

Fiscal Problem In Barbados !

Transfer and Subsidies

Overview of Fiscal Situation

	1996/1997	2006/2007	2016/2017
Revenue	\$ 1,437.60 bl	\$ 2,130.80 bl	\$ 2,770.90 bl
Current Expenditure	\$ 1,213.40bl	\$ 2,112.40 bl	\$ 3,053.80bl
Capital Expenditure	\$ 263.20 ml	\$ 249.50 ml	\$ 225.10 ml
Total Expenditure	\$ 1,476.60 bl	\$ 2,361.90 bl	\$ 3,278.90 bl
Deficit / Surplus	\$ (39.00) ml	\$ (231.10) ml	\$ (508.00) ml

Changes in Fiscal 1997 to 2007 (\$MIs)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenue	\$ 103.2	\$ 20.4	\$ 145.9	\$ 39.4	\$ (34.3)	\$ 149.0	\$ 34.4	\$ 146.7	\$ 88.5	\$ 340.8
Current Expenditure	\$ 119.1	\$ 78.4	\$ 91.9	\$ 109.5	\$ 58.8	\$ 65.1	\$ 68.2	\$ 197.2	\$ 110.80	\$ 379.8
Capital Expenditure	\$ (15.7)	\$ 21.6	\$ 13.0	\$ 32.3	\$ 41.9	\$ (84.8)	\$ (56.3)	\$ 37.2	\$ (2.9)	\$ (11.3)
Total Expenditure	\$ 103.4	\$ 100.0	\$ 104.9	\$ 141.8	\$ 100.7	\$ (19.7)	\$ 11.9	\$ 234.4	\$ 107.9	\$ 368.5
Transfer and Subsidies	\$ 38.0	\$ 33.6	\$ (9.1)	\$ 70.3	\$ 17.9	\$ 126.6	\$ 49.5	\$ 93.7	\$ 38.5	\$ 157.1
Wages and Salaries	\$ 70.1	\$ 11.6	\$ 71.5	\$ (16.4)	\$ 30.5	\$ (50.1)	\$ 15.5	\$ 48.4	\$ 11.1	\$ 110.4
Goods and Services	\$ (3.1)	\$ 10.4	\$ 18.7	\$ 16.2	\$ 19.5	\$ (15.6)	\$ 3.00	\$ 28.4	\$ 30.1	\$ 98.6
Debt Service	\$ 14.1	\$ 22.4	\$ 11.3	\$ 39.3	\$ (9.2)	\$ 4.2	\$ 0.3	\$ 26.8	\$ 31.0	\$ 13.7

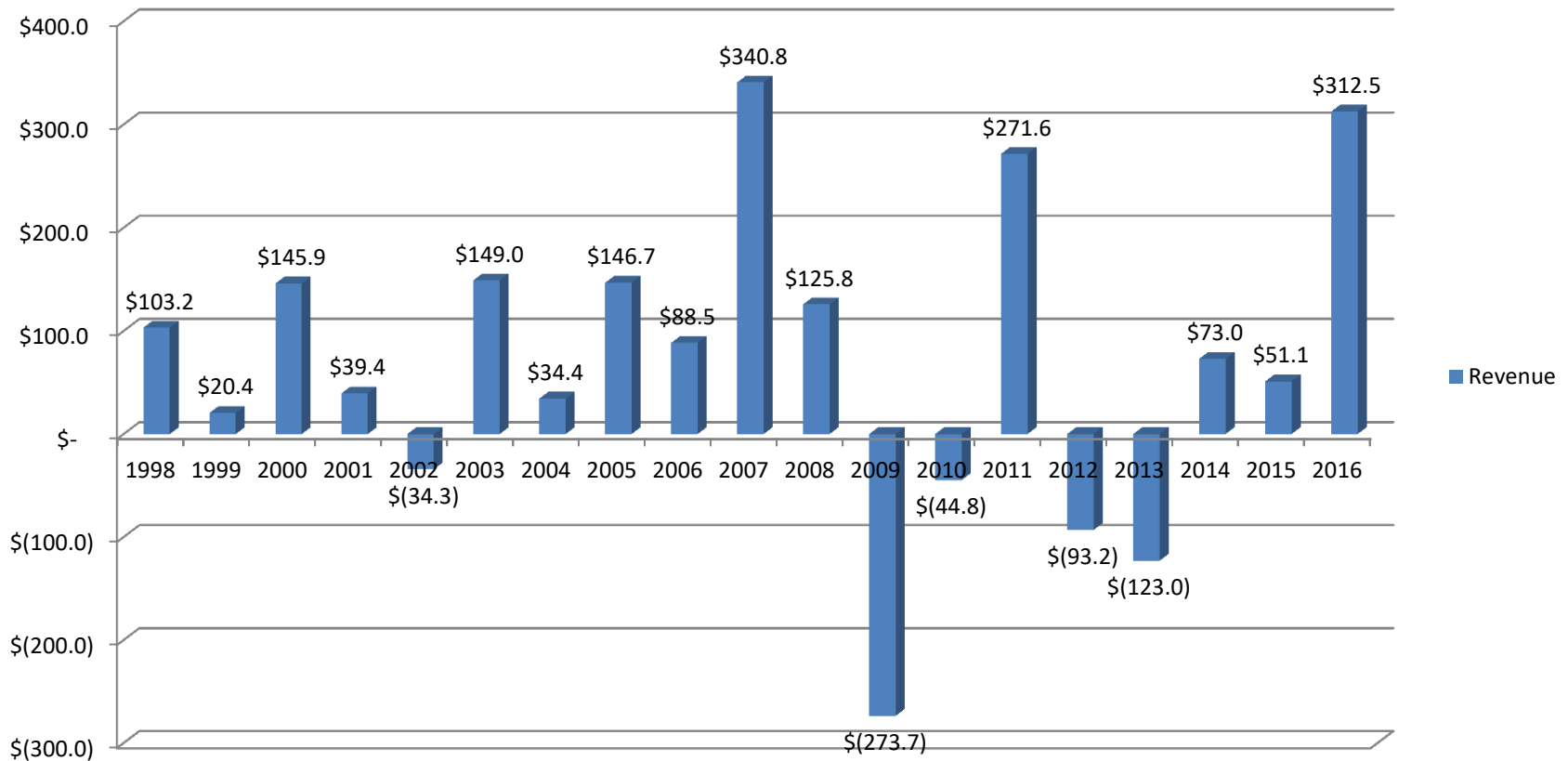
Changes in Fiscal 2008 to 2016

\$Mls

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenue	\$ 125.8	\$ (273.7)	\$ (44.8)	\$ 271.6	\$ (93.2)	\$ (123.0)	\$ 73.0	\$ 51.1	\$ 312.5
Current Expenditure	\$ 294.5	\$ 23.2	\$ 109.9	\$ (103.1)	\$ 259.8	\$ 47.5	\$ (205.3)	\$ 166.8	\$ (31.7)
Capital Expenditure	\$ 15.5	\$ (75.4)	\$ (43.6)	\$ (16.5)	\$ 2.9	\$ 48.2	\$ 24.2	\$ 42.8	\$ (11.2)
Total Expenditure	\$ 310.0	\$ (52.2)	\$ 66.3	\$ (119.6)	\$ 262.7	\$ 95.7	\$ (181.1)	\$ 209.6	\$ (42.9)
Transfer and Subsidies	\$ 159.3	\$ (41.3)	\$ 78.3	\$ (151.6)	\$ 211.2	\$ 27.6	\$ (141.4)	\$ 64.7	\$ (43.0)
Wages and Salaries	\$ 23.7	\$ 28.4	\$ (0.9)	\$ 7.2	\$ 14.8	\$ (10.3)	\$ (68.2)	\$ (16.5)	\$ (2.8)
Goods and Services	\$ 58.7	\$ (3.3)	\$ (38.9)	\$ 21.1	\$ (7.8)	\$ (9.5)	\$ (40.7)	\$ 99.8	\$ (55.9)
Debt Service	\$ 52.8	\$ 39.4	\$ 71.4	\$ 20.2	\$ 41.5	\$ 39.8	\$ 45.0	\$ 18.8	\$ 70.0

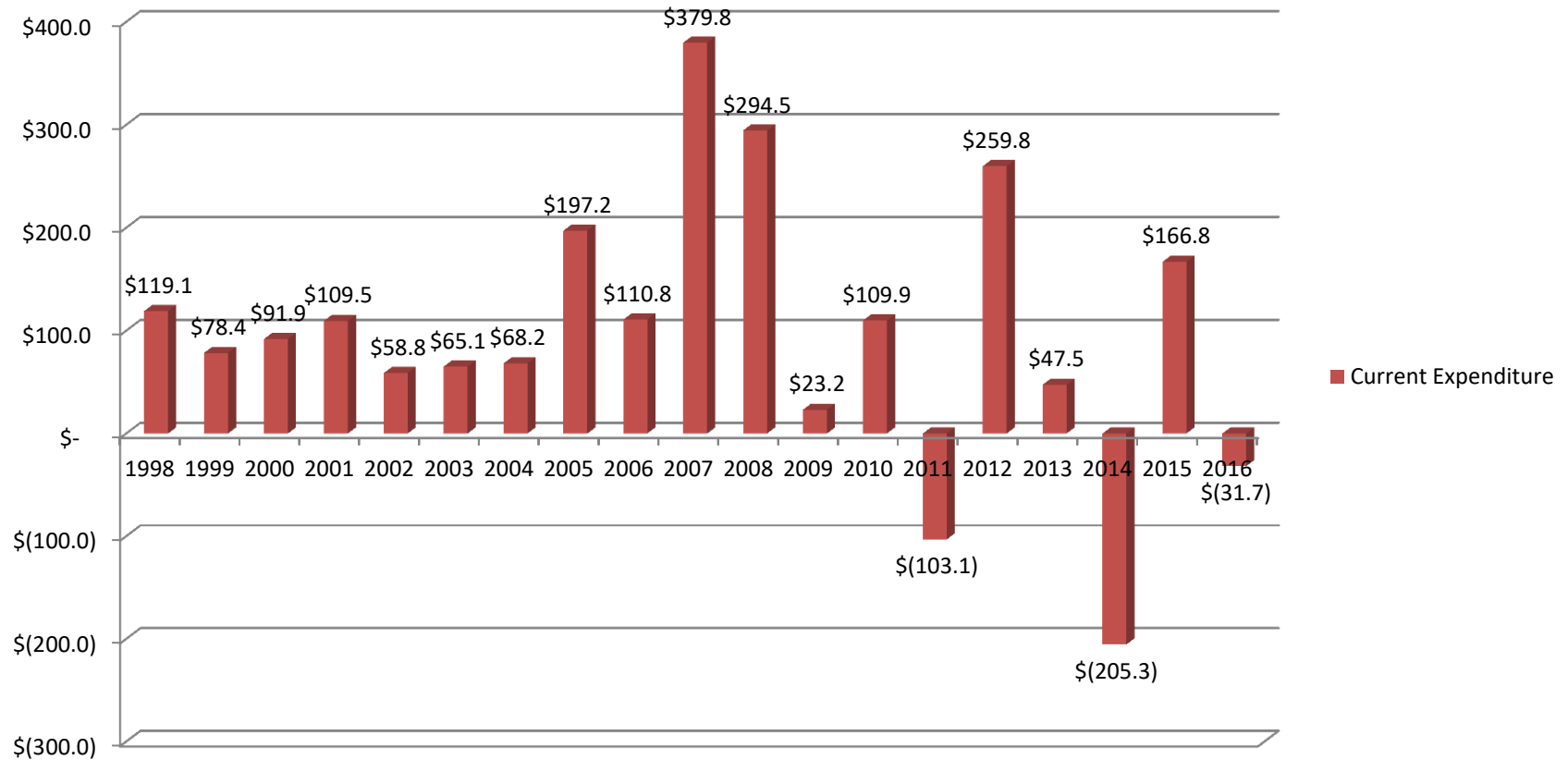
Changes in Government Revenue last 20 years (\$Mls)

Annual Revenue Changes



Changes in Recurrent Expenditure Last 20 Years (\$ Mls)

Current Expenditure

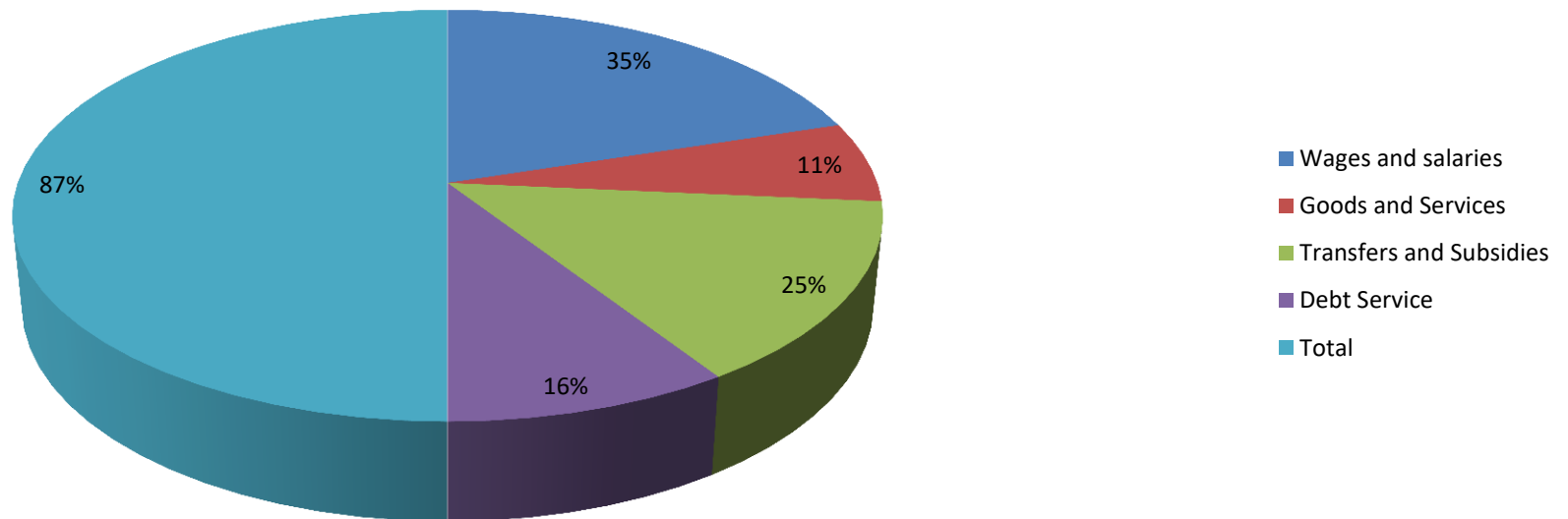


Recurrent Expenditure As Share of Government Revenue

	1996/1997	2006/2007	2016/2017
Wages and salaries	35%	33%	28%
Goods and Services	11%	12%	14%
Transfers and Subsidies	25%	39%	41%
Debt Service	16%	16%	24%
Total	87%	100%	107%

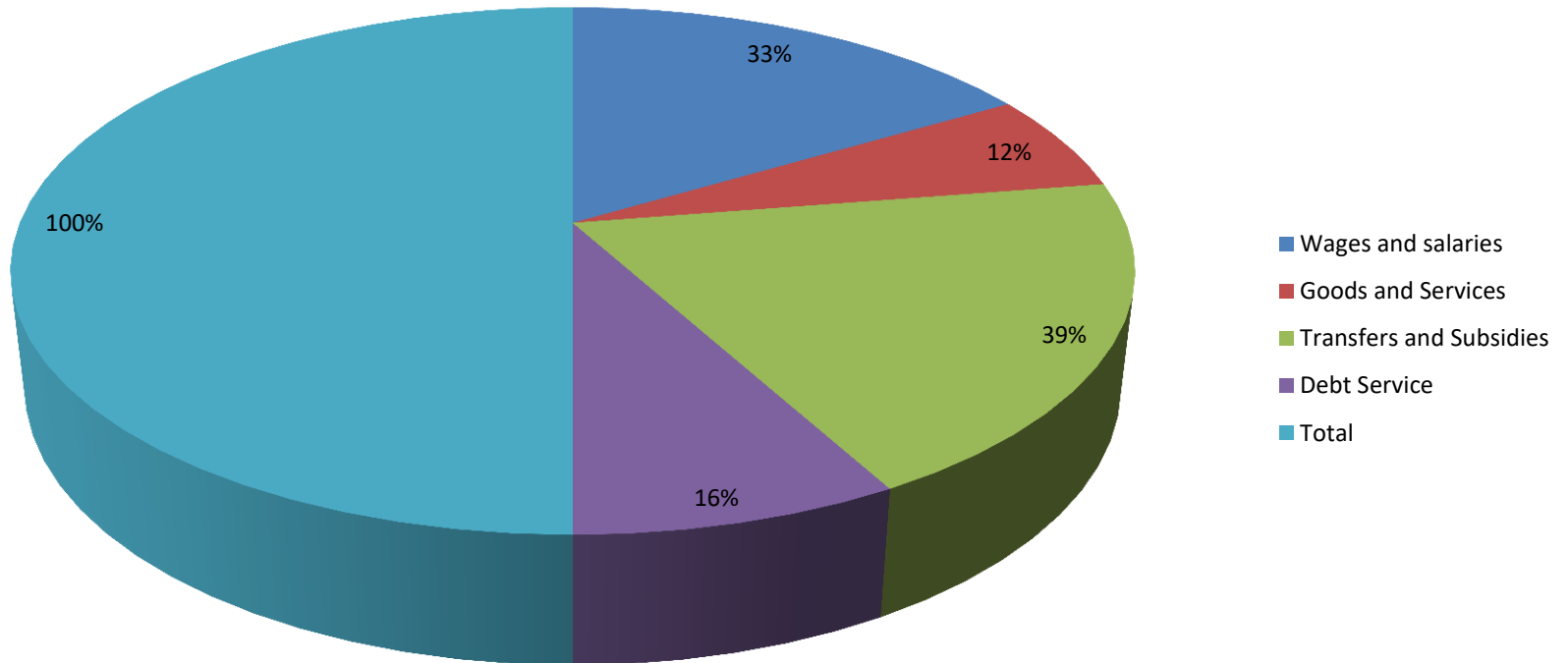
Recurrent Expenditure As % of Total Revenue 2016/2017

1996/1997



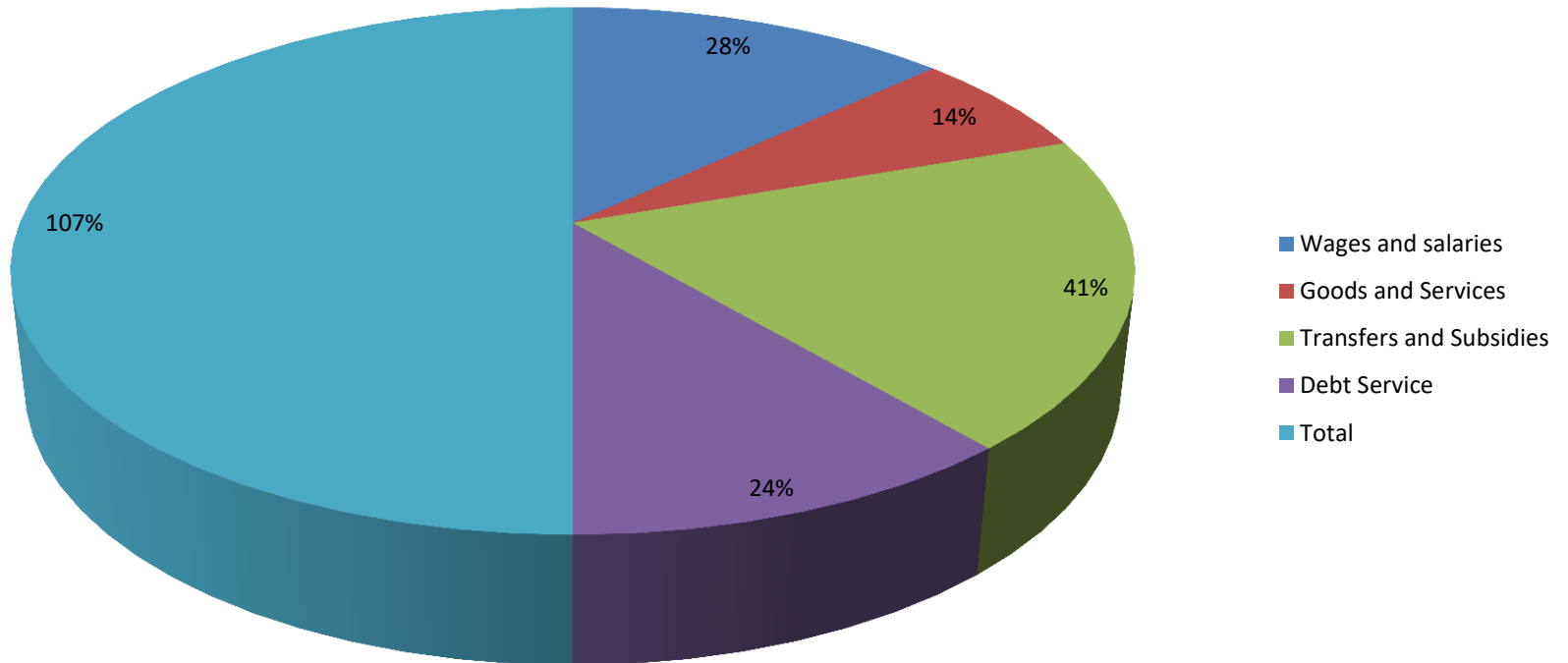
Recurrent Expenditure As % of Total Revenue 2006/2007

2006/2007

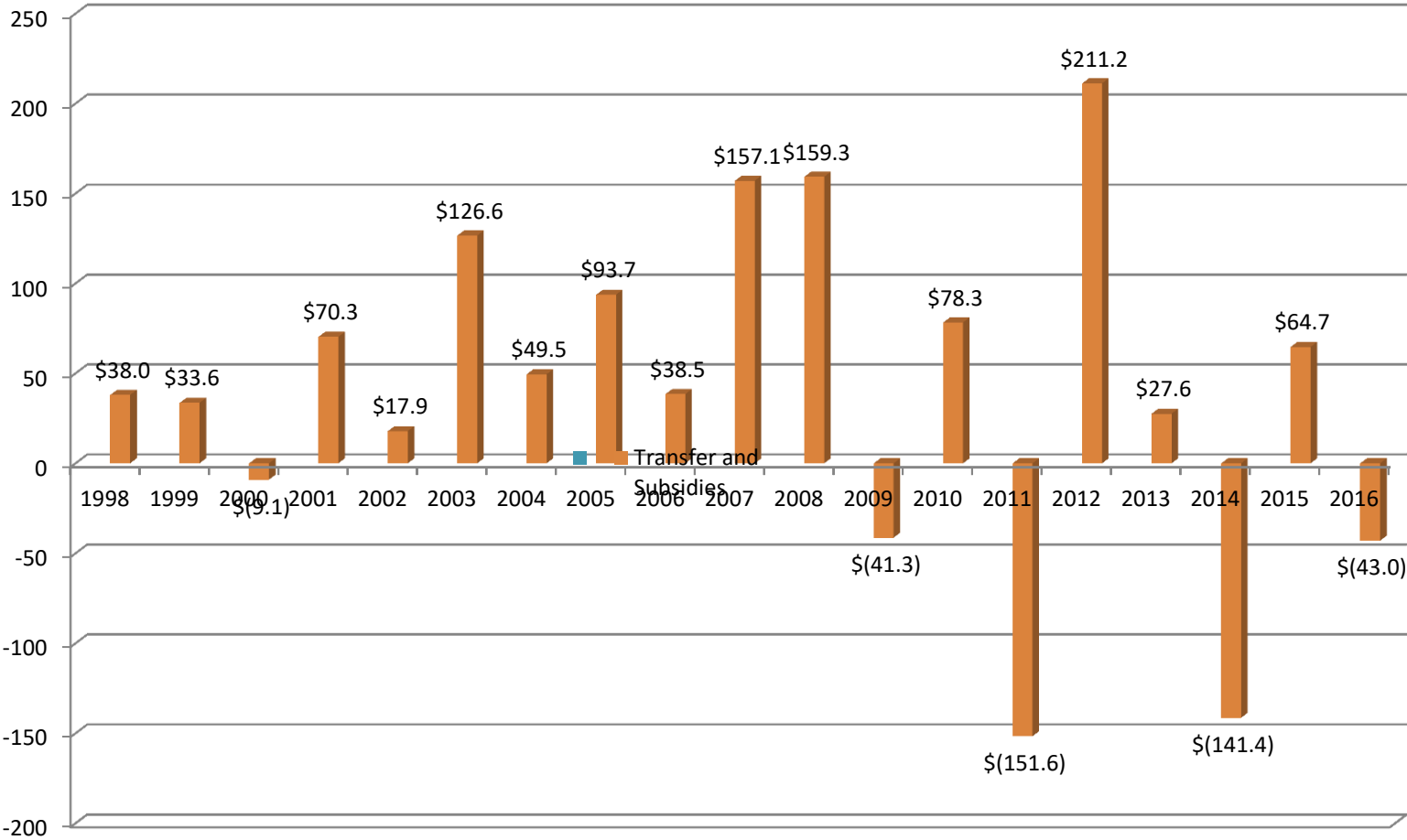


Recurrent Expenditure As % of Total Revenue 2016/2017

2016/2017



Changes In Transfers & Subsidies Last 20 years (\$Mls)



Composition of Transfers & Subsidies

- **Grants to public institutions** – *Represents transfers to all State Owned Entities such as NCC, BCC, SSA, QEH, UWI etc.*
- **Retiring Benefits** – *Public Servants Pensions*
- **Subsidies** - *Support for transport board relative to bus fares subsidized for pensioners, school children and the general public.*

Composition of Transfers & Subsidies

- **Grants to individuals** – *principally constituted of support to the welfare department and support for bursaries for children in some private schools through the ministry of education , as well as national development scholarships.*
- **Grants to non-profit organizations** – *Represents contributions principally to non-governmental social development organisations such as the cancer society, diabetes association, Council for the Disabled, the Trade Unions, and other civic organizations.*

Composition of Transfers & Subsidies

- **Subscriptions and contributions** – *this is largely made up of fees and contributions government is called upon to make as member of many national, regional and international organisations such as the UN, the World Bank, IDB, World Postal Union, Caricom, IMF etc.*

Number of State-Owned Entities

- As an Oversight Committee, we identified 57 so called State-Owned Enterprises (SOEs), and there is a much longer list of state supported entities.
- However, the lion share of the expenditure is focused on a small number of these entities.

State-Owned Entities

Short Form	Full Name
ATLTA	Air Transport Licensing Authority
BAC	Barbados Accreditation Council
BAMED	Barbados Agency For Micro Enterprise Development
BAMC	Barbados Agricultural Management Company
BACT	Barbados Agricultural Credit Trust Ltd.
BADMC	Barbados Agricultural Development & marketing Corporation
BCIC	Barbados Cane Industry Corporation
BCC	Barbados Community College
BCCHI	Barbados Community College Hospitality Institute
BCSL	Barbados Conference Services
BDF	Barbados Defense force
BIBPC	Barbados International Business Promotion Corporation
BIDC	Barbados Investment Development Corporation
BNOC	Barbados national Oil Company
BNSI	Barbados national Standards Institute
BNTC	Barbados National Terminal Co. LTD
BPI	Barbados Port Inc.
BRA	Barbados Revenue Authority

State-Owned Entities

Short Form	Full Name
BTRA	Barbados Transport Authority
BTII	Barbados Tourism Investment Inc.
BTMI	Barbados Tourism marketing Inc.
BTPA	Barbados Tourism Product Authority
BVTB	Barbados Vocational Training Board
BWA	Barbados Water Authority
CAH	Caribbean Aircraft Handling Co. Ltd.
CAIL	Caribbean Airways Limited
CBC	Caribbean Broadcasting Corporation
COBL	Caves of Barbados Limited
CCB	Child Care Board
CLSC	Community Legal Services Commission
EGFL	Enterprise Growth Fund Limited
ETTC	Erdiston Teachers Training College
FTC	Fair Trading Commission
FSC	Financial Services Commission
GYM	The Gymnasium Ltd.
GAIA	Grantley Adams International Airport Inc.
H&RL	Hotel and Resorts Limited
KOMI	Kensington Oval Management Inc.

State-Owned Entities

Short Form	Full Name
NAB	National Assistance Board
NCC	National Conservation Commission
NCSA	National Council on Substance Abuse
NCF	National Cultural Foundation
NHC	National Housing Corporation
NPC	National Petroleum Corporation
NPRC	National Productivity Council
NSC	National Sports Council
NPDI	Needham's Point Holding Ltd.
NPHL	Needham's Point Holding Ltd. (Hilton)
QEH	Queen Elizabeth Hospital
RDC	Rural Development Commission
SJPP	Samuel Jackman Prescod Polytechnic
SSA	Sanitation Service Authority
SML	Southern Meats Ltd.
SRLF	Student Revolving Loan Fund
TVET	Technical and Vocational Education and Training Council (TVET)
TB	Transport Board
UDC	Urban Development Commission

Major Transfers 2000 to 2008

(\$MIs)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Transport Board	\$ 16.3	\$ 16.3	\$ 9.9	\$ 17.4	\$ 23.5	\$ 45.0	\$ 40.2	\$ 35.6
QEH	\$ 85.7	\$ 96.5	\$ 96.6	\$ 113.8	\$ 115.0	\$ 111.5	\$ 130.1	\$ 138.5
SSA	\$ 23.4	\$ 26.7	\$ 27.1	\$ 34.0	\$ 27.5	\$ 30.7	\$ 32.4	\$ 53.8
BTA	\$ 48.7	\$ 48.7	\$ 60.7	\$ 49.9	\$ 73.8	\$ 73.0	\$ 60.6	\$ 61.0
BTMI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BTPI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BAMC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
UWI	\$ 73.0	\$ 60.3	\$ 60.0	\$ 76.4	\$ 75.0	\$ 90.0	\$ 96.8	\$ 105.1
NCC	\$ 22.4	\$ 22.5	\$ 24.5	\$ 24.1	\$ 26.1	\$ 27.0	\$ 26.5	\$ 31.7
Caves of Barbados	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grants to Individuals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 269.5	\$ 270.9	\$ 278.7	\$ 315.6	\$ 340.8	\$ 377.3	\$ 386.6	\$ 425.7

Major Transfers 2009 to 2016

\$Mls

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Transport Board	\$ 40	\$ 10	\$ 59	\$ 24	\$ 65	\$ 69	\$ 40	\$ 41
QEH	\$ 159	\$ 161	\$ 146	\$ 156	\$ 213	\$ 177	\$ 163	\$ 161
SSA	\$ 34	\$ 36	\$ 62	\$ 36	\$ 36	\$ 35	\$ 27	\$ 56
BTA	\$ 100	\$ 100	\$ 92	\$ 90	\$ 94	\$ 102	\$ 96	\$ 97
BTMI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88
BTPI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9
BAMC	\$ -	\$ -	\$ -	\$ -	\$ 27	\$ 36	\$ 49	\$ 56
UWI	\$ 129	\$ 111	\$ 131	\$ 54	\$ 106	\$ 139	\$ 96	\$ 94
NCC	\$ 31	\$ 34	\$ 33	\$ 34	\$ 35	\$ 28	\$ 22	\$ 24
Caves of Barbados	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9	\$ 9
Grants to Individuals	\$ -	\$ -	\$ 304	\$ 299	\$ 334	\$ 365	\$ 339	\$ 342
Total	\$ 493	\$ 452	\$ 827	\$ 693	\$ 910	\$ 951	\$ 840	\$ 976
Share			70.4%	67.7%	73.8%	75.4%	75.1%	82.4%

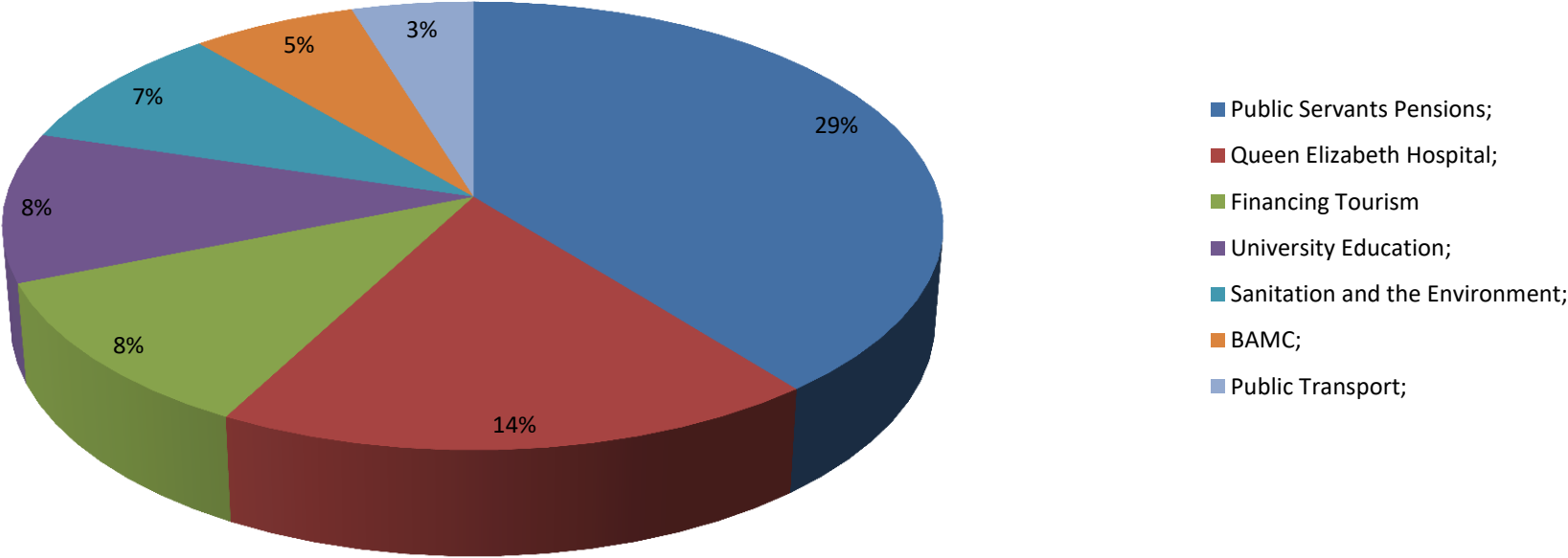
Transfers and Subsidies

- Transfers and subsidies is now the largest item of public expenditure.
- Hence the focus on Transfers and Subsidies by the International Monetary Fund (\$300ml reduction).
- Adjustments in this area are likely to form part of any successful fiscal adjustment strategy.

Transfers & Subsidies Represent An Extremely Sensitive Area

- 82.4% was comprised of:
- Public Servants Pensions;
- Queen Elizabeth Hospital;
- Financing Tourism
- University Education;
- Sanitation and the Environment;
- BAMC;
- Public Transport;

Transfers & Subsidies Represent An Extremely Sensitive Area



Addressing The Issue

- To date Barbados has adopted what some term a “Scandinavian Approach” to major social services:
- Largely funded from general taxation;
- Largely universal access, free at the point of delivery;

Strategic Framework For Transfers and Subsidies

Strategy	Rationale
Continue as is with some tweaking	<p>System has served Barbados well:</p> <p>Raise additional revenue to maintain system;</p> <p>Set strict budgetary targets and reduce service levels to what country can afford;</p> <p>Means Testing;</p> <p>Increased Cost recovery by entities;</p>
Abolish/ Wind-up	Entity's function is not needed or entity has reached end of useful life.
Merge / Consolidate	Entity's functions are duplicated. Economies of scale and scope can be achieved through merging with another entity.
Private Sector / Commercial Delivery Outright Sale Leases and Management Contracts Joint Ventures Public Share Offerings Private Tenders Management Buyouts	<p>Private sector actors are better placed to deliver the entity's functions in a more efficient or cost-effective manner.</p> <p>The type of vehicle is generally determined by the level of involvement Government needs to maintain so as to ensure the following outcomes:</p> <ul style="list-style-type: none"> • Essential social services are easily available to the most vulnerable citizens • <p>Opportunities for short-term gain do not outweigh need for long-term investment in activities of strategic economic or social importance.</p>

What is Required?

- Acknowledgement and understanding of the challenge;
- A political mandate to undertake such major reforms;
- Significant political will given the large amounts of political capital required;
- High levels of technical expertise, careful and detailed analysis, and consideration of the broadest possible range of options;
- Clear plans, targets and time lines.