

Budgetary Proposals and Financial Statement 2022 delivered by Prime Minister and Minister of Finance, Economic Affairs and Investment, Mia Amor Mottley

1. Introduction

Mr Speaker, it is good to be back in our home, in this historic Parliament and Bridgetown. I thank all of those who worked beyond the call of duty to put us in a position to be here today, for their commitment and dedication to the task. We know the work is still continuing and we thank you for enabling this Budget to be delivered from this place. We also thank those who facilitated our accommodation for the last 2 years at the Ernst and Young Corporate Centre at Worthing Christ Church.

Mr Speaker Sir, this is the first occasion on which this Parliament will be meeting to complete the budgetary arrangements for our country for the next fiscal year 2022 to 2023 since the election on January 19th of this year.

I would also like to thank all Barbadians for the manner in which we were able to execute and manage the transition of our democratic responsibilities in the middle of a pandemic. This is a credit to all.

Please let me also express sincere gratitude to Barbadians for the confidence reposed in my government and in all of the members of Parliament who have been elected to this Honourable Chamber. We do not take the confidence that our people have reposed in us lightly.

We understand the gravity of the moment - the challenging times and broken world in which we live, and we understand that you have asked us to chart this country's journey to become world class by 2030; and in so doing to take as many Barbadians on that journey as possible and to protect those who for whatever reason cannot make that journey on their own.

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The people have also asked us to keep you and this country safe. We are all are cognizant of the uncertainty of the times in which we live. But I have no doubt that we will be sure footed. Working together, the government and the people will play each ball as it comes, however difficult the pitch, and match the ball with the stroke.

I also want to thank all of the Social Partners for making contributions and for expressing their views as to where their individual sectors may be and what they believe may be suitable for them at this juncture. Even where the government is unable to respond to an individual request, we could understand the motivation behind the request. With one exception.

Yesterday morning I read in the press the comments coming from one quarter asking the government to deliver a guarantee that prices will not increase. This is as unbelievable as it is irresponsible.

It saddens me that those who are so urging, do not yet understand that the world in which we live can provide no such assurances, or they do understand and are seeking to mislead the Barbadian public. In this regard it is fortunate for the rest of us that this Parliament cannot and will not, be misled. There is no single policy to control what is patently a global problem with respect to inflation and prices.

The combination of the pandemic, the disruption of the supply chain globally and now the war in Ukraine means that there are multiple causes for price rises that are quite frankly, beyond the control of national governments, no matter where located and no matter how powerful. Small nation states like ours are particularly vulnerable to these external circumstances and the very real challenge is how we reduce the buffeting of these mighty global winds. It is my intention to today, present what a responsible government, genuinely caring about the safety and welfare of our people can and will do.

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One of the greatest characteristics of the Barbadian people is to be found, not in never falling, but in rising every time we fall.

Mr Speaker, Sir, a little under two years ago, Covid shut down Barbados- it shut down our tourism and travel industry. It affected lives in ways that no one had anticipated.

Visitors on the island fell from almost seventy thousand in March 2020 to almost one thousand in April 2020.

By the end of May 2020, 32,000 individuals or 44% of the members of the National Insurance Scheme, had claimed against the Unemployment Fund.

Mr Speaker, Sir, the scheme's founders never contemplated such a possibility.

In fiscal year 2020/21, national income fell by close to 15% - the biggest annual drop recorded in our history.

Mr. Speaker, as a result of Covid, the Government's fiscal position went from a primary surplus of 6 percent of GDP in 2019/2020 to a 1 percent primary deficit in 2020/21.

In the first year of Covid the Government lost \$600 million of tax revenues relative to what we were projecting prior to the pandemic and this was mainly the result of the shutting down of the economy.

Covid-related expenses were roughly \$390 million.

We spent to ensure social stability, to ease people's pain and suffering and to allow every Barbadian, of every social class, some measure of dignity against the social and economic assaults that COVID inflicted.

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In a night that seemed to bring our darkest hour, our task was to keep the candles of every Barbadian aflame; the candle of survival and the candle of hope.

And as a result,
As a country;

We came through the night and thought we were looking toward the dawn.

Then, Mr. Speaker Sir,
Soufriere erupted.
Elsa visited.

And we came through again.

Mr Speaker, Sir, in these anxious and uncertain times it would be politically profitable for me to claim victory, and reassure you of a short return to the routine of the past, to the known, to the comfortably familiar.

But it is my duty Sir, to tell you, that steadily but surely, a shadow has descended, and the world has changed.

It was changing even before Russian troops breached the territorial sovereignty of Ukraine at 5 am on February 24th.

The world has become a riskier place than the one we have been used to.

The sad reality is that the overuse of antibiotics in rich countries and in agricultural production means that today we are more at risk of new viral pandemics than ever before.

Reliance on cheap, imported, processed foods, in part as a consequence of international trade agreements, has created in Barbados today an

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epidemic of non-communicable diseases like diabetes, heart disease and hypertension.

The digital revolution is reordering global trade in goods, labour and capital, spawning new economic empires. Ensuring that we remain free in this new world requires a constancy of mind and persistence of purpose.

Two hundred years of industrialisation in the northern hemisphere has changed the world's physical and biological systems so that we are now racing towards an increase in average temperatures of 1.5 degrees, the tipping point above which the glaciers melt and sea levels rise.

The multilateral institutions needed to provide fair and equitable solutions to these global problems were fashioned by the victors of World War II, seventy five years ago when the vast majority of the world lived under the yolk of European empires.

I fear that today they have neither the legitimacy nor capability to do the job.

Our response to this new world, cannot be to pretend it is not happening, to continue along our old path unperturbed.

It requires a different governance, financial, economic and regional response.

It requires governments that are more agile and responsive than governments of the past: able to press on the gas and then the brake as appropriate.

We did that during Covid.

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Without perhaps fully appreciating that this was the new normal. Governments in the future will be guided less by rigid conventions; but more by a mix of principle and the response to rapid information.

Our needs in Barbados, are those of our brothers and sisters in CARICOM. We face the same challenges and we must as SIDS of one community also consider what should our common responses and solutions

Mr Speaker, in the uncertainty and the peril of the times, what principles guide us?

The Covenant of Hope which we made with the Barbadian people, appropriately so, at Solidarity House six years ago, has become even more vital and important in this new world.

On the night of its presentation we defined our principles and priorities.

We set ourselves the goal of a safe, prosperous and socially just Barbados where all of our people are able to choose the preferred paths for their lives and where our country invests in social protection for those in need.

We anticipated an unstable world and accepted that we would invariably face periods of economic adjustment and uncertainty.

We did not promise the end of peril, only that whatever its nature or gravity we would work to remedy it.

But we committed that we would follow the over-arching principle that the burden of adjustment must be shared fairly. And, equally, when times of plenty return, the prosperity must be shared fairly among all of our citizens.

Our Covenant with the people of Barbados embraced a vision of a modern, globally competitive economy, built upon a foundation of a fair share for workers, opportunities of ownership for all, and adequate returns on private

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investment; effective deployment of new technologies across the public and private sectors; a credible, efficient legal system; and access to renewable energy resources and cheap and fast internet.

Presciently, we envisaged the importance of nutrition, energy and water security, and the protection of our natural and built environments, from our roofs to our reefs, to support inclusive and equitable growth.

And we emphasised the importance of fiscal responsibility and debt sustainability. We stressed resilience to enable our country to face the challenges, whatever they were.

When times are uncertain. These are the goals, principles and priorities we draw upon. Our compass. We have used this compass in preparation of our budgetary measures to be announced today. We hope that in them you will see that we have been faithful to our Covenant with you, that our supreme task is the safety and welfare of our people and in pursuing that we are trying to share the burdens and share the benefits. We are trying to shield the most vulnerable from the challenges they face; we are trying to expand the economy in an inclusive, fair and equitable manner, with initiatives to boost the spread of ownership and the use of technology; and we are trying to do all of this in a fiscally responsible manner.

Mr. Speaker Sir, The year 2021 was sent to remind us that if we want to preserve Barbadian pride and independence,

if we are to roll with every punch thrown at us,
respond to every challenge,

We must continuously sow, nourish and expand our resilience, including fiscal resilience.

The truth and fact is, we were lucky Covid, Soufriere, and Elsa did not strike us at the end of the lost decade from 2008 to 2018.

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Then, Barbados was being strangled by high and costly debt, failing infrastructure and capital flight.

Servicing the debt alone - paying interest and paying back due debts - took up sixty eight cents in every dollar of taxes raised. Less than thirty two cents in every dollar of tax revenues was left for schools and clinics, border defence, hospitals, fixing roads, buying buses and garbage trucks, paying wages, pensions and more.

There was no room to breathe and invest in the future, far less to respond to any new challenges.

Creditors saw the writing on the wall. The unscrupulous circled and demanded a high premium, 11 percent, to lend Barbados money in 2017 because of what was then our high risk status.

On top of this was the adversarial financing that saw the significant build up of arrears by the Government from nothing in 2008 to 2 billion dollars of promises-renege in early 2018.

2021 taught us we must always have gas in the tank.

Reserves

And a plan.

In 2017, Barbados trod on this new risky world, almost without any protection, with just about three weeks of import cover.

Today, after the worst of Covid, Soufriere and Elsa, the Governor of the Central Bank of Barbados has informed me that Barbados' reserves stand at \$3.058 billion on March 11, 2022 or the equivalent of 40 weeks of imports.

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We face the new world with more US dollar reserves than ever before in our history.

And yes, we built that war chest at good pace through long-term, low-interest, official borrowing from development partners, with interest rates of 1, 2 and 4%; not 11, 12 and 14%.

Mr Speaker, Sir, I understand that when you step back from the brink, talk of building defences is not exciting, but in this new world that is how a responsible government shields people from whatever the future may bring.

2. Barbadian Shield

Mr Speaker Sir,

We shield people not numbers. That aunt who lives in Pie Corner, St. Lucy, the young man in Bush Hall, the grandparents in St. Philip, that church group in Deacons.

Let me remind the House of some of the ways in which we shielded them against the severe ravages of the pandemic, particularly the most vulnerable.

We expanded and introduced new NIS benefits and the Government supported the National Insurance Scheme with ready liquidity to payout more than \$150 million of unemployment benefits to hold our economy. Self employed persons got a new cushion for the first time.

We created the BEST programme to support the tourism industry before the tourists returned, to ensure their plant was maintained and their employees didnt join the ranks of the long-term, discouraged workers.

We increased welfare rates.

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We introduced a Household Mitigation Unit to support families who otherwise would have no protection against privation.

We built and equipped a brand new hospital at Harrison Point to safe-guard ordinary service at QEH.

We completed a new Accident and Emergency Department at QEH; new St. Joseph and St. Andrew outpatient clinics.

We got water connection to those waiting several years in St. Joseph and St. John.

We purchased and obtained vaccines and medical equipment to protect the nation.

We expanded the capital works programme and the work in this area continues.

And of course Mr. Speaker, the deliberate action of directly engaging workers for whom there were very limited opportunities in the private economy during the crisis. I refer to the ash workers, the additional workers who were engaged by the NCC in the debushing programme and of course those jobs that were triggered to assist in the management of COVID.

Ministry	Programme	Number	2021-2022
METVT	Primary School COVID Monitors	233	4,200,000
MPEA - NAB	Community Elderly Care	444	8,400,983
MTWW	Ash clean up	1,500	38,446,623
MENB - NCC	Clean up programme	899	16,475,051
MHLM - NHC	Volcanic Ash	155	3,097,526
MHLM - NHC	Hurricane Elsa & Tropical Wave	36	771,156
MHW	Community Health Liaison Officers	323	5,218,653
	Total	3,590	76,609,992

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Mr Speaker, in this fiscal year we have deliberately chosen to spend almost \$77 million protecting Bajan families from the worst of the pandemic and the climate crisis. This includes the \$31 million for the Welfare Department and the over \$20 million to provide the \$600 per month grants to households with no income.

Mr. Speaker, I repeat as I did in the last election, those workers will be kept on as a deliberate choice of government until we can effectively assure their transition to the private economy with the new Capital Works projects that are projected to come on stream this year.

Mr Speaker Sir, Covid is not gone, but we are learning to live with it, although recent news about the wholesale closure of cities where there are new outbreaks does raise cause for concern and continued vigilance.

There is no gainsaying that we must continue to shield our people against the long-term effects and the supply disruptions caused by COVID, and now, against the international effects of the war in Ukraine.

The invasion of Ukraine on February 24 by Russian forces is of major import.

It is tempting to consider, and I have heard it said in some quarters, that this is a far away war that has little to do with us.

Yet, how the world responds to Russia's invasion will determine the status and value of territorial sovereignty the world over for a generation.

The invasion could register a fatal blow to multilateralism, upon which the independence of small states rests as we have no armies and nuclear weapons to defend ourselves.

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And apart from all of that, the invasion of Ukraine by Russia will have a profound impact on the cost of living for all Barbadians.

The global oil market is tight. Just a one percentage point shock to supply and demand, pushes prices up or down significantly. And In trying to gauge the breadth of the consequences, bear in mind that Russia exports around 10 percent of the world's supply of oil.

This time last year, the price of oil on the international markets was \$65 per barrel. Last week prices reached a peak of \$127 per barrel, an increase of almost 100 percent.

The political and military situation remains highly uncertain and volatile, as do oil prices.

Russia also converts a fair amount of its gas into nitrogen fertilisers and exports around 13% of the world's fertilisers.

Russia and Ukraine account for 30% of world grain exports and provide at least 50 percent of the wheat needs of 26 countries in Africa, Asia and on the European continent itself. In addition, these two countries are also major suppliers of edible oils making an already tenuous food situation especially dangerous not just for Europe but for the whole world.

The most comprehensive measure of global food prices, the FAO's Food Price Index, shows food prices to have already hit an all-time record in February 2022.

Even prior to the invasion there were supply chain disruptions and especially higher freight costs as a result of the Covid related shut downs in China and other major exporters. Consumer spending on goods has rebounded, but the global supply chain has been unable to keep up with the demand. Shortages have been felt in areas from microchips to bicycle

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components. This already pushed up the prices of imported items – food, vehicles and consumer items.

Mr. Speaker, Sir, the Baltic Exchange Index of freight costs has increased 118% over the past 12 months and 610% over the past two years. A six fold increase in shipping costs must have a major impact on the price of many goods.

There has been a pronounced tilt in inflation expectations, with comparisons now being made to the stagflationary environment of the 1970s. Global financial markets now fully expect the US Federal Reserve to increase interest rates throughout 2022, to try to deal with surging inflation. The European Central Bank and the Bank of England have started to tighten monetary policy. Of concern is that a rising interest rate environment introduces uncertainty into global financial markets and may make access to international investors more difficult for emerging market countries.

We have already seen some effects in Barbados. It is unclear whether we have seen the greater part or how long it may last. This uncertainty is also damaging for our consumers and our industry.

Mr. Speaker, we understand the strain Barbadians are facing with the higher cost of living.

And both oil and freight price rises are particularly impactful on our consumers because they cannot switch to alternatives overnight.

But there is no magic wand. The irresponsible would promise this reality away, but there is a hard limit to what a Government can do about prices set internationally in circumstances where there is almost no ceiling for how far they can rise.

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We could not guarantee to consumers, low prices for domestic goods while simultaneously having taxpayers pay the higher international price. That would be Barbados writing a blank cheque to the international oil and shipping companies while putting our own producers at an disadvantage. We cannot allow the prices for the international sector to be imported without any fetters. Investors and rating agencies would quickly rumble that we had built ourselves a bottomless pit. Rich countries with far greater resources than ours and an ability to borrow and finance infinitely greater than our own have not guaranteed lower prices.

But we are committed to doing what is possible. We shall extend the Barbadian shield in a carefully targeted way.

Many decisions to purchase, consume or produce are made as a matter of necessity; and so we hope that well timed even if limited, protection, can make a difference.

Mr. Speaker, Sir. In addition to excise taxes which are flat amounts not impacted by higher prices, oil and freight carry ad-valorem taxes where the amount of tax is linked to the price of the product.

Currently for instance, with the price at the pump at \$4.13, the Government receives 61 cents of value-added-tax per litre of gas. When the oil price rises or falls, the amount of VAT raised, rises and falls proportionately.

Mr. Speaker, the Government currently needs all the tax revenues it can collect, as revenues are not back to where they were before Covid. But we do not need to collect even more revenues from the consumption of oil and freight.

Mr. Speaker, Sir, we propose to cap the dollar amount of VAT payable on petrol to 47 cents per litre effective midnight, Wednesday March 16th, initially for 6 months.

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The Government can only reduce the amount of VAT it receives, not the international price at which we purchase oil.

At current international prices, capping the VAT payment, will bring down the price of a litre of gas from \$4.13 to \$3.99.

Similarly, in the case of diesel, we will cap the dollar amount of VAT payable to 37 cents per litre, effective midnight on Tuesday March 16th, initially for 6 months.

At current international prices this should bring down the price of a litre of diesel from \$3.46 to \$3.32.

The government is effectively transferring these 14 cents per litre of gas and 14 cents per litre of diesel to consumers, delivering a collective saving to consumers and at a cost to the government of \$25.2 million.

If the war lasts longer or becomes more disruptive, and oil prices rise, this transfer of VAT foregone by the Government for the benefit of consumers will grow. Prices at the pump too could still rise from these new lower levels if the international situation worsens, but they will not go up as quickly as before, as now there would not be any accompanying increase in VAT payments.

Mr. Speaker, Sir, Barbados imports nearly everything it consumes. According to data submitted to ASYCUDA World, average freight costs in 2019 and before Covid were US\$7,350 per 20 foot container and US\$8,000 per 40 foot container. During 2021 at the height of the pandemic and global disruption of trade, the average price increased to US\$20,000 and US\$24,650 respectively, three times the 2019 levels.

It was the common expectation around the world that over the course of the next 12 months, the post-Covid disruption to shipping would ease off by itself.

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But the current uncertainty presented by the Russia/Ukraine war has given us pause. It is possible that the scarcity of available freight ships continues for a while longer.

Consequently, Mr Speaker, effective midnight tonight, the government of Barbados will partially shield consumers from the increased freight costs, by capping the cost of freight used for the purpose of calculating customs duties at the pre-COVID-19 levels of US\$7,350 per 20ft container and US\$8,000 for 40ft containers for 12 months.

This means the government will forgo revenue with respect to the escalation of shipping prices for the next 12 months until March 31, 2023.

These two measures will bring partial but significant relief to all Barbadian consumers.

Water for food and nutrition security

The Russian invasion of Ukraine and the likely dislocation of grain and other agricultural goods is a reminder that in this new world we need to provide greater food and nutrition security for our people.

For agriculture to be sustainable in Barbados, there must be access to affordable water, especially for small farmers. And this requires water to be available as well as being cheap.

Mr. Speaker, the availability of water therefore has to be augmented through

- (1) reducing leakage of the BWA's water;
- (2) reclaiming water for example at the South Coast sewerage project that is coming on stream;
- (3) trapping water in catchments and
- (4) expanding the use of desalination.

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As we aim to increase the supply of water, it is imperative to set a standard rate for users in the agricultural sector that accommodates the country's objective of food and nutrition security and fair and equitable growth.

We are introducing a fixed rate for water of \$1.80 per cubic metre across the agricultural sector effective May 1, 2022.

Mr. Speaker, Sir, as at February 2022, 116 small farmers registered with the Ministry of Agriculture, Food and Nutritional Security for access to a special rate for water from the BWA. Seven are registered as livestock farmers; ten are in livestock and crop production and the rest, except for fourteen whose type of farming was not stated, are in crop production. This new rate will be available to all registered farmers.

The current arrangements where the BADMC extracts water from wells that they control and sell to farmers will come to an end from April 30 2022. The truth is Mr. Speaker, the Underground Water Act passed by Sir Grantley Adams' Cabinet and a 1951 Parliament has never been properly enforced in this country. It cannot be that a water scarce country in the middle of a climate crisis continues to have water being extracted from private wells without measurement and without payment. My Government intends to start conversations with all persons who currently abstract water from private wells to see how we may appropriately regulate and price access to this water.

Zero-rating for VAT for personal and critical care items

Mr. Speaker, Sir, in our manifesto we gave a commitment that we shall review the costs for some essential personal care items. Following that review I am happy to announce that effective April 1, 2022 that all sanitary towels and tampons, baby and adult diapers, anti-perspirants, vitamins and

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multi-minerals will be zero-rated for Value Added Tax purposes. This is a long overdue measure that I am proud to introduce.

Mr Speaker, health and wellness is extremely important to a prosperous society. The pandemic emphasized why it is critical to deal with chronic non-communicable diseases in our country. To assist in this fight, I propose to zero-rate a selected list of items which are used primarily to assist with the control of chronic diabetes. A fuller detailed list is in [Appendix E](#) but these items include Glucerna, Ensure and Enterex to name a few.

To ensure the important tax relief measures that underpin the Barbados shield are passed onto consumers, the Department of Commerce will review pricing protocols across the private sector and publish every two weeks, the movement in prices for the benefit of the public. Monthly reports will be presented to Cabinet and the Social Partnership so as to ensure the sacrifice borne by taxpayers for consumers is not being abused in any way. My intent is to ensure that the reduction in prices is being passed on to consumers.

Mr. Speaker, Sir, We give faithful commitment that we shall continue to monitor these critical price trends, in oil, freight, personal care and food, with a view to considering how to improve the effectiveness and efficiency of the Shield. The Department of Commerce will be working with the public, the Fair Trade Commission, the Barbados Revenue Authority and the Customs and Excise Department to ensure that these savings have the desired effect and are indeed passed through to the consumer.

We are all in this together.

The Return of Regionalism

Mr Speaker, faced with the limits of what we can do in response to a dangerous and volatile world, regionalism becomes more critical than ever.

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And so it is fitting that at the same time that what the world offers us has dimmed, what the region provides us has brightened.

This light has come after a long night, so I can understand that many will greet that idea with much scepticism.

Perhaps the best sign of a different region is the regional agreement reached just a few weeks ago with the regional telecoms companies to offer all CARICOM citizens reduced and capped roaming charges and a plan for their elimination. Data is the new mode of production in the new digital economy, so this development is significant.

A more dangerous and volatile world requires more energy, food and financial security, which is easier to obtain regionally than nationally. For instance, Barbados has started work with Guyana on several joint food production developments. We will be acquiring 50 new shade houses from Guyana to boost our agricultural yield.

We are developing collaborative projects on the export of Barbadian Black Belly Sheep and training - they will train some of our people in agriculture and we will train some of theirs in tourism. We are also discussing Barbados and Guyana jointly putting in capital to a regional Green Investment Bank and extending the bank's remit to include sustainable agriculture. On Wednesday we will host a mission of the UN Green Climate Fund to discuss this partnership.

The Barbados and Guyanese Private Sectors had successful meetings and discussions earlier this year hosted by Guyana. As a follow-up, A Regional Investment Conference is set for May 19-21 of this year.

Investment in Guyana on the road that links the Caribbean coast to northern Brazil and new investments in ports and ferries will open up new markets for the Caribbean and fresh prospects for Barbados to become a regional hub for professional and financial services.

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Mr. Speaker, Sir, you may ask what is new. You will recall that the Barbados Prime Minister holds the position of Lead Prime Minister on the single market, and our own Professor Persaud chaired the Caricom Commission on the Economy. Fearful of being just another worthy report, the Commission, which included the current Head of the World Trade Organisation, Ngozi Okonjo Iweala, produced a very practical set of initiatives, half of which have already been adopted. The elimination of roaming charges was one of the Commission's recommendations. Another Commission proposal, "Enhanced Cooperation" was agreed at the Heads of Government meeting in Belize. Under this rule, if just three member states wish to move ahead with further integration, and two-thirds of Caricom Member States are content for them to do so, they can. This historic agreement unblocks Caricom.

Sharing the burden; sharing the benefit

Mr Speaker Sir,

On a broad definition, tourism represents approximately 40% of our economy when considering total income, expenditure, and employment.

By February 2020, the pandemic had taken hold.

By March 2020, worldwide travel bans had effectively turned down this vibrant sector to zero.

By April 2020, 44% of the members of the National Insurance Scheme had filed for unemployment.

The scale and speed of what hit our economy was unprecedented.

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Covid cost over 32,000 workers and families immense loss, hardship and anxiety.

In standard times, the private sector leads economic activity, and the Government supports by trying to make it easier to do sound business.

But in a systemic crisis, the private sector retreats to protect itself, and the Government has to lead. This is not unusual, and occurred during this and other crises around the world.

If the Government had not stepped in immediately to build a new hospital and made nurses, medicines and equipment available;

If it had not provided health care leadership;

If it had not intervened to enable additional cash transfers, new benefits, support employment and generate economic activity, then our society, our peace and stability would have been gravely threatened.

One of the reasons why our 12-month Welcome Stamp was so successful was that unwittingly we provided a place of peace and security for citizens and visitors alike in a scary, disorderly world.

Long peace and stability of our country may have made us complacent about that. But others in less fortunate places tell us that peace and order is to be treasured, and while it is not noticed when you have it, it is sorely missed when you don't.

Visitors lamented the chaos and breakdown of order in places we would typically consider first world; from New York to Ottawa and Prague to Vienna. At one extreme, according to data compiled by the University of Central Florida and the University of Kentucky, 2021 was a record year for successful coups. UN SG Antonio Gutierrez described it as an epidemic of coups.

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Peace is precious, but it doesn't come cheap.

Covid cost the Government over one billion dollars; over \$390 million of increased health and welfare costs, and over \$600 million of lost revenues.

Covid cost the National Insurance Scheme more than \$150 million dollars in unemployment benefits, severance pay and new benefits. The Government has made a costly commitment, and has already started, to recapitalise the NIS.

In the middle of this investment in health and jobs, voices could be heard griping that we were piling up too much debt, never mind it was concessionary at very low interest rates, the implication being that this was not the time for investing but for cutting.

But peace and calm are also the dividend of lengthy and expensive investments in public health, education, law and order and an unfaltering commitment to those investments.

Two weeks ago, UWI reported a record number of graduates in 2021, while elsewhere, Universities were starved of students. That is a measure of the calm and order of a sense of accountability for the future that the Government achieved.

When historians look back on these times, I am confident that they will conclude that leadership mattered most; leadership, not retreat, treated us well.

The impact of Covid was devastating on one half of the economy, requiring the substantial public support I have mentioned, and that support had to be as universal as possible to ensure no one fell through the cracks.

The other half of the economy was largely unscathed.

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For instance, many in the telecoms, insurance and finance sectors recorded higher net incomes in 2020 and 2021 than in 2019 while overall corporate tax revenues fell by 33%.

And so today,

As we erect a shield to protect Barbadians,
As we invest in fiscal space to preserve our resilience to the next shock.
As we responsibly scale back the enormous efforts to hold the economy and society in 2020 and 2021 together,

We ask those sectors that were largely unscathed in 2020 and 2021 to make a one-off contribution to the Herculean efforts expended to hold our society together during the Covid years.

Those sectors benefited from that public support indirectly and sometimes directly, while they also benefited from Covid not impacting their business as much. People still needed to pay their insurance premia or loan payments, they still drove to the supermarkets and they relied upon their cell phones and internet even more than before.

So we shall introduce a one-off Pandemic Contribution Levy on Corporate Profits in certain sectors.

Where a company with a net income above \$5m in 2020 and 2021, is carrying on domestic business in the telecommunications, retail sale of petroleum products by dealers, commercial banking (so deposit taking and finance houses, excluding credit unions) and general and life insurance, then such companies shall be subject to a Pandemic Contribution Levy of 15% of the taxable income per the company's financial statements for the fiscal years ended March 2021 and 2022. This Levy for each fiscal year is payable in addition to the company's corporate tax obligation and is not deductible for tax purposes.

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The Pandemic Contribution Levy for the two fiscal years is payable to the Barbados Revenue Authority in eight monthly payments, commencing July 15, 2022.

The Levy in respect of the fiscal year ended 2021 is due in July to October 2022 and the Levy in respect of the fiscal year ended 2022 is due in November to February 2023.

The Levy will only be in place for a period up to March 31, 2023, and represents a one-off contribution to the over \$1bn costs of Covid to Government to keep Barbados - its people and companies operating here - safely.

We estimate that this Levy will raise approximately \$100m, or 10% of the government's Covid costs. It is one-off, it is at the same level as the proposed global minimum tax, and it is half of the previous corporation tax rate of 30% before my Government introduced the 2019 reforms that substantially lowered the rate.

Mr. Speaker, we believe in spreading the burden.

In addition to the Pandemic Contribution Levy on Corporate Profits, we shall introduce a one-off Pandemic Contribution Levy on Income.

With effect from April 1, 2022, where an individual receives an income of more than \$6,250 monthly, the individual shall contribute 1% of his monthly earnings as a Pandemic Contribution Levy on Income for 12 months only. This Levy is payable in addition to the individual's income tax obligation and is not deductible for tax purposes.

We estimate that this Levy will raise over \$15m.

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Mr. Speaker Sir, no one enjoys paying taxes, even when they are one off, but we have come through the night by sharing the burden and sharing the bounty.

The nation thanks those that are contributing.

Paying forward

Mr. Speaker Sir, My Government recognises that we cannot reap what we have not sowed.

I shall set out new long-term investments the government will make to deliver fair and equitable growth. But as we recover and grow, now is also the time to fix long-term challenges that past Governments have kicked down the road. You know it is not in me to add to the problem of just pointlessly kicking the can. Let me turn to these issues first.

Two perennial challenges facing our generation are stabilising our public-sector pension scheme and financing the total upgrade of our water supply and distribution system. A third growing issue is the production, sale and distribution of natural gas and fourthly the reform of the state owned enterprises.

Pension Reform

Mr. Speaker, let me first provide some background to the issue facing us on pension reform, which is wider than just its impact on pensions.

One of the critical challenges facing this country is population size and demographic trends.

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Barbados has not replaced its population since 1980 which is one of the critical findings by the Population Commission set up during the first term of this government in 2018.

Our workforce will be smaller in 12 years' time than it is today.

Our classrooms are already smaller.

This is a major concern because our social and economic systems rely on a contributing workforce and a growing economy.

Managing the careful expansion of our population is therefore one part of a comprehensive long-term plan to manage pension provision across the economy.

Another part of that comprehensive plan is recognition that a comfortable retirement is not just about a pension but about health care and the general wellness of the individual. We are committed to a public health care system, and so as our population ages, we must consider in a systematic way how we encourage our citizens to pursue active and healthier lifestyles so that they can approach their golden years, with good mental and physical health.

Nutrition security, and using the tax system to support healthier eating is essential to ensure that an ageing population is not associated with ill-health and an epidemic of non-communicable diseases like diabetes, heart disease and hypertension that harm our people and overwhelm our public health care system.

Our national pension system, which most in the private sector rely upon, is based around the National Insurance System. When fiscal mismanagement of the last Government meant that no one wanted to lend voluntarily to the last Government except at onerous interest rates, the then Government increasingly relied on forcing the NIS to accept their bonds. And so when

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the national debt was restructured the NIS took a hit. It took a hit again from Covid with over 40% of members drawing on the unemployment fund, others on the severance fund. It also took a hit from there not being many alternative attractive investments.

Part of our comprehensive plan towards pensions then, is to:

1. Make the NIS a statutory corporation and more independent from government in its operation by the end of 2022;
2. Recapitalise the NIS;
3. Require it to diversify its investments at home and abroad; and
4. Ensure that where private projects seek public support, they give the NIS the choice to invest.

That is our side of the bargain. But the other side is that we need people to contribute.

Covid should have taught everyone the importance of the NIS. It is one of the cornerstones of our economic system, and I do not know of any other system in our region that paid out over \$150 million dollars in 12 months. I take this opportunity to encourage all, including the self-employed, whether you're a coconut vendor, hairdresser, aesthetician, designer, artist, musician, mason, carpenter, engineer, doctor, lawyer, truck driver, plumber, real estate agent or whatever you do, to please get yourself straight with the National Insurance Scheme. It is a lifeline Sir, with contributions starting as little as \$21 per week.

To all employees, do not take it for granted that your employer will take care of your retirement planning. You too, have a responsibility to check your account, which is now easily accessible online - available on the NIS portal at www.nis.gov.bb.

To all employers, we know that COVID-19 has significantly impacted business these past 2 years but as we reopen the economy we need you to settle with the NIS any outstanding contributions for your employees.

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I am therefore announcing that there will be a moratorium on interest of any outstanding contributions effective April 1, 2022 to June 30, 2022 once settlement of principal contributions is made within 2 years. Affected businesses and self-employed persons should make arrangements to settle any outstanding arrears to NIS and to remain current with their national insurance obligations in order to benefit from the waiver of interest.

For the avoidance of any doubt, businesses and self-employed persons entering payment arrangements with the NIS will have a maximum of 2 years until March 31, 2024 to settle the outstanding arrears in order to qualify for the waiver in equal monthly instalments or faster as appropriate. So the earlier businesses and self-employed persons enter into payment arrangement, the easier it is on their cash flow. But if you fail to settle a payment plan during this amnesty you will be required to pay your interest.

I now turn to the public sector pension scheme.

For the avoidance of doubt I am referring to pension arrangements only for those working for the Government, the country's largest employer.

On assuming office in May 2018 this government found approximately \$250 million in unpaid National Insurance contributions for public servants for the period 2015 until 2018. I am extremely proud Sir, that in spite of the extraordinary and unprecedented economic pressure faced by this country, this government has managed not only to keep current, but also repay those unpaid contributions to the National Insurance Scheme.

Pension reform in the public service has been one of the structural benchmarks we placed under the BERT programme. An actuarial review was conducted and consultations within the Social Partnership and feedback from stakeholders were received.

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Mr. Speaker, the government of Barbados currently has unfunded pension obligations and partially funded pension obligations.

The operation of the unfunded pension arrangements are paid on a PAY-AS-YOU-GO basis. Basically what this means Sir, is that pension benefits are paid to public officers out of tax revenues as they fall due. Several statutory bodies whose benefits are payable under Caps 25 or 384 also pay their pension benefits as they fall due. The Transport Board's pension arrangement is set out in a union arrangement and it operates its pension obligations on a PAYG basis whilst the Barbados Defence Force pension scheme operates on a PAYG basis with a fund which consists of only employee contributions.

There are currently an estimated 20,653 public officers operating under the unfunded system with annual salaries of just over \$983 million and 11,431 retirees with total pensions of \$239.4 million per year.

Under the funded pension obligations, there are currently 9 statutory bodies that have pension plans and have pension assets set aside to meet their pension obligations.

Three entities have assets exceeding obligations or funded ratios over 100%. These are Barbados Tourism Investment Inc., Caves of Barbados and the Central Bank of Barbados.

By contrast, the Barbados Water Authority and Caribbean Broadcasting Corporation have funded ratios of just 30% and 37% respectively. These funds are chronically underfunded. In the coming months, the Ministry of Finance will develop a plan of action to address the funding deficit to be reported to Parliament by mid-year review in October 2022.

There are currently an estimated 1,425 public officers operating under the funded system with annual salaries of just over \$88.2 million and 804 retirees with total pensions of around \$14.9 million.

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Mr. Speaker, you may recall that all employees in this country, including every public officer, contribute to their pensions through national insurance deductions on earnings up to \$4,880 per month. Therefore it must be clearly stated that the proposed pension reforms will not impact any public servant whose monthly salary is currently below this amount.

Within the central government, there are approximately 11,140 persons under the earnings ceiling for whom their pension is fully funded through their NIS contributions; whilst 4,121 persons earn above the threshold thus requiring funding from the Consolidated Fund to pay pensions above the threshold.

NIS will administer all pensions arranged for the public sector by January 1, 2024. We will also amend the pension regulations to allow for the application of automatic abatement for public officers on early retirement.

Existing public officers whose salary is above the insurance earnings ceiling will be exempt from making contributions to their pensions as their terms and conditions of service remain the same.

However, officers from below the earning ceiling who are promoted to or acting in posts for more than one month above the insurable earnings ceiling or an officer who enters the service above the ceiling will be required to make pension contributions. In other words, we are grandfathering those persons who are already earning above and requiring the new provisions only on those whose earnings rise above the threshold.

Mr Speaker, we all know the perennial issues with people acting in post for a long time and then reverting to their substantive post and the anxiety it provides particularly with the calculation of pension benefits. There is a proposal before us to calculate pension on the basis of the best 5 years salary, which would mitigate against the uncertainty that reverting causes. This would apply to all public officers who are making contributions to their

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pension irrespective of whether you are above or below the earnings ceiling.

For all new employees to the public service the maximum pension will be attained after 40 years of service instead of 33 $\frac{1}{3}$ years with contribution levels of between 2% and 3% below the NIS ceiling and 5% to 8% above. It is proposed that vesting for new employees be 3 years.

Notwithstanding the above proposals, the Government will launch an education programme for all public officers and the public at large with a view to improving their financial knowledge in this regard and ultimately to encourage all public officers to make voluntary contributions as appropriate to augment their pension in retirement.

I further propose to raise the insurance earnings ceiling to \$1,182 per week and \$5,120 per month effective January 1, 2023 with the schedule of rates as outlined in [Appendix F](#) to take effect January 1 of each year until 2035.

Mr. Speaker Sir, we could just kick the can down the road and close our eyes to the rising cost and chronic underfunding of the system. I think this is a fair and responsible way of putting a good and attractive public pension scheme on a strong and sustainable path. The current path is NOT sustainable and we have a duty to protect those in it.

But even while we are doing this, we need to nurture a culture where we commit to planning and taking greater responsibility for our future. Personal responsibility matters. Bajans must come to grips with planning for their retirement even beyond what is available through NIS and Government.

Investing in water

Mr. Speaker, Sir, notwithstanding the negative impact of the Covid-19 pandemic on water consumption, the BWA is now covering its operational

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costs, a position it had only reached after reforms we instituted during our first term.

But in order to reliably deliver safe drinking water for all from a delivery system that was essentially laid over one hundred years ago and loses almost half of all non-revenue water through burst mains, we need an ambitious capital works program. Currently, the BWA relies on the Government to fund this programme.

During the first year of Covid, fiscal year 2020/21, the Government invested \$26.7m in:

Mains laying for Highway 1.

Procurement of pipes and fittings for Highway 7.

The Vineyard Water Augmentation Project;

Mobilisation of works for containerized desalination plants at Colleton/ Clinketts;

The Commencement of the St. Stephens to Lodge Hill upgrade; and

Emergency assistance with three (3) tanks at Fort George, Lodge Hill and Boscobelle.

And during fiscal year 2021/22 the GOB has contributed \$27.3m to assist with financing:

Procuring 32 Water Tanker Trucks;

Mains Laying;

The Port Transmission Project;

34 Backup Generators;

Continued installation of containerized desalination plants at Colleton/ Clinketts;

Now that the GSC levy has brought the financing of the BWA to the right level, I propose a new financing and governance model for executing and expanding the capital projects of the BWA in the future.

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The BWA collects approximately \$2.0m per month from the Levy. We will use this amount to secure a new evergreen capital loan facility without a Government guarantee.

Mr. Speaker, we will begin with a cap of \$50 million for the facility. Current plans suggest that with the levy and without a guarantee, the Authority will be able to secure a mix of financing including commercial borrowing and concessionary development financing that will enable it to comfortably service \$50m of loans.

This new facility will allow the BWA to bring forward a number of urgent investments that would otherwise have to be sequenced over a number of years if they were to be financed out of the Consolidated Fund. These investments include,

1. The Sewering of the Belle and Environs,
2. Five new concrete tanks,
3. A new containerised desalination plant at the Hope Plantation.
4. A temporary desalination plant at Colleton, St. Lucy.
5. Connection of mains from IONICS to Shop Hill.

Mr Speaker, Sir, the bringing forward of these capital works projects will not only bring relief to the people of the Belle and Belle Vue, the people of St Lucy and St Peter and support other related developments, but it will also bring economic activity and employment.

National Petroleum Corporation

Mr. Speaker Sir, the NPC has accumulated losses of \$34 million over the period 2016/17 to 2021/22.

This is a result of BNOC sourcing most of its natural gas from overseas at higher prices, a substantial reduction in BNOC's local low-priced production and a reduction in demand from tourism entities over the Covid period.

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Mr. Speaker, the NPC makes an operating loss of almost \$0.7 million a month on the sale of natural gas alone. Its operating expenses are almost \$1.1 million, which when added to the losses on sales, giving a total loss of \$1.8 million per month.

This is a substantial on-going loss that requires a permanent fix.

We propose four ways to remove this deficit.

First we have reviewed costs and contracts and will be reducing monthly operational expenses by \$200,000 a month.

Second, we are working with BNOC to boost local production and where it cannot do so, to source cheaper natural gas imports.

Thirdly, efforts are being made to reduce the natural gas leakage in the mains which currently is around 15%. This is not only costly, it is an important source of greenhouse gasses.

These three efforts will reduce the burden on consumers of fixing the deficit and will allow us to keep domestic and residential rates constant at \$1.70 per cubic meter of natural gas.

However, the hole is too large and too driven by an uncommercial price and so we will need to raise commercial rates modestly to eliminate one third of the deficit.

From April 1, 2022 commercial customers will pay:

\$2.28 for consumption up to 500 cubic meters.

\$2.24 for consumption from 501 to 2500.

\$2.22 for 2,501 to 10,000 cubic meters and

\$2.20 for consumption over 10,000 cubic meters.

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For domestic customers, the rental fee for the rental of meters will increase from \$5 to \$10 per month.

And for commercial customers the fee will increase from \$15 to \$25 per month.

Mr. Speaker, Sir, these measures will ensure the NPC is sustainable and that there is continued investment and production in cheap local natural gas.

Reform of State-Owned Enterprises

Mr Speaker, on coming to office in 2018 the government started an aggressive agenda to reform the operations of the state-owned enterprises to reduce risk exposure to government.

You will recall Sir that the citizens participated in a survey to identify what was essential, what was highly desirable, what was optional and a fourth category, what was optional but could be delivered elsewhere. A simple exercise Sir, where well over 5,000 persons participated to indicate their preference.

We then embarked on the reforms agenda and were able to complete the Phase 1 and Phase 2 reforms. As we were about to implement the phase 3 reforms Sir, COVID-19 hit the world and we had to pause the reform agenda.

The pandemic threatened some of the very reforms implemented to transform the SOEs.

For example sir, no one could foresee the total cessation of international commercial flights which meant that having taken the BTMI off-budget in October 2018 with the introduction of the airline travel and tourism

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development tax, that government would then have to provide budget support once again over the past 2 years.

Further sir, the Grantley Adams International Airport which was one of the few entities with a solid balance sheet and did not require systemic reforms like some others, the pandemic having caused the cessation of travel meant the government of Barbados had to provide direct financial resources to the airport due to Covid-19. This is a reflection of the extraordinary times we are living in Mr Speaker.

Even though we are not yet fully past the pandemic sir, we must recommence with haste the reform agenda as this will assist the government and the economy to be better positioned coming out of the pandemic.

The following state owned enterprises will be addressed this year. Within agriculture, the Barbados Agricultural Management Company, the Barbados Agricultural Development and Marketing Corporation, Barbados Agricultural Credit Trust.

The National Housing Corporation, the Caribbean Broadcasting Corporation, Urban Development Commission and Rural Development Commission will also be addressed this year.

The Transport Board will transition into the Mass Transit Authority to improve the delivery of transportation services.

The Queen Elizabeth Hospital must transition to an independent trust and restructure its operations and capital needs in order to enhance its service delivery to the public. And the PPP for the divestment of the management of GAIA Inc. (not the ownership of the airport) will be completed in this fiscal year.

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Mr Speaker, we must safeguard the gains we have made so far but we cannot allow complacency to set in. This aspect of the reform agenda is critical to ensure Barbados can achieve the highest capacity utilisation of our assets.

From top to bottom Mr speaker, leadership matters, and we will hold the Boards of Directors, management and employees of all these state owned enterprises accountable as prescribed in the Public Finance Management Act. Indeed we will be reinforcing the corporate governance skills of the Board members through continuous training.

Growth

Mr. Speaker, Sir, I would now like to turn to measures to support inclusive and equitable growth. Over the medium-term there are seven connected pillars of sustainable growth and I will report on progress being made in these areas.

But first I want to address an issue that is often relegated to being a long-term issue, but is so pressing and so significant that we need to start seriously addressing today and that is population size.

As you will recall, the Population Commission led by the eminent Dr. Roberta Clarke concluded that our workforce will be smaller in 12 years' time than it is today and our classrooms are already smaller.

This is a major concern because our social and economic systems as well as our economic growth rely on a contributing workforce and a growing economy. A substantial contributing workforce is also vital for the provision of the range and depth of opportunity that would keep our young and talented at home or to return home after time abroad.

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If we want to have state of the art medical and training facilities, if we want entrepreneurs to invest in new green and digital technologies and new financing and insurance products, if we are competing for international goods and shipping and air lift we have to not be shrinking away.

One of the intangible reasons why Barbados had the most successful 12-month Welcome Stamp is the degree of sophistication, depth and diversity of our society. We will lose that if our population ages and shrinks without arrest.

Mr. Speaker, Sir, we must therefore give much priority to considered and well-planned efforts to increase our population.

These considerations and plans are part of the work of the Population Commission and we expect to bring these to you before the end of this calendar year. Managing the careful expansion of our population is of vital import.

The seven other medium term transformations that will drive growth over the medium term are:

- (1)The green transition, especially in the energy, transport and agricultural sectors
- (2) A housing revolution
- (3) A training revolution
- (4)Facilitating access to capital and facilities for Small Business and Vending
- (5)Food and nutrition security
- (6) The digital revolution
- (7) Stimulating the orange economy (sports and Heritage)

Tourism

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Mr. Speaker Sir, in the past economic strategies were based around a few fashionable sectors that later grew out of fashion. **Instead our strategy is people centric and based around transformations, such as greening, conservation, digitising, financing, community linkages and upskilling that cut across all sectors.** The best example of this is in the tourism sector which has embraced all of these transformations, aided and abetted during COVID by the BEST program that provided easy financing for the greening, expansion, digitisation and training transformations to 50 tourism firms along with supporting the employment of 2142 tourism workers.

Now that visitors are returning and the BEST program has largely fulfilled its purpose, the Ministry and industry bodies are looking for ways in which we can maintain and accelerate the momentum achieved in these areas of transformation outside of the BEST programme. We will be working with the BHTA and the Intimate Hotels of Barbados to ensure that our product is as competitive as it can be.

We are also in discussions on how we can facilitate repayment of BEST funds on favourable terms where firms are continuing these investments themselves.

(1) The green transition, Energy Security and Enfranchisement

Mr. Speaker, the electricity sector in Barbados is fundamental to our economy as it powers every facet of our lives and livelihoods. In 2019, we made the policy decision that renewable energy from domestic resources such as the sun, wind, and bioenergy would be the new feedstock on which our electricity would be produced. This meant that Barbadians would no longer have to consume foreign exchange to buy fuel, as was the case when expenditure on imported fossil fuels reached a peak of BDS\$800 million in 2012.

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The green energy transition is a fundamental pillar of our growth strategy over the medium term, a strategy that seems ever more relevant, given the conflict in the Ukraine and the doubling of oil prices in just 12 months.

Mr Speaker, Sir, My Government has been extremely proactive in this regard. In 2019, a clean energy bridge was commissioned with the Barbados Light and Power and this energy bridge which the Barbados Light and Power has now constructed in St. Lucy at a cost of BDS\$130 million will provide a solution to both the immediate need for new generation capacity on the island, and the need for an efficient transition platform as the grid is increasingly driven by renewable energy technologies.

Mr. Speaker Sir, the foresight of this step will be seen when that new clean energy bridge is pressed into service early next month. At current international oil prices, this clean energy bridge is expected to save approximately BDS\$60 million annually in imported fuel and as renewable energy investment grows, it will provide the necessary backup for grid resiliency and reliability. The clean energy bridge is also expected to reduce annual fuel consumption of Heavy Fuel Oil by 1,900 tons and Diesel by 1,000 tons per year, thereby contributing to the greening of the Barbadian environment and achieving our contribution to international decarbonisation. Most importantly, it will also allow for conversion to natural gas as our clean energy bridge after 2030.

Mr. Speaker, my Government will continue to transition Barbados to a renewable energy island, that allows its people to participate and to access the resources of this country in order to drive economic growth in a real and significant way. The use of local content in the energy sector is an indispensable part of this process. Local content allows us to retain savings that are achieved from renewable energy and to re-deploy them within the economy in a productive manner.

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Local content, across the scale of energy generation can have a real and significantly lasting positive impact by presenting material socio-economic benefits such as employment, supply chain opportunities, associated business development opportunities and direct revenue streams.

Against that backdrop Sir, the Government of Barbados will work with the Barbados Light and Power to develop a minimum of 30MW of wind energy investment at Lamberts in St. Lucy.

We will establish financial instruments to make it possible for Barbadians of all walks of life, to participate in and to own a minimum of a 30% share in the benefits of the 30MW wind project.

Under my government Sir, Barbadians will not ever be reduced to being tenants in their own land and therefore as a recurring theme of energy investment in this country, we indicated that there will be a requirement for an opportunity for the Barbadian public to participate up to the level of at least 30% in every major energy investment project and that we reserve for the State owned enterprises another 30% of the overall RE capacity.

Given the reluctance of investors to partner with persons that they do not know, we will translate this quantum of participation for Bajans and for Bajan enterprises into a specific percentage to be allocated for us. This will mean that we will effectively reserve about 60% for Bajans and Bajan enterprises whether led by the private sector or the State. We anticipate that this will still see partnerships with non Barbadians, especially with respect to the on-shore and off-shore wind farms and in the production of hydrogen.

To be more precise Mr. speaker we will hold for Barbadian State-owned enterprises, regional obligations and the Third Sector 40% of the market. The 30% of the remaining 60% equates to just about 18% of the overall market. This is how we arrive at the approximate 60% of the market that I referred to above.

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The development of the RE sector is potentially a huge game changer if addressed correctly. It gives us an opportunity to stabilize the fiscal conditions of many of our State-owned enterprises, meet some of our regional obligations (like at UWI), resuscitate our sugar industry by turning a sugar factory into a 12 month power factory rather than a three month old power factory as it currently is and of course allow our citizens to become home owners by being able to access mortgages by using the revenue from the rooftops to so that they may qualify for them - the HOPE programme.

I give the example now of the opportunities in offshore wind energy. During the course of the last year and a half the Energy Division has conducted detailed wind studies, against which we now have concrete recommendations for potential investment sites which are anticipated to carry up to 150MW of wind generated electricity offshore Barbados.

The opportunity exists here again, for at least one of the recommended sites to be an offshore wind farm in which the Barbadian public can invest, and from which dividends can be earned, without prejudice to any other investment being made at either the individual household level or at commercial scale investment level in the energy sector.

Mr. Speaker, the fact is that this country faces a challenge in that there is not enough wealth locally to easily finance a number of offshore wind farms. It is therefore my judgement, that a form of collective investment vehicle constituted as a unit trust to pull a wide cross section of investment funding together locally, under centralised management is the ideal way to secure investment by our people in this major offshore energy undertaking.

The substance of renewable energy - the wind, the ocean, the sun, is really part of the patrimony of the people of Barbados. If we are to develop a renewable energy sector, then it must be maximized for the benefit of all Bajans, for this generation and securing the next generation. In this regard,

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the necessary financial vehicles will be created with the involvement of the existing credit union movement, the new Green Investment Bank we are establishing and all other interested financial entities in Barbados to allow citizens of this country the opportunity to participate in and to own and derive benefits from no less than 30% of the value of such a project. We will also then prioritize regional investment.

The 30MW Green Energy Park at Vauclose is another important part of our mix of renewable energy investments with opportunities for local participation.

Mr. Speaker, battery storage technologies are essential to the process of accelerating the replacement of fossil fuel with renewable energy. Battery energy storage systems are devices that enable energy from renewables like solar and wind to be stored and then released and dispatched when customers need power most and to where they need that power the most. These technologies are therefore indispensable to ensure the powering of our homes and businesses even when we have cloudy overcast days or when events like the recent ash fall substantially reduce daylight hours. The ability to capture renewable energy and to purposefully deploy it, is therefore a major component of the requirements of a modern grid.

As you know Sir, my government has already signalled its intention to strengthen and place solar PV on the roofs of 50,000 small homes to provide a basic income for homeowners and to build a further 10,000 affordable homes financed in part through solar PV. We want to go further and assert that we will give every Barbadian household the RIGHT TO own and install on their roofs a PV System. This will be determined by the size of the square footage of the house. So some houses will be entitled to 2.5 kW other 5 kW and others 10 kW. If a person wants to vary what they are entitled to it is at that point that they will apply to the Ministry.

Other than that, householders will be given the specific conditions under which they can own and install the panels on their roofs so that we remove

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the administrative burden of going through 80,000 applications in this country. In other words Mr. Speaker, in the same way that Barbadians have come to enjoy free education as of right, the ownership of a solar panel on the roof is now a right that we will confer on each and every residential homeowner.

And those who do not have homes will also still have the right to participate in the collective investment vehicles to which I referred earlier in solar PV and wind farms. This is an investment opportunity for Barbadians given the fact that their savings in the banks are only attracting an interest rate of 0.05%. That Barbadian investor will now be given an opportunity to participate in debt finance with a possible return of 3 to 5% on debt or in equity instruments that will provide a higher rate of return (likely to be between 8 to 12%). The one constraint simply will be the capacity of the Barbados Light and Power to accept the specific power to be tied into the grid. We will be working closely with them to smooth out these kinks over the course of the next year and make the critical decisions to facilitate battery storage.

In this way renewable energy is also backing another key pillar of growth, the housing revolution, the local and small scale construction it will spur and the wider spread of income generating assets.

However, this will further require a national grid that can manage peaks and troughs of sun and demand, while at the same time, moving towards net zero carbon production by phasing out the fossil fuel plants which were traditionally used as a backup to intermittent renewable energies like solar and wind.

The time has therefore come Mr. Speaker, for us to move to the next phase in the renewable energy journey, and that is the installation of energy storage at utility scale and also at the domestic level.

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The relevant studies indicate that a requirement of 200MW of storage will, in the first instance, be required to support Barbados' anticipated economic and physical development growth trajectory over the course of the next seven years. To this end, my government will facilitate operational arrangements over a three-year period to allow the Barbados Light and Power to spearhead the process of sourcing and installing 200MW storage capacity.

Mr. Speaker Sir, I want to make it clear that once again, Barbadian citizens, companies, credit unions, civil society and state owned enterprises will have the opportunity to participate in this process and to own a stake of this storage up to 50% of its capacity.

The question will no doubt be asked, especially given recent reliability issues, why should the Barbados Light & Power spearhead the process. As I have so often cautioned this House and the country, the fact is that our small size is a disadvantage in energy. If we seek battery systems on an incremental basis in circumstances where global demand is high, but supplies are constrained, we will not be prioritised and our efforts to source the systems will be frustrated and worst yet, our effort to diversify the base of the economy will be derailed. The requirement of 200MW of battery storage capacity if procured in large component parts, gives us the size of investment to attract attention in a market that will prioritise scale.

By allowing the Barbados Light and Power to spearhead this effort, we are enabling ourselves to benefit from a partnership, with their parent company in its ongoing search in the market, for storage capacity to meet demand in certain provinces in Canada. Otherwise put Sir, our long standing energy partner has access to the depth of capital and ability to access the relevant technologies at a rate and on a scale that we as a country do not otherwise have.

Fundamentally Mr. Speaker, our goal is to accelerate the energy transformation agenda and ensure that a minimum of 60% of the

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renewable energy sector is allocated to Barbadians, whether as individuals or part of established structures, such as the credit union movement, the new Green Investment Bank and private companies. Energy is a major pillar of economic development and competitiveness. Through a deepened investment in renewable energy, we can be more resilient to international shocks, and less vulnerable to global market events.

I say so Mr Speaker, aware that net zero does not mean fossil fuel free and it still anticipates a 20% continuation of fossil fuels as part of the national energy mix. We are however aligning with the increase in global investment in green energy which is now outstripping investment in fossil fuels. I am cognizant also that the green sector will generate new jobs and decent work, creating new opportunities, revenue streams, decent work and training for Barbadians; thereby spurring further economic activity.

Greening Transport

Mr. Speaker, Sir, a critical component of the energy transition is accelerating the shift away from those things that use fossil fuels. And in that regard transport is key. Our electric buses have been a success. We already have the largest electric bus fleet in the region and we are looking to expand it further.

Mr. Speaker, Sir, currently public officers are only allowed to borrow up to \$50,000 interest free for car loans which have predominantly been used to purchase diesel and gasoline powered vehicle. I propose to increase from April 1, 2022 the loan limit to \$100,000 interest free only for the purchase of electric or hybrid vehicles in order to further incentivize the purchase of these vehicles. The \$50,000 limit remains for the purchase of diesel or gasoline fuelled vehicle but will be reviewed and phased out in light of our 2030 decarbonisation commitments and particularly given my governments own policy for the purchase of electric vehicles for ministries, departments and agencies.

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There are also some anomalies in the Customs Tariff which need to be corrected. With respect to import duty for Used Battery Electric Vehicles the existing rate is 45%. This will revert to 10% on April 1, 2022, the same as a new Battery Electric Vehicle and consistent with other types of vehicles.

We will also reduce the tariff for Fuel Cell Electric and Solar Powered vehicles, new and used from 45% to 10%. Import duty and the excise tax for new fuel cell electric vehicles will be reduced to 20%.

The import duty for vehicles powered by Liquefied Petroleum Gas and Compressed Natural Gas will also be reduced to 25% from 45%, consistent with the designation of natural gases as a bridging fuel to renewable energy effective April 1, 2022. [A full list is outlined in the appendices.](#)

Mr Speaker, there have been a lot of calls for the customs duties on electrical vehicles to be reduced. The truth is Sir, in spite of the anomalies referenced earlier, the customs duties on electrical cars are already significantly lower than that on diesel or gasoline fuelled cars.

The import duty on all diesel or gasoline fuelled cars regardless of engine size is 45% compared to 10% for electric vehicles.

The excise tax on diesel and gasoline fuelled cars range from 20% to 120% compared to 20% for electric vehicles.

VAT is 17.5% on all vehicles which means that the total customs duties (import duty, excise tax and VAT) for electric vehicles is 47.5% of the value compared to a minimum of 82.5% for a <1600cc vehicle to a maximum of 182.5 for a >=2000cc vehicle.

However, we want to do more to accelerate the creation of a green economy.

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The government is now prepared to announce an EXCISE TAX and VAT Holiday on the purchase of electric vehicles for a period of 24 months commencing April 1, 2022 to further encourage Barbadians to adopt and adapt to the rapidly changing environment. This means Sir that Barbadians will only pay the import duty of 10% for the next 2 years on the purchase of electric vehicles.

We hope this will also encourage the private sector to accelerate the development of the charging network.

Alternate Fuel Levy

Mr Speaker, the government is conscious that as we mainstream electric vehicles and a green transport sector, this would lead to a substantial reduction in revenue from road and fuel tax which is currently used to assist with road construction and maintenance. Recent road repairs and refurbishment have been substantial. To address this Sir, I propose to introduce a new Alternate Fuel Levy (AFL) with a fixed and variable component for vehicles not powered by diesel or gasoline.

The fixed portion of the AFL, owners of these alternate powered vehicles will be required to pay \$25 per month via direct debit or standing order on the 15th day of each month which is \$300 per year as the fixed portion of the AFL directly to government.

The variable portion of the levy relates to annual mileage charged at 2 cents per kilometre above a 15,000kms threshold.

By way of example Sir, if a vehicle registers 18,000kms during its insurance year, then 2 cents is applied to the excess of 3,000kms (3,000 x \$0.02) so that the owner pays \$60 as the variable component plus the \$300 annual fee for a total of \$360 in a year.

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Mr. Speaker Sir, we will work with the general insurance industry to find a seamless way to verify odometer readings to be able to collect the variable component of the tariff. We are considering self compliance using an online validation system with random checks and heavy fines for violations.

We will require all electric and other qualifying vehicles to be re-registered first under the new Electronic Vehicle Registration system in May 2022 in order for the levy to be introduced from July 1, 2022.

Mr. Speaker Sir, this modern measure brings greater equity to road users in relation to the future of taxation while continuing to support the wide adoption of electric vehicles, the energy transition and the green economy.

Whilst I am on the subject of transportation, the pandemic has meant that car rental companies had to downsize their fleet in order to survive the fallout from little or no tourist arrivals to the country. Now that tourism has started to rebound and demand is rising we are conscious that cash flow is still not quite back to pre-Covid levels.

However, we believe that with the strong forward booking and given the COVID posture in a number of our key source markets we are confident that the ability to reflect and recover cash flow will be there.

To aid in that process of re-fleeting to pre-pandemic levels, the government proposes to allow authorised operators of car rental companies to pay 50% of the license and permit fees upfront. The remaining 50% will be paid within 12 months of registration given that the vehicles are revenue generating for the companies. This measure will take effective from April 1, 2022 and will be available to the sector for 18 months.

(2) Housing and Building Resilience across Communities

It was a Barbados Labour Party Government that provided the largest ever private sector housing boom in the history of this country.

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In our manifesto this year, we promised to create 10,000 housing solutions in the next five years.

Some ask, can it be done?

This year alone dozens of homes by HOPE Inc. are being completed at Lancaster, St. James. In fact, the first 30 are expected to be handed over within the next few weeks. Nearly 100 of 275 are in various stages of completion at Chancery Lane in Christ Church. Dozens more are earmarked for Coverley. The NHC is constructing 20 new Government housing units for rental at Whitepark in the City this year and another set scheduled for Lower Burney in the following Financial Year to assist in topping back up the NHC's depleting stock of rental units. In all we are projecting approximately 1,200 solutions in Year 1. This is projected to double in Year 2 once infrastructure is completed. Infrastructure usually consumes a significant chunk of time in large construction projects.

The Government proposes to cater to all economic classes: those earning below \$2,000; those earning between \$2,000 to \$4,000 and those earning between \$4,000 to \$8,000.

The Government will continue to work with the local private sector along with regional and international partners like Guyana and China to assist us in boosting our housing stock.

So, under one model, the large local contractors would be able to construct the houses and infrastructure and the Government provides the land. Under another model, Government would put in the infrastructure and small and medium sized local contractors would construct the houses. In another model, first-time homeowners who can't afford a mortgage might be provided with basic, comfortable housing and asked to pay no more than \$400 or so towards the cost of the land. This latter one is the HOPE Advance Project that will be launched quite soon.

Others who can afford a mortgage, like in the case of HOPE Inc. will be asked to pay a much smaller mortgage than they would normally have to

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pay the bank because of the installation of solar photovoltaics on the roofs of the houses. So there will be a mix of options and opportunities for all economic classes.

I turn now to building resilience.

Mr. Speaker, this government takes the climate crisis seriously and part of our response is mitigation and adaptation and particularly after the last 2 years of the pandemic, our desire is to further build stronger and more resilient housing within our communities.

After the passage of Hurricane Elsa, there are a number of critical responses required and whilst COVID-19 continues to be a significant factor on communities across Barbados, our commitment to build back better and build back stronger is absolute, and unwavering. Barbadians have witnessed the government's strong response to addressing not only drainage issues but also the improvement in water infrastructure and its delivery all across the country over the past 4 years.

Mr. Speaker, the Barbados Water Authority (BWA) will be engaging in an aggressive programme to provide personal water tanks and pumps financed through various methods to a number of households across Barbados.

The BWA will utilise grant funding, provided by the Green Climate Fund for BDS \$14m to provide 1,500 tanks as well as BDS \$5.6m for rainwater harvesting systems at homes, educational and health facilities and community centres across the island. To ensure fair access for the vulnerable, a needs assessment consultancy was completed to determine the recipients based on criteria developed in collaboration with the Ministry of People Empowerment and Elder Affairs. The pilot phase has started. The first installations have been prioritised for the northern parishes to address the current challenges with availability of supply and water quality. Private Citizens with the financial means are also encouraged to follow suit.

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Secondly, Sir, we are embarking on a Strap-It programme to secure as many roofs as possible across the housing stock that may be vulnerable and susceptible. As we saw with the passage of Elsa, too many properties are exposed.

In our effort to build resilience against the vagaries of climate change it is important that we manage our storm water drainage systems which consists of wells, inlets, gratings and other infrastructure to ensure that flooding is minimised.

Well digging and well cleaning in Barbados is a dying art and my government intends to enfranchise some of our young men and women to develop businesses to address the problem which we face in this country related to the cleaning of wells. Preliminary discussion has commenced with the Technical and Vocational Education and Training to develop courses in the art of well cleaning and digging.

There are in excess of 4,000 storm water wells in Barbados and there are less than twenty active well contractors. Therefore, with training and the facility to assist young business persons in the enterprise of well cleaning and digging it is expected that the complement of well contractors should increase within the next two years.

Mr Speaker, if there are any well contractors not currently subscribed in the programme, please send your business information to the Permanent Secretary of at the Ministry of Transport, Works and Water Resources.

Recent data from the Drainage Unit has revealed that between February 2020 and February 2022 two hundred and fifty-four (254) wells were cleaned. It is true that this time period is during the height of the pandemic but we cannot continue at this pace.

Not only will the cleaning of our storm water wells mitigate against flooding it also reduces the amount of surface water going to sea and provides excellent replenishment for our aquifers

Independent Emergency Electricity Generation

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Mr Speaker, another aspect of this Community Resilience programme relates to access to electricity, particularly post-disaster. As you know sir, we have committed the country to a very ambitious target of being fossil fuel free by 2030. We also recognize that as the series of climatic events gets more intense across the regions that one of the very clear lessons learnt with respect to the aftermath of a hurricane relates to this issue.

Last year, Barbadians got a taste of it in the aftermath of Elsa, that access to electricity is critical post disaster.

I propose that effective April 1, 2022, to grant a waiver of import duty and VAT for two years on the purchase and installation of generators at residential homes irrespective of the fuel type, to help build resilience across communities in this country.

Land tax relief

Mr. Speaker, As part of our effort to use solar PV to spread the ownership of a home to 10,000 families and provide a basic income for 50,000 small homes we had mooted lifting the land tax threshold, so that more people would be outside the land tax net.

In the current environment we are not yet in the position to provide targeted relief on land taxes from this coming fiscal year as we had hoped.

However, we are confident that we will be able to do so commencing April 1, 2023. I propose that from that day the threshold for land tax on residential properties, below which zero land tax is due, will be increased from the current \$175,000 to \$300,000 and then rise to \$400,000 from April 1, 2026.

To summarise, from April 1, 2023, no land tax is due on residential properties with a value of less than \$300,000.

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From April 1, 2026, no land tax will be due on properties with a value of less than \$400,000.

(3) Promoting creative, entrepreneurial and small business

Small businesses including self-employed, creative, professional firms account for an estimated 30-40% of our economy. Many are dynamic fast growing firms, or those where the owners are content with where they are. But many face high hurdles and never take-off. We need an inclusive recovery that embraces the small business sector. Small businesses embody the entrepreneurial spirit of Barbadians and they are more efficient at creating new jobs which are necessary to stimulate economic activity. Their potential for niche market exports, whether to tourists or through sales abroad cannot be overstated.

Studies, including doing business surveys on Barbados suggest that one of the main reasons is a lack of finance. And in turn, and one of the main reasons why small firms with strong order books cannot access finance to grow is that finance houses can't use their assets as collateral for a loan, or even sell their non-fixed assets, because there is uncertainty over whether the asset is being used as collateral for another loan, where it is and who owns it.

Three solutions are a collateral registry, a factoring program and micro-leasing. At a collateral registry business owners can register their assets for a small fee and their lenders can see who has a claim on them. This reduces uncertainty for lenders and helps businesses sell or trade their assets securely. In a factoring program, small firms can get finance to complete and order by selling at a discount the proceeds of the contract. Small firms may be able to lease equipment for a month and complete an order but not put a down payment on a purchase or long lease. Micro-leases allow them to take small steps first rather than no step.

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We would like to see the establishment of collateral, factoring and micro-leasing agencies and we will work with business associations and lawyers on the supportive legislation and the establishment of these agencies.

Sometimes the issue is not finance but access to markets. The new digital world collapses the distance between producers and consumers of digital products. We will launch this year an initiative called MyEconomy.org.bb where we provide free or low cost tools to help every Barbadian develop, produce and market digital content on the world's digital platforms.

Innovation and Growth Market (Junior Stock Exchange)

Equity - an ownership stake - is often more appropriate to the risks than debt for new firms without a long track record. But the junior stock market has not taken off in Barbados. In part this was because the costs, reporting and conditions over how much equity had to be offered, remained too onerous.

The new digital technologies provide new opportunities to try and get this right and create markets where Barbadian can trade small or large ownership stakes in Barbadian businesses. We aim to work with the Barbados Stock Exchange and Small Business Association to establish a vibrant, low cost exchange, with more competitive fees, reporting and equity conditions. We are also prepared to offer, perhaps through others, technical assistance for firms to meet the conditions of listing on a junior exchange. And separately we need to support the arrival of low cost brokers who will help small investors trade these shares.

Export Culture

Mr Speaker, in order to achieve double digit growth we must focus more on building a strong export culture. I am pleased the BIDC has rebranded itself

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ExportBarbados, and has moved quickly from being a glorified real estate agent to once again facilitating businesses in getting their products and services to the marketplace.

With a strong focus on design and innovation and with innovative financing, we are confident that our enterprises can grow rapidly.

Whether it's the area of life sciences, the bioeconomy, fintech or food science we are confident that Barbados will witness an exciting path forward.

We will also introduce legislation to establish a free zone in the country as part of our export strategy for manufacturing and non-financial services. Firms that are only exporters and in a specific physical space will benefit from a dedicated branch of the different regulatory bodies in a single, one-stop-shop physical and digital place. This type of framework will complement the drive to establish Barbados as a fintech hub and to build out more industrial estates to drive growth. These are the types of initiatives Mr Speaker that will transform the local economy.

The introduction of innovative ways to tap the talents of local designers and facilitating the access to making samples so that real orders can be fulfilled is the cornerstone of growth. Gone are the days of sponsoring trips to business expos, receiving orders which then cannot be fulfilled. Barbados has a strong design culture and there our absolute focus is in putting the structures in places to focus on production in order to supply the markets consistently.

Notwithstanding these efforts Mr Speaker, there is one vital piece of the puzzle that must now be put in place before the end of 2022.

I wish to inform the honourable House that the Ministry of Agriculture is at an advanced stage in finalizing the drafting of sanitary and phytosanitary legislation. This sir, will be a game changer for agriculture in this country, particularly the poultry and fisheries industries as this legislation will open

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up significant avenues for export potential that hitherto was blocked by such non-tariff barriers.

I look forward to its passage in this chamber before midterm review in October such that we can put down a permanent marker in achieving sustainable and equitable growth.

Vending

Empowerment and enfranchisement through participation of citizens is at the core of my Government's mission.

In this vein, the National Vending Act 2021-26 was enacted in December 2021 to promote a work environment that would allow vendors to legitimately ply their trade with mutual trust that would serve the best interest of all stakeholders. One critical objective was to end the criminalizing of safe vending.

To further develop the vending sector in a safe manner, facilities are to be constructed around the island in close proximity to the nation's highways to promote a safer and healthier environment for transactions. The construction will see the placement of a number of vending kiosks, storage and bathroom facilities at such locations as Redman's Village, St. Thomas, Fitts Village, St. James, an area adjacent to the Deighton Griffith School, Christ Church, Top Rock, Christ Church, Warrens, St. Michael, among others.

The architectural designs for the Redman's Village location have been completed and submitted to Town and Country Planning. These designs could serve as the blueprint for many of the other facilities allowing us to fast track the roll out.

We are collaborating with strategic partners and stakeholders on a project which will see the construction and placement of approximately fifty kiosks

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in the City, starting with Swan Street and its neighbourhood. These kiosks, which were designed by the students of SJPI and BCC as part of a competition held by the Ministry, will be constructed by a community construction firm with funding through the BCCULL.

Capital Works

Mr Speaker, since the onset of the pandemic, government has stepped up its efforts to boost its own capital works programme in order to offset some of the economic fallout from tourism and the other travel dependent sectors of the economy. It has been a delicate balancing act given the uncertainty within the global economy over the past 2 years and the increased needs to provide an expanded suite of social protection measures.

As you are aware sir, capital works across the private and public sectors are vital to keeping a small open economy going. Barbadians have already noticed an acceleration in construction activity over the past year and the economy reopened more fully and with the disruption caused by Hurricane Elsa.

Government's ambitious housing programme to build 10,000 houses in 5 years alone will fuel economic activity.

We were also mindful before the pandemic hit sir, that we needed to respond to an increasing number of youth-at-risk in society. Therefore we will fast track the completion of the facilities to house and train the participants in the Barbados YouthAdvance Corps to achieve the 1,000 persons per year throughput for 2 years as quickly as possible.

Having completed the outpatient clinics in St Andrew and St Joseph, we turn our attention to the outpatient clinic in St Thomas as well as the Gordon Cummins District Hospital.

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The Queen Elizabeth Hospital will also undergo a five-year capital expenditure programme designed to fund the replacement of critical equipment and to build out additional capacity to expand clinical services. This expansion of clinical services in the current building will be created by moving some of the administrative and laboratory services from the main building to the opposite side of Martindales Road on the Enmore site.

This capex programme would also see the purchase and replacement of equipment on a phased annual basis which will lead to a reduction in recurrent expenditure and significantly ease cash flow but more importantly Mr Speaker, this investment will result in the elimination of the backlog of medical procedures at the institution being experience by Bajans over time.

Design works will commence this year for the new Geriatric Hospital to be relocated within the Botanical Gardens at Waterford.

Mr. Speaker, Covid has slowed down a number of private sector projects, with private financiers more reluctant to commit to tourism projects in particular. This is why the Government has brought forward a number of public sector capital projects and has worked with private sector developers to try and facilitate their early return.

The Government of Barbados is in advance discussions with investors on the development of a cricket-themed hotel on the site of the Government Procurement Department in Holborn, obliquely opposite Kensington Oval. The plans include substantial local and regional ownership participation.

We anticipate the hotel at Sam Lords to be completed within the year.

We understand that the Hyatt Hotel project is closing in on 'Financial Close' and we have a commitment as part of regulatory approvals that ordinary Barbadians will be able to participate in that investment in three years when the hotel has stabilised.

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The Marriott Group are about to start on a \$150m investment program across their Barbadian hotels.

There will also be a number of hotels and mixed use private sector projects to be started in the next year - the Pierhead Project, Royalton, Beaches, Margaritaville and Indigo at the old Caribee site.

The construction of a new Barbados Fire Service Station and Headquarters and Mechanical Workshop.

The completion of the Shallow Draught works at the Bridgetown Port.

The substantial rejuvenation and expansion of the Apes Hill development is continuing a-pace.

The redevelopment of Queens Park as a cultural hub and the upgrading of Temple Yard, the stalls by the River Bus Stand and the vending facilities at Passage Road.

The Completion of the old Supreme Court Complex and Town Hall at Coleridge Street.

The construction of a Vehicle Pound at Workmans, St George.

There will continue to be significant work in the area of roads, drainage and the replacement of water mains and the augmentation of our water supply.

Against this backdrop Mr. Speaker, we will establish a working committee to advise us on how best we can transfer the equipment of the Ministry of Public Works to UCAL on appropriate commercial terms. Equally, we will lease back the same equipment when needed on appropriate commercial terms. This working committee must complete its work within the next three months so that we can make real this for the enfranchisement of our

workers but equally bring greater efficiency to the management of our equipment in the public service.

(5) FOOD AND NUTRITION REVOLUTION

Mr. Speaker, it is an unfortunate truth that 100 years ago, in Barbados for many there was a lack of food, but the nutritional quality of the food that was available was high. Today, food is abundant, but the nutritional quality is inferior.

Unfortunately, in many instances, technological advancement in food production has been driven by profits as opposed to advancing nutritional quality. On one hand you have ultra processed, easily available foods with high sugar and salt content. On the other hand, you have the decline in nutritional content in crops, a global crisis of soil depletion and animal rearing practices designed to improve yield but not human safety .

Mr. Speaker, when you think about the interruption in global supply we suffered due to the pandemic, added to the instability we are about to suffer through global due to wars and conflicts, and then you add that to major health crisis we are facing with NCDs - it becomes clear to see why it is the judgement of my government that we need a revolution in nutrition security.

Mr. Speaker, our vision, and the urgent mandate we have placed on the Ministry of Agriculture and Food & Nutritional Security, is to facilitate Barbadians moving past eating for just a belly full, to the point where we eat for health, wellness and enjoyment in every delicious bite. Fresh and wholesome nutritious food is the daily medicine that is needed to tackle the high incidence of chronic non-communicable diseases. To this end we are committed to repositioning our farmers to deliver on this mandate for Barbados, to reverse our healthcare bill and to give Barbadians the best quality of life possible.

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Mr Speaker, the high consumption of foods with high sugar and high salt content continues to undermine the efforts to fight chronic NCDs. Against this background, I now propose to raise the excise tax on sweetened beverages from the 10% introduced in 2017 to 20% effective April 1, 2022 as a further signal to all manufacturers and consumers that we need to curb our sugar intake. The Ministry of Health and Wellness will work with stakeholders to further identify those items with high salt content in order to impose a similar tariff by October 2022.

It is always our preference to work with manufacturers of these sweetened beverage to reduce the level of these sugars and salts and therefore the Ministry of Health and Wellness will develop nutritional guidelines with sugar and salt content that are acceptable and manufacturers including those within communities will be given the appropriate timeframe to transition to the new standards.

The onus then Mr Speaker is on manufacturers to fall within these guidelines rather than a Minister of Finance having to intervene at the tax level.

Mr. Speaker, the Ministry of Agriculture and Food & Nutritional Security has been tasked with the goal of reducing the domestic food import bill by 25% by 2025 - which is in line with the regional goals.

Sir, this is why we have made the changes to water rates for farmers. This is why we are advancing at pace on the sanitary and phytosanitary legislation. This is why we are advancing at pace with the public-private partnership (PPP) between BADMC and C. O. Williams Construction Co. Ltd. for the lease of 100 acres of land at Lears, St. Michael to be used for crop and livestock production. To date, 139 persons have responded to the invitation for Expressions of Interest regarding the project, which will also feature a vending area with amenities and a solar powered freight container

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farm. The target date for completion of all land work, including placement is July 31st, 2022 - with the reservoir to be completed in October in this year.

Mr. Speaker, the reality is that despite all of the Government's will, we are still a small island constrained by limited land space, this is why as mentioned previously Barbados will also be collaborating with other CARICOM countries including Guyana and Suriname. Both Guyana and Suriname have already committed to the allocation of hundreds of acres of land to Barbadian farmers who are willing to produce crops and rear Black Belly Sheep in these countries. A goal has been set - to have one million animals in 5 years' time.

Sir, this is why in keeping with our marine conservation guidelines, we will facilitate the development of technology-enabled marine farms. Mr. Speaker, all over the world, there are examples of oceans farms successfully growing everything from seaweed, to clams, to shrimp, and a vast variety of fish. It is high time that we facilitate the same happening here. We intend for this to not only supply our people with fresh, high-quality food - but to also expand our global exports.

Mr. Speaker, to be the best versions of ourselves - how we grow our food, how we process our food, how we prepare our food and how we consume our food - must matter.

(6) THE DIGITAL REVOLUTION

Mr. Speaker, in order for Barbados to hit the ambitious growth and developmental targets we have set out - we are going to have to take some calculated risks. It is no different to batting in test cricket, you can have the most solid defense and occupy the crease, but if you plan to score some runs, then you gonna have to play a few shots. Mr. Speaker, fully tapping

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into the digital economy is undoubtedly one of those shots we must learn to play and master.

Mr. Speaker, we have made some progress by digitising a few key components of government operations and service delivery - in fact we are very shortly going to roll out the new digital ID. But the truth is, to advance at the pace we need, we need to do much more and much faster. Mr. Speaker this is why my government will develop a Govtech type agency resourced, mandated and empowered to digitise and improve the delivery of public services - in doing so, we will fast track the transformation of Barbados into a "Smart Society".

Mr. Speaker, this is why my government is at the advanced stages of creating a strategic partnership with one of the leading cyber security companies in the world. We are taking this step for the purpose of defense, yes - the reality is that we live in a world where every single nation and major corporation is under daily threat from all types of ransomware, hacks, malware, credit card schemes and assorted digital attacks. That's just the reality of the world we now live in. Therefore as a government we have an absolute duty to find the best skills and technologies available to protect our nation and our people.

But Mr. Speaker, this step is also about offense - transforming Barbados into a digitally enhanced and digitally secure country will significantly boost our global competitiveness. In 2022 and beyond, global travellers and businesses will prioritize going to places where they feel that their money, their data and their identity is safe. We will invest in making Barbados digital safe for our global customers but most importantly for our people.

Mr. Speaker, we have already created a Fintech industry advisory group to help us arrive at the right overall balance between innovation and protection.

We have no intention of becoming an arbiter of technology. We are open to all cutting edge technologies and ideas - we want them to develop and thrive. Fintech and the emerging Virtual Assets Industry with its

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cryptocurrencies, DAOs and NFTs is an exciting space and we believe there are many ways Barbados can benefit from it.

For my government Mr. Speaker, Financial regulation is centred around over-arching principles rather than specific rules that will quickly become outdated or worked-around. Our principle is that as a small society we must avoid systemic contagion and protect vulnerable consumers. The principal tools of protecting vulnerable consumers are tech-neutral things like whether the sellers are fit and proper individuals; avoiding miss-selling and conflicts of interest; having appropriate capital/liquidity requirements where sellers make promises; and of course applying international standards of anti-money laundering compliance. We are especially open to new technologies that help achieve these safeguards quickly and cheaply.

Mr. Speaker, this is why my government has started conversations with the leadership of the largest cryptocurrency company in the world - Binance - about Barbados being a global hub for fintech investment and innovation. Mr. Speaker, we will find the right balance for regulation being a tool to always protect our citizens, but at the same time, be a competitive advantage in the global economy.

In addition sir, the long awaited national payments ecosystem will come to reality in October 2022. The last set of payment services providers are in the final round of testing so that we can have the widest possible participation from the outset.

To that end, the Ministry of Finance will proclaim the National Payments System legislation and the Fair Credit Reporting legislation on April 15, 2022 to provide sufficient lead time with respect to the introduction of appropriate regulations. thereafter, we will set up the National Payments Council by April 30, 2022 to oversee the roll out of the new payments ecosystem.

Mr Speaker, the credit union movement has made leaps and bounds since its establishment some 40 years ago. Today with the advancement and utilisation of technology, we feel the movement is well poised to play an

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even more vital role in achieving financial inclusion and democratising the financial sector. Whether it is financing housing, renewable energy or infrastructure, you name it sir, the movement has a vested interest in making things happen in this country.

To that end, we welcome their full participation within the payment ecosystem and look forward to further innovation to make it easier for persons to invest in either government securities or commercial securities or even peer-to-peer lending facilities.

Further, the Ministry of Finance will over the course of the coming months bring legislation to this parliament to establish deposit insurance for the movement. However, I must caution the movement that as the asset of the movement continues to grow apace, there must be greater attention paid to the corporate governance structure of institutions.

(7) The orange economy and heritage

Mr. Speaker, it is time that Barbados plays more to its strengths

Mr. Speaker, Barbados has always been in the business of punching above its weight - and long may that continue. However, there are two particular global mega industries that despite our small size, Barbados' brand recognition is at the top of the ladder. Sir I refer of course to two things that some Bajans have traditionally paired together - cricket and rum. Barbados is the birthplace of rum - and the maker of the world's best rums. Barbados, on 166 sq miles, has hosted not just one but two global World Cup finals. Barbados' contribution to the development of these two 100 billion plus industries is unquestionable - yet we earn far too little from them.

To this end Mr. Speaker, my government will invest in and prioritize the significant expansion of Barbados' and Bajans ability to earn from the global rum industry and the global cricket industry. Both of these have the

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potential to become billion dollar sub-sectors for us. We will work with rum producers and investors to build a clear roadmap for industry growth - a roadmap focused on high valued production for global exports. Mr. Speaker, the Cognac region in France is less than 6 sq miles but produces billions of dollars into global spirits sales annually - with all types of ranges of high valued companies and jobs in finance, IP, chemistry, energy and design - why can't we do the same?

As for cricket Mr. Speaker, we will act on our commitment to create a cabinet advisory committee and invest one million dollars into the creation of a road map for the creation of a global Barbadian cricket economy. We have been in business of producing world class cricketers by the dozens, but now is the time us to produce by the 100s Bajans who become brand owners, media personnel, software developers, equipment designers, facility managers, fitness and nutrition specialists and legal and financial experts- who all work and earn from the global cricket economy.

YOUTH & SPORTS

Mr Speaker Sir, youth, sports development and community empowerment are not after thoughts or nice-to-haves. They are intrinsically linked and critical components to my Government's strategy to improve the quality of lives of citizens, address social ills and accelerate economic growth.

To this end Mr. Speaker, we will transform the work and impact of the National Sports Council - placing greater investment and emphasis on school and community sports. We are fully committed to the construction of a new National Stadium as well as building mini-stadia at fifteen initial locations across the country.

Mr Speaker we will invest in our indigenous sport of road tennis - developing it locally and promoting it internationally. Sir, quite frankly, our vision is that we must see our prowess at cricket and road tennis as

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exportable services. There are approximately 250 millions young Africans - that is our market!

HERITAGE & CREATIVE ECONOMY

Mr. Speaker, the Barbados Archives Department is home to our national story, housing over 360 years of Barbados' documented history. It also houses one of the world's largest repositories of British Trans-Atlantic slavery information given Barbados' geo-economic significance to its former colonizer and its socio-historical connections to the African continent. It connects current and future generations to Barbados' history.

Last year my government contracted an international Consortium to undertake a consultancy to determine the viability and potential scale of a Barbadian Archival Economy. Mr. Speaker, following the advice rendered, my government will seek to advance the Reclaiming Our Atlantic Destiny or R.O.A.D project - as it has been dubbed - seeks to develop a world-class Heritage District at Newton - complete with a Sir David Adjaye designed Memorial and Museum, a Genealogical Research Institute and a highly sophisticated digital platform. While we expect to launch an international Funding Campaign for aspects of this initiative we will provide seed funding for some components of the project.

Mr. Speaker, we will prioritize the development of Barbados' creative economy. We will facilitate the creation of the transformation of one of our old sugar plantations into a creative district; we will create a competitive framework to incentivize global film, music, video games, software and content companies to hub and produce from Barbados. Mr. Speaker, we will develop our night-time economy, we will invest and facilitate our cities becoming vibrant centers of leisure and culture activity; we will facilitate the development of a 52-week entertainment calendar to keep our entertainers, producers and creatives earning well all year round.

Conclusion

Mr. Speaker, Sir as we close, let me reflect that it matters not only what we do but how we do it. To that extent, my government remains committed to the reforms of governance which were referred to in the Address to the Joint Houses of Parliament by our President at the opening of this Parliament. It is against this background that we expect that we will be bringing before this Parliament in this financial year the legislation for the introduction of People's Assemblies to assist in the governance of our nation and a request for a supplementary to cover the work.

In addition, we will be providing for the functioning of 3 critical Commissions, namely the Constitutional Review Commission (to be chaired by Justice Christopher Blackman), the Commission on Parliamentary Reform (to be chaired by senior attorney and former President of the Senate, Sir Richard Cheltenham) and the Commission to provide a New Deal for the Community of the Differently Able Chaired by Edmund Hinkson, M.P. The work of all 3 commissions will start early in the beginning of the new financial year.

This will complement the conversations and work on the other major areas of reform that are long overdue and that we are commencing this year - that of our education system with the Common Entrance Examination and that of our Welfare system and the social support agencies, like the National Assistance Board and the Child Care Board.

Mr. Speaker, we are also committed to working with Labour to improve the terms and conditions of all of our workers in the private and public sector. In particular, we will address the issue of the revision of allowances which have not been increased since 2009. Those negotiations will start in September 2022.

Similarly there will be a Regrading Exercise in the public service. However, before we do this we must address the issue of the "Future of Work in Barbados" looking at issues such as hours of work and overtime and from

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where do people work in a post COVID environment. I intend to meet with the Social Partnership to determine how best we may address this given that some work has already started in this area. We will also see at last the introduction of the Trade Union Recognition Bill this year.

We trust that these initiatives will all lead to a fairer and better functioning Barbados.

It is against his backdrop Mr speaker we commit as a government to focus on the day-to-day burdens our people face. Some of these will require a change in systems; for example late payments in the public service for persons who have worked in good faith, more often in temporary positions. Some will require greater levels of training in Customer Service to create a more respectful, customer centric culture in the public service.

It will require our addressing the unacceptable backlog at the licensing authority and other government departments. It also relates to ensuring that we have a human face interacting with persons as they wait (in some instances) hours for service, particularly at the Queen Elizabeth Hospital or at the Grantley Adams Airport. The continued digitization of our services will help. We must appreciate that people do not like parting with money at all but if they do, why must we punish them by making them stand up in the hot sun? We will complete the task that we have started (and that is well on its way) and complete the framework for digital payments and renewals for public access to as many services as possible within the public sector.

It will also require us to undertake comprehensive public education and training. Mr. Speaker, we have committed to making the citizenship module available to all Bajans and for the reintroduction of Civics in our schools so that we can all become better citizens. But we must equally address matters to close other information gaps and, by extension, increase the awareness and skills about people. For example, the Sanitation Services Authority must undertake a comprehensive program in public education for recycling, and even on the basic matters of advising Barbadians on how best to manage the new garbage bins that we have distributed to each

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household. We should also provide a series of “How To?” videos so that people may learn how best to access basic services, how to improve their financial literacy and how to undertake tasks as simple as having their own kitchen garden. All of these are critical skills and we must not assume that all citizens have them or have the wherewithal to get them on their own.

Similarly, we must insist on accountability from those who provide services to the Government of Barbados and by extension to the people of Barbados. I refer specifically to ensure that we do not release retention payments unless the work done meets the required standard. In short, the bumpy ride on Highway 1 must be corrected. Equally, utility companies will be held accountable (whether state-owned or not) for the reinstatement of the roads when they break the ground to access their utilities.

Mr. Speaker, These day to day issues matter. And I shall take personal responsibility for ensuring that we remain focused on resolving them rather than kicking them down the ladder to another generation.

They must not and will not be allowed to sap the energy of our people or indeed as a collective effort of us as a nation as we work to re-position Barbados to meet the grave challenges of this next decade. We must preserve all our energy for these battles.

We know the issues. You have heard me refer to them over and over and over. That is because we need all people of goodwill in this country working together to ensure that by the time 2035 comes we would have repositioned our country to meet these challenges. What are the things we must prepare to fight again?

The climate crisis presents most harshly in water scarcity, destruction of our coral reefs and by extension, the erosion faced by our coastal communities (like Six Mens), the threats of saltwater intrusion into our coastal aquifers, flooding and storms that put both life, livelihoods and property at risk.

The population deficit that is undermining economic growth and places at risk unfunded pension systems.

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The threats posed to us beyond this COVID Pandemic individually and collectively of Chronic NCDs, that of our ability to fight the super viruses and of course, to preserve mental wellness of our people.

Mr. Speaker sir everything has not and cannot be addressed in this one speech. But we are aware of what we must do to carry our people safely to the 2035 destination when the world will be close to or would have exceeded the 1.5 degrees we need to live comfortably or the smaller workforce or the maintenance of our fiscal anchor. And becoming world class in how we deliver services to each other and in the quality of the goods we make and the produce we farm will help us significantly in reaching that destination safely.

And the fiscal anchor in 2035 to which I referred is simply a commitment to reduce by that date our debt to GDP ratio of 60%. We have not yet made any decisions as to what we shall do at the end of the IMF-backed program this year. Indeed we will enter discussions with them and other related stakeholders over the course of the next three months as we determine the path forward in this very challenging economic environment for Small Island Developing States. The Social Partners and the public will be fully involved in our decision.

Mr Speaker sir,

Back to 2022.

Covid has not gone; we are learning to live with it.

The invasion of Ukraine by Russia and the uneven response risks undermining the global order and ushering in a period of volatility and uncertainty.

With greater certainty, the Russian invasion of Ukraine and western sanctions will likely send oil and food prices up.

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The world we live in today, demands a different approach to government than before. Governments must be responsive, prepared to step on the brake, then gas, then brake. Actions must be determined by a mix of principle and information.

My Government's supreme task has been to support the safety and welfare of our people. Today we partially shield them from oil and freight price rises by capping the VAT and duty payable. In the case of petrol and diesel this should have the immediate impact of lowering petrol and diesel prices by 14 cents.

We will also zero rate a number of critical personal care and health products.

And we will try to become less dependent on imported food through the establishment of a specially discounted water rate for small farmers of 1.80 per cubic metre. That is approximately 30% lower than the lowest price band for residential users.

But there is a limit to what one small country can do about a large rise in an internationally determined price. This measure on petrol and diesel prices alone represents a transfer from Government to consumers of \$25.2m.

Given this state of the world, we need more than ever before to invest in regional initiatives around food, nutrition, energy and financial security. I am working with the President of Guyana on a plan to reduce the region's import bill by 25% by 2025: 25 by 25. Recent reforms spurred by the CARICOM Commission make it easier than before for CARICOM to respond to this call. Barbados and Guyana have several collaborations to this end, especially in the areas of agriculture, marine transport and investment.

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We were able to respond well to Covid through a combination of social spending, sharing the burden and responsible fiscal policy. We must continue to do so, which is why we have regrettably imposed a one-off, 15% Pandemic Contribution Levy on those specific sectors that generally fared better than most through Covid: telecoms, insurance, banking and oil dealers. No one likes paying taxes, but we all benefit from the social spending and maintenance of a fair society. And the Levy plus regular taxes combined are still lower than our corporate tax rates as recently as 2019. But we thank these contributors. YOU are the builders of Barbados.

In addition to fiscal responsibility and high reserves, the central pillars of our medium term economic strategy are (1) the greening of the economy and a unique shared approach to the energy transition; (2) a housing revolution, in part financed by renewable energies (3) a training revolution: training, training and more training (4) a financing revolution for small businesses using new instruments such as collateral registries, micro-leasing and factoring agencies as well as existing agencies like Fund Access and the Industrial Credit Fund (5) the digital economy across government, payments and commerce (6) raising our food and nutrition security and (7) the orange economy, sport, culture and heritage.

This is but one speech. The lessons of COVID and of managing through turbulent times is simple - communication is critical. We must always be responsive to each other and to the times in which we live. We must keep at our core our values and focus on what matters most, the well-being of our people. Just as we did in our management of the restructuring of our debt, our saving of the value of the Barbados dollar or in our management of the COVID pandemic we shall remain focused and nimble in our actions but rooted in our principles and conscious that above all else, we must see and know our people, hear and care for our people in all that we do.

Mr. Speaker sir, 2021 was a test of my government's philosophy, that when we prepare together and journey together, we come through together, we arrive at our desired destination together.

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For, I believe that while it may be a riskier and more uncertain world, if we
hold to our covenants,
If we leave no one behind,
If we share the burden and share the benefits,
If we pay forward, plan and prepare for a better future,
If we recognise that all our people must be owners and not tenants in their
own land,

There is nothing Barbados cannot overcome.

I am obliged to you.

Summary of Fiscal Measures

- I. Effective March 16, 2022 the dollar amount of VAT payable on gasoline will be capped at 47 cents per litre for six (6) months.
- II. Effective March 16, 2022 the dollar amount of VAT payable on diesel will be capped at 37 cents per litre for six(6) months.
- III. Freight costs will be capped at 2019 levels of US\$7,350 per 20 foot container and US\$8,000 per 40 foot container from March 15, 2022 until March 31, 2023 for the purpose of calculating customs duties.
- IV. A fixed rate of \$1.80 per cubic metre will be introduced for water in the agricultural sector.
- V. VAT on selected personal and critical care items will be zero-rated from April 1, 2022.
- VI. Commencing July 1, 2022 a one off Pandemic Contribution tax of 15% is due on the taxable income for 2020 and 2021 for the banking, insurance, telecoms and oil and gas wholesalers.
- VII. For a period of 12 months from April 1, 2022, a Pandemic Contribution Levy of 1% will be paid by individuals who earn a gross personal income above \$75,000 for a period of 12 months.
- VIII. The land tax threshold on residential properties will increase to \$300,000 from the 2023-2024 financial year.
- IX. There will be a moratorium on interest on outstanding NIS contributions with effect from April 1, 2022 to June 30, 2022 with principal settlement within 2 years.
- X. The NIS is to transition to an independent state owned enterprise by year end.

Appendix A

- XI. The NIS will administer all public sector pensions from January 1, 2024.
- XII. The pension legislation will be amended to allow for automatic abatement for public officers on early retirement.
- XIII. All new public officers earning above the earnings ceiling will be required to contribute to their pensions.
- XIV. The national insurance earnings ceiling will be increased to \$1,182 per week or \$5,120 per month with effect from January 1, 2023.
- XV. A revolving capital loan facility will be secured for the Barbados Water Authority to execute capital works.
- XVI. From April 1, 2022 commercial customers of natural gas will pay:
 - A. \$2.28 for consumption up to 500 cubic meters.
 - B. \$2.24 for consumption from 501 to 2500.
 - C. \$2.22 for 2,501 to 10,000 cubic meters and
 - D. \$2.20 for consumption over 10,000 cubic meters.
 - E. For domestic customers, the rental fee for the rental of meters will increase from \$5 to \$10 per month.
 - F. For commercial customers the fee will increase from \$15 to \$25 per month.
- XVII. There will be an Alternate Fuel Levy of \$25 per month plus \$0.02 per km over 15,000 kms annually from July 1, 2022.
- XVIII. There will be an Excise and VAT holiday on electric vehicles for 24 months commencing April 1, 2022.
- XIX. There will be a realignment of rates for electric vehicles and other alternate fuelled vehicles in the customs tariff.

Appendix A

- XX. From April 1, 2022 the loan limit for public servants will be increased to \$100,000 to facilitate the purchase of electric or alternate fuelled vehicles.
- XXI. Effective April 1, 2022, a waiver of import duty and VAT will be granted for two years on the purchase and installation of generators at residential homes.
- XXII. Authorised car rental companies will pay 50% of the license and the remainder will be deferred for a maximum of twelve (12) months commencing April 1, 2022 to replenish fleet of vehicles. Facility available for 18 months.
- XXIII. Legislation is to be drafted to introduce reverse mortgages.
- XXIV. National Payments System Legislation is to be proclaimed on April 15, 2022
- XXV. Fair Credit Reporting legislation is to be proclaimed on April 15, 2022.
- XXVI. Establishment of the National Payments System Council by April 30, 2022.
- XXVII. Legislation is to be introduced to facilitate deposit insurance for credit unions.
- XXVIII. Legislation to be introduced to facilitate the sanitary and phytosanitary measures by mid term review 2022.
- XXIX. The Excise tax on sweetened beverages will be increased from 10% to 20% with effect from April 1, 2022.
- XXX. Legislation to be introduced to create free zones.

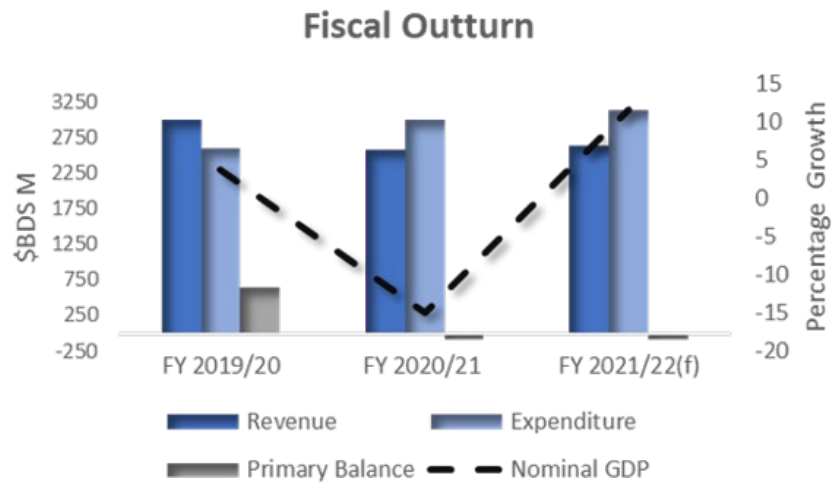
Fiscal Performance

Overview

The COVID -19 health crisis has presented unique challenges to the global community. Governments have been faced with navigating their respective economies through uncharted waters, as decisions on the movement of its citizens directly impact the flow of economic activity. Similarly, this administration contended with prioritizing the health of its residents over pursuing the realization of short-term economic growth. Notwithstanding the uncertainty surrounding the span and extent of the likely departure from normalcy that faced most nations, and, that complicated any planned strategy at the onset of the pandemic, it was decided that this government would take all precautions in ensuring the safety of Barbadian citizens and in so doing, bear the economic fallout that was inevitable during a period of limited movement.

Though it was evident that significant public sector investment would be needed to mitigate the impact of the pandemic, consideration of possible irreversible consequences of unbridled expansionary stimulus spending was taken, particularly in light of long-term commitments to fiscal and debt sustainability. Instead, focused spending that addressed the immediate health and social protection of the population, as well as government led investment in the tourism product, would best suit the needs of the Barbados economy long after the end of the health crisis.

The macro-fiscal outturn over the last two difficult years fully reflect government's intention of placing people above short-term fiscal objectives. Cognizant of international scrutiny of the Barbados Economic Recovery and Transformation (BERT) program, implemented in FY 2018/19, it was determined that necessary spending took precedence over the 6 percent primary surplus mandated for FY 2020/21 and FY 2021/22. Instead, smaller primary balances were agreed with the International Monetary Fund in order to accommodate essential spend, particularly in light of waning government revenue.



Revenue Outturn FY 2020/21

The onset of the pandemic and contraction in economic activity inevitably led to a slowdown in revenues over the last two years. Fiscal year 2019/20’s performance was deemed exemplary as government’s adjustment policy, outlined in the BERT program, led to a successful widening of the revenue base. Net revenues totalled approximately \$2.98 billion and represented almost 28 percent of GDP. However, the 14.0 percent contraction in real economic output in 2020 immediately and drastically eroded revenue gains, as receipts shrunk by over \$400 million by the end of FY 2020/21 compared to prior year’s performance and performed \$600 million below expected receipts for that year.

Rising unemployment coupled with the structural changes made to Personal Income Taxes reduced gross revenue during the period. A reduction in compliance, due to a general tightening of individuals’ disposable income, narrowed Property Tax receipts by over 15 percent. Consumption related flows ebbed, given the drastic fall in demand exacerbated by a number of national lock-down periods necessitated during stages of increased COVID-19 cases. Value Added Tax, Import Duties, Excises and Fuel Taxes cumulatively fell by over \$400 million in FY

2020/21. Concurrently, the debilitating impact on the tourism sector whittled related receipts which in the prior year contributed almost 3.2 percent to total revenue and represented 1 percent of GDP.

The fall in revenue however was somewhat mitigated by a strong corporate tax performance, as one-off payments from a number of offshore companies buoyed revenues, lending to a \$304 million improvement in this tax category in FY2020/21.

Revenue Outturn FY 2021/22

The gradual pick up of economic activity in FY 2021/22 has subsequently resulted in a likewise improvement in revenue flows over the period. Year to date tax receipts are indicative of a slow resumption of normal revenue patterns, though its performance remains below that of FY 2019/20’s levels. Total Revenue was estimated at \$2.4 billion at the end of February 2022, representing a 10 percent increase over FY 2020/21’s outturn though 17 percent below fiscal year 2019/20 receipts.



Total revenue is projected to end the financial year at \$2.63 billion. End of year estimates are predicated on the continued improvement in economic activity, which has spurred revenue growth over the preceding eleven

months. Specifically, the reduction in unemployment has contributed significantly to the recovery of Personal Income Tax receipts over the period and is expected to lend to a \$71 million improvement in this tax category by the end of the financial year. Likewise, taxes on imports and other consumption related receipts have benefitted from increased economic demand as a moderate recovery in tourism, evidenced by approximately 121 thousand additional long stay arrivals, spilled over into the wider economy. Moreover, the Room Rate and Product Levy, both tourism specific taxes, were 169 percent above FY 2020/21's outturn at the end of February and is expected to total 21.8 million by the end of the financial year, further denoting the improved health of the sector.

Conversely, Corporate Tax receipts, which slowed the fall in revenue during the height of the crisis, declined by \$178.1 million at the end of February 2022, given the absence of those exceptional flows that occurred in the prior financial year. This category is expected to total \$390.2 million at the end of March, ending the year \$222.7 million below FY 2020/21's outturn.

Expenditure Outturn

The expansion in outlays, necessitated by government's response to the pandemic, has to some extent effaced some of the headway made in tightening government spend during the first two years of the the BERT program. Wages were stabilised at 7.6 percent of GDP by FY 2019/20 after significant restructuring of Central Government employment. Public sector reform was well under way, resulting in approximately \$300 million in reduced subventions to state owned entities (SOEs). The capital investment program, though below ideal long-term targets, encompassed mission critical projects and its scope remained well within public sector capacity.

The onset of the pandemic led to a reprioritizing of government objectives. The fiscal consolidation effort was deferred to accommodate spending required to support the health sector and bolster waning economic activity. Expenditure rose sharply to 29.3 percent of GDP in the first year of the

pandemic and the protracted life of the virus has resulted in elevated spending well into the current financial year.

Expenditure Outturn FY 2020/21

Government's Covid-19 response, established at the onset of the pandemic, reflected a multi-faceted approach. Emphasis was placed on equipping the health sector with the tools to mitigate the spread of the virus, while also ensuring proper treatment for those that became ill. Specific attention was paid to households that were disadvantaged due to the rise in unemployment, and additional financing was provided to the tourism sector to prevent further retrenchment during the period. This added demand on government services, which resulted in government expenditure rising to approximately \$3.0 billion in FY 2020/21, \$ 393 million above FY 2019/20's outturn.

Specific expenses over the first year of the pandemic included the outfitting of government personnel and offices with personal protective equipment (PPE) and other supplies, the launch of the COVID-19 vaccination program as well as spending to facilitate online learning. This led to increases in goods and services of approximately \$24.4 million in FY 2020/21.

Transfers to public entities grew by \$139.7 million. The Queen Elizabeth Hospital (QEH), received an additional \$65 million in government subvention as they required additional staff and supplies to help curb the spread of the virus and included funding to cover the operational costs of several isolation facilities. In addition, financing was made available to a number of SOEs, whose cash flows were impaired by the fall in economic activity.

Concurrently, the near halt of the tourism industry threatened the viability of the sector and necessitated government intervention. Consequently, the Barbados Employment and Sustainable Transformation (BEST) program was launched to keep hotels operational while mitigating further slides in

employment. The Enterprise Growth Fund (EGFL) was used as the vehicle to institute the program, increasing grants to this entity by \$20 million.

Approximately 50 entities were provided funding under the program, ensuring the continued employment of 2142 tourism sector workers.

Increases in transfers to individuals were underpinned by increased welfare grants, as well as amounts expended from the Household Mitigation Program, which provided financial support to those families that were displaced during the pandemic but were unable to access unemployment benefits.

Expenditure Outturn FY 2021/22

The eruption of the La Soufrière volcano in the neighbouring island of St Vincent, as well as the passage of Hurricane Elsa in July 2021, reemphasized the vulnerability of small island developing states (SIDS) to natural disasters, as further demands were placed on already stretched coffers and limited fiscal space. In addition to extending the COVID-19 management program into FY 2021/22, spending was diverted to ash fall clean-up during the first quarter of the financial year, and, on the renovation and rebuilding of homes following Hurricane Elsa. These unexpected demands on government financing, in combination with the provision of liquidity to the National Insurance Unemployment Fund and the implementation of short-term employment programs, led to a further increase in government outlays during the year. Central Government total Expenditure is projected at \$3.1 billion at the end FY 2021/22.

The second year of the health crisis required an evolving response to the pandemic, which placed different, but no less substantial, financial demands on the central government. The climb in COVID-19 cases after the introduction of the Delta and Omicron variants, necessitated auxiliary staffing of the public health sector, while additional testing sites, vaccination centres and other related services, increased spending on salaries. The Central Government wage bill is expected to total 8.5 percent of GDP at the end of March 2022, up from 7.6 percent in FY 2019/20.

Appendix A

The expansion in government health services resulted in a similar expansion in goods and services as outlays for additional testing kits and other medical equipment increased spending on supplies and materials.

Furthermore, provision made for the ash fall clean-up, as well as the implementation of the national clean up and beautification projects, contributed to the additional outlays. Goods and Services is forecasted to expand by 11.6 percent at the end of the 2021/22 financial year.

Conversely, total transfers are projected to slow at the end of March 2022 (by approximately \$43.6 million) as moderate increases in outlays to individuals are expected to be offset by declining transfers to public institutions during the current financial year.

Transfers to the QEH increased as the operationalisation of a number of new isolation facilities was serviced through government subventions to the entity. However, the improvement in tourism and the general pickup of overall economic activity led to a reduction in financing provided to a number of commercial public entities.

Grants to Individuals remained the primary vehicle through which government maintained the protection of those households adversely impacted by the COVID-19 crisis. Welfare grants, as well as grants disbursed through the Household Mitigation Program, increased during the 2021/22 fiscal year. In addition, subsidies made to poultry farmers as well as the resumption of the payment of tuition fees of Barbadian students attending the University of the West Indies, contributed to the modest \$5.4 million expected increase in subventions to individuals.

Public sector capital investment was also substantial over the financial year and is expected to end FY 2021/22 at approximately \$300 million, as government continued road works, accommodated the renovation and rebuilding of homes that were damaged during Hurricane Elsa, prioritised the acquisition of roll out carts for the Sanitation Service Authority, provided

Appendix A

financing for the expansion of the Accident and Emergency department at the QEH and recapitalised the National Insurance Unemployment Fund which was severely depleted, given the level of unemployment claims serviced during 2020.

Notwithstanding the large public sector needs during the 2021/22 financial year, the government has remained committed to meeting the primary balance target, set out under the BERT program, of minus one percent of GDP, ensuring that the fiscal position remains sustainable into the medium term and that the long- term debt anchor of 60 percent by FY 2035/36 remains attainable.

Debt and Financing

COVID-19 and the natural disasters put at risk decades of social and economic progress, particularly in relation to poverty, decent work, education, and gender equality. As a consequence, strategic measures were implemented to support economic activity, build economic recovery, climate resilience, and address structural vulnerabilities by:

- Strengthening public healthcare systems to address pandemic-related hospitalization and treatment, and the national vaccination programme.
- Enhancing social protection programmes such as targeted cash transfers and care packages to vulnerable households.
- Providing business support to assist with pandemic-related disruptions.
- Addressing inadequate access to electronic devices, deficiencies in remote learning and inconsistent schooling.
- Improving regulatory reforms and digital transformation to increase efficiency and competitiveness.
- Implementing climate adaptation measures to build climate resilience and disaster preparedness.
- Implementing re-skilling and up-skilling programmes to provide displaced workers with the tools to adjust to rapidly changing labour markets, become globally competitive and take up new opportunities for re-employment and re-deployment.

The Government received strong support from international lending institutions to offset the financing shortfalls created by lower revenues and higher expenditures. In 2020, \$2,407.80 million was secured from international lending institutions, and a further \$2,904.70 million in 2021. The financing support was also used to bolster the gross international reserves which increased by \$398 million to \$3,058.80 million, or 40 weeks of import cover.

Appendix C

A primary balance of 6.0 percent of GDP was achieved in FY 2019/2020. However, there was a primary deficit of 1 percent at the end of FY 2020/21 due to depleting sources of public revenues and rising expenditures as the Government embarked on response, recovery and resilience measures. The fiscal balance moved from a surplus of \$384.50 million to a deficit of \$429.60 million over the same period.

The stock of gross public debt, which had declined from 176.3 percent of GDP at the end of FY2017/18 to 116.1 percent in at end FY2019/2020, rose sharply to 136.3 percent in FY2021/22, primarily as a result of a 14 percent contraction in economic activities the previous year. The Government remains committed to reducing the debt to 60 percent of GDP over the medium term, and extended the timeline for its achievement by two years to FY 2035/36.

International Developments

Even as the global economy has gradually recovered with the easing of pandemic-related restrictions, three factors – inflation, energy prices and geopolitical tensions - are influencing current economic developments and they have the capacity to affect Barbados and other small developing states.

The recovery from the COVID-induced decline in economic activity in advanced economies has been accompanied by a pronounced rise in global inflation. Consumer spending on goods has rebounded, but the global supply chain has been unable to keep up with the demand. Shortages have been felt in areas from microchips to bicycle components.

Oil prices have increased with the recovery in economies and the resumption of global travel. Recent geopolitical tensions have now driven oil prices above US 100\$ per barrel and the prospects for higher prices cannot be underscored. Apart from the crisis in energy, weather-related issues drove up agricultural commodity prices in 2021, with the wheat market hitting multi-year highs.

In addition, the war in Ukraine has exacerbated already elevated global food prices. The most comprehensive measure of global food prices, the FAO's Food Price Index, hit an all-time record in February 2022. Russia and the Ukraine typically supply about 30 percent of the global wheat crop according to the FAO and provide at least 50 percent of the wheat needs of 26 countries in Africa, Asia and on the European continent itself. In addition, these two countries are also major suppliers of edible oils and fertilizer, making an already tenuous food situation especially dangerous, not just for Europe but for the rest of the world.

The result of these developments has been a pronounced tilt in inflation expectations, with comparisons now being made to the stagflationary

Appendix D

environment of the 1970s. Consequently, markets now fully expect the Federal Reserve to increase interest rates throughout 2022, to try to deal with surging inflation. The European Central Bank and the Bank of England have started to tighten monetary policy. Of concern is that a rising interest rate environment introduces uncertainty into global financial markets and may make market access more difficult for emerging market countries.

It should be noted that the global pandemic, while receding, is still with us, and a combination of outbreaks in the world's manufacturing hub in China and policy stance less tolerant of "living with covid", means that the risk of continued global supply disruptions remains.

More generally, the adverse impact of war on global tourism could potentially spillover beyond Europe into the global travel industry, raising the costs of travel and dampening demand at a time when airlines have only now begun to recover from the effects of the pandemic.

List of selected zero-rated items

Product

- 1 Glucerna Shake Homemade Vanilla 8oz
- 2 Glucerna Hunger Smart Shake Creamy Strawberry 10oz
- 3 Abbott Glucerna Shake Sberry 8oz
- 4 Abbott Glucerna Shake Chocolate 8oz
- 5 Abbott Glucerna Hunger Smart Rich Chocolate Shake 296ml
- 6 Abbott Glucerna H Smart Shake HVan 296ml
- 7 Glucerna Snack Shake Chocolate 8oz
- 8 Glucerna Snack Shake Vanilla 8oz
- 9 Ensure Shake Butter Pecan 237ml
- 10 Ensure Protein Max French Vanilla 11oz
- 11 Ensure Plus Shake Hmade Van 237ml
- 12 Ensure Plus Shake Crmy Milk Choc 237ml
- 13 Ensure Plus Butter Pecan 237ml
- 14 Ensure Protein Max Milk Chocolate 11oz
- 15 Ensure Plus Shake Sberry & Crm 237ml
- 16 Ensure Max Protein Shake Mix Berry 11oz
- 17 Ensure Protein Max Cafe Mocha 11oz
- 18 Ensure Powder Original Vanilla 397g

Appendix E

- 19 Enterex Beverage Diabetic Sberry 8 oz
- 20 Enterex Diabetic Vanilla 8oz
- 21 Enterex Shake Total Vanilla 8oz
- 22 Enterex Shake Total Chocolate 8oz
- 23 Enterex Shake Total Strawberry 8oz
- 24 Enterex Shake Plus Vanilla 8oz
- 25 Slim Fast Original Rich Chocolate 11oz
- 26 Slim Fast Original Sberries & Crm 11oz
- 27 Slim Fast Advanced Nutrition Bananas & Cream Shake 11oz
- 28 Slim Fast Advanced Nutrition Keto Vanilla Shake 11oz
- 29 Abbott Pediasure G & G Chocolate 8oz
- 30 Pediasure G & G Vanilla Shake 8oz
- 31 Abbott Pediasure G & G Strawberry 8oz
- 32 Abbott Pediasure Vanilla w Fibre 8oz
- 33 Abbott Pediasure Sidekicks Vanilla 8oz
- 34 Splenda Sberry Banana Shake 8oz
- 35 Splenda Chocolate Milk Shake 8oz

Tariff rates of vehicles for personal transport

Customs Tariff	Vehicle Type	Import Duty %	Excise Tax %	VAT %
Alternative Fuels				
87.03.80.00.100	Electric new	10	20	17.5
87.03.80.00.110	Electric used	45 (10)	20	17.5
87.03.90.00.100	Fuel Cell Electric Vehicles new	45 (10)	76.34 (20)	17.5
87.03.90.00.110	Fuel Cell Electric Vehicles used	45 (10)	20	17.5
87.03.90.00.120	Solar Powered Vehicles new	45 (10)	20	17.5
87.03.90.00.130	Solar Powered Vehicles used	45 (10)	20	17.5
87.03.90.00.140	LPG powered Vehicles new	45 (25)	20	17.5
87.03.90.00.150	LPG powered Vehicles used	45 (25)	20	17.5
87.03.90.00.160	CNG powered Vehicles new	45 (25)	20	17.5
87.03.90.00.170	CNG powered Vehicles used	45 (25)	20	17.5
Hybrid (gasoline) new or used				
87.03.40.00.100	<1600cc	45	20	17.5
87.03.40.00.110	>=1600cc to <1800cc	45	35	17.5
87.03.40.00.120	>=1800cc to <2000cc	45	46.95	17.5
87.03.40.00.130	>=2000cc	45	120	17.5
87.03.40.00.140	<1600cc	45	20	17.5
87.03.40.00.150	>=1600cc to <1800cc	45	35	17.5
87.03.40.00.160	>=1800cc to <2000cc	45	46.95	17.5
87.03.40.00.170	>=2000cc	45	120	17.5
Hybrid (diesel) new or used				
87.03.50.00.100	<1600cc	45	20	17.5
87.03.50.00.110	>=1600cc to <1800cc	45	35	17.5
87.03.50.00.120	>=1800cc to <2000cc	45	46.95	17.5
87.03.50.00.130	>=2000cc	45	120	17.5
87.03.50.00.140	<1600cc	45	20	17.5
87.03.50.00.150	>=1600cc to <1800cc	45	35	17.5
87.03.50.00.160	>=1800cc to <2000cc	45	46.95	17.5
87.03.50.00.170	>=2000cc	45	120	17.5
PluginHybrid (gasoline) new or used				
87.03.60.00.100	<1600cc	45	20	17.5
87.03.60.00.110	>=1600cc to <1800cc	45	35	17.5
87.03.60.00.120	>=1800cc to <2000cc	45	46.95	17.5
87.03.60.00.130	>=1600cc to <1800cc	45	35	17.5
87.03.60.00.140	>=1800cc to <2000cc	45	46.95	17.5
87.03.60.00.150	>=2000cc	45	120	17.5
PluginHybrid (diesel) new or used				
87.03.70.00.100	<1600cc	45	20	17.5
87.03.70.00.110	>=1600cc to <1800cc	45	35	17.5
87.03.70.00.120	>=1800cc to <2000cc	45	46.95	17.5
87.03.70.00.130	>=1600cc to <1800cc	45	35	17.5
87.03.70.00.140	>=1800cc to <2000cc	45	46.95	17.5
87.03.70.00.150	>=2000cc	45	120	17.5

1. Numbers in parentheses are corrected tariff rates.

Proposed National Insurance (NIS) Insurable Earnings Ceilings

Year	Weekly Earnings (\$)	Monthly Earnings (\$)
2023	1,182	5,120
2024	1,201	5,200
2025	1,219	5,280
2026	1,238	5,360
2027	1,258	5,450
2028	1,279	5,540
2029	1,300	5,630
2030	1,321	5,720
2031	1,341	5,810
2032	1,362	5,900
2033	1,383	5,990
2034	1,404	6,080
2035	1,427	6,180

Investment Options

Amount Invested	Bank			Bond in Renewable Energy			Equity Stake in Renewable Energy Company		
	Returns (interest) after Years:			Returns (interest) after Years:			Returns (interest) after Years:		
	No. of years			No. of years			No. of years		
	1	10	20	1	10	20	1	10	20
1,000	0.50	5.01	10.05	40.00	400.00	800.00	120.00	1,200.00	2,400.00
10,000	5.00	50.11	100.48	400.00	4,000.00	8,000.00	1,200.00	12,000.00	24,000.00
50,000	25.00	250.56	502.38	2,000.00	20,000.00	40,000.00	6,000.00	60,000.00	120,000.00
100,000	50.00	501.13	1,004.76	4,000.00	40,000.00	80,000.00	12,000.00	120,000.00	240,000.00
Notes:									
Rate of Return (%)	0.05	0.05	0.05	4	4	4	12	12	12
	<i>a</i>	<i>a</i>	<i>a</i>	<i>b</i>	<i>b</i>	<i>b</i>	<i>c</i>	<i>c</i>	<i>c</i>
<i>a</i> = Assumes no fees, compound interest									
<i>b</i> = Interest payments made annually									
<i>c</i> = Assumes ROI of 12% by company, dividends paid annually									