



## AUGUST ECONOMIC LETTER

### Barbados' Competitiveness in a Global Context

Barbados is naturally endowed with the climate, natural beauty and a geographical location that makes it attractive as an international tourist destination. Over many years, we have built a road network, international airport, and dependable public utilities and amenities. We have well grounded health and educational systems of long standing, and a reputation for personal safety. More recently, Barbadians have embraced new technologies with enthusiasm. All these factors put Barbados ahead of the average for Latin America and the Caribbean, in the global competitiveness rankings.

However, in the *Global Competitiveness Report 2016/17* Barbados has slipped in the rankings, to Number 72 of the 138 countries surveyed. The main reason for our declining competitiveness is the worsening fiscal performance. The large budget deficit, the fact that Government's current spending exceeds tax receipts, and the rising debt levels are especially worrying for investors.

Moreover, there has been a decline in the performance of public sector institutions, according to the respondents to the World Economic Forum's annual survey. The public's trust in politicians has waned, and there is an increasing concern about bias in the decisions of Government and officials. Government regulation has become more burdensome, and our legal framework has become less efficient. Survey respondents believe that Government has been wasteful in its spending, and that the situation has been getting worse. These findings are documented on Page 113 of the *Global Competitiveness Report 2016/17*.

The decline in public sector performance has had material consequences for the future growth of the Barbados economy. Investment is needed in tourism, ancillary services such as health and heritage structures, upgrades of roads and other infrastructure, and in renewable energy. Private entrepreneurs are ready to make investments in many of these activities, and the InterAmerican Development Bank and other lenders have funding that may be tapped for public projects. One may compile a list of known projects, totalling over two thousand million dollars, which are delayed at some stage of a governmental process.

The *Global Competitiveness Report* points us in the direction of steps that must be taken to reverse the fall-off in Barbados' competitiveness. Eliminating Government's operating deficit and stabilising the debt ratio to GDP are a priority. Equally important is the responsibility of politicians to address the public's worsening perception of their role and performance. The concerns about bias, inefficiency and waste are best addressed by organisational reform that ensures timely reporting and efficient systems of communication on the part of all Governmental and public sector agencies.

The Barbados economy is fuelled by foreign exchange, and to secure growth we must increase our inflows of foreign currency. That means we must maintain and enhance the country's international competitiveness, to attract new investment and build capacity to produce. Addressing the factors that threaten our country's competitive standing opens the door for a new era of growing prosperity for our economy and society.