
THE

House of Assembly Debates

(UNOFFICIAL REPORT)

FIRST SESSION 2013 – 2018

HOUSE OF ASSEMBLY

Monday, June 15, 2015

Pursuant to the adjournment, the House of Assembly met at 4.00 p.m. on Monday, June 15, 2015.

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, Q.C. (Speaker)

Rt. Hon. F. J. STUART, Q.C. (Prime Minister, Minister of National Security, the Public Service and Urban Development)

Hon. R. L. SEALY (Minister of Tourism and International Transport)

Hon. C. P. SINCKLER (Minister of Finance and Economic Affairs)

Hon. J. D. E. BOYCE (Minister of Health) (Leader of the House)

MINUTES

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

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

Mr. SPEAKER: I regret the absence of, and offer apologies for the absence of, Her Honour the Deputy Speaker, the Honourable Member for St. John. She is unfortunately down with a difficult case of the flu, but God willing expects to be with us from tomorrow afternoon. We also wish to acknowledge with regret the passing of the dear sister of the Honourable Member for St. Michael South, the Right Honourable Prime Minister. We extend

our condolences to you. I wish you God's blessings and guidance and support at this difficult time.

PAPERS

Mr. SPEAKER: Yes. The Honourable Leader of the House.

Hon. J. D. E. BOYCE: Mr. Speaker, sir, I am commanded to lay the Barbados National Insurance Board report on the audit of the accounts of the Unemployment Fund 2006 to 2009.

Mr. SPEAKER: Yes. Honourable Prime Minister.

Rt. Hon. F. J. STUART: Mr. Speaker, I am commanded to lay the Immigration Biometrics Regulations 2015. Commanded also to lay the Barbados Economic and Social Report 2014. The Duties, Taxes and Other Payments Exemption - 3s Barbados SRL Order 2015. The Duties, Taxes and Other Payments Exemption - Caribbean Evangelistic Fellowship Order 2015. The Duties, Taxes and Other Payments Exemption - Colony Club Barbados Limited Order 2015. The Duties, Taxes and Other Payments Exemption - Damon's International Limited Order 2015. And the Mortgage Insurance Order 2015. And the Financial Statement and Budgetary Proposals 2015.

Mr. SPEAKER: Yes. Honourable Member for St. Michael South Central.

Hon. R. L. SEALY: Mr. Speaker, I am commanded to deliver the Air Transport Licensing Authority Annual Report for the year 2011–2012.

ORDERS OF THE DAY

SUSPENSION OF STANDING ORDERS

Mr. SPEAKER: Yes. Honourable Member for Christ Church South.

Hon. J. D. E. BOYCE: Mr. Speaker, 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: Government Business is the order of the day. Order Number 16, sir. In the name of the Honourable Minister of Finance and Economic Affairs, to present the Financial Statement and Budgetary Proposals for the year 2015.

ORDER NO. 16 – FINANCIAL STATEMENT AND BUDGETARY PROPOSALS FOR THE YEAR 2015

Mr. SPEAKER: Yes. Honourable Minister.

Hon. C. P. SINCKLER: Mr. Speaker, in my capacity as Minister of Finance and Economic Affairs, I am both privileged and honoured to stand before you, this Honourable Chamber, and the people of Barbados to present the financial and economic statement and the accompanying budgetary proposals.

In doing so, sir, it would be remiss of me if I did not seize upon this opportunity to express, on behalf of the Right Honourable Prime Minister, the Honourable Member for St. Michael South, TSO colleagues, and all other members of this administration, our debt of gratitude to Almighty God for preserving our nation and its people through these challenging times. Truly, the Lord has been and continues to be our ever dependable and never failing guide in whose blessed continence we walk, and we surely have no doubts or fears.

Equally, sir, permit me to express our sincerest and humble appreciation to the people of Barbados for their steadfast and committed support for this administration during this crucial period of reflection, reform, restructuring and resuscitation of our economy and society. It has not been easy. Chances are it will continue to challenge us. But your support for Team Barbados has been exemplary and absolutely critical in allowing your government to steady the ship of state and navigate it to less turbulent waters.

On a personal note, I would like to also thank the wonderful people of St. Michael North West, not only for their continued solid support for me as their MP, but surely for their patience and understanding of the difficulties I would sometimes face in juggling the demands of the office I hold in government and my ultimate responsibilities to them as their representative. Last, but certainly by no means least, to my family - my wife Arlene

and the children and the extended circle - for their insistence in walking through this tough journey with me while maintaining a quiet, dignified and unflinching commitment to the cause to which I have dedicated myself. I am eternally grateful.

Mr. Speaker, just over 20 months ago, I stood before this Chamber and soberly presented to the people of Barbados the then obviously challenging condition of our economy. Barbados was truly at a crossroads. Our economy, still reeling from the devastating impact of the global economic decline - the worst in nearly 100 years - was facing a potential crisis in key macroeconomic variables which, if left unaddressed, would have undermined the very functions and foundations of this country. Our foreign reserves were declining at uncomfortable rates. Our public finances had deteriorated to worrying levels of instability as both fiscal deficits and public debt overall rose to unsustainable heights, while economic growth had stalled and declines in GDP were inevitable.

I indicated to the House and the country, as I had done in previous national consultations with the social partners, that if we did not take strong and decisive actions then, those conditions plus others would have coalesced to produce an environment of instability that would have threatened the economic and social viability of Barbados. Ours was a solemn duty to provide steadfast leadership as a government to ensure that we halted the deterioration, repaired the damage and prepared a platform for the return of financial stability and economic growth.

Today I am able to say to you, to this Chamber and to the whole of Barbados, that the homegrown economic stabilisation and recovery plan which we devised right here in Barbados - the Barbados Programme - is working. As a result of our 19-month programme, the Barbados dollar is safe. The fiscal deficit has been cut by nearly half and is well on its way to more sustainable levels. And a tourism-led recovery in the Barbados economy is on the way. However, the job is not yet done. We have to get our deficit down to more sustainable levels and we must capitalise on the foundation laid for economic growth.

Mr. Speaker, numerous persons inside and outside of this Honourable Chamber believed, propagated and some even prayed, I believe, that this administration would have failed. They believed and openly stated that we would have had to devalue the dollar, that the government would have defaulted on its foreign and domestic debt, that Barbados would have had to go to the International Monetary Fund cap in hand, and that all manner of economic and social calamity would have befallen this fair land of ours. They pronounced this administration as inept, lazy, say-nothing and do-little, incapable of managing Barbados. Our failure, sir, in their view, was certain. And the Opposition, I am

reliably advised, was already discussing which ministries would go to whom within their ranks when the predicted end of this administration - first end 2013, then end 2014 - would come to a certain pass.

However, sir, those of us who are students of domestic politics and who perhaps have had the privilege of being given the opportunity to serve at the highest levels of government are more than familiar with the kind of naked pessimism that makes for political discourse in small societies such as ours. It is a level of scepticism that seeks to undermine confidence in a nation's ability to fashion and implement policies that reflect their collective consciousness. Surely, sir, this kind of behaviour is hardly new to us. On this side we saw and had to deal with it on one of the greatest questions of whether to seek independence from Britain in the mid-1960s. We equally had to contend with the doubters of the several revolutionary Democratic Labour Party policies and social programmes, including free secondary education. And again we were confronted with the abuse and vilification of the Erskine Sandiford administration of the early 1990s, which crafted the then unpopular but now widely acclaimed National Stabilisation and Economic Resuscitation Programme.

It therefore came as little surprise to any of us on this side that the bastions of defeatism once again reared their ugly heads in a vain attempt to destroy the confidence of the people of Barbados that we have what it takes to fix our faults and plot our progress back to the resumption of sustained national development. But Barbados, for all of its perceived shortcomings, is made of sterner stuff. And this Democratic Labour Party, led by the Right Honourable Member for St. Michael South, believed in itself. But more importantly, we believed in the people and trusted in God to be our guide.

We took comfort in the exhortation of the great Indian leader and anti-colonial champion Mahatma Gandhi, who, when in the heat of the struggle to liberate his country from the clutches of colonial domination, observed, and I quote: "Man often becomes what he believes himself to be. If he keeps on saying to himself that he cannot do a certain thing, it is possible that he may end by really becoming incapable of doing it."

Balanced, economically viable, environmentally sound and characterised by good and transparent governance, we are once again showing the rest of the region and the world that Barbados and Barbadians are leaders, not followers. And that through dint of hard work and working together as a nation, we can achieve success even when the odds are stacked against us. Indeed, sir, I make bold this afternoon to say that with the significant progress we have made thus far from the Barbados Homegrown Fiscal Stabilisation and Economic

Revitalisation Program, if we stay the course, make the sacrifices as a nation and seize the opportunities which now abound because of our efforts, that we Barbadians will write an uncommon history in the pages of economic achievement. A history, sir, that will serve as a lasting guide to many a developing country that within their own minds and hearts and abilities lay many an answer to the challenges they face.

When they predicted failure, the Democratic Labour Party crafted success. When they said that our dollar will be devalued within months, we strengthened it. When they predicted that we would run out of reserves, we stabilised and grew them. When they said that our deficit would not come down, we brought it down. When they lamented that we could not raise a primary deficit, we generated one. And when they said that the economy would never grow again under the Democratic Labour Party, we laid the platform for the resumption of growth. And we are growing again.

I say to you, Mr. Speaker, and to my fellow Barbadians, that now is the time to stand upon this launchpad and renew our commitment to country and to ourselves. That we resolve to see this process through to its ultimate goal of correcting past structural imbalances in our economy and society in as complete a manner so that we never have to walk this path again. It is said that the longest journey begins with the first step. And as evidence will show, and that we will put forward over the next three days, we have begun to walk to a new beginning in Barbados, where high deficits are no more, neither high debt nor high unemployment, but balanced, sustainable and inclusive growth that contribute to the expansion of opportunity, the boosting of productivity and the reduction of poverty across this fair land of ours.

Permit me, sir, with that opening to begin my report by reflecting the results of our 19-month Homegrown Fiscal Stabilisation and Economic Revitalisation Program.

Mr. Speaker, as I would have noted earlier, and as Barbadians would have recalled, the operating environment against which the government took the decision to initiate the National Homegrown Program was such as to threaten the economic stability of Barbados. The country was losing international reserves at a rate of more than \$10 million a month as the FX market remained weak due to contractions in the main FX earnings sectors while aggregate demand in the overall economy was still relatively high. The situation was further compounded by a growing central government deficit which at the start of the program had reached near 9 per cent. As a result, it was fuelling an unacceptable expansion in short-term public sector debt since the government was forced to borrow at relatively high rates to finance the gap.

Beset by these challenges and mindful of the potential they had to undermine the stabilising influence of the exchange rate anchor in the Barbadian economy, the primary objectives of that program were: as one, to restore and stabilise foreign exchange reserves so as to be able to protect the fixed exchange rate; 2, reduce the fiscal deficit to sustainable levels; and 3, lay the foundation for returning the Barbados economy to sustainable growth.

As you would recall, sir, the package of measures I presented before this Chamber was set against a projected operating deficit in central government of between 8 and 9 per cent of GDP. However, even before the core measures of that program could run a full financial year, the impinging growth of rising debt service costs and particularly the accruing of several prior year expenditures from key statutory entities such as the Queen Elizabeth Hospital, the National Housing Corporation and the Transport Board caused the deficit to leapfrog the official projected levels. On the revised basis, therefore, the degree of difficulty facing the government was increased by about 3 percentage points of GDP, so that by December 2014 the country was dealing with a deficit projected at 11.8 per cent rather than 8.5 per cent.

Nonetheless, sir, we were not daunted by the task, preferring instead to recalibrate both our projections and the level of our intervention to suit the circumstances, so that where we were initially intended to move from a deficit of 8 per cent to 5.4 per cent by the end of fiscal 2013–14 and then to 2.5 per cent by the end of fiscal 2014–15, we had the more difficult task of moving it from 11.8 per cent in 2013–14 to 6.6 per cent by the end of fiscal 2014–15. Put another way, sir, rather than reducing the national deficit by 6 percentage points in 18 months, we were set with a task of reducing it by the same amount in one financial year. Of course, few people thought that this was practical or indeed achievable.

Mr. Speaker, following a comprehensive review by the Division of Economic Affairs, I am able to report to the country that at the end of the 19-month Homegrown Fiscal Stabilisation and Economic Revitalisation Program at March 31st, 2015, of the 50 budgetary proposals announced by the Minister of Finance and Economic Affairs, an estimated 72 per cent, or 36 policies, have been entirely completed. In addition, nine of these policies continued their implementation trajectories in advanced momentum based on key performance indicators. This therefore puts the overall program implementation coverage at 90 per cent and the overall momentum at 100 per cent. Five policy actions are ongoing steadily and there are no outstanding concerns.

And that, Mr. Speaker, sir, was one of the issues that we were confronted with. We could not implement the program that gives to that idea so that in the context of the

following observations, we can make some specific references to the objectives.

Objective one. Remember, sir, restore and stabilise the foreign reserves so that we could protect the exchange rate. I am pleased to be able to report to this House and to the country that the foreign exchange reserves have been restored and are stable at levels adequate to protect the fixed exchange rate. Indeed, sir, at the end of March 2015, reserves were \$1 135 000 000, or 16.1 weeks of imports, goods and services, up from the 14.7 weeks of imports at the end of December 2014 and further up from the 12.5 weeks they had fallen to by the end of 2013. This 16.1 weeks is well above the international benchmark of 12 weeks of import cover. And the normal daily pattern of changes in foreign exchange reserves has now been restored and the foreign exchange market is stable once again.

Objective number one achieved, sir. For those of us who understand the import of this achievement, we tell you that the single most important variable in this economy - in a small foreign exchange dependent and open economy with a fixed exchange rate such as ours - is a stable and growing FX market. First order of business. First order of business. Not money in your pocket, not well spending, not anything. Stable and growing foreign reserves. For if there is none, the game is over. Particularly when we consider the fact, in light of all of that, sir, that almost everything we do in the Barbados economy and society is linked in one way to the earning and spending of foreign exchange. Then we get the import of what we are speaking about - as such, the very economic stability of the country, the confidence of domestic and foreign investors, and the sustainability of government operations, businesses, households, is invariably dependent on the availability of adequate levels of reserves in the monetary authorities. That we were able to stop the disturbing haemorrhaging observed in 2013, stabilise the FX market and resume some signs of growth in the reserves by late 2014 is a tribute not only to the appropriateness of the fiscal policies we pursued, but to the very robust monitoring process which the Ministry of Finance and the Central Bank of Barbados have put in place ever since these challenges emerged.

Objective number one achieved. Objective number two. At present, most experts agree that the nominal rate of growth of the Barbados economy is between 2.5 and 3 per cent, give or take. Therefore, a sustainable fiscal deficit will be at least between 2.5 and 3 per cent of GDP. Otherwise the debt as a share of the economy - that is the debt-to-GDP ratio - will keep rising. As indicated earlier, at the end of 2013–14, the fiscal deficit stood at 11.8 per cent of GDP. As we sought to move the deficit to a more sustainable level without, quite frankly, destroying the economy and all the social services we have, we set ourselves the ambitious target of reducing it to around 6.6

per cent in a single financial year - that is 2014–15 - more than this. We also knew that in real terms, the primary deficit of \$385 million which we closed 2013–14 with was absolutely unacceptable and had to be brought down significantly over the next fiscal period and reversed entirely over time.

The empirical results, the figures of which I will report shortly, will show that not only were we able to meet the overall fiscal target of 6.6 per cent, surpassing even our revised target of 7.2 per cent of GDP, but also we were able to turn around the primary deficit from negative \$385 million to a primary surplus of \$85 million Barbados dollars. In sir, for emphasis, I repeat: imagine the magnitude of the turnaround. We closed the fiscal year 2013–14 with a primary deficit of \$385 million, and in one financial year we were able to turn it around to a primary surplus of \$85 million.

Sir, you know, of course, when we couldn't get a primary surplus and we were in deficit, we heard how important it was to get a primary surplus. Of course, once we achieved the primary surplus, we were told, oh, that's not important anymore. Don't worry about that, that's not important. We are introducing new measures into the variables, into the economics of Barbados. But it is important to appreciate, sir, that if you don't run a primary surplus, it means that you are borrowing all of the money you need to pay the interest on your debt. Achieving a primary surplus, therefore, is a crucial first step as we restore fiscal balance and we have seen that we have been successful in achieving this.

So the fiscal deficit is not just a mechanical thing that you focus on. The fiscal deficit represents the amount of new borrowing the government will have to undertake in a given period and, by extension, how much future wealth of the country will go towards servicing debt rather than being invested in the people of Barbados. We promised that we were going to deliver on deficit reduction. What is more, sir, is that we have been able to not only reduce our deficit, but to reduce it by as much as 5 percentage points in a single financial year. A reduction of this magnitude in the overall deficit in a single financial year or fiscal year and a dramatic turnaround in the primary balance is a remarkable achievement and a testimony to the skill and determination of our economic team, the discipline and determination of the government and the resilience and discipline of the people of Barbados. You know, as we approach our 50th year of independence, we have once again shown the world that we have what it takes to be a great nation. We really have, sir. Firm craftsmen of our faith. Indeed, firm craftsmen of our faith.

Our goal in the next phase of fiscal adjustment is to move to a current account surplus where we only borrow

for capital expenditures which increase the growth capacity of the country. Objective number two achieved thus far.

Objective number three - lay the foundation for the return of the Barbados economy to sustainable growth. While a number of commentators focus on fiscal adjustment in terms of the 19-month program, as well they should, laying the foundation for growth was always a central plank of our homegrown program. The specific growth objectives were outlined in the Barbados Growth and Development Strategy 2013–2020.

Mr. Speaker, with respect to the progress report on that strategy, there are some key achievements as at March 31, 2015 and I want, sir, to take my time in reciting some of them. Space and time does not allow me to do all but I will mention just a few.

Tourism. The Barbados Tourism Authority was successfully restructured with the establishment of the Barbados Tourism Marketing, Inc. - BTMI - and the Barbados Tourism Product Authority - BTPA - with minimal disruption to this critical area of work in our economy. 2. Government purchased and refurbished parts of the Almond Beach Resort and put those rooms back into service in Barbados. 3. We reduced the VAT on accommodation and direct services in the hotel sector to 7.5 per cent. 4. We successfully amended and are now in the process of implementing the provisions of the much improved Tourism Development Act which, when fully accessible, will shift the fundamental basis of the tourism trade towards a genuine export sector. For the first time in the country's history, the government reduced the bond rate on identified items in line with the common external tariff rate of 40 per cent observed by CARICOM for external goods. Over 300 rooms were brought back into operation in the tourism sector during that period of time, sir.

But we didn't only increase the number of rooms because an empty room is not help to anybody. We have successfully increased our airlift out of key source markets such as the UK, USA and Canada. Planes flying up and down the skies of Barbados, while beginning the process to dramatically improve the accommodation offerings with the presence of Sandals - the much criticised, abused and vilified policy of bringing Sandals here which many members of the opposition quietly now tell you was the best thing that has happened to tourism. Quietly. They're not going to say it publicly.

We have successfully worked to resuscitate the high-end part of our tourism product which took a very hard hit in this global downturn. Existing capacity is beginning to be sold again. Some of the stalled projects have restarted and new ones such as Sandals come September and the Hyatt are set to kick off in the next quarter. I know it's hurting a little bit. We have worked with private sector

interests to enhance Barbados' product offerings - again, much abused by the opposition and others - to the extent that Barbados now boasts a world-standard car racing facility at Bushy Park where we have already hosted two world-renowned racing events in one year. The national tourism host programme, of which the Prime Minister of course is the patron, has been successfully launched. And the development of a holistic tourism product pertaining to the UNESCO World Heritage property which focuses on fully presenting historic Bridgetown and its garrison property as a premier attraction is well on the way to a positive existence.

Sir, this is just but a few of what we have done. Indeed, the Minister of Tourism lamented that I did not put in all of the other things. But we know that even in spite of leaving out some of those things, others in the world have seen what we are doing to be distinct - that in the 2015 Global Tourism Competitiveness Report, Barbados was ranked as the number one country in the Caribbean. Yes, yes, I know. The honourable member is having a little difficulty. The number one country in the Caribbean in the World Competitiveness Report.

Let us go to energy. This is the government that can do nothing. Let's go to the energy sector, sir. In the area of energy, our policy has led to a comprehensive intervention which has produced some critical results.

One, and absolutely important: we have restored financial order to the National Oil Company of Barbados and its subsidiaries by completing the removal of the massive debts which the last administration saddled the BNOCL - Barbados National Oil Co. Ltd. - with, from an ill-advised and unsustainable policy of subsidisation of fuel, which of course the Leader of the Opposition continues to promulgate, while returning the company to a state of profitability. Mr. Speaker, sir, I am going to take my time for however long it takes because these points need to be made - that after racking up debts of \$180 million that threatened the viability of that company as a going concern, this Democratic Labour Party has come and lifted the burden off of it and restored it to profitability. Even as the opposition is calling for us to take the profits and again utilise them to subsidise fuel and put it right back where we got it from, sir.

Continuing our aggressive facilitation and build-up of the renewable energy sector in Barbados - alternative energy as some people call it - thereby creating the widespread use of renewable sources of energy and bringing down energy costs while diversifying the economy of Barbados, we have instituted widespread incentives for that sector that is now creating new investment and jobs in Barbados.

And thirdly, sir, once again we have crystallised and advanced in an appropriate manner the efforts of Barbados to successfully pursue an offshore oil exploration programme while re-energising our onshore efforts from existing fields. Sir, you know that we had a major problem after all of the hullabaloo, all of the jumping through hoops about the so-called offshore drilling programme that really in fact collapsed under the last administration. We have had to come into office and patiently, deliberately and assuredly restructured the entire thing to the extent where we have been able to sign an exploration agreement with a major company.

In this regard, sir, over the 19 months we have been able to stabilise the position of the BNOCL, as I said, eliminate near \$200 million in debt that threatened its viability and return it to profitability. In the meantime, we have completed the process for the bidding on the sale of the Barbados Terminal Company and are now in a position to not only make a final selection as to the successful bid, but finally return that part of the company to the private sector from whence it came, in an effort to reinvigorate our onshore exploration business.

The oil company has been able to sign a deal with a UK-based firm to re-enter previously retired wells onshore and, using the latest technology, seek to capture residual oil stocks in those wells to the extent of potentially increasing Barbados' daily production of between 500 to 1 500 barrels a day. If successful, this effort could also increase the amount of natural gas available to the National Petroleum Corporation. Government has also been able to sign an official licensing agreement, as I said, with the oil company BHP Billiton for offshore exploration efforts which, if successful, could bring hundreds of millions of dollars in earnings to the country in the medium to longer term and, at a minimum, Mr. Speaker, sir, bring significant investment and spending in the short term as work begins to prepare for the exploration offshore.

In the alternative energy sector, we have put a national renewable energy policy in place together with accompanying legislation to assist in the orderly build-out of this critical new sector. The policy envisages that more than 29 per cent of all electricity consumption will be produced from renewable energy. The very critical alternative energy framework is also nearing completion for issuance.

In October this year, the following specific actions were taken. We have amended the Electric Light and Power Act to better facilitate the development, distribution and regulation of alternative sources of energy as it relates to the interface of the main power supplier and the national grid. This is to allow for the sector to grow while protecting the integrity of the power system in Barbados. 2. We have amended the Income Tax Act and other critical pieces of

legislation to provide the most wide-ranging concessions in the history of Barbados for both producers and consumers of alternative and renewable energy. These efforts alone have seen a steady growth in the production and use of this form of energy, forcing the Fair Trading Commission to increase the amount of allowable megawattage from the initial 15 megawatts to 25 megawatts, and I am advised that it would likely go to as much as 50 megawatts. That is where we are going to. And we have also facilitated the establishment of the \$20 million Smart Energy

Fund and under United Nations General Environment Facility GEF or the GEF program. The pilot program for distribution of 2 000 power monitors and 15 000 CFL bulbs was completed with all power monitors and bulbs being distributed and installed across the country. The fiscal incentive for sustainable transportation as well as concessions to stimulate increased private investment in renewable energy and energy efficiency technologies are in place and are being accessed by the general public. The first component of the Smart Energy program, which is to generate 1 megawatt of renewable energy systems and 500 megawatt hours in energy saved was 70 per cent complete by the end of March 31, which is the reporting period for this report. Today, 30 technical assistance grants were approved totalling \$426 724.50. In addition, Barbados \$272 363.60 was disbursed and 16 loan applications were approved by the EGFL Enterprise Growth Fund Limited, totalling Barbados \$8 169 000, of which 72 per cent of the loans was dispersed. The GEF pilot program which is to supply and install PV and wind systems has been successfully completed, Sir.

In international business and financial services, the government has implemented a multi-year licence with IBCs in addition to the introduction of a special entry permit; a unit responsible for business facilitation has been created. Key legislation was passed, particularly regulations to accompany the International Corporate Trust Providers Act, the Private Trust Companies Act 2012 and the Trustee Amendment Act 2012 were proclaimed and the Foundation Act 2013 is currently being amended to also provide for an exempt foundation.

In agriculture, the Barbados Cane Industry project has been finally and properly initiated and work has begun on the transformation of the old sugar industry in Barbados. The government has also started a special program to incentivise local hotels to use more local produce in their operations. And of course Sandals is one of the properties leading that particular charge. And the process for utilising excess alcohol as additives in gasoline has also started. The government has also created an initiative for small farmers to further engage in crop production. This initiative provides \$2 million grant funds to small food crop farmers to boost their production at that level.

We have passed, in the cultural industry and international cultural sports and international events, the Cultural Industries Act - which of course the last government seemed not to have been able to do - and we have proclaimed it too. So it is now the law of Barbados.

In telecommunications, the legal framework was adopted and signed for the establishment of a national Internet exchange point in Barbados which connects Barbados and the rest of the region. And in housing, construction was completed and a certificate of practical completion was issued for the multi-storey two-bedroom apartments at the Woodsides at Dalke, commonly known as the Grotto Project. While under the Housing Neighbourhood Upgrade program the beneficiary selection system was successfully utilised to select a number of clients for those grants.

Mr. Speaker, Sir, against the background of these extensive - but not exhaustive, because there are a lot more we could have added - these extensive and successful initiatives and others not mentioned by the government over the course of this 19-month program, we have begun to see a solid platform laid for the initiation of a new period of growth in the Barbados economy. Indeed, Sir, for more than four consecutive quarters of contraction of GDP, the Barbados economy has started its climb back to growth during the latter part of 2014 and it has continued and picked up pace so far this year. With that, Sir, I can say objective number three achieved and continuing to be achieved.

So with this, what is the current state of the economy, the context and the planning environment? Mr. Speaker, Sir, based on the Central Bank's first quarter report for 2015, the Barbados economy recorded its best quarter performance in two years in 2015, compared to declines for the first quarter of 2014 and 2013. Previously, this was achieved with a 4 per cent expansion in tourism GDP in the first quarter, leading to an estimated growth rate of almost 1 per cent in the economy as a whole. Long-stay arrivals grew by 12 per cent to reach the highest level since 2008 and expenditure is expected to have risen 6 per cent during that time. It was, Sir, one of the best winter seasons we have had in many, many years. Canadian, US and UK arrivals rose by 28 per cent, 24 per cent and 9 per cent respectively. Increases in seating capacity were a key factor in this. There was also improvement in the German market - 10 per cent - the Brazilian market - 14 per cent - and the turnaround in the CARICOM market. Even in spite of the high fares, a turnaround of 8 per cent last year in the CARICOM market. The hotel stock rose by 160 rooms, or about 2.5 per cent. Even as the average length of stay of visitors dipped slightly, reflecting a higher proportion of North American tourists, the spending increased by 6 per cent. So it suggests to you that we are getting, Mr. Speaker,

Sir, a more affluent, more capable tourist than we were getting before.

While output in the construction sector is expected to have declined marginally by 2 per cent, this was an embark improvement compared to the slowing and the heavy fall-off in the sector in 2012, 2013 and 2014. Even in spite of this, expectations for positive growth in this sector remain bullish as observable pickup in the construction of high-end tourism accommodation products on the west coast as well as planned expansion in traditional hotel stock - with the beginning of the work at the Sam Lord's Castle Project, Hyatt Sandy Beach as it is called, Settlers Beach and further work on the expansion of Sandals Garrison this year - should suffice. Marginal increases in wholesale, retail and business and other services and non-sugar agriculture were also recorded during the period.

The foreign reserves, unaided by any foreign borrowings this year so far of the nature undertaken last year, increased by \$83 million between December 31, 2014 and March 31, 2015, boosted by the capital inflows associated with the completion of the sale of the Almond at St. Peter, increased net private flows, grant funding and significant savings generated by falling oil prices. At the end of March 2015, reserves were \$1 135 000 000, or 16.1 weeks of imports, as I had said earlier, of goods and services, up from the 14.7 weeks of imports at the end of December 2014. During the first quarter, retained imports were estimated to have fallen by 12 per cent, with fuel costs down by 42 per cent, food and beverages imports down by 4 per cent and capital imports down by 6 per cent. For January and February 2015, exports of chemicals and food beverages declined by 2 per cent and 18 per cent respectively, while rum exports were at the same level as in 2014.

The average annual unemployment rate is estimated to be 12 per cent. The 12-month moving average of inflation is estimated to have remained slightly below 2 per cent and that is due to the declining average prices for food and fuel. Total labour productivity growth averaged 1 per cent from 2009 to 2013, while the unit cost of labour has increased by an estimated 2 per cent over the same period. An accelerated level of productivity is needed to close this gap between wage cost and productivity that opened up in the 1990s, and this is something that we have to work on.

Mr. Speaker, Sir, as could be expected, Sir, the beginning of the turnaround of the Barbados economy has started from around the last quarter of 2014 and has begun to have some impact on the outturn in the fiscal figures. This, together with the concerted efforts of the government to improve its tax administration process with the establishment of the Barbados Revenue Authority, has not only led to the stabilisation of revenues, but significant growth in several key areas in this regard.

Permit me, Sir, to turn to the fiscal outturn report for the period April 1, 2014 to March 31, 2015.

CURRENT REVENUE

Preliminary information received from the Accountant General indicates that current revenue for the period April 1, 2014 to March 31, 2015 was \$2 486.5 million, an increase of \$151.9 million, or 6.9 per cent, from the amount recorded for the corresponding period during 2014. This amount was \$26 million more than the projection. So we not only beat out what we got the previous year, we beat out what we had projected. Taxes on incomes and profits realised \$767.1 million, an amount of \$132.7 million, or 20.9 per cent, more than collected for the corresponding period in 2014 and \$49.3 million more than projected for the period. Corporation taxes increased by \$31.6 million for the period under review. With respect to income taxes, \$93.6 million more was recorded for the period April 2014 to March 2015. Levies on taxes decreased by \$11.1 million from the corresponding period in 2014 and the consolidation tax collected for the period was \$33.1 million.

Taxes on property decreased by \$8 million from the corresponding period in 2013-14 to \$222.6 million. Amounts of \$105.3 million and \$17.3 million were collected for land tax and property transfer tax respectively. This small decline is attributable to a change in the payment period for hotel properties, which was extended to coincide with the winter season as an accommodation to the players in the hospitality sector. It is projected that when the final figures come in it would show a similar amount collected as in 2014.

Taxes on goods and services increased by \$16.4 million, or 2 per cent, to \$1 154.1 million. The projected amount for the period was \$1 181.4 million. Receipts of VAT totalled \$886.3 million, a decrease of \$19.4 million from the corresponding period in 2013-14. Excise duties recorded \$132.5 million, an increase of \$17.1 million from the actual outturn for 2014. Import duties also increased by \$29 million to \$223.1 million. This is an increase of 15.2 per cent over the amount collected in the previous year. The projection for the period under review was \$209.4 million. So again we beat the projection.

Mr. Speaker, Sir, special receipts decreased by \$18 million to \$63.2 million. An amount of \$32 million was collected for municipal solid waste tax. The projection of special receipts for the period under review was \$61.9 million, of which \$35 million was projected for the municipal solid waste tax. And this projection, Sir, was based on the adjustments which we made after we made the initial announcement. As you know, we did some carve-outs, waivers and remits for specific groups that would have brought the projection down to \$35 million. So we

were basically only about \$3 million out from the revised projection. Non-tax revenue recorded \$89.4 million, an amount of \$4.6 million less than the corresponding period for 2014. An amount of \$57.7 million was received in grant income from the European Development Fund.

CURRENT EXPENDITURE

In terms of expenditure, Sir, current expenditure exclusive of amortisation of \$774.9 million decreased by \$216.9 million, or 6.9 per cent, from the 2013–14 figure to \$2 907.3 million. The projected amount was \$2 940.45 million. Wages and salaries decreased from \$807.8 million in the corresponding period of 2014 to \$751 million. The amount projected was \$743.1 million. Expenditure on goods and services decreased by \$42 million to \$340.2 million. The projection for the period was \$388.3 million.

Expenditure on current transfers decreased by \$158.6 million, moving from \$1 261.5 million in 2013–14 to \$1 102.9 million for the period April 2014 to March 2015. The main contributors to this decrease were subsidies, grants to individuals and grants to public institutions which were reduced by \$31.5 million, \$30.3 million and \$98.3 million respectively. Conversely, there were increases in retirement benefits and other benefits of \$8.2 million and \$4 million respectively. The projection for current transfers is \$1 084.2 million.

Capital expenditure for the period under review was \$171.3 million compared to \$143.9 million for the corresponding period of 2013–14. Capital formation decreased by \$9.4 million while capital transfers increased by \$33.3 million. This is mainly attributable to the subscription of \$50 million by the Government of Barbados to become a member of the Corporación Andina de Fomento, or CAF, which of course you know we came to the House of Assembly for. It should be noted that the projection for capital expenditure was \$173 million.

Total expenditure therefore for April 2014 to March 2015 was \$3 853.8 million, or \$3.853 billion, compared to \$3 939.5 million, or \$3.939 billion, in the corresponding period 2013–14. The projection was for \$3 929.1 million. So on both revenue - which we have going up - and expenditure - which we have going down in the areas that we want it to go down - the government has met its objectives.

Central government disbursed and outstanding debt stood at \$11 390.4 million, or \$11.390 billion, as at March 2015, approximately 133.1 per cent of GDP if you include everything, compared to \$11 070.9 million for the corresponding period ending March 2014. Of the \$319.7 million increase in government debt, there was a \$22.6 million net increase in external debt compared to the same period in the previous year, mainly due to the proceeds of

the US\$25 million loan from the First Citizens Bank. This increase was offset against repayments, particularly on the US\$120 million bond, and domestic debt increased by \$296.6 million, financed principally through the issuance of debentures and treasury bills, which are significantly more prone to rollover risks. The net increase of \$319.4 million is attributable to the need to finance the deficit.

DEBT SERVICE

Total debt service payments in the period amounted to \$1 442.1 million, with interest payments of \$664.8 million, amortisation payments of \$639 million and sinking fund contributions of \$138.3 million. Interest payments saw a net increase of \$56.2 million, primarily as a result of interest payments due on the \$225 million bond and the First Citizens \$25 million loan. The larger domestic interest payments are attributable to increased issuance of domestic securities. External amortisation decreased by \$28.4 million primarily as a result of a number of maturing loans, and domestic amortisation increased primarily due to a large number of maturing debentures during the period April 2014 to March 2015 compared to the previous period. Total net increase in amortisation payments therefore was \$87.4 million. Sinking fund contributions increased by \$18.5 million during the period under review as a result of the issuance of new debentures.

Our contingent liabilities, Sir, stood at approximately \$1 399.6 million at the end of March 2015 compared to \$1 422.9 million at March 2014. The deficit of \$592.1 million therefore represents 6.8 per cent of GDP at market prices of \$8 767.7 million using the IMF accounting method. The deficit is calculated at 6.6 per cent of GDP. The deficit for the corresponding period 2013–14 was \$984.6 million representing 11.6 per cent of GDP at market prices then set at \$8 458.1 million. So again, as I said, we have gone from 11.6 per cent down to 6.6 per cent.

Sir, I now turn to the global and regional economic outlook. The global economy continues to present a mixed picture - strong growth prospects in the United States, continued uncertainty in the Eurozone, slowing of growth in China and some of the other emerging markets. While oil prices showed a downward trend for the large part of 2014, some recovery in the price began and it is predicted that prices will go up a little more in the second half of 2015. There has been some positive shock from the lower oil prices and lower commodity prices to the extent that our external current account deficit has declined marginally and is expected to improve some more over the next financial year. These are all good developments for the domestic economy and present a real opportunity for government to press ahead with its fiscal consolidation and economic reform program.

The global environment remains uncertain, it is true, and we remain highly vulnerable to external shocks and developments. At present, the Barbados economy is stable with foreign exchange reserves solid and improving, fiscal deficit declining and growth returning. However, Sir, the job is not yet finished. There are a number of structural issues which we need to address in a meaningful way if we are to protect the gains that we have had so far, which I have explained and outlined, and continue to develop our country and our people even further.

So what I will present now, Mr. Speaker, Sir, is the national economic growth and reform agenda. The single largest issue facing Barbados is that economic growth remains below 2.5 to 3 per cent, which is normal for an economy our size. We must get back to normal levels of growth sooner rather than later and indeed try to exceed those to be sustainable. This growth must be led by the foreign exchange earning sectors and must be based on improvements in productivity and the competitiveness of our economy. The public and the private sectors in Barbados must now craft a productivity and competitiveness revolution over the next few years. Our growth strategy, Sir, is private sector led and the key to the productivity and competitiveness revolution must be a fundamental change in the environment of doing business.

In Barbados, great ideas for new business happen every day and everywhere. Great ideas are at the heart of social and economic development. They allow economies to grow and they improve people's lives. They provide a base for tax revenues to support the social services that make a more equal and just society. For ideas to prosper in this environment, it is important that entrepreneurs can give legal form to their ideas - that is, by forming a business. It is important that this process be simple, quick and inexpensive. Entrepreneurs also need a well-designed insolvency system in case an idea fails to work. The whole suite of business regulations therefore is crucial to the process. The right business regulations enable good ideas to take root, leading to greater levels of investment and creation of jobs. Where regulations make it difficult to start and operate a business, good ideas may never see the light of day and important opportunities may very well be missed. Budding entrepreneurs daunted by burdensome regulations may opt out of doing business altogether or, if they have the resources, take their ideas elsewhere.

In Barbados we have to guard against creating the impression that we are anti-business - not because we do not appreciate the importance of business investment, but because we have become too wedded to cumbersome and in some instances outdated and unnecessary processes and procedures that frustrate rather than facilitate investment. In this budget we will introduce measures aimed at enhancing our competitive effectiveness and productivity.

NATIONAL MEDIUM TERM ECONOMIC OBJECTIVES

In pursuance of these objectives, Government's medium-term fiscal, debt and growth strategy must continue to be the anchor on which the economic stability so critical to the successful development outcomes must be attached. In this regard, over the next three years your Government will push forward a medium-term economic agenda to achieve the following:

1. Continued stabilisation and growth of the international reserves to an average of at least 20 weeks of import cover.

2. To reinvigorate and deepen economic growth to an annual average growth rate of between 2.5 to 3.5 per cent of GDP, at a minimum.

3. To reduce the fiscal deficit to be at least no greater than the rate of growth - GDP growth - that is by the end of fiscal 2017 and near balance by 2024.

A primary surplus of at least 4 per cent by the end of 2018 and thereafter annually an average of about 5 per cent.

5. Establish and achieve a medium term debt anchor that uses the above outcomes to stabilise debt growth by 2018 and start the process of reducing the debt to GDP ratio to a target below 100 per cent in the next five years.

Facilitating Economic Investment - Public/Private Sector

Sir, the Government is in the process of investing in or facilitating private investment in a number of major capital projects that will invigorate productivity on the island, grow jobs and deepen economic growth going forward. A total of \$1 126.9 million in capital projects are currently on the books for growing and developing Barbados' economy.

Some of these include projects such as Sam Lord's, the refurbishment project, which is to start in September 2015. I believe they have already set the groundbreaking date for the 22nd of September at 10.15 in the morning. You write it down, write it down. That will bring US\$200 million in investment to Barbados.

Royal Westmoreland expansion, expected to start within a few weeks, will bring an additional US\$30 million. That is a private sector investment.

Batts Rock, due to start in September - I understand they have already started - and will bring \$120 million of investment to Barbados.

The Barbados Port Development Project is currently ongoing and is expected to cost US\$25 million. And you can go down there and see the work for all of the doubters. That will clear the way for the port to accommodate two mega ships - two mega ships - that will be coming to Barbados in the coming winter with 8 000 new passengers every week. In other words, Mr. Speaker, sir, these ships are so big they cannot be accommodated on the inner basin of the port, so we had to put in another berth to accommodate them.

We have the Settlers Beach Hotel which is expected to be an investment of US\$50 million that has already practically started - just waiting on preliminaries to get going.

And Sandals Casuarina in Christ Church will start the expansion project. They are adding some additional rooms - I understand as many as 200 new rooms - at the cost of about US\$100 million.

The Sandals Ammon Beach project at Heywoods, St. Peter, is due to start late next year - November - and will cost US\$200 million.

And the world-renowned brand Hyatt Hotel is expected to be constructed at a cost of approximately \$70 million starting from August of this year.

Projects such as the Sandals Casuarina Phase 1 and the Barbados Water Authority headquarters complex at Wildey have been completed or are in the final stages of completion. While the new owners of the Sandy Beach will carry out some refurbishment of the property at an approximate cost of US\$20 million starting in a few weeks' time.

All of these, plus others not mentioned, are expected to lock in the economic turnaround of the local economy as the private and public foreign inflows continue to grow.

Added to these, sir - not ended yet - added to these will be a fairly robust public capital works investment programme, and you would have seen it in the Estimates for 2015-2016, which is already on the way and expected to expend US\$100 million over the course of this and the next financial year. Some of these include the ongoing Barbados Water Mains Lane Replacement and water augmentation project - US\$50 million - and of course we are doing that with the IDB and others; the Barbados Water Authority Smart Meters upgrade project of US\$70 million; and the SSA new headquarters at Vaucluse, estimated to cost \$28.7 million Barbados dollars.

All of these projects have already started and will be intensified going forward as they drive a resurgence in domestic construction, wholesale and retail sectors.

On the basis of these - a stronger tourism performance this year, a settling of the international business and financial services sector, an expected increase in output from industry and agriculture - we are expecting that the current growth trend in Barbados' economy will continue through this year and into an even stronger performance next year, in order to lock in these gains and build on them.

However, there are a number of things which we have to do to keep working to ensure that we improve the overall competitiveness and raise the level of our output.

Cost of Doing Business in Barbados

Another one of the key strategies for sustaining and intensifying growth has to be focusing on reducing the cost of doing business, especially for small and medium-sized businesses, as more and more persons explore self-employment. As such, we propose a 25 per cent reduction in fees and licences related to operating a number of businesses in Barbados this year, with a further 25 per cent reduction in those fees to be undertaken next year.

This will be applicable to the following under the Professions, Trade and Business Registration Act:

Licensees - General wholesale licence: currently \$10 000; reducing to \$7 500 this year, \$5 000 next year. Wholesale fee: currently \$5 000; reduced to \$3 750 this year, \$2 500 next year. Retail establishments: currently \$1 000; \$750 this year, \$500 next year. Restaurant licence: currently \$1 000; \$750 this year, \$500 next year. Occasional licence: currently \$100; \$75 this year, \$50 next year. Members' clubs: currently \$500; \$375 this year, \$250 next year. Proprietor club: currently \$5 000; \$3 750 this year, \$2 500 next year. Druggist licence: currently \$750; \$562.50 this year, \$375 next year.

Trade business calling - First Schedule, Part One: current registration rate \$2 500, annual fee \$2 500. New proposed rates: \$1 875 registration and \$1 875 annual fee this year; \$1 250 for both next year.

Second Schedule, Part One: first registration currently \$750, annual fee \$750. This year we will reduce both to \$562.50; next year \$375 for both.

Second Schedule, Part Two: registration currently \$750, annual fee \$750. We are reducing both to \$562.50 and in the following year \$375 for both.

Third Schedule: first registration currently \$50. We are reducing those to \$37.50 this year and \$25 next year - both for registration and annual fee.

Temporary registration fee for dental practitioners - I see the Honourable Member for Christ Church West is here. Three-month fee: currently \$375.00; we will reduce it to \$281.25 and then next year to \$187.50. Dental practitioner, more than 3 months but not more than 6 months: currently \$750; we will reduce it to \$562.50 and then in the following year to \$375.

Dental hygienist and dental technician, 3 months or less: currently \$150; we are moving it to \$112.50 and next year to \$75.

Nurses, more than 3 months but not more than 6 months: currently \$300; \$225 this year, \$150 next year.

The estimated loss of these adjustments to the Treasury will be \$2 million Barbados dollars.

The Ministry of Industry, International Business, Commerce and Small Business Development will be provided with the requisite resources to elevate the current Business Investment Facilitation Unit to a full online portal - a virtual one-stop shop - to permit investors to engage the statutory registration and other requirements, to make it significantly easier and faster for entrepreneurs and investors to start their business and bring Barbados in line with international best practices.

Credit Bureau

The Central Bank of Barbados will lead in facilitating the establishment of a credit bureau in Barbados, which will serve to increase access to credit for entrepreneurs. It is expected, Mr. Speaker, and it is well known, that access to credit is one of the major challenges facing entrepreneurs in Barbados, and the establishment of a credit bureau is a crucial piece of the puzzle in terms of investors being able to access financing. It will again bring Barbados' competitive landscape in line with international best practice.

Updates to the Companies Act

The Attorney General's Office will undertake a comprehensive review of the Companies Act and the insolvency legislation with a view to bringing them in line with international best practices. Special attention will be paid to the rights of minority investors and treatment of related party transactions. Again, updating these aspects of legislation within Barbados will serve to improve our competitive landscape in line with international best practice.

Competitiveness Commission

In addition, Mr. Speaker, sir, a Competitiveness Commission will be established towards the end of 2015.

This Commission will seek to improve the level of competitiveness in Barbados. Such a commission is currently in place in Jamaica, for example. The proposed Commission on Competitiveness will be chaired by the Right Honourable Prime Minister and will fall under the purview of the Social Partnership as the main articulator of public-private dialogue on Barbados' competitiveness. This Commission will be supported by a technical unit that will assume the coordination, formulation and implementation of recommendations resulting from the dialogue in terms of legislative reform.

Mr. Speaker, a list of all outstanding pieces of legislation which can aid in growth will be compiled and ranked in order of significance and enforced as quickly as possible. Individual ministries and the Chief Parliamentary Counsel's office will be mandated to meet in order to eliminate any issues in bringing the legislation into reality. The sequencing of all legislative reforms by order of importance to economic growth will be done expeditiously. These pieces of legislation - some of which were mentioned previously - will include the Foundations Legislation, Private Trust Legislation, Limited Liability Partnerships, Mutual Funds, the Procurement Bill and the Prevention of Corruption Bill. Some of these are far advanced in final proclamation while work on others has already started and is expected to intensify this financial year.

Protecting and Enhancing Our Food Security

Sir, it is absolutely critical that we maintain some capacity to feed ourselves, provide our population with healthy food options and create employment opportunities for Barbadians. As such, it is vital that we continue with our programme to build on the initiatives launched under the 19-month programme.

In this budget, I want to deal with the challenges faced by the local dairy industry, Mr. Speaker, sir. The current state of the local fresh milk industry is a concern for both farmers, processors and the Government, and there is a need for a resolute solution to address the current situation.

The local dairy industry output for 2014 has been estimated at \$42.5 million, a far cry from the \$60 million-plus of some time ago. The contributing factors to the decline were identified and one of the major components was pricing. Unlike most countries with which Barbados trades, there is currently no dairy subsidy or incentive at farm level to facilitate processed fresh milk reaching consumers at an affordable price.

This attribute was tested and confirmed in 2013 when excess processed inventories were discounted into the market to mitigate against the need to dump the milk at

farm level. What was estimated at existing consumption patterns to take 10 weeks was effected in less than five - a strong indicator that, given the right price to the consumers, the consumers would support the local fresh milk industry.

The above indicated that with suitably targeted subsidies or incentives, farmers would be able to reduce their farm gate price to the processor and the savings thereon would flow through the system back to the consumer.

Therefore a proposal has come forward which requires the following:

1. A farm gate price for milk collected from farms which increases by 25 cents per kilogram.

This is an important element of the proposal to incentivise the farmers to expand production so that the processor can access the additional supplies and gradually reduce import quantities of powder milk.

The subsidy from the Government will be fixed at \$1.17 per kg and the subsidy will be paid directly to the farmers based on their supply.

4. The subsidy applies solely to milk utilised in the processing of milks which contain at a minimum 60 per cent of liquid cow's milk.

5. The cess to be levied at two rates: a 5 per cent rate on milk containing no less than 60 per cent of liquid cow's milk, and 10 per cent on all other milk and milk substitute products.

Currently dairy farmers supply just short of 4 million kg annually to the processor - which is the Pine Hill Dairy. This is used exclusively in fresh and flavoured milks. In addition to this volume, the Dairy imports over 800 000 kg of powder, largely used in the manufacture of evaporated and reconstituted milks. This powder comes at a cost significantly lower than the economic cost of raw milk from the farms and must be used by the processor for the local brand to be competitive with imports.

With the availability of a reduced farm gate price post-subsidy, the processor will be able to replace 25 per cent of that powder requirement with fresh farm milk. This will save the country approximately US\$1 million annually in foreign exchange and facilitate the growth of output at the farm level by as much as 50 per cent whilst the farms fully gear up their production.

Furthermore, the lower price facilitates the industry moving into the export market for fresh milk. Currently that activity is limited to milks reconstituted from imported powder.

Finally, there is the benefit to consumers, as the current economic pricing required means that consumers pay a high price for a product which elsewhere is kept low through various incentives and subsidies. With the subsidy incentive, the recommended retail price for fresh milk will fall by approximately 11 per cent.

So this, Mr. Speaker, sir, is a win situation for everybody. Farmers get to produce more and sell more to the Dairy. The Dairy gets to process it and produce it at lower cost because the input cost is lower. We save at least a million dollars in foreign exchange every year because we are importing less powder milk, which is not as healthy as fresh cow's milk. And then the consumer benefits because the expanded production allows for the price to come down. This is an excellent win situation for everybody involved.

Apart from these financial reasons, the proposal also provides direct support for increasing employment in the industry as it expands to meet the increased requirements. It also provides spin-off benefits for the feed manufacturers which currently supply the industry with approximately \$2 million worth of output.

There is also the issue of food security. Barbados has the capability to be self-sufficient in milk. Given some of the scarcities in recent times with larger countries, this is a desirable position to put the country in.

Finally, in an era where there are many concerns relative to the rise of non-communicable diseases, any switch in consumption from less nutritious beverages to more nutritious fresh milk as a beverage will help promote a healthier nation and this will translate into a reduction in the cost of health care to our citizens.

Business - to fund the above, Mr. Speaker, sir, I now propose that effective August 1st, 2015, a cess on all milk and milk substitutes be implemented. The cess should have two rates: a 5 per cent rate for milk products containing 60 per cent or more of liquid fresh cow's milk, and 10 per cent for all other milks and milk substitutes. The only exception to this will be local goat's milk - the local goat milk industry would be excepted from the charge. The cess will be applied across all relevant imports and locally processed milk at the rates above.

It is estimated that at the current output and consumption levels the rates above will be sufficient to fund the incentive subsidy and thus the scheme would not be a burden to the Government of Barbados.

To manage this process that we have just outlined, it is proposed that a National Dairy Board be constituted with representatives from the farmers, the processors and the Government; that the Board would manage the interaction

between the farmer and the processor and continually monitor the industry matrix to ensure the most efficient use of all resources deployed; and that the raw milk pricing mechanism be kept intact. The participation should be equal between farmer, processor and government, with the Government's nominee being the Chair of the Board.

This initiative is expected to initially generate revenue of approximately \$5 million, but could rise to \$8 million depending on demand.

I now turn my attention, sir, to completing the job on fiscal consolidation - reform phase two.

One of the major drags on the economy and certainly on economic growth has been the need to engage aggressive fiscal consolidation. This has been necessary, but it has inevitably impacted negatively on growth. If we are to achieve our full growth potential, we must complete the job and get the fiscal deficit down to sustainable levels.

Fiscal Deficit Down to Sustainable Levels

In terms of the public finances and meeting our deficit targets, there are several issues and immediate challenges that we must acknowledge and confront. One of these is that there is now a serious structural decline in our revenue base which we can no longer afford to ignore. This structural decline, which can be seen across all major categories of tax, has now been matched by structurally locked-in public expenditures consequential on growing inefficiencies in the public service and increased demands for free social services from a more sophisticated population. These two scenarios are now openly challenging the efficacy of the very development model which we have successfully operated for much of our post-independence national experience.

Many of us, sir - including me - understandably and justifiably wedded to the altruistic principles of democratic socialism, which I spoke of in part, and an extensive, growing and largely free social services sector, are having an extremely difficult time appreciating a modern-day reality where the conditions and rules of the process have so changed that the very things that have separated us as the number one developing country in the world are now our biggest challenges to deal with.

The frank truth is that unless we accept the reality that growth of our public expenditure - based on our desire to provide universal free public services - has now collided with our inability to grow our economy fast enough and is therefore feeding the growth of these deficits, we will continue to have these challenges. As a country we have to weigh the options of doing nothing and allowing the situation to continue to deteriorate, against raising the courage and showing the leadership in tackling it up front.

Whether we cut expenditures to make up for the shortfall, levy permanent and temporary taxes on the economy to help close the gap, create new funding models for activities now funded by the Government, or some combination of the above actions, we have to act and act now.

It is for this reason that we cannot as a country excuse ourselves from the tough decisions that must be made today to secure our future tomorrow.

In this regard, I now turn my attention to laying out key aspects of phase two of our fiscal reform and consolidation agenda. Today I will focus on tax reform, reform of the state-owned entities, debt management and reform, and financing of critical social services.

I begin with the reform of our tax system.

Few can deny, sir, that over the last 20 years or so our tax system has become somewhat unbalanced and heavily reliant on VAT, corporation tax on international business and personal income tax. While it is true that these main tax categories have been generally proficient in gathering substantial amounts of tax revenue for the country, it has also become a reality that over time their respective bases have faced gradual erosion and weakening.

It has been a long practice in Barbados for successive administrations to utilise the method of waivers, remits or other such carve-outs from the standard tax rates across all categories of impositions to progressively achieve economic and social outcomes. That has been the model that we have used. This, in modern tax practice - particularly in small developing countries - has proven to be a useful tool: at one time to shield the poor, while at another time to incentivise potential investors to help

spur economic expansion, create jobs, earn foreign exchange and the like. However, while these and other similar progressive interventions have proven to be quite useful, they have also come at a cost of not only eroding the base of these taxes, but also overly complicating the tax code and making tax administration cumbersome and costly. A simple analysis of one of the major taxes in Barbados would reveal, for example, that world tax rates are at generally acceptable level. Carved oaks related to waivers, credits and allowances and variant types have tended to undermine the yield from these taxes. A case in point is that of personal income tax which shows that up to 2013, Mr. Speaker, the total assessable income was recorded at \$3.77 billion. Bear that in mind, \$3.77 billion was total assessable income because of the plethora of allowances and deductions - then in excess of 23 in total - the actual taxable income, that is the amount of income that actually had tax applied, was only \$1.645 billion. Remember I said \$3.7 billion is the total assessable; \$1.6

billion is what is actually taxed - that is less than half of the total assessable income.

Similarly, in the case of VAT, which in fact has been the country's most proficient collector of tax revenue, generous and extensive zero-rating and exemption provisions have contributed to the gradual erosion of the revenue from the tax, even as governments have added to the original list of carve-outs and in spite of increases in the standard rates in recent times. Indeed, by 2013, Mr. Speaker, available information from the Controller of Customs suggested that the country was waiving and/or remitting or otherwise foregoing in excess of \$750 million in VAT, customs duties and excise taxes alone. By themselves, these are staggering amounts. However, when matched against the fact that, for instance, the fiscal deficit for the past financial year was \$319 million, it begins to paint a picture as to why these issues cannot go unanswered for too much longer.

In keeping with this and appreciating the importance of having an effective and proficient tax system as part of a modernising and demanding economy, the Ministry of Finance and Economic Affairs invited a mission from the Fiscal Affairs Department of the IMF to send a team of tax experts to Barbados during 2014 to conduct an analysis of several major categories of taxes. That report was received in August 2014 and was widely shared with all critical stakeholders across the economy, including the social partnership, academia, professional associations, other civic groups and the official opposition. As well, all groups save for the official opposition responded, sharing their opinions and ideas on the report's content, and I still await the recommendations from the opposition on this matter.

Simultaneously, after receiving the report, I empanelled a committee of experts in the area of tax policy. This was headed by retired Permanent Secretary in the Ministry of Finance and Economic Affairs, Mr. William Lane, and this was to conduct an assessment of the report of the IMF and to make specific recommendations on how Government should set about addressing issues and challenges arising therefrom. Across the board, most respondents conceded that the study was generally correct in concluding that there existed critical areas of concern that affected the efficiency and proficiency of most areas of tax policy and administration and that these needed to be addressed with some degree of urgency. While stakeholders may have differed in some areas as to the specific type of changes they would have preferred to see, all were unanimous that changes were unavoidable in this regard.

Government, mindful of the need for intervention across a number of areas and also mindful of the impact which such changes would have across the body of the economy, has determined that changes to the overall tax

policy would be phased and implemented over a three-year period starting from this year. We have also determined that given the embryonic nature of the Barbados Revenue Authority, changes in the system should be categorised in short, medium and long-term interventions. This is done in an effort to ensure that the policy changes be properly and completely implemented with as little disruption to the tax revenue system.

To this effect we have decided the following short-term interventions will be undertaken in year one of the reform process.

VALUE ADDED TAX

From its inception in 1997 it was part of the official design of the VAT to allow a special carve-out by way of an exemption from the standard applicable rate on a select basket of basic food items for all taxpayers - again the universal access principle. This was done on a universal basis as a way of giving relief to the poor, particularly to the poor who were likely to be more negatively impacted upon by the accepted regressive nature of a VAT. Equally, the exemption was also intended to ensure that certain foods, particularly those of known high nutritional value, were always kept within the price range of the average shopper.

However, following a close analysis by an inter-ministerial committee comprising officials from Finance and Economic Affairs, the BRA, the Ministry of Commerce, Agriculture, Health and Social Care, it was discovered that this so-called basket of goods contained 409 items, many of which could not be legitimately classified as basic, of high nutritional value, or indeed within the price cohort of the most vulnerable in Barbados. Indeed, it appears as though entire tariff headings were included in the basket of goods, irrespective of whether they applied or not. The committee has therefore recommended, and I have accepted, that the VAT basket of basic food items should be amended to exclude all of those items.

Therefore, with effect from September 1, 2015, a new basket of basic items which has been appended to this budget statement will be enforced as the applicable basket with full exemption from the standard VAT rate of 17.5 per cent, and that which will be applied - all other food items in the original basket not covered in this new one - will be subject to the standard rate of VAT at 17.5 per cent. So the T-bone steak, the pistachio nuts covered with chocolate, the dark chocolate, the basmati rice and so forth and so on - that was supposed to be the basic food items - will now come out and go on their way as they ought to be under the regular rate. And that is just a few, Mr. Speaker; when you see the full list of it, it really made somebody shake their heads in relation to that.

What we can guarantee, sir, is that all of the items and more that poor people - as we call them, low-income persons - in fact all Barbadians, because it is universally accessible for all, pauper and millionaire, that those items will remain in the basket. That is important.

Mr. Speaker, sir, another area of concern that emerged in the tax review was the manner in which betting and gaming services were treated, or as it turned out, not being treated under the existing VAT laws. During the review it was discovered that for some unknown reason betting and gaming services - that is what we commonly call gambling - were not exposed to the VAT as they were currently listed under the second schedule as exempt from VAT. Under current legislation, such services are variably treated through an elaborate licensing regime and for lotteries through a series of small fees attached to their operations and sales.

The tax review, along with other internal assessments conducted by the Ministry of Finance and Economic Affairs and the Prime Minister's Office, under whose remit the Betting and Gaming Committee falls in terms of the regulation of that sector, have thrown up a number of regulatory issues which are in urgent need of attention by all the stakeholders involved. Indeed, it is the considered opinion of all, having spoken to them in relation to this, that a complete overhaul of the system is required, including appropriate updates to all laws and other regulatory provisions governing the operations of the sector. I am suitably advised that the Prime Minister's Office has started the review and it will intensify over the coming months, leading to consultation with industry players and stakeholders from which a reform plan will be developed for implementation over the medium term.

Ahead of this, however, and in an effort to proceed with the implementation of our short-term adjustments to the tax policy process as it relates to VAT, the Ministry of Finance and Economic Affairs has recommended and Cabinet has approved that all betting and gaming services and supplies are to be subjected to the VAT at the standard rate. In execution of the mandate, I am proposing that with effect from September 1, 2015, all betting and gaming services which are currently exempted from the VAT will be removed from the exemptions list and will therefore be subject to the VAT.

It is also our intention that once these arrangements for the application of the VAT on the sector have been put in place, the existing applicable licence and other fees will be reduced and entirely eliminated where appropriate. Until such time, of course, the existing fees remain applicable. This will give both the sector stakeholders and the BRA sufficient time to engage each other on the new tax regime and to iron out any perceived issues which might arise. It should, however, be noted that irrespective of how and

when this new tax regime is implemented, entities which are now subject to the process of licensing as prescribed under the Act will still be required to engage the process as required by law even if the licence fee is removed. So the fact is that even if the licence fee is removed, you still have to go through the process of licensing - you just would not pay the fee. There just would not be a fee. You would pay the VAT. It is anticipated that with imposing the VAT on this category the treasury will benefit to the tune of \$20 million in this financial year.

Relative to the issue of VAT registration, as you would recall, sir, in 2010, on recommendation from the VAT Division, I agreed to announce that the threshold for VAT registration should be moved from \$60 000 to \$80 000. Since then, further analysis both from the most recent review and other market research has shown that compared to other jurisdictions, Barbados' threshold still remains way too low. Indeed, tax authorities have opined that any revenue gained from having such a low threshold is currently outstripped by the costs associated with diverting technical and human resources to contend with a plethora of small registrants and VAT refunds which many are forced to claim on the import VAT. It is argued that these resources should be better spent covering large businesses which collect the bulk of the VAT revenues. Accordingly, effective January 1, 2016, the VAT registration threshold requirement will be increased from the current level of \$80 000 to \$200 000.

CORPORATION TAX

Sir, one of the findings of the entire review process as it relates to corporation tax is that Barbados has one of the most competitive tax rates in the region and in fact the wider world. This, together with a number of very generous carve-out provisions for capital allowances and credits, have allowed investors, both domestic and international, to see Barbados as a very attractive place to do business. This regime, which has been built over many years, has afforded the country to build out many aspects of its economy and society from the spending which these businesses do within our borders.

However, as with any regime of incentives, there are some provisions which over time have served the purpose for which they were originally intended and would be in need of review since they could be permitting more benefit than was originally intended. Added to this, sir, has been a structural decline in the level of revenues from corporation taxes. For example, in 2006, Barbados earned \$445 million from corporation tax; in 2007 we earned \$521 million; in 2008 it was \$440 million; 2009, \$372 million; 2010, \$294 million; 2011, \$298 million; 2012, \$268 million; 2013, \$174 million; 2014, \$206 million. Sir, the trajectory has been going down and down and down. In fact, sir, by 2013 we were actually earning almost \$300 million less in

corporation tax than we were earning in 2006 and 2007. Mr. Speaker, this is not good.

This decline in the revenue from corporation tax is due largely to developments related to the international business sector, not necessarily the downturn in the economy. Firstly, in the 2009–10 period, revenues were affected by the fact that companies in the sector declared losses as a result of the global economic recession. Secondly, changes in the domestic laws in Canada, our main source market for international business companies, meant that we had to reduce the tax rates to around half of what they were to retain those businesses and make the environment generally attractive.

In this context, I have accepted the advice of the tax administrators that a couple of small adjustments are necessary to the corporation tax regime to permit for a rebalancing of the process. Therefore, effective income year 2015, I have decided in respect of the existing allowances and deductions for corporations against their standard tax rate, the following will be adjusted: in section 12 of the Income Tax Act, where it says “other” deductions against the corporation tax and/or deductions for contributions to special funds, the applicable claim will be reduced from 150 per cent to 120 per cent where applicable, or to 100 per cent entirely. So it will go from 150 per cent to 120 per cent where applicable, or to 100 per cent entirely. You will still be able to claim 100 per cent of what you donate - it is just that the little extra that we provided we will now adjust downwards. Based on the definition of Special Fund and what is classified as other investments in certain funds such as the Regional Negotiating Fund, the Tourism Investment Fund, the Enterprise Growth Fund, etc., these will be included. This would mean that businesses which have spent \$32 million on special funds and were allowed to claim an amount of \$48 million representing 120 per cent or 150 per cent of the expenditure will have this claimable rate reduced to 100 per cent. In this particular case, Government is expected to yield an additional \$4 million of tax revenue based on the current applicable corporate tax rate of 25 per cent in Barbados.

CORPORATE GROUP RELIEF

The use of corporate losses by companies in Barbados has been a cause of concern for the past years. Approximately 54 companies make use of group losses in any given year, with the largest amount being claimed in excess of \$17 million. Using figures from the tax year 2013, losses surrendered totalled \$81 million and losses claimed \$76.9 million. Now, in order for a company in a group to use the losses from another group, that company must agree to give up those losses. Since the losses can be carried forward for nine years, the impact of these group losses can be felt many years down the road and impacts

negatively on the revenue forecasting of the Government. Therefore, with effect from tax year 2015, group losses will no longer be allowed and losses will be carried forward for only seven years. This is expected to result in additional income of approximately \$15 million using the current tax rate of 25 per cent.

PERSONAL INCOME TAX

For the tax year 2013, in excess of 90 000 tax returns were filed with over \$68 million in refunds payable to 62 100 taxpayers. The administration of the tax system has become complex as the years have gone by and even in a technological environment, a high degree of human intervention is still required to check, review and assess returns submitted as the number of deductions has increased. More resources are needed to carry out this auditing even where a threshold has been established for returns to be audited, leaving fewer resources to address other areas of compliance and enforcement.

Further to this, the current economic situation which has affected the Treasury's cash flow position has had a negative impact on the rate at which tax refunds have been paid for tax year 2013. We are cognisant of this fact and of the fact, sir, that this has caused hardship to Barbadians and are seeking to reduce the recurrence of this situation. In fact, I can say, Mr. Speaker, sir, that we have indeed been able to pay over \$30 million of the amount already in returns, and this week alone, Mr. Speaker, sir, I can tell you right now that at the office of the Barbados Revenue Authority the staff is stuffing 24 000 envelopes for returns to be paid this week - with interest. Fifty per cent interest attached.

Mr. Speaker, sir, you may ask why it is that we are having to stuff so many envelopes when we went a few years ago to online payment. The problem has been that many people who file tax returns and expect refunds coming to them are members of the credit union, but the banking clearance system does not recognise the credit union as an approved institution for lodgement. Therefore we are unable to send returns to credit unions by way of lodgement, so we have to do it physically and manually. We are working with the banking officials to come around to some way of dealing with this, but that is where it is at and we are doing it. The issue, Mr. Speaker, sir, at hand is that we promised that we would have this backlog of returns cleared and we are well advanced in clearing those.

The Barbados Revenue Authority in its Business Plan 2015–16 speaks of the development of a customer-centric approach to tax administration which would lead to a greater instance of voluntary compliance. To assist in this initiative, the Ministry of Finance and Economic Affairs is therefore of the opinion that a simpler, less complex approach to tax administration should be developed. With

this in mind and coming out of the 2014 tax review process, Government has agreed to recommend that not only should the personal income tax process be simplified, but also that there should be some relief of the burden of taxation, making more disposable income available upfront to the taxpayer instead of at the point of the refund.

Therefore, Mr. Speaker, it is proposed that with effect from income tax year 2015, only the following deductions will be allowed along with the existing personal allowances - and you know, of course, you get your first deduction of \$25 000 tax-free and then you move from there: donations and contributions to trade unions and statutory associations; donations to charities, including the church; and energy audits and audit retrofits. Other special credits such as foreign currency allowances and double taxation relief will also remain in keeping with our treaty obligations. So your spousal claim, your children's claim, your parent claim, your 25 per cent deduction - all of those will remain in addition to the ones that I have outlined: trade unions, statutory associations, donations to charities, covenants to churches and so forth and so on, and the renewable energy deductions - those will all remain within the system. All of the others will be removed.

In addition, in an effort to ensure that the taxpayer is not unduly disadvantaged by these changes, I now propose that the current rate of tax at the bottom - 17.5 per cent - be reduced to 16 per cent, and the higher rate of 35 per cent be reduced to 33.5 per cent. This will result in a reduction of approximately 60 per cent of the tax refunds being processed and be relatively revenue neutral, netting the Government only \$9 million in additional revenue. And it of course means that every taxable individual relative to income tax will be carrying home, as some people would say, a little more money in their pocket. So you get your money upfront and you do not have to worry about whether the Government can have the money to pay you at the end of the year.

Finally, sir, in this area it has now become an open secret. In Barbados there are several potential taxpayers who, for a number of reasons - including their own insistence on not paying taxes that are due and owing to the authority - have over the years refused to participate in the system. This problem has gotten worse as a result of the weakness in the capacity of the tax authorities to contend with the growing number of dropouts from the system and those who have decided that they would not enter the system at all.

From as early as 2002, under the last BLP administration, under the leadership of the Right Honourable Member for St. Peter as Minister of Finance then, he agreed to the initiation of a process of reform and consolidation of the tax collection functions in the Government. Equipped with enhanced powers and

adequate resources to address this unacceptable situation, this administration accepted the value of this approach as useful and necessary, and under my tenure as Minister of Finance moved the concept of a central tax collection administration from idea to reality. With the birth of the Barbados Revenue Authority, I am satisfied, *ceteris paribus*, that the process has been going as well as we could expect, and in spite of resistance in some quarters to the new dispensation - which, if only one year behind it, has really had a positive impact on improving tax collections and administration in Barbados - we need to do even more.

However, an institution such as this can only be as successful in dealing with such critical challenges if Government is prepared, as we are, to stand behind the institution and ensure that our support is not just verbal, but backed by real actions to ensure the necessary, appropriate and efficient execution of its mandate. To this extent, in the next few weeks, I will bring to Parliament various amendments to specific pieces of legislation, including the BRA Act, to close loopholes which have presented themselves now that the BRA is fully operational and which are acting in ways inimical to the objectives of the organisation.

One of those areas relates to the effectiveness of the organisation to bring a larger group of non-salaried, independent professionals who earn money from the practice of their profession or trade, but simply refuse to pay tax or even register with the tax authorities. Sir, this has long been an outstanding bugbear for tax administrators in Barbados as these individuals still have free access to and utilise public goods and services free and

social services and amenities which our country so generously provide. Our responsibility as a government is to ensure that every citizen who is labeled by law to pay taxes does so in order to create conditions that will lead to a broadening of the tax base to allow for government to collect enough revenue to run the country while lowering tax rates. But another way, sir. This situation of some people paying their fair share and others escaping the net must be brought to a halt to the extent that we can. I therefore propose that, effective immediately, all individual professional operators provided for under the registration regime of the Profession, Trade and Business Registration Act shall be required to produce a valid tax clearance certificate from the Barbados Revenue Authority in order to renew their respective licences to practise in this jurisdiction. Well, Mr. Speaker, sir, that is the proposal. Let us go to court and see who does not wish to pay their taxes in Barbados.

I challenge you to do land taxes. Land taxes.

Mr. Speaker, sir, you will recall that as part of the 19-month programme, we introduced a number of

temporary taxes to assist government in boosting its revenues and tackling an unacceptably high deficit. In December of last year, in a ministerial statement to the House, I asked the country to bear with us as we seek to continue our success in this regard by extending the life of those impositions for an additional year. And at that time I also noted that it was government's intention to review the municipal solid waste tax which had formed part of the package and was expected to lapse after the first phase of the programme ended March 31, 2015. We have subsequently completed that review and have decided that we will proceed with the planned repeal of the Act. This is the Municipal Solid Waste Act.

However, sir, as you would appreciate, government is still in need of the revenues which this tax would have generated to ensure that our programme of fiscal consolidation stays on track to meet its 2015–2016 targets while providing resources to assist with the management of the country in this regard. I therefore propose that in an effort to provide for the expected loss of revenue from the removal of the municipal solid waste tax, that adjustments be made to the current land tax rates and demands as defined under the Land Tax Act Cap. 78A. It would also mean that only one set of bills will be issued instead of two and, of course, this will be a cost-saving measure for the Barbados Revenue Authority.

It must be remembered that land tax rates were last adjusted in the year 2011–12, when the rates for non-residential properties were adjusted from 0.65 per cent to 0.50 per cent and the bands for residential were expanded from the original structure to the existing ones. The new proposed rates, therefore, effective 2015–16, will be as follows:

Tax Year 2015–16: Vacant Land - 0.80 per cent; Non-Residential Land - 0.70 per cent; Residential - First \$150 000: 0 per cent (no tax); Next \$300 000: 0.1 per cent; Next \$500 000: 0.45 per cent; and 0.75 per cent in excess of \$1 000 000.

So by example, a residential owner with a property valued at \$150 000 will pay no tax or less. A homeowner with a property valued at \$250 000 will now be required to pay \$100 per annum, an increase of \$40. A property valued at \$450 000 would now attract a charge of \$300, an increase of \$40 from the current \$260. A property valued at \$600 000 will now result in a tax of \$975, up from \$760, and a property valued at \$1 million will now be required to pay an additional \$215, moving from \$2 560 to \$2 775. So these are very, very small increases.

Mr. Speaker, sir, yes, this is a very small increase - \$40 at the lowest, \$215 at the higher end for properties over a million dollars. Now, Mr. Speaker, sir, if you recall, with the municipal solid waste tax combined with the existing

land tax, the rates and the incidence would have been much, much higher. It must be emphasised, sir, and I want to make this point - it must be emphasised that the rebates, allowances and discounts for early payment, all of which are in the Land Tax Act, will continue to be honoured as normal. So the pensioners and agriculturalists and all those persons who currently get their rebates and remissions will continue to get those as normal. It should also be noted that the amended rates for the residential sector are no less imposing than those that existed for the 2010–11 tax period. And the incidence of tax would be no more demanding in this form than if we had both the municipal solid waste tax and the land tax being imposed. This realignment is expected to raise \$44 million based on last year's tax revenue.

EXCISE TAXES

Mr. Speaker, another key area of tax policy and taxes levied, which attracted the attention of the various committees, was that of excise tax. Most, if not all, analysts and stakeholders were of the opinion that our system of excises, though complicated in some areas and in need of general targeted reforms, were generally consistent with international structures and standards. They, however, lamented the fact that, quite like most of the other fiscal impositions in the country, there are substantial derogations from the standard rates across applications as a result of very generous waivers and exemptions.

Indeed, the William Lane Committee in its analysis drew particular attention to the fact that the value of excise tax waivers during the period April 2009 to June 2014 was put at the grand figure of \$456 256 333.67. In other words, sir, we have waived or foregone \$456.3 million in excises alone. And for that same period, if we take the total VAT and excise waiver, it amounts to \$1.8 billion. That is how much money we have foregone. These shocking statistics point to a stark reality of how much revenue, albeit for many useful purposes, government is currently foregoing to assist many interests in the economy and sustainability.

The truth is, Mr. Speaker, sir, we have a lot of taxes by way of number. The number of taxes might be a lot, but the actual incidence of tax is quite low because we always waive, exempt, remit, refund, or otherwise forego. While it is accepted that a significant part of this is unavoidable, if government wishes to remain relevant and competitive in the investment market, we have to give these things. It is also agreed, though, that some discipline must be exercised by the Ministry of Finance in how, who, and in what amounts such waivers are entertained. It is also believed that in keeping with the country's efforts at fiscal consolidation and reform and meeting the challenge associated with the financing of government operations, the Ministry of Finance and Economic Affairs must seek not only to put measures in place to limit the amounts of

waivers, but identify strategic areas in which the introduction of new excises can be implemented to assist with special issues while at the same time not putting undue burden on the public.

My Ministry has accepted this timely advice and has already moved to curtail discretionary waivers on excises as announced in the previous ministerial statements. In addition to this, and as part of our continued efforts to recover some of the hundreds of millions of dollars foregone every year, we have determined that as part of the national effort required to support special social development causes, three new special excises will be introduced. The proceeds of these new excises will help finance education and environmental protection, as well as contribute to health financing. These will be as follows.

1. A new excise on Mobile Airtime Usage. As you recall, Mr. Speaker, sir, in the 2009 financial statement and budgetary proposals, my predecessor in office, the late Honourable Member for St. John, announced the imposition of a special excise on cell phone usage. It was intended that some of the resources garnered from the said imposition would be provided to assist with particular aspects of our educational system. For reasons not yet entirely clear to me, that imposition was never implemented. In the interim, several social partners, including some members of the labour movement, raised the issue of a cell phone tax as a way of financing additional revenue to contribute to government's effort to deal with its deficit. The matter was again raised during the Taxpayer Policy Review, where it was indicated that Barbados was one of the few countries in which such a tax or excise was not levied.

Following much consideration of this matter, the Ministry of Finance and Economic Affairs, with the approval of the Cabinet, has decided to revisit the issue of a cell tax. In considering this matter, however, we determined that a different approach was required and we decided that an airtime excise duty shall be applied on all mobile airtime used by cell companies operating in Barbados. Information gathered from the Telecommunications Division of the Ministry of Energy and Telecommunications indicates that the annual total minutes used by LIME subscribers for 2014 was approximately 575.9 million minutes and for Digicel subscribers, 514.5 million minutes. While in contrast, current charges to landline and other mobile devices issued by both of these service providers are as high as \$0.72 per minute in the case of Digicel and \$0.65 per minute in the case of LIME.

Therefore, effective from August 1st, 2015, a mobile airtime excise duty on cell phones will be imposed at the nominal rate of \$0.03 per minute for both service providers, LIME and Digicel. On current usage, it is

expected that this imposition will generate a total of approximately \$32.7 million in revenue on an annual basis for the Treasury. Service providers currently pay the VAT to the Barbados Revenue Authority and will be responsible for collecting the airtime tax and paying it into the BRA in the same manner as they do the VAT, much in the same way as it was intended by the late Prime Minister when he introduced the now unimplemented cell phone tax in 2009.

It is the desire of this government that some of the resources garnered from this imposition will be provided to the Ministry responsible for Education to specifically fund a new national UWI tuition scholarship programme, to which I will draw attention later on but which the Ministry will give fuller details in the coming weeks.

Mr. Speaker, sir, we have a situation in Barbados in which there are almost 400 000 cell phones - certainly more cell phones in Barbados than we have population. Some people have three and four. I have one because I can only afford one. And this is a discretion: if you use a lot of time then you pay; if you don't, then you don't pay. This is good and the resources are going to a good cause for education.

2. A special excise on sweetened beverages. Mr. Speaker, it is now an indisputable reality that Barbados is on the verge of a national crisis with regards to persistent health problems associated with the escalating level of non-communicable diseases. This has caused expenditure across the healthcare system to expand enormously as government seeks to provide requisite but costly interventions to assist Barbadians to manage their respective illnesses. One of the major afflictions in this category of illness that has escalated in the past few decades is that of diabetes mellitus, which is now a major cause of sickness, amputation and morbidity on the island. In this regard, empirical research has shown that the explosion in the number of persons affected with this disease, particularly the type 2 version, can be shown to have a strong causal link to the consumption of high amounts of processed sugars and carbohydrates.

In Barbados, as is also the case in many other jurisdictions where diabetes is a challenge, one of the products which is known to be heavily used by an unsuspecting population is sweetened beverages. In the case of Barbados, the plethora of sweetened drinks and juices on the local market is as a result of supplies both through importation and from domestic production, and studies have revealed that they are generally known to contain an over-generous input of high-calorie sweeteners such as sugar syrup and the like.

Over the past years, as Barbados and other countries in similar positions have intensified their national focus on NCDs, their treatment and especially their prevention,

health and economic policy officials have petitioned their respective governments to urgently address this issue among others. The general thrust of the efforts has been not only to raise public education and awareness as to the latent dangers of consuming such beverages, but also to try to encourage a change in behaviours so as to lessen the consumption of sweetened beverages and/or to encourage the producers of such drinks to reduce the level of sugar and high-calorie sweeteners in the drinks in Barbados.

We have always respected the maxim that an ounce of prevention is worth more than a pound of cure. This Government is of the view that this maxim is particularly applicable in this regard and has decided to respond to the numerous petitions, including from the National Committee on Non-Communicable Diseases. We had a wonderful meeting - the subject wasn't so wonderful, but we had a good meeting - with the Commission and with the UN task force on NCDs at the Cabinet level, and we have decided to respond to those petitions going forward in this regard.

Cabinet has decided that in order to encourage healthier consumption patterns among our people as it relates to the consumption of sweetened beverages such as carbonated soft drinks, juice drinks, sport drinks, fruit juices and others - particularly those falling under the imported items tariff headings 20.09 and 22.02 on the import side - and similar products of like standing produced within Barbados that contain added high-calorie sweeteners, will now attract a 10 per cent excise levied on the value of the product before the VAT is applied. Beverages containing intrinsic sugars only, such as 100 per cent natural fruit juice, coconut water, plain milk, evaporated milk and so forth, will not be subject to this excise tax. This policy, which is expected to generate \$10 million in revenue this fiscal year, will be reviewed in two years' time to determine how effective it has been in shifting the behaviours of producers, importers and consumers, and whether it should be extended or indeed intensified. Mr. Speaker, sir, this policy takes effect from August 1, 2015.

STATE OWNED ENTERPRISES

Mr. Speaker, sir, as you are aware, over the past four decades, government, in an effort to decentralise the provision of social and economic services, has relied on the creation of numerous government-owned entities - interchangeably referred to as SOEs, State Owned Enterprises, parastatals or statutory boards - to achieve those objectives. These entities have come to be associated with the delivery of critical services and goods to the wider public, such as housing, public transport, agricultural services, health, education and water, to name a few. The rationale behind this shift from central government was to

allow for greater flexibility in the provision of goods and services to the public.

Over time, however, as the number of entities grew, they have not only become a heavy financial burden on central government, but many have found themselves ensnared in a web of deficiencies that have negatively impacted their capacity to effectively deliver public goods. In the meantime, as a result, they have also been building up massive debts. Indeed, due to a noticeable deterioration in their financial fundamentals as a result of their operational and financial management weaknesses, several of the entities have found themselves in major financial difficulties, threatening their viability and in some respects their actual survivability.

Even more alarming is the fact that analysis has shown that at a structural level, the financial weaknesses of these entities have been a major contributor to the build-up of serious structural deficits in the public finances. In 2014, as part of government's objective to pursue a medium-term fiscal consolidation and economic reform programme and to reposition our country's economy, the Ministry of Finance and Economic Affairs, with the concurrence of the Cabinet, decided to invite a team of public finance and management experts from CARATAK to do a comprehensive review of the state-owned entities - the so-called non-financial public sector. The purpose was to gain an understanding of the true scale of the problem we are confronting, the root causes of these major challenges, and ultimately to recommend relevant and implementable recommendations to initiate a turnaround of the situation.

During the period January to February 2015, a team of advisors from CARATAK conducted a technical study of the SOEs and statutory boards in Barbados, and emanating from that study was the recommendation for the development of a Performance Monitoring Framework (PMF) to monitor the performance of these entities. The summary findings of the CARATAK report included the following observations:

1. Barbados operates a dispersed model of ownership whereby oversight of each SOE is done by a parent portfolio ministry which is concerned with the implementation of government objectives and less focused on the financial performance.

2. Both SOEs and statutory boards represent a significant source of fiscal risk to the government through the generation of large financial losses, high accumulated debts and cash flow deficits that are funded either by debt accumulation, unpaid arrears or scheduled and ad hoc budget interventions. Some of them have accumulated significant arrears. These arrears are a concern in the context of fiscal risks since they are characterised as unquantified liabilities.

3. Very few of these entities are in a position to record any cost recovery. This can be attributed to a combination of inefficient operating practices, relatively high cost structures, high mandated levels of service and low prices. No clear financial targets have been set for their operating costs, operating deficits, return on assets, return on equity, or profitability.

4. Some of these SOEs and statutory boards are insolvent and are unable to meet their obligations when they become due.

5. Statutory boards provide relatively high levels of service, but there is little evidence that the cost of the services is factored into the decision regarding the quality or quantity of the service to be provided.

6. Many SOEs and statutory boards routinely do not comply with their statutory reporting obligations. Of concern is the backlog in the preparation and submission of audited financial statements. The lack of audited financial statements represents a significant risk and makes meaningful oversight difficult.

7. Significant capital expenditures are required which are beyond their financial capacity because they do not have the internal capacity to generate capital, causing capital projects to be deferred. This leads to a deterioration of existing capital stock of fixed assets. Repairs and maintenance expenses are highly excessive.

Following the presentation of the report to the Ministry, several internal consultations were held with critical stakeholders in the process, including line ministries and oversight departments. Coming out of that process, the report was presented to and discussed by the Cabinet and a number of decisions were taken. The following are of particular note:

The amalgamation and/or abolition of SOEs to be pursued - and, sir, we spoke to this earlier in the House of Assembly. In terms of the ones that we will amalgamate, the work has started on those. The Cabinet has decided that there are none in particular that we will dispense with, but we will merge the functions of those entities to make them more efficient.

The Management Accounting Unit should start the process of collecting more detailed information by undertaking a survey of key fiscal data points. This process has been completed.

The establishment of a formal process of performance oversight and the establishment of a Performance Monitoring Framework. The Ministry of Finance and Economic Affairs has established a process of

implementation which it will begin shortly. That reform process will be highlighted by the following:

It is proposed that for the financial years 2015–18, the government will adopt a phased approach to the implementation of the programme. During 2015–16, five entities will be selected in terms of their risk and size and will adopt guidelines to prove the concept, which will allow for the development of the necessary reporting arrangements. The five entities that we have selected are the Transport Board, the Barbados Agriculture Management Company (BAMC), the National Housing Corporation, the Queen Elizabeth Hospital and the Barbados Port Inc.

At the beginning of financial year 2016–17, it is anticipated that the remaining 10 SOEs will adopt the guidelines so that they can commence work on the Performance Monitoring Framework in preparation for the commencement of the financial year 2017–18.

During the week of May 26–29th, 2015, meetings were held with the five entities and their parent ministries to sensitise them as to the new regime and discuss how the PMF will be implemented and what the requirements are. Follow-up meetings with the five selected SOEs will take place during July and October this year.

The key elements of the Framework are:

A Letter of Expectations - this document seeks to clarify and define government's policy objectives and the expectations of the role and responsibilities of the entities, along with government commitments to hold the entities accountable for their performance. It would also address areas of transparency, accountability and operational matters. The signing of this document should be completed and given to the SOEs by the end of this month.

Performance Monitoring Guidelines - the guidelines, which communicate the Management Accounting Unit within the Ministry of Finance's expectations on the performance monitoring regimen, specify roles, key tasks and the timetable applicable to the PMF, and should be distributed to these entities by the end of this month. The guidelines would outline the following: 1. The process for establishing and formalising specific objectives for the boards and state entities; 2. The respective roles of the Ministry of Finance and Economic Affairs in exercising its ownership role, the parent Ministry in exercising its policy role, and the Board

of Directors in fulfilling their obligations to establish objectives and report performance and the MOU in exercising its mandate to monitor the performance and three specific operating procedures and guidelines which will set forth the task of monitoring of the monitoring,

exercise, sequencing and prioritizing. It should be noted as well that the SOEs that are not currently part of the pilot will receive their documents by December 31, 2015. Corporate Planning Framework - this document is a formal agreement between the boards of the SOEs, the Ministry of Finance and the parent Ministry to set the strategic direction and performance targets over the corporate planning period which is a fiscal year. The two elements making up the corporate programme framework are the three year statement of Corporate Intent and an annual financial plan in the case of statutory boards and an annual business plan in relation to the state owned entities which are to be submitted to the Ministry of Finance and the parent ministry four months before the beginning of the fiscal year 2016–17. The SCI would have a standard format across all the entities and should provide the following: vision and mission statement; core business operating environment; strategic direction; budget and forecast financial statements; forecast capital expenditures; financial and non-financial key performance indicators; and performance targets for each of the KPIs. Plans are being undertaken to amalgamate and merge, as we said, entities with similar activities and roles so as to improve the operations and bring greater economies of scale. This process will be ongoing until the targets are achieved. The strategy behind the new regime is to adopt a new culture for the SOEs and statutory boards so that they are self-sufficient, accountable, customer focused and would add to the overall social and economic growth of Barbados.

I hasten to add, Mr. Speaker, sir, that very shortly my Ministry will also be working on a set of new accountability guidelines for managers of these entities to adhere to. These guidelines, which should be largely based on what is already required in existing law, will have - once the Cabinet approves - appropriate stiff sanctions for entities that persist in not meeting the statutory and other obligations. It will not be business as usual.

The third area of the reform process, Mr. Speaker - debt management reform and reduction. Sir, the level of debt is extremely high. The high level of debt service is inextricably linked to our fiscal challenges now, but more so to the deep and age-old structural weaknesses in this economy. Government has recognised this and has taken several actions in an integrated approach to address this problem. While the bulk of the responses in the short term is targeted towards fiscal consolidation and reigniting economic growth, there are a number of other critical interventions which should also be considered. Some of these relate to the build-out of a more modern and integrated debt management mechanism which is currently being established and will include: completing the work on a central debt management policy; further strengthening our Debt Management Unit; revising the debt management legal framework through a consolidation of the functions and roles and responsibilities of relevant authorities; and

providing for better public debt data and systems. The extensive body of work that is being undertaken with the assistance of the Commonwealth Secretariat has only recently been approved by the Cabinet and recommendations for moving forward are being put in place.

That aside, I believe that it is incumbent on me to say that Barbados has an enviable record when it comes to paying the monies that we have borrowed. We have never in our history defaulted on any debt and are not about to start now. Neither are we courting any inappropriate ideas of taking short cuts and creating long-term damage to our hard-fought reputation as a country that meets its commitments. As we are all well aware, a reputation takes years to build up but can be destroyed in an instant. This Administration has no plans of engaging in a frolic of the type of debt restructuring which now seems to be creeping into the discourse of the proponents of the economics of the easy way out.

A frolic? Yes. What we will do is engage in an enlightened debt management and monetary policy that will seek to allow traditional market interventions to help Government reduce some of its debt servicing costs over the next planning period while easing some of the cash flow challenges which we have been facing in the past years. In this regard, our primary focus will be working to access lower cost financing alternatives, particularly for Government's capital works programmes. Already we have proceeded to complete our membership of the CAF which affords us access to major financing at highly concessional rates. Equally, we have determined to further exploit our positive relationship with the People's Republic of China on major capital works projects. This is being kick-started with a \$400 million Barbados dollars SAM Lodge project to start in September as you heard. Additionally, we have locked in two major low-cost financing options for the Barbados Water Authority Mains Replacement programme with the IDB and the Citibank Canadian CCC for over \$200 million Barbados dollars of public investment at less than 3 per cent interest. We also have to continue to aggressively implement our country strategy programmes with the CDB and the IDB on both existing projects and new projects for the next programme cycle.

Over and above this, Government will pursue an enlightened policy of divestment of particular assets owned by the Government that lend themselves to private investment. Already we have identified such assets as the Terminal Company and some of the properties associated with the Gems of Barbados which are at an advanced stage of divestment or collaborative relationships with the private sector. And that is the type of thing we will be doing - not the wild privatisation picnic, as I call it, that some people seem to think will solve all the problems in Barbados.

Resources earned from these initiatives will be used, in part, to pay down existing debt and lower service costs.

Over and above this, however, as I said before, the most efficacious way to reduce the debt and relieve the servicing cost is to continue our aggressive efforts to bring the fiscal deficit down and to eliminate it over time from fuelling debt growth. So as part of this, therefore, you will recall that in last December I indicated to this House that the Government was carefully considering the introduction of a fiscal rules mechanism to condition the way in which public finances are designed, managed and in some respects reported. Consequential on this, the Ministry of Finance invited CARTAC to sponsor a technical assistance to the Government of Barbados to initiate this process that will lead eventually to the enactment of a fiscal responsibility law in the medium term.

It is my duty to report to the Chamber and to the country that during the past weeks a fiscal rules specialist from the IMF Fiscal Affairs Department visited Barbados to conduct an initial assessment of our situation and to give preliminary advice on how we can move towards building out that work. While there is still a significant amount of work to undertake before a final report is submitted, the Consultant has indicated that from his experience in dealing with the process in other countries and given Barbados' own circumstances, it will be useful if, in moving to our eventual goal of a fiscal law, we first go through the stages of working on several reform initiatives in critical areas of our public sector operations. This, he opines, would allow the country to target an appropriate fiscal rules framework that would make the passage of a law more credible and the provisions more achievable. In fact, he lamented that in many of the countries where there was a rush to implement a fiscal law, several have in fact broken those laws in a very short period of time after passage. We do not intend to make the same mistake.

As such, much of what I have just outlined to this House on key aspects of our reform agenda is designed to put us in a position where we can credibly move towards appropriate fiscal rules and eventually to a hard fiscal framework law. In the coming weeks, as the work of the consultant progresses and firm recommendations are made, I will update the House as to the precise roadmap we intend to use for achieving the desired goal.

In this regard I now turn my attention to the final area of consideration - Social Sector Reform.

FINANCING KEY SOCIAL SERVICES

Sir, the final area of Government's medium-term fiscal reform agenda relates to the very weighty issue of financing the critical social services within the context of a low-growth economy with high deficit and high debt

profiles. Barbados and Barbadians have been highly regarded by millions across the world for the outstanding social development platform that we have been able to construct. This platform has been absolutely integral not just to the socio-economic advancement of Barbados and its human resources, but has allowed the country to rise to be acknowledged as one of the leading developing countries in the world. This achievement has primarily been built around our desire, intent and determination to offer critical social services such as education, health care and sanitation, free of cost at point of delivery and on a universal access principle.

Since the early 1960s and up until the last decade this country has operated a model quite similar to those seen in many advanced European countries, particularly in the Scandinavian countries. That model called for these services and others to be universally accessible to all members of the population on the understanding that the citizens will be asked through regular tax systems to contribute significantly to Government's revenue to assist with financing the provisions of these services. By and large that system has worked there as it has here and is still pretty much the preferred option among most stakeholders - particularly, I assume, the two main political parties, certainly for this one.

However, as with most things of this nature, that model of social service provisioning has in recent times been seriously challenged by the country's waning capacity to finance the exploding costs of providing such services, together with the growing demands of a more sophisticated and ageing population. Indeed, sir, the situation has become even more acute in recent years as the negative impact of the fallout from the economic and financial downturn has taken its toll on Government's revenues. To be sure, in the past seven years, while Government revenues as a percentage of GDP have declined, our expenditure outlays in all major social public goods categories have in fact increased. This has in turn been a key driver in the growth of the fiscal deficit over the period.

Germane to this entire debate has been the core philosophical principles underlying the active model on which social public services provisioning has been based. For much of our post-independence period the issue for many, including this Government, is not if we should continue making these services available - that is beyond question. The issue is how, not whether, we should provide them; how, given our broad fiscal issues, is our broad approach to delivery of social services and how these are to be funded. There are fundamental questions, sir, such as: which services and activities should be delivered by the Government? Should there be universal access at point of delivery? Should there be means testing so that those who

can afford carry a larger share of the costs? And what are the appropriate levels of taxation?

Mr. Speaker, at present we seem to be caught in a vortex where we have a so-called Scandinavian approach to the delivery of social services - where they generally are provided free of cost at point of delivery, so-called universal access - while on the other hand, we appear to desire an Anglo-American approach to the issue of taxation where taxes are relatively low and citizens clamour for even lower taxes and tax exemptions. Indeed, sir, some basic research will show that when compared to most European countries that provide universally free social services at point of delivery, our tax rates on corporate, consumption and especially personal income tax are much, much lower. For example, the average personal income tax rate among Scandinavian countries such as Sweden, Denmark and Norway is in excess of 42 per cent, whereas in Barbados the highest point was 35 per cent. It is now 33 per cent because we lowered it today.

Mr. Speaker, sir, moreover, very few of those countries offer personal allowances and deductions in the code and certainly where they do, they are not as extensive as we do in Barbados, where every single taxpayer is allowed a personal deduction of \$25 000. So a person earning a million dollars in Barbados gets the same \$25 000 exempted from taxation as the person earning \$25 001. Equally, the average VAT rate in these countries, and indeed across Western Europe as a whole, is in excess of 20 per cent, whereas in Barbados our rate is 17.5 per cent and replete with carve-outs, remissions, exemptions and waivers.

Little wonder, sir, little wonder, sir, that while most of these countries offer similar social services as ours, free of cost at point of delivery, and can boast of an average percentage of revenue to GDP of 38 per cent and in some instances above 40 per cent, Barbados at its highest rate - and this is when everything was going well - could only get as far as 34 per cent of GDP. In fact, over the last six years the percentage has been around an average of 27 per cent of GDP. So that in the midst of the world's worst recession, which has impacted severely on Barbados' fiscal condition, the economic paradox of the public expecting the delivery of myriad social services free of cost while at the same time demanding lower taxes has become irreconcilable.

Mr. Speaker, I submit to you that we cannot be the United States and Sweden at the same time. The cost of social services such as healthcare, education and waste management that are critical to our continued development and quality of life continue to rise faster than the rate of inflation or the sustainable economic growth in Barbados. The quality of these services is relatively good in Barbados, in spite of what people might think. But if we are to maintain that and advance beyond that to meet the new

challenges, we must develop new models of financing their delivery.

In this particular regard, it is incumbent on a responsible administration to lead the national discourse on these critical issues while at the same time ensuring that existing services are maintained to a level that can guarantee wide access, appropriate quality levels and thereby maintain social stability. This Administration intends to provide this leadership.

In December last year we would have indicated that it was our intention to initiate wide-ranging public consultations on these matters pertaining to creating viable models for healthcare and education financing over the medium to longer terms. In this regard I am pleased to indicate to the country that the Ministry of Health, under the leadership of the Honourable Member for Christ Church South, will in another few weeks initiate a series of national and sector-specific stakeholder consultations aimed at allowing members of the general public to engage the Ministry personnel on matters pertaining to the long-term financing of public health in Barbados. The Ministry has produced a discussion document with the help of some technical advice on a number of options and will canvass those views with all Barbadians, using various media to capture all positive recommendations.

Going forward, it is our expectation that within this financial year as well, a similar exercise will be undertaken by the Ministry of Education relative to the financing of post-secondary and tertiary education provision in Barbados.

As indicated above, while this important process of engagement for reform is ongoing, it is still incumbent on this Administration to ensure that the model we currently have is held together and in a most efficacious manner so as to permit it to deliver adequate servicing to a deserving public. In this regard, therefore, I am mandated to advise of the following initiatives in health, education and environmental protection.

HEALTH CARE CAPITAL EXPENDITURE TRUST FUND

Modern medicine and health care are built around the use of sophisticated diagnostic and treatment equipment managed and operationalised by highly trained medical and technical staff. These medical professionals are suitably supported by a cadre of experienced administrative personnel that all combine to provide top quality care to a demanding clientele in Barbados. Over the years we have been able to provide adequate medical care in our public health system. However, as a world tourism destination and a top-flight international business centre, additional pressure is placed on us to maintain medical services at the

highest possible level. In recent times, because of fiscal and other challenges facing the country, there has been more than a hint that in some areas potential issues have emerged that can and have posed potential threats to some aspects of our much-cherished healthcare system.

One of the areas in which this is true has been at the main general hospital, the Queen Elizabeth Hospital. When this Administration came to office in 2008, central Government transfers of financial resources to the QEH stood at \$130 million. By 2012 that amount had increased to \$212 million. Additionally, Government was required during the period to provide more than \$50 million to execute significant upgrades to the physical plant and equipment, including its electrical systems which were in a state of virtual collapse. This situation, which existed long before 2008, has now been compounded by Government's tight financial situation and cash flow difficulties. It is also worthy of note that as healthcare costs increase daily, the cost of provisioning for the main institution has become more challenging.

Even as we observe the fact that almost 70 per cent of the hospital's expenditure goes towards paying wages, salaries and other payroll costs, it is absolutely essential that as we strive to maintain a world-class healthcare plan and stay on the cutting edge of medical innovation, technology and equipment, we ensure that this now seemingly unfortunate public discourse which attends the day-to-day management of our main health care institution as it relates to financing and provisioning be brought to a hasty end. It is Government's responsibility to see that this happens.

To this end, the Government proposes the establishment of a Health Care Capital Expenditure Trust Fund. The Government envisions that this fund will be a public-private sector partnership with Government providing an endowment of \$20 million to the initial capitalisation of the fund. The Government will repeal the legislation passed in this House providing for the Catastrophe Fund currently managed by the National Insurance Scheme and approximately - I am now advised - \$42 million will be diverted to the Health Care Expenditure Fund.

As you will recall, Mr. Speaker, the Catastrophe Fund was first established in 2007 as a first response mechanism to assist persons within a particular income bracket in accessing resources to mitigate losses occasioned by natural or man-made induced disasters. However, while it was and still is a good idea, the concept never met reality as over its life thus far - even in spite of the fact that many have been impacted upon by difficulties resulting from various forms of disaster - not a single person has ever been able to access a cent from the Fund. There are a number of reasons why this has been the case,

chief among which were the very poorly drafted original piece of legislation and the lack of appropriate administrative regulations to support its operationalisation.

In the meantime, Barbados, as part of the community of regional nations buffeted by occasional disasters, came together to establish and launch the Caribbean Catastrophe Risk Insurance Facility - CCRIF - which in its relatively short existence has proven to be an effective mechanism for providing insurance coverage in case of natural disasters. Indeed, in the two instances where Barbados has suffered negative impacts from weather systems that damaged significant parts of our country's infrastructure, disbursements from the CCRIF have come within less than three weeks following the event at the appropriate levels. In fact, in one instance it came, I believe, in eight days. And for any insurer, that is a rate of speed that you will not see anywhere around.

It is our intention, therefore, to utilise some of the remaining resources in the Catastrophe Fund to purchase additional insurance coverage in the CCRIF to cover for those areas which would not now be covered if we repeal the Catastrophe Fund. While the intricate details of the operations of the proposed Healthcare Capital Expenditure Trust Fund will be worked out between the Ministry of Health, QEH officials, the Ministry of Economic Affairs and Finance and other relevant stakeholders in the coming weeks, it is Government's expectation that a large part of the main hospital's capital expenditure will in the future be drawn from contributions to the fund. There can be private and public contributions and we invite - once this fund is up - especially Barbadians in the Diaspora who want to contribute, who have been asking to contribute, they now have a fund into which they can put resources to help the main hospital.

In addition, Mr. Speaker, given the cash flow challenges which the Ministry of Health has faced in recent times and the build-up of unacceptable levels of liabilities at the QEH in recent years, it is also the Government's intention to tackle this problem head on. In the past couple of months, Government's cash flow situation has gradually improved and my Ministry has maintained a steady bi-weekly flow of resources to the QEH as agreed with the hospital officials and the Ministry of Health. However, even as this will ease the financing pressure somewhat at the institution, the QEH still has an unimpressive list of prior year payables to various service suppliers which we must, over the shortest period of time, liquidate.

Sir, from 2006 to 2008 the last Administration, against better advice, took a decision to subsidise fuel costs to consumers in Barbados by making the BNOC book the cost of the losses on the difference between the landed price of the fuel and the selling price of distributors. This caused the Company to rack up more than \$160 million in

debt, which virtually threatened the operational viability of the Company as a going concern. On assuming office, this Administration was forced to take the correct step to end that madness and further seek to put the financial arrangements in place to ensure that BNOC would be able to liquidate its massive debt, thereby stabilising the company and regaining its viability. In pursuance of this, the Company, with the Government's support, was able to arrange a bond facility with Republic Bank to clear off its debts. In this regard, as aforementioned, the facility, which was for five years, has now come to an end. It was serviced by the imposition of a small cess on fuel products sold by the Company. That cess, I am advised, raised in excess of \$35 million annually.

With that requirement at an end, and with oil prices easing to some appreciable extent, it is Government's intention to permit the Company to continue - under the appropriate legal arrangements - to attach that said cess on fuels for at least one more year. We are further proposing that a significant part of these resources be provided to Government, again under the appropriate legal arrangements. Mr. Speaker, sir, I am making this point very clearly because we know of an instance where monies of that Company were diverted to the NCF without the appropriate legal arrangements being made under the last Administration. We are not going to commit that particular error. So under the appropriate arrangements, these resources will be used to assist the QEH in its quest to pay down and eventually liquidate any prior year liabilities on its books for goods and services provided, and any statutory obligations.

So Mr. Speaker, sir, given the positive fiscal shock of having lower oil prices, plus having the provision of this cess - which was used to pay down the debt - now come to an end, we will divert those resources into the QEH to pay off all of the people that they owe over the next year. And that will bring, in my view, to an end and take the QEH out of the unseemly public discourse that has been happening in the last few years.

Let me hasten to add though, Mr. Speaker, sir, that the provision of these resources is not intended to be an additional transfer, defer or increasing the hospital vote, but entirely to deal with expenditure that has already been incurred and booked in the system as prior year liabilities. We have to continue to give the hospital its resources as normal, take the pressure of those liabilities off its back, provide for its capital expenditure through the fund so that the hospital does not have to have that done through the regular estimate, or go borrow at extensive rates on the commercial markets to carry up its servicing costs and carry up its expenditure, so to speak. So we are finally putting the hospital in a place that it will no longer be the subject of that.

Mr. Speaker, as you are aware, Barbadian students pursuing studies at campuses of the University of the West Indies are now required to fund their own tuition fees. This has had an impact on a number of existing and new students, some of whom have had to suspend their educational careers on a temporary basis.

Mr. Speaker, sir, as the Cave Hill Campus and as current and prospective students adjust to this new environment, it is Government's intention to ensure that we empower the most vulnerable of these students who may not, from a financial perspective, be able to meet the current requirements owing to their household economic circumstances. As such, we propose to establish a scholarships and grants programme to aid in this adjustment process.

Under this programme, the Government will provide full tuition scholarships and partial tuition grants of a value of \$2.5 million Barbados dollars in the first year 2015-16, \$5 million in the second year 2016-17 and \$7.5 million in the third year 2017-18. The total for this would be \$15 million over the next three years.

To be eligible for the partial tuition grants, persons must be students of the University of the West Indies and their household income must be \$25 000 or less, which is the threshold for taxpayers, or \$45 000 or less if there is more than one person in the household. If there is more than one person in the household at the university, preference will be granted to applicants who withdrew from their studies for financial reasons. The Ministry responsible for education, as I said, will provide further details of that programme in the coming weeks.

The initial \$2.5 million will come in part from the proceeds gained from the mobile airtime excise duty as outlined above, and a retraining fund currently on the demand.

Mr. Speaker, sir, by the late 1980s and early 1990s, the Government of Barbados recognised the challenges posed by solid waste management to human health and the environment in the country. It was also recognised that the traditional approaches were not working to combat increased volumes of waste to be disposed of or the increasing complexity and toxicity of the waste stream. The Integrated Solid Waste Management programme commenced in 1993 with a feasibility study conducted by Stanley Associates Engineering Ltd. of Canada. The study made recommendations on the appropriate components of an integrated solid waste management programme for Barbados to address issues such as institutional and organisational strengthening, proliferation of unauthorised dump sites, the inadequate collection and disposal of refuse, the practice of uncontrolled littering and management of special wastes.

By 1994, the Integrated Solid Waste Management programme had been crystallised with the vision to develop a modern, dependable, efficient waste management system accessible to all residents which would protect the environment, improve the standard of health and foster the participation of the private sector in a structured manner.

The main objectives of that programme were: as a national objective, to reduce the potential and incidence of disease and environmental degradation associated with poor waste management practices; at a sectoral level, the objective was to improve the level of sanitation through the provision of a dependable and efficient solid waste management system. Programme objectives included to provide modern infrastructure and equipment to support solid waste management, provide a comprehensive public awareness and education programme, thus empowering residents to participate in the management of our environment, involve the private sector as partners in solid waste management on the island in a structured manner, and reduce the quantity and toxicity of solid waste on the island. The programme was broken down.

Hon. C. P. SINCKLER: Will be traveling on a regular basis. An institutional strengthening of key government agencies within the Ministry of Health - for example, Sanitation, Sewerage and the Solid Waste Project unit and the associated ministries' Environment unit, Public Investment unit and the Environmental Engineering division. A public education awareness programme that is consumer education, formal education and technical assistance in waste management for businesses and manufacturing sectors. An economic aspect which would include cost recovery measures - i.e. taxes, levies, tipping fees and export recyclable materials. Policy development to provide for the mechanisms to promote implementation of the programme and, of course, for the drafting of the legislation to facilitate any new thrust in this area.

As would be expected, the programme that has been under implementation since 1993 has had numerous reviews and evaluations conducted. While there are some amendments and additions to the programme to reflect the modernisation of solid waste management thinking and practices, repeated studies have supported the core principles of that original plan. The key evaluations were conducted in 2000 - a sectoral plan and solid waste management strategic plan; 2003, a comprehensive economic analysis of solid waste recycling in Barbados; 2004, evaluation of alternative technologies for the disposal of solid waste; and 2005, a review of the evaluation of integrated solid waste management programme for Barbados. So a number of studies were done by the last administration - numerous - on this issue.

Sensible? Yes. But let us hear what else happened. It is accepted that there are both economic costs and benefits

to solid waste management in order to make the sector more economically viable. A number of economic incentives and disincentives were proposed coming out of these studies and some were introduced. These include legislation with an economic component such as the Revised Returnable Containers Act 1986 - that placed a refund deposit system on reusable and recyclable containers to encourage recycling. The Sanitation Service Authority Act. The Sanitation Service Authority Fees Amendment Regulations 1996 that allows for the charge of \$25 per ton or part thereof for the deposit and disposal of refuse at any refuse deposit or disposal site.

Mr. Speaker, sir, I want to read that because some members of the opposition seem a little surprised. Sir, the Sanitation Service Authority regulations were amended in 1996. The Democratic Labour Party was not in office in 1996. For the deposit and disposal of refuse at any refuse site - for a fee of \$25 per ton or part thereof. So now everybody in Barbados knows where exactly the \$25 per ton came from.

The Environmental Levy Act - 1996 again - and that provided for the imposition and collection of a levy on specific goods to assist in defraying the cost of disposal. We have got to repeat that one too. They not only put in place a \$25 per ton and part thereof fee - which the waste haulers were keeping all the noise about - that is not a Democratic Labour Party fee. That is a Barbados Labour Party fee. So when the various owners of these waste hauling companies - and I empathise with them, some of whom are people that we know very well, I will deal with that later - when these people were protesting and saying that this uncaring, unreasonable government was imposing this thing, what was not told to them by the Leader of the Opposition and the Member for St. Michael South East, who went down to protest with the various haulers, is that the tipping fee regulations sat on the books for 19 years before they were introduced. So the Barbados Labour Party passed a law, imposed a fee, but was so frightened of the people that they were leading that they would not impose it.

Exactly, Mr. Speaker, sir. The tipping fees were put in place by them, but whenever an election came around they ran in the opposite direction - preferring instead, Mr. Speaker, sir, to forget the importance of having a proper solid waste management system in Barbados to protect the people of Barbados, but preferring instead regime consolidation and time in power. So this is really what has happened, Mr. Speaker, sir. Yes - regime consolidation. In the meantime, Mr. Speaker, sir, what happened is not only did you have a proliferation of illegal dump sites all over Barbados as the last administration wallowed and ran from their own policy, they then took up \$50 million or more - 100 million - I meant \$50 million U.S., sorry, Mr. Speaker, sir - of the taxpayers' money and spent it in Greenland.

They then turned around, Mr. Speaker, sir - and this is the ironic part of it - they then turned around, Mr. Speaker, sir, and accused this government of being in it and that every measure we implement for solid waste would not work. They implemented an environmental levy that would blow every possible treaty law that you could imagine in the world and collected \$42 million illegally. And we then had to come and take it off the statute books.

Mr. Speaker, sir, now we all know that the introduction of user-based fees for solid waste management is seen by most practitioners as the most equitable and viable approach to charging for the deposit and disposal of refuse. Such fees adhere to the principle of the polluter pays. And by having a rate that increases with the volume of the waste deposited, it ensures that the generator of the waste bears the responsibility of the cost of delivery related to that waste. Such a system should also encourage more diversion of materials to reuse and recycle and serve to encourage higher rates of diversion from the transfer stations to landfills.

So the tipping fee represented in the Sanitation Service Authority Act Amendment Regulations 1996 of \$25 per ton or part thereof is significantly lower than the charge in other jurisdictions. The average rate in the United States, Mr. Speaker, sir, is US\$50. In Canada it varies - the average low in Manitoba, 34 Canadian dollars per tonne, and a high of 130 Canadian dollars per ton in Quebec. The rates per ton converted to US for the United Kingdom and Netherlands are \$55.66 and \$89.46 per ton respectively. So our \$25 is actually quite low per ton.

Be that as it may, the rationale for financing this programme was based on the combined revenues of the environmental levy and the proposed revenues from the tipping fees along with the revenue from the sale of products through the SBRC. Of course we heard that the levy had to be removed and the tipping fee was never implemented by the then government. What is clear is that the rate being charged in Barbados is significantly lower than other jurisdictions and the concerns raised, by the way, should not be discounted, especially in light of the fact that the measure sat on the books for 19 years before being implemented.

There remains the option of leaving the fee as it is. However, after meetings with waste haulers, the following options should be considered. The removal of the phrase "or part thereof" would allow for a charge that is more equitable relative to the volumes of the waste to be disposed. Two, the introduction of a sliding scale with associated tickets corresponding to the volumes to ensure that haulers who deposit less than an exact ton will be charged in a more equitable manner. One option is detailed below.

It is clear, Mr. Speaker, sir, however, that there remains a significant gap between the revenue in relation to what we would have gotten from the environmental levy and the introduction of the tipping fee which does not now adequately address that gap. It is our expectation, sir, that the announced changes in the land tax rates will assist in helping government to meet some of the additional costs associated with it. But we are also mindful that such revenues will not cover the entire cost and are not intended to do so. It is therefore necessary that some cost recovery at point of delivery is done.

In this regard, I am proposing the following. One, that the tipping fees remain in place with the appropriate amendments to take into account the legitimate concerns of the waste haulers and to be worked out between them, the Ministry of Environment and, of course, the SSA and all relevant stakeholders. Two, that the fees be set at the following indicative rates: \$40 per load for all categories of waste tipped at the waste treatment facility, inclusive of municipal solid waste, rock and soil, construction and demolition waste, green waste and coconuts. Liquid waste delivered to be handled by the SSA will also be at a charge of \$40 per truckload. So if your truck has 20 tons and you deliver it, you pay one fee. And I think, Mr. Speaker, sir, that should bring a level of fairness to the fee.

Thirdly, Mr. Speaker, sir, that the rules be put in place and executed to ensure that all waste haulers intending to tip at the appropriate facilities be required to register and be licensed by the SSA, pay an annual licence fee accordingly and be required to produce a tax clearance certificate from the BRA to enable registration and licensing. In other words, the operators - the haulers - are going to have to be licensed, they are going to have to pay a small licence fee and they are going to have to show every year that they are paying their taxes due to the State.

Based on the existing projected daily factor loads, it is anticipated and expected that the tipping fee would yield around \$4 million per year for the SSA which, on appropriate amendment of its Act, will be allowed to retain those resources to help with its operations. I can also give the House and the country the assurance that, having spoken to the owners of the waste treatment facility and to the Minister of the Environment as well, they are prepared to sit down with the SSA, the Ministry of Finance and Economic Affairs and the Ministry of the Environment and other relevant stakeholders to work on a plan to reduce the cost associated with the treatment of waste sent to that facility. Those consultations will begin immediately following this budget exercise.

Finally, sir, on government user fees. Mr. Speaker, over the last three decades - specifically since 1981, a period of 34 years - government user fees have not been addressed to reflect the true operating costs borne by

ministries, departments and associated agencies. As a result, an inefficient level of output of daily operations of these entities has occurred. Therefore, to create and encourage a greater level of efficiency in the operations of the public sector, all government user fees will have to be reviewed in the very near future.

Today, some of the information on government user fees from the Economic Affairs Division of the Ministry indicates that they are vastly understated when compared to what the private market levies for the same goods and services. Although government continues to create an environment for the smooth facilitation of business and expects its services necessarily to be subsidised at some level, it must be able to do so in an environment that is viable and sustainable in the long run. Hence, during the coming financial year, adjustments will be made necessarily across a number of areas, including agriculture service fees, Barbados Fire Service fees, government daycare centre fees, immigration service fees, and general user fees for corporate affairs and registry services, to name a few. Overall, a general assessment of all government user fees will be conducted and adjustments made to create a more efficient system of doing business. At a minimum, these adjustments are expected to generate approximately \$6 million in revenue to assist in raising the level of efficiency and productivity to a more commendable height.

On the basis of the projected net gain of \$200 million in additional revenue this financial year, plus projected additional expenditure savings of \$30 million from reductions in supplementaries, savings from public sector job attrition, and smaller gains from enterprise reform efforts during the course of this fiscal year, we are now projecting, Mr. Speaker, sir, an end-of-year fiscal deficit of 3.5 to 4 per cent of GDP. On an accrual basis, this would mean a shaving of 2 percentage points off the projected deficit for 2015–16 in terms of what we brought with the Estimates of Revenue and Expenditure of 6 per cent on an accrual basis. Mr. Speaker, sir, a listing is provided in the document, sir, of the various revenue measures and the gains and, of course, as I said, those total \$204.7 million. Revenue losses from the scholarship and the reduction in registration fees amount to \$4.5 million for a net gain of \$200.2 million.

Finally, sir, a word on CLICO. Mr. Speaker, while we all know that the matter of the restructuring of Colonial Life is within the province of the Supreme Court of Barbados and so constrains certain comments and public statements by government officials - and this must be observed - sufficient time has passed since the last budget in which I specifically addressed this issue, and while it is not my intention to abridge any of the rules or conventions, I believe it would be remiss of me if I closed my statement without saying a few words on this matter to the many anxious policyholders and investors in the public.

As you will recall, sir, in 2008 CL Financial ran into liquidity challenges in Trinidad and made a proposal to the Government of Trinidad for financial assistance. CL Financial at the time was the owner of CLICO in Trinidad. In January 2009, the Government of Trinidad announced that they would provide a financial bailout to that company. On April 14, 2011, the Supreme Court of Barbados - the High Court - appointed Deloitte Consulting Limited as judicial managers for CLICO International Life Insurance Company in response to a petition from the then Supervisor of Insurance, now of course the FSC, pursuant to Section 57 of the Insurance Act, Cap. 310 in the Laws of Barbados.

On October 26, 2012, after an initial evaluation, the Judicial Manager presented a report to the High Court outlining the proposals for the restructuring of CLICO, the terms of which included a regional government funding of any shortfall in the company's assets over liabilities, a conversion of the EPAs into long-term annuities and a transfer of the assets to a new company to be established in pursuance of the restructuring scheme proposed by the Judicial Managers. After consultations with regional governments, it became apparent to the Judicial Manager that the funding of these governments would not be forthcoming and, after further consultation with the Government of Barbados, a Barbados-first approach was developed.

The Judicial Manager filed a report dated June 14, 2013 with an amendment dated June 24, 2013 presenting the recommendations as set out in the Barbados First Restructuring Plan, which essentially was a resolution plan to keep CLICO as a going concern and required government funding to support the proper establishment of the statutory fund. At the time of considering the restructuring plan in 2013, the total asset shortfall support required from the Government of Barbados was put at \$300 million with an immediate cash requirement of \$30 million Barbados dollars to provide working capital to the insurance company as it would need to operate while the restructuring took place.

The Barbados Government Cabinet at a meeting held on March 27, 2014 approved the Barbados First Approach as a first step to the restructuring of CLICO and approved the terms and conditions and actions as settled by the Judicial Manager for the proposed restructuring term sheet. The Cabinet at its meeting held on August 21, 2014 approved the establishment of a new company for the Government to provide funding to CLICO under the Barbados First Restructuring Plan. The new company - which is called New Life Insurance Inc. and LECO Investment Inc. - was incorporated by the Ministry of Finance and Economic Affairs on January 26, 2015 as a regular business company under the Companies Act of Barbados. The Articles of Incorporation have indicated that there are no restrictions on the business which the company

may carry on. ENLICO has a Chairman and a Board of Directors. The Chairman is Mr. Colonel Goodman, sir, and the company is operational and progressing with the mandate of ENLICO, which is to manage government's investment in CLICO's resolution and to have oversight of the insurance company and its properties.

All stakeholders in the matter, including the Judicial Manager, the Ministry of Finance and Economic Affairs, the ENLICO Board, the FSC, the Central Bank and the Solicitor General's Office, have worked several meetings and long hours in recent times to produce the updated financials of the CLICO resolution and to attempt to finalise implementation details of the proposed resolution. The Judicial Manager produced the updated financials and the initial cash injection required is now projected by the Judicial Manager at \$52 million Barbados dollars. ENLICO has arranged this funding and it will be made available following the court decision. The cash injection would allow the company to satisfy its immediate cash needs to the policyholders so that the pensions and other liabilities of those policyholders and investors can be met on an ongoing basis.

The matter is down for court hearing this week. Mr. Speaker, the Ministry of Finance and Economic Affairs and ENLICO have presented a resolution option in their affidavits to the Court utilising the structure as presented by the Judicial Manager in the resolution plan. With the initial capital injection available and government support to guarantee the assets of the statutory fund, it appears that this plan has contemplated several elements needed for full implementation. This option can derive significant benefits to the policyholders - to be returned to their position or near to full benefits if it is successful. In addition, an operational insurance company can in the future also create a solution for the policyholders in the Eastern Caribbean.

The Barbados BIPA has also filed an affidavit which does not support the liquidation which was recommended by the Judicial Manager originally, but rather proposes a resolution option for the insurance company to remain as a going concern with a third-party investor. The affidavit is not as detailed in its implementation plan as that of the Ministry and ENLICO, but based on what has been presented, it resembles in some respects the plan which we have presented.

Going forward, subsequent to the preparation of this speech, Mr. Speaker, sir, I have been suitably informed by the Ministry that the Government's representatives and the Judicial Manager have arrived at a satisfactory agreement to support the restructuring plan put forward by the Ministry of Finance and Economic Affairs and supported by ENLICO, and so avoid a potentially calamitous liquidation of CLICO International Life. Of course, none of this can be executed unless the High Court agrees and we

assume that the Court in its good wisdom will agree. Barring no objection from the Court, sir, it will mean that we can initiate the process of bringing a successful and orderly end to this phase of the restructuring of the company and the pain and inconvenience of thousands of policyholders and investors in that company, while maintaining the integrity and stability of the financial system of Barbados. And to that we must all say Amen.

Mr. Speaker, sir, as I close this presentation, permit me to end on a personal note of reflection, even as I in turn invite members of this chamber and the rest of Barbados to reflect on the task that lies before us. Just over a year ago, having reached a point in my own life where I was drawn to reflect on the state of my physical condition and general health, I took a decision that I had to work to alter the trajectory of my own life. With too much good living, as the old people would say, my physical variables and attributes were all heading in the wrong direction. And even in spite of all the information and warnings and encouragement in the general public discourse about the dangers of certain lifestyle choices and the availability of better health options, including the Ministry of Health, much like many other Barbadians, I listened but never acted. So I watched the deterioration believing that it was not really a big deal and that all would be well.

Of course, that was until I witnessed, in the year just prior to taking action, some of my very close friends and associates - all relatively young people - fall ill and some eventually pass from one chronic non-communicable disease or another. It was then that I took a very serious look at the man in the mirror, as the late Michael Jackson would sing. And I asked him to change his ways.

Mr. Speaker, sir, I stand before you this evening and I can say that the man in the mirror has responded and has definitely set on a course of change. And tonight I say without fear of contradiction, Mr. Speaker - I say without fear of contradiction - that I believe that every man and woman in Barbados knows only too well that we have challenges that we must tackle and tackle now. We know they exist because we have seen over the past decades the decline in several key areas of our national endeavour. It is very much as if the country in some respects is akin to an out-of-condition human body. We spend too much, earn too little and have been for too long watching our key statistics deteriorate while ignoring the warning signs.

Even as we listen to the discourse on the dangers of what will happen if we do not change course today - as it was three years ago or even 10 years ago - there are some deep structural imbalances in the body of state that are threatening the quality of life and standard of living of our people. If left untreated, these chronic non-productive debts and deficits will continue to gnaw away at the health of the

State, leading to a substandard existence and even certain death to the Barbadian way of life.

Sir, we know what challenges we face and we know what needs to be done to fix them. We just need to do it. As I stand before you, I am personal testimony to the fact that with effort, sacrifice and discipline, good things can and will happen. We can control our spending, we can reduce the size of government safely, we can bring down the debt and we can certainly pull our country out of harm's way.

In this regard, sir, I use the platform of this Honourable House on perhaps its biggest night to invite all members - especially members in this chamber - to join together in a quest not only to improve our own personal physical conditions but to improve the condition of the body of State of Barbados. Taxes, like exercise, are difficult and not easily welcome, but they help us pay for the things we need. Dieting - especially eating healthier - like expenditure reduction, can be disconcerting, but it encourages discipline. Losing weight is tough, but if we can get our State to its ideal size, the benefits are endless. The agenda which we have presented -

today. The agenda which we have presented today seeks to continue our efforts to correct our imbalances, reverse the negative trends and unleash the benefits of a fitter, leaner, healthier, growing economy that can take care of all within the Barbadian family. Mr. Speaker, sir, the singer R. Kelly says if we believe it, then we can achieve it. So then, to paraphrase the words of Mahatma Gandhi - let our beliefs become our thoughts. Let our thoughts become our words. Let our words become our actions. Because our actions become our habits and our habits become our values and our values become our destiny. May God Almighty continue to richly bless this beautiful country of ours as we reach that destiny of happiness and prosperity for all Barbadians. I thank you.

Mr. Speaker, sir, the resolution. Whereas the Financial Statement and Budgetary Proposals 2015 delivered by the Minister of Finance and Economic Affairs is made against the background of the continuation of an unfavourable external economic environment, notwithstanding that there has been some improvement in the fiscal performance of the Barbados economy during April 1, 2014 to March 31, 2015 as compared to the corresponding period; and whereas the overall objective is to reduce the fiscal deficit to below 2 per cent by 2020-21 through a selected set of policies to be implemented over a reasonable time frame, which still remains to be realised; and whereas the Government of Barbados, through the Financial Statement and Budgetary Proposals 2015, remains committed to realising this overall objective by instituting measures to reduce the fiscal deficit and promote sustained economic growth while providing support to the relevant economic sectors and continuing to address the

country's social development investment: Be it resolved that the House notes the Financial Statement and Budgetary Proposals 2015 delivered by the Minister of Finance and Economic Affairs; and be it further resolved that the House approves the measures and policies outlined in the Financial Statement and Budgetary Proposals 2015. I am obliged.

SUSPENSION

Hon. J. D. E. BOYCE: Mr. Speaker, sir, with that we have come to the end of Government Business for the day. I beg to move that the sitting be suspended until 4.00 p.m. tomorrow evening when we will hear the response of the Opposition.

The question that the House be suspended until 4.00 p.m. on Tuesday, June 16, 2015 was put and resolved in the affirmative without division and Mr. SPEAKER suspended the House accordingly.

CONTENTS

MINUTES

Hon. J. D. E. BOYCE.....1

PAPERS

Hon. J. D. E. BOYCE.....1

Rt. Hon. F. J. Stuart, 1; Hon. R. L. Sealy, 1.

ORDERS OF THE DAY

SUSPENSION OF STANDING ORDERS

Hon. J. D. E. BOYCE.....2

GOVERNMENT BUSINESS

ORDER NO. 16 – FINANCIAL STATEMENT AND
BUDGETARY PROPOSALS FOR THE YEAR 2015
.....2

Hon. C. P. Sinckler, 2.

CURRENT REVENUE

CURRENT EXPENDITURE

DEBT SERVICE

NATIONAL MEDIUM TERM ECONOMIC
OBJECTIVES

VALUE ADDED TAX

CORPORATION TAX

CORPORATE GROUP RELIEF

PERSONAL INCOME TAX

EXCISE TAXES

STATE OWNED ENTERPRISES

FINANCING KEY SOCIAL SERVICES

HEALTH CARE CAPITAL EXPENDITURE TRUST
FUND

Hon. C. P. SINCKLER.....28

SPEAKERS IN THIS ISSUE

BOYCE, Hon. J. D. E. (Christ Church South)
SEALY, Hon. R. L. (St. Michael South Central)
SINCKLER, Hon. C. P. (St. Michael North West)
STUART, Rt. Hon. F. J. (St. Michael South)

DISCLAIMER. This transcript was prepared with the assistance of artificial intelligence tools and is provided for reference only. It has not been reviewed, verified or approved by the Hansard Department of the Parliament of Barbados and does not constitute an official parliamentary record. It may contain errors or omissions, including inaccuracies in wording or speaker identification. For authoritative quotations or confirmation of proceedings, consult the official Hansard record when available.

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 Members listed are those identified from the record; Mr. SPEAKER announced the absence of the Deputy Speaker through illness. The source gives the time of meeting as 10.00 a.m.; the House had adjourned on May 12 until Monday, June 15 at 4.00 p.m., and the Minister of Finance speaks of ‘this afternoon’ and ‘this evening’, so 4.00 p.m. is printed. Please confirm from the Votes and Proceedings.

Q2. Throughout. The bracketed time-checks in the source are out of sequence (for example ‘[12.30 a.m.]’, ‘[1.00 a.m.]’ and ‘[3.00 a.m.]’ during the Budget speech, and ‘[12.30 a.m.]’ again near its close) and have been omitted.

Q3. Papers. Mr. SPEAKER’s call ‘Mr. Clerk of Parliament. Messages from His Excellency the Governor General.’ is followed by no message in the source; the call has been omitted and the record proceeds with Papers. Please confirm whether any Message was read.

Q4. Order No. 16, Hon. C. P. Sinckler, opening. ‘the Honourable Member for St. Michael, TSO colleagues’ in the source: the Prime Minister is the Member for St. Michael South, and the constituency has been completed accordingly. ‘TSO colleagues’ is printed as in the source (possibly ‘his colleagues’); please check against the recording.

Q5. Order No. 16, Hon. C. P. Sinckler, between Parts 1 and 2. Part 1 of the source ends with the Minister’s quotation from Mahatma Gandhi and Part 2 begins in mid-sentence (‘Balanced, economically viable, environmentally sound...’). Part of the Budget speech may be missing at this point. Please check against the recording and the printed Financial Statement.

Q6. Order No. 16, Hon. C. P. Sinckler, between Parts 2 and 3. Part 2 ends ‘The programme was broken down.’ in the account of the integrated solid waste management programme, and Part 3 begins ‘Will be traveling on a regular basis.’ Part of the speech, including the opening of the list of programme components, may be missing. Please check against the recording.

Q7. Order No. 16, Hon. C. P. Sinckler, passim. Several passages run on across the omitted time-checks in

mid-sentence (for example ‘the \$20 million Smart Energy’ / ‘Fund’, ‘to help’ / ‘spur economic expansion’, ‘the Board’ / ‘of Directors’); they are printed as in the source. The words ‘at a minimum.’, which the source sets as a separate paragraph, have been joined to the second medium-term objective. Some numbered lists in the source lack items (for example ‘4.’ before ‘A primary surplus of at least 4 per cent’, and items 2 and 3 of the dairy proposal); these are printed as in the source. Please check against the printed Financial Statement.

Q8. Order No. 16, Hon. C. P. Sinckler, Personal Income Tax. The words ‘I challenge you to do land taxes. Land taxes.’ stand as a separate paragraph within the Minister’s speech in the source; they may be an interjection from another Member. Printed as part of the speech. Please check against the recording.

Q9. Order No. 16. The Resolution moved by the Minister at the close of his statement was not put at this sitting; the debate continued on the resumption.

DEBATE SUMMARY

(Editorial summary — not part of the record.)

The House of Assembly met at 4.00 p.m. on Monday, June 15, 2015, with Mr. SPEAKER presiding. The Minutes were confirmed. Mr. SPEAKER apologised for the absence of the Deputy Speaker through illness and extended the condolences of the House to the Prime Minister on the death of his sister. The Leader of the House, Hon. J. D. E. Boyce, laid the National Insurance Board report on the audit of the Unemployment Fund accounts for 2006 to 2009; the Prime Minister, Rt. Hon. F. J. Stuart, laid the Immigration Biometrics Regulations 2015, the Barbados Economic and Social Report 2014, four Duties, Taxes and Other Payments Exemption Orders, the Mortgage Insurance Order 2015 and the Financial Statement and Budgetary Proposals 2015; and Hon. R. L. Sealy laid the Air Transport Licensing Authority Annual Report for 2011-2012. Standing Orders Nos. 6, 16, 18, 20, 42(5), 43 and 44 were suspended.

Under Order No. 16 the Minister of Finance and Economic Affairs, Hon. C. P. Sinckler, presented the Financial Statement and Budgetary Proposals for 2015. He reported that 36 of the 50 proposals of the 19-month Homegrown Fiscal Stabilisation and Economic Revitalisation Programme had been completed; that reserves stood at 16.1 weeks of import cover at the end of March 2015; that the deficit had fallen from 11.6 per cent of GDP in 2013-14 to 6.6 per cent; and that a primary deficit of \$385 million had become a primary surplus of

\$85 million. He cited growth of almost 1 per cent in the first quarter of 2015, a 12 per cent rise in long-stay arrivals and central government debt of \$11 390.4 million.

For growth he announced lower fees under the Professions, Trade and Business Registration Act, a credit bureau, a review of the Companies Act and a Competitiveness Commission, and for the dairy industry a farm-gate subsidy of \$1.17 per kilogram funded from August 1, 2015 by a cess on milk of 5 or 10 per cent, overseen by a National Dairy Board. On tax he announced a new basket of VAT-exempt items from September 1, 2015, VAT on betting and gaming, and a VAT registration threshold of \$200 000 from January 1, 2016; the end of group loss relief and a cut in claims for special-fund contributions to 100 per cent; the removal of most personal income tax deductions with rates cut from 17.5 to 16 per cent and from 35 to 33.5 per cent; and tax clearance certificates for professionals renewing licences. The Municipal Solid Waste Tax would be repealed and land tax rates adjusted to raise \$44 million; an airtime excise of \$0.03 a minute would yield about \$32.7 million a year and a 10 per cent excise on sweetened beverages \$10 million.

He outlined a Performance Monitoring Framework for state-owned enterprises, debt management and work with the IMF on fiscal rules. He proposed a Health Care Capital Expenditure Trust Fund with a Government endowment of \$20 million and about \$42 million from the Catastrophe Fund, the use of the BNOCL fuel cess to clear the Queen Elizabeth Hospital's prior-year liabilities, and UWI scholarships and grants of \$15 million over three years. Tipping fees would be set at \$40 a load, yielding about \$4 million a year for the Sanitation Service Authority, and user fees adjusted to raise about \$6 million. With a net gain of \$200.2 million he projected a deficit of 3.5 to 4 per cent of GDP for the year.

On CLICO he reported an initial cash injection of \$52 million arranged by ENLICO and agreement with the Judicial Manager on the restructuring plan, subject to the High Court. He closed with a personal reflection and moved the Resolution approving the Financial Statement and Budgetary Proposals 2015. On the motion of Hon. J. D. E. Boyce, the House was suspended until 4.00 p.m. on Tuesday, June 16, 2015 for the reply of the Opposition.