

# Economic Ideals

## “A 21st Century Conversation”

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## **The 21<sup>st</sup> Century Civil Service**

The digitization process of Government is an initiative which the Barbadian community should embrace it may provide savings from duplication of processes within the civil service however this will increase retrenchments going forward. As the paradigm shift of automation occurs.

Government has the tools to reduce spending on foreign purchases, by increasing tax rates or cutting its own spending. Given that the burden of taxation was increased in 2018, the focus in 2019 and 2020 will probably be on further expenditure reduction. In time, the inflows of foreign exchange may increase. How soon that will occur depends on the effectiveness of policies to increase Barbados' external competitiveness. Between 2013 and 2017 Barbados fell from Number 47 in the Global Competitiveness Report's rankings to Number 72, mainly because of weak Government institutions and deteriorating Government finances. Investor confidence can be expected to revive when there is evidence of public sector reform, improved public services, and prudent Government finances. Early resolution of Government's default on US dollar debt is also essential to restoring investor confidence.. A makeover of the public services, to raise the delivery of services to standards comparable to those of Canada, the US, the UK and further Europe is key to the achievement of both these objectives. The civil service needs reform to be internationally competitive where government departments headed by educated and highly skilled workers are equipped to engage in procurement and the ability to bid on international contracts to provide goods and services. Many of the political jobs which ministers have been alleged to hand out based on party loyalty is a yesteryear practice and for investor confidence to come and remain in the country the appropriate measures and incentives must be put in place for evolution of the civil service to be 21<sup>st</sup> century viable. The civil service needs to generate a market for earning foreign exchange and this improvement may have to see increases in wages, merit based promotion, appraisal systems which measure productivity per worker, anti-corruption enforcement. The closure of the Barbados Productivity Council must be mentioned as backwards and its re-establishment or the launch of a new institution for measurement of productivity in the GOB must be established to gauge the effectiveness of the processes of Government. The council must be a local benchmark for standards within our processes otherwise our measurements will be done from external indicators which Barbados will fall short constantly unless deep conscious reform is implemented in the service. This is more easily said than done as any political who embarks on this mission will lose serious political favour due to the major displacement of the traditional "government job". Renewed growth in the Barbados economy depends on removing a dense barrier of complex, antiquated Government administrative processes. Poorly performing Government departments, agencies and state corporations stand in the way of new projects, in the public and private sectors. The reasons for the slow implementation rate vary, but they almost always relate to administrative failures in the public sector. It is frequently the case that the required permissions are so long in process by Government agencies that investors lose interest. Funding sources may be lost in the interim, and market conditions may change, causing potential investors to move on. In one case, the ownership of an interested party changed during a lengthy approval process. By the time that approval was secured, terms had to be renegotiated with the new owners. In another highly-publicized case, legal challenges caused a two-year delay in securing approval, and the project has not yet started. The GOB must be given credit in its initiative to pass the appropriate Town and Country planning legislation which requires the Chief Town to make decisions with a short time frame. This initiative will bring projects on stream quickly, giving the economy the much needed injection.

## **The context of the Barbadian Economy and that threat of devaluation**

Prime Minister Mottley's unprecedented achievement in securing financial support from the IMF, the Inter American Development Bank and the Caribbean Development Bank, has averted an imminent threat of devaluation. However, even though the risk of immediate devaluation has lifted, it has not gone away. Loans from the international financial institutions have bought the Barbados Government some time; Government must use this breathing space to negotiate a mutually satisfactory agreement with holders of US dollar-denominated bonds. In the absence of debt restructuring which is agreeable to the holders of those bonds, the threat of devaluation reemerges in two and a half years' time. The financial support of the IMF, IDB and CDB has provided Government with a window of opportunity which should be used to address the imbalance of foreign spending and inflows, and the deteriorating competitiveness of our economy. The decision to suspend international debt payment was misguided which will bear significant downside risk for the Barbados economy. It is reported that the external credit committee has submitted a proposal to the Prime Minister and her advisors however no significant or official statements has been issued in regards to the progress of securing a deal such incognito actions allows for speculation as to the harmful effects the initial default caused that a prolonged delay in its update is occurring.

Along with the missed payments which still needs to be serviced the Government will need to repay US\$350 million of maturing debt in 2021 and 2022 which will further impair Barbados' sovereign credit rating bring the reserve tranche below the 12 week bench mark and increase the likelihood of devaluation . The GOB has publicly stated that they will not have access to foreign denominated loans for the next four years which leaves the country in free fall in terms of access to foreign currency to finance the provision of goods and services within the local economy. As no clear strategy is provided by the GOB on new revenue streams alternate to taxation and further cuts in expenditure its expected that further layoffs will occur, further divestment of GOB assets will occur for e.g. the seaport maybe in limbo of a lease arrangement with an internationally recognized company, taxes will be raised, higher and more user fees implemented to bring GOB finances into equilibrium. The country must save or earn its way to prosperity however structural impediments to growth such as high public indebtedness, low fiscal space, high crime rates, low birth rates, low populations, conservative monetary patterns, import dependency, small size and an overreliance on fossil fuels which delay the process of economic growth at the desired levels. It is pivotal the GOB unlock new revenue streams in the medium- long term unless we will find ourselves having this exact problem couple years ahead and much worst as issues such as climate change and automation take a more serious impact on our livelihoods. A devaluation decimate this country as we don't have the appropriate structures in place to benefit from a devaluation because we aren't export driven even so our small size is not significant on a global size to realize any gains from devaluation. What will occur is that imports will increase which will send the prices of our commodities inflated and out of the reach of poor Barbadians to the benefit of those who earn foreign exchange.

## **Financial Sector Growth**

The creation of an investment culture within Barbados is significantly restrained by a lack of foreign exchange available to undertake cross border investment above specific thresholds. The scarcity of foreign currency available to big business players is hampering the expansion of Barbadian Brands across borders and the private sector must be an engine of earned foreign capacity for their own economic development. The concept of Barbadian company investing abroad in foreign countries to allow for the repatriation of dividends and capital gains should be a main engine of growth and GOB policy must reflect that. My opinion holds that the GOB should engage in an acquisition of the shares of any local players in the Banking industry and maintain control of the country's requirement for banking services which should include an International Banking facility. In the 21<sup>st</sup> century cross border payments are done in real time via digital platforms and the archaic process which the Central Bank uses Automatic Clearing Houses (ACH) to facilitate cross border transaction needs to be modernized. Many Banks and credit unions across the globe are using digital payment systems to facilitate cross border payments for high net worth clients in the area without the bureaucracy and time delays associated with our systems in the Caribbean. Mmoney is a step in the right direction and Barbados has the infrastructure to be a premium hub for Fintech with a specialty in establishing legislation for the delivery of banking and financial services for other Caribbean countries to their clients globally. The digitization of cross border payments will gain savings from the high maintenance of exchange controls, improve efficiency, improve investor confidence, decrease delays and allows Barbados to participate in multi current transactions and receive payments from any country globally who list their country on the system.

## **Regulation of Financial Services**

Too often Government Banks become a watering hole for politicians to borrow cheap money and expose the financial system to government debt. Prudent financial regulation must be enforced to protect the financial system from the lack of discipline within the political class. Therefore the need for Financial Services Commission to increase monitoring of asset classes within the financial system, the imposition of sanctions, fines and revocation of licensed must be at the forefront the a new and improved regulatory framework to monitor financial misconduct within the system. The enforcement of financial rules and regulations to ensure the NIS is protected from excessive political interference and to ensure the future of the scheme remains enact. Legislation which regulates the specific asset classes in which the NIS pension fund can invest, enforcement of that legislation and a call of accountability for breaches of financial rules. The NIS must be protected at all cost from financial mismanagement. As Barbados has an ageing population, declining birth rate, contractual work become more prevalent and payments into the fun become less, the fund will find its self in a precarious position of being wiped out in the long term. Barbados may find its self embarking on an open immigration policy to mitigate the factors listed above. The future of Barbadian pensioners is at a cross roads where pivotal decisions will soon have to be made as to how they will proceed with more liabilities than assets. The Anti Money laundering chapter which is expected to come on stream in Barbados must be physical prudent providing the appropriate education, skills, legislative suggestion as to how Barbados can improve its competitiveness in the area of financial crime also in the cyber space as we will not be immune from attacks from hackers therefore IT banking specialist, corporate lawyers, risk managers, cyber security specialist, web designers, information system designers will be working together in a newly created industry which will innovate banking in the Caribbean .

## **Conclusion**

All is not lost within a small economy like Barbados now it's the time the most innovative thinkers must come to the forefront as the country is in need of all idea which can lift us out of the economic stagnation we find ourselves in. This country has the infrastructure in place to be an internationally and globally competitive beacon but we must ask ourselves some questions 1) how equipped am I to contribute? 2) What am I willing to sacrifice? 3) What role will I play in a new Barbados 4) what will I do with my new found wealth?

2050 will be here shortly and we cannot be found wanting when those times hit so as a young progressive thinker I will lay the ground work for a New Society Barbados plan which will ensure the country of Barbados soars the skies of this globe as a champion not a loser. Here is the official call for all plan ideas concepts and ideas to bring our beloved country up to the standards we know we can achieve. In this day of information we have no excuses to be languishing in the doldrums, we have every right to rise and take our take place on the world stage. Thank you and I'm obliged!