

**Ministerial Statement Delivered by the Prime Minister
Honourable Mia Amor Mottley, Q.C., M.P.
during the 24th Sitting of the House of Assembly**

December 18, 2018

Today is exactly one week to Christmas 2018 and it would make for a worthwhile case study to examine the attitude and outlook of Barbadians today, December 18th, 2018 vis a vis the attitude and outlook of Barbadians and well wishers of Barbados, 12 months ago and also six months ago. To say we have come a long and far way, would be to make the understatement of the year.

Not everyone will be able to go to Church on Christmas morning, wearing the designer shoes and clothing of their choosing; sadly, not everyone will have the niceties that adorn the traditional Bajan Christmas table. But what is very sure, Mr. Speaker, is that every Barbadian will wake on Christmas morning and on New Year's Day, hopeful and confident of a brighter tomorrow. And that is what we set out to achieve on the morning of May 25th, 2018 when we received the mandate of leadership of this country, from the good people of Barbados.

We did not promise a quick fix. We did not promise Gold, frankincense or myrrh. We did not even promise that there would be no pain.

What we assured the people of Barbados six months ago, was that we would work assiduously and selflessly to turn the outlook and the fortunes of this country, around. We promised that we would stop the decay and decline. That we would stop the hemorrhaging, and that we would return pride to, and confidence in, the Barbadian brand. We promised six months ago, Mr. Speaker that we would bring Barbados back to where it belongs....in the region, in the world and in the psyche of Barbadians, living at home and abroad.

Mr. Speaker, I am proud to report this evening, using every yardstick and every other measure available to me, that this noble mission...has been accomplished!! Barbados is on the road again! Barbados is this evening, punching once again, above its weight division.

And for this, Mr. Speaker, we thank the good people of Barbados; we thank our friends, supporters and well wishers. We thank our social partners. We thank the regional and international community, and above all...we thank Almighty God for steering us clear of the social and economic icebergs that surrounded this beautiful country of ours, up to six short months ago.

Mr. Speaker, the journey is far from over.

Indeed, we are still climbing out of the hole. But i am confident, as we approach the Yuletide season, that, if nothing else, we have in this country today, all hands on deck. I move around this country, Mr. Speaker, and I hear first hand the huge signs of relief. I see and receive the nods of approval. I am inspired by the mail, the tweets and the WhatsApp messages that say – ‘we hate to feel pain, but we understand that tough decisions have got to be made. We are confident that the sacrifices we are called upon to make now, will redound to the benefit of the country in the long run’.

My heart goes out to those who unfortunately have lost their jobs under the BERT Program. I truly wish, Mr. Speaker, that there was another way. But the conditions that this Government inherited just over six months ago, were nigh short of calamitous. No self-respecting administration could have sat idle and allow the rot to continue.

Long before May of this year, Every Barbadian carried around this broken feeling. Every Barbadian knew that the boat was leaking. Every Barbadian knew that the captain was asleep and the first mate, swimming in waters too deep.

Every Barbadian saw 10,000 marching, but nobody listening.

We lost a decade of economic growth and prosperity.

Between 1993 and 2007 our economy more than doubled on the back of 14 years of growth, from \$4.1 billion to \$9.5 billion.

Regrettably, that growth came to a halt in 2008 and the economy stagnated for the next 10 years with our GDP remaining virtually the same, while the rest of the Caribbean and the world at large passed us by.

The absence of growth not only meant less disposable income for Barbadians to take home but it also meant that we were not earning foreign

exchange, while consuming what reserves we had at an alarming rate because of our climbing debt service and other inappropriate policy decisions. And so our reserves fell from almost \$2 billion in 2013 to just around \$400 million earlier this year.

And so, when the last Administration began a scorched earth policy, forcing Barbadians to wait an extra 90 days for an election for no other reason than to give away our future through unscrupulous contracts and further bleed our Reserves, so that the new government would preside over a crisis and the old government would look less bad,

We were quietly planning.

When they piled up debts to the point that Barbados became the 3rd highest indebted country in the world and from 2009, with downgrade after downgrade, pulled down the country's credit rating from investment grade to Junk grade;

We were planning.

When they went bathing in the sea to tell us that the south coast sewage system was not failing and the four international travel advisories warning our tourists away from Barbados were unjustified;

We were planning.

When they signed international commitments to end the preferential tax system for our international business sector by December 31st of this year, with no plan as to how to achieve it, thinking this would trip us up and make them look less bad,

We were planning.

When they pulled themselves out of their stupor, to shamelessly run around Bridgetown on the eve of an election, paying off their friends and awarding long-term contracts to people whose contracts were not anywhere near due;

We were planning.

We set out our plan and the principles that lay behind it, in the People's Manifesto.

The previous Government signed much under cover of darkness, and so we could not know the full details. But we knew that the task before us was so urgent, so vast, so complicated that one of the few things we could commit to with certainty was the manner with which we were going to deal with it, what our priorities would be, and how we would sequence our early action.

We made it clear that our golden rule was that whatever we must do, the burden was to be shared.

Labour would carry a heavy burden, but it could not carry it alone, the owners of capital would need to carry a heavy load as well.

The task was so monumental that we knew that if each of our communities was forced to carry all of the burden themselves, our society would break.

Some would have considered it politically unwise to spread the burden to as many voters as possible, to workers, savers, pensioners, bankers as well as tourists, but we knew that many hands make light work; that the Barbadian way since our Independence day has been the way of solidarity; and that the climb would be so steep that we could only arrive together, as one, if we climbed together, as one, holding on to each other.

We also committed ourselves to be consultative and transparent. To shine light where once there was only darkness.

Our very first order of business was to return the Social Partners to the centre of policy making. It was our very first meeting as a Government on the morning of May 28th where we committed to each other to work together to save our dollar and to transform our country to being the best Barbados it could be.

I am committed – we are committed to listening to all of our stakeholders. We have been prepared to accept delays in some of our bills and initiatives to consult more and to improve them, such as the proposal to collect VAT at the point of sale for online transactions rather than when goods are imported. We have delayed this twice, and while we are sure it will come shortly in the New Year, we will delay it until we can start it off as right as possible. A new fate will be set when we are fully comfortable with the mechanics of this groundbreaking tax – as very few countries employ this form of collection of its taxes yet.

Working out problems by listening and talking is the only way I know. It's the way I breathe. I believe that taking time to listen and to adjust where necessary is not a sign of weakness, but strength.

We have recently deepened the tripartite arrangements with a new subcommittee of Labour, business and government to monitor the implementation of the Barbados Economic Recovery and Transformation Plan, and we have had two meetings so far on the performance of our program.

Consultative, transparent governments do not dismiss your concerns; they do not find increasingly bizarre excuses for potholes and broken infrastructure. The time of pompous, arrogant government is over.

We say to you that we will try our best to avoid mistakes.

But Mr. Speaker, we are trying to do so much in such a short time, that we know we will have missteps. Our stance will not be to deny them, but to be quick at correcting them; to listen; to improve; from silent government to smart government.

We know the retrenchment fallout from our public sector modernization program could have been implemented better. I have said so and I have already apologized for it. But we are improving it and we are stepping in to try and solve expeditiously clearly unfair outcomes like the issue of NIS benefits for BWA employees, or indeed the payment of gratuities where we can to those who had in more than 10 years.

We will be ever fair but firm.

Firm in defence of the interests of all Barbadians, firm against those who seek to bully Barbados into submission.

I can tell you that some have tried, we will save their blushes for now, but we will not be held hostage by anyone, and we can hold that position because we know that all of Barbados is behind us in this mission to rescue our nation. As the Labour movement has taught us from the early days of our Party – Barbados united, we will never be defeated.

Those who have dealt with this Government so far will tell you, that whenever they try to take us, I do not blink. Those hoping that this

Government will be like the last, submitting and yielding, often for payment or two, had better abandon all hope now.

We draw the line today. No more. Never again.

We will give transparency and good governance the force of law so that there will be grave consequences for the kind of behaviour that brought us to our knees. The new Public Financial Management Bill that was brought to the House today and goes top Select Committee will hold us by law to a standard of transparency and governance that has never before existed in the management of our financial affairs in Barbados – both central Government and SOEs.

Committing to a better future is good; but not good enough. We need to remedy the unfortunate and egregious aspects of what we inherited as contractual liabilities from the last Government.

We have been renegotiating one-sided contracts struck by the last Government. We are now confident that we can save at least 36 million per year from renegotiating contracts struck during the previous administration with the BWA and the SSA alone. For example, in one contract, we can save about \$17 million per year over the remaining life of the contract which is for about another 10 years.

Many of these contracts locked Barbados into unfair arrangements for long periods, sometimes decades. We are not asking for people to sell goods and services at below market prices, but equally taxpayers should not be required to pay egregious amounts such that companies can get back their investment in extremely short order.

Mr. Speaker, under my watch, nobody will be allowed to “juk” out the government’s eye.

Let me recap quickly our journey. We laid out our economic priorities in the months before the General Election.

We said that in the first six months we had to pull us out of the slide and to stabilise our economy, we had to bring the dollar to safety and build our reserves.

We had to create room for the Government to act, by restructuring a level of debt that was strangling the country to death.

And then the Government had to act.

It had to act to help people to live, especially those that had been pushed to the edge. It had to repair our critical infrastructures like the sewage system, the roads, A&E at the hospital and the court system. These were all mission-critical actions, among many others. The way forward was blocked without these actions. And then building on them, we had to turn despair into hope and opportunity.

That is the plan you have seen us follow over the past six months.

We developed the Barbados Economic Recovery and Transformation Plan.

It was an internationally unprecedented plan in the degree to which it spread a sizeable economic adjustment across a country and its international partners, our visitors and our creditors. In this and other ways, it is so clearly a Barbadian plan. And it got the backing and support of the International Monetary Fund and the international community in record time.

The Plan has halted and reversed the six-year slide in our reserves, which have jumped from just \$400m to over \$1 billion. Indeed today our Gross International Reserves stood at \$1.044 billion – the first time since 2014.

Our dollar has been brought to safety.

If we continue in this direction, we will be able to start the relaxation of our exchange controls.

In a few months, we executed one of the largest exchanges of government debt as a percent of national income in world history. We will now save approximately \$500m of interest per year. That compares with the previous government's attempt to save something like \$70m per year in their restructuring plan. The difference isn't just \$430m per year; it is equivalent to protecting more than 8,500 jobs and the livelihoods of 8,500 families. Why Mr Speaker? Because if we did not restructure and save this amount it would have had to be cut from Wages and Salaries – 10,000 workers would have gone instead of 1,500. This burden has been shared with entities who made profits of billions of dollars in the last decade when everyone else was losing income in real terms.

As a result of this and the economic adjustments we have made, the Government will not need to borrow domestically for the new four years, and our debt levels have been put on a downward sustainable path. It has already fallen from approximately 170% of national income to 134%. If we use the new GDP numbers, as we must now, our Debt to GDP ratio is 123%. Our goal is below 100% in 5 years.

Between April and November of this year our gross tax revenues have increased by \$118m compared with last year and our expenditures have fallen by \$322m, leading to an improvement in our fiscal position of \$430 m – in less than six months. Just a little more than half of that this fiscal year is as a result of the debt restructuring.

The international credit rating agencies gave their support with the first credit upgrade in over fifteen years – 3 notches up on our domestic debt. We have to finish the debt restructuring by persuading our foreign creditors to stand alongside local savers, and pensioners. It is only fair and just. We are confident we will get there.

The best measure that Barbados is back, that we have put our fiscal house in order, that normal service has resumed, are not my words but that we have been able to meet tax refunds in the year in which they are filed for the first time in six years – since 2012. Last month we repaid in Personal Income Tax, Corporate Income Tax and VAT refunds over \$76 million.

I announce tonight that we will offer starting in January a cash settlement of 85 cents in the dollar for those suppliers owed money by State Owned Enterprises and Central Government and who want immediate settlement. This will help us further reduce our debt by an estimated \$300 million if all persons come on board. Remember however, the Government will vet all claims to verify them.

I want Mr speaker top make it clear that as we owe, we shall pay. But equally, I call on those who owe Government to pay – even if like us you do so on terms.

We will not shy away from the critical decisions of Government. Government is about choices. And we will make them.

We have deliberately created sufficient space in our budget to tend to the vulnerable in society. We must gather everyone into our community, none must go hungry, no soul forgotten, and so

We eliminated the NSRL. And I am pleased to say that the effects on the general level of prices are finally coming. In May our annual inflation rate was 5%, while in November it had fallen to just 0.81%. Some goods have fallen in price, so shop around this Christmas and remember that less inflation means more spending power, especially for those on lower incomes who spend more of their income on goods and services.

We raised the non-contributory pension from \$155 to \$225 a week.

We are paying the reverse tax credit of \$1,300 for those earning less than \$18,000 for the first time in many years.

We launched a \$10m Trust Loan program for very early start-up companies

We reached a special settlement with pensioners so that those over 60 years old will have accelerated repayments over four years of the first \$250,000 of their pension pot.

We have given back those pensioners up to \$20,000 of their investments that were included in the debt restructuring, and they will get up to an additional \$30,000 in March next year.

We gave civil servants 5% increase the first pay increase in 9 years.

We established the household mitigation unit to support families of those who have lost a job and to help them choose from real options.

We are earmarking almost \$30m per year for the retooling and retraining of those who have lost their government jobs.

We have secured funding for a digitisation program for displaced workers to be retrained in the digital economy and to digitise all government records.

We also created space to stop the rot and bring back our infrastructure.

We embarked on a \$100m road rebuilding program.

We are advancing a long-term fix for our south coast and Bridgetown sewage systems.

Unexpectedly, we have had to find funds to do critical refurbishments to Grantley Adams (including to the runway) to ensure no disruption to the flow of our tourists, friends, and family.

We are refurbishing Accident and Emergency at QEH and expanding capacity at the polyclinics.

They said we could not do it.

That we could not afford it, we said that Government is about choices and these are the choices we make.

Despite all of our expenditures, refunds, and repayments, government today has moved from a decade of deficits to our first surplus this quarter.

A surplus. Can you remember when you last heard that? Sleep a little easier tonight, please.

I understand that our covenant with the Barbadian people is that Barbadians will take strain today to get their country back, they will suffer higher taxes and user fees, a slimmer government, but only if we fix the problem so that we never end up back here again.

Restoring the credibility of Government in Barbados and the Barbados Government internationally is perhaps one of our most important tasks. We hope to do so through our actions and manner, but also new laws and rules.

Never again must power, greed and corruptible seed be the hallmark of a Barbadian government. The consequences of betraying the people must be severe.

We have strictly limited the ability of the central bank to finance deficits through the creation of money. The rules we have set ourselves are far stricter than elsewhere. This will protect our dollar and bring greater discipline to Government.

The new Public Financial Management Bill will yet again ensure Ministers are liable for losses as a result of decisions they took against independent advice from the senior public servants.

As the first six months leave us, we have reached our milestone. The first bell can be rung. Barbados is back. This Christmas you can take a breather.

But being back is not enough. The journey continues. We are on track, but there is much further to go.

Being back is about establishing the base from which we move forward as a nation and people. Stabilisation and recovery first, transformation next, for a purpose.

Our ambition is not just to live another day, but for all our people to be empowered to live the life they wish to lead; for all to smell the sweet fragrance of their independence.

It is why even over these first six months we restored free tertiary education in Barbados.

They said it could not be done. We said it must be done.

It is why, even in this period of intense adjustment, we have ring-fenced our education health and welfare budgets.

And in the next 12 months why we look to make the reforms that will improve the effectiveness of these budgets so that, as we present in our covenant of hope, we can better enable every Barbadian, from every family and community, to be confident, active, healthy, happy and economically empowered members of a just, inclusive and caring society.

That is the real prize we are going for, not just good fiscal figures.

Economic growth is essential in getting us there.

It is why in addition to what we have done on reserves, deficits, debt, relief, and stabilization over the past six months, we have also been working on three other fronts. First we have been attracting traditional foreign investments to Barbados, second, we have completely overhauled our tax system to excite local entrepreneurs and investors and third we are using new technologies to improve service and opportunities in the public and private sectors.

The commercial banks report a wave of new foreign investments coming. One of the most significant of course is Ross University, which will bring

approximately 1,500 students from January and substantial inflows of cash. These 1,500 students need transport; they need to eat, they need to interact with Barbados business; in short, they are nine-month tourists equivalent to a jump in our tourism by 10% in one year.

More investment will come when everyone hears of the convergence of our domestic corporation tax rates to our international tax rates, so those once paying 30% on their profits will now pay just 5.5% or less. We expect this to bring forward new investments and jobs.

Our digitization program is part of a broader plan to make doing business in Barbados considerably easier, faster and cheaper with more streamlined online services and payments. Our regulatory sandboxes are a way of safely fast-tracking new technologies to make private transactions easier, faster and cheaper too.

Transformation is our big agenda, and as we move on from stabilization and recovery, it will be the focus for it is our generation's agenda.

Conclusion...

we are clear in our minds the path we must take and the policies we shall pursue to get us to safe ground. The Government that I have the honor to lead will take the hard decisions. We will burn the late night oil. In the New Year we will roll back our shirt sleeves, bend our backs and continue to do what is necessary to rebuild our nation.

I am inspired by the approach of our Social Partners. It cannot be easy for unions to see workers on the breadline or for businesses to agree to measures that will hurt their operations or cut into profits. But we all recognize that what's at stake is bigger than each and every one of us. In the final analysis this is Barbados – the land we love and the only place 99.9 percent of us would wish to live.

We are eternally grateful for the cooperation, assistance and well wishes of the regional and international community, particularly the various multinational and multilateral agencies that have come to our assistance and who have demonstrated their confidence in us, under this new dispensation. We could not have made such progress without them believing in us and giving us that needed chance to prove our seriousness

– without giving us the benefit of the doubt. This has been a global team effort; the consequence of which, is a new and emerging Barbados.

That brings me therefore to the required role of citizens and residents of this fair land.

You have given of your assistance, cooperation, support and well wishes over the last six months. We need for this to continue. We need for residents of Barbados to end this year and to start the New Year thinking and breathing country. Let's be inspired by what's good for our island nation. Let's revel in the changed image and perception of our island.

Let us recommit to the cause of nationhood. Barbados needs each and every one of us in the new year to fly the flag of this country with pride and honor.

We end 2018 on a positive note. 2019 promises even more. We hope in the new year to get our economy out of the woods and back on a desired path. I am sorry that to date there has been pain. I cannot promise a rose garden in the next 12 months, but what I can say, is that I am confident that by December 18th 2019, fewer persons in this country will have reason to complain. Fewer persons would be without a job. Fewer persons will be living below the poverty line. Our infrastructure would have undergone a major overhaul and the standard of living of our people would continue to rise.

Think Barbados...respect Barbados....live Barbados....promote Barbados and your government shall lead this country back to where it belongs...At the top!

For now, we ask you to remain committed to a better tomorrow, to stay the course, to continue to march with us. We do not take your commitment for granted.

We know the journey is long and arduous. We know that you have sacrificed much and pinned your flag to our country's mast.

This is not a victory march but a long march home, a march of redemption and renewal, a march to a promised land.

Be assured that we will not sleep; we will not give up the mental fight until we have built a new Jerusalem in Barbados for all.

Have a blessed Christmas and get some rest this season, as I intend to. And then we will ask you to give us your patience and your tolerance – let us remain disciplined.

And once you do that, we will command your confidence.