



UNITED PROGRESSIVE PARTY



# **THE NEW ECONOMY MANIFESTO**

*A New Vision for Progress*

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## SUMMARY

**Barbados must create a New Economy which is diversified away from the traditional economy**

**Corruption must be eradicated** as an integral part of doing business in Barbados as it undermines Barbados' competitiveness, with opportunities being granted based on connections and not competence thus making Barbados weak as an export centre;

**The creation** of a culture of innovation and entrepreneurship so that all Barbadians with good ideas can exploit their full potential;

**Borrowing at low rates** to address the high interest rates currently being paid for international loans with every new downgrade;

**Cutting expenditure** by for example (i) reducing the civil service wage bill by natural attrition; (ii) eradicating unnecessary consultancies (iii) eradicating corruption (iv) cutting the energy import bill and transitioning to renewables (v) cutting the country's food import bill by bringing idle lands back into production at the national and household level (vi) and cutting down transaction times through technology and comprehensive templates.

**Creating a Structured Creative Sector** (eg. software development, gaming, music, film, television, sports, books, fine arts) valued at a minimum of \$3 billion through establishing an effective structure within the Government service; allocating \$5 million from the current budget allocations in the first year and seeking support from international funding agencies. (2017-12-09)

## INTRODUCTION

1. This is the first in a series of mini manifestos issued by the United Progressive Party as a part of our conversation with the nation of Barbados.
2. After the delivery of the manifesto the Progressive Party and its candidates will make themselves available for further discussion. Given the constraints faced by Barbados the approach taken by the Progressive Party is to take a steady, measured path to **A New Economy** with a heavy reliance on the people of Barbados to adopt a new vision for progress.
3. Michael E. Porter in his book the Competitive Advantage of Nations makes the claim that a country like Barbados can choose prosperity if it organises its policies to benefit all Citizens based on merit. On the other hand Barbados can choose poverty by rejecting merit based strategies. He states:

***“Nations choose poverty, or limit their wealth, if they allow their policies to erode the productivity of business. They limit their wealth if skills are reserved only for a few. They limit their wealth when business success is secured by family connections or government concessions rather than productivity.”***

4. The Barbados Constitution is consistent with Michael E. Porter's prescription where the preamble states that Barbadians resolve:

***“that the operation of the economic system shall promote the general welfare by the equitable distribution of the material resources of the community, by the human conditions under which all men shall labour and by the undeviating recognition of ability, integrity and merit; “***

5. There are those who will argue that there is corruption everywhere. The point being made here however, is that corruption cannot be the fundamental underpinning of a successful economy. There is a correlation between the success of a nation and pursuit of anti-corruption practices. The two are intertwined.

6. If Barbados does not root out corruption as a way of doing business it can never grow its economy to the levels that would allow Barbados to become a highly developed nation. Barbados must now take what appears to be a low point in its history to assess the status quo and to carve out its own watershed in its history.

## THE VISION

7. To see all Barbadians realise their full potential thereby creating a high standard of living for themselves while at the same time crafting a globally recognised highly skilled innovative nation.

## BACKGROUND

8. The last census conducted in 2010 showed that the majority of the people in Barbados have annual income levels within the Bds\$0-BDS\$49,999.00 range.
9. When we compare the poorest state in the United States of America (USA), the State of Mississippi, which has income levels in the region of BDS\$62,000.00 we see that Barbadians on average are poorer than the poorest people in the poorest state in the USA.
10. Further our research has shown that if Barbados wishes to create a Per Capita GDP of BDS\$110,000.00 over the next 25 years, growth of approximately 5.0% would be required.
11. Given that the Barbados economy has been growing at a rate of around 2.8% over the last 20 years it will be a major task to achieve 5% growth and can only be achieved as a national imperative driven by a unity of purpose.

## OVERVIEW

12. Barbados is at a stage in its development where it requires a new vision for prosperity. That vision can only be realised if it has the support of substantially all of the people of this Nation.

Barbados must be “firing on all cylinders”. The Barbados social and commercial culture must change in order for us to achieve success.

- a. We must eradicate corruption at all levels so that the best people and the best options are available for every opportunity. Satisfying short sighted personal gain has no room in a strict developmental agenda.
- b. We must create greater transparency through a Freedom of Information Act and the leveraging of technology to ensure that every person is aware of every Government opportunity available and is also aware of how his or her taxes are spent.
- c. We must leverage technology in order to create greater efficiency in both the Government and the Private Sector.
- d. We must create and support a culture of innovation which means that we must change our rhetoric from one where no new idea can work to one where every idea has an opportunity of success.
- e. We must insist on accountability at every level and both vertically and horizontally. Systems must therefore be implemented in order to achieve this. We can no longer rely solely on the integrity of individuals to accomplish this.
- f. We must rebuild our communities by providing facilitating support for Community Based Organisations (CBOs) and Non-governmental Organisations (NGOs). There are already individuals within our Communities ready and willing to embark on this journey. Our Communities are the true incubators of the confidence our people, which give rise to entrepreneurship and innovation.

## THE CURRENT DEBT POSITION

13. Barbados for many years has pursued a fiscal deficit policy. It was always understood that the deficit needed to be managed. Running a fiscal deficit can only be justified if the productive sectors of the country are functioning at their optimum. The productive sectors in Barbados have not kept pace with an increasing debt burden.
14. It is impossible to make specific recommendations without a full understanding of the impact of the current measures being undertaken by the Government, however the Progressive Party will make some broad recommendations.
15. Barbados has suffered twenty downgrades to date resulting in the increase in interest rates on existing loans, making it difficult to borrow at manageable rates and creating a lack in investor confidence.
16. The Report of the Central Bank of Barbados for January to September 2017 shows that the economy up until September had grown at a rate of 1.4% with weak productive sectors including tourism. An underperforming tourist industry will result in a decline in foreign reserves which was reflected in the latest Central Bank Report. At the end of the first nine months of the year Barbados' debt burden stood at 144% of GDP and is one of the highest in the world.
17. In order to address Barbados' debt problem the options can be clearly identified as:
  - a. Borrowing at reasonable rates to address outstanding loans currently held by Barbados
  - b. Cutting expenditure
  - c. Sale of taxpayer assets
  - d. Raising revenue through taxes
  - e. Creating a new innovative economy
18. There can be no doubt that in order to meet its debt repayment schedule that Barbados will have to negotiate additional loans and seek opportunities for greater financial support from

foreign Government programmes and the programmes of multi-national institutions in support of projects.

**19. The United Progressive Party will :**

- a. review all options for borrowing including to the International Monetary Fund of which Barbados is a member.**
- b. seek out non-traditional sources of Government funding; and**
- c. through strengthening CBOs and NGOs facilitate private sector search for its own funding.**

## CUTTING EXPENDITURE

### Public Sector Layoffs

20. Barbados has already suffered a number of layoffs in the public sector and there has been a freeze on wages. Based on the information available the Progressive Party does not believe that there is a need for further massive layoffs at this time.

21. For many years now it has been recognised that there is a need to review the allocation of personnel across the Civil Service. There are Departments where the need for client services has shrunk but yet they retain the same staff complement, while there are others from which more is demanded but remain understaffed and under resourced.

22. For example the Data Processing Department which has become central to Cyber Security and which is required to drive a modern Nation's Government technology strategy.

**23. The Progressive Party will:**

- a. review the allocation of personnel across the sector;**

- b. take advantage of the natural attrition by leaving positions vacant where possible;*
- c. engage in transfers from one equivalent post to another where departments are over staffed; and*
- d. eliminate unnecessary consultancies while ensuring that any future consultancies are based on performance.*

### **Eradicating Corruption in the Private & Public Sectors**

24. There are no specific statistics available on corruption in Barbados. However there is anecdotal evidence that corruption has resulted in the increased cost of goods and services, thereby resulting in an increase in Government expenditure. Corruption in Barbados ranges from what are referred to as “kick-backs” from large Government projects but also permeates the grant of smaller contracts for the supply of goods and services.
- 25. *The UPP has developed a Governance Manifesto which will address the issues in detail.***

### **Cutting the cost of energy**

26. Islands such as Barbados can reduce their reliance on imported fuels, keep money in the local economy, provide their residents with reliable power, and lower their carbon emissions. Estimates of cost savings for net import reduction in Barbados exceed \$300 million.
- 27. *The United Progressive Party is committed to a road map towards the use of 100% renewable energy. Once in office the road map for implementation will be reviewed in association with the Renewable Energy Association and other stakeholders.***

### **Cutting down on transaction time**

28. Around 2005 when the Caricom was engaged in trade negotiations at all levels from the World Trade Organisation to the Treaty of Chaguaramas a great deal of emphasis was placed on business facilitation as a trade obligation. While the urgency of trade negotiations has waned Barbados must look upon this as an imperative for its own development.

#### **29. The Progressive Party will ensure that:**

- a. *Barbados takes advantage of all studies done on business facilitation and set targets for cutting down the time frame for transactions which will result in cost savings and improvement in investor confidence;*
- b. *One such initiative is the introduction of a new ticketing system for minor traffic offences where the Citizen can opt to pay a fine without attending Court; and*
- c. *Review all procedures and implement measures to (i) ensure all forms and templates are comprehensive (ii) samples are provided as far as possible (iii) the answers to frequently asked questions are provided (iv) notify public of all changes to procedure by traditional as well as non-traditional electronic means (v) amend legislation which requires visits to several agencies in order to complete one transaction (vi) provide detailed information of the procedure required for each transaction.*

### **Cutting the Food Import Bill**

30. According to the statistics available Barbados now spends some \$600 million on the importation of food. The benefits of agriculture in any society are many ranging from saving revenue, earning foreign exchange, to health and wellness as well as appealing landscapes.

**31. The United Progressive Party will:**

- a. bring all idle land back into production linking the land with those who wish to farm it by allowing that farmer basic housing facilities as long as they continue to farm the land;**
- b. provide incentives with respect to the investment in green houses and shade houses, aquaponics and other similar facilities for both commercial and household operations; and**
- c. bring vacant lots and derelict buildings especially within the urban areas into production.**

** Sale of Taxpayer Assets**

32. One of the easy steps to take for Government is to sell assets accumulated by the Barbadian taxpayers over centuries. Once assets have been sold they can no longer generate revenue for the Government.

33. While the Progressive Party sees government as largely a facilitator it is also the case that the Government must have diversified means of generating revenue. It is not inevitable that Government owned assets have been unprofitable. Examples of profitable government owned enterprises included the Insurance Corporation of Barbados Limited and Barbados National Bank (as it then was).

34. The Transport Board and the Caribbean Broadcasting Corporation are two taxpayer owned assets with which many Barbadians have expressed frustration. Both of these entities have lucrative elements as well as elements which require subsidisation.

35. The Progressive Party sees the CBC as critical to its new policy on the creative sector.

36. With respect to transportation the Progressive Party is developing a comprehensive transportation policy. It should however be made clear that there is no intention to sell off all of the lucrative aspects of the transportation system in Barbados while leaving the Government and Taxpayers with only the aspects requiring subsidisation.

**37. The UPP will:**

- a. make television licences available to the private sector just as transport licences are now available to the private sector;*
- b. ensure that the process of issuing licences is transparent just as the future issue of transportation licences will also be made transparent;*
- c. encourage joint ownership of Taxpayer Assets where possible especially in circumstances where taxpayers and local institutions can take direct ownership of such assets through the purchase of shares. The clear exception in such cases where Government does not wish to encourage the growth of services such as basic health care and prison services.*
- d. engage in outsourcing especially of new government services where contracts will be provided to the private sector. There however will be certain restrictions:*
  - i. prevention of the consolidation of government services in the hands of a few entities,*

- ii. full transparency in disclosing the request for tenders for all contracts, the recipients of such contracts and the revocation of contracts when there is a fundamental breach.*

## **TAXATION**

38. The Progressive Party will reduce the tax burden on Barbadians over a five year period as the productive sectors are given time to grow.
39. There must also be renewed efforts to broaden the tax base by the removal of the creeping exemptions which have been offered by successive Governments over the years. These exemptions have resulted in an increased burden on households in Barbados as they were then relied upon to meet the shortfall in revenue without the concomitant benefit of jobs.
40. The basket of goods which has been exempt from Value Added Tax will remain.

### **41. The UPP will:**

- a. a comprehensive review of the taxation framework as is required where over a period of time there have been many changes to the system including new taxes, new rates and new incentives;*
- b. bring simplicity and effectiveness back to the tax system by consideration of lower tax rates across the board for all those doing business in Barbados;*
- c. ensure that taxes can not be levied retroactively on taxpayers as is now facilitated through validation legislation;*
- d. the gradual removal of the National Social Responsibility Levy;*
- e. reduction of the Value Added Tax rate back to 15%.*

## GROWTH IN THE PRODUCTIVE SECTORS

42. The Progressive Party is clear that the road towards stability in the finances of Barbados is to put renewed energies into the productive sectors at all levels of the economy, not only with respect to large businesses but small community businesses as well.

### **Small Business**

43. These new economy proposals were introduced by emphasising that Barbados must be “firing on all cylinders”. Thus it is appropriate that we start at the place of most importance within our communities where our families reside. The micro businesses which are found within our communities where the commercial process starts with small shops, small farmers and mechanics. Our communities are truly the incubators for innovation. This is where innovators and inventors will first discuss their projects.

#### **44. The Progressive Party will:**

- a. resuscitate our communities with an emphasis on upgrading business within the community as an integral part of the Barbados engine of growth; and*
- b. prepare communities to engage in and benefit from community tourism for those seeking the genuine Bajan experience through community based organisations and Non-governmental organisations.*

### **Tourism**

45. The tourism product needs refreshing. The tourist travelling to Barbados continues to seek an authentic experience. The Progressive Party will focus through its community initiative on putting tourists in touch with those experiences which they crave. More specifically Barbados

must become a place of festivals throughout the year – facilitated by Government but run with a profit motive by creative and cultural professionals within private sector.

**46. The United Progressive Party will:**

- a. Beautify the entire country by addressing all derelict buildings and engaging in mural projects across the country**
- b. Facilitate the hosting of at least one festival per month driven by the private sector and facilitated by government;**
- c. Build more attractions which highlight the Barbados Culture; and**
- d. Refocus Baxter's Road and the Bay Gardens in Oistins by addressing aesthetics, sanitation, lighting and traffic flow.**

** A New City as a Tourism Package**

47. Most countries in the world package their City for sale. Paris, London and New York easily come to mind. With the well know historic buildings within the City of Bridgetown, our capital city is ripe for rebranding and repackaging. What would immediately come to mind is the historic aspects of the city including place names and historic sites. The old Empire Theatre remains derelict despite passionate appeals for its restoration. Barbados has however failed to highlight the people of the City as a whole unlike most other capital cities in the world. The City is the most diverse area of Barbados but Barbados has failed to take advantage of its unique diversity in terms of the origins of its inhabitants, its food and its culture.

**48. The Progressive Party will:**

- a. establish a governance model for managing the City;**
- b. recognise the City as the income generating asset that it is;**

- c. elevate its history and its historical places of interest as places to generate jobs and income;*
- d. instead of focusing only on buildings within the City focus on the people with their unique cultural offerings to be shared with both locals and tourists;*
- e. provide technical assistance and loans for the upgrade of businesses and other facilities;*
- f. upgrade the City in terms of lighting, sanitation, business development and beautification and package it in such a way that it is fit for tourist and local enjoyment.*

### **Manufacturing**

49. This aspect of the Barbados economy will be linked to agriculture and tourism for the purpose of enhancing our foreign exchange generation projects. Manufacturing entities must also be seen as a means of earning foreign exchange. It is clear that Barbadians manufacturers have been able to produce high quality products but require assistance in areas which are challenging because of their small size.

#### **50. The United Progressive Party will:**

- a. Purchase equipment which can be shared at a fee by small businesses engaged in manufacturing;*
- b. Provide a platform for the shared marketing and sale of manufactured products both locally and abroad;*

- c. Strengthen the link between manufacturing and tourism and manufacturing and agriculture to ensure that manufacturing keeps pace with the new economy;*
- d. Ensure that the tourist seeking the authentic experience will also be seeking out the goods which are linked to local culture.*

### **Tertiary Education/Student Migration**

51. Google, Yahoo, eBay, Uber, Space X are some of the several billion dollar companies that were created by immigrants to the United States of America (USA) most of whom arrived as ordinary tertiary education students. Likewise Deliveroo, Made.com and Transferwise are UK companies which had similar origins. The impact of these companies to the USA and UK economies can not be ignored. Barbados can leverage all of its assets including its existing institutions of learning and its very attractive climate and culture to attract students from abroad.

#### **52. The United Progressive Party will:**

- a. Facilitate the establishment of more tertiary education institutions in addition to medical schools to encourage more foreign students;*
- b. Develop a promotional and marketing strategy for this sub-sector;*
- c. launch an entrepreneurship visa for those graduates who wish to remain in Barbados after their period of study build start up companies that employ at least 51% of Barbadians (November 24, 2017).*

## **International Business**

53. It is appropriate that we start with definitions. Within Barbados international business sector is viewed as business driven by a special regime using special legislation such as the International Business Companies Act. The Progressive Party views the sector as one of importance in leveraging the skills of Barbadians for export using the existing domestic legislation, the double taxation agreements, the bi-lateral investment treaties and the trade agreements entered into by Barbados.

54. The sector has been under threat for many years and has seen a loss in revenue of \$1.4 billion within the last 7 (seven) years according to the Government's budgetary proposals presented on May 30<sup>th</sup>, 2017.

55. The last time that a comprehensive review was engaged in was in the 1980s even though there were revisions made to legislation and new products added to an existing structure since then.

### **56. The Progressive Party will:**

***a. engage in a comprehensive review the international business sector in Barbados***

***with the objective of:***

- i. considering where the sector now stands in light of the increasing regulatory burden;***
- ii. changes to the tax laws in the countries where investment can be sourced;***
- iii. diversification of the sector;***
- iv. putting to use the double taxation agreements negotiated; and***

*v. creating mechanisms which will anticipate and take advantage of opportunities which arise because of shifts in global business operations. In recent times we have seen the political occurrence of Brexit and a technology advancements in using digital currencies and block chain technology.*

### **✚ The New Creative Economy which could earn \$3 billion and an Opportunity to Diversify International Business**

57. A creative innovative economy is the sector of the economy which the Progressive Party has identified as being capable of leading Barbados out of poverty. The countries which benefit from this sector are those which have a comprehensive well thought out plan for its development. The development of this sector must not be left to chance.

58. In 2014 and 2015 total World Tourism receipts amounted to US\$1.3 trillion and US\$1.26 trillion respectively. Barbados' share amounted to US\$888 million and US\$922 million in each of those years or 0.07% each time.

59. The size of the cultural and creative industries on the other hand reached some US\$2.25 trillion in 2013 or 1.7 times that of the Global Tourism Market for that year. If Barbados could over the next 10-20 years work towards similar receipts for the creative sector Barbados could be earning US\$1.5 billion.

60. In short the creative economy has the potential to be larger than tourism or international business.

61. The level of infrastructural investment should be far less than for the Tourism sector. This is the great advantage which was anticipated with the new information technologies and the liberalisation of the telecommunications sector and has documented in every major study since then.

62. All that is required for the development of the cultural and creative sector is located in Barbados and a reformed Caribbean Broadcasting Corporation can be used to facilitate the sector. Leveraging the cultural and creative sector for the creation of the new economy must be done in a manner to ensure its success. Resources will be sought through foreign governments and international agencies. However if there is no new money a UPP Government will engage in the redistribution of existing resources.

**63. *The Progressive Party proposes as follows:***

***a. A new plank of the Barbados Economy which will focus on:***

- i. Identifying outsourcing opportunities for software development including gaming and application development, sound engineering and all aspects of post production for film;***
  - ii. Commercialising aspects of sports, music, film, fine arts, craft, design and fashion; and***
  - iii. Creation of a technological driven platform for the export of goods and services.***
- b. The sector will be driven by the private sector and government will act as a facilitator.***
- c. Mandate the International Business Unit in association with Barbados Investment and Development Corporation to facilitate the sector.***
- d. Identify a Senior Government Officer or Consultant whose sole responsibility will be the facilitation of the sector.***
- e. Establish a joint public private sector working group for the sector.***

