Mr. Speaker,

I crave the indulgence of this Honourable Chamber to present this year's Financial Statement and Budgetary Proposals. I do so Sir mindful of the important responsibility which has been entrusted to your Government to develop policies and craft strategies, both economic and social, to assist with the orderly, holistic and expansive development of this beautiful island of ours.

It is not a responsibility which my colleagues and I take lightly as we are acutely aware that in very many instances the current and even future success of possibly every life in Barbados will be affected in some way by the decisions we take.

In this regard, the first objective of this exercise, as is the case with all other discharges of public service, is to ensure that we do what is in the interest of the masses of people of Barbados and indeed of the country as a whole.

This is the case Sir, even when among segments of those masses, sectors, or even institutions, there is not unanimous acclamation of some of the policies we implement.

Our mandate is simply to set an agenda and institute policies that see after the collective good and that are in the overall best interest of the country. And like any other maturing democracy we have and do expect support for, as well as opposition to, any policy or set of measures which we present and pursue. That is a fundamental part of the democratic process. So as we gather here this week to once again execute a critical intervention in the economic management of the country, I have little doubt that the same experiences will be relived. My hope of course is that this will be done with the highest levels of seriousness, decorum and respect for the canons and conventions of responsible debate in this august Chamber.

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

I therefore wish at the outset to place on the records of this House, the sincere appreciation of this Government to the people of Barbados. Your overall patience with and quiet support for this administration has been the anchor that has kept us locked into and focused on the mighty task of steadying the ship of state, stabilizing our economy, sustaining our society and setting an assured course for future growth and development.

It is a mission that together we have achieved thus far in the most difficult and challenging of circumstances we have faced in more than 50 years.

But it is a mission that is yet incomplete.

Mr. Speaker, when I delivered my first financial statement and budgetary proposals in October 2010, this country, like others in this region and across the western hemisphere, was navigating the early throes of what many thought was just a cyclical downturn in the fortunes of the global economy that would soon pass.

After all, in the post-modern phase of capitalist globalization, there have been these periodic episodes of recession (70s, 80s, and 90s) which though ever increasing in the level of dislocation they caused, were only at their very worst short lived. Indeed, the economic history tells us that in each successive period following these adjustments the global economy was able to rebound quite quickly and go on to post record periods of financial, trade, and investment growth.

Little did any of us imagine at the time that this global downturn would have gone on to be as virulent, deep and persistent as it has evidently turned out to be. To be sure, none of us could have predicted that eight years on from the first signs of the recessionary condition that countries negatively impacted upon by its fall-out would still be struggling to shake off the bondages of low growth, high debt, unmanageable budget deficits, and a built-in feeling of general uncertainty about the economic future of many of our countries.

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

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

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

Some have turned to the IMF, while others, like Barbados have pursued home grown programmes. All have borrowed, while many others still have pursued non-traditional approaches such as bartering citizenship, or offering generous levels of concessions to foreign investors to drive inward investment.

In neighbouring countries the masses, feeling the stings of economic adjustment such as joblessness, reduced disposable income, and compromised social opportunities since this great recession, have turned to the alluring appeals and vexatious condemnations of opposition parties and their cohorts only to realize that the solutions they promised are no better, and possibly worse than, what they voted out and what was in fact working for them. Indeed, some now and surely many more, will have to go back to the very governments they were too eagerly rid themselves of.

But in all this Sir, **one common thread has run through the entire exercise of this** near decade of challenge. It is that there are no quick fixes to these problems. Never mind what you hear in the media, or what is shopped around by eager beaver office seekers, there is no magic wand or portion, no superman or woman, that will or can wish any economy in this region into a position of betterment by just saying, “ it will happen once I am there.”

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

Yes, across our region there must be restructuring and diversification of our economies much like this administration has been doing in Barbados, by incentivizing and even financing the growth of new sectors such as alternative energy and cultural industries. Yes, our governments must find ways to further differentiate and sophisticate our existing economic sectors such as tourism, agriculture and manufacturing as we are doing in Barbados with the thrust to transform tourism into a genuine export sector; or putting in place a new fiscal incentives regime for manufacturers or producers; or creating new product offerings in international business and finally starting the long awaited restructuring of the old sugar industry.

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

Yes Sir, it is a startling truth that we must push ourselves harder to be more efficient and proficient in accommodating investors, both domestic and foreign, in getting business done in this country; so as to drive investment, create economic opportunities, grow jobs, increase foreign exchange earnings, and expand our economy.

And definitely, it is equally true that we must protect and where possible enhance our bedrock social systems, in education, health, physical infrastructure and the natural environment, even as we strengthen our legal and national security systems to fight crime, decadence and prevent social decay.

Mr. Speaker Sir, together we Barbadians, in spite of the most challenging of circumstances and strident of opposing voices, have kept our heads above water when many felt we would have drowned. We have remained on the field of play though the batting conditions have been horrible at times on a seaming, yet turning, still damp and uncertain wicket.

And mid-way through these tough innings though runs are hard to come by we have still managed to mark the score board with a resumption of economic growth in our economy with further expansion predicted. Our batsmen in tourism, ably supported by a stellar cast, have been able to post the highest number of visitors ever to set foot on this island, with a record 2015 performance surpassed only by even better numbers so far this year.

We have halted the dangerous slide in our foreign reserves experienced in 2013 and contrary to the attempts to create panic among our citizens we know and expect further foreign exchange gains in the coming weeks and months.

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

In all of this, we have still found it sensible and critical to continue to push cutting edge social legislation to protect workers, women, children and small land owners from those who may want to exploit them, be they in public or private sectors.

And surely your administration, even faced with limited resources and a more daring and determined criminal element, has worked successfully with the disciplined forces, particularly the Royal Barbados Police Force, to fight back against the scourge of crime and potential criminal violations so evidently pervasive across our region. Barbados is still a safe place to live, work and play.

Yes Sir, your administration, contending with the reality, like many others around us, of a constrained economic condition and widening social pressures, has stood firm in our conviction that ours is a case of the glass half full and not half empty, like what you will hear again and again and again very soon.

That even with all the challenges we have and probably more to come like Brexit and the exit of corresponding banking relations; like IMF pronouncements and rating agency denouncements, Barbados still offers and will continue to offer the highest standard of living and best quality of life among all within our regional and global peer group, and that is just simply fact.

So, we can stand proud, and are still standing proud in our 50th year of independence. Based on what we have achieved thus far and even more enthused by the endless possibilities that lay ahead of us once we stick together as a Nation unshaken in our belief in the power of deliverance by Almighty God, I sincerely believe that we live our lives in the light of optimism rather than the darkness of pessimistic despair.

We have no doubt that we can and will grow our economy further and faster. We know we can bring unemployment down to even lower levels once we unleash the $1 billion of foreign direct investment we have before us with projects such as the Sandals Casuarina expansion which has started, the Sam Lord's Redevelopment Project which has also started, the Hyatt Centric and even the much maligned Four Seasons Project which, God willing, will get started shortly. I can alert the House I have signed the agreement for the sale of Four Seasons a few days ago, and very shortly we will have a debate in the House on what has gone on.

Surely we have no doubt that the recent decision of the Fair Trading Commission to establish an acceptable pricing policy for alternative energy dispatched into the national grid by independent energy producers, will set a platform on which the extensive incentives which this Government has provided the sector will be fully utilized. The expected major domestic and foreign investments in alternative energy will then be translated into foreign exchange savings, export earnings, new job creation and greater national energy security.

For sure, we are also confident that in a few months the Minister responsible for Commerce will place before this Honourable House for debate and consequent implementation the most comprehensive national framework for small and medium-sized business development in Barbados - the first ever such policy to be implemented in this country. Even before that Sir, as you will hear, your Government will start the process of putting in place much needed resources to be sent directly to Small and Medium Sized Enterprises (ESME's) both existing and others yet to be created.

And finally Sir, I am, or should I say we are, not in the least in any panic mode about our foreign exchange market generally or the country's reserves position as some would seem to wish upon us. Yes, the country's reserves since 2013 have not been in the most comfortable position, but we are not by any stretch of the imagination, in any crisis mode.

Indeed Sir, I believe that we have to be very wary of people who seem so hell bent on creating confusion in Barbados especially on this issue of foreign reserves that I understand their next false argument and scaremongering tactic is to suggest that by their calculations Barbados is in a worst position concerning foreign reserves today than we were in 1991.

And how do we imagine such a scenario, Mr. Speaker? By their ridiculous argumentation that the Central Bank of Barbados (CDB) is calculating foreign Sinking Fund Assets and Special Drawing Rights (SDRs) in the computation of the reserves and this should not be done because these are earmarked assets designated for specific purposes.

Sir, it is the biggest set of nonsense I have heard in recent times and should under normal circumstances be dismissed. However, I have come to learn in this business of economic management that some of the most foolish comments can become the most damaging to economies especially depending on who is doing the talking. Not all among us can be counted on to be responsible. At least, I can say this evening I am happy to know that no member of the House on this side has stooped to that level of fear mongering ……. At least not yet.

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

They, like another category of reserves called second tier reserves, which are foreign assets held by public sector institutions such as the NIS in financial institutions in overseas jurisdictions, are there and can be drawn down if and when the Central Bank believes that there is a need to ask those institutions to do so in aid of the country. While we do not calculate or publish second tier reserves, as we do for Sinking Funds and SDRs in the figures we put out for the level of the foreign reserves they are there.

So that this silly, yet dangerous attempt by some to create panic by suggesting that we should subtract those assets from our reserves to create a false impression of some crisis is but yet another juvenile attempt to create confusion in Barbados.

The current reserves position in Barbados is more than adequate for our needs and it is a testament to the careful management of those reserves that we have not had to tap into any second or third tier reserves to permit regular business and living in Barbados.

Rather, the level of reserves at present is merely a reflection of the fact that inflows, especially those associated with major private and some public sector projects, have been slowed mainly because of unexpected delays in the start-up of these projects, and equally because government has taken a firm decision not to head back to market in the existing regional and international conditions to borrow, as has been traditionally done to shore up the reserve position.

Sir, I wish for ease of clarity and understanding to draw the House's attention to Table 1 in the recently released second quarter review of the Barbados Economy by the Central Bank of Barbados (which I now make a document of this House). In that Table, one would see that in the first six months of this year the economy utilized approximately $3,083 million of foreign exchange, while it recorded inflows of $3,040 million. This means effectively that there was a near balance between inflows and outflows over the assessment period.

It also means that while reserves might have declined over the period this was not because of shortages in the open private FOREX market as very few dealers resorted to the Central Bank, but rather because as part of our current FOREX management policy the Authorities are trying to keep adequate reserves levels without having to constantly resort to open market borrowings and even as we pay down existing debts.

Less we forget Sir, and I have had reason in the past to remind this Chamber and the country as a whole, that the reserve management policy of successive governments has always been to seek accommodation in the FX market to smoothen out both expected and unexpected shortages in foreign exchange earnings in Barbados. Indeed Mr. Speaker, why should I have to remind members in here that even in the so-called boom period under the last administration, between 2000 and 2006, the last administration borrowed more than a billion dollars from external sources to augment reserve levels in this country.

That was done when times were good and foreign direct investment was flowing. Now that times are tough and investment inflows are not as robust your government would like, we are still managing the reserve position in such a manner so as to permit our businesses, households and the government to execute their activities.

This administration too, has done periodic borrowings in the course of our term of office so far and if necessary, we will do it again. But that will be done only if absolutely necessary and on terms which we deem to be responsible and reasonable.

What I can tell you Sir, is that as Minister of Finance and Economic Affairs, I work with the Central Bank of Barbados to monitor our reserves position on a daily basis, and the officials of the Bank at my monthly meetings of the senior economic management team, plot the coordinates of the past, present, and future FOREX and reserves position so that we have a handle on what is likely to trend going forward.

For example we know right now, today, that even though reserves are below the 900 million dollar mark, that in the next two months or so the Central Bank's reserves will be boosted by close to 200 million US dollars of inflows. This should bring reserve levels well over a billion dollars in a relatively short space of time and the vast majority of this will not come from any borrowings in the market.

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

Let me make it abundantly clear. This government sees no reason for the introduction of any special measures to limit Barbadians and/or businesses from accessing foreign exchange in Barbados. What is already provided for in the Exchange Control Act of Barbados is sufficient. Indeed, any casual observer of how the foreign exchange market has evolved in Barbados over the last 10 to 15 years would conclude that far from putting restrictions both administrations have in fact liberalized such controls progressively. They have done some and we have done some as well.

There are no conditions at present that would lead us to conclude that we need to reverse that stance. Equally, there is nothing in the current or medium to longer term trends to even remotely suggest that any adjustment in our official exchange rate in Barbados is required.

What we will however continue to repeat for all Barbadians to hear, ingest, and ultimately digest, is that as a small vulnerable and open economy our most important economic variable is that of our capacity to earn, save and ultimately retain foreign exchange. It is the anchor that stabilizes our economy and the one that best guarantees and secures economic expansion. Though it is totally unacceptable, one can manage an economy with high unemployment, or soaring inflation, or even elevated levels of crime, but you absolutely cannot manage a small open economy like ours if you do not have reserves.

So that any threats or obstacles to achieving that singular national objective must be immediately and if necessary, continuously addressed until it is no longer a challenge.

In this regard, our reserves management policy will vary in approach from efforts to boost earnings, enhance savings or when necessary defend our position. But whichever of these three it might be, either severally or collectively we must adopt policies that produce the outcomes we want even if at times such interventions cause discomfiture among segments of our population. In this regard, the principle of collective security for national surety is the key.

This is why across periods in our post-independence history, successive administrations have had to intervene to put measures in place to directly address slippages of foreign reserve levels either by boosting earnings and controlling demand.

We did it in the 1980s, and in the 1990s and in the early part of the first decade of this century as well. And for sure, it is why we have continued to act since 2013 when we began to see a potentially dangerous threat to our reserves position. This evening, I say that while the normal pattern of foreign exchange flow and usage has been restored since 2013 as evidenced by the facts in the Table I just referred to, the underlying structural limitations associated with our capacity to earn foreign exchange is still a characteristic feature of our economy. So that diversifying our capacity to earn foreign exchange from new sources while amplifying the gains from existing sectors is critical to our mission. Equally as critical, I want to suggest, is the need to deal with any core elements in our economic condition that even if transient, could cause long term complications to our foreign exchange anchor.

And what are the principal concerns for us at this stage?

1. **Our debt levels are too high and still climbing;**

2. **Our fiscal deficit is too large and must be better consolidated;**

3. **As a result of the two variables above our growth levels are being seriously restricted as we cannot find the fiscal space to assist in further unleashing growth; and**

4. **That because of a combination of all three of the above our social development system is increasingly being compromised as the cost of sustaining it becomes challenging;**

Mr. Speaker Sir, let me make this point very early on. The policies which I am about to announce this evening do NOT represent a redo of any failed policy attempts over the past three years or even the past 8 years for that matter.

Rather, this is the continuation of a policy intervention matrix aimed at achieving the critical objectives of protecting our reserves, consolidating our public finances, stabilizing and reducing our debt over time and growing our economy.

That is the mission we set ourselves in 2013, and that is the mission we must complete. Have we made progress Sir? Definitely! We have made substantial progress as a matter of fact! Has that progress been sufficient or complete? Definitely not yet.

I do not propose in this presentation to go into any lengthy dissertation in defense of our position on this matter. I leave that for another occasion. But I believe the facts speak for themselves. At the start of the 19-month programme economic growth in Barbados was negative 2 percent, the fiscal deficit at the end of the fiscal year 2013/14 was near 12 percent of GDP, unemployment had reached 12 percent and this economy was losing reserves at a rate near 20 million dollars a month. Sir, because we ended up having to adjust from a much higher deficit figure than when we presented at the start of the 19- month programme, we asked the people of Barbados to bear with us as we extended for an additional 12 months.

And what Sir did we achieve? By the end of the next financial year 2014/15 after 2013.14, we were able to cut that deficit on a cash basis by close to 6 percentage points as we ended the year with a deficit from 12 to 5.8 percent. That is the largest single decline of a deficit in the history of Barbados.

We were able to first halt the rapid decline in reserves by reducing the demand for foreign exchange in the economy through the fiscal adjustment policies we introduced and then top them up by undertaking a strategic borrowing to push levels to above a billion dollars.

We were able to reverse the decline in our national Gross Domestic Product (GDP) from more than negative 2 percent now to an annualized rate of positive 1.3 percent, with tourism rebounding to lead the way and now with construction, manufacturing and non-sugar agriculture finally registering positive growth. These are the facts.

And finally Sir, for the first time in nearly five years we have seen in the last quarter the unemployment rate dip below 10 percent to register 9.3 percent, with an annualized rate of 10 .7 percent compared with a high of 13 percent in the previous year when we started this investment programme.

Now it might serve somebody's purpose to give the impression that this administration has put the people of Barbados through a whole lot of suffering, as they put it, for nothing. But the facts simply do not support that contention.

What we can concede Sir, is that we have not achieved all of our objectives to the full extent that we wanted. I can concede that, Sir. That is a fact. But even as we correctly set ourselves lofty targets and genuinely expected to make every one of them, we knew that, given the uncertain nature of modern day economic management in recessionary times, volatilities are bound to throw up unexpected circumstances that could lead setbacks even to the best laid plans.

This is precisely what has happened to us in the financial year 2015-2016 immediately following the huge gains we made on the fiscal side in 2014-2015. While we had hoped to pull that fiscal deficit further down to below 5 percent on the cash basis, unexpected but critical expenditure injections were required to deal with the incipient and potentially destabilizing water network supply crisis, not created by this Government, left unattended by the previous administration, and the servicing of major debt service payments on behalf of the Barbados Agricultural Management Company Limited (BAMC) and the Barbados Water Authority (BWA).

Together these represented close to 150 million dollars in additional expenditure. There was also a recorded 30 million dollar increase in retirement benefits over the period, and we are having the matter investigated even as I speak. These alone would have accounted for close to an additional 2 percent of GDP on the cash deficit.

Likewise Sir, we had expected that the sale of the Barbados National Terminal Company Limited (BNTCL) would have been completed before the close of the financial year to assist in offsetting some of these unexpected expenditures but that was not to happen as negotiations with the preferred bidder are in fact still going on as we speak. That would have given us potentially as much as another 1 percent of GDP in revenue inflows.

So that, as the summarized financial statement on the 2015-16 performance will show, rather than getting a reduced deficit of about 4 percent of GDP, we ended up with a deficit of 6.9 percent of GDP in 2015-2016.

This of course Sir, was disappointing. But even given the nature of the issues we had to deal with we had no choice but to allow it to happen. Yes, we could have turned the BWA down and put their capital works programme on hold for a year or two and further exacerbate a horrific water crisis in Barbados. Of course we could have allowed BAMC to default on its 62 million dollar part payment of the bond payment for the sugar industry that was due in February this year, but could you imagine the domestic and international implications of that Sir, on the country's reputation? No!!!!! Absolutely not. We simply could not afford the fall-out from any of those events only because we wanted to come in to this Parliament and boast of having a deficit of 3 or 4 percent of GDP. Fool's gold that would be. That is not what responsible governance is about.

So we did what had to be done knowing that it was in the best interest of the country and knowing also that we would have to act in this year to put our efforts back on track.

Mr. Speaker, it is to this that I now turn my attention.

Highlights of the Economic and Financial Review for 2015-2016

The Barbados economy at the close of the year 2015 continued to register positive but weak growth with a 0.8 percent increase in real GDP when compared to 0.3 percent in 2014. This marks two consecutive years of improved economic performance.

The tradable sector which grew by 2.6 percent was led by robust growth performance within the tourism sector, whose contribution to real GDP grew by 6.4 percent over the review period. Sugar production recorded the largest decline of 32.8 percent, and we know why that is – drought and other issues - followed by the electronic and food production industries with 2.9 and 2.6 percent respectively.

The non-tradable sector increased marginally by 0.4 percent. This was aided by the mining and quarrying sub-sector which grew by 23.4 percent followed by the transport sub-sector which increased by 1.4 percent and finance and other services by 1.1 percent.

The construction sector continued to register declining output with a 1.9 percent fall-off in 2015. This however, was in itself an improvement over the previous three years which had recorded relatively significant declines of more than 5 percent per annum. The distribution sector's output decreased by 0.3 percent while all other sectors recorded no real change in output levels.

Provisional data on the Nominal Gross Domestic Product (NGDP) indicated that the bulk of the economic activity was driven primarily by three industries: real estate which contributed 13.1 percent of GDP or $1,038.3 million of value added activity; followed by accommodation and food services of $1,037.0 million or 13.1 percent; and wholesale and retail trade contributing 9.8 percent of GDP which is equivalent to $777.7 million.

Per capita GDP (basic prices) increased by an estimated 1.4 percent to record BDS$31.7 thousand (US$15.8 thousand) compared with BDS$31.3 thousand (US$15.6 thousand) in 2014.

The stock of foreign reserves at the end of December 2015 was estimated at $926 million, representing 13.8 weeks of import cover. This is a decline of 5.1 percent when compared to the previous period's end of year stock of $1,052.2 million which accounted for 15 weeks of import cover.

Prices over the course of the year were trending downwards ending in an overall average inflation rate of negative 1.0 percent. Unemployment levels also continued to improve with a rate of 11.3 percent at December 2015, which was down by 1.0 percentage points compared to the rate of 12.3 percent recorded at the end of 2014. There were approximately 128,200 persons employed in Barbados at the end of the year 2015. This represents an increase of 3,400 persons when compared to the previous year's estimate of 124,800 employees.

The total labour force was estimated to be 144,600 persons, an increase of approximately 2,300 persons when compared with 2014. The wholesale and retail trade sector provided the highest level of employment, which stood at 20,200 persons at the end of 2015.

Estimates for the year 2015 put the number of new entities licensed by the International Business Division (IBD) at four hundred and thirty-eight (438) when compared to the corresponding period for the previous year of five hundred and eighteen (518). This represents a decrease of 15.4 percent. As it relates specifically to International Business Company (IBC) licenses there were three hundred and sixty-five (365) new IBC licenses granted as compared to four hundred and forty-two (442) for the same period in 2014.

The balance on the external current account was estimated to be in deficit of $483.3 million or approximately 5.5 percent of GDP (at market prices). This represented a reduction in the deficit when compared to the deficit of $776.5 million recorded at the end of 2014. The merchandise trade deficit declined by 14.4 percent to $1,473.4 million, compared with $1,720.4 million in the previous year. Total exports (fob) amounted to $965.8 million, an increase of 1.8 percent compared with earnings of $948.8 million in 2014.

The deficit at the end of the financial year 2015/2016 stood at 6.9 percent of GDP on the cash basis, or 4.5 percent on the accrual basis compared with 5.0 percent (on the accrual basis) in 2014/2015. This outcome was founded primarily on the successful revenue raising measures announced in the **2015 Financial Statement and Budgetary Proposals**. Total current revenue expanded by 5.5 percent or $136.1 million. This strong revenue intake was bolstered by gains made from land tax revenues which increased by $65.7 million and Value Added Tax (VAT) which increased by $44 million. Excise taxes represented the third largest revenue gains of $36.5 million.

Current expenditure is estimated to have increased by 5.6 percent or $207.2 million. This was driven primarily by increased expenses in goods and services by 11.2 percent or $38.1 million. This was followed by grants to public institutions to the tune of $36.4 million, an increase of 5.4 percent and increased retirement payments by an additional $30.2 million when compared to the previous year.

Provisional estimates of total debt service payments at the end of December 2015 stood at $1,494.4 milion compared to $1,258.4 million at the end of the year 2014. Total amortization stood at $803.4 million, an increase of $202.3 million, while total interest payments amounted to $653.3 million, a decline of $4.0 million.

Domestic debt service at the end of the period, stood at an estimated $1,006.8 million of which amortization was $519.1 million and interest payments were $487.6 million. Foreign debt service, which amounted to an estimated $449.9 million, comprised $284.3 million in amortization payments and $165.6 million in interest payments.

At the end of December 2015, the stock of Central Government debt, and this is total debt, stood at an estimated $12,134.8 million or 138.4 percent of GDP at market prices.

This represents an increase of $753.3 million or 6.6 percent over 2014. Domestic debt stood at $9,306.3 million which is representative of 106.1 percent of GDP at market prices. The level of foreign debt stood at $2,828.4 million or 32 percent of GDP, representing a decline of $16.5 million.

Review of Real Economy and Fiscal Performance for the Period April 1 to June 30, 2016

The Barbados economy was estimated to have grown by 1.3 percent over the first six months of 2016, compared to virtually no growth a year ago. There was a slight deceleration from the first quarter, mainly on account of unexpected delays in major tourism investment projects. In addition, total tourist arrivals exceeded last year's high with a 5 percent expansion for the first six months of the year.

Foreign exchange inflows and outflows during the first six months of the year were in near balance with $3.083 billion in outflows as against $3.040 billion in inflows. This, together with external debt service requirements, resulted in the stock of international reserves falling by $43 million to $884 million, equivalent to 13.6 weeks of imports. This compares with the $84 million decline for the same period last year, so we have seen that decline this year.

Construction activity is estimated to have expanded by about 2 percent compared to last year, based on available indicators such as imports of construction materials, employment in the sector and construction projects currently under way, and we expect that will grow even further.

The average unemployment rate for the twelve months ending March 2016 was 10.7 percent, compared with 12.4 percent for the twelve-month period ending March 2015.

There was a 3 percent decline in the number of international business and financial services (IBFS) licenses granted during the first half of the year. The number of international banks stood at 28, with 6 banks having closed operations since the beginning of the year. Between January and April, exports of bottled and bulk rum grew by 11 percent and 13 percent respectively. Bulk rum shipments benefitted from a modest increase in regional demand.

Government's requirement for domestic financing was $273 million for April to June. The National Insurance Scheme and the non-commercial banking sector provided $92 million, leaving a $180 million shortfall. However, commercial banks reduced their lending to Government by $120 million, which meant that Government required an additional $301 million from the Central Bank of Barbados. Of this amount, $198 million was drawn from additional deposits which commercial banks had placed with the Central Bank during this period.

The Central Bank's current projection for economic growth in 2016 has been lowered to 1.5 percent from the earlier forecast of 1.6 percent, mainly because most major investment projects are behind schedule. The main impact of the recent fall in the value of the pound sterling may well be on the sales of villas and second homes to U.K. residents but the growth rate could be higher if investment in tourism and alternative energy can be sped up.

Private investment in hotels and tourism-related projects is estimated to be over US$600 million over the course of the next 4 years. For the 2016-17 fiscal year, public sector investments are expected to be around $210 million, with $165 million being externally funded. So it is a fairly significant outlay of projects in the pipeline. Some have started and some will soon be started.

Current Revenue

Preliminary information received from the Accountant General indicates that current revenue for the period April 1st to June 30th, 2016 was $602.6 million, an increase of $32.5 million or 5.7% more than the amount recorded for the corresponding period during 2015. This amount was $15.2 million less than the projection. So we have to work hard to get those resources in.

Taxes on incomes and profits realized $197.6 million, an amount of $6.5 million or 3.2% less than that collected for the corresponding period in 2015 and $8.5 million less than we made in the Estimates this year. It is to be noted that an amount of $12.2 million was collected for consolidation tax in the April to June 2015 period but this tax has now come to an end and we have lost that particular revenue. Corporation Taxes increased by $4.3 million compared to the corresponding period in the previous year and by $7.4 million above what we projected for the Quarter.

With respect to income taxes, $8.6 million less was recorded for the period April to June 2016 as compared to the corresponding period last year. The amount collected was also $13.3 million less than projected for the period. This is directly related to the decision announced by the Minister of Finance and Economic Affairs in the Financial Statement and Budgetary Proposals, 2015 to reduce the income tax rate from 17.5% to 16% at the lower end and the higher rate from 35% to 33.5% at the upper end. It has put money back in people's hands. It should be noted that refunds of income taxes for the period under review were $24.9 million while there were refunds of $23.4 million for the corresponding period in 2015-2016. Withholding taxes increased by $3.4 million from the corresponding period in 2015. This amount was $2.9 million more than projected. From April last year to February this year, we have paid out over $200 million in tax refunds.

Taxes on property increased by $1.3 million over the corresponding period in 2015-2016 to $6.2 million. The original projection was $5.6 million. Amounts of $2.9 million and $3.3 million were collected for land tax and property transfer tax respectively.

Taxes on goods and services increased by $21.8 million or 2.9% to $318.3 million. The original projection for the period was $330.5 million. Receipts of VAT totalled $217.3 million, an increase of $1.1 million over the corresponding period in 2015-2016 and $13.9 million less than projected. VAT refunds for the period under review were $12.3 million compared to $6.5 million for the corresponding period in the last financial year.

Excise Duties were recorded at $39.7 million, an increase of $2.9 million over the actual outturn for 2015. Import duties increased by $1.2 million to $48.9 million. This represented an increase of 2.5 percent above the amount collected in 2015. The original projection for the period was $45.8 million. So we have also done better in this particular category.

Special Receipts decreased by $1.1 million to $0.5 million. This is partly due to a decrease of $4.6 million in the Training Levy for which there was no submission of receipts to be brought to account for the period under review in time for this statement.

Non-Tax Revenue recorded $29.0 million, an amount of $16.4 million more than the corresponding period in 2015. An amount of $19.4 million was recorded in June 2016 as investment income to account for a 25% increase in the 2016 quota of SDRs (Special Drawing Rights) of 6,750,000 held with the IMF. The original projection for the period under review for non-tax revenue was $15.2 million.

Expenditure

Current expenditure, exclusive of amortization of $245.3 million, increased by $12.5 million or 1.7% from the 2013 figure to $741.5 million. Our original target however was $769.4 million. So we are trending marginally below what we had projected.

Wages and Salaries decreased from $182.3 million in the corresponding period of 2015 to $178.4 million. The original projection was $189.4 million. Expenditure on goods and services decreased by $3.0 million to $59.4 million. The original projection for the period was $76.1 million.

Expenditure on current transfers increased by a very marginal $3.4 million, moving from $255.0 million in 2015 to $258.4 million for the period April to June 2016. There was a reduction of $6.4 million in Grants to Public Institutions. Conversely, subsidies increased by $11.1 million. This increase was mainly due to the bringing to account of a $10.6 million payment to Simpson Motors on behalf of Transport Board. The projection for current transfers was $252.1 million.

Total debt payments in the period April to June 2016 amounted to $476.4 million with interest payments of $231.1 million and amortization payments of $245.3 million. Interest payments increased by $16.3 million whereas amortization payments decreased by $4.4 million. The projected amount for interest payments and amortization was $236.2 million and $245.7 million respectively.

Capital expenditure for the period under review was $51.5 million compared to $27.9 million for the corresponding period in 2015. We have been pushing the projects to get them going. Capital formation increased by $18.3 million and capital transfers increased by $5.2 million. It should be noted that the original projection for capital expenditure was $35.7 million.

Total expenditure for April to June 2016 was $1,038.3 million compared to $1,006.6 million in the corresponding period of 2015. The original projection for the period was $1,050.8 million.

Deficit

The deficit of $190.4 million represents 2.1% of GDP. The deficit for the corresponding period in 2015 was $172.9 million representing 1.9% of GDP.

THE BUDGETARY PROPOSALS 2016

Mr. Speaker Sir, having given a comprehensive review of the financial and economic performance of our economy for 2015 and the first six months of this year, permit me to now turn my attention to specific measures which your Government proposes to implement over the course of the next months to aid in the continued recovery and growth of our economy.

Before doing so and indeed setting out the main objectives of this year's exercise, I believe it is incumbent on me to make a few quick points which I believe will assist in bringing greater clarity to this current and perhaps future presentations.

The Financial Statement and Budgetary Proposals presentation has evolved over the years into a major public event much anticipated by several segments of the population. In this regard, it has seemingly come in many respects to over shadow the real “budget” of the Government which is the Estimates of Revenue and Expenditure exercise that by law must be engaged every financial year.

While it is always useful to have elevated levels of public interest in any part of the governance process, at times in my view far greater emphasis and expectations could be placed on particular events than they were ever conceptualized or intended to be.

I believe one such example is that of the so-called Budget presentation. In too many ways this exercise has come to represent a forum to address all those issues for which every sector, investor and institution expects the Minister responsible for Finance to prescribe some magical medicine that will, over the course of a year or two, solve all of the economic challenges facing the country, while satisfying every demand made of the Government by the various interests.

In some respects Sir, successive Ministers of Finance, myself included, have actually tried in more ways than one to meet those very high but clearly unrealistic expectations. The result has been too often disappointment as this target or that target is missed or that provision asked for was not given.

While the Budget presentation remains critical to the process of helping Government to meet its financial and economic goals for the course of any financial year or fiscal period, it represents just one part of an overall process in which several other interventions, both legislative and administrative are undertaken to achieve the social and economic development objectives of the country.

I make this point Sir, to impress upon all those who are keen followers of and indeed impacted upon by this exercise, that the objective of the annual budget presentation cannot and must not be treated as the only policy instrument through which the Government can and will effect economic or social development of the country.

With this in mind Sir, I hasten to add that from this year going forward (well that is as long as I have the honour to perform this role) we will not be attempting in the Budget presentation to tackle every perceived issue or problem in the Barbados economy either at the micro or macro levels.

Rather, we will be looking to address broad thematic areas of critical concern to the short to medium term performance of our economy. In this way Sir, we can hopefully set more realistic targets for the immediate planning period and better target the interventions we need to achieve those. We can use other parts of the system to address the shopping list of requests for intervention in areas which ideally are more effectively dealt with elsewhere.

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

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

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

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

I have therefore decided, with the concurrence of the Cabinet of Barbados, that effective from this financial year, Government through my ministry will undertake a comprehensive review of all ministry and departmental performance against priorities set and approved by this Parliament for the current financial year. This Mid-term Financial and Economic Review process will allow ministries to highlight implementation challenges if any, reset existing priorities based on availability of resources, and to restate their objectives for the second half of the financial year.

Following that process Sir, and after consultations with the Leader of Her Majesty's Loyal Opposition and you of course Sir, an agreed timeframe would be established for this Parliament to sit in consideration of any restated priorities of the Government for the remainder of the financial year. My expectation is that this process would be completed before the middle of November of any financial year, if everything goes well.

Priority Objectives of these Proposals:

Mr. Speaker Sir, if there are two realities that have emerged from all that I have presented so far these would have to be that firstly, the Barbados economy has finally started to turn around with growth resuming, unemployment declining, and potential investment expanding. Secondly, that while some setbacks have occurred in our fiscal consolidation programme it cannot be denied that we have made significant progress from the worst positions we were in.

However, what also emerges from the narrative is that we have significant work to do to forge a faster rate of economic growth, underpinned by a more assured foreign exchange reserve position; a fiscal deficit at a rate below that of GDP growth expansion so as to reverse debt growth; and finally, to ensure that we can sustain an acceptable quality of social services provision.

In this regard, your Government has established the following priorities for the next three-year planning period 2016 – 2018:

1. **Improving our foreign reserves position through continued disciplined fiscal policy and enhancement measures for higher earnings of foreign exchange.**

2. **Accelerating GDP growth to reach at least 2.5 percent by the end of 2017.**

3. **Further reducing the fiscal deficit by addressing both expenditures and revenues so that by 2018 the deficit will be no higher than the rate of growth of the economy.**

4. **Through the attainment of actions 2 and 3, stabilizing the national debt by 2018 and thereafter if possible, reducing it as we go on.**

5. **Preserving access to key social services provided at the highest quality and financed in a sustainable and credible manner.**

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

1. Complete the sale of the Barbados National Terminal Company, draw down the first payment of the sale proceeds on the Four Seasons Project - which should happen two weeks after signing the documents - from the new preferred bidders and also the first transfer from the China Exim Bank for the Sam Lord's Redevelopment. These will all be effected in the next four to six weeks to inject $350 million in the Central Bank's Reserves, and that will pull the reserves up in a short period.

2. Central Government will work with its domestic agencies to accelerate drawdowns of pending official flow disbursements to the tune of US$60 million due in the next quarter, half of which will come from the Latin American Development Bank (CAF) for roads, water and tax administration and border security projects; Caribbean Development Bank (CDB) for water and education; and the Inter-American Development Bank (IDB) for social protection and road repairs.

In addition to these short term injections, which should be suitably augmented by the expected foreign exchange inflows over the coming months for the build out of the major construction projects such asSandals Casuarina, Royal Westmoreland phase 2 and Lancaster, Government also proposes the following initiatives:

Mr. Speaker,

currently, there are three pieces of legislation which we use to encourage investment in the tourism sector. These are the Duties, Taxes and Other Payments (Exemption) Act, Cap. 67B, the Tourism Development Act, Cap. 341

and the Special Development Areas Act, Cap. 237A. This latter piece of legislation has a wider application than the other two, to the extent that it is used not just for narrow tourism purposes but can in fact facilitate developments which the Government believes to be worthwhile within the corridors identified in the legislation, that being:

- Carlisle Bay Redevelopment area in the parish of St. Michael;
- Speightstown in the parish of St. Peter;
- St. Lawrence Gap in the parish of Christ Church; and
- The conservation area as defined in section 2 of the Soil Conservation (Scotland District) Act, Cap. 396.

Over the years, the legislation has met with some success as reflected in the developments which have been executed but a lot more can be done.

Recently, it has come to Government's attention that there are opportunities for tourism and other major investments, both foreign and domestic along the northern corridor, which includes Six Men's and beyond and the recent developments taking place on the south-eastern side of the island, inclusive of Sam Lord's Castle. There has also been a strong case made for extending the reach of the Act beyond the Carlisle Bay area to include the wider City of Bridgetown to accelerate the revitalization of our Capital.

While the legislation came into existence some twenty years ago, a review of its provisions and benefits has revealed that they remain relevant to the needs of investors. In view of this, I now propose to extend the area to which these special incentives will apply under that Act, namely:

- Northern Barbados: from Speightstown, St. Peter to Harrison Point, St. Lucy;

- South-eastern Barbados: from St. Lawrence Gap, Christ Church to Ragged Point, St. Philip; and

- From the Carlisle Bay Area to encompass the City of Bridgetown as defined by the Chief Town Planner in the Physical Development Plan of Barbados.

With these changes the country can expect to see additional investment for both tourism as well as other related developments particularly with a foreign exchange component to it. It will also add to the revitalization of Bridgetown, which is so needed.

Secondly, last year Barbados grossed over US$900 million from the tourism industry. It is felt that much more can be done to generate additional foreign currency in Barbados.

In this regard, the Government has been researching the possibility of creating duty-free zones. These zones would occupy particular geographic spaces and would allow within that sterile environment duty-free shopping for Barbadians and visitors alike. This proposal, Sir, not only has the capacity to earn foreign exchange from shopping by visitors from our region and elsewhere but will also save foreign exchange since most Barbadians could have the option of no longer having to travel in order to shop.

Mr. Speaker, we have already identified some areas where this could happen, including our capital City of Bridgetown, Holetown, Hastings/Worthing on the South Coast and at the two main ports of entry in Barbados.

Obviously Sir, it will be important that we examine all of the pros and cons of such an initiative before moving to bring the legislative framework here to this House.

In this regard, I propose establishing a Special Committee to review the initiative with a directive to report its findings and recommendations to me within three months so that a firm proposal can be brought to the Cabinet Committee on Economic Policy for review and forwarding to the main Cabinet for approval. This Committee shall comprise but will not be limited to:

- Barbados Tourism Investment Inc.;
- Officials of the Ministry of Finance and Economic Affairs;
- Representatives of the Central Bank of Barbados;
- Barbados Chamber of Commerce and Industry; and
- Private Sector Association of Barbados;

The Committee will have the right to co-opt any other person or parties that may be considered necessary in assisting it in carrying out its mandate. It should be appreciated that the implementation of such an initiative will give Barbados a definite competitive advantage in the area of shopping which most studies have found to be an area of concern for visitors to Barbados. My hope is that with a concentrated effort by all parties we can at least have the City of Bridgetown ready for this type of business before Christmas. Shopping within the free zone will be done in foreign exchange, not Barbados dollars.

Economic Growth Agenda

There is a strong nexus between foreign exchange earnings, fiscal policy and the level of growth one can expect in an economy like Barbados'. It is for this reason that over the past 8 years this administration has been seeking to use fiscal and financial administrative tools at its disposal to regenerate growth in several of our key sectors such as tourism, manufacturing, agriculture and alternative energy.

This year we propose to continue to make small but fundamental adjustments to complement those bigger ones made in the recent past and in the following areas:

Tourism:

Tourism Development Act

The Tourism Development Act (TDA), Cap. 341 of the Laws of Barbados, is "an Act to encourage the sustainable development of the tourism industry by providing duty-free concessions and income tax concessions for approved tourism projects and certain tourism entities and for other related matters."

In this regard, Mr. Speaker, the TDA allows the owner or operator of an approved tourism project who has met certain legislative requirements to import or purchase goods out of a bonded warehouse, without paying customs duty (i.e. import duty, excise tax and value added tax). The owner or operator also obtains this benefit on locally manufactured goods.

The TDA goes further Mr. Speaker, and allows for a refund of the custom duty in instances where it has been paid and the owner/operator of the tourism project has satisfied certain legislative provisions.

The items which may be obtained free of customs duty are listed in the second schedule to the TDA. The second schedule identifies the type of tourism entity and the items which may be purchased free of duty and in some cases, places a limitation on the frequency with which the benefit can be accessed.

For example, with respect to hotels, the heading before the items are listed states: *"A. Supplies which may* be imported or purchased locally at any time", "B. Supplies which may be imported or purchased locally once every 5 years", "C. Supplies which may be imported or purchased locally once every 3 years" and "D. Supplies which may be imported or purchased locally annually."

The tourism sector has highlighted this as a problem, as most of them when renovating, are not in a position for financial reasons, to renovate the entire property all at once, but do so in stages.

The owner of a property with eighty (80) rooms may renovate it over a 4-year period, 20 rooms per year. Each room is outfitted with the same ceramic tiles. When the tiles for the first twenty (20) rooms are purchased, they are acquired free of customs duty. In the following year, when the second set of twenty (20) rooms are being renovated, the operator cannot obtain the items free of customs duty, as the benefit is allowed only once every five (5) years. In this example, Mr. Speaker, the benefit can only be accessed on the first twenty (20) rooms renovated.

The Ministry of Finance and Economic Affairs has noted the concerns of the tourism sector as legitimate as they are and will have the legislation amended to reflect the need for property owners to have flexibility in accessing the waivers according to their capacity to schedule property renovations. In the meantime, while this is being done, my ministry will work with the BHTA, Small Hotels Group, the Barbados Revenue Authority and Customs Department to put in place a temporary administrative solution to this particular problem.

Water Sports – Yachting

Since 2008, Barbados has witnessed the rapid growth of the yachting sub-sector to the extent where the Barbados Tourism Marketing Inc. (BTMI) and the Barbados Port Inc., (BPI) with the impressive consultative leadership of former Senator Peter Gilkes, have brought a number of significant yachting events to the island that have differentiated us as a potential major new growth area in our tourism product offerings. It has also been key in driving an additional source of foreign exchange earnings for the country.

This growth is expected to expand rapidly in the coming years as more and more events come to Barbados.

One issue that has caught the attention of Government in seeking to drive that growth, is the fact that over the years there has been an imposition of a duty on visiting yachts which has simply not worked as many such yachts visit our destination and then have to bleave before the allowable 6-month period is up. The yacht owners invariably use the trip to go elsewhere and carry out annual maintenance to the vessels thereby causing Barbados to lose an opportunity to have our workers in the marine industry do this work and earn valuable foreign exchange for the island and build out the marine industry. Ostensibly, we neither benefit from the duty, nor the spin-off business.

To encourage our progression in the yachting world and in support of BTMI and the BPI in the yachting development sector, I propose that, in an effort to remedy this matter, we remove the duty requirement for yachts staying in our waters longer than 6 months and in its place impose an annual license fee of BDS $2,000.00 per boat.

Manufacturing and Micro, Small and Medium-Sized Enterprise Development:

Maintaining Export Competitiveness within the context of a National Quality Infrastructure

As Barbados continues to navigate its way on a trajectory of growth and sustained development, it is incumbent that the micro, small and medium-sized enterprises (MSMEs) be promoted as drivers of the country's growth. This aspiration is possible if the quality of Barbados' goods and services is improved to meet international standards and remain competitive within the national and export markets.

The benefits derived from re-engineering the national quality infrastructure and the technical regulatory regime via the five pillars of Barbados' National Quality Policy would facilitate competitiveness and redound to growth within our economy.

Quality Standards

Companies seeking to attain quality standards are faced with significant costs. International Standard Organisation (ISO) certification, for example, can be extremely costly. Whilst some measure of support for companies pursuing international quality standards is available through the Barbados Investment and Development Corporation's (BIDC) Special Technical Assistance Programme (STAP), companies in general must be provided with the requisite enabling environment to pursue quality standards as a mandatory part of doing business in Barbados and beyond. The Ministry with responsibility for Industry in partnership with its stakeholder agencies will be seeking to craft a proposal for the development of a quality incentive scheme which will take the form of a reimbursable grant of up to $50,000. This grant facility would be made available to companies engaged in activities totheir raise overall industry standards to international standards.

Manufacturing Export Competitiveness

As you are aware Sir, on December 31st 2015, the long standing Fiscal Incentives Act became WTO incompatible. This regime which permitted incentives and subsidies to be granted to "approved" manufacturers of export products from Barbados was a critical element in maintaining the island's export competitiveness. As a relative high input cost jurisdiction, it is well known that without some form of permissible subsidy or incentive many of our manufacturing firms would be unable to effectively compete.

In recognition of this, Government empaneled an inter-ministerial committee to craft a new regime for fiscal incentives to be granted to local producers but which would also be permissible under WTO Rules. I am happy to advise that the regime is now ready and before Cabinet for approval. Our hope is to have relevant legislation before Parliament immediately following the expected summer recess.

Small Business

The small business sector has been positioned among the leading sectors on which the recovery of the Barbadian economy hinges and by extension it is targeted to assist in securing the future of all Barbadians. In this regard, the Government of Barbados, through its Ministry with responsibility for Small Business Development continues to strategically engage stakeholders within the micro, small and medium-sized enterprise (MSME) sector to promote improved MSME development and thereby facilitate a greater contribution from thae sector towards the national economy.

The Government of Barbados, recognizing the contribution of this sector to sustainable economic growth, continues to provide the sector with an environment to better facilitate its growth.

To strengthen the support to growth, access to seed funding and credit is vital; and this has been cited as one of the major challenges facing small businesses and small business persons. This fact is highlighted in the recently concluded National Policy Framework for the Development of MSMEs in Barbados which notes the lack of participation of private enterprises in the business support framework in the area of finance.

While arrangements do exist for the sector, it is the Government's opinion, shaped by discussions with representatives from the industry that a special fund, capitalized to the tune of $50 million, be created for the purpose of providing a blend of grant and soft loans to fund the sector.

In this regard, Government proposes to review and reconfigure the current Industrial Credit Fund, which is currently under the management of the Central Bank of Barbados with the intention of making a substantial part of its current resources available to support this new soft window financing mechanism for small businesses in Barbados. It is also proposed that this new window be managed out of Fund Access and in full consultation with the Small Business Association of Barbados. More details on that will follow in the weeks to come.

Fiscal Consolidation, Debt, and the Social Development Nexus

Mr. Speaker Sir, there is absolutely no dispute among academics, practitioners or policy makers that a fundamental connection exists between a country's ability to sustain itself financially and the level, quality and variety of social services it affords its population. Indeed, both of these variables directly correlate to the standard of living and quality of life enjoyed by citizens. Barbados is an atypical example of that type of society.

Over the years, we have been able to provide high quality social services to citizens and visitors alike to such a degree that Barbados has been and continues to be ranked highly on the UN Human Development Index as one of the top developing countries in the world.

However, like all small states, prolonged periods of economic and financial challenge can and do have deleterious impacts on systems of social service delivery especially when resource allocations are either cut or slowed.

For us here in Barbados this is a particularly sensitive issue since we are perhaps without comparison in this region and many other places in the world relative to the vast sums of the national budget that go towards health, education, transport, waste management and other social interventions.

Naturally, we have witnessed some of these negative side effects as Government, hampered by cash flow constraints has struggled at times to make timely allocations to key players in the social sector over which it has direct responsibility.

One such area has been in the provision of primary, secondary and tertiary health care services to an ever-demanding population. Indeed, the challenges that we have experienced across the system and in particular in our main general hospital has caused all of us to pause and seriously reconsider the financing platform on which the current system is based.

The current discussion on Health Care Financing in Barbados has occurred at a time when there is decreasing Government fiscal space for addressing the rapidly increasing cost of health care. The factors driving health care costs are complex, and include: an increasing prevalence of non-communicable diseases (NCDs); the occurrence of new and re-emerging communicable diseases; and the public's expectations for services on par with industrialised countries.

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

It is now widely acknowledged that the aggregate cost of healthcare in Barbados is substantially impacted by the prevalence of non-communicable diseases. In 2014, *Health of the Nation Survey* confirmed that one in ten adults has an NCD, and that eight in ten men and nine in ten women have at least one risk factor. These statistics are saying that if the current trajectory remains unchanged, it is expected that by 2030, the prevalence of NCDs would double (i.e., increase to one in five adults).

Complications occurring as a result of NCDs pose serious financial challenges for individuals and the country alike. The Chief Executive Officer of the Queen Elizabeth Hospital (QEH) had reported that sixty percent of all surgical admissions are NCD related, of which 80% are associated with diabetic foot care. Additionally, there are over 200 persons diagnosed with end-stage renal disease and who are currently on renal dialysis. The burgeoning prevalence of hypertension and diabetes in Barbados contributes on average five new cases per month referred for dialysis at a cost of $62,000 per person per year. The aggregate cost of renal dialysis in Barbados is $15 million annually. It is expected that by 2030 that will double, if not triple. In addition to NCDs, the occurrence of Dengue fever, Chikungunya and now Zika are placing demands on the Ministry for resources to perform laboratory analyses and for treatment where complications arise.

Who Contributes to Health Care Financing and How Much?

Health financing as one of the core functions of a healthcare system is concerned with the mobilization, accumulation and allocation of money to cover the cost of the health care needs of the people of Barbados, individually and collectively (WHO, 2010). The following key policy positions related to health financing in Barbados were addressed by the first National Health Accounts Study conducted by the Ministry in 2014:

1) What is the level of health spending in Barbados?
2) What is the level of health spending relative to the size of the economy?

3) What is the contribution of the Government and other entities (households, health insurance companies and donors) to health care spending?

Total health expenditure in Barbados up to 2012-13 was $732.7 million, of which 98% represented recurring spending i.e. spending on health goods and services that were consumed within the year of the Health Accounts analysis. The remaining 2% was for capital investment (spending on goods and services whose benefits are consumed over more than one year) and care related items such as social care for HIV. Thus, total health expenditure represented 8.7% of Barbados' gross domestic product in 2012-13 and was equivalent to $2,582 per capita. Compared to the rest of the Caribbean, Barbados' per capita health expenditure ranked the third highest in the region behind the British Virgin Islands and the Bahamas, $4,400 and $3,294 respectively.

The main source of health spending (55%) was funds voted by Parliament and allocated to the Ministry of Health. Households represented the second largest contributor to total health care expenditure, of which 39.4% ($285,754,466) was paid through out-of-pocket spending. Approximately 68% of this expenditure was for ambulatory care at private doctors' offices and private hospitals.

Private health insurance plans contributed 5% of Total health cafre expenditure ($36,635,188). It was estimated that 27% of the population was covered by health insurance plans of which 13% were employer-based plans and 14% individual-based health plans.

One of the weaknesses inherent in a tax-based system of health care financing is that during an economic recession, any decline in Government revenues is reflected in reduced allocation to the health sector. It should be noted that health care, by its very nature, is an essential service and in most instances cannot be deferred, unlike the demand for many other goods and services.

Barbados' mixed system of financing and delivery of health care is not the ideal model for the future given the exponential rise in health care costs. The options available to the country could be listed as follows:

1. Allocate more resources from the Consolidated Fund for the health services;
2. Improve allocative efficiency;
3. Require patients to pay more out-of-pocket by way of co-payments; and/or
4. Find new sources of funding and dedicate them to the health services.

Barbados already allocates approximately 11.0% of Total Government Expenditure to the health care services. Should patients pay more out-of-pocket, and if so, what and how much? The current 39.4% of Total health expenditure is higher than international benchmarks for Out-of-Pocket health expenditure. Since reliance on Out-of-Pocket payments for health care exposes people to catastrophic costs, the Ministry of Health supports the utilisation of any additional financing by households towards a properly regulated and managed "pool". This concept is making the case for a **national health insurance fund**.

A national health insurance fund would be based on employer and employee contributions, which would be actuarially determined and be separate from the Consolidated Fund. It would be a more stable source of funding for health services and not be subject to the fiscal space constraints of the public finances, or other competing priorities. The national health insurance fund would work by guaranteeing a basic benefit package to the population, would be efficiently administered, and would engage the private sector providers of care as well as Non-Governmental Organsations (NGOs.) Canada and some European countries are examples of such social health insurance funds that work.

My understanding is that the Ministry of Health is currently working with key stakeholders and partners both domestic and outside of Barbados to begin the process of putting together a firm proposal to the country for consideration after approval by the Cabinet for such a scheme. However, with the best wills in the world such a process is likely to take no less than two years before implementation.

In the meantime, Government still has a responsibility to ensure that the systems which we currently have are adequately provisioned so as to ensure that we do not compromise on such a critical part of the country's development. I go further to say, that this is a responsibility not only of the Government but all Barbadians who from time to time call on these services in one way or another.

Bearing this in mind, and ever wary of the need to ensure that we still stay within the bounds of our fiscal consolidation and debt sustainability strategy, I now propose that effective September 1, 2016, there will be imposed a National Social Responsibility Levy to assist in offsetting the costs associated with financing public health care service provision in Barbados.

The levy will be applied at 2 percent on the customs value of all imports at the border with the exception of goods for the manufacturing, agriculture and tourism sectors as covered under existing primary legislation such as the Fiscal Incentives Act and the Tourism Development Act. These are being excluded so as to avoid any double taxation since the 2 percent tax must also be applied on domestic output to ensure fair treatment under WTO and CSME regulations. Any and all regional or international interests including diplomatic missions covered by relevant conventions, treaties and agreements will be exempted from payment of the levy by law.

It should be noted that as a new measure, the tax will be placed before waivers are given; hence, it is not automatic that there will be exclusions based on prior arrangements except for the sectors and interests identified above. Any waivers will be solely at the discretion of the Minister of Finance and Economic Affairs.

Further, it is recognized that the proposed levy may have an impact on imports, especially consumer imports, which represent over 60.0 percent of the total imports of goods. This impact, based on our analysis, may not be felt immediately given the very high import content in the domestic absorption and the time it takes to adjust consumption patterns. However, it is recognized that over time, the tax can be distortionary and hence will be reviewed given its impact on growth.

<u>The Revenue Gains:</u>

When applied at 2.0 percent it is estimated that the levy alone will raise additional annual revenues of $60.8 million, while the additional revenue expected from VAT which will be applied after the levy is imposed, will be $62.1 million. The expected earnings from the application of the levy on domestic output will be around $19.2 million. In total, it is estimated that the new

National Social Responsibility Levy will realise additional annual revenues of $142.1 million, which when prorated from September 01, 2016, yields $82.9 million this financial year.

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

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

Public Sanitation and environmental health are also critical parts of the public health care system in Barbados and Government has heard the lamentations of Barbadians, legitimate as they are, over the current state of affairs as it relates to both. While it is easy to vent our frustrations on the men and women of the SSA, the Ministry responsible for the Environment and even the Environmental Health Division of the Ministry of Health have been trying their best in the most difficult of circumstances. But I am here to tell them, as I will tell all Barbadians, help is on the way.

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

In this regard, we will be inviting all interested private sector and civil society interests to join Government to make cash and in-kind contributions to this national initiative to restore the natural beauty of our island even as we celebrate 50 years of political independence.

This initiative will be led jointly by the Ministries responsible for Health, Environment and Public Works.

As you are aware Mr. Speaker, the Financial Management and Audit Act prescribes that all revenues of Barbados should be credited to the Consolidated Fund. The revenue collected from the National Social Responsibility Levy will therefore be deposited in the Consolidated Fund. However, given that the levy is to be used for the financing of the public health care system, it is proposed that the funds be segregated so that they are available for the purposes intended by this Parliament and Government. The Accountant General will therefore be instructed to transfer these funds from the Consolidated Fund into a special deposit account earmarked for spending on public health issues. At the time that the funds are required, the Accountant General will transfer them back to the Consolidated Fund and then on to the entities.

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

Increase in the Bank Asset Tax

Mr. Speaker, in March 2015, the Central Bank of Barbados took the bold step of liberalizing the minimum savings rates (MSR) at commercial banking institutions in Barbados. It was hoped that by freeing the banks of this requirement, that as banking institutions received the benefit of a lesser cost burden at this end, it would have fed through for a faster and deeper benefit for consumers of banking services in many other critical portfolios.

To date however, I must confess that like the average Barbadian, I am particularly unimpressed with the efforts made by the commercial Banks in this regard. As such, and as a little reminder to them of the need to share their new found and much appreciated benefits from the liberalization of the MSR, I have decided to use a little more concrete persuasion to nudge them along in the desired direction.

As such, it is the intention of the Government to continue the Bank Asset Tax and to move the rate from 0.2 percent to 0.35 percent. The tax becomes effective immediately with the assessment period for the assets starting from April 1st 2016. It is estimated that the 0.15 percentage point increase in the rate will yield additional revenue of $14.3 million. The expected intake from the tax for a full financial year is estimated to be $33.3 million using the 2015 asset base of the banking system.

Tax Amnesty

As a measure used in the past with some success, Government will again offer from September 15, 2016 through to February 15, 2017 the implementation of a tax amnesty for taxpayers across the tax categories of VAT, Income tax and Land tax. The waiving of all penalties, interest and other charges incurred up to September 14, 2016 will assist the Barbados Revenue Authority in its tax administration and collection efforts.

To benefit from the amnesty, the taxpayer would have to pay the outstanding principal on or before February 15, 2017. Using data from VAT and land tax alone, and considering outstanding arrears on taxes of $568 million, it is expected that for the financial year 2016/2017 an amount of at least $15.0 million may be collectable, based on past experiences. This is the last amnesty we will be offering for a period of time. Thereafter, the BRA will be aggressively coming after persons who have not taken advantage of the opportunities presented over time.

Cuts in Expenditure

Mr. Speaker, as you are aware, every year since 2013, Government has tried to cut and/or contain expenditure levels across all major categories of expenditure. The results though relatively good in some areas have been disappointing in others. As the 2015 Economic and Social Report would show, progress has been made in wages and salaries, goods and services and even in 2014-2015 in cutting statutory transfers and subsidies by close to $200 million.

Overall however, we really have to make a greater effort in pushing the public sector reform agenda especially in the proposed efficiency building of statutory corporations. There are deeply systemic issues that have been and are being addressed in several of them as we move to reduce the level of transfers from Government to these entities in ways that help our fiscal position but do not compromise the extent or quality of social service being delivered to the country. Our aim Sir, is to finance and/or reduce transfers by at least 50 million dollars a year in each of the next four years. That is a tall order Sir, but it is one that we should strive towards and is achievable.

Another area in which we continue to see a rise in costs on the expenditure side is that of interest payments and amortization of debt. This Sir, has now reached uncomfortable levels and must be addressed. Of course for us in Government, we are in no doubt whatsoever that the surest way to slow the growth of interest payments and even put them on a downward trajectory is to contain Government's appetite for debt especially short term debt fueled by continuously high fiscal deficits.

It is for this reason that we continue to intensify our fiscal consolidation efforts while seeking to push investment growth in our economy.

This we expect to continue this financial year and, as has been the case in the past three financial years, it is our intention to institute an across-the-board cut in expenditure of $25 million from all areas of discretionary expenditure.

In addition to this, as we continue to look for efficiencies, it is our intention to target an additional $25 million in spending adjustments following the proposed mid-term Estimates review with all ministries.

But experience has taught us in the new paradigm of financial and economic management across many countries in these constrained economic conditions, that while traditional fiscal tools have a supreme value in tackling high debt and deficit problems, they are not sufficient on their own. Policies that constrain expenditure and grow revenues must be augmented by a release of investment spending that builds capacity and earns foreign exchange as oppose to spending that leaks it. This will ultimately lead to sustainable growth in the economy. They can also be assisted by appropriately targeted policies to contain and even reduce debt growth.

Over the years, successive Barbados governments have adopted traditional methods of fiscal, monetary and debt policy management that projects the position that we earn what we need to pay whom we owe. That has always been and will remain the corner piece of this government's economic and financial policy.

However, we must not bury our heads in the sand or pretend that other tools and options available to us to assist in achieving our push for debt stabilization, fiscal consolidation and economic growth in Barbados.

In this regard, and consistent with our objective of reducing statutory transfers to state-owned entities over the next few years by about 200 million dollars and under the billion dollar mark - it is now 1.1 billion dollars - government will in the coming months take up an offer from a reputable regional financial organization to engage a project leading to the possible refinancing of appropriate parts of our contingent liability debt held by state owned entities. The goal of this exercise will be to firstly reduce the costs of servicing of the debt required by central government. Secondly, to contain overall debt growth for the government, and thirdly, create fiscal space for government to invest more resources in growth generating activities.

Given that our existing contingent liability debt now stands at $1,020.7 million, our hope is that through this initiative we could garner additional savings on debt service transfers to these organizations from the next financial year.

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

Fiscal Impact

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

Additional Issues: Pensions, Education, and the Public Service

Finally Sir, there are three additional issues I would wish to briefly address which I think are important to the thrust of the Government to improve the human condition of some critical members and areas of our society. In this regard, I speak of pensioners, students and our public servants.

Proposal to Allow for the Withdrawal of Contributions from Registered Retirement Plans: Annuity Contracts for Emergencies and other Critical Livelihood Circumstances

Annuity contracts are products which are generally sold by insurance companies and are designed to help individuals save towards their retirement. They are types of investment plans where contributions are made to the plan annually or periodically and a pension is usually paid to the owner or beneficiary when that particular plan matures. The maturity date is usually a fixed date. However, some Annuity Contracts make provision for the maturity date to vary i.e. an earlier maturity date.

Over the years a number of approved institutions, namely insurance companies, have been offering such plans and have been encouraging individuals to plan for their future. Persons have deemed such an offer to be a worthwhile investment and have seen it fit to save by way of the Annuity Contract for their retirement. Up until last year the Government of Barbados had also endorsed this initiative and sought to encourage this type of investment by permitting an annual tax deduction of a maximum of $10,000.00 to individuals who contribute to a Registered Retirement Plan: Annuity Contract. However, in order to facilitate this, the Annuity Contract had to be registered with the Barbados Revenue Authority for tax purposes.

In addition to the registration of the plan, there were a number of conditions which individuals were required to adhere to so as to ensure that the taxable benefit which they enjoyed annually was not abused. This tax benefit nevertheless, was revoked owing to the *Income Tax (Amendment) (No. 3) Act, 2015-23* in which the deduction for contributions made to a Registered Retirement Plan: Annuity Contract was no longer allowed.

Consequently, the Barbados Revenue Authority ("the Authority") has been inundated with a number of telephone queries and visits regarding Annuity Contracts. Persons have been querying whether they can withdraw from their

Annuity; whether they can surrender/cancel or even cash in the Annuity. Some of these individuals have also requested the funds from their Annuity Contract for medical, financial or other difficulties. Unfortunately, the Income Tax Act Cap. 73 and the Regulations do not make provision for any of these options provided that the Annuity Contract is registered with the Barbados Revenue Authority for tax purposes.

The only provision for the disbursement of funds from a Registered Retirement Plan: Annuity Contract other than at maturity is where the owner of the plan becomes incapable in body or mind of carrying on his/her own profession and is unable to provide for himself/herself. Nonetheless, there are individuals who are not disabled but have legitimate medical, employment or other financial challenges which can severely compromise their quality of life on a temporary or even permanent basis. Such individuals have pleaded with "the Barbados Revenue Authority" to assist them in making these funds available so that they can have their concerns addressed. They have also expressed their willingness to pay a withholding tax on the amount withdrawn if the funds are made available.

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

<u>OLD AGE NON-CONTRIBUTORY PENSIONS:</u>

As you are aware Sir, in 1999 Government made strategic reforms to the national pensions system. One of those reforms was to streamline non-contributory or "old age pensions".

Since then we have seen the number of persons still receiving the award reduce significantly. I am advised that at present, based on data provided by the National Insurance Department to my Ministry, there are some 6,333 persons remaining on the roll and receiving these benefits. These benefits are of course provided for in whole or in part by the Government of Barbados.

Over the past five years, due to the very challenging economic and financial circumstances several of our elderly folk who receive old age pensions have had to bear the burden of higher food and utility prices even as they grapple with other serious challenges associated with ageing. And ever mindful of the fact that it has been a while since Government has accorded these individuals a positive adjustment in their pensions to assist them in better coping with these challenges we have determined that now is an appropriate time to do so.

Accordingly I propose that, effective October 1, 2016 old age non-contributory pensions be increased by $10 a week or $40 per month. Based on the current figures this is likely to cost the Treasury an additional $3.2 million a year.

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

Education: Student Revolving Loan Fund

As you may be aware the Student Revolving Loan Fund is currently facing some challenges while it awaits an injection of funds through a facility from the Caribbean Development Bank. The unexpected delays in accessing the needed funding has created a situation where some new applicants have been unable to receive the funding for studies to commence in the upcoming academic year. Due to the urgency of the situation and so as not to disadvantage these students, the Retraining Fund Account which is managed by the NIS will be invited to invest in a special Treasury Bill Issue to the tune of BDS$5 million to provide an immediate injection to the Student Revolving Loan Fund. The Retraining Fund, which was set up with initial financing of $10 million to provide grants for persons who had become unemployed and wanted to undertake re-tooling. Over the years there has been very little take up of these funds and the account presently has $9.45 million in assets. The Treasury Bills will be retired and the account refunded when the expected funds from the Caribbean Development Bank come through.

The Status of Temporary Public Officers:

Finally Mr. Speaker, in the final days of the last administration Parliament passed a new Public Service Act 2007-41. That new act was intended to make some fundamental shifts in the organization and management of the human resources component of the Service particularly as it relates to issues such as appointments, promotions, assessments and so on.

Even before that Act was passed, several members of our community including members of the then Democratic Labour Party Opposition highlighted several potential challenges which would arise had it been enacted as it then was. The Act was nonetheless passed and the rest, as they say, is now history. Part of that history Sir, is that it is a now widely accepted fact that a comprehensive review of that legislation is currently being undertaken by the lead Ministry, the Ministry of the Civil Service led by the Prime Minister, and other parties as several contentious issues have arisen from its implementation. Time does not permit me at this juncture to delve into those details and the House is assured that Government will return soon with a series of amendments to that legislation after the fullest consultations with all stakeholders.

However, there is one issue that goes even beyond those situations arising from the Act, as it impacts on the very livelihood of thousands of temporary officers employed in the Public Service. It is the fact that very many of these individuals, some of whom have worked in excess of a decade in the employ of central Government, currently occupy the unsecured and unenviable position of non-appointed officers.

A large part of this problem I am advised is directly related to the fact that there are no vacant and established posts to which they can be appointed even though they come to work every day and are, by and large, paid in full and on time (with some exceptions of course) for the work that they do.

This situation has put many of these individuals, their families and their livelihoods in a state of suspended animation as it is nearly impossible for any of them to plan out a secure future from a position of insecurity. As such, few if any of them can plan for such things as educational advancement, mortgages or other types of financial loans to improve self or property, as financial institutions cite their unsecured employment status.

It is a situation which causes tremendous discomfiture and disquiet among a very critical class of public officers in Barbados who like any of their colleagues in the service or the private sector contribute substantially to the development of Barbados.

Your Government Sir, has given long and fair consideration to this situation and in particular the representations which have been made by the workers' representatives on this and other issues affecting temporary officers in the Public Service.

In this regard, Cabinet has agreed that an initiative be launched immediately to put in place a Working Committee led by the Ministry of the Civil Service and including other relevant Government departments as well as representatives from the workers' organizations. This Committee will advise Cabinet on the procedure, methodology and legal requirements for the execution of a programme to appoint all temporary officers in the Public Service with more than three years' continuous service at a threshold date to be determined by the Committee.

In the coming weeks it is our intention to speak more specifically to the details of this initiative and the work of the Committee but I would only like to say to those officers who currently suffer from this particular ailment that your Government has heard your cries and help is on the way.

Conclusion

Mr. Speaker Sir, fellow Barbadians, almost 50 years ago the people of Barbados, following years of agitation, and decades of preparation accepted the solemn responsibility of independent self-governance on a reportedly rainy but historic night in the life of our country.

We did so with a pledge to be loyal and dedicated citizens prepared to not only proudly defend and uphold our country's honour but by our very actions to develop, enhance and bring credit to its lands and our fellow citizens.

As we celebrate the 50^{th} year of independence we do so satisfied in the knowledge that through good times and bad times, rainy and sunny days, we have by dint of hard work, dogged determination and a will to succeed, transformed a collection of sleepy villages into a leading developing country in the world. Our education, health and other social development systems, indeed our economy as well, have all performed and delivered vast benefits for many persons within our national community.

And we did all of this Sir, not by being reckless, arrogant, or self-serving but by combining our many God-given talents to make wise and timely decisions that have afforded our people a quality of life that is the envy of most.

Along the way of this journey there have been times when we might have doubted our abilities to overcome the myriad challenges facing us and yes, there have been many. But never at any time have we given up and admitted defeat.

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

Barbados has not escaped the horror of its impact. It has truly challenged the very foundations on which our economy and society have been built. Yes, we have lost jobs, foreign investment, international reserves, and even some parts of our social systems have been negatively affected.

But in the face of all of this we have not lost faith. We have not lost faith in the power of prayer; we have not lost faith in the promise of deliverance; and we have not lost faith in our capacity to overcome every challenge and unleash a new period of prosperity for our country.

We know what we have to do to continue to keep our economy growing, our society developing and our people strong. The presentation which I have just made and the proposals contained therein are designed to continue our climb back to a path of sustainable, inclusive and affordable development.

Your Government is well aware of and sensitive to the fact that feet are tired, hands are weary, and yes pockets are hurting. But in the environment in which for nearly 50 years our country has delivered for all of us, it is now our responsibility for us to deliver for our country.

The adjustments might be hard and the journey way too long, but given the benefits to be had of continuing to enjoy a standard of living and quality of life that others across the world would die for, we must ensure that we sacrifice today to secure the future tomorrow.

The rewards of those sacrifices are already beginning to show. The turnaround has started and the prize of prosperity is set to be seized upon and enjoyed by every man, woman and child in Barbados.

Let us together reach out and take that which is the promise of our efforts.

Mr. Speaker, with these words I am obliged to you and grateful to the nation.