



COMMONWEALTH OF THE BAHAMAS

**REMARKS TO COMMENCE DEBATE ON THE FY2021/22 SUPPLEMENTARY BUDGET &
VALUE ADDED TAX (AMENDMENT)(NO. 2) BILL, 2021**

Presented to the House of Assembly

By

THE HONOURABLE PHILIP DAVIS, QC, MP

PRIME MINISTER

&

MINISTER OF FINANCE

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I. Introduction

Madam Speaker:

I stand here today to open the debate on the FY2021/22 Supplementary Budget (Appropriation Bills and VAT Amendment Bill) that lays the foundation for the launch of a new vision and a new direction for our beloved country.

In life, the way in which you begin usually determines the way in which you will finish:

- When building a home, great attention must be paid to ensuring a sturdy foundation is laid to ensure that the home does not collapse when strong winds blow. It must be able to sustain headwinds.
- In education, a strong foundation in the basics, especially in literacy and numeracy, is necessary in the early years to ensure success later in high school or university.
- In governance, it is important to establish a strong foundation from Day 1, to ensure successful completion of the Government's mandate in later years.

Madam Speaker, I am confident that in this Supplementary Budget, the FIRST budget of my administration, we are starting off on the right foot by laying the strong foundation the country needs to guide us over the next 5 years. This budget begins to address the immediate need to get the economy up and running again, and sets the groundwork for a plan for fiscal recovery and economic growth that the country so badly needs.

This is no small feat. Even though the country has breathed a collective sigh of relief since the change of government on September 17th, we are not out of the shadow yet of the many crises which we inherited: the health crisis, during which hundreds of Bahamians have died, many more have been hospitalized, and thousands more have suffered from infection; the economic crisis, which was exacerbated by the health crisis, during which many Bahamians lost steady employment and fell out of the middle class; the post-Dorian crisis, in which time seemed to stand still for the victims, who saw little or no progress made on their behalf over a period of two years; and the crisis of governance during which incompetence, a lack of transparency and a lack of compassion were the hallmarks of the day.

The challenge before us as a country is to address these multiple crises while at the same time digging ourselves out of this very deep fiscal hole.

And so this budget seeks to stabilize our country's finances while also providing some relief for the Bahamian people.

The already poor state of the economy at the beginning of the pandemic, coupled with the blunt force use of lockdowns by the previous administration, made an already bad situation much, much worse.

Madam Speaker,

With this new plan and vision to restore our country, this Supplementary Budget is designed to achieve THREE major goals:

1. It provides much needed relief to the Bahamian people;
2. It reallocates funding to match the Ministerial portfolios of the Government; and
3. It provides funding for critical expenditures which were neglected by the previous administration.

It is also important to point out that we are accomplishing these objectives while not adding a single additional dollar to the national debt that was forecast in the original FY2021/22 Budget tabled in May. In fact, this Supplementary Budget begins the process of reducing the extraordinary levels of borrowing seen under the former administration by reducing the Government's projected deficit for the fiscal year.

I want to repeat that – we intend to take care of people and reduce the deficit at the same time.

This balanced approach, of meeting the needs of the Bahamian people while practicing fiscal discipline, reflects the competent and compassionate approach we are bringing to governing during these very difficult times.

Our Supplementary Budget recognizes there is an urgent need for change in this country that cannot wait for the next fiscal cycle. The people have called for a change in vision and a change in priorities. They have called for a compassionate, respectful, and focused government. With this Budget, we are establishing the solid foundation that will allow us to roll out our transformational agenda and set the course for a new direction for our nation.

It is a new day.

Madam Speaker,

Over my career in politics, I have earned many titles: Leader of the Opposition, Minister, and now Prime Minister...but the one I hold most dear to my heart is Member of Parliament.

To the people of Cat Island, Rum Cay, and San Salvador, who have placed their trust in me as their representative in this Honourable House, I wish to express my warmest gratitude. I will always remain

connected to, and informed by, their realities on the ground. It is in fact because of my conversations with my constituents, hearing about their hopes and dreams as well as their struggles and challenges, that I am able to confidently speak on their behalf. My words and my priorities are grounded in their experiences and perspectives.

Under my watch, development will truly be national in scale. This is as true for New Providence, as it is for Grand Bahama and Abaco. It is equally true for the islands of Cat Island, Rum Cay, and San Salvador. Real national development ensures that the challenges in every inhabited island of The Bahamas, and the issues in all communities, are incorporated into a strategic development plan.

My people, my constituents -- thank you for this opportunity to represent and serve you once again.

Madam Speaker,

Before I go further, I wish to congratulate the Member for Marco City on obtaining his party's support to represent them as the new Leader of the Free National Movement. As a senior member of the previous administration's Cabinet, entrusted with a number of portfolios, I'm sure he will benefit from the wisdom, counsel and guidance of his former Leader, the Member for Killarney, with whom he shared such a close and loyal bond. It must be very reassuring for him that the Member of Killarney has chosen to remain in this honourable House, ever watchful and close at hand, to help him defend the track record of their administration.

The Member for Marco City will also no doubt benefit from the experience he had while serving as a Senator, selected by the Member for Killarney.

Marco City has in fact announced to the media that he has Killarney on speed dial, so Bahamians have been advised, some might say warned.

I wish him well in his endeavours!

II. State of the Nation

Madam Speaker,

In today's world, with increased cross-border trade, with the increasing impacts of global warming, our small country faces substantial risks and challenges.

Our islands have never fully recovered from the destruction wrought by Hurricanes Joaquim, Matthew and Irma. While recovering from this disaster we were faced with unprecedented levels of damage from

Hurricane Dorian to islands in the North. And then, of course, came a new virus, and the COVID-19 pandemic.

It is expected that there would be hardships after weathering storms of this magnitude. But the damage done was intensified and prolonged by the incompetent and lackluster response of the previous administration.

They not only failed the people of Abaco, Grand Bahama, Long Island, Acklins and Ragged Island during and after the storms, they failed the entire nation with their bungled, ad hoc policies.

Their lack of transparency, unwillingness to respond to inquiries and questions, and failure to accurately present the state of the nation's finances to the Bahamian people, reflected a double dose of arrogance and incompetence that retarded growth and set our nation back many years.

We are still trying to determine the detail and extent of what it is they were so keen to hide.

We saw, firsthand, their unwillingness to comply with the conditions of the IMF's loan facility to reveal who exactly they gave the borrowed funds to. Why was it so important to keep the facts from the Bahamian people?

We have seen over the past 4 1/2 years, how they mishandled the BPL Rate Reduction bond to the point that it is no longer a feasible financing strategy or cost reduction measure for the Bahamian people.

We have seen the unsustainable borrowing of foreign currency over the past three years. In the most recent fiscal year, foreign currency loans made up 64%, almost two-thirds of Government borrowing. Meanwhile, domestic financial institutions who have the capacity to support Government debt issuances were under-utilized. Why burden the Bahamian people with such expensive borrowing?

Their approach to debt management and fiscal management was reckless, and threatened to harm the long-term prospects of the nation.

We are still awaiting the results of a financial report giving a detailed account of the Government's current fiscal position. This review, which is being conducted by a top accounting firm, is almost complete. It will help us to clear up any discrepancies and gain a true understanding of where we are in terms of unpaid, unbudgeted and contingent liabilities of the Government.

Madam Speaker,

In 2020, The Bahamas experienced a significant shrinkage of real GDP – in fact, it is estimated that real GDP or output contracted by 14.5%. This contraction occurred at the same time as the previous

administration's historic levels of borrowing, which took the nation to a never-before-seen debt-to-GDP ratio over 100%. The erosion of our economic and fiscal health eventually culminated in Moody's most recent downgrade, in September, of our sovereign credit rating from 'Ba2' to 'Ba3'.

Similarly, on November 12, 2021, the rating agency Standard and Poor also issued a downgrade of our sovereign credit rating from BB- to B+. In its statement, the rationale for the downgrade was owed to the fact that the:

“debt burden has climbed almost \$2.4 billion in the past two fiscal years, and interest costs now represent about 21% of budgetary expenses. Furthermore, The Bahamas is exposed to financing risks as it seeks to fund large deficits and refinance existing debt”.

Exceptional levels of borrowing, high and unsustainable deficit levels, and no plan to rectify this crisis...this is the economy that we inherited.

What makes the situation truly infuriating is that we still struggle to see what happened to all this expensive, borrowed money. There certainly is not a single major road, school or hospital to show for it.

Where did all the billions of dollars go?

We are determined to find out, and when we do, we will certainly let the Bahamian people know.

However, thankfully, a new day is here.

Madam Speaker, let us look forward.

New COVID-19 cases are down, COVID-19 hospitalizations have declined, our US travel advisory has improved from a level 4 to a level 3, and economic projections indicate our economy is on the way up. Yet with reports of a new, possibly more transmissible COVID variant, we are far from complacent.

Everyone is tired of COVID, but unfortunately, both governments and families need to remain vigilant and engaged in this battle against the virus. There is no single perfect protection against COVID, so we should all take multiple steps to protect ourselves, and remember that when we are careful, we are also protecting our friends, our families, our co-workers, and our communities.

Let's hold our gatherings outside, instead of inside, whenever possible, because the virus is airborne and can linger in the air for hours in poorly ventilated indoor rooms. If you have to be in a crowded, indoor space, wear two masks, or a medical-grade mask.

I urge everyone to listen to doctors and medical experts from around the world, and get vaccinated. I am very pleased to announce that for the first time during this pandemic, our country now has enough vaccines for all Bahamians who choose to take advantage of this life-saving inoculation. This is an enormous relief.

The scientific community around the world is at work studying the new variant, named Omicron, and we will be sharing updates with Bahamians as we learn them.

This new variant was first identified in Botswana and South Africa, and the world owes the scientists and public health officials there a debt of gratitude for moving so quickly to share their data. Because of their transparency and their early warning, governments can act now, even with incomplete information.

Thus, along with many other countries, we have imposed temporary restrictions on travelers from multiple African countries. Individuals who are not ordinarily resident in The Bahamas who have traveled to, through, or from those countries in the last fourteen days will not be allowed entry into The Bahamas at this time. Citizens and permanent residents who have traveled to these countries may be permitted entry, but will be required to quarantine for 14 days.

This is not perfect protection; the variant has been identified in several other countries as well. The idea is to buy some time until we have more clarity.

We just don't have enough clinical data to know with confidence yet how transmissible the new variant is, or whether it induces more severe disease.

We have to stay alert, stay flexible, and continue to combat the Delta strain, which is still circulating and remains a threat.

Madam Speaker: Despite these difficult times, there are reasons to be optimistic. Real GDP is expected to return to positive growth this year, to 2.0%, and is expected to peak at 8.0% in 2022.

To keep the nation headed in a positive direction, to take advantage of the rebounding of the Bahamian economy, we must take immediate action to foster and sustain stronger economic growth.

III. Ready from Day One

Madam Speaker,

There is no denying we face difficult times. It is not breaking news to anyone that our country is in need of a turnaround. But I did not become Prime Minister because I thought the job would be easy. And it is precisely because of the immense difficulty before us that I put together a team of leaders and innovators ready to deliver for the Bahamian people from day one.

In ten weeks, we have achieved significant progress by:

- Assembling a first-rate Cabinet;
- Constituting critical Ministries to aid in our recovery;
- Appointing board members and senators, and

Filling key positions with skilled, experienced Bahamians who will prove valuable in the fulfilment of our agenda.

You will note that we have filled many of our key roles with professionals who represent the best in our country, including putting many young people and Bahamian women in leadership roles at various agencies.

I am extremely proud that many key positions are now held by those who are the youngest ever appointed to those roles. When we said we believed in young Bahamians, we meant it. We know they will bring new energy and a strong commitment to building a better Bahamas to the work ahead. It is a New Day!

Madam Speaker, we haven't been in office long, but we've started to have an impact already.

There was a time when the members opposite said that free testing was impossible in The Bahamas. They said, and I quote, "The PLP lives in the Alice in Wonderland of fantasies".

Yet within weeks of the election, the Ministry of Health rolled out a pilot programme for free testing that is currently being expanded throughout The Bahamas. What the side opposite said was fantasy, we are making a reality. The pilot programme included Inagua, Bimini, the Berry Islands and North Eleuthera. The Minister of Health and his team are finalizing the plan for nationwide free testing.

That is the power of a people-oriented and solutions-focused government. We don't allow the enormity of a problem to define our willingness to solve it. Now, Bahamians are better protected as a result of these efforts. The data collected is greatly aiding our public health officials as they identify and contain outbreaks.

We have re-opened and expanded the hours of businesses that were unjustifiably closed for some 21 months, getting people back to work and allowing these small business owners to take care of their families again. The recreational watercraft industry recently joined the list of Bahamian businesses that have reopened. After 21 months, our Straw Market is open, and when I visited there last week, I saw for myself the expressions of joy and relief on the faces of the vendors.

On November 13th, we ended the Emergency Orders and the national curfew, which were replaced by comprehensive public health legislation. No more will decisions be made by a Competent Authority of one. If we need to adjust our health protocols, we will do so based on the science and the data, and after consultation. Our decision-making will be rational and transparent, and when changes need to be made, they will be done so here in Parliament, where they can be explained and debated.

Wherever the laws seem to be enforced unfairly, we will make adjustments to ensure that all Bahamians are playing by the same rules. We believe in fairness, not favouritism.

In other words, it's a new day.

Madam Speaker,

We said that The Bahamas would play a leading role in the global discussion on climate change, given the terrible consequences that we have already experienced. During my addresses to the UN and at COP 26, the nation took its first steps towards playing a more active role in speaking to the urgency of corrective action on climate change. We intend to fully participate in the crafting of policies to save the world from the brink of a climate-generated disaster.

As you can see, we have been busy. But we are just getting started.

IV. The Choice at Hand

Madam Speaker,

Campaigns are intense, 24/7 endeavors. I remember well that the previous government took a very long vacation at the start of their term in 2017. We did not, however, even consider such a choice.

There was no time for us to delay in aligning the government's budget with our vision for national development and the big changes the Bahamian people voted for.

We are at a critical juncture. None of the important choices we face are easy ones.

As with all difficult choices, there is always a trade-off, no matter which choice is made. We do not live in an ideal world and there are no perfect choices.

Our priority was focusing on the health crisis while restoring the fiscal health of the nation while responding to the needs of the people. This required the government to strike a balance between the necessary fiscal reforms and bringing immediate relief to the most vulnerable.

In the most recent IMF Technical Report, the scenarios recommended for consideration included this one:

Raising the overall VAT rate to 15%, while keeping the existing VAT exemptions and leaving in place the scenario where the government was paying VAT for wealthy foreign companies.

I want the Bahamian people to hear me very clearly. When we came to office, analysis performed by the IMF indicated that if the government didn't change its VAT structure, VAT would have to be raised to 15%. Imagine that!

Now, I know you all remember that the member for Killarney told the Bahamian people that he went to election 8 months early because the country faced "headwinds" and "tough decisions". We said at the time that he wanted Bahamians to vote before he raised their taxes, and this major tax increase appears to be what he had in mind.

Raising VAT to 15% would have turned headwinds into a hurricane! Raising VAT to 15% wouldn't have been just a tough decision, it would have been a terrible decision that would have plunged our economy into a downward spiral, past the point of no return.

Thankfully, we made a different choice for the country.

Madam Speaker: We decided to take another more progressive and productive path, and broaden the tax base, which includes streamlining the tax code for efficiency and easier enforcement.

Broadening the base also means that we now have the room to lower the VAT rate to 10%, a reduction that many Bahamians were eagerly awaiting. Once again, there were those who said that this was a promise that couldn't be kept. They said that we would never be able to deliver a VAT reduction for the Bahamian people. The Bahamian people knew prior government lacked both the will and the skill necessary to navigate us out of these perilous times, but here we are, two months into a five-year term, and what they deemed impossible, my government has made possible.

Madam Speaker,

We looked at the fiscal reality before us and realized that there was simply no way that increasing the VAT rate to 15% just to keep a few exemptions and for the government to pay VAT for wealthy foreign companies was a good idea.

As Bahamians say, we just couldn't make it make sense, Madam Speaker!

The IMF review of the Bahamian tax system implemented by the previous administration, described the kind of exemption-riddled VAT regime with the government paying VAT for wealthy foreign companies, as reducing efficiency, lowering revenue, and increasing administrative and compliance costs. To retain that approach would have been counterproductive and wrong.

Making matters worse, the report indicated that exemption and zero ratings are an "inefficient way of achieving redistribution objectives," which is another way of saying that paying VAT for rich foreign companies on select items is detrimental to working class and low-income households.

The former Member for St Anne's was on the news the other day, proudly proclaiming they ignored the experts in setting their VAT policy.

But Madam Speaker, ignoring experts in order to implement a less efficient, more costly system that brings in less revenue is nothing to boast about.

Madam Speaker,

We have been very intentional with our VAT reforms.

The proposed Bill does not re-impose VAT on home insurance. Nor does it impose VAT on the rental of non-commercial properties. What the proposed Bill does is make the purchase of fuel for private planes a VAT-able expense. That was not the case under the previous administration. They don't like to talk about how they made the government pay the VAT on fuel for private planes.

VAT was originally exempt on transshipment services, which means they didn't have to pay VAT and the government therefore didn't have to refund it. That is the international standard. The previous administration changed this treatment so the government had to give a refund on services that did not generate VAT in the first place. In essence Madam Speaker, the government had to pay the VAT on these transshipment services. These foreign companies experienced a windfall of millions and millions of dollars on the backs of Bahamian families and companies.

This was a classic move by the previous administration.

Tax breaks for themselves, their wealthy supporters and favoured foreigners, tax increases on the backs of ordinary Bahamians.

Stranger still, was the decision to pay refunds for the period during which these service providers were not eligible. These refunds were casually put into the budget as prior year arrears. So, here you had the spectacle of the Government amending the VAT legislation to give refunds to non-Bahamian companies worth billions of dollars under the guise of an unpaid bill left by a PLP administration.

This is indefensible -- an absolute disgrace.

Madam Speaker,

A team of experts at the University of The Bahamas ran various simulations of VAT models and the projected impact of each, as a part of the Bahamas Recovery and Sustainable Growth Project. In their simulations, various VAT rates were modelled, including an increase to 14% while retaining existing exemptions, as well as a 10% VAT rate with limited exemptions and not paying VAT for wealthy transshipment companies. Across the board, this 10% rate was the only rate that sustained government revenues while showing positive projections related to economic growth, employment, and income inequality. Only the 10% rate with the broad removal of zero-rated items achieved this result.

In our approach we are sensitive to the needs of the Bahamian people. For Special Economic Zones still in recovery from Hurricane Dorian, and for low-income homes with minimal electricity bills, VAT exemptions will be retained. This decision may result in minimal losses in VAT revenues, but this administration believes it is fruitless to have large bank accounts while our people are starving.

This is what we mean by “striking the right balance”.

Yes, we understand that there is a need to address the government’s fiscal situation and we are doing that. But we also have to take care of our people.

I want the Bahamian people to know that our VAT decisions are supported by data, research, and consultations with local and global experts. We considered every scenario possible, and at the end of our research and consultations, we were confident that we were making the right choice.

So those who seek to mis-characterize our decision-making, know that there are independent experts at UB, within the public service, and internationally, whose data-backed work you are likewise attempting to mis-characterize.

V. Bringing Relief to the Bahamian People

Madam Speaker,

There are those out there who want the Bahamian people to take a very narrow view of this Supplementary Budget. They feel that they have successfully muddied the waters on the benefits of what we are doing, by directing the public's focus to just a few items. Meanwhile, they are ignoring the plethora of data and research, backing everything that we do.

In recognition of this fact, my administration began crafting policies to bring immediate, targeted relief to the Bahamian people.

We have increased recurrent expenditure by \$53,291,143, with most of this increase coming in the Ministry of Public Service, whose budget has been increased by \$19,620,583 to fund pensions and gratuities for retired civil servants. We are taking care of our retirees.

We are also bringing annual incremental increases back for civil servants. These increments were put on hold by the former administration, even as they awarded handsome contracts to their well-connected friends. The result was that even if the amount paid each year was the same, annual inflation was eating into the salaries of civil servants. I will not allow that to happen under this administration. We look out for our civil servants.

The budget of the Ministry of Finance has been increased by \$31,134,550, of which \$30 million is allocated to the extension of the Unemployment Benefit Programme. Note that we are not just extending the unemployment programme until the end of the year, we are also putting in place a \$500 lump sum payment that will be sent out just in time for Christmas.

So, in this budget, we have an across-the-board decrease in VAT based on international best practices and a return to the payment of annual increments for thousands of civil servants. We have the extension of the unemployment programme and a lump sum payment of \$500 to current beneficiaries. We have an increase to pensions at every pay-out level and the payment of owed gratuities.

I challenge any objective observer to listen to this list and form an honest opinion about whether our policies represent a relief to the Bahamian people. The naysayers will try to direct your attention to a narrow list of hand-picked issues. They are choosing to ignore the abundance of great things for the Bahamian people in this Supplementary Budget.

Of course, there are certain trade-offs that had to be made for this relief budget to be made a reality. But we have done the groundwork. We have consulted widely. And we are confident that the budget before us today will empower the Bahamian people.

And if anyone opposite disagrees with that, I will direct them to ask the civil servants about their increments. Ask the government employees about the promotions that are being rolled out. Ask pensioners if they are benefitting from the increase in their pensions. Ask the unemployed about the lump sum payments and extension of benefits. They will let you know.

The net impact of this budget should be rightly viewed in its totality, considering the VAT reduction in the context of the many targeted forms of relief, as well as the many items that the reduction can be applied to. We're not talking about a list of 22 items here. We are talking about a reduction to every good and every service Bahamians pay for on a daily basis: the thousands of items in the grocery store and not just 22, like vehicles, plane tickets, utility bills, car insurance, restaurants, fast food, alcohol and the list goes on and on.

VI. Addressing the Government's Fiscal Situation

Madam Speaker,

Addressing the government's financial issues is a major priority of this Supplemental Budget.

The capital expenditure budget has been reduced by \$54,230,383. The agency with the biggest reduction is the Ministry of Health with a net reduction of \$14,000,000. What we have done is moved the \$19 million allocated for the Rand Hospital in anticipation of major works taking place in the next fiscal year. We have, in the short term, put in place \$5 million dollars for hospital repairs and maintenance.

Madam Speaker,

We have also reduced the Ministry of Finance's capital budget by \$20,969,998. The highlights of this decrease include over \$9,169,998 for IDB capital projects, \$4,000,000 for the allocation for the development of the Prospect Ridge Subdivision, and \$5,000,000 for Small Business Development.

The Minister of Transport and Housing has already put into the public domain the facts with respect to the Prospect Ridge Development so there is no need to discuss this matter further, except at some point the member for Killarney will have to explain how he came up with the price for these lots when there was no analysis done of the cost of the infrastructure. Our initial review of the project revealed that the development would cost the Bahamian people approximately 15 million dollars, and the collective price of the lots do not cover the estimated cost of the infrastructure. Perhaps Prospect Ridge was merely a distraction or a campaign ploy, without a real or sincere intention to see it through. It is difficult otherwise to understand the basic lack of analysis and cost projections.

Madam Speaker,

The Inter-American Development Bank is the country's number one development partner. It is therefore disappointing to inherit a portfolio of IDB funded projects where the achievement of the developmental objectives are severely challenged without radical action. In the case of both the Ministry of Works and the Ministry of Finance, budget allocations to support IDB funded activities have been reduced, as there is no likelihood that the expenditures could be incurred before the end of this fiscal year. The Supplementary Budget also reduces the amount of funding expected from the IDB this fiscal period.

Madam Speaker,

The reduction of the allocation for Small Business Development in the Ministry of Finance budget has been explained by the technical officers of the Ministry, but for clarity I will restate the position here. This administration is firmly committed to small business development. I remind this House that the Bahamas Development Bank, the Venture Capital Fund and the Small Business Development Centre were all established by PLP governments.

Sustainable small business development requires a supportive environment. The SBDC was designed to assist in providing just such an environment. During the pandemic, Bahamian ingenuity took hold at the SBDC and, through an army of private lenders, it was able to provide support to the small business

community. This Government is interested in seeing this model continue in a structured manner and, at the same time, not have the SBDC duplicate the Bahamas Development Bank's efforts by engaging in direct lending.

Madam Speaker,

On the revenue side, we have taken a very conservative approach. We have adopted the existing revenue estimates for the remainder of the fiscal year and boosted them by only \$92 million more than forecast. This \$92 million simply recognizes the actual revenue above forecast that was recorded in the first quarter of the fiscal year.

We have made no adjustment for the ending of the emergency orders, the reestablishment of the revenue enhancement unit or the continuation of the vaccination programme. I note, however, that all of these things are revenue positives.

Madam Speaker,

We have taken this approach because we are cognizant of the fiscal risks that we face. The \$1 billion difference in liabilities discovered upon taking office is perhaps the most visible risk but it is not the only fiscal risk before us.

We are awaiting the final report from a private sector accountant firm on this matter, but I think I should be clear on a few things. The methodology used to derive this number is the same methodology which should have been used in the pre-election report, as specified in the Fiscal Responsibility Act. Hopefully, the accountant's report will shed light on why this methodology was not used in the pre-election report.

The \$1 billion dollar figure contains liabilities that were known and immediately payable. For example, there was the underfunding of pensions and gratuities for retired civil servants, which have now been incorporated into the Supplementary Budget. It also contains debt maturities for which no refinancing arrangements have been made as of the 30th of September 2021. This would include the \$246 million loan assumed by the Government on behalf of BPL and the \$167 million Promissory Note issued by Resolve for the purchase of the distressed assets of the Bank of The Bahamas. I can, at this time, say comfortably that refinancing arrangements for those obligations have now been put in place.

Madam Speaker,

The \$1 billion figure also includes contracts for which no funding was provided for in the May Budget. This includes over \$100 million in contracts executed by the Ministry of Works for which no funding was provided.

A significant portion of the \$1 billion relates to contingent liabilities related to the Government's breach of contracts, but this is not the lion's share of the amount identified. Rather, the lion's share identified relates to obligations known to the Government that were simply ignored, in a seeming violation of the Fiscal Responsibility Act. This is an important distinction which may have escaped some who have made simplistic and disingenuous public comments about the comparison of apples and oranges.

Madam Speaker,

I would be remiss if I do not speak about the Bahamas Public Parks and Beaches Authority. In the 2021/22 fiscal year, it had an approved budget of \$15.2 million. After contingencies, its total budget was around \$28 million, an increase of 86% against budget. An increase that coincided with electioneering.

I am now told that because of new contracts issued in the months of July, August and September of this year, the projected expenditure of the Authority for this fiscal year is \$37 million. That's an increase of almost 150% against the budgeted amount and in dollars, it's an increase of 22 million dollars. I want that to sink in for a moment. I also want it to sink in that a number of these contracts were awarded to clean middle and high-end subdivisions, like Blair and Westridge, to name a few. The member for St. Barnabas will undoubtedly have a lot of explaining to do. As a result of this reckless and irresponsible behaviour by the member, as of September 30th, 2021 after only 4 months into the fiscal budget the authority had already utilised almost 60% of its budget for the entire year, with 8 months still remaining. The roadside contracts in Killarney alone had risen to almost \$400,000.

I suppose that none of this should be surprising when we remember the \$20 million on sidewalks at the height of the pandemic, when hospitals were collapsing and Bahamians were homeless and hungry. Even so, the truth of it all will be revealed, and they will be held to account for their reckless decisions, made for short-term political benefit at the expense of the country.

Madam Speaker,

I have highlighted these numbers to demonstrate that the talk of the previous administration with respect to fiscal transparency, accountability and fiscal discipline was just talk. The public purse was under constant threat during their administration. There is also the issue of IDB loans in the tens of millions of dollars which lacked a clear strategy. I will return to speak about that at another time.

Madam Speaker,

I do, however, wish to give comfort and assurance to the Bahamian public that the team in the Ministry of Finance has already begun the process to address our unfunded liabilities just as we have done in the past. This would include the creation of a sinking fund or funds to ensure that when obligations are due, we are able to pay them. It is for this reason the public will not see a line item for \$1 billion in the Supplementary Budget. But I wish to be clear that this administration does not intend to default on any of its obligations. This administration will address its financial obligations in an orderly and timely manner. We will not betray the trust of persons who have engaged in business with the Bahamian government in good faith.

Madam Speaker,

I also wish to address the talk in the public sphere about the \$2.1 million dollar decrease in the Education budget. The decrease was the result of the findings of an audit to remove all inactive persons from the payroll. Other savings were identified due to the continuation of virtual learning, with certain expenses associated with in-person learning and thus not required for a portion of this school year. To be clear, the operations of the Ministry and Department of Education were not impacted by this removal of inactive people from payroll or the reduction in expenses due to virtual learning.

The Ministry of Youth, Sports, and Culture saw a \$1.9 million dollar decrease in its budget that represented savings due to there being no Junkanoo parade this year.

The Ministry of the Environment saw a \$7.8 million dollar decrease that represents moneys transferred to the Ministry related to the Bahamas National Trust, as well as the transfer of The Bahamas Public Parks and Beaches Authority to the Ministry of Works and Utilities.

The Ministry of Disaster Preparedness, Management and Reconstruction no longer exists. I want to make it clear to the people of The Bahamas, and especially the people impacted by recent storms: we have not

cut the nation's disaster response budget. Instead, the now defunct ministry's budget has been moved to the Office of the Prime Minister where it can go towards the Bahamas Disaster Reconstruction Authority.

As you can see, many of the so-called cuts that have been pointed out are simply instances in which the government has streamlined for efficiency or reallocated funds to achieve the same objective.

Madam Speaker,

In this budget cycle, we will see the launch of the Public Debt Advisory Committee to strengthen the nation's debt strategy. We will see the re-establishment of a fully resourced Revenue Enhancement Unit with the goal of minimizing tax avoidance and fraud. We will also see the formation of the Revenue Policy Committee, comprised of our brightest fiscal and economic minds, to develop reforms related to revenue collection and policy.

Our fiscal goals remain unchanged. As our term progresses, we will unveil further reforms to strengthen the country's revenue model.

For the record, I would like to note that this debate on the Supplementary Budget will delay the tabling of the Fiscal Strategy Report. This report, which is mandated by the Fiscal Responsibility Act, will be tabled immediately after this debate and will provide the technical underpinning for our plan going forward. However, the discussion of revenue options to achieve the 25% Revenue to GDP target that is set out in the Supplementary Budget will be deferred until the Mid-Year Budget presentation.

VII. Setting the Foundation: Our New Day Agenda

Madam Speaker,

My administration's main objectives upon taking office were to provide immediate relief to the Bahamian people, wage a more effective battle against COVID-19, stimulate economic recovery, and address the government's financial woes. This Supplementary Budget lays the foundations for us to make significant gains in each of these areas. But it accomplishes so much more than that.

In order to significantly increase investments in small businesses, launch a Sovereign Wealth Fund and National Wealth Fund, improve our networking infrastructure, improve ease of doing business, upgrade

our medical infrastructure and invest in renewable energy, among other medium-term initiatives, we must successfully achieve progress on these immediate, short-term goals.

This is not to mention the long-term goals that are dependent on sustained success and growth over the course of our 5-year term.

VIII. Conclusion

Madam Speaker,

This Supplementary Budget begins the process of righting the course for a nation that has endured crisis after crisis, tragedy after tragedy. We will not remind Bahamians how “unprecedented” these times are. The people already know that. We are not interested in merely highlighting the problems. We are interested in solutions.

We are not asking the Bahamian people to grade us on a curve, just because we are governing during difficult times. Instead, we want to be judged by the results we deliver. Assess our performance based on the impact we have despite the times we are living in. That is the true test of leadership.

Our objectives remain the same as always: to deliver a more fair and equitable society with opportunities for everyone. As the Deputy Prime Minister said during the campaign, “We want to make wealth more common in the Commonwealth”. That is the vision we are striving for. And while there may be realities that place constraints on us at times, know that we are committed to getting this nation as close to that ideal as possible.

This Supplementary Budget has, within it, the promise of a Bahamas that has serviced its debt and met its long-term revenue targets. Contained within this budget is the promise of a booming post-pandemic economy and robust social outreach and healthcare initiatives that will produce a healthier, more empowered population. Within this budget are the seeds of a diversified economy filled with employment and investment opportunities for all Bahamians.

The budget before us today is a first step in that new direction.

Madam Speaker,

The basis of our mandate from the Bahamian people is contained in our ‘Blueprint For Change’, which incorporates the Economic Plan we published back in March. The Speech From The Throne contained

our formal commitment to the policies via which our New Day Administration will improve the lives of the Bahamian people, and to build a better Bahamas for the future.

We are guided by our Christian faith, and an unshakeable belief that we must always place first the lives and well-being of the people - hence this budget focuses on directly changing the lives of those in need. My faith has also taught me the importance of having a solid foundation in everything that I do. I am reminded of the line in the Christian hymn: “On Christ the solid rock I stand, all other ground is sinking sand”. With this Supplementary Budget, this administration has established a solid foundation to guide our administration over the next five years.

May God Bless all the People of The Commonwealth of The Bahamas.