



COMMONWEALTH OF THE BAHAMAS

**DEBATE ON 2020 FISCAL STRATEGY REPORT &
PUBLIC FINANCIAL MANAGEMENT, DEBT
MANAGEMENT, STATISTICS AND PUBLIC
PROCUREMENT BILLS**

THE MOST HONOURABLE DR. HUBERT MINNIS

**PRIME MINISTER
&
MINISTER OF FINANCE**

MONDAY MARCH 1 2021

Mr. Speaker,

Last year I told Bahamians that we were in a fight against COVID-19 and a fight to save lives.

Under our leadership the Country launched an all-out assault on COVID-19 and we have seen the positive results.

I remind Bahamians, however, do not to let your guard down.

Today we want to talk about another fight.

Mr. Speaker, we are fighting for the Bahamian economy!

We are fighting for Bahamian jobs and Bahamian businesses.

We are fighting for our economic recovery and our economic growth.

Although Hurricane Dorian and COVID-19 has hit us with some devastating economic blows, we will continue to fight for our economy and this is a fight that we will win.

I want the public to rest assured that every member of my government is fighting for you and we will win this fight.

It is my privilege to commence the debate in this honourable house of the 2020 Fiscal Strategy Report or 2020 FSR, as required by the Fiscal Responsibility Act, 2018.

I would like to remind this honourable house that the Fiscal Responsibility Act was a transformative piece of legislation enacted by this government after years of talk by the Opposition.

It is driving the very types of changes we will debate, starting today.

The fiscal responsibility principles as stated in the Act are: achieving and maintaining a sustainable fiscal balance;

achieving and maintaining prudent levels of public debt; and prudently managing fiscal risks.

Along with the 2020 FSR, we will also debate a compendium of legislative reforms that are central to the government's fiscal strategy, and more importantly, critical to good governance.

These include the Public Procurement Bill, 2020; the Statistics Bill, 2021; Public Financial Management Bill, 2021; and the Debt Management Bill, 2021, which will bring about greater levels of efficiency, transparency and accountability.

Together, these efforts underpin the government's mandate for good governance.

Countries around the world with strong governance institutions have demonstrated they tend to do better economically over time.

The reforms we are proposing are not only long overdue; they are the right thing to do.

The former Christie/Davis administration had talked about these reforms.

In some cases, they had even drafted bills.

But as is their custom, they are long on pretty talk, but short on effective action.

They had neither the will nor the toughness to make things happen.

That is how we are different from them. We endeavour to do the right thing, even if it is not the easy thing.

Mr. Speaker,

My job as Minister of Finance is to keep the government's fiscal house in order and to do what is necessary to secure the economy today, and for our children and grandchildren tomorrow.

Throughout this debate, the public will hear big technical terms like fiscal targets and fiscal risk mitigation.

Behind the jargon, what I am sharing today is the government's plan: a plan to restore the nation's financial health and build economic resilience beyond the coronavirus pandemic.

It is a forward-looking three-year plan.

It is a clear and credible plan.

And it is a plan that meets the opportunities and challenges of governance today and into the future.

Despite the hollow criticisms of the Opposition, this government is very deliberate and strategic in its approach to fiscal management.

Last week I tabled a Communication on the Mid-Year Budget.

This provided an update on the Resilient Bahamas Macroeconomic Plan that was presented at the time of the budget debate last June.

It was a carefully designed plan to achieve three objectives:

- 1) to support the social needs and wellbeing of Bahamians feeling the weight of the pandemic;
- 2) to maintain economic stability in the middle of the crisis;
- 3) to plant the seeds for accelerated recovery.

It was a plan that instilled confidence in the Bahamian people at the time.

It is a plan that has since saved lives, protected public and private sector jobs, delivered millions in relief to vulnerable families, communities and businesses, and kept the economy afloat despite the most severe economic calamity we have faced in our modern history.

Mr Speaker,

Today, I am here to explain the government's medium-term plan for revenue, expenditure, debt and economic growth.

We are not figuring things out while we go.

We are not waiting to see what happens. We are envisioning a future beyond the pandemic and putting a plan in place to get us there.

The Opposition should take note of the new standard.

There will be no going back to the days of secrecy and mismanagement.

The laws we are enacting will ensure those days are long gone in The Bahamas.

Mr Speaker,

The 2020 Fiscal Strategy includes four key focal areas over the next three years:

1. We will take care of our people.

The pandemic has created great hardship all around the world. Governments have been called to provide greater levels of social support than ever before.

We do so gladly, because our health is our wealth and our people are our priority.

2. We must put our finances in order. The double blow from Hurricane Dorian and Covid-19 threw us off the course we had undertaken successfully to bring down our deficits and debt.

We must recalibrate government

Finances and return to a more sustainable path.

The plan calls for us to make state-owned enterprises work better and cost taxpayers less.

It includes greater focus on public private partnerships for capital projects to provide the critical infrastructure - especially in our Family Islands.

3. We must grow the economy. Turning the economy around and building economic resilience beyond the pandemic is a must.

With our plan the government will

Unleash private sector investment with strong employment growth; embrace innovation, remove structural impediments to growth, and support a more digital and business friendly government.

4. **We must be vigilant.** No matter how many plans we create, how many models we forecast, the world is an uncertain place today because of COVID-19.

The country also has long-standing issues that pose fundamental risks. The plan calls for the government to stay sharp and to plan ahead to manage various risks.

Mr. Speaker,

Earlier I alluded to the importance of growing the economy and restructuring public finances.

The simple fact is that modernizing and enhancing our fiscal management legislation through the four bills presented today is a key foundational element in ensuring that we put in place a strong governance framework that supports economic and social development of The Bahamas for many years to come.

Public Financial Management Bill, 2021: The Public Financial Bill (or PFM Bill) 2021 represents the full recast of the current Financial Administration and Audit Act that was most recently substantively updated in 2010 - but which foundation was back in 1975, some 46 years ago.

To meet the realities of a modern Bahamas, this very extensive bill will better define the roles of key officials in the public finance arena.

It will expand the requirements for budgetary and fiscal reporting, including the eventual introduction of published monthly budget reports.

Let me be clear, for the first time in our history every Government will be required by law to report and publish every month the Government's fiscal position.

It will require central government agencies and State Owned Enterprises (or SOEs) to undertake documented performance management.

This means they will have to publish management goals and objectives, and report on their success in meeting them.

The PFM bill also sets specific administrative and criminal penalties for lack of compliance and for malfeasance.

This bill sets a totally different standard for the management of the people's money.

Public Procurement Bill, 2020: This bill is about government contracts:

how they are advertised;

how they are managed;

how they are awarded and how they are publicized.

The passage of this bill will be a watershed moment in the political history of The Bahamas.

The mystery and the mischief and the chatter about who gets what contracts and in what amounts will fall away.

The details of these activities will be published online promptly and will also be consolidated annually in a published report. It will require all government entities, including SOEs, to register vendors on an online procurement portal and to use that portal to offer bids. It will be open and transparent. It will be transformative.

I remind the public that the Opposition had a draft procurement bill while they were in office. They never ever got around to seeing that it was passed, although they talked about it quite a bit. But again Mr. Speaker, we don't do things for show. We do things for a purpose.

Good governance is about doing what is right and not what is politically expedient. This Bill is long overdue. We are

thus confident that the Opposition will embrace this Bill wholeheartedly.

Statistics Bill, 2021: This bill will transform the current Department of Statistics into a quasi-independent National Statistics Institute that will be governed by a Board of Directors.

The Bill defines the scope of what data points are included under the umbrella of national statistics; it provides enhanced power to the new Institute to enforce the collection of vital information.

Moving the institute outside of the direct control of the central government will allow the entity more flexibility in recruitment of talent and management of operations. Given that this information has commercial value, the Institute

will have the power to generate special reports, datasets and subscriptions that it can offer for sale to help it offset its operational costs.

These special commercial reports and subscriptions will be in addition to the vastly expanded range of reports and statistics that will be made available to the public absolutely free of charge.

Most importantly, the new Institute will allow the country to leap forward with its collection, analysis and use of data for public and private policy decisions.

It is and will be transformational.

Public Debt Management Bill, 2021: this bill complements the Public Financial Management Bill.

While many of its elements have been undertaken by way of operational policy for some time, the Bill seeks to enshrine proper debt management protocols into the law and improves the transparency around the debt taken on by central government and by state owned enterprises.

It requires the government to create and staff a public debt management unit and for the Ministry of Finance to consult with stakeholders.

Again, my government is setting the standard and raising the bar for all future administrations. And the beneficiary of this is the Bahamian people.

Mr. Speaker,

One of the government's most important roles is to foster a stable and dynamic macroeconomic environment that can stimulate growth.

Simply put, the government should operate efficiently, get out of the way and make it easy to do business in the country.

The 2020 FSR outlines many of the Government's plans to achieve this.

More importantly, we are moving beyond the report and putting these things into action.

PUBLIC SECTOR REFORMS

Ease of Doing Business: for decades we have heard talk about how difficult it is to do business in The Bahamas, with many processes being paper based, costly and taking extremely long.

Change is happening across the government.

I am pleased to report, the government is fast tracking efforts to create a digital land registry.

This will make title searches faster and less costly. New software will soon be introduced at the Ministry of Works for the electronic submission of building permits.

Just as importantly, the government will be amending regulations that will allow for the approval of small scale construction projects by independent licensed professionals so that the person building the average home or the small and straightforward commercial building would not have to submit their drawings to the Ministry of Works.

This will remove the long wait times that currently plague the system.

Digitization of Government Services: to improve the access of residents and citizens to government services, my government is committed to a full digitization programme that would span several years and multiple government agencies.

We are making good on our promise. As of now, we have advanced the following:

- Digitized Customs processing via the Click to Clear Programme
- Online E-Passport Renewal
- Online driver's license renewal for New Providence - soon to be expanded to Grand Bahama and the Family Islands,
- Online birth, marriage and death certificates
- Cashless and streamlined vehicle inspection centers

- Online cruising permits and charter fees for boaters entering the country
- Cashless Immigration payment protocols for processing of work permits and other immigration matters.
- Piloting of Social Welfare payments via digital wallets
- Easy Online applications for Small Business Grants, Small Home Repair Program and National Food Program

The Digitization Initiative is kicking into high gear. In a matter of weeks, we will seek the formal launch of the government online portal and with that launch, even more government services will go online.

As I have said before, the goal is that the public sector should ensure that it is easy to do business with the government.

The general public should never be made to work hard and be inconvenienced to get things done in the public sector.

We are making the changes to make the government work for you.

Not pretty talk Mr. Speaker, but effective action.

We are doers not talkers!

Business Licensing: We recognize that we have to do more to get people started with their businesses more quickly.

We are the government that pioneered the provisional business license that has allowed certain businesses to begin operations within 48 hours even as they work through the formal licensing process.

I have instructed the Ministry of Finance to expand the list of eligible businesses so that even more entrepreneurs can have

access to a provisional license so that they can get going even more quickly.

Improving Real Property Tax Collection: In 2019, the government engaged the international software and technology firm, Tyler Technologies, to upgrade and modernize the Real Property Tax Roll at the Department of Inland Revenue.

At the time it was estimated that some \$21 million in revenue was being lost due to incorrect property appraisals and antiquated systems.

Although the door to door and lot to lot assessments were delayed due to the pandemic, we are pleased to announce that upgrades to the Real Property Tax database and systems are soon to be complete.

These upgrades will allow for better synchronization between the Real Property Tax unit and DIR and the Registrar General's Land Registry.

For the average Bahamian or investor, no longer will you have to wait weeks and pay high fees to investigate the amount of taxes owed on a piece of property you wish to buy or sell.

Investment Reform: We understand that often it still takes too long for Bahamian and foreign investors to navigate our bureaucracy and get the necessary approval.

Key to a sustained economic recovery is the modernization and digitization of our investment regime for Bahamian and foreign investments alike.

The government has to be seen as the facilitator of - and not an impediment for - productive investments throughout the county.

Based on the advice and recommendation from the Economic Recovery Committee, we are taking steps to develop and subsequently launch the INVESTBAHAMAS framework. This entity will expand the remit of the current Bahamas Investment Authority to allow for:

Increased marketing of the investment opportunities in The Bahamas to increase Foreign Direct Investment and business opportunities;

Revision where necessary of the Investment regimes and incentives to ensure maximum national competitiveness in attracting quality domestic and foreign investment

Introduction of a risk based approach to investment approval such that foreign direct investment projects below a certain threshold do not need approval by Cabinet;

Streamlining and Digitization of processes required for large scale Bahamian and foreign investments; and

Introduction of dedicated resources to remove and resolve bottlenecks to ensure projects continue to move through the pipeline.

We have already begun to see progress.

As a part of ERC's mandate to action their recommendations, one of the initiatives underway is to unclog the pipeline of domestic and foreign investment applications pending some form of approval.

In this regard, the ERC has secured a listing of all pending domestic and foreign applications and has over the recent weeks assisted the government with moving forward several investments that are expected to have significant economic impact on the economy and create temporary and permanent jobs for Bahamians.

Examples of such projects are Hoopers Bay Marina Exuma, a 27 slip marina and dry boat storage facility; Bella Vista, a hotel and beachfront development in West End, Grand Bahama; the marina expansion by Carnival Half Moon Cay and Finley Cay New Providence, a construction project for a conservation centre, research lodging and caretaker accommodations.

INFRASTRUCTURE DEVELOPMENT

Mr. Speaker,

The 2020 FSR proposes bold solutions that address The Bahamas infrastructure gap – estimated to be in excess of \$2 billion.

The government accepted the recommendation of the Economic Recovery Committee to ramp up public infrastructure as a key catalyst to drive the economic rebound.

However, given the economic climate and related fiscal constraints, the government is designing innovative mechanisms and emphasizing public private partnerships to mobilize substantial private sector capital, resources and expertise.

The Government has begun the work, with the support of the IDB, to design a National Infrastructure Fund (NIF) that will invest in different sectors in need of infrastructure development.

The NIF will fit within the ambit of our proposed Sovereign Wealth Fund.

It will be structured as a Public-Private Master Fund or “Fund-of-Funds” with specific sector funds that are created overtime.

Family Islands: The plans to create a Growth Fund for the Family Islands (GFFI) to promote the development of needed infrastructure for sustainable tourism.

This will cover projects in transport and logistics including airport, port and maritime infrastructure.

Work in this area is not waiting for the creation of the fund although it will be enhanced by the existing of a fund in the long term.

Today, airports in Exuma, Long Island, and North Eleuthera are badly needed. The more recently constructed airport in Marsh Harbour is already in need of substantial upgrade and expansion.

I am told that the estimated cost to refurbish and expand these airports is some \$150 million, a sum that would outstrip available government capital resources at this time.

By mobilizing private sector resources effectively as is now common the world over, the government is able to ensure the appropriate levels of investments in the critical infrastructure that will be necessary to underwrite robust and sustained economic growth.

The Government is considering other sector specific funds, including a Renewable Energy Fund and Food Security Fund.

As mentioned, these investment vehicles will be components of the planned Sovereign Wealth Fund (SWF).

The idea is to monetize under-utilized public assets. In this way, the Government will be able to lease, joint venture or pledge public assets towards projects and generate new cash flows which would be used to fund its participation into the National Infrastructure Fund and promote economic growth and resiliency.

PPP for housing development: A key element of both near term economic recovery and long term inclusive economic growth will be the provision of affordable residential properties and homes.

We have started already with the Service Lots programme, most recently in Carmichael.

There, Bahamians are able to secure lots valued at \$50,000 or \$60,000 for as little as \$15,000.

The demand has been overwhelming. Today, I am pleased to advise that through a PPP arrangement, we will soon be unveiling a 150 lot subdivision in Western New Providence that will be geared strictly to young Bahamians.

Here, the development will have first class amenities and provisions to allow young qualifying Bahamians to get \$150,000 lots for perhaps one third of the cost.

REAL PROPERTY TAX FORGIVENESS PROGRAM

Real property tax collection has long been a challenge for the government.

There has been some improvement over the years, but there remains a substantial backlog of Real Property Tax arrears spanning many administrations.

My government understands the challenges faced by families and business owners, which have been exacerbated by the COVID-19 economic downturn.

To ease the burden on persons and to provide them with some measure of relief, Cabinet has approved a Real Property Tax Forgiveness programme that will provide substantial discounts on arrears.

For Bahamian property owners my Government will waive 50% of the total amount unpaid arrears for more than one hundred and eighty days on such property, including overdue tax

and accumulated surcharges, where full payment of all amounts due and payable is made on or before the 31st May, 2021;

For those who are unable to pay 50% if they enter into a payment agreement with a 25% down payment on or before the 31st May, 2021, the Government will waive the total accumulated surcharge payable on taxes assessed on such property that has remained unpaid for more than one hundred and eighty days.

Mr. Speaker, I urge Bahamians to contact the Department of Inland Revenue and take full advantage of this tax forgiveness program.

SMALL BUSINESS SUPPORT

Mr. Speaker,

The strength of any small economy are the small and medium sized businesses as they are the momentum behind the resurgence of domestic activity after economic shocks.

During the peak of the pandemic we provided over \$45 million in funding to help our small businesses weather this disaster. Now, as we emerge, even more support is needed to help our businesses to expand.

I am pleased to announce the recent investment of more than \$1.5 million in equity funding by the Bahamas Entrepreneurial Venture Capital Fund with unique and innovative Bahamian businesses.

We anticipate that seven new businesses will benefit and create over 130 Bahamian jobs.

As the Bahamas Development Bank continues its restructuring and rebranding exercise, they too will soon be recapitalized to support the pipeline of more than \$20 million in Bahamian projects.

Mr. Speaker

This Government has provided record breaking assistance to small businesses throughout our country.

In Agriculture, Forestry and Fishing over \$2.4 million has been approved of which \$1.5 Million is grant funding to a total of 80 Bahamians.

In the Construction Industry over \$5.5 Million has been approved with \$1.3 million being grant funding to 135 Bahamians.

For the new innovative Fashion Industry, a total of \$1.1 Million has been approved with almost \$400,000 in Grant funding to 73 Bahamians.

In Manufacturing, \$2.4 Million has been approved with approximately \$200,000 in grant funding.

Mr. Speaker, the Small Business Development Center has assisted an unprecedented 1,543 Bahamians.

A local taxi company came to the SBDC in 2019 and obtained a business loan and grant for the owner to expand her fleet of vehicles. They received total funding of \$240,000.

As tourism was hardest hit by COVID, she sought assistance under the business continuity programme and received a \$20,000 grant and loan support of \$130,000.

That Taxi Company owner now reports that she was able to retain all 13 of her staff and business is slowly but surely picking back up as tourism starts to rebound.

Mr. Speaker,

Today I would also like to announce the launch of the partnership between SBDC, DIR and the Ministry of Agriculture's Roadside Vendors Program focusing on training opportunities and funding within the "coconut" industry.

The initial focus point involves providing basic training to the street vendors, referred to as capacity building.

This training, to be facilitated by the Ministry of Agriculture and the Bahamas Technical and Vocational Institute, will involve the production of authentic Bahamian coconut products such as jewelry, coconut water, coconut oil, flakes, creams, soap and lotion.

Upon successful completion of the first phase, the second phase will be a guided process/workshop on matters such as: how to obtain a business licence, training in basic food handling techniques, and the processes and in meeting all other regulatory requirements that may be required.

The DIR, Bahamas Agricultural Food Safety Authority (BAHFSA), MOE and Physical Planning, will be instrumental in this process along with other regulators.

In conjunction with the second phase, the third area of concentration will be facilitating necessary funds and support for the acquisition of carts or basic production equipment, uniforms and raw materials for their day-to-day business.

This element will be shepherded through the SBDC and local financial institutions as necessary.

Mr. Speaker,

There are a great many accomplishments that I am proud of during my tenure thus far as the chief servant of the Bahamian people.

But the one thing that even the most vocal critic of this FNM government will agree on is this:

This present administration has done more than any other to provide support and capital - hard currency - into the hands of Bahamian entrepreneurs and small businesses.

And second place is not even close.

I made a pledge to spend an unprecedented \$25 million over five years to support Bahamian businesses.

Some three years since that pledge we have spent well over \$50 million supporting our wonderful Bahamian entrepreneurs and small businesses.

We have supported programmes targeting the underprivileged communities of our inner city - in places like Englerston.

And we have risen to the challenge to provide direct support to small businesses in Grand Bahama and Abaco hit by Dorian, and to other Family Islands.

We have provided support to small businesses all over the country impacted by the pandemic.

We have not left out our Family Islands.

Moreover Mr. Speaker, I am especially proud that my administration has done it the right way.

We recruited top notch managerial and support staff talent for the Small Business Development Centre.

We appointed an imminently qualified board. And we let them do their appointed tasks without fear or favor.

This is how we are different from them Mr. Speaker.

No one had to come to me.

No one had to go to a Minister or an MP. It did not matter and it does not matter if an applicant is an FNM, or a PLP, or a DNA, or has no party affiliation whatsoever.

Neither I nor anyone on this side would ever want these opportunities for Bahamians to be coloured by politics.

All the applicants had to do was be Bahamian, be qualified for the specific initiative and fit inside the available funding envelope.

We did it the right way and for the right reasons.

It is still the people's time.

Mr. Speaker,

All governments have made pledges to support Bahamian small businesses when they were campaigning.

All have spoken about increasing the funding to small Bahamians. Some even have followed through and make some incremental advance.

But what is undoubtedly true is that THIS is the administration that has done it in the biggest and most extensive way, touching more entrepreneurs than ever before.

And in the toughest of times as well.

We are not about pretty talk.

We are about effective action.

Mr. Speaker,

As I mentioned earlier, the PFM program and work that the project has been doing thus far will transform the ability of the government to more effectively monitor priority projects and make better data driven decisions.

One of the most visible aspects of this program is the creation of a specialized team called the Prime Minister's Delivery Unit that works with various government agencies to establish key performance indicators and ensures that the government is achieving its targets.

Mr. Speaker,

I am pleased to present the 2020 Annual Report of the Prime Minister's Delivery Unit to this house which includes detailed reporting of results on government's key priority areas of:

- Education;
- Safety & Security;
- Ease of Doing Business;
- Over-the-Hill Rejuvenation;
- Land Reform;

- Energy Reform;
- Infrastructure;
- Modernization of the Public Service through digitization;
and
- the Reconstruction of Abaco and Grand Bahama.

Mr. Speaker,

These recent times have been challenging for all.

Throughout this debate my Ministers and members of Parliament will continue to detail what the Government is doing to fight for the lives of Bahamians.

In Tourism we are fighting for you.

In Education we are fighting for you.

In Healthcare, we are fighting for
you.

For every mother struggling to make ends meet we are fighting for you.

For every young person struggling to find a job or make your own business, we are fighting for your.

While we may feel pressure, we are not in a state of panic.

We may feel stress, but we are not in distress.

As we continue to deliver on our Resilient Bahamas Plan, we will emerge from this crisis even stronger.

Thank you.