

PRESS STATEMENT

"15 QUESTIONS FOR THE MINISTER OF FINANCE AND PRIME" MINISTER

By

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Leader of the Opposition and Political Leader of the Barbados Labour Party

The Barbados Labour Party welcomes the announcement of the news of the impending Ministerial Statement by the Minister of Finance, the Honourable Chris Sinckler, M.P. to be delivered shortly in the first week of December

This comes against the background of growing public anxiety about the state of the Barbados economy as well as the first in a series of assessments likely to come from reputable international agencies and institutions on the outlook of the Barbados economy.

The Minister's Statement therefore is eagerly awaited by all sectorial interests at home and abroad.

Mindful of the last Report of the Central Bank Governor's in respect of the quarter ending September 30, 2013 report that the fiscal deficit has widened by \$117 million, that the foreign reserves have continued to rapidly drop and that the Central Bank has had to print money to assist in the financing of the Government's deficit; mindful also of Standard and Poors actual downgrade of the Barbados' Long Term Rating and its negative outlook reflecting the potential for a downgrade over the next year if investment and growth prospects fail to strengthen and external and fiscal reserves continue to complicate financing; we would wish for the Minister of Finance to factor answers to the following questions in his presentation to parliament and the nation.

1. Did this Downgrade from Standard and Poors really come as a surprise to the Minister of Finance given the performance of economy in recent months and the nature of discussions held with Standard and Poors, IMF and IDB in recent weeks.

2. Will the Minister give us the most recent data on Government's fiscal deficit, bearing in mind that it was inadvertently not provided in the Central Bank's Sept 30, 2013 Report and will he confirm or deny that the fiscal deficit at Sept 30 has actually entered double digits at -10.8% of GDP or approximately \$918million net of amortization.

3. Would the Minister agree that in layman terms, this Government's deficit of \$918M net of amortisation is further \$153 million worst than when he presented his budget in August 2013?

4. Will the Minister indicate whether he will still forge ahead with some of the Budgetary measures that his technical advisers and his Ministerial Colleague have indicated are not practical for implementation, like the 0.7% Solid Waste Municipal Tax or the Lotteries Winning Tax?

5. (A) Is the Minister mindful that the award of the Sandals concessions runs counter to his first Budgetary revenue initiative designed to save \$14.4 million in revenue this year?

(B) Is he also aware Government faces the real prospect of a further loss of revenue through having to agree to the legitimate requests of hoteliers in similar circumstances for similar concessions?

(C) How will the Minister assuage the legitimate concerns of the hoteliers, tour operators and restaurateurs for their survival?

(D) Will the Minister finally make public the 2 MOUs signed on October 18, 2013 between the Government of Barbados and Sandals public by laying them in Parliament so that level playing field (so necessary for the restoration of confidence) may be had in the Tourism Sector which must lead Barbados back to growth?

6. Will the Minister indicate how he will offset the panic that has ensued as a result of the arithmetical cuts announced and the huge accumulated deficits already existing at the QEH, Transport Board, NHC and other statutory entities? How does the Minister propose to deal with the social fallout that is taking place where people are waiting for 2 and 3 hours for buses, where drugs and other basic supplies are not readily available at the Hospital, where some people employed by Government and Boards are not being paid on time to mention but a few instances.

7. Will the Minister also confirm that the money owed by Government to normal every day creditors (providers of goods and services locally and overseas) is in excess of \$750 million and that this sum is over and above the huge deficit which the Government is already having trouble financing for this financial year?

8. (A) Will Minister Sinckler confirm the previous indication made by both him and the Central Bank that they need to raise a minimum of US \$250 million to finance the deficit?

- (B) Given the continued deterioration in Government's revenue and expenditure will anything less than US \$300 million suffice in closing the financing of the fiscal gap and stabilizing the free fall in foreign reserves?

- (C) How will the expected US \$150 million loan for the Government assist in these circumstances when the real need is virtually double this amount?

9. Will Minister Sinckler agree that the printing of money in an environment where foreign exchange is not being earned and where our foreign reserves have fallen by almost 40% in 6 months (namely \$570M since April 1, 2013) is not only reckless but will endanger for the economic and monetary stability of the country?

10. In these circumstances, will the Minister state how much money has been printed by the Central Bank (via the issuance of Treasury Bills and any other mechanism) since the beginning of this financial year on April 1st, 2013? Can the Minister confirm that a whopping \$372.9 million in Treasury Bills has been issued this year by the Central Bank to finance the deficit - a sum that is \$300 million more in Treasury Bill issued by the Bank than last year?

11. Will the Minister confirm whether there will be any further printing of money for this financial year and next year?

12. (A) Will the Minister indicate what he has advised the Central Bank pursuant to section 47 of the Central Bank Act CAP 323C of the credit to be extended by Central Bank to the Government at the beginning of this financial year? If so, will the Minister please indicate what that limit was?

(B). Will the Minister indicate whether this credit limit has been reached? And if not, how far are they off from that limit?

(C). Further will the Minister indicate whether he has formally received a Report from the Central Bank pursuant to section 48 of the same Act that the credit limit which the Minister has set for this financial year is likely to be exceeded or that the country's monetary stability is endangered? If so, does the Minister agree with the proposed measures by the Central Bank to forestall or otherwise remedy the situation? And if not, has the Minister issued a written order for the policies to be adopted by the Central Bank pursuant to section 49 of that Act?

(D). Is the Minister willing to indicate whether he will agree to urgently amend the Central Bank Act to ensure that there can be no printing of money through the issuance of primary securities by the Central Bank in secret, without the limit being set by Parliament as is done in other Commonwealth countries and as is done in Barbados with the Government Ways and Means, (namely its overdraft) which is set at a maximum of 10% of Government's Estimated Revenue?

13. Will the Minister indicate what is the anticipated increase in the cost of borrowing to the Barbados Government given this Downgrade by Standards and Poors? What will be the increased cost of borrowing for Barbadian companies and Barbadian projects who rely on access to the international capital markets, since they cannot borrow financing at a cheaper cost than Government in the international capital markets? Will this increased cost of borrowing affect the competitiveness of Barbadian companies and the viability of Barbadian projects which he is relying on to restore growth?

14. There is a school of thought that in light of the volatile economic environment and the lack of adequate official data on which people and enterprises can properly plan, that monthly reports, rather than

quarterly reports, by the Governor of the Central Bank is what is necessary now. Does the Minister agree?

15. To the Honourable Prime Minister Freundel Stuart - do you really, really still have confidence in this Minister of Finance? And Prime Minister will you continue to remain silent?

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