



**COMMUNICATION**

**BY**

**THE HON. K. PETER TURNQUEST**

**DEPUTY PRIME MINISTER**

**AND**

**MINISTER OF FINANCE**

**DEBATE ON THE**

**2019/20 BUDGET**

**OPENING STATEMENT**

**June 5, 2019**

## I. INTRODUCTION

Mr. Speaker,

On the 29<sup>th</sup> of May, I presented the 2019/20 Budget Communication to this House, outlining the Government's economic and fiscal agenda for the next 12 months, and beyond. Today, it is indeed my pleasure to rise once again to speak to the way that this Budget will positively impact the lives of Bahamians—young people, families, small businesses, and more—and transform our country into a modern society, an inclusive society, and an opportunity-driven society. Also, Mr. Speaker, a society where the Government is perceived as a welcomed partner instead of an unnecessary hindrance to advancing as individual, or as a business.

As with any good vision, ours is highly aspirational. It embodies the type of transformation that does not happen overnight. It happens by changing the culture of institutions, which takes painstaking work. It happens by changing the way we operate, even changing the questions we ask.

There is no doubt, we are so used to doing things the same way they have always been done in government that we sometimes forget the power of simply asking, does this make sense? Is this the best way to give Bahamians the best experience? Is there a better way to make sure Bahamians receive the greatest benefit?

The decisions we make in this Budget, Mr. Speaker, demonstrate that the Bahamian people have a willing partner in this Government, ready and able to uproot outdated systems and old ways of doing things that no longer make sense. The Bahamian people have a caring and competent partner willing to make decisions that do not only accrue short-term gains. Our actions lay the foundation for sustainability; they put us on a course of sustained prosperity for all Bahamians, with particular emphasis on expanded opportunities for our youth.

We are at the early stages of a number of critical vital, long-overdue structural reforms. The same “structural reform” that has been bandied about for years with no serious attention by anyone. This work might not be glamorous, or lend itself to easy slogans like those used by the Opposition's propaganda machine, but they are important if we are going to create the kind of Bahamas that will succeed in an ultracompetitive 21<sup>st</sup> century global marketplace.

## **This is an inspirational and imaginative budget Mr. Speaker!**

Mr. Speaker,

You will see this reflected in the Budget as presented, and in the areas I plan to highlight today, including:

- Our commitment to fiscal responsibility which protects the fiscal health of the country, and therefore our standard of living
- Our holistic approach to tax policy which has allowed us to reduce the relative tax burden on the poor and bump government revenue to more sustainable levels
- Our commitment to citizen empowerment which means breaking the cycle of poverty and Government dependency
- Our approach to sustainable economic growth, which is largely about making it easier to do business in The Bahamas and putting Bahamians in control of their destinies.

As you know, Mr. Speaker, the work undertaken by the Government is implemented through the various Ministries and Departments. The presentations by Ministers during the Budget Debate will therefore reveal more details about the full range of projects and initiatives we have budgeted for in the new fiscal year.

But before I begin Mr. Speaker, I want to answer some of the questions that have emerged since the presentation of the Budget Communication, and provide further clarity around the positive and sustainable impacts this Budget will have on the lives of Bahamians and the nation on the whole.

### **Questions Re: Travel and Subsistence**

Mr. Speaker,

I want to use this time to resolve some queries members of the public have expressed regarding the increase in the allocation for travel and subsistence. I would start by noting that the increase in this line item from \$8.9 million in 2018/19 to \$18.9 million in 2019/20 is due mostly to a reporting error, in that the salaries for Urban Renewal which were actually supposed to be captured under Head 44, were mistakenly added to the Air Transport line item under Travel

& Subsistence. This accounts for some \$3.5 million of the \$5.4 million increase in Air Transport for domestic travel.

Apart from that, the overall increase in Travel & Subsistence is not due to an immense increase in any one item, but instead reflects incremental increases across all Ministries, and in some cases, right budgeting. For example, the Royal Bahamas Police Force had budgeted \$350,000 for air transportation for domestic travel; but had spent \$393,180 in the nine months to March. This clearly shows that what they had budgeted was not sufficient to meet their needs, and as a result of employing right budgeting for 2019/20, their allocation for air transportation has increased to \$509,200.

Similarly, the Royal Bahamas Defense Force budgeted \$112,000 for domestic air transportation, and by end-March had spent a total of \$170,000; again, representing a mismatch of provisions with real needs. Thus, in this Budget, we have allocated \$190,000 for this line item. This is right and proper budgeting; making realistic estimates based on the actual needs of any one Department.

In addition, some Ministries may have reflected a large increase in travel allocations due to the fact that under the new Chart of Accounts, some line items would have been grouped together, that may have been recorded separately in previous Budgets. For example, in the Ministry of Youth, Sports, and Culture, all of the travel for the National Arts Festival, National Youth Month, the National Cultural Festival, and a number of other cultural festivals were consolidated under air transportation for domestic travel under this Ministry. Thus, the increase in their travel and subsistence figures would look substantial, but in actuality does not reflect a real increase in the allocation.

In fact, this was the case for a number of line items in this Budget, apart from travel allocations. So, when you see a huge increase from year to year, it may not necessarily indicate that more money is being spent on that line item, but simply that a number of initiatives, projects, programmes, and departments are now included under said line item.

I now turn to a brief discussion on some misconceptions regarding the Ministry of Youth, Sports, and Culture.

### **Questions Re: Ministry of Youth, Sports and Culture Allocation**

Mr. Speaker,

During the Budget Communication, I mentioned that ministry line items had been cut across the board as a result of a preliminary line-item by line-item review that revealed a history of over budgeting. The Opposition would like to make the reduction in allocations to the Ministry of Youth, Sports and Culture sound like a sinister move by the Government to deprive young people of support. This is completely misrepresenting the facts.

In the Ministry's Budget there had been an annual allocation for \$1.9 million every year for the IAAF World Relays. However, that event is no longer being held in The Bahamas. Rightly so, the allocations for it have been substantially eliminated. The same is true of the allocation that was previously provisioned for Bahamas Junkanoo Carnival. The Minnis Administration privatized this event; necessary adjustments were needed to reflect that Carnival is no longer a national priority for spending taxpayer money. These outcomes are what secured the reduction in the allocation, as opposed to the Government neglecting key youth and cultural programmes.

As I said last week, the Bahamian people now have a Government that can actually handle the full weight of its responsibilities, including those to our young people, sporting and cultural communities, and to our taxpayers.

### **Questions Re: Social Services Allocation**

Mr. Speaker,

It is worth explaining the allocations in the Budget to support our social safety net, as some in the Opposition and in the media have misrepresented the numbers, particularly those concerning line item 2721001 under social assistance benefits. Beginning in fiscal year 2014/15, the PLP spent approximately \$4.0 million on the Renewable, Inspiring, Sustaining, Empowering (or RISE) Social Safety Net Reform project, which was started under an IDB loan facility in 2012. However, Mr. Speaker, due to the fact that the former Government could not meet the deliverables of the facility, the programme was unceremoniously stopped in August of 2017. This Administration, however, saw the value in the programme—which was centered on

alleviating poverty in The Bahamas by changing behavior to bring about improvements in education and health, of those in the lower income class.

To this end, we took away some of the positive lessons from the RISE programme and integrated them into our core service offerings, so that those that would have been assisted by the programme initially, would not lose their net benefit. To do this, we allocated \$1.0 million in 2018/19 toward the services of the old programme. However, we found that those services did not require that level of funding, as only \$75,760 was spent as at March of 2019.

So, despite the allocation for 2019/20 being much lower than the \$1.0 million that was budgeted in 2018/19, the \$488,951 actually represents one, the closing out of the social safety net programme; and two, proper budgeting to fit the needs of a particular programme. I would note also that allocating just under \$500,000 allows us room to expand the services currently offered under this line item, which will help to further alleviate poverty in The Bahamas.

Moreover, although the Department of Social Services had a 1.7 percent decrease overall, in line with the general practice of more precise budgeting, we increased the budget allocation significantly in the most important areas. Specifically, the overall social assistance benefits allocation by \$1.6 million in the upcoming budget year. It is important to repeat this: The allocation overall for social assistance benefits will increase by \$1.6 million in the upcoming budget year. This information is right there in the budget so there is no need to be misleading about that point. This was deliberate to ensure that those Bahamians who need to rely on the Government for financial help, as they face what we know are truly hard times, can find the support they need. We also increased our allocation for the Food Assistance Programme by \$1.4 million to \$14.2 million, and our Subsistence/Support of Persons Contract by \$0.3 million to \$2.6 million this year.

## **II. FISCAL RESPONSIBILITY**

Mr. Speaker,

This is the first budget in the history of The Bahamas that operates within the legally binding confines of the Fiscal Responsibility Act: A law that makes sure the Government stays true to its priorities and policies, while handling taxpayers' hard-earned money in a responsible and transparent way. Accordingly, the deficit projected for this Budget year will in fact end up

being the lowest deficit this country has seen in 10 years, with its corresponding ratio marking the lowest deficit to GDP ratio this country has seen in almost two decades.

Unfortunately, the Opposition would not know about these kinds of standards. They are more used to setting records like recording four consecutive credit downgrades and leading The Bahamas to Junk Bond status on the international credit market. Their track record includes \$920 million in unrecorded bills to Bahamian and international vendors; running up unprecedented deficits and destroying the country's fiscal health, and reputation.

Between 2012 and 2017, our national economy actually shrank in size from a level of \$10.72 billion to a level of \$10.6 billion, for a net contraction of \$123 million. And this despite an increase in the labour force of some 34,000 persons during that period.

What this data means is that, during their 60-month term in office, their economic and fiscal management succeeded (if one can use such a word in this context) in leaving a legacy of an economy that was producing less goods and services than when they came to office. I repeat it again: The economy of the Bahamas in 2017 was in real terms SMALLER than it was in 2012. That is simply unfathomable.

Any economist would find these figures jaw-dropping. For the Bahamian people, they got the picture when they fired the PLP.

During their five years in office, they registered an aggregate deficit of just under \$2.4 billion, or almost \$500 million per year. To put that in perspective, no prior Bahamian Government had even remotely come close to posting deficits on that scale.

The highlight, or perhaps more appropriately low light, of their performance came in their last fiscal year, 2016/17. That year, the previous Government collected some \$2 billion from Bahamian taxpayers, which at the time, was an unprecedented sum of tax dollars. No Government in The Bahamas had ever pulled in so much tax money from its citizens.

Indeed, despite raising over \$2 billion in revenue off the backs of Bahamian tax payers, they managed to spend over \$2.7 billion with nothing to show for it but a mountain of unpaid bills, a frustrated populous and a lethargic economy.

But listen to them now Mr. Speaker. Despite the disaster that was their fiscal record—the same record they NEVER reference when speaking about this government—they are now feigning concern over the fiscal health of the country. They are quick to provide advice to us on this side. Where was the Opposition’s fiscal hawkishness when they were in Government?

They are an exposed bunch Mr. Speaker—with much to say about fiscal rectitude when in Opposition. But when in office, they revert to their true form and proceed to set records in the run up of deficits and debt. I want to remind them that the Bahamian people are on to them and their fake concern and crocodile tears.

So whenever I hear the Opposition trying to give us advice, Mr. Speaker, I have to remind them that they had their chance to manage the country’s financial affairs and they blew it. But now the same people who sat in Cabinet and were the architects of the four consecutive downgrades and the record deficits, now want to give the government sound advice on fiscal matters? No, Mr. Speaker, a thousand times no! The Bahamian people have seen what their approach to budgetary matters has led to. So, I would ask them to understand that we are not prepared to take any economic, fiscal, political, or governance advice from the very same persons who led the country to four consecutive downgrades and to junk bond status. On budgetary and fiscal affairs, I am simply not prepared to take counsel from the.... **“junk bond crew”**.

Mr. Speaker,

Do not get me wrong; on this side we have a very consultative budget process that involves engaging citizens and listening to feedback – from all parties, except the **junk bond crew** of course. We are particularly open to receiving input from civil society and other stakeholders when forming our fiscal policies. I mentioned last week that the Union of Musicians made representation on behalf of young people and creative professionals across The Bahamas to remove duty on musical instruments.

Upon consideration, we agreed that this would create more opportunities for young people, particularly those in poverty stricken communities that rely on marching bands and Junkanoo to engage young people in creative and productive activities. We agreed this would

help to stimulate the creative industries, by making it easier for musicians to invest in themselves and flourish. Therefore, in the new budget, you will see duty removed from musical instruments.

Mr. Speaker,

We are aware that there are many vulnerable populations that are suffering in poverty and need the support of the social safety net. We are providing resources to support these individuals, ensuring they receive the support they need.

I will now turn to a detailed account of this Administration's strategy for enhancing economic growth in a sustainable way.

### **III. BOLSTERING ECONOMIC GROWTH**

Mr. Speaker,

The domestic economy grew by approximately 1.6 percent in 2018. Despite this coming in lower than the 2.3 percent projected by the IMF, I want to pause for a moment to shed light, particularly for the Opposition, on what exactly these projections entail.

Projections are boundaries that we have set for ourselves based on a number of economic and social factors. Depending on the indicator, those boundaries help to guide and steer policy toward a particular outcome. As with any type of projection, a number of factors can alter the course toward the intended outcome. As such, these projections are not static. In fact, it is very rare that any one country hits their intended target on the nose, but usually falls within an acceptable range around their target.

There are potentially negative and positive circumstances that can affect whether or not you achieve that outcome. However, it is necessary to have this target that guides the direction in which we hope to steer the economy. In knowing this, we have framed our economic growth agenda bearing these in mind.

As was clearly explained in the Budget Communication, our Government's overriding economic and fiscal policy philosophy and approach are diametrically opposed to that of the Opposition. We have a concrete fiscal plan to reduce the deficit and return it to more desirable debt levels. At the same time, we are ensuring that we undertake those strategic reforms and

initiatives that will strengthen consumer confidence and boost entrepreneurship and investment in our economy. As well, we are moving to reform and enhance the key structural factors that will underpin stronger potential economic growth, including investments in education and training, in renewable energy, in support for small and medium sized businesses and in improved regulations and reduced bureaucratic delays.

Ours is the time-tested and sensible approach to economic and fiscal management and governance. It is the right-minded, rather than self-serving, way to do things.

Mr. Speaker,

When we improve business processes by eliminating the high level of bureaucratic inefficiency incurred by individuals and companies doing business with the Government, we create an incentive for Bahamians to start their own businesses, or expand their existing businesses. When we address energy deficiencies, we increase our standard of living in an efficient way that ultimately cuts costs to the average consumer. When we make matching small and medium sized businesses with capital avenues a priority, we empower Bahamians, while helping them to create jobs and new products for our economy.

This is what stimulates the economy to expand. This is what guarantees sustainable growth for the long term. You see, the solution to our economic woes is not found in quick fixes. Instead, it is found in addressing the critical needs of the economy, as it relates to both infrastructure and policy development.

**This is inspirational and imaginative Exuma!**

#### **IV. EMPOWERING OUR CITIZENS**

Mr. Speaker,

As I mentioned before, our socio-economic agenda is one that embodies, nurtures and ensures the evolution of human capacity. Our approach to enhancing economic growth is not founded on senseless overspending to secure votes, or on self-serving philosophies. We firmly believe that empowering the citizens of our nation by providing the necessary tools to advance themselves is what will drive an economic expansion.

Gone are the days when Bahamians, young and old, will have to rely on an MP, a bureaucrat or a politician to start a business, to get that home, or to get that job. It is not the Government's role to hold its citizens handicapped to a system where going through a public official is the only route to getting anywhere in the country. Instead, it is the Government's role to ensure that the correct policies are in place to endow its citizens with the power to build their lives and livelihoods for themselves. It is time to put the power back in the hands of the people where it belongs.

That is exactly what this Minnis-led Administration is about. We are determined to break the cycle of government dependency, and instead create partnerships with Bahamians to advance their future. The policies we have listed in our 2017 Manifesto—the very same ones we are putting into action—speak largely to that. Our commitment to empowering the people is evident in our education and training initiatives. Very soon, there will not be one Bahamian who will not have the opportunity to apply to one of the Government's educational initiatives. From the University of The Bahamas, to the Bahamas Technical and Vocational Institute, to high schools, and even to pre-schools, each and every Bahamian will have the choice of taking advantage of these opportunities to better themselves.

You see, Mr. Speaker, investing in education is perhaps central to the growth of each citizen. Having access to education allows us the opportunity to build our human capital so that upon finishing tertiary education we are made better candidates for employment opportunities – or to shape our own entrepreneurial destiny. No longer do we want Bahamians to be constrained by a lack of basic skills, or ineligible for a job due to a knowledge deficiency. What we want for them is to be able to acquire the necessary skills and knowledge so that they can be eligible for any job they desire – or become equipped to be their boss.

Making our citizens better equipped for the modern 21<sup>st</sup> century marketplace will secure higher employment and more entrepreneurship. When there is higher employment and more new small business activity, this means that people now have more disposable income to spend on goods and services. When people are consuming more, the economy is growing because businesses are benefiting from this higher consumption and subsequently putting those earnings back into the economy.

To show our support and commitment to our educational initiative, in this Budget, we have allocated approximately \$20 million to additional tuition and training funding at the University of The Bahamas and the Bahamas Technical and Vocational Institute. The Prime Minister will speak more on this, and other educational initiatives that are in the pipeline, when he gives his contribution to culminate this debate.

Mr. Speaker,

Equipping our people with education is only one part of the approach to creating a brighter economic future. We believe that entrepreneurship is the other critical pillar to spurring sustainable economic growth. As such, this government continues to make good on the Prime Minister's commitment of \$25 million to support Bahamian entrepreneurs and small businesses over five years.

Time and again – for years and years – we have heard the cry that we need to do more to provide small businesses with the capital they need to start or expand their businesses. As we all know, micro, small, and medium sized businesses make up the majority of our private sector entities. This means that if we do not move to develop them, we are not helping to build or expand the sector that will be able to provide the jobs we are seeking to prepare our citizens for.

That is why our commitment and efforts toward the Small Business Development Centre, or SBDC, are so important to advancing our micro, small and medium sized businesses in order to support the level of productivity that is going to propel this economy to a sustainable level of growth.

Mr. Speaker,

Apart from receiving capital, these companies would have received adequate advice from business advisors to ensure that their business is ready for operation. In fact, the SBDC has advised nearly 500 small new and existing businesses/individuals across The Bahamas. Since its inception, they have invested well over 67,000 hours in advising, training, courses, and research and site visits.

Further, there are roughly 61 companies still in the pipeline that are in the developmental stages where they are receiving advice and taking courses, to be eligible for funding. It is

estimated now that the funding that will be available to them is in the neighborhood of \$7 million. This means more companies will be started, more companies will be expanded, and more dreams will be realized.

Mr. Speaker, after years and years of hearing the same old refrain that Bahamian small businesses need access to capital – this Minnis led administration – is actually doing something about it. In a way that is tangible and demonstrable. No bunch of pretty talk – just lots and lots of action.

Indeed, the economic impact that the activities of the SBDC will have on the Bahamian economy will be truly staggering. Just in the last six months of this year alone – and still very much in its infancy - the SBDC is expected to generate through its development of small businesses, approximately 43 jobs, inclusive of new, part-time, and retained jobs.

Nearly \$145,000 in salaries is expected to be created, while some \$210,000 is anticipated to be retained. In addition, it is intended to garner the Government some \$197,000 in revenue, through VAT, Business License, Customs Duty, and NIB payments.

All told, it is estimated that for every dollar that is invested in the SBDC by the Government, an additional \$5.58 is generated in economic growth. This means that every dollar invested in the SBDC creates an extra \$5.58 in real dollars on account of the economic activity it creates through the businesses it would have helped.

The average economic impact of entities such as the SBDC around the world is estimated at only \$2.33, which suggests that the activities of our own SBDC are guided in a way that garners the most benefit per cost, and in a way that drives our economy at a rate that is higher than its global counterparts.

We recognize however, that our commitment to micro, small and medium sized businesses will have to extend beyond the activities of the SBDC. Our efforts to enhance the ease of doing business will also stand to benefit this sector, as processes for starting a business and staying in business will and have been made relatively easier.

**This is an inspirational, imaginative and aspirational budget Opposition!**

Mr. Speaker,

On that note, one very important component to garnering the type of expansion we want to see in small businesses, and ultimately in domestic growth is advancing the ease of doing business in The Bahamas.

Currently, The Bahamas is ranked 118<sup>th</sup> out of 190 countries on the World Bank's Ease of Doing Business Index, which equates to an overall score of 58.9. It is our goal to significantly improve this position. One of the key areas that has been identified as being in need of improvement was the protection of minority investors. To address this, we drafted the Securities Industry (Amendment) Bill, 2019 and the Companies (Amendment) Bill, 2019, which both seek to address deficiencies as they relate to protecting minority investors, as well as provide for additional transparency in shareholder governance.

In addition to drafting the appropriate legislation, we created an interagency working group that will focus specifically on the areas of weakness in our current structure that complicate doing business in this country. These areas include:

- Getting credit
- Registering property
- Protecting minority investors
- Trading across borders
- Getting electricity
- Dealing with construction permits, and
- Starting a business

Mr. Speaker,

These efforts have indeed born fruit. As of the end of April, I am pleased to say that we have seen substantial time improvements across a number of processes. Compared to last year, persons now get their Business License 37 percent faster, and renewals 77 percent faster, while the time it takes to get a property conveyance registered has fallen by 44 percent. Additionally, it now takes 12 percent less time to get a construction permit approved than it did last year. Thanks to these changes, people are in business faster, construction projects are starting faster, and

people are now spending less time transferring properties. These are real time impacts that people are feeling due to the work of this Government.

The continued progress of the working groups, coupled with the modernization and digitization projects that are ongoing to improve efficiency and accuracy will have an indelible positive impact on business processes in The Bahamas, and particularly in respect of interactions with the Government. Simplifying the process of clearing Customs alone can incentivize persons to create their own businesses, as the process will not be overly complicated and time consuming. In addition, securing a stronger level of tax compliance across our archipelago of islands will essentially support an expansion in our resources, making us better equipped to match capital needs with entrepreneurial ideas.

The more resources we have, the more we can spend on programmes that better serve our citizens; not just from a social standpoint, but to actually empower them for success. Investing in increasing the ease of doing business in The Bahamas does not work solely to the benefit of foreign investors, but also to the benefit of every Bahamian with a dream to become a business owner. It works to the benefit of existing businesses who are trying to expand, and help this economy via their own operations, by providing better service, better products, and in some cases more jobs for our country.

Mr. Speaker,

That is why we have put forward our endeavor best to stay the course on our journey to fiscal reform, upon which this Budget was guided.

In doing a deep dive analysis on our fiscal indicators however, it is clear now more than ever that our policy focus must shift to the improvement in the administration and collection of existing revenue, while still paying careful attention to expenditure discipline. We expect that the continued revenue enhancement initiatives that we have employed to strengthen the overall revenue administration will help to boost the revenue to GDP ratio.

At the ten months to April, we had secured approximately \$1.9 billion in total revenue. VAT collections totaled \$699.3 million, which represented a 21.5 percent increase over the previous fiscal period and 66 percent of the budgeted amount. As we mentioned in the Mid-Term Statement, we expect for these receipts to come in lower than intended as a result of the

time related delay in payments at the new rate vs. the old rate due to the concessions granted to hotels and the construction sector. Nevertheless, we are confident that revenue performance in the last two months of the 2018/19 fiscal year will be in line with our current projections.

So when I hear the side Opposite say that we are lying to Bahamian citizens and misstating the facts, I suggest he check his numbers, and check them good. We are not in fact in need of collecting 42 percent of our annual revenue in the April, May and June, and VAT collections have in fact increased more than 16 percent.

But Mr. Speaker, I'm not surprised the Leader of the Opposition would accuse me of lying to the Bahamian people. You see, Mr, Speaker, that's what he knows and expects of governments because that is what they probably did as a matter of course...that's likely how the administration where he was DPM, probably worked and expects to work if they ever get the chance to run this nations' affairs ever again, heaven forbid! He cannot help but to accuse this administration of lying, as it is something he himself is so use to doing. Need I remind him of the shameful BAMSİ insurance contracts he misled this House to believe were in place, but in actuality were not, and as a result the taxpayers' money went up in flames. The public may recall after that negligent incident, the then Minister, had the brazen audacity to come back to this House to say the rebuilding price now went from \$3M to \$5M for the same building! And he wants to talk to me about lying?

What about the bold faced lie uttered by the Leader and echoed by the Deputy Leader about VAT rates increasing, a proven lie! Clearly, the emperor is naked and lacks credibility, and I encourage the Bahamian people to not forget his record of failure and shameless untruths.

Mr. Speaker,

The truth is, all told, we are poised to meet our legally binding fiscal targets, without the need to increase the VAT rate, levy new taxes, or undertake draconian measures; although if you let the Opposition tell it, we would have driven the economy into another recession by now. But again unlike them, we understand the premise of good and proper budgeting. They have shown us, all too well, sadly, the effects of having no fiscal plan.

Staying the course will move us closer to a balanced budget, it will signal to our people that we are serious about the course of action we have pursued. Remaining true to our targets

will also bring us that much closer to cleaning up our fiscal affairs, so as to create a brighter, better future for this generation and for the youth of this nation; as opposed to burdening them to pay the debt of today, tomorrow.

Mr. Speaker,

In our commitment to fiscal reform, we vowed to embody transparency and accountability while doing so. That is precisely what the establishment of an independent fiscal council will do come July 1<sup>st</sup>. As an independent body, it is their duty to assess the fiscal affairs of the Government to ensure that it maintains its fiscal targets, and that it is conducting its use of public resources in a way that is beneficial to the greater good of Bahamians.

Over the last few years, the use of independent fiscal councils has become particularly pronounced in the Caribbean region. Countries rely heavily on the role of the council to ensure policymakers do not run up excessive deficits and pursue anti-cyclical policies. Research has shown that, globally, their efforts have been quite fruitful, with empirical evidence supporting the conclusion that the presence of fiscal councils is indeed associated with more accurate fiscal forecasts, and greater compliance with fiscal guidelines.

By having an autonomous group of experts from key industries involved with the checks and balances of the Government's fiscal affairs, this will open a new layer of transparency and accountability. They will ensure that we are not just saying we are acting in a fiscally responsible manner, but that our accounts actually reflect that.

Even with our accountability and transparency efforts, we must remain, in this and in future budgets, not only focused on strengthening the efficiency of expenditure management, but also enhancing the collection of government revenue.

I now turn to a brief review of our revenue enhancement measures in this Budget, as we shift our policy focus to shoring up Government receipts.

## V. REVENUE ENHANCEMENT

Mr. Speaker,

As expected, the members of the Opposition had quite a bit to say in the lead up to the Budget Communication. In fact, the Honorable Member for Cat Island, Rum Cay, and San Salvador insisted that they had no confidence in our ability to effectively and practically manage the public finances because we had missed critical fiscal targets in the last fiscal years. Need I remind him to remove the log from his own eye before he tries to take the splinter out of ours?

History shows—and the data supports it—that, in their last term in Office, the PLP completely missed their revenue targets in four out of five years! Let me repeat that. Throughout the duration of the PLP's last term in Office, they missed 80 percent of their revenue targets, as receipts fell short of what they said they would collect.

But Mr. Speaker, it gets worse. Despite completely missing their deficit targets for four out of the last five years they were in Office, they overshot their deficit even in the year they collected more than they anticipated they would. In 2015/16 they collected an estimated \$166 million more than they had projected, but still managed to miss their deficit target by a whopping \$169 million. What does this tell us about their style of governance? That it is ill-founded, it is rudderless, and it has no regard for the lives of the Bahamian people.

Mr. Speaker,

We are however, different. With an explicit focus on improving our revenue collection, we are further bolstering an improvement in the public financial position, while, at the same time providing financial resources to fulfill the Government's transformational policies and priorities in a financially responsible manner.

I want to be clear that, when we speak of enhancing revenue collection, we are not alluding to an increase in our current tax rates, or the imposition of new taxes. Rather, we are focused on shoring up Government revenue that is currently in the market but is simply not collected due to antiquated systems, a lack of cooperation at the interagency level, other administrative impediments, or downright inadequate compliance on the part of the taxpayers.

I will now address the measures we have outlined in this Budget to provide tax relief to each and every citizen.

## **VI. TAX RELIEF FOR BAHAMIANS**

Mr. Speaker,

Another key priority of this Administration is to ensure that the Bahamian people are able to feel the impact of our policy decisions in a tangible way. That is why we have attempted to provide a number of tax relief measures in this Budget that should be felt by all.

We took a deep look at the most frequently imported items based on data we received from the Customs Department. From that list, we identified the items that were most relatable to the average household in The Bahamas, and tailored our working list to include school supplies and household implements. Now, apartment sized fridges and stoves are duty free for the Bahamian people. That young couple or that young millennial going out on their own for the first time is now able to set themselves up without being killed with a high Customs bill. Parents and teachers can now stock up on school supplies for students for a lower price due to the duty reductions, and in some cases removal.

The National Youth Band, the Bahamas All-Star Band, and every other orchestra or band assembled in The Bahamas can now expand their members as instruments are now cheaper to purchase. A child who has always wanted to learn to play the trumpet may now be able to afford to purchase one. With strong dedication and a lot of practice, this could mean opportunities to play in the National Arts Festival, which could eventually lead to international exposure, college scholarships, and much more. These are the types of tangible effects we expect to see when we set policy.

Adding to that, Mr. Speaker, we provided a sense of tax relief for the Bahamian people in a number of tax measures in this, and previous Budgets.

We made Water Bills under \$50 and Electricity Bills under \$300 zero-rated under VAT; and last week in my Communication we announced that this would be made permanent. I also stated that 23,500 households would have benefited from this. I want to clarify that estimate at this time, however, after questions in the media about our projection of 60,000 beneficial

households made last year. The 23,500 households mentioned only accounted for those who would have benefitted from the zero-rating on their Water Bill.

Households that benefited from the zero-rating on Electricity Bills actually average 79,000, which represents approximately 84 percent of the residential consumers in New Providence and the Family Islands. So, in total, the amount of consumers that are benefitting from this change actually surpasses our initial estimate of 60,000!

You see, Mr. Speaker, when they talk about us not doing anything for the people, and only focusing on fiscal numbers but not doing things that people can feel in their pockets, it begs me to question their perception of governance and what it means to act in the best interest of the people. If providing tax relief so that over 79,000 households in this country do not have to pay an extra 12 percent on their water and electricity bills is not in the best interest of the people, I shudder to think what the Opposition finds it to be.

These examples vividly demonstrate that, unlike our predecessors, we do not just talk about change, we actually implement it.

Mr. Speaker,

This Administration set a very strict three-year plan to bring our fiscal house in order. We set defined fiscal rules that would bind us to prudence, responsibility, fairness, and transparency. A year later, we are before this House not only determined to meet the objectives we set in the previous fiscal year, but we are still heavily committed to the targets we set out for the subsequent two years. We have remained true to what we established as a new era of public financial management, and have made an example to the Bahamian people of what an accountable, transparent, and fiscally responsible Government looks like.

We have certainly had to make some tough decisions in the interim. Indeed, raising the VAT rate to 12 percent was not an easy choice. However, we knew that in order to bring our fiscal affairs in order, we had to make a hard call that would most likely create some discomfort initially, but would ultimately be for the better of this country. The evidence today shows exactly that.

I believe the Honourable Member for Exuma & Ragged Island stated around this same time last year that the increase in the VAT rate was reckless and dangerous. Well, here we are one year later with a stronger economy, a booming tourism sector—which is subject to VAT—a number of capital, educational, and reform projects underway and in the pipeline, and a young entrepreneurial sector that is growing day by day. Here we are, one year later, with our deficit projected to fall exactly where we intended for it to be, and appreciably lower than the previous year.

Mr. Speaker,

Though our efforts toward fiscal responsibility and stability may call for some sacrifice, I urge my fellow House Members, and my fellow Bahamians, to see the measures within this Budget for the good that they will instill rather than lose them in the cloud of fiscal restraint. Yes, we have had to place some constraint, but we are doing palpably more even with less resources.

We are investing in clean energy to improve the daily lives of our citizens, we are investing in improving and expanding the educational opportunities available to our citizens, we are streamlining business processes to increase efficiency and customer service within the Government, and we are making doing business and staying in business easier across the spectrum.

We are bridging the gap in financing for micro, small, and medium entities. We are building and developing young entrepreneurs to become successful businessmen and women in pursuit of realizing their greatest dreams. We are making a stronger, better Bahamas.

We are in the business of right budgeting, and prudent spending. We are in the business of paying our bills, as opposed to spending frivolously and letting arrears payments build up. We are about bringing meaning to the words transparency and accountability, and not just saying them.

That is why it is ever more pertinent to remain committed to new public financial management. Our deficit has been on a downward trajectory since this Administration took office. As we lower our deficit, and get our debt on a downward trajectory to a sustainable level of no more than 50 percent of GDP, while shoring up our revenue in our fight against

noncompliance, we will undoubtedly have more resources to devote to other areas of social reform that will have an indelible impact on the lives of our people. We will have more resources to dedicate to educational initiatives, better health care, addressing our infrastructure needs, and improving our trading across borders.

## **VII. EAST GRAND BAHAMA**

Mr. Speaker, before I turn to a summary of the proposed legislation included in this package of Budget related Bills, I must speak to EGB. Firstly, I want to thank the residents for their continued support and encouragement, you are the wind beneath my wings. I want to send a shout out to my hard working constituency team, who hold down the affairs of the constituency while I attend to national matters.

This upcoming fiscal year, the Minister of Works has identified a number of infrastructure projects that will be completed, including the High Rock Seawall, the Sweetings Cay Channel clearing, the garbage collections issues throughout the area and other maintenance projects necessary. We will continue to empower our residents through the SBDC and some innovative projects already launched and to be launched throughout the area.

We will continue our social and heritage festival support programs as well as other assistance programs. Working with partners, we expect to see new investment projects come to the area that will bring economic opportunity from east to west, with the Carnival project, the hotel project and others, I will wait for the PM to announce. I truly believe 2019/20 will be a good year for GB.

## **VIII. BILLS IN THE BUDGET**

Mr. Speaker,

Lastly, I now turn to a review of the Bills we have tabled with this Budget, that underpin the objectives we are intending to materialize, particularly with regard to tax relief and revenue enhancement initiatives.

1. The Business License (Amendments) Regulations, 2019 seeks to add the definition of turnover and eliminates export services revenue from B/L tax calculations.

2. The Excise (Amendment) Bill, 2019 seeks to amend the First Schedule to the Excise Act to allow for the new 10 percent duty rate on new or used hybrid or electrical vehicles not exceeding 50,000, and to provide for consequential amendments to the Schedule of the Tariff Act, and the insertion of a new tariff code and subheadings to effect other budget changes.
3. Stamp (Amendment) Bill, 2019, seeks to effect changes in policy from the payment of stamp tax on real property to the payment of VAT on real property.
4. Customs Management (Amendment) Bill, 2019 seeks to require the registration of individuals, businesses, companies, customs brokers and authorized couriers with the Customs Department who import into or export goods from within the Customs territory on their own behalf or on the behalf of others.
5. Spirits and Beer Manufacturer (Amendment) Bill, 2019 seeks to repeal section 5 of the Act, which limited licensees whose distillery had the capacity of 400 bushels of grain or more, and to provide an exception that microbreweries are not required to have a bonded warehouse. The clause further seeks to provide for a definition of a microbrewery.
6. Value-Added Tax (Amendment) Bill, 2019 seeks to amend a myriad of definitional changes and typographical errors, to include for the registration of persons in e-commerce conducting vacation home rentals on marketplaces, to make the zero-rating on water utility and electricity bills permanent, and to make all realty transactions subject to VAT as opposed to stamp tax, among other administrative changes.
7. Real Property Tax (Amendment) Bill, 2019 seeks to alter the definition of “owner-occupied property” to change from “resides in such property exclusively as a dwelling house on a permanent basis that is six months or longer” to “resides in such property exclusively as a dwelling house on a permanent or seasonal basis”; to delete the definition of the term “market value” and to substitute the term “value”, to create a new category referred to as commercial property; to increase the maximum annual ceiling for owner-occupied property from \$50,000.00 to \$60,000.00; and to delete subsection (3) which is no longer relevant because the exception in subsection (2) no longer distinguishes between a Bahamian or non-Bahamian.
8. City of Nassau Revitalization (Amendment) Bill, 2019 seeks to amend the City of Nassau Revitalization Act to extend the duration of the Act to 2024.

9. The Family Islands Development Encouragement (Amendment) Bill, 2019 seeks to extend the duration of the Act to 2024.

## **IX. CONCLUSION**

Mr. Speaker,

As I conclude this opening contribution to the 2019/20 Budget Debate, I wish to reiterate that this Budget is guided by the very principles on which this Government stands. Those are, transparency, accountability, inclusivity and citizen empowerment. This Budget stands for a Government that is a better partner to the Bahamian people: That delivers real and sustainable benefits that allow Bahamians to be empowered and independent. I cannot emphasize enough; we want to break the cycle of poverty and the dependence on government. This will allow Bahamians to have the fundamental benefits we all desire, good health, a good education for our children, social progress for our families, economic stability and a better future.

When we came to Office we made it our mandate to ensure that Bahamians came first, as opposed to the personal interests of politicians. That was true then, and it still remains true now. Each of our policies has been crafted to benefit every social class within The Bahamas across all of our major industries.

This Budget invests in comprehensive structural reforms that are going to make the Government work better and be better. From ease of doing business, to the digital transformation; from the focus on tax fairness and the overhaul of revenue administration and collection; from the adoption of transparent and accountable fiscal practices to the overhaul of State Owned Enterprises.

This Budget invests in strategic projects and programs that are going to build 21st century infrastructure and set a new foundation for growth; that will make education more inclusive and help Bahamians to break the cycle of poverty.

While we have made great progress, we are not done yet. There is still a tremendous amount of work to do.

We remain committed to putting Bahamians first, and truly partnering with them to advance the social and economic fabric of this nation. We remain committed to seeing tangible

changes in the lives of each citizen, as a result of the policies this Government would have set in place. We remain committed to seeing a strong, resilient Bahamas.

**This is an inspirational, imaginative and aspirational budget Opposition!**

With that being said, I look forward to a productive and informative debate on the 2019/20 Budget.