



**Contribution to the 2018/2019
National Budget Debate**

**Dr. the Hon. Hubert Minnis, MP
Prime Minister**

**Monday, 18 June 2018
Nassau, The Bahamas**

10:00 A.M.

Mr. Speaker:

I rise on behalf of the wonderful people of Killarney to offer my contribution to the debate on the 2018/2019 National Budget.

This budget provides hope and opportunity for new homeowners, entrepreneurs, young people, Over-the-Hill communities, and hope and opportunity for our future.

The inspiration for my Government and for this budget is to leave behind a better, more secure, safer and prosperous country.

Our vision and mission is to provide opportunity and hope for current and future generations.

Our vision is taking shape.

During last year's election campaign, the FNM pledged to introduce free tuition for qualifying young people at the University of the Bahamas, (UB).

I wish to announce at the outset that beginning in September 2019, all full time Bahamian students who meet certain entry requirements for UB will receive free tuition.

The details of these requirements will be announced.

Students will have to maintain a minimum GPA to maintain their grant. This requirement will also be announced.

This major investment in education will help scores of young people to realize their dreams as we build a more equitable society.

While talent is evenly distributed in any population; opportunity is not.

These new Opportunity Grants are a major national investment that will help

scores of parents unable to afford the cost of tuition at UB.

Because many Family Island students cannot afford housing in New Providence, qualifying students from the Family Islands will be afforded \$500 per month for an accommodation allowance

UB will maintain a proper housing register to ensure that homes, in which students reside, meet safety and other requirements.

This new register of homes will increase housing opportunities for students. The allowance will be paid directly to qualifying homeowners.

I also wish to announce that all Bahamian students who qualify to attend BTVI, will be granted free tuition beginning this September, 2018.

To maintain this tuition, they will have to meet certain ongoing requirements, which will be announced.

This new initiative will help to build a more skilled and productive workforce.

My Government is also pleased that we are now able to fulfil our pledge to remove VAT from medicine, and from breadbasket items.

Mr. Speaker:

Given the long hot summer ahead BPL has agreed to a reconnection program for disconnected customers.

To be reconnected, a customer must pay 25 percent of their outstanding balance.

I note, that BPL usually asks for a payment of 50 percent.

Customers must maintain monthly payments of current bills plus 10 percent of

arrears, which should allow full repayment in 11 months.

I note, that BPL usually seeks to have arrears repaid within six months.

Customers must also agree to sign a payment plan.

Mr. Speaker:

I wish to provide an update on the Government's ambitious affordable housing program.

Our vision is to create a minimum of one subdivision per year over the next 10 years.

This giving each Bahamian an opportunity to own and purchase land with all the infrastructure at a cost of less than \$30,000 per lot.

The first islands to be a part of this program are: New Providence, Andros, Abaco, Exuma and San Salvador

Because a large number of Bahamians are under the age of 35, a percentage of service lots will be geared toward those 35 years old and younger.

I wish to clarify a matter in which there seems to be some confusion.

Though I want to encourage qualifying public officers to apply for land in this program, this program is not restricted to public officers.

Any Bahamian, who is interested in this program, and who meets the qualifications are eligible to apply, including single mothers, and moderate-income families.

Let me repeat: this program is not limited to public officers.

Phase two of this policy, the commercial component, will be legislated next year.

This component will afford Bahamians the opportunity to purchase land at minimum cost for Bed and Breakfast hotels, helping more Bahamians to own boutique

and small hotels, and to become involved in our primary industry.

Mr. Speaker:

The Office of the Prime Minister has issued a request for proposals for a land audit, to be executed by a Bahamian service provider, or a Bahamian service provider, in conjunction with an international firm.

The comprehensive land investigation and audit, once commenced, will establish land that is owned or leased by the Government of The Bahamas.

The information in respect of Crown Lands, will be used in the determination of outstanding land applications, at the Department of Lands and Surveys.

The findings will be used as a first step to develop a modern land registry in The Bahamas.

The audit seeks to establish:

- What government-owned land has been directed for use by others, either in the form of lease holds, licenses, authorizations, joint ventures and contractual obligations;

- What government-owned land is presently under commitments to be alienated, either via grant, lease holds, or other means, which has not yet been perfected;
- What Government-owned land is presently under consideration to be divested either via grant, lease holds, or other means, which has not yet been perfected; and

- That government-owned or - leased out land is being used for its agreed purpose.

Mr. Speaker:

This budget redirects the disastrous course we were on because of the disastrous financial management, recklessness misfeasance and malfeasance of the PLP.

We are getting our financial house in order by addressing massive annual deficits and long-term debt.

Cleaning up our financial mess, will mean a healthier, and more productive economy, in which we will have the fiscal and budgetary resources, and room to invest even more in our people.

This is a responsible and transparent budget, with investments in education and training, entrepreneurship, infrastructure, health care, social development, crime prevention and other investments in our people.

Unlike former PLP budgets there are no tricks and gimmicks, no smoke and mirrors, no games in this budget.

This is an honest budget.

While the PLP governed mostly on their own behalf and on behalf of their well-connected allies and PLP cronies, this is the People's Budget.

Mr. Speaker:

To restore our financial health and to move our Bahamas in a more prosperous direction, my Government is taking a

strategic and balanced approach in our budgets and financial management.

Our balanced and holistic approach includes:

- Cutting expenditure, finding savings and reducing waste and costs in a number of areas;

- Aggressively targeting corruption and the misuse of public funds, which is a tremendous burden on public finances;
- Major investments in education and training, and the development of entrepreneurs;
- Major investments in critical infrastructure;
- Improving the ease of doing business in order to stimulate growth and productivity.

- Increased revenue generation through more domestic investment and foreign direct investment;
- Increased revenue generation by a higher VAT rate, and a sliding scale tax for gaming operators, among other tax measures;
- Ongoing reform of taxes, including ongoing decreases in or the elimination of various tariffs and duties;

- Major investments in BEC and renewable energy in order to long-term decrease the cost of electricity.
- Improved fiscal and budgetary management through financial accountability legislation, and the modernization of public finance, and public accounting practices, methods and technology;
- Investments in social development, social intervention and social services.

Mr. Speaker:

Except in special circumstances, and in order to provide opportunity for younger civil servants, public officers will be required to retire at 65.

I also wish to announce a necessary step in terms of public pension reform.

In keeping with the practice of many countries, civil servants pensions will be

contributory for new hires. Commencement date to be announced soon.

This reform is also necessary in order to begin to seriously address a large pension shortfall.

Mr. Speaker:

The evening before the Minister of Finance presented this 2018/2019 national budget, I had the privilege of addressing the 83rd Annual Convention of the Bahamas

National Baptist Missionary and
Educational Convention.

During my address, entitled: “The
Common Good and Social Justice”, I
quoted these words from Dr. Martin Luther
King Jr., who said:

“On some positions, Cowardice asks the
question, ‘Is it safe?’

Expediency asks the question, ‘Is it
politic?’

And Vanity comes along and asks the question, 'Is it popular?'

But Conscience asks the question 'Is it right?'

“And there comes a time when one must take a position that is neither safe, nor politic, nor popular, but he must do it because Conscience tells him it is right.”

Mr. Speaker:

Though this is a tough budget, in which hard and difficult choices had to be made, my conscience is clear that my Government is doing the right thing to rescue our country.

We are doing the right thing in laying the groundwork for greater opportunity for current and future generations.

We are doing the right thing to stop our Bahamas from heading down a path that would ruin our country for generations.

Right here in our region, we are witnessing the painful results of governments waiting too long to make the difficult though necessary choices to keep their countries from financial collapse.

I am determined to make sure that our Bahamas does not get to the point where, a future prime minister, must make an emergency call in the middle of the night, to an emergency international lending agency to request a bailout.

When they were in office, and now while they are in opposition, the PLP only wants to win power so that they can enrich themselves at the expense of the Bahamian

people, and at the expense of our future as a country.

Dr. King's warning should not be forgotten. The PLP demonstrates no conscience.

The PLP likes to play it safe, to play narrow politics, to remain popular in the midst of their cowardice, expediency and vanity.

In the FNM, we are different -- distinctly different.

It is always left to us to clean up the PLP's mess.

Mr. Speaker:

I am a medical doctor by profession.

I swore a solemn oath to protect and to preserve life.

If a patient came to me very ill, and I refused to take action to help them to get better and to improve the quality of their life, I would be guilty of malpractice.

I took an oath as a minister of government to preserve and protect our Bahamas.

Given the dire and serious fiscal position of the government and the country, my

Government would have been negligent, and highly irresponsible, if we did not take tough action to aggressively respond to the immediate and long-term economic health of our country.

When a patient is confronted with a serious diagnoses like cancer, quick and decisive action must be taken.

The therapy often includes surgery, radiation or chemotherapy, dietary changes and other courses of action.

There was a growing cancer in our public finances in terms of huge annual deficits, and mounting, potentially crippling debt.

The PLP were engaged in fiscal and budgetary malpractice.

They would have allowed these cancers to keep growing and spreading.

Even at this late hour, they are still playing games with the economic health of The Bahamas, though the very survival of our country is at stake!

The health and well-being of our Bahamas, our very way of life is threatened,

if we do not halt our slide toward potential economic catastrophe.

While some lawyers are trained to talk and talk a problem to death, doctors are trained to solve problems, to save lives and to act.

The time for talk is over.

We must act now, to save our country for ourselves and for future generations.

To arrest the twin and dangerous threats to our country of massive deficits and a massive debt, we were guided by the well-known questions:

“If not us, who?”

“If not now, when?”

Mr. Speaker:

It is important to remind the country how we got to the difficult state that we are in.

That being said: though the Christie/Davis PLP were reckless, wasteful and irresponsible, it is up to this government to get our house in order.

But I need to remind the House and the PLP of the mess they made over the last five years that the FNM now has to clean up.

The PLP didn't level with the Bahamian people when they spent nearly a quarter of a billion dollars desperately trying to win the last election.

Even though they borrowed over a billion dollars in the last five years, they never provided the mortgage relief they promised nor NHI nor a host of other promises.

The PLP didn't level with the Bahamian people when they were giving out millions, upon millions, in untendered contracts.

The PLP didn't level with the Bahamian people in accounting for the many millions spent on Carnival.

We are still trying to figure out where all the VAT money gone?

They did not use the money to fix the New Providence Landfill or BEC.

This government is moving to fix the Landfill and BEC.

And we cannot forget the money spent to bail out the Bank of The Bahamas, which certain PLPs used like it was their private bank.

Even now again in opposition the PLP still isn't playing it straight with the Bahamian people.

When asked if he would reduce VAT upon coming to office, the Leader of the Opposition tried his customary bob and weave, to try to hide the reality that he would likely not reduce the VAT rate.

His excuse for not levelling with the Bahamian people is that he claims he would have to know the state of affairs in the country at the time.

Well, Mr. Speaker, let me help him to better understand the state of affairs in which the Christie/Davis PLP left the country, since he seems to have conveniently contracted a bad case of amnesia.

He should fret not.

Dr. Minnis has a course of therapy for him that will help with his poor memory and recollection.

Let me help him to understand, Mr. Speaker, the fiscal mess in which he and his party left our country.

The Christie/Davis PLP overshot their own deficit target every year they were in office.

In fact, in one year the PLP overspent their budget deficit target by approximately \$500 million.

The Christie/Davis PLP raised more than a billion dollars in new revenue, but still managed to run up the debt by \$2.5 billion in just five years.

The Christie/Davis PLP left an annual financial hole of over hundreds of millions for us to deal with.

The Christie/Davis PLP increased the annual civil service payroll bill by over \$250 million during their five years.

The Christie/Davis PLP were responsible for an almost \$90 million spike in interest payment in a single year.

The Christie/Davis PLP left, in total, almost \$800 million in outstanding bills and obligations.

These were bills that had never been budgeted or accounted for.

The Christie/Davis PLP presided over consecutive downgrades due to excessive borrowing and bad financial management.

The Christie/Davis PLP led our country to Junk status.

This is the mess we inherited.

The increase in VAT is a direct consequence of the reckless, irresponsible, corrupt mismanagement of public finances of the Christie/Davis government.

Mr. Speaker:

Year after year, the PLP optimistically forecast economic growth at rates that never materialized.

Year after year, they projected steadily declining fiscal deficits, only to record significantly worse fiscal outcomes.

The last two years of their mandate were especially horrendous examples of irresponsible and outright damnable management of our public finances.

In 2015/16, the actual deficit was more than double the amount projected.

In their last year, 2016/17, they broke all records with a deficit of \$661 million, an

almost seven-fold increase over their projection of \$100 million.

Mr. Speaker:

Under-estimating an annual deficit by \$561 million not only reveals an unsurpassed level of incompetence; it suggests something somewhat more sinister in the behaviour of our predecessors.

They simply betrayed the trust invested in them by the Bahamian people.

They wildly spent taxpayer dollars on questionable projects and hiring in a bid to prolong their privileged stay in office.

Mr. Speaker:

The facts speak for themselves. Since coming to office, we have discovered the

true extent of their fiscal mess and malfeasance.

After having paid millions of dollars of unpaid bills at the end of 2016/17 and through 2017/18, we discovered in preparing the 2018/19 Budget, that we still face a huge pile of additional unpaid bills and arrears, to the tune of \$360 million.

In addition, we also found that they wilfully engaged in under-budgeting for

commitments that were well known, as a means of presenting rosier fiscal projections than were warranted.

In their last two years in office, they increased the government debt by a staggering \$912 million.

And this, despite the \$1.5 billion in revenues that were collected from the VAT during the first two and one-half years of its existence.

Over their five-year term, their fiscal mismanagement produced a total increase in debt of over \$2.6 billion, for an annual average of over \$500 million.

As a direct result of this mushrooming debt level, our Government is now saddled with an annual interest bill of \$381 million.

And what about their promise to remove the impediments to business growth?

It also went out the proverbial window, along with many of the other promises in their Charter.

As a result, our ranking in the World Bank Ease of Doing Business Index deteriorated from 85th place in 2012, to 121st place in 2017.

We will fix this embarrassing position.

Mr. Speaker:

Based on their past performance or lack thereof, the PLP should hang their heads in shame.

But they are incapable of shame.

They are incapable of accepting responsibility.

Mr. Speaker:

If anyone thought that running massive deficits year after year is the proper

prescription for the promotion of stronger and durable economic growth, the track record of our predecessors should definitely serve as a stark cautionary tale.

Clearly, persistently large deficits leading to debt levels rising to critical limits affect market confidence in the macroeconomic stability of a country.

Indeed, we saw just such an eventuality with our downgrading by Standard & Poor's to junk status under the watch of our predecessors.

This speaks loudly and clearly about credibility and confidence.

Mr. Speaker: the PLP who took the country to the credit rating Junk yard, now all of a sudden, want to give advice to us on

fiscal and economic matters. Imagine
That!

But just like the Bahamian people did in
May 2017, we on this side, similarly will pay
them no mind!

Mr. Speaker:

We faced stark choices when we came
to office.

The country faces stark choices.

We have very serious problems.

Our financial affairs are in a very sick state.

There are those in this chamber who know that only too well.

Yet they prefer to pander and to mislead the public.

This is a time when leaders of the people should lead.

This is not a time to pander.

This is not a time to mislead.

This is not a time to run and hide.

This is not a time for cheap politics.

Throughout the years, the founders of our party and their successors, have demonstrated their commitment to principle rather than personal interests.

They have demonstrated courage in the face of great challenges.

I do not intend to abandon this proud tradition.

The choice we face is this:

Do we deal with the problem now on our own terms?

Or do we deal with it later on terms dictated by others?

Do we take some unpleasant medicine now?

Or do we undergo serious surgery later on?

And by serious surgery, I mean having an international emergency lending agency tell us:

- how much we must raise taxes;
- how much we must cut civil service pay;

- how many civil servants we must lay off;
- how many social programs we must abandon.

Mr. Speaker:

I now want to focus in some detail on my Government's economic and fiscal strategy for growth and jobs.

In our 2017 Manifesto, we outlined our plan for the future.

The ultimate aim, in the words of the Manifesto, is “about rescuing our country from the current socio-economic maelstrom and depression to which it has sunk and which, if not addressed sooner rather than later, will inevitably lead to the economic demise of our once proud country”.

This government is putting in place the measures to fix our fiscal house and to place our economy on solid and stable ground.

What experience demonstrates is that, beyond aggregate demand, we must seriously focus on the core structural factors that underpin the productivity, competitiveness and growth of our economy.

Research at the IMF has revealed that we do in fact face serious structural impediments that require bold policy action if we are to successfully unleash more buoyant medium-term growth.

Mr. Speaker:

I do want to stress this latter point. Simply moving our economy to the types of growth rates that it has posted over the last

15 years or so is not adequate to the needs of a growing labour force.

We must create the conditions, as we are doing through our proactive growth agenda, to engender a significant boost in the potential rate of growth of our economy if we are to significantly reduce the rate of unemployment, both in aggregate and in respect of our youth, and sustainably enhance the standard of living of Bahamians.

Mr. Speaker:

In our Manifesto, we vowed to practice fiscal discipline in the management of the affairs of the nation.

We pledged to pursue a transformative socio-economic growth agenda to pull our

country out of its economic and fiscal malaise.

We began implementing that plan in our first year in office and we did so prudently, within the fiscal means available to us.

We also implemented measures to contain expenditure that produced a 10.3 per cent reduction in the wage bill, and purchases of goods and services.

Our responsible approach to governance produced an improvement in the 2017/18 deficit below the level that was projected.

In one year, we succeeded in cutting the government deficit by some \$351 million from the previous year!

Relative to the size of the economy, the deficit was reduced by over one-half, from 5.5 per cent to 2.5 per cent of GDP.

That brings me to the 2018/189 Budget. In developing this budget, we faced a number of daunting challenges.

Prime among these were the \$360 million in arrears that I mentioned earlier, and that required payment, and the vital need to adopt a “right budgeting” approach to fiscal management and planning, so that

such a pile of unpaid bills never again develops.

In the previous budget, we indicated that we would develop Fiscal Responsibility legislation in order to honor our Manifesto commitment to fiscal discipline.

That legislation has now been drafted and released for public review and comments.

As we are steadfastly committed to balancing the budget and getting the burden of debt down to a maximum of 50 per cent of GDP, the draft legislation includes target levels for the deficit that will see it eliminated in three years, that is by 2020/21.

These are tough targets indeed and the timeline for their achievement is challenging.

But, after so many decades of deficit financing and rising debt levels, we firmly believe that the time has come for decisive and determined action.

We fully intend to proudly wear the mantle as the Bahamian Government that finally succeeded in wrestling the deficit to the ground and bringing us to a much healthier fiscal position.

This in itself will bolster confidence and stimulate enhanced domestic and foreign investment in our economy and country.

Our growth action plan also targets the various structural impediments that constrain our medium and long term rate of economic growth.

Mr. Speaker:

Shortly after taking office, we established a private sector led-committee to review and develop recommendations in respect of the ease of doing business in our country.

As a result, a fundamental restructuring of the business license system has been undertaken that will, once fully completed in early 2019, streamline the entire business license process.

This will enable much faster approval times through greater use of digital platforms that will support the integration of systems between agencies for complete online service.

A number of other administrative and legislative improvements have also been developed in response to the Committee's recommendations.

Mr. Speaker:

In the Budget, we allocated over \$5 million for the Government's support programme for small-and medium-sized businesses, including the establishment of the Small Business Development Centre.

This Centre will provide advisory and technical support to Bahamians when

opening a business or expanding operations.

It will also steer entrepreneurs to funding opportunities, and assist businesses in dealing with the regulatory and tax registration requirements for new businesses.

Most importantly, it will help them get cash in their hands to make the

investments necessary to help them realize their entrepreneurial dreams.

You may recall, Mr. Speaker, that earlier this year I announced that the government would commit \$25 million to small businesses in the Bahamas.

We are making good on our promise.

We, on this side, are known for keeping our promises Mr. Speaker.

The other side has a reputation of talking much and delivering little.

We do not operate that way.

When we say we are going to do something, by the grace of God, we make it happen.

I remind the Bahamian people, Mr. Speaker, that we have also provided a waiver of Business License fees for all

small businesses whose turnover is under \$100,000.

Under the direction of my office, an incentive programme has been developed to provide for the designation of Economic Empowerment Zones in The Bahamas, beginning with the Over-the-Hill community.

The Budget allocates \$5 million for this initiative in 2018/19, in addition to a number

of tax relief measures and incentives valued at an estimated \$6 million.

Mr. Speaker:

Skills shortages and mismatches have been identified as a key structural impediment to stronger growth.

Our plan of action includes measures to directly address this issue.

For instance, some \$4 million is allocated in the Budget for the recruitment of up to 200 new college graduates who will be given the opportunity to develop the professional work skills required by the public service of the 21st century.

No experience required Mr. Speaker.

We know that our young Bahamian college graduates need an opportunity to gain professional experience.

And we know we need those wonderful, gifted, bright Bahamian minds to bring their energy, drive, passion, intellect and skills to help drive what must be a new Public Service of The Bahamas.

In this vein, it is essential to increase the rank of trained economists in the public service.

This is consistent with a more intensive approach to designing and implementing policies that are grounded in sound technical analysis, and having such policies when best tailored to our unique circumstances in the Bahamas.

There is a strong demand and need for economists in our various government ministries, starting with the Ministry of

Finance, and in the various regulatory agencies.

To satisfy these skillsets, a graduate level program in economics at the University of the Bahamas would be important and significant.

We are encouraged, therefore, by the engagement of the Central Bank and other stakeholders with UB to get a master's degree program in economics started.

Once established, it is expected that suitable candidates will feed into this program from inside the public sector and from public sector agencies.

A UB program would allow us to leverage resources to train more Bahamians locally at the Master's Degree level, from among whom we can choose to sponsor candidates to study abroad at the PHD level.

These are prospects who may return to contribute in various national capacities or to competitively contribute on behalf of the Bahamas in various international capacities.

In 2017 the Central Bank introduced the T Baswell Donaldson Research Prize in Economics to recognize scholarly work

undertaken by Bahamian university students.

Over time this is expected to promote more awareness of the value of undertaking applied research on the economy, and to stimulate more interest in economics as a profession.

In the meantime, it will recognize and celebrate talent that is already developing

within this discipline. I applaud the Bank for this initiative.

Mr. Speaker:

The time is long overdue to stop the political hiring of persons regardless of skillsets just to win votes – the type of which was mastered by the PLP.

Instead, as a responsible government committed to our young people, we are

providing real and substantive opportunities to qualified Bahamians regardless of politics.

Their talent and ambition is all that will matter, not their party affiliation.

Again, as part of a real investment in our young people we have also allocated \$2.6 million for scholarships at the Bahamas Technical and Vocational Institute (BTVI) so that all qualifying full-time

Bahamian students will be able to obtain a scholarship for free tuition for any degree or certification program.

We are examining with the senior team of the Institute the possibility of paying a monthly stipend as incentive for students in programs for which there is keen demand in the marketplace.

Students on these scholarships will have to attend class regularly and will have to meet certain academic performance standards.

If they apply themselves Mr. Speaker, and do their part, we will do our part.

And as our young people develop marketable skills, they position themselves for good paying jobs, or to venture out as entrepreneurs being their own boss.

Mr. Speaker, I am advised that our announcement of this BTVI scholarship programme has already fueled substantial calls to the Institute with young Bahamians excited about this government's planned investment in them.

That is music to my ears Mr. Speaker. The opportunity will create greater demand for BTVI training and as such, we have

allocated \$3.5 million in the Capital Budget for BTVI to help them begin the necessary upgrades and expansion of facilities to meet this increased demand.

Through a loan with the Caribbean Development Bank, we will be expanding the facilities around Information Technology in particular so that our students are even more ready for this 21st Century Digital Economy.

This government Mr. Speaker, is the one that is investing in our young people and in so doing, laying the foundation for their well-being and the sustained economic growth of the country.

Mr. Speaker:

Public infrastructure is also a critical component of our growth action plan as modern and efficient infrastructure serves

as a vital foundation for more buoyant growth of the private sector.

Such investments will include airports, bridges, docks, roads, administrative complexes and clinics that will bring productive returns on investment and provide employment for Bahamians throughout the country.

The Government will look to public-private partnerships (or PPPs) in these endeavours, to the extent that these are feasible and reasonable from an economic and financial point of view.

But instead of the dubious PPPs that lacked contracts and transparency and any policy framework – the ones done by the previous administration that have only served to saddle the government with

expensive short term loans – this government will instead put in place a documented and established policy framework for PPPs that will be known and understood by the public.

Never again should a future government be bound to millions of dollars of commitments on tax-payer funded projects for which there are no formal contracts.

Yes Mr. Speaker, the same ones who were handing out millions of dollars of the people's money, with no formal contracts, are the same ones who now suddenly have all sorts of advice on economic and fiscal matters.

The same ones who didn't know enough to ensure that the government gets proper project profiles and assessments and vetted contracts – they who were running

that kind of tuck shop operation – they want to now convince The Bahamian people that they have something sensible to contribute.

They truly have no sense of shame Mr. Speaker.

In support of the Government's focus on public infrastructure, the Budget allocates an additional \$66 million to the Capital Expenditure budget in 2018/19, which,

among others, includes \$13.5 million for the Digital Government initiatives in the Ministries of Finance and Education.

I would, of course, be remiss if I failed to mention the Budget allocation of \$1 million for the programme of cultural grants to be administered through an independent facility for that purpose.

We shall appoint a non-political board to head a special fund to support the

development of Bahamian artists, novelists, sculptors, filmmakers, playwrights who are involved in projects of cultural significance.

Although the government will seed the Fund, the Fund will be open to donations from any and all private donors.

Applicants will be able to apply to the Board to obtain small grants from \$1,000 to \$25,000 in the first iteration to support

defined initiatives that they are undertaking that add to the cultural expression of the country.

These are to be substantive projects such as writing a book, producing a film or documentary, commissioning an art series, putting on a play, creating a performance space for musicians, poets, etc.

The Fund will be a co-investor in the projects and the grant recipients will be required to fulfil the terms of their grant award.

I repeat Mr. Speaker, this will not be a matter of politics.

No Bahamian artist will have to come to me or any politician to get a grant.

We shall put into the by-laws that the Board is not to take instruction or guidance from any politician on any applicant.

In my upcoming national address I will offer additional ideas for grants for students, athletes and artists.

In the area of Junkanoo, the government is mindful of the long hours,

rich talent and artistic abilities displayed by our Junkanooers.

Therefore, in this new budget year we will increase the prize money.

The Ministry of Youth, Sports and Culture, will introduce for the first time special Cash Prizes in the A & B categories for Best Music, in New Providence and in Grand Bahama.

The Prime Minister's Best Music Award will be introduced this Christmas for the first time.

New Providence:

- I. A Category -- \$10,000.00
- II. B Category -- \$5,000.00

Grand Bahama:

- I. A Category -- \$5,000.00
- II. B Category -- \$2,000.00

Mr. Speaker:

This brings me to a discussion of the central fiscal challenge that the Government faced in developing the Budget.

When we tallied up all of the fiscal pressures that are present, we determined that we faced a fiscal gap of some \$400 million if we were to achieve the mandated

target of a deficit of 1.8 per cent of GDP in 2018/19.

As such a target is a critical part of our plan to restore and bolster credibility, confidence and stronger growth, it simply has to be met.

Having just released a draft Fiscal Responsibility Bill for consultations, with that target as a key fiscal anchor, our

credibility as disciplined and prudent fiscal managers is also at stake.

The hard reality is that there are very few feasible options available, within the timeframe required, to fully address a fiscal gap of that magnitude.

We therefore came to the realization, that an increase in the rate of VAT to 12 per cent, was the only viable and reliable option

to allow us to deal with all of the fiscal pressures present, while also respecting the requirements of the Fiscal Responsibility law.

The VAT measure is the key feature of a three-year fiscal plan that will:

- eliminate the mountain of arrears;
- provide for the right budgeting for known commitments;
- provide for the judicious funding of the highest priority initiatives in our

socio-economic growth agenda;

- provide for significant reductions in Customs and excise duties in the second and third years of the plan; and
- secure the attainment of the critical deficit targets.

Mr. Speaker:

I appreciate that some have suggested that an increase in VAT of that magnitude

will serve to slow domestic consumption and the rate of economic growth.

In this context, I would note that the economy is presently in the midst of an appreciable upswing whose momentum should mitigate the impact to some extent.

That is especially relevant in the tourism sector in particular.

As well, it is worth noting that a significant portion of the new VAT revenues will be redirected back into the economy through the payment of arrears to various creditors.

I would also offer a reminder that, following the introduction of the VAT at 7.5 per cent in 2015, the economy actually strengthened to a growth rate of 1 per cent from a decline in 2014.

So I would suggest that a sharp contraction in economic activity, as a result of the VAT increase, is not inevitable.

In the event, any possible temporary impact needs to be weighed against the potential negative effects of not closing the fiscal gap and meeting the deficit target, thereby facing the prospect of further

downgrades in our credibility and credit rating.

We should also not lose sight of the fact that the Government has been mindful, in the development of its plan, to provide tax relief to the most vulnerable in our society.

Among the measures announced are the elimination of VAT on breadbasket items, medicines, residential property

insurance, as well as on electricity, and water, for a large number of households.

I do want to stress as well that, unlike the experience with the introduction of VAT under the previous administration, my Government is going forward with its three-year fiscal plan within the rigid constraints of new fiscal responsibility legislation.

The law will not only mandate fixed and declining deficit targets, but it will also restrain the growth of Recurrent Expenditure.

No longer will taxpayer VAT dollars vanish into thin air, never to be seen or accounted for again.

The Government will be fully accountable for the fiscal results of its plan to Parliament, the proposed private sector

Fiscal Responsibility Council and the Bahamian public.

Our feet will be held to the fire to ensure that we do in fact realize the reductions in the deficit that we plan.

Mr. Speaker:

Ours is indeed a transparent, accountable, and responsible plan that will put our country on a solid economic footing,

not only today, but also over the long term on a sustainable basis.

Unlike our predecessors, we have a plan and we will deliver on that plan.

Mr. Speaker:

When we came to office we knew difficult choices had to be made.

The PLP that was in office before us was the worst government since majority rule.

The PLP way is for them and them alone. That party has no philosophy or ideology other than this: Get the money.

We do not want our country to spiral to crisis. We do not want devaluation, where people lose the value of their savings and investments.

We do not want to be forced by international lenders to fire thousands of public servants as a condition of debt restructuring.

We do not want to have to slash public service wages by 10 percent as a condition of foreign emergency lenders.

There are so many examples in our region of what happens when borrowing gets out of control.

Countries spiral to hopelessness and open-ended recession.

Many of their people leave, becoming economic refugees in other people's countries.

Mr. Speaker,

In my opinion, the Leader of the Opposition spent his career as Perry Christie's sidekick.

He was there to support Christie in their law practice.

He was there to support Christie for two decades when he was leader of the PLP.

He sat next to Christie and was part of all that was done.

We are not like them.

The PLP would tell you: “Let’s go back to the days of borrowing and partying.”

They would tell the country they will cut VAT and other taxes and make things fun if they regain power.

But we know what listening to them would do to our country.

It would lead to disaster. We have seen this PLP movie before.

It has a very bad ending.

When you borrow so much money in such a small country there is a time when you have to pay it back and when the high borrowing must end.

We as a government have decided to take bold action.

Nobody likes raising taxes.

I am a businessman.

My colleagues dislike raising taxes too.

As we outlined in our three-year fiscal plan, we intend to first bring order to the government situation.

Circumstances permitting, we will make reductions in duty.

Mr. Speaker:

The PLP has no plan.

They never do.

All they have is public relations and profiling for the cameras.

They come in here and make outrageous statements, after outrageous statements, for their own narrow political interests.

The Leader of the Opposition has had a lifelong ambition to be prime minister.

This is his only plan.

The MP for Englerston doesn't support him so she is posturing for attention to bolster her next leadership run.

The Exumas and Ragged Island MP tries to find every camera and reporter available to get in the news because he wants attention in his ambition to be PLP leader soon.

That's them: The Me, Me, Me Crew.

The PLP spends no time on public policy issues.

They spend no time thinking of the future of the Bahamas.

The PLP left the country in bad shape. The Christie/Davis term between 2012 and 2017 was defined by recession, murder records and scandals.

Already with us in office the economy grew by 1.4 percent last year.

It is projected to grow by 2.5 percent this year, and 2.25 percent next year.

We have had success on the crime front with a significant decrease in murders as compared to last year.

It is important for Bahamians to understand our plan.

We cannot keep borrowing plenty money forever.

My government has decided this year to slow the rate of borrowing.

The last government borrowed, and borrowed, and borrowed. No one knows where all the money went.

When a PLP Cabinet minister was asked on live radio where the VAT money went his tongue got twisted.

He made no sense.

They did not want to tell the country that much of the money went to PLPs.

Our three-year plan starts with the increased VAT.

We are doing it to slow the rate of borrowing.

This is the lowest rate of borrowing in a budget in recent memory.

That was the first step. Now the Minister of Finance said this but it got little coverage. As part of our three-year plan we intend to reduce taxes.

When Bahamians go to a store they see the VAT on their bill.

That is the relatively small tax for goods. The big, big taxes are hidden.

The item someone is buying may have a 45 percent customs duty, or 65 percent.

That's the hidden tax that makes things so expensive in the Bahamas.

Before governments could raise those taxes as much as they felt like.

The people would not complain or protest because those taxes were not on their bills. They were hidden.

We want to encourage shopping at home.

We want that money to stay here and not go abroad.

That is why in this budget we removed duty for retailers on clothes and shoes.

That move is the beginning of a much wider effort.

Mr. Speaker:

Nothing is free in life. As the member for Central and South Abaco said in his budget presentation, borrowing is a tax on future generations.

That's the PLP way.

They want to take the money now and leave Bahamians with endless deficits and a huge debt.

We are different than them. When we were elected we knew the Bahamas was in a crisis.

But, it was worse than anyone thought.

A PLP win would have meant more downgrades and disaster.

We will not let the Bahamas fail.

I will not let the Bahamas fail.

I do not want us to have to go through what our friends in Barbados are going through now.

The new prime minister there has had to raise all kinds of taxes in the initial phase of her stabilization effort.

We wish her and the people of Barbados all the best in getting that country back on track.

We must not get there.

We will not let The Bahamas get there.

When the Bahamian people voted last time they knew that the PLP had wasted their money.

We just didn't know how much.

The PLP has not changed. The Leader of the Opposition wants to pretend that he is a new type of leader.

He is not. He was always a follower of Christie.

Never said a bad word about Christie.
Was happy to work for Christie.

Was happy to be his deputy.

The PLP is no different under his leadership.

During the PLP-web shop march there was the same PLP Cabinet minister, who was caught by the newspapers begging a foreign investor for a specific amount in contracts.

The former PLP chairman was there. Other Christie candidates were there.

I welcome and understand the vigorous national debate about the national budget.

But Bahamians should not be fooled by the political games the PLP is playing in order to get their hands back on the VAT money.

The PLP is like a bad contractor who messes up your house, but then expresses sympathy that your house is poorly built.

Then when you get a new and better contractor to fix and rebuild your house, all the old contractor does is whine and complain and cuss because you are getting a better house because you fired them.

The bad contractor, like the PLP, is angry that they can't get their greedy hands on your money anymore.

Under my government, you will know where, and how, government revenues are being spent.

We are doing the hard things to make the Bahamas stronger. To ensure sustained success for you and future generations.

Mr. Speaker:

The Bahamas economy is recovering and continues to grow, generating

economic activity throughout the economy, including more jobs.

Foreign direct investment is playing a critical part in our recovery.

The Bahamas experienced a diversification of Foreign Direct Investment in its economy during the past year.

As a result of the Commercial Enterprises Act, 2017, and investment

promotion tours in the USA, The Bahamas experienced new businesses in financial services, biomedical health facilities, information technology and energy.

Inflows in the tourism sector remained steady, with the expansion of boutique marina resorts, new build hotels and condominium complex and the acquisition of stalled mega resort properties.

There is also an uptick of inflows in agriculture and entertainment and services, with offerings such as motor sport and karting track facilities, theme parks, farm production, and a seafood processing plant.

Total foreign capital investment in The Bahamas beginning May 2017 until the present date is estimated at \$767,440,000.

This capital investment is projected to generate 6,004 construction jobs for Bahamian contractors and 8,040 operational positions within the next five years.

New Providence attracted the larger number of inflows with investment in resorts, condominium developments, farming and cement manufacturing.

The New Providence market is buoyed by the \$20 million purchase of the Hurricane Hole land and marina property on Paradise Island by Sterling Hurricane Hole Limited.

The property will be developed into the Hurricane Hole Residential Community Resort and Marina and will expend an estimated \$194 million through its completion in 2025.

A notable investment in the financial and industrial sectors is the relocation of Shell Western Supply and Trading Limited operations from Barbados to The Bahamas.

The company is involved in proprietary international trading in commodities.

An estimated \$3 million will be expended to establish the new office on New Providence.

The Eleuthera resort and residential property markets, have been the most active among the Family Islands in recent months, making up a substantial amount of the total investments.

The \$4 million Harbour Island Resort and Marina, with an estimated capital investment of \$55 million, will add to the ultra-luxury resort and marina product offerings on Harbour Island.

Nearby Man Island, will experience a newly constructed 15-room hotel.

Unicorn Cay Development is in the initial stages of developing a second-home residential community in Central Eleuthera.

A new cement plant will be built on Eleuthera to augment the supply of concrete products for the fast growing construction industry on the island.

Government-approved investments in Grand Bahama are heavily concentrated in tourism and the digital economy.

Grand Palm Beach expended \$42 million for the acquisition of the former Ginn Sur Mer stalled resort, marina and airport development at West End Grand Bahama.

Economic activity in West Grand Bahama is being supported by the Blue Marlin Cove resort and marina expansion project valued at approximately \$1.2 million.

East Grand Bahama was approved for a \$37 million resort hotel and commercial development which will include a world class motor sport and karting tracks.

Other Grand Bahama investments focused on pea rock production and the

purchase and redevelopment of distressed rental properties into boutique resorts in Freeport City.

The Berry Islands, Abaco and Andros Island experienced their share of investments with the acquisition and expansion of existing properties.

Mr. Speaker:

Efforts to revitalize the Over-the-Hill are very close to my heart.

Like many others who were born and raised in this historic area, it is a place that we want to ensure is never over looked again.

For those of us who love the Over-the-Hill area, we seek to see a social and economic recovery and rebirth within those communities.

Our Over-the-Hill revitalization plan has several components.

Today, I focus on the economic empowerment component.

In my upcoming national address and on other occasions, I will discuss other components in more detail.

When I think of economic empowerment, I think of the many shopkeepers, barbers, hairdressers and

other independent entrepreneurs who work
Over the Hill.

I think of the many establishments which
have managed to survive over the years
and,

I remember the other shops which have
closed their doors because of hardship,
resulting in a loss of jobs Over-the-Hill.

To provide much needed support to businesses and residents in the community, a package of economic stimulus activities have been designed for implementation.

We will create an economic empowerment zone. This includes the long awaited package of legislation outlining concessions to reduce taxes, such as duty and real property tax, for home owners and businesses.

We are imitating land reform initiatives:
Working with the Office of the Attorney
General and the Land Unit, we will begin a
process to develop a comprehensive
strategy to assist residents with obtaining
title.

For example, we know that many people
may be living in the home of a grandmother
or grandfather who has long since passed
on, with no will in place.

For many families this is a reality, and we all know without a clear title the home or land cannot be used to obtain a loan or for any other commercial purpose.

Working with the Ministry of Labour, we plan to focus attention on job fair programmes in the Over-the-Hill area.

We will ensure that there is assistance for resume writing, with completing applications and preparing for interviews.

Hand in hand with job readiness, is also assistance with getting the necessary documents and identification like an NIB card.

These are excellent opportunities for Churches in the community to partner with the Over the Hill Project.

We also want to work with the micro and small businesses in the area, particularly the petty shops to have them formalized.

Recall, that for businesses under \$5 million, there is no business licence tax.

But there are many benefits for businesses in terms of access to a greater source of financing and the many benefits under the Over the Hill Initiative.

We also plan to launch what we think may be the first, but certainly the largest, Business Expo for Over-the-Hill Businesses.

We wish to showcase these businesses to the rest of The Bahamas and to drum up additional business for them.

Another stream of work relates to the improving financial literacy.

We will work with the Central Bank and the other agencies and organizations which are working on empowering people through understanding how to use financial services and personal financial discipline to their families and their communities.

A critical part of economic empowerment concerns the creative and cultural economy. We will create economic

opportunities for investment in cultural assets.

We plan to strengthen our register of historic buildings with the addition of specific Over the Hill properties.

We feel that the rejuvenation of these historic sites will begin the process of linking Bay Street with Over-the-Hill in terms of opportunities for tours, excursions and additional tourism revenue.

Many people do not know of cultural assets such as the Reinhard Hotel on Blue Hill Road, the only hotel that accommodated people of color during the days of segregation.

For this property, like many other historic icons, a strategy needs to be implemented to have the asset preserved

and its stories told during walking tours and to our children.

We plan to commit approximately \$400,000 this fiscal year to projects aimed at economic empowerment, in addition to the incentives valued at up to \$6 million under the Economic Empowerment Zone.

Mr. Speaker:

The Commercial Enterprises Act approved last year is already bearing fruit.

Applications recently approved under the Commercial Enterprises Act, 2017, include KB Analytics, Ltd., a company providing data and consulting services relating to finance, world markets and global events to its affiliate Kensho Technologies, Inc.

Other applications approved include: Euphera Softwares Pvt. Ltd., a small start-up IT company specializing in software design and writing; Shell Western Supply and Trading Limited; GIBC Group, LLC, a technological consulting firm; and G. B. Biopharma Co. Ltd., a biomedical business.

Fifty percent of the businesses approved pursuant to the Commercial Enterprises Act, 2017 will be located on

Grand Bahama with the remainder on New Providence.

Mr. Speaker:

I will have more to say about Grand Bahama in my upcoming national address.

But please permit me to note a few developments on our second most populous island.

An agreement was signed in November 2017 with Bahamas Paradise Cruise Line to bring the Grand Celebration back to Grand Bahama, and to add a newly acquired sister ship The SS Neo Classica.

The second vessel started sailing in April and now is estimated to bring a significant number of passengers to Grand Bahama annually.

It is now expected that via both deployed ships, Bahamas Paradise Cruise Line will be able to deliver several hundred thousand cruise passengers to Grand Bahama each year.

We also negotiated an airlift agreement with Sunwing, and now have the return of Vacation Express.

It has been announced that a total of eight non-stop flights departing from various US cities, began their flight schedules as of last month.

Flights from Detroit, Chicago, Nashville, Pittsburgh, Newark, Baltimore, Cincinnati, and Dallas will be operated by Swift Air LLC.

The Ministry of Tourism projects yielding a potential 16,800 passengers.

Mr. Speaker:

As a result of a Bahamas delegation visit to Texas last year, and specifically to Dell Headquarters, Dell has decided to hold their Presidents Conference 2019 in The Bahamas, which will result in approximately 1,000 visitors, and potential long-term business opportunities.

The first Bahamas Blockchain Cryptocurrency Conference will be held in Freeport, June 20-22.

The conference is anticipated to attract more technology companies to Grand Bahama.

I also note that Pharmachem Technologies Grand Bahama Ltd. is presently undergoing expansion of its API production facility, which will result in

approximately 100 new construction jobs beginning this month.

Mr. Speaker:

I remind Bahamians and residents that hurricane season has begun, and that they should be prepared for what may be another very active season.

Over the past three years The Bahamas has witnessed and experienced firsthand

what devastating impact a major hurricane can have on personal lives and property.

The records would show that over the past two decades some islands of The Bahamas have been impacted by a hurricane almost every other year.

We must continue to consider preparedness at all levels.

Through preparedness we can minimize the losses and damage that occur annually as a result of hurricanes and other severe weather systems, and help to build more resilient communities.

The National Emergency Management Agency (NEMA), is continuing to refine its coordination of responses to air and sea mishaps, fire and other emergency events, in collaboration with the relevant lead

agency and in conjunction with the local Family Island Disaster Consultative Committees.

With the functions of physical and infrastructural assessments and repair assistance being assigned to the Ministry of Public Works, NEMA can now concentrate fully on strengthening the governance structure, and the preparedness

mechanisms for comprehensive disaster management.

The Government of The Bahamas is aiming to ensure that the necessary mitigation, preparedness, response and recovery mechanisms are in place through the relevant government organizations.

The national Tropical Cyclone and Excessive Rain Fall Insurance with the

Caribbean Catastrophe Risk Insurance Facility (CCRIF) has been renewed for the ensuing year.

This insurance allows for a quick payout if any of the geographical sectors of The Bahamas is impacted.

Additionally, The Bahamas has agreed in principle to a \$100 million Contingency Credit Facility (CCF) through the

Inter-American Development Bank which the country can access if impacted by other major tropical cyclones.

Inter-American Development Bank reports on the losses and damage in The Bahamas as a result of hurricanes Joaquin, Matthew, and Irma, were pegged near three quarters of a billion dollars.

The Bahamas must do more to minimize the amount in losses and damages by adhering to sound mitigation and preparedness measures and practices.

Mr. Speaker:

In 2015, a Diagnostic Study of the Public Service was completed by the Commonwealth Secretariat. In 2018, The Bahamas participated in a Regional Civil

Service Diagnostic conducted by the Inter-American Development Bank (IDB).

These reports dealt with the modernization of the Public Service in The Bahamas and all agreed on the same challenges and deficiencies. Many of our practices are antiquated.

The 2015 Commonwealth Report, identified 7 key strands for development,

while the draft IDB Report made recommendations using seven indices including: (1) Efficiency, (2) Merit, (3) Structural Consistency, (4) Functional Capacity, (5) Integrative Capacity, (6) Management Capabilities, and (7) Diversity Management.

In terms of the challenges and recommendations made in the reports in the coming days various recommendations

will be made to Cabinet for the way forward with regard ongoing public sector reform.

This recommendation, it is anticipated, will be tied directly to the Prime Minister's Delivery Unit as it has a direct impact on the ease of doing business and other priorities of the Unit.

Mr. Speaker:

My colleagues and I are committed to restoring this country to good health.

We fully intend to put an end to the culture of corruption and waste, of doling out the people's money to family and friends.

In the end we will have a better and brighter Bahamas, a Bahamas we can hand over the next generation not with shame but

with pride, a Bahamas that will have demonstrated to the world that this small country has the courage, the good sense and the capacity to successfully manage our affairs with discipline and common sense.

The 2018/2019 National Budget will serve as landmark in moving our country forward.

This is a budget of hope and opportunity.

I close with the words of Dr. King, which I noted earlier in my contribution.

Dr. King declared:

“On some positions, Cowardice asks the question, ‘Is it safe?’

“Expediency asks the question, ‘Is it politic?’

“And Vanity comes along and asks the question, ‘Is it popular?’

“But Conscience asks the question ‘Is it right?’

“And there comes a time when one must take a position that is neither safe, nor politic, nor popular, but he must do it because Conscience tells him it is right.”

Much of this budget may not be expedient nor popular nor safe nor politic.

But Conscience tells me that we are doing the right thing for the country and for the people that I love with all my heart and soul.

We are doing the right thing for current and future generations.

I close by again thanking the people of Killarney for the privilege of serving me in this honorable House.

I thank my party for their support as Leader.

I thank the people of The Bahamas for the great privilege as serving as their prime minister.

And, I thank you, Mr. Speaker.

Mr. Speaker:

It is still, and will always be in my heart,
“The People’s Time!” because the
Bahamian people know where my heart is.

May God bless our beautiful Bahamas
abundantly.
