

MINISTERIAL STATEMENT
HONOURABLE RYAN STRAUGHN M.P.
MINISTER IN THE MINISTRY OF FINANCE
December 1, 2020

Mr. Speaker,

The Public Finance Management Act, 2019 requires that the Ministry of Finance prepare a mid-year review report on progress made against the fiscal framework and the annual budget. The full report on the performance of the 1st half of fiscal year 2020-2021 has been laid in this Parliament and is now available for all to review.

2. This report ought to have been laid in October but as you are aware Mr Speaker, 2020 has been the most extraordinary year since Independence, one that has been occasioned by total global disruption where every single human being on the planet has been impacted.

3. Barbados has been no exception sir, and the COVID-19 pandemic has had an adverse effect on the country's economy, leading to significant declines in most of the major revenue items and increases in expenditure, as Government responded affirmatively to first develop a comprehensive pandemic response plan to manage the public health threat; secondly, to provide enhanced social protection to ensure that no family or household falls through the cracks sir; and thirdly, to generate sufficient economic activity domestically such that as many Barbadians remain in employment and that as many businesses equally remain solvent to make it through the next 24 months. The volatility in the economy has resulted in our revenue projections having to be closely monitored.

4. Never before in post-Independent Barbados, have Barbadians experienced such a rapid and sudden cessation of almost all economic activity and then to emerge from lockdown with more than 30,000 persons seeking unemployment benefits from the National Insurance Scheme over a period of 3 to 4 weeks.

5. Never before sir, has this House met on the first day of a financial year to pass supplementary provisions, but we did so this year recognizing that the Appropriation Act 2020, passed on March 20, 2020 just twelve days earlier was no longer relevant to meet the needs on the people on April 1, 2020. One would perhaps be tempted sir to believe that when the House was convened on that day, that it was an April Fool's joke given the contents of the Order Paper. This government was simply executing sir, what the Honourable Prime Minister indicated was required to provide the necessary resources for the initial impact of COVID-19 in Barbados.

6. This government met and approved the temporary increase in welfare grants by 40% as well as the initial \$10 million for the Adopt-A-Family programme. The aim of this initiative was to offer financial relief to 1500 of the most vulnerable households in Barbados to support the basic survival needs including food, shelter and payment of living expenses. Each family was allocated a preloaded e-cheque ATM card that allowed persons to access monthly assistance of \$600. During the review period, some 3,448 vulnerable families were assisted with the additional support of 603 private donations from individuals, groups and companies totaling \$3,819,866.74. On behalf of the people of Barbados, I sincerely thank all those who came to the rescue of these families when they were at their most vulnerable. This generosity sir is simply a manifestation of who we are.

Revenue Outturn

7. Total revenue inclusive of arrears was \$1,252.0M at midyear. This was a decrease of \$46.9M (3.6%) when compared to the budgeted amount of \$1,298.8M and \$202.4M (14%) less than the revenue for the previous year of \$1,454.4M. The reduction in economic activity due to the COVID 19 pandemic was the major reason for the large decline in revenue.

8. Tax revenue which comprised of direct and indirect taxes, was \$1,200.5M for the period, reflecting a decrease of \$169.9M (12.4%) when compared to the previous year and \$34.5M (2.8%) when compared to budget.

9. Revenue from direct taxes was \$643.8M, 53.6% of tax revenue. Although less than the budgeted amount of \$663.1M, direct tax revenue was \$60.8M more than the previous year's amount of \$583M, due to the

improved performance of Corporation tax (net). Income tax (net) and Property tax performed worse than projected and were \$32.9M and \$13.2M less than budgeted respectively.

10. For the period under review, the SOEs performed poorly when compared to 2019 as many of the reforms introduced such as the Airline Travel and Development fee have suffered due to COVID 19. Although there has been a significant decrease in SOEs arrears, these still remain a major concern and will continue to be closely monitored.

Expenditure Outturn

11. Except for Grants to Public Institutions, all major components of Government's expenditure have increased with significant increases seen in Interest, Grants to Individuals and Capital expenditure.

12. I take this opportunity Mr Speaker to speak briefly on the management of the expenditures related to the operations of the Queen Elizabeth Hospital. The increased in unemployment negatively impacted the performance of the Health Service Levy which yielded \$29.3 million during the review period, a decreased of about \$4.7 million compared to the same period in 2019. In addition, the QEH undertook the responsibility for management of the Isolation and Quarantine facilities to isolate existing health facilities from exposure to COVID-19. This required additional resources beyond the original budget passed in the Appropriations Act 2020. The Ministry of Finance instructed that the Ministry of Health & Wellness on behalf of the QEH to make adjustments to their requests for quarterly allocations via warrant in order to advance part of the \$116 million in the original subvention to cover the shortfall in Health Service Levy and the additional expenditures on COVID-19 during the period under review.

13. In order to properly account for these COVID-19 expenditures, a separate COVID-19 subprogramme was subsequently created under the QEH.

Debt Stock & Debt Service

14. Public debt outstanding at September 30, 2020 stood at approximately \$12,481.3M, approximately 131.0% of GDP. This is

comprised of external debt of \$3,401.5M, domestic debt of \$8,944.3M, external guaranteed debt of \$54.9M and central government arrears of \$80.5M. At September 30, 2020 the outstanding debt was under the IMF ceiling on public debt of \$13,308 M by approximately \$826.7M.

15. It should be noted that during the first half of the financial year, the restructuring of Government's debt was concluded with the restructuring of the Prison facility.

16. Government also received additional budget support of approximately \$181.0M from the International Monetary Fund, as part of its support under the Extended Fund Facility Program.

17. On the domestic side, the issuance of Barbados Optional Savings Scheme. (BOSS) bonds commenced in July to ostensibly provide workers with a mechanism for savings, while affording the Government of Barbados funds for capital works projects. During the period under review some \$14 million in bonds were issued to eligible public servants with \$3.8 million being held at the end of September by public servants and the remainder sold on the secondary market. \$2.9 million were bought by pensioners, \$2.5 millions by pension schemes and \$2.4 million by individuals.

18. Additionally, Series F bonds totalling \$8.4M were issued in respect of the settlement of tax arrears and legal fees which predated September 2018. Approximately, \$502.3K in bonds were liquidated for bondholders facing predominately serious health challenges.

19. Finally, as agreed during the domestic debt restructuring, the last overdraft facility total \$2.5M previously held by the Caribbean Broadcasting Corporation, was converted to a Term Loan to be serviced by the Government.

20. At September 30, 2020 the actual expenditure on debt service amounted to approximately \$373.7M compared to the Approved Estimates of \$449.3M for the period April to September 2020, a difference of \$75.6M. Approximately \$32.3M of this was attributed to the redemptions of Savings Bonds which have matured but have not yet been presented for settlement. Approximately, \$14.6M due in respect of external Sinking Funds Contributions. Slower project disbursements and lower interest rates during

the period compared to original projections accounted mainly for the remainder.

21. A review of the other financing matters indicates that Government's total arrears of \$81M were substantially less than in 2019 when they were \$180M. The arrears at September 30, 2020 were also substantially below the Performance Criteria target of \$145M.

22. Based on the performance at September 30, 2020 where revenue earned was \$1,252.0M and expenditure was \$1,267.7M, and projections for revenue of \$1,220.8M and expenditure of \$1,531.4M for the remainder of the year, Government is aiming to achieve a primary balance of -\$42.1M (-0.5% of GDP) at March 31, 2021.

23. I am obliged to you.