

Cleviston Haynes: Driving change toward the new economy

Address by Mr Cleviston Haynes, Governor of the Central Bank of Barbados, at the Opening of the 2019 Week of Excellence, Bridgetown, 25 February 2019.

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Good Morning and welcome to the Courtney Blackman Grande Salle.

When I spoke at this event a year ago, I drew attention to the difficult circumstances in which the Barbados economy found itself, the need for urgent decisive action by government and the critical supportive role of the private sector and labour in meeting the challenges ahead. We can all agree that much has happened since that time. The newly elected political administration quickly adopted the Barbados Economic Recovery and Transformation plan, with the endorsement of the International Monetary Fund. The Social Partners have been actively engaged in helping to develop a programme that achieves its objectives while mitigating the potential adverse effects on the most vulnerable.

Already, we are seeing encouraging signs. Our public finances have been reordered to the extent that we are on target to achieve a primary surplus of 3.3% of GDP for FY 2018/19. Tax refund payments have resumed and the central government is now making payments on a timely basis. The implementation of the domestic debt restructuring has facilitated a reduction in the debt ratio which is now targeted to fall to 60 percent by 2033. Our demonstrated commitment to adjustment and structural reforms has garnered the support of the IDB and the CDB and our Gross International Reserves now exceed the benchmark of 12 weeks of import cover. Confidence, so necessary for investment and growth, is returning.

However, we cannot relax as a sustainable path requires us to build on these successes and implement reforms including those needed to strengthen the financial management of public enterprises, improve the quality of service delivery within the public sector and enhance tax administration. These reforms when fully implemented will be closely, no doubt, aligned with your theme of “Driving Change Toward the New Economy”.

The new economy is knowledge-based and services and technology driven. It promotes innovation and creativity. It is fast paced and customer-focused. The new economy is competitive and it calls for and requires resilience. It is characterised by volatility, uncertainty, complexity and ambiguity. It reminds us that change is constant.

As a small open economy, we have transitioned from agriculture to one led by tourism and international business. As demonstrated last year when government altered its corporate tax structure to address external challenges in the international business sector, we have to be prepared to adapt to tectonic shifts in the economic environment. In this era of modern communications, competition may originate from within or outside our territorial boundaries. We have to be assessing constantly our ability to adapt to the threats posed by our competitors and to the potential shocks on the horizon. As an economy, we have to embrace emerging opportunities that promote diversification and enhance competitiveness. Firms and industries that are reluctant or unable to adapt risk extinction.

Facing this new economy, therefore, requires change. The Barbados Economic and Recovery Transformation (BERT) programme symbolizes one aspect of this change as we seek to restore economic and fiscal discipline. However, there is also a need for a change in attitudes, a change in behaviours, a change in mind-set and a change in culture.

William Jefferson Clinton, the 42nd president of the United States said that “In the new economy, information, education and motivation are everything.”

If technology is what will drive this new economy, data is the fuel. Data and analytics will better allow us to innovate and will inform real-time decision-making. From a Central Bank perspective, having timely and accurate data will allow us to monitor what is happening in the economy, to recognise trends and to make sound recommendations for public policy. More broadly, it will help Barbados to better understand our markets, whatever the sector, and to target them more precisely, so that we can best utilise what are often limited resources. It will help us to navigate the volatility, the uncertainty, the complexity and the ambiguity of which I spoke earlier.

Whether your department or organisation provides the Central Bank with statistics directly, or whether it is called upon to provide information to other agencies, such as the Barbados Statistical Service, I encourage you in the public sector to cooperate, ensuring that the data you provide is accurate and submitted in a timely manner. Remember, it is based on this data that Government makes policy decisions: decisions about new taxes; decisions about expenditure cuts; decisions about capital projects.

But using data to guide our decision-making is only half of the equation. The other half is our ability and willingness to embrace the changes that will come with the new economy. That is the education and motivation of which President Clinton spoke.

Whether you are in the public sector or in the private sector, you will be called upon to do more with less because of the fiscal and economic constraints. Public sector leaders who now have smaller budgets need, therefore, to be more nimble and flexible, and to improve efficiency in their operations. New approaches to traditional tasks are now needed.

The Bank is committed to playing its part in helping the new economy to become a reality by supporting those who will power it. The financial sector is changing rapidly, and we have to adapt. Already, the Bank is working with government and the private sector to modernise the framework for payments. And, we are automating more of our internal processes and systems to improve our service to you.

The new economy is not something that will just happen. It is something that we have to make happen. Let us use this Week of Excellence to jumpstart our thinking and our actions in this area. Let us use the opportunity provided by these difficult economic times to finally resolve some of the issues with which we have struggled in the past. I want to wish you a good week of discussions and I look forward to the outcomes.

I thank you.