



COMMONWEALTH OF THE BAHAMAS

**2014/2015
MID-YEAR BUDGET STATEMENT**

ON THE SIX MONTHS ENDING 31st DECEMBER 2014

**Presented to
The Honourable House of Assembly**

by

**The Rt. Hon. Perry G. Christie, M.P.
Minister of Finance**

On

Wednesday, 11th February, 2015

Introduction

Mr. Speaker:

I stand before you today with enormous confidence in our nation's economic future! Things are looking good! We are on the move!

Here in New Providence, over there on Paradise Island, up in Grand Bahama, and all across our archipelago, from Mayaguana in the south to Bimini in the north, the engines of the national economic machine are being primed to propel us forward to a new era of economic prosperity. I am absolutely and unshakably convinced of that!

While other nations in the region are for the most part experiencing gloom and predicting doom we, here in The Bahamas, in this beloved land of ours, have weathered the storm. We made the tough decisions when we had to, tightened our belts when we had to, and took our medicine when we had to.

And we have come through this time of testing just fine! The worst of it, I am convinced, is now behind us. The sunlight has broken through the clouds. Bright days lie before us now. We are standing tall, our heads held high, our hearts brimming over with faith in our country and optimism about our future.

It is against that backdrop of high promise and great expectations, Mr. Speaker, that I have honour to present to this honourable House today, and to the Bahamian people, the third Mid-Year Budget Statement of my Administration, as mandated by the Financial Administration and Audit Act of the Commonwealth of The Bahamas.

This statement and accompanying documents set forth provisional expenditure and revenue estimates for the six-month period ending December 31, 2014.

As we approach the end of year 2 of our fiscal consolidation plan. I am pleased to report that my Government has met its initial commitments to reduce the deficit and increase revenue as a percentage of GDP. We have also succeeded in reining in the growth of public expenditure.

My Government has, at the same time, made impressive strides in the implementation of our multi-faceted programme of revenue reform, spearheaded, of course, by the historic but remarkably smooth introduction of the Value Added Tax - or VAT - on January 1st of this year.

I wonder what the naysayers in the land, and especially in the party opposite, are going to say now! Who among them will now have the courage to admit that their prophecies were wrong? Who among them, I ask? But then we well remember, do we not, how it was the same party opposite that predicted ruin for the country when National Insurance was introduced by a Progressive Liberal Party Government more than 40 years ago? They said we could not afford it and that it would bring our nation to its knees. They were wrong then, of course, just as they're wrong now. VAT is going to be a major success story for the people of The Bahamas. Believe me when I say that. I am absolutely convinced of it!

We have also made important progress with reforms to Customs operations and the Real Property tax system. The result has been significantly improved service to citizens and businesses alike and impressive enhancements in revenue collections.

Indeed we continue to systematically improve efficiencies and client service in all areas of tax collection as we pursue our goal of bringing the key revenue agencies of the government under one umbrella, under Central Revenue Administration.

I also wish to stress, Mr. Speaker, that my Government remains fully cognizant of the need to continue responsible management of public expenditure. In no other way can we meet the fundamental social and economic policy objectives of my government while at

the same time containing expenditure at levels appropriate to the size of the national economy.

We have also been clear, Mr. Speaker, that while fiscal discipline and restraint are critical values, we must, as a government, continue to pursue, with vigour and with focused attention, an Agenda for Action aimed at expanding economic and employment opportunities for all Bahamians. This area of emphasis will necessarily require of us an even more aggressive push to promote foreign direct investment projects throughout the nation.

To date, many such new projects have been identified and are in various stages of development. I provided details of these various projects in the last Budget Communication as well as in my address to the Bahamas Business Outlook Conference last month.

But it would be remiss of me if I did not highlight again today how very promising the imminent opening of Baha Mar is to our forward planning. This singular project, the largest and most capital-intensive of its kind ever attempted anywhere in our region, is not only destined to have a positively transformative effect on the Bahamian tourism industry, it is, both in the short and long term, going to be a major boost for the employment of our people, especially our young people.

We are talking here about thousands upon thousands of new jobs for Bahamians. We expect to see a surge in new hires starting in earnest very soon as Baha Mar prepares to roll out its new resort in phases, beginning just a month from now.

Isn't this wonderful news? And I'm so very proud that it is under my government that this magnificent new project is finally coming to fruition. We were determined to make it happen. And it is happening, for all to see and learn!

And I want to encourage my colleagues in the party opposite across the aisle to applaud for this too! This is great news for the country! Don't be embarrassed to be seen applauding my government for bringing to fruition what they were unable to do on their own watch. So applaud! Applaud heartily! The entire nation, PLPs and FNMs alike, stand to benefit from what Baha Mar is going to mean for Bahamian tourism, for Bahamian employment, for Bahamian entrepreneurship, for direct foreign investment and for economic revitalization as a whole.

But it's not just Baha Mar. Over on Paradise Island and out there at Albany, and downtown at the Hilton, and from as far south as Mayaguana to as far north as Bimini, major resort projects and important economic diversification spearheads like BAMSI in Andros, are coming on stream, some faster than others.

The end result is going to be vastly increased new employment and unprecedented entrepreneurial opportunities for Bahamians up and down the archipelago for a long, long time to come.

Moreover, with this kind of economic development, there is inevitably going to be a reverse in the declining populations of our Family Islands, especially in places like North Andros, and Mayaguana, and Exuma, and Bimini, to name just a few. Over time, this will not only revitalize dying Family Island communities, it will help remediate a lot of the social problems in Nassau that are being exacerbated in many instances by population overload and the urban tensions such a phenomenon tends to produce.

Mr. Speaker, my Government is also pursuing targeted policy initiatives to enhance the business environment and to promote stronger growth. More specifically, we are working:

- to strengthen our tourism industry;
- to further diversify our financial services sector;
- to further diversify the economy, especially in agriculture and fisheries;
- to develop and expand yachting, shipping and aircraft registries;

- to expand our investments in education; and
- to strengthen our national training efforts to better equip our people, especially our youth, to take maximum advantage of the new opportunities that are being created in the thousands for them.

Mr. Speaker:

I have spoken before of our ongoing programme of work which aims to ensure a significant restructuring and strengthening of the Government's strategic planning capabilities for both investments and development.

To that end, we secured a technical cooperation grant from the Inter-American Development Bank to develop an Economic Development and Planning Unit within the Office of The Prime Minister to oversee the development and execution of a National Economic Development Plan. We have also had constructive discussions with the College of The Bahamas so that our future national university can be part of this new process as well.

I am also determined to ensure that the National Development Plan process is inclusive and that it incorporates the inputs of our citizenry. Indeed we want this Plan to serve as a truly National Vision for The Bahamas so that our children and grandchildren will have a roadmap laid before them as to how our nation can and should evolve from one generation to the next.

The "knee-jerk", ad hoc approach to governance is going the way of the dinosaurs. It is simply no longer viable or credible. Worse than that, it is dangerous. We have to embrace instead a new ethos, a new model for governance, one that stresses sound, rational, well-researched, methodical planning as the necessary precursor to, and determinant of, government policy and government action. There is no other sensible, sustainable way to do it anymore.

This transformative work, however, extends beyond the creation of a National Development Plan. Implementation and “follow through” will be crucial to ensuring that our plans translate into improvements in the lives of Bahamians. To this end, the newly created Economic Development and Planning Unit within my office will perform a critical “centre of government” coordination function as well, one that will help ensure that red-tape and bureaucratic bottlenecks and inertia are overcome and neutralized.

Economic Developments and Prospects

Mr. Speaker:

We have been steadfast in our commitment to pursue the critical economic and social objectives that we set for ourselves in our Charter for Governance. We have pursued these objectives in a challenging, and sometimes hostile, domestic and international economic environment. Indeed, as a small, open economy we have come through an unusually difficult period marked by deep and protracted global recession.

It is therefore appropriate, Mr. Speaker, that I briefly review recent domestic and international economic conditions and near-term prospects. It is necessary that I do so to frame the ensuing discussion of our fiscal performance in the first half of the current fiscal year.

As evidenced by the most recent World Economic Outlook of the International Monetary Fund (IMF), published at the end of January of this year, near-term prospects for the world economy feature strong so-called “cross-currents” with a rising divergence between the United States, the Euro zone and Japan. Important financial, fiscal and structural adjustment challenges persist in a number of countries. In aggregate and despite a sharp reduction in world oil prices, the overall outlook for the global economy has been adjusted downwards to 3.5 per cent and 3.7 per cent growth in 2015 and 2016, respectively. These forecasts are one-third of a point lower than in the October 2014 forecast.

However, and of particular significance for the growth prospects of the Bahamian economy, the latest IMF forecast calls for a significant upward revision to the near-term outlook for the U.S economy. This, of course, is good news for The Bahamas. As our most significant trading partner and source of tourism dollars, it is encouraging to see that the U.S. is forecast to register real growth of 3.6 per cent this year, up fully one-half of a percentage point from the October forecast. Moreover, growth for 2016 has been projected upward to 3.3 per cent.

Besides the beneficial effects of ongoing accommodative monetary policy, this also reflects the positive impact of lower oil prices on real incomes and consumer sentiment in the U.S. This, in turn, has translated into robust private domestic demand that augurs well for the growth of our dominant tourism market.

This optimism for U.S. economic prospects has also been reflected in the conclusions of the most recent meeting of the Federal Open Market Committee of the U.S. Federal Reserve—the American Central Bank. The Committee asserted at the end of January that economic activity in the U.S. has been expanding at a solid pace, with strong job gains and a lower rate of unemployment.

As for own economic prospects here in The Bahamas, recent report of the Central Bank of The Bahamas suggests that our economy should also maintain its upward trajectory. The Central Bank sees the clear potential for further strengthening of the Bahamian economy as sustained growth in the U.S. and the phased opening of the Baha Mar resort support what are projected to be appreciable gains in our tourism sector.

In addition, continued work on the many foreign investment projects to which I alluded earlier, will provide ongoing support to activity in our construction industry.

As a result of all this new economic resurgence in The Bahamas, employment conditions in The Bahamas are expected to improve steadily both this year and beyond.

The latest growth forecast that the IMF has published for the Bahamian economy is contained in its October World Economic Outlook. The IMF projects real growth for us this year and indeed next year as well of around 2 percent. I should add that I now see this forecast as somewhat conservative in light of the fact that the IMF has more recently boosted its growth forecast for the U.S. economy to an appreciable degree. As a result, our own growth prospects may be even better than last projected by the IMF.

The near-term prospects for our economy must, I believe, be placed in proper context in order to fully appreciate the concrete progress that we are steadily making in relation to our economic growth agenda. Real growth on the order of 2 per cent in the near term, while still below the higher rates of economic expansion that we require to absorb our growing labour force, has not been experienced in The Bahamas in almost a full decade, so it comes as excellent upbeat news indeed!

But beyond that even, because of our decisive actions and discipline as a Government, I firmly believe, as I said at the beginning, that we have turned the corner and that significantly stronger growth and job prospects are now realistically in the offing.

My optimism on this score is buttressed by the latest IMF forecast which, while still conservative in my estimation, shows that real output in our economy is expected to be over \$600 million larger in 2017 than it was in 2012. That's an increase of almost 8 per cent in real terms over our current five-year mandate!

Let me repeat that, Mr. Speaker : the latest IMF forecast which, while still conservative in my estimation, shows that real output in our economy is expected to be over \$600 million larger in 2017 than it was in 2012. That's an increase of almost 8 per cent in real terms over our current five-year mandate.

Members opposite, don't be bashful, you can applaud for that too! After all, the entire country is benefitting from these numbers. As they used to say back in the day : "a rising

tide lifts all boats". In the local context, all Bahamians benefit from economic growth, irrespective of party affiliation.

Mr. Speaker:

The economic data and the story of economic growth that I have just described stands in sharp contrast to the growth that was experienced by our economy in the previous five-year period, between 2007 and 2012 when the party opposite was in power.

Over that period, the size of the Bahamian economy actually shrank by \$239 million, or 3 per cent, in real terms.

Indeed the evidence is overwhelming and the conclusion irrefutable: though we have faced extremely challenging economic circumstances, my Government's plan of action is bearing fruit and the prospects for our economy and for job creation have brightened enormously because of our policies and our initiatives aided, of course, by the brightening prospects for growth in the U.S. economy.

And things are going only going to get better, I am convinced, as we move forward with our growth and fiscal consolidation agenda.

Mr. Speaker, I believe it would be remiss of me if I did not pause at this juncture to address the most recent national unemployment data. The Department of Statistics recently announced that the rate of unemployment in The Bahamas had risen to 15.7 per cent in November 2014, up from 14.3 per cent in May.

I want to be clear, however, that it is simply incorrect to interpret these statistics as suggesting that net jobs have been lost in the Bahamian economy over this period in question. In fact, the detailed labour force data from the Department of Statistics reveal

that total employment in The Bahamas actually increased modestly between May and November of last year.

The reality is that the rise in the unemployment rate resulted from an expansion of the labour force that simply outstripped the growth in jobs. As I stated earlier, achieving much stronger jobs growth is one of my Government's key policy priorities.

Moreover, I would also note that the growth in the labour force over the half-year period to November 2014 was buoyed by a decrease in the number of discouraged workers in the economy. In other words, persons who had dropped out of the work force have now been sufficiently encouraged by employment prospects that they have re-entered the labour force in search of jobs. And I am convinced they won't have to wait long either! Thousands of new jobs, as I said, are going to be created this year alone.

But make no mistake about it, Mr. Speaker. My government is resolute and uncompromising in its determination to sharply reduce the vexing problem of high youth unemployment in particular. As we create more economic opportunities, our youth must be poised to make the best of it. This is why the mission of the National Training Agency is so important. It will promote development of the skills that young Bahamians will need to successfully transition into the jobs market. We are also steadfast in our commitment to expand the capacity of the BTVI to produce employable persons, and in our resolve for the College of The Bahamas to continue its advance towards university status with a similar purpose.

In the Budget Communication a little later this year, Mr. Speaker I will announce a major new initiative to target our at-risk adolescents. It will speak to more structured interventions in the lives of such persons.

I am confident that, through our determined growth strategy and with the education and preparation of our youth at its core, we will achieve the higher, more inclusive growth rates that reduce unemployment to significantly lower levels.

Fiscal Performance in the First Half of FY 2014/15

As I have enunciated on a number of previous occasions, the Government's balanced, multi-year fiscal consolidation plan is a vital component of our national development strategy. As was set out in the last Budget Communication, this fiscal plan is expected to produce significant improvements in the nation's public finances this fiscal year. Specifically, through the plan, we expect the GFS Deficit in 2014/15 to decline to below \$300 million, or around 3.2 per cent of GDP, from a level of \$462 million, or 5.4 per cent of GDP, in 2013/14. This represents a one-year improvement in the deficit of more than \$160 million. I think we can all agree that in the historical context this represents a major improvement that we should all be proud of!

The Government's fiscal performance for the six-month period ending 31st December 2014 reveals that we are on track to achieve this projected improvement in the deficit this fiscal year. At the mid-point of the fiscal year, the major components of the public finances are, as we originally forecasted, with Recurrent Expenditure at \$889 million or 48.7% of the full-year budget estimate; Recurrent Revenues at \$689 million or 38.9 % of the forecast; and Capital Expenditure at \$135 million or 40.7% of the budgeted amount. The GFS deficit for the first half of the fiscal year is therefore provisionally estimated at \$273 million or 95% of the 2014/15 target.

It is important to place the latter figure in proper context as the size of the overall deficit as at 31st December 2014 clearly reflects the seasonality of our revenue flows. The reality is that a disproportionate share of the Government's annual revenue is collected in the 3rd and 4th quarters of the fiscal year, or between January and June of the calendar year. Of course, the new VAT, having come into effect just last month, is also expected to bolster revenue collections in the second half of the fiscal year.

On the subject of VAT, I would wish to underscore again what I said at the beginning: that contrary to what the doomsday prophets and pundits had been saying

would happen, the introduction of VAT did not lead to panic or hysteria on the part of consumers nor did it lead to the mass closure of businesses.

As indicated in the various press releases from the Ministry of Finance and the Minister of State, VAT implementation to date has been remarkably smooth. While there have been some instances of violations of the legislation, the VAT Department has been following up to ensure that these violations are quickly and decisively addressed.

My Government would wish to express its appreciation to all Bahamians who have diligently brought violations of the both the VAT and Price Control legislation to the attention of the Government during this initial introductory phase of VAT implementation.

Revenue Administration

Mr. Speaker:

I now want to focus on our revenue reform efforts, the centerpiece of which is, as I have said, the new VAT.

As I have repeatedly asserted, revenue reform is a critical component of our multi-year plan of action to both redress public finances and underpin the longer-term sustainability of Government programmes and services. Through this plan, the Government will be infinitely better positioned to make the vital investments in healthcare, education, culture and public safety and security that our citizenry rights expects of its government. Just as importantly, having access to sufficient financial resources to finance these vital expenditures will reduce the Government's borrowing needs, thereby allowing savings to be directed towards to the private sector.

Mr. Speaker:

Our revenue reform efforts, I am pleased to report, are paying off. Since my administration took office, revenue has grown by 6.2 per cent, including this year's projected revenue. In comparison, over the period 2007/2008 to FY2011/2012, recurrent revenue decreased by 1 per cent.

And let me just say : that's not Perry Christie talking. Those are the comparative statistics talking! Those are the facts! And there's no getting around the facts, and there's no getting away from the facts either!

In addition, we have exceeded our target for VAT registrants by over 1694. And, in the all-important categories of Very Large registrants, with annual turnover greater than \$20 million, and Large registrants with turnover greater than \$5 million but less than \$20 million, we exceeded our registrant target by 7%. This bodes well for VAT revenue collections as the combined category of Very Large and Large firms, while accounting for just 9 per cent of total VAT registrants, is expected to generate between 70 to 80 percent per cent of total VAT revenue.

I would stress, however, that the anticipated revenue gains from VAT are greatly contingent on dedicated and proactive compliance efforts. I therefore urge businesses that are subject to VAT to be fully mindful and respectful of their obligations under the law. Full compliance is not only their civic duty and legal obligation. Compliance is also the only way to avoid the stiff penalties and fines that will come from rigorous enforcement.

I need to sound a reminder that there is an obligation for those who are above the \$100,000 turnover threshold to register, and to be forthright with the VAT Department about the size of their operations.

The administration of the VAT is also being fashioned to incentivize stronger compliance with the business licence regime. Those who already have a track record of being delinquent with licence renewals will come under closer scrutiny in the application of the VAT Act and Regulations.

In the run-up to the implementation of VAT, an amnesty with respect to business licence fee arrears was put in place. It allowed a large number of persons to regularize their businesses. The amnesty period, however, is now over. Professionals and establishments who are still non-compliant should therefore come forward without further delay so as to prevent the accumulation of liabilities through surcharges and penalties under both the VAT Act and the Business License Act.

Mr. Speaker:

The Government appreciates that effective and efficient tax collection is facilitated by the ease with which taxpayers are allowed to meet their statutory obligations. To that end, plans are well advanced for the consolidation of the VAT administration with other key inland revenue agencies. In this regard, the Department of Inland Revenue has now been given the responsibility for the collection of Stamp Tax along with real property tax and business licence fees. Its activities are also being integrated into the collections process for VAT.

Plans are also well advanced to move the Inland Revenue and VAT Department headquarters to a new modern location at Carmichael Road and Alexander Blvd. Discussions are also ongoing with the National Insurance Board for it to operate a sub-office at this location in order to improve the ease of doing business, making this location a true one-stop shop for businesses and taxpayers generally in New Providence.

Efforts have also been made, in conjunction with the Clearing Banks Association, to allow for the online payment of all major taxes, including VAT. In addition, in the upcoming budget exercise, the Government will be bringing forward regulations under the Financial Administration and Audit Act to harmonize revenue administration efforts across all taxes. This will tie directly into the Government's recent efforts to modernize all revenue information systems. Systems for the collection of customs duties, business licence fees, property taxes and motor vehicle and drivers' licences will all be updated or replaced before the end of the next fiscal year. For

property tax and business licence, taxpayers will begin to see visible changes before the end of this calendar year.

The combination of these efforts will allow the Government to achieve, before the end of this calendar year, its objective of establishing a central revenue agency. In tandem with that, we will also be in position to continue our efforts to re-balance the various tax rates. As VAT has demonstrated, a broad tax base inevitably allows all taxpayers to benefit from a lower rate of tax. This is what we hope to achieve in short order for our other significant taxes as well.

Expenditure Controls

Mr. Speaker:

As I stated earlier, we are also firmly committed to responsible expenditure control. Our efforts in this area are therefore continuing at a vigorous pace. From the formal implementation of the fiscal consolidation plan in FY 2012/2013 to the end of this fiscal year, total Government expenditure has grown by 6.2 per cent. For the period FY2007/2008 to FY2011/2012, total expenditure grew by 23 per cent. It is noteworthy that my Government has achieved this significant deceleration in expenditure growth without the forced separation of staff or any reduction in services to the public.

With respect to principal and interest payments, the Ministry of Finance has moved into a more active stance with respect to debt management, with the issuance of Government debt over BISX. This not only provides annual savings of a minimum of ½ per cent per annum but, by developing a yield curve, it will also allow other Bahamian-based companies to price their securities on a more transparent basis.

The overall impact of this initiative, as well as other cost savings and risk minimizing initiatives, such as hedging yuan denominated debt and interest rate hedges, has led to a reduction in overall interest expense from 5.2% in FY2009/2010 to a

projected 4.8% in the current fiscal year. This has translated into annual savings of \$21 million which have been directly allocated to deficit reduction.

Through prudent budgeting, the Government has also increased the amount of recurrent resources allocated to the key areas of Public Order, Safety and Defense, from 13.3 per cent of the budget in FY 2011/2012 to 14.5 per cent of total expenditure in FY 2014/2015. This represents an additional \$24 million allocation to this area and underscores the Government's unyielding determination to combat crime and promote greater social cohesion.

I should also make special mention of the fact that we are investing more than \$230 million in the Defence Force, spread amongst new patrol vessels, other equipment and infrastructural improvements in New Providence, Ragged Island and Inagua. This will boost the RBDF's capacity to protect our marine resources and patrol our porous borders against illegal migrants, poachers and smugglers of contraband.

Stringent expenditure control efforts will have to be maintained if we are to achieve our goal of eliminating the primary deficit by FY 2015/2016 and realize the targeted significant reduction in the GFS deficit to less than 1 per cent of GDP by FY 2016/2017. To that end, my Government will bring comprehensive procurement regulations into force before the end of this fiscal year. We will also step up efforts to ensure that vendors providing goods and services to the Government do so on a basis that provides the best value for money.

Fiscal Responsibility

Mr. Speaker:

There has been much recent public discourse on the appropriateness of Fiscal Responsibility Legislation. Such legislation is increasingly common in advanced economies with the stated purpose of guarding against profligate expenditures by

governments. However, if not well designed, such legislated restraints have the potential to inappropriately inhibit the proper functioning of Government in periods of recession, thereby compounding the hardship of those with the greatest need for the governmental assistance.

In light of the gravity of this matter from a public policy perspective and in order to enlighten the debate in a Bahamian context, the Government will commission the preparation of a policy paper on the issue of fiscal responsibility legislation. Upon its completion, the paper will be released for public consultation and discussion such that there can then ensue a full and balanced national dialogue of this issue.

This will allow informed discussion on whether this type of legislation is appropriate for The Bahamas at its current stage of development and, if it is deemed to be appropriate, which of the many models of fiscal responsibility legislation would be the most appropriate for our country. It is hoped that this paper can be completed and published by the summer of this year, with any final recommendation on whether legislation is appropriate in The Bahamian context to be presented to Cabinet by the end of this calendar year.

Public Private Partnerships

Mr. Speaker:

Since returning to office my Government has been unequivocal in its commitment to improve the well being of the citizens of our country. It is clear, however, that this cannot be achieved without a sustained programme of capital investments. In this regard, the Government will therefore accelerate its efforts in the area of public/private partnerships such that by the end of this fiscal year we expect to have a portfolio of investments in healthcare, road infrastructure and office buildings executed through public/private partnership arrangements. This will serve to

complement the Government's own capital development budget in a fiscally responsible manner.

The primary objective of our efforts in this area is to allow the Government to continue to meet the needs of its citizens in a manner that reflects the best standards of design, construction and maintenance of public infrastructure without overburdening the Treasury or placing excessive reliance on the resources of the National Insurance Board.

Cellular Liberalization

Mr. Speaker:

I should now like to briefly update honourable Members on the progress we have been making with the cellular liberalization process.

Global trends have demonstrated that there is a direct correlation between increased access to ICTs by individuals and improvements in economic development. Competition in the provision of services has been amongst the primary drivers in making such access more affordable and available. It is for this reason that introducing competition in the cellular mobile market is of special importance to my administration.

Having competition in this market is expected to cause improvements in service quality, coverage and network resiliency in The Bahamas. Moreover, competition in the cellular mobile market will create an environment for those services to become more affordable, thereby making mobile and broadband technologies more accessible to Bahamians. Such an environment would be attractive to investors as well while better positioning The Bahamas to benefit from, and participate in an intensely integrated global economy. More fundamentally, it would permit the public more choice in mobile service providers, something the public has been agitating for some time now.

Mr. Speaker, as you are aware, in November 2014 my Government initiated the process to liberalise the cellular mobile market in The Bahamas. Interested persons, locally and internationally, were invited to register and to submit Proposals to participate in a selection process that would result in the award of the relevant licences to the successful applicant.

Mr. Speaker, copies of the RFP have been provided to Honourable Members of this House for information purposes.

Essentially, the RFP outlines the process and criteria to be adopted for selecting the most qualified candidate that would:

1. Have the technical and financial capability to meet the obligations of the licenses to be awarded, and
2. Be committed to having the widest base of Bahamians participating in the ownership of the new company.

The requirement for there to be broad Bahamian ownership of the new company, Mr. Speaker, is yet another testament of my Government's commitment to ensuring that ALL Bahamians benefit from the economic fruits of the country and not just a select and privileged few. It is also the fulfilment of the promise made by my Government in its Charter for Governance to empower Bahamians by expanding their role as investors in the Bahamian economy, including the telecommunications industry.

I am certain that after the Honourable Members of this house have had the opportunity to peruse the RFP, they will be assured that the process was designed based on "best practices", and is transparent, objective, and above all, conducive to fairness.

Mr. Speaker, I would also like to emphasize that the RFP presented here today is a product of the work of the Cellular Liberalisation Task Force ('Task Force'). The Task Force, which was established in April 2015, is made up of a cross-section of experienced

local professionals from the public and private sectors. Members of the Task Force have a range of experience in public policy, telecommunications operations, information technology and telecommunications policy and regulation, international negotiations, finance, law, insurance, accounting, investments and planning. In formulating the RFP the Task Force also sought the advice of URCA, PricewaterhouseCoopers, Charles Russell Speechlys LLP law firm (UK) and Hogan Lovells law firm (US).

In addition to formulating the RFP, the Task Force has also produced a range of transaction documents to govern the partnership arrangement that will provide for 49%/51% respective ownership allocation in the entity that will be awarded the second mobile cellular license.

As the Minister with responsibility for the Electronic Communications Sector, I am pleased to confirm that the deadline for submission of proposals in response to the RFP is being met on schedule today (February 11th).

Within the next several days, the Task Force will advise the public of the names of those who have made submissions in response to the RFP.

As I've indicated on previous occasions, Mr. Speaker, the selection process will consist of two (2) phases.

Receipt of the bids later today begins the first phase of the process in which a duly appointed Evaluation Committee will conduct a technical and financial assessment of the Proposals submitted. Only those Applicants that are deemed to be suitably qualified in Phase I will progress to Phase II in which an auction of the cellular mobile spectrum will be administered by URCA on Government's behalf. The Successful Applicant will be the one with the highest combined score of the scores derived in Phase I and Phase II.

Mr. Speaker, since the process was launched in November, the Government appointed an Evaluation Committee that will conduct the Phase I assessment. The

Committee consists of members of the Cellular Liberalisation Task Force, in addition to persons whose expertise is considered valuable given their professional experience and the scope and nature of the exercise. Mr. Speaker, I am pleased to report that the members of the Evaluation Committee have all undergone training in best practice approaches of assessing proposals of this nature.

An evaluation methodology has been formulated to ensure that the Phase I assessment is conducted by committee members in a consistent way, using a common set of assessment criteria. The Evaluation Committee is also receiving professional and legal advice from PricewaterhouseCoopers and Charles Russell Speechlys respectively, on the discharge of their function and obligations.

I wish to remind all that in order to ensure the integrity of the process, the members of the Evaluation Committee are bound by confidentiality obligations in respect of their activities.

Mr. Speaker, if all goes according to plan, as it has to this stage, I expect that my Government will be in a position to announce a successful applicant by May of this year.

Conclusion

Mr. Speaker:

Before closing, I will touch very briefly on another major social policy initiative that my Government will be advancing in the period ahead, and that is National Health Insurance. The upcoming budget will represent a major milestone in the evolution of this programme as it will lay the foundation for its implementation, within the framework, however, of our multi-year fiscal consolidation plan. I believe that NHI will provide tremendous benefits to our citizens and set the platform for our place as one of the best small countries in the world.

Mr. Speaker:

I end as I began, by re-affirming my faith and my Government's faith in the future of our nation. We have great challenges we still must face. There are many obstacles that lie before us still. But I am persuaded by the great successes that we have already achieved against great odds that there is no challenge we cannot meet and no obstacle we cannot overcome. We are determined to succeed, Mr. Speaker. We are determined to do at all times what we honestly consider to be in the best interests of the Bahamian people, not only for those living today but for generations of Bahamians yet unborn.

Yes, Mr. Speaker, we are moving with high purpose in the right direction. Already the fruits of our labour are being made manifest and the best is yet to come!

Our work continues. It is never done. But the future is looking brighter with each passing day. So, I invite all my colleagues in this House, Government and Opposition alike, and all my fellow citizens all across this land, this beloved homeland of ours, to join hearts and minds and hands with us as we move forward with confidence and in faith, to do the work that has been entrusted to us by the good people of this great and sovereign nation!

May Almighty God continue to guide us, to protect us, and to bless us as we go forward together in unity and in common purpose, moving ever forward in the right direction.

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FINANCIAL SUMMARY (B\$ Millions)

| | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2014/15 Budget | 2013/14 Mid Term | 2014/15 Mid Term | 6 Months Variance 2014 vs 15 |
|-------------------------------------|--------------|-------------|--------------|--------------|-------------------|---------------------|---------------------|------------------------------------|
| 1. Recurrent Expenditure | 1529 | 1642 | 1632 | 1659 | 1823 | 841 | 889 | 48 |
| 2. Recurrent Revenue | 1292 | 1452 | 1432 | 1380 | 1770 | 669 | 689 | 20 |
| 3. Recurrent Balance (2. minus 1.) | -237 | -190 | -200 | -279 | -53 | -172 | -200 | -28 |
| 4. Capital Expenditure | 251 | 263 | 395 | 368 | 331 | 106 | 135 | 29 |
| 5. Capital Revenue | 0 | 210 | 87 | 0 | 0 | 0 | 0 | 0 |
| 6. Capital Balance(5. minus 4.) | -251 | -53 | -308 | -368 | -331 | -106 | -135 | -29 |
| 7. Total Deficit (3. plus 6.) | -488 | -243 | -508 | -647 | -384 | -278 | -335 | -57 |
| 8. Debt Redemption | 89 | 77 | 63 | 121 | 98 | 40 | 62 | 22 |
| 9. GFS Deficit (7. minus 8.) | -399 | -166 | -445 | -526 | -286 | -238 | -273 | -35 |
| 10. GDP (Current Prices)* | 7865 | 7921 | 8075 | 8320 | 8932 | 8644 | 8932 | n/a |
| 11. GFS Deficit as % of GDP | -5.1% | -2% | -5.5% | -6.3% | -3.2% | -2.8% | -3.1% | -0.3% |
| Memo Items:- | | | | | | | | |
| Growth Rate (current prices) | -2.1 | 0.7 | 1.9 | 3.0 | 4.0 | 3.4 | 4.0 | n/a |
| Growth Rate (constant prices) | -1.4 | 1.3 | 1.1 | 0.9 | 2.3 | 2.1 | 2.3 | n/a |
| Government Debt (end June) | 3401 | 3553 | 3906 | 4690 | 5438 | 5133 | 5438 | n/a |
| <i>Government Debt (% of GDP)</i> | 43% | 45% | 48% | 56% | 61% | 59% | 60% | n/a |
| Recurrent Expend. (% of GDP) | 19% | 21% | 20% | 19% | 20% | 9.7% | 10.0% | 0.2% |
| Recurrent Revenue (% of GDP) | 16% | 18% | 18% | 17% | 19% | 7.7% | 7.7% | 0.0% |
| Capital Expenditure (% GDP) | 3% | 3% | 5% | 4.4% | 4% | 1.2% | 1.5% | 0.3% |
| Primary Balance (\$M) | -212 | 36 | -253 | -319 | -27 | -214 | -150 | 64 |
| Primary Balance (% of GDP) | -2.7% | 5.0% | -3.1% | -3.8% | -2.5% | -2.48% | -1.7% | 0.8% |
| Source: Ministry of Finance | | | | | | | | |

* GDP estimates through 2013 are from the Department of Statistics; thereafter from the IMF World Economic Outlook, adjusted for prudent fiscal planning purposes.