



Office of
the Prime Minister



**COMMONWEALTH OF THE BAHAMAS FY2022/2023 BUDGET CONTRIBUTIONS
BUDGET 2022: THE WAY FORWARD**

**THE HONOURABLE PHILIP DAVIS, QC, MP
PRIME MINISTER & MINISTER OF FINANCE**

**WEDNESDAY 1 JUNE 2022
HOUSE OF ASSEMBLY**

1. Introduction

Madam Speaker:

The annual presentation of a budget is one of the most important acts of any government.

The budget for FY2022/2023 is a budget that values fairness, a budget that promotes recovery, and a budget that invests in progress for our people.

This is a budget that does right by the excellent people of Cat Island, Rum Cay, and San Salvador, whom I am most honoured to represent in this House, and a budget that does right by my fellow Bahamians across our islands.

This budget reflects the values and policies of our Blueprint for Change.

This budget is the best **way forward** for our nation.

Madam Speaker:

Bahamians deserve honesty about the nature and extent of the challenges and obstacles we face.

Bahamians deserve compassion and support, as families struggle to weather not one but several, overlapping crises.

Bahamians deserve opportunities to make the most of their God-given talents, and the

opportunity to thrive and to pass on a better life to their children.

Most of all, Bahamians deserve a path which leads us forward to a brighter tomorrow.

My communication one week ago laid out the substance of our budget. Today, I will share more of why we believe the choices we've made give us the best opportunity to help Bahamians today, while we build that better tomorrow.

2. A Time of Great Challenge

Madam Speaker:

The truth is, we don't face a single crisis or emergency – we face many.

Dorian is still an open wound.

It is a tragedy from which we have not recovered.

If you have any doubts, go and see for yourselves.

Visit Abaco, visit East Grand Bahama.

Every day is a living reminder.

Those who do not live on these islands may find it easy to put it out of mind.

But the reality is that the trauma has not healed.

The pain of Dorian is still very real.

Madam Speaker:

The pandemic's lockdowns and curfews left our already-hurting economy reeling.

And the war in Ukraine has disrupted energy and commodity markets, adding to supply chain woes and leading to the worst global inflation we've seen in decades.

The world's problems have washed up on our shores, reaching every family on every island.

Although we face severe fiscal constraints, we also have needs that cannot be postponed any longer.

Bahamian families need help with the skyrocketing cost of living - *now*.

Our health care system needs strengthening - *now*.

Our children didn't get the education they deserve during the pandemic; they need our attention and support - *now*.

The most important thing we can do, of course, is grow our economy. A stronger and more inclusive economy will create new jobs, lift our families up, and give the country the revenue and resources needed to make progress on our most intractable problems.

That's why I'm going to share our plans to strengthen tourism, diversify our economy,

create new opportunities, and make sure more Bahamians are included.

But first I want to say more about Hurricane Dorian, and the hurricanes that preceded Dorian, and the hurricanes still to come.

3. Leading on Climate Change

Madam Speaker:

Today marks the official start of hurricane season, and, as always, the communities impacted by Dorian are on my mind.

During Dorian, there were some Bahamians – far too many – who lost everything and everyone precious to them. In these cases, we feel acutely the limits of what we can do: We can move people into new homes. We cannot heal broken hearts.

Hurricane Dorian caused more than 3.4 billion dollars in damages and losses. *3.4 billion.*

And before Dorian in 2019, there was Irma, in 2017, and before Irma, there was Matthew, in 2016, and before Matthew, there was Joaquin, in 2015.

In the seven years since Joaquin, our country has suffered more than 4.2 billion dollars in damages and losses.

4.2 *billion* dollars, in just seven years.

I know many Bahamians are frustrated that our country is weighed down by debts that only seem to grow in size.

Each hurricane causes terrible destruction, and each hurricane leaves us deeper in debt.

And we aren't only paying for past hurricanes.

When our country borrows money, and creditors look at our ability to pay it back, they price in our climate risk and our vulnerability to future hurricanes. They know what the scientists know, which is the real

likelihood that Dorian is no longer a once-in-a-generation storm. Warming seas means hurricanes will be both more frequent and more intense.

So the money we borrow to recover after each storm is more expensive because of storms that haven't even formed yet!

Madam Speaker:

I don't know how to say it more plainly than this: this is not right.

It is not right that our small, beautiful country pays such a heavy price for the carbon emissions of the world's largest and wealthiest nations.

It is not right that our debt grows more expensive when they fail to make enough progress meeting emissions targets.

It is not right that we are caught in this terrible cycle of tragedy followed by deeper indebtedness.

It is not right that we face an existential threat from rising seas.

So what can we do about it? Well, one thing's for sure: This is not something that can be solved if we pretend it isn't happening. And this is not something that we can solve alone.

Other countries are in a similar position.

If we come together – and *only* if we come together -- we can begin to hold the world's largest carbon emitters accountable for

promises made, but not kept. We can work to create financing mechanisms and opportunities for recovery and resilience, and we can be at the table when climate policies are made.

Madam Speaker:

The future is not yet written.

The future is not yet written, and we cannot allow other people to determine our own country's destiny. We need to be in the rooms

where the most consequential decisions are being made. We need to build the relationships that make strong coalitions for change possible.

When I meet with leaders of other countries, I bring with me in my heart the Grand Bahamian I met last year, who lost three children and her husband in Dorian.

My job is to fight for her.

I bring with me all of our children, who deserve to grow up in a country that is not trapped in an endless cycle of climate-related debt.

My job is to fight for all of us.

We have only been in office eight months, but our leadership on this issue is already being recognized.

In fact, the United Nations Framework Convention on Climate Change has asked The

Bahamas to host leaders from around the region this August, to prepare for COP27, the UN climate change conference later in the year.

I am grateful for the business the regional conference will bring our country.

It will generate significant opportunities and revenue.

While they are, I'm looking forward to leading the discussions on how countries in our region can work together for the greatest impact.

Madam Speaker:

Young people have been at the forefront of climate activism.

I am so proud that next month we will be hosting the very first Bahamas Conference of Youth on Climate Change at the University of The Bahamas.

This exciting event will bring together young Bahamians with their counterparts from other countries to discuss innovative climate solutions.

This event comes on the heels of the One Young World Youth Caucus which we hosted earlier this year. They are returning to The Bahamas in July, as they've decided to hold their General Assembly here.

We will hold a contest to sponsor two Bahamian students from each island to attend.

This is addition to the two Climate Youth Ambassadors we've previously appointed.

Madam Speaker:

These people decided to come here because they see our serious commitment to leading on this issue.

When it comes to climate change, here is what is at stake for The Bahamas: our safety, our solvency, and our survival.

And as I reminded the world at COP26 in Glasgow, "Countries like [ours] are out of time."

Unless we change, unless we are supported by the carbon-emitting countries to rebuild for resilience, we will not be able to out-run the impact of climate change.

“Without change – if we are lucky – we will become refugees.

Without change – if we are unlucky – then we will be left to the mercy of future Hurricane Dorian.

People will be forced to flee – but flee to where?”

So I will never stop fighting for justice and progress on this issue. And I want Bahamians to know: we are just getting started.

In case it isn't clear by now, I don't agree with my predecessor's "Home Alone" policy, a policy of failing to show up in the international arena in a meaningful way. "Home Alone" means The Bahamas doesn't have a voice. We are stronger, Madam Speaker, when we stand together with other countries on the frontline of climate change.

And it's not just this issue where we *must* engage internationally. Whether it's high carbon emissions, highly transmissible viruses or high prices – these issues have no regard

for borders. The world's problems quickly become our own.

Let me give you another example: In multiple settings, I have been engaging very senior US authorities about the number of guns that are coming into The Bahamas. They may be sold legally there, but they are illegal here. More than 90% of the guns we confiscate can be traced back to American manufacturers and gun shops. Guns, drugs, organized crime – these are problems that require us to

advocate for increased resources and joint, coordinated action and enforcement.

When we participate, when we engage, when we build relationships, we have the ability to have an impact on policies which affect Bahamians in fundamental ways. Sometimes we need to travel to engage, and sometimes the world comes to us. For example, ahead of this month's Summit of the Americas, I recently hosted a Congressional delegation from the United States here, led by Representative Maxine Waters, the Chair of

the House of Representatives Financial Services Committee – to discuss carbon markets, digital assets, bank de-risking, and the gun problem, among other issues.

Engaging internationally isn't just about tackling shared problems and challenges together. It's also about building the kind of bridges that result in mutually beneficial new opportunities and joint action, from commerce to scholarships to the sharing of expertise.

4. Context

Madam Speaker:

I have shared some of the reasons for the deep crisis we face: more intense hurricanes, a terrible pandemic, the global inflation caused by war and supply chain disruptions – all of these have added to the volatility of today's economic landscape.

But while we may not be responsible for these external shocks, we *are* responsible for how we respond to them.

The FY 2022/2023 budget is our response – a response that balances the need to pay down our debts, the urgency of helping Bahamians now, through these tough times, and the moral and pragmatic imperative of investing in our country's growth, resilience and strength.

It's a stark contrast with the budget presented here in this place one year ago. That budget kicked the can down the road, postponing the hard decisions. It was a recipe for stagnation, not progress.

Now, I have no intention of spending too much time talking about the administration that came before ours. Bahamians are acutely aware of their shortcomings, and they have already delivered their verdict – very emphatically.

Bahamians hired us to fix the messes that were created – but also, Madam Speaker, to learn from the mistakes and the failures, so that they will not be repeated. The choices made in government *matter*. Indeed, as we constructed this budget, we were very much living with the consequences of decisions made by our predecessors.

To provide a little context for where we find ourselves as a country, consider the following:

- In 2017, a shock 60% increase in VAT to 12% slowed down our economy, as we'd warned it would;
- Lockdowns and extended nonsensical curfews during COVID hurt Bahamian businesses of all sizes;
- The ill-advised purchase of the Grand Lucayan cost Bahamian taxpayers more than \$150 million;
- The failed response to Hurricane Dorian slowed recovery in Grand Bahama and Abaco;

- Opportunities to borrow at lower interest rates were missed, making our debt more expensive;
- Poor spending decisions, like \$20 million on sidewalks, didn't invest in our future;
- And under the previous government, there were unprecedented levels of borrowing – about \$2 billion per year – without a single new school, clinic, airport, major road, hospital or housing development - to show for it. Not one house.

Madam Speaker:

I know that this recitation of recent history is painful for my colleagues opposite, as it is for all of us. I hope for their own sakes they are wise enough to sense that Bahamians are in no mood for excuses or revisionist history – certainly not from the same crew who masterminded the Oban fiasco.

Their advice on fiscal matters, too, should also be taken with a grain of salt, or, better yet, all the salt in Inagua. Their revenue projections never panned out – not once.

Nor are there many Bahamians willing to hear a single word from them about “transparency” or “accountability”.

These words were invoked repeatedly, in nearly every one of their public utterances, as if the words themselves were magic -- as if saying them enough times would somehow release the speakers from the responsibility to actually *be* transparent or accountable.

Madam Speaker:

We have conducted a number of audits and investigations, in order to give the people an accounting of how their money was spent after Dorian and during the COVID-19 State of Emergency.

As we have detailed in this House, our efforts have in too many cases been frustrated.

In addition to serious irregularities, many records and accounts are either missing, or were never kept in the first place.

Today is about looking forward, not backward
– I do not want to spend today reviewing
these issues in detail.

I will merely share a piece of advice with the
architects of those schemes, some of whom
appear to think attitude and bluster are a
replacement for clean books and sound
accounting: When you're in a hole, stop
digging.

As for their sudden discovery of the middle class and the poor, now that they are in opposition – no one has forgotten that one of the first acts of the previous administration was to give tax breaks to businesses with more than \$50 million in turnover.

When the poor complained about their taxes, like the 60% hike in VAT, nothing was done.

But when the rich wrote to complain about their taxes, the very next day their tax increase was reversed.

No one has forgotten the special deals for special insiders.

Madam Speaker:

Before the 16 September 2021 general elections, the facts disclosed to the public were as follows:

- During fiscal year 2020/21, Government net borrowing totaled \$1,743.8 million to meet budget shortfalls;
- During fiscal year 2021/22, Government net borrowing again exceeded \$1 billion and

totaled \$1,220.0 million to again meet

budgetary shortfalls;

- By the end of June 2021, the nation's debt to GDP ratio was estimated at 101 percent!

Bahamians did not wonder why the former government chose to hold a snap election, many months before the end of their term, during one of the worst COVID surges the country had seen.

They didn't wonder because Bahamians believed – and I agree – that the former

government intended to raise taxes on Bahamian families as soon as the voting was finished.

As you know, we worked hard to avoid doing that in this budget.

What is important, and what is undeniable, is that *priorities matter*, and *compassion matters*, and as we see over and over again – *competence matters*.

5. A Different Approach: The First Eight Months

Madam Speaker, we believe in facing hard problems, not running from them.

I'm going to share just a little of what we've accomplished in the first eight months, because our new budget builds on these foundations.

When we came to office eight months ago, we knew that taking a more balanced

approach to our economic and health challenges was crucial.

We lifted curfews.

We ended the Emergency Orders.

We re-opened the economy so Bahamians could get back to work.

We introduced free COVID-19 testing and distributed free medical-grade masks.

We ended the travel visa fee for Bahamians.

We paid nurses, doctors, teachers and public sector workers what they were owed.

We increased pension support for our seniors.

We reopened schools.

We started building homes right away, with the result that it was my privilege to give out keys last week to new homeowners in the Pine Crest development.

Madam Speaker:

After a long period with no new home construction by the government, affordable homes are now being built in New Providence and Abaco.

And in Grand Bahama, there is hope for the first time in a long time.

We have a world-class buyer for the Grand Lucayan Hotel.

The previous administration bought the hotel, against all advice, and started pouring millions of taxpayer money into it, even as Bahamians

across the country were suffering during the lockdowns.

Then they tried to sell to the Bahamian people a truly terrible deal – a deal for only \$50 million, a deal in which The Bahamas would have been required to spend an additional \$100 million more in cash concessions over a 12-year period.

We knew Bahamians *deserved* better – and as the Member from Exuma will tell you in more detail, we have *delivered* better – *much* better.

Our country will be receiving \$100 million for the purchase of the hotel, and the Grand Lucayan will become a sustainable, luxury resort. That's 2,000 construction jobs, Madam Speaker, and 1,000 permanent jobs, so -- along with:

- the construction of the \$200 million new cruise port,
- and a public-private partnership underway for the redevelopment of the Grand Bahama International Airport,

- and substantial progress on a new hospital–

- the future is finally looking brighter in Grand Bahama.

In fact, I want to take a moment here to tell you about COLLAB, run by our very capable Minister for Grand Bahama.

COLLAB was motivated by the recognition that the government can be much more effective when we act in concert with others who also have a stake in the recovery and development of Grand Bahama.

Meaningful partnerships lead to meaningful change, so we are partnering with the private sector, with non-profits, with churches, and with civic groups, among others.

Collaborating in a shared vision for a place we all care about – that's how we make progress.

Madam Speaker:

In the first eight months we have worked to lay down a strong foundation for change across our islands.

Sometimes this required legislation, but there are other ways to build positive change, too.

Sometimes we are most effective on behalf of Bahamians when we engage in constructive dialogue.

Here's an example – at the end of January, I had a meeting with the management of the Freeport Container Port.

During the meeting, I shared with them that the practice of hiring Bahamians as casual workers rather than employing them as permanent staff was having a large, and negative impact, for those workers.

The casual workers had no security, no benefits, no leave, no ability to enter into credit arrangements.

I want to thank Freeport Container Port, and hold them up as a model for others in Grand Bahama and others in the private sector across our country, because they came back to see me this week to say that as a result of my advocacy and our dialogue, they have made substantial progress in converting a number of casual workers to permanent workers.

When we met in January, 43% of their staff complement were casual labourers. That number has now been reduced to 25%, and they intend to reduce it further.

Madam Speaker:

These workers now have increased take-home pay, increased job security, and benefits, including access to creditable financing.

This is what socially responsible corporate leadership looks like.

This is what a positive, productive partnership between government and the private sector looks like.

This is what competent, compassionate leadership looks like.

Madam Speaker:

Economic dignity is a guiding principle for me.

Everyone matters. We all want to live lives of purpose and meaning; we all want to take care of the people we love.

No one who reflects on God's love for *all* of us could believe that the size of our dreams for

our children should depend on the size of our bank accounts.

This is why partnerships, and dialogue, and collaboration matter.

We all have a role to play in knocking down barriers so that everyone can participate meaningfully in our economy and in our civic life.

And whereas complete economic equality may be impossible, what *is* achievable, and morally compelling, is to protect for everyone the most natural equality, the right to the

greatest joys in life: the births of one's children, the companionship of a loving partner, the love of family and friends, and the lifting up of human fulfilment.

Madam Speaker:

One of our goals in this government is to move towards a tax system that is more efficient and more equitable. We have already begun ensuring that a greater share of our revenues will come from those who can afford to contribute more, with our Revenue Enhancement Unit, which is particularly

focused on increasing the yields on our real property tax.

Another example is the amendments we have tabled to the Boat Registration Act, to make it clear that foreign yacht charters are subject to VAT in this jurisdiction. This is an important step, as Bahamian-owned charter operators have to pay business licence fees, and have to charge VAT, plus immigration fees for any foreign crew members. The playing field is now level.

We are watching this sector closely. Too often, Bahamian operators are disadvantaged,

often with the tacit approval of marina operators who benefit from foreign yacht charters.

Madam Speaker:

To increase participation in our economy, we need to diversify our economy. In our first eight months in office, we have:

- Accelerated investments in the agricultural sector to improve food security and create new opportunities for Bahamians;
- Re-launched our “Sports in Paradise” initiative to diversify our tourism product;

- Passed a Merchant Shipping Bill to promote the Bahamian shipping industry;
- Created a partnership between the Bahamas Maritime Authority and the LJM Marine Academy to offer more training opportunities for Bahamians in the maritime sector, and
- Passed legislation to allow The Bahamas to be the first country in the world to trade **blue** carbon credits – meaning The Bahamas will earn revenue for protecting and restoring our mangroves and seagrasses.

I spoke earlier about the threat of climate change, and the importance of advocating for our country and other small island nations.

The injustice of climate change is that often those who emit the least are paying the highest price. (What happens in high-emissions countries doesn't stay in high-emissions countries.)

One of the reasons I made legislation for carbon credits an early priority is that conserving and restoring our seagrasses and

mangroves is a way for The Bahamas to be part of the climate change solution, in a way that has both environmental and economic benefits for our country.

The new legislation establishes a framework that allows high carbon-emitting countries to buy credits from us, compensating us for the role our country can play in removing carbon dioxide from the atmosphere.

It's not just countries – there is a voluntary carbon market in operation right now, which

allows companies to offset their emissions even beyond what is required legally. Many companies around the world have been directed by their shareholders to engage in more environmentally friendly practices. In fact, one in five of the world's 2,000 largest publicly listed companies have committed themselves to a net-zero emissions target.

It is no small thing that we will be the first in the world to trade *blue* carbon credits. This is an innovative policy that will bring in much-needed revenue, and I look forward to giving

the Bahamian people updates as we engage in this exciting new territory.

Madam Speaker:

I conclude this portion of the contribution, which because of time constraints detailed only some of the highlights of the last eight months, with the following reflection: we can be proud of what has been achieved, while simultaneously being aware that it is never enough. The last few years have had a terrible impact on Bahamian families. We

know how badly people are hurting, and how urgently they need relief and opportunities.

It with these families in mind that we constructed the FY 2022/2023 budget.

6. The Way Forward

Madam Speaker:

It is perhaps good fortune that in the past I was both a mechanic's helper and a

carpenter's helper – because in The Bahamas, a lot of things need fixing, and a lot of things need building.

We need to fix a tax system that isn't collecting enough from the people who can most afford to pay

We need to build an economy in which opportunities are more widespread, more inclusive, and more enduring.

Madam Speaker:

It is also very clear to me is that the high cost of living is truly an emergency.

The necessities of life are too expensive – for almost everyone.

In truth, the cost of living was too high even *before* the global inflation crisis. But now we're in new territory. Food prices alone have gone up 20% just since last year. The cost of *everything* keeps going up – but paychecks –

for those lucky enough to have work – are not keeping pace.

That's why the first priority of this budget was to put in place a package of measures to help Bahamians cope with inflation, including:

- Multiple reductions in import duties.
- Funding to increase enforcement of price controls.
- An increase in the minimum wage in the public sector, with incremental increases beginning next month.

- The establishment of a contributory pension plan for public officers.
- The reintroduction of RISE, a conditional cash transfer programme.
- A new Catastrophic Health Care programme.
- A substantial investment in making home ownership more accessible.
- The establishment of the Universal Service Fund, to make technology more accessible and affordable throughout our islands.

- Significant investments in agriculture, to increase the nation's food security and reduce our food import bill.
- A 10% increase in funding to NGOs.
- A 50% increase in social services assistance, compared to pre-pandemic levels.
- A salary increase for teachers, and a retention bonus for both teachers and nurses.

Madam Speaker:

In my communication last week, I praised the efforts of Bishop Walter Hanchell and Bishop Lawrence Rolle, who have provided meals throughout the pandemic, and talked about new budget allocations to support their very commendable efforts.

To my great regret, I omitted the important work of Rev. C.B. Moss, in the Bain and Grants Town community.

All three of these gentlemen have worked tirelessly throughout this crisis to feed

Bahamians, and did so until now without support from the government. Their organizations will all receive grants in this new fiscal year.

Madam Speaker:

Another issue which has arisen is our commitment to improving the salary and benefits of public officers. To the labour leaders who are seeking to conclude contractual agreements, you will find our approach very civil and constructive. Yes, there will be a back-and-forth, but that is a

part of negotiation process. In the previous four and half years prior to us coming into the office, there was no dialogue -- only confrontation. We are seeking to change that and this upcoming Budget sets the framework for this relationship change.

Madam Speaker:

The chief drivers of inflation -- global supply chain problems, the war in Ukraine, US monetary policy – cannot be addressed by the policies we make here in Nassau.

But what we *can* do is bring down the costs we do control, work to make sure those savings are passed on to consumers, put a little more money in pockets, and plan for the medium and long-term, so we reduce our vulnerability in the future to global conditions.

Let's start with the reduction of customs duties on nearly three dozen food items – the goal here is to include many of the most frequently consumed foods, like eggs, chicken parts, flour, cheese, and corn, and to make

healthier foods less expensive, too, including broccoli, carrots, spinach, cucumber, beans and cabbage.

We've included funding for new enforcement personnel at the Price Control Commission, to make sure the savings are passed on to consumers.

We have increased social assistance by 50 percent in comparison to pre-pandemic levels, and RISE, a conditional cash transfer programme, will provide additional assistance,

with requirements to participate, including ensuring that children in the household keep up with school attendance and medical check-ups.

NGOs play an important role during a time of crisis, so we want to do what we can to help their resources stretch further. Therefore, all property owned by religious organizations, trade unions, civic organizations and business societies will now be exempt from the payment of Real Property Tax. This is no

small thing – this is very substantial relief for labour unions and others.

Madam Speaker:

Health care costs are rising along with everything else, and Bahamians who suffer chronic disease are particularly impacted. We have allocated \$10 million for catastrophic health care in our budget, which means the Government can provide some assistance to long-term dialysis patients, heart patients and others facing serious medical issues.

Along with food and health care, housing also ranks as a necessity, and so as soon as we came into office, we started planning and building affordable housing. I noted earlier how gratifying it was to hand over keys to new homeowners last week, in the Pine Crest subdivision, which will include 47 new homes. The smiles on the faces of the new homeowners were about as big as smiles get. We all know that's because a house is so much more than a place to lay your head at night.

Madam Speaker:

Home ownership can help families achieve economic security, so as part of a larger plan to construct affordable housing, we recently announced a \$20 million Public Private Partnership for a mixed residential development in western New Providence called Renaissance at Carmichael.

Our budget for FY 2022/2023 also includes multiple new measures to help Bahamians looking to become homeowners.

We are expanding concessions for first time homeowners, reducing the duties on building supplies, like roofing materials, plumbing materials and electrical supplies, and increasing the level of exemption for first home buyers from \$250,000 to \$300,000. In addition, we're reducing VAT on property transfers below \$1 million for individuals.

Madam Speaker, taken together, these measures – from the reductions in food tariffs to the support for medical patients and new

homeowners – reflect how urgently we believe Bahamians deserve help to cope with higher prices.

These measures reflect our belief that it's important to help Bahamians *right now*, despite the very serious fiscal restraints we face.

None of these measures are a magic bullet. But they will help. We are moving in the right direction.

Madam Speaker:

Bahamians understand that skyrocketing prices originate outside of The Bahamas. But that isn't the end of the story.

Even as we help people during this short-term crisis, we can do more to plan for the medium and long term. In particular, there is so much we can do to increase our country's food security.

It was on Cat Island that I first saw for myself that farmers who feed their families and their communities do good, honest, important work. My grandparents were subsistence farmers who grew tomatoes, peas, white and sweet potatoes, and corn. That's where we got our grits from – grinding corn. Many Bahamians have memories of their parents and grandparents farming, especially in the Family Islands. And people who grew up in New Providence remember the mail boats coming in, loaded with homegrown produce.

In generations past, farming knowledge and expertise might have been passed down informally. But if we truly want to turn farming into a robust and dynamic sector of the economy, we need to formalize education and training. That was the initial impetus behind the creation of the Bahamas Agriculture & Marine Science Institute. We haven't come close to realizing the potential of BAMSI, but it's time to start now. Earlier this year, we passed new legislation to improve BAMSI's capacity, allowing it to create new partnerships and agreements to

expand the access and expertise available to its students.

The member from South Eleuthera is just the man to lead the way forward, and he is going to tell you about the plans in more detail today. But to preview some highlights:

We will be investing in both low-tech efforts like school gardens and greenhouses, and high-tech modernization, like: new equipment for food safety and technology laboratories; digital mapping of BAIC's land portfolio; e-

permitting for plant-based commodities, and online fisheries permitting through MyGateway.

We are also investing in infrastructure, including funding for our feed mill and abattoir. In addition, we will soon begin construction on Agritech Hubs on several Family Islands. Each will have a Produce Exchange, a Fish & Farm Store and a Food Processing Community Kitchen. These Community Kitchens will provide wonderful

opportunities for food entrepreneurs to get their start.

In addition, we are constructing a facility to host trainings that will empower farmers to improve their yields.

Our budget invests in farmers, with \$500,000 in direct support. We are also supporting farmers and fishermen indirectly, with duty-free exemptions on equipment and parts, including parts for repairs.

With chicken a main source of protein in our diet, we are promoting a Bahamian poultry industry. But we know that new production won't happen overnight, which is why in the interim we are reducing duties on poultry and eggs.

When it comes to our nation's marine resources, we are working to create an Agriculture and Fisheries Development Fund, which will provide grants and guaranteed loans to young Bahamians who want to enter this sector. We will also inaugurate a series of

fisheries training programmes in the Family Islands.

At this juncture, I would like to say a word about an announcement I made last week, which is that we are formally prohibiting the export of conch in commercial quantities.

Conch is an important part of both our culture and our economy. For years, there have been dire warnings from marine biologists about overfishing. Conch fisheries have perished in other countries; we are acting now, so that we don't meet the same fate.

Madam Speaker:

More than 90% of what we consume in our country is currently produced outside of our borders.

Our food import bill runs to *many hundreds of millions of dollars* annually.

That's a lot of money, you say. That's a lot of opportunity for Bahamian entrepreneurs, I say.

That's why it's so urgent we invest in local food production, train our farmers and fishermen, and encourage young people to launch new entrepreneurial ventures.

Yes, we *can* lower the food bill for Bahamian consumers, reduce our dependence on foreign imports, and increase opportunities for Bahamians, all at the same time.

Madam Speaker:

The potential for agriculture to go big brings me to the second priority of this budget, which focuses on growing our economy, and making sure Bahamians have the education and training they need to take advantage of new opportunities.

Let me start here with the youngest Bahamians. I said earlier that the size of your bank account should not determine the size of your dreams for your children. I believe that from the bottom of my soul. But the reality is, the COVID pandemic has been really hard on

our children. Instead of learning and playing at school, they spent more than two years at home – and very often, in homes experiencing all of the stress that goes along with a parent losing a job. We can't give them back these missing years, but we can do more to support them. We have allocated funding to conduct individual assessments and create individualized educational plans. We are going to work with teachers, guidance counselors and community partners, and we are going to let our children know that they are what matters most. They deserve first and second

and third chances, and they deserve to know that we're on their side.

The member for Englerston feels as fiercely as I do about our Bahamian children, so I know their education is in good hands.

Madam Speaker:

The Blueprint for Change we shared with the Bahamian people before the election focused extensively on the economy, because

strengthening the economy is central to our nation's progress.

Our beautiful country, people and culture are like no other, so tourism remains our number one industry.

We have moved quickly and aggressively to help tourism recover and expand.

We are increasing room capacity, and the coming months will feature the reopening of both the Hilton and Club Med in San Salvador.

The Grand Lucayan will undergo a \$300 million renovation by its new buyer, turning it into a sustainable, luxury resort.

We are signing up new high-profile sports and entertainment events, improving airlift, encouraging vacation rentals, and reaching out to new markets to attract visitors.

In March, we announced a public-private partnership programme to design, build,

finance, and operate several airports throughout the country.

We have also adjusted the current regime so that Bahamians in the Family Islands investing in short term rental property in The Bahamas can not only purchase building material duty free, but get furniture and appliances duty free as well.

To complement this effort, we will work with the Board of the Bahamas Development Bank

to develop a loan programme for short term rental property development.

In addition, we have committed \$50 million a year to working with Bahamian small businesses, who can be an important driver for our economic recovery.

Madam Speaker:

I might need to wear nice suits these days, but I'll always be a Cat Island boy at heart.

One of the innovations that I'm most excited about is the creation of a Family Island Development Trust Fund, a sub-fund of the National Infrastructure Fund. We have allocated 10% of overall revenue collected in the Family Islands, from property tax and road traffic fees, for this fund. The \$200 million will aid our efforts to make immediate and significant improvements to Family Island infrastructure.

We also propose to leverage aviation-related revenue to create a fund for aviation infrastructure, which – combined with the Family Island Development Trust – will accelerate the reconstruction of Family Island airports.

Madam Speaker:

This will be a game-changer for the Family Islands.

No longer will Family Island infrastructure improvements take a back seat to infrastructure improvements in New Providence.

Tax revenue that is generated in the Family Islands can now be used to fund improvements there.

This would not be a Fund exclusively controlled by the Central Government, although the Ministers of Finance, Works and Local Government would oversee the Fund

supported by the appropriate technical officers. Local Government Districts will be invited to submit proposals for funding consideration and the Fund will also provide funding to assist with the preparation of proper engineering and feasibility studies to ensure that the investments represent proper value for money.

In our Medium-Term Fiscal Framework, we announced our commitment to increasing the level of capital investment on an annual basis, as we firmly believe that the lack of

investment in infrastructure is a critical hindrance to achieving robust growth.

The legislative framework to accommodate the Family Island Infrastructure Fund already exists in the Sovereign Fund Act. Later this year, we will select a financial advisor to lead the first round of fund raising for the Fund.

These funds will be used for building or maintaining infrastructure in the Family Islands, including roads, seawalls, landfill sites, and any public infrastructure critical to development. The Fund will also be a source

of funding to Local Government districts,
allowing them to purchase the capital
equipment needed to ensure that the
infrastructure is properly maintained.

Madam Speaker:

We have approved over \$2 billion in new
investments in just the last eight months.

That's a lot of new opportunities and revenue
coming our way.

But I want to emphasize that we have a new way of doing business.

First, it is important to us to attract major, top-quality investments in the Family Islands, as opposed to more Nassau-centric efforts in the past.

Second, we are working hard to make sure new investments have a positive and meaningful impact on the community in which they're located.

We're looking at past agreements, too, and a new compliance unit within the Bahamas Investment Authority will ensure that promises made to local communities will be promises kept. This is not an adversarial process; we are just committed to making sure that promises made to Bahamians on paper actually materialize in our communities as real and tangible benefits.

In the past, concessions offered to investors have sometimes exceeded the economic

benefits of the investment to the country. No more will this be the case.

When we evaluate new investments, we are also paying attention not just to direct employment but to spin-off opportunities for Bahamian entrepreneurs.

We're also seeking compliance with transfer-of-knowledge programmes, which are designed to ensure Bahamians are trained to hold skilled labour positions currently held by foreigners.

Beyond tourism, in investments we are seeing significant interest from FinTech and from industries who are eyeing the potential of Grand Bahama to become an industrial hub.

Madam Speaker:

In April, my government introduced a policy white paper that laid out a vision and a framework for establishing The Bahamas as a hub for digital assets.

Digital assets, made possible by blockchain technology, are rapidly transforming the world's financial infrastructure.

We believe we can leverage our experience and expertise in financial services, and our thoughtful and transparent regulatory regime, to encourage digital assets companies to locate here.

We have already had significant success in this regard.

This is a very exciting new industry. You will recall that at the dawn of the Internet, there was a proliferation of new companies, some of whom went on to become tech giants, and some of whom failed or faded. It is not so different in the world of cryptocurrency.

There will be crypto successes and crypto failures. This is a field with a lot of innovation and experimentation – that’s what makes it so exciting.

Our policy framework allows us to:

- attract legitimate companies who will operate in the best interests of investors and customers,
- keep out the bad actors, and
- provide educational and training pathways for Bahamians who want to participate in this new field.

We will promote collaboration between the University of The Bahamas, the private sector, and the regulators, to develop both certificate and degree-level courses in this new, 21st century industry.

Madam Speaker:

It's long past time to realize the potential of our Orange, Blue and Green economies.

A new Bahamian School of Visual, Performing and Recording Arts will unleash Bahamian creative skills, help us attract world-class cultural events, and highlight our extraordinary talent.

We are attracting major sporting events to The Bahamas through our Sports in Paradise initiative – the Babe Ruth Caribbean Championships, CARIFTA Track and Field Championships, the World Athletics Relays, North America Central America and the Caribbean Track and Field Championships – all will be hosted here.

We are funding the Elite Athletes Programme to increase support for Bahamian athletes and sporting programs.

A new partnership between the Bahamas Maritime Authority and the LJM Marine Academy, will offer more training opportunities for Bahamians in the maritime sector.

The Merchant Shipping Act had not been overhauled since 1999; we rectified that with an upgraded Merchant Shipping Bill that modernizes our legislative framework and ensures our shipping industry can be competitive, grow and develop.

I spoke earlier about carbon credits; protecting and conserving our seagrasses and mangroves will generate new opportunities as well, and we expect to see many young Bahamians choose to focus their studies and training in the marine and climate change fields.

Madam Speaker:

There is also enormous potential for clean-tech ventures in renewable energy.

We have allocated funding to reduce the Government's carbon footprint through the installation of renewable energy systems throughout the Family Islands, and increased the number of electric vehicles in the Government's fleet.

The immediate focus is the development of resilient solar PV installations in The Bahamas.

Resilient PV is solar energy that is coupled with technology that allows it to provide power even during grid outages.

We have begun our assessment of energy systems in Inagua, Mayaguana, Acklins, Crooked Island and Long Cay.

Public buildings there and in Andros will test out pilot installations of Solar Photovoltaic Systems.

We have eliminated import duties on lithium ion and lithium phosphate batteries, the batteries predominantly used for renewable

energy. We have also simplified the process for bringing in renewable energy parts.

Madam Speaker:

Our decision to lower the duty on electric cars received a great reception. A valid question was raised with respect to the duty rates of electric vehicle chargers. They were not in the first list of duty exemptions, but we have made the adjustment and they are now included at a rate of 5%.

We are serious about reducing our own carbon emissions, which is why we're on a path to switching from heavier fuel to cleaner, less expensive LNG. Gas is the cleanest of the fossil fuels, so we intend to join the many countries who view LNG as a bridge to a renewable future.

And as I announced yesterday, Bahamas Power & Light will provide 60MW of its power from a solar field by early next year.

Our country is finally making progress on our goal of achieving 30 percent reliance on renewables by 2030.

Madam Speaker:

Permit me to address the issue of imposing business licence fees on domestic financial services operators. There has been a suggestion that doing so violates some agreements with the OECD. This is not the case. The concern arises in respect to the principle called ring-fencing. This is where preferential tax rates are given to foreigners.

The financial service industry to attract these businesses to The Bahamas, although the taxable activity is outside of the country.

In our case, we are imposing a business licence tax on entities which do business within The Bahamas, with Bahamian citizens and residents. The mind, management, and physical presence of these entities are in The Bahamas. And we are ensuring that entities which are licensed to do business in the country pay the business license.

Madam Speaker,

I would like to remind the House that we entered office eight months ago we met in place a regime required financial service institution to charge VAT to non-resident clients. This feature of the VT Act if allowed to remain enforce would have destroyed the financial sector as we know it. We immediately amended the Act to protect the financial sector so it would be absurd to believe that we would knowingly do anything to negatively impact the sector.

Madam Speaker:

I want to talk about the third priority that runs through the FY 2022/2023 budget: security.

With smart investments and innovative programmes, we are seeking to increase security for Bahamians: in our homes, in our communities, and at our borders.

We are also seeking health “security” – in a world where the next COVID variant is always around the corner, we need the best protections from infectious diseases that an open economy can provide, and a stronger health care system so that Bahamians can receive quality medical care, when it comes to this disease or any other. Promoting health security includes ongoing vaccination campaigns, a new wellness programme, the Catastrophic Care fund I spoke about earlier, funding for a new hospital in Freeport, funding for repairs and renovations to clinics

throughout our islands, and more. We also have allocated \$500,000 for a new woman's centre, which will help women coping with problems from violence to unemployment.

And finally, we include strengthening our resilience to hurricanes and adverse weather events, via smart investments in our infrastructure, planning and expertise, as a matter of national security as well.

In that regard, we have already made progress with new Building Code standards

designed for an era of climate change and adverse weather events.

(Renewal of the CRIF; funding for MOW and NEMA for disaster preparedness)

The Government has made a decision to renew the CRIF policy on the basis that risk components will be reassessed.

Madam Speaker:

Our budget makes significant investments in the three core national security agencies, namely the Department of Corrections, the Royal Bahamas Police Force, and the Royal Bahamas Defence Force.

We have allocated \$6 million to fund the purchase of new vessels for the Defence Force.

We have increased our capital allocation for our police, so that the CCTV and Spot Shotter are fully funded.

We have added funding so that we can recruit more police officers. Over the last four years, the force was not able to sustain recruitment levels to replace retiring officers, with the result that the force is now short some 900 officers. The Minister of National Security is emphasizing training opportunities, and will diversify staff, employ university graduates, and aggressively recruit officers until the force is at full strength.

We've also added a substantial funding increase for Urban Renewal, to expand that programme's presence and outreach in our communities.

Madam Speaker:

Right now, we do little to rehabilitate prisoners in The Bahamas. Instead, we introduce them to violent prison life, do little to increase their skills, and then express surprise when so many who are released go on to commit further crimes. This is

dangerous, this is short-sighted, and this is wrong. We will use a public-private partnership vehicle to invest in the construction of a new prison complex, one which will offer more humane conditions and, for the first time, real opportunities for rehabilitation. It is just simple common sense that this will make all of us safer: reducing recidivism increases public safety.

7. Fiscal Health

Madam Speaker:

As I stand here in this Honourable House, I must confess, I am amazed at the difference that a single year can make for a country.

One year ago, I said that the former government's budget presented a recipe for paralysis, not progress.

It is true, of course, that COVID presented enormous fiscal challenges to countries across the globe. But other countries used the interruption to innovate. For example,

Jamaica improved their exports via trading on Amazon's platform. Barbados launched its extended stay programme to improve revenue. It was not *inevitable* that we would stagnate so completely.

But we're making up for lost time now.

Last week's Budget Communication was welcome news to Bahamians, investors and creditors. It laid out a bold and ambitious plan for the next fiscal year. The accompanying legislation provided the

Government with meaningful tools to accomplish this fiscal year's plan.

In my Communication, I advised of an amendment to the Public Finance Management Act to ensure that all arrears collected go into the sinking fund to pay off debt; and I advised of an amendment to the Real Property Tax Act to simplify our collections effort. The total arrears for Real Property Tax alone are about \$800 million or roughly 15% of GDP. We have dedicated this entire amount to pay down debt, along with

other tax arrears including VAT, business licence, Customs duties or even Immigration Fees.

Madam Speaker:

This is a very aggressive strategy to manage our debt.

The FY2022/23 budget includes and assumes increases in revenue collections, particularly associated with improvements in VAT collections at the Department of Inland Revenue, or DIR. As I have previously

articulated in this House, there are many administrative challenges facing this agency, including limited staffing, lack of legislative certainty, lack of a career path for staff, and poor compensation. This budget seeks to address many of these challenges.

In this budget, the department is provided with a budgetary increase of \$1.5 million, largely attributed to increased salaries to allow for the recruitment and hiring of qualified staff to execute on the agency's mandate. We are already drafting legislation

to institutionalize the DIR and provide it with improved legal authority to execute its mandate of revenue collection. This, along with the reconstitution of a properly staffed Revenue Enhancement Unit, is designed to yield significant improvements in revenue.

Madam Speaker:

As I reiterated in my Communication last week, upon coming into office, this administration appointed a private sector debt advisory committee. The committee is

charged with providing prudent advice to the Government on its debt management strategy. We have already seen the results, with the recent repo transaction at interest rates far below rates posted by the prior administration. A reduction in interest on borrowing from 8.95 percent to 2.4 percent in my view is indeed an important achievement.

Over the medium and long term, our debt management strategy also includes increased use of carbon credits, and green and blue financing to continually reduce interest rates.

Madam Speaker:

Many people expected us to raise taxes on ordinary Bahamians in this budget. But we could not ask the poor or the middle class to pay more at a time when the cost of living is making daily life such a struggle, and when our economy is still getting back on its feet. We took a different path: We are going to manage our debt more wisely, we are collecting taxes owed, and we have an aggressive growth strategy.

8. Conclusion

Madam Speaker:

We are approaching our 50th year of independence. In honour of the courage and vision of our founding fathers and mothers, we are acting now to renew our country's promise.

Madam Speaker, I draw my strength from the great people of this country.

We are charting a course forward to progress.

We are governing not from fear but from faith, a faith borne out of confidence in our people.

We have taken steps to protect and lift up the poor, and steps to strengthen and grow our middle class.

I want to close by reassuring the Bahamian people that I see the challenges you face. I

know how hard it is right now. I'm not here to defend the status quo; I'm here to change it.

Together, we are walking a path of purpose.

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