



**2015 BUDGET COMMUNICATION**

**BY**

**THE HON. C.V. HOPE STRACHAN, MP**

**MINISTER OF FINANCIAL SERVICES**

**HOUSE OF ASSEMBLY**

**WEDNESDAY, 3<sup>RD</sup> JUNE, 2015**

**Mr Speaker,**

**I am Truly Thankful to God for his many gifts and Blessings towards me. Once again I have the privilege of being a part of a national budget debate. This is no small feat and it is for me a humbling experience. This is particularly so in light of this present budget. Mr. Speaker, this is a people's budget. This is a budget of hope. A budget that not only addresses the macro economic needs of the people and the country but addresses so many of the fine details, the everyday issues that matter to the ordinary citizen.**

**Mr. Speaker, many of those ordinary folk live in the constituency of Seabreeze that I have the honour and privilege to represent.**

**Mr. Speaker, I can't thank those fine folks enough. Although many times the going is rough, things are tough, but I still say "Thanks" to the people of Seabreeze.**

**Mr. Speaker, my thanks translated in this last fiscal period into several change making initiatives.**

- **Like our recent Mother's Day give away where me and my team went from door to door with cards and gifts to show our love and appreciation to the mothers of the constituency. We were well received and I was reminded of how sometimes the little things you do matter to people.**
- **Mr. Speaker there were numerous clean up missions conducted in Seabreeze constituency as we strive to keep our community clean and in a condition that bespeaks a people that are striving for excellence. Many derelict vehicles have been removed for the Seabreeze Lane, Joe Farrington Road area and we are continuing to work with Ministry of The Environment and Urban Renewal to rid our**

**community of these unsightly, dangerous health hazards from around the constituency.**

- **Sidewalks have been built in several areas of the constituency including Golf Course Boulevard.**
- **Mr. Speaker, in September last year we had our usual back to school giveaway of back packs, books and school supplies.**
- **In April around Easter time we had our Third annual Fun Run Walk, souse out, Easter Egg Hunt and raffle drawing. The event was well attended and fun was had by all.**
- **We donated from our constituency allowance the sum of Six Thousand Dollars (\$6,000) for donation to The Sadie Curtis Primary School for the purchase of laptop computers. This was a joint effort of parliamentarians and The Ministry of Education.**
- **On Teachers Appreciation day I was honoured to read to the kindergarten class at Sadie Curtis where we read about farm animals and our colors.**
- **Mr. Speaker, under the Urban Renewal Program and The small Home Repair Program much needed repairs were made to several homes in The Seabreeze Constituency. This small home repair program has been a “shelter in the time of storm” for many folks whose homes were badly in need of repair but they could not afford to repair themselves. Mr. Speaker the program has been vilified in the press and in this house by those opposite. Much of the good of the program has been lost in the fray. However Mr. Speaker, I know that the people who were the beneficiaries of this program appreciate this very small gesture of caring by this PLP government. This government does believe in Bahamians and this was just one way that we have demonstrated this.**

- **We have refurbished the benches and play equipment on The Edward Charles Carter Park and we will continue to upgrade that and the other parks in the constituency in this coming fiscal period.**

**Mr. Speaker, as we embark on the lazy hazy days of summer we are cognizant of the need to assist our parents in keeping our children off the streets and safe as possible. Again this year we in Seabreeze will be joining the South Eastern Division Police in their dynamic Summer School Program. Parents of the constituency are asked to ensure that if they have an interest they should contact the Constituency Office at 392-4674 where they can pick up the requisite application form for completion. The program is for children between the ages of 5 and 16. The criteria is that you must reside in the Seabreeze Constituency. We intend also to be a part of the Legends Basketball competition and to regain the trophy from our 2012 days of past glory.**

**Mr. Speaker, I have been appointed to this post as Minister for Financial Services for some 6 months now. More recently I was also given responsibility for Local Government. It has been an interesting time, there is no doubt about it.**

**Mr Speaker,**  
**The Ministry of Financial Services has portfolio responsibility for the promotion of the Financial Services Sector, International Trade, Manufacturing under the Industries Encouragement, the Standards Bureau, the development of an International Commercial Arbitration Centre in The Bahamas, and more recently Local Government. There is much work to be done in this ministry. It is the second pillar of our economy. The responsibility rests with us to ensure the continued growth and sustainability of the Financial Services Sector. This involves keeping abreast of current trends, providing cutting edge legislation, innovation and creativity in product provision, having a**

**focused strategic promotional program, and educating, nurturing, training and keeping a cadre of dedicated professionals to service the industry.**

**We at The Ministry of Financial Services congratulate this PLP government on its disciplined approach to governance which has yielded so many rewards for the Bahamian people. I heard the members opposite call this a no hope budget. Mr. Speaker anyone who fails to see the hope in bringing down this country's borrowings by 2/3rds in the 3 years since we were in office does not want to see. As the song goes there is none so blind as he who would not see! Mr. Speaker if we had continued on the trend of the FNM during their term in office this country would have been ruined by now. Mr. Speaker anyone who cannot see hope for our country in the fact that we have been able to raise the levels of revenue to facilitate the government looking after the people's business is beyond disingenuous. More importantly Mr. Speaker anyone who fails to see the hope and help for the Bahamian people in the tax breaks on real property tax, food imports, car imports and the like is just plain intellectually dishonest.**

**Mr. Speaker,**

**Not only do I see hope in this budget I see some other things:**

**I see a Safer Bahamas –Why because Mr. Speaker I see our continuation of our efforts to reach the hearts and minds of our people by our urban renewal our reach programs, through our social intervention programs like “Shock Treatment” and “Give Every boy a Father” program and through our social services programs like the credit card payment system introduced by The Minister of Social Services and the conditional cash transfer system about to be launched. This Social Services Ministry has singlehandedly through these programs helped to preserve the pride and dignity of many of our citizens who have fallen on hard luck. Mr. Speaker I don't know about you but I believe that a safer Bahamas makes for a stronger Bahamas.**

**Mr. Speaker, The work done by this government in attracting foreign direct investment is evidenced by the many projects that are ongoing or set to begin on our family islands and even here in Nassau. Each one of these projects has the potential to create direct employment through on property jobs but they also have the potential for spin off jobs, spin off industries, creativity and innovation. In fact they have the potential to create a whole new generation of entrepreneurs who would be able to stand head to head with their foreign counterparts as we move forward in the future to continue with the sustainable development of our archipelago. Mr, Speaker a more prosperous Bahamas is on the horizon for our people. These are exciting times. I want to urge our young men and women who are caught up in this cycle of violence to stop and take stock of themselves and of their lives and the hopes dreams and aspirations of their children and other family members. The gift of life is precious and should be cherished. Gear up to take advantage of the opportunities you are being afforded through these projects. They provide hope and signal prosperity. Mr. Speaker even with my glasses off I see a Prosperous Bahamas.**

**Mr. Speaker,**

**The world that we exist in today requires certain things of us if we are going to survive and be able to compete with the world. This government has made great strides in modernising our Bahamas. VAT is more than a 7.5% tax on consumer goods. It is a modern taxation system that allows the government to be more efficient in its collection of taxes, which allows more reliable credible forecasting of the economy. The social service debit card is a modernisation of an old inefficient costly unwieldy social system. Social Service workers were buckling under the weight. The contract signed by Ministry of Transport and Aviation for the automation of the road traffic Department will allow a more efficient collection of the government's revenue and help to decrease the incidents of car theft and vehicle licensing infractions that plague the paper dominated department. The**

millions and millions of Dollars spent on The RBDF ships provides and more efficient, reliable and modern equipment for the protection of our borders, a contract signed for our first recycling plant here in the Bahamas puts us in a position to enhance our image as a nation that is cognizant of the need to preserve our environment. The list goes. The Ministry of Financial Services too has contributed in no small way to creating a modern Bahamas that future generations will be proud to claim. Our recently established Bahamas Bureau of Standards and Quality is one of the necessary pillars of the creation of a nation that can stand with the best. I will go into more details about the Bureau later in my contribution.

**Mr. Speaker,**

Unemployment remains high in the country. It seems that as fast as we add jobs to the economy we lose twice as many. It's a catch twenty two situation. The fact is we are always trying to catch up. An unemployment rate of 15% is too high in anyone's estimation. 31 – 35% among youth is even more alarming. Our country is truly experiencing the adverse effects of this dilemma. There is a critical need to address this problem and I am elated that some \$20 Million Dollars is being provided in this budget to create jobs and opportunities for the youth of this nation.

**Mr. Speaker** while we are not alone in our dilemma this provides no comfort.

The Global Economic Crisis has crippled many economies causing them to buckle under the pressures of High Unemployment, Inflation and Currency Devaluation. We know all too well that our local and international banking sector has declined trending downward in employment and in the number of licensees. The threats by corresponding banks to withdraw their services from several local financial institutions create challenges for which workable solutions must be found. The closure of Branches of Bank of Nova Scotia in the family islands no doubt creates a very serious dilemma for people and businesses of the affected islands. I believe that this is a lesson for us

of the need to vary, diversify and most of all fortify our banking sector by the provision of more banking licenses where qualifications exist. However in the midst of this the Bahamas Financial Services Industry maintained its position as a safe, reliable, compliant and confidential jurisdiction within which to do business. This puts us in the best position to regain our losses and/or to attract new business to our shores.

Interestingly enough The Bahamas has been able to show growth in the Average Annual Salaries' within the sector of .03% from 2011 to 2012 and .029% from 2012 to 2013. The Average Annual Salaries including bonuses over the years 2011 to 2013 shows a steadying of Average Salaries of some \$88,000 per Annum. This augers well for the sustainability of the middle class, and helps to minimise the brain drain of highly, educated, skilled Bahamians from our shores. A **STRONGER BAHAMAS** means all hands are needed on deck!

### **Financial Services**

#### ***New Leadership***

**Mr. Speaker,**

The Ministry of Financial Services did not exist under the FNM administration. On coming to office in 2012 this government immediately moved to re-establish it from its past days between 2002 to 2007. New premises were found and staffing requirements for this highly specialised area were found. In order for my Ministry to effectively address its portfolio responsibilities, it is imperative that the Ministry be adequately staffed with technical officers of the highest caliber. As a result of resignations and redeployments the Ministry has been stripped of many of its technical staff over the first Two (2) years of its existence. On assuming my new responsibilities I immediately took steps to increase the staff complement of the Ministry in delivering on its key mandates. Staff has been appointed



for the Standards Bureau (start-up staffing); the trade unit and the Financial Services Unit (replacement staff).

The staffing imperative was as follows:

- ❖ to build a team to analyze the international competitive landscape.
- ❖ to build a team capable of developing initiatives to strengthen the local financial services community.
- ❖ to build a team to market The Bahamas brand as a full international financial services center, where conducting business is a seamless process.
- ❖ To build a team with a view to finding and exploring new niche markets.
- ❖ To create products that are culturally acceptable to foreign markets.
- ❖ To anticipate market trends and changes in regulations to ensure appropriate action is taken to protect the industry.
- ❖ To ensure legislation is responsiveness, modern and cutting edge.
- ❖ To create an environment that minimizes the risks to job security of for industry partners and stakeholders.
- ❖ To attract High net worth and ultra High net worth individuals to our shores.

### ***Human Capital Resource Development***

**Mr. Speaker,**

The issue of training and human development is an essential pillar of my Ministry. My plan for the Ministry, Mr. Speaker, includes a vision for the long term betterment of the people employed in financial services. In this regard my Ministry will focus on human development

**and mechanisms to improve productivity in the financial services sector. My hope is that through education, training and development – financial services will not only be a source of high paying jobs and career development; but also a source of entrepreneurial activity for Bahamian professionals.**

**Mr. Speaker,**

**Recognising the importance of partnership my Ministry is working with Industry Private Sector Participants, Financial Services Regulators, The Bahamas Financial Services Board and other relevant stakeholders to chart a course that will continue to promote and develop Financial Services in the Bahamas.**

***The Push of our Brand***

**Mr. Speaker,**

**It is the intent of my Ministry to continue to etch The Bahamas at the forefront of the minds of investors, wealth managers, private client advisors, and other financial services professionals and institutions as they consider international centers in which to do business.**

**Mr. Speaker,**

**The Bahamas has a competitive model as an international financial services centre that cannot be easily duplicated. Our people are our best resources. We have some of the most qualified professionals in financial services and associations second to none, like BACO (The Bahamas Association of Compliance Officers) who are the model to follow in the region and I dare say, the world. They are the gatekeepers of the financial services sector, and they have proven how important it is for government, private sector and professional organizations to work together for the greater good. As a sovereign nation in a centre that offers a full range of services in the areas of banks, trusts, funds, wealth management, Insurance, ship registry,**

**second homes, yacht and aircraft services and arbitration services with the full support of government. This is the message that I have been taking to countries far and near. My Ministry continues to develop new marketing material that will help us to deliver this message all over the world and ensure that the message always remains the same along with the already established Bahamas Investor Magazine published by Dupuch publications and Gateway, published by BFSB, which have provided an invaluable source of information through the years.**

**So far this year we have partnered with The Bahamas Financial Services Board to sponsor STEP MIAMI, STEP Anguilla (St. Maarten) and a private wealth forum in Sao Paulo Brazil. This month is a busy month again for our staff. There are promotional forums in San Diego, Cyprus and Mexico where again we shall promote our country, our financial services industry, our products and our people. The Ministry of Financial Services is to this industry what The Ministry of Tourism is to tourism. These two industries are first and second in terms of revenues and GDP however the similarity stops there. The Ministry of Tourism has a budget of some 90.5 million, the MOFS gets 2,472,935 Million. This is a cut of some \$400 Thousand Dollars from the previous year and is some cause for concern to The Ministry and to industry. However we are cognizant of the government's mandate towards fiscal responsibility. We will endeavour to work within the parameters of this provision. However, we already foresee the need to seek Augmentation from the Ministry of Finance in days ahead as we meet our subvention commitment to BFSB. As we move forward and our country moves on to further develop the industry I would wish to see a deepening of our commitment to The Ministry through the provision of greater resources. I am however committed to working with what has been provided and we shall do what it takes to sustain the reputational integrity of the Financial Services sector here in The Bahamas and abroad. In our overseas promotion campaigns we are**

often provided with speaking slots which has afforded us the opportunity to raise the profile of The Bahamas in countries such as the Brazil, China, Switzerland, United Kingdom, Panama, Mexico, Greece, the United States and throughout the Caribbean region. And one thing has held true at every single event, and that is, the unabated value The Bahamas government brings to the Sector by showing its commitment to the financial services industry through its promotion and presence at these events. It provides confirmation, that we are serious about the growth and development of this sector. However, we must continue to create be innovative through the development of new financial products, which will enable us to reach a wider financial services market and ensure that our industry professionals are fully equipped and prepared to take advantage of opportunities.

**Mr. Speaker,**

During the past few months, my Ministry has made it a priority to meet with industry leaders – both in The Bahamas and abroad in order to hear concerns and to garner new ideas. We have seen the benefits in terms of new product ideas and new approaches to securing new markets. Certainly key markets in Latin America have been identified for growth. Last year, as you may be aware, my Ministry launched a new fund product in Brazil called the Investment Condominium, or ICON. This year the concentration has been on the promotion of that product in Latin America and I am told that already some 5 funds have already been created. The expectation is that by end of year this figure would have tripled. Our marketing strategy has paid dividends as we sought to promote this product in Latin American Markets. Not only has our entrance into this market resulted in tangible rewards but the profile of the Bahamas as an ideal business center or second home base has been raised tremendously. The government is committed to the Latin American Market including Brazil and Mexico and we will continue to push for increased market share of the business coming from that region.

**Next trip Mexico.**

**Mr. Speaker,**

**This year, my Ministry will be aggressively seeking to develop, from concept to marketing, several new fund products that we anticipate will help to facilitate our entry into the Asian market. In October of last year, my Ministry took part in one of the largest Asian financial Summits which was held in Shanghai. As I understand it, the response and interest garnered about The Bahamas was very encouraging, and the potential and opportunities to be a major player in that region is great and worthy of further exploration. Therefore, we intend to increase our presence in that region through further promotion of our fund products. Prior to our China promotions this year, we intend to create a new fund vehicle designed specifically for the Asian market.**

***International Initiatives***

**Mr. Speaker,**

**International best practices are evolving at a rapid pace, particularly as it relates to automatic tax exchange initiatives, tax transparency, anti-money laundering and financial crime, and e-commerce. We have seen the convergence of the strategies of the Global Forum, OECD, G-20, G8, the EU and the United Nations on matters related to international financial centres. It is clear that these organizations have embarked on the voyage toward a global standard for automatic tax exchange, and The Bahamas has begun its journey to comply. In doing so, we will maintain our position as “David” in this “Goliath” regime as we continue our evolution to adapt and drive change through the development of a systematic and principled approach. Our message to the world is that The Bahamas as a sovereign nation is “Open for Business.”**

**The Foreign Account Tax Compliance Act (FATCA) was enacted into US law in 2010. It effectively designates financial institutions all over the world which receive U.S. payments or deal with U.S. clients as Foreign Financial Institutions (FFIs) for reporting purposes. FATCA requires FFIs to register with the US Internal Revenue Service (IRS) to report US citizens to the IRS for tax purposes. FFIs in The Bahamas will do this through the Ministry of Finance as the Bahamas has entered into an Inter-governmental Agreement (IGA) with the IRS to exchange information.**

**Mr. Speaker,**

**The Bahamas government, through negotiations with the IRS, was able to secure advantages and exemptions in key product areas to the benefit of our industry. The first and only FATCA workshop facilitated by Treasury and IRS officials for the region where 10 countries were able to hold bilateral consultations with the Treasury Department and the Bahamian financial industry was held here in The Bahamas. This was a major accomplishment, for The Bahamas. Today, we continue with the development and implementation of FATCA in partnership with Ernst and Young (EY) and Convey (a leading tax software provider). This team has been engaged to design and deploy The Bahamas' FATCA solution. This solution, which will follow the published IRS schema, is intended to safely manage and facilitate the ease of reporting requirements to the US government through the transmittal of information from FFIs to the Bahamas Competent Authority who will then transmit that information to the IRS under the IGA. We are on schedule to release the FATCA solution to the financial services industry by the end of June. I wish to advise that a pilot group is scheduled to test the system in mid-June. The Relevant Legislation has been approved by cabinet and will be introduced in the House at the earliest opportunity after this budget debate. The work on FATCA will continue and will continue to inform and update industry on a regular basis.**

**Mr. Speaker,**

**The OECD released its Common Reporting Standards (CRS) in February of this year. CRS is similar to FATCA and sets out the criteria under which financial institutions must gather and report - information to be exchanged, types of accounts, and other due diligence procedures. Financial institutions will provide information to be automatically exchanged with other jurisdictions on an annual basis. For the Bahamas, this will begin in 2018. The OECD has obtained commitments from countries to the Automatic Exchange of Information through the Multilateral Convention on Mutual Administrative Assistance in Tax Matters with many countries signing on as early adopters.**

**Mr. Speaker,**

**FATCA and CRS are but a few of the international initiatives that my Ministry is following. My Ministry together with the Ministry of Finance and the Attorney General's continue to monitor new developments out of Europe calling for the creation of a public registry of beneficial ownership for shareholders of companies and trusts. The effect of such a registry on business here in the Bahamas if at all is to be determined so that any action to be taken will be done pro-actively.**

**Mr. Speaker,**

**It is important to have rules and guidelines that thwart against money laundering corruption, fraud, terrorism and other financial crimes, but it is also important that we recognize the right to financial privacy and find the right balance to ensure the integrity of the industry and maintain client confidence.**

**Mr. Speaker,**

**Earlier this year, the President of China, Xi Jinping met with the Prime Minister of The Bahamas, the Rt. Hon. Perry G. Christie and announced**

**an agreement in principle that would allow The Bahamas to trade in Chinese Renminbi currency.**

**The opportunity to establish a Bahamian RMB centre is a significant win for The Bahamas that would further cement our position as the leader in the region for financial services. It would also assist in increasing trade between China and The Bahamas and indeed the region, by enabling China-Bahamas trade to be denominated in Chinese RMB and Bahamian dollars, rather than the current practice of using US dollars as the intermediate currency.**

***The Benefits of this development include:***

- **Currency exchange savings from direct bilateral transactions could increase China-Bahamas trade by hundreds of million dollars.**
- **The Bahamas could extend RMB settlement services throughout the region.**
- **Same-day or expedited currency exchange for time-sensitive transactions could be conducted, creating cost savings (i.e. exchange rates/time), increasing the overall convenience and efficiency of international BSD-RMB payment transactions.**
- **Advantages for Bahamian importers who can now access a new market more readily for goods for prices quoted in RMB-BSD.**
- **The creation of JOBS Mr. Speaker, through settlement centre operations, ancillary financial services, and indirect job creation through increased trade and investment with China.**
- **Positive impacts on goodwill, business cooperation, trade and investment between China and The Bahamas.**

**China is one of the world's largest economies, which seeks to make its currency more international by partnering with countries around the world. Already China has announced plans for the China International Payment System (CIPS) to process cross-border Yuan transactions which is scheduled to be launched in the fall and become fully**



**operational by the end of year. A Yuan trading hub will support a more competitive financial sector, result in direct trade benefits, encourage more investment in the Bahamas, and strengthen commercial and diplomatic relations with China. As The Bahamas seeks to broaden its base of trading partners beyond the United States, building the reach and expertise of its financial sector in emerging economies like Brazil, Mexico and China is critical.**

**Mr. Speaker,**

**The Bahamas is competing with many jurisdictions for the best international financial sector firms. The choice of where to locate is the result of a complex interplay of factors. Research indicates that one of the main factors in location is the availability of skilled local talent. Indeed, The Bahamas has always touted its large pool of talented employees as a major competitive advantage over other jurisdictions. However beyond this is the critical need for us here in the Bahamas to consider just how much skin we want to have in the game. All of the major Financial Services jurisdictions have created products gained at attracting HNI and UHNI's to become resident or citizens of their country. This is a recognition of the economic impact that it can have on one's economy. Hence in Jurisdictions like the UK, Canada, Singapore, New York, Malta, and now Antigua and St. Kitts economic citizenship products are being offered based on various criteria. This has proven to be a savior to the economy in several regional competitors. In Malta where the program has been herealded as not only successful but of a high quality the Financial Services Sector received an impressive boost. These products can be tied to investments, home ownership, business ownership or investment, education, infrastructure, commodities or even corporate social responsibility. My Ministry is engaged in studying existing models to determine the feasibility of such a policy. This again is geared towards ensuring that we put every effort to stay competitive regionally and internationally.**

**Mr. Speaker,**

**My Ministry's strategy focuses on education at all levels. The Strategy includes foreign language training and cultural sensitization. I want to make sure that our Bahamian professionals have an equal opportunity to move from the back office where their skills and talents have been focused and appreciated for a number of years – to the front office where client interfaces and exchanges occur. That is why my Ministry has partnered with the Bahamas Financial Services Board, the Ministry of Education and Rosetta Stone to develop a Language Learning Initiative at the high school level. We are seeking to ensure that the relevant business languages are offered at all levels. Our focus will be on Spanish, French, Swiss German, Mandarin and Portuguese. The Language Learning Initiative is set to commence this fall with high schools in New Providence, Grand Bahama and the Family Islands participating. Teachers will be introduced to the training module in June 2015.**

**The Bahamas is well ahead of its competitors in the education of our professionals in financial services. The Bahamas Institute of Financial Services over the last thirty years has been educating Bahamians in financial services, by providing international certifications, continuing professional development courses and now degree level courses (including Bachelors and Masters level). Once again, Mr. Speaker, a prime example why the Bahamas is the leader in the region.**

**Paramount to my Ministry's efforts for the long-term sustainability of The Bahamas position as the premier International Financial Services Centre in the region is the establishment of a regional Centre for Excellence in Financial Services which was endorsed by regional Ministers at the 3rd Caribbean Conference of Heads of Government held in the Bahamas in April of this year. It was decided that the Bahamas Institute of Financial Services and the University of the West**

**Indies will work together toward the Centre's establishment with educational offerings to enhance the region's human capital resources to support financial services. The establishment of this Centre is well on its way in the planning phase. A consultant Mrs. Cassandra Nottage, a Bahamian of excellence and experience has been hired to formulate the roadmap for its implementation through grant funding from the EU. It is envisioned that we will begin a phased approach to the development of the Centre before the end of this year.**

**Mr. Speaker,**

#### **INTERNATIONAL ARBITRATION**

**Mr Speaker,**

**As part of our strategy to remain on the cutting edge of new industry trends, and to rebrand The Bahamas as a full business services centre, my Ministry remains committed to the establishment of The Bahamas as a modern and sophisticated international commercial arbitration centre that will allow for maritime and financial services matters to be arbitrated here in The Bahamas. In our view, the establishment of The Bahamas as a preeminent International Commercial Arbitration Centre will play an important role in the reinforcement of our financial services sector and the creation of employment for Bahamian professionals.**

**We understand that the establishment of a preeminent international commercial arbitration necessitates, inter alia, a disciplined approach to the implementation of a strategic development plan, capacity building and professional investment from industry practitioners and stakeholders.**

**I am pleased to announce that my Ministry has finalized a consultant contract to retain the professional services of Mr Jan Paulson. Mr. Paulsson, as some of you may be aware, is a world-renowned scholar and practitioner in International Arbitration. He is President of the**

**International Council for Commercial Arbitration, Vice-President of the International Chamber of Commerce (ICC) International Court of Arbitration. He is a former President of the London Court of International Arbitration and the World Bank Administrative Tribunal. Mr. Paulsson holds degrees from Harvard College, Yale Law School and the University of Paris. He is currently head of a graduate programme in international arbitration at the School of Law of the University of Miami. We are extremely excited and pleased to have Mr. Paulsson join our team at the Ministry, where we look forward to benefitting from his wealth of knowledge, experience and expertise in the area of Arbitration. I am also pleased to announce that in pursuance of our stated mandate, my Ministry is continually seeking to strengthen its partnership with The Bahamas branch of the Chartered Institute of Arbitrators (“CIArb”) through educational and training initiatives, which is important to ensuring that our industry professionals build capacity to thrive in the international arbitration arena. Already, for the year, my Ministry has lent its support to CIArb through the sponsorship of their half day seminar held at the British Colonial Hilton Hotel on the 12<sup>th</sup> March, 2015 under the very fitting theme “Arbitration is the future”. As arbitration is quickly becoming the dispute resolution method of choice, and it is viewed as more effective and more efficient than litigation.**

**The foregoing is in keeping with the Government’s empowerment program as outlined in its Charter for Governance.**

### **TRADE AND INDUSTRY**

**Mr Speaker,**

**I have spoken about the financial services sector and its importance for the Bahamian economy. However, given the economic dynamism of the Bahamian economy and its high dependence on tourism, international financial services and foreign direct investment, my Ministry continues to see the benefits of international trade as a 3<sup>rd</sup>**

**pillar of the economy in an effort to create economic stability, diversification and new opportunities for Bahamians. The export of products and services regionally and internationally is key to this plan.**

**In pursuing growth available through international trade, my Ministry will seek out opportunities tied to a value added trade strategy which would characterize The Bahamas as a crucial component in global value chains throughout North America, Latin America and the Caribbean. This would allow us to take advantage of our natural benefits such as our proximity to countries which can supply raw or semi-processed materials for further processing within The Bahamas. Our success would mean the creation of a preeminent trade hub in this hemisphere highlighting Freeport's industrial base, its container port and international shipping lanes. Such a strategy has the potential of levelling The Bahamas' trade balances by simultaneously increasing our export of goods (namely the value-added product) and services (for example distribution, transportation and professional services).**

### ***Economic Partnership Agreement***

**Mr. Speaker,**

**In October 2008 The Bahamas signed its first reciprocal trade agreement, the CARIFORUM –EU Economic Partnership Agreement (EPA) with Cariforum and EU Member States. The Agreement establishes *inter alia* a preferential trade arrangement in which CARIFORUM States (i.e. CARICOM States and the Dominican Republic) are engaged in reciprocal, albeit asymmetrical trade liberalization with Member States of the European Union. The EPA Agreement replaced the non-reciprocal Contonou Agreement between the European Union and the African Caribbean and Pacific Countries (ACP).**

**In August 2013 the Cabinet approved the EPA Implementation Plan tailored to the Bahamian environment and caused the establishment of the National Economic Partnership Agreement (EPA) Implementation**

**Unit within my Ministry. That Unit is geared to liaising with stakeholders like the Bahamas Chamber of Commerce and Employers' Confederation in order to facilitate trading opportunities for Bahamian businesses arising under trading Agreements like the EPA Agreement. To that end the Cabinet has agreed in principle to an MOU between the Government and the Chamber. The fine details of which are presently under consideration.**

**Mr. Speaker,**

**The EPA is of great significance for The Bahamas as it provides an opportunity for export diversification based on the value-added strategy of which I spoke. The EPA provides for the goods, services and investment of businesses established in The Bahamas, preferential access to the markets of the European Union. Goods which contain originating products which meet the conditions set down in the Agreement as being either wholly obtained within the territory of a CARIFORUM or an EU Member State would be allowed preferential access to the markets of the European Union. The EPA also provides the framework for similar access to the markets of regional partners in CARIFORUM.**

**However, my Ministry recognized that training on Rules of Origin which impact this area was urgently required in order to enable Bahamian businesses to take advantage of the trading opportunities under the Agreement. I am therefore happy to inform Members that last April my Ministry and the Customs Department were successful in obtaining the services of Mr Branford Isaacs a regional expert on the subject to provide relevant training to local stakeholders. Mr Isaacs was instrumental in the negotiations for the EPA and is the Lead Negotiator for Rules of Origin under the CARICOM Canada Trade Agreement. Training sessions for Customs Officers and local Brokers and Traders were held in both Nassau and Grand Bahama during the week of 13<sup>th</sup> April 2015.**

**In addition to trading opportunities, the EPA also provides opportunities for The Bahamas to access technical assistance and funding made available under the Agreement. In that regard I am happy to advise Members that last year The Bahamas successfully secured three grants under the EPA which will be administered by the Caribbean Development Bank:**

- **A grant of US\$ 275,220 to establish The Bahamas Trade Information Service (TIS) and Virtual Market Place in collaboration with the Bahamas Chamber of Commerce and Employers' Confederation to address the limited access to trade information which is a major constraint to exports from The Bahamas and the efficient sourcing on intermediate goods. This project would serve as an important business facilitation measure to reduce the cost and time required to access trade information and improve the ease of doing business.**
- **A grant of US\$ 107,910 to establish a Caribbean Centre of Excellence for Financial Services in The Bahamas;**
- **A grant of US\$ 129,045 to engage consultants to assist the Government in the development of a National Quality Policy and the establishment of a National Quality Infrastructure and technical regulation regime that directly support increased investment in and exports in priority sectors identified by the Government.**

***CARICOM Canada Trade Agreement***

**Mr. Speaker,**

**The Bahamas has also been actively participating with other CARICOM Member States in protracted negotiations with Canada on a free trade agreement to replace the CARIBCAN unilateral preference agreement which came to end on 31<sup>st</sup> December 2013. CARIBCAN is the economic and trade development assistance program for Commonwealth Caribbean Countries and Territories which allowed**

**unilateral extension by Canada of duty-free access to the Canadian market for most goods originating in Commonwealth Caribbean countries.**

**The CARICOM Canada Trade and Development Agreement presently being negotiated is more far reaching than the earlier CARIBCAN Agreement in that it addresses trade in goods and trade in services by the Parties as well as Investment. Last December the Region would have submitted its closing package to Canada which represented a consensus document of all Member States. However, the Region's proposal was not accepted by the Canadians who felt that it did not sufficiently meet Canada's commercial interest. Last March the Region submitted a revised and improved proposal to the Canadians. On May 4<sup>th</sup> 2015 the Minister of Trade for Canada formally advised the region that Canada was formally suspending negotiations. The Region does not view the actions of Canada as a termination of the agreement but merely a suspension. It will allow the region to access its offers to the Canadians so that when the parties reengage at the appropriate time, an agreement mutually beneficial to all can be concluded.**

**In the interim the Canadians have submitted an application to the Council for Trade in Goods of the World Trade Organization (WTO) to extend the waiver under CARIBCAN until 31 December 2023. The WTO waiver relates to trade in goods while the current negotiations under the CARICOM Canada Trade and Development Agreement of which I spoke covers trade in services and investment, areas of particular interest to the Region given the important role that services play in the Region's development.**

**A successful conclusion to the CARICOM/Canada Agreement is important for The Bahamas. Under CARIBCAN fisheries products like conch, grouper, and crawfish exported to Canada have been receiving duty-free access to the Canadian market. However, if the current**



negotiations fail, Canadian tariffs chargeable on CARICOM goods entering Canada will revert from duty-free to the current applicable General Preference Tariff (GPT) rate. Where GPT rates do not apply, the standard MFN rate will apply. Unfortunately, because The Bahamas is not yet a member of the WTO, it has no pre-existing right to the MFN rates under the Canadian Customs Tariff which are currently being provided on an *ex gratia* basis to The Bahamas. The General Tariff is the default tariff rate in Canada and is a fixed 35 percent rate of duty imposed on goods from a few countries that are not eligible for any other tariff rate. The Bahamas would fall into this category.

#### **Trade Relations with the United States**

**Mr. Speaker,**

The Bahamas maintains a positive trading relationship with the United States with a substantial amount of its imports originating from the United States. With our close proximity to the United States, The Bahamas continues to actively participate in the CARICOM-United States Trade and Investment Council (TIC) meetings which are geared towards the promotion of positive trade relations between CARICOM countries and the United States of America. Last October the Ministry of Financial Services served as host of the Sixth CARICOM-United States Trade and Investment Council (TIC) Meeting.

The Bahamas is one of five CARICOM countries which have applied to receive beneficiary status under the Caribbean Basin Trade Partnership Act (CBTPA) with the United States. The Agreement expands the items that can receive preferential treatment under the Caribbean Basin Economic Recovery Act.

However, Beneficiary status under the CBTPA is not automatic but must be approved by the United States. The US has tied discussions

**on the issue to its concerns about the lack of protection of intellectual Property Rights in some member states.**

**Mr. Speaker,**

**In 2013 The Bahamas resolved its intellectual property issues with the US which involved Cable Bahamas Ltd. and HBO Latin America Group. However, in order to progress its application for beneficiary status under CBTPA, The Bahamas must also have in place the appropriate Rules of Origin Regime to ensure that the products allowed to receive preferential access into the US market can be identified. Officials from my Ministry intend to engage the US on appropriate training on this issue in the very near future. I am advised that the US has also applied to the Council of Trade in Goods of the World Trade Organization to extend the WTO waiver.**

**Relations with the People's Republic of China.**

**Mr. Speaker,**

**Officials from my Ministry have also met with officials from the People's Republic of China who continue to express an interest in trading with The Bahamas. Bahamian Seafood Exporters continue to express interest in having their products exported to China and my Ministry has conveyed this interest to the Chinese through official channels.**

**IDB Trade Loan**

**Mr. Speaker,**

**The strengthening of trade-related institutions in The Bahamas is seen as a priority to the Government given the pending application of The Bahamas to the World Trading Organization (WTO) and The Bahamas' obligations under the EPA. To respond to these important priorities, The Government of The Bahamas has obtained a loan from the Inter-American Development Bank which seeks to position the Bahamas favourably for trade liberalization. In that regard, \$16.5 million is**

allocated to Bahamas Customs Department and \$1.5 million has been allocated to the Ministry of Financial Services under Component III of the loan.

Component III of the loan is expected to address *inter alia* the capacity constraints of trade related institutions in The Bahamas which are crucial for the participation of The Bahamas in international trade negotiations, the implementation of the EPA with the European Union and other trade agreements which may be negotiated in the future. It is also anticipated that Component III would support the capacity for trade strategy formulation and policy-making, including negotiation and implementation of trade liberalization agreements.

#### ***World Trade Organization***

**Mr. Speaker,**

My Ministry continues to advance the membership application process of The Bahamas to the rules based WTO. My Ministry has completed its review of the Factual Summary which is to be submitted to the Accession's Division of the WTO. The Factual Summary is critical to advance The Bahamas' application for membership. Comments by Member States on the document will assist the Secretariat in setting the date for the next Working Party Meeting which would bring the accession date of The Bahamas closer. In these discussions I will use every opportunity to underscore The Bahamas' vulnerability and the need for both multilateral and bilateral aid donors to consider the provision of both technical assistance and development funding to assist The Bahamas in meeting the challenges of WTO accession and integration into the international trading system.

#### ***Industry***

**Mr. Speaker,**

**My Ministry continues to provide support to local manufacturers designated as “Approved Manufacturers” under the Industries Encouragement Act. We continue to receive requests from potential registrants who are involved in processing, packaging or assembling of products into finished products and who seek relief from customs duty under the Act.**

#### **The Standards Bureau**

**Mr. Speaker,**

**The Government of The Bahamas, by, legislation, endorsed the establishment of The Bahamas Bureau of Standards and Quality which the Government sees as important to the further growth and development of the Commonwealth of The Bahamas. The establishment of a Bureau of Standards is important for The Bahamas and its people. Firstly it creates a quality environment upon which the Bahamian people can rely, for the quality of products being imported into the country for their consumption. On a commercial basis it will enable the expansion and development of our trade regime. In order for the Bahamas to remain on the cutting edge of global developments, it is imperative that we implement and maintain a Bureau of Standards, the foundation for developing a national quality infrastructure.**

**Mr. Speaker;**

**To date, My Ministry has:**

- 1. Appointed a Director**
- 2. Appointed a Standards Council – with responsibilities for the policy and general administration of the Bureau**
- 3. Secured facilities at 1000 Bacardi Road – the former administration building for Bacardi Brewery. This facility is over 7000 square feet, and will be utilized for all services until such time that we can retrofit the laboratory building to meet**

**environmental specifications in an effort to expand our metrology services.**

- 4. Recruited some seven (7) staff members for the Bureau.**
- 5. Established technical services in Standards Development to include the adoption of three (3) Regional Standards as National Standards, namely:**
  - Specifications for pre-packaged water**
  - Code of Hygiene Practice for pre-packaged water**
  - Code of Practice for General Principles for Food Hygiene**

**Mr. Speaker,**

**In our standards development work programme, we have 6 regional standards for which we will begin the adoption process in short order. The standards up for adoption by the Standards Council are based on priority needs from our stakeholder groups.**

**Over the past two and a half years, we have been sensitizing Bahamians throughout the Commonwealth of The Bahamas on the benefits and importance of standards development and the Bureau of Standards.**

**The Bureau of Standards will also offer services in Legal Metrology. This division will be responsible for accuracy and reliability of measurements used in trade, health, safety and the environment. We will commence services to include verification and inspection of all balance scales, liquid petroleum pumps, and also labeling inspections of pre-packaged goods at all ports, supermarkets, warehouses, and distribution centers in short order.**

**Mr Speaker,**

**The IDB Trade Sector Loan of which I spoke earlier provides for a project for Legislative Drafting for a World Trade Organization**

**Technical Barriers to Trade Agreement Compliant Standards Regime. A UWI Consulting Firm has been selected to provide the following draft revision services to:**

- (i) The Standards Act**
- (ii) The Consumer Protection Act (to prevent overlap in functions)**
- (ii) The Weights and Measures Act**

**The consultancy will review and assess all relevant sanitary and phyto-sanitary (SPS) legislation to ensure harmonization between all food safety, Animal and Plant Bills which are presently being reviewed.**

**Mr. Speaker,**

**The Bahamas can ill afford to be left behind when it comes to establishing a Standards Bureau. Not only is it critical to our citizenry but also it is important to ensure that The Bahamas adheres to regional and international standards that must be adopted in order for us to effectively participate in world trade.**

**At its most basic level, standards can lead to cost savings and optimize operations; thus improving the bottom line for businesses. While this is significant for current business operations, it goes far beyond just this.**

**John Wilson, a leading economist at the World Bank asserts that global standards can boost commerce. These standards can lead to job creation which is a key priority, not only for my government, but to governments the world over.**

**A proper functioning Bureau of Standards and the implementation of global standards can boost commerce by lowering trade costs, promote linkages with other sectors, and further open up the Bahamas to foreign markets. Standards will level the playing field between companies, promoting a culture of competition demanding**

**higher productivity via process innovation and the creation of even more innovative products.**

**A standards system can enhance the reputation of locally made products by assuring buyers that such products meet specified levels of quality and safety, thereby permitting domestic producers to compete more effectively not only in their own market but also in the regional and international marketplace ultimately boosting the possibility for job growth locally. The overall increase in trade flows, induced by the establishment of quality standards would benefit the Bahamas and the rest of the world economy.**

**In 2006 The Bahamas became members of the CARICOM Regional Organization for Standards and Quality (CROSQ) which is the principle vehicle for regional harmonization of standards and standards related activities, as well as technical cooperation with the European Union and other trading/development partners. To date, The Bahamas is the only member state of CROSQ that has not fully implemented its Bureau of Standards.**

**Mr. Speaker,**

**The reality is, at present, active market surveillance in The Bahamas is sporadic at best. While there are acts, prescribed test procedures, and penalties for noncompliance; in practice, random testing is limited. There is no comprehensive system for the adequate inspection of goods that enter the country to ensure that they are of the best quality. Moreover, there are limited testing facilities to ensure that products meet basic standards. What is the end result? Our residents are often exposed to inferior or substandard products.**

**Without proper national standards and a compliance regime, we leave our residents significantly exposed to these potential dangers. We've seen many international reports of product recalls and banned**

**products and substances; however, at this time, local businesses are not mandated to adhere to these recalls and bans. Therefore, we are relying on their honesty and their willingness to maintain good customer relations; hence, the importance of regulating standards to maintain proper health and safety protocols.**

**The Bureau OF Standards, along with technical cooperation from CARICOM Regional Organization for Standards and Quality, conducted several Missions throughout the Bahamas to assess its developmental demands as we mobilize.**

**Key findings from the reports demonstrate that Bahamian private and public stakeholders are supportive of this infrastructure regime, and believe it is long overdue.**

**The Bureau of Standards has been warmly received by the public sector; our Customs Department welcomes our cooperation and looks forward to harmonizing efforts to seize the importation of expired and counterfeits products. The overall consensus of Bahamian stakeholders is there needs to be an enhanced market surveillance program for goods used or produced locally.**

**By adopting and adhering to standards we can further protect our fisheries resources. Further regulation and monitoring of equipment and protocols can help replenish a diminishing reserve of conch, Nassau Grouper, and other local favorites.**

## **LOCAL GOVERNMENT**

**Mr. Speaker,**

**I now turn to the Department of Local Government**

**The introduction of some form of local government in The Bahamas began in 1906, with the first appointment of the family island commissioners and Boards of Works. The introduction of such**



**appointments radically changed the system of government administration in The Bahamas. This was indeed the first step in the devolution and decentralization of government in the Bahamas. The development of local government by legislation in the 1990's has deepened our democracy by transferring certain decision-making authority to family island communities and making them responsible and accountable to the local residents, who elect town committees and councils for local government every three (3) years.**

**Mr. Speaker,**

**Governance in a country such as ours is very complex. The reality of our archipelagic nation requires us to service thirty two (32) districts scattered over more than two hundred (200) inhabited islands and cays, each with unique challenges.**

**A system of local Government therefore was considered necessary, having regard to the archipelagic nature of the Bahamas. It was recognized that persons within the various family island communities, would be better equipped and able to manage the socio-economic conditions that are specific to their local communities. It is often said that "government closest to the people is best for the people", Mr. Speaker, this is certainly true of local government.**

**In family island communities, the residents and elected local government councils, the central government agencies and members of parliament should create an effective tripartite effort which ultimately benefits residents of those communities.**

**Mr. Speaker,**

**I believe that the further strengthening of the institution requires that local government officials be equipped with the necessary resources with which to effect improvements on behalf of the people they were elected to serve. While we all recognize the current economic state of**

**the country, I am optimistic that we can find some capital funds, no matter how small, to assist in the upgrade of local infrastructure in the various local government districts. These districts have not had any capital funding for the last three (3) years.**

**Mr. Speaker,**

**We are aware that local government will be most productive and beneficial if the most competent persons offer themselves for election. It has been noted that since the commencement of local government elections many eligible persons, are not offering themselves for election. A number of persons have been elected unopposed and in a few cases, to ensure a quorum for the administration of townships and councils, executive appointments had to be made. There are several vacancies which need to be filled in the following districts:**

- In Abaco - Hope Town District Council needs two (2) members**
- Andros - Deep Creek and Long Bay Cays Township Committees need one (1) member each due to death and resignation.**

**Mr. Speaker,**

**Lack of such involvement in the local government process speaks loudly to the need to encourage citizens and especially young people to become active participants in this very important aspect of our thriving democracy. I would therefore encourage eligible Bahamians to come forward and volunteer their services to improve the communities in which they live.**

#### **The monitoring unit**

**Mr. Speaker,**

**I wish to inform that the monitoring unit in the Department of Local Government has been re-established and is functioning as before. The purpose of this unit is to monitor the financial aspects of each district and to identify irregularities where they exist and have administrators**

**make necessary adjustments. In so doing, it is anticipated that many audit queries would be avoided.**

**Mr. Speaker,**

**The role of a Family Island Administrator is diverse in nature. Among their varied responsibilities is to assist with minor judicial matters even in the larger islands that have resident magistrates, including Abaco, Eleuthera and Exuma. Similarly on the other islands that are overseen by designated Stipendiary and Circuit Magistrates. Administrators provide some level of assistance. In this regard Mr. Speaker, I have since made representation to the Chief Justice with a view to ensuring that all Districts are covered by Magistrates as needed.**

**CONCLUSION:**

**Mr. Speaker,**

**The work of The Ministry of Financial Services is critical to the maintenance and sustainability of the Sector, to the protection of the Industry and to the jobs of the Thousands of citizens and residents employed in the sector. We are proud that we are not only working for today but that our work is strictly focused on the future of our people. We are proud of the work that we do and we will continue to go far and near to tell the world of this great country and the great people who live here. I take this opportunity to Thank Aliya Allen and the Bahamas Financial Services Board, our private sector partners and all other stake holders who actively engage the Ministry on an ongoing basis to ensure we are working with one focused goal. I thank the staff at The Ministry of Financial Services who for their stellar efforts on an ongoing basis and I thank Our Prime Minister and Cabinet colleagues who “get it” about the role of this Ministry.**

**Mr. Speaker,**

**Putting God First, we shall traverse the world keeping in mind that our efforts will build a Safer Bahamas, a Prosperous Bahamas, a Modern Bahamas and ultimately a STRONGER BAHAMAS.**

**With these comments Sea Breeze supports the 2015/16 Budget Framework.**