



Office of  
**the Prime Minister**

**Communication to Parliament on Quarter 1 of The Fiscal Year 2022/2023**

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**Hon. Philip E Davis**  
**Prime Minister and Minister of Finance**  
**Commonwealth of The Bahamas**

**16 NOVEMBER 2022**

Madam Speaker:

A few days ago, the Ministry of Finance released its Budget Performance Report for the First Quarter of the Fiscal Year 2022-2023.

The report was produced as required under the Public Financial Management Act, 2021, and supports the Government's commitment to transparency and accountability in Government finances.

Madam Speaker:

Total Revenues collected during the period amounted to \$654.3 million, which is \$57.8 million larger than in the previous the year.

Total Recurrent Expenditure contracted or reduced by \$47.8 million, to close at \$620.6 million.

And Capital Expenditure contracted by \$10.2 million, to total \$54.2 million.

This has resulted in a first quarter deficit for 2022/2023 of \$20.6 million

Madam Speaker:

This deficit of \$20.6 million is the lowest first quarter deficit in more than 10 years! I'll say that again: this is the lowest first quarter deficit in more than 10 years!

A New Day has dawned in our Bahamas!

Madam Speaker:

We have been able to achieve this by holding fast to our commitment to fiscal prudence, and implementing sound policies to stimulate the economy and generate revenue.

We implemented the Economic Plan which was the bedrock of the decisive mandate upon which we were elected.

The Bahamian tourism sector continued to rebound, with, first quarter domestic economic activity rising to pre-COVID/pre-Hurricane Dorian levels.

Year on year, the number of total stopover visitors remains strong as the Covid-19 Emergency Orders were lifted, and Covid-19 protocols eased.

Many developments in the Family Islands were also continued.

The House will recall that before September 2021, there was no end in sight as to when normal constitutional government would return. Businesses and households were unable to plan with certainty, as the country was subject to the capricious rule of one man. This had a strongly dampening effect on the economy.

The fiscal position was dire, so bad in fact that it prompted the previous administration to call an election some 8 months early.

All signs pointed to the fact that they were preparing to announce punishing tax rises, potentially having to call in the IMF to rescue the economy.

Had we maintained the course of their plans to tax and cut, the economy would have been in disarray; or, as the Member for Killarney previously described their administration's performance, the economy would have been in a wheelchair

Madam Speaker:

Despite the continued impacts of the global cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all dampening global projections for 2022, growth in The Bahamas is estimated to remain positive at 3.2 percent, according to recent IMF publications.

As mentioned, revenue collection for the first quarter of the Fiscal Year 2022-2023 are estimated at \$654.3 million, surpassing prior year's collections by \$57.8 million (9.7 percent).

Of this \$57.8 million, revenue from Value Added Tax accounted for a significant portion, namely \$35.4 million.

We have made the point many times, and now the results prove what we have been saying: by reducing the VAT rate from 12% to 10% in January, revenues collected increased, because people had more money in their pockets to spend, and each time they spend, VAT revenue improves.

We would have thought that the simple logic of how VAT works had already been demonstrated back in 2018, when the previous administration imposed a sudden hike of 60% increase in the VAT rate. This put an immediate brake on economic growth, and VAT revenues increased only marginally.

Madam Speaker:

The contractions in Recurrent and Capital Expenditure are, as mentioned, the result of prudent fiscal management by the government.

While the historically low deficit we have achieved is great cause for celebration, I say to the Bahamian people as I have already said to members of my Cabinet: we are not as yet out of the woods.

We have to remain prudent and disciplined.

While the economy is now heading in the right direction, we must not lower our guard. World events remain unstable, and we have to remain vigilant in case there are other unforeseen, future shocks to the global economy.

Madam Speaker:

I wish to draw attention to one area of expenditure which excites a lot of commentary from those who oppose us, and that is the area of travel.

I accept that emotions must run high for them, as they see our administration move The Bahamas to a stronger position of influence in the world.

I understand the feelings of regret that their voices and views were not canvassed by international bodies, in the way that our presence is sought.

But I do hope that they understand in turn, that when we travel, we do so for the good of The Bahamas and the betterment of the Bahamian people.

They should also appreciate that a significant portion of the travel spend includes the cost of technical officers travel for training, capacity building and development.

Expenditure includes the cost of travel to Family Islands for public servants, to ensure equal access to Government services around the archipelago.

The first quarter expenditure on travel is around 28% of the travel budget, marginally above the 25% level of the amount budgeted for the year. This is not remarkable. Some quarters will be a little higher, others a little lower. But by year's end, it should be within budget.

In my budget communication earlier in the year, I highlighted the difference between money spent on investment, and money which is expenditure. Fundamentally and ultimately, the test is whether we can show a return on that investment.

Madam Speaker:

Permit me to demonstrate what travel has yielded just in the past week.

In September, I was invited by the New York Times Newspaper to participate in a panel in New York. The other two participants were the Head of the IMF and the Head of the World Bank. That conversation sparked widespread global discussion, and is credited with a shift in the position of the World Bank.

This panel was followed by a face-to-face meeting in Egypt at the start of COP27, between myself and the Head of the IMF.

I understand from the Egyptian protocol team that they were amazed and impressed, that other countries who met with the IMF had to attend their premises.

In this instance, the Head of the IMF came to us.

As you may have seen previously reported, the conversation led to a ground-breaking agreement in principle for the IMF to partner with The Bahamas, to develop our blue carbon market sector, and to explore swapping debt for carbon credits.

This has never happened before, and The Bahamas is set to be at the forefront of this innovation.

Madam Speaker:

This is the difference between our approach and what went before.

We didn't go to the IMF begging for a loan - they came to us to discuss a partnership!

You don't get this kind of agreement by sitting on a zoom call.

You don't get this kind of agreement by just sitting at home with your fingers crossed.

You need to build a relationship.

You need to be able to look each other in the eye and know that you can work together to achieve great things.

You need to build trust, and credibility and understanding - something that was previously lacking.

Last week's travel also yielded a Memorandum of Understanding with the African Exim Bank, which was signed this morning.

Again: these opportunities do not arise from sitting at home, hoping that some kind of magic will happen.

You have to get up, get out, and work the hardest you possibly can in the best interests of the Bahamian people.

That is what we are doing, and that is what we will continue to do.

And I make no apology for it!

Madam Speaker:

A few minutes ago, I spoke of the need to continue to be disciplined and prudent in the management of public finances.

In relation to travel for public officials, we have recently learned of two instances where travel was conducted for political purposes rather than official business.

Although there has been the long-standing practice across several administrations of reimbursing such expenditure, I have instructed a tightening of this practice, so as to avoid even the appearance of impropriety.

In the two cases I have mentioned, the sums of money involved were very small, but it is the principle itself which I think important to uphold.

Madam Speaker:

We will continue to hold ourselves to be transparent and accountable, and will hold others in public life to the same standard.

This Report into the fiscal performance for the First Quarter of the Budget Year 2022-2023 is part of that commitment.

And this Report will be remembered as a significant period, an historic time when the quarterly deficit was reduced to lowest it had been for at least a decade.

I am grateful to the Bahamian people for their partnership in this effort.

And I congratulate the officials in the Ministry of Finance and throughout the public service who continue to contribute to the prudent fiscal management of the public finances.

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