
THE

House of Assembly Debates

(UNOFFICIAL REPORT)

PARLIAMENT 2013 – 2018

HOUSE OF ASSEMBLY

Tuesday, May 30, 2017

Pursuant to the adjournment, the House of Assembly met at 4.00 p.m. on Tuesday, May 30, 2017.

PRESENT

His Honour M. A. CARRINGTON, B.A., LL.B. (Speaker)
Her Honour Mrs. M-J. M. THOMPSON, B.A., M.Sc. (Ph.Ed.) (Deputy Speaker)
Rt. Hon. O. S. ARTHUR, M.Sc. (Econ.)
Mr. G. W. PAYNE, Q.C.
Mr. G. A. CLARKE, J.P., B.Sc., Dip. Ed.
Mr. R. St.C. TOPPIN, LL.B. (Hons.)
Hon. D. St.E. KELLMAN: (Minister of Housing, Lands and Rural Development)
Miss M. A. MOTTLEY, Q.C., LL.B. (Leader of the Opposition)
Miss C. Y. FORDE, J.P., L.C.P.
Hon. R. D. JONES, J.P., B.A. (Hons.), M.A. (Ed.) (Minister of Education, Science, Technology and Innovation)
Dr. the Hon. D. C. ESTWICK, B.Sc., M.B.B.S. (Minister of Agriculture, Food, Fisheries and Water Resource Management)
Mr. D. D. MARSHALL, LL.B. (Hons.), L.E.C.
Hon. M. A. LASHLEY, LL.B. (Hons.) (Minister of Transport and Works)
Hon. R. L. SEALY, B.Sc., M.B.A. (Minister of Tourism and International Transport)
Hon. F. J. STUART, B.A., LL.M. (Prime Minister, Minister of National Security, the Public Service and Urban Development)
Hon. J. D. E. BOYCE, M.Sc., C.Eng. (Ministry of Health) (Leader of the House)
Hon. S. D. BLACKETT, (Minister of Social Care, Constituency Empowerment and Community Development)

Mr. J. D. PAUL, B.Sc. (Chairman of Committees)
Dr. the Hon. D. S. LOWE, Dip. Theology, B.A., M.Ed., Ed.D. (Minister of Environment and Drainage)
Hon. A. D. BRATHWAITE, LL.B. (Hons.) (Attorney General and Minister of Home Affairs)
Hon. S. A. LASHLEY, B.Sc., LL.B. (Hons.), L.E.C. (Minister of Culture, Sports and Youth)
Hon. D. O'N. INNIS, Dip., B.Sc., M.B.A. (Minister of Industry, International Business, Commerce and Small Business Development)
Hon. C. P. SINCKLER, B.A., M.Sc. (Minister of Finance and Economic Affairs)
Mr. T. A. PRESCOD, B.A.
Mr. K. D. SYMMONDS, B.A., LL.B.
Lt. Col. J. D. BOSTIC, MVO, B.A. (Hons.)
Mr. E. G. HINKSON, LL.B (Hons.) L.E.C., LL.M.
Dr. M. M. AGARD, J.P., B.Sc., M.Sc., D.D.S.
Mr. D. G. SUTHERLAND, B.Sc., M.Sc., M.B.A. (Dist.)
Miss S. J. O. BRADSHAW, LL.B. (Hons.)
Prayers were taken by Father Reverend Mark Harewood.

Mr. SPEAKER: Good evening Honourable Members, this Sitting of the House is now in session.

MINUTES

Mr. SPEAKER: The Minutes of the Meeting held on Friday, 12th May, 2017.

Hon. J. D. E. BOYCE: Mr. Speaker, I beg to move that the Minutes for the Honourable the House of Assembly for its Meeting of Friday, 12th May, 2017, be taken as read.

Hon. A. D. BRATHWAITE: I beg to second that, Sir. Mr. SPEAKER: Honourable Members, the question is that those Minutes be taken as read. If there are no corrections or observations, then let those Minutes stand confirmed.

ANNOUNCEMENTS BY HIS HONOUR THE SPEAKER

Mr. SPEAKER: I am in receipt of correspondence from the Public of Ecuador National Assembly dated April 06, 2017.

“Dear Mr. Speaker,

Receive a fraternal greeting from the National Assembly of Ecuador. I am pleased to inform you that on April 02, 2017 the Ecuadorean people have elected Lenin Moreno Garcés as the new constitutional President of the Republic of Ecuador. Except of a few isolated incidents, the day all around the country was celebrated in complete peace and democracy as witnessed by the missions accredited for the electoral process.

The new period of government at the executive and legislative levels invites all political actors in the country to renew their energies to work tirelessly from our functions for the benefit of the Ecuadorean people. We are confident that we will have your support and parliamentary cooperation to achieve our common goal.

Sincerely,

Gabriela Rivadeneira Burbano

President of the National Assembly of Ecuador.”

PAPERS

Mr. SPEAKER: Yes, Honourable Prime Minister.

Hon. F. J. STUART: Mr. Speaker, I am commanded to lay the Annual Report of the Barbados National Oil Company for the year 2014.

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

Hon. J. D. E. BOYCE: Mr. Speaker, I am commanded to lay the Chief Medical Officers Report 2010-2012.

Mr. SPEAKER: The Honourable Member for St. Michael Central.

Hon. S. D. BLACKETT: Mr. Speaker, I am commanded to lay the Child Care Board Financial Statement for the year ended March 31, 2016.

Mr. SPEAKER: The Honourable Prime Minister.

Hon. F. J. STUART: Mr. Speaker, I am commanded to lay:

1) the Income Tax Automatic Exchange of Information Regulations for the year 2017

2) the Sugar Industry Sugar Workers Providence Fund Order 2017

3) the Loan Agreement Number 35 between the Caribbean Development Bank (CDB) and Barbados in the Barbados Tourism Investment Incorporated dated March 27, 2017, and

4) the Barbados Economic and Social Report for the year 2016.

Mr. SPEAKER: The Honourable Member for Christ Church East.

Dr. the Hon. D. S. LOWE: Mr. Speaker, I am commanded to lay the National Conservation Commission Fees (Amendment) Regulations 2017.

GOVERNMENT NOTICES

FIRST READING OF BILLS

On the motion of Hon. J. D. E. BOYCE, seconded by the Hon. A. D. BRATHWAITE, the following Bills were read a first time:

1) the National Social Responsibility Levy 2017, and

2) the National Insurance and Social Security (Amendment) Bill 2017.

ORDERS OF THE DAY

SUSPENSION OF STANDINGS ORDERS

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

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

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

GOVERNMENT BUSINESS

ORDER No. 19

ANNUAL FINANCIAL STATEMENT

AND BUDGETARY PROPOSALS 2017

Hon. C. P. SINCKLER: Thank you very much, Mr. Speaker.

Just over 25 years ago, I had the opportunity to sit in close proximity to an unfolding set of circumstances facing Barbados and Barbadians regarding some deep challenges confronting the country's economy. Sir, as a young 23 year old man, practically fresh out of the University of the West Indies (UWI) I was thrown in at the deep end of what was then considered to be the worst economic crisis to hit Barbados in the post-independence period. Things appeared grim. Our deficits on the external and internal current account had reached dizzying and unsustainable heights. The Gross Domestic Product (GDP) growth was in negative territory and the delivery of public goods and services were facing significant challenges. Government had exceeded its legally stipulated borrowing limits of the ways and means accounts at the Central Bank of Barbados but perhaps most worrying of all was the stark reality that the country, on its then trajectory, was heading for a certainly devastating devaluation of the Barbados dollar vis-à-vis the US dollar as foreign reserves levels at the Central Bank had almost been exhausted.

House D 12A Seq 1 4.14 p.m.

As you could imagine, Sir, for even the most experienced public and private sector practitioners in Barbados, far less a newcomer like myself, this was a chilling set of circumstances to face and one that frayed nerves of many across the country as Barbados came to grips with the sheer magnitude of the problem.

Naturally, as is ever present as a feature of these circumstances, the blame game was in full force with both Government supporters and detractors trading accusations and spinning political webs as to who or what was to blame for the crisis. Voices from the private sector, some of them, ever ready to denounce public sector management capabilities in running the country eagerly offered up their version of salvation varying as it were from the privatisation of everything that move in Government to less formal requests for the introduction of "Government by Committee" populated of course with a ready supply of "wise men" from the private sector. On the other hand, our colleagues in the labour movement then populated by mature, highly trained and equally militant leadership pressed a clear, consistent and reasonable case for the protection of the gains of workers and their seminal right to be at the centre of any conversation for national reform, repair and ultimate resuscitation.

The official Opposition, Sir, was as could be expected, the Opposition. Doomsday scenarios were dime a dozen. Tempers flared, and as I said, nerves were frayed as a collective nation was literally caught up in the vice grip of fear of the prophecy of demise of Barbados as we know it. I saw that up front and close, Sir, in a way that has lived with me from then until now and will perhaps remain for the rest of my natural existence. As the type of stuff that were it not for the strengths and assurances of one man who stood almost singularly resolute in his confidence in the capacity of his country to weather the storm, I would have, as some others did at that time, fled the scene and left the side of the man who gave me that opportunity of a lifetime. Fortunately, Mr. Speaker, Sir, I did not and the opportunity to serve as Personal Assistant to the then Prime Minister and Minister of Finance and Economic Affairs Erskine Sandiford, now Sir Lloyd Sandiford, did not just expose me to the acute pressures of the time, it also permitted me to see up front and close how steely resolve, clarity of purpose, resolute and visionary leadership and above all selfless love for country can ultimately be the difference between success and failure in governance. I was able to witness how, amidst all the noise and fury and the doomsday predictions and yes of course the vitriolic abuse of himself by others, that our leader, the then Minister of Finance, my boss as we would call him, stood steadfast in the breach and doggedly pushed through what others considered to be an unpopular programme that eventually led to the steadying of the ship of State and the laying of the groundwork for more than a decade of strong and sustainable economic growth and development in Barbados. His mission was not popular. His policies were disliked and even he was despised, ridiculed and mocked but that never deterred him from sticking to the mission to save Barbados. He put Barbados first even though many Barbadians did not appreciate it at the time. I personally saw him suffer the political consequences of strong beliefs for doing what was right knowing full well it would not endear him to many but he did it nonetheless. He led from the front.

Today I have lived long enough to see some of the very abusers and naysayers exclaimed his virtues albeit 25 years late saying that this is the type of leadership which we require in Barbados at this time, but while fortunately it did not take me 25 years after the fact to recognise greatness I do agree with them and others who have formed the view that this is the time for strong, determined and unflinching leadership; leadership that will be unafraid to take tough and resolute decisions which may be unpopular but which ultimately would be in the best interest of the country; leadership, Sir, that will be open, front and honest with the people of Barbados as to what the challenges are that continue to confront us many years after the debilitating impact of the most severe global recession since the Great Depression, but ultimately leadership that is prepared to take action now not in an attempt to wilfully

punish people for the sake of it but to secure a sustainable and successful way of life for those who are here now but especially, of course, for those who will come after. Put another way, Mr. Speaker, we need leadership that will continue to put the people and country above politics, party, popularity and yes even the polls to come; leadership, that will as Erskine Sandiford did in the early 1990s and put Barbados first. If ever there was a time for that type of leadership it is now.

Mr. Speaker, Sir, the state of our economy is not where it should be at this time. Yes, we have made great progress in facing down the continuing stiff headwinds that have negatively affected us ever since the recession hit back in 2007/2008, but that progress now needs to enter a phase where growth is faster and higher. From a position of negative growth of 4.7 per cent and a fiscal deficit of close to 12 per cent of Gross Domestic Product at the height of the recessionary conditions, Government has been able to oversee a return to positive growth of about 1.2 per cent on average for the past two years while our fiscal deficit has been shaved to an average of 7 per cent in the same period.

Sir, when we consider that even in most advanced industrialised economies economic growth has not averaged more than that, in fact, in most instances it has been below 1 per cent and according to the International Monetary Fund Global Report generally under that figure, we begin to realise just how difficult global and national conditions have really been. What we do know however and must frankly admit is that while for some other countries such figures might be enough to get them through particularly in the industrialised economies, given the structure of our economy and society such numbers are inadequate to permit us to continue to support the quality of life that we have become accustomed to. Indeed, it certainly cannot help us to achieve the ambitious developmental agenda we have set ourselves for the next 50 years of independence.

Do not get me wrong, Sir, yes, tourism is not just growing but doing so at rates not registered even in the pre-crisis boom years. To be sure, industry players are set or poised, as we would say, to see a third straight year of growth that surpasses even the previous two years which themselves were record years unregistered. Certainly, no one can dispute these figures and these figures do not lie. Even if we might wish not to give credit to this Administration for having the foresight and the fortitude to literally save this vital industry from collapse through such critical interventions as the \$24 million Tourism Industrial Relief Fund (TIRF) which is the grant fund to help hotels weather the early impact of the recession as well as the much cursed Sandals deal which has not only driven close to \$500 million of new investments into Barbados that has led to the strategic shift in the tourism industry to a full export industry...

Yes, Sir, we have been successful in initiating and building out a growing and increasingly more attractive alternative energy sector which standing behind the most comprehensive package of tax incentives granted to any single industry in Barbados probably with the exception of tourism in one go in our history and with a properly defined national alternative energy policy has not fallen away even as oil prices have receded to decades low.

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Rather, this sector continues to attract more investment from inside and outside Barbados while creating new business and job opportunities for Barbadians. O, yes, we have finally reached the stage again, the first time since 2007, where most economic sectors in Barbados, traded and non-traded, have begun to register growth, particularly in construction where several stalled projects have finally started, International Business and Financial Services Sector which has weathered the storm of the Organisation of Eastern Developing States and the FSB and all of the negative impacts on it, domestic imports have begun to increase and wholesale and retail distribution have started to grow again.

Certainly, there is no denying that though still unacceptably high, the rate of unemployment has come down from highs of near 13 per cent to 9 per cent in the last year or so and this, Sir, even after the Government was forced to retrench workers in 2014 as part of the 19-month's programme and has not reemployed more than a few of these. Yes, Mr. Speaker, there is no denying that with regard to our real economy significant progress has been made and is being made to turn our fortunes around. If seven consecutive quarters of economics expansion in the country's Gross Domestic Product is not a sign of growth and that growth is returning, then perhaps I do not know what is, so that when we hear the refrain that the Minister of Finance and Economic Affairs must concentrate on creating growth, it seems that it glides past the intelligence of those repeating these statements what has really happened. Sir, not only has growth returned to the Barbados economy but every action we take is a small part of the puzzle that will eventually lead to the level and pace of growth that we need in order to achieve our national objectives as set out by this Administration.

Mr. Speaker, we have long acknowledged as a country that in order for us to maintain the quality of life and standard of living we have, that we have come to expect, and frankly that we demand, fiscal prudence must be a hallmark feature of the management of the public finance. We have also concluded that while it is not ordinarily necessary or advisable for us to reach a balanced budget every financial year, strict discipline in the ordering of priorities should hold centre stage in the operations of Government so as to ensure that the gaps between the

revenue and expenditure will be small enough to permit easy and sustainable financing over time. This, we know, is absolutely critical to the maintenance of a fixed exchange rate of the Barbados dollar against the United States of America dollar which is the centerpiece of monetary and economic stability in the country and the purveyor of confidence among investors both foreign and domestic. It is these few but very important elements of our economic strategy that allow for the national objectives of poverty alleviation and socioeconomic transformation in the lives of our citizens to take place in a manner that adds value to the country, while not undermining its financial integrity. But it is also, Mr. Speaker, the balance between trying to maintain social and economic fabric within the society whose principle characteristic feature for more than 60 years have been a heavy investment in the development of our human capital and on other hand ensuring financial efficacy in our economy that has now come to a particular or a potential fracture, a fracture, Sir, that if not immediately and assertively addressed portends potentially devastating consequences for Barbados.

Sir, this balance is really not a flash of philosophies because I sincerely believe that most if not all right-thinking people in Barbados support the view that the country could not have achieved as much as we have, were it not for our vast social investment in human capital: our free education and healthcare systems, access to clean piped water to practically all households, the heavily subsidised transport system, free sanitation and community development services, aided by a social welfare system that touches the elderly, children, the unemployed and the indigent, all have served to separate Barbados from several of its peers in the world, developed and of course developing countries.

It is not by chance, Mr. Speaker, Sir, that more than one-third of this country's national budget of \$1.585 billion of the total expenditure budget goes towards some type of social development activity by the State. Sir, that is not happenstance, that is deliberate, because this is Barbados, the Barbados that we love and brag about to many inside and outside our country, who in turn marvel and exclaim the wonders of our highly advanced social systems. This is our Barbados, Sir, which even when it cannot pay a salary increase, for example, it can still find the resources to pay our public servants increased increments every year and can guarantee a pension on retirement that not one of them in the public service has contributed to.

This is Barbados that guarantees every citizen, high or low, rich or poor, high quality treatment at our polyclinics or at the Queen Elizabeth Hospital when entering as public patients without demanding a cent. This is the Barbados that guarantees school-aged children in Barbados a seat in a school from primary to secondary and for those who matriculate further in postsecondary

institutions education and training free of cost at point of delivery. This is a Barbados that of course affords all of us the luxury of the collection, treatment and disposal of our domestic waste without charge at source, even if nowadays that is adumbrated from the usual standard.

This is Barbados, Mr. Speaker, Sir, the Barbados where the State cleans our streets, maintains our roads, provides for our security and even markets our country so that the hotel owners in Barbados and others can make a profit and make a living in Barbados.

This is the Barbados we know, the Barbados that has given and continues to give generously, so that we can have the luxury and privilege to be free and to be critical of anything and everything, free democracy it is, this is Barbados, so that it is not a clash of philosophies, it is not even a clash of economic strategies or perspectives, *per se*, this is a case of us Barbadians confronting the need to accept the full responsibility of the type of economy, society and yes, country we want to maintain and develop over the next 50 years of our Independence. It is this ultimate question which will confront every single Barbadian in the coming days, weeks, and months ahead, starting from tonight.

Mr. Speaker, given the fact that it is now patently clear that our country cannot continue at the current pace to provide all things that we have grown accustomed to and in the magnitude that we desire, given the limitations of our economic resources, are we Barbadians prepared to make major sacrifices necessary to ensure that we confront and correct this situation once and for all?

Are we prepared, Sir, to stand together as one in a concerted effort to stabilise our economy and protect and defend the strength of our currency, the standard and quality of our lives, and even our sovereignty as a nation?

Are we prepared to surrender to narrow agendas, whether political, social or economic? Are we prepared to engage in a national discourse whose ultimate objective will be to devise and agree on a sustainable national economic and social reform programme to resuscitate our economy, revitalise our social systems and liberate us from the deleterious impacts of deficits, debts, downgrades and possible devaluation?

4.37 p.m.

Are we prepared to put Barbados first, Mr. Speaker? Sir, honestly I would not profess, like some others in here on the other side, to having any extra special knowledge as to what Barbadians want and who they want. What I feel confident in saying, though, is that the Barbadians I know and relate to on a daily basis, the Barbadians we on this side represent, do not wish to see this country collapse. In

this regard, I believe that they are more than prepared to support all reasonable efforts by this or any Government to protect our economy, maintain our social systems, and protect the vulnerable among us. Sir, they are prepared to do this even if it means that we will have to sacrifice and be inconvenienced a little more. What they ultimately want is a clear and concise narrative of the nature and magnitude of the problems facing us, what corrective actions are required to address them, and what results we can expect to achieve from any sacrifices that we are asked to make.

This is not an unreasonable demand; our expectation coming from a recession-weary population and one which all of us in the leadership position must be prepared to deliver to Barbadians. Sir, this evening as I set out to do exactly this, it is my hope that the ensuing debate will be conducted with a level of maturity and seriousness that not only befits this Honourable House but parallels the seriousness of the challenges that confront us; that a wellspring of ideas rather than insults would be the order of the day over the next three days; and that at the end of such an exercise we will leave here ready to work as Team Barbados to win the future for our children and their children to come. Mr. Speaker, with this in mind, permit me to turn my attention to the business at hand.

Review of the Performance of the Barbados Economy. Real Sector Overview.

The Barbados economy continued a slow but resolute growth trajectory in 2016. Real GDP (Gross Domestic Product) is estimated to have expanded by 1.6 per cent at the end of last year. This marks three consecutive years of positive growth with improved economic activity in key sectors. The traded sector grew by 2.2 per cent on account of a robust performance in the tourism sector, which increased by 4.8 per cent. The non-traded sector grew stronger in 2016 with a 1.5 per cent growth aided primarily by the construction subsector which grew by 2.8 per cent, and the finance and others services subsector which grew by 2.5 per cent. At the end of 2016, the average inflation rate stood at 1.1 per cent and the unemployment rate fell to nine per cent, compared with 11.3 per cent at the end of 2015.

Per capita GDP at basic prices declined by an estimated 1.6 per cent to record BDS\$28 600 (US\$14 300) compared to BDS\$29 100 or US\$14 500 in 2015. Real value-added output in the traded sector increased 2.2 per cent. The growth was largely attributable to the tourism industry, which recorded the largest growth rate of 4.8 per cent. This was followed by non-sugar agriculture production, which recorded 1.5 per cent growth. Sugar production recorded its largest decline of 33.3 per cent, making that its fourth consecutive year of significant slowdown in production owing to a combination of drought, disease and financial challenges in the sector.

Other subsectors slowing the pace of growth in the traded sector were chemical and manufacturing industries, recording a fall in output of 3.7 and 1.6 per cent respectively. The rum and other beverage industries were the largest contributor to the overall reduction seen in manufacturing.

The tourism sector registered just around 1.2 million visitors, comprising both long-stay and cruise passengers coming to the shores of Barbados. The number of stayover visitors rose 6.7 per cent while cruise ship visitors increased by 1.2 per cent compared to the previous year. The major stayover source markets were the United Kingdom, recording 218 638 persons, representing an increase of 2.1 per cent; the United States with arrivals of 168 945 persons, an increase of 14.1 per cent; and the Caribbean Community (CARICOM) with tourist arrivals of 99 679 persons which was an increase of 13.3 per cent over the previous year. Canada, another important source market, recorded an increase of 5.9 per cent, to bring Canadian arrivals to 78 903 visitors. The number of new entities licensed in the international business sector at the end of 2016 totalled 491, compared to 456 entities in 2015.

As regards the non-traded sector, that sector increased by 1.5 per cent. This was largely attributed to an expansion in construction as well as the finance and other services industries, which recorded 2.8 and 2.5 per cent respectively. The mining and quarrying subsectors comprised the only industry recording a decline in output for non-traded sectors of 8.6 per cent. In 2016, total value-added activity at market prices had tapered off somewhat compared to the previous year, as low international prices coupled with dampening domestic demand led to a cost-competitive environment. Driving the decline in nominal output levels were key sectors such as manufacturing, which declined by 14.9 per cent, amounting to \$76.8 million in falloff of the value-added contribution. This was followed by a decline in nominal output in the construction industry, whose value-added contribution contracted by 7.6 per cent or \$40 million, while the real estate subsector also declined by 5.6 per cent, reflecting a market price decline of \$58.4 million. On the other hand, accommodation and food services subsectors increased by 5.6 per cent, equalling a total value-added of \$58.5 million. The business services subsector also increased by 3.7 per cent or \$25 million, followed by personal and other services which increased by 3.2 per cent with a total and business nominal increase of \$17.4 million.

Gross capital formation amounted to an estimated \$1.5506 billion, representing a decline of 2.5 per cent over 2015. This out-turn was attributed to a net reduction in building assets, which decreased by 7.6 per cent. At the end of 2016, exports of goods and services rose by an estimated 2.1 per cent to register \$3.2977 billion, compared with \$3.2298 billion recorded for the year earlier. The increase

was largely attributed to a rise in the export of goods by seven per cent. On the other hand, imports of goods and services increased at a slower pace by 4.3 per cent in total. Goods importation, which increased by 5.6 per cent, was the main element contributing to the increase. Demand for exported services and imported services remained flat throughout the period.

Relative to our balance of payments, in 2016 Barbados recorded a reduction in its external current account deficit. This out-turn was as a result of increased export earnings, as well as a falloff in retained imports.

4.43 p.m.

Balance of Payments: In 2016, Barbados recorded a reduction in its external current account deficit. This out turn was as a result of increased export earnings as well as a falloff in retained imports. At the end of 2016, the balance on the external current account was estimated to be in deficit to the tune of \$444.6 million or approximately 4.9 per cent of GDP (at market prices). This represented a reduction in the deficit when compared with the deficit of \$558.2 million recorded a year earlier.

The capital and financial account recorded a surplus of \$171.1 million in 2016, a 58.0 per cent decrease when compared with the surplus of \$406.8 million for 2015. Net long-term private inflows was estimated at \$243.6 million compared with inflows of \$431.3 million a year earlier. Net long-term public sector investment amounted to an outflow of \$170.4 million compared with an outflow of \$72.2 million in 2015. Net short-term outflows for 2015 were \$76.8 million relative to \$8.6 million in outflows registered a year earlier.

The Net International Reserves: The stock of foreign reserves at the end of December 2016 was estimated at \$681.1 million, representing 10.3 weeks of import cover. This represents a decline of 26.5 per cent when compared to the previous period end of year stock of \$926.8 million which was previously estimated at 13.6 weeks of import cover.

First Quarter 2017 Review: The Barbados economy registered moderate growth during the first three months of 2017. The expansion was primarily driven by activity in the tourism sector, but a more robust recovery was hampered by on-going delays to the start of anticipated investment projects. The delays also impacted the growth of international reserves during the quarter but higher tourism earnings contributed to a modest increase in reserves and a slight improvement in the import reserve cover at the end of the review period.

Gross Domestic Product Growth is estimated at 2% for the first quarter, above the average first quarter

performance of the past five years. Real tourism value-added rose by 3.0 % following a strong performance during the corresponding quarter the previous year. Long stay arrivals were up 4.4 %, on the strength of increased demand and the on-going expansion of airlift from the USA and Canadian markets.

The other traded sectors made a modest contribution to growth during the first three months of 2017 with the manufacturing and agricultural sectors estimated to have trended upwards. Construction activity is estimated to have expanded by almost 2% during the first three months of 2017. This out-turn was influenced by the construction of various commercial projects, including Sandals Royal, the luxury arm of Sandals Resorts International, which is scheduled to open towards year end.

Other non-traded sector activity, principally in wholesale and retail and other business and general services, registered modest growth, the result of the performance of the tourism and construction sectors.

External Sector: As at March 31, 2017, the international reserves stood at \$705.4 million, following an increase of \$24.3 million in the first quarter.

This improvement compares with an average first quarter increase of \$19 million over the past five years. However, the import reserve cover of 10.7 weeks at the end of March 2017, remained below the 12-week benchmark, in part a reflection of the larger than usual net public sector capital outflows in Financial Year 2016/17.

For the first quarter of 2017, the external current account registered a surplus of \$45.4 million, \$13.0 million below that recorded for the corresponding period of 2016. Tourism earnings grew moderately on the basis of improved activity, but these gains were largely eroded by higher retained imports, which were up 6.6%.

As at May 25, 2017 international reserves were recorded at \$750 million, up by \$45 million from the end of March position.

Review of Fiscal Performance for the Period for April 1, 2016 to March 31, 2017. Current Revenue: Preliminary information received from the Accountant General and the Barbados Revenue Authority indicates that current revenue for the period April 1, 2016 to March 31, 2017 was \$2, 619.6 million, an increase of \$53.1 million or 2.1% above the amount recorded for the corresponding period during 2016.

Taxes on incomes and profits realized \$795.0 million, an amount of \$71.5 million or 9.9% more than that collected for the corresponding period in 2016. Corporation

Taxes increased by \$16.4 million for the period under review.

Income taxes increased \$72.9 million over the previous financial year. It should be noted that refunds of income taxes for the period under review were \$20.4 million while there were \$88.0 million for the corresponding period in 2015 - 2016.

Taxes on property decreased by \$52.4 million from the corresponding period in 2015-2016 to \$135.1 million. Amounts of \$120.1 million and \$15.0 million were collected for land tax and property transfer tax respectively.

Taxes on goods and services increased by \$36.4 million or 2.9% to \$1,285.2 million. Receipts of VAT totalled \$914.2 million, a decrease of \$10.6 million from the corresponding period in 2015-2016. Excise Duties recorded \$218.7 million, an increase of \$49.8 million above the actual outturn for 2016. This increase was partly due to an amount of \$28.45 million received in March from the Barbados National Oil Company Limited. Import duties increased by \$16.2 million to \$247.9 million. This represented an increase of 7.0% above the amount collected in 2016.

Special Receipts increased by \$7.0 million to \$37.2 million. It is to be noted that an amount of \$28.4 million was collected for the National Social Responsibility Levy. An amount of \$10.2 million was collected for Training Levy for the period April 2016 to September 2016. The amount collected for the period October 2016 to March 2017 has not been brought to account as yet since my Ministry is still awaiting information on those amounts from the National Insurance Department. Non-Tax Revenue recorded \$104.3 million, an amount of \$6.7 million less than the corresponding period in 2016.

Expenditure: Current expenditure, exclusive of amortization of \$805.5 million, decreased by \$64.2 million or 2.1% from the 2016 figure to \$3,021.3 million.

Wages and Salaries decreased from \$729.0 million in the corresponding period of 2016 to \$720.8 million. Expenditure on goods and services decreased by \$66.0 million to \$375.3 million.

Sequence 5

Velda

Expenditure on current transfers decreased by \$52.9 million moving from \$1,184.5 million in 2016 to \$1,131.4 million for the period April 2016 to March 2017. The main contributors to this decrease were Retiring Benefits, Grants to Public Institutions, and Subsidies which reduced by \$9.5 million, \$20.1 million and \$12.8 million respectively.

Capital expenditure for the period under review was \$181.9 million compared to \$216.6 million for the corresponding period in 2016. Capital formation increased by \$69.9 million whereas capital transfers decreased by \$102.8 million. Total expenditure therefore April 2016 to March 2017 was \$4,008.7 billion compared to \$4,185.4 billion in the corresponding period in the previous.

Central Government's disbursed and outstanding debt stood approximately \$13,407.4 billion as at March 2017, approximately 144.7 per cent of projected GDP compared to \$12,625 million in the previous year. Of the \$782.3 million increase in Government debt there was a \$41.2 million decrease in external debt compared to the same period in the previous year and net borrowings from EXIM Bank of China and First Citizens Bank totalled \$98 million were counterbalanced by repayments of the Caribbean Development Bank and Credit Suisse loans. Domestic debt increased by \$824 million financed principally through the issuance of Debentures and short term Treasury Bills. The net increase of \$782.3 million was attributed mainly to the need to finance the Government's deficit.

Total debt payments in the period April 2016 to March 2017 amounted to approximately \$1,544 billion with interest payments of \$739 million and amortisation payments of \$805 million. Interest payments saw a net increase of approximately \$67 million primarily attributed to domestic interest costs. This was largely as a result of additional issuance of domestic securities as well as increases in the interest rates.

External amortisation decreased by approximately \$81 million principally as a result of the repayment of the Barclays de Zoete Wedd (BZW) bond which was repaid at the end of June 2015. Domestic amortisation increased largely due to the maturity of an additional \$131 million debenture during the period, compared to the previous financial year. The overall net decreased in amortisation payments therefore was \$13.4 million.

As regards to our Contingent Liabilities, Government's Contingent Liabilities stood at approximately \$898 million and, of course, Mr. Speaker, the Contingent Liabilities relate to debt which is guaranteed by Government for State-owned entities, and at the end of March 2017, as I said, it was \$898 million compared to \$1.02 billion at the end of March the previous so it did come down. The decrease was primarily attributable to regular amortisation payments, as well as the repayment of a \$55 million loan by BTI to the National Insurance Board.

Given these figures, we were left with a deficit as follows. The deficit of \$583.6 million represents 6.3 per cent of GDP at market prices set at \$9,233 billion. The deficit for the corresponding period in 2016 was \$735.5

million representing 8.2 per cent of GDP at market prices then set at \$8.936.3 billion, so the deficit came down from 8.2 per cent in the previous year to 6.3 per cent for last year. Sir, we missed our 5.8 per cent target marginally because, of course, the expected inflows from the sale of the Barbados National Oil Company did not come in at March 31 and therefore we could not count it in these resources and so that caused us to take up slightly beyond the target that we had set ourselves. In fact, we would have been below the target had that amount come in probably around 5.4 per cent of GDP. That, Mr. Speaker, represents the Financial Statement and the Real Sector Economy Report.

What is the current state of affairs? Mr. Speaker, from the foregoing review it is clear then that, with regard to the performance of our economy, we have been seeing appreciable progress as real economic growths has seemingly settled in and is getting stronger quarter by quarter. This is most evident as both traded and non-traded sector activity continue to expand helping to create more value-added in the economy and push down unemployment rate, however, as I stated earlier in this presentation, this progress now needs to be accelerated so that the economy can grow much faster or at a much faster pace and, in so doing, assist government to better meet the demands of our citizens, while creating sufficient wealth to pursue social and economic transformation across the landscape.

Contrary to popular belief in some quarters, there could not have been any tardiness, Mr. Speaker, disinterest or lack of leadership on the part of the Government to pursue initiatives to generate economic growth. That is one of the myths that circulates in Barbados. Such a misinformed view. In fact, the facts simply do not support that contention. Indeed, this Administration has put in place and pursued more initiatives for growth than most others in recent memory and have done so in very challenging and stiff circumstances.

Whether it is incentivising the tourism, alternative energy and cultural industry sectors to levels never seen in Barbados or clearing the way for major investment projects in Barbados such as the Bridgetown Port Berth expansion of the Berths, Berth 5 and Berth 6, Bushy Park, Hyatt, the Sands Condo Hotel and Sam Lord's. This Administration has put the things in place, not with any support from the Opposition, by the way, opposed at every juncture by the Opposition, but that is okay. That is what an Opposition is supposed to do, I guess, but at every turn whether it is The Port, they opposed that. If it is the expansion of Bushy Park or the transformation of Bushy Park, they opposed that. If it is the Hyatt, they opposed that too, though secretly because I know that some of them do support it, like my friend the Honourable Member for The City of Bridgetown. The Sam Lord's project, they support that even though they said that approved it but they opposed it as well and then Sandals,

well they publicly cursed the Government for that but, of course, met with the developers and said go right ahead, we support you 150 per cent. Even in spite of stiff opposition for every major project that the Government has done, we have still been able to push them through. We have pushed down the cost of construction in Barbados by liberalising the cement supply in the country, but they opposed that too, not because it was not a good thing to do but they are opposed to the person who was doing it.

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We have eased the burden on our main foreign exchange earning sector tourism by eliminating duties and taxes on a range of food and beverage items, and they opposed that too even though quietly they tell the people we support it.

Sir, in the coming months, August to be exact, this Administration will launch duty-free zones initiative across a number of locations in the country, they opposed that too, and we will shortly lay the Special Development Areas legislation to expand the areas that investors can get incentives to do things to improve Barbados' physical, economic and social development. That too is coming very shortly because it has been finalised by the staff of the ministries responsible for finance, housing and lands and the Town Planning Department.

Equally as well, Mr. Speaker, I will lay shortly in this House an amended Housing Incentives Act which will extend even more generous and targeted concessions to developers interested in pursuing what they now call low-income housing. It is a concept that I do not necessarily know what it means because the truth is that housing is expensive and housing is expensive because the nature of building is expensive. I do not know what low-income housing is, but suffice it to say we are now at the stage of building quality houses for Parliament-ople to live in, and Government is going to be doing something which has long needed to be done. We are going to wake up this Housing Incentives Act and rather than Government having to provide all of these things for "low income housing" we are going to incentivise the private sector to go in and provide those houses for ordinary Barbadians.

Mr. Speaker, Sir, we have already begun to make available to small businesses in Barbados \$10 million of the \$50 million promised to their sector to support their development and expansion in addition to completing the first comprehensive national policy for small business development which the Minister will bring to be debated in this House very, very shortly, but you know the Opposition opposed that too because they were not interested in that when we said we were going to do it last year. All of these are things that we promised in the last Budget which have already been done, Mr. Speaker, Sir. Naturally, our efforts

in the tourism source markets expansion will intensify just as our efforts to defend and expand our product offerings in the international business and financial services sector will continue apace.

Mr. Speaker, Sir, we have taken the measures necessary for growth, whether it is agriculture, tourism, manufacturing, housing construction or the alternative energy sector. The reality is that the biggest obstacle to growth frankly and for growth moving faster and more sustainably is the persistent deficit in our fiscal accounts that is driving growth in debt and now eating away at our foreign reserves in a manner that we cannot at all be comfortable with for even the most optimistic among us. Put another way, Sir, the fiscal deficit is now public enemy number one and to this we should address strategic attention over the short and medium term.

Sir, the cold hard facts are these simply. The macroeconomic stability of this economy cannot be successfully maintained if the chief pillar which is the fixed exchange rate peg is subject to question. The fixed exchange rate peg becomes into question if the country does not and cannot maintain adequate levels of reserves to meet the external payments which places demand on the monetary system. The monetary system which is managed overall by the Central Bank of Barbados has to be sufficiently liquid as far as foreign exchange is concerned and of course domestic currency as well to ensure that not only can the open market requests from businesses and citizens be met, but if for any reason there is a shortfall the central monetary authority, in this case the Central Bank of Barbados, will have adequate stock of reserves to satisfy legitimate requests in the short term. If those reserves fall below a certain level, confidence in the capacity of the authorities to meet their short term demands and of course meet the recurrent external debt service obligations of the country is weakened and the peg is called into question.

Since Government is not a significant earner of foreign exchange, but through its activities in support of managing the affairs of State can in fact be a contributor to the net outflow of foreign exchange, it is always advisable that Government keeps its spending within certain limits and ultimately its deficit small and manageable. We have found ourselves having to deviate from these core macroeconomic fundamentals because as I have outlined earlier as a country we have either not been earning enough to support the standard of living we have and enjoy and/or we are spending more than we can afford on public goods and services we provide to all Barbadians.

By way of illustration, Mr. Speaker, as a country, and I want Honourable Members to listen very closely to this, in the last seven years we have run an average fiscal deficit of close to 7 per cent per year or more than \$685 million of new money every year to manage the operations

of Government. On aggregate, Sir, this represents approximately \$4.8 billion in financing over the period. Of course, it meant that an equivalent amount of short-term debt had to be created to satisfy these demands, so you are running a deficit at 7 per cent on average of roughly \$685 million, and when you do an aggregate computation of that you are talking about \$4.8 billion in financing, this is new money that you have to find, and of course you have to issue debt instruments in order to finance that.

Mr. Speaker, as if this was not serious enough these amounts would have come in addition to the amounts Government had to find to outlay for amortisation of both aged domestic and foreign debt which peaked at near \$700 million per year. Now, as we know, this situation has resulted from a combination of revenue shortfalls principally headlined by a falloff in tax revenues from the international business and financial services sector of more than \$200 million per year since 2010 and weaker economic activity generally from the recession but also because of the fact that in spite of successful efforts we have made throughout the period especially in the 2013/2014 period to bring expenditure down situations have arisen which have demanded our resources.

Indeed, in respect to revenue, Sir, the loss of revenue from the international business sector alone is now running close to \$1.4 billion in the seven years that I am talking about. That is \$200 million a year, that is a lot of money, and it is not only domestic money because that money would have been coming in as foreign exchange because it was mainly from international business companies so we lost on the FX side and we lost on the domestic currency side.

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Mr. Speaker, in an economy of the size of Barbados, just over \$9 billion, you do not replace \$1.4 billion that easily in an economy such as Barbados and it has to have a steeled and potentially devastating impact on your capacity to be able to finance the operations of Government. This is really what is happening.

Mr. Speaker, we know that the Canadians passed legislation in 2007 which started to take bite in around 2010 as regards to Canadian businesses domiciled overseas and this is principally the reason Government was forced to make certain adjustments to its tax rates on the International Business and Financial Services Sector because the truth is, had we not done that we stood to lose even more than the \$1.4 billion or \$200 million a year. In fact, the figures that I saw at the time suggested that we could have lost upwards of \$500 million per year relative to companies picking up and leaving Barbados because they did not have to be here in Barbados anymore.

With regard to expenditure, while most non-interest expense categories such as wages and salaries, goods and services and so forth have actually been flat or have fallen a bit in the period, overall this has not been enough. In other words, our expenditure contraction has not been enough to compensate for the major declines in revenue. This, of course, is compounded by the fact that other areas of expenditure did not see such reductions, including transfers to State-owned entities for their debt and necessary capital works.

Mr. Speaker, for example, in the last four/five years we have spent close to BD\$500 million in infrastructure upgrade work for the Barbados Water Authority. This has nothing to do with the building or building a headquarters, I am talking about pipes in the ground, meters, doing things to improve that network for water supply. We have had to spend money to improve the Port in Bridgetown, to put an additional berth, over BD\$50 million in order that the mega ships that we see coming into the Port have been able to come there because of the shallowness, for example, the Mine Shaft, the Britannica and so forth and so on.

Mr. Speaker, we have had to spend last year \$62 million paying a 2002 Bond for the Barbados Agriculture Management Company. We have to repay that and that has had to be a statutory transfer from Government to satisfy in that regard, so that this is how some of these unexpected and some expected interventions have had to be satisfied. This is borne out in the figures for the same period which show that on average the revenue for the seven-year period as a percentage of Gross Domestic Product was 29 per cent, while expenditure was about 35 per cent of Gross Domestic Product. Of that expenditure amount interest expense grow, which is being driven almost exclusively by the high deficits that we are running, has been around \$611 million annually, or accumulatively \$4.2 billion over the period.

So the system is approaching saturation point where the absorption capacity has been reached and it can take no more of that level of issuing of debt. To be sure, not only is the system finding it difficult to support Government's need for additional capital to finance the large deficits but the players in the system are losing their appetite for lending such large sums continuously as the current scenario raises legitimate questions as to whether in the long term Government is going to be able to honour those commitments.

Now, in the context of this overall investor confidence has been dampened as slow growth, weaker foreign investment inflows, low reserves levels and burgeoning debt levels which now stand at 144.7 per cent of Gross Domestic Product have led to successive downgrades of the country's international and domestic currency ratings by the rating agencies. This is leading to a

sharp increase in the cost of borrowing for the country, even as available resources for raising capitals shrink or become shutoff completely. Above all, though, the most critical warning sign for us is the fact that the foreign exchange reserves have declined below the industry's benchmark of 12 weeks of import which is considered an acceptable minimum for an economy of our size and nature.

The low level of foreign reserves is of particular concern because there are any numbers of critical "X" factors or unknowns which exist in the international economy and which may very well present exogenous shocks to Barbados. In the absence of an appropriate foreign exchange reserve buffer these could expose our monetary system to collapse. These "X" factors will include but are not limited to another major financial international recession, a sharp and sustained rise in oil prices, increased fallout from Brexit, especially the continuing weakening of the British Pound or a major terrorist or other incident in this part of the hemisphere that affects travel from the tourism source markets.

It therefore means, Mr. Speaker, Sir, that the margin for error and maneuverability for the Government and people of Barbados is small and getting smaller by the day. Not to mention the fact that the higher and more sustained levels of debt and deficits we continue to run the less resources we will have to apply to provision for timely and adequate and reliable social services to the people of Barbados in critical areas such as water, sanitation, public transport, public health education, physical infrastructure, maintenance and upgrades.

So fellow Barbadians, colleagues, this is a vicious cycle in which we have found ourselves at the moment and from which all of us must be prepared to extricate ourselves and to do so with alacrity. Now, the acuteness of the challenge that confronts us is really to be found in how our need and desire to maintain the social foundations of our advancements in the past 50 years is running up against our economic and financial capacity to maintain the very systems that have made us who we are.

Sir, we often boast of our outstanding ratings on the regional and international developmental measurement systems, for example, even in spite of our economic challenges Barbados continues to rank extremely high on the Human Development Index of the United Nations in all categories of social development. This is not a ranking arrived at by the drawing of lots or in a game of chance, this is as a result of a deliberate policy by successive Government to invest in social and human capital in Barbados. It is by supporting this model of development that we can now brag of having one of the most highly educated populations in the world, supported by a world-class educational system, contrary to what some people try

to promote around here, superior acute healthcare management systems and with international best practices in the delivery of water, sanitation, care for the elderly and so forth and so on.

Our public transport system, though challenged, is adequate enough and our physical infrastructure is among the best among developing countries in the world. These, Mr. Speaker, Sir, are absolute facts of everyday Barbadian existence and have been for many decades now. What is also a fact, Sir, is that the provision of these services and other critical services have and continue to cost Government a tremendous amount of financial resources which must be drawn from a pool of clearly shrinking resources.

You would recall, Sir, in the Estimates this year, I was at pains to lay out to the country some of the core areas of expenditure into which much of the non-debt spending goes to support the vast social system of the country. Some of it bears repeating because there really is a view being sent abroad by some who frankly should know better, including some Members in here, that somehow the financial difficulties which we currently face are because or are entirely because this Administration has “wasted” the taxpayers money.

5.33 p.m.

Indeed, they say it so often that some ordinary people in Barbados on whom most of this money is actually spent are heard repeating the same thing on call-in programmes and elsewhere. Mr. Speaker, of course nothing could be further from the truth. In fact, I take the liberty to break down for the country again the major heads of expenditure in public finances and the amount allocated as per the 2017-2018 Estimates. We are using that as our base.

1. Wages and salaries for workers in Barbados, including statutory corporations, Mr. Speaker.

Do you know how much that amount is? It is \$1.23 billion. We pay \$1.2 billion in salaries and wages alone, Mr. Speaker.

2. Goods and services: \$419.8 million.

These goods and services include predominantly services supplied by private sector entities to the Government.

3. Grants to public institutions.

I want you to know what the institutions are which get the major supplies of money. The Queen Elizabeth Hospital (QEH) \$180 million, Sanitation Service Authority (SSA) \$60 million, Transport Board - so much money I cannot even remember now - \$40 million. In terms of the Barbados Tourism Marketing Incorporated (BTMI), this is

the money that we use to market Barbados so that private entities, hoteliers and direct tourism service providers can get a living in Barbados. We spend nearly \$100 million on marketing Barbados. When you hear people in the private sector, including those in the tourism sector, say, “The Government needs to reduce its deficit and cut its spending and cut transfers to statutory corporations,” I just want to remind them that \$100 million of the money goes towards helping them too, Mr. Speaker. We will continue to help them as far as we can, Mr. Speaker.

In terms of the Samuel Jackman Prescod Polytechnic, Barbados Community and the University of the West Indies; \$112 million a year for the entire university system. I believe it is \$96 million for Cave Hill alone. This is where the money goes, Mr. Speaker. Even the National Cultural Foundation (NCF) gets a little piece of the action as well, Mr. Speaker, Sir; maybe not as much as the Minister would like, but even the NCF gets a little bit of the action so that people can put on a costume and go down on Spring Garden on Kadooment Day. The Member for St. Michael South East can put on a costume and go and wuk-up on Kadooment Day.

Aside.

Mr. Speaker, Retiring Benefits now put on average about \$270 million on pensions in the public sector. Non-contributory pension: In other words, the employees do not contribute any money to their own pension plan. Two hundred and seventy million dollars and growing, because as you know, more and more people are retiring.

Debt service, interest, costs and amortisation; \$1.6 billion, Mr. Speaker. One point six billion dollars in debt service. Of course then there is capital expenditure including road building, infrastructural maintenance, repairs, environmental protection and so forth. All of this money is not taken up in the air in a plane and dropped into the ocean or, as some people seem to think, stuffed into bags and carried off by greedy politicians, Sir. That is the view; that this money is carted away by politicians in some fine bags. “Somebody jucked a little bit in his sock. The Member for St. James South carried away some from the Ministry and put some in his sock and had some in his underwear or something.” I do not know where they get these views from. Nobody, no politician on this side or that side, I am advised, spends the money on themselves. It is spent on legitimate activities in Barbados, Mr. Speaker. We may argue over whether it is spent efficiently here or wasted there or whatever the case may be, but at the end of the day when \$180 million is given to the QEH, it is spent predominantly at the QEH and on patient care, on medication, on salaries for the technical staff, the professional staff and the ancillary staff. When money is sent to the BTMI, it is spent marketing Barbados. When money is sent to the Barbados Water Authority to ensure

that water can get into the pipe and come to your home, this is where the money is spent.

When people are making these comments, they really need to know that this money is spent on every one of us in here. You, Mr. Speaker, me, the Leader of the Opposition, the people in the Public Gallery, the boys on the block; everybody participates in the spending of this money. This \$4.5 billion that is spent is spent in aid of supporting every single citizen in this country. We are the people who spend the money, Sir. We have to realise that when we go to a polyclinic -- maybe some of us in here do not go -- but when our constituents go to a polyclinic and get treated, it is from this vote that they get the support. When you drop off a child at school and pick them back up somewhere, nobody gives you a bill. Perhaps we should, but nobody gives you a bill, but it costs money to pay the teacher, it costs money to run the school, to buy the supplies, to turn on the electricity, to have the computer, to pay the guard, for the schools' meals. All of that cost is carried by the country, Mr. Speaker. On the converse, it is also true that we who collectively as a country participate in these services pay for them through our taxes, the levies and the duties and other fees which Government imposes on us. This is a contract between the people and the Government. People demand services, they want them free of cost at the point of delivery and they want them at high quality; the Government must get money in order to do it.

The contract is: I am going to provide these services you say you want, you are going to supply me with the resources in order to do it. In between there, we will find ways to ease the burden on you having to supply that money in ever-increasing amounts, but if at any time recessionary conditions, loss of confidence or whatever happens that we cannot get some of that money through investments from outside, then we who are partaking in it have to make a decision whether we want those services to continue; and if we want them to continue, then we have to be prepared to support the Government in that particular regard. Mr. Speaker, the question therefore that all of us must face as a country is: Are we prepared to do what is necessary to ensure that that situation continues? Which option do we prefer? Do we want to cut the services? This is what you can do; cut the services down to a level where it matches the current levels of revenue. If we are spending \$4.5 billion of money and revenue is only \$2.3 billion, then do you want to cut the expenditure down so that it meets the revenue?

H:No.D12A (9)

If the Government can only find money, say \$100 million to give the Queen Elizabeth Hospital, when it take \$180 million at least to run it, should be cut it down to \$50 million or \$100 million. Should we cut out the other \$80 million and say that certain services are no longer

available. We are not doing any kidney treatment, get that privately and go and pay for it. We are not doing any treatment for diabetes, they should go to the private sector and pay for that too because the money is not there. Sir, these are the questions that a 50 year old Independence question has to ask itself. Or, do we prefer to raise the level of our contribution for the time being to ensure that the Government has the resources to be able to meet those costs.

Mr. Speaker, Sir, are you aware, I am sure you are that Barbados is one of the only countries in the developed or developing world that provides home help for the elderly. yOu cannot name 10 countries in the world that send people every day of the week from a central location into the houses of hundreds of old people, 1 050 persons to cook food, wash clothes, prepare a meal and clean around the house and do other errands that they are not supposed to be doing technically in their jobs like go to the post office and change cheques and bring it back.

Asides.

Hon. C.P. SINKLER: Yes, they bring it back, and you know a lot people would not do that because there are some people you cannot send to the shop but we have honest workers in the National Assistance Board who go every single day and do hard work for what could be considered low salaries not commensurate with the type of work they do but, Sir, this is what we have. It costs \$27 something million to provide that service and there are very few countries in the world that you can name that provides that service and, Sir, do you know how we provide it, through the taxes that we pay.

Mr. Speaker, Sir, this is not fooling around, this is a serious thing but then you would hear commentators talk and hear from the Opposition. I know they know better but they do what they do because the Opposition is the Opposition but when you hear people outside talking that the Government must do this and the Government must do that, the Government should not do this or the Government should not do that, a lot of them do not understand public finance and understand what these resources go towards because they forget where they have come from and so we have to ask ourselves the question, and the Prime Minister has asked it on more than one occasion. Are we at the stage in this development journey of ours where as it is being proposed in certain quarters that we as a country should ask citizens to begin to pay at point of delivery for some of the critical social and economic services that this country provide.

Are we at the end of the line for the universal access and 'free at point of delivery' social system that has been a hallmark feature in the development of Barbados for more than 50 years?

In fact, if we were to turn our minds to the history, it goes back to outcome of the Moen Commission from the 1930s disturbances and the recommendations coming through that were so eloquently written of and about by such as the Right Excellen Charles Duncan O'Neale, now National Hero of Barbados and the Democratic League. Sir, this is how far this thing goes. This social contract between Government and the people to provide certain things, to elevate the level of social disposition in Barbados. Sir, this is the social contract that people are saying to us in a flippant way to discard it, bring it to an end.

Mr. Speaker, Sir, I am not saying that changes are not required, changes are required but we have to be very careful because a lot of the people who are saying to throw out the baby with the bath water, they forget, as the Honourable Member for Christ Church East is saying, a lot of them have forgotten where they have come from. Sir, now that they are at the level where they can pay for private care and buy private health insurance and send their children to private school, they judge everybody else by the world they live in but, Sir, I do not live in that world. I do not represent those types of constituents because I represent people from the Farm, Deacons and Cave Hill. Sir, I see people who I know cannot afford for the Government to cut them off at this stage of development because that enterprise of social transformation is not complete, and, Sir, that is the journey which we have to consider in Barbados. (5:47) (4:57)

Mr. Speaker, Sir, or is it time, for government to, as is being recommended principally by our private sector partners, to divest some critical service provisioning such as sanitation services, water supply or school meals. Sir, on private sector man came into my office, I will not call his name, and said that the Government should privatize school meals and that it would save a lot of money. I ask him if he know how much money the Government expends on school meals. He said he did not know but that he knows they would save a lot. Sir, this is the kind of uninformed attitude we have but we should just give up these things. Sir, public transport, including environmental services like the National Conservation Commission should be given to the private sector because there are "more capable" business people in Barbados. Well, Sir, that may very well be true.

Mr. Speaker, Sir, I always make the point that it is not who owns the asset or who is managing the asset that matters, it is who is going to pay the cost for the service or the good that is delivered. This is not a management issue, this is an issue of who is going to pay.

Mr. Speaker, I want to tell you something for your own edification and that of the public. Is the average Barbadian willing to pay between \$800 and \$1100 per

average 8-day stay at the QEH. Sir, that is how much it costs. If we say that citizens should pay for health care, you have to understand that for the average 8-day stay that you have to fork out \$800 to \$1100. Sir, supposed you have to stay in there for two months? How many people in Barbados have the capacity to meet that type of cost and do not tell me about private insurance because you know how that works, the best of them only give 80 per cent of the cost and then after you are in there for a little while, they start to send people to you to tell you to sign this because the percentages are coming down.

Mr. Speaker, Sir, if you have to go in there for something like kidney and you need dialysis treatment, you are talking about thousand of dollars per treatment. Sir, in fact, I can allow you to know that there are 240 somebody odd patients in Barbados now that require dialysis treatment and treatment for kidney at the hospital occupy or take up, or we have to spend 11 per cent of the Queen Elizabeth Hospital budget towards treating only 245 persons who have kidney disease/renal failure in Barbados. Sir, this is what we are talking about. Mr. Speaker, extrapolate this to the explosion of non-communicable diseases (NCDs) in Barbados, diabetes, heart disease, hypertension, obesity, expand your thoughts, extrapolate and you know how much money we are talking about and you are saying that we should set these people off and make them pay at point of delivery for this service.

Mr. Speaker, Sir, I have heard the Leader of the Opposition make this point before and I will give her credit it. Sir, perhaps, we should publish the bill, that is what we should do. We should have a situation in Barbados where every time you go to get a free services at the end of the day, you get a bill which shows you the cost of the service you have even if at the bottom line it says zero balance or you pay nothing, so that you have an appreciation of really how much this thing means and how much it costs because when you are able to put on your clothes and come out of the hospital and you are well, you do not actually know how much money it costs to do these things.

Sequence 10

Mr. Speaker, sorry to be personal but I go running a few mornings a week and I see people standing up at the bus stops in St. Philip waiting for the early bus at 4:30 to 5:00 o'clock. Do you see those persons that are standing up waiting for the bus? They pay \$2 at present per trip. Are you aware, Mr. Speaker, the average cost of a Transport Board trip is \$5 and that is the lowest most conservative figure. What really happens is that the Government pays \$3 and you pay \$2. Could you imagine if we had, say one of the hotel workers working down the west coast and living in St. Philip and they had to take two buses down and two buses back up at \$5 per trip and working for \$400 per week? You are talking about \$20 a day in bus fare alone.

You have not even bought work clothes, you have not bought lunch, you have not paid a bill. Twenty dollar of your money every day would be \$100 out of your \$400 would go in transportation alone. That is why there is a Transport Board. There is no other reason for a Transport Board and the reality is, the Transport Board is the most perfect system of means testing in Barbados because the only people who ride the Transport Board bus are people who do not have any option because if they had another option they would not take the bus. They would drive their cars, ride their bicycles, ride their motorcycles or they would beg for a lift, but if you cannot do any of those things and you have to get from point A to point B, you ride the bus so we know that the people who ride the bus are those persons who cannot do better in Barbados. That is the way it has always been but you cannot set them to the wolves in Barbados. We have to take care of them, it is our job to take care of them; us who are doing a little better; us who earn a little bit more because of the free education, the free healthcare and have been able to transform ourselves and move up the ladder of stratification. It is our job to take care of them. It is simple. I could go on and on.

School meals, what is the current cost Minister if you had to judge a meal per day? It has to be at least \$5. It could be between \$5 and \$8. Could you imagine asking every student in Barbados that goes to a primary school, that are accessing schools, to pay between \$5 and \$8 for a plate of food? Do you know why we pay it? How much is it Mr. Minister? They pay \$1 a week. There is nobody can tell in Barbados that a plate of food anywhere in Barbados or the world, and certainly not at Moon Town, can cost you \$1. You have to weigh that food at Moon Town so it is the most honest system in Barbados. You pay for what you buy. In the UN cafeterias they weigh food too. The levity aside, Mr. Speaker, the reality is no plate of food in Barbados that would cost \$1 per week, not even \$1 a day so this is why we do these things. This is why we do what we do as a country, Mr. Speaker.

I am saying that if we want to decide to change this compact that we have between us in which those who are better off take care of those who are less well off, then we cannot do that without comprehensive analysis and empirical data as to the impacts of it that these radical changes can cause on ordinary people and on the country itself. We cannot do it because I suspect that in spite of the fact that we all recognise that urgent attention needs to be paid to a complete change in the fundamental structure of our economic and social systems, so as to make them more affordable and sustainable, we do not deny that, such change can and must only be done after deep and widespread consultations based on empirical investigation rather than on whim and fancy and this Government is not going to engage in that type of thing.

The point I am making here, Sir, is that it would be just as irresponsible for anybody in Barbados, most of all for the Government, to allow the current crisis to scare us into making ill-defined, inappropriate policy interventions to address our fundamental issues as it would be to pretend that they do not exist. You just have to be measured and responsible in the circumstances. Neither approach would be effective and more than this, might worsen the situation causing a tremendous amount of social and economic dislocation across this society and this Administration will never agree to that. We will never subject the people of Barbados to that type of irresponsible spectacle regardless to whoever is calling for it.

The Right Honourable Prime Minister recognising both the urgency and magnitude of the challenges, and following consultation, instituted the establishment of two critical working groups from among the Social Partnership to begin the process of examining the fiscal and foreign exchange issues confronting the country and to make preliminary recommendations as to how else Government might go about addressing these issues. The working groups constituted of representatives from the Government, private sector and labour and others and met over a two-week period for intense discussions and have both submitted their preliminary observations and recommendations. Notice I said, Mr. Speaker, two weeks and you know the magnitude of the issues we face cannot be seriously solved in two weeks but we have to start somewhere. Some of those recommendations could be use immediately to assist in addressing some of the challenges, while the majority of the recommendations are, in fact, of a more medium term focus and definitely will require extensive stakeholder and national consultation to define them out, improve on the apparent weaknesses and shortcomings of them and gain widespread support before implementation or before implementation. Some of the proposals range from major changes to the VAT system and rates, privatisation of State-owned entities, the introduction of user fees for certain social services but on a means tested basis, to the restructuring of parts of the country's debt.

In a follow-up meeting with the members of the groups, and this is with the Prime Minister, all sides agreed that, given the magnitude of the challenges which we face, but equally the extensive nature of the interventions which will be required to rectify the problem over the medium term, a rush to implementation without consultation will make matters worse. It was decided that the Government should first seek to address the short term fiscal and financial challenges which confront the public sector via the Financial Statement and Budgetary Proposals with the intention of ensuring that the 2017-2018 Budget is financed without creating further monetary and economic instability, then in the weeks and months immediately following the Budget presentation, open up a series of intense and wide-

ranging discussions across critical sectors in the country with the singular objective of fashioning a short to medium term fiscal and economic growth plan whose implementation all parties could initiate before year end.

To this end, Mr. Speaker, permit me to alert the House and the country at large that the Ministry of Finance and Economic Affairs is putting the final touches on a comprehensive National Fiscal, Economic and Social Development Restructuring and Enhancement Programme, which will be published in the coming weeks and serve and served along with all of the other proposals including those from the private sector which Government has received and from the Social Partnership as the centrepiece for this national discourse which must take place this summer to chart a short, medium and longer term agenda for growth and the development of Barbados' economy and society.

12A Seq 11 5.51 p.m.

This programme which is being crafted by the Planning Division of the Ministry will focus its attention on setting out clear and concise national plans aimed at addressing several of the key areas of restructuring which this economy urgently requires. The main areas of focus will be:

(1) Boosting foreign exchange earnings through creating an even more attractive condition for foreign direct investment by the standardisation of investment incentive regimes in an omnibus incentive legislation and reforming the platform for the implementation mechanisms across public and private sectors.

(2) Productive sector reform focussing on reducing the cost of doing business in critical sectors such as agriculture, manufacturing, tourism and the international business sector and finding appropriate mechanisms to capitalise emerging sectors such as the cultural industries.

(3) Instituting a Competitiveness Commission and Operational Unit to drive the implementation of the work currently being undertaken by the tripartite competitiveness action teams - and I believe those are under the aegis of the Prime Minister's Office and they are currently working, unions, the Government, private sector and others, which are focused on improving output and efficiencies in the following areas: The Bridgetown Port and the Grantley Adams International Airport and the legal system. There are committees, what we call these cap committees, for each of these areas. The legal system in the offices of the Chief Parliamentary Counsel and the Solicitor-General, registration of properties, the court system, physical planning permission, Town and Country Development and Planning Office and tax efficiency with respect to the Barbados Revenue Authority and the Customs merger.

(4) Implementation of a new national energy policy to accelerate Government's plan to make Barbados energy independent by 2035 based on extensive use of alternative energy while saving the country millions in foreign exchange.

(5) Fiscal consolidation through public financial management reform including the passage in Parliament of a new Financial and Management and Audit SOE or State-owned Entities Act to govern the financial affairs of Government's statutory corporations and boards.

(6) SOE reforms including mergers, operational consolidation and divestment if that is necessary.

(7) Completing the tax policy reform and tax administration upgrade project including the final transition of Customs into the Barbados Revenue Authority and the implementation of the Single Taxpayer IT System.

(8) Debt growth stabilisation and reduction through fiscal reforms and debt management enhancement including debt re-profiling.

(9) Social sector reform in critical areas such as health education, sanitation, social care services and environmental protection.

So you can see that it is a very wide range of issues that will be addressed in this particular regard.

Our hope, Mr. Speaker, Sir, is that by fall this year or before October this Parliament and the country as a whole would have a comprehensive well-thought-out and extensively consulted national plan which can be debated here and approved for immediate implementation by the Government, and this would become Barbados' Plan.

The final point here, Sir, is on this increasing call for Government to enter into an International Monetary Fund programme. Sir, I believe it was at the Barbados Chambers of Commerce's luncheon that the Honourable Prime Minister of Barbados, the Right Honourable Member for St. Michael South, made this Government's position on the matter very clear. At the time, amidst much anxiety and howling, the Prime Minister indicated that the reason Barbados joined and remains a member of the International Monetary Fund was not to boast of being part of some global club but to access its technical policy and yes financial resources in time if such is to be done. This he indicated, and the facts would show, would not be inconsistent with the history since on at least two occasions, on the post-independence history of Barbados, we have exercised the option to enter into special programmes with that entity. The Prime Minister made it clear that if at some future time such resort to the International Monetary Fund was necessary then

Government would do what is in the best interest of the country. However, he did not believe, and I can say we do not believe, that any panicky resort to the International Monetary Fund at this time was necessary or appropriate. It is a position that we stand by. We are committed to deal with the fiscal gap in a manner that recognises the unique features and peculiarities of Barbados' economy and way of life. In the same way that a child is not a small adult, post-colonial small developing economies are not just smaller versions of advanced economies. A number of experts, commentators and local, regional and international people seem to believe and are at least blissfully unaware of this reality and are locked into the standard one-size fits all policy options for every circumstances of fiscal pressure: go to the International Monetary Fund, do this, do that.

Mr. Speaker, Sir, we cannot afford the luxury to surrender into the hands of entities that may not be as sensitive to the nuances and historical legacies of Barbados. In any case, should we take the decision tonight to enter into an International Monetary Fund programme there is something that we really should remember: The first is, it normally takes six to nine months to initiate and complete the process of negotiations for an International Monetary Fund programme, and that is if it is tailored to suit the circumstances you face and of course if there is agreement with the Fund. The second point, Mr. Speaker, Sir, is that it is really incumbent on the country seeking the International Monetary Fund programme to determine and design what type of interventions it wants that would suit its conditions and its circumstances and would get broad sectoral support in the country if not total support because you do not ever get total support for these. There is way too much historical evidence, I suggest and submit, to show that countries which have been unable and unwilling to do just this matter have been left having to implement badly designed International Monetary Fund programmes which only reflect the wish list of Washington's bureaucrats and technocrats but ends up causing massive destruction in their way. This cannot and will not be the fate of Barbados. I have to repeat that and repeat that again.

The approach that we are taking and we proposing to take in our view represents a sensible, realistic and appropriate approach to the situation we face and it is to that mission that I want tonight with the support of my colleagues to commit this Administration.

As I indicated earlier, Mr. Speaker, Sir, and as the figures demonstrate, since 2013 Government embarked on an intensified fiscal consolidation programme to contain the fiscal deficit and tried to slow its rate of growth. While we have met some of these, with some level of success I might add, relative to trimming the current fiscal deficit, that progress has not been sufficient or deep enough. There has been several factors which have impeded progress as I

mentioned earlier including lower than expected tax receipts and higher levels of expenditure related to increased statutory transfers associated with increased debt service costs to the Government and critical capital works intervention for the Barbados Water Authority, the Bridgetown Port and the Barbados Tourism Investment Inc. Though these were all understandable situations they nonetheless caused Government's targets of reducing the deficit and by extension the financing requirement to remain unmet.

Of course, Mr. Speaker, these transfers have been judged extremely harshly by the domestic and international stakeholders and pundits alike.

House D12A Sequence 12

Mr. Speaker, I must stick a pin there to explain, because the system of accrual accounting that we run right now in Barbados suggests -- not suggests, dictates - that if, for example, we contract a loan with low interest cost from let us say, the Inter-American Development Bank for the Barbados Water Authority to do certain works such as put to down pipes, to change networks, to do meters or whatever and that is \$150 million that we drew down from them. That money is borrowed by the Government of Barbados for the Barbados Water Authority as the executing agent, it comes in as finance because it is debt borrowed. However, in order to get it to the Barbados Water Authority, we have to come here to Parliamentarian and vote it, so that when it goes out it goes out as expenditure, so your expenditure goes up but your revenue does not move because it is what is called a capital transfer. It goes to the Barbados Water Authority, the Barbados Water Authority does all of the wonderful things that it does, Barbadians enjoy the water and then your deficit goes up by the amount of the \$150 million while there is no revenue to match it.

Now, it is said that in the context of accrual accounting that amount is to be expensed off as, as they say in the language, assets under construction over the life of the period of the installation, so that if the life of the installation is 25 years, you expensed it off for the 25 years, bit by bit, until it is out, but for the moment you have to come to Parliament and vote it, so it is accounted as expenditure, so that in 2015-2016 financial year when we were coasting along, when I came to Parliament and we did all that we had to do and we were "cool" and then we had to bring that \$140 million for the Barbados Water Authority in that particular year to book through a Supplementary, the deficit was knocked completely off stream.

Mr. Speaker, the same people who encouraged the last Government to do away with cash accounting and to go for accrual accounting say that all expenditure must be

accrued at the point of spending, they then come back now and beat you with a stick through the rating agencies and say that your expenditure are going up, but what can you do? You cannot sit down and say that the pipes are bursting, that 40 or 60 per cent of the water is leaking to the ground, that people cannot get water, that a drought is on and you are looking at a balance sheet on the Government side and saying that you are not doing it, that you cannot afford to lay pipes down because your deficit is going to look bad. You cannot make those kinds of decisions, you have to do what is in the interest of the people and bear the brunt of the last and the lash came in a downgrade, so that the same people, including the Members of the Opposition who went all over St. Joseph, St. John and every place confusing people and keeping noise about water, those are the same people who came to this House of Assembly or had Press Conferences and issued Press Releases saying that the Government was spending money and that it could not get its spending under control, but they ran up in St. John and St. Joseph saying that the Government needed to spend more money to get water to the people because water is life, so that they want to have their cake and eat it too. Of course, that is a luxury of Opposition but the reality of Government and governance is that you have to do what is in the interest of the people of Barbados when the time comes and that even if it comes as a surprise or as a shock you have to do it, this is a reality of life.

Mr. Speaker, I just wanted to make that point because I think a lot of economists in Barbados who speak, and I have spoken to the Dean of the Faculty of Social Sciences, a lot of economists in Barbados need to... They need to change that course up there in Public Financing, or change the person who is teaching it. They need to include some of this, some of this needs to go in because people need to understand when they are talking about public financing what public financing really involves, the intricacies of public financing. It is not as simple as looking at figures put out by a Central Bank in a Central Bank Report, that is okay but Members on that side and Members on this side know that there is a much more fundamental thing when you get down to dealing with these issues.

It is the same issue about printing money, O, do not print money. Well, yes, we should not print money, we should not ask the Central Bank to print money or certainly more than they ought to be printing. We should not do these things but when people say that the Central Bank is printing money, people feel that the Central Bank is printing money and giving it away to somebody, but it is going to support your constituents and mine, the regular people in Barbados, that is where the money is going. Mr. Speaker, nobody is saying that you should be reckless and that you should engage in wilful and belligerent breaches of norms in the country but you have to be realistic when dealing with these things.

Mr. Speaker, so that it cannot be that the Government does not have the political will to tackle the financial issues confronting the country, we have to understand the implications of them. Should this undermine confidence in Government policies, investors across the spectrum, Mr. Speaker, Sir? These are the things that happen and these are the things that we have to pay attention to. With these conditions prevailing, financial institutions normally accommodative of Government request for financial support to service our deficits start pulling back any new support, while making real choices about whether to roll over existing debt. This, in turn, places pressure on the Government to cover its financial commitments and leading, as it were and as we have seen, to an overreliance on the Central Bank to fill the gaps. It is an untenable situation, I agree and it has reached inadvisable limits that now threaten the macroeconomic stability of Barbados and its capacity to meet overall development objectives.

Mr. Speaker, if Barbados intends to maintain a level of goods and services that the country has been doing and has stood out doing as a social and economic leader in the region and in the world, then swift, incisive and appropriate actions must be taken to arrest this situation. For the fiscal year, this year, Government' gross financial requirement which includes the fiscal deficit and amortisation totals \$1.5 billion. That is the financing requirement, that is not the total expenditure of the country, this is how much we have to find to finance that deficit.

Total amortisation coming due for the fiscal year is \$971.3 million, comprising of \$682.5 million and \$288.8 million in domestic and foreign payments respectively.

Now it is generally assumed each year that Government's financing requirement will be satisfied from both domestic and foreign sources principally by domestic institutional investors such as commercial banks, insurance companies, pension funds and other private sector agents rolling over all maturing debts and acquiring a proportion of newly issued domestic securities in the form of Treasury Bills, Debentures and Treasury Notes. In addition, Government utilizes foreign related flows to supplement the domestic financing which has added benefits, of course, of bringing foreign exchange to the country.

For this fiscal year it is anticipated that Government is likely to experience challenges in this particular regard, namely:

(1) Rollover risks:

Commercial banks have significantly reduced their holding of Government Paper over the past year and while the recent increase in mandatory securities reserves

requirements by the Central Bank for these entities will cushion the impact rollover risks remain elevated.

(2) Foreign borrowing focus on multilateral lending: Since 2015 Government took a strategic decision not to pursue high-cost borrowings on the international capital markets, preferring to secure concessional project related multilateral foreign funding. However, after successfully securing these concessional flows, administrative delays and unforeseen impediments have limited the timely disbursement of these funds intended for those purposes.

6.16 p.m.

For those projects that are currently underway, the most notable of which is the Sam Lord's Redevelopment Project, private project inflows of \$113 million are expected this financial year, but this is still below the average public inflows of \$242 million over the last four years.

3. Reducing Central Bank financing. As was stated above, Government is committed to reducing its dependence on the Central Bank financing over the medium-term beginning this fiscal year.
4. Government guaranteed debt is also expected to be a burden for Government in meeting those obligations of some State-owned entities, which creates further financing pressure. This was the case with the takeover of the Barbados Agricultural Management Company's debt, and in such circumstances, Government has to provide the funds to these entities to service their debt via transfer payments.

Facing this level of financing requirement and likely associated downside risks, some Government ease in the financing constraint must be created by Government through a fiscal adjustment to further reduce the fiscal deficit well below the 4.4 per cent of GDP estimated in the Estimates of Revenue and Expenditure, which were laid in the Honourable House in March. In doing so, Government will begin to better align its operations with available financing from the domestic financial system.

Mr. Speaker, the second major and related immediate concern for the Government is to stem the decline in the foreign reserves so as to ensure that the monetary authorities possess sufficient reserves to meet the country's external debt service requirement while creating adequate buffers to meet any additional or unexpected demands which might be placed on it by market participants. As you are aware, at the end of 2016 the net international reserves, as reported by the Central Bank, stood at \$681 million, and this was down \$245 million for the same period of the previous year. This represented a cumulative decrease of \$719 million since 2013 when the

reserves stood at approximately \$1.4 billion. After registering a 12 per cent improvement between 2000 and 2009, over the last seven years the reserves have steadily declined with the exception of 2012 when private inflows bolstered this performance. The Central Bank's principal sources of foreign exchange are derived from public sector inflows and those originating from the surrender of foreign exchange by the dealers; and that is a five per cent surrender. The inadequacy of these capital inflows to offset the movements in the current account was most evident in 2015 and 2016. In particular, the net public sector outflows and the impact of low foreign exchange purchases from the commercial banks on a net basis contributed to the reserves deteriorating below those 12 weeks of imports to 10.3 weeks of imports of \$681 million, as I said earlier.

Net capital inflows peaked on an average of \$905 million between 2005 and 2008, which supported the Central Bank's average net foreign exchange receipts from commercial banks for the period of \$173 million a year. In contrast, those net receipts only averaged \$120 million a year in 2014 and 2016, representing a decline of about 31 per cent over the period. In particular, this reflects a structural shift in the foreign exchange inter-bank market that has taken place over recent years, such as changes in the foreign exchange surrender requirement and the required trading margins as well as delayed inflows for tourism-related projects. The downward movement in the stock of reserves based on the capital account would also have stemmed from lower public external borrowing in recent years. Net public inflows, which increased by an average of \$92 million between 1999 and 2008, almost doubled this average thereafter until the last two years when they bottomed out to register outflows rather than inflows of \$73 million and \$122 million respectively. Even though over the last two years the current account has improved as a result of reduced fuel prices and improved tourism earnings, the net inflow has been insufficient to cover the reduced current account deficit. Those figures are for the edification of the readers of this text, and have been provided in the appropriate graphs.

Sir, I hope that you begin to see the picture which I am painting here regarding the very critical issue of foreign exchange; its earning, inflows, outflows and the real structure of the foreign exchange market. In fact, Mr. Speaker, I can advise that I have asked the Central Bank of Barbados to do a complete study of the foreign exchange market in Barbados, its structure and its operations, because it has changed fundamentally from what we used to expect and came to understand ten, 15 or 20 years ago. Mr. Speaker, that is going to include an audit on all foreign exchange dealers in Barbados; not to find out any mischief or anything of that nature, but to get a better understanding of how the market is now working. We used to expect during the winter season months that you would see a big rise in foreign exchange (FX) coming in, but that market

has changed. It no longer works that way, and therefore we have to....

In fact, only recently the Ministry of Tourism has advised that even booking trends for visitors coming to Barbados is beginning to shift, where once before we expected January and February to be major peak months. We are now seeing people shifting and they are booking their holidays down in April and May and so forth. The inflows that you would expect would support things like the \$30 million prison that we have to pay for every January out of the reserves; the \$700 million prison that was built by the last Government for which we have to pay \$30 million in reserves every January. I am sure they would have anticipated that it probably would have continued for a very long time that we would have got these spikes. You would get this big spike in January from the tourism season and you had that money to pay. That money is no longer here because the money does not come in then; it comes later in the year. It is more disbursed, it is spread out, the growth is flatter, so we have to understand what is happening in the market so that we can reform and plan our situations a lot better in this regard.

If we are to arrest these negative trends, then policies that we adopt going forward must not only seek to enhance the earning of foreign exchange through the improvement of the value of external investments and export sector receipts, but must mandate immediate measures to boost foreign exchange availability while constraining demand for the cash available. Mr. Speaker, in this regard it has been proven and is a long proven fact that the fastest and most effective way to contain demand for limited supplies of foreign exchange is to utilise the available fiscal tools at the disposal of the policymakers. These can both be found on the revenue side through higher, more targeted taxes, and equally through an adjustment in expenditure pattern of the country, especially in Government. It is to these tools that successive Administrations have had to turn, and certainly they are the same tools to which Government throughout the period of this crisis -- certainly in the course of the financial crisis from 2008 -- has had to turn. Our best assessment in the Ministry of Finance and Economic Affairs is that as much as we would prefer not to have to turn in that direction once again, the seriousness of the circumstances dictate that we do so now and at a level commensurate with the challenge that is before us. To this extent, your Government has determined that the budgetary and policy interventions which I will shortly announce will be necessary to assist in restoring order to the public finances and the foreign reserves in short order.

Mr. Speaker, the specific objectives of the measures can be listed as follows:

1. Protect and enhance the level of foreign reserves at the Central Bank;

2. Complete the process of fiscal consolidation, achieving a balanced budget on the current with at least a primary surplus of about five per cent for the next fiscal period;
3. Reduce the net financing requirement for Government, and through this reduce the need for the Central Bank financing of the Government;

6.21 p.m.

Slow the growth of the national debt in the first instance and over time reduce it to below 100 percent of GDP;

Place Barbados on a path to regaining a healthy credit rating sufficient to permit the country to retain the option of tapping the international capital markets for reasonable financing in the near future; and

Strengthen investor confidence in Barbados' economy.

Strategic Fiscal and Monetary Policy Measures to Address the Budget Imbalance and Financing Requirements of Government for 2017-2018

Mr. Speaker, in composing the fiscal measures we have decided to use, we had to take a number of factors into consideration. Among these were: the need for simple yet credible measures which would achieve our goals of bringing the budget deficit as close to balance as possible; the capacity of the fiscal agents to implement the required impositions as quickly as possible and to collect what is imposed efficiently; the level of fiscal tax weariness of the population even in the face of the obvious need to raise additional revenue; the fairness and range of any imposition on the public especially in light of the narrowness of the effective tax net; the distortive and regressive nature of any impositions given the negative growth of wages particularly in the public sector.

In relation to expenditure, the precision of the cuts necessary to get us just the amount required to achieve the objectives, while not compromising the delivery of critical social services, national security and legal obligations such as debt payments and pensions was also an important determining factor.

In this regard, the ministry undertook a series of internal and external consultations, together with studying submissions from both Social Partnership Working Groups established by the Prime Minister to advise on short and medium term interventions to tackle the challenges we face.

As I indicated earlier, following today's budgetary intervention it is government's intention to intensify that process of consultation particularly on some of the more medium term suggestions which, though useful, require further study as to their overall impact on the economy and society, as well as fuller national consultation, refinement and buy in.

Options such as reducing the VAT to 15 percent while eliminating all zero rated and exempted items were considered but found at this time to be inappropriate in light of the fact that the overall impact of removing such things as the near 300 basic items from the VAT basket for the poor, and the imposition of VAT on water, financial services, prescription medicines, medical services and hospital supplies, would be dangerously devastating on the population.

We also felt that a rushed standardisation of the VAT rate across all vatable supplies including hotel accommodation, and direct tourism services as recommended by some private sector groups, would likely cause short term harm to the tourism sector at a time when the sector was struggling with negative effects of the reduced value of the pound, our most lucrative source market, as well as price competitiveness issues associated with the rising value of the US dollar.

There was also the proposal mooted to move VAT to 22 % for a gross yield in excess of \$391 million in a single financial year and just over \$225 million in the remaining nine months of this financial year. This would clearly give us sufficient revenue to approach our suggested target \$422 million of deficit and another \$150 million in additional financing. It would also have a very pervasive impact on a wide selection of goods and services causing elevated regressive impacts on the poor that even moderate increases in the reverse tax credit would not compensate for. Equally it would place significant upside pressure on government to standardise the various VAT rates to close the gap and eliminate the hemorrhaging caused by the differential between the input VAT and output VAT.

We also examined the option of reducing the level of the personal non-taxable allowance from \$25,000 to \$15,000 per annum, as well as further reducing the tax bands in both the upper and lower levels as compensatory interventions to offset the impact on the average taxpayer. That is While it was calculated that such a move would have brought in upwards of \$72 million in a full financial year, that would be insufficient to achieve our objectives and we would have to impose additional measures elsewhere to supplement. In addition, since the income year is a calendar year and income tax cannot be imposed retroactively, government would still not bring in sufficient revenue from this measure since we are at the middle of the year already.

Most importantly though, this would mean the reintroduction of income tax to a segment of the wage-earning low-income working class, that we deemed to be undesirable at this time.

Sequence 15 VELDA THIS IS INCOMPLETE

Monday, May 30, 2017

House D 12A Seq 16 6.30 p.m.

Hon. C. P. SINCKLER: ... we can get \$72 million and a little bit more than that but it would be insufficient really to achieve our objectives and the people who would hurt the most from this is the average working class Barbadian, low income Barbadians and we just felt that this would not work apart from the fact that the income year is a calendar year and we are already at June so if you want to get money from that you cannot start to impose tax retroactively, because you cannot put the threshold to \$15 000 and then say it is from January 01 because January 01 has gone so you would have to start from June 01 or July 01 and you still would not get what you want and they have to start from the next financial year because you do not want to interrupt the tax year in the middle of the tax year so you still would not achieve what you have to achieve in that sector. We believe, in any case, it is undesirable.

On the expenditure side, we received recommendations for Government to significantly reduce the outlay for State-owned entities in particular, by introducing user fees for such public services such as healthcare at the QEH, Transport Board bus fares and water and all of those things. We have heard that and I have addressed those issues already. We have received recommendations of cutting Government's wages bill by least 10 per cent which, at current rates, would amount to \$140 million in a full financial year. It sounds good. You know we cannot cut wages and salaries because the last Administration made that unconstitutional and we do not have that in the fiscal policy-makers toolbox because we do not have a two-thirds majority. We would have to rely on them and they support nothing even if it is good for them and the country so that is a no, no. Even if we were to do something to reduce Government wages bill by \$140 million, I have asked the staff to do the calculation for me, Mr. Speaker, and I want it to be known that in order to achieve \$140 million reduction in the wages bill Government would have to retrench over 8 000 to 10 000 public servants in one go and that would have to go up into the managerial classes of the public servants because you cannot get \$140 million from laying off only maids and school meals workers and messengers because the salary range is not high enough. You have to go up into Senior Administrative Officers and Administrative Officers and supervisors and so forth so the recommendation, from wherever that would have come and whomever it would

have come from, for Government to cut the wages bill by 10 per cent at least to BDS\$140 million is, I think, a little bit over generous on its ignorance and I mean ignorance not in the Barbadian sense but I mean in the sense of not knowing exactly what the impact of that would be.

Mr. Speaker, we have spoken about the SOEs and the need to address those issues of cost efficiencies and this is a matter to which we can concede in relation to that situation. We have received, Mr. Speaker, a copy of the PricewaterhouseCoopers' Report on improving operations within the state-owned entities in Barbados, a report that was commissioned by the Central Bank of Barbados. It is a very useful report and one that can be utilised and the Cabinet is going to have a chance to study that report. It calls for savings of about \$16 million in the first phase of adjustments which we are already doing and then it calls for some more substantial and fundamental interventions which we will consider and review at the Cabinet level and, of course, then nationally as we involved people in discussing that. I want to say that it is something that we are committed to in terms of getting those commitments as it relates to the State-owned entities, but we are also of the view that if Barbadians are being asked to make sacrifices for State-owned entities in terms of the provision of their services we must hold State-owned entities to a higher level of accountability and demand that they provide higher quality service. If we are going to ask people to pay more money, then these State-owned entities have to be able to do better than they are doing right now and in this regard, Government will invite bids from professional service firms to develop performance benchmarks and monitoring systems for key social agencies that receive transfers from Government and this will be backed up, Mr. Speaker, as I said earlier, by the introduction of a compendium of legislation to the Financial Management and Audit Act (and Financial Regulations) exclusively geared towards State-owned Enterprises. We are going to put this new Act in place to provide for clear and strict guidelines for financial management and operational rules for these entities and it will include sanctions for those managers and those boards that do not adhere to the established rules and procedures for reporting requirements and operational management. It is something to which we have to commit ourselves. We have to get people out of the habit of just doing things and saying oh it is just Government you can wait on this report, you do not have to submit your financials on time, those things have to come to an immediate end and the Draft of the Bill will be sent to the Chief Parliamentary Counsel's Office for review and of course that team will work with the technical team from CARTAC who have done this particular study to improve that Bill and, of course, send it to Cabinet for consideration.

The challenges which we face relative to our public finances was caused over many, many, many years, Mr.

Speaker, and contributed to by all of us, every Barbadians and we have all benefitted from the public goods and services that Government provides and we must all contribute to the solution. Singling out just one segment of the public by saying decimate the public service to carry the burden of adjustment will not get it done and will only serve to create frictions between the social and economic groups in Barbados. This is not just a public sector problem. The money was not only spent on public servants, it was spent on all, private servants, public servants and in between so everybody has to contribute to the solution. We must all carry some of the burden even if some of us who have the capacity will carry a little more than others. This is the strongly held view of this Administration and one from which we will not recoil.

With this in mind, Mr. Speaker, I now introduce the following budgetary revenue measures to the country.

National Social Responsibility Levy. The National Social Responsibility Levy was introduced on the first in September 2016. It was imposed on goods imported into Barbados and on domestically manufactured items which, of course, fell outside of the cohort for the fiscal incentives act which provide for concessions and of course, the social responsibility level is not charged on those inputs for the manufacturing sector. The National Social Responsibility Levy was designed to finance the burgeoning cost of health care on the island and to assist with maintaining a clean environment, which is critical not only for Barbadians, but for the survival of our tourism industry. Barbadians are well aware that we as a country continue to battle with deficiencies in these two areas as well as in a number of other critical areas of social service provisioning.

Following some early implementation challenges, we are satisfied that the administration of the National Social Responsibility Levy has settled down and, based on net collections over the first 4 months of this year, is set to come close to, if not achieve, the targets which we had originally set. Like the VAT, it has become an efficient tool for gathering of tax revenue but without many of the administrative and process challenges of the VAT.

It is also a preferred method of revenue generation because it exempts critical sectors as per its original design, is charged predominantly at the port on imports, and compounds the VAT for additional coverage. It can also have a dampening effect on imports hence reducing the demand for foreign exchange, shifting the consumption patterns more towards domestic consumption and production.

In this regard, I now propose that with effect from July 1 2017 the rate for the NSRL will move from 2% to 10%. It is anticipated that this will result in increased revenue

of \$291 million for a full financial year and \$218 million for the remaining nine months of the current fiscal year.

The expected break down in the contributions is projected to be NSRL \$186 million and VAT \$32 million arising from this movement in the NSRL rate to 10 %.

House D 12A Seq 16 6.40 p.m.

Tuesday, May 30, 2017

Hon. C. P. SINCKLER: Commission on Foreign Exchange Transactions: As stated earlier, by the end of the last calendar year foreign exchange coverage had moved from 13.6 weeks to 10.3 weeks at the end of the calendar year 2016. The latest report provided by the Central Bank indicates that currently the import cover is slightly above 10.7 weeks by the end of March 2017 and the reserves now currently stand at \$749 million at the end of last week, representing just around 11 weeks of import cover. However, more has to be done to stem the demand for foreign exchange, particularly the demand for consumer durables. In an effort to signal the need to reduce the demand for consumption goods, I propose that effective from July 1 a broad-based foreign exchange commission will be charged on all sales of foreign currency at a rate of 2 per cent. This will extend to, inter alia, all wire transfers, credit card transactions and over the counter sales on foreign currencies. This measure is also expected to raise an estimated BDS\$52.5 million over the remainder of the current financial year and \$140 million over a full financial year.

Mr. Speaker, over the past two years the price of oil and concomitantly the price of fuels have come down from a historic high just before and during the early years of the economic crisis. As you well know, Barbados had shifted its pricing mechanism on diesel and gasoline products a few years ago, permitting a pass-through of the price plus the various statutory and marketing fees attached to these products directly to the consumer. This has allowed the general price reduction in the cost of fuel to Barbadians across the board as the price has come down internationally. Additionally, following the conclusion of the debt servicing requirements for the CESS which was put in place on the fuels to meet those liabilities, Government decided that part of the CESS would be retained to assist with the financing of some of the stock of arrears of our main hospital, the Queen Elizabeth Hospital. Earlier this year those resources were transferred to the Government following the conversion of these amounts into excises.

Given the continued relatively subdued levels of prices for both world oil and imported refined products, we have determined that an increased excise would be useful in assisting the Government to meet its deficit reduction

targets without placing undue burden on Barbadians. To this extent, I now propose that effective June 1 the excise tax on gasoline will be increased by 25 cents per litre from \$0.74 to \$0.99 and on diesel by \$0.24 from \$0.20 to \$0.44. I should read that again, Mr. Speaker, Sir, just for clarity. Relative to tax on gasoline, it would be increased by 25 cents per litre going from 74 cents to 99 cents and on diesel by 24 cents from 20 cents to 44 cents. The June retail prices for gasoline and on diesel will now be based on the following prices: Gasoline \$3.05, Diesel \$2.25 effective July 1, 2017. It should be noted that the current prices, this is what I was shifting to, as of now into June, gasoline is at \$3.00 and diesel \$2.15.

Extension of the Amnesty: Due to numerous requests by stakeholders and a very high level of success of the last amnesty offered by Government on certain taxes for which liabilities are owed, Government has decided to implement an additional period during which taxpayers can benefit from the waiver of penalty and interest on taxes owed to the Barbados Revenue Authority for land tax and value added tax. The amnesty will run from June 1, 2017 until November 30, 2017 and the same rules which were applicable to the last amnesty will apply in respect of this new period. Preliminary figures from the last amnesty indicate that just over BDS\$35 million was collected in outstanding taxes, and on this occasion the authorities are anticipating that an additional \$25 million can be raised, so this measure has really done very, very well. The Barbados Revenue Authority will publish the rules governing the programme again and all necessary laws will be amended to give legal effect to the initiative. Proceeds from this initiative will go directly to assist with the liquidation of income tax refunds owed to taxpayers by the Barbados Revenue Authority.

Tax Administration: On this matter of tax administration, Mr. Speaker, I wish to point out that Government is fully cognisant of the often repeated and very legitimate charge that part of the issue with revenue collection in Barbados lies in the fact that too many people fall outside the net. These persons can be found across all classes of persons and businesses in the country, yet they are able to enjoy the benefits which the tax dollars of the shrinking pool of taxpayers contributes to. Indeed, empirical evidence has shown that the smaller the tax base the greater the pressure on Government to increase the rates to get the required revenues to manage the Government. This is an issue that has dogged tax authorities in Barbados for a number of years but one which we must act decisively to deal with now.

I am therefore in a position to advise that in the coming months the Barbados Revenue Authority will be instructed, as a matter of policy, to establish a special taskforce within the organisation. This special taskforce will work in collaboration with a competent private sector

tax firm to establish a national tax administration registration initiative aimed principally at ensuring all of those persons who operate businesses, are self-employed, sole traders or professionals and artisans of any kind are registered with the Barbados Revenue Authority and brought into the tax net. The Barbados Revenue Authority will be provided with special financial and human and as well technical resources by the Ministry of Finance and Economic Affairs to execute this programme. It is anticipated that recent University of the West Indies and BCC graduates will be retained on a temporary basis by the programme to execute a mass registration exercises that will flow from the work of the taskforce, so we are going out into the streets, into the corners, into the hamlets, all over Barbados and we are going to register people to paying tax. This includes the Bar Association. We are going to attend their meetings and ensure that the 60 per cent of the lawyers that are now not currently registered to pay taxes in Barbados of various types that they are registered, and I expect the full support from the President of the Bar Association and all of the lawyers that are in here as well. More details on that in the coming weeks.

I must say though, Mr. Speaker, at this juncture, I think I should advise, and I know that my colleagues in the Opposition are probably waiting to jump up and say what they have to say in relation to the issue of Tax Clearance Certificates.

House D12A Sequence 17

Mr. Speaker, I was advised that today the Barbados Revenue Authority met with the Bankers Association, another group that has had issues, and they appeared to have come to some reasonable agreement on how the issue of the requirement of tax clearance certificates is to be dealt with. The major challenges have been identified and there seems to be appropriate resolution, I am advised, on the matter and very shortly communication will be issued to the public as to what those resolutions are and any actions which Government is expected to take the Government will take those actions to ensure that the law is carried out and implemented as designed. Mr. Speaker, the original and continuing objective of this Government is not to harass anybody to pay taxes, it is our duty to pay taxes to Government. Our job is not to stop transactions, to slow down business but to get people to honour their commitments and to recognise and acknowledge their liabilities to the Crown. Mr. Speaker, that is the only thing that Government wants to do in this respect and I encourage all Members of this Honourable House to join us in that particular objective.

Finally, I am in a position to also announce that in an effort to alleviate the backlog of VAT refunds which are owed to many businesses across Barbados and creating cash flow challenges for them, particularly smaller

businesses, I have advised the Barbados Revenue Authority to sit down with the Ministry of Finance and Economic Affairs, the Treasury and the Central Bank of Barbados to design a simple, notice the word, Mr. Speaker, Sir, uncomplicated and easy to access VAT factoring programme to attend to the issue of VAT refunds which will be managed out of the Central Bank. We are going to ensure that where the Treasury has cash shortages in terms of being able to supply those refunds on a timely basis, that those can be done and that an arrangement between the Central bank and the Treasury as to how that money would be repaid to the bank and any other persons who may contribute so that we can unlock and unblock this issue of the VAT refunds. The details of this programme will come shortly and our hope is that it can start before October this year.

Divestment of State Assets.

Mr. Speaker, Sir, earlier in my presentation I said, as indeed I have said before in and outside of this Honourable Chamber, that this Administration while holding a firm negative position on privatisation particularly on State entities that deliver social services to the public of Barbados, we would consider divestment of any appropriate asset which we believe could be subject to such treatment, certainly as a party in Government the Democratic Labour Party is no stranger to the issue of privatisation, having itself at some juncture in the past taken decisions to divest particular State assets into the private sector.

Indeed, as recently as two years ago the Administration took a decision that the Terminal Company operations of the Barbados National Terminal Company, (BNTCL) which is owned by the Barbados National Oil Company (BNOCL) should be divested. The process for the completion of that sale is now awaiting finally regulatory approval from the Fair Trading Commission of Barbados. We saw that decision as a process that would further expand private interest in the energy sector while allowing the Government to earn valuable foreign exchange to boost its reserves and revenue to assist in the financing of other critical productive areas of the Administration.

While we are expecting that that process of the sale to have been completed by the end of the last financial year, this did not happen as the Fair Trading Commission has not yet issued its ruling and certainly did not do so by March 31 this year. It is expected that it should come during this financial year and so the expected boost to the foreign reserves of \$100 million should come in and the revenue of \$70 million will assist the Government in tackling both of the major challenges confronting us at this time.

Mr. Speaker, as in the case of the Barbados National Terminal Company Limited, Cabinet has also taken a decision to empower me to advise the House and the country as a whole of the Government's intention to divest the Hilton Hotel, Needham's Point, which is currently held under the portfolio of Needham's Point Holding Limited, a company in which the Government of Barbados is a majority shareholder. As Members of the House would know, the original Hilton was first opened to receive guests in November 1966, the year of National Independence and served as a major stimulant to investor interest in a hotel sector when many private interests were risk-averse about going into newly emerging tourism sectors.

For several decades until its demolition in 1999 by the last Administration, the Hilton Hotel served as a beacon of excellence in the accommodation and hospitality services of the region, receiving many regional and international awards for its very high standards. It has also been a major hub for social, conference and entertainment activities in Barbados and provided employment for hundreds of Barbadians who have gone on or who went on to have distinguished careers in the tourism sector.

In 2005, following the construction of the new property, the Hilton was reopened and has since then gone on to pick up where the old property left off, bringing greater claim to itself and Barbados as a whole. It is considered to be one of the top properties on the island and has begun, under very capable leadership and management through the Needham's Corporation and its Board, to see an increase in profits every year since 2011.

Earlier this year, following some months of negotiation with the Exim Bank of China, Government began to draw down the loan resources to initiate the construction of the Sam Lord's Castle Resort Redevelopment Project to replace the previous property which had closed for some years and was subsequently destroyed by fire. This investment is expected to be in the range of \$200 million to \$250 million and is expected to add tremendous value to the domestic hotel stock and its offerings. With this in mind, Government believes that in keeping with its policy to limit the number of hotel properties that it holds within the asset portfolio that now would be a good time to divest itself of the Hilton while preparing to welcome the Wyndham's Sam Lord's Castle into the fold.

Government, through the Barbados Tourism Investment Inc. and the Ministry of Tourism and International Transport, will be receiving, analysing and recommending bids to the Cabinet shortly for the sale of the property which on recent valuations is said to be worth just under US\$100 million. If a successful bid is accepted, Government is expected to receive no less than BD\$100 million as net proceeds from the sale, taking into account

the liquidation of existing debt liabilities attached to the property and of course sharing some of those resources with the other shareholders who have a stake in the company.

Mr. Speaker, notice I said to receive no less than BD\$100 million as net proceeds from the sale. That is a net figure so I do not want Members of the House or others to go out and say that the Government is selling the Hilton for \$100 million. It is worth US\$100 million. We are not selling it for \$100 million, that is what Government might get or expects to get after all of the other liabilities have been taken care of so that that naturally would tell you that it will be sold for more than the \$100 million.

Asides.

Hon. C. P. SINKLER: I am just saying it because people will then say O, look, the Hilton is worth US\$100 million and the Government has gone and accepted BD\$100 for it, so that I am just making that abundantly clear so that we are clear.

Additionally, Government is expecting that the country's foreign reserves will be boosted by at least US\$100 million if the sale goes through as planned and if of course Cabinet approves the sale and all the paper work is finalised, Mr. Speaker.

Asides.

7.12 p.m.

Hon. C.P. SINCKLER: ... Expenditure measures. Debt reprofiling.

Mr. Speaker, the single fastest growing line item in Government's expenditure is debt service cost. Earlier, I would have shared some figures relative to the financing which is required to meet our debt servicing commitments each year, which have grown exponentially on the continued high fiscal deficit which the country is carrying. Ordinarily, this Government's stance -- and I should say definitely -- is patently clear and remains firm that Barbados meets all of its commitments and debt obligations on time and in full. We have an enviable record which we intend to keep intact and which at this time is not in jeopardy so long as we take some serious corrective measures as we are doing now.

Equally as well, though, we are mindful of the fact that the very heavy contribution of interest costs contribute to the overall current expenditure of Government, and any intensive fiscal consolidation programme will have to contemplate seeking non-disruptive ways in which to lower interest costs over the short, medium and longer terms. In this regard, Government has begun the process of fully

examining its portfolio of short and long term security instruments to determine how and where any profiling of some of the interest on some of these securities can be done. As is well known, a significant proportion of Government securities are held by the Central Bank and the National Insurance Scheme (NIS), and we have surmised that if such an intervention were to be initiated on a voluntary basis, Government should invite these two entities at first to engage in discussions for possible SWOT (Strengths, Weaknesses, Opportunities, Threats) programmes where they and the Government can reissue some of the existing securities in their portfolios at lower interest rates agreed by the parties.

I can inform the House that preliminary discussions have already taken place between the parties, and more of such will continue apace in the coming weeks. The Ministry of Finance and Economic Affairs, along with the parties, are expecting that in this financial year savings proposed from the reprofiling exercise would be in the region of \$70 million in savings on interest expended. It is also expected as part of the proceeds of those savings accrued from the interest expenses will in turn go to assist in liquidating the outstanding arrears owed to the NIS. We are not just going and asking the NIS to adumbrate its interest earnings and leave them out there. We are going to take those savings that we are making and ensure that we pay down, so that the NIS gets back those cash resources to, of course, continue to do the good things it does for the workers of Barbados.

Other expenditure reductions. As the House is aware, during the last Budget presentation I announced that the Ministry of Finance and Economic Affairs would institute a mid-year review -- a midterm review, as I called it then -- to attempt to reduce Government expenditure by at least \$50 million of the approved Estimates across all Ministries in the 2016-2017 Estimates of Expenditure. I am happy to report to the House that not only was the exercise carried out but it was successful in identifying savings across Ministries of \$50 million. That exercise was done with the Government already having completed more than half of the financial year.

Given the financing pressures which Government currently faces in this financial year and into the next, the Ministry of Economic Affairs has requested and the Cabinet has approved an across-the-board cut of ten per cent of the existing approved Estimates of Expenditure for the Financial Year 2017-2018. The total cash estimate for the expenditure 2016-2017 amounted to \$4.5 billion. Of these expenses, debt service, interest and amortisation accounted for 41 per cent of the budget; amortisation 25 per cent, interest payment 16 per cent. Wages and salaries and expenses to central Government occupies 90 per cent share of the total expenditure; that is wages and salaries 17.4 per cent, NIS contributions on those salaries one per

cent. Wages and salaries expenses of State-owned entities (SOEs) accounts for an additional ten per cent of Government's expenditure budget. This accounts for up to 69 per cent of the approved budget allocation between all of these categories. Furthermore, once we take into consideration pensions and gratuities from central Government and the SOEs, debt payments of the statutory corporations, statutory grants and investments, rental of Government property, building maintenance as well as insurance coverage, the entire cumulative amount of all of these is 82 per cent of approved expenditure. This is where the money is spent.

Mr. Speaker, this leaves us then with about 18 per cent of the residual value of \$826.8 million, which we can possibly touch without displacing workers or disrupting the provision of services offered through our vital public agencies, some of which, I can add, are critical pillars to development, such as the QEH, Transport Board, UWI and so forth. At ten per cent, we expect that we would be able to see an additional \$82 million reduction in the Government's total expenditure for the financial year.

The measures which I just introduced and announced within Government's budget set out to achieve two broad objectives, as I have said: To move us closer to a possible balanced budget with a view to reducing the dependence on the Central Bank, and secondly to reduce the demand for foreign exchange by contracting demand in the economy, so to speak. To balance the budget, therefore, the task would be to define a strategic set of measures, which would bring the balance from the deficit of \$422 million announced in March; and of course on top of that to add any additional supplementaries which would come later in the year for the QEH, Transport Board, UWI and so on, so that you have a new deficit of \$537.6 million. I believe that is around 5.3 per cent of GDP. From 4.4 per cent to 5.3 or more per cent based on an increased deficit of \$537 million, so we are taking everything into consideration on this occasion.

These measures in total will account for \$542 million as a result of increased revenues and expenditure savings and the divestment proceeds. Therefore, with the revised deficit of \$537.6 million, the new measures would effectively lead to a small fiscal surplus of \$4.4 million. For the first time, Mr. Speaker, in how many years -- I have not counted -- Barbados will move to a balanced budget with a small fiscal surplus. The balancing of the fiscal accounts will yield a primary surplus of 7.34 per cent or \$702.4 million, and that is a fairly high primary surplus for Government. As a result of this adjustment, new financing requirement from the Central Bank of Barbados is likely to be just about \$87 million, representing a \$640 million reduction from what was projected when we did the estimates of financing from the Central Bank; so we are bringing this Central Bank thing under some level of

discipline. It is expected that the size of this fiscal adjustment to be implemented, because of the darkening of the rate of economic growth, will be by about half a percentage point. That is what is estimated from the analysts.

Asides.

Hon. C.P. SINCKLER: Mr. Speaker, I also expect that some of the slowdown will be offset by other planned private sector activity once those can get going, which must now be undertaken with some level of urgency. It is important to note that this adjustment, of course, will impact on the general level of prices. It will cost the cost of living to go up, particularly the imposition of the National Social Responsibility Levy.

7.09 p.m.

However, having demonstrated that these measures are necessary to stabilise debt levels and to create a platform for the realisation of greater, more sustainable growth, it is anticipated that economic activity will rebound after a short period of sacrifice, and we will all reap the rewards.

----- FY 2017/18 Estimate BDS % of GDP (Million)

March 2017 Budget deficit \$ 422.0 4.4

Revised Deficit \$537.6 5.6

Domestic & Foreign Amortisation \$971.0 10.2

Financing Required (net of domestic \$814 8.5 roll-overs & foreign financing)

Of which Central Bank (Pre-adjustment \$654 6.8 Financing)

Size of Fiscal Adjustment \$542.0 5.7

Adjusted Fiscal Surplus (as result of \$4.4 0.0 measures)

Adjusted Primary Surplus 702.4 7.3

Post-adjustment Central Bank Financing \$ 87 0.9

Conclusion

Mr. Speaker Sir, your government is once again demonstrating the steely resolve, clarity of purpose, resolute and visionary leadership we need at this juncture. Leadership, Mr. Speaker, that continues to be open, frank

and honest with the people of Barbados as to what the challenges are. Leadership that is, yet again, taking the tough decisions in the best interest of the country and putting people and country above politics, party, popularity, and yes, even the polls to come.

Mr. Speaker Sir, I began this presentation on a personal note recounting my experience of sitting close up and observing the circumstances which confronted Barbados in the early 1990s and the resolve which the then Prime Minister, his Cabinet and the other Social Partners were called upon to show to save their country.

It wasn't an easy time, tough decisions had to be made, pain was everywhere and even personal relationships were sacrificed. This was the measure of the challenge.

For me it was a truly defining period personally not only because it helped me to build resolve, but it showed me in a most demonstrable way why Barbados is such a special place. It showed me that, notwithstanding the things that divide us as a people -- politics, religion, colour, economic status, etc. - there are two unshakable things which bind all Barbadians, fear of God and love for this blessed country of ours.

It is these redeeming features, these fundamental characteristics, that allow us to confront the worst of conditions and the most difficult of circumstances.

Sir, it is never welcomed, but perhaps unavoidable, that challenges similar to those confronting us at this time will happen from time to time. And perhaps too, they may even become more difficult on every occasion they pass our way. But what we must do as a people, I believe, is to learn from the example of those who have passed this way before and combine our collective efforts to face down the challenges and overcome them.

The valiant leaders of the early 90s were able to set aside their narrow agendas to build a national consensus for economic and social reform and resuscitation. They won the day and saved a country.

Sir, once again our country's circumstances require us of this latter-day generation to rise to the task of working hand in hand to guide Barbados back to safer waters. I believe it can and will be done, because I believe in the good nature of all Barbadians and in our desire to see our country succeed.

I believe it because I know we have the skills, knowledge and fortitude to suppress our narrow wants and attend to the broader needs of a nation.

I believe it because I know that Barbadians are winners and that Barbados never fails.

And finally, I believe it because I know we fear God and love country.

The measures that I have just announced were designed to give us that small window of opportunity to sit down and carve out a more comprehensive and far reaching national resuscitation and revitalization plan that permanently corrects our structural problems and sets new heights for our economy and society to scale. But the window is closing fast and we must act now to win the victory for Barbados.

Tonight is therefore a national call to arms of all Barbadians to join your government as we set about in the next weeks and months to define the future for Barbados.

Tonight, tomorrow, and in the days that follow this debate, it is time to all demonstrate leadership that puts Barbados first forever.

I am obliged to you.

Whereas the Financial Statement and Budgetary Proposals 2017 delivered by the Minister of Finance and Economic Affairs is made against the background of Government success in reducing the country's deficit and continued social and economic challenges facing the country, compounded by a measure of global uncertainty and global economic weakness in both industry and the transitioning markets, and whereas the overall objective is to reduce the current deficit to zero balanced budget and whereas the Government of Barbados through the Financial Statement and Budgetary Proposals 2017 is committed to implementing measures and policies design to achieve the balanced budget which is necessary to slow the growth of debt and protect the country's international reserves, be it resolved that this House notes the Financial Statement and Budgetary Proposals 2017 delivered by the Minister of Finance and Economic Affairs and be it further resolve that the house approves the measures and policies outlined in the Financial Statement and Budgetary Proposals 2017.

I am obliged to you, Mr. Speaker.

SUSPENSION OF SITTING

Hon. J.D.E. BOYCE: Mr. Speaker, I beg to move the Sitting be suspended until 4.00 p.m. tomorrow, Wednesday, May 31, 2017, when the Leader of the Opposition will make her reply.

Hon. D.O'N. INNISS: I beg to second that, Sir.

The question that the Sitting be suspended until 4:00 P.M. and resolved in the affirmative without division and Mr. SPEAKER suspended the Sitting accordingly.

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BOYCE, Hon. J. D. E. (Christ Church South)

BRATHWAITE, Hon. A. D. (St. Philip South)

INNISS, Hon. D.O'N. (St. James South)

JONES, Hon. R. D. (Christ Church East Central)

LOWE, Dr. the Hon. D. S. (Christ Church East)

SINCKLER, Hon. C. P. (St. Michael North West)

SINKLER, Hon. C.P.

STUART, Hon. F. J. (St. Michael South)

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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. Minutes. The Speaker's words are run into the seconder's line: 'I beg to second that, Sir. Mr. SPEAKER: Honourable Members, the question is that those Minutes be taken as read ...'. Printed as in the source.

Q3. Announcements. The correspondence is described as 'from the Public of Ecuador National Assembly'; the letter itself is from the National Assembly of Ecuador. Printed as in the source.

Q4. Order No. 19, take-slips Sequence 15-16, about 6.30 p.m.. A note reads 'Sequence 15 VELDA THIS IS INCOMPLETE', followed by a time stamp dated 'Monday, May 30, 2017' (30th May, 2017 was a Tuesday); the Minister's next passage begins mid-sentence ('... we can get \$72 million ...'), so part of Sequence 15 appears to be missing. A stray line 'Velda' also stands earlier in the speech, after the take-slip 'Sequence 5'. Printed as in the source.

Q5. Order No. 19, take-slips. Two take-slips both read 'Seq 16' (6.30 p.m. and 6.40 p.m.), and the slip 'H:D12(18)7.12 p.m.' comes before 'H:No.D12A (19) 7.09 p.m.'. Printed as in the source.

Q6. Order No. 19, fiscal table. The table of the 2017/18 fiscal adjustment has lost its columns in the source, so labels and figures run together (e.g. 'Adjusted Fiscal Surplus (as result of \$4.4 0.0 measures)'). Printed as in the source.

Q7. End of the record. The record ends with the suspension of the Sitting until 4.00 p.m. on Wednesday, 31st May, 2017; there is no adjournment, as the debate continued on the next day.

DEBATE SUMMARY

(Editorial summary — not part of the record.)

The House of Assembly met on Tuesday, 30th May, 2017 at 4.00 p.m., with His Honour M. A. Carrington, the Speaker, in the Chair; prayers were taken by Father Reverend Mark Harewood. The Minutes of 12th May, 2017 were confirmed, and the Speaker read a letter from the

President of the National Assembly of Ecuador. Papers laid included the Annual Report of the Barbados National Oil Company for 2014, the Chief Medical Officer's Report 2010-2012 and the Barbados Economic and Social Report for 2016. The National Social Responsibility Levy Bill and the National Insurance and Social Security (Amendment) Bill, 2017 were read a first time, and Standing Orders were suspended.

Under Order No. 19 the Minister of Finance and Economic Affairs, Hon. C. P. Sinckler, presented the Annual Financial Statement and Budgetary Proposals 2017, the only speech of the Sitting. He reported that real GDP had grown by an estimated 1.6 per cent in 2016, the third successive year of growth, with tourism up 4.8 per cent, while sugar production fell by 33.3 per cent; inflation averaged 1.1 per cent and unemployment fell to nine per cent from 11.3 per cent. Foreign exchange cover had fallen from 13.6 weeks to 10.3 weeks during 2016, and reserves stood at \$749 million. He set out the cost of Government, including \$1.23 billion in wages and salaries and grants of \$180 million to the Queen Elizabeth Hospital.

The Minister explained why the Government had rejected options such as cutting VAT to 15 per cent while ending zero-rating, raising VAT to 22 per cent, lowering the personal allowance from \$25 000 to \$15 000 and cutting the wages bill by 10 per cent. He then announced that the National Social Responsibility Levy would rise from 2 per cent to 10 per cent from 1st July, 2017, yielding \$218 million in the rest of the year; that a 2 per cent commission would be charged on all sales of foreign currency from 1st July, expected to raise \$52.5 million this year; that excise tax on gasoline would rise from \$0.74 to \$0.99 a litre and on diesel from \$0.20 to \$0.44 from 1st June; and that the tax amnesty would run from 1st June to 30th November, 2017. He announced a Barbados Revenue Authority taskforce to bring the self-employed into the tax net and a VAT factoring programme for refunds.

On divestment, the Minister said the sale of the Barbados National Terminal Company awaited the Fair Trading Commission, and that the Government intended to divest the Hilton Hotel at Needham's Point, valued at just under US\$100 million, for no less than BD\$100 million net. On expenditure, he proposed voluntary reprofiling of debt held by the Central Bank and the National Insurance Scheme, saving about \$70 million, and a ten per cent across-the-board cut in the approved Estimates. He said the measures, totalling \$542 million, would turn the revised deficit of \$537.6 million into a small surplus of \$4.4 million before reading the Resolution approving the measures.

On the motion of Hon. J. D. E. Boyce, seconded by
Hon. D. O’N. Inniss, the Sitting was suspended until 4.00

p.m. on Wednesday, 31st May, 2017, when the Leader of
the Opposition would reply.

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