



GOVERNMENT OF BARBADOS

ADDRESS BY
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PRIME MINISTER

TO THE
24TH ANNUAL CONFERENCE
OF THE
INSTITUTE OF CHARTERED ACCOUNTANTS
OF THE CARIBBEAN

HILTON HOTEL
BARBADOS

JUNE 9, 2006

I do not believe that there has ever been a week in the history of Barbados in which our nation has been more favoured with the assembly here of the kind of financial talent and business acumen that have been gathered to participate in a series of meetings whose effects will be felt for generations to come.

I leave you today to participate in a Special Meeting of our region's Council for Finance and Planning which has been convened specifically to determine how a Regional Development fund can be brought into existence.

On its creation possibly hangs the entire future of the Caribbean Single Market and Economy.

The Caribbean Association of Industry and Commerce is also meeting to bring into existence a new Caribbean Business Council; a new institution that has proposed to bring the regional private sector together in a more representative way, and to enable it to function more effectively as a partner in decision making on matters concerning a Single Caribbean Market and Economy.

In such a context, this conference that has been designed to reflect on matters such as the building of a Caribbean Investment Culture, the harmonising of our currencies and a new era for the accounting profession can only add significantly to the intellectual capital on which we can draw to chart a better future.

It is in this spirit that I welcome you to Barbados, thank you for allowing me to be associated in this significant way with one of the region's most successful

institutions, and trust that this conference with its most provocative theme will meet its every expectation.

If there is but one message that I hope will go forth from this meeting it has to be that we must be determined to sustain the reform and the transformation of the corporate, national and regional economic systems in order to give ourselves even a remote chance of succeeding in these turbulent times.

The sheer magnitude of the adjustment of our national economic policies, programmes and strategies is not often fully appreciated largely because we now live in an economic age where change, sometimes at a bewildering pace, is seen as a constant.

It therefore bears repetition to state that in Barbados' case we have recently or are now in the process of carrying out a most far reaching reform of our personal and corporate tax regimes, our property tax system, our social security regime, our telecommunication sector, our laws relating to insolvency, competition policy, the arrangements for the support of our productive sectors in an age of trade liberalisation and have started the process to bring great change to the legislative environment within which our labour market operates.

And even as we have concluded these we have set in train the consultations to lead to a comprehensive overhaul of our Income Tax and Property Tax Legislation and to create a central Revenue Collection Authority in Barbados to replace the existing myriad of revenue collection Agencies. We have also commissioned major studies

to enable us to transform our public accounts from a cash to an accrual system, and to introduce multi-year budgeting in Barbados.

We are also deeply engaged in the endeavour to create a Government portal by which entities seeking to do business with Government agencies can so do largely by electronic media.

I have no doubt that a similar spirit of innovation will continue to pervade your profession.

The accounting profession is not only one of the world's oldest professions, but one whose proper function is one of the chief pillars which support orderly and sustained growth and development in our societies.

Like Ministries of Finance its work, no matter how remarkable, seldom attracts public noterity except in those instances where things go horribly wrong.

Good accounting practices are especially critical in ensuring that self-regulation remains an important element of the market surveillance process.

Happily, the Caribbean has, thus far, been spared Enron type experience. The duty now falls on our accountants, especially those performing the role of auditors, in addition to the lawyers and other gatekeepers to ensure that there is no erosion in our system of corporate governance, fragile as it is.

I do, however believe that confidence will significantly be buttressed when we bring into force the proposed Regional Code of Corporate Governance.

Among its various aspects, this proposed Code includes provisions to strengthen the role of the Board vis a vis management; to govern excessive remuneration of directors and to provide for its disclosure, to bring greater effectiveness to shareholder power, observance of ethical behaviour at all levels and enhance professionalism in accountancy practices.

There can be no doubt that one of the urgent requirements in our region today is for our professional accountants, academics and members of the business community to apply their minds to the development of a model of corporate governance which is appropriate to our circumstance.

For while, on this matter, it is unquestionable that we cannot re-invent the wheel, it is clear that wholesale importation from different markets and circumstances is equally unproductive. Our small market, relatively limited pool of talent, close personal relationships and the consequential difficulties sometimes in finding independent directors are some of the most significant challenges to corporate governance in the region.

With the removal of intra-regional restrictions on the provision of services with the launch of the Caricom Single Market in January, members of the accounting profession will now be in a position to benefit from enlarged market access and national treatment across all four modes of cross border supply.

It is therefore now to be expected that one day soon there will be a Caribbean wide professional accountancy qualification that will be as acceptable as that of the Canadian, British and USA for which our region's students are currently examined.

This allows me to come to the main theme on which I wish to share a perspective with you this morning.

It is that the process of corporate and national economic transformation which we are engaged in are important in themselves and must be sustained. But they pale by comparison with the transformations which must take place at the level of the regional economy, around which there is still too much doubt and uncertainty, and very often a debilitating lack of urgency as regards commitment and implementation.

The Caribbean simply cannot survive and prosper in a global economy central to which is the practice of economic, trade and financial liberalisation, without putting in place a framework for economic integration and liberalisation within our region that goes beyond anything we have attempted in the past.

That is self evident.

What is not so obvious is the requirement that our regional process of economic integration and liberalisation, to be of enduring and positive effect must go beyond an equivalent set of processes and regimes that we are prepared to engage in our new relationships with the Americas, with Europe or with the global economy under

the auspices of the WTO.

It is this that makes the initiative not only to create the CSME but to have at its core a faster, deeper and broader process and programme of economic liberalisation and integration than is contemplated in any of our extra-regional relationships such a vital dimension of contemporary Caribbean development.

It is good that some Caribbean economies have in January this year managed to put in place the arrangements to complete the creation of a Single Market among themselves by removing the prevailing restrictions that have hitherto stymied the free movement of goods, capital, the provision of services, the movement of labour and the establishment of enterprises in the region.

It is important however that we maintain a healthy and realistic perspective on what has thus far been achieved, and what remains now to be done.

The main and greater difference that the creation of the Caribbean Single Market has, and will make, is on the operation of the Caribbean Labour Market.

Arrangements for the free movement of goods were already provided for under preceding integration regimes. Most Caribbean countries already had in place relatively liberal or open service sectors. And the arrangements for capital mobility in most Caribbean economies predates the CSME rather than is a consequence of it.

What is essential now are the arrangements for labour mobility on a phased basis,

beginning with graduates and other selected categories of labour, with the objective of achieving full labour mobility by the turn of the decade.

The creation of a Single Market per se is important, but will yield benefits that are largely restricted to the gains that can come from pooling the supply of Caribbean skills and talents to support the creation of more efficient and competitive Caribbean enterprises and economic sectors.

That is already happening, sometimes amidst great controversy.

The great and lasting benefits that will come from Caribbean integration will ensue from the initiative to create the Single Economy and to have a framework within which such a Single Economy can emerge and be put in place by 2008.

Central to the process of the functioning of a Single Caribbean Economy is the execution of a programme of Production Integration, involving the rationalisation on a regional basis of the operation of our traditional industries, and a new spirit of cooperation in developing new production possibilities in our sunrise industries.

Central to any programme of Production Integration must be the emergence of a wide range of Pan Caribbean Companies, enjoying ownership by stakeholders from across the entire region that are built to world standards and that become the principal institutional means by which Caribbean economics collectively, achieve their competitive position in the new global economy.

The creation of the Single Economy must also accord priority to the integration of the Caribbean Capital Market. There are now competitive models before us as to how best this can be achieved. There are important issues remaining to be resolved as to whether it should entail, in the first instance, the creation of an Integrated Stock Exchange System.

Our region also needs a Harmonised Investment Policy Framework including a Caricom Investment Code, and an agreed regime of fiscal incentives.

The Caricom Investment Code, and a Regional Incentive Regime exist in draft, but needs the input of all to allow finalisation as soon as practicable.

Similarly, a Caricom Financial services agreement, to enable the region to take advantage of the new climate of cross border liberalisation following the removal of restrictions on the provision of services, has been drafted but needs full stakeholder input before it can be made to work to facilitate the functioning of a Single Caribbean Economy.

In a similar vein, work has already been initiated in the realm of fiscal policy harmonisation, including the development of a Regional Corporate Tax Code.

The proposed Corporate Tax Code will facilitate harmonised regional treatment of matters such as capital allowances, minimum corporation tax, withholding taxes, and regimes in respect of treatment of losses, mergers and

acquisitions and similar related matters.

The importance in setting out a clear framework within which corporate planning can take place with greater certainty, to prevent a race to the bottom in respect of tax matters, cannot be over-emphasized.

The creation of a framework to facilitate the emergence of Single Caribbean economy also puts emphasis on the development of a regime to support macro economic policy coordination and convergence.

It has also been agreed that issues relative to monetary cooperation and the creation of a Monetary Union has to be refocused with emphasis being accorded in the first instance to terms of enhanced monetary cooperation as a prelude to any adoption of Single Currency.

I have touched briefly on some aspects of the proposed framework for the Caribbean Single economy that should be of interest to members of the region's Accountant Profession.

It is the hope and intention of Heads of Government to have clear, agreed regional frameworks in all of the areas mentioned ready to be put in place by 2008 and to have these exert a considerable influence on the structure and functioning of regional economies, individually and collectively thereafter.

No other profession has a greater input to make in getting these arrangements to support a Single economy right and in place than the Accounting Profession.

I have come before you today therefore to ask for your full and sustained support in helping our regional economy decide and successfully put in place these new important economic, financial and tax regimes that will fundamentally alter the way in which business is done in our region for ever, for the better.

It is said that all politics is local. So is all business. I end by touching on a few matters that concern our local profession.

The Accounting associations in the Caribbean working individually and collectively through the Caribbean association have a critical role to play in fostering domestic and regional development.

In Barbados' case, ICAB and its members have played a key role in the diversification of the Barbados Economy and the development specifically of the international business and financial services sector.

This sector is now recognised as the second largest foreign exchange corner after tourism and is responsible for over 50% of Government's corporate tax revenue. The success witnessed is demonstrated in part by the increasing numbers of entities licensed in the jurisdiction. The combined figures for IBCs

and ISRLs for January to May of 2006 indicated an increase of over 18% when compared with the figures for the same period last year. 2005's performance over the corresponding period was up 30% over 2004. These positive trends augur well for the continued development of the sector.

Barbadian accountants are practicing in an International Business environment which is becoming increasingly litigious and while accountants in other jurisdictions can use Limited Liability Partnerships (LLP's) and/or cap their liability, the accountants in Barbados are forced to practice with unlimited liability.

ICAB has indicated that the opening up of the CSME would demand a level playing field for all participants and therefore the Government should start at home by allowing the local accountants the flexibility to plan their affairs to better manage the risks.

The Government of Barbados has considered the submissions of the local associations and has already started to address the following proposals -

- the enactment of legislation to introduce limited liability partnerships.
- the amendment of sections 153 and 154 of the Companies act to enable auditors to provide audit services to companies through the vehicle of a limited liability company; and
- the systematic review and amendment of regulations to ensure that all

professionals can take full advantage of these structures.

In addition to this, the Government of Barbados has agreed to the Amendment of the Institute of Chartered accountants act to give the Institute the responsibility and authority to discipline its members. This would create a level playing field such that Barbados would come in line with other jurisdictions and accountants entering Barbados would be subject to the same terms and conditions as Barbados' accountants. Further, given Barbados' thrust to become a high-quality exporter of both goods and services and the hub for international business activities in the region, it is critical that effective domestic regulations be in place for service providers.

This is a critical issue considering Barbados' involvement in trade negotiations regarding movement of service providers. In particular, with the imminent free movement of service providers within the region it would be an important element in the discussions of the establishment of a register of service providers which is to be considered by CARICOM's Council on Trade and Development.

The Government of Barbados is actively pursuing its renewed vision for the future development of the country into a first-world services economy by 2025 premised on the expansion and diversification of both the domestic and international services sector.

The focus will be on the development of Barbados as a services hub which will foster growth of pan-Caribbean companies whose training grounds will be the CSME and whose wider ambition will focus on sustainable and profitable extra-regional expansion.

Therefore, the opening up of regional markets to allow free movement of CARICOM skilled nationals should be seen not as a challenge but as an opportunity to export accounting services in the following areas:

- accounting services which are relatively new or unique in particular countries but not new in Barbados and where Barbadian accountants have recognised international experience and capability.
- in relation to countries whose accounting system require significant change to cope with modern business transactions or where there is a requirement to introduce new accounting systems. This can produce opportunities for advising on such reforms.
- in relation to major international projects and international business transactions themselves where accountants are required for their expertise and experience and in which Barbadian accountants excel due to their work in the offshore sector.

My Government is cognizant of the recent developments regarding changes to the financial reporting standards as a result of the myriad of corporate failures and improprieties over the last five years. The lesson from these

developments teaches us to reinforce the paramountcy of accounting propriety in maintaining Barbados' reputation as a well-regulated domicile.

Further, that while the majority of domestic companies may be considered to be small and medium sized enterprises and would be under severe pressure if they had to comply with the same standards applicable to larger enterprise, it could prove to be onerous.

I note that ICAB has already made representation through the Caribbean Institute on this matter.

In keeping with my Government's policies to facilitate businesses operating from Barbados we support your position regarding the allowance of a separate set of financial reporting standards for this group based primarily from a cost benefit perspective.

These developments are in keeping with Government's efforts to ensure that Barbados' professionals maintain world-class standards and qualities which are needed in a highly globalised and liberalized world.

Your conference has adopted the theme of sharpening the edge.

I would like to extend this analogy by saying to you that the great initiative in which we are all engaged whether it be in transforming corporate governance,

building stronger and more competitive national economics, and creating a new regional economy is not just a process of sharpening the edge, but more that of polishing a potential diamond that now exists in the rough.

It is with that high expectation, that I thank you for this opportunity to be associated with the important work which this conference has set out to achieve.