second to none. That is what will really get this country out of the difficulties that it is in. In many ways, Mr. Speaker, sir, there are a lot of people, both in this House and elsewhere in the country - only a few - who believe that growth can be bought from a shop. You don't buy economic growth from a shop. You don't import economic growth. It has to come from within the belly of the country and the economy. People have to work harder, they have to work smarter, we have to invest more, we have to be far more alert in this new global environment. And the policies and strategies and projects outlined in this strategy, Mr. Speaker, sir, in this Growth and Development Strategy require all of us, therefore, to not only do this, but to share the burden of fiscal adjustment, structural reform, and a restoration of growth and sustainability.

However, even as we make this transition to a new set of circumstances, almost a new Barbados, we must ensure that we take strategic advantage of the opportunities that will arise - and they will arise - to aid us in continuing to protect the poorest, the indigent and the most vulnerable in our country. Mr. Speaker, I therefore commend this document to the country, firm in the belief that if as government, private sector, labour and the wider public we were assiduously to implement its recommendations, we will see a turnaround in the economic circumstances.

I pause to make the point, Mr. Speaker, sir, that only three days ago a major business person in this country called to my office to speak to me. And he made the point that having read the medium-term growth and development strategy, he said the government needs nothing else. Barbados needs nothing else. What we need to do is to implement the recommendations in the study. That is what we need. That is what we need, Mr. Speaker, sir. And I believe he was genuinely saying it. He had no reason to call me to say it, but he felt he needed to make that point, Mr. Speaker, sir. And I commend it to the country. Because, unlike our previous medium-term fiscal strategy, we have not worked on the assumption that global growth and recovery will be robust. We are not making that mistake, Mr. Speaker, sir. In fact, to the contrary, we start from the opposite view, and that is that low growth and anaemic demand for our goods and services internationally will likely continue well into the planning period.

To this extent, we have settled on the firm view that until global growth and recovery is evident and sustainable, particularly among our major trading partners, a major 19-month programme of fiscal adjustments and specific growth initiatives will have to be implemented to pull our economy around, stabilise, and grow the international reserves. And of course, Mr. Speaker, sir, create new jobs

in the process through major public and private sector investments. With these robust fiscal measures in place, we are confident that the slide in the international reserves can be slowed considerably and some small gains likely by the end of this year, even as we pick up momentum in 2014, behind a stronger performance in the foreign exchange earning sectors.

It is to this programme, sir, and the specific initiatives on the pending that I now turn my attention. For ease of reference, Mr. Speaker, sir, I propose to speak first to the growth initiatives, then to the fiscal adjustment policies, and finally to the public sector reforms which government is contemplating.

Mr. Speaker, it is an indisputable reality that the surest way for any country to pull itself out of an economic slump is to grow its economy consistently and at sustainable rates. The growth section of the medium-term growth and development strategy seeks to consolidate and strengthen the existing areas while building on the creation of new growth areas. The broad objective going forward is to return Barbados' economy towards the achievement of sustainable growth rates of 3 per cent by 2017 and 4.5 per cent by 2020. The key pillars towards the restoration of growth will be those that are private sector-led, productivity enhancing, export and investment focused, employment generating, socially balanced, and supportive of green growth and environmentally sustainable development. Growth would eventually be buttressed by the expected return and recovery in the major external markets of the U.S. and the U.K. and so forth, as forecast for growth by 3.3 per cent and 2.7 per cent, respectively.

However, in the short to medium term, from the government side of the equation, a more aggressive intervention for growth will have to be undertaken. This effort will be constructed around what we call the four drivers of growth. One, increased public and private foreign and domestic investment. Two, better business facilitation. Three, increased productivity. Four, increased competitiveness, whether on price or quality of product or service. Mr. Speaker, sir, I repeat them. Increased public and private investment, better business facilitation, increased productivity, and increased competitiveness, whether it is a product or service. That is where we lay the drivers for economic growth.

In this respect, sir, we propose the following measures and programmes as an all-inclusive initiative over the next 18 months to push smart marketing and planning strategies to facilitate stronger tourism demand and International Business and Financial Services. Greater effort will be made at finding new tourism markets, and special activities in agriculture and manufacturing, while also pushing renewable energy to help in the achievement of targeted growth projections. Construction will also be a main driver being sponsored by an accelerated public and private Investment Programme.

I start with tourism and related services. Sir, the government proposes over the next 18 months to expend an additional $50 million U.S. dollars in marketing and promotional activities of the Barbados Tourism Authority, starting with our traditional source markets and working our way into some newer growth areas. U.S. $13 million of this will go immediately to settle all liabilities of the BTA, with the balance earmarked for a new aggressive marketing and airlift support programme to be unveiled by the BTA in the coming weeks. These funds will be sourced from a proposed U.S. $100 million fiscal policy-based loan to be negotiated with the Inter-American Development Bank later this year. In fact, Mr. Speaker, sir, we are in a fairly advanced stage of those negotiations.

As an adjunct to this, the BTA will, in a special collaboration with the National Cultural Foundation and the Ministry of Culture, Youth and Sports, launch the Barbados International Culture and Sports Promotion Initiative starting next year. This initiative will focus specifically on establishing Barbados as the leading international events, logistics and promotion hub, not only in the Caribbean but in this hemisphere. The events targeted for next year alone, Mr. Speaker, sir, will start with the English West Indies cricket tour games in Barbados slated for February and March 2014. The Barbados Reggae Festival in April. The Top Gear Motorsports Initiative in May. The Crop Over Festival in June through August. The Caribbean Premier League cricket tournament in August/September. The Barbados International Arts and Music Festival in September/October. The Food, Wine and Rum Festival in November. And a new international yacht race in December.

The goal of this initiative is to attract a maximum number of tourists to our shores and ensure that the country has a complete tourism calendar right across the year. Mr. Speaker, if nothing else, the last Crop Over season and the CPL cricket have demonstrated that Barbados can make serious purchase in this part of the market, and we intend to exploit it aggressively. Therefore, government will make an additional investment of $20 million to sponsor and promote these events for maximum return. Those resources, of course, as well will be taken from the fiscal PBA.

The $50 million Barbados hotel refurbishment fund, which I announced in last year's budget, is now ready to receive applications for registered tourism accommodation establishments.

The fund is being currently implemented through an expansion of the Industrial Credit Fund and Credit

Guarantee Scheme administered by the Central Bank of Barbados. The ICF, as it is called, channels funds to entities through qualified financial intermediaries operating in Barbados. Potential beneficiaries first approach the financial intermediary with a project proposal. The intermediary in turn submits the proposal to the ICF for funding. The ICF may advance up to 90 per cent of the requested loan amount. The credit guarantee scheme provides commercial banks and other credit institutions protection against the losses arising from the failure of eligible entities to repay their loans. The NIS, as I indicated last year, will assist with the financing and expansion of the Industrial Credit Fund by periodically depositing parts of its surplus funds at reasonable interest rates with the fund. This approach seeks to spur much needed financing to the sector but minimises the risks to the NIS and addresses a number of incentive problems. The entities will remain under full private management. Disbursement of funds will be targeted, will be subject to the rigour of credit assessment of private financial institutions and critically the debts will be due to private financial institutions and not to state entities. Loans will be given at highly reduced interest rates with an appropriate moratorium on repayments of principal and interest while the government will offer a special duty and tax waiver programme for any property owner accessing the initiative over the next 18 months. The Central Bank has already provided public information on the expansion of the Industrial Credit Fund and the Credit Guarantee Scheme.

Mr. Speaker, Sir, this initiative is being targeted specifically at the major problem we currently have with declining quality of our existing stock of rooms. The aim is to see a major improvement in the quality of rooms and amenities of not less than 75 per cent of those properties in need of improvement. This is how we raise the competitiveness. This is how we get the quality of the rooms up, Mr. Speaker, Sir, and get Barbados' hotel stock where it needs to be.

Four, government working through the BTI and the private investors in the hospitality sector intends to make a substantial push to bring 1 000 rooms at least back into production in the sector over the period and into the medium term. Government will take the lead in initiating the purchase and rebuilding or refurbishment of two major properties on the island that have gone out of business in the last few years. These will be the Aman Beach Resort, Beach Village Resort, which we have already announced, and the Silver Sands Hotel in Christ Church. These will be done by accessing low-cost financing from the People's Republic of China for the reconstruction of the properties or refurbishment of the properties which will then be sold when they are finally reconstructed or refurbished and/or reopened under international brand name management. Work on both of these properties should start in the latter half of 2014, regulatory approvals permitting, and will allow for the generation of close to $350 million in investment with at least 600 jobs being created during the construction.

Mr. Speaker, Sir, the negotiations have already started. I believe the Ministry of Tourism and the BTI are well advanced, particularly on the Aman project. Additionally, it is our hope that following the sale of the Four Seasons project to a preferred international investor, work on that site will finally begin during the course of the next year. Requests for proposals to this effect have already been posted in local and international media, and proposals are already streaming in. We expect a selection to be made during October 2013.

Additional support measures for tourism. As you are aware, Mr. Speaker, Sir, the Honourable Minister of Tourism outlined an expansive 10-point plan to assist in the short-term recovery of the sector. This is in addition to what we have announced here today. These measures range from assistance in marketing of upscale accommodation planned on the island as part of the accommodation pool, and we will be providing incentives for the villa owners and condominium owners to bring those rooms into the regular hotel stock as part of the accommodation pool for Barbados, to support with dampening the impact of the APD as well as reducing the cost of energy to local properties.

In an effort to continue in this vein, Sir, of reducing the overhead costs of the sector and putting it on a more competitive footing vis-à-vis its competitors, I now propose that effective October 1, 2013, the new VAT rate on accommodation in the hotel sector will be 7.5 per cent. Additionally, from that same date, October 1st, direct tourism services will be brought in line with the accommodation partners' counterparts at 7.5 per cent, down from the current 17.5 per cent. This should cost the Treasury approximately $9 million a year.

Now there has been a longstanding request by the hoteliers through their association, the BHDA, for a slate of items including some agricultural products imported under WTO bound rates to be removed from such or have them significantly reduced. My ministry working in concert with relevant ministries, particularly the Ministry of Agriculture, is still conducting investigations into the potential impact such requests will have on local producers and indeed the jobs which they generate. This evening, I give the tourism sector the assurance that in the next six months, my Ministry will have word on specifically which items we propose to address and which will remain protected.

In the meantime, however, we have gathered sufficient intelligence to allow us to announce that effective September 1st, the ban on duty-free on heavy cream, which is used in almost every food application in the sector across

the sector, Sir, can safely be reduced in line with the common external tariff rate for such in other countries at 40 per cent, as observed by CARICOM for external goods.

With these measures in place, and some luck for a more robust recovery in the global economy among our trading partners, I see no reason why this sector, Mr. Speaker, Sir, I see no reason why this sector should not be able to rebound in the short to medium term. However, we shall take no chances. And following a request from the BHDA and with advice from the Ministry of Tourism, I have agreed to sit down with them and other major stakeholders in the industry at least once every quarter to review our progress and make alternative plans if necessary. Mr. Speaker, Sir, we are taking nothing to chance.

INTERNATIONAL BUSINESS

Sir, another of the key sectors which will come in for very special scrutiny is the International Business and Financial Services sector. I do not have to remind the House how critical the sector, the success of this sector is to the Barbados economy and society generally. However, of course, over the last decade, the sector has come in for a major battering as it tries to defend itself against accusations of Barbados being a tax haven. From the OECD peer review process to FATCA and now to a misinterpretation of Barbadian law by Canadian revenue officials as it relates to the

proper designation of offshore banks and their regulation, the environment has been quite hostile. We ourselves, Mr. Speaker, sir, to be honest, have not exactly made it much better, by ignoring several of the low-hanging fruit which could make facilitation of the international business and financial services sector and investment, particularly in Barbados, easier and more flexible. It is time to change that equation. In this regard, I am empowered by the Cabinet of Barbados to announce the following:

One. Regulations to accompany the International Corporate and Trust Providers Act have been prepared and are ready and will be laid in Parliament in October after we resume from our summer recess.

Two. Starting January 1, 2014, the International Business Unit will be empowered to issue international business companies with multi-year licences for up to three years. This will eliminate the requirement of company principals to enjoy the headache of having to apply each year for licences and sometimes have the inordinate waiting periods.

Three. The Ministry of Finance will instruct the Inland Revenue Department to procure on a consultancy basis a local company and tax law expert to handle tax law resolution issues and provide advice to the department so that timely decisions can be handed down to businesses in the sector that require them. BIBA - that is the Barbados International Business Association - has generously agreed to work with the Ministry to put this initiative into effect as soon as possible.

Four. From budget year 2014, the Ministry of Finance will increase the marketing and investment promotion budget of Invest Barbados by an additional $7 million to beef up its presence in the FDI market.

Five. Last year, I announced the coming into force of the Special Entry Initiative for high net worth individuals. This policy is already in existence and being applied in respect of special entry permits for high net worth individuals. These permits provide such persons with the opportunity to visit Barbados whenever they wish, to stay as long as the permit is valid, and to establish tax residency in Barbados. All three of these activities contribute to the strengthening of Barbados' attractiveness as an international business domicile and of course for investment. Applicants for such permits are required to supply police certificates of character as for the immigrant status applications, and evidence of net worth and evidence of currently valid health insurance as part of the application process. For high net worth individuals, the net worth of the applicant must exceed $5 million US dollars.

Now there has been substantial interest by foreigners who have bought high-valued properties here or who are interested in buying such properties to have special entry and resident permits for five years. At present, all foreigners who own property here are often given permission to enter the country for periods shorter than they would like, despite their clear ability to sustain themselves while on the island for the periods requested. Despite instructions to the contrary, the entry periods permitted to such property owners have continued to be inconsistently given. As a result, these visitors then have to apply at the Bridgetown office of the Immigration Department for extensions of stay. Thus the ability of these visitors to stay for the periods of time they wish and can afford has been rendered subject to unnecessary bureaucracy in a department that is already finding it difficult to manage the large number of applications it has to handle for the various processes it does down there.

Therefore, effective September 1st, a special entry permit valid for five years at a time will be available to all foreigners who own substantial property or investments in Barbados. Investment could include or would include rental property, rental real estate, property development projects, manufacturing, tourism, bank deposits, mutual funds or bonds, or any financial instrument. The value of the property or investment to be used to qualify for the

application for special entry permit status should be US $2 million or more, and the investment must have been purchased with funds sourced outside of Barbados and not subject to any mortgage on it. As with high net worth individuals, foreigners who seek investments in Barbados and seek the special entry permits must meet the criteria of a clean police certificate of character and a valid health insurance certificate.

Thirdly, foreigners who have special skills needed in Barbados, as determined by the Ministry of Labour, Social Security and Human Resource Development, acting in concert with the respective ministries with oversight of the sectors where the special skills are to be employed, and who wish to live in Barbados, will also be eligible for the special entry permits. The fees for the two categories of special entry permits will be the same as those for the special entry permits for high net worth individuals. The spouse of a person who has been granted a special entry permit will be entitled to a special entry permit on payment of the fee for a special entry permit, while their dependents of minor age will be given student visa status for the life of the special entry permit on the payment of the application processing fee. All persons who hold special entry permits will be issued with a Barbados identification card, as is done for work permit holders, suitably to identify their status so that they will be able to obtain a Barbados driver's licence and otherwise conduct business in the country as they so desire. These special entry permits will all be renamed special entry and reside permits.

Six. One of the major drawbacks associated with international business and foreign investment has been the criticism that business facilitation has been or is poor and could be handled much better in the country. While at a philosophical level, this administration continues to maintain that business facilitation is all about the attitude of the person or organisation responsible for assisting investors, we are also mindful of the fact that it is sometimes necessary to designate specific officers and offices to work with people through a system that at times can be very challenging. To this extent, Mr. Speaker, and following consideration of several requests from the private sector on this matter, I am happy to announce that the Cabinet has agreed to the recommendation that a National Business Facilitation Unit be created within the Ministry of International Business, Trade, Industry and Small Business Development. This small unit will be staffed from among existing officers of the Ministry and will be headed by a Consultant Investment Commissioner who will be responsible for assisting with the smooth and efficient implementation of prospective project investments both local and foreign in Barbados. The Commissioner will report directly to the Cabinet through the Cabinet Committee on Economic Policy.

AGRICULTURE

In the area of agriculture, Mr. Speaker, our principal focus in the next 18 months and of course beyond that will be the initiation of a major restructuring of the local sugar cane industry at long last. As is well known, this industry has been on a steady decline for many years now, having suffered not only from the dismantling of the preferential arrangements with Europe, but also because of the serious internal challenges relating to financing and excess costs over the ability to earn. And in the face of a failure by previous authorities to do a serious restructuring of the industry, it has now come to the juncture at which an ignominious collapse was awaiting that industry.

This administration, however, as we did in the past, has designed and successfully sought financing to advance a major restructuring of the industry over the next three years, starting next year, in what is called the Barbados Cane Industry Project. Funding for this exercise, which will see a re-engineering of an existing sugar factory so as to allow it to engage in multiple applications including the production of biomass for the co-generation of electricity, has been agreed with the Japanese Bank of International Cooperation and the Japanese commercial banks for up to $270 million. Negotiations with all stakeholders, including the workers' representatives, have already begun, and the Ministry of Agriculture will be making a fuller pronouncement of the details of the project in the coming weeks. It is expected that this project will begin implementation in the first quarter of next year and run a full three years. It will radically reform the sugar agriculture while having very positive spin-off effects on the non-sugar agriculture crop production.

With this process well on the way, it is government's intention therefore to forge ahead with other initiatives in the short term to give a boost to the local agriculture sector, including the creation of a $2 million grant initiative specifically for small farmers to engage in increased crop production. This initiative will be established and run by the Barbados Agricultural Society in consultation with the Ministry of Agriculture.

Secondly, my Ministry in consultation with the Ministry of Agriculture and the BHDA will be proposing a special programme to incentivise local hotels to use more local produce in their properties. At present, when hoteliers and hotel developers seek concessions from the Ministry of Finance, these are given freely to promote the investment, as well we should, and assist in the earning of foreign exchange. This, for all intents and purposes, will continue well into the future. However, it is the intention of my Ministry to institute a policy that ties future requests for concessions and waivers by local hotels and restaurants to a demonstrable use of domestic produce and even manufacturers.

MANUFACTURING

As you are aware, sir, the local rum industry has in recent times come under significant pressure from the US rum producers who are now benefiting from illegal subsidies which are eroding the competitiveness of Barbados' rum and consequently its market share. These so-called cover-over subsidies are now having a major negative impact to the extent where the local and regional producers are being left with considerable stocks of rum which they cannot get rid of. Both at the level of CARICOM and domestically, governments across the region, including Barbados, have been petitioning the US Government over this distortionary impact which these subsidies are having on the US market for rum. Indeed, CARICOM is also preparing for the possibility of lodging a case in the WTO to have the offending subsidies removed if, Mr. Speaker, sir, a negotiated resolution cannot be found.

As you can imagine, sir, this is a process that could potentially take years to resolve while our local rum industry that brings in some $60 million US dollars in foreign exchange could face certain collapse. Bearing all of these factors in mind and knowing that local authorities are pressing ahead for a negotiated settlement of the issue, we have determined that it has become necessary for us to act to safeguard the future of the industry. To this extent, government will, in the coming weeks, sit again with representatives from the local rum industry, this time to examine a mechanism that would initiate a similar level of subsidisation to our local rum producers so that they can remain relevant and competitive in the marketplace. This sector is way too important for us to sit idly by and watch as it is destroyed before our very eyes. Further details on this initiative will be made public as they are agreed.

Additionally, sir, in order to enable the local rum distillery industry to meet the challenge it now faces and is likely to encounter over the next several years, government has instructed the Barbados National Oil Company to work closely and urgently with the local distilleries on the introduction of a locally produced ethanol into the gasoline sold locally. At present, BNOC imports gasoline that has been blended with MTBE - methyl tertiary butyl ether. The quantity of MTBE blended into the gasoline imported by BNOC amounts on average to 12 million litres per year. And in order to provide gasoline with a lower level of these undesirable emissions, BNOC aims to reduce all of this MTBE by ethanol from the new sugar cane processing complex when that comes on stream in the project that I just described.

The ethanol from this source will however not be ready for another three years or so, and the situation where the distilleries find themselves with a surplus inventory of bulk rum because of the US subsidy to its own rum producers will be turned into an opportunity to start the process of replacing the MTBE by local ethanol at an earlier stage. BNOC and the distilleries will over the next few months have to work out the specifics of the quality for the fuel-grade ethanol BNOC needs and the required alternate processing that the distilleries need to do, as well as any change in the specifications of the gasoline that BNOC needs to import in order to accommodate the use of the available local ethanol without affecting the octane quality of the gasoline sold at the pump. Thus, government will facilitate maintaining the size of the local distillery industry and in the process save the country foreign exchange and provide a cleaner, safer gasoline product.

ALTERNATIVE ENERGY SECTOR

In relation to alternative energy, sir, I am happy to announce that both the long-awaited Electric Light and Power Bill and the Income Tax Amendment Bill as it relates to alternative energy and the concessions that we have announced are ready for debate in Parliament, with the latter expected to be passed shortly and was laid, of course, today by the Leader of the House for first reading. In anticipation of these, government is forging ahead with the unveiling in the coming weeks of a major renewable energy initiative aimed not only at generating energy cost savings for the government, but also using major government buildings to generate electricity from solar energy for on-sale to the Barbados Light and Power.

Of course, these two bills to which I refer are absolutely critical for this process to happen. The Cabinet will be shortly called upon to consider a proposal to invite a private sector entity to supply, erect, and operate and maintain solar electricity systems on the roofs of selected government-owned buildings using the modality of solar power purchase agreements. The electricity generated by these systems will be used by government and the excess sold to the Barbados Light and Power Company Limited. This novel public sector-private sector partnership or PPP arrangement is intended to advance the penetration of the solar electricity systems in Barbados. The government considers that as many roofs as feasible in Barbados need to be turned into generators of electricity to the home, business or the office. This would lead to a democratization of the generation of electricity from intermittent energy sources such as wind and solar, so that every householder and business recognize their ability to contribute in a meaningful way to the energy security and a reduction of the country's fuel import bill.

The generation of solar electricity systems on roofs of hurricane shelters is to be funded by a U.S. $2 million grant. This effort is being pursued within the context of the following initiatives: one, the creation of an enabling environment to inter alia facilitate the erection of solar electric systems in the island through the establishment of a number of tax and other concessions. Two, the proposed

erection of a solar electricity system on the roof of 12 government buildings as part of a U.S. $24 million public smart energy programme to be funded by the Inter-American Development Bank and the European Union. The requisite agreements are expected to be signed by September 25, 2013. Three, the establishment of a $20 million smart energy fund being funded by a loan from the Inter-American Development Bank. The loan component of this facility can be used by the private sector to install renewable energy systems, including solar energy at their properties, using a U.S. $2 million grant from the Global Environmental Facility with the United Nations Development Programme acting as the administrator of the project. The letter of endorsement has already been submitted to the UNDP. And four, the erection of a solar electricity system on 19 schools and the National Conservation Commission facilities, which I believe was launched recently, to be funded from government resources. The contracts for these works have already been awarded to three companies.

It is now being proposed that government engage with the private sector to provide the requisite capital to procure, erect, and operate and maintain the solar electricity system on the roofs of the government buildings and provide the electricity to the government, with the excess, as I say, being sold to the Barbados Light and Power using this solar power purchase agreement. It is considered that this modality will be the prudent course of action since it is recognised that government's own resources would be inadequate to erect the systems on a scale envisaged to reduce the cost of electricity and broaden, of course, the base of the generation of electricity from different sources.

It has been estimated that one million square feet of roof space would be available to accommodate a maximum of 10 megawatts of solar photovoltaic installations, which at approximately Barbados $10 a watt would be equivalent to $100 million in investment. This would result in a maximum of 16 400 000 kilowatts per year with a value of Barbados $11 400 000. This is a major programme that we are undertaking. And we anticipate that in the short term, more than 50 per cent of government's energy use, in terms of cost, can be and will be reduced.

Finally, Mr. Speaker, sir, on the growth side, the push for our growth in this national growth initiative of the government. We intend to make the following strategic capital works interventions over the next 18 months. One, in November of 2013 - that is this year - government, working on a PPP basis with three of the largest road builders in Barbados, will launch a $125 million special roads and bridges package to be executed by these private firms over the planning period. The companies with whom the Ministry of Transport and Works have already had discussions will raise the financing to construct the roads and bill the government for the work completed on a mutually agreeable implementation schedule. This is expected to create at least 500 additional jobs between the firms. Remember, Mr. Speaker, sir, it is being done on a PPP basis. The money is going to be raised by the private entities. They will build the roads and they will bill the government. I call that the Clinton Clark Initiative.

Two, the National Housing Corporation, along with a private developer, is expected to begin work on the Exuma Housing Complex in October of 2013. This is expected to inject $33 million in investment in the housing market over the planning period with another 75 new jobs to be created.

Three, the Ministry of Education, working in concert with the Maria Holder Memorial Trust, is set to launch the construction of six new nursery schools over the next 18 months or slightly longer. The first of these should start construction in the last quarter of this year, with the others coming over the course of 2014. The estimated financial injection into the local economy is set at $10.8 million. Additionally, that ministry is expected to initiate the construction of one new secondary school in Christ Church at a place to be announced by the Ministry during the last quarter of 2014, we hope, at a cost of 24 million Barbados dollars. And that has already been given the blessing of the Ministry of Finance so that they can go ahead and conclude the negotiations for the financing.

Four, the Honourable Prime Minister has consented to use the goodwill of his office to intervene in bringing a resolution to the ongoing dispute between the Barbados Workers' Union and the Barbados Water Authority on the critical mains lane projects so vital to the continued social and economic development of Barbados. Our anticipation is that with all things permissible, these projects should be able to get going before year-end, bringing with them over the course of their implementation at least $170 million Barbados dollars in investment and infrastructure work. They will generate hundreds of jobs across the country when they get going.

Six. Finally, just this past week I signed off on the financing plan for the Cruise Pier Project at the Bridgetown Port. With this out of the way, the developers can now forge ahead with the plans to initiate close to $160 million in construction work at that site. With $90 million of that expected in the first phase of the construction, we anticipate that work should commence in January 2014. At the same time, government through the BTI is working to lock in the appropriate low-cost financing for the construction of the Pear Head Marina project. We have experienced some challenges there, sir. But we expect that work on this should start in the first quarter of 2014, and we have instructed the BTI to go ahead with the

investment. This will bring an additional $100 million of investment spending in this phase of the construction.

We are going ahead with the projects, Mr. Speaker, sir. They say we wanted growth. We will get growth. Mr. Speaker, you would note that on the capital works side, I have only dealt with public sector projects, which we are absolutely certain are at a stage at which they can begin in the next 12 months. Collectively, these projects over their life of implementation could bring $1.8 billion of investment capital, very little, if any of which will come directly from central government coffers and therefore not have a direct impact on our deficit. And I repeat that will not have a direct impact on our deficit. It means that if we can work to get all of these projects started in the next year, we could create significant activity in the domestic economy. And along with the measures I have announced to assist the specific sectors, our targeted GDP percentage of a very modest 1 per cent growth in 2014 will be achieved and possibly surpassed.

What it will mean, sir, is that those ministries that have direct responsibility and oversight for the projects must be equipped with the human and technical resources to ensure the implementation is secured within the timeframes set by government. It is this particular weakness, sir, if nothing else, which is seen across several ministries which engage in major project implementation or oversight. In this regard, therefore, the cabinet has instructed that specific short-term project implementation units be established within these ministries with the dedicated function of managing these projects to completion. Cabinet has also agreed that a special major project coordination team be established to coordinate the implementation of the select major projects which I have identified. That team will be headed by an experienced project manager and comprise finance, human resource, legal and project implementation experience or expertise. This team will report directly to the Cabinet Committee on Infrastructure. Additionally, the Prime Minister has instructed that monthly project review implementation meetings be held under his chairmanship at which the progress reports of all major projects in the Public Sector Investment Programme will be laid and discussed. Of course, Mr. Speaker, Sir, this is to deal with any bottlenecks which might occur.

Mr. Speaker, you have noticed by now that I have led a strong narrative in this presentation on the need for growth and the specific interventions which we believe will assist in driving the process. This is because we believe that the fiscal adjustments which I will now outline to streamline and consolidate the public finances are not to be viewed in isolation of the growth measures that I have just announced. Far from it. We firmly believe and are of the view as expressed in the medium-term growth and development strategy, that for there to be any sustainable growth in the Barbados economy, fiscal prudence must be the overarching macro-fundamental that drives eventual attainment of growth targets. The reality, sir, is that ill-disciplined fiscal stance and in-disciplined fiscal by government, however well intentioned, of course we are told that the way to hell is paved with good intentions, will act as a constraint to both public and private sector investment and hinder our efforts to get early growth. This is even more the case when we conclude from all the evidence that a robust and sustainable recovery of the global economy, including our trading partners, is not guaranteed and so any positive side effects from that will be limited.

So that the measures I am about to announce have established certain goals which we believe are critical not only to a restoration of the public finances but importantly as well a restoration of public confidence in the economy of Barbados and its prospects going forward.

## FISCAL ADJUSTMENT MEASURES 2013–2014 TO 2014–2015

### THE BACKGROUND

At the end of the period April 2012 to March 2013, as noted earlier, Mr. Speaker, the fiscal deficit as a percentage of GDP in terms of the ratio stood as an estimated 7.9 per cent in contrast to the 4.4 per cent for the same period 2011–2012. This was on account of an 8.7 per cent decline in tax revenue due merely to a fall in goods and services receipts by 6.9 per cent, taxes on income and profits by 11 per cent, and taxes on incomes and profits by 11 per cent. Gross public sector debt at the end of 2012 stood at 98.2 per cent of GDP and when netted out, it stood at 56 per cent.

With a growing fiscal deficit which must be adjusted for stability purposes, the aim of the proposed measures is to cut the deficit using a selected set of policies over a reasonable time frame. In the estimates of expenditure and revenue for the financial year 2013–2014 approved by this Parliament, we were forecasting a deficit of 5.6 per cent of GDP based on the preliminary returns for the first three months of the financial year and taken together with the potential financial requirement for the rest of the year, based on history, we have estimated that the landing place for our fiscal deficit at the end of 2013–14 would be in excess of 8 per cent of GDP. This could even be higher if revenues perform even more poorly and definitely would be if no intervention is made now on the expenditure side. This would not be wise, nor would it be sustainable.

So the purpose for the adjustment, as reported, Mr. Speaker, Sir, in the Growth and Development Strategy 2013–2020 is a broad objective is to reduce the fiscal deficit to below 2 per cent by 2020–21. However, given the

need for an early front-loading recorded adjustment, it is the aim of the government over a 19-month period to cut the deficit to a target that falls below 3 per cent of GDP by 2014–15. That is the end of the financial year. And thereafter to continue to keep the deficit on a sustainable path. The actions to do this will be carried out from both expenditure and revenue sides.

While the fiscal adjustment program will be done over a 19-month period, most of the measures taken will continue to have some effect over the medium term 2013 to 2020. It should be noted that some actions will be temporary while others will extend beyond the 19-month time frame. The main intention is to rein in the deficit and gradually move it downwards towards more acceptable levels.

On the revenue side, the main goal is to institute revenue measures aimed at stabilising or declining revenues, but done in a way that shares the burden among all members of the society so as to lessen its impact. Again, some of these impositions will be temporary, lasting only for the adjustment period of 19 months, while others will carry over until further notice or such time as fiscal balance is achieved. These measures are expected to earn a total of $150 million over the 19-month period.

On the expenditure side, the measures are aimed at reducing current expenditure by $285 million over the adjustment period and will target some of the expenditure areas most known to consume large amounts of government revenue such as personal emoluments, subsidies and transfers, grants to individuals and organisations, and specific areas of procurement and tax expenditures. Government has been careful to design these expenditure adjustments in such a manner as to limit the potential major job losses in the public service through instructing ministries and statutory entities to use retrenchment as a last resort while preferring to institute creative programmes for work hours, days or week reductions among staff. The Ministry of the Civil Service and the Ministry of Finance will assume general oversight of the implementation of this aspect of the measures so as to ensure that the targets are achieved while adhering to the preferred approach outlined by the government and ensure that is maintained.

Additionally, we have also determined that in order for these expenditure targets to be achieved and maintained, the following must be strictly adhered to and as such a zero tolerance approach will be adopted. One: effective immediately, there will be a total freeze on all new hires in the central public service and across all statutory entities. Deviation from this policy will only be contingent in cases of extreme criticalness and will have to be approved by the Prime Minister and the Minister of Civil Service before the execution of such hirings. The above policy will also extend to the hiring of substitutes, temporary and/or casual workers as replacements for the appointed staff proceeding on leave. Departments and boards who breach this policy will not receive any resources to cover the salaries of these persons if they cannot be accounted for in the system as approved by the Honourable Prime Minister and the Ministry of the Civil Service.

Four: there will be an immediate freeze of all non-critical established posts which have not been filled in the last six months and are unlikely to be filled in the near term. There will be a strict policy limiting supplementaries to within the budgeted expenditure targets. Ministries and departments have been advised that the Ministry of Finance will not accept any requests for supplementaries where commensurate savings from the overall budget cannot be found, or except in cases of serious national emergency. Special exemptions will be made on account of such areas of critical public health, national security, child and elderly care for the most vulnerable.

Overall, the proposed revenue and expenditure policy measures will result in total savings estimated at $435.9 million over the 19-month adjustment period. The expected impact of the fiscal policies based on the policy options - it is expected that by the end of the 19-month time frame, the deficit will be reduced to 2.8 per cent of GDP, using an estimated GDP at market prices value of $8 542.7 million or $8.5 billion, which equates, Mr. Speaker, Sir, to an overall deficit reduction of $416.7 million. It is observed that for the first seven months of the programme, which represent the period September 2013 to March 2014, the size of the deficit reduction will be $213.8 million or an estimated 5.4 per cent of GDP. That is the deficit. In line with the target set for this year's estimates of revenue and expenditure. When the measures are allowed to run for the full 12 months of the next financial year, it is estimated that the reduction will be $217.8 million.

The relevance of this 19-month period is that a cut of this magnitude would be best done over an extended period of time rather than at the end of 2013–2014. So we have done the cut, sir, but we have expanded it over the 19 months to give the economy and give Barbadians a chance to assimilate the adjustments.

The above results for 2014–15, sir, are built on a growth target of 1 per cent, very conservative. However, there is some possibility that growth could be higher if we get all of these projects going as we intend to, and if the private sector and government are able to work to get projects and programmes on the way. On the part of the private sector, this would mean restarting stalled construction projects and getting proper facilitation from government. On the part of the government, it will mean fast-tracking its public sector investment programme with

the intention of smoothing out all of the existing kinks. If all of this can be done in an efficient manner with the bringing together of a higher level of financial and other resources, then 1 per cent growth would be much higher. Any realisation of stronger growth will positively impact revenue, mainly tax revenues, which will further reduce the size of the deficit, assuming expenditures can be controlled in the fashion that I have identified. It is entirely possible, therefore, Mr. Speaker, that if growth of 1.5 per cent or 2 per cent for 2014 and 2015 respectively could be achieved, then the deficit could fall to 2.5 per cent or 2.4 per cent respectively. We are however, sir, as I have said, erring on the side of caution and settling for a more conservative estimate of 1 per cent for the growth and a deficit of 2.8 per cent.

IMPLEMENTATION

Regarding the implementation, together with existing critical units in the Ministry of Finance and Economic Affairs such as the Budget Unit, the Debt Unit, the Management Accounting Unit and the Revenue Division, and following consultations with the Prime Minister, I have instructed that a special fiscal implementation adjustment team and monitoring team be established to oversee the execution of this programme. That team will be composed of senior level technocrats from the Division of Economic Affairs and the Ministry of Finance and the Central Bank, and will be required to produce monthly reports on the progress of the implementation and results to the Cabinet Committee on Economic Policy and then, latterly, to the Cabinet of Barbados. Quarterly updates will be given to this Parliament and ultimately to the public of Barbados by way of the regular Economic Review of the Central Bank on the state of the economy.

With these pointers in mind, the revenue and expenditure measures, Mr. Speaker, Sir, are as follows; and for ease of reference for members of the House, they can be viewed in the appendices.

One. Mr. Speaker, Sir, as is known and I have said before in this Honourable House and outside of it, we currently waive by way of concessions or otherwise, statutory and discretionary waivers to the tune of close to $700 million a year, $400 million of which are in discretionary waivers given at the discretion of the Minister of Finance. We are proposing immediately to put some discipline on those waivers. Our hope is that discretionary waivers on import duties and excise tax - not on the VAT - will be implemented on a range from 0 to 100 per cent. Those projects which bring foreign exchange, create jobs and do other positive things in the economy to assist with economic growth will get 100 per cent treatment. All others will be subject to a cut anywhere from between 0 per cent to 100 per cent, depending on the type of project and its importance to the economy. We expect that that could raise or save us, I should say, a minimum of $25 million Barbados dollars. It could possibly be higher, Mr. Speaker, Sir, but we are using the more conservative figure.

Two. Last year, Mr. Speaker, Sir, I spoke extensively about the solid waste management issue in Barbados, particularly the average $30 million that Barbados has to spend to treat garbage before it goes to the landfill. I do not propose this evening, Mr. Speaker, Sir, to go over all of those facts because we had indicated that it was our intention to implement a Greening Levy on insurable income. That, Mr. Speaker, Sir, ran into technical difficulties apart from the fact that it was pointed out to us that it might be slightly unfair to put that burden only on workers. To that extent, Mr. Speaker, Sir, we are going to withdraw the proposal for the Greening Levy and impose a 0.7 per cent municipal solid waste tax on the site value of all land properties in Barbados. This should bring in a total of $49.3 million over the adjustment period.

Zero dollars, of course, for this year because land tax bills have already been issued. But for the following year, that will be on top of the existing land tax. Three, there will be a temporary fiscal consolidation tax or consolidation tax as we call it on gross incomes of persons earning $50 000 and above to be applied as follows: $50 000 to $75 000 at a rate of 0.5 per cent. $75 000 and $1 to $100 000 at 1 per cent. $100 000 to $200 000 at 2.5 per cent. And over $200 000 at 3.5 per cent. It means therefore, Mr. Speaker Sir, this will bring in an additional $42.1 million to assist with the stabilization of government's revenue. Mr. Speaker, sir, in the first seven months or the first period of the adjustment, it will raise $15.5 million, and in the second phase or the full 12-month period of the financial year, it will raise $26.6 million. I give the assurance to the Barbadian public today that tax will be a temporary tax and will be eliminated on March 31, 2015. I repeat that, Mr. Speaker, sir. It is a temporary tax to assist with the fiscal consolidation effort and will be eliminated on March 31, 2015.

Fourthly, there will be a 25 per cent increase in the excise on tobacco products. It is estimated that this will bring in a total of $9.9 million over the period of the 19 months for September to March, September 2013 to March 2015. In the first seven months to the end of the current fiscal year, $3.6 million. And in the full 12 months, April to March 2015, $6.2 million Barbados dollars.

There will be fifthly, Mr. Speaker, a 15 per cent tax on lottery winnings, $100 000 and over, and using the base of the average annual payout of $33 million, we expect that this on an annual basis will bring in $7.9 million over the 19 months. $2.9 million from September to March 2015, $5 million for the 12-month period April to March 2015.

As I indicated, Mr. Speaker, there will be a reduction in the VAT rate on tourism accommodations and of course direct services to 7.5 per cent. That will cost the treasury $10.3 million, $3.8 million in seven months and $6.5 million over the extended period that will end March 2015.

Seventh. The excise rebate on new cars will be rolled back to 15 per cent. That will bring the government $13.9 million in revenue over the extended 19-month period. $3.7 million for the first seven months, leading to the end of this current fiscal year, March 2014. $10.2 million for the 12-month period from April to March 2015.

We are also proposing, Mr. Speaker, sir, a temporary tax on the domestic assets of commercial banks applied at a rate of 0.20 per cent. This, Mr. Speaker, sir, is not new. Up to 2007, there was a tax on bank assets. It was eliminated by the last administration, I believe, in relation to work with the banks with the deposit insurance scheme. But for the temporary period of the 18 to 19 months, Mr. Speaker, sir, and in an effort to share the burden around so everybody contributes to this fiscal consolidation programme, we have decided that we will put that temporary tax - which will be eliminated as well on March 31, 2015 - and that is expected to bring $38 million to the government. $14 million in the seven months September to March 2014, $24 million for the 12-month period April to March 2015. I must say, Mr. Speaker, sir, that it is our intention to segment a significant portion of those resources to assist with the efforts of the BTA in marketing Barbados overseas to improve our arrival figures.

Proposed expenditure measures. Mr. Speaker, sir, as we said, expenditure is a major problem in government and we have to make adjustments. We are therefore proposing the following: one, a $30 million reduction in the $121 780 000 provided in the 2013 estimates of revenue and expenditure for temporary posts and employees in the public service. The $30 million will be taken from this year's estimates and be reflected in estimates going forward for the succeeding years. In the first seven months of the period, it is expected to yield $17 million in savings and over the extended period $18.3 million in savings. As I said, Mr. Speaker, sir, the preference of the government is that retrenchment is an absolute last resort. Therefore, we will be working with the ministries - that is, Finance and Civil Service - with all line ministries to ensure that hours and work times of the temporary employees will be adjusted accordingly so that they can continue working and earning and supporting their families, albeit at a lower payment rate.

Two, we will be reducing transfers and subsidies directly for the following organisations: the Transport Board by $15 million; NCC by $6 million; the University of the West Indies by $42 million; BQEH by $35 million; BAMC by $12 million; and the SSA, of course, Mr. Speaker, sir, will have a $30 million adjustment, but that will come directly from the payment of the municipal tax. It is expected that over the adjustment period that will result in a $140 million adjustment to the subsidies and transfers of these entities. $38 million in the first seven months, $101.9 million in the full period. And these reductions to be made will be in line with expected expenditure cuts over 2012 allocations and the measures raised by revenues by the various agencies to assist in that particular regard.

For the remaining statutory entities, Mr. Speaker, sir, a 12 per cent cut in transfers - and this will be on a base of $749 million, $475.8 million - and will yield $60 million in savings, $23.3 million for the first seven months, $36.7 million for the extended 12-month period. And that will be put at an estimate of 0.7 per cent of GDP. There will be a 5 per cent cut in goods and services, yielding $20 million, $7 million in the first seven months, $12.2 million over the extended period, and this, of course, Mr. Speaker, sir, will be targeting specifically the energy savings once the project gets going and, of course, other procurements like overseas travel and so forth and so on. And finally, in this regard, there will be a reduction of $20 million in the allocated amount.

in the current estimates of $29 $7 million in 2013-2014 estimates for acting allowances and substitutes. This will be done $7 800 000 from September to March, $12 million for the full year March 2013-2014, April 2014 to March 2015. Again, the Ministry of the Civil Service, Personnel Administration Division, and the Ministry of Finance will work to determine those posts that will be affected. Finally, in terms of the expenditure measures, what we call the tax expenditure on this occasion, Mr. Speaker, sir, there will be a reduction. I believe the document says removal but there will be a reduction. Please make that correction, Mr. Clark. A reduction of the reverse tax credit by $15 million. Currently, we pay $30 million on average every year. Our proposal is to cut that allocation in half to $15 million, therefore persons applying will get $650 a year as opposed to the $1 300 they get at the end of the year. Mr. Speaker, sir. These, when totalled, would give us total revenue saving expenditure savings of $285 million Barbados dollars. $285 million Barbados dollars.

Mr. Speaker, sir. With these robust fiscal measures in place, we are confident that the slide in the international reserves will slow considerably and gains will be likely made towards the end of the year, even as they pick up momentum in 2014 behind a stronger performance in the foreign exchange earning sectors. However, to be on the safe side, the government is intended to go to the international capital markets in the coming weeks, conditions permitting, of course, to do a bond issuance for further balance of payments support and to support our

overall growth initiatives. Additionally, it is our hope to conclude the negotiations with the Inter-American Development Bank for a fiscal policy-based loan of $100 million, as I noted earlier before year-end, while triggering the third energy PBL that was already agreed of U.S. $35 million following the long-awaited lane of the electric light and power bill in October of this year. Together, these three injections should boost the reserves by at least $700 million.

FINANCING OF UNIVERSITY EDUCATION

The Government of Barbados recognises that access to education at all levels has been a key factor in the success of Barbados as a society and as an economy. The DLP government and the party itself remains committed to and fully supportive of the continued growth and development of the UWI Cave Hill campus in particular and increased access to tertiary education for Barbadians. In about 2003-2004, the Cave Hill campus began a major expansion programme in terms of numbers of students and amenities offered. In 1999, for example, there were around 3 568 undergraduate students at Cave Hill, and by 2007 that number had increased to around 6 718 and currently stands at around 7 200. The expansion has meant major increases in the Government of Barbados' contribution to the UWI. For example, in 2007, the financial contribution by the Government of Barbados to the UWI Cave Hill was $79.3 million Barbados dollars, a $28.3 million excess over the $51 million required in 1999.

However, between 2007 and 2008, the annual contribution required by the Government of Barbados increased from $79.3 million to $120.5 million. To put things in context, for the entire period of 1999 to 2007 combined, the total contribution required from the Government of Barbados to the Cave Hill campus was $543.2 million Barbados dollars compared to $636.3 million dollars contribution required for the 2008 to 2012 period. The reality is that the amount required in the last five years was $93 million greater than for the previous nine years combined.

The stark reality, Mr. Speaker, is that since 2006 or so, the total contribution of the Government of Barbados to UWI has exceeded the combined contribution that the Government has given to all nursery schools, primary schools, secondary schools, Barbados Community College and the Samuel Jackman Prescod Polytechnic. I repeat that, Mr. Speaker, sir. The contribution of the government to UWI has exceeded the combined contribution to all of the nursery schools, primary schools, secondary schools, Barbados Community College and the Samuel Jackman Prescod Polytechnic combined since 2006.

While remaining committed to the provision of continued access to university education, the government simply cannot continue to preside over a situation where the growth and development of the non-university component of the educational system is being severely retarded. The country needs to be able to build capacity at all levels of the educational system. As a consequence, the government has decided that in an effort to assist in meeting the exploding cost of university education, it has now become necessary to ask students attending and desirous of attending the University of the West Indies to contribute to their education in a more direct manner. Therefore, effective 2014, Barbadian citizens - this is August 2014, academic year - Barbadian citizens pursuing studies at the campuses of the University of the West Indies will be required to pay tuition fees for the academic year 2014-15, while the government will continue to fund entirely the economic costs of their presence at the campus.

According to the most recent scale of fees, tuition fees for students in the faculties of Humanities and Education, Social Sciences and Science and Technology are $5 625 for a full-time student, half for a part-time student, with economic costs at $28 125. For the Faculty of Law, tuition fees are $8 808 with economic costs at $44 040. While for the Faculty of Medicine, clinical tuition fees are $16 680 with an economic cost of $83 090, and for Medical Sciences preclinical tuition fees are $65 000. The Government of Barbados will continue to pay all of the economic costs, but the students will have to contribute to the tuition costs. This policy will reduce the transfer to the University by an estimated $42 million, as noted in the measures identified above. And the Ministry of Education will provide further details on a means testing mechanism to ensure that no deserving person is denied access to university education because of the lack of means of their parents or of themselves.

The ministry will also outline adjustments to the student revolving loan fund scheme to ensure that adequate access to loans with attractive repayment terms are available, while the Ministry of Finance and Economic Affairs will, in the coming weeks, work with local finance houses to establish a national registered education savings plan with appropriate tax allowance provisions for savers. We also expect that our commercial banks and credit unions and other lending institutions will come forward with attractive packages which we will facilitate on a tax basis where and when necessary.

Mr. Speaker, sir, we appreciate that this is a major shift in policy, not just for this administration but for the country as a whole. And it will meet with its fair share of criticism. We expect that. We expect that it will take - we expect and will take on board all constructive suggestions as to how we can deal with this very challenging issue. However, my hope is that the discourse that will no doubt ensue will also take cognisance of the reality that the government simply cannot continue to contract such huge

amounts of expenditure for which it knowingly has no sustainable means of meeting. Since these expenditures missed today become huge debts tomorrow, which we are on a daily basis reminded by the management of the University are owed to them, it is simply not a responsible thing to do.

I want to pause, Mr. Speaker, sir, for a few moments to make this point. This government remains committed to the University of the West Indies and to the Cave Hill campus. Our commitment is unshakable in that respect. We recognise and accept that the government owes the university in excess of $180 million. And that will likely rise to $200 million by the end of the current term. We have entered into negotiations on an agreed terms sheet, working with both the University and the Bank of Nova Scotia for $150 million of those debts to be liquidated through the issuance of a bond on the international markets, securitised by the Government of Barbados.

As I indicated, it is our intention to go to market very shortly in the coming weeks. The Bank of Nova Scotia indicated to the Ministry of Finance that it was its intention to also go into the market at the same time that the government was intended to go. The advice, Mr. Speaker, sir, that I received from the lawyers who have been working on Barbados' international issuance for many, many years - both for this administration and the last administration - was that it was not possible legally to put the two issuances in the market at the same time. That is the advice I got from the lawyers. It is the advice I got from the banks who are arranging our issuance. I therefore instructed that the university be advised and the Bank of Nova Scotia be advised that in the national interest, since we require those resources to help with balance of payments support and to our international reserves, that their issuance be put on hold for at least a month so that we can go to market clear and that they can then follow. My Permanent Secretary also indicated in a meeting with both the Vice Chancellor and the Principal of the university what the situation was and asked for their cooperation.

The advice also came to me on file, Mr. Speaker, sir, from the officials of the Ministry of Finance that once the issuance for Barbados had been taken up - and we have no reason to believe it would not be - that in lieu of the delay of the university's bond issuance, that we would advance to them $50 million out of what Barbados took from the market with the expectation that when the university's issuance goes in, they will bring back and restore our account by the same amount. That remains the position. The Government of Barbados, therefore, and certainly the Ministry of Finance, does not intend to get into any insidious and disrespectful imbroglio with the management of the University on this matter.

Barbados comes first. Barbados comes first. When any of us who have travelled are in an aeroplane, the advice from the hostesses and the pilots and from the little card in the pocket at the back of the seat is that if the airline loses altitude and oxygen is low, when the mask drops out, you put your mask on first and then assist the child who is next to you. The government of Barbados in this respect is putting its mask on first, stabilising the interests of this country, and then we will deal with the University of the West Indies. As I said, Mr. Speaker, sir, we are totally committed to honouring the debt. It is a debt and we will honour it.

I also want to make the point, Mr. Speaker, sir, in relation to this. Many years ago, what we gave to the university used to be considered as a transfer. That is how they used to call it. It used to be lodged under - I believe up to only recently it was lodged on the transfers and subsidies. People still categorise it like that in the ministry, even though we are told that it is not that. We are told, Mr. Speaker, sir, that the university provides a service to the Government of Barbados and it bills the Government of Barbados for the service. Fair enough. I am persuaded and I accept that argument. But I want to make the point clear, Mr. Speaker, sir, if the Government of Barbados is buying a service like any other person who is buying a service, we have to have a determination as to what quality of service we are buying because it is the taxpayer's money that is paying for it. And that has to be understood as the nature of the reality. We have to be able to determine how much of the service we want and whether it is up to the quality that we expect. Those are the two things that I think we have and we will accept in relation to our responsibilities with the Cave Hill campus and with the University of the West Indies.

## PUBLIC SECTOR RESTRUCTURING

Mr. Speaker, sir, in the immediate post-independence era of governance, the public sector management of Barbados - successive governments have turned to the establishment of statutory corporations to deliver a variety of goods and services to Barbados and to Barbadians. For the most part, these agencies have done so to varying degrees of success and with the support from the central government have been able to diversify their interventions to a very demanding public. However, it has also been observed that making public sectors work better is a persistent and difficult challenge, which is absolutely essential if countries such as ours are going to fulfil their central objectives of sustained growth and poverty alleviation. Governments all over the world have increasingly become aware that they must align their priorities and use the scarce resources they have more efficiently.

In this regard, structural reorganisation is an important starting point in the search for a more flexible, accountable, and transparent public sector. It can also safely be argued that in Barbados successive governments have created a maze of organisations and entities all having relatively important mandates but each carrying with it a complete structure of operational mechanisms that in some instances, Mr. Speaker, sir, proves very difficult to manage and in others still overlaps or duplicates the established functions of other agencies. In the decade prior to 2008, in particular, the country saw an explosion of these entities, most if not all of which relied heavily on the state for sustainable financial support to support an ever-expanding civil establishment and an array of social services provisions.

In recent times, as government resources have become scarce and the quality of the service from the entities less dependable, many Barbadians have called for a serious re-examination of the viability and practicality of having so many of these organisations in existence. Outward pressure in this regard has escalated in the aftermath of the current recession, even as concerns continue to be raised about the persistently high levels of government transfers and subsidies to these organisations.

Mindful of these realities and of the need to build organisational synergies across the vast network of organisations government currently owns, the Ministry of Finance pulled together a team of senior officials in the Ministry to conduct a preliminary assessment of a list of statutory entities currently funded by government and to make recommendations for their reorganisation. Mr. Speaker, I am in a position to report that in late June this year, that team returned with a preliminary report and analysis and proposals for the reorganisation of 18 such entities currently in operation. The entities were grouped according to similarity of mandate, overlapping functions, and sameness of services provided. It was revealed that collectively between them this group of entities - which covered such areas as public housing, sports, facilities management, investment, youth and cultural affairs and sports - expended close to $130 million and provided just over 1 600 jobs between them. The committee has recommended that there be a concerted programme to create operational synergies between these organisations so as to build efficiencies and save government significant sums in the transfers and subsidies.

This is to be achieved through the merging of some and the elimination of other organisations. Following the review of the research and recommendations of the team, Cabinet has noted the paper and asked for additional work to be done to fully build out a sustainable government reorganisation project through the statutory corporations identified. Cabinet has also instructed the Ministry of Finance to put in place a special unit to examine the proposals in full, including the implications for service delivery, staff rationalisation, and financial allocations from the state to manage these organisations. The unit will comprise management, finance, human resource and legal expertise and has been mandated to return to the Cabinet this year with a final set of proposals on which organisations should be retained and which be cut in pursuance of the objective of making government more lean and efficient and reduce the level of subsidies and transfers on the expenditure budget.

It is our anticipation that the implementation work on these proposals will begin in 2014, following full consultations with all stakeholders, including staff and their representatives, and of course members of the general public. More details of this will follow in the coming weeks and months ahead as government unveils its Medium-Term Programme for Governmental Restructuring and Sustainable Reduction.

Mr. Speaker, there comes a time in the life of any nation when all who inhabit it must pause and reflect on those things that sustain their existence and the place which they call home. For us in Barbados, it is our deep love of God and family and a commitment to uphold those fundamental moral values of honesty, hard work and compassion for the less fortunate among ourselves. For Barbadians, this is not a station or a fleeting experience of conscience. It is a way of life. I humbly submit, sir, that it is at times like these that those core principles of this way of life come to the fore to sustain us both individually and collectively as a community.

Challenging and tough times are not new to us. We have passed this road already, and through dint of hard work and a never-say-die attitude, it brought us through and elevated the country to heights hitherto unimaginable. Whether it is in the early 1980s under a Tom Adams-led BLP, or in the early 1990s under an Erskine Sandiford-led BLP, we fell but we did not stay down and lament our misfortune. We got up, sir, and painful as the fall might have been, we did what we had to do to save our country and demonstrate to the rest of the world that we are leaders, not followers; fighters, not quitters; optimists, not pessimists.

The times in which we live today are far more challenging than in those days. The cost of our existence that much higher and the chance of failure that much greater. But Mr. Speaker, sir, you know the opportunities are more bountiful and it is this that matters more than the negatives which we will hear. We truly are and will be what we think we are. If we wallow in defeatism, we have already lost. If we speak failure each time our mouths open, we will never succeed. And surely if we refuse to act in the best way we know how to save ourselves, then die we will.

And therefore I say, Mr. Speaker, to you, to members and to fellow Barbadians: our glass is not half empty, it is half full. We have each over the years sipped of the wine of our labour and have tasted success therefrom. It is time now to refill the glass, to work harder, smarter and more diligently, to put Barbados first. The programme that I have just outlined and the accompanying measures are designed to reposition our country to resume its march towards advanced status in the very near future. It is crafted to protect the things we hold dear and to create new platforms for future success. It will not be easy, sir. It will not be easy, nor will it be painless. I cannot promise that it will be, but it will be worth every effort in the end. For the pain we bear today will be the gain we secure in the future.

Let us therefore, Mr. Speaker, sir, rally around our country, rebuke those that only see the negative and only speak of gloom. Let us replace intellectual arrogance and know-all attitudes with a spirit of openness to new ideas and pathways. Let us choose togetherness over division, work harder over lethargy, success over failure. Most of all, sir, let us join hands. Let us truly join hands and put our country first, leaning not on our own understanding, but on the wisdom of Almighty God. For it is said that unto us that pain may endure in the night, but joy will come in the morning. And this too shall pass. This too, Mr. Speaker, shall pass.

Fellow Barbadians, may God bless you and may God continue to richly bless this beautiful country of Barbados. I am obliged.

Hon. C. P. SINCKLER: Mr. Speaker, sir, the resolution: whereas the financial statement and budgetary proposals 2013 delivered by the Minister of Finance and Economic Affairs is made against the background of the continuation of unfavourable external economic environment, which is precipitating severe fiscal and economic challenges for Barbados that have resulted in little or no improvements being recorded in the economy over the last financial year and into 2013; and whereas Barbados has to adjust its economy to face the challenges being experienced across all sectors; and whereas the Government proposes to institute measures and policies to protect the foreign reserves, to reduce the fiscal deficit, and to promote sustained economic growth while maintaining the social fabric; be it resolved that this House notes the financial statement and budgetary proposals 2013 presented by the Minister of Finance and Economic Affairs; and be it further resolved that the House approves the measures and the policies outlined in the financial statement and budgetary proposals 2013. I am obliged.

Hon. J. D. E. BOYCE: Mr. Speaker, I beg to second the resolution. I reserve.

## SUSPENSION

Hon. J. D. E. BOYCE: Mr. Speaker, sir, I beg to move that the sitting of the House be suspended until four o'clock tomorrow, August the 14th.

Mr. SPEAKER: Honourable Members, just before we put the question of the suspension, remember, it is a suspension. So we are expected to start promptly at 4.00 p.m. There is no grace period. At 4.00 p.m. we start promptly with the response by the spokesman for the Opposition.

*The question that the House be suspended until 4.00 p.m. on Wednesday, August 14, 2013 was put and resolved in the affirmative without division and Mr. SPEAKER suspended the House accordingly.*

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**BOYCE, Hon. J. D. E. (Christ Church South)**
**LASHLEY, Hon. S. A. (Christ Church West Central)**
**SEALY, Hon. R. L. (St. Michael South Central)**
**SINCKLER, Hon. C. P. (St. Michael North West)**

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## EDITORIAL NOTES — NOT PART OF THE REPORT

*Prepared with the transcript; for checking against the recording and the Minutes.*

### EDITORIAL QUERIES

*Points noted while correcting and preparing this report. Members are named as in the 2013–2018 Parliament.*

**Q1.** *Front matter.* The source does not record the PRESENT list or the officiant at Prayers. The time of meeting, 10.00 a.m., is as stated in the source, but Mr. SPEAKER opens with 'Good afternoon' and the Minister of Finance refers to the paper laid 'earlier this evening'. Please confirm the time of meeting and supply the PRESENT list from the Votes and Proceedings.

**Q2.** *Throughout.* The bracketed time-checks in the source run from '[ 12.30 a.m. ]' to '[ 3.00 a.m. ]' during an afternoon and evening Sitting and are out of sequence; they have been omitted.

**Q3.** *Papers.* Mr. SPEAKER's calls of the Members laying papers are not recorded in the source, and Hon. S. A. Lashley's words are recorded only as 'National Sports Council annual report, April 1st, 2010 to March 31st, 2011'. Hon. J. D. E. Boyce's laying of the Medium-Term Growth and Development Strategy of Barbados 2013–2020 is printed as recorded. Please check the wording against the recording.

**Q4.** *Suspension of Standing Orders.* The source reads 'Standing Orders 6, 18, 20, 42, 43 and 44'; the recording gives '616. 18, 20, 42, 5, 43 and 44'. Printed as 'Standing Orders Nos. 6, 16, 18, 20, 42(5), 43 and 44'; please confirm.

**Q5.** *Order No. 3, Hon. C. P. Sinckler.* The Resolution is headed 'SPEAKER UNCERTAIN – REVIEW' in the source. In the recording it forms the close of the Minister of Finance's presentation, and the Order stands in his name, so it is printed under Hon. C. P. SINCKLER.

**Q6.** *Order No. 3, Hon. C. P. Sinckler.* The fifth of the Minister's highlights of recent economic performance is recorded only as 'Five. [Inaudible.] is the average.' Please check against the recording.

**Q7.** *Order No. 3, Hon. C. P. Sinckler.* The source reads 'Miree Holder Memorial Trust'; printed as the Maria Holder Memorial Trust. The 'Exuma Housing Complex' is printed as recorded; please confirm the name of the project.

**Q8.** *Suspension.* The motion to suspend is headed 'SPEAKER UNCERTAIN – REVIEW' in the source; the recording places it with Hon. J. D. E. Boyce, Leader of the House, who had just seconded the Resolution, and it is printed under his name. The source's closing line '[ THE SITTING WAS SUSPENDED AT 4.00 P.M. ]' gives the hour to which the House was suspended, not the time of suspension, and has been omitted; the time of suspension is not recorded. The debate on the Resolution was to resume at 4.00 p.m. on Wednesday, August 14, 2013.

### DEBATE SUMMARY

*(Editorial summary — not part of the record.)*

The House of Assembly met on Tuesday, August 13, 2013, with Mr. SPEAKER presiding, and the Minutes of July 23, 2013 were confirmed. Hon. S. A. Lashley laid the National Sports Council Annual Report for April 1, 2010 to March 31, 2011, Hon. R. L. Sealy the Annual Reports of the Barbados Tourism Authority for 2008–2009 and 2009–2010, and Hon. J. D. E. Boyce, on behalf of the Minister of Finance, the Medium-Term Growth and Development Strategy of Barbados 2013–2020. Hon. J. D. E. Boyce moved the first readings of the National Insurance and Social Security Amendment (No. 2) Bill, 2013 and the Income Tax Amendment Bill, 2013. Standing Orders Nos. 6, 16, 18, 20, 42(5), 43 and 44 were suspended.

Under Order No. 3 the Minister of Finance and Economic Affairs, Hon. C. P. Sinckler, presented the Financial Statement and Budgetary Proposals for 2013, built around a revised growth and fiscal adjustment strategy. He traced the effect of the global crisis on the economy and reported that the deficit for April 2012 to March 2013 was $668.5 million, or an estimated 7.9 per cent of GDP against 4.4 per cent the year before. He warned that without intervention the deficit would end the year between 8 and 9 per cent of GDP and the net international reserves would close at around 12.5 weeks of import cover. He said the Cabinet had approved the Growth and Development Strategy 2013–2020, whose objective was to reduce the fiscal deficit to below 2 per cent by 2020–21, and announced a 19-month programme of fiscal adjustment.

On growth, the Minister proposed an additional US$50 million over 18 months for tourism marketing, a VAT rate of 7.5 per cent on hotel accommodation and direct tourism services from October 1, 2013, a push to bring at least 1 000 rooms back into production, multi-year licences for international business companies from January 1, 2014, five-year special entry permits for foreigners with substantial property or investment, the restructuring of the sugar cane industry and support for the rum industry. He announced a $125 million roads and bridges package with private road builders, six new nursery schools with the

Maria Holder Memorial Trust, and the financing plan for the cruise pier at the Bridgetown Port.

The fiscal measures were to yield total savings estimated at $435.9 million and bring the deficit to 2.8 per cent of GDP by the end of the period. On revenue he proposed limits on discretionary waivers, a 0.7 per cent municipal solid waste tax on the site value of land in place of the Greening Levy, a temporary consolidation tax on gross incomes of $50 000 and above at rates from 0.5 to 3.5 per cent, a 25 per cent increase in the excise on tobacco, a 15 per cent tax on lottery winnings of $100 000 and over, a rollback of the excise rebate on new cars to 15 per cent, and a temporary tax of 0.20 per cent on the domestic assets of commercial banks, the temporary taxes to end on March 31, 2015. On expenditure, aimed at savings of $285 million, he proposed a $30 million cut for temporary posts, reductions in transfers to the Transport Board, the NCC, the University of the West Indies and other bodies, a 12 per cent cut in transfers to other statutory entities and the halving of the reverse tax credit. Students at the University of the West Indies would contribute to tuition costs while the Government continued to pay the economic costs, and a unit in the Ministry of Finance would examine the merger or elimination of statutory corporations.

The Minister ended by moving the Resolution that the House note the Financial Statement and Budgetary Proposals 2013 and approve the measures and policies outlined in them. Hon. J. D. E. Boyce seconded the Resolution and reserved his remarks. On his motion the Sitting was suspended until 4.00 p.m. on Wednesday, August 14, 2013, when the debate was to begin with the reply of the Opposition.