

**MINISTERIAL STATEMENT**  
**HONOURABLE RYAN STRAUGHN M.P.**  
**MINISTER IN THE MINISTRY OF FINANCE**  
**November 16, 2021**

Mr Speaker

The Public Finance Management Act, 2019 requires that the Ministry of Finance, Economic Affairs and Investment prepare a mid-year review to report on progress made against the fiscal framework and the annual budget. This is the third time that I am addressing the country with respect to the Mid-year review laid in Parliament in October. Let me assure you that this Government is committed to improved transparency in the conduct of our fiscal affairs.

2. Indeed, increasing transparency and accountability in public policy remains a central principle of this Government, and we continue to make important advances in this area. We are tracking key crisis expenditures via a dedicated new line in the FY2021/22 budget and reporting to parliament all COVID-related procurement contracts in excess of BDS\$1 million. We have made beneficial ownership information of public sector contractors available via the corporate register and an audit of FY2020/21 crisis expenditures by the Auditor General is expected to be completed within a few months.

3. We also expect to soon table in Parliament a new procurement law, which seeks to strengthen the fairness, integrity, and transparency of the procurement process. The law will also provide a framework to facilitate the audit of crisis expenditures and publication of contracts and names of successful bidders. Government is also working to adopt regulations for a procedural fiscal rule, which would require the government to annually prepare and publish its fiscal strategy, including measurable fiscal objectives covering the medium-term, and to report transparently on the implementation of this strategy.

4. As an intermediate step, government tabled in parliament in August this year a fiscal framework for FY2022/23, containing medium-term fiscal projections and a discussion of fiscal policy objectives, including our plans to reach the debt anchor of 60 percent of GDP by FY2035/36. This procedural fiscal rule will further strengthen transparency and accountability in our fiscal

policymaking while allowing us to retaining sufficient flexibility to respond to the pandemic, natural disaster or the like.

5. The full Mid-year report which has been laid in Parliament provides an update on the fiscal outturn for the first six months of the fiscal year 2021-2022, reviews the fiscal performance against cumulative targets set under the Fiscal Framework and is available for members and the public to review.

6. The COVID-19 pandemic has continued to impact the pace of Barbados' recovery over the last six months with the island's main source of earnings, tourism, being the hardest hit sector declining by over 95% during the height of the health crisis. The easing of public health restrictions since March 2021 has seen an improvement in economic activity. With the pace of vaccination gaining momentum locally (66.5 percent of the eligible population, ages 12 and above, have received one dose whilst 58.1 percent have been fully vaccinated as at November 14) and encouraging signs for a global recovery, it is expected the domestic economy will grow by around 2% by the end of 2021 and 13.2% by the end of this fiscal year.

7. This outturn is underpinned by a recovery for tourism during the upcoming winter season and a revival of domestic demand as the Government strives to fully remove all restrictions and curfews based on achieving vaccine targets by year end. Having reached two-thirds of the current eligible population with a first dose, the curfew has now moved to midnight.

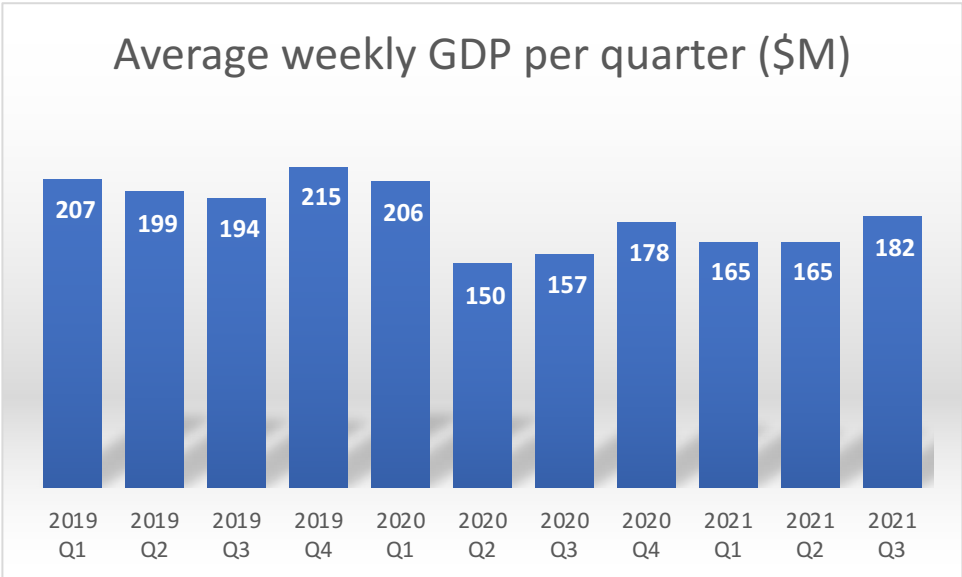
8. Additional economic activity is expected from several tourism and public investment projects which are expected to move to a more advanced stages. These positive developments on the domestic landscape during the first half of the fiscal year as well as a promising outturn for the remainder of fiscal year 2021-2022 have spurred a modest upward revision to nominal GDP forecast for the fiscal year.

## **Economic Background**

9. During April to September 2020, the Barbados economy witnessed both the cessation of international commercial air travel and the introduction of public health measures to deal with the pandemic. These measures together resulted in almost \$50 million less economic activity on average per week during April to June 2020 compared to the corresponding period a year

earlier to reach around \$150 million per week on average during that quarter. The gradual easing of public health restrictions between July and September 2020 saw economic activity pick up slightly to around \$157 million on average per week.

10. During the fiscal year 2020-2021, overall economic activity in nominal terms contracted by approximately two billion, one hundred and thirty-five million, seven hundred thousand dollars (\$2,135,700,000) compared to the reported activity for the previous fiscal year representing almost 18 percent of the economy. This represents approximately \$41 million less economic activity on average per week due solely to the coronavirus pandemic.



Source: Central Bank of Barbados

11. In spite of such a unprecedented set of circumstances, this government was still able to provide a range of social protection measures to keep Barbados households afloat and to provide some business relief without compromising the financing of education or health care services. Some of these measures include:

- \$20 million to the Household Survival programme to provide \$600 per month cash transfer to support vulnerable families affected by the economic fallout from the pandemic;
- \$10 million to the Welfare Department to meet the additional costs of grants to individual

- \$48.8 million to the Queen Elizabeth Hospital (QEH) for the management of COVID-19 programme;
- \$10.7 million to the QEH for their current operations;
- \$10 million to provide financial relief to vendors, operators of small shops and medium sized businesses impacted by the national shutdown;
- \$10 million to the Ministry of Education, Technological and Vocational Training to provide tablets and laptops to assist with online classes.

12. The budget for the current fiscal year was prepared in an environment of significantly depressed economic activity caused by the ongoing coronavirus pandemic whilst at the same time experiencing a significant surge in cases during January and February 2021. All of this translated to lower revenue expectations for this fiscal year which coupled with constraints on spend, resulted in a 6 percent primary balance being reset to 0.0 percent and as we sought to reconfigure the budget priorities.

13. Consequently, the Estimates of Revenue and Expenditure 2021-2022 were developed with emphasis placed on continued support of the Health Sector in light of the ongoing pandemic while reinvigorating the economy through its emphasis on capital works. Additionally, the budget detailed outlays to support the most vulnerable by continuing those programmes that were established in the height of the pandemic.

14. The lifting of public health restrictions in March 2021 meant that for the period April to September 2021, average weekly economic activity increased by approximately \$20 million to \$173.4 million compared to the same period in 2020. Whilst this improvement is most welcomed, the overall level of economic activity is still significantly below FY2019/2020 levels which averaged \$196 million in economic activity per week which we are working hard to surpass as quickly as possible with the active cooperation of Barbadians.

15. Amendments to the budget as detailed in the Fiscal Framework were made to include outlays relating to the Ashfall clean-up, the freak storm in June and then Hurricane Elsa, the Barbados Tourism Marketing Inc. (BTMI), as well as the Barbados Employment and Sustainable Transformation (BEST) program which provides support to the tourism sector.

## **Revenue Outturn**

16. Despite the impact of COVID-19, there has been some improvement in the overall revenue performance for the first half of fiscal year 2021/22 as total revenue stood at \$1.3 billion at the end of September 2021, \$52.5 million above the outturn for the previous fiscal year. The revenue performance at the end of September relative to budgeted expectations, led to a revision of the end of year revenue forecast which is now 2.8 percent above the initial budgeted projection and 1.2 percent above the amended fiscal framework. When compared to the same period for fiscal year 2019/20, revenue is still some \$150 million below 2019/20 levels showing clearly that the revenue performance mimics the trend in the overall economic activity.

17. Net corporation tax declined by \$170.9 million mainly due to the one-off international business sector payments of around \$200 million last year, which slight offset the underlying revenue loss of approximately \$600 million in the 2020/21 fiscal year. However, net income tax payments increased largely due to the increased employment relative to the previous period last year as an increase of \$68.6 million over the 2020/21 outturn was observed.

18. Total excise intake was \$89.6 million at the end of the first six months of the fiscal year. Domestic excise contributed approximately \$2 million to the overall increase, as the pickup in domestic demand translated to modest improvements in all categories (Rum, Sweetened Drinks, Tobacco and Breweries).

19. Value added tax registered higher receipt, particularly on domestic sales where eligible transactions improved by over \$500 million, leading to a \$28.2 million increase for the April to September 2021 period. VAT on imports increased by \$30.7 million as the Customs Department in collaboration with the Barbados Port Inc. introduced enhanced processing at the Bridgetown Port to better facilitate the clearance of cargo in response to the pandemic. This led to net VAT receipts to end-September of \$382.6 million, 4.3% above budgeted target for the period.

### **Expenditure Outturn**

20. Expenditure increased by \$168 million over the corresponding period in 2020 though it was below the budgeted outlays determined by the fiscal framework by \$123.5 million given the slow progress of the capital works program. The budget estimated total expenditure net of amortization at \$2.9

billion for financial year 2021/22. The outturn at the end of September represents 46.5 percent of expected budgeted outlays with approximately \$1.6 billion left to be spent. However, the ongoing demands of COVID-19, the recent fallout from the freak storm and Hurricane Elsa as well as the Ashfall from the La Soufriere volcano have led to the approval of supplementaries totaling \$267.3 million.

21. In early April, Barbados experienced severe disruption from the eruption of the La Soufriere volcano in St Vincent and the Grenadines. The resulting ashfall blanketed the island causing an overall loss of some estimated \$89 million in economic activity. This country would have been crippled if the government did not move swiftly to limit those economic losses by getting the country cleaned and reopened to serve the public as quickly as possible, I want to thank those workers and firms that joined the national effort to clean up the ash from the airport to the seaport; from the breeze blocks at our schools to the polyclinic; roads and drains from St Lucy to St Philip, the cost of which was \$23 million in unplanned expenditures.

22. At the beginning of July, Barbados experienced significant damage from the passage of Hurricane Elsa which saw over 2,000 reports of house damage with some 500 properties approximately requiring complete rebuilding. This was two weeks after the passage of a 90 minute freak storm that also led to damage to houses and infrastructure. More than 90% of the houses damaged or lost were occupied by persons under the poverty line and approximately 95% of the houses were uninsured. As a result, the House voted almost \$50 million in August to jumpstart the rebuilding and repair programme to get displaced Barbadian backs into their homes.

23. During 2020, 52,282 claims for unemployment were received by the NIS compared to the regular annual average of 11,450 claims over the period 2017 to 2019. This significant increase in claims resulted in \$155.5 million being paid to 34,000 individuals. Based on the circumstances, the unemployment benefit account utilized all of its reserves to pay unemployment claims and as a result borrowed significantly from the National Insurance Fund and the Catastrophe Fund to satisfy its statutory obligations and to pay all approved unemployment claims. Total borrowings in 2020 were just over \$75 million and with the lockdown at the start of 2021 unemployment claims increased further with 1,506 and 11,802 claims received in January and February respectively of this year, total borrowings increased to \$93 million at the end of February 2021. A plan to recapitalize

the Unemployment Benefit Fund in the amount of \$143 million over 3-5 years to eliminate its indebtedness was agreed to in June 2021 and \$50 million was voted by supplementary in August to the NIS.

24. A third wave of COVID-19 cases in-country saw the voting of additional resources of approximately \$48 million to the Ministry of Health and the QEH to respond to the pandemic. Of particular note is that by the end of September 2021, the QEH had already exhausted its COVID-19 vote for this fiscal year due to the significant increase in cases during the summer.

24. Grants to public institutions, including over forty-five (45) SOEs, were \$81 million above estimated. The increases were largely to the Enterprise Growth Fund to implement the BEST Programme, QEH to continue support with COVID-19 management and Childcare Board to cover operational expenses. Total outlays were \$307.8 million over the review period.

25. Capital expenditure increased by \$28 million, during the first half of the FY2021/22 relative to the same period in the previous FY, to reached \$106.7 million, as infrastructural works related to the Constitution River, Speightstown Flood Mitigation and road work projects remain ongoing. Increased spending for the Sanitation Service Authority (SSA) and funding to the private sector via Fund Access and Trust Loans also occurred over the review period. This combined outturn outweighed the reduction in capital transfers to the Barbados Water Authority, which was used to finance the water supply network project.

## **Debt and Financing**

26. Public Debt outstanding at September 30, 2021 stood at approximately \$13,086.1 million, approximately 146.9% of GDP. This is comprised of external debt of \$4,191.0 million, domestic long term debt of \$8,111.2 million, short term domestic debt of \$700 million, external guaranteed debt of \$48.9 million and central government arrears of \$35.0 million. At September 30, 2021 the outstanding debt was under the IMF ceiling on public debt of \$13,381 million by approximately \$294.9 million.

27. Due to the significant impact of the COVID-19 pandemic on the economy and the continued adjustments to the fiscal framework to respond to the additional external shocks, the initial debt/GDP target of 60 percent by 2033/34, set under the Barbados Economic Recovery and Transformation

(BERT) Programme needed to be adjusted to maintain programme credibility. This target has now been revised and set for 2035/36.

28. In addition, as part of its continued support under the Extended Fund Facility Programme, the Barbados Government received a disbursement of \$49.1 million for budget support from the International Monetary Fund.

29. On the domestic side, approximately BDS \$83.9 million in Series B bonds were issued by the GOB in exchange for the Needham's Point Holdings Limited (NPHL) BDS \$80.0 million bond. BOSS (Barbados Optional Savings Scheme) bonds continued to be issued, yielding approximately BDS \$23.2 million for the period.

30. Series F bonds totalling \$2.7 million were issued in respect of the settlement of legal claims against the Crown which were initiated before September 2018, as well as refunds to NHC tenants under the Sale of Terrace Units Program. Approximately, \$193,000 in bonds were liquidated for bondholders whose original holdings were \$5,000 or less and others facing predominately serious health challenges.

31. At September 30, 2021 the actual expenditure on debt service amounted to approximately \$327.1M compared to the Approved Estimates of \$360.0M for the period April to September 2020, a difference of \$32.9. Approximately \$4.6M of this was attributed to the redemptions of Savings Bonds which have matured but have not yet been presented for settlement. Approximately \$13.3M due in respect of external Sinking Funds Contributions while slower project disbursements and lower interest rates during the period accounted for a \$14.2M difference, compared to original projections.

32. The fiscal and primary balance at the end of September totalled \$148 million or -1.5 percent of GDP, and \$15.9 million or 0.2 percent of GDP. It is assumed that if the full goods and services and capital budget, as identified within the fiscal framework, is fully utilized and expenditure is further expanded by what has been detailed in the supplementary estimates, then the revised forecasts will result in an overall balance of -6.7 percent of GDP and an overall primary balance of -2.3 percent of GDP.

33. It is important to remind the public, that faced with a reduction of almost \$600 million in revenue and increased expenditures to fight the pandemic, government needed to access critical financial resources to finance these



operations whilst still maintaining the social investments of health care and education which citizens have become accustomed. To that end, I wish to note the sums received from the following institutions to Barbados since the onset of COVID-19 in 2020 by way of loans for budget support on average at interest rates between 1 and 3%.

- International Monetary Fund (\$417 million);
- Inter-American Development Bank (\$400 million);
- International Bank for Reconstruction and Development – World Bank (\$200 million) with exceptional access; and
- Development Bank of Latin America - CAF (\$200 million).

34. Undoubtedly Mr. Speaker the loans provided to us at these highly concessional interest rates are testimony to the confidence that these institutions have in the management of the Barbados economy. The same confidence is reflected in the external bond markets where Barbados' bonds are currently trading above par, or in layman's terms above their original market value.

35. The team in Economic Affairs led ably by the Honourable Member for St Michael South Central should be applauded for sourcing the financing from the multilateral banks whilst the Finance and Central Bank team should be thanked for working with the IMF to access financing.

36. We must all be brutally honest with ourselves sir. In spite of the fact that the Government of Barbados was faced a \$600 million revenue loss and a loss of economic activity of almost 18%, we were able to increase our support in fighting the pandemic and supporting Barbadians across every spectrum of the economy and society. Such support included cash transfers and income-replacement schemes to vulnerable households e.g. a 40 percent increase in welfare payments and \$600 assistance to over 2000 most vulnerable households; support to affected businesses via direct cash grants and fiscally in the form of the BEST program; we also implemented the 12-month COVID relief program which not only provide contract employment for many Barbadians but also served stimulated domestic economic activity.

### **Foreign Reserves Coverage**

37. Mr Speaker, 42 months ago, the Barbados Labour Party was given the awesome mandate by the people to govern, the country's stock of foreign reserves then stood at \$440 million or 5.6 weeks of import cover at the end

of June 2018. This was as a direct result of our decision on June 1, 2018 to suspend external debt payments and the announcement of a domestic and external debt restructuring. Recall that \$100m was due to be paid at the end of June 2018 on the Credit Suisse Loan which as a result of the 24 downgrades saw Barbados paying interest rates north of 12% on that particular loan. Had the status quo remained, Barbados would effectively only have had only 4.3 weeks of import cover at the end of June 2018.

38. One of the main objectives of implementing the reforms of the BERT programme was to rebuild foreign exchange reserve buffers to 24 weeks or 6 months such that the country could comfortably absorb external shocks. At the end of September 2021, Barbados' stock of reserves stood at \$2.865 billion representing almost 42 weeks of import cover. **Never in the history of our country, has the Barbados dollar been more secure.**

39. I mentioned earlier, Barbados recorded a 95 percent reduction in tourist arrivals for 2020 and have only started to see some improvement over the course of the summer of 2021. This means that the country has not been earning the usual levels of foreign exchange for the past 18 months yet the previous accumulation of reserves has allowed the country to continue to function and make make all our external payments whether as individuals shopping on Amazon or paying Netflix subscriptions or businesses purchasing food and supplies or making investments. More importantly, these reserves have allowed the country to purchase much needed medical supplies and equipment to fight the pandemic.

40. I turn now to the issue of the budget sir. Recently, there has been many calls for a "budget" to be presented to the country. When the Public Finance Management Act was passed in 2019, it was done with the absolute clear understanding that what Barbadians regard as **The Budget** would be done in March during the presentation of Estimates of Revenue and Expenditure where any new policies would be announced, especially if there were any fiscal gaps to be financed. The purpose was to bring order and clarity to the administration of the public finances.

41. I also made it clear then at the passing of the legislation that where any extraordinary actions were to be taken that the Government reserves the right to come back to Parliament at any time in order to adequately address the concerns of the day. This Government has done that throughout this pandemic, not for the sake of calling it a budget sir but to respond to the urgent and pressing needs of Barbadians as they arise.

42. We laid the Fiscal Framework in August 2021. We laid the mid-year report in October 2021. We came to the Parliament to provide resources to clean up the ashfall that blanketed the country in April. We provided resources for those displaced by Hurricane Elsa in July. We have also provided urgent financial resources to the Ministry of Health and Wellness and the Queen Elizabeth Hospital in response to the surge in Delta cases over the summer. We have provided resources to commence the recapitalization of the National Insurance Fund through the Unemployment Benefit Account. **These are not the only issues confronting Barbados but financial management in midst of a global pandemic must be nimble and flexible and it is not our posture to wait for a singular moment in which to act sir. Government must continually monitor and make decisions as the situation unfolds and this Mid-year review introduced by this Government with the passage of the Public Finance Management Act has considerably enhanced the transparency attending to the management of our fiscal affairs.**

43. Mr Speaker, the mission ahead is really quite simple, particularly in the short term. All citizens must make each hour of every day count such that we can all get the economy back on track as quickly as possible whilst still observing the public health protocols. We encourage persons to get vaccinated as doing so quickly allows for more relaxation of restrictions and with the continued arrival of tourists, I am confident that growth and employment will rebound quickly. This is what living with COVID-19 looks like, balancing the saving of lives and maintaining livelihoods. As the Prime Minister has said repeatedly this is now a marathon and not a sprint.

44. The Government will continue to transition its departments and agencies along the path of digitization in order to improve services to the public and as such we expect the private sector to follow suit. We will continue to focus on the implementation of our capital works programme and other measures to improve business facilitation and with the full cooperation of our citizens and those we welcome to our shores, in 2022 we will see the back of COVID-19.

41. Barbados, you can see that we have responded to your basic needs. You can see that we have made your health and well-being a priority. You can see the country is in good hands. Let us therefore continue to work hand in hand for the good of all in this country. Barbados let's make it happen.

42. I am obliged to you.