



COMMONWEALTH OF THE BAHAMAS

**CONTRIBUTION TO THE
BUDGET DEBATE – 2016/2017**

BY:

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FOR ST. ANNE'S

AT

HOUSE OF ASSEMBLY

Nassau, The Bahamas

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Mr. Speaker,

I rise on behalf of the wonderful people of St. Anne's who I have the honor and the good fortune to represent and to make my contribution to the annual Budget debate, 2016/17.

Mr. Speaker,

I would like to start my contribution with a quote from David Cameron during his contribution to the budget debate in 2011, and I quote "Today everyone can see what an utter mess this Labour Government and this Labour Prime Minister have made of the British economy". "As of today, any claim they have ever made to economic competence is dead. Over. Finished" end quote. Mr. Speaker, this quote sounds very much like our present state of our economy. However, this Government refuse to believe it. They continue to talk about how they lowered the deficit while the Bahamian people continue to suffer.

Mr. Speaker,

Last year the Prime Minister, opened his communication by saying and I quote "this budget is faithful to the reform plan for a stronger Bahamas that my Government has been pursuing since our present mandate began". He goes on to say "Our plan is working". Well Mr. Speaker, at the outset let me ask who it is working for. Family and friends? The plan is not working. Dark days are here and more are still ahead for the majority of the people in this country. The lights are still off and people continue to lose their homes.

Mr. Speaker,

This year the Prime Minister opened his communication saying there has been a reduction in the Government's GFS Deficit over the first four years. He said that this Budget Communication continues our track record in this regard, with further reduction in the GFS Deficit in the 2016/17 fiscal year. We now know after reviewing the budget in detail, what he told us was a complete work of fiction. Mr. Speaker, let's look at the number according to the Central Bank Report which the Prime Minister look at hopefully or pay any attention to it.

Fiscal Year	Budget Comm. Proj. GFS Deficit	Actual GFS Deficit
2012/2013	\$550,000,000.00	\$546,144,000.00
2013/2014	\$443,000,000.00	\$480,015,000.00
2014/2015	\$286,000,000.00	\$382,004,000.00
2015/2016	\$141,000,000.00*	\$242,800,000.00**
2016/2017	\$100,000,000.00	

Mr. Speaker, who should we believe? We saw at the Mid-Year for the current fiscal year 2015/2016 that deficit had grown to \$210,000,000 and now to \$242,800,000 at the end of February 2016. Mr. Prime Minister, we are not fools we can count. Mr. Speaker, even though this Government was wrong on every single deficit projection they are still trying to deceive the public with its 2016/17 GFS deficit projection of \$100 million. Another untruth or should I say fiction. With election

scheduled for 2017 latest only God knows what the final deficit will be. Mr. Speaker, I can say for sure that it will probably double the projected \$100 million. Mr. Speaker, on pages 6/7 of the Prime Minister's Communication the discussion over actual real and nominal growth rates needs to be elevated, but the underlying message is consistent – our growth rates are anemic and we are certainly not out of the woods as it relates to the threat of recessions and recessionary pressures.

- o Mr. Speaker, given the discrepancy in GDP growth numbers among the Department of Statistic, the IMF and credit rating agencies, the Government should commission an analyses of the factors contributing to these differences to determine once and for all, the true GDP growth of The Bahamas.

- o All agencies, domestic and international, should be drawing from the same information sources and underlying data – therefore, projections and conclusions should not differ other than by assumptions in forward looking estimates.

- Mr. Speaker, page 7– the revisions of GDP statistics demonstrate the danger in measuring fiscal successes using relative percentages/ratios and not absolute dollars. Debt to GDP and GFS Deficit to GDP ratios are not so favorable if the GDP denominator is not expanding, and possibly contracting.

- o The fundamental question is why is the Ministry of Finance forecasting with such inaccuracies even in years of no unusual events?

My colleague the Member for East Grand Bahama call the Budget a complete fantasy being used to secure an Election Day victory. I call it the dancing Budget. Mr. Speaker, I will deal with this fantasy and dance later on in my contribution.

Mr. Speaker,

I now turn my attention to National Debt. Mr. Speaker, we are in a debt crisis. The current Administration has been on a 4-year spending and borrowing binge with very little to show for it. Up to December 2015, they have borrowed more than a half a billion dollars (a jaw dropping \$590.93 million to be exact) more than the previous Administration did during the 2007- 2012 period. The year 2008-2009 the world experienced one of the worst economic recession in over 100 years. However, the previous Administration was able to control its borrowing. Mr. Speaker, to quote the former Prime Minister in his Budget Communication in 2009, and I quote “Our prudent economic policy of containing the fiscal debt within the range of 30% to 35% of Gross Domestic Product (GDP) provide the fiscal headroom that enables the Government to borrow funds on reasonable terms when external economics events turn against us, as they have done. However, the magnitude of the current global crisis is such that we must now seriously contemplate a significant – but temporary – increase in the ratio of Government Debt to GDP. If we had no headroom on Government debt, the most severe and painful adjustment measures would have to be envisaged. Well Mr. Speaker, the GDP was 38.96% at that time. There was headroom to borrow to sustain the economy. Today Mr. Speaker, GDP stands at 76.3% according to the Central Bank of the Bahamas Annual Report found on

page 33. Where is the headroom to borrow additional money and at what cost? As I said earlier the Bahamas is in a debt crisis. In order to get out of this debt trap will require leadership, transparency and accountability which this Government is not capable of doing. We are in a sad, sad situation Mr. Speaker. Mr. Speaker, total borrowing for the Ingraham Administration 2007- 2012 \$1579 billion. This Government borrowing from 2012- Dec. 2015 \$ 2170 (4years). Mr. Speaker, is this a responsible Government yet they blame the FNM. What do we have to show for this borrowing?

Mr. Speaker, during the Mid-Year Budget Communication the Prime Minister's says "the Government's fiscal position WAS untenable and not up to the task of modern governance." However, the use of the word "was" is ill-conceived, as the fiscal position IS still untenable and not up to the task of modern governance.

GOVERNMENT'S SPENDING PROBLEMS

Mr. Speaker,

Simply put the Government needs to stop the reckless borrowing and end its addiction to wasteful spending that is threatening to drive this country into insolvency like Greece.

We want to see more productive spending on infrastructure, like roads and airports, energy generation and communication. Such capital investments will contribute to a higher economic growth and output. Borrowing for such investments will pay for themselves. Mr. Speaker, this Government talks a good game and will promise you the world. In his Budget Communication again he spoke about repairing roads and

airports. Well Mr. Speaker, the state of the roads in Nassau is the deplorable and getting worse and the Family Islands are worse. The airports outside of Nassau are a Joke. How many time are we going to hear these promises? The \$242 million budget allocation Capital Projects is just not going to cut it. This government is unfortunately doing the opposite. Recurrent Expenditure is set to rise by \$222 million for FY 2016/17 while Capital Expenditure remain constant at \$242 million. To achieve growth pickup and reverse this trend of wasteful spending on some Recurrent Expenditure items, there must be a commitment to deploy more funds to capital investment projects. Mr. Speaker, we are in bad state when we continue to borrow for Recurrent Expenditure. Particularly to cover salaries and operating expenses. Mr. Speaker, the Prime Minister said in his Budget Communication that majority of the increase in recurring expenditure will go towards Debt Redemption. Well what was the intended purpose of VAT. We need to be more transparent and accountable than what is being displayed.

Mr. Speaker,

- The Budget Communication by the Minister of Finance continues to improve in coherence from prior years and certainly maintained a balanced message. However, there are challenges in matching the strategies articulated with the final presentation of the financial numbers.
- Despite overtures regarding greater transparency and accountability, there continue to be breaches in the very framework that underpins transparent financial reporting, which includes

understandability, relevance and comparability. Mr. Speaker, I pointed this out in the past.

- o Understandability – an essential quality of information provided in financial reporting is that it is readily understandable by users. The form and format of budgets have lacked this essential quality.

- o Relevance – financial information is relevant when it enables a user to evaluate past, present or future events or confirms, or corrects, a user’s past evaluations. The Budget Communication refers to continued reclassifications and New Chart of Accounts. The budgets for each ministry, department or agency (MDA) become irrelevant without properly capturing all expenditure attributable to each MDA and having comparative information.

Information about past financial performance is frequently used as the basis for predicting future financial performance. But impossible to do following the continued changes in grouping of recurrent expenditure.

- o Comparability – users of financial information must be able to compare the financial information over periods of time to identify trends in financial performance. When there is a change in groupings/classifications, there is a requirement to then restate information of prior periods on a consistent basis to ensure the essential quality of comparability.

Changes in classification should be accompanied with restated financial information for consistency of classifications/designations. In the

absence of doing so, the financial information presented cannot be properly evaluated.

Further, such a change in classification/designation is only appropriate if it makes financial information more relevant or reliable.

- Mr. Speaker, they mistakenly interpreted the IMF CARTAC report on fiscal rules to support a delay in devising and implementing fiscal rules regime. However, the report was an indictment on the state of the financial reporting function within the Government. Mr. Speaker. If the current financial reporting systems are unable to report quality and reliable information, can the current reporting of past performance be relied upon and accordingly, is the budget a “finger in the air” guesstimate of what we are likely to experience in the upcoming fiscal year.

Mr. Speaker, more disappointingly is an absence of any mention of allocations for the enhancement of financial reporting systems, integration of systems and improvement in the system of internal controls over financial reporting. Mr. Speaker, as discussed in the prior year, the change from cash basis of accounting to a formal basis of accrual accounting – International Public Sector Accounting Standards (IPSAS) is significant and requires proper planning and resource allocation. This project can take up to three years to complete. When is this going to start?

- The failure by successive governments to provide, even in summary, the key assumptions and estimates made in developing the

budgets continues, along with a lack of access to the information used in forming those assumptions and estimates. Amendments in financial reporting for private sector entities now place great emphasis on disclosing to users of financial information, sufficient information regarding:

- o areas requiring significant judgment in assumptions and estimates.

- o how such assumptions and estimates are developed, including sources of underlying information, methodologies employed in developing assumptions and estimates, and changes in either the sources or methodologies.

- o the process for validating the accuracy and reasonableness of assumptions and estimates – referred to as a look-back test. Given the number of times that GDP growth is miscalculated, the look-back tests suggest a change in the underlying information or methodology for developing this estimate are required.

- o sensitivity to assumptions and estimates. Where revenue and expenditure projections/forecasts are dependent on such assumptions and estimates, there should be a sensitivity analysis that sets out the likely performance within reasonable ranges. For example, a large portion of revenues rely upon assumptions in GDP growth and consumption – should disclose that failure to achieve growth projections will result in xx% reduction in revenues, or beating projections in growth will result in xx% increase in revenues.

- Absolutely no discussion or analysis on why outturns differ from budgets and projections – Mr. Speaker, if you don't know your mistakes or fallacies, you are bound to repeat them. In the private sector, failure to meet budget and failure to properly analyze reasons for discrepancies leads to dismissal for executive management.

Mr. Speaker,

On page 11 of the Prime Minister's Communication the discussion on the actual GFS Deficit for 2014/2015 is significantly troubling.

- o in the prior year Budget Communication 2015/2016, the Minister of Finance represented that the 2014/2015 GFS deficit was projected at \$198 million, which was significantly better than budget of \$286 million.

- o in this Budget Communication (2016/2017), the Minister of Finance represents that the fiscal outturn for 2014/2015 actually resulted in a GFS Deficit of \$381 million! This is \$95 million in excess of original budget, BUT \$183 million in excess of represented forecast performance. THIS WARRANTS EXPLANATION!

- o Mr. Speaker, the reconciliation with BTC begs the question "how many more reconciliations are required to identify missed expenditure?". Mr. Speaker, this highlights need for accrual accounting and improved financial reporting.

- o is the reference to recurrent revenue from BTC just a red herring, or does it highlight failure of BTC to pay business license fees and real property tax and site rental payments?

o comments on acquisition of Royal Bahamas Defence Force vessels demonstrates the need for programme based budgeting – the timing of payment should not have such a significant impact on our fiscal performance, as we have committed to a larger sum two Budgets ago. Mr. Speaker, the GFS Deficits can then be manipulated purely by managing periods in which payments are made, which does not reflect commitments.

o lower level of recurrent revenue due to weaker growth in nominal GDP highlights significant deficiencies in our budgeting exercise.

Mr. Speaker, while recurrent revenue is a function of the economic output of The Bahamas, the revenue projections should be done with greater levels of granularity and precision, so as to prevent significant negative variation in actual results.

Mr. Speaker, recurrent revenues should be based on past taxpayer numbers; projected new taxpayers and dropped taxpayers; projected performance of taxpayers and underlying tax base; changes in tax rates; and other factors.

while the objective of recurrent revenue as a percentage of GDP is target measure, this should not be the basis for budgeting.

Mr. Speaker, this leaves the impression of using artificial GDP numbers to mask GDP deficit levels and/or significant deficiencies in revenue projections.

UNEMPLOYMENT

Mr. Speaker, the Prime Minister continues to paint a rosy picture about the economic outlook for the Bahamas. Again, he spoke about thousands of jobs coming on stream. Mr. Speaker some of these jobs he spoke about are not coming on stream until 2018. The shovel is not even in the ground. Some projects are at the Heads of Agreement stage only, and these should not be projected as imminent unless there are shovels in the ground and development underway.

As I said in the past it's not good to build people's hope up knowing most of these jobs will not come to fruition. Lest we forget about the 10,000 immediate jobs that DPM announced during the campaign. Yes, Mr. Speaker, I will continue to repeat it. The people are still waiting on them.

The reference to unemployment being at 4.9% in the United States of America, is misconceived. While unemployment figures are positive, the reality is that growth in the United States of America defies previous economic logic. There is continued underemployment, limited recovery in consumer confidence and unexpected deprived GDP growth. Yet we continue to look at the American economy for growth.

The national unemployment rate has again risen on this government's watch, up from 12 percent in May 2015 to 14.8 percent in November 2015. Mr. Speaker, that equates to 31,375 unemployed. 17,640 women and 13,735 men. In October 2015 more than 2,000 Baha Mar workers

were laid off. In New Providence the rate of unemployment rose from 12% to 15.9% and in Grand Bahama from 12.9 % to 14.2%. Mr. Speaker the latest statistics showed Abaco as the only bright spot where the rate fell from 12.2 percent to 9.7 percent. Last week we heard the member for North Abaco said that his people are hurting. The numbers showed Abaco in single digit. Who should we believe. Where are these so call Jobs..... The young people are crying for jobs. The unemployment rate for youth are more than 30 percent. Mr. Speaker, this is primarily driven as consequence of an under-educated work force, which also lack the vocational skills to obtain permanent employment. The Prime Minister offered no creditable solution to unemployment problems particularly for the young people. We now hearing about the Apprenticeship Program. All we hear is promises and more promises. Everywhere I turn in this country people saying I need something to do. Mr. Speaker, one of my constituent's came to see me inquiring about work. She said there are five persons in her house and nobody was working. Mr. Speaker, my heart got full because I knew I was not in a position to help. There are many, many story I can tell yet the Prime Minister come in here talking about jobs in 2017 and 2018. Last Friday before 12 o'clock I had five calls looking for help with either their water or their light. People are living in darkness and can't even take a bath because the water is off. Mr. Prime Minister the people need to eat and feel good about themselves again. How do you sleep at nights knowing what's going on with our people? They are hurting with no hope in sight. . Yet Mr. Speaker, the Prime Minister said that he is building a Stronger Bahamas and now he says he presenting an Agenda for a Modern BAHAMAS. The people need JOBS NOW Mr. Speaker. People are losing homes and the children need to eat. Schools fees need to be

paid and oh BEC is now increasing its bill by 15%. People cannot live on PROMISES, PROMISES AND MORE PROMISES..... I asked the Bahamian people are you better off now than you were four years later?

SOCIAL SERVICES

Mr. Speaker,

I said during my Mid-Year budget debate contribution that the burden on Social Service has increased many folds. Now we heard the Prime Minister during his presentation again talking about a card that was introduced and the RISE Program. The fact remains the same. People are hurting. It is real Mr. Speaker!! In my opinion the card only serves to save people's dignity (which the Minister mentioned during her contribution to the Mid-Year budget debate) and to get better control over the system. I also commend the Government for the increase in minimum wage during 2015. However, the cost of living also continues to increase. Mr. Speaker, there is nothing new in this Budget except the **slush** fund called Provision for Contingency sitting in the Prime Minister's Office. Well Mr. Speaker, its election time so we come to expect free money in this account for the Prime Minister to do as he please.

APPRENTICESHIP AND TRAINING PROGRAM

Mr. Speaker,

Oh what a tangle web we weave. We were crucified about the 52 weeks' job placement program. When this Government came to office one of the first things they did was to cancel the program once the 52

weeks came to an end. The FNM Government at the time seek to place young people in position to create employment with the hope that some of them would be made permanent. Mr. Speaker, in most cases these young people were retained by some of these establishment. This Government at the time said it was an Election ploy to get votes. The Prime Minister called it a scandalous scheme that allowed some people to collect a check without putting the hours They never understood that what the Government was trying to do because of the unemployment among young people was trying to train them for when the economy got better. Mr. Speaker, our program allowed young to pay bills and to feel good about themselves. These people were paid \$250 per week. Mr. Speaker, do you know what that did for the economy? Thanks to the PLP the program came to an end and the young people found themselves back on the street. Mr. Speaker they refer to themselves as a caring Government. Caring for who? Family & Friends? Yes Mr. Speaker, elections are truly in the air. The new and improve Apprenticeship and Training Program..... What is the difference? In my humble opinion none. Just a fancy name. More Jobs for family & friend. Unlike the PLP the program is coming back to provide employment for our youth. Lord knows a program like this is needed given the unemployment situation in our country.

BUILDING A SAFER BAHAMAS

Mr. Speaker,

During the last year's budget debate, the Prime Minister introduce his three pillows in building a Stronger Bahamas. The first pillow was Building a Safer Bahamas. Mr. Speaker, it is interesting that during his Mid-Year presentation and his presentation of this year's

communication very little was said about the crime situation that we experienced in 2015. Again, he skated around the problem in his attempt to address it. Mr. Speaker, we experienced a 149 murders last year, a record for the Bahamas. Also serious crime was up. Rape and attempted rape increased by double digits yet the Prime Minister did not address these concerns directly. Crime continues to destroy our nation and the Bahamian people are more fearful than ever before. What is working Mr. Prime Minister.....? Today is June 15th and we are already up to 56 murders. We are now hearing crime is down compared to last year at this time. The Guardian reported yesterday that murder is down by 18%. Mr. Speaker, that's certainly good news but what about the fear of crime? Ready on day one Mr. Speaker. The US State Department has once again rated the crime threat in New Providence as "critical". Last week the Canadian Government issued another warning to its citizens about traveling to the Bahamas. Mr. Speaker, that does not augur well when we are relying on the growth in tourism to pull us out of this mess. Mr. Speaker, is this Government listening? We heard earlier in the year about the Commissioner's Policing Plan not sure what that is about because serious crime continues unabated. The question is, are we safer than we were four years ago based on the Prime Minister's promise to the Bahamian people? Who can remember the Prime Minister's statement during the election campaign about crime and what he would do with the rate of crime at that level? The only thing we heard was more CCTV Cameras. Where is the plan for crime Mr. Prime Minister? It was released in February. Mr. Speaker, have the investments referred to on Page 31 made significant impact on the fight against crime? And if so, what is plan to expand their use island-wide in New Providence and Grand Bahama? Has an

assessment been performed on needs of policing and necessary facilities in the Family Islands? Our people are dying in the street almost daily. Over the weekend a father of three was shot dead at the ATM and that same day two my constitute gunned down. What's going on Mr. Prime Minister and the Minister for National Security? You had 4 years to fix this problem. The people are tired of talk, talk, talk.

Mr. Speaker,

The single greatest concern of the people of St. Anne's... and people all over the Bahamas... remains the issue of Crime.

The fact that the budget is short on specifics regarding crime... and that the PM's lengthy soliloquy is similarly devoid of new ideas... speaks volumes...

Mr. Speaker,

Our people are living in fear. The fear of crime is even bigger than crime itself. Every day I get calls from constitutes asking about forming a neighbor crime watch group in their area or there was an incidence in their area last night. Increasing the number of courts and police cars would not solve our crime problem if we are not prepared to tackle the root cause of crime. People are now putting their homes up for sale because of the crime problem we are experiencing. One constitute told me she was robbed three times in her home and is about to leave the country while she is still alive. Mr. Speaker, it's going to take more than words to solve our crime problem.

Mr. Prime Minister let's get real with the people. Can we be honest and tell them the truth. Mr. Speaker, this government promised the people a lot and said they would be ready on day one. This is now four years later and the people are still waiting on the delivery of the promises.

We all remember the billboards and we hear how you care about this country. **What do you think my people?** Tell Christie and his merry man they have to go. They are bankrupt with ideas and the country cannot go forward with his TEAM. Expel the Pirates and restore order in this country. Oh Mr. Speaker, we are in a bad way. The world is watching us.

Mr. Speaker,

On page 41 of the Prime Minister's Communication he made a statement regarding the reliability of supply of electricity and ultimate prices require clarity. Long term rates and reliability should not be confused with short and medium term activities necessary to protect the long term sustainable objectives. Well Mr. Speaker, over the last several weeks the people has been in dark more than ever. The Government has signed a management contract with BPL which the Bahamian people spent some \$900k for a Business Plan yet we are still in the dark. Mr. Speaker, the publication of the Business Plan would go a long way to understanding the upcoming initiative and more importantly enabling an assessment of the successes of the management contract. Mr. Speaker, all we know or was told that to expect an increase of about 15% in our bill even though oil prices are still low. My, my. The people can't pay what they are paying now Mr. Speaker. There are over 4000 people without light today. But they say they are a caring Government.....

Bank of The Bahamas

Mr. Speaker,

On page 51/52 – The Prime Minister spoke about the Bank of the Bahamas. During the Mid-Year debate I asked the question whether the Bank of The Bahamas Limited (BOB) was another Government corporation getting annual Government subvention? I must that question again. Per the financial statements of BOB for year ended 30 June 2015, the Government has been paying the preference shareholders the due coupons since 2014 – cumulatively, circa \$4.2 million, which is not presented here in the Budget. One can infer that the Bank cannot meet its obligations as they become due. Also, the financial statements should reflect these as capital contributions from the Government, but it does not do so. Is this an unintentional or intentional omission?

- o The capital adequacy of BOB continues to below statutory requirements and the Strategic Plan and turnaround strategy remains as hypothetical document still not presented to shareholders and depositors.
- o Note 4(t) of the financial statements state “that the Government remains firmly committed to supporting the ongoing operations of the Bank.....”, – what is this commitment going to cost the Public Treasury, and more importantly, is this giving a blank cheque to the Bank and not enforcing accountability for the failings to date?
- o Note 9 of the financial statements has an increase in the cheque clearing account – why? There are talks on the street that the other clearing banks are holding BOB cheques longer to ensure settlement prior to release to customers. This is not a good sign of confidence by other bank

o Mr. Speaker, the discussion of rights offering and convertible contingent bonds is very optimistic! **What shareholder of sound mind would subscribe to such offerings?** If the Government is left to underwrite such offerings, the result is shareholders value being diluted.

o The described plans for BOB border nationalization. Funding a competitor at the expense of other privately owned banks paying substantial license fees.

o Resolve Bahamas has now existed for over a year – what is the financial year end and when will audited financial statements be presented for this special purpose vehicle (SPV)? Further, how is it being funded for the ongoing administration by Deloitte & Touche and its agents? Mr. Speaker, the whole purpose of Resolve was to clean up BOB’s Balance sheet by removing the bad loans.

Mr. Speaker, these are just a few questions the Bahamian people want answers too.

Mr. Speaker,

On page 52/53 the Prime Minister is again talking about Mortgage Relief Plan. The key word for any Mortgage Relief Plan is “effective”. Mr. Speaker, the Prime Minister introduced the Mortgage Relief Plan three years ago and we all know what the results were. Less than 10 person qualified for assistance. Had the Government collaborated with the Clearing Banks Association the first time, then possibly they could have avoided the failed attempt.

Mr. Speaker, the Government however must be careful having the fox guard the hen house. They need to challenge the plan presented by the banks, and use the bright minds in the country with financial industry backgrounds, regardless of perceived political affiliation.

Mr. Speaker, the Government has to promote financial discipline of borrowers because we don't have a Credit Bureau. Most of our people are maxed out with very little headroom to borrow. Mr. Speaker, we cannot blame banks for exploitation, but rather must combat through education

Mr. Speaker, the described plan is no different from what the banks would be doing on their own. No bank wants to own homes or be in the business of property management.

Mr. Speaker, I now turn to the numbers

Summary Revenue 2016/2017

- o Tax Revenue is at 70% of Approved Forecast Revenue, but the major collection periods are up to 31 March each year. It seems that Tax Revenue will be down even with large increase in VAT collection. Yet Mr. Speaker, the Government is forecasting an increase of a \$100 million.

- o Non-Tax Revenue is also at 70% of Approved Forecast Revenue, but the major item (Fees and Service Charges) has passed its major collection period up to 31 March. Again the Government will not meet its approved forecasted projection

- o Net Borrowings (Proceeds from Borrowings less Redemptions) up to 31 March is \$369 million versus budgeted amount of \$134 million. S

- o There are several significant shortfalls in revenues, but the Approved Forecast Revenue numbers have not been updated for the Budget Statements – this highlights the major deficiency in the budget preparation and presentation process.
- o If revenues already trending towards significant underperformance, why is there continued highlighting of reduced GFS Deficit when this is highly unlikely to materialize?
 - Import and export duties and excise taxes are at 60% and 57% of Approved Forecast Revenue, respectively. What is the period of major collections? Certainly it's not April to June of each year. Therefore, likely to be significant shortfall.
 - Property tax at 60% of Approved Forecast Revenue. Is the shortfall due to low compliance rates, poor projections, delayed collections or combination of both? Likely to be significant shortfall.
 - Motor vehicle tax at 70% of Approved Forecast Revenue. March is the principal month for business vehicle registration, therefore unlikely to make up significant shortfall.
 - Gaming tax at 20% of Approved Forecast Revenue. The Approved Forecast Revenue should have been updated, as there is certainty that such tax will not materialize. This is expected due to delay in licensing of gaming houses.
 - Tourism tax at 67% of Approved Forecast Revenue. The high season has now passed and the revenues are behind where they should be even if evenly distributed (circa 75%). With resorts entering non-peak season, likely to be significant shortfall.

- Stamp tax at 77% of Approved Forecast Revenue. Trending towards projected revenue.
- Company fees at 78% of Approved Forecast Revenue. The majority of revenue from such taxes will have been levied and paid by March, although collections may be delayed. Therefore, likely to be shortfall.
- Bank and Trust Company Fees at 84% of Approved Forecast Revenue. This is most likely the sum total of collections, as all banks and trust companies in good standing will have made their payments by 31 March. Therefore, likely to be shortfall.
 - o is Bank of Bahamas Limited current with its bank and trust company fees? If not, is the Government providing further subvention for these fees, which are not adequately disclosed either in the financial statements of BOB or in the Budget Statement?
- Fee and Service Charges at 69% of Approved Forecast Revenue. The majority of revenue from such taxes, with business license fees being the principal source of revenue, will have been levied and paid by March, although collections may be delayed. Therefore, likely to be a significant shortfall.
 - o Head 19 – what is 9991100 Undistributed Revenue of \$20.4 million? There are no comparatives and no Approved Forecast Revenue.
 - o Head 19 – 9197110 Business Licence Fees at \$68 million versus budget of \$140 million.

§ Detailed analyses should be performed and communicated regarding this shortfall.

§ is it due to compliance levels, missed payment deadlines or errors in forecasting.

§ 2014/2015 was \$126 million and given the state of the economy, was it realistic to budget \$140 million for 2015/2016?

- Revenue from Government Property at 84% of Approved Forecast Revenue. Trending towards projected revenue.

- o Head 20 – 9201300 Rental (Sea Bed Lease) is at \$660,000 versus budget of \$3.2 million and prior year outturn of \$2.7 million. Why the significant decline? This should be expanding and not contracting.

- Interest and Dividends at 63% of Approved Forecast Revenue. As these are not evenly earned, there is likely to be significant shortfall.

Head 21 – 9213100 Dividends BTC. The prior year dividends totaled \$10.6 million and collections to date total \$9.8 million. How could there be a budget of \$19.9 million?

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Summary of Agencies Recurrent Expenditure (SRE-1)

- Significant number of reclassifications continue, although these have been communicated by Minister of State for Finance. This makes task of determining whether there are increases in budget allocations to Ministries, Departments and Agencies (MDAs) a near impossible task.

- The Budget Statement does not reflect the supplemental estimates and virements of circa \$50 million on recurrent expenditure and circa \$14 million on capital expenditure in Approved Estimates 2015/2016 presented in the Mid-Year Budget Statement.

- o Minister of Finance referred to several of these in his budget communication (Page 12 of Budget Communication), such as \$32 million for Ministry of Tourism and \$13 CLICO payments. Therefore, the 2016/2017 Budget Statement, which depicts expenditure for 2015/2016 should reflect these.

- o several Heads have exceeded Approved Estimates (e.g. Cabinet Office, Office of the Prime Minister, Ministry of Works & Urban Development and Ministry of Tourism), however, these had supplement estimates and virements. Therefore, there is an inconsistency in financial reporting.

- o omission of such amounts misrepresents projected GFS Deficit.

- Despite having nine (9) months, three quarters (3/4) of total expenditure, there have been no revisions to Approved Estimates.

- o several Heads have exceeded 75% of total Approved Estimates, however, there are numerous heads that are behind 75%. Therefore,

there should be revision of Approved Estimates to give an accurate projection of expected expenditure for 2015/2016.

- Head 5 Ministry of Public Service Block 9 – 921200 Pensions to Officials and 922200 Public Officials/Staff Gratuities are 82% and 95% of Approved Estimates. These are period payments, so these are likely to exceed Approved Estimates for the last three (3) months. Pension and related costs are significant areas requiring immediate attention.

- Head 6 – Cabinet Office Block 90 -911726 Department of NEMA has far exceeded Approved Estimates. Is this due to Hurricane Joaquin? If so, where are other costs. We are living in a Hurricane belt we need to look more carefully at the numbers when budgeting. There is no way we should be budgeting \$750K for the Hurricane Season

- o there should be reporting during Budget Debate of the costs expended specifically in relation to Hurricane Joaquin related repairs and recovery efforts. Significant sums were quoted, however, no subsequent reporting of Government expenditure, third party donations and expenditure still to be made.

- Head 7 Office of the Attorney General Block 50 – 521100 Development Contracts has far exceeded Approved Estimates. Mr. Speaker, \$1.3 million was budget however, \$4.0 was spent to the end of March. What are these costs in relation to?

- o what are costs incurred in relation to the Baha Mar legal matters, as Queens Counsel engaged, as well as professional advisors. Are any of these costs to be recovered?
- o are the visits to China and negotiation meetings included here.
- o an accounting of the costs incurred in relation to Baha Mar should be presented. This should include:
 - § the monies paid to keep employees engaged beyond the Chapter 11 filing.
 - § monies spent in relation to the legal matters and professional advisors.
 - § monies spent on travel and negotiations.
- o a cost: benefit analysis of funds expended needs to be performed. Facilitating the remobilization and completion is the Government's primary fiduciary responsibility, but we should analyses whether monies spent are justified in relation to results obtained.
- Head 22 – 947001 Public Debt Servicing – Interest has no comparable amount to determine whether we are paying more or less in relation to prior years – expectation is we are paying more as debt is increasing.
- o have already incurred 91% of Approved Estimates, therefore will exceed Approved Estimates.
- o redemptions are 90% of Approved Estimates, but Proceeds from Borrowings far exceed budgets.

o are there significant excess funds in bank accounts of the Department of the Public Treasury to make significant redemptions in the last three (3) months without borrowing additional funds? If not, we have a significant GFS Deficit and increase in Government Debt.

- Head 33 – Ministry of Works 919220 Bahamasair Holdings Ltd. and 919261 Water & Sewerage have far exceeded Approved Estimates. Bahamasair up \$30 million. Water & Sewerage up \$7 million. There is no discussion on how these levels of subvention will be curtailed in the future, but the 2016/2017 Estimates revert to original estimates for 2015/2016 that have been far exceeded. What's going on?

o We need to have a detailed strategies for weaning these public corporations off of the Public Treasury.

o the expenditure for the public corporations are capital in nature, so should these be considered capital expenditure in the Budget Statement with an expectation of recovery? Or are we acknowledging that these funds are being spent without any recourse and/or expectation of realization.

- Head 47 – Ministry of Youth & Sport where are the costs for Junkanoo Carnival? There is no articulation of costs in relation to this event in the prior year or the current year.

o financial reporting for the IAAF and Junkanoo Carnival from prior years are still outstanding. Should be presented to demonstrate the costs expended. Now we are hearing the report will be out shortly

- o An Economic Impact Assessments were reportedly to be performed for both events. These would not show any major economic contribution currently, as these are new events building participation. However, such assessments would prove to be an indicators of success in the future, as the contribution builds.

- Head 67 – 914201 Operation – Ministry of Tourism. No indication as to what this significant sum represents. Further, this includes the \$32 million in supplemental estimates and virements. This amount should be broken out like the Ministry of Foreign Affairs