



GOVERNMENT OF BARBADOS

**FINANCIAL STATEMENT
AND
BUDGETARY PROPOSALS
2010
PRESENTED
BY
HON. CHRISTOPHER SINKLER
MINISTER OF FINANCE AND ECONOMIC AFFAIRS
23rd November 2010**

Mr. Speaker,

It with a sense of great humility that I accept the honour to present the Financial Statement and Budgetary Proposals for the year 2010 on behalf of this Democratic Labour Party Government. I do so Sir, chastened by the enormity of the circumstances, challenged by the task that confronts me, but comforted by my belief that Almighty does not place upon the shoulders of any man more that he is able to bear.

I am even more fortified in the view that God will not inflict upon the people of this nation a burden too difficult to carry. I make bold this declaration mindful of the fact that I speak at a time when the nation still grieves for its fallen leader; Is still reconstructing from the devastation wreaked by Tropical Storm Tomas, and still recovering from that awful tragedy that took the lives of those six beautiful young women at the now infamous Campus Trendz fire-bombing incident.

All of this Sir, coming against the backdrop of the continuation of a domestic economic recession, almost exclusively driven by the ravages of a global financial and economic crisis characterized by most as the worst since the Great Depression of 1930, in terms of its global reach, duration, and severity of its impact.

It is as if Barbados was entering the vortex of the perfect storm.

But even so Mr. Speaker Sir, we hold fast to our faith in God, our love of country, and to those fundamental beliefs of equality of rights, charity with wealth and dignity of existence afforded to all who move among us.

It is for these reasons then Sir that I give thanks for all of the blessings that have been bestowed on our nation, and thank God for giving me the strength to be here this evening to bring a message of hope and reassurance to the citizens of our great nation.

Mr. Speaker Sir, it would be remiss of me if I did not crave the indulgence of the House a minute or so to thank the constituents of St Michael North West for reposing confidence in me to represent their interests in this House of Assembly. I am indebted to them for the patience which they have extended to me even as I balance the demands of ministerial office with that of meeting their personal needs and that of their communities.

On a personal note, I count myself as fortunate to have worked with and gained the respect and confidence of three Prime Ministers: His Excellency, Sir Lloyd Erskine Sandiford, The Late Honourable David Thompson and my new political leader the Hon. Member for St. Michael South. All of these gentlemen have allowed me to serve the people of Barbados in roles varying from that of Personal Aide, to a minister of the Crown. Gaining as it were invaluable experience in the art of governance, while contributing to the overall development of my country.

I equally acknowledge the hands of guidance in my life from the mother who fathered me, to the village of Deacons that raised me and the teachers of the Garrison Secondary School that shaped my early understanding.

Ultimately, I rise before this nation to deliver this presentation with the love and support of many across Barbados and none perhaps stronger than my beautiful wife of a decade, who is here this afternoon.

Mr. Speaker Sir, the eminent Caribbean political economist C. Y. Thomas, in delivering the **Sixth William G. Demas Memorial Lecture**, spoke accurately to the Caribbean development existence when he fashioned the analysis of a development glass half full. In his treatise, Thomas surmised that while regional countries, including Barbados, had achieved much success in pushing their respective developmental agenda, there were some constant and worry characteristic features of our development that portended deep structural misalignments between national expectations and national capacities. Which, when cruelly exposed to the vagaries and ultimate weaknesses of the international economy was seriously endangering our abilities to secure balanced development for future generations of our people.

Thomas' thesis, which I wholeheartedly support, concluded that in several countries the very success upon which our post-colonial development was forged relied on a dominant sector economic model of development anchored as it were on a generous over-reliance on foreign markets. It created an appropriately expansive social development platform unmatched by a similar expansion in national productivity and ring fenced by a neo-liberal political model known more for its social elitism than popular inclusion. These winning characteristics of the sixties, seventies and eighties, are now the very elements undermining the very tremendous progress they caused.

In many ways, Thomas' reflections are entirely characteristic of the Barbados' post-independence experience.

Mr. Speaker Sir, few can deny that Barbados has done well as a country in the last 44 years. The relatively stable performance of our economy characterized by positive economic growth in the main; our extensive and at times unmatched array of social services, and our much heralded commitment to and clinical practice of the art of political democracy have all underlined a successful model that have at varying points secured for us the label of number one developing country in the world.

But fewer still Mr. Speaker, will deny that in the last twenty five years or so this development model, though still useful in many regards, has been cruelly exposed as limited in scope, highly

susceptible to external shock and largely unresponsive and inflexible to the ravages of deep seismic shifts in global political and economic phenomena.

To illustrate my point Sir, we have only to look at the impact which the last three major global recessions have brought to our door steps. In 1973, a steep and disruptive increase in oil prices, and a concomitant emergence of what was then termed as stagflation, led to major economic and social dislocation in Barbados. Again in 1981-82, another oil driven global recession wreaked havoc on the macro fundamentals of the Barbados economy leading to job losses, increase in user fees and general belt tightening.

In 1991-93, a then global recession economically contiguous to the war in the Gulf immediately undermined our economic progress to the extent of large job losses, cuts in public servants salaries, and increases in user fees. Even Sir, for a brief period in the early part of this century, following the relatively small disruption in global commerce after the terrorist attacks on the World Trade Centre, our economy showed signs of buckling under the slightest of pressures.

The object lesson here Sir for all of us to glean is that it matters little which party is in government at the moment in time, who the Minister of Finance is, or which degree he/she comes to the post with. Our economy is structurally challenged and in need of major reform.

And, with each passing global recession, it is becoming pellucid that the severity of the impact is, like the water on sea wall at the wharf road, seriously undermining our ability to defend the Ship of State.

The issue then Sir is not if a recession is going to come, it is when. Not if it is going to impact us but to what extent. Not if we are going to respond but how. Recessions are by their nature cyclical and relatively short. It is however the virulence and reach of their impact that is proving increasingly more difficult to predict and worst yet control.

And in this regard Sir, the deeper and more impacting they become the more difficult it is for small vulnerable developing countries such as Barbados to defend against them.

In their ground breaking work on small economies in the year 2000, the Commonwealth Secretariat and the World Bank surmised among eighty odd small economies in the world, Barbados was one of the most dependent on the global economy and thus highly vulnerable economically.

That was in the year 2000. I believe that the Honourable member for St. Peter played a role in that process that led to that research and its follow-up work. That is why it is so ironic that, ten years later the same agencies along with counterpart organizations such as the IMF and UNECLAC in their respective reviews of the Barbados economy could expose the depressing reality that far from an improvement in its fortunes Barbados has in fact become even more highly dependent on, and ultimately vulnerable to the Global economy.

Put another way Sir, I make bold to suggest that even in spite of the numerous promises made by the Minister of Finance in last government to restructure the Barbados economy; and even in the face of a period of relative economic prosperity and expansion globally and as a result domestically, no serious attempt was made to capitalize on those opportunities to restructure the Barbados economy in a way that would have moderated its over dependence on the world economy, reduce our high vulnerability and save us some of the pain we are experiencing now.

That we wasted that opportunity in the face of a blind desire for regime consolidation, and electoral success has been and will be to our eternal detriment even if action is not taken now.

When faced with the last major recession in this country in the early 1990s, it was the Democratic Labour Party that put Barbados' interests first. We fought and won the battle to save the Barbados dollar. We right sized the public service and reformed some statutory corporations while restructuring the sugar industry. We made substantial changes to the direct and indirect tax systems, including all the preparation for the introduction of a Value-Added Tax, while creating new and better ways for earning foreign exchange through the then Foreign Exchange Committee.

We started restructuring work in sectors such international business with new facilitation units, while changing the incentive regime for manufacturers to encourage greater export growth.

We did all of that in the midst of the then recessionary conditions. Yes, some of the measures we took were painful, but they laid a perfect wicket on which the incoming Barbados Labour Party batted and score runs. And scored runs they did Sir. What they did not do however Mr. Speaker was to use that time of plenty, to continue to properly engage in a fundamental restructuring of the Barbados economy to prepare it not only to better withstand the ravages of the next recession, but equally to evince a deeper and more sustainable form of economic and social development.

What we got instead Sir, was a plethora of feel good pet projects, distinguished only by their huge costs and infamous costs overruns. The Highway project, the office complex at warrens,

GEMS or JAWS, and the ultimate legacy of the last government, a potential 750 million dollar prison Dodds St. Philip.

No substantial restructuring of the manufacturing sector to forge new vistas of innovation and the expansion of the domestic entrepreneurial class. No radical reforms in the agricultural sector to transform it from its benign and perpetual small holdings subsistence characteristic to an agglomeration of larger farming cooperatives with positive vertical linkages to other sectors in the domestic economy. No new agro-processing capacity to allow for the creation of solid export niches to diversify the foreign exchange earnings base of the country.

No serious continuation of the reform programme started in the sugar industry by our late revered leader in the early 1990s. Not even a single new investment product in the international business sector to which we can point.

What we got Mr. Speaker Sir from the then so-called economic dream team was a daily diet of economics 101, spiced as it were with a good dose of long talk and little action.

Little wonder Sir that the Democratic Labour Party, has returned to government only to find our productive sectors virtually the same place we left them. Tell me Mr. Speaker Sir, should I or any other on this side be hearing in consultations with business sector leaders, or even on call in programmes that government needs to assist with the restructuring of agriculture sector, (especially the sugar industry), manufacturing, or even tourism.

Should we in 2010 be lectured by the Leader of the Opposition, on a “new strategy” for the International Business Sector. Which truck Sir, did that plan fall off of and why did the truck not pass during the fourteen year reign of the great economists?

Mr. Speaker we wasted an opportunity to seriously restructure our productive sectors. We substituted long term sustainability for short term gratification.

We over relied on high end construction fuelled by foreign direct investment and the growth in international financial and business services.

Truth be told Sir, this model worked well when things were great in the global capital markets and people as it were had “money to burn”. But we always knew, or should have known that this approach was bound to be severely tested once another serious financial downturn came along.

The other point worth noting here is that riding on the back of this foreign driven success, Government was able to increased total revenues from \$1.6 billion in fiscal year 1999/2000 to \$2.5 billion in 2007/2008. Put another way total revenue as a percentage of GDP went from 32 % to 36 % during the period.

However, concomitantly, total expenditures increased at a much faster rate during the same period, rising from \$1.7 billion to \$3.2 billion, or from 33.7 percent to 46.3 percent GDP.

The story here Mr. Speaker is that growth in the economy during this period, averaged at around 2.5 %, allowed for more generous increases in revenue supported primarily by a higher tax take on corporate profits and commercial transactions through the VAT. It however also encouraged an expansion government's current expenditures with the adding of projects to spend on that in the main were not themselves self supporting.

This lends itself to at least three immediate observations which are instructive of the realities we now face.

The first is that there is a strong and relevant correlation between the maintenance of sustainable economic growth and a country's ability to modulate its fiscal accounts. Secondly, when Government enters the market with new initiatives, these more often than not are likely to be social type, non self supporting programmes that consume revenue rather than earn it, and thirdly that when that trend of growth is broken public accounts can and inevitable will fall into disequilibrium as governments struggle to maintain tax revenue with the additional weight of an expanded social sector programme.

The upshot of this Sir is that if revenues do recover quickly especially when recessionary conditions persist, and deep compensating cuts are not made in current expenditures, moderate to large deficits will result.

Mr. Speaker Sir there is no mystery to this and what has transpired in the last two years can squarely be placed in this vein, just as it was for the recessionary periods in 1981-1982, 1991-1992 and 2002-2003 and now for 2008-2010 when the our fiscal deficits expanded beyond six percent of GDP to varying degrees.

Revenue Vs Expenditure Debate

It is for this and other reasons Sir that I find the debate over raising taxes or cutting expenditure to be particularly interesting and at times devoid of the level of intellectual sincerity expected in public discourse.

For example Mr. Speaker, in 2002/03 when the fiscal deficit in Barbados rose to 6.9 % of GDP we were told post the increases in expenditure that the then government had introduced a “reverse stimulus package”. That was seen as a “brilliant response” by the then Minister of Finance.

However in 2008 when the late Minister of Finance, faced with the worse ever global financial and economic crises, clearly outlined this government’s strategy for containing job losses, slowing the rate of decline in the economy, and keeping activity going in the economy, through an expansionary fiscal policy he was accused of being reckless and spend thrift.

But who the cow likes.....

Then Sir, they are those who in the comfort of opposition or even the private sector proclaim loudly.....CUT EXPENDITURE, don’t raise taxes. Never really telling you where these cuts are to occur, or to what extent and definitely not honestly telling the people of Barbados what the true implications are for many working class people in Barbados if that advice is followed in the way in which it is rendered.

They are not going to tell you that the structure of Government’s expenditure budget, it hardly affords any Government the luxury of major reductions in expenditure.

We can’t make cuts in our debt service payments because that is tantamount to voluntary defaulting or economic suicide. We can’t cut the salaries and wages bill of government.

And since government is the biggest consumer of goods and services in the economy with so many businesses relying on government accounts to make a living and keep people employed we know that any dramatic a cut in this form of expenditure will dampen spend in the economy and further deepen the economic decline.

So they all argue, cut subsidies and transfers to public institutions. Of course these critics will not tell you that 75 % or all transfers and subsidies to public institutions go towards paying salaries and pensions and debt.

Put another way Sir, what these people are saying to this government in coded language is that we should send home Barbadians. Cut jobs, retrench, lay off or otherwise sever hundreds perhaps even thousands of public sector workers.

That Mr. Speaker represents exactly what all this talk of major cuts in public expenditure means. It is a policy prescription that this government rejects, in the way in which it is being presented.

Surely Sir, a case must and has been made for serious adjustments in the government's expenditure budget and to this we recommit ourselves with a high level of seriousness. However such adjustments will be done as strategically and as efficaciously as is possible over a short to medium period so that few if any jobs are affected by this approach.

We will not shy away from the need to pursue a vigorous course of fiscal consolidation in line with our commitments in the Medium-Term Fiscal Strategy (MTFS) but the effort must be balanced and reasonable. It is better, at least in our view, for a man or woman to be able to earn a dollar even if they have to lose a little more in taxation than for that person to be sent home where they can't earn anything at all.

I lay down the challenge to all of arm-chair economic gurus tell the people of Barbados which major item of expenditure are you prepared to cut. Tell the public servants how much money you are prepared cut from the expenditure budget from subsidies and transfers and which statutory boards are likely to be affected. Tell the people!

Are you going to cut the 145 million dollars that goes to the QEH, and If so, by how much? Are you prepared to cut the UWI budget which has now reached almost 150 million dollar per annum? How about the sanitation Services Authority? Tell us when you speak, we are all ears.

Mr. Speaker this is the stark reality of the situation which we currently face and why all of us in Barbados must face the problem and fix it. But in order to do this we have to be upfront and honest with the people of Barbados and this is the solemn pledge that I give to you Sir, this Honourable House, and to all Barbados. Under my leadership in the Ministry of Finance there will be no hiding the truth from the people of Barbados, because the effort I will call for to return this country to financial stability and ultimately sustainable economic growth cannot be met by half the population. It must be achieved by all our citizens.

What We Did and Why We did It.

In 2008 when our late Prime Minister presented his first budget for this term of office he said these words and I quote: **“There are those who think that 2008 is the worst time for a political party to come to office bearing in mind the multifaceted challenges that confront us”**

Sir he could not have been more correct.

Background to the Recession

It was evident from mid 2007 that the world economy was slipping into recession. However Mr. Speaker, I don't think even the most gifted among us could have foreseen the severity and far reaching consequences of this recession.

It is now accepted that this financial crisis, triggered primarily by collapse of the US sub-prime mortgage market led to a liquidity shortfall in the United States banking system and a massive loss of confidence. This resulted in the collapse of large financial institutions, the bailout of banks by national governments, and downturns in stock markets around the world. It has contributed to the failure of key businesses, declines in consumer wealth estimated in the hundreds of billions of US dollars, substantial financial commitments incurred by governments, and a significant decline in economic activity.

All of our major trading partners were severely affected. In the USA, their economy spiraled into an unprecedented free fall that saw a major decline in GDP, occasioned by massive job losses, home foreclosures and bankruptcies. At one point, Sir, this major tourism generating market for Barbados, was losing up to seven hundred thousand (700,000), jobs a month. President Obama's response was a massive 800 billion dollar stimulus package which two years on has only paid marginally dividends, produce jobless growth and cause his party a massive defeat in the mid-term elections. In the UK, our biggest tourism and Foreign Direct Investment market (in terms of spend), the decline in GDP was even more dramatic and the job losses staggering. Home and business foreclosures were extensive and the government's fiscal accounts are in shambles.

The British Government too responded with its own version of a stimulus package but that, like the USA's has only had marginal effect on the economy and instead has made its budget deficit worse and prompted a stern correction by the Chancellor of the Exchequer - the Minister of Finance in that country.

Indeed Sir, only a few months ago the Chancellor introduced the most severe austerity programme in the history of the country. He raised VAT from 17 ½ % to 20 %, announced the intended cut in 500, 000 public service jobs, and rolled back several social welfare programmes. Mr. Speaker he even instituted massive cuts in the UK's defense budget, the likes of which has never been seen in Britain.

Across Continental Europe, similar austerity programmes have been introduced to deal with unsustainable budget deficits and return financial stability to the economy. From Portugal to Ireland and through Greece to Spain, the story is the same.

In all these cases the initial response was virtually the same. A massive stimulus package geared towards maintaining aggregate demand in the economy by stimulating spending designed to keep business going, halt the declines in GDP and thereby save jobs.

This at the time Mr. Speaker seemed like the correct thing to do, and in some respects these packages did have some effect in halting the free fall in the economy. But compounded with deeper structural problems in public accounts especially on the expenditure side has led to unsustainable fiscal deficits and consequential threats to economic viability, financial stability and potential social dis-cohesion.

Closer to home, most if not all of our counterpart countries in the CARICOM Single Market, experienced moderate to severe declines in output leading to business closures, jobs losses and general economic instability. Jamaica was forced to return to the IMF and the World Bank for another set of structural adjustment programmes that portended painful job cuts, cuts in social spending and the increase in user fees for social services. In the Bahamas wide spread job retrenchments ensued as several hotel properties closed or significantly reduced operations leading to declines in GDP output and consequential austerity measures from the government there. The OECS have not fared any better and they too witnessed moderate job losses, business closures, declines in tax revenues and a general contraction in GDP.

What most, if not all of them did not anticipate was the length, virulence, and sheer devastating impact of this recession. That Sir, was the game changer for all of us. The anticipated return to moderate levels of economic growth behind the massive stimulus packages has not occurred and instead the economic recovery in some has been slow and tepid, shallow at best and non-existent at worse in others.

From the outset, this DLP administration under the leadership of the late David Thompson, when faced with similar difficulties set out like most others to defend our way of life and protect our standard of living.

We surmise Mr. Speaker that while we did not have the financial resources to introduce a huge stimulus package as many in the opposition were telling us to do, we still had a duty to make strategic interventions that would contain the expected economic decline and limit its potentially debilitating impact on the people and of businesses of Barbados.

To this extent your government devised two critical economic intervention plans. The Medium Term Fiscal Plan and the Medium Term Development Plan, both of which Sir, were laid in this Honourable House in March of this year. There were numerous and a widespread public consultations on these plans particularly with the public and private sectors as well as the expanded Social Partner Group.

The main short to medium term objectives of government's response to the recession was as follows:

- I) Containing our External Debt, and protecting our foreign exchange reserves;
- II) Maintaining jobs;
- III) Return the country to fiscal balance in a reasonable time frame;
- IV) Keeping intact and strengthening the social safety net;
- V) Strategic investments to build productive capacity;
- VI) Returning the economy of Barbados to a sustainable growth path in the shortest possible time.

Foreign Exchange Earnings, Debt Management and the Foreign Reserves

During the last 34 months our economic management plan was therefore built on the three necessary pillars for an economy like Barbados that depends so heavily on foreign exchange earnings as well as on a high level of imports. These pillars are maintaining an adequate level of foreign exchange reserves, appropriate monetary policy, external debt containment and targeted support for economic activity designed to slow the rate of expected declines and spur economic growth in short term.

Mr. Speaker Sir, with expected declines in the main productive sectors of Tourism, International Financial and Business Services and Manufacturing the new government's critical focus in this area was to contain the fall off in foreign exchange earnings. These attempts were further challenged by a massive fall off in Foreign Direct Investment consequential not on any opposition to or dislike of foreign investors by this government, but because on the real shortage of international finance capital, due to the widespread banking crisis and a massive decline in investor confidence.

In the face of these realities this government implemented a judicious strategy of foreign reserves management geared towards developing and activating capacity building projects funding by external regional and international financial development institutions such as the CDB and IDB. Containing leakages on the reserves through the introduction of judicious monetary policies and raising foreign loans to roll over expected calls on the reserves to meet debt service commitments.

Ultimately, the standard objective of the Government was and has been to achieve a turnaround in the decline in the foreign exchange earning sectors starting with Tourism and International Business, and working through Manufacturing and Sugar and Non-Sugar Agriculture.

Government also embarked on a concerted programme to woo foreign investors back to the country even as they proceeded with nervousness and trepidation as a result of the uncertainty in the international economy and the unsettled nature of the markets.

Sir, in Tourism we concentrated our efforts on reinforcing Barbados' brand in the traditional markets while exploring new opportunities in emerging markets such as Brazil, and other parts of Latin America. We took a deliberate decision to go after the Canadian market which was once one of our largest sources for visitors but had fallen off in the past decade. We noticed that the Canadian economy was showing some resistance to the recession and through a mix of increase advertizing and an aggressive policy to increase airlift (through West Jet primarily) that market has vastly improved in production in the past two years. Indeed Sir, following a resurgence in 2009 the Canadian market has so far this year recorded a 21.6 percent increase in visitor arrivals.

The same upward trend is true for the USA where behind a similar strategy of expanding airlift and targeted increases in marketing effort over the last two years arrivals from the USA have recovered appreciably to record double digit increases in both 2009 and for this year so far. We have also added new capacity through Jet Blue on the Northeast region and additional American Airlines lift out of the Southeast region.

In the UK market with deeper recessionary conditions than expected, a loss of airlift, the imposition of the Airline Passenger Duty as well as a series of natural catastrophic events (snow storms and volcanic ash) have hampered our efforts there but the signs in the last few months have been encouraging to the extent that it appears as if the declines have tapered off.

This effort externally was met with a strong domestic support programme for sector stakeholders. We developed and introduced the Tourism Relief Fund which provided much needed working capital to industry players including the small ones to keep doors open, people employed and earn foreign exchange for the country. They also benefited from the additional 10 million dollars in marketing funds provided to the BTA, and from the general waiver of interests and penalties from VAT and National Insurance. Credit must also be given to the Barbados public for the supporting the Staycation programme which has been key to conserving foreign exchange as well as keeping Barbados employed in the hotel sector.

Sir, I have met with and spoken to key players in this sector in preparation for this budget exercise and they have all universally proclaimed that were it not for this Government's efforts over the last two years hundreds of workers in this sector would not have been able to retain their jobs and businesses would have had to significantly down sized operations or close entirely.

Yet Sir, some people, for their own political or personal benefit are claiming that this government has done nothing to help the country come out of the recession.

In the international business and investment sectors, the late Prime Minister before he fell ill undertook an extensive mission to the UK, Europe and the USA to meet with and encourage investors with projects in Barbados to restart them. The Late PM reemphasized Barbados commitments to facilitating such investments as far as was reasonable to help ease difficulties of these investors to get their project restarted or continued.

Government issued the largest ever local guarantee to a foreign project to the tune of sixty million US dollars, which was intended to assist the project's new developers to get the project restarted. I am happy to report to this House Sir that only last week the project's new directors were able to initiate perhaps the most critical element of that restart plan through the payment of the large number of creditors who were owed money by the project.

These are mostly local business people including several small businesses and individuals. This I am reliably advised removes a major stumbling block to the project's restart sometime early in the New Year. This is a domestic solution to an internationally created problem and full kudos must go to all involved, especially in my view the Late Prime Minister and this government for have the foresight and the tenacity to stick with this project.

We also got commitments from principals associated with the Beachlands, Batts Rock, Merricks and Foul Bay projects that they would initiate or restart their initiatives. While local large developers at St. Peter's Bay, Lime Grove, and Apes Hill kept the faith with the government's programme and forged ahead with their projects even in spite of difficult times.

These efforts by government have sent a very strong signal to the international market and investors that Barbados is still very much open for business and serious about finding ways to help investors proceed with their projects.

Mr. Speaker Sir, we even introduced new initiatives aimed at attracted the very lucrative corporate social investment sector by amending local Charities Act and the Income Tax Act to facilitate giving by high net worth individuals and corporations and Barbadians in the Diaspora. We also created the Barbados Foundation for Philanthropy to facilitate investments of this nature into the domestic social infrastructure.

In the International Business and Financial Services Sector we continued to adopt an aggressive posture on expanding our Treaty Network signing new Double Tax Treaties with Mexico and Panama the Czech Republic and Portugal.

In agriculture, the previous Minister of Finance in his 2008 budget gave an extensive array of incentives and other assistance to the sector including increasing the subvention to the Barbados Agricultural Society.

All of these initiatives Sir, and others, helped the country to either save or continue earning foreign exchange in the face of massive declines in consumer demand among our major trading partners. The interventions were not massive because we did not have the resources for that type of approach. But they were strategic and have had the desired effect to varying degrees. We now have to build on these going forward.

Debt Management Strategy

Government's external debt management strategy focused on minimizing the cost of borrowing, by taking advantage of low interest rates, while seeking to avoid an excessive build-up in external debt balances that would place further pressure on the country's foreign reserves. As such, new foreign debt has been issued predominantly to roll over maturing liabilities and to offset any erosion in reserves that resulted from the economic downturn. We also followed a deliberate strategy of concentrating our borrowing more from the International Financial Development Banks such as the IDB and the CDB which proffer project loans at very attractive interest rates. In this regard in the last two years we have source close 110 million US Dollars for projects in water, energy and sectoral competitiveness. This strategy has allowed us to keep our external debt service as a percentage of exports within the international standard of 15%, with this ratio expected to decline in the medium term. This approach to managing foreign debt has been facilitated by Government's ability to rely on the highly liquid domestic financial market to provide the majority of financing for its operations. Both in the domestic and external markets, Government sought to obtain longer-term debt at maturities that minimise the possibility of bunching.

Going forward, Government will continue to closely monitor its indebtedness by, amongst other things, examining the maturity and interest rate composition of its debt to ensure that the cost of borrowing is further reduced, without undertaking unnecessary risks. In addition, rather than relying only on borrowing from the international capital market, Government intends to place greater emphasis on securing external funding from multilateral institutions, at more concessional rates.

In terms of the domestic banking sector and creating and maintaining liquidity in to assist domestic businesses we sought to pursue:

1. The international borrowing by government for its projects so that government did not crowd out the private sector.

2. Support the reduction by the Central Bank of the reserves that the banks have to keep at the Central Bank or in government securities.
3. Support the Central Bank's restarting of its scheme to lend more to the banks if the banks needed it and had government debentures to use as collateral for the increased borrowing.
4. Encourage the Central Bank to expand its schemes to guarantee lending by the banks to small and medium sized businesses so that businesses can keep their doors open and maintain their employment levels.
5. Support the Bank's efforts to reduced interest rates quite aggressively so that the minimum savings rate has been lowered to 2.5%. Since the banks set their interest rates based partly on this minimum savings rate, we expected the commercial banks to move immediately to reduce their lending rates by at least the same amount that the Central Bank has reduced the minimum savings rate.

On this point Mr. Speaker, we believe that the banks should go even further and reduce their spreads, that is, the difference between what they lend at and what they obtain funds at. I believe that if the rest of the country is operating on tighter profit margins, then the banks should too. If the banks take the position that the risks in lending increase during times of economic difficulties and increase their spread, then they will only make it worse for the rest of the country. And so, I want the banks to act as truly responsible corporate citizens and share in the margin tightening of all businesses in the country, by reducing their spreads in their lending rates. This is critical for us because we have to help reduce the costs of doing business in the country by reducing interest costs, particularly at this time. The banks must also reduce their spread so that people who have mortgages get a little ease during these difficult economic times.

I am convinced they can do better and help our domestic businesses to weather these difficult times and emerge stronger to the benefit for the said banking institutions.

The net effect of all these policy interventions by government in the last two years has been modulate the impact of the effects of the international recession on our net international reserves to the extent that we have created a settling point of about 1.4 billion dollars on average. This represents around 19 weeks of imports which is above international standard requirements.

Mr. Speaker while we are not happy with this in the circumstances of the greatest economic recession in the history of the world I believe that this Government has done well to stave off much larger declines in the reserves.

Economic Expansion - maintaining employment levels and domestic demand

Mr. Speaker in addition to our efforts in the main traded sectors as I just highlighted our programme to slow the decline in output in the economy and push for an expansion in the shortest timeframe consisted of many other internal interventions. For example:

- Government maintained its level of employment, and supported the private sector in doing the same
- Government agreed a wage increase thereby injecting around \$75 million of additional spending in the economy in the following fifteen months.
- Government also maintained annual increments
- We brought forward the increases in the reverse tax credit to \$1,500 for the workers earning less than \$16,500 a year a full year ahead of plan to protect low income workers.
- We introduced the free bus rides for schoolchildren saving some parents little as \$400 per year for one child making one trip each way to school to as much as \$1500 a year for a parent with two children making two trips each way to school.

Mr. Speaker Sir, further to these measures this DLP administration also provided funding annually for:

1. The camps programme – which accommodated more children at camps across the island; this social initiative also had a strong economic component as it provided work for small caterers and restaurants.
2. We introduced an intense road repair programme - repairing more of our very bad roads and building roundabouts at some of our unsafe junctions
3. We also initiated a programme to repair more of our schools that are in dire need of repair.

Maintaining Employment and Strategic Investments

Mr. Speaker, Government felt that the economy would benefit more during this time if we kept people employed. It was critical for us to help the private sector maintain and increase employment so that the level of economic activity in the country was maintained as much as possible. It was also felt that it was better to have many smaller projects that could be implemented quickly. In this regard we:

1. Expedited the electrical retrofitting and upgrading of the former NHC terrace units at a cost of almost \$15 million.
2. Initiated the Construction of almost two hundred thousand square feet of new office accommodation at Warrens at a cost of around \$100 million. These new offices will house public officers who have suffered for a long time from working in sick and dilapidated buildings. We will then be able to repair or rebuild the offices now being used.
3. Accelerated our Housing Construction programme completing projects Greens, Four Hill, March Field, Coverely, and Work Hall, while initiating work at Forde's Road, Sayers Court, Stuarts Lodge and completing the works at Country Road. These projects not only provided much needed homes for working class Barbadians, but also injected millions of dollars in additional spending in the economy, provided employment for several artisans and labourers and other sub-contractors.
4. Provided \$60 million to The Queen Elizabeth Hospital to support their plant and equipment upgrade facilities programme to enable the QEH to function at a reasonable level while we plan the complete renewal of our entire health sector plant.

Widening and strengthening the safety net

Understanding the potentially devastating impact of the recession this administration moved quickly to broaden and strengthen the social safety net by:

1. Increasing non contributory old age pensions.
2. Increasing national insurance pensions.
3. Increasing welfare grants.
4. Expanding the Welfare to Work Programme.
5. Introducing the National Environmental Enhancement Programme (NEEP) to provide additional short-term employment opportunities for welfare recipients to encourage them to graduate from state funding.

A DELIBERATE STRATEGY:

Mr. Speaker Sir, what I have just highlighted was a deliberate strategy on the part of this government to intervene in the economy to forestall the real possibility of it going into free fall, causing hundreds, even thousands of workers to have to go home. It was a strategy to hold jobs because we surmised Sir, that it would not have been in the interest of Barbados or Barbadians to allow massive unemployment to ensue as the recession got worse.

That Sir would have caused massive social and economic dislocation and potential security risks for the state.

We understood Mr. Speaker that by doing so it would cause government to carry increased current expenditures and this in turn would negatively affect the fiscal deficit. This was to be expected given the nature of the times with slow and declining economic growth in the economies of those countries with which we have our closest economic relations.

We defended our people as best we could in the circumstances. What none of us bargained for or could have predicted was the extensiveness and virulence of this recession and when we thought that it bottomed out and a strong recovery would come, it did not happen.

We were hoping for a recession that would last no longer than two years with very small growth or small decline in 2008, an expected bigger decline in 2009, breakeven or very small growth in 2010, and a resumption of growth 2 - 2.5 % in 2011. This proved to be the right path but declines were greater than expected in 2009 as the full effects of the global recession began to be felt in our productive sectors.

Mr. Speaker, that sir was the response of this DLP government to the financial crisis besetting the world. We cannot be accused of not being proactive, or not providing the necessary stimulus to the economy. We had a clear strategy and implemented it. What was in the realm of the unknown and still is, is how much longer. What is certain is that significant risks remain for the world economy over 2010-2011 period.

Mr. Speaker, thanks to our exposure to the world through 24 hour news cable television stations Barbadians have a good understanding of what the true picture is across the globe. I think they wanted to hear from us what we have been doing and where we are going to do. I have that level of confidence in our people, that they will understand, that we in Barbados cannot escape some of the pain that others are experiencing the world over. We have done well so far, but we cannot avoid taking strong measures to secure our future. We have escaped major damage from hurricanes for the last 55 years, but this year we got quite a brush from Tomas, and so it is with our economic storm.

Mr. Speaker, one distinguished US economist Austan Goolsbee, has put it this way: "This recession is the deepest in our lifetimes, the deepest since 1929. If you take the people thrown out of work in the 1982 recession, the 1991 recession, the 2001 recession, not only is this bigger, this is bigger than all those combined."

Mr. Speaker, Where are we now? How have we performed in the last year or so, What can we expect? It is to those questions that I now turn my attention.

INTERNATIONAL ENVIRONMENT

Mr. Speaker, economic recovery continued to strengthen during 2010 due mainly to emerging markets which are doing well, growing at approximately 7.0 percent and the industrial economies growing at a below par 2.0 percent. Growth within the global economy has been propelled mainly by the dramatic rise in manufacturing and global trade as well as by surges in inventory and fixed investment. According to the IMF's *World Economic Outlook October 2010*, global GDP is projected to improve to 4.8 percent during 2010 after declining by 0.6 percent in 2009.

In the industrialised economies, unprecedented levels of public intervention (stimulus and counter cyclical fiscal and monetary policies) has stabilized activity and has even fostered a return to small but shallow growth in several economies. Data from the *World Economic Outlook October 2010* indicates that GDP growth is estimated to increase to 2.7 per cent in 2010 reversing the 3.2 percent decline registered in 2009. However, fluctuations in consumer confidence and continued weakness in household incomes and wealth remains issues of concern in many advanced economies. In essence, recovery within advanced economies is anticipated to be fragile and tepid given that higher employment growth tends to lag behind improved business investment.

In this regard, massive fiscal adjustments must and have been undertaken in many industrialized economies including in some of our key trading partners along with accommodating monetary and interest rate policies.

Advanced Economies

United States of America

The recovery within the US economy slow and best and uncertain at worst though buttressed by a massive macroeconomic policy stimulus, financial stabilization measures, and a modest cyclical upswing. The economy grew at an annualized rate of 2.0 percent in the third quarter of 2010, faster than the 1.7 percent growth rate posted in the second quarter. Real GDP within the US economy is expected to grow to 2.6 percent in 2010. The unemployment rate is however expected to remain high at around 9.7 percent and is anticipated to hover around this level well into 2011. In Contrast, inflation will remain low and is estimated to be 1.4 per cent in 2010 and 1.0 percent in 2011.

Notwithstanding the slow recovery, the US economy continues to face macroeconomic challenges as policy makers seek to rebalance the economy by ensuring that the public debt is put on a sustainable path without jeopardizing growth. Under the current policies, the general government deficit is projected to be about 10.0 percent of GDP in both 2010 and 2011

United Kingdom (UK)

Recovery within the UK, one of our major markets, is anticipated to be much weaker than within the USA, with GDP growth projected to reach 1.7 percent in 2010. The UK economy at the end of the third quarter of 2010 grew by 0.8 percent, slower than the 1.2 percent recorded for the second quarter of 2010. The unemployment rate was registered at 7.5 per cent in 2009 and it projected to increase marginally to 7.9 in 2010. The inflation rate which grew by 2.1 per cent in 2009 is however estimated to increase to 3.1 per cent in 2010 and 2.5 per cent in 2011.

Given the pace of recovery within these two traditional markets, it is anticipated that growth within the US and UK would not provide a strong enough impetus to propel robust growth within the Barbados economy.

Canada

Turning to Canada, another major trading partner, the recovery within this economy is expected to be prolonged. Given the substantial strengthening of the Canadian dollar, GDP growth is estimated to increase to 3.1 per cent in 2010.

Euro Area

Within the Euro Area GDP growth is projected to be 1.7 percent in 2010 reversing the 4.1 percent decline witnessed in 2009. Inflation within the Euro Area is anticipated to edge up to 1.6 percent while unemployment is projected to hover around 9.7 percent in 2010 and into 2011. Many economies including Greece and Ireland are undergoing serious economic stress

Emerging and Developing Economies

Emerging and developing economies are generally further ahead on the road to recovery, led by resurgence in Asia. The recent rebound in commodity prices and supportive policies are helping many of these economies. In essence, the public debt ratios in some of these economies are around 30 to 40 percent of GDP and given their return to high growth rates, the Debt to GDP ratios are anticipated to decline. In these economies, fiscal balances are expected to increase by around 0.8 percent of GDP in 2010 and by a further 0.8 percent in 2011, following a loosening of almost 4.5 percent of GDP in 2009.

China's economy grew by an estimated 9.1 percent during 2009 and is projected to rebound to GDP growth of around 10.5 percent during 2010, driven by domestic demand. Similarly, India's economy grew by an estimated 5.7 percent in 2009 and is anticipated to grow by 9.7 percent in 2010 and 8.4 percent in 2011.

Brazil and South America are expected to grow solidly in 2010 but with some slowing down in 2011. Mexico is expected to grow by 4.0 percent in 2010 and 3.5 percent in 2011 and Brazil by 7.0 percent and 4.0 percent respectively.

Regional Perspective

Many Caribbean economies have experienced sharp declines in output, following the depressed tourism market, weak commodity prices and reduced inflows from remittances. There were massive layoffs and work week reductions in the labour market, reduction in imports, housing foreclosures, capital projects were halted, businesses closed and pipeline projects were shelved.

Factors impeding growth in this Region included weak external demand for tourism from North America and Europe, coupled with a fall-off in FDI, limited room for policy support in light of chronic public debt burdens and lower remittances.

In the case of the Caribbean, with its limited fiscal space, the focus should be on maintaining targeted measures that ease hardship on the poor.

The downturn in regional economic activity has been reflected in rising unemployment in most countries, particularly in the hard-hit tourism and construction sectors. Unemployment across the region is projected to rise well into 2011. Inflationary pressures which subsided in the Region during 2009 are anticipated to increase. This is consistent with the recent uptick in international commodity and oil prices.

Domestic Economic Review

The global financial and economic crisis has posed a significant challenge for the Barbados economy. As a result real GDP growth has contracted by 0.2 percent and 5.5 percent in 2008 and 2009, respectively. In essence, the weaker than anticipated recovery in North Atlantic economies continued to dampen economic growth within the Barbados economy with overall economic growth contracting by 0.9 percent at the end of the third quarter 2010. This was an improvement to the 1.1 percent decline at the end of the second quarter 2010 and the 4.4 percent decline for the same period 2009.

Despite the marginal decline in growth witnessed during the first nine months of the year, the Barbados economy however remained stable. Foreign exchange reserves stood at \$1.4 billion at the end of September, a reserve cover equivalent to 19.3 weeks of imports, above the prudential norm of 12 weeks. Private capital inflows during the first eight months of 2010 were up modestly as manifested by real estate inflows during the period totaling \$86 million compared to

\$53 million in the corresponding period of 2009. In addition, other significant private transactions included inflows of over \$100 million to finance the building of a new beer factory as well as financing for the soon to be completed Limegrove project.

However, during the first three quarters of 2010, the pass through effects of higher oil prices coupled with modest increase in volumes, contributed to the growth in retained imports. Imports were estimated to have increased by almost \$140 million primarily on account of a 37.0 percent increase in the average price of oil.

Moreover, the depth and protracted duration of the crisis has led to broad-based contraction in output across virtually all sectors. This scenario has generated lower levels of government revenue, decreases in foreign exchange inflows from tourism and other related services and higher levels of unemployment across certain sectors, specifically the construction sector.

Traded Sectors

This economic outturn within the Barbados economy has in large measure been driven by a downturn in tourism activity which declined sharply by 6.6 percent in 2009 following the downward trend in tourism output witnessed since mid-2008. Empirical data suggest that the decline in tourism activity was due mainly to a fall off in long-stay arrivals. However, the sector has shown signs of recovery.

Information has shown that overall long-stay arrivals from the US and Canada continues to improve. This expansion in arrivals from the U.S and Canadian markets has partially compensated for the fall-off in visitors from Barbados's largest source market, the U.K, largely due the continued weak performance of the UK economy compounded by the imposition of the Airline Passenger Duty by the United Kingdom government. Nonetheless, provisional data for October 2010 showed a marked increase in U.K arrivals by 7.3 percent, which would have contributed to the overall increase in tourist arrivals by 0.7 percent for that month when compared to the year before.

The improved tourism outturn in the first three quarters of 2010 is estimated to have boosted earnings by 4.7 percent or \$75 million over that of the first three quarters of 2009.

The overall weakness in tourism output has had a knock-on effect on other sectors of the economy, with related services growing slower than the pace of visitor arrivals. Output in business and other services and transport, storage and communication at the end of September 2010 remained unchanged while modest increases in the wholesale and retail sector were witness in the similar period.

Manufacturing output fell by an estimated 3.2 percent in the third quarter of 2010 compared to 15.9 percent in the similar quarter of 2009. However, among the foreign exchange earning activities, there were positive signs with respect to the production of garments and chemical which were up noticeably during the first half of 2010.

Sugar production which was adversely affected by severe drought conditions since 2002, increased by an estimated 1.2 per cent in 2009, reversing the 6.9 per cent decline registered in 2008. However, foreign exchange receipts from sugar in the first half of 2010 were 20.0 percent lower than in the first half of 2009, reflecting not only the adverse impact of severe drought on crop yields but also the combined effect of the phased reduction of guaranteed prices and a fall in the value of the Euro vis-à-vis the US Dollar. Output in the non-sugar agriculture and fishing sector also recorded increases during the period.

The international business and financial services sector continued to exhibit moderate growth despite the challenges posed by the global financial and economic crisis. At the end of September 2010, the number of new entities licensed remained unchanged at 380 when compared to the same period in 2009. There were 297 International Business Companies (IBCs) licensed at the end of September 2010 compared to 285 in the similar period of 2009. With regard to Societies with Restricted Liability (SRLs), the new licences at the end of September 2010 numbered 9 in contrast with 15 recorded at the end of September 2009. These increased registrations notwithstanding, tax revenues from the sector remain significantly below pre-crisis levels.

Non-Traded Sector

In relation to the performance of the non-traded sector, the indirect effects of lower tourism activity were also acutely reflected in all sub-sector activity which contracted in 2009 for the first time since 2001. Performance in the construction sector was most noticeable, with output falling by almost 15.0 percent at the end of September 2010.

Unemployment and Inflation

The relatively weak economic performance within the economy was reflected in the rate of unemployment which moved from 9.9 percent at the end of the second quarter 2009 to 10.7 percent at the end of June 2010. Given the increase in the cost of consumer goods and services, the inflation rate edged up to 5.0 percent in July 2010 from 4.7 percent a month earlier.

Financial Sector

On the financial sector side, domestic deposits of commercial banks declined marginally during 2009, while credit accumulation was severely constrained by the downturn in productive activity. However, liquidity in the financial system during the first half of 2010 remained relatively high with cash reserves at the equivalent of 7.5 percent of deposits, 2.5 percent points above Central Bank requirements. Bank deposits rose marginally while credit demand remained weak. At the end of the second quarter of 2010, interest rates on deposits and loans were unchanged, although the interest rate on treasury bills softened.

Mr. Speaker I now turn to the fiscal situation.

The fiscal year 2009/2010 proved to be a very challenging one for central government. The fiscal deficit, for the period 2009/2010 was estimated at \$712.9 million or 8.6 percent of GDP compared to \$396.9 million or 4.8 percent for fiscal year 2008/2009. This fiscal outturn reflected a marked slowdown in revenue intake on account of the weakened domestic economy, increased government expenditure that supported certain key sectors such as tourism, and support mechanisms for job retention within the Barbados economy.

Preliminary information from the Accountant General indicates that current revenue for the fiscal period 2009/2010 was \$2,295.9 million, a decrease of \$325.9 million or 12.4 percent from the amount recorded for the corresponding fiscal period 2008/2009. This fiscal outturn was \$441.6 million below the original projection for 2009/2010

The decline in overall economic activity for the first nine months of 2010 contributed to a weak fiscal performance within the Barbados economy. In this regard, some components of tax receipts mirrored the decline in economic activity.

Taxes on incomes and profits for the period April to October 2010 realized \$327.1 million, an amount of \$66.2 million less than collected for the similar period a year earlier. Similarly Nontax revenue were also notably down, recording \$35.7 million compared with \$77.3 million a year earlier.

Taxes on property however showed a marginal increase moving from \$88.6 million collected in the period April to October 2009 to \$91.4 million in the corresponding period of 2010. Taxes on goods and services also registered increases moving from \$526.0 million in the corresponding period of 2009 to \$563.7 million in the period April to October 2010. Within this context, total current revenues collected for the period April to October 2010 stood at \$1236.6 million, \$62.8 million less than the similar period in 2009.

On the expenditure side, Government expenditure rose by \$173.5 million in the period April to October 2010 over that of the similar period a year earlier. In order to achieve a measure of fiscal

consolidation, cuts were made in the purchase of goods and services by \$40.9 million and expenditure on government's wage bill was also reduced to the tune of \$447.1 million, or \$15.5 million less than that for the similar period of 2009.

The government deficit was financed mainly by domestic sources, especially the NIS scheme with a small contribution from foreign project funds. The fiscal deficit for the period April to October 2010 stood at 5.2 percent of GDP

Major Challenge for 2010- Economic Outlook

The outlook for the Barbados economy is predicated on the pace of recovery in the global economy. Current projections on the key macroeconomic indicators suggest that in 2010, the Barbadian economy is likely to register a marginal decline of 0.5 percent driven largely by an anticipated marginal improvement in the performance in both the traded and non-traded sectors.

These projections are in large measure however determined by the kind of recovery that will occur in our major source markets. While the global financial markets are showing signs of recovery, the Government of Barbados has acknowledged that there are a series of policy initiatives that must be continued in order to reposition the economy. These policy initiatives must however be buttressed with other revenue raising measures in order to achieve the objectives of the Medium Term fiscal Strategy (MTFS). In that Strategy the target established for the fiscal outturn for 2009-2010 would be 7.2 percent. On current projects the fiscal balance expected to end the year at 10.01 percent short of any intervention from government and based on expected key supplementaries for the University of the West Indies of 60 million dollars, Ministry of Transport 31 million.

Indeed Sir, the general point of government financing of public institutions the point must be made that even with declining levels of revenue we still are expected to provide almost full support to some of these critical services.

In 2006/2007 the government gave a total transfer to the Transport Board of **40,234,000**. In 2007-2008 it gave **34,839,048**. In 08/09 government gave **40,000,000**.

In 2006/07 government gave a transfer to the UWI in the amount of **96,806,689**. In 2007/08 it moved to **105,080,043**. In 2008/09 it stood at **128,623,957** and in 2009/10 it was **118,000,000**. For 2010/11 we are projected a transfer of **138,000,000**.

Similarly for the QEH in 2006/2007 the transfer was **130,058,991**. In 2007/2008 it grew to **138,653,944**. For 2008/09 the transfer stood at 170,414,255 climbing to **161,294,000** in 2009/2010. It is now projected to be **145,500,000** million for 2010/2011.

As you can see Mr. Speaker, from just these three one can easily glean the level of resources which government is call upon to provide when revenues are up or equally when they are down. These are critical institutions for which we are committed to support but if revenues are struggle the challenge becomes even greater.

Indeed on the current pace and with these and other major expenditure commitments for wages and salaries and debt services payments, the deterioration in the public finances means that we not only will not reach our Medium Term fiscal targets but that our goal of bringing down the national debt will also not be meet. This is so primarily case because government will have to continue borrowing significant amounts to meet its operations. Equally, our Debt to GDP ratios have risen appreciably in the last decade surpassing the accepted international average of 60 percent of GDP to now stand at 110 percent of GDP. This is further compounded by steadily declining levels of factor productivity across both public and private sectors. The reality Sir is that we are producing less every day and all Barbadian must stop and take stock of the fact this lower level of productivity is impacting on the country's ability to pay its way as compensatory measures have to be put in place to allow the country to maintain its high standard of living. Put another way Mr. Speaker our declining levels of output are causing us to borrow more and live off other people's savings.

This Sir, is unacceptable in any terms, and corrective action must be taken now. If we don't do this, then the recovery we expect in 2010 will not materialize and the country will face the real spectre of another down grade by the international credit rating reducing our standard to below investment grade or junk bond status. That is a luxury we cannot afford and that I will allow to happen because of in action on the part of the government.

The current challenge within the Barbados economy will be how to balance the short-term need for continued policy support in order to strengthen the recovery with long term need to consolidate public debt in order to maintain fiscal sustainability. Therefore there will be a need to exploit policy synergies, especially between fiscal policy and structural reform within the economy.

In order to address appropriately this challenge and to provide further, a framework for recovery and growth within the Barbados economy, government must continue to strive to reach the targets set in the Medium Term Fiscal Strategy. This will constitute Government's key crisis management tools for the realization of a quick recovery, adjustment and sustainable growth during this waning period of financial crisis and economic recession.

The Medium Term Fiscal Strategy 2010 to 2014, in collaboration with the Government's Medium Term Development Strategy provides an operational plan for stabilization and recovery in the short to medium term while laying the framework for sustainable growth through

encouraging strong foreign exchange earnings, increased productivity and competitiveness, the creation of private sector jobs and greater social advancement. These two planning documents also highlight the targeted policy interventions and strategies over the next five years and should be viewed as important recovery tools that will be used to guide the country as it emerges from the current global recession.

Mr. Speaker, I now turn to the Budgetary Proposals.

TAXATION

Mr. Speaker, the fiscal imbalance referred to earlier necessitates the Government taking corrective action. There are two sides to the equation, revenue and expenditure. Because of the structure of Government expenditure there is not a lot of room to exercise flexibility though we will be asking departments to for additional efforts in coming fiscal year. Preliminary projects without any additional revenue measures have provided for a fiscal deficit in 2011/12 of 8.4 percent. It is my intention to work with ministers to identify areas where savings can be made from the elimination of non-priority programmes, wastage and building greater efficiencies. Last Wednesday I met with all the Accounting officers to alert them ahead of the coming 2011/12 estimates process that a firm grip will be taken on expenditures and so we expect them to exercise the required frugality across their ministries and statutory authorities. For the rest of this fiscal year we will reign in expenditure in line with the projects of the Medium Term Fiscal Strategy projections.

However any attempts to correct the fiscal imbalance must of necessity involve revenue enhancement.

I therefore propose effective December 1st 2010 to increase the Value Added Tax rate from 15% to 17.5%. This increase in the VAT is intended as a temporary measure for the next eighteen months. I further propose to review this at the end of one year with a view to providing relief subject to progress in reducing the fiscal deficit. **This measure is expected to raise an additional \$124 million.**

I also propose to eliminate the tax free allowances for travelling and entertainment granted to employees starting for the current income year. **This measure will result in revenue savings of \$25 million.** This allowance was discriminatory to the self employed and corporations as such persons had to prove that the travelling was in fact expended and in the case of entertainment that the funds were expended for the purpose of earning revenue. The employees given these allowances were not required to do so.

The allowance for investing in mutual funds and savings with credit unions was useful as a means of stimulating investment using these two vehicles. There is no doubt that it has contributed to the growth of credit unions and today one of the largest credit unions is the owner of a mortgage company. The Credit Unions now control significant assets in the country and the

larger ones such as Public Workers are bigger than some banks. There is therefore no need for an allowance to encourage persons to save with credit unions I therefore Mr. Speaker will remove this allowance with effect from income year 2011. **This will result in a saving of \$9 million.**

Additionally Mr. Speaker, The excise tax on gasoline will be increased by 50% with effect from December 1, 2010 as a revenue raising measure. The new Excise on gasoline will be \$0.5358 per litre. **This measure is expected to raise an additional \$22.7M in a fiscal year.**

User fees:

Mr. Speaker, I now to the issue of user fees.

The Barbados Drug Service

The Government of Barbados established the Barbados Drug Service in 1980. In 1981 it was expanded to ensure that every citizen gained access to drugs “free of cost” at point of service from the public sector pharmacies, but with an option of co-payment if beneficiaries decided to receive the drugs from private sector pharmacies.

This was changed subsequently and all formulary drugs were made available to citizens free of cost irrespective of whether the prescription was filled in the public or private pharmacies. In addition, the number of chronic illnesses for which free drugs were provided was increased.

Consequently Mr. Speaker, expenditure under the scheme has risen astronomically over the years such that the very viability of the scheme is threatened. The cost of the provision of free drugs has risen from \$9.2 million in the financial year 1992/1993 to \$49 million by 2009/2010. In order to ensure that Barbadians continue to enjoy “free drugs” I propose that effective 1st April 2011 persons who have their prescriptions filled in private pharmacies will pay a dispensing fee as follows:

Drug Cost \$	Amount to be paid by Patient
\$0.01 - \$2.00	\$5.00 – Drug Cost
\$2.01 - \$10.00	\$5.00
10.01 - \$20.00	\$7.00
\$20.01 -\$40.00	\$12.00
Over \$40.00	30% of the cost of the drug

This measure will result in an inflow of about \$12M annually but \$1M of this will be reinvested to ensure that our public pharmacies are equipped with the necessary human and technological resources to meet the increased demand.

Immigration

The Immigration Department plays a significant role in securing the borders of Barbados while facilitating the entry and exit of citizens, residents, visitors and business persons.

As the world responds to the growing challenges of human trafficking, transnational crime and narco trafficking, the Department must honour its commitments to the international and regional organisations with respect to the movement of people.

Accordingly, significant outlays have been made in equipment to introduce machine readable passports, increase in human resources to deal with increasing traffic at the ports of entry, provision of training etc.

It is felt therefore that the persons benefiting from these services should pay a reasonable fee.

Accordingly, with effect from December 1, 2010 the fees for services provided by the Immigration Department will be increased as shown in the appendices attached.

The increases are expected to yield \$4 million in revenue.

Environmental Levy

Since its introduction in 2007, this levy which was intended to provide government will additional resources to mitigate the effects of trading on the environment, has been a major cause of concern for the Government. Firstly, it was being discriminately applied to regional and extra regional goods but not on like products produced in Barbados. This was in clear violation of our obligations under the Revised Treaty of Chagaramus which establishes a national treaty obligation for all single market parties.

At the same time Barbadian businesses, especially those in the manufacturing sector have petitioned government not to impose the levy on locally produced goods as this will more than likely raise the cost of inputs into the manufacturing process and lead to uncompetitive prices.

Having had extensive consultations on the matter with local business people and Ministry staff I have decided to abolish the environmental levy with effect from December 1st 2010.

This will also have the added effect of modulating the impact of proposed increases in the VAT on Barbadians as this added cost to each item is removed.

Public Transportation

Mr. Speaker, the Transport Board has continued to accumulate large deficits over the years. The entity is unable to meet its debt servicing cost and based on the current tariff is unable to meet its operating costs. The Transport Board however provides an essential service in transporting people across the island at a reasonable cost.

In the present circumstances however, the Government cannot afford to carry the level of subsidy required to support the operating cost of the Board. Moreover the Board should be placed in a position to allow it to operate in a more businesslike manner thereby reducing the extent to which they rely on Government for transfers. I therefore propose that with effect from January 1, 2011, bus fares will be increased by 50 cents per ride in an effort to improve the finances at the Transport Board. **This measure will add \$8.4 million in revenue to the Transport Board.**

Additionally Sir, in the area of transportation I believe it is now common knowledge that the Public Service Vehicle Sector has and continues to provided invaluable transportation services for thousands of Barbadians as the engage their daily activities. This sector which now accounts for upwards of 70% of the country's transport requirements constitutes a critical part of the economic and social fabric of the country.

Over the years however indiscipline on the nation's roads and failure to institute voluntary corrective measures have dogged the operators and caused great public outcry about level of seriousness which owners and operators have towards forging change in the sector and cleaning up bad behaviour.

These things notwithstanding, even the most severe critic of the sector cannot deny the vital services which the sector provides to Barbados and Barbadians. Moreover such persons would be forced, much as I am, to equally concede that PSV operators have been operating under the most trying circumstances in the past decades with bus fares not increasing, while the cost of fuel and spare parts escalating at the same time. They have had little or no relief from successive administrations.

Having met and consulted with sector leaders I have heard their pleas and am now prepared to offer the following relief:

The current fees for mini-buses and route taxis are \$7,250 and \$4,500 per-annum. I therefore propose to reduce the fees as follows \$3,625 and \$2,250 respectively effective 1st April 2011. **The revenue lost to the treasury will be \$1.2 million**

However, these reductions will be performance based as operators will only be able to access these benefits if they have demonstrated proper standards on the public roads. Some of these will include the wearing of uniforms by employees while on the job; a drastic reduction in traffic violations; the elimination of the playing of loud and offensive music and generally good deportment.

The Association of Public Transport Operators has agreed to work with the Ministry of Public Works and Transport, and the Royal Barbados Police Force to establish a system of appraisal on which operators will be assessed to determine eligibility for the relief.

Additionally, at present PSV drivers are required to pay \$230.00 per annum for a driver's license in addition to the fee payable for heavy duty license. On the other hand Transport Board drivers pay \$80 per annum to perform the same task. This is discriminatory and should be standardized. Consequently effective April 1st 2011, I propose allow PSV employees to pay a flat renewal rate of \$80 dollars thus bringing them in line with their counterparts. This will be a revenue loss of approximately **\$185, 000.**

Liquor Licenses:

In his 2008, budget the late Minister of Finance considered and instituted a series of liquor license fee increases. Most of these have gone through with only marginal impact on the operators. However several small shop operators, including some in my own constituency have complained that the increases were too steep and have drastically eroded their earnings. I have heard their protestations and now propose to reduce **the retail license for liquor \$1000 to \$500 effective immediately. This should reduce the cost of doing business for small shop-keepers.**

Mr. Speaker Sir, concomitant with the measures I have just announced to stabilize our public finances we fully appreciate the fact that in order for efforts at fiscal consolidation to be sustainable it is critical that the return a growth path in the shortest possible timeframe. In this regard the government has concluded that it will be absolutely necessary for some immediate interventions to assist some of key productive sectors, tourism, international financial and business sector, manufacturing and agriculture in their quest to forge a return to positive growth. From our analysis 2011 is likely to be the year in which real GDP is expected to grow and our intention is to provide critical assistance to ensuring that this goal is achieved. I am advised that forward bookings for the tourist winter season as looking strong and coupled with resurgence in foreign direct investment and construction especially in the first half of the year we are quietly confident that our predictions will be realized.

Mr. Speaker, I will now outline further measures to assist these sectors while outlining the road map of domestic and foreign construction initiative we expect catapult our economy back on a growth trajectory.

Tourism

Tourism is one of the pillars of the Barbados economy and our rebound from the recession is dependent on the performance of the tourism sector. The Barbados Tourism Authority will therefore embark on a new marketing program in the UK one of our principal markets for long stay visitors, featuring radio and television advertising at a cost of **\$6 million**. This would be on top of the additional \$10 million provided last year.

The United Kingdom (UK) remains Barbados' most important source market for tourists. Despite the economic difficulties brought about by the recession in that market, and the significant austerity measures recently introduced by the British Government to reduce its fiscal budget deficit, it is considered important that Barbados make all efforts to maintain a high profile in the market and position itself for the improvement in UK economic fortunes that are expected to emerge in the next 12-24 months.

It is important that the BTA invest in those opportunities in the UK market that guarantee the highest return on investment. Given the increase in UK airlift to Barbados that will come on stream from March 2011, it is strategically wise to frontload expenditure on an advertising campaign and use the attention created to provide an impetus to increase the number of UK arrivals to Barbados.

In addition to the foregoing it is necessary to upgrade the Small Hotels Sector. Barbados is a world class destination, offering world class products and services and this must be evidenced in the hotel plant at every level of tourist accommodation. Tourists today are more discerning and have come to expect much more for their dollar. In order to remain competitive, the product offering of the small hotels must improve. European Tour operators, for example, expect a minimum of a three-star product for their customers. Additionally, the new and emerging markets being pursued by the BTA in Central and South America prefer hotel products of three-star standard and above. Those small hotels falling below this standard are denying themselves lucrative business opportunities.

It is therefore proposed that a \$20 million Small Hotels Refurbishment Programme be established that would allow approximately 300 rooms in the small hotels group to become aligned with established market standards. It is further proposed that the programme should be executed by the Small Hotels Investment Fund (SHIF) on terms and conditions similar to those in place for accessing financing from the SHIF by members of the Intimate Hotels of Barbados Group (IHB), and may indeed also be accessed by the IHB. Finally, it is proposed that the programme be managed by the Enterprise Growth Fund Limited.

In addition, I propose to establish a Tourism Loan Guarantee Facility to provide assistance to those hotels which require working capital support. The provision of guarantees presents a viable

option for government as it will enable the sector to meet its working capital needs with little damage to government's fiscal position.

The objective of the Tourism Loan Guarantee Facility (TLGF) is to contribute to the long-term sustainability of the tourism sector and to this end, the TLGF will provide credit enhancements to qualified financial intermediaries for existing debt service and new short-term loans to hotels and enterprises providing accommodation for tourists in Barbados.

Eligible Activities

The eligible activities will be new loans and debt service payments through approved financial intermediaries in respect of hotels and enterprises in the tourism sector that provide accommodation for tourists in Barbados.

The TLGF resources will be used for, working capital purposes including maintenance and minor repairs of hotels and enterprises providing accommodation for tourists in Barbados as well as, the payment of debt service incurred by hotels and enterprises providing accommodation for tourists in Barbados.

Size of Facility

Indications are that working capital support needed for the sector is around \$100.0 million. Based on an estimated default ratio of 15% and 100% guarantee, the facility will require capital of \$15.0 million to be able to provide guarantee cover for facilities totaling \$100.0 million.

This facility will be established January, 2011.

International Financial and Business Sectors

Given the importance of the International Business Sector to the Barbados Economy, it is a continuing cause for concern that the contribution of the International Business Sector to GDP, employment and foreign exchange cannot be quantified. In the absence of such data, it is impossible for both the Government and the Private Sector to determine the level of investment that is required to grow the sector and to make informed decisions relating to the development of new markets and products.

It is our view that this deficiency can be addressed through effective collaboration between the Government and the Private Sector. In this regard, Government has engaged consultants to devise a methodology for gathering the required data and for updating it on an annual basis. The Private Sector fully supports this initiative and stands ready to provide input and assistance where required in order to ensure the success of the project.

In order to ensure that Barbados continues to retain its position as the second largest recipient of foreign direct investment from Canada, after the US, the Government proposes to allocate additional financial resources to Invest Barbados in the 2011 fiscal year to enable it to mount an aggressive and sustained marketing campaign in the major cities in Canada through a series of seminars and road shows over the next 12 months.

Additionally, with respect to Mexico, Government will explore the possibility of Invest Barbados appointing marketing representative in Mexico, who speaks Spanish, to assist in developing opportunities in the Mexican market as well as other countries in Latin America.

Government will also continue to work closely with the Barbados International Business Association to ensure that Barbados maintains its competitive edge in this highly competitive sector.

Agriculture

Mr. Speaker, agriculture remains one of our critical sectors. Though it is no longer a major export sector, it provides a source of domestic food which must be seen in the long term context of food security. It is therefore of importance to make some adjustments as follows:

Currently registered farmers are paying for water at a higher rate than the normal flat commercial rate which is available to manufacturers. This puts the farmers at a disadvantage and begs the question of equity in a competitive business environment. Therefore with effect from Jan 1, 2011 registered farmers can apply to the BWA to have the flat commercial rate applied to them. It is hoped that this will contribute significantly to the island's food security efforts. Farmers applying for this facility must have their irrigation supply separately metered and in addition have tensiometers to ensure that the water is being used efficiently. **This will cost the BWA \$5.7 million.**

Manufacturing

Manufacturing provides local jobs and is a significant export sector particularly to the Eastern Caribbean countries. It must therefore be supported. In this regard government has mandated the Barbados Industrial Development Corporation to engage discussions with a foreign financier to procure a US\$50 million loan, which government proposes to guarantee to allow the organization to build both internal capacity to assist domestic manufacturers, and other small businesses that call upon their services.

The loan is expected to assist with plant upgrade, technological advancements as well as some working capital to improve general production capacity. It is anticipated that once the parties agree the loan negotiations should be completed in early April 2011.

Capital Works – Public and Private

A central part of government's plan to restore growth in the economy in the short term will rest on a strong resurgence in construction activity during the first part of 2011. This effort is expected to be led both by private investors and an active public sector capital works programme.

Indications are that key private projects at Beachlands, Merricks and Four Seasons, Pickerings, Batts Rock, Apes Hill and Foul Bay will either initiate or continue into the new

year. These along with an expected start of construction on the Cost-U-Less mega store at Warrens, and other smaller projects will give a welcomed boost to sector which has been struggling ever since the global recession started.

To match this, Government intends to accelerate its capital works programme behind the following major projects.

- The Warrens Road Expansion project due to start in January 2011.
- The US\$50 million mains laying programme for the BWA expected to start in January 2011

- The NHC's housing programme at Lancaster 1, St. James, for the construction of forty five (45) houses to start in February 2011 costing \$4,187,500.

- Lancaster 2, St James, construction of forty one (41) houses expected to start February 2011 costing \$4,397,350.

- Parish Land St Philip, construction of seven two (72) houses expected to start March 2011 costing \$7,356,954.
 - Housing and Neighbourhood Upgrade Project with the IDB scheduled to commence work at Garden Land at the end of January 2011. The estimated cost is \$5,116,781.00.
 - Allen View to commence at the end of January 2010. The estimated cost of Allen View is \$5,347,716.00.
 - Cats Castle at the end of March 2011. The estimated cost is \$8,502,611.
 - And in Green Fields scheduled to commence at the end of April 2011. The estimated cost is \$9,493,462.

- Extension of Mangrove Pond Landfill at Cell four at a cost of \$27.5 million schedule to commence in February 2007.

- The new School Meals Centre schedule to commence mid 2011.

It is our anticipation that with all of these fully initiated, together with increased tourism valued added, and continued growth in non-sugar agriculture we would have constructed a pathway to positive economic expansion in the economy leading to a creation of new jobs and positive knock-on effects in the retail and wholesale sectors of the economy.

It with this strategy in mind that we are confident of a 2 to 2.5 percent increase in real GDP.

CULTURAL INDUSTRIES

Mr. Speaker, the Government of Barbados, in recognition of the potential resource value of cultural and creative expression, undertakes to develop this renewable resource as a means of unleashing the innate creativity of our people.

Cultural Industries are among the fastest growing contributors to GDP in the developed countries, with only marginal contributions accruing in developing countries.

In recognition of this economic potential, the Government will introduce the Cultural Industries Development Bill during 2011, as a measure for stimulating development of the cultural sector. The regime of incentives, similar to those designed to stimulate growth in the tourism sector, has already been approved by the Cabinet and is currently being incorporated into the Bill. The legislation will extend income tax and customs duty concessions to individuals, groups and companies operating in, investing in or making philanthropic contributions to the sector. The concessions will also be granted in respect of expenditure on marketing, research, product development and training and, have been specifically extended to facilitate film and motion picture development as well as heritage and conservation activities and projects.

Mr. Speaker, for the past thirty-four years the Richard Stoute Teen Talent Show has been the bedrock around which vibrant performing arts industry has developed. Local music industry stars such as Edwin Yearwood, Terencia Coward, Allison Hinds, Anderson Armstrong, Rupert Clarke and Adrian Clarke have emerge from this veritable nursery of young talent in Barbados.

Over the years however Mr. Stoute though doing the contest as a labour of love and a contribution to the young people of Barbados, has been finding it difficult to attract the levels of sponsorship required to truly take this completion to another level.

Given the undeniable importance of this contest to the cultural, social and economic landscape of Barbados and the need to maintain and ultimately institutionalize its existence the Government of Barbados has agreed to throw its full support behind the creation of a Richard Stoute Teen Talent Competition Trust to assist with the financial, technical and operations management of this national institution.

The Trust, which will be funded by an initial investment of 400,000 dollars, will formulate and partnered by the Enterprise Growth Fund Limited which will establish a governing Board on which Mr. Stoute will sit along with other technical personnel specially chosen to develop and the show into a major instrument of tutelage in the performing arts. Further details on this initiative will be made known in the coming weeks.

Business Facilitation

Mr. Speaker, ecommerce is the way of the future and the internet will present many business opportunities especially for small businesses. The Government will therefore mandate that part of its subvention to the Small Business Association be used for the provision of website development and ecommerce services to members.

Mr. Speaker the threshold for the mandatory audit requirement under the Companies Act of Barbados has been set at \$1M since 1982. Representation has been made by stake-holders including the Institute of Chartered Accountants for the raising of this threshold. I have taken into consideration their recommendations and therefore the threshold will be increased this year from \$1M to \$2m affecting companies with year ends after December 31, 2010. This threshold will be increased to \$4M in 2014 for companies with year ends after December 31, 2013.

Equally Mr. Speaker, I am happy to announce that after careful consultation and planning the new factoring announced by the Late Minister of Finance last year will be launch 1st 2010. This will provide another ease for small and medium sized businesses who do business with the Government but have to wait extended periods of time for settlement of payments. This should vastly improve cash flows.

Waiver of Interest and Penalty Programme

The Waiver of Interest and Penalty Programme which was implemented during the years 2008 and 2009 was readily embraced by employers and self-employed persons, as it was viewed as an opportunity to liquidate their indebtedness to the various revenue collection agencies, namely the National Insurance, Land Tax, Income Tax and Value Added Tax Departments.

This programme which provided for a waiver of 50% interest and penalty in certain circumstances came to an end in December 2009. However, subsequent to the expiration of the programme, all revenue collection agencies received several calls with respect to whether the Government would again consider extending the programme due to the financial difficulties that some businesses were experiencing because of the economic crisis.

As a consequence of these requests, I have decided to extend the facility for another year effective December 1, 2010. This will apply to VAT, Inland Revenue and the National Insurance Scheme.

Improvements at the Bridgetown Port & Town and Country Development Planning Office

Mr. Speaker, recommendations coming out of a study on Strengthening Trade Logistics and Trade Facilitation done in February, 2009 indicated the need for reducing time taken in Barbados for trade processes and suggested that this can be achieved by implementing an Electronic Single Window. Barbados' trade occurs primarily through sea cargo and the average dwell time of nine (9) days is poor when compared to international performance. While Customs declarations are submitted on-line, all remaining steps are paper-based.

Further strengthening of Customs in Barbados is required in light of a continuous implementation program for all customs treatment and procedures as defined in the Revised Kyoto Convention. This will require some modification of the Customs operation.

The report further recommended that a Centralized Customs Examination Facility is needed, in order to improve Customs processing time and simplify procedures at the sea port and the airport. To implement this, a central container examination facility at the sea port is being considered as a public/private partnership. A similar facility at the airport was recommended. These two projects are included as studies within the Barbados Competitiveness Project.

Regarding the Seaport container handling cost, the consultants noted that these are relatively high in comparison with a selected sample of tariffs for other ports and suggested that Barbados Port Inc. should seek ways of reducing current charges bringing them in line with International and regional bench marks. It was felt that the information system enhancement to optimize seaport operation needs to be considered in the Barbados Port Inc. investment plans.

With respect to the Town and Country Development Planning Office, the late Prime Minister, the Honorable David Thompson instructed that this department should be strengthened to allow it to expeditiously respond to the demands of developers and home owners and thereby facilitate the economic and developmental needs of Barbados. As part of this process, an institutional strengthening program for the department is being undertaken, and the outcome of this study will be followed up, using the IADB-funded Barbados Competitiveness Program as a modality for this activity.

Enhancing Business Performance

Mr. Speaker,

It is my intention to offer a Tax Credit to any business organization which over the next three years beginning income year 2011, is able to increase its profits and at the same time increase employment by at least 10% of its work force. The increased employment must be maintained for 3 years in order to obtain the tax credit. The Tax credit will be equal to 10% of the cost of wages of the firm and will be applied against taxes payable. The firm will be able to carry forward the credit for 3 years if it does not have the taxable income to utilize the credit in the year the expenditure is incurred.

Furthermore Mr. Speaker, employment, productivity and innovation must be at the epi-centre of our national strategy for growth and development of Barbados within the 21st century. Creativity and Innovation and a will by entrepreneurs to invest effort and resources towards creating greater

value-added will ensure enterprise growth and subsequently have a positive impact on national productivity.

In recognition of this I intend to introduce a Productivity and Innovation Tax Credit, which, will focus on businesses placing emphasis on investment in the following areas:

Process innovation – that leads to the development of a new manufacturing process

Product innovation – the development of improved products and services

Organisational innovation which establishes a new venture for improved productivity, example new internal communication system, a new accounting system

Service innovation – the development of new services for local or international markets

Mr. Speaker, the innovation must be successfully introduced into the market thereby creating commercial value manifested in sales, increased productivity and organisational efficiency.

The qualifying business would be allowed to claim 25% of its expenditure as a tax credit for the qualifying year i.e., the year in which the expenditure was incurred, for any of the four (4) qualifying areas stated above.

This credit will be applied against taxable income and where there is a loss the enterprise would be allowed to carry forward the credit to subsequent years for up to a three year period.

The National Productivity Council will be the agency responsible for certifying that a business has met the eligibility criteria for the award.

Small and Micro Business

Small business is very important to the economy of Barbados, the programme for small business is an integrated programme which will provide only beneficial but also technical benefits as well.

It is well known that small businesses can encounter challenges in accessing working capital as well as training for the development of their activities. In this current economic crisis these businesses, through the creation and maintenance of employment for workers, continue to play a key role in entrepreneurship and economic stability in Barbados. There is a need to extend the scope of Government's assistance to this group to allow for working capital needs of small businesses which are stuck by undercapitalization. The Government has a duty to ensure that these businesses have a chance to survive. Fund Access has been in business for some thirteen (13) years, providing funding for businesses. It knows the typical risks, reasons for business failure or success and provides technical assistance and training for such persons.

I propose to allocate the sum of \$1.5 million to Fund Access to empower it to facilitate the needs of the small business sector through additional technical assistance for existing and new businesses, training and working capital. I wish to note that there are many examples of companies using funds from Fund Access which are able to survive the difficult economic environment and Fund Access has also only recently provided technical assistance out of its normal budget to benefit businesses which suffered from the ravages of Tropical Storm Tomas.

E-commerce is the way of the future and the Internet many business opportunities especially for small businesses. The Government will therefore mandate that part of its subvention to the Small Business Association be used for the provision of website development and ecommerce services to members.

Education

Mr. Speaker human capital is the bedrock of our development in Barbados and as a result we need to continue to make timely and necessary investment in our youth to ensure that Barbados has a cadre of qualified, productive and creative members of the work force.

In keeping with Government's pledge to introduce a Text Book Scheme for primary schools, the Ministry of Education commenced the phased procurement and distribution of text books to all primary schools. The goal is to provide text books in the core subject areas of the national curriculum. To date, all public primary schools have been issued with text books to cover the curriculum in Language Arts and Mathematics. The process is ongoing with text books in the area of science being distributed in the current phase.

However, the Ministry is aware that approximately 10% of the primary school population experience serious challenges in acquiring the requisite texts and workbooks which parents are required to purchase for their wards. To ensure that this vulnerable group is not disadvantaged in anyway, we are proposing to make available to the Ministry of Education a sum of \$500 000 to cater to the needs of those most in need of assistance. The Ministry, in collaboration with the primary schools, will institute a mechanism to effectively identify and administer this new system.

Mr. Speaker, the Ministry of Education and Human Resource Development reaffirms its commitment to investing in human resource development through education and training at all levels of the education system, especially at the tertiary level. During the last five years, the Ministry of Education and Human Resource Development has contributed significantly to the financing of University education at UWI. The cost of providing education at the UWI has risen from Bds\$114.7 million in 2004/2005 to \$142.8 million in 2009/2010. At the same time, the UWI has continued to engage in various corporate partnerships to accomplish its agenda to modernize the Campus and to make its course offerings more relevant to the needs of Government and the corporate sector in the region.

However, it must be emphasized that measures to ensure improved efficiencies in the management of the financial resources allocated to the UWI must be maintained. Over the past few years it has been found that an unacceptable number of students are entering the UWI without fully matriculating. The consequential effect of this is that several of these are taking longer to complete their course of study with some spending as much as an extra two years within the campus. Part of this problem has stemmed from the unavailability of spaces at the Barbados Community College and the Samuel Jackman Prescod Polytechnic. The end result has been an increase in the overall cost to government since on average it is less costly to educate a student at these two institutions than it is for the UWI.

As a result in consultation with the Ministry of Education it has been decided that additional resources will have to be provided to the BCC and the SJPP over the next two years to assist them in building out capacity so as to offer more spaces to willing and qualified young Barbadians. This process will start with the preparation of the empty building which BCC recently acquired from Cable Wireless at Howells Cross Road.

Government will also push ahead with plans for an expanded six form school system and a campus in the north of the island for the SJPP. Once these developments come on stream our expectation will be that a properly articulated protocol will be developed between the UWI and BCC and SJPP for a two and two system to be implemented that allows students to spend two years at one of these institutions and the final two years at the UWI.

In keeping with these expected developments it will be the policy of the MEHR that all students entering the UWI in 2011 should be fully matriculated and hence will complete their undergraduate degrees in 3 years of full time study or 4 years part time. Students who fail to complete their course of study in the stipulated time will not be eligible for continued Government support except in extenuating circumstances.

Energy

The Government has expanded the Sustainable Energy Framework of Barbados Project launched last year to include an additional US\$1 million in grant funding from the Global Environmental Facility (GEF) for the implementation of renewable energy demonstration projects. This programme will install 3000 power meters, 1,500 compact fluorescent lamps, 28 photo-voltaic systems and one micro wind system in selected households and other places.

In order to ensure the sustainability of these initiatives the Government of Barbados decided to take a two-fold approach with the IDB as follows:

- The development of a Programmatic Policy Based Loan in the sum of US\$45 million for the Energy Sector as an instrument to catalyse the regulatory, policy and legislative measures required to promote sustainable energy. The loan agreement has already been signed by me and proceeds of the loan are expected to be disbursed during this month of November this year. It is to be noted the Government of Barbados has already met the conditions for the disbursement of the loan.

- A US 10 million dollar Smart Fund Initiative

While the Energy Policy Based Loan focuses on regulatory and policy actions required to promote energy, the US 10 million dollar Smart Fund Loan is a package of financial instruments and technical assistance to address the main market failures that prevent the country from adopting renewable energy and energy efficiency.

Although many renewable energy and energy efficiency technologies are commercially viable their uptake in Barbados is low mainly due to limited access to capital, limited and uncompetitive renewable energy and energy efficiency equipment supply and lack of information.

The Smart Fund will help to overcome these problems by providing the finance to overcome the access to capital problem, funding campaigns to develop a critical mass of users of some of the most promising technologies and develop a new market equilibrium in which these technologies become the norm.

Social Welfare

The Welfare Department is of the view that with the increase in rates just two years ago and the decrease in the number of children on the roll, there is not an acute need for an increase now in the welfare grant for children. However bearing in mind the proposed increase in the VAT, rising cost of living and the concerns regarding nutritional needs and given the link between childhood obesity and chronic diseases in adulthood, a small increase could be useful.

The Current Rate is \$35.00 per week and I propose to increase the grant to \$45.00 per week at an additional cost of \$982,800 per-annum.

The Welfare Department has noted an increase in Food Voucher requests, with the amount expended at November 11, 2010 being **\$155,525.00**. Last financial year total expenditure on food vouchers was **\$206,456.87**. Given the indication that the recession will be protracted and also bearing in mind the consequential effects of Disasters such as Hurricane Tomas, resulting in increased requests for food vouchers, an additional provision of **\$200,000** for Food Vouchers for the financial year should assist in this regard.

Mr. Speaker, the National Insurance Contributory and non-contributory pensions will be increased with effect from January 3, 2011 in accordance with Section 25A of the National Insurance & Social Security Act Cap 47. The minimum contributory pension will be increased to \$163 per week from \$155 and the non-contributory pension will be increased to \$133 per week from \$127.

Conclusions

Mr. Speaker the Sir, measures which I have outlined here today and the accompanying programme for productive sector stimulation have been specially designed with two purposes in

mind. One, to restore financial stability to the public accounts while taking a bold imaginative step towards going for growth.

I am sure that immediately following this presentation, critics will argue that some of these measures are too harsh. I will be the first to concede that the increased taxes cause some level of discomfort at all levels. However Sir to my mind, the alternatives are ten times more painful. Our mission and mandate as Barbadians must be to protect the ship of state and be our brothers keeping. I take no pleasure in threading this path, but I take comfort in knowing that through these initiatives we will save hundreds of jobs and keep several families together.

The members of the opposition no doubt will seek to play the blame game. That is opposition politics. But governments are elected to govern and govern we shall. When circumstances threaten our collective livelihoods and our quality of life we must act to defend it.

This Government came to office with lofty intentions which we still hold fast to. But circumstances would have it that we were greeted with the worse economic recession in human history. Many people the world over from the USA to the UK, Cameroon to CARICOM, have suffered devastating losses and face grim and uncertain futures. But they have stood UP and faced the music.

We Barbados must now do the same. Mr. Speaker Sir I have great confidence in the spirit and will of the people of Barbados to weather this economic storm and emerge more determined and hungry for success than ever before. Why do I believe this Sir? Because we are Barbadians. We bow, we bend, but we never, never, never break.

It is our place to think we are great because we are great. Indeed Sir in the words of *Marianne Williamson* :

Our deepest fear is not that we are inadequate. Our deepest fear is that we are powerful beyond measure. We ask ourselves, Who am I to be brilliant, gorgeous, talented, fabulous? Actually, who are you not to be? We were born to make manifest the glory of God that is within us. And as we let our own light shine, we unconsciously give other people permission to do the same.

Mr. Speaker I urge all Barbadians, take this moment in time as an opportunity to renew our faith in God and in our abilities to achieve great things as a people. Let 270,000 lights shine so that we may illuminate new pathways to progress for the next generation to follow.

I thank you Sir.

Drug Cost \$	Amount to be paid by Patient
\$0.01 - \$2.00	\$5.00 – Drug Cost
\$2.01 - \$10.00	\$5.00
10.01 - \$20.00	\$7.00
\$20.01 - \$40.00	\$12.00
Over \$40.00	30% of the cost of the drug

Fees Relating to Permanent Residence and Immigrant Status

	Current Fee	Proposed Fee
	\$	\$
Permanent Resident Application under section 5(2)(a)(i)	\$	\$
	200.00	300.00
Permanent Resident Registration under section 5(2)(a)(i)	\$	\$
	800.00	1,200.00
Permanent Resident Application under section 5(2)(a)(ii)	\$	\$
	200.00	300.00
Permanent Resident Registration under section 5(2)(a)(ii)	\$	\$
	600.00	1,200.00
Permanent Resident Application under section 5(2)(c)	\$	\$
	200.00	300.00
Permanent Resident Registration under section 5(2)(c)	\$	\$
	600.00	1,200.00

Permanent Resident Application under section 13(7)	\$	\$	
	200.00	300.00	
Permanent Resident Registration under section 13(7)	\$	\$	
	800.00	1,200.00	
Application to vary permit***	\$	\$	
	50.00	100.00	per six months
Application for Special Entry Permit	\$	\$	
	50.00	300.00	
Grant of Special Entry Permit*	\$	\$	Per
	300.00	500.00	year
Application for Work Permit	\$	\$	
	200.00	300.00	
Application for Permission to reside and work	\$	\$	
	200.00	300.00	
Grant of permission to reside and work	\$	\$	
	800.00	1,000.00	per three years
Application for Immigrant Status	\$	\$	
	200.00	300.00	
Grant of Application for Immigrant Status	\$	\$	
	800.00	1,200.00	
Application for Student Visa/Non-Immigrant visa	\$	\$	
	200.00	300.00	
Grant of Certificate of Absence**	\$	\$	per
	100.00	300.00	year
Certified Copy of Certificate, Notice, etc.	\$	\$	
	50.00	200.00	

*** Recommendation that the fee be applied on an annual basis**

**** The existing fee is currently applied on an annual basis**

*****Recommendation that the fee be applied on a six-monthly basis**

Citizenship Application and Registration Fees

	Current fee	Proposed fee
	\$	\$
Application for Citizenship*	200.00	300.00
	\$	\$
Registration of Citizenship*	800.00	1,500.00
Application for Citizenship under section 5 of the Act	200.00	300.00
	\$	\$
Registration for Citizenship under section 5 of the Act	800.00	1,500.00
Application for Citizenship under section 5 of the Act	200.00	300.00
	\$	\$
Registration for Citizenship under section 5 of the Act**	400.00	750.00
	\$	\$
Application for certificate of naturalization	200.00	300.00
	\$	\$
Issue of certificate of naturalization	1,000.00	2,000.00
Application for citizenship under section 11(1) of the Act	200.00	300.00
	\$	\$
Issue of certificate under section 11(1)of the Act	600.00	1,000.00
	\$	\$
Application for certificate of citizenship - descent 2(2) or 5	50.00	300.00
	\$	\$
Renunciation of Citizenship	200.00	500.00
	\$	\$
Supplying certified copies of certificats, orders, etc	50.00	200.00
	\$	\$
Administration of Oaths, Witnessing Signature, etc	50.00	200.00

*Section 3(1), 3(2), 3(3) or 6 of the Constitution; and 4(3) of the Barbados Citizenship Act

**Where application is made at the same time as an application for another minor child of the same parent the second child pays half the registration fee

PASSPORTS AND TRAVEL DOCUMENT FEES

Where Issued and	United States		United Kingdom		
	Current	Proposed	Current	Proposed	Fee
Barbados	Fee	Fee	Current	Proposed	Fee
Europe	Fee	Fee	Current	Proposed	Fee
	Fee	Fee	Current	Proposed	Fee
Adult's Passport	US\$ 75.00	US\$130.00	\$125.00	\$150.00	£ 50.00 £100.00
Minor's Passport (under 16)	£ 75.00		\$ 75.00	\$100.00	
			US\$ 90.00		
Businessman's Passport			\$175.00	\$225.00	
			US\$160.00		
Emergency Passport			\$ 30.00	\$150.00	
Replacement of Lost Passport	\$190.00	\$300.00			
	£125.00	£185.00	US\$190.00	US\$250.00	
Urgent Passport (1 day)			\$125.00	\$300.00	
			150.00		
Urgent Passport (2-5 days)			\$125.00	\$225.00	
			US\$185.00		
Single Entry Visa paid on application			US\$50.00	US\$100.00 - non-refundable, to be	

**Multiple Entry Visa
paid on application**

US\$60.00

US\$200.00 - non-refundable, to be

Appendix 2(d)

Fees Relating to Work Permits

Categories of Employment	Current Fee		Proposed Fee	
	Caribbean Nationals \$ per month	Citizens of Other Countries \$ per month	Caribbean Nationals \$ per month	Citizens of Other Countries \$ per month
Chemist	75	150	100	200
Physicist	75	150	100	200
Physical Scientist NEC	75	150	100	300
Physical Science Technicians	75	200	100	200
Architects and Town Planners	75	150	100	300
Civil Engineers	100	200	125	300
Electrical and Electronic Engineers	100	200	125	300
Mechanical Engineers	100	200	125	300
Chemical Engineers	100	200	125	300
Metallurgists	75	150	100	200
Mining Engineers	75	150	100	300
Industrial engineers	100	200	125	300
Engineers N.E.C	100	200	125	300
Surveyors	75	200	100	300
Draughtsmen	75	150	100	200
Civil Engineer Technicians	75	200	100	250
Electrical and Electronic Engineering Technicians	75	160	100	210
Mechanical Engineering Technicians	50	160	75	210
Mechanical Engineering Technicians (Motor & Engines)	75	160	100	210

Chemical engineering Technicians	75	160	100	210
Metallurgical Technicians	75	160	100	210
Mining Technicians	75	160	100	210
Engineering Technicians N.E.C	75	160	100	210

Categories of Employment	Current Fee		Proposed Fee	
	Caribbean Nationals \$ per month	Citizens of Other Countries \$ per month	Caribbean Nationals \$ per month	Citizens of Other Countries \$ per month
Aircraft Pilots, Navigators and Flight Engineers	75	160	100	300
Ships, Deck Officers and Pilots	75	160	100	300
Ship Engineers	75	160	100	300
Biologists, Zoologists and related Scientists	75	150	100	210
Bacteriologists, Pharmacologists and Related Scientists	75	150	100	210
Agronomists and related Scientists	75	150	100	210
Life Sciences Technicians	75	150	100	210
Medical Doctors	75	150	100	300
Medical Assistants	75	200	100	200
Dentists	75	200	100	300
Dental Assistants	75	150	100	210
Veterinarians	75	200	100	300
Veterinary Assistants	75	150	100	210
Pharmacists	75	150	100	250
Pharmaceutical Assistants	75	150	100	210
Dieticians and Public Health Nutritionists	75	150	100	210

Professional Nurses	75	150	100	210
Nursing Personnel N.E.C	75	110	100	150
Professional Midwives	75	150	100	210
Midwifery Personnel N.E.C	75	110	100	150
Optometrists and Opticians	50	200	75	300
Physiotherapists and Occupational Therapists	75	150	100	250
Medical X-Ray Technicians	75	150	100	250
Medical, Dental, Veterinary and Related Workers N.E.C	75	150	100	210
Statisticians	75	150	100	210
Mathematicians and Actuaries	75	150	100	300
Systems Analysts	75	150	100	210
Statistical and Mathematical Technicians	75	110	100	150

Categories of Employment	Current Fee		Proposed Fee	
	Caribbean Nationals \$ per month	Citizens of Other Countries \$ per month	Caribbean Nationals \$ per month	Citizens of Other Countries \$ per month
Accountants	75	150	100	300
Other Accountants N.E.C	75	150	100	300
Lawyers	150	200	175	300
Judges	Free	Free	free	free
Jurist N.E.C.	50	110	75	150
University and Higher Education Teachers	50	110	75	200
Secondary Education Teachers	50	110	75	200
Primary education Teachers	50	75	75	100

Pre-Primary Education Teachers	50	75	75	100
Special Education Teachers	50	75	100	100
Teachers N.E.C.	50	75	75	100
Ministers of Religion and Related Members of Religious Orders	20	40	50	75
Workers in Religion N.E.C	20	40	50	75
Authors and Critics	50	110	75	175
Authors, Journalists and Related Writers N.E.C	50	110	75	175
Commercial Artists and Designers	75	150	110	210
Photographers and Cameramen	75	150	100	210
Composers, Musicians and Singers	75	150	100	210
Other Composers, Musicians and Singers	50	110	75	150
Choreographers and dancers	50	110	75	150
Actors and Stage Directors	50	110	75	150
Circus Performers etc.	20	50	50	100
Performing Actors N.E.C	20	50	50	100
Athletes, Sportsmen and Related Workers	20	50	50	100

Categories of Employment	Current Fee		Proposed Fee	
	Caribbean Nationals \$per month	Citizens of Other Countries \$ per month	Caribbean Nationals \$ per month	Citizens of Other Countries \$ per month
Librarians, Archivists and Curators	75	150	100	200
Sociologists, Anthropologists and Related Scientists	75	150	100	210
Social Workers	75	150	100	200
Personnel and Occupational Specialists	75	150	100	200
Other Personnel and Occupational specialists	75	150	100	200
Philologist, Translators and Interpreters	75	150	100	200
Other Professional, Technical and Related Workers	100	175	125	225
Legislative Officials	Free	Free	free	free
Government Administrators	Free	Free	free	free
General Managers	75	160	100	300
Production Managers (except Farm)	75	160	100	300
Managers N.E.C	75	160	100	300
Other Managers (Banking and Area Managers)	150	225	175	350
Government Executive Officials	Free	Free	free	free
Stenographers, Typists and Teletypists	50	110	100	150
Card and Tape Punching Machine	50	110	100	150

Operators

Book Keepers and Cashiers	75	160	100	210
Book Keepers and Cashiers and Related Workers N.E.C	75	160	100	210
Book Keeping and Calculating Machine Operators	75	160	100	210
Automatic Data Processing Machine Operators	75	160	100	210

Current Fee

Proposed Fee

Categories of Employment	Caribbean Nationals \$per month	Citizens of Other Countries \$ per month	Caribbean Nationals \$ per month	Citizens of Other Countries \$ per month
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Transport and Communications Supervisors N.E.C	75	160	100	210
Transport Conductors	75	160	100	210
Mail Distribution Clerks	75	160	100	210
Telephone and Telegraph Operators	75	160	100	210
Stock Clerks	75	160	100	210
Material and Production Planning Clerks	75	160	100	210
Correspondence and Reporting Clerks	75	160	100	210
Receptionists and Travel Agency Clerks	75	160	100	210
Library and Filing Clerks	75	160	100	210
Clerks N.E.C.	75	160	100	210
Managers (Wholesale and Retail Trade)	110	225	135	325

Working Proprietors (Wholesale and Retail Trade)	100	190	125	250
Sales Supervisors	100	175	125	225
Buyers	100	175	125	225
Technical Salesmen and Service Advisers	75	160	100	210
Technical Services Advisers N.E.C	20	110	40	150
Commercial Travellers and Manufacturers Agents	75	160	100	210
Insurance, Real estate and Securities Salesmen	110	225	135	325
Business Service Salesmen	100	175	125	225
Auctioneers	75	190	100	250
Salesmen, Shop Assistants, Demonstrators	75	190	100	250
Street Vendors, Canvassers and News Vendors	75	190	100	250
Sales Workers N.E.C	75		100	250

Current Fee

Proposed Fee

Categories of Employment	Caribbean	Citizens of	Caribbean	Citizens of
	Nationals	Other	Nationals	Other
	\$ per month	\$ per month	\$ per month	\$ per month
Working Proprietors (Catering and Lodging)	100	200	125	300
Housekeeping and Related Services and Supervisors	75	150	100	210
Cooks	75	150	100	225
Waiters, Bartenders and Related workers	75	150	100	210

Maids and Related Housekeeping Services Workers N.E.C	75	160	100	210
Building Caretakers Char-Workers, Cleaners and Related Workers	75	160	100	210
Launderers, Dry Cleaners and Pressers	75	160	100	210
Hairdressers, Barbers, Beauticians and Related Workers	75	160	100	300
Fire Fighters Policemen and Detectives	75	160	100	200
Protective Service Workers N.E.C	75	160	100	200
Guides	75	160	100	210
Undertakers and Embalmers	75	160	100	300
Other Service Workers	110	225	130	250
Farm Managers and Supervisors	20	50	50	150
General Farmers	20	50	50	100
Specialized Farmers	20	50	50	100
General farm Workers	20	50	30	100
Field Crop and Vegetable Farm Workers	10	50	30	100
Orchard, Vineyard and related Tree Shrub Crop Workers	10	50	30	100
Livestock Workers	20	75	40	100
Dairy Farm Workers	20	75	40	100
Poultry Farm Workers	20	75	40	100

Categories of Employment	Current Fee		Proposed Fee	
	Caribbean Nationals \$per month	Citizens of Other Countries \$ per month	Caribbean Nationals \$ per month	Citizens of Other Countries \$ per month
Nursery workers and Gardeners	20	75	50	100
Farm Machine Operators	20	75	40	100
Agricultural and animal Husbandry Workers N.E.C	20	50	40	100
Forestry Workers (except Logging)	75	160	100	200
Fishermen	50	110	75	150
Fishermen, Hunters and Related Workers N.E.C	50	160	75	150
Production Supervisors and General Foremen	75	160	110	210
Mineral and Stone Treaters	75	160	110	210
Well Drillers, Borers and related workers	50	75	110	120
Metal Processors N.E.C	75	160	110	210
Wood Treaters	75	160	110	210
Sawyers, Plywood Makers and Related Wood Processing Workers	75	160	100	210
Paper Makers	75	160	100	210
Crushers , Grinders and Mixers	75	160	100	210
Cookers, Roasters and related Heat Treaters	75	160	100	210
Filter and Separator Operators	75	160	100	210
Still and Reactor	75	160	100	210

Operator				
Petroleum-Refining Workers	100	190	125	250
Chemical Processors and Related Workers				
N.E.C	75	175	100	225
Fibre Preparers	75	175	100	225
Spinners and Winders	75	175	100	225
Weavers and Knitting Machine Setters and Pattern Card Preparers	75	160	100	210
Weavers and Related Workers	75	160	100	210
Knitters	75	160	100	210

Current Fee

Proposed Fee

Categories of Employment	Caribbean	Citizens of	Caribbean	Citizens of
	Nationals	Other Countries	Nationals	Other Countries
	\$ per month	\$ per month	\$ per month	\$ per month
Bleachers, Dyers and Textile Product Finishers	75	160	100	210
Tanners and Follmongers	75	160	100	210
Pelt Dressers	75	160	100	210
Grain Millers and Related Workers	75	160	100	210
Sugar Processors and Refiners	75	160	100	210
Butchers and Meat Preparers	75	160	110	210
Food Preservers	75	160	110	210
Dairy Product Processors	75	160	110	210
Bakers, Pastry Cooks and Confectionery Makers	75	160	110	210
Tea, Coffee and Cocoa Preparers	75	160	100	210

Brewers, Wine and Beverage Makers	75	160	100	210
Food and Beverage Processors N.E.C	75	160	100	210
Tobacco Preparers	75	160	100	210
Cigar Makers	75	160	100	210
Cigarette Makers	75	160	100	210
Tobacco Preparers and Tobacco Product Makers N.E.C	75	160	100	210
Tailors and Dressmakers	75	160	100	210
Milliners and Hatmakers	75	160	100	210
Pattern Makers and Cutters	75	160	100	210
Sewers and Embroiders	75	160	100	210
Upholsterers and Related Workers	75	160	100	210
Tailors, Dress Makers, Sewers, Upholsterers and Related Workers N.E.C	75	160	100	210
Shoemakers and Shoe Repairers	75	160	100	210

Current Fee

Proposed Fee

Categories of Employment	Current Fee		Proposed Fee	
	Caribbean Nationals \$per month	Citizens of Other Countries \$ per month	Caribbean Nationals \$ per month	Citizens of Other Countries \$ per month
Shoe Cutters, Lasters, Sewers and Related Workers	75	160	100	210
Leather Goods Makers	75	160	100	210
Cabinet Makers	75	160	100	210
Woodworking Machine Operators	75	160	100	210
Cabinet Makers and Related Wood Workers N.E.C	75	160	100	210

Stone Cutters and Carvers	75	110	100	210
Blacksmiths, Hammersmiths and Forging Press Operators	75	110	100	210
Tool Makers, Metal Pattern Makers and Metal Markers	75	160	100	210
Machine Tool Setter Operators	75	160	100	210
Metal Grinders, Polishers and Tool Sharpeners	75	160	100	210
Blacksmiths, Tool Makers and Machine Tool Operators N.E.C	75	160	100	210
Machinery Fitters and Machine Assemblers	75	160	100	210
Watch, Clock and Precision Instrument Makers	75	160	100	250
Motor Vehicle Mechanics	75	110	110	250
Aircraft Engine Mechanics	75	160	100	250
Machinery Fitters, Machine Assemblers and Precision Instrument Makers N.E.C	75	160	100	210
Electrical Fitters	75	160	100	210
Electronic Fitters	75	160	100	210
Electrical and Electronic Equipment Assemblers	75	160	100	210
Radio and Television Repairmen	75	160	100	210

Categories of Employment	Current Fee		Proposed Fee	
	Caribbean Nationals \$per month	Citizens of Other Countries \$ per month	Caribbean Nationals \$ per month	Citizens of Other Countries \$ per month
Electrical Wiremen	75	160	100	210
Telephone and Telegraph Installers	75	160	100	210
Electrical Linesmen and Cable Jointers	75	160	100	210
Electrical fitters and Related Electrical Electronic Workers				
N.E.C	75	160	100	210
Broadcasting Station Operators	75	160	100	210
Sound Equipment Operators and Cinema Projectionists				
Plumbers and Pipe Fitters	75	160	100	210
Welders and Flame Cutters	75	160	100	210
Sheet Metal Workers	75	160	100	210
Structural; Metal Preparers and Erectors	75	160	100	210
Jewellery and Precurious Metal Workers	75	160	100	250
Glass Formers, Cutters, Grinders and Finishers	75	160	100	210
Potters and related Clay and Abrasive Formers				
	75	160	100	210

Glass and Ceramics Kilnmen	75	160	100	210
Glass Engravers and Etchers	75	160	100	210
Glass and Ceramics Painters and Decorators	75	160	100	210
Glass Formers, Potters and Related Workers N.E.C	75	160	100	210
Rubber and Plastics Product Makers (except Tire Makers and Tire Vulcanisers)	75	160	100	210
Tire Makers and Vulcanisers	75	160	100	210

Current Fee

Proposed Fee

Categories of Employment	Current Fee		Proposed Fee	
	Caribbean Nationals \$per month	Citizens of Other Countries \$ per month	Caribbean Nationals \$ per month	Citizens of Other Countries \$ per month
Paper and Paperboard Product Makers	75	160	100	210
Compositors and Type Setters	75	160	100	210
Printing Pressmen	75	160	100	210
Stereotypers and Electrotypers	75	160	100	210
Printing Engravers (except Photo Engravers)	75	160	100	210
Photo Engravers	75	160	100	210
Book Binders and Related Workers	75	160	100	210
Photographic Dark Room Workers	75	160	100	210
Printers and Related Workers N.E.C	75	160	100	210
Painters, Construction Painters NEC	75	160	100	210

Musical Instrument Makers	75	160	100	210
Basketry Weavers and Brush Makers	75	160	100	210
Other Production and Related Workers	75	160	100	210
Bricklayers, Stonemasons and Tile Setters	20	160	40	210
Reinforced Concreters, Cement Finishers and Terrazo Workers	20	160	40	210
Roofers	75	160	100	210
Carpenters, Joiners and Parquetry Workers	20	160	40	210
Plasterers	20	160	40	210
Insulators	75	160	100	210
Glaziers	75	160	100	210
Construction Workers N.E.C.	75	160	100	210
Well Diggers	20	160	40	210
Power Generating Machinery Operators	75	160	100	210

Current Fee

Proposed Fee

Categories of Employment	Current Fee		Proposed Fee	
	Caribbean Nationals \$per month	Citizens of Other Countries \$ per month	Caribbean Nationals \$ per month	Citizens of Other Countries \$ per month
Stationary Engine and Related Equipment Operators N.E.C	75	160	100	210
Dockers and Freight Handlers	75	160	100	210
Riggers and Cable Splicers	75	160	100	210
Crane and Hoist Operators	75	160	100	250
Earth Moving and Related Machinery Operators	75	160	100	250

Material Handling Equipment Operators N.E.C	75	160	100	250
Ships' Deck Ratings, Barge Crew and Boatmen	75	160	100	210
Ships' Engine Room Ratings	75	160	100	210
Motor Vehicle Drivers	75	160	100	210
Animal and Animal Drawn Vehicles	75	160	100	210
Transport Equipment Operators N.E.C	75	160	100	210
Labourers N.E.C	20	160	40	210
Consultants N.E.C	75	160	100	250

SUMMARY OF BUDGETARY PROPOSALS 2010

An increase in the Value Added Tax from 15 to 17.5%, with an expected revenue yield of \$124 million over a fiscal period; and

An increase in the threshold for VAT registration from \$60,000.00 to \$80,000.00.

The elimination of the tax free allowances for travelling and entertainment for employees with a saving of \$25 million a year.

The elimination of the tax free allowances for savings with credit unions and investment in mutual funds at a saving of \$9 million a year.

An increase in the excise tax on gasoline by 50% to \$0.5358 per litre, to yield an additional \$22.7 million in a year.

An increase in the fees charged for services performed by the immigration department, to yield \$4 million per year.

The imposition of a dispensing fee for persons using the drug service who have their prescriptions filled at private pharmacies. Projected revenue yield \$11 million.

An increase in bus fares by the Transport Board of \$0.50 to yield \$8.4 million in revenue over a year.

The removal of the environmental levy on imports at a cost of \$42 million.

The provision of \$6 million in additional marketing support for the Barbados Tourism Authority.

The establishment of a Tourism Loan Guarantee Facility to provide guarantees to hotels up to a total of \$100 million.

The provision of additional funding of \$1.5 million to Fund Access for on-lending to small and micro-businesses. Of this provision \$0.5 million will be made available to the Barbados Youth in Business Trust via a program to provide loans to young persons getting started in business. This program will be supervised by Fund Access.

The supplying of water to registered farmers at the flat commercial rate at a cost of \$5.7 million.

An increase in welfare grants & food vouchers at a cost of \$1.1 million.

A Text Book Grant Scheme for primary school children at a cost of \$500,000.00.

Implementation of a policy whereby only fully matriculated students will be able to enter the UWI. The Government of Barbados will no longer pay for students who have not met the matriculation requirements. Neither will the Government continue to pay for students who do not complete their undergraduate degrees in four (4) years.

A reduction in fees payable by Public Service Vehicle Operators for Route taxis and Minibuses by 50%.

A reduction in the retail Liquor Licence Fees by 50%.

An increase in the Audit Threshold under the Companies Act for public companies from \$1 million to \$2 million for companies with year ends after December 31, 2010. The threshold will increase to \$4 million for companies with year ends after December 31, 2013.

The extension of the waiver of interest and penalties facility under certain conditions, instituted by the National Insurance Department, Inland Revenue Department and the VAT Department for another year effective December 31, 2010.

A Productivity & Innovation Tax Credit at 25% of expenditure in any year in which a business expends money on innovative or productivity enhancements. Such enhancements will be manifested in increased sales, profitability or employment. The credit is to be applied against taxable income and can be carried forward for 3 years.

A tax credit of 10% of the cost of wages of a business to be applied against taxable income, if the business increases profitability and employment by at least 10% in any year, beginning income year 2011. This credit can be carried forward for 3 years.

The implementation of a mains replacement programme by the Barbados water Authority expected to commence in 2011.

The increase in non-contributory pensions from \$127 to \$133 per week with effect from January 3, 2011 and the minimum contributory pension from \$155 to \$163 per week. The other contributory pensions will be increased by 4.84% across the board effective January 3, 2011.