



The Hon. Mia Amor Mottley, Q.C., M.P.

Prime Minister

and

Minister of Finance, Economic Affairs and

Investment

**Statement to the Nation following the 2nd Meeting of
the Social Partnership Held on June 1, 2018**

Good afternoon my fellow Barbadians, there is no avoidance in delay when treating with the economic and financial position in which we find ourselves.

Our national rescue and rebuilding starts TODAY!

We set course, not on the easy or quick path, but the right path.

Our destination is one where our society, economy and Government ensure that every citizen can fulfill their promise, and has the courage to do so, here in Barbados, whatever that promise may be.

To get there we need to invest in our people, our education, our health, our safety and our public infrastructure – the roads, the buses, water, sewage systems and garbage collection.

Hope must be matched with real opportunities, opportunities to learn new skills, to find new jobs, to make new investments, to create new art and new music.

We believe your Government can achieve these things by spending more wisely, in greater openness with the people, not by spending and taxing more. This approach to our development for the last fifty-two (52) years will NOT be as readily available as we must now deconstruct what Government does and reconstruct it to fit our needs

and today's technologies. Your Government must be open 24/7 making citizens' lives easier and expanding their opportunities.

There are new things to be done. Old things to do better and some things my friends, that we should have ceased long ago. We must rid ourselves of the corruption of the past and put in place arrangements that ensure that we are never ever, ever in this place again.

We need schools and colleges and first jobs initiatives organized to bring out the best in all Barbadians.

We need to better spark the energy, the innovation and the resources of our people, not to douse their fire.

We need laws protecting our people and our environment that also promote our development not chase Barbadians abroad and chase foreign investors away.

That is the transformative path that we are now embarked upon as was mapped out in the People's Manifesto.

This my friends, is a marathon, not a sprint and WE ARE READY TO GO!

The starting gun to be fired is how we deal with the debt left by the previous regime, the previous Government.

When the last Administration took over they inherited a debt of about \$6 billion. They complained that it was too high. Yet they have left us with a debt level, when arrears are added, of over \$15 billion. Public debt as a proportion of our national income is being regarded as high as 171% of GDP – the third highest in the entire world. Only Japan and Greece are above us and those two countries may be considered special cases. Following a period of deflation, Japan was able to pay approximately 1% interest on its debt and Greece, my friends, have benefitted from the largest financing packages in history as a result of its membership of the European Union. We do not benefit from either.

Every year in Barbados, we now spend \$800m of interest on our debt. This year we are also budgeted to spend a further \$1billion on meeting promises to pay back what was borrowed.

Our interest bill ALONE is equal to the central Government's entire wages and salaries bill. In fact, our interest bill is actually \$15 million or so higher.

How can we as a people develop if we spend more on debt interest than we spend on education?

How can a people live if they spend more on debt interest than they spend on public health?

How may a nation prosper if it spends more on interest for its debt than on looking after its environment, or its public infrastructure, or public transport?

And what did they spend the money on, the previous Government, that built up this debt that we are now paying all of this interest on? Where did the \$9 billion of extra debt come from? On what was the \$9 billion spent?

Less than 1% of that \$9 billion would have paid for a new sewage system for the south coast, it would have paid for new buses and garbage trucks, it would have paid for a new road system that would have saved us from the many transient potholes and would have expanded the hospital and our clinics.

What do we have instead. We have none of that. Instead our infrastructure is broken, tuition fees and every other kind of fees have gone up and taxes have soared.

What we have inherited instead are inflated contracts and egregious concessions to a very, very, very few.

REGRETTABLY, WE HAVE NOTHING TO SHOW FOR THIS DEBT!!

The last Government put itself in a trap. Wasted spending pushed up the debt, and pushed up interest payments, so they raised taxes which stopped the economy from growing.

Today, my friends, we prise off the hands that have been strangling us – that have been choking us. After extensive consultation in the last week with our Social Partners, with our Government, I announce today that we will seek the cooperation of our domestic and external creditors in the restructuring of our public debt.

From today, we are suspending payments due on debts owed to external commercial creditors.

Similarly, we will endeavor to make scheduled domestic interest payments. However, domestic creditors will be asked to roll over principal maturities until we reach a restructuring agreement. The truth is our debt has been

unsustainable territory for some time. The arrears represent an effective default by the previous Government to Barbadians. We have never, and these arrears may I remind you, were at \$1.7 billion at the end of September last year and we are awaiting May 31 figures next week, we have never taken this type of creditor action before and our actions today are designed, my friends, to ensure that we will never ever have to do so again.

The restructuring will address the severe challenges presented by current debt service commitments. We warned the country about this. Along with the corrective economic and fiscal measures to be introduced in a Ministerial statement within two weeks it will place the

public debt on a sustainable footing. Creditors will thank us for that. Unsustainable debt is of no use to anyone.

The restructuring, I announce today, is only but one part of a comprehensive economic reform programme.

This programme will stabilize the public finances after years of mismanagement and will create room for the return of sustained economic growth to Barbados. Growth that has been absent effectively for one decade.

My friends, we are members of the International Monetary Fund, and last night I spoke with Christine Lagarde, its Managing Director. I briefed her on the present state of the public finances of Barbados; the

current debt and reserve positions, and assured her that we are committed to taking decisive action to rebuild Barbados. In turn, Madame Lagarde assured me that the International Monetary Fund stands ready to lend Barbados the necessary assistance and support to these actions.

Our Barbados Economic Recovery and Transformation Plan is a partnership for progress. It is intended to initially provide balance of payments support from the International Monetary Fund and the Government has invited a mission from the IMF to visit Bridgetown shortly. I am advised by the Governor of the Central Bank that that mission shall be here as early as Tuesday given the urgency that we have expressed and I want to thank

Madame Lagarde for responding. Further, our plan is focused on growth and transformation. The things that some may call social protection are in fact investments for growth for Barbadians.

My fellow Barbadians, it is not enough that we do our best. We must do what is required. Each and every one of us will make sacrifices for our country over the next three years. We have to.

Our macro-economic framework is to present a balanced budget by 2019 with no new financing requirements. This will be a tall task, it will not be easy nor will it be comfortable. But the time of economic fiction and money printing is over.

We will do so while ensuring first that our economy is on a platform from which it can grow and that we have brought our people to safety. You have heard me say so over and over.

A tourism-based economy cannot have a sewage flowing in the streets of our country, no garbage trucks available and for our people few buses. No civilized society can have our seniors living off a pension of \$155 a week, or families with pit toilets, as we approach the third decade of the twenty-first century and indeed our country faces the prospect that almost everyone struggles just to pay their supermarket bills.

We will solve the sewage crisis.

We will equally raise the non-contributory and the contributory pensions as we promised along with invalidity and survivors benefits.

We will eliminate fees at the University of the West Indies, because we need to make sure that when jobs come our students are ready to populate those jobs. We will reorganize our colleges and our polytechnic to introduce the first jobs initiative.

We will replace and repair our buses and our garbage trucks and we will work with whomever we have to to make sure there is a steady available form of transport and collection.

We will eliminate pit toilets from our landscape. And as promised we will remove the bad, distortionary tax of the NSRL.

We will provide Trust Loans for Barbadians who have been left on the sidelines by our financial system.

We will make our emergency health care system more responsive to our people.

We will hold to our transformative plans.

The Social Partnership is helping us develop a package of new revenue and expenditure measures that will ensure

that as one people we can both help people to live in this country with these measures and to close the deficit for we accept that once we protect our people's right to security, to health care, to education and once we protect the most vulnerable among us, ALL of us must do the heavy lifting. I give you the assurance that the burden MUST and SHALL be shared fairly. But equally, my Government gives you the assurance that, when growth returns we shall share fairly the bounty that is developed. This is our covenant to one another. For at the end of the day, TRUST MATTERS.

My Government will listen, will make choices and we will implement them.

The initial expenditure and revenue adjustments will be ready to be detailed in a Ministerial Statement to be made within a short period of time.

This is who we are – we Barbadians are a resilient people. We have proved our mettle in the past and I know that we will prove it again in the future.

In the history of every country there is a defining moment there always is. A moment when national character is forged for generations to come. My friends, this is our moment. This is the Barbadian moment.

This is the moment when we show the world that Barbados is different, that its Social Partnership means something, that we all of us, are in this together.

I ask our domestic and external creditors to accompany us on this journey of rescue, rebuilding and transformation.

We did not chose to be here but we are here. We move forward together in a spirit of openness and with a covenant of hope and opportunity. Upward and onward we shall go, inspired, exulting, free. And greater will our nation grow in strength and unity.

The hour is late, the path ahead is grueling, but as more and more of you gather around, and as we march out together, I tell you, we will find that a new dawn is breaking.

Thank You.