THE 2013 FINANCIAL STATEMENT AND BUDGETARY PROPOSALS PRESENTED TO THE HOUSE OF ASSEMBLY OF BARBADOS BY THE HON. CHRISTOPHER PETER SINCKLER M.P, MINISTER OF FINANCE AND ECONOMIC AFFAIRS, TUESDAY, AUGUST 13, 2013 AT 4: 00 p.m.

Mr Speaker Sir,

As I rise to present this Financial Statement and Budgetary Proposals, the central feature of which will be a revised growth and fiscal adjustment strategy for Barbados, I am reminded of the biblical injunction to be found in the book of Ecclesiastes at chapter 3 which states:

"To every thing there is a season, and a time to every purpose under the heaven:

2 ***A time to be born, and a time to die; a time to plant, and a time to pluck up that which is planted;***

3 ***A time to kill, and a time to heal; a time to break down, and a time to build up;***

4 ***A time to weep, and a time to laugh; a time to mourn, and a time to dance;***

5 ***A time to cast away stones, and a time to gather stones together; a time to embrace, and a time to refrain from embracing;***

6 ***A time to get, and a time to lose; a time to keep, and a time to cast away;***

7 A time to rend, and a time to sew; a time to keep silence, and a time to speak;

8 A time to love, and a time to hate; a time of war, and a time of peace."

I call this verse to mind Sir, because I genuinely believe that it succinctly captures the critical juncture at which all of us as Barbadians have arrived on our journey for social, economic, cultural and indeed political development.

It is a juncture in time Sir, that presents this country with a real opportunity to choose a path of restructuring and revitalization not just to the obvious systems that drive our economy and society, but importantly as well, to the core beliefs, values and philosophical moorings that characterize who we are as a people, what quality of life we want and imprint what we desire to leave on history's page.

The exercise we undertake over the next few days and certainly in the weeks ahead cannot be pigeon-holed into a narrow discourse, over only the merits or demerits of this measure or that measure; or about who was right and who was wrong.

It certainly, Sir, should not be about who wants which party in office and any naked anti-democratic reactionary hot air about regime change through bluster rather than ballot.

Rather Sir, it has to be a critical national conversation about how we maintain Barbados' standing as a leading developing country in the world and more importantly how we build on what we already have in an effort to surpass even our most generous expectations.

It has to be a national dialogue characterized not by fear and fear-mongering, but based on a platform of optimism that starts from the belief that our best days are ahead of us simply because we are starting from a position of relative strength.

We have experience and we have knowledge; we have accomplishments and importantly as well Sir, we know what we can achieve still if we work collectively as a people – black, white or Indian, worker or management, public or private, Bee or Dee.

This exercise Sir, must be about how we can be build the national fortitude and insatiable desire to undertake the kind of change which can extend our possibilities beyond mere hopes and toward crafting of a firm and credible pathway to developing a country that is socially balanced, economically sound, environmentally sustainable and characterized by good governance.

This, fellow Barbadians, is our season to take stock. It is our season to pursue a rigorous examination of self, of communities, of systems, and of country as a whole. It is our season for frank, honest, constructive and productive engagement among ourselves and with the rest of the world.

My sincere hope Sir, is that in the course of my presentation here this evening, I can convey that sense of openness, and seriousness of purpose even as I set the stage for what will be a call on all Barbadians to forge a collective movement to stabilize our economy and usher in a more determined agenda for structural change that will better equip us to confront the challenges of a modern world.

To this extent Sir, attractive as it might appear, ours is not a mission today to entertain ourselves with the instantaneous but never-lasting gratification of retail politics. Ours is a mission to present frankly and fairly the facts pertaining to the current state of the Barbados economy, in particular the state of the public finances and the impact which this is having on efforts to forge a return to sustainable economic growth in our economy.

More pointedly Sir, our mission is to set out not just how we propose to deal with these issues but more importantly how we intend in the short to medium term to engage in an intense process of intervention by the State over the next two years to unlock the factors which can secure us the growth we so clearly need to sustain ourselves.

In this regard Sir, permit me to say that we in this administration begin this part of the discourse by saying to all Barbadians that our macro-economic programme has gone off-track and needs to be brought back into line with what we believe is consistent with the objectives required for economic sustainability characterized by growing international reserves, exchange rate stability, sustainable and balanced economic growth and adequate yet affordable social services provision.

However, before we can get to those specific interventions it behoves me to set the context within which we are operating and what has led us to this need for a serious course correction in our short to medium-term economic management strategy.

The Global Crisis and Its Impact on Barbados Economy:

Mr Speaker, regardless of whatever one may wish to believe, the genesis of our current economic problems has a direct link to the very unfavourable international economic environment which this country and several others like it across the world have had to face since 2007.

Indeed Sir, picture if you will the scenario with respect to Barbados' macroeconomic performance in the post-2007 period. After growing consistently by an average of about 3.0 per cent per year between 2002 and 2007 when the global economy was booming and international demand for our goods and services were outstripped only by the robust foreign direct investment flows into the country, our economy stalled in 2008 at the beginning of a then unfolding international financial and economic crisis: A crisis which is now accepted to be the worst any Barbados government and I believe any Minister of Finance has had to deal with in near one hundred years.

By 2009, with the evolving crisis hitting hard on our key trading partners (the US, Canada, Britain and the Caribbean) this translated into the largest real economic contraction in Barbados since 1992 - the period of the last major economic crisis.

The economy declined by 4.5% with our fiscal deficit reaching near 10% at the end of fiscal year 2009/10.

To put the decline in perspective: despite some “green shoots” in 2010 and 2011, the unanticipated depth and duration of the current global recession has meant that, on average, real economic activity has fallen by 1 per cent every year since 2008.

The traded sectors in particular have borne the brunt of the impact, as a decline in global GDP, depressed credit markets and elevated levels of unemployment in our trading partners significantly reduced demand for domestically produced goods & services.

Tourism, which is known to be our most vital industry, but which itself was already beginning to show signs of wear prior to the crisis, has been hard hit, perhaps hardest hit. Long-stay arrivals fell almost 9 per cent in 2009, the largest decline recorded in over two decades. And despite a strong intervention from government to help property owners weather the storm and pump more money into marketing, the resultant improvements in 2010 and 2011 were soon dissipated as reduced airlift capacity in major source markets and the loss of Almond Resort and a number of other smaller hotels, contributed to a 5.5 per cent decline in 2012.

Overall, by the end of last year, long-stay arrivals remained 7.0 per cent below the levels recorded in 2007. Remember Sir, we are dealing with the worst recession in the history of the world. This situation has been exacerbated by the fact that those who choose to vacation in Barbados are now spending much less than in previous years. In fact, since 2008 average visitor spending fell for 5 consecutive years, equivalent to almost $300 million in losses per year. This is despite an improvement in average length of stay during the same period.

The depressed economic conditions also filtered through to other critical sectors especially international business and financial services which lost considerable value between 2008 and 2010 and have not regained sufficient ground to allow it to come anywhere close to its pre-crisis levels in terms of contribution to the Barbados economy. While manufacturing and agriculture both had significant output challenges even prior to the onset of the crisis, these were only multiplied because of it.

Manufacturing output decreased by 12.2 per cent in 2009, significantly higher than the 0.7 per cent and 1.2 per cent decline in 2006 and 2007, respectively. While the impact on the agricultural sector was less severe and driven by other domestic conditions, agricultural output nevertheless fell by just above 5 per cent during the last two years on average.

Again, the knock-on effects of a slowdown in tourism-related activity were observed in the non-traded sector, which declined by 4.1 per cent in 2009 for the first time since 2001 and currently remains below 2008 levels. Waning investor confidence, increased levels of uncertainty in international credit markets and reduced tourism activity resulted in the postponement of several real-estate development projects- no fault of this government; no fault of the last government. Consequently, the construction industry, which had seen an incredible 15 years of growth prior to 2007, fell 5.6 per cent in 2008 and plummeted by 18.2 per cent in 2009 and has not recovered in any great degree since then. Inevitably, mining and quarrying also suffered their greatest declines, plunging by as much as 37.0 per cent in 2009 and by a further 13.6 per cent and 8.0 per cent in 2011 and 2012, respectively. Wholesale & retail; business & other services; transport, storage & communications all dipped in 2009 by 5.0 per cent, 3.0 per cent and 2.8 per cent, respectively. Although there was some modest recovery, the global economic conditions prevented annual growth from rising.

The slump in domestic economic output has meant that many employers found it difficult to maintain employment at pre-crisis levels. The unemployment rate climbed to 11.6 per cent by the end of 2012, as over 5,500 Barbadians lost their jobs since 2008. This could have been horribly worse had government not taken the policy position to maintain employment levels in the public service. I shudder to think what the unemployment level would have been is we had taken the vicious advice and laid off staff. Inflation reached a 20-year high of 9.5 per cent in 2011 as the pass-through effect of higher oil and food prices due to shortages brought on by drought conditions in the US pushed up prices at an annual average of 6.3 per cent during 2008 to 2012, well above the 1.7 per cent average recorded during 2000 to 2004.

But that is only half of the story Sir.

I make these points to bring a level of seriousness and clarity to a debate that has gone on in the country seemingly oblivious to the very deep hole out of which this economy was being made to climb.

And it was being asked to do this with an entirely unfavourable international economic environment and with an economy sorely lacking sustainable economic diversification and badly in need of restructuring.

While the real economy was feeling the direct impact of the international crisis, the secondary effects soon began to show up in our fiscal accounts. In our first year in office, tax revenue growth slowed to about one-third of what it had been during the previous five years. Those revenues which are driven mainly by economic activity – VAT, corporate and trade taxes – were most affected. This meant that our 2008/09 deficit was worse than the previous year by nearly $140 million – just over one and a half per cent of GDP. By the next year, revenues collapsed – together, VAT, corporate and import-related tax receipts fell by over $200M, equivalent to 10 per cent of government's overall income. The deficit widened even further and the pace of public debt accumulation accelerated.

Even in spite of all of these challenges Sir, the one area in which we were able to hold together behind a robust external current account management policy was our international reserves. Indeed despite the lower than anticipated outturn of the traded sectors, the stock of foreign reserves increased from $1,359 million to $1,464.3 million, resulting in an increase of the import cover from 16.4 weeks in 2008 to 19.5 weeks at the end of 2012. Even in the face of declining tourism earnings, a significant fall-off in private FDI flows and increasing energy prices and food prices, the reserves were maintained through Government's robust management and intervention of fiscal strategies.

It was on this platform that relative stability was being maintained in the local economy and which permitted us up until now to adopt a more gradual approach to fiscal adjustment and medium term economic restructuring. All of that changed significantly from around April this year (just after the General Election) when we began to see a very serious slide in our net international reserves.

Now some have argued Sir, that our approach was incorrect, and that we ought to have gone more heavily with the fiscal adjustment particularly on the expenditure side and imposed drastic cuts at the beginning of the crisis.

We argued differently, since we believed then that such measures were not necessary if the foreign exchange anchor was not in immediate danger and to have done so would have driven an already depressed economy even further down.

It is why we also did not believe that attempting to go to the other extreme of trying to spur growth by putting consumer spending on steroids was sustainable because in a depressed foreign exchange earning environment it would have placed our international reserves under tremendous pressure long before now.

To be sure, one only wonders where we would have been today had we adopted that policy wholesale of changing up the foreign reserves and for Barbadians to go into town for … hairdos as we were being told we should do.

But Sir, all of this unfortunate economic news, even with the best of wills, was bound to undermine fiscal stability if it continued for an extended period of time. Unfortunately for us it has.

As a government, we were faced with two simultaneous challenges: the imperative to rein in these growing fiscal imbalances and a duty to provide a cushion for the most vulnerable during the crisis. We committed ourselves to maintaining employment in the Civil Service, while at the same time systematically adjusting our tax structure in a way that would not place an undue burden on any one group. Sir, it is not a policy of which this government is ashamed. We believe we did the right thing in the prevailing circumstances.

In the Budget of late 2010, recognising a weakened fiscal position and the implications this would have had on our efforts to have an early restoration of growth, we introduced a series of revenue raising and expenditure control measures aimed at consolidating the fiscal deficit in line with the objectives of the government's Medium Term Fiscal Strategy which called for a balanced Budget by 2015/16.

In 2011 we began to see some progress: real GDP grew after declining by almost 5 per cent the previous year by close to one per cent, tax revenues improved by nearly 10.0 per cent and our deficit, as a percentage of GDP, was almost cut in half.

Unfortunately, as I noted, the modest improvements we saw in 2010 and 2011 didn't produce the momentum necessary to propel the economy as recovery in the US was sluggish and new fiscal crises exploded across the Euro-zone economies. As a result, by the 2012 fiscal year, our GDP growth had stalled. The targets under the MTFS, which had been crafted two years earlier against much more optimistic international forecasts, were now largely unattainable given the prevailing economic conditions and, despite our continued efforts, the fiscal deficit widened beyond these objectives as revenues continued their rapid deterioration.

Given some success at the end of the financial year 2011/2012 in reducing the fiscal deficit to 4.4 per cent of GDP, the outcome for 2012/2013 was a disappointing one as the gains made previously were eroded.

The salient point to be made here Sir, is that with the best will in the world, when an economy such as ours suffered such dramatic losses in revenue as we did in 2009-2010 by over 200 million dollars, making up that ground will always be exceedingly challenging especially if main growth sectors in the economy are being severally impacted upon by a negative international economic environment.

However, even in the midst of all this our net international reserves still ended the year 2012 in a relatively strong position at 1.4 billion dollars or approximately 19 weeks of import cover. In fact Sir, even with a weak tourism winter season, up until the close of the first quarter of this year the monetary authorities or Central Bank were reporting that they were only required to expend US17 million dollars of the net international reserves since our inflows pretty much matched our outflows.

So that when we were reporting all of last year and up until March of this year that the stability which the foreign exchange anchor was providing to the economy was largely intact, that Sir, was a fact.

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Since April of this year however, in the immediate post-election period, that scenario has changed dramatically and when coupled with a deteriorating fiscal situation carried forward from the last fiscal year, left unattended it will portend very dangerous consequences for our local economy.

It is to these issues that I will now turn my attention.

In doing so Sir, it is incumbent on me to lay out the facts as they relate to the current state of our economy based on the latest data we have at our disposal from the relevant authorities. Let us first get a general overview of the financial statement for the fiscal year 2012/13 and for the first three months of the current fiscal year.

Fiscal Performance April 1, 2012 to March 31, 2013

Current Revenue:

Information received from the Accountant General indicates that current revenue for the period April 1st, 2012 to March 30th, 2013 was $2,320.4 million, a decrease of $203.8 million or 0.8% from the amount recorded for the corresponding period during 2011/12. The $2,320.4 million was also $299.7 million less than the amount budgeted.

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

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

Taxes on property increased by $4.9 million over the corresponding period in 2011-2012 to $138.6 million. This amount was also less than the amount budgeted by $8.1 million.

Taxes on goods and services decreased by $76.1 million or 14.8% to $1,136.6 million. The amount was $112.5 million less than budgeted. Receipts of VAT totalled $878.2 million, a decrease of $61.6 million over the corresponding period in 2012-2013. VAT refunds for the period under review were $53.2 million compared to $27.7 million in the corresponding period last financial year as the ministry sought the VAT unit to pay a number of returns.

Excise Duties recorded $149.5 million, a decrease of $11.3 million from the actual outturn for 2012. Import duties increased by $2.5 million to $198.1 million. However, this amount is $13.9 million less than budgeted.

Special Receipts decreased by $46.6 million to $23.5 million. This is due to an accounting adjustment relating to the prior year with respect to transfers to the UWI. Non-Tax Revenue recorded $90.7 million, an amount of $21.3 million less than the corresponding period in 2012.

Expenditure:

Current expenditure (exclusive of amortization of $540.7 million) decreased by $78.7 million or 2.8% from the 2012 figure, to $2,895.2 million. Wages and salaries increased from $804.3 million in the corresponding period of 2012 to $807.1 million due mainly to increments. It should be noted that the amount budgeted for wages and salaries was $818.6 million.

Expenditure on goods and services decreased by $7.7 million to $391.8 million. This was $41.0 million less than budgeted. Expenditure on current transfers increased by $51.2 million, moving from $1,022.4 million in 2012 to $1,073.6 million for the period April 2012 to March 2013. The increase was due mainly to higher transfers of $22.6 million to Public Institutions and an increase in Other Benefits of $25.6 million.

Total debt payments for the period April 2012 to March 2013 amounted to $1,100.2 million with interest payments of $559.5 million and amortization payments of $540.7 million. Interest payments and amortisation increased by $32.3 million and $86.0 million respectively over the corresponding period in 2012. The increase in amortisation can be attributed to the redemption of a $100 million bond in May 2012. It should be noted that the total debt payments for the period were $26.4 million less than originally budgeted.

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

Total expenditure for April 2012 to March 2013 was $3,529.6 million compared to $3,363.0 million in the corresponding period of 2012.

Deficit:

The deficit of $668.5 million represents 7.9% of GDP at market prices. This deficit was higher than the 4.4% of GDP originally projected mainly due to the under-performance of revenue. The deficit for the corresponding period in 2012 was $384.2 million representing 4.4% of GDP at market prices.

Fiscal performance April 1 to June 30, 2013

Current Revenue:

Preliminary information received from the Accountant General indicates that current revenue for the period April 1st to June 30th, 2013 was $483.9 million, a decrease of $91.8 million or 15.6% from the amount recorded for the corresponding period during 2012. The $483.8 million collected is also $162.7 million less than originally budgeted. So, as you can see, the decline of revenue has continued into this year and is pretty significant.

Taxes on incomes and profits realised $149.0 million, an amount of $36.0 million or 19.5% less than collected for the corresponding period in 2012. This amount is also $56.1 million less than the original target. Corporation Taxes decreased by $32.0 million for the period under review. Refunds of corporation taxes for the period April to June 2013 was $1.25 million whereas there were no refunds for the corresponding period last financial year.

With respect to income taxes, $13.3 million less was recorded for the period April to June 2013. It should be noted that refunds of income taxes were $26.9 million for the period under review while they were $36.6 million for the corresponding period in 2012-2013 Withholding taxes increased by $9.3 million over the corresponding period in 2012. Taxes on property decreased by $2.4 million over the corresponding period in 2012-2013 to $5.2 million.

Taxes on goods and services decreased by $44.3 million or 14.8% to $255.6 million. This is also $72.0 million less than originally targeted. Receipts of VAT totalled $200.9 million, a decrease of $29.4 million over the corresponding period in 2012-2013. VAT refunds for the period under review were $16.7 million compared to $9.8 million in the corresponding period last financial year.

Excise Duties recorded $26.8 million, a decrease of $12.7 million from the actual outturn for 2012. Import duties decreased by $1.4 million to $44.6 million. This represented a decrease of 3.0% from the amount collected in 2012.

Special Receipts increased by $3.6 million to $9.1 million. This is due to an increase of $3.9 million in the Training Levy. Non-Tax Revenue recorded $17.9 million, an amount of $10.0 million less than the corresponding period in 2012. In May 2012, an amount of $12.5 million in property income was received as a BNOCL dividend.

Expenditure:

Current expenditure, exclusive of amortization of $102.2 million, decreased by $17.7 million or 2.6% from the 2012 figure to $672.3 million. Wages and Salaries increased from $200.4 million in the corresponding period of 2012 to $202.7 million. However, this is $2.0 million less than targeted.

Expenditure on goods and services increased by $2.7 million to $74.0 million. Expenditure on current transfers decreased, moving from $218.8 million in 2012 to $208.7 million for the period April to June 2013. This is $7.0 million less than the amount originally targeted.

Total debt payments in the period April to June 2013 amounted to $272.9 million with interest payments of $170.7 million and amortization payments of $102.2 million. Interest payments and amortisation decreased by $13.0 million and $86.9 million respectively over the corresponding period in 2012.

Capital expenditure for the period under review was $15.7 million compared to $12.3 million for the corresponding period in 2012. Capital formation increased by $1.5 million and capital transfers increased by $1.6 million.

Total expenditure for April to June 2013 was $790.1 million compared to $891.4 million in the corresponding period of 2012.

Deficit:

The deficit of $204.1 million represents 2.3% of GDP at market prices of $8,811.8 million. The deficit for the corresponding period in 2012 was $126.6 million representing 1.4% of GDP at market prices of $9,292.7 million.

Six months Economic Review 2013

Mr. Speaker Sir, colleagues, these public finance figures, particularly the negative outturn on revenue side continue to be driven in large measure by a weakened performance in real economic activity. This as we know began in the latter part of 2012 behind a softening in demand for goods and services abroad and deceleration in output in the domestic non-traded sectors.

Following a flat 2012, according to the latest six-month review done by the Central Bank of Barbados, there was contraction in all the main foreign exchange earning sectors, while private capital inflows were less than the previous period. Some of the major highlights of the recent domestic economic performance were as follows:

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

2. The decline in the tradable sector was due mainly to a 1.4 per cent decline in tourism output and depressed performances in both the manufacturing and agricultural sectors.

3. On the non-traded side, construction activity declined by an estimated 9.0 per cent while the distribution sector remained subdued due to the weak tourism performance.

4. The disappointing tourism performance was due to a 7.0 per cent decline in long-stay visitor arrivals from all major markets. In the case of the USA, this market declined by 10.6 per cent, Canada by 8.5 per cent, the UK by 1.6 per cent, and CARICOM by 16.9 per cent. Only Germany and other European markets recorded positive results. These two markets expanded by 25.7 per cent and 9.6 per cent respectively.

5. At the end of June the 12-month moving average rate of inflation slowed to 2.7 per cent compared with 8.4 per cent for the same period in 2012, while the average rate of unemployment stood at 11.5 per cent at the end of March 2013 in contrast to 11.8 per cent for the same period 2012.

6. Gross public sector debt at the end of 2012 stood at 98.2 per cent of GDP and when netted out it stood at 56.0 per cent.

7. While there was continued high liquidity in the financial sector, the level of non-performing loans in the banking system increased.

8. Also, there was deterioration in the external current account deficit to 6.3 per cent due to a 3.0 per cent increase in retained imports.

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

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

1. Maintenance of stability in foreign exchange market and through it a protection of our fixed exchange rate regime.

2. A faster rate of fiscal consolidation in the public finances underpinned by appropriate and credible downward adjustments on the expenditure budget.

3. And a faster return to economic growth in the short to medium-term through primarily better facilitation of private and public investment projects.

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

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

Equally, on current pace we are also predicting that, without intervention to stem the decline, the net international reserves are likely to close the year just below the billion dollar mark or roughly around the international minimum standard of 12.5 weeks of import cover.

Neither of these scenarios portends any favourable circumstances for Barbados or Barbadians. In this regard therefore it is absolutely necessary that government intervenes now to alter the trajectory of the macro-fundamentals.

While we are still investigating from an empirical perspective what has been driving such a steep drain on our international reserves, preliminary evidence has hinted that it cannot be substantially explained by a leakage of foreign exchange through increased imports or other similar transactions.

Yes, we have had a soft tourism earnings season and Foreign Direct Investment has been below 2012 levels somewhat, but neither these, nor indeed our outlays for external debt payments, have behaved in a hugely abnormal fashion.

In this case therefore, we have been surmising that the usual flows of foreign exchange are not making it into the system and that this is working as a drain factor on the reserves as more and more demands are placed on the Central Bank to meet daily requirements.

If this is indeed the case, and noting the loss of over 300 million dollars in reserves in just over three months, it would be reasonable to deduce that much of this could be attributed to a decline in the level of overall confidence in our economy by foreign and domestic investors alike.

Given this Sir, the prolongation of the international downturn, the persistently high budget deficits of the government and its unsustainable debt levels, together with the sluggish growth figures can be highlighted as the chief contributors to this apparent declining confidence.

One of the good things that we have developed over the course of this period of economic turbulence is an internal economic management and review system that meets on a regular basis not only to assess the country's economic performance but to shape policies which can directly respond to challenges when they arise.

It is through this mechanism that from as early as March this year when we started to see the unusual foreign exchange movement that I instructed the Division of Economic Affairs and Planning, to work with the Central Bank and the Finance Division to craft a new growth and development strategy with a stronger fiscal adjustment component and a medium term restructuring programme for the non-financial public service (or statutory entities).

Indeed Sir, immediately following the passage of the Annual Estimates in this Honourable Chamber, my team set to work to craft the Draft Medium-Term

Growth and Development Strategy which benefitted richly not only from the input of several ministries and government statutory entities but from vibrant contributions from the private sector and the labour movement.

In June of this year, the initial draft document was released for public consumption and debate as the Prime Minister hosted a National Consultation on the Economy with a wide cross-section of institutional, sectoral and individual interests.

That consultation was followed in the weeks thereafter with the ministry of Finance hosting separate caucuses with key players and stakeholders across the economy not only on the specifics of the strategy but on the challenges facing our economy and likely interventions by government.

This extensive process of consultation concluded with a full meeting of the Sub-Committee of the Social Partnership where again both the strategy and many of its recommendations came under close scrutiny as to their practicality and appropriateness.

And, Mr. Speaker, following more internal review and consultations, we are happy to report to this Parliament and the country as a whole that Cabinet has approved laying in this House the new Growth and Development Strategy for Barbados.

This growth and development strategy 2013-2020 charts a clear direction for our sustainable green economic growth and development priorities over the next eight years. It defines government's plan to institute a sequence of managed structural adjustments and reforms which are critical to the country's sustainable economic, human and social development over the planning horizon 2013-2020.

The theme of Barbados' Growth and Development Strategy (BGDS) 2013-2020 is **"Adjustment, Reform, Recovery and Sustainability".**

Immediate adjustment is needed to reduce the fiscal deficit and the debt-to-GDP ratio to more sustainable levels, while growing foreign reserves. Reform speaks to the necessary policies, programmes and institutions which must be implemented in the short to medium-term in order to strengthen Barbados' economic and social fundamentals.

The positive economic impacts of the adjustment and reform activities will facilitate our recovery and we believe return to a trajectory of economic growth. The strategy proposes that growth should be managed on the basis of annual targets set by Government in consultation with the Social Partnership, with the progress and achievement of the aforementioned targets being closely monitored and controlled.

Sustainability of our economic growth and development over the 2013-2020 period will be assured through this nation's commitment to productivity, efficiency, competitiveness and service excellence.

The policies, strategies and projects outlined in the BGDS 2013 -2020 require us all, to share in the burden of fiscal adjustment, structural reform and the restoration of growth and sustainability. However, even as we make this transition to new circumstances, almost a new Barbados, we must ensure that we take strategic advantage of the opportunities that will arise to aid us in continuing to protect the poorest, indigent and the most vulnerable in our country.

Mr. Speaker, I commend this document to the country, firm in the belief that if as government, private sector, labour and the wider public we work assiduously to implement its recommendations we will see a turnaround in economic circumstances.

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Unlike our previous Medium-Term Fiscal Strategy we have not worked on the assumption that global economic growth and recovery will be robust. In fact, to the contrary, we start from the opposite view that low growth and anaemic demand for our goods and services internationally will likely continue well into the planning period.

To this extent, we have settled on the firm view that until global growth and recovery is evident particularly through our trading partners, a major 19-month programme of fiscal adjustments and specific growth initiatives will have to be implemented to pull our economy around, stabilize and grow the international reserves, and create new jobs in the process through major private and public investments.

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

Mr. Speaker, it is an indisputable reality that the surest way for any country to pull itself out of any economic slump is to grow the economy consistently and at sustainable rates.

The growth segment of this Medium Term Growth and Development Strategy 2013-2020 seeks to consolidate and strengthen the existing growth areas while building on the creation of new growth areas. The broad objective going forward is to return the Barbadian economy towards the achievement of a sustainable growth rate of 3.0 per cent by 2017 and 4.5 per cent by 2020. The key pillars towards the realisation of this growth will be those that are private-sector led, productivity-enhancing, export and investment focussed, employment-generating, socially balanced, and supportive of green growth and environmental sustainable development.

Growth will eventually be buttressed by the expected recovery in major external markets (the USA and UK are forecast to grow by 3.3 percent and 2.7 percent respectively).

However, in the short to medium-term from the government side of the equation a more aggressive intervention for growth will have to be undertaken. This effort will be constructed around what we call the four drivers of growth:

1. Increased public and private, foreign and domestic investment
2. Better business facilitation
3. Increased Productivity
4. Increased competitiveness whether on price or quality of product/service.

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

Tourism and Related Services:

1. Government proposes over the next eighteen months to expend an additional US50 million dollars in marketing and promotional activities of the BTA starting with our traditional source markets and working our way into some of the newer growth areas. US $13 million of this will go immediately to settle all liabilities of the Authority with the balance earmarked for a new aggressive marketing and airlift support programme to be unveiled by the BTA in the coming weeks. These

funds will be sourced from a proposed US$100 million fiscal Policy Based Loan to be negotiated with the IADB later this year. We are at a fairly advanced stage of these negotiations.

2. As an adjunct to this the BTA will, in a special collaboration with the National Cultural Foundation and the Ministry of Culture, Youth and Sports, launch the Barbados International Culture and Sports Tourism Promotion Initiative starting next year. This Initiative will focus specially on establishing Barbados as the leading international events logistics and promotion hub. For 2014, the events being targeted will be: The English/West Indies cricket tour games in Barbados slated for February /March 2014; The Barbados Reggae Festival in April; The Top Gear Motor Sports Initiative in May; Crop Over Festival June through August; The Caribbean Premier League Cricket Tournament in August/September; The Barbados International Arts and Music Festival in September/October; the Food, Wine and Rum Festival in November; and a new International Yacht Race in December. The goal of this initiative is to attract a maximum number of tourists to our shores and ensuring the country has a complete tourism calendar. Government will make an initial investment of 20 million Barbados dollars to sponsor and/or promote these events for maximum return.

3. The 50 million Bds dollar Hotel Refurbishment Fund which I announced in last year's budget is now ready to receive applications from registered tourism accommodation establishments. The Fund is currently being implemented through an expansion of the Industrial Credit Fund and Credit Guarantee Schemes administered by the Central Bank of Barbados. The Industrial Credit Fund (ICF) channels

funds to entities through qualified financial intermediaries operating in Barbados. Potential beneficiaries first approach a financial intermediary with a project proposal. The intermediary in turn submits a proposal to the ICF for funding. The ICF may advance up to 90% of the requested loan amount. The Credit Guarantee Scheme provides commercial banks and other credit institutions protection against losses arising from the failure of eligible entities to repay their loans.

The NIS will assist with the financing of the expansion of the Industrial Credit Fund by periodically depositing parts of its surplus funds (at reasonable rates of interest) with the Fund. This approach seeks to spur much needed financing to the sector but minimize the risk to the NIS and address a number of incentive problems. The entities will remain under full private sector management: the disbursement of funds will be subject to the rigour of the credit assessment of private financial institutions and critically the debts will be due to private financial institutions and not to the State entities. Loans will be given at highly reduced rates with an appropriate moratorium on repayments of principal and interest while government will offer a special duty and tax waiver programme for any property owner accessing the initiative over the 18 months. The Central Bank has already provided public information on the expansion of the Industrial Credit Fund and Credit Guarantee Scheme.

This initiative is being targeted specially at the major problem we currently have of declining quality of our existing room stock. The aim is to see a major improvement in the quality of rooms and amenities of not less than 75 per cent of those properties in need of improvement. This is how we raise the competitiveness and quality of our rooms and get hotel stock where we need it to be.

4. Government, working through the BTII and with private investors in the hospitality sector intends to make a substantial push to bring at least 1000 rooms back into production in the sector over the period and into the medium-term. Government will take the lead in initiating the purchase and rebuilding or refurbishment of two major properties on the island that have gone out of business in the last few years. These will be the Almond Beach Resort which we have already announced and the Silver Sands Hotel. These will be done by accessing low-cost financing from the People's Republic of China for the reconstruction of the properties which will then be sold and/or reopened under international brand name management. Work on both these properties should start in the latter half of 2014, regulatory approvals permitting, and will allow for the generation of close to 350 million Barbados dollars in investment with at least 600 jobs being created during construction. I believe negotiations have started, I believe on the Almond Project.

Additionally, it is our hope that, following the sale of the Four Seasons Project to a preferred international investor, work on that site will finally begin, during the course of next year. Requests for proposals to this effect have already been posted in local and international media and proposals are already streaming in. We expect a selection to be made during October 2013.

Additional Tourism Support Measures:

As you are aware Sir, the Honourable Minister of Tourism last month outlined an expansive ten-point plan to assist with the short-term recovery of the sector. This is in addition to what we announced today. These measures ranged from assistance with marketing of up-scale accommodation plant on the island as part of the accommodation pool in Barbados, to support with dampening the impact of the APD, as well as reducing the cost of energy to local properties.

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

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

In the meantime however, we have gathered sufficient intelligence to allow us announce that effective 1st September, the bound duty rate on heavy cream, a supply used across the sector can safely be reduced in line with the common external tariff rate of 40% observed by CARICOM for external goods.

With these measures in place and some luck for a more robust recovery among our key trading partners I see no reason why this sector should not be able to rebound in the short to medium-term. However, we shall take no chances and, following a request from the BHTA, with advice from the Minister of Tourism, I have agreed to sit with them and other major stakeholders in the industry at least once a quarter to review our progress and make alternative plans if necessary.

International Business and Financial Services Sector:

Sir, another of our key sectors which will come in for very special scrutiny is the IBFS sector. I don't have to remind the House how critical the success of this sector is to the Barbados economy and society generally. However of course over the last decade the sector has come in for a major battering as it tries to defend itself against accusations of being a tax haven. From the OECD Peer Review process to FACTA and now a mis-interpretation of Barbadian Law by Canadian Revenue Officials as it relates the proper designation of off-shore banks and their regulation, the environment has been quite hostile.

We ourselves have not exactly made it much better by ignoring several of the low-hanging fruit which could make the facilitation of international business and investment in Barbados easier and more flexible. It is time to change that equation. In this regard I am empowered by the Cabinet of Barbados to announce the following:

1. Regulations to accompany the International Corporate and Trust Provider Act are ready and will be laid in Parliament in October when the House returns from summer recess.

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

3. The Ministry of Finance will instruct the Inland Revenue Department to procure on a consultancy basis a local company and tax law expert to handle tax law resolution issues and provide advice to the department so that timely decisions could be handed to businesses in the sector that require them. BIBA has generously agreed to work with the ministry to put this initiative into effect ASAP.

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

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

There has also been substantial interest by foreigners who have bought high valued properties here, or who are interested in buying such properties, to have Special Entry/Residence Permits for five years.

At present, all foreigners who own property here are often given permission to enter the country for periods shorter than they would like, despite their clear ability to sustain themselves while on the island for the periods requested. Despite instructions to the contrary the entry periods permitted to such property owners have continued to be inconsistently given. As a result these visitors have then to apply at the Bridgetown Office of the Immigration Department for extensions of stay. Thus the ability of these visitors to stay for the periods of time they wish and can afford has been rendered subject to unnecessary bureaucracy in a Department that is already finding it difficult to manage the large number of applications it has to handle.

Therefore, effective from 1st September 2013, a Special Entry Permit valid for five years at a time will be available to foreigners who own substantial residential property or investment in Barbados. Investment would include rental real estate, property development projects, manufacturing, tourism, bank deposits, mutual funds or bonds or any financial instrument. The value of the property or investment to be used to qualify an applicant for Special Entry Permit status should be US$2 million or more and the investment must have been purchased with funds sourced outside Barbados and not be subject to any mortgage on it.

As with High Net Worth Individuals, foreigners who make such investments in Barbados and seek Special Entry Permits must meet the criteria of a clean police certificate of character and valid health insurance.

Thirdly, foreigners who have special skills needed in the country as determined by the Ministry of Labour, Social Security and Human Resource Development, acting in concert with the respective Ministries with oversight of the sectors where the special skills are to be employed, and who wish to live in Barbados will also be eligible for Special Entry Permits.

The fees for the two new categories of Special Entry permits will be the same as those for Special Entry Permits for High Net Worth Individuals. The spouse of a person who has been granted a Special Entry Permit will be entitled to a special entry permit on payment of the fee for a Special Entry Permit, while their dependants of minor age will be given student visa status for the life of the Special Entry Permit, on payment of the application processing fee.

All persons who hold Special Entry Permits will be issued with a Barbados Identification card, as is done for work permit holders, suitably coded to identify their status so that they will be able to obtain Barbados drivers' licenses and otherwise conduct business in Barbados as they so desire.

These Special Entry Permits will all be renamed Special Entry and Reside Permits.

6. One of the major drawbacks associated with international business and foreign investment has been the criticism that business facilitation has been or is poor and could be handled much better. While at a philosophical level this administration continues to maintain that business facilitation is all about the attitude of the person or organisation responsible for assisting investors, we are also mindful of the fact that it is sometimes necessary to designate specific officers and offices to work with people through a system that at times could be very challenging.

To this extent, and following consideration of several requests from the private sector on this matter, I am happy to announce that the Cabinet has agreed to the recommendation that a National Business Facilitation Unit be created within the

Ministry of International Business, Trade, Industry and Small Business Development. This small unit will be staff from among existing officers of the ministry and will be headed by an Investment Commissioner who will be responsible for assisting with the smooth and efficient implementation of prospective investments, both local and foreign, in Barbados. The Commissioner will report directly to the Cabinet through the Cabinet Committee on Economic Policy. The Commissioner will report directly to Cabinet.

AGRICULTURE

Major Agriculture Reform:

In the area of agriculture our principal focus in the next eighteen months, Sir, will be the initiation of the major restructuring of the local sugar cane industry at long last. As is well known, this industry has been on a steady and sure decline for many years now, having suffered not only from a dismantling of the preferential arrangements with Europe but also because of serious internal challenges relating to financing and excess cost over the ability to earn.

And in the face of a failure by the authorities to do a serious restructuring of the industry it has now come to a juncture at which an ignominious collapse was awaiting. This administration has however, designed, and successfully sought financing to advance, a major restructuring of the industry over the next three years, starting next year, in what is called the Barbados Cane Industry Project.

Funding for this exercise (which will see the re-engineering of an existing sugar factory so as to allow it to engage multiple applications, including the production of bio-mass for the co-generation of electricity) has been agreed with the Japanese Bank of International Corporation and Japanese commercial banks for up to US270 million dollars.

Negotiations with all stakeholders including the workers' representatives have already begun and the Ministry of Agriculture will be making a fuller pronouncement of the details of the project in the coming weeks.

It is expected that this project will begin implementation in the first quarter of next year and run for three full years. It will radically reform sugar agriculture while having very positive spin-off effects on non-sugar crop production.

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

Secondly, my ministry in consultation with the Ministry of Agriculture and the BHTA, will be proposing a special programme to incentivise local hotels to use more local produce in their properties. At present when hoteliers and hotel developers seek concessions from the Ministry of Finance these are freely given to promote investment and assist in earning foreign exchange.

This, for all intents and purposes, will continue well into the future. However, it is the intention of my ministry to institute a policy that ties future requests for concessions and waivers by local hotels and restaurants to a demonstrable use of domestic produce and even manufacturers.

Manufacturing:

As you are aware Sir, the local rum industry has in recent times come under significant pressure from US rum producers who are now the beneficiaries of illegal subsidies which are eroding the competitiveness of Barbados' rum and consequently, its market share.

These so-called "cover-over" subsidies are now having a major negative impact to the extent where local and regional producers are being left with considerable stocks of rum which they cannot get rid of.

Both at the level of CARICOM and domestically, governments across the region, including Barbados, have been petitioning the US government over the distortionary impact which these subsidies are having on the US market for rum. Indeed CARICOM is also preparing for the possibility of lodging a case in the WTO to have the offending subsidies removed if a negotiated resolution cannot be found.

As you could imagine Sir, this is a process that could potentially take years to resolve while our local rum industry that brings in near US60 million dollars a year in foreign exchange could face certain collapse.

Bearing all of these factors in mind and knowing that local officials are pressing for a negotiated settlement of the issue, we have determined that it has become necessary for us to act to safe guard the future of the industry.

To this extent government will, in the coming weeks, sit down again with representatives from the local rum industry, this time to examine a mechanism that would initiate a similar level of subsidization for our local rum producers so that they can remain relevant and competitive in overseas markets.

This sector is way too important for us to sit idly by and watch as it is destroyed before our very eyes. Further details of this initiative will be made public as they are agreed.

Additionally, in order to enable the local rum distillery industry to meet the challenge it now faces and is likely to encounter for the next several years, Government has instructed the Barbados National Oil Company Limited (BNOCL) to work closely and urgently with the local distilleries on the introduction of locally produced ethanol into the gasoline sold locally. At present, the BNOCL imports gasoline that has been blended with methyl tertiary butyl ether (MTBE). The quantity of MTBE blended into the gasoline imported by BNOCL amounts on average to 12 million litres per year and, in order to provide gasoline with a lower level of undesirable emissions, BNOCL aims to replace all of this MTBE by ethanol from the new sugar cane processing complex. The ethanol from this source will however not be ready for another three years or so, and the situation where the distilleries find themselves with surplus inventory of bulk rum because of the US subsidy to its own rum producers, will be turned into an opportunity to start the process of replacing MTBE by local ethanol at an earlier stage. BNOCL and the distilleries will over the next few months have to work out the specifics of quality for the fuel grade ethanol BNOCL needs and the required alternate processing that the distilleries need to do, as well as any change in the specifications of the gasoline that BNOCL needs to import in order to accommodate the use of the available local ethanol without affecting the octane quality of the gasoline sold at the pump. Thus, Government will facilitate maintaining the size of the local distillery industry, and in the process save the country foreign exchange and provide a cleaner safer gasoline product.

Alternative Energy Sector:

In relation to the Alternative Energy Sector Sir, I am happy to announce that both the long-awaited Electric Light and Power Bill and the Income Tax Amendment Bill which relate to renewable energy concessions and incentives are ready for debate in Parliament, with the latter expected to be passed shortly and was laid today for the First Reading.

In anticipation of these, government is forging ahead with the unveiling in the coming weeks of a major renewable energy initiative aimed at not only garnering energy cost savings for the government but also using some major government buildings to generate electricity from solar energy for “on sell” to the Barbados Light and Power these two bills are critical for this to happen.

The Cabinet will shortly be called upon to consider a proposal to invite the private sector to supply, erect, operate and maintain solar electricity systems on the roofs of selected Government-owned buildings using the modality of a Solar

Power Purchase Agreement (SPPA). The electricity generated by these systems will be used by the Government and the excess sold to the Barbados Light and Power Co. Ltd. This novel Public Sector/Private Sector Partnership (PPP) arrangement is intended to advance the penetration of solar electricity systems in Barbados.

The Government considers that as many roofs as feasible in Barbados need to be turned into generators of electricity to the home, business or office. This would lead to the democratization of the generation of electricity from intermittent energy sources such as wind and solar so that every householder and business recognize their ability to contribute in a meaningful way to energy security and the reduction of the fuel import bill.

The erection of solar electricity systems on the roofs of hurricane shelters is to be funded by a US$2 million grant. This effort is being pursued within the context of the following initiatives:

i) The creation of an enabling environment to, inter alia, facilitate the erection of solar electricity systems in the island through the establishment of a number of tax and other concessions.

ii) The proposed erection of solar electricity systems on the roofs of twelve (12) Government-owned buildings as part of the US$24,664,000 Public Sector Smart Energy Programme to be funded by the Inter-American Development Bank and the European Union; the requisite agreements are expected to be signed by September 25, 2013.

iii) The establishment of the BDS$20 million Smart Energy Fund being funded by a loan from the Inter-American Development Bank. The loan component of this facility can be used by the private sector to install renewable energy systems including solar electricity at their properties using a US$2 million grant from the Global Environmental Facility with the United Nations Development Programme (UNDP) acting as Administrator of the project. The Letter of Endorsement has already been submitted to the UNDP.

iv) The erection of solar electricity systems on nineteen schools and National Conservation Commission facilities to be funded from Government's resources. The contracts for this work have already been awarded to three companies.

It is now being proposed that the Government engage the private sector to provide the requisite capital to procure, erect, operate and maintain solar electricity systems on the roofs of Government-owned buildings and provide the electricity to the Government with the excess to the Barbados Light and Power Co. Ltd utilizing the method of a Solar Power Purchase Agreement. It is considered that this modality would be a prudent course of action since it is recognized that the Government's own resources would be inadequate to erect these systems on the scale envisaged to reduce the cost of electricity and broaden the base in the generation of electricity from different sources when they get going.

It has been estimated that one million square feet of roof space would be able to accommodate a maximum of ten 10 MW of solar photovoltaic installations which at approximately BDS$10 a watt, would be equivalent to BDS$100 million in investment. This will result in a maximum of 16,400,000 kWH per year with a value of BDS$11,400,000. This is a major programme we are undertaking. We anticipate that more than 50 per cent of government's energy costs can and will be reduced.

Public Sector Short Term Investment Programme:

Finally, Mr. Speaker, on the push for a quick return to growth in the National Growth Initiative government is proposing to make the following strategic capital works intervention over the next 18 months:

1. In November of 2013, government, working on a PPP basis with three of the largest road builders in Barbados, will launch a $125 million Special Roads and Bridges Package to be executed by these private firms over the planning period. The companies with whom the Ministry of Transport and works have already had discussions will raise the financing to construct the roads and bill government for the work completed on a mutually agreed implementation schedule.

   This is expected to create at least 500 additional jobs between the firms.

2. The National Housing Corporation along with a private developer is expected to begin work on the Exmouth Housing Complex in October of 2013. This is expected to inject 33 million Bds dollars in investment in the housing market over the planning period with another 75 jobs to be created.

3. The Ministry of Education working in concert with the Maria Holder Trust is set to launch construction of 6 new nursery schools over the next 18 months or slightly longer. The first of these should start in the last quarter of this year with the others over the course of 2014. The estimated financial injection into the local economy is set at $10.8 million.

Additionally, that Ministry is expected to initiate construction of one new secondary school in Christ Church during the last quarter of 2014 at a cost of 24 million Bds.

4. The Hon. Prime Minister has consented to use the goodwill of his Office to intervene and bring a firm resolution to the on-going dispute between the Barbados Workers Union and the Barbados Water Authority on the critical mains laying projects so vital to the continued social and economic development of Barbados. Our anticipation is that with all things permissible these projects should be able to get going before year end, bringing with them 170 million Bds dollars in investment and infrastructure work. They will also generate hundreds of jobs across the country.

6. Finally, just this past week I signed off on the financing plan for the Cruise Pier Project at the Bridgetown Port. With this out of the way the developers can now forge ahead with plans to initiate close to 160 million Barbados dollars in construction work at the site, with 90 million dollars of that expected in the first phase of construction. We anticipate that work should be able to commence in January of 2014.

At the same time, government through the BTII is working to lock in appropriate low-cost financing for the construction of the Pier Head Marina Project, which we expect to start in the first quarter of 2014. That will bring an additional 100 million Bds dollars in spending in the first phase of construction.

Mr. Speaker, you would note that on the capital works investment side I have only dealt with public sector projects which we are absolutely certain are at a stage where they can begin in the next 12 months. Collectively these projects over their life of implementation could bring 1.8 billion Bds dollars of investment capital, very little, if any, of which will come directly from central government's coffers and will not have a direct impact on our deficit.

It means that if we can work to get all of these projects started in the next year we would create significant activity in the domestic economy and, along with the measures I have announced to assist specific sectors, our targeted GDP growth percentage of 1.0 in 2014 will be achieved and possibly even surpassed.

What it will also mean is that those ministries which have direct oversight of the projects must be equipped with the human and technical resources to ensure that implementation is secured within the timeframe set by governments.

It is this particular weakness which is seen across several ministries which engage in major project implementation or oversight. In this regard therefore, Cabinet has instructed that specific short-term project implementation units be established within these ministries with the dedicated function of managing these projects to completion. Cabinet has also agreed that a Specialized Major Project Coordination Team be established to coordinate the implementation of select major projects in government. That team will be headed by an experienced project manager, and comprise finance, human resource, legal and project implementation expertise. This Team will report directly to the Cabinet Committee on Infrastructure.

Additionally, the Prime Minister has instructed that monthly project implementation review meetings be held under his chairmanship at which progress reports on all of these major public sector investment projects are to be laid and discussed.

Mr. Speaker, you must have noticed by now that I have led a strong narrative in this presentation on the need for growth and the specific interventions which we believe will assist in driving this process.

That is because we strongly believe that the fiscal adjustment which I will now outline to streamline and consolidate the public finances are not to be viewed in isolation of the growth measures that I have just enunciated. Far from it; we are firmly of the view, as expressed in the MGDS, that for there to be any sustainable growth in the Barbados economy, fiscal prudence must be the overarching macro-economic fundamental that drives eventual attainment of growth targets.

The reality is Sir, that an ill-disciplined fiscal stance by government, however well intentioned, will act as a constraint to both public and private investment and hinder our efforts to get growth early.

This is even more the case when we conclude from all the evidence that a robust and sustainable recovery in the global economy including our trading partners is not guaranteed and so any positive side-effects from that will be limited.

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

FISCAL ADJUSTMENT MEASURES 2013/2014 to 2014/2015

Background

At the end of the period April 2012 to March 2013, the fiscal deficit to GDP ratio stood at an estimated 7.9 per cent, in contrast to 4.4 per cent for the same period

2011-2012. This was on account of an 8.7 per cent decline in tax revenue due mainly to a fall in goods and services receipts by 6.9 per cent and taxes on income and profits by 11.1 per cent. Gross public sector debt at the end of 2012 stood at 98.2 per cent of GDP and when netted out it stood at 56.0 per cent. With a growing fiscal deficit, which must be adjusted for stability purposes, the aim of the proposed measures is to cut the size of the deficit using a selected set of policies over a reasonable timeframe. In the Estimates of Revenue and Expenditure for financial year 2013-2014 approved by this Parliament we were forecasting a budget deficit of 5.6 per cent of GDP. Based on the preliminary returns for the first three months of the financial year, and taken together with potential financing requirements for the rest of the year based on history, we have estimated that the landing place for our fiscal deficit at the end of 2013/14 would be in excess of 8 percent of GDP. This could even be higher if revenues perform even more poorly and definitely would be if no intervention is made now on the expenditure side. This would not be wise nor would it be sustainable.

Purpose for the Adjustment

As reported in the Growth and Development Strategy 2013-2020, a broad objective is to reduce the fiscal deficit to below 2.0 per cent by 2020/21. However, given the need for an early, front loaded, adjustment, it is the aim of government over a 19-month period, to cut the deficit to a target that falls below 3.0 per cent of GDP by 2014/2015, and thereafter continue to keep the deficit on a sustainable path. The actions to do this will be carried out from both the expenditure and revenue side.

Outline of the Policies

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

On the revenue side the main goal is to institute revenue measures aimed at stabilizing our declining revenues but done in a way that shares the burden among all members of the society so as to lessen its impact. Again, some of these impositions will be temporary, lasting only for the adjustment period of 19 months, while others will carry over until further notice or such time as fiscal balance is achieved. These measures are estimated to earn a total of $150.9 million over the 19 months.

On the expenditure side, the measures aimed at reducing current expenditure by $285 million over the adjustment period target some of the expenditure areas most known to consume large amounts of government revenue, such as personal emoluments, subsidies and transfers, grants to individuals and organizations, specific areas of procurement and tax expenditures.

Government has been careful to design these expenditure adjustments in such a manner as to limit the potential for major job losses in the public service, through instructing line ministries and statutory entities to use retrenchment as a last resort, while preferring to institute creative programmes for work hours/days/week reductions among staff. The Ministry of the Civil Service and the Ministry of Finance will assume general oversight of the implementation of this aspect of the measures so as to ensure that the targets are achieved while adherence to the preferred approach outlined by government is maintained.

Additionally, we have also determined that in order for these expenditure targets to be achieved and maintained the following must be strictly adhered to, and as such a zero tolerance approach will be adopted in relation to them:

1. Effective immediately there will be a total freeze on all new hiring in the central public service and across all statutory entities. Deviation from this policy will only be countenanced in cases of extreme criticalness and will have to be approved by the Prime Minister and Minister of Civil Service before execution.

2. The above policy will also extend to the hiring of substitutes, temporary and/or casual workers as replacements for appointed staff proceeding on leave.

3. Departments and Boards who breach this policy will not receive any resources to cover the salaries of these persons if they cannot be accounted for in the system.

4. There will be an immediate freeze of all non-critical established posts which have not been filled in the last six months and are unlikely to be filled in the near term.

5. There will be a strict policy of limiting supplementaries to within budgeted expenditure targets. Ministries and departments have been advised that the Ministry of Finance will not accept any requests for supplementaries where commensurate savings from their overall budget cannot be found, virement employed to move from one account to another, or except in cases of serious national emergency. Special exemptions may be made on account of such areas or public health, national security, child and elderly care.

Overall the proposed revenue and expenditure policy measures will result in total savings estimated to be $435.9 million over the adjustment period.

Expected Impact of the Fiscal Policy Proposals

Based on the policy options, it is expected that by the end of the 19 months' timeframe, the deficit could be reduced to 2.8 per cent of GDP (using an estimated GDP at market prices value of $8542.7m), which equates to an overall deficit reduction of $416.7 million. It is observed that for the first seven (7) months, which represent the period September 2013 to March 2014, the size of the deficit reduction would be $213.8 million or to an estimated 5.4 per cent of GDP in line with the target set for this year's Estimates of Revenue and Expenditure. When the measures are allowed to run for a full 12 months of the next Financial Year, it is estimated that the reduction will be $217.8 million. The relevance of the 19 months' period is that a cut of the magnitude shown would best be done over an extended period rather than by the end of the 2013/2014 financial year.

Alternative Growth Scenarios and Fiscal Impact

The above results for 2014/2015 are built on a growth target of 1.0 per cent. However, there is the possibility that growth could be higher if the private sector and government are able to get critical projects and programmes going. On the part of the private sector this would mean restarting stalled construction projects and getting the proper facilitation from government. On the part of the public sector it will mean fast-tracking its PSIP programme with the intention of smoothing out all existing kinks. If all these can be done in an efficient manner with the bringing together of a higher level of financial and other resources, then the 1.0 per cent growth could be much higher. Any realization of stronger growth will positively impact revenue (mainly tax revenues) which will further reduce the size of the deficit, assuming expenditures can be controlled. It is entirely possible that if growth of 1.5 per cent or 2.0 per cent for 2014 and 2015 is achieved the deficit would fall to -2.5 per cent and -2.4 per cent respectively.

We are however, erring on the side of caution and settling for a more conservative estimate of 1.0 percent for growth and a deficit result of 2.8 per cent.

Implementation

Regarding implementation together with existing critical units within the Ministry of Finance and Economic Affairs, such as the Budget Unit, Debt Unit, Management Accounting, Revenue Division etc, and following consultations with the Prime Minister, I have instructed that a special Fiscal Adjustment Implementation and Monitoring Team be established to oversee the execution of this programme.

That team which will be composed of senior level technocrats from the Division of Economic Affairs, Ministry of Finance and the Central Bank, will be required to produce monthly reports on the progress of implementation and results to the Cabinet Committee on Economic Policy. Quarterly updates will be given to this Parliament and ultimately to the public of Barbados by way of the regular economic review of the Central Bank on the state of the economy.

With these pointers in mind the revenue and expenditure measures are as follows: For ease of reference members can view them in the appendices:

Table 1: Revenue Measures

Proposed Revenue Measures	Estimated Size of Adjustment - Bds$m	Implementation Phase (19 mts)	2013/2014 7mts (Sep to Mar 2014)	2014/2015 12mts (April to Mar 2015)	% of GDP (2012 GDP Total)	General Comments
Reduction in discretionary waivers on import duties and excise tax - to ranging from 0% to 100% at the discretion of the MOF.	(25.0)	Sep 2013 to Mar 2015	(14.4)_	(22.6)	0.4	The potential for getting the $25.0m will be at the discretion of the Minister.
A 0.7% municipal solid waste tax placed on the non-improved value of the land	49.3	Sep 2013 to Mar 2015	0.0	49.3	0.6	Tax replaces the Greening Levy announced last year the purpose of managing the major solid waste treatment problem

Proposed Revenue Measures	Estimated Size of Adjustment - Bds$m	Implementation Phase (19 mts)	2013/2014 7mts (Sep to Mar 2014)	2014/2015 12mts (April to Mar 2015)	% of GDP (2012 GDP Total)	General Comments
						which the country is currently faced with.
A temporary consolidation tax on gross income of persons earning 50,000 and over. To be applied as follows: 50,000 to 75,000 (0.5%); 75,001 to 100,000 (1.0%); 100,000 to 200,000 (2.5%); and over 200,000 (3.5%).	42.1	Sep 2013 to Mar 2015	15.5	26.6	0.5	Tax will be eliminated March 31st 2015

Proposed Revenue Measures	Estimated Size of Adjustment - Bds$m	Implementation Phase (19 mts)	2013/2014 7mts (Sep to Mar 2014)	2014/2015 12mts (April to Mar 2015)	% of GDP (2012 GDP Total)	General Comments
25% increase in excise tax on tobacco products.	9.9	Sep 2013 to Mar 2015	3.6	6.2	0.1	
15% tax on lottery winnings $1000.00 and over (use a base of $33.0m which is total annual winnings paid out)	7.9	Sep 2013 to Mar 2015	2.9	5.0	0.1	

Proposed Revenue Measures	Estimated Size of Adjustment - Bds$m	Implementation Phase (19 mts)	2013/2014 7mts (Sep to Mar 2014)	2014/2015 12mts (April to Mar 2015)	% of GDP (2012 GDP Total)	General Comments
A reduction in the current VAT rate on Tourism Accommodations/ direct services to 7.5%.	-10.3	Sep 2013 to Mar 2015	-3.8	-6.5	-0.1	Revenue loss measure
Excise tax rebate on new cars rolled back to 15%	13.9	Sep 2013 to Mar 2015	3.7	10.2	0.2	
A temporary tax on the assets of commercial banks	38.0	Sep 2013 to Mar 2015	14.0	24.0	0.4	To be placed only on banking assets

Proposed Revenue Measures	Estimated Size of Adjustment - Bds$m	Implementation Phase (19 mts)	2013/2014 7mts (Sep to Mar 2014)	2014/2015 12mts (April to Mar 2015)	% of GDP (2012 GDP Total)	General Comments
applied at 0.20%.						for the 19 months period. Amounts raised will be earmarked to contribute to marketing efforts of the BTA
Total	**150.9**		**36.0**	**114.8**	**1.8**	

Proposed Expenditure Reduction Measures	Estimated Size of Adjustment - Bds$m	Implementation Phase (19 mts)	2013/2014 7mts (Sep to Mar 2014)	2014/2015 12mts (April to Mar 2015)	% of GDP (2012 GDP Total)	General Comments
A $30.00 million reduction in the $ 121.780 million provided in the 2013/2014 Estimates for temporary post/employees (the $30.0m to be taken only from the 2013/.	30.0	Sep 2013 to Mar 2015	11.7	18.3	0.4	Done by the line Ministries with the assistance of the Ministry of the Civil Service and the Ministry of Finance.
Reductions in Transfers and Subsidies - Transport Board ($15.0m); NCC ($6.0M); UWI ($42.0M); QEH ($35.0M); BAMC	140.0	Sep 2013 to Mar 2015	38.1	101.9	1.7	Reductions to be made in-line with expected expenditure cuts

($12.0M); SSA ($30.0).						over 2012 allocations and measures to raise revenues within the respective agency.
A 12% cut in transfers (this will be on a base of $475.8m).	60.0	Sep 2013 to Mar 2015	23.3	36.7	0.7	This will be on a base of $475.8m.
A 5% cut in Goods and Services.	20.0	Sep 2013 to Mar 2015	7.8	12.2	0.2	This is targeting energy savings and other procurements.
A reduction of $ 20.00 million in the amount ($ 29.082 million) allocated in the 2013/2014 Estimates for acting allowances/substitutes.	20.0	Sep 2013 to Mar 2015	7.8	12.2	0.2	The Ministry of the Civil Service will work on determining those posts that would be affected.

Reduction of the reverse tax credit by 8 %; $650 instead of $1300	15.0	Sep 2013 to Mar 2015	0.0	15.0	0.2	It was agreed that this proposal will take effect from the 2013 income year.
Total	**285.0**		**88.7**	**196.3**	**3.4**	

National Growth Measures Matrix

Macroeconomic Framework

Table 1: Growth Measures over the Short to Medium Term

Drivers of Growth	Main Measures	Provisional Cost (bds$m)
• FDI • Business Facilitation • Increase Productivity • Competitiveness	**Tourism Services** ➢ Better more effective destination marketing (Additional Funding for BTA US$50 million (PBL) 1-2 yrs). ➢ Upgrade of product ($50 million Hotel Refurbishment Fund – NIS/Central Bank from 2013). ➢ Improved service delivery (2013). ➢ Diversification of DTS. ➢ Push for 1,000 new rooms in the next 3 years (Almond Beach, 4 Seasons and Silver Sands Hotels) - $800.0m	

Drivers of Growth	Main Measures	Provisional Cost (bds$m)
	(estimates for both Almond Beach and Four Season Hotels) ➢ Price competiveness – (lower of energy costs, FB input costs, VAT on Accommodation - 2013)	$950.0
	International Business ➢ Passage of key legislation (Regulation - 2013) ➢ Special Entry permits (Revised to lower qualification threshold and include property ownership and business investments. 2013) ➢ Multi-year licensing for IBCs (6 months) ➢ Increase Resources for Invest Barbados (push investment opportunities (2013-14)	

Drivers of Growth	Main Measures	Provisional Cost (bds$m)
	➢ more efficient handling of tax resolutions issues by IRD(2014)	
	Major Agriculture Reform ➢ Cane Industry Project (US 250 million 2013-2016) ➢ Higher Investment in non-sugar crop production etc. (US10 million dollar production grant incentive initiative – 2014) ➢ Farm to Hotel incentive schemes (tying future tourism incentives to increase use of local produce 2013-14) ➢ BNOC longer term initiative with rum producers	$520.0
	Culture/Sports and International Events	

Drivers of Growth	Main Measures	Provisional Cost (bds$m)
	logistics ➢ Greater investment in Crop over and other special events on the tourism calendar – (US$15 million 2014-15) ➢ Cultural Industries Bill – (2013)	$30.0
	Manufacturing ➢ Special focus on the Rum Industry not just for bulk but also speciality Rums. ➢ Use of excess alcohol as additives for gasoline (2013- 14)	
	The Green Economy Initiative ➢ Headlined by Alternative Energy programme	

Drivers of Growth	Main Measures	Provisional Cost (bds$m)
	➢ Electric Light and Power Bill ➢ Income tax Amendment Bill ➢ Government solar power investment programme	
	RESTORING STABILITY OF PUBLIC FINANCES AND PUBLIC SECTOR RESTRUCTURING ➢ Public Finance (fiscal)Adjustment and sustainability programme – (18 months window) ➢ Central Government and Statutory Entity Reform: (6 months to 1 yr window) • Building Efficiency • Cost reductions • Flexibility	

Drivers of Growth	Main Measures	Provisional Cost (bds$m)
	➢ Merging and/or phasing out of certain statutory entities. ➢ Establishment of the Barbados Revenue Authority. ➢ Finalizing the implementation of a new National Procurement Authority backed by appropriate legislation. ➢ Creation of an Business Investment Facilitation Unit . ➢ Public Sector Investment – (2 year window) • Roads (Bridges) ($125.0 million road project with 3 major road builders). • Energy efficiency (proposed PPP on solar power generation using government buildings – Part of the US$24 million Smart Energy Project).	

Drivers of Growth	Main Measures	Provisional Cost (bds$m)
	• Public schools (1 new secondary School, 6 new nursery Schools 10.8 million). • Housing and neighbourhood upgrade ($33.0 million Exmouth Housing Complex). • Water upgrade ($100.0 million IDB mains laying programme). • Cruise Pier Project (Financing by January 2014. • Pier Head Project (BTII to raise short term financing to start project by January 2014 while pursuing low cost long term financing)	$306.0
	➢ Initiate a Special Entry Permit valid for five (5) years at a time be available to foreigners who own substantial	

Drivers of Growth	Main Measures	Provisional Cost (bds$m)
	residential property or investment in Barbados. Such investment would include rental real estate, property development projects, manufacturing, tourism, bank deposits, mutual funds or bonds, or any financial instruments. ➢ Fast-track the National Renewable Energy Policy and legislation. ➢ Re-develop the Empire Theatre and the facilities in Queens Park as centres for the performing arts.	
	Total Investment (Provisional)	**1,806.0**
	Estimated Investment as a % GDP (2012)	**21.4**

The International Reserves Factor:

With these robust fiscal measures in place we are confident that the slide in the international reserves will slow considerable and small gains will likely be made towards the end of this year even as they pick up momentum in 2014 behind a stronger performance in foreign exchange earnings sectors.

However, to be on the safe side it is government's intention to go to the international capital markets in the coming weeks, conditions permitting, to do a bond issuance for further balance of payments support and to support our overall growth initiatives.

Additionally, it is our hope to conclude negotiations with the IDB for a Fiscal Policy Base Loan of US$100 million before year end, while triggering the third energy PBL of US$35 million following the long awaited laying of the Electric Light and Power Bill in October this year.

Together these three injections should boost the reserves by at least 700 million dollars.

Additional Initiatives:

Financing of University Education:

The Government of Barbados recognizes that access to education at all levels has been a key factor in the success of Barbados as a society and an economy. The DLP remains committed to, and fully supportive of, the continued growth and development of UWI Cave Hill and increased access to tertiary education for Barbadians. In about 2003/2004 the Cave Hill Campus began a major expansion in terms of the numbers of students and the amenities offered. In 1999 for example, there were around 3,568 undergraduate students at the Cave Hill and by 2007 this number had increased to around 6,718 and currently stands at around 7,200 students. The expansion has meant major increases in the Government of Barbados' contribution to UWI. For example, in 2007, the financial contribution of the Barbados government to UWI Cave Hill was $79.3million dollars, a $28.3 million over the $51 million required in 1999. However, between 2007 and 2008 the annual contribution required from the Government of Barbados increased from $79.3 million to $120.5 million. To put things in context, for the entire period 1999 to 2007 combined, the total contribution required from the Government of Barbados to the Cave Hill Campus was $543.2 million, compared to the $636.3 million dollar contribution required for the 2008 to 2012 period. The reality is that the amount required in the last five years was $93 million greater than the previous nine years combined.

The stark reality is that since around 2006 or so, the total contribution by the Government of Barbados to UWI has exceeded the combined contribution to all of our Nursery Schools, Primary Schools, Secondary schools, Barbados Community College and the Samuel Jackman Prescod Polytechnic. While remaining committed to providing continued access to university education, the government cannot simply continue to preside over a situation where the growth and development of the non-university component education system is severely retarded. The country needs to be able to build capacity at all levels of the education system.

As a consequence, the government has decided that in an effort to assist it in meeting the exploding costs of university education it has now become necessary to ask students attending and desirous of attending the University of the West Indies to contribute to their education in a more direct manner.

Therefore, effective 2014 Barbadian citizens pursuing studies at campuses of the UWI will be required to pay tuition fees from academic year 2014/2015, while the government will continue to fund economic costs. According to the most recent scale of fees, tuition fees for students in the Faculties of Humanities and Education, Social Sciences and Science & Technology tuition fees are $5,625 for a full time student (half for part-time and economic cost is $28,125. For the Faculty of Law tuition fees are $8,808 and economic cost $44,040, while for the Faculty of Medical Sciences - Clinical tuition fees are $16,618 and economic cost $83,090, and for Medical Sciences - Pre-Clinical tuition fees are $65,000. The Government of Barbados will continue to pay the economic costs.

This policy will reduce the transfer to UWI by an estimated $42m a year. The Ministry of Education will provide further details on a Means Testing Mechanism to ensure no deserving person is denied access to university education because of the means of their parents. The Ministry will also outline adjustments to the Student Revolving Loan Scheme to ensure that adequate access to loans with attractive repayment terms is available while the Ministry of Finance and

Economic Affairs will in the coming week work with local finance houses to establish a National Registered Education Savings Plan with appropriate tax allowance provisions for savers. We also expect that our commercial banks, credit unions and other lending agencies will come forward with other attractive packages.

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

Since these expenditures missed today become huge debts tomorrow (which we are daily reminded by the management of the UWI are owed to them) it is simply not the responsible thing to do.

[AD LIB]

Public Sector Restructuring:

Mr. Speaker, in the immediate post-independence era of governance and public sector management in Barbados, successive governments have turned to the establishment of Statutory Corporations to deliver a variety of goods and services to Barbadians. For the most part these agencies have done so to varying degrees of success and, with support from central government, have been able to diversify their interventions to a very demanding public.

However, it has also been observed that making public sectors work better is a persistent and difficult challenge which is absolutely essential if countries such as ours are going to fulfill their central objectives of sustained growth and poverty alleviation. Governments all over the world have increasingly become aware that they must realign their priorities and use scarce resources more efficiently.

In this regard, structural re-organisation is an important starting point in the search for a more flexible, accountable, and transparent public sector. It can be safely argued that in Barbados successive governments have created a maze of organizations and entities all having relatively important mandates but each carrying with it a complete structure of operational mechanisms that in some instances proves very difficult to manage and in others still overlaps, or duplicates the established functions of other agencies.

In the decade prior to 2008 in particular the country saw an explosion of these entities most, if not all, of which relied heavily on the State for financial sustenance to support an ever-expanding civil establishment and an array of social services provision. In recent times, as government resources have become scarce and the quality of service from these entities less dependable, many Barbadians have called for a serious re-examination of the viability and practicality of having so many of these organizations in existence. Upward pressure in this regard has escalated in the aftermath of the current recession even as concerns continue to be raised about the persistently high levels of government transfers and subsidies to these organisations.

Mindful of these realities, and of the need to build organizational synergies across the vast network of organisations government currently owns, the Ministry of Finance pulled together a team of senior officers in the ministry to conduct a preliminary assessment of a list of statutory entities currently funded by government and to make recommendations for their re-organisation.

Mr. Speaker, I am in a position to report that in late June this year, that team returned with a preliminary report and analysis and proposal for the reorganization of 18 such entities currently in operation. The entities were grouped according to similarity of mandate, overlapping functions and sameness of services provided.

It was revealed that collectively between them this group or entities which covered such areas as public housing, sports facilities management, investment, youth and cultural affairs and sport, expended close to 130 million dollars and provided just over 1,600 jobs between them.

The Committee has recommended that there be a concerted programme implemented to create operational synergies between these organizations so as to build efficiencies and save government significant sums in transfers and subsidies. This is to be achieved through the merging of some, and elimination of other organizations.

Following a review of the research and recommendations of the team, Cabinet has noted the paper and asked for additional work to be done to fully build out a sustainable government reorganization project through the statutory corporations identified. Cabinet has also instructed the Ministry of Finance to put in place a special unit to examine the Team's proposal in full including the implications for service delivery, staff rationalisation, and financial allocations from the state to manage these organizations.

The Unit will comprise management, finance, human resource and legal expertise and has been mandated to return to Cabinet by December this year with a final set of recommendations on which organisations should be retained and which should be cut in pursuance of the objective of making government more lean and efficient and reduce the level of subsidies and transfers in the expenditure budget.

It is our anticipation that implementation work on these proposals will begin in 2014 following full consultations with all stakeholders including staff and their representatives and of course members of the general public.

More details of this will follow in the weeks and months ahead as government unveils its medium-term programme for governmental restructuring and sustainable deficit reduction.

Mr Speaker, there comes a time in the life of any nation when all who inhabit it must pause and reflect on those things that sustain their existence and that of the place they call home. For us in Barbados it is our deep love of God and family and a commitment to uphold those fundamental moral values of honesty, hard work and compassion for those less fortunate than ourselves. For Barbadians this is not a station or a fleeting experience of conscience, it is a way of life.

I humbly submit Sir, that it is at times like these that those core principals of this way of life come to the fore to sustain us both individually and collectively as a community.

Challenging and tough times are not new to us, we have passed this road already and through dint of hard work and a never say die attitude it brought us through and elevated this country to heights hitherto unimaginable. Whether in the early 1980s under a Tom Adams led BLP, or in the early 1990s under an Erskine Sandiford led DLP, we fell but we did not stay down and lament our misfortune.

We got up Sir, and painful as the fall might have been we did what we had to do to save our country and demonstrate to the rest of the world that we are leaders not followers, fighters not quitters, optimists not pessimists.

The times in which we live today are far more challenging, the cost of our existence that much higher and the chance of failure that much greater. But, Mr. Speaker Sir, you know what, the opportunities are more bountiful and it is this that matters more than the negatives which we will hear.

We truly are and will be what think we are. If wallow in defeatism we have already lost; if we speak failure each time our mouths open we will never succeed; and surely if we refuse to act in the best way we know how to save ourselves then die we will.

Fellow Barbadians, our glass is not half empty it is half full. We have over the years sipped of the wine of our labour and have tasted success therefrom. It is time now to refill the glass to work harder, smarter, and more diligently. To put Barbados first! The programme which I have just outlined and the accompanying measures are designed to reposition our country to resume its march towards advanced status in the very near future.

It is crafted to protect the things we hold dear and create new platforms for future success. It will not be easy nor will it be painless, but it will be worth every effort in the end. For the pain we bare now, will be the gain we secure in the future.

Let us rally around our country and rebuke those that only see negative and only speak gloom. Let us replace intellectual arrogance and know-it-all attitudes with a spirit of openness to new ideas and new path ways. Let us choose togetherness over division, hard work over lethargy, success over failure.

Most of all Sir, let us join hands and put our country first, leaning not on our understanding but on the wisdom of the Almighty God for it is said unto us that pain may endure for the night but joy will come in the morning and this too shall pass.

Mr. Speaker, fellow Barbadians may God Bless you and may God continue to bless this beautiful country.