
THE

House of Assembly Debates

(UNOFFICIAL REPORT)

PARLIAMENT 2013 – 2018

HOUSE OF ASSEMBLY

Tuesday, August 16, 2016

The House of Assembly met at 4.10 p.m. on Tuesday, August 16, 2016.

PRESENT

His Honour MICHAEL A. CARRINGTON, Q.C., B.A., LL.B. (Speaker) Her Honour Mrs. M-J. MARA THOMPSON, M.Sc. (Ph.Ed.) B.A.(Deputy Speaker)
Right Hon. O. S. ARTHUR, M.Sc. (Econ)
Mr. GEORGE W. PAYNE, Q.C.
Mr. GLINE A. CLARKE, B.Sc., Dip. Ed., J.P.
Hon. DENIS St.E. KELLMAN
(Minister of Housing, Lands and Rural Development)
Hon. Miss MIA A. MOTTLEY, Q.C., LL.B.
(Leader of the Opposition)
Ms. CYNTHIA Y. FORDE, J.P., L.C.P.
Hon. RONALD D. JONES, J.P., B.A. (Hons.) M.A. (Ed.) (Minister of Education, Science and Technology and Innovation)
Dr. the Hon. DAVID C. ESTWICK, B.Sc., M.B., B.S.
(Minister of Agriculture, Food, Fisheries and Water Resource Management)
Mr. DALE D. MARSHALL, Q.C., LL.B (Hons.), L.E.C.
Hon. MICHAEL A. LASHLEY, LL.B. (Hons.)
(Minister of Transport and Works)
Hon. RICHARD L. SEALY, B.Sc., M.B.A.
(Minister of Tourism and International Transport)
Right Hon. FREUNDEL J. STUART, Q.C., B.A., LL.M.
(Prime Minister and Minister of National Security, the Public Service and Urban Development)
Hon. JOHN D. E. BOYCE, B.C.H., MRAC, M.Sc., C. Eng.

(Minister of Health) (Leader of Government Business)
Hon. STEVEN D. BLACKETT
(Minister of Social Care, Constituency Empowerment, and Community Development) Mr. JAMES D. PAUL, B.Sc.
(Chairman of Committees)
Dr. the Hon. DENIS S. LOWE, Ed.D., M.Ed., B.A., Dip. Theology
(Minister of Environment and Drainage)
Hon. ADRIEL D. BRATHWAITE, Q.C., LL.B. (Hons.)
(Attorney General and Minister of Home Affairs.)
Hon. DONVILLE O'N. INNISS, Dip., B.Sc., M.B.A.
(Minister of Industry, International Business, Commerce and Small Business Development)
Hon. CHRISTOPHER P. SINCKLER, B.A., M.Sc.
(Minister of Finance and Economic Affairs)
Mr. TREVOR PRESCOD, B.A.
Mr. KERRIE D. SYMMONDS, B. A., LL.B.
Lt. Col. JEFFREY D. BOSTIC, M.V.O., B.A. (Hons.)
Mr. EDMUND G. HINKSON, LL.B. (Hons.), L.E.C., LL.M.
Dr. Ms. MARIA M. AGARD, J.P., D.Ds., B.Sc. (Hons)
Mr. DWIGHT G. SUTHERLAND, M.Sc., M.B.A. (Dist.), B.Sc.
Miss SANTIA J.O. BRADSHAW, LL.B. (Hons.)

ABSENT

Mr. RONALD St.C. TOPPIN, LL.B. (Hons.)
Hon. STEPHEN A. LASHLEY, B.Sc., LL.B. (Hons.), L.E.C.
(Minister of Culture, Youth Affairs and Sports)
Prayers were taken by Reverend Father Mark Harewood.

MR. SPEAKER: Honourable Members, this House is now in session. Honourable Members, I have with me the Minutes of our Meeting held on Tuesday, August 9, 2016.

MINUTES

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

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

The question that the Minutes of August 9, 2016 be taken as read was put and resolved in the affirmative without division.

MR. SPEAKER: Unless there are any observations or corrections, then let those Minutes stand confirmed.

ANNOUNCEMENT BY HIS HONOUR THE SPEAKER

MR. SPEAKER: Let me say how happy I am to see all of you here this evening, especially those in the Gallery. I want to ask your leave to single out Mr. Matthew Laban, who has been kind enough to present us with a book which he has written. It is entitled 'Mr. Speaker', so you know it is dear to my heart. It traces the Office and the individuals of the British House of Commons since 1945. Mr. Laban is a headteacher of Kingfisher Hall Primary Academy and he is also a former counsellor for the London Borough of Enfield, where he served as Cabinet Member for housing, community and safety. He is here on vacation but he has taken time out of his merriment to join us today and to present us with this book, and we are appreciative of that. Yes, Mr. Clerk of Parliament.

PAPERS

Hon. C.P. SINCKLER: Mr. Speaker, I am commanded to lay the Barbados Economic and Social Annual Report, 2015.

MR. SPEAKER: I am obliged.

ORDERS OF THE DAY

SUSPENSION OF STANDING ORDERS

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

Hon. A.D. BRATHWAITE: I beg to second that, Sir.

The question that the mentioned Standing Orders be suspended for the remainder of the day's Sitting was put and resolved in the affirmative without division.

GOVERNMENT BUSINESS

ORDER NO. 21

The Financial Statement and Budgetary Proposals for the Year 2016-2017.

MR. SPEAKER: Yes, Honourable Minister.

Hon. C.P. SINCKLER: Thank you very much, Mr. Speaker. I crave the indulgence of this Honourable Chamber to present this year's Financial Statement and Budgetary Proposals. Sir, I do so mindful of the important responsibility which has been entrusted to your Government to develop policies and craft strategies, both economic and social, to assist with the orderly, holistic and expansive development of this beautiful island of ours. It is not a responsibility which my colleagues and I take lightly, as we are acutely aware that in very many instances the current and even future success of possibly every life in Barbados will be affected in some way by the decisions we take. In this regard, the first objective of this exercise, as is the case with all other discharges of public service, is to ensure that we do what is in the interest of the masses of people of Barbados and indeed the country as a whole. Sir, this is the case even when among segments of those masses, sectors and even institutions, there is not a unanimous acclamation of the policies we implement.

Our mandate is simply to set an agenda and to institute policies that see after the collective good and that are in the overall best interests of Barbados. Like any other maturing democracy, we have and do expect support for as well as opposition to any policy or set of measures which we present and pursue. That is, after all, a fundamental part of the democratic process, Mr. Speaker. As we gather here this week to once again execute a critical intervention in the economic management of our country, I have little doubt that the same experience will be relived. Mr. Speaker, my hope of course is that this will be done with the highest levels of seriousness, decorum and respect for the canons and conventions of responsible debate in this Chamber. Sir, it is, after all, a tribute to all of us that in a free and liberal democratic State such as ours, with nearly 50 years of independent self-governance, a duly elected Government can come before this Chamber and the people of Barbados to first report on the workings of the economy over the last financial period, set the overall economic agenda for the country over the coming period, and present any new initiatives which the Cabinet of Barbados, following wide consultation with our partners in development, has deemed appropriate to secure the attainment of the country's objectives.

It is after all, Sir, a tribute to all of us that in a free and liberal democratic state such as ours, with near 50 years of independent self-governance, a duly elected Government can come before this Chamber and the people of Barbados to first report on the workings of the economy of Barbados over the past financial period, set the overall economic agenda for the country over the coming period, and present any new initiatives which the Cabinet of Barbados, following wide consultations with our partners in development, has deemed appropriate to secure the attainment of the country's objectives.

Mr. Speaker, I therefore wish at the outset to place on the records of this House, the sincere appreciation of this Government to the people of Barbados. Your overall patience with and quiet support for this administration has been the anchor that has kept us locked into and focused on the mighty task of steadying the ship of state, stabilizing our economy, sustaining our society and setting an assured course for future growth and development. It is a mission that together we have achieved thus far in the most difficult and challenging of circumstances we have faced in more than 50 years but it is a mission that is yet incomplete.

Mr. Speaker, when I delivered my first Financial Statement and Budgetary Proposals in October 2010, this country, like others in this region and across the western hemisphere, we were navigating the early throes of what many thought was just a cyclical downturn in the fortunes of the global economy that would soon pass. Sir, after all, in the post-modern phase of capitalist globalization, there have been these periodic episodes of recession; in the 70s, 80s, and 90s, which though ever increasing in the level of dislocation they caused, were only at their very worst short lived. Indeed, the economic history tells us that in each successive period following these adjustments the global economy was able to rebound quite quickly and go on to post record periods of financial, trade, and investment growth. Sir, little did any of us imagine, at the time that, this global downturn would have gone on to be as virulent, deep and persistent as it has evidently turned out to be. Sir, to be sure, none of us could have predicted that eight years on from the first signs of the recessionary condition that countries negatively impacted upon by its fallout would still be struggling to shake off the bondages of low growth, high debt, unmanageable budget deficits, and a built-in feeling of general uncertainty about the economic future of many of our countries.

Mr. Speaker, for many in our region, Barbados included, the fallout has been twice as bad as for most other regions in the world. Indeed, Sir, most independent economic observers have opined that the Caribbean has been not just the hardest hit but the slowest to recover from the downturn even against the varied efforts from all of our Governments to restore our economic fortunes.

Sir, managing in these times has been difficult. Difficult, Sir, because contrary to popular belief, solutions are few and far between, fiscal space is limited, economic diversification is practically non-existent, preferential market access is a thing of the past, structural debt is high, development assistance is low and social protection and development, the spring board of our post-independence success, is becoming increasingly more burdensome to carry in the face of declining revenues.

Mr. Speaker, our responses though collaged with varying gradations of fiscal constraint, reserves management, debt consolidation, and economic stimuli, have all been characterised by the common feature of trying to keep our economies stable and our societies hopeful of a less stressful and more bountiful future.

Mr. Speaker, some have turned to the IMF, while others, like Barbados have pursued home grown programmes. All have borrowed, while many others still have pursued non-traditional approaches such as bartering citizenship, or offering generous levels of concessions to foreign investors to drive inward investment. Sir, in neighbouring countries the masses, feeling the stings of economic adjustment such as joblessness, reduced disposable income, and compromised social opportunities since this great recession, have turned to the alluring appeals and vexatious condemnations of opposition parties and their cohorts only to realize that the solutions they promised are no better, and possibly worse than, what they voted out and what was, in fact, working for them. Indeed, some now and surely many more, will have to go back to the very governments they were too eagerly rid themselves of but in all this, Sir, one common thread has run through the entire exercise of this near decade of challenge. It is that there are no quick fixes to these problems. Never mind what you hear in the media, or what is shopped around by eager beaver office seekers, there is no magic wand or potion, no superman or woman, that will or can wish any economy in this region into a position of betterment by just saying, "it will happen once I am there."

Mr. Speaker, the deep, structural and in many instances painful policies required to stabilize our condition, recast our economies and lay new platforms of growth in the region just simply cannot be avoided. Whether fast, slow or moderately, they must be done, preferably now or hopefully not too late.

Mr. Speaker, yes, across our region there must be restructuring and diversification of our economies much like this administration has been trying to do in Barbados, by incentivizing and even financing the growth of new sectors such as alternative energy and cultural industries. Yes, our governments must find ways to further differentiate and sophisticate our existing economic sectors such as tourism, agriculture and manufacturing as we are

doing in Barbados with the thrust to transform tourism into a genuine export sector; or putting in place a new fiscal incentives regime for manufacturers or producers; or creating new product offerings in the international business and financial services sector and finally, of course, starting the long awaited restructuring of the old sugar industry.

Mr. Speaker, yes, they must accept responsibility, as this Government has done, to step into the breach where private sector failures have occurred in industries such as finance, as with CLICO International Life Insurance Limited and British American Insurance Company Barbados Limited (BAICO); and with tourism with the infamous Four Seasons project even at tremendous costs to the state of hundreds of millions of dollars.

Mr. Speaker, yes, it is a startling truth that we must push ourselves harder to be more efficient and proficient in accommodating investors, both domestic and foreign, in getting business done in this country; so as to drive investment, create economic opportunities, grow jobs, increase foreign exchange earnings, and expand our economy and definitely, it is equally true that we must protect and where possible enhance our bedrock social systems, in education, health, physical infrastructure and the natural environment, even as we strengthen our legal and national security systems to fight crime, decadence and prevent social decay.

Mr. Speaker, Sir, together we Barbadians, in spite of the most challenging of circumstances and strident of Opposition voices, have kept our heads above water when many felt we would have drowned. We have remained on the field of play though the batting conditions have been horrible at times on a seaming, yet turning, still damp and uncertain wicket and mid-way through these tough innings though runs are hard to come by, we have still managed to mark the score board with a resumption of economic growth in our economy and with further expansion predicted. Our batsmen in tourism, ably supported by a stellar cast, have been able to post the highest number of visitors ever to set foot on the island with a record 2015 performance surpassed only by even better numbers so far this year. We have halted the dangerous slide in our foreign reserves experienced in 2013 and contrary to the attempts to create panic among our citizens we know and expect further foreign exchange gains in the coming weeks and months.

Sir, we have even seen our team in culture, ably led by the Honourable Member for Christ Church West Central grow our Crop Over business to a massive stage of development where thousands in and from outside of Barbados now rate it as the greatest summer festival in the Caribbean.

In all of this, Mr. Speaker, we have still found it sensible and critical to continue to push cutting edge social legislation to protect workers, women, children and small landowners from those who may want to exploit them, be they in public or private sectors and surely your Administration, even faced with limited resources and a more daring and determined criminal element, has worked successfully with the disciplined forces, particularly the Royal Barbados Police Force, to fight back against the scourge of crime and potential criminal violations so evidently pervasive across our region. Barbados is after all still a safe place to live, work and play.

Yes Sir, your Administration, contending with the reality, like many others around us, of a constrained economic condition and widening social pressures, has stood firm in our conviction that ours is a case of the glass half full and not half empty like what you will hear in here and elsewhere soon enough again and again and again. Even with all the challenges we have and probably more to come like Brexit and the exit of corresponding banking relations like IMF pronouncements and rating agency denouncements, Barbados still offers and will continue to offer the highest standard of living and best quality of life among all within our regional and global peer group. That is just simply a fact so we can stand proud and are still standing proud in our 50th year of independence. Based on what we have achieved thus far, and that has been a lot, and more enthused by the endless possibilities that lay ahead of us once we stick together as a nation unshaken in our belief in the power of deliverance by Almighty God, I sincerely believe that we live our lives in the light of optimism rather than the darkness of pessimistic despair.

We have no doubt that we can and will grow our economy further and faster. We know we can bring unemployment down to even lower levels once we unleash the US\$1 billion of foreign direct investment we have before us with projects such as the Sandals Casuarina extension which has started, by the way, the Sam Lord's Redevelopment Project, Mr. Speaker, which has also started, the Hyatt Centric and even the much maligned Four Seasons Project which, God willing, will get started shortly. I can alert the House I have formally signed the agreement on the behalf of the Government for the sale of Four Seasons project to the preferred investors. I did that a few days ago, Mr. Speaker, and very shortly we will be having a debate in the House to discuss the details of everything that has gone on there including what is in that particular document.

Surely we have no doubt that the recent decision of the Fair Trading Commission (FTC) to establish an acceptable pricing policy for alternative energy dispatched into the national grid by independent energy producers, will set a platform on which the extensive incentives which this Government has provided the sector will be fully

utilized. The expected major domestic and foreign investments in alternative energy will then be translated into foreign exchange earnings, foreign exchange savings, new job creation and greater national energy security. For sure, we are imminently confident that in a few months' time the Minister responsible for Commerce will place before this Honourable House for debate and discussion and consequent implementation the most comprehensive national framework for small and medium-sized business development in Barbados, the first ever such policy to be implemented in this country. Even before that, Sir, as you will hear, your Government will start the process of putting in place much needed resources to be sent directly to deserving small- and medium-size business enterprises both existing and others yet to be created.

Finally Sir, I am, or should I say we are, not in the least in any panic mode about our foreign exchange market generally or the country's reserves position as some would seem to wish upon us. Yes, the country's reserves since 2013 have not been in the most comfortable position, but we are not by any stretch of the imagination, in any crisis or crisis mode. Indeed Sir, I believe that we have to be very wary of people who seem so hell bent on creating confusion in Barbados, especially on this issue of foreign reserves, that I understand their next false argument and scaremongering tactic is to suggest that by their calculations, not ours, that Barbados is in a worst position concerning foreign reserves today than we were in 1991. How do we imagine such a scenario, Mr. Speaker? I understand that by some ridiculous argumentation that the Central Bank of Barbados (CBB) is supposedly incorrectly calculating foreign Sinking Fund Assets and Special Drawing Rights (SDRs) which we hold with international financial institutions in the computation of the reserves and this should not be done because these are "earmarked assets" designated for specific purposes. Sir, it is the biggest set of nonsense I have heard in recent times and should under normal circumstances be just dismissed, however, I have come to learn in this business of economic management that some of the most foolish comments can become the most damaging to economies especially depending on who is doing the talking. Not all among us can be counted on to be responsible. At least, I can say this evening, I am happy to note that no Member of the House either on This Side, definitely not on This Side, and I hope not on That Side, has stooped to that level of fearmongering, at least not yet, but the day is yet short.

The truth is, Sir, that from the very early days of foreign exchange reserve calculation, management and monitoring authorities across the world, including here in Barbados, have calculated Sinking Funds and SDR assets as part of the country's international reserves. This is so because they are part of our reserves and it is also so because the country is free to, at any time it desires and sees the need to do so, draw down those resources to assist

in the orderly management of its external payments. They, like another category of reserves called second tier reserves, which are foreign assets held by public sector institutions such as the National Insurance Scheme in financial institutions in overseas jurisdictions, are there and can be drawn down if and when the Central Bank believes that there is a need to ask those institutions to do so in aid of the country. While we do not calculate and publish second tier reserves, as we do for Sinking Funds and SDRs, those are there as part of your reserves.

This silly, yet dangerous attempt by some to create panic by suggesting that we should subtract those assets from our reserves to create a false impression of some crisis is but yet another juvenile attempt to create confusion in Barbados. The current reserves position in Barbados is more than adequate for our needs and it is a testament to the careful management of those reserves that we have not had to tap into any second or third year reserves to permit regular business and living in Barbados. Rather, the level of reserves at present is merely a reflection of the fact that inflows, especially those associated with major private and some public sector projects such as Sam Lord's and so forth, have been slowed mainly because of unexpected delays in the start-up of these projects and equally because government has taken a firm decision not to head back to market in the existing regional and international conditions to borrow as has been traditionally done to shore up the reserves position.

Sir, I wish for ease of clarity and understanding, to draw the House's attention to Table 1 in the recently released second quarter review of the Barbados economy by the Central Bank of Barbados, which I now make a document of this House, and it is here, in which one would see that in the first six months of this year the economy utilised approximately \$3.083 billion in foreign exchange, while it recorded inflows of \$3.040 billion. This means, effectively, Mr. Speaker, that we were near a balance between inflows and outflows over the assessment period. It also means that while the reserves might have declined, I believe the Central Bank of Barbados would have said by \$43 million, this was not because of shortages in the Open Foreign Exchange (FOREX) market as very few dealers resorted to the Central Bank to tap into the reserves but rather because as part of our FOREX management policy the authorities are trying to keep adequate reserves levels without having to constantly resort to market borrowings even as we pay down existing debts. I have said before in this Honourable Chamber and I have said it outside of the Chamber, we have not gone to market to borrow to roll over debt, which is traditionally what Barbados has done.

Indeed, Mr. Speaker, lest we forget, and I have had reason to point out this before, I remind this Honourable Chamber and, of course, the rest of Barbados as a whole, the reserves management policy of successive governments

has always been to seek accommodation in the FX market to smoothen out both expected and unexpected shortages in foreign exchange earnings in Barbados. Indeed, Mr. Speaker, why should I have to remind Honourable Members in here that even in the so-called boom period under the last Administration between 2000 and 2006, the last Administration borrowed more than \$1 billion from external sources to augment the reserves position of the country. If they had not borrowed that money, take that \$1 billion out, we would not have been able to boast of so many foreign reserves, we have all done it. That was done when times were good and foreign direct investment was flowing and now that times are tough and investment flows are not as robust as your government would like, we are still managing the reserves position in such a manner as to permit our businesses, households and the Government to execute their activities.

This Administration too has done periodic borrowings. It is not as though they have done borrowings and we have not done. We have done periodic borrowings in the course of our term of office so far, and if necessary, we will do it again, but that will be done only if absolutely necessary and on terms which we deem to be responsible and reasonable. What I can tell you, Sir, is that as Minister of Finance and Economic Affairs, I work with the Central Bank of Barbados to monitor our reserves position on a daily basis and the officials of the Bank at my monthly meetings of the senior economic management team, plot the coordinates of the past, present, and future FOREX and reserves positions so that we have a handle on what is likely to trend going forward. For example, we know right now, today, that even though reserves are below the \$900 million mark that in the next two months or so the Central Bank's reserves will be boosted by close to US\$200 million of inflows. This should bring reserve levels well over a billion dollars in a relatively short space of time and the vast majority of this will not come from any borrowings in the market.

Sir, we are equally aware that as many major construction projects push deeper into their build-out, and I have mentioned some of them, over the next months that the general open foreign exchange market will get a much needed boost even as we move into the coming winter season which, of course, is our most lucrative period for earning foreign exchange.

Let me make it abundantly clear, and I want to make this point in all seriousness even more seriously than I have made the other point, this Government sees no reason for the introduction of any special measures to limit Barbadians and/or businesses from accessing foreign exchange in Barbados. What is already provided for in the Exchange Control Act of Barbados is sufficient. Indeed, any casual observer of how the foreign exchange market has evolved in Barbados over the last 10 to 15 years would

conclude that far from putting restrictions both Administrations have, in fact, liberalised controls progressively. They have done some and we have done some as well. There are no conditions at present that would lead us to conclude that we need to reverse that stance.

Equally, there is nothing in the current or medium to longer term trends to even remotely suggest that any adjustment in our official exchange rate is required in Barbados. What we will, however, continue to repeat for all Barbadians to hear, ingest and digest, is that as a small, vulnerable, open economy, our most important economic variable is that of our capacity to earn, save and ultimately retain foreign exchange. It is the anchor that stabilises our economy and the one that best guarantees and secures economic expansion. Though it is totally unacceptable, one can manage an economy with high unemployment or soaring inflation or even elevated levels of crime, but you absolutely cannot manage a small, open economy like ours if you do not have reserves, so that any threats or obstacles to achieving that singular national objective must be immediately and, if necessary, continuously addressed until it is no longer a challenge.

In this regard, our reserves management policy will vary in approach from efforts to boost earnings, enhance savings or when necessary defend our position, but whichever of the three it might be, either severally or collectively we must adopt policies that produce the outcomes we want even if at times such interventions cause discomfiture among segments of our population. In this regard, Sir, the principle of collective security for national surety is the key. This is why across periods of our post-independence history, successive Administrations have had to intervene to put measures in place to directly address slippages of foreign reserve levels either by boosting earnings or controlling demand. We did it in the 1980s, and in the 1990s and in the early part of the first decade of this century as well and for sure, it is why we have continued to act since 2013 when we began to see a potentially dangerous threat to our reserves position. This evening I say that while the normal pattern of foreign exchange flow, as has been demonstrated in the table I showed you has been restored since 2013, Mr. Speaker, the underlying structural limitations associated with our capacity to earn foreign exchange is still a characteristic feature of our economy, so that diversifying our capacity to earn foreign exchange from new sources while amplifying the gains from existing sectors is critical to our mission. Equally as critical, I want to suggest, is the need to deal with any core elements in our economic condition that even if transient could cause long-term complications to our foreign exchange anchor.

Mr. Speaker, what could be some of those principle concerns at this stage? Sir, (1), our debt levels are too high and are still climbing; (2), our fiscal deficit is too large and

must be consolidated; (3), as a result of the two variables above, our growth levels are being seriously restricted as we cannot find the fiscal space to assist in further unleashing growth, and (4), that because of a combination of all three of the above, our social development system is increasingly being compromised as the cost of sustaining it becomes challenging.

Mr. Speaker, let me make this point very early on, the policies which I am about to announce this evening do not represent a redo of any failed policy attempts over the past three years or even the past eight years for that matter. Rather, this is a continuation of a policy intervention matrix aimed at achieving the critical objectives of protecting our reserves, consolidating our public finances, stabilising and reducing our debts over time and growing our economy. Mr. Speaker, this is the mission we set ourselves in 2013 and that is the mission we must complete. We have made progress, Sir, definitely, O definitely we have made progress, we have made substantial progress as a matter of fact. I will ask the question, has that progress been sufficient or complete? Mr. Speaker, it is definitely not yet.

I do not propose this evening in this presentation to go into any lengthy dissertation in defense of our position on this matter, I leave that for another occasion, but I believe that the facts speak for themselves. At the start of the 19-month's economic programme in Barbados, our economy in terms of economic growth is negative-2 per cent. The fiscal deficit at the end of the fiscal year, 2013-2014 was near 12 per cent of Gross Domestic Product, unemployment had reached 12 per cent and this economy was losing reserves at a rate near \$20 million a month.

Mr. Speaker, because we ended up having to adjust from a much higher deficit figure than when we presented at the start of the 19-month's programme, we asked people in Barbados to bear with us and we extended that for an additional 12 months. What, Sir, did we achieve? Sir, by the end of the next financial year, 2014-2015, we were able to cut the deficit on a cash basis by close to 6 percentage points as we ended the year with a fiscal deficit from 12 per cent down to 5.8 per cent. Sir, that is the largest single year decline of a deficit in the history of Barbados.

Mr. Speaker, we were able to first halt the rapid decline in the reserves by reducing the demand for foreign exchange in the economy through the fiscal adjustment policies that we introduced and then topped that up by undertaking strategic borrowings to push the levels over \$1 billion. We were able to reverse the decline in our National Gross Domestic Product from more than negative 2 per cent, now to an annualized rate of positive 1.3 per cent, with tourism rebounding to lead the way and now with construction, manufacturing and non-sugar agriculture finally registering positive growth. These are the facts.

Mr. Speaker, finally, for the first time in nearly five years, certainly in the first quarter of this year, we have seen the unemployment rate dipped below 10 per cent, to register 9.3 per cent, with an overall annualized rate for last year of 10.7 per cent, compared to 13 per cent in the previous year when we started this adjustment programme. Now, it might serve somebody's purpose to give the impression that this Administration has put the people of Barbados through a whole lot of suffering, as we will hear, for nothing but the facts simply do not support that contention, and I repeat those facts: unemployment has declined; the deficit has been reduced from an unmanageable high of 12 per cent; the economy is growing again; tourism is producing more tourists in Barbados and higher spend over the period.

Asides.

Hon. C. P. SINKLER: Mr. Speaker, as was said by the Caribbean Tourism Organisation, not by the Ministry of Tourism. This is what has happened, so it might suit somebody's purpose to say that we have not made progress and that we have caused the people of Barbados much discomfiture for nothing but the facts simply do not bear it out.

Mr. Speaker, what we can concede is that we have not achieved all of our objectives to the full extent that we would have wanted, that I can concede, but even as we correctly set ourselves lofty targets, and we should set ourselves lofty targets and genuinely expect to make every one of them, we knew that given the uncertainty and the uncertain nature of modern-day economic management and recessionary times volatilities are bound to throw up unexpected circumstances that could lead to setbacks, even to the best-laid plans. Mr. Speaker, this is precisely what has happened to us in the financial year, 2015-2016, the last financial year immediately following the huge gains which we made on the fiscal side in 2014-2015. While we had hoped to pull that deficit further down below 5 per cent on a case basis, unexpected but critical expenditure injections were required to deal with the insipient and potential destabilizing water network crisis which was not created by this Government but which was left unattended by the last Administration, and to servicing the major debt service requirements on behalf of the Barbados Agriculture Management Company, again not by this last Administration but we had to pay it because it was a bond issue taken out in 2002 that came due, and of course by the Barbados Water Authority. Together these represented close to \$150 million in additional expenditure. There was also a recorded \$30 million increase in retirement benefits over the period, and we are having that matter investigated as I speak.

Mr. Speaker, these alone would have accounted to close to 2 per cent of Gross Domestic Product on a cash

basis. Likewise, Sir, we expected that the sale of the Barbados National Terminal Company would have completed before the close of the financial year to assist in offsetting some of those unexpected expenditures, but that was not to happen as negotiations are in fact still going on as we speak, but that too would have given us at least coverage of about 1 per cent of revenue inflows.

Mr. Speaker, so that we are talking about 3 per cent of Gross Domestic Product worth of unexpected, first, expenditure and of course revenues that we did not get in.

Mr. Speaker, so that as we summarise the Financial Statement very shortly for the 2015-2016 performance, it will show that rather than getting a reduced deficit of about 4 per cent of Gross Domestic Product, we ended up with a deficit of 6.9 per cent of Gross Domestic Product in 2015-2016. This, of course, Sir, was very disappointing but even given the nature of the issues with which we had to deal, we had no choice but to allow it to happen. Yes, we could have turned the Barbados Water Authority down and told them not to worry with their capital works programme but to put that on hold for a year or two, and further exacerbate the horrific water crisis in Barbados. Of course, we could have allowed the Barbados Agricultural Management Company to default on the \$62 million part-payment of the bond which the Barbados Labour Party borrowed in 2002 for the sugar industry that became due in February this year. Mr. Speaker, could you imagine the domestic and international implications of that on the country's reputation? No, absolutely not, we simply could not afford the fallout of any of those events, only because we want to come to Parliament to boast that we...

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Tuesday, AUGUST 16, 2016

Seq. 8

Hon. C.P. SINCKLER: ... This represented a 2.5 per cent increase above the amount collected for 2015. The original projection for the period was \$45.8 million, so we are also doing better in that particular category. Special receipts decreased by \$1.1 million to \$0.5 million. This was partly due to a decrease of \$4.6 million in the Training Levy, for which there is no submission of receipts to be brought to account by the Accountant General for the period under review in time for this Statement, Mr. Speaker. We know that the Training Levy is being collected; it is just that the information did not come in time, so the Accountant General could not record it in his

ledger, but we know that will balance itself out or probably even be an increase.

Non-tax revenue is recorded at \$29.0 million, an amount of \$16.4 million more than for the corresponding period. An amount of \$19.4 million was recorded in June 2016, as investment income to the account for a 25 per cent increase in the 2016 quota of SDRs, which is special drawing rights, of which \$6 750 000 are held with the International Monetary Fund. The original projection for the period for this under review was non-tax revenue of \$15.2 million, so we have got quite a bit more in that regard.

In terms of expenditure, Current Expenditure exclusive of amortisation of \$245.3 million increased by \$12.5 million or 1.7 per cent from the target from the 2013 figure to \$741.5 million. Our original target, however, was \$769.4 million, so we are trending below what we projected we would have spent so far for Expenditure, even though we are just marginally 1.7 per cent up over last year. Wages and Salaries have declined from \$182.3 million in the corresponding period of 2015 to \$178.4 million. The original projection was \$189.4 million. Expenditure on goods and services decreased by three per cent to \$59.4 million. The original projection for the period was \$76.1 million. Expenditure on Current Transfers increased by a very marginal \$3.4 million, moving from \$255 million in 2015 to \$258.4 million for the period April to June 2016. There was a reduction of \$6.4 million in grants to public institutions. Conversely, subsidies increased by \$11 million, and this was mainly due to the bringing to account of a \$10.6 million payment to Simpson Motors on behalf of the Transport Board. The projection for Current Transfers was BDS\$252.1 million.

Total debt payments in the period April-June 2016 amounted to \$476.4 million, with interest payments of \$231.1 million and amortisation payments of \$245.3 million. Interest payments increased by \$16.3 million, whereas amortisation payments decreased by \$4.4 million. The projected amount for interest payments and amortisation was \$236.2 million and \$245.7 million, respectively. Capital Expenditure for the period under review is \$51.5 million compared to \$27.9 million for the corresponding period, and we know why. We are pushing the projects and trying to get them going, so we have to pay out that money. Capital Formation increased by \$18.3 million, and Capital Transfers increased by \$5.2 million. It should be noted that the original projection for Capital Expenditure was BDS\$35.7 million.

Total Expenditure for April to June was \$1.383 billion compared to \$1.006 billion for the corresponding period in 2015. The original projection was \$1.050 billion, so the deficit of \$190.4 million represents 2.1 per cent of Gross Domestic Product (GDP). The deficit for the

corresponding period in 2015 was \$172 million, representing 1.9 per cent of GDP. Mr. Speaker, they are basically just there or thereabouts where we need to be in terms of our deficit. Mr. Speaker, with those -- both the 2015 Financial Statement which I am obliged to do to this Honourable House and the update up to June 2016 -- I will now turn to the Budgetary Proposals for 2016.

Asides.

Hon. C.P. SINCKLER: Mr. Speaker, having given a comprehensive review of the financial and economic performance of our economy for 2015 and the first six months of this year, permit me now to turn my attention to the specific measures which your Government proposes to implement over the course of the next months to aid in the continued recovery and growth of our economy. Before doing so, Sir, and indeed setting out the main objectives for this year's exercise, I believe it is incumbent on me to take a few quick points which I believe will assist in bringing greater clarity to this current and perhaps future presentations.

The Financial Statement and Budgetary Proposals presentation has evolved over the years into a major and much anticipated public event by segments of our population. In this regard, it has seemingly come, in many respects, to overshadow the real Budget of Government, which is the Estimates of Revenue and Expenditure exercise that, by law of the Appropriation Act, must be engaged every financial year. While it is always useful to have elevated levels of public interest in any part of our governance process, at times in my view far greater emphasis and expectations could be placed on particular events than they were ever conceptualised or intended to be. I believe once such exercise or example is that of the so-called Budget presentation. Sir, in too many ways this exercise has come to represent a forum to address all of the issues for which every sector, investor and institution expects the Minister responsible for Finance to prescribe some magical medicine that will, over the course of a year or two, solve all the economic challenges facing a country, while satisfying every demand made of the Government by the various interests.

Sir, in some respects, successive Ministers of Finance including myself have actually tried in more ways than one to meet those very high but clearly unrealistic expectations. The result has been, too often, disappointment as this target or that target is missed and a provision that is required or asked for is not given. While the Budget presentation remains critical to the process of helping Government meet its financial and economic goals for the course of any financial year or fiscal period, it represents just one part -- just one part, Sir -- of an overall process in which several other interventions, both

legislative and administrative, are undertaken to achieve social and economic development objectives of a country.

Sir, I make this point to impress upon all those who are keen followers of, and indeed are impacted upon by, this exercise that the objective of the annual Budget presentation cannot and must not be treated as the only policy instrument through which the Government can and will effect economic and social development of the country. With this in mind, I hasten to add that from this year on going forward, certainly as long as I have the honour to perform this role, we will not be attempting in the Budget presentation to tackle every perceived issue or problem in Barbados' economy, either at the micro or macro levels. Rather, we will be looking to address broad thematic areas of critical concern to the short to medium-term performance of our economy. In this way, Sir, we can hopefully set more realistic targets for the immediate planning period and better target the interventions we need to achieve those. Mr. Speaker, we can use other parts of the system as we ought to in order to address the shopping list of requests for intervention in areas which, ideally, are more effectively dealt with elsewhere.

Mr. Speaker, a second related point that I wish to make in this particular regard is that over the years, after Government drafts, presents, debates and implements its annual Estimates of Revenue and Expenditure outlining the Government's priorities for the country's development for the upcoming financial year, no real systematic and comprehensive relook of progress of implementation takes place in similar fashion to what would have been undergone in preparation of the main Estimates.

That is not to say Sir, that at the Ministry of Finance and Economic Affairs level through its various divisions does not monitor and relate to ministries and departments on what is happening in their execution of Government's programme. Clearly that currently happens. What does not happen is a comprehensive review of that process conducted with each ministry periodically at, for example, the mid-way point of the financial year to identify challenges to reprioritize Government's programme based on a realistic assessment of what is possible and what might not be.

Sir, equally, what does not happen as in several other countries around the world, including some here in the Caribbean, is for the Government, through the Minister of Finance and Economic Affairs to return to the Parliament to present any re-prioritizations of Government's spending programme for the financial year so that a robust and transparent debate can be had by the people's representatives and indeed the public on the way forward for the country.

Mr. Speaker, I honestly believe Sir, that the process of economic and social management and the system of overall governance of the country can only benefit from such a practice becoming a central feature of what we do in our political economy.

Mr. Speaker, I have therefore decided, with the concurrence of the Cabinet of Barbados, that effective from this financial year, Government through my ministry will undertake a comprehensive review of all ministry and departmental performance against priorities set and approved by this Parliament for the current financial year. This Mid-term Financial and Economic Review process will allow ministries to highlight implementation challenges if any, reset existing priorities based on availability of resources, and to restate their objectives for the second half of the financial year. Sir, following that process, and after consultations with the Leader of Her Majesty's Loyal Opposition and you of course Sir, an agreed timeframe would be established for this Parliament to sit in consideration of any restated priorities of the Government for the remainder of the financial year. My expectation is that this process would be completed before the middle of November of any financial year, if everything goes well. Mr. Speaker, Sir, what we are saying is that we will come back here, relook our Estimates, we will consult with the Opposition and set an appropriate time at which we can set aside a few dates to discuss any new priorities which we may have to set going forward because it is important that we begin the process of relooking rather than just approving Estimates in March and then the next time you hear about them is the next March when we the Estimates again. Sir, that is what we can give a commitment to do to improve the Government's of the Ministries, ministerial colleagues and the departments. We will sit down and look at decide the priority and we will consult when we will come and have a discourse on those priorities, Mr. Speaker, Sir.

Mr. Speaker Sir, Priority Objectives of these Proposals: If there are two realities that have emerged from all that I have said in this presentation so far it would have to be firstly, that the Barbados economy has finally started to turn around with growth resuming, unemployment declining, and potential investment expanding. Secondly, that while some setbacks have occurred in our fiscal consolidation programme it cannot be denied that we have made significant progress from the worst that positions we were in. However, what also emerges from the narrative is that we have significant work to do to forge a faster rate of economic growth, underpinned by a more assured foreign exchange reserve position; a fiscal deficit at a rate below that of GDP growth expansion so as to reverse debt growth; and finally, to ensure that we can sustain an acceptable quality of social services provision.

Sir, in this regard, your Government has established the following priorities for the next three-year planning period for calendar years 2016 -- 2018:

1. Improving our foreign reserves position through continued disciplined fiscal policy and enhancement measures for higher earnings of foreign exchange.
2. Accelerating GDP growth to reach at least 2.5 percent by the end of 2017.
3. Further reducing the fiscal deficit by addressing both expenditures and revenues so that by 2018 the deficit will be no higher than the rate of growth of the economy.
4. Through the attainment of actions 2 and 3, stabilizing the national debt by 2018 and thereafter if possible, reducing it as we go on.
5. Preserving access to key social services provided at the highest quality and financed in a sustainable and credible manner.

Mr. Speaker, I would have already spoken extensively on the issue of the country's foreign exchange market and the management of the international reserves position of the central monetary authorities. Understanding the sensitivities of the foreign exchange market including the impact of external factors such as BREXIT, volatile oil and commodity prices and the loss of corresponding banking relations, together with an unsustainable fiscal deficit on the domestic front, Government proposes to adopt the following measures to enhance our foreign exchange earning capacity and shore-up our Reserves position in the short term.

1. Complete the sale of the Barbados National Terminal Company, draw down the first payment of the sale proceeds on the Four Seasons Project - which should happen two weeks after signing the documents which I have signed - from the new preferred bidders and also the first transfer from the China Exim Bank for the Sam Lord's Redevelopment, which will happen in a couple of weeks time. These will all be effected in the next four to six weeks to inject \$350 million into the Central Bank's Reserves, and that will pull the reserves up in a short period above a \$1 billion.
2. Central Government will work with its domestic agencies to accelerate drawdowns on the pending official flow of disbursements to the tune of US\$60 million or BDS\$120 million in the next quarter, half of which will come from the Latin American Development Bank (CAF) for roads, some is already in the Central Bank of Barbados on a special deposit, water and tax

administration and border security projects; Caribbean Development Bank (CDB) for water and education; and from the Inter-American Development Bank (IDB) for social protection and road repairs.

Mr. Speaker, in addition to these short term injections, which should be suitably augmented by the expected foreign exchange inflows over the coming months for the build out of the major construction projects such as Sandals Casuarina, Royal Westmoreland Phase 2 and Lancaster, the Government also proposes the following initiatives.

Mr. Speaker, currently, there are three pieces of legislation which we use to encourage investment in the tourism sector. These are the Duties, Taxes and Other Payments (Exemption) Act, Cap. 67B, the Tourism Development Act, Cap. 341 and the Special Development Areas Act, Cap. 237A. This latter piece of legislation has a wider application than the other two, to the extent that it is used not just for narrow tourism purposes but can in fact facilitate developments which the Government believes to be worthwhile within the corridors identified in the legislation, that being and those quarters existing, Carlisle Bay Redevelopment area in the parish of St. Michael, Speightstown in the parish of St. Peter, St. Lawrence Gap in the parish of Christ Church, and the conservation area as defined in Section 2 of the Soil Conservation (Scotland District) Act, Cap. 396.

Over the years, the legislation has met with some success as reflected in the developments which have been executed but a lot more can be done. Recently, it has come to Government's attention that there are opportunities for tourism and other major investments, both foreign and domestic, along the northern corridor which includes Six Mens and beyond and the recent developments taking place in the south-eastern side of the island, inclusive of Sam Lord's Castle. There has also been a strong case made for extending the reach of the Act beyond the Carlisle Bay area to include the wider City of Bridgetown to accelerate the revitalization of the Capital.

While the legislation came into existence some 20 years ago, a review of the provisions and benefits has revealed that they remain relevant to the needs of investors. In view of this, Sir, I now propose to extend the areas to which these special incentives under that Act will apply and it will namely be, 1) Northern part of Barbados from Speightstown, St. Peter, which it currently is, to Harrison Point, St. Lucy, 2) in the south eastern Barbados from St. Lawrence Gap, Christ Church to Ragged Point in St. Philip, and equally from the Carlisle Bay Area to encompass the greater City of Bridgetown, Mr. Speaker. Of course, your text would say in terms of the Chief Town Planner in the Physical Development Plan but we are really speaking about the greater Bridgetown area which covers

Tweedside Road, as far as your constituency, Mr. Speaker, Westbury Road, Eagle Hall, Spring Garden and all the other areas involved in that and so on.

Mr. Speaker, with these changes the country can expect to see additional investment for both tourism as well as other related developments particularly with a foreign exchange component to it. Mr. Speaker, it will also add, I believe, to the revitalization of the Bridgetown area which we sorely need in this country. No country can be defined, if I should say, positively, all countries are defined by their capital city and it would be a travesty if any Government less and least of all this Government which is so invested in creating Barbados in our 50th year of independence did not step into the breach to ensure that we put things in place for the revitalisation of Bridgetown.

Secondly, Sir, last year Barbados grossed over US\$900 million from the tourism industry. It is felt that much more can be done to generate additional foreign currency in Barbados. In this regard, the Government has been researching the possibility of creating duty free zones. These zones would occupy particular geographic spaces and would allow, within that sterile environment, duty free shopping for Barbadians and visitors alike. This proposal, Sir, not only has the capacity to earn foreign exchange from shopping by visitors from our region and even outside but will also save foreign exchange since most Barbadians could have the option of no longer travelling in order to shop.

Mr. Speaker, we have already identified some areas in which it could happen, and these could include the capital City of Bridgetown, Holetown, Hastings/Worthing on the South Coast and at the two main ports of entry in Barbados. Obviously, Sir, it will be important that we examine all of the pros and cons of such an initiative before moving to bring the legislative framework here to this House. In this regard, I propose establishing a Special Committee to review the initiative with a directive to report its findings and recommendations to me within three months so they are not going to take a whole year. I want the findings back within three months so that a proposal can be brought to the Cabinet Committee on Economic Policy for review and forwarding to the main Cabinet for approval. The Committee shall comprise but be limited to the Barbados Tourism Investment Inc. (BTI); officials of the Ministry of Finance and Economic Affairs; representatives of the Central Bank of Barbados; the Barbados Chamber of Commerce and Industry; and Private Sector Association of Barbados. The Committee will have the right to co-opt any other person or parties that they may be considered necessary in assisting it in carrying out its mandate. It should be appreciated that the implementation of such an initiative will give Barbados a definite competitive advantage in the area of shopping which most studies have found to be an area of concern for visitors to

Barbados. My hope is that with a concentrated effort by all of the parties concerned we can at least have the City of Bridgetown ready for this type of business before Christmas this year. Of course, Mr. Speaker, I want to make it very clear that purchases or shopping within the free zone area will be done in foreign exchange, not Barbados dollars which we are hoping and we expect to make its way into our banking system and, of course, into our Central Bank ultimately.

Sir, there is a strong nexus between foreign exchange earnings, fiscal policy and the level of growth that one can expect in an economy like Barbados'. It is for this reason that over the past eight years, this Administration has been seeking to use fiscal and administrative tools at its disposal to regenerate growth in several of our key sectors such as tourism, manufacturing, agriculture and alternative energy. This year we propose to continue to make small but fundamental adjustments to complement those bigger ones made in the recent past and in the following areas:

Tourism

The Tourism Development Act

The Tourism Development Act, Cap. 341 ...

Asides.

Hon. C. P. SINCKLER: I know that the Opposition is a little rattled but they should quiet down and let the House hear what is going on.

Mr. Speaker, the Tourism Development Act, Cap. 341 of the Laws of Barbados states that this Act is "an Act to encourage the sustainable development of the tourism industry by providing duty free concessions and income tax concessions for approved tourism projects and certain tourism entities and for other related matters." In this regard, Mr. Speaker, the TDA allows the owner or operator of an approved tourism project who has met certain legislative requirements to import or purchase goods out of a bonded warehouse, without paying customs duty, that is, Import Duty, Excise Tax and Value Added Tax. The owner or operator also obtains this benefit on locally manufactured goods. The TDA goes further, Sir, and allows for a refund of the Custom Duty in instances where it has been paid and the owner/operator of the tourism project has satisfied certain legislative provisions. The items which may be obtained free of Customs Duties are listed in what is the Second Schedule to the TDA. The Second Schedule identifies the type of tourism entity and the items which may be purchased free of duty and in some cases, places a limitation on the frequency with which the benefit can be accessed. For example, with respect to hotels, the heading before the items are listed states:

"A. Supplies which may be imported or purchased locally at any time."

"B. Supplies which may be imported or purchased locally once every 5 years."

There is a limitation on how many on how many you can do within a five year period, only one, and then

"C. Supplies which may be imported or purchased locally once every 3 years." and

"D. Supplies which may be imported or purchased locally annually."

The tourism sector has highlighted this as a problem, as most of them, when renovating, are not in a position, for financial reasons, to renovate an entire property all at once, but do so in stages. The owner of a property, for example, with 80 rooms may renovate it over a four-year period, 20 rooms each year. Each room is outfitted with the same ceramic tiles, for example. When the tiles for the first 20 rooms are purchased they are acquired free of customs duty. In the following year, when the second 20 rooms are being renovated, the operator cannot obtain the items free of customs duty, as the benefit is only allowed once every five years. Now clearly that could not have been the intention of the drafters of this particular piece of legislation, it had to have been an oversight. In this example, Mr. Speaker, the benefit can only be accessed by the operator once, and that just does not work, so the Ministry of Finance and Economic Affairs has noted the concerns of the tourism sector, legitimate as they are, and will have the legislation amended to reflect the need for property owners to have flexibility in accessing the waivers according to their capacity to schedule property renovations.

In the meantime, while this is being done, my ministry will work with the Barbados Hotel and Tourism Association (BHTA), the Small Hotels Group, the Barbados Revenue Authority and the Customs and Excise Department to put in place a temporary administrative solution to this particular problem because we know how long it takes to get legal stuff done because of the load on the Attorney-General's Office and the limitations of staff so we will put an administrative solution in place and I will use my authority as Minister of Finance under the relevant legislation, 67B to ensure that those are done as quickly as possible.

Water Sports and Yachting

Since 2008, Barbados has witnessed a rapid growth of the yachting sub-sector to the extent where the Barbados Tourism Marketing Inc. (BTMI) and the Barbados Port Inc. (BPI) with the impressive consultative leadership from

former Senator, Peter Gilkes, have brought a number of significant yachting events to Barbados that have differentiated us as a potential major new growth area in our tourism product offerings. It has also been key in driving the additional source of foreign exchange earnings for the country. This growth is expected to expand rapidly in the coming years as more and more events come to Barbados.

One issue that has caught the attention of the Government in seeking to drive that growth is that for over the years there has been an imposition of a duty on visiting yachts which has simply not worked, Sir, as many such yachts visiting our destination then have to leave before the allowable six-month period is up. You come into Barbados and if you stay longer than six months, you get the duty applied. Most of the yachts have actually left before the six months. The yacht owners invariably use the trip to go elsewhere and carry out annual maintenance to the vessels thereby causing Barbados to lose an opportunity to have our workers in the marine industry do this work, earn valuable foreign exchange for the island and, of course, create and build out the marine industry. Ostensibly, Sir, we neither benefit from the duty nor the spin-off business.

To encourage our progression in the yachting world and in support of the work being done by these people, the BTMI and the BPI, and of course, former Senator, Peter Gilkes excellent work in this particular regard in the development of our yachting sector, I propose that, in an effort to remedy this matter, we remove the duty requirement for yachts staying in Barbados' waters longer than six months and in its place impose an annual license fee of \$2 000 per boat.

Manufacturing and Micro, Small and Medium-sized Enterprise Development Maintaining Export Competitiveness within the context of National Quality Infrastructures

As Barbados continues to navigate its way on a trajectory of growth and sustainable development, it is incumbent that the micro, small and medium-sized enterprises be promoted as drivers of economic growth. This aspiration is possible if the quality of Barbados' goods and services is improved to meet international standards and remain competitive within the national and export markets. The benefits derived from re-engineering the national quality infrastructure and technical regulatory regime via the five pillars of the national policy of Barbados in terms of quality would facilitate competitiveness and redound to the growth within our economy.

Companies seeking to attain quality standards are faced with significant costs. International Standard Organisation (ISO) certifications, for example, can be

extremely costly. Whilst some measure of support for companies pursuing international quality standards available through the Barbados Investment and Development Corporation's (BIDC) Special Technical Assistance Programme (STAP), companies, in general, must be provided with the requisite enabling environment to pursue quality standards as a mandatory part of doing business in Barbados and beyond.

The Ministry with responsibility for Industry in partnership with the stakeholder agencies will be seeking to craft a proposal for the development of a quality incentive scheme which will take the form of a reimbursable grant of up to BDS\$50 000. This grant facility would be made available to companies engaged in activities to raise their overall industry standards to international standards.

As you are aware, Sir, on 31st December, 2015, the longstanding Fiscal Incentives Act became WTO incompatible. This regime which permitted incentives and subsidies to be granted to approve manufacturers for export products from Barbados was a critical element in maintaining the island's export competitiveness. As a relatively high input cost jurisdiction, it is well-known that without some form of permissible subsidy or incentive many of our manufacturing firms would be unable to effectively compete. In recognition of this, the Government empanelled an inter-ministerial committee to craft a new regime for fiscal incentives to be granted to local producers but which would be permissible under WTO Rules. I am happy to advise this House and the country that the regime is now ready and before Cabinet for approval. Our hope is to have relevant legislation before Parliament immediately following the expected summer recess, Mr. Speaker.

Small Business

The small business sector has been positioned among the leading sectors on which the recovery of the Barbados economy hinges and by extension it is targeted to assist in securing the future of all Barbadians. In this regard, the Government of Barbados, through its Ministry with responsibility for Small Business Development continues to strategically engage stakeholders within the micro, small and medium-sized enterprise (MSME) sector to promote improved MSME development and therefore facilitate a greater contribution of that sector towards the national economy. The Government of Barbados, recognising the contribution of this sector to sustainable economic growth, continues to provide the sector with an environment to better facilitate its growth. To strengthen the support to growth, access to seed funding and credit is vital; and this has been cited as one of the major challenges facing small businesses and small business persons. This is highlighted in the recently concluded National Policy Framework for the Development of the sector in Barbados which notes that the lack of participation of private

enterprises in the business support framework in the area of finance, and that is the financial houses... While arrangements do exist for the sector, it is the Government's opinion, shaped by discussions with representatives of the industry, that a special fund capitalised to the tune of BDS\$50 million be created for the purpose of providing a blend of grant and soft loans to fund the sector. In this regard, Sir, Government proposed to review and reconfigure the current Industrial Credit Fund which is currently under the management of the Central Bank of Barbados with the intention of making it a substantial part of its current resources available to support this new soft-window financing mechanism for small businesses in Barbados. Mr. Speaker, it is proposed that this new window be managed out of FUNDACCESS and in full consultation with the Small Business Association of Barbados. Mr. Speaker, more details on that will follow in the coming weeks. Mr. Speaker, I want to repeat that we are going to reform the Industrial Credit Fund which of course has a relatively substantial amount of money in it, now not currently being utilised. We are going to transfer it to FUNDACCESS, we are going to put it into a special small business financing window, we are going to remove the red tape, we are going to eliminate all of the obstacles to accessing those resources and ensure that those grants and soft loan resources are available to small business people in Barbados, both new businesses starting up and existing businesses immediately as a matter of course. Sir, we do not have to worry about where the coming is coming from, we know exactly where the money is coming from, we are going to put that in place and have those people accessing those resources accordingly.

FISCAL CONSOLIDATION, GROWTH AND SOCIAL DEVELOPMENT NEXUS

Mr. Speaker, there is absolutely no dispute amongst academics, practitioners or policymakers that a fundamental connection exists between a country's ability to sustain itself financially and the levelled quality and variety of social services it affords its population. Indeed, both of these variables directly correlate to the standard of living and the quality of life enjoyed by citizens. Barbados is an atypical example of that type of society. Over the years we have been able to provide a high quality social service to citizens and visitors alike, to such a degree that Barbados has and continues to be ranked highly on the United Nations Human Development Index as one of the top developing countries in the world.

Mr. SPEAKER VACATED THE CHAIR. Madam DEPUTY SPEAKER ASSUMED THE CHAIR.

Madam DEPUTY SPEAKER: Please continue, Honourable Member.

Hon. C. P. SINKLER: Madam Deputy Speaker, however, like all small States prolonged periods of economic and financial challenge can and do have deleterious impacts on systems of social service delivery, especially when resource allocations are either cut or slowed. For us here in Barbados this is particularly a sensitive issue since we are perhaps, without comparison in this region and many other places in the world, relative to the vast sums of the national budget that go towards health, education, transport, waste management and other social interventions. Naturally, we have witnessed some of these negative side effects as Government, hampered by cash flow constraints, has struggled at times to make timely allocations to key places in the social sector over which it has direct responsibility. Madam Deputy Speaker, one such area has been the provision on primary, secondary and tertiary healthcare services to an ever-demanding population. Indeed, the challenges that we have experienced across the system and in particular in the main general hospital has caused all of us to pause and to seriously reconsider the financing platform on which the current system is based.

The current discussion on healthcare financing in Barbados has occurred at a time when there is decreasing Government fiscal space for addressing the rapidly increasing cost of healthcare. The fact is that generally healthcare cost are complex and include an increasing prevalence on chronic non-communicable diseases, the occurrence of new and reemerging communicable diseases and the public's expectation for services on par with industrialised countries.

Mr. Speaker, in October, 2015, the Ministry of Health convened a consultation on the topic "Healthcare Financing, Can We Afford to Wait?" Madam Deputy Speaker, stakeholders were drawn from academia, the Barbados Association of Retired Persons, the health insurance industry and the medical and public health fields, all of whom presented views and ideas on the matter. That initial meeting was followed by five town hall consultations in February 2016 in which a cross-section of people in the Barbadian community also presented their views on the topic.

Madam Deputy Speaker, it is now widely acknowledged that the aggregate cost of healthcare in Barbados is substantially impacted by the prevalence of chronic non-communicable diseases. In 2014, the "Health of Nation Survey" has confirmed that one in ten adults in Barbados have a chronic non-communicable diseases and that in eight out of ten men and nine out of ten women have at least one risk factor. These statistics are saying that if the current trajectory remains unchanged, then it is expected that by 2030 the prevalence of chronic non-communicable diseases would double, that is, it would increase to one out of five adults.

Mr. Speaker, complications occurring as a result of chronic non-communicable diseases pose serious financial challenges for individuals and the country alike. The Chief Executive Officer of the Queen Elizabeth Hospital has reported that 60 per cent of all surgical admissions to that hospital are chronic non-communicable diseases related, of which 80 per cent are associated with diabetic foot care. Imagine this, Madam Deputy Speaker, 60 per cent of all procedures at the hospital are for chronic non-communicable diseases related activities and of which 80 per cent of are associated with diabetic foot care.

Madam Deputy Speaker, additionally, there are over 200 persons who are diagnosed with end-stage renal disease who are currently on renal dialysis. The burgeoning prevalence of hypertension and diabetes in Barbados contributes on average five new cases per month referred for dialysis at a cost of \$62 000 per person per year. The aggregate cost of renal dialysis in Barbados is therefore BDS\$15 million annually. Madam Deputy Speaker, if you remember from what I said earlier, it is expected that by 2030 that would double, if not tripled given the rate at which we are going, Madam Deputy Speaker. Madam Deputy Speaker, in addition to chronic non-communicable diseases the occurrence of things like dengue fever, Zika and chikungunya are also placing demands on the Ministry of Health for resources to perform laboratory analyses and for treatment where complications arise.

Madam Deputy Speaker, who contributes to healthcare financing and how much? Healthcare financing is one of the core functions in the healthcare system, it is concerned with the mobilisation, accumulation and allocation of money to cover the cost of healthcare needs of the people of Barbados, individually and collectively. The following key policy positions relating to financing in Barbados were addressed by the first National Health Accounts Study conducted by the Ministry in 2014:

1. What is the level of health care spending in Barbados?
2. What is the level of health care spending relative to the size of the economy?
3. What is the contribution of the Government and other entities, including households, health insurance companies, donors and so forth, to health care spending?

These are the facts, Ma'am. Total healthcare expenditure in Barbados up to 2012-2013 was \$732.7 million, of which 98 per cent represented recurrent spending; that is spending on health goods and services that are consumed within a year of the health account analysis, Madam Deputy Speaker. The remaining two per cent was for capital investment; that is spending on goods and services whose benefits are consumed over more than one year, and care-related items for such social care in cases of

HIV and so forth. Thus, the total healthcare expenditure represented 8.7 per cent of Barbados' Gross Domestic Product in 2012-2013, and was equivalent to \$2 582 per capita. Compared to the rest of the Caribbean, Barbados' per capita healthcare expenditure ranked the third highest in the region, behind the British Virgin Islands and the Bahamas which had records at \$4 400 and \$3 294 respectively.

The most funds for healthcare spending, of course - 55 per cent -- were funds voted by Parliament and allocated to the Ministry of Health. Households were the second largest contributor to total healthcare expenditure, of which 39.4 per cent or \$285 754 466 was paid through out-of-pocket spending. In addition to what the Government spends in healthcare, which is over \$400 million in total, average citizens like you and me, Madam Deputy Speaker, are actually spending \$285.7 million out-of-pocket when we go to the doctor or to the pharmacy or wherever we may go to seek interventions. Approximately 68 per cent of this expenditure was for ambulatory care at private doctors' offices and private hospitals. Private health insurance plans contributed five per cent to the total healthcare expenditure of \$36 635 188. It is estimated that 27 per cent of the population was covered by health insurance plans, of which 13 per cent were employer-based plans and 14 per cent individual-based health plans.

One of the weaknesses inherent in the tax-based system of healthcare financing is that during an economic recession, any decline in Government revenue is reflected in reduced allocations to the health sector. It should be noted that healthcare by its very nature is an essential service, and in most instances cannot be deferred, unlike a demand for other types of goods and services. Barbados' mixed system of financing and delivery of healthcare is not, of course, therefore, an ideal model for the future going forward, given the exponential rise in healthcare costs. Madam Deputy Speaker, the options available to the country could be listed as follows:

1. To allocate more resources for healthcare services from the Consolidated Fund.
2. Improve allocative efficiencies.
3. Require patients to pay more out-of-pocket by way of co-payments.
4. Find new sources of funding and dedicate them to healthcare services.

Barbados already allocates approximately 11 per cent of the total Government expenditure to the healthcare services. That is 11 per cent of our total expenditure to healthcare services. Should patients pay more out-of-pocket? If so, what and how much? There is the current 39.4 per cent of total healthcare expenditure and, Madam Deputy Speaker, remember I told you that over \$280

million worth of it is higher than any international benchmark for out-of-pocket health expenditure. Since reliance on out-of-pocket payments for healthcare can expense persons, therefore, to catastrophic costs, the Ministry of Health of course supports the utilisation of any additional financing by households towards a properly regulated and managed pool. This concept is making a case for a national health insurance fund.

Madam Deputy Speaker, a national health insurance fund would be based on employer-employee-based contributions which would be actuarially determined and be separate from the Consolidated Fund. It would be a more stable source of financing for health services, and not be subject to the fiscal space constraints of the public finances or other competing priorities. The National Health Insurance Fund would work by guaranteeing a basic benefit package to the population, would be efficiently administered, and would engage the private sector providers of care as well as Non-Governmental Organisations. Canada and some European countries are examples of such social healthcare insurance funds that work. This is something that the Ministry, on my understanding, is currently working on with stakeholders, both domestic and outside of Barbados, to begin the process of putting together a firm proposal to the country for consideration after approval by the Cabinet for such a scheme. However, with the best will in the world, such a process is likely to take no less than two years before implementation. In the meantime, Madam Deputy Speaker, Government still has a responsibility to ensure that the systems which we currently have are adequately provisioned so as to ensure that we do not compromise on such a critical part of the country's development.

I go further to say that it is the responsibility of the Government, and so this is a responsibility not only of the Government but of all Barbadians to share in, and who from time to time, as you know, Madam Deputy Speaker, will have to call on those services in one way or another. Bearing this in mind, I am very wary of the need to ensure that we stay within the bounds of our fiscal consolidation and debt sustainability strategy. I now propose that effective September 1, 2016, there will be imposed a National Social Responsibility Levy to assist in offsetting the costs associated with financing public healthcare service provision in Barbados. This levy will be applied at a rate of two per cent on the Customs value of all imports at the border, with the exception of goods for the manufacturing, agriculture and tourism sectors as covered under existing primary legislation such as the Fiscal Incentives Act and the Tourism Development Act (TDA). These are being excluded so as to avoid any double taxation, since the two per cent must be applied on domestic output to ensure fair treatment under the World Trade Organisation (WTO) and Caribbean Single Market & Economy (CSME) regulations. Of course you know,

Madam Deputy Speaker, the last time we had something like this with the Environmental Levy, we had to come back and take it off because it was incompatible, so we want to ensure that we do not do that. We do not want to do that.

Asides.

Hon. C.P. SINCKLER: Madam Deputy Speaker, any and all regional and international interests, including diplomatic missions covered by relevant conventions, treaties and agreements will of course be exempted from the payment of the levy by law. It should be noted that as a new measure, the tax will be placed before waivers are given; hence it is not automatic that there will be exclusions based on prior arrangements, except for the sectors which we have identified above. Any waivers will solely be at the discretion of the Minister of Finance and Economic Affairs. Further, it is recognised that the proposed levy may have an impact on imports, especially consumer imports which represent over 60 per cent of total imports of goods. This impact, based on our analysis, may not be felt immediately given the very high consumption content in the domestic absorption and the time it takes to adjust consumption patterns. However, it is recognized that over time, the tax can be distortionary and hence will be reviewed given its impact on growth.

The revenue gains, when applied at 2.0 percent it is estimated that the levy alone will raise additional annual revenues of \$60.8 million, while the additional revenue expected from VAT which will be applied after the levy is imposed, will be \$62.1 million. The expected earnings from the application of the levy on domestic output will be around \$19.2 million. In total, it is estimated that the new National Social Responsibility Levy will realise additional annual revenues of \$142.1 million, which when prorated from September 01, 2016, will yield \$82.9 million this financial year.

Madam Deputy Speaker, it is the intention of the Government to place the resources garnered from this levy directly towards the financing of critical aspects of public health care in Barbados, particularly, but not limited to, provisioning at our main general hospital, the QEH.

It is also our intention that part of the proceeds of this levy will go towards servicing of the loan which the Government of Barbados has agreed to borrow and which has now been improved by the financial institution in question to provide the Sanitation Services Authority (SSA) with a fleet of new trucks in the coming months, and to procure much needed parts for the existing fleet. Indeed, Madam Deputy Speaker, it is our intention to have that fleet back up to at least 35 active trucks on any given day by this time next year.

Madam, public sanitation and environmental health, when we speak about public health care, we are speaking not just about in the hospitals and the polyclinics, we are talking about the environment as well. Madam, public sanitation and environmental health are also critical parts of the public health care system in Barbados and Government has heard the lamentations of Barbadians, legitimate as they are, over the current state of affairs as it relates to both. While it is easy to vent our frustrations on the men and women of the SSA, the Ministry responsible for the Environment and the Minister too, quite unreasonably so I might say and even the Environmental Health Division of the Ministry of Health have been trying their best in the most difficult of circumstances but I am here to tell them, as I will tell all Barbadians, help is on the way.

Indeed, Madam, not only are we going to use part of the resources from this levy to bring relief to the capital needs of the SSA and other agencies, we will also set aside at least \$5 million to go towards the initiation of a national cleanup and de-bushing programme to be implemented over the next 5 months to clean this country up.

Asides.

Hon. C.P. SINKLER: Madam Deputy Speaker, they say they want the country cleaned up but I do not think they really want the country cleaned up but in the next five months, I will tell you that there is going to be a massive programme under the patronage and guidance of the Right Honourable Member for St. Michael South, the Prime Minister of Barbados and led by the Ministries of Environment and Health to clean Barbados up, lot by lot, pasture by pasture, building by building we are going to clean it up.

Madam, in this regard, we will be inviting all interested private sector and civil society interests to join Government to make cash and in-kind contributions, all genuine interest, Jose and Jose, Padmore, Mottley, everybody to hop a truck, get a rake, get a wheelbarrow and come because this is going to be national initiative in the name of our 50th Anniversary of Independence to let all national lights shine out in order to restore the natural beauty of our island.

As you are aware Madam Deputy Speaker, the Financial Management and Audit Act prescribes that all revenues of Barbados should be credited to the Consolidated Fund. The revenue collected from the National Social Responsibility Levy will therefore be deposited in the Consolidated Fund. However, given that the levy is to be used for the financing of the public health care system, it is proposed that the funds be segregated so that they are available for the purposes intended by this Parliament and by the Government Government. We are consulting with the Accountant General who will therefore

be instructed by myself to transfer these funds from the Consolidated Fund into a special deposit account earmarked for spending on public health issues. At the time that the funds are required, the Accountant General will transfer them back to the Consolidated Fund and then on to the entities. Madam, people will say that you will collect this money, it goes into the Consolidated Fund, it disappears and nothing happens. We are not doing that this time, it is going to be segmented by law...

Asides.

Hon. C.P. SINKLER: we are going to ensure that those funds are segmented specifically for this purpose and we are going to ensure that the Queen Elizabeth Hospital is properly provided for with resources available to on demand when those resources are ready and available for us.

Finally on this point Madam, we are not unmindful of the fact that the imposition of this levy on imports will have some negative impact on some of the more vulnerable among us. To the extent that this is the case, I will now propose that an additional \$2 million be allocated to the Welfare Department this financial year to assist with the expected increase in requests for assistance going forward.

Increase in the Bank Asset Tax: Madam Deputy Speaker, in March 2015, the Central Bank of Barbados took the bold step of liberalizing the minimum savings rates (MSR) at commercial banking institutions in Barbados. It was hoped that by freeing the banks of this requirement, that as the banking institutions received the benefit of a lesser cost burden at this end, it would have fed through for a faster and deeper benefit for consumers of banking services in many other critical portfolios. To date however, I must confess that like the average Barbadian, Madam Deputy Speaker, I am particularly unimpressed with the efforts made by the commercial banks in this regard. As such and as a little reminder to them of the need to share their new found and much appreciated benefits from the liberalisation of the minimum savings rate, I have decided to use a little more concrete persuasion to nudge them along in the desired direction. As such, it is the intention of the Government to continue the Bank Asset Tax and to move the rate from 0.2 per cent to 0.35 per cent. The tax becomes effective immediately with the assessment period for the assets starting from 1st April, 2016. It is estimated that the 0.15 percentage point increase in the rate will yield additional revenue of \$14.3 million. The expected intake from the tax for a full financial year is estimated to be \$33.3 million using the 2015 asset base of the banking system.

Tax Amnesty

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As a measure used in the past with some success Government will again offer from 15th September, 2016 through to 15th February, 2017 the implementation of a tax amnesty for taxpayers across the categories of VAT, Income Tax and Land Tax. The waiving of all penalties, interests and other charges incurred up to September 14, 2016 will assist the Barbados Revenue Authority in its tax administration and collection efforts. To benefit from the amnesty, the taxpayer would have to pay the outstanding principal on or before February 15, 2017. Using data from VAT and land tax alone, and considering outstanding arrears on taxes of BDS\$568 million, it is expected that for the financial year 2016/2017 an amount of \$15 million at least, may be collectable based on past experiences. I want to make this point abundantly clear though, Madam Deputy Speaker, this is the last amnesty we will be offering for a period of time. We are saying to taxpayers who have said in the past when we have done amnesties, as soon as the amnesty closes they come and say, but I did not hear about it or I did not get the arrangements in place in time, or we want you to extend it. This is a six-month period that you have to pay those outstanding taxes, use it and use it wisely. Thereafter, the Barbados Revenue Authority will be aggressively coming after persons who have decided that they will not take advantage of these opportunities as they have been presented repeated all the time.

Cuts in Expenditure

Madam Deputy Speaker, as you are aware, every year since 2013, Government has tried to cut and contain expenditure levels across all major categories of expenditure. The results though relatively good in some areas have been disappointing in others. As the 2015 Economic and Social Report would show, progress has been made in cutting wages and salaries, goods and services and even in 2014/2015 by cutting statutory transfers and subsidies by close to \$200 million. Overall, however, we really have to make a greater effort in pushing the public sector reform agenda especially in the proposed efficiency building of statutory corporations. There are deeply systemic issues that have been and are being addressed in several of them as we move to reduce the level of transfers from Government to these entities in ways that help our fiscal position but do not compromise the extent or quality of social service being delivered to the country. Our aim, Madam Deputy Speaker, is to finance and/or reduce transfers by at least \$50 million a year in each of the next four years. That is a tall order, but it is one that we should strive towards and can be achieved.

Another area in which we continue to see a rise in costs of expenditure is that of interest payments and amortization of debt. This, Madam Deputy Speaker, has now reached uncomfortable levels and must be addressed. Of course, for us in Government, we are in no doubt whatsoever that the surest way to slow the growth of

interest payments and even put them on a downward trajectory is to contain Government's appetite for debt especially short term debt fuelled by continuously high fiscal deficits. It is for this reason that we continue to intensify our fiscal consolidation efforts while seeking to push investment growth in our economy. This we expect to continue this financial year and, as has been the case in the past three financial years, it is our intention to institute an across-the-board cut in expenditure of \$25 million from all areas of discretionary expenditure.

In addition to this, as we continue to look for efficiencies, it is our intention to target an additional \$25 million in spending adjustments following the proposed mid-term Estimates review with all ministries and we will be looking to see, in this regard, Madam Deputy Speaker, where ministries and departments have not been able to get programmes off the ground, projects for one reason or the other, they did not get the planning approval, the finances externally did not come through in time, whatever the reason, we will be looking at those and if it is not possible to get those projects up and running then we would ask the ministries to put those on hold to some further time and clear that out of the expenditure budget, but experience has taught us that in the new paradigm of financial and economic management across many countries, in these constrained economic times that while traditional tools have a supreme value in tackling high debt and deficit problems, there are not sufficient on their own. Policies that constrain expenditure and grow revenue must be augmented by a release of investment spending that builds capacity and earns foreign exchange as oppose to spending foreign exchange that leaks out or spending that leaks it. This will ultimately lead to sustainable growth in the economy. They can also be assisted by appropriately targeted policies to contain and even reduce debt growth.

Over the years, successive Barbados governments have adopted traditional methods of fiscal, monetary and debt policy management that projects the position that we earn what we need to pay who we owe, that has always been the policy of the Government of Barbados. That has and will remain a corner piece of this Government's economic and financial policy, however, we must not bury our heads in the sand or pretend that other tools and options available are not available to us to assist in achieving our push for debt stabilization, fiscal consolidation and economic growth in Barbados.

In this regard and consistent with our objective of reducing statutory transfers to State-owned entities, over the next few years by about \$200 million and under the billion dollar mark for sure -- because it is now \$1.1 billion, Madam Deputy Speaker, in terms of transfers - Government will in the coming months take up an offer from a reputable financial organisation to engage a project leading to the possible refinancing of appropriate parts of

our contingent liability debt held by State-owned entities. The goal of this exercise will be to firstly reduce the costs of servicing of the debt required by Central Government. Secondly, to contain overall debt growth for the Government, and thirdly, create fiscal space for Government to invest more resources in growth generating activities. Given that our existing contingent liability debt now stands at \$1 020.7 million, our hope is that through this initiative we could garner additional savings on debt service transfers to these organisations from the next financial year. So we are going to be engaging financial institutions which have approached us on this matter and others in relation to a debt refinancing package, particularly starting with our contingent debt for the ...

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Hon. C. P. SINCKLER: ... statutory corporations and then moving further on as we go in and further details of that will come very, very shortly, Madam Deputy Speaker.

This new initiative, of course, will be matched by fundamental reforms in the targeted entities as is currently being undertaken to improve their administrative efficiency, management and better utilization of scarce resources.

With all of this, Madam Deputy Speaker, it is estimated that the fiscal measures just announced will further dampened the deficit, bringing it down to around 2.6 per cent of GDP on an accrual basis from the current baseline position of 4.8 per cent of GDP for 2016/2017, and with a further downward adjustment of an estimated 1.4 per cent in 2017/2018. On the cash basis, the measures are expected to result in a deficit of 5.8 per cent down from the current projection of 7.9 per cent of GDP. The impact should be a positive one as this would help to slow the growth in debt and set Barbados on a path of rebuilding its credit rating.

I now turn, finally, to additional issues that I want to address: Pensions, education and the public service. Madam Deputy Speaker, there are three additional issues I would wish to briefly address which I think are important to the thrust of the Government to improve the human condition of some critical members and areas of our society. In this regard, I speak of pensioners, students and our public servants.

Firstly, a proposal to allow for the withdrawal of contributions from registered retirement plans, annuity contracts for emergencies and other critical livelihood circumstances. Annuity contracts are products which are generally sold by insurance companies and are designed to help individuals save towards their retirement. They are

types of investment plans where contributions are made to the plan annually or periodically and a pension is usually paid to the owner or beneficiary when that particular plan matures. The maturity date is usually a fixed date, however, some annuity contracts make provision for the maturity date to vary, that is, an earlier maturity date.

Over the years a number of approved institutions, namely insurance companies, have been offering such plans and have been encouraging individuals to plan for their future. Persons have deemed such an offer to be a worthwhile investment and have seen it fit to save by way of annuity contracts for their retirement. Up until last year the Government of Barbados had also endorsed this initiative and sought to encourage this type of investment by permitting an annual tax deduction of a maximum of BDS\$10 000 to individuals who contribute to registered retirement plans and annuity contract. However, in order to facilitate this, the annuity contract had to be registered with the Barbados Revenue Authority for tax purposes.

In addition to the registration of the plan, there were a number of conditions which individuals are required to adhere to so as to ensure that the taxable benefit which they enjoyed annually was not abused. This tax benefit nevertheless was revoked owing to the Income Tax (Amendment) (No. 3) Act, 2015-23 in which the deduction of contributions made to a Registered Retirement Plan, Annuity Contract, was no longer allowed. Consequently, the Barbados Revenue Authority has been inundated with a number of telephone queries and visits regarding Annuity Contracts. Persons have been querying whether they can withdraw from their Annuity, whether they can surrender or cancel or even cash in the Annuity. Some of these individuals have also requested funds from their Annuity Contract for medical, financial or other difficulties.

Unfortunately, the Income Tax Act, Cap. 73 and the Regulations do not make provision for any of these options provided that the Annuity Contract is registered with the Barbados Revenue Authority for tax purposes. The only provision for the disbursement of funds from an annuity plan or retirement contract other than at the maturity is where the owner of the plan becomes incapable in body or mind of carrying on his/her own profession and is unable to provide for himself/herself. Nonetheless, there are individuals who are not disabled but have legitimate medical, employment or other financial challenges which can severely compromise their quality of life on a temporary or even permanent basis. Such individuals have pleaded with the Barbados Revenue Authority to assist them in making these funds available so that they can have their concerns addressed. They have also expressed their willingness to pay a withholding tax which is applicable on the amount withdrawn if the funds are made available.

In light of the foregoing, I now propose that the Income Tax Act, Cap. 73 and the Income Tax Regulations, 1969 be amended to make provision for individuals to withdraw from their Registered Retirement Plan/Annuity Contract an amount not exceeding 15 per cent of the total value of the savings which they have accumulated and pay a withholding tax not at the current rate of 25 per cent but at the reduced rate of 16.5 per cent of the said amounts withdrawn.

Old Age Non-Contributory Pensions

As you are aware, Madam Deputy Speaker, in 1999 Government made strategic reforms to the national pensions system. One of those reforms was to streamline non-contributory or old age pensions. Since then we have seen a number of persons still receiving the award reduced significantly. I am advised that at present, based on the data provided by the National Insurance Department to my Ministry, there are some 6 333 persons remaining on the roll and receiving the benefits. These benefits are, of course, provided for in whole or in part by the Government of Barbados.

Over the years, and certainly over the past five years, due to the very challenging economic and financial circumstances, several of our elderly folk who receive old age pensions have had to bear the burden of higher food and utility prices even as they grapple with other serious challenges associated with ageing. Ever mindful of the fact that it has been a while since Government has accorded these individuals a positive adjustment from our end in their pensions to assist them in better coping with these challenges, we have determined that now is an appropriate time to do so. Accordingly I propose that, effective 1st October, 2016, that old age non-contributory pensions be increased by \$10 a week or \$40 a month. Based on the current figures, this is likely to cost the Treasury an additional \$3.2 million a year.

Additionally, over the last two years, there has not been an annual incremental increase in contributory pensions to make pension payments in line with inflation. I am suitably advised that the NIS will shortly provide details on the resumption of the normal increases for contributory pensions to keep those pensions more in line with inflation and, of course, to maintain the differential between what we are going to do here with non-contributory pensions and, of course, contributory pensions, so we are resuming the two-year increase.

Education: Student Revolving Loan Fund

As you may be aware, the Student Revolving Loan Fund is currently facing some serious challenges while it awaits an injection of funds through the facility from the Caribbean Development Bank. The unexpected delays in

accessing the needed funding has created a situation where some new applicants have been unable to receive the funding for studies to commence in the upcoming academic year. Due to the urgency of this situation and so as not to disadvantage these students, the Retraining Fund Account which is managed by the National Insurance Scheme will be invited to invest in a Special Treasury Bill Issue to the tune of BDS\$5 million to provide an immediate injection to the Student Revolving Loan Fund. The Retraining Fund, which was set up with an initial financing of \$10 million to provide grants for persons who had become unemployed and wanted to undertake re-tooling over the years has had little uptake of these funds and the account presently has \$9.45 million in assets. The Treasury Bills ...

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Hon. C. P. SINKLER: Madam Deputy Speaker, the account presently has \$9.45 million in assets. The Treasury Bill issue, of course, of this \$5 million that we are proposing to take from the Retraining Fund will be retired and the account refunded when the expected funds from the Caribbean Development Bank come through.

Madam Deputy Speaker, finally, in the final days, or should I say in the dying days of the last Administration, that Administration passed a new Public Service Act 2007-41. That new Act was intended to make some fundamental shifts in the organisation and management of human resources component of the services-centred Government service, particularly as it relates to issues such as appointments, promotions, assessments and so on. Even before that Act was passed several members of our community, including members of the then Democratic Labour Party Opposition highlighted several potential challenges which would arise had it been enacted as it then was. The Act was, nonetheless, passed and the rest, as they say, is now history.

Madam Deputy Speaker, part of that history is that it is now widely accepted fact that a comprehensive review of that legislation is currently being undertaken by the lead Ministry, the Ministry of the Civil Service, led by the Right Honourable Prime Minister and other parties as several contentious issues have arisen from its implementation. Time does not permit me at this juncture to delve into those details but this Honourable House is assured that Government will return very soon with a series of amendments to that legislation after the fullest consultation with all stakeholders. However, Madam Deputy Speaker, there is one thing that goes even beyond those situations arising in the Act, as it impacts on the very livelihood of

thousands of temporary officers employed in the public service.

Madam Deputy Speaker, it is a fact that very many of these individuals, some of whom have worked in excess of a decade in the employ of central Government currently occupy the unsecure and unenviable position of non-appointed officers. A large part of this problem, I am advised, Madam Deputy Speaker, is directly related to the fact that there are no vacant or established posts to which they can be appointed, even though they come to work every day and are, by and large, paid in full and on time, with some exceptions, of course, for the work which they do. Madam Deputy Speaker, this situation has put many of these individuals, their families and their livelihoods in a state of suspended animation as it is nearly impossible for them to plan out a secure future from a position of insecurity.

Madam Deputy Speaker, as such, few if any of them can plan for such things as educational advancement, mortgages or other types of financial loans to improve themselves or properties, as financial institution cite their unsecure employment status. Madam Deputy Speaker, it is a situation which causes tremendous discomfiture and discord amongst a very critical class of public officers in Barbados who, like any of their colleagues in the public service or the private sector, contribute substantially to the development of Barbados.

Madam Deputy Speaker, your Government has given long and fair and consideration to this situation and in particular the representation which has been made by the workers' representatives on this matter and on other issues affecting temporary officers and public officers generally in the public service. In this regard, the Cabinet of Barbados has agreed that an initiative be launched immediately to put in place a Working Committee, led by the Ministry of the Civil Service and including other relevant Government departments, as well as representatives from workers organisations. This Committee will advise the Cabinet on the procedure, methodology and legal requirements for the execution of a programme to appoint all temporary officers in the public service with more than three years continuous service at a threshold to be determined by the Government.

Asides.

Hon. C. P. SINKLER: Madam Deputy Speaker, in the coming weeks it is our intention to speak more specifically to details of this initiatives and to the work of the Committee but I would only like to say to those officers who currently suffer from this particular ailment that your Government has heard your cries and help is on the way.

Asides.

Hon. C. P. SINKLER: Madam Deputy Speaker, we are going to appoint all of them into permanent positions in the public service.

Asides.

Hon. C. P. SINKLER: Madam Deputy Speaker and fellow Barbadians, as I conclude, almost 50 years ago the people of Barbados, following years of agitation and decades of preparation, accepted the solemn responsibility of independence self-governance on a reportedly rainy but historic night in the life of our country. We did so with a pledge to be loyal and dedicated citizens, prepared not only to proudly defend and uphold our country's honour, but by our very actions to develop, to enhance and to bring credit to its land and our fellow citizens.

As we celebrate our 50th Year of Independence, we do so satisfied in the knowledge that through good times and bad times, rainy and sunny days, we have, by dint of hard work, dogged determination, and a will to succeed, transformed a collection of sleepy villages into a leading developing country in the world. Our education, health and other social development systems, indeed, our economy as well have all performed and delivered vast benefits for many persons of our national community. We did all of this, Ma'am, not by being reckless, arrogant or self-serving but by combining our God-given talents to make wise and timely decisions that have afforded all people a quality of life that is the envy of most. Along the way of this journey there have been times when we might have doubted our abilities to overcome the myriad of challenges facing us and yes, there have been many, but never at any time have we given up and admitted defeat.

Madam Deputy Speaker, the 2008 financial and economic crisis that rocked the western economic and social civilization and whose effects many countries still continue to feel have undoubtedly been our sternest test to date. It has left a trail of economic destruction in its wake that experts all across the world have concluded that it will take decades to recover from, both in developed and developing countries alike.

Ma'am, Barbados has not escaped the horror of its impact, it has truly challenged the very foundations on which our economy and society have been built. Yes, we have lost jobs, foreign investment, international reserves and even some parts of our social systems have been negatively affected but in the face of all of this we have not lost faith. We have not lost faith in the power of prayer, we have not lost faith in the promise of deliverance and we have not lost faith in our capacity to overcome every challenge and unleash a new period of prosperity for our country.

Madam Deputy Speaker, we know what we have to do to continue to keep our economy growing, our society developing, and our people strong. The presentation which I have just made and the proposals contained therein are designed to continue or to climb back to the path of sustainable, inclusive and affordable development. Your Government, Madam Deputy Speaker, is well-aware of and sensitive to the fact that feet are tired, hands are weary and breast pockets are hurting but in the environment in which nearly 50 years our country has been developing for all of us, it is now our responsibility to deliver for our country.

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Hon. C.P. SINCKLER: ... Madam Deputy Speaker, this Government is well aware of and sensitive to the fact that feet are tired, hands are weary and, yes, pockets are hurting, but in the environment in which for nearly 50 years our country has delivered for all of us, it is now our responsibility to deliver for our country. The adjustments might be hard, the journey way too long, but for the given benefits to be had of continuing to enjoy a standard of living and a quality of life that others across the world would die for, we must ensure that we sacrifice today to secure the future tomorrow. The rewards of those sacrifices are already beginning to show. The turnaround has started, and the prize of prosperity is set to be seized upon and enjoyed by every man, woman and child in this country. Let us together reach out and take that which is the promise of our efforts. Madam Deputy Speaker, with these words, I am obliged to you and grateful to the nation.

Asides.

MR. SPEAKER: Yes, Honourable Member.

Hon. C.P. SINCKLER: Mr. Speaker, I rise to lay the following Resolution:

Whereas the Financial Statement and Budgetary Proposals 2016, delivered by the Minister of Finance and Economic Affairs, is made against the background of a continued unfavourable external economic environment, notwithstanding that the economy of Barbados has realised an improvement in its fiscal performance during the period April 1, 2015 to March 31, 2016, as compared to the corresponding 2015 period, and

Whereas it is recognised that significant work remains to be undertaken in order to bring about continued economic growth at a faster rate, supported by a stronger foreign exchange reserve position, a fiscal deficit at a rate below that of GDP expansion, so as to reverse debt growth

and ensure that the country can sustain an acceptable quality of social services, and

Whereas the Government of Barbados, through the Financial Statement and Budgetary Proposals 2016, remain committed to realising this overall objective by setting realistic targets and implementing interventions to address the broad thematic areas of critical concern to the short to medium-term performance of the local economy,

Be it resolved that the House, this House, notes the Financial Statement and Budgetary Proposals 2016, 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 2016. I am obliged.

MR. SPEAKER: I am obliged.

Hon. J.D.E. BOYCE: Mr. Speaker, I beg to second the Resolution and reserve my right to speak.

MR. SPEAKER: I am obliged.

Asides.

MR. SPEAKER: Yes, Honourable Member.

SUSPENSION

Hon. J.D.E. BOYCE: Mr. Speaker, I beg to move that this Sitting be now suspended until four o'clock tomorrow afternoon, August 17, 2016, when we will have the response of the Leader of the Opposition.

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

The question that the Sitting do now suspend until 4 p.m. on August 17, 2016, was put and resolved in the affirmative without division, and MR. SPEAKER suspended the Sitting accordingly.

6.55 p.m.

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SPEAKERS IN THIS ISSUE

BOYCE, Hon. J.D.E. (Christ Church South)**BRATHWAITE, Hon. A.D. (St. Philip South)****JONES, Hon. R.D. (Christ Church East Central)****SINCKLER, Hon. C.P. (St. Michael North West)****SINKLER, Hon. C. P.**

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EDITORIAL NOTES — NOT PART OF THE REPORT

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

EDITORIAL QUERIES

Points noted while preparing this report from the edited transcript. The text has not been altered except where stated.

Q1. Masthead. The session is not stated in the source, so no session line is printed.

Q2. Order No. 21, about 5.06-5.30 p.m. (takes 6 and 7). After take-slip ‘No.C38A (5)5.06 p.m.’ the source carries the notes ‘Insert s6 chris’ and ‘Insert s7 chris’ with no text, and the next passage (Seq. 8) begins ‘... This represented a 2.5 per cent increase above the amount collected for 2015.’ Two reporters’ takes of the Budget speech, part of the review of the economy and revenue, appear to be missing. Printed as in the source; please confirm.

Q3. Order No. 21, take-slips. Several take-slips and the note above are set in the source as ordinary paragraphs (‘Tuesday, AUGUST 16, 2016’, ‘Seq. 8’, ‘House C 38A Seq 15 6.30 p.m.’, ‘No.C38A (17)6.57 p.m.’) and so print in the body of the speech. The take-slip ‘(17)6.57 p.m.’ is followed by ‘(18) 6.55 p.m.’; the times run backwards. Printed as in the source.

Q4. Order No. 21, speaker labels. The Minister’s speech is labelled both ‘Hon. C.P. SINCKLER’ and ‘Hon. C. P. SINKLER’. Printed as in the source.

Q5. Order No. 21, the Chair. The source records the Speaker vacating the Chair and the Deputy Speaker taking it during the Budget speech, but not the Speaker’s return; the Resolution is laid with ‘MR. SPEAKER’ in the Chair. Printed as in the source.

DEBATE SUMMARY

(Editorial summary — not part of the record.)

The House of Assembly met on Tuesday, 16th August, 2016 at 4.10 p.m., with Mr. Speaker, His Honour Michael A. Carrington, in the Chair; prayers were taken by Reverend Father Mark Harewood. The Minutes of August 9, 2016 were confirmed. The Speaker thanked Mr. Matthew Laban for presenting the House with his book, ‘Mr. Speaker’, on the Office in the British House of Commons since 1945. The Minister of Finance and Economic Affairs, Hon. C. P. Sinckler, laid the Barbados Economic and Social Annual Report, 2015, and Standing Orders were suspended for the rest of the Sitting.

Under Order No. 21, Mr. Sinckler presented the Financial Statement and Budgetary Proposals for the Year 2016-2017. He said that at the start of the economic programme growth had been negative 2 per cent, the deficit for 2013-2014 near 12 per cent of GDP and unemployment 12 per cent; the deficit had fallen to 5.8 per cent in 2014-2015, which he called the largest single-year decline in the history of Barbados, and unemployment had dipped to 9.3 per cent in the first quarter of the year against an annualised 10.7 per cent for last year. He rejected arguments that Barbados’s foreign reserves were in a worse position than in 1991, saying that Sinking Funds and SDR assets were properly counted as reserves, and reported a deficit for the first quarter of \$190.4 million, or 2.1 per cent of GDP.

He set out the main objectives: improving the foreign reserves position, and reducing the fiscal deficit so that by 2018 it would be no higher than the rate of growth of the economy, while sustaining social services. Among measures to earn foreign exchange he spoke of the yachting sub-sector and of small business. During the speech the Deputy Speaker took the Chair.

The central revenue measure was a National Social Responsibility Levy, from September 1, 2016, of two per cent on the Customs value of all imports and on domestic output, excluding goods for manufacturing, agriculture and tourism under the Fiscal Incentives Act and the Tourism Development Act, with diplomatic missions exempted by law and any waivers at the Minister’s discretion. He estimated that the levy and the VAT applied after it would raise \$142.1 million a year, or \$82.9 million in the current financial year, to be used for public health care, including the main general hospital, and to service a loan; at least \$5 million would go towards a national clean-up and an additional \$2 million to the Welfare Department for the more vulnerable.

Mr. Sinckler said statutory transfers to State-owned entities, now \$1.1 billion, would be reduced by about \$200 million over the next few years. The Retraining Fund managed by the National Insurance Scheme would invest \$5 million in a Special Treasury Bill to support the Student Revolving Loan Fund, and he said long-serving non-appointed officers would be appointed to permanent posts. The measures were expected to bring the deficit to around 2.6 per cent of GDP on an accrual basis from a baseline of 4.8 per cent, and to 5.8 per cent on a cash basis from 7.9 per cent. He closed by acknowledging that ‘feet are tired, hands are weary’ and that pockets were hurting.

Mr. Sinckler then laid a Resolution that the House note the Financial Statement and Budgetary Proposals 2016

and approve the measures and policies in it; Hon. J. D. E. Boyce seconded it and reserved his right to speak. On Mr. Boyce's motion, the Sitting was suspended until 4 p.m. on

August 17, 2016, when the Leader of the Opposition would reply.

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