

THE ANNUAL
BUDGET

2021/2022



COMMONWEALTH
OF THE BAHAMAS



BUDGET COMMUNICATION

FY 2021/2022

Accelerating Recovery:
From Restoration to Growth

PRESENTED TO THE HOUSE OF ASSEMBLY BY
THE MOST HON. DR. HUBERT MINNIS
PRIME MINISTER AND MINISTER OF FINANCE
ON WEDNESDAY 26TH MAY, 2021

Introduction

Mr. Speaker,

I rise on this occasion in this Honourable House to present the 2021-2022 fiscal budget.

Every year, the government of the day takes to the floor in this Honourable House to report to the Bahamian people on its accomplishments and plans for the future.

The national budget is not just a list of numbers – it tells the story of our values as an administration and demonstrates the vision we have for the nation.

From Hurricane Dorian to the ongoing COVID-19 pandemic, we have collectively weathered an unprecedented level of social and economic shocks. There is no doubt that together, these twin crises have presented the most significant obstacles for our continued national development in the last 100 years.

Without warning, the environment in which we were left to govern shifted dramatically.

To overcome these obstacles, last year's budget outlined my government's plan to stabilize our economy, provide much needed social support, invest in the rebuilding of Abaco and Grand Bahama, and plant the seeds for an accelerated national recovery.

The title of last year's budget, "Resilient Bahamas: A Plan for Restoration," was not just an exercise in branding. It spoke to the social and economic strategy we put in place to beat back the most extraordinary crises of our lifetime.

Mr. Speaker,

As we prepare for the year ahead, this new budget represents our plan to move from restoration to growth. It will build upon a new foundation and accelerate our national recovery in the process.

We are still contending with grave uncertainty today, but my administration's ultimate objective has not changed.

We may have been diverted but our direction is still clear.

Our north-star has always been to grow an economy that produces jobs, opportunity, health and wealth for all Bahamians.

Circumstances beyond our control may have shifted our immediate priorities and related initiatives, but our economic vision for the nation remains the same: an economy that is resilient, inclusive, dynamic and sustainable.

We Have Faced Unprecedented Challenges

Mr. Speaker,

Last year's budget was almost entirely defined by the need for an immediate and impactful emergency response to the COVID-19 pandemic.

While many countries scrambled to manage the unfolding crisis, failing to maintain stability and to protect their citizens, The Bahamas was routinely held up as a model in the region and around the world for its effective management of the crisis.

To date, the direct cost of my government's response to the pandemic has exceeded \$290 million. This does not include the millions of dollars in lost tax revenue and economic activity for The Bahamas.

At the start of the pandemic, the nation was still grappling with the catastrophe of Hurricane Dorian. The horror of the disaster, which resulted in the largest single loss of life in our nation's history, was still fresh. Post-Dorian assessments estimated the cost of damages to be approximately \$2.5 billion. An additional \$1 billion was lost in government revenue.

But, Mr. Speaker,

It is not happenstance that we have been able to weather the storms confronting us. It is not a coincidence that we have navigated this global crisis with such responsiveness. And, it is not by luck that we have been able to muster the necessary resources to provide for the most vulnerable.

My administration had a plan. We implemented and invested in that plan. And, through the execution of that plan, we are transforming this crisis into an opportunity for our nation's future prosperity.

The Resilient Bahamas Plan

Mr. Speaker,

My government adopted a well thought out strategy to address the unprecedented challenges we faced. We implemented a well-defined plan commonly known as *Resilient Bahamas*.

This included gathering the most recent public health, social and economic data and consulting with medical and other experts to formulate sound policies.

Our approach was anchored by three primary objectives. We sought to:

- Protect the wellbeing and engender the confidence of our citizens and residents;
- Maintain economic stability during the COVID-19 induced crisis; and
- Plant the seeds for an accelerated recovery.

To achieve these objectives, this government defined its key priorities and designed a budget that would pour into each an unparalleled volume of public sector resources. Our priorities were clear:

- protecting the health and safety of Bahamians;
- providing adequate social support to vulnerable members of our community;
- stabilizing the domestic economy
- sustaining employment, and
- accelerating our Government reforms.

This plan, and specifically our objective to plant the seeds of an accelerated recovery, was supported by the work of the Economic Recovery Committee.

The committee's mandate was to undertake an in-depth consideration of the nation's current economic health and to present a bold vision for a modern Bahamian economy.

Mr. Speaker,

I can unequivocally state that my government has pursued its priorities and achieved its objectives.

The Government has been focused and steady and we can report that we did what we said we would do.

As an update to members of this Honourable House, under the *Resilient Bahamas* plan, we invested the following as of the end of March 2021:

- \$25.9 million on COVID-19 public health and safety measures. This investment ensured that our healthcare system and healthcare workers had the support needed to sustain us through the crisis.
- \$118.0 million in government-funded unemployment assistance. This budget contribution put cash directly in the hands of unemployed and self-employed Bahamians impacted by the economic downturn. This sum does not include, and is in addition to, the earned benefits that were paid out by NIB under its ordinary unemployment benefits program;
- \$32.8 million in social assistance. This cash injection largely funded the extensive food assistance program supported jointly by the government and NGOs. It ensured that the most vulnerable had access to food;
- \$44.4 million in the government's payroll support programme. This contribution allowed private businesses to use tax credits to pay their employees, saving approximately 15,000 private sector jobs,
- \$53.3 million in business continuity support to Bahamian Entrepreneurs and Small Businesses. This investment provided hundreds of Bahamian businesses access to grants and government-guaranteed loans administered by the SBDC to survive, expand and jumpstart.

Mr. Speaker,

While these amounts represent the dollar value of direct COVID-19 support provided to the Bahamian people, I want to remind members that *Resilient Bahamas* was a robust plan that looked beyond the immediacy of the pandemic. It is for this very reason that we included comprehensive policy solutions to prepare the country for what would come after we emerged from the crisis.

From structural reforms to tax relief, these policy solutions included:

- Over \$260 million in tax concessions to residents of Abaco and Grand Bahama. The Special Economic Recovery Zone Orders were extended to June 30, 2021 to continue to ease the burden of rebuilding after Hurricane Dorian;
- Relief on school supplies via the Back to School tax credit program;
- The reduction of duty on fishing and agricultural materials to encourage expansion in these areas. This was coupled with \$5 million in funding to businesses in these areas via the Access Accelerator Small Business Development Center; and finally,
- Expanding the Government's digital footprint. In fact, we exceeded our targets for the digitization of government services by providing digital processes for:
 - Road Traffic,
 - Registrar General's Office,
 - Department of Immigration,
 - Police Force, and
 - Cabinet Office

And by also launching and expanding the digital process for:

- passport renewals
- the Port Department
- the Customs Department
- court systems, as well as
- the Department of Social Services.

Mr. Speaker,

Over the past few months, the Opposition has continuously and falsely asserted the unfortunate misrepresentation that “the government does not have a plan.”

Mr. Speaker,

Despite this constant claim by the side opposite, not only did my government present a plan during this very same budget debate last year, we implemented it!

And, we implemented it successfully.

As I have outlined, in many cases, we exceeded the commitments made this time last year.

It is because we have invested such significant resources in the Resilient Bahamas Plan that we see a way forward. Because we have stuck to that plan and held to our commitments, we can begin the pivot away from the initial stages of restoration toward resilient, dynamic, inclusive and sustainable growth.

The Accelerated Bahamas Recovery Plan

Mr. Speaker,

Since we proposed the *Resilient Bahamas Plan* during the last budget exercise, the world has continued to change dramatically.

Globally, the coronavirus pandemic has taken a toll on every country, without exception. Like us, other nations are contending with increased spending on health and safety measures, depressed revenues, restrictions on the movement of citizens and residents, and unfortunately the loss of life.

But, Mr. Speaker, we are encouraged that the panic and pandemonium surrounding the pandemic is now nearing an end.

While our circumstances are still tenuous, an end to the worst of the pandemic is in sight with global vaccine deployment and health and safety measures proving successful. My government is continuing to adopt a structured approach to manage our recovery, building on all that we have been able to accomplish so far.

Mr. Speaker,

Our plan last year addressed the need for an immediate response but it was also forward-looking. And so, we set out to plant the seeds for recovery – to anticipate the opportunities on the other side of the crisis.

Mr. Speaker,

The seeds we planted are now germinating. To hasten their progress, during this budget we present the **Accelerated Bahamas Recovery Plan** (or “*Accelerate*

Bahamas” for short) to boost economic growth and continue our support of the most vulnerable.

The *Accelerated Bahamas Recovery Plan* is designed to achieve the following objectives:

- Strengthen the impact of much needed COVID-19 related support;
- Accelerate the re-engagement of displaced workers;
- Stimulate domestic economic and commercial activity;
- Extract greater value from the tourism sector; and
- Accelerate the adoption of innovation and eGovernment technologies and services

To achieve these objectives, our Accelerated Bahamas Recovery Plan is built around seven core pillars or priorities:

1. **JOB CREATION:** We will continue and ultimately transition from providing unemployment support to implementing job growth policies that maintain and expand economic opportunities. These will include incentives to businesses who employ additional staff.
2. **SMALL BUSINESS DEVELOPMENT:** As economic activity gains traction, we will pivot from keeping existing small and medium-sized businesses afloat to helping small businesses grow. Key to this is improving access to financial opportunities, expanding export opportunities, streamlining government bureaucracy and increasing concessions targeted specifically at Bahamian entrepreneurs and small businesses. We will focus

on new industry development like fishing, farming and technology-adoption to assist in diversifying our economy.

3. **HEALTHCARE IMPROVEMENTS AND VACCINATIONS:** We will continue our support for the public healthcare system by making one of the largest investments in health care in the history of The Bahamas. This will not only improve physical health infrastructure, but also, through National Health Insurance (or NHI), ensuring free primary healthcare to all. Through targeted initiatives, we will continue to encourage all who are able to become vaccinated. We will also expand the implementation and adoption of telemedicine to improve access to our healthcare system across the Commonwealth.
4. **TOURISM DEVELOPMENT:** We will enhance the Bahamian tourism product to allow for homeporting of cruise vessels, thereby giving SMEs the opportunity to access new opportunities in the tourism value chain.
5. **PUBLIC AND PRIVATE SECTOR INVESTMENT:** We will significantly improve our national investment framework. This will include enhanced programs for expedited infrastructure development; improved access to land and home ownership; and a new, streamlined framework for quality domestic and foreign investment.
6. **DIGITIZATION AND INNOVATION:** We will continue to accelerate the digitization of government services, using technology to increase the efficiency of revenue collection, improve service delivery and expand access to citizens and residents who do not live in the capital.

7. **FISCAL RESPONSIBILITY:** We will maintain our focus on fiscal reform through strengthening the collection of existing taxes, improving tax policy, ensuring equity in government taxation and focusing on new areas of revenue generation.

Mr. Speaker,

As we continue to lead the country out of the ravages of this pandemic, we are confident that our efforts thus far have positioned the economy to be robust and sustainable.

The *Accelerated Bahamas Recovery Plan* defines the next steps in our ultimate mission, which is to not only recover, but to thrive in a post-pandemic world.

Overview of the International Economic Conditions

Mr. Speaker,

Before presenting my government's budget for the upcoming fiscal year, I would like to first discuss the prevailing global and domestic macroeconomic conditions. Having an understanding of these realities will provide context for understanding the 2020/21 fiscal performance. This context will also help in understanding the environment in which fiscal projections and policy measures for the 2021/22 fiscal year have been developed.

Mr. Speaker,

We are all aware of the impacts of the COVID-19 pandemic on global output, on global value chains, on global logistics channels, on health care systems...but most importantly, on lives and livelihoods!

Unfortunately, no country in the world has been able to escape the grasp of this pandemic. Whether directly or indirectly, all citizens of our global village have had some element of their lives disrupted because of COVID-19.

The International Monetary Fund (or IMF), in its January 2020 update to the October 2019 World Economic Outlook report, projected the global economy to grow by 3.3 percent. However, as the COVID-19 virus was declared a pandemic, global growth prospects were significantly lowered in April 2020 to -3.0 percent for both developed and developing nations alike with an estimated rebound of 5.8 percent for global growth in 2021.

For The Bahamas and other Caribbean nations who commonly experience disasters in the form of climate events the pandemic presented a grim new challenge.

Mr. Speaker,

Unfortunately, due to the appearance of new, more infectious COVID-19 strains and the occurrence of first and second waves in many countries, by April 2021 the IMF estimated the 2020 global impact of the coronavirus on global output to have been slightly steeper.

In retrospect, it is estimated that in 2020, the global economic contraction was slightly worse at 3.3 percent. However, with the global deployment of vaccines, the outlook for a global rebound in 2021 is a more optimistic projected growth of 6.0 percent.

Mr. Speaker,

The critical importance of tourism as our primary export earner requires that we monitor very closely the outlook and performance of our major source markets--especially the United States which accounts for over 80 percent of our visitors.

Despite the effects of the coronavirus pandemic, the IMF revised upwards its 2020 forecast for the US economy, to a 3.5 percent contraction from an earlier 5.9 percent, and the rate of the economic rebound for 2021 was improved to 6.4 percent from 4.7 percent.

Similarly, for Canada, the initial 2020 estimated economic contraction of 6.2 percent was lowered in April 2021 to 5.4 percent; and the outlook for 2021 is also more optimistic with the economy expected to rebound by 5.0 percent compared with the original estimated 4.2 percent growth.

For our regional partners, Jamaica and Barbados, the outlook is for a slower recovery than earlier anticipated, as their tourism-dependent economies also grapple with the impact of the 2nd and 3rd waves of the pandemic.

Real GDP growth for Jamaica and Barbados is now expected to be 1.5 percent and 4.1 percent respectively--down from the earlier 3.5 percent and 7.1 percent estimates.

My point is Mr. Speaker,

For hotel workers, restaurants, taxi and tour operators, for AirBnB owners, the improved economic outlook for our major tourist markets brings a sigh of relief.

As the US and Canada continue with their vaccine programs, coupled with federal stimulus initiatives, their positive economic recovery presents opportunities for an

accelerated rebound of the Bahamian economy if we are prepared to take advantage of it.

Overview of Domestic Economic Conditions

Mr. Speaker,

As we are all too aware, the COVID-19 pandemic has forced the most significant restrictions on the movement of people in modern times. While necessary to protect the health and safety of citizens and residents, these restrictions have presented significant economic challenges for tourism-dependent countries like our very own. The severity of the pandemic on tourism activity was very pronounced, as evidenced in the decline in the number of visitors.

For The Bahamas, in July 2020 at the beginning of the fiscal year, visitor arrivals totaled approximately 24,000 people, some 96.3 percent lower than the year prior.

For stopover visitors, arrivals totaled just over 15,000 visitors, a contraction of 91.3 percent of the pre-COVID-19 year prior. These numbers represented an unheard-of decline in our tourism industry, resulting in falling government revenue and a slowing of domestic economic activity.

Despite these challenges, Foreign Direct Investment (FDI) led projects, coupled with continued post-Dorian rebuilding efforts have provided some mitigating economic impact to offset the fall off in the leisure sector of the economy.

Mr. Speaker,

On the property front, short-term rentals in the AirBnB market have already shown signs of rebound since the careful reopening of our tourism sector in November. Occupancy rates have more than doubled, from 8.2 percent in November 2020 to 16.6 percent in March 2021. At the same time, there was a 2 percent increase in average daily rental rates and a 52 percent increase in room reservations.

Based on Central Bank data for the period end-March 2021, vacation home rentals and comparable hotel listings increased by 65.9 percent and 55.4 percent respectively. This also impacted average daily room rates which similarly increased by 10.8 and 7.5 percent to \$497.95 and \$169.36 for vacation home rentals and hotel listings respectively.

The domestic economy also benefited from the continued decline in global oil prices which has contained domestic inflation at 0.04 percent in the twelve months to February 2021 compared to 2.2 percent in the same period of the prior year.

Mr. Speaker,

As we look at monetary aggregates, both bank liquidity and external reserves demonstrated mild contractions during the first 3 months of 2021 as compared to the prior year. Overall money supply (M3) stood at \$8,034.7 million at end-March 2021, an increase of 0.8 percent over the prior month and a contraction of 2.4 percent as compared to the prior year. Growth in Bahamian dollar credit of \$100.4 million in the first quarter of 2021, compared to the \$9.4 million contraction during the same period of the prior year, and was primarily driven by the government's use of short-term funding facilities.

Throughout the pandemic, the country has maintained a healthy level of external reserves, which continued to provide credibility and stability to our exchange rate

arrangements. As at end-April 2021, external reserves stood at \$2,253.0 million, an increase of 12.9 percent over the \$1,994.9 million held in March, 2020 at the onset of the COVID-19 pandemic.

Despite the loss in foreign currency earnings from the key tourism sector, this administration prudently changed its debt management policy to seek US dollar borrowings to ensure an adequate level of foreign currency to support imports during the worst of this crisis. The Central Bank, in conjunction with Ministry of Finance officials, will continue to monitor these developments to ensure the US/Bahamian Dollar peg is not threatened by these developments.

Mr. Speaker,

I do wish to reiterate the point, however, regarding our external reserves because it is important for this House to note.

Notwithstanding the worst economic calamities to befall the Bahamas in its recorded history, it is the prudent management and planning of this administration that has ensured that our foreign exchange holdings remained healthy and robust. That meant that our Bahamian dollar has remained as strong as it has ever been. We have protected the value of the Bahamian dollar and thus the value of the assets of all Bahamian citizens and residents. The Bahamian dollar has not and will not come under any threat of devaluation as long as this administration remains in office. We take seriously our responsibility to you to protect the value of the Bahamian dollar.

Mr. Speaker,

For The Bahamas, with a largely tourism driven economy, our economic rebound and a positive economic outlook for the restoration of the Bahamian economy will be linked to 3 major factors:

1. the restoration of the economies of our neighbouring economies,
2. our ability to contain & combat the pandemic locally and
3. energizing our domestic economy by embracing new approaches and new opportunities.

Just moments ago I described the outlook for the restoration of our neighbouring economies, so I will shift my attention to the second and third factors.

While our strategies to contain the worst impacts of the coronavirus pandemic have been successful, I must yet again remind Bahamians to remain vigilant.

I would like to thank the Bahamian public for adhering to emergency protocols.

Your adherence to protocols have allowed us to avoid a collapse of our healthcare system even at the worst of times. However, as The Bahamas ramps up its vaccine campaign, now with vaccination sites on over 15 islands and many of us, myself included, now receiving second doses of the AstraZeneca vaccine, we are well on our way to returning to normalcy.

I wish to encourage the public to continue to register and become fully vaccinated, so we as a country can achieve herd immunity, thereby taking us one step closer to moving past the worst of this pandemic and cultivating a much safer Bahamas for us all.

Mr. Speaker,

Even as we roll out vaccinations and continue necessary public health measures, the most important contributing factor for a positive outlook for the Bahamian economy will be our ability to remain agile and adapt to the ever changing global environment.

In 2019, before the pandemic touched Bahamian shores, The Bahamas received more than 5.5 million arrivals by sea. These 5.5 million visitors provided a significant source of revenue for our restaurants, for tour operators, for our world famous straw market and for hundreds of Bahamian households. The value of tourism, the delayed reopening of the cruising industry has undoubtedly presented devastating impacts to many sectors of the Bahamian economy.

However, as last year's *Resilient Bahamas Plan* predicted, while the COVID-19 pandemic presented a crisis, it has also created opportunities that we could leverage to our advantage.

For example, for decades entrepreneurs in the tourism sector have lamented the limited participation in the tourism sector and the challenge of earning revenues from guests who refuse to disembark once cruise ships enter our ports.

The recently announced home porting of Crystal Cruises and Royal Caribbean, who will be provisioning the ships in Nassau and Grand Bahama presents an opportunity never before seen in the Bahamian cruise industry. It provides the opportunity for Bahamians to play a greater role in cruise opportunities by providing services to cruise ships up and down the value chain.

With a captive audience of thousands of guests, Bahamian entrepreneurs can supply goods and services to cruise ships and their passengers before, during and after their journey. These guests will require:

- food and beverage,
- tours and excursions,
- pre and post departure accommodations,
- souvenir and gifts,
- entertainment,
- and myriad other services.

Bahamians are well-equipped to fill these gaps and exploit these opportunities

Mr. Speaker,

The COVID-19 pandemic has encouraged creativity and ingenuity on the part of Bahamians--through investments in secondary sources of income that have contributed to the strengthened economic pulse of our economy.

The resilience displayed by Bahamian businesses as they quickly adopted digital solutions to advertise, market, deliver goods and services, and ensure payment for their products has been truly remarkable.

As Bahamian entrepreneurs continue to grow, my government will remain steadfast in lending support through vital agencies such as The Bahamas Development Bank and the Small Business Development Center.

Mr. Speaker,

I am proud to say that with the many steps taken by my administration to shore up our economy, the growth prospects for the Bahamian economy are as boundless and unlimited as the incredible talent of our Bahamian people.

Fiscal Performance for FY2020/21

Mr. Speaker,

With the economic context established, I would now like to update this Honourable House on the government's 2020/21 fiscal performance for the nine months end-March 2021.

As I have reminded members, last year my government presented a budget and plan to this House that was based on the premise of ensuring a robust immediate response to the COVID-19 pandemic. This budget provided for expansion of our health and safety measures, while also supporting our businesses and maintaining employment, supporting families and ensuring our essential public services continue. This budget, anchored by our *Resilient Bahamas* plan, envisaged the modest reopening of the tourism sector of the Bahamian economy in the second quarter of the fiscal year, with substantially reduced levels of tax revenue as the world rebounds from the COVID-19 pandemic.

The government also determined that notwithstanding the fall off in revenue, it was critical that our plan expanded health care and social assistance spending, that it provided increased support for small businesses, and that it ensured that as many people as possible kept their jobs. The Resilient Bahamas Plan called for the government to do its part to secure the welfare of Bahamian and maintain the core integrity of the Bahamian company. These critical obligations against a backdrop of significantly reduced revenues translated into a substantial projected fiscal deficit of \$1.3 Billion or 11.3 percent of GDP.

Mr. Speaker,

For the nine months end-March 2021 – which is the latest published data on the government’s fiscal performance – I am pleased to report that the government has operated within the parameters of its fiscal targets notwithstanding the many challenges.

Due to the imposition of COVID-19 health and safety measures and the accompanying economic downturn during the first quarter of the fiscal year, which initially had set the government back by nearly \$60 million against budget, the increase revenue receipts during the third quarter of the fiscal year has exceeded the budget for that period, thus permitting the government to make up that early budgetary set back.

At the end of March, revenue receipts totaled some \$1.2 billion, consistent with revenue targets for the first nine months of the fiscal year.

Recurrent expenditures widened over the same period last year, by \$129.6 million to \$1.9 billion and equated to 75.4 percent of the budget. COVID-19 related expenses inflated recurrent expenditure by \$180.0 million for the year-to-date.

For the fiscal year to date, the government has also had to substantially increase its support for several state owned enterprises (SOEs) to permit them to weather the economic downturn caused by the pandemic and to keep their staff fully employed. This has included:

- \$11.2 million in additional assistance to Lucayan Renewal Holdings;
- \$2.6 million assistance to Water and Sewerage Corporation;
- \$34.5 million in payroll and operational support for Bahamasair;

- \$4.1 million in operational support to the Airport Authority; and
- \$4.6 million to Nassau Flight Services.

Mr. Speaker,

As announced in this Honourable House a few short months ago, to offset reductions in revenue, the government sought to continue its important capital expenditure stimulus projects while also eliminating non-essential capital spending. The net result was a contraction in capital spending of \$30.1 million to \$168.0 million or 32.6 percent of budget, when compared to the prior year. Despite these challenges, \$8.7 million was spent to continue restoration efforts from Hurricane Dorian and \$3.3 million spent to complete the restoration of the damaged Rand Memorial Hospital in Grand Bahama.

As a result of these extraordinary fiscal circumstances, Mr. Speaker, the deficit widened by \$626.9 million to \$878.2 million over the corresponding period. This outturn is however consistent with the budgetary plan approved by Parliament.

The impact on government borrowing, as a result, is an expansion of total debt to \$9.5 billion or 82.8 percent of GDP as at end-March 2021.

Mr. Speaker,

There has been a lot of discussion about the level of government spending and the level of government borrowing during this economic crisis. Even the Opposition who published an almost identical plan last year and who voted for the Government's Resilient Bahamas Plan still are attempting to play petty politics and criticize the very policies and plans they supported and voted for.

Nonetheless, as always, my administration is not distracted by idle talk from those who certainly know better.

We know that they know that the plan they voted for is the right plan for our current circumstances and that we are a government that has demonstrated the willingness to do the right thing - even when it is not always the popular thing.

Nonetheless, to provide context, I would like to point out the following to this Honourable House:

- The Bahamas's direct spending on its COVID-19 response approximates 2.5 percent of GDP. This level of support is in line with many of our Caribbean neighbours in terms of percent of GDP
- While neighbouring countries may have only provided unemployment assistance for up to 3 months, my government made the conscious decision and have committed thus far to extend unemployment assistance for some 15 months already to end-June 2021
- It is only because of the prudent fiscal practices which my government implemented, with reducing the fiscal deficit to an historic low by 2018/19 that allowed us the fiscal headroom to be able to finance such an extensive level of support to Bahamian citizens when this crisis arose.

It is because this government had already demonstrated its ability to be a competent and credible steward of the fiscal affairs of the country that has allowed us to be in a position to marshal the resources to meet this unprecedented situation.

Mr. Speaker,

The lesson to be learned from the twin crises of Hurricane Dorian and the COVID-19 pandemic is that had it not been for the fiscal discipline exercised by this administration beforehand, the impact of these disasters would have been far worse.

It is for this reason that my government is assured that the past steps we have taken were correct and we will commit ourselves to restoring the fiscal health of our country as soon as possible. We will continue to adhere to the tenets and principles of our fiscal responsibility legislation; we will continue to publish our medium term fiscal plan and our quarterly fiscal performance reports. This is the way we do the people's business, Mr. Speaker.

New Policy Measures in FY 2021/22 Budget

Mr. Speaker,

I now turn my attention to providing an outline of the government's Accelerated Bahamas Recovery Plan (or *Accelerate Bahamas* for short, as indicated earlier) that will guide my administration's fiscal and economic strategic activities for the upcoming fiscal year.

The core of *Accelerate Bahamas* is people-centered. It places a focus on maintaining and supporting families, small businesses and communities, and growing our economy.

JOB CREATION: Creating Opportunities for Employment

Mr. Speaker,

In the wake of Hurricane Dorian and the COVID-19 pandemic, many of our fellow Bahamians have been placed on furlough or lost their jobs entirely. Just last week, we witnessed hundreds of tourism sector workers displaced once again due to the effects of the global pandemic.

Mr. Speaker

Nothing hurts my heart more than when I visit close-knit neighbourhoods in New Providence, Grand Bahama or the Family Islands and see first-hand the physical, social and economic devastation experienced by our communities.

It pains me to see proud young men and women stripped of the dignity that honest hard work provides for them and their families.

It is for this reason that job creation is a primary pillar of *Accelerate Bahamas*. This administration has already demonstrated its intent to combat this issue head on through support for employment over the last year.

I want to reiterate, Mr. Speaker, that to date we have provided:

- \$44.4 million through the tax credit/tax deferral payroll support program which allowed 126 businesses to help pay the salaries for 14,000 private sector employees during the height of pandemic related shutdowns.
- \$20 million for the public aviation sector to provide operation and payroll support; and

- \$5 million to private schools above their budgeted subventions to provide operational and payroll support.

Mr. Speaker,

As the government continues with its vaccine deployment strategy, and as the Bahamian and global economy rebounds, our plan is focused on transitioning from unemployment support, as we have been doing, to maintaining and expanding economic opportunities with job growth policies.

We are also focusing on providing incentives to small businesses to employ additional staff. These incentives will take the form of several job retention and job growth programmes and policies.

The Government Employment Incentive Programme

For businesses, we are launching the government's Employment Incentive Programme. Through this new initiative, businesses will be able to apply for a VAT tax credit to cover the salaries of up to 10 new employees brought onto their payrolls as of July 1st. The allowable tax credit will be up to \$400 per week per employee. Eligible businesses will have to follow certain compliance rules and must be in good standing with NIB and the tax authorities.

We anticipate that up to 250 businesses will take advantage of this opportunity and get up to 2,500 persons back to work. The estimated cost of this investment in job creation will be approximately \$40 million in foregone revenue - in line with the amounts related to the previous payroll support programme.

The Small Business Tax Concession & Relief Programme

Small and medium sized businesses have often lamented that start-up costs are prohibitive and that big businesses and foreign investors get the kinds of incentives they do not qualify for. We are addressing this concern head on, ensuring that Bahamians have access to start-up concessions just as large investment projects do.

Now every Bahamian small business and entrepreneur will be able to apply for and obtain duty free concessions on all the items needed to start or expand their business, including on the first stock of inventory.

Any Bahamian entrepreneur.

Any small business with an annual turnover of less than \$5 million.

Anywhere in the country.

You will get the same treatment as the mega resort, or the large manufacturer. We are leveling the playing field.

SMALL BUSINESS DEVELOPMENT: Increasing opportunities for entrepreneurship and ownership

Mr. Speaker,

Bahamians have demonstrated a remarkable level of ingenuity and creativity during this crisis even though the pandemic has taken a terrible toll on the Bahamian economy.

We have seen a large number of businesses emerge during this crisis and my government has sustained small businesses in several ways:

- More than 1,000 small businesses were approved for loan and grant financing as part of my government's COVID-19 program. This initiative administered by the Access Accelerator Small Business Development Center or SBDC, represented a collective \$45 million allocated and dispersed;
- For businesses in the fishing and agriculture sector, duty on all related fishing and agriculture equipment was reduced, along with the SBDC providing \$5 million in loan and grant financing to these sectors.
- More than \$800,000 was disbursed to 41 applicants as part of the pre-school grant program, providing wider access to early childhood education;
- Approximately \$1.6 million in grant funding has been provided as part of our stand-alone grant programs allowing 164 new and existing businesses a chance to play a greater role in our economy
- \$1.5 million in equity financing has been provided to small businesses via the Bahamas Entrepreneurial Venture Capital Fund

Mr. Speaker,

While these investments in Bahamian entrepreneurship have sustained many small businesses during the worst of the crisis, my government will continue to be bold in its strategy to help small businesses grow.

Indeed, as I never tire of saying, no other administration in the history of The Bahamas has done as much as we have to support Bahamian entrepreneurs and small businesses.

It brings my administration immense pride and joy to be able to say that we have been able to help finance over 1,000 entrepreneurs and small businesses to assist them in starting, expanding or staying in business during the economic crisis.

Mr. Speaker,

In this budget we will continue to provide historic levels of support, though unprecedented levels of access to financing opportunities.

We are living up to the commitment made to expand the level of small business support and we will make \$250 million in financing available to the SBDC over the next 5 years starting with its first injection of \$35 million in this upcoming budget.

This means for retail businesses, vendors in the agriculture & fisheries sector, vendors in the technology sector, more support is on the way!

My government also intends to continue its support to the Bahamas Development Bank (BDB). In line with the BDB's recent restructuring and strategic plan, BDB will be provided with capital support in this current budget with an additional \$4 million in funding.

The financing options available for entrepreneurs will also expand with the implementation of the new crowdfunding regulations which will allow small and medium sized businesses to raise up to \$5 million in capital, using mechanisms that had only been reserved for larger, more mature businesses.

Mr. Speaker,

I am particularly excited as this opportunity will allow businesses to obtain financing in relatively small amounts, from tens of thousands of potential Bahamian investors in a regulated, secure and simplified structure.

Mr. Speaker,

It is true that access to financing is vital for the continued growth of our national economy and the success of Bahamian entrepreneurs. However, it is also true that the government must tackle the non-financial barriers that frustrate and inhibit Bahamian business growth and development on a daily basis. Therefore, our economic and fiscal plan involves the creation of an economic environment in which small businesses can grow and thrive.

To help create this enabling environment, it will be critical to follow the recommendations of the Economic Recovery Committee and provide special incentives to improve the viability and prospects for the least developed areas of the country.

Special Economic Zone for the Southern Islands

Accordingly, *Accelerate Bahamas* calls for the establishment of a special economic zone targeted at the Southern Islands of The Bahamas, with one notable exception. It is to spur immediate economic activity in these islands, and to encourage persons to invest in homes and businesses in these islands.

Through the provisions of an amended Family Island Development Encouragement Act (FIDEA), residents and businesses on these islands - or investing in these islands - will qualify for both duty and VAT concessions on the full range of materials they will need to build or renovate a house - or to start or expand a business. The qualifying islands include:

- Ragged Island
- San Salvador
- Rum Cay
- Cat Island
- Long Island
- Mayaguana
- Inagua.
- Crooked Island
- Acklins
- Long Cay, and
- Andros

The basis of selection focused on those islands where the pace of consistent economic development has been behind that of the rest of the country.

The designation as a special economic zone also provides concessions on business license payable and on real property tax for qualifying individuals.

Included in this are concessions and discounts for VAT on conveyances, with zero VAT payable by Bahamians on transactions under \$500,000, and with discounted VAT for non-Bahamians under that same threshold.

These concessions will last for two years and are intended to be a catalyst for accelerated economic activity in the Southern Islands by prospective investors, as well as Bahamians who may be looking to build or buy a home in those islands, which is the very ambition of *Accelerate Bahamas*.

HEALTHCARE IMPROVEMENTS AND VACCINATIONS

Mr. Speaker,

The past 18 months have demonstrated to the Bahamian public, and to the world at large, the importance of having a robust healthcare system. This must be supported by the appropriate social support mechanisms if we want to truly make a difference in the lives of our people, particularly the most vulnerable.

It is for this reason that over the past year, my administration has made substantial investments in health, social support and COVID-19 support, including:

- The completion of the \$21 million Phase 1 redevelopment of the Rand Memorial Hospital in Grand Bahama;
- The allocation of \$17 million for the Department of Social Services food voucher program;
- The provision of \$17.8 million in direct COVID related health expenditure; and
- The reduction and elimination of duty on essential personal protective equipment needed to combat the viral outbreak

Mr. Speaker,

As we move into the next fiscal year, this administration will invest even more in public health and social welfare systems to protect the health and well-being of our nation.

Mr. Speaker,

While The Bahamas has fared well in the fight against the coronavirus pandemic, this effort is both a sprint and a marathon.

It is for this reason that we have allocated \$10 million in the upcoming budget to continue the fight for the health and safety of Bahamians, the fight to return to a sense of normalcy, and an end to the pandemic.

This funding will continue to be used to purchase much needed personal protective equipment such as masks, gloves, and gowns and any other emergency needs as we combat the ravages of this virus

In terms of capital investment, the shortages of bed space in hospitals and the need to expand health care has not been lost on this administration. While delayed, due to the unprecedented impact of Hurricane Dorian, the COVID-19 virus demonstrated that we cannot prolong such investments.

We are therefore moving swiftly to invest over \$100 million in hospital upgrades with an estimated expenditure of over \$70 million targeted for the Princess Margaret Hospital and more than \$19 million budgeted for the commencement of the new four story tower expansion at the Rand Memorial Hospital in Freeport. Both facilities, which are the bedrock of our public healthcare system on our two most populated islands, will be upgraded with new modern multi story towers that will house the most cutting edge equipment, expand their footprint, provide additional bed space and enhance day-to-day operations.

The funding for the PHM tower is coming through a loan agreement with Banco Santander that is guaranteed by the Multi-lateral Investment Guarantee Agency (MIGA) of the World Bank. Going through MIGA has allowed the government to

secure the seven year loan at a low interest rate of approximately 3.23 percent per annum. As the loan agreement has recently been concluded, we are presenting the related resolution to Parliament today and the borrowings will be credited this current fiscal year.

This means we will have the cash at the Central Bank in full and in hand in trust for the Public Hospital Authority. This will allow us to pursue the project at an accelerated pace over the next 18 to 24 months with funding fully secured. As mentioned, you will not see this allocation for the new PMH tower in the new budget because the funds are being raised this fiscal year by Parliamentary approval but the work will begin in earnest next fiscal year. We are on the way to a new ultra-modern high tech hospital.

What you will see in the budget is a \$19 million allocation for the new tower at the Rand Memorial Hospital to cover the initial phases of what will ultimately be a \$39 million project. This 4 story expansion to the newly opened and renovated Rand Hospital, will ensure that Grand Bahamians will also have the benefit of a world class, modern hospital facility. Learning from the damages to the facility from Hurricane Dorian, we are building back smarter! This multi-story facility will ensure that should Grand Bahama be impacted by another severe storm, patients can continue to receive the best of care in a new climate resilient facility, constructed vertically, to withstand flooding.

Indeed Mr. Speaker, we will be investing over \$100 million over the next 18 months or so in a massive upgrade of our core medical facilities. When complete, we will have the equipment, technology and facilities that will rival any medical center in the region and in the world. Mr. Speaker,

We are also weaving in technology in another way to the benefit of residents all across the archipelago consistent with our thrust toward digitization.

The sum of 1 \$1million in capital funding will be allocated to the Department of Transformation and Digitization to implement an innovative telemedicine initiative.

No longer will people living in Long Island, Inagua, Mangrove Cay or any other settlement have to fly to New Providence or Grand Bahama and incur large travel costs to access healthcare comparable to what can be found in the capital. This House will be updated on this initiative as digital transformation, IT and health professionals advance this initiative together.

Mr. Speaker,

In terms of health equity, this administration does not believe that socio-economic class or income should be a barrier to accessing quality healthcare services.

Without the ability to access quality health care, we risk allowing the deepening of health disparities and increasing our vulnerability should another global pandemic emerge.

With this in mind, we are also proud to announce the significant advancements made to the National Health Insurance (NHI) program.

NHI Bahamas expects to see sustained growth in the enrollment of beneficiaries and technological advancement as the program continues to evolve with the ongoing implementation of the Primary Care Transformation Initiative. The Primary Care Transformation Initiative will provide a standardized package of primary care to all Bahamians, while improving the quality of care being delivered.

Put simply, as was foreshadowed last year, we are implementing the plan that will allow all Bahamians to have access to high quality primary care - whether at public facilities or with a private doctor. In this expanded NHI programme, you will be able to select a private family doctor and obtain a full range of primary care services.

Mr. Speaker, *Accelerate Bahamas* both increases access to health care while it radically improves our health care facilities. Our plan recognizes that the key to sustained and robust growth and development is the assurance that our people can get world class health care when they need it.

TOURISM GROWTH: Planning to Leverage Pent Up Demand

Mr. Speaker,

As the global economy begins to rebound, the Bahamian tourism industry is poised to emerge from its forced hibernation.

As the sector begins to awaken, my administration is not content to take a hands-off approach to its revival. As our number one industry, tourism is too important to be left on its own without any direction.

Instead, we have formulated a sector-strategy to drive its growth, designed around protecting citizens and visitors through the implementation of clear health and safety protocols, taking advantage of new homeporting opportunities, increasing SME participation across the tourism value chain and ramping up our tourism marketing activities to attract a diverse market.

Initially, The Ministry of Tourism aimed to facilitate the identification and adoption of relevant health and safety protocols and requirements, to protect both visitors and tourism workers. The development of the Bahamas Tourism Readiness and Recovery Plan, followed by the delivery of training in the protocols for the wider tourism stakeholders was imperative to ensure all tourism-sector stakeholders were secure in their ability to operate safely and effectively as soon as our borders were fully reopened.

These protocols will continue to be enforced through the Clean & Pristine Certification programme, which ensures that all entities follow the mandated health and safety guidelines.

The Ministry has also implemented the Bahamas Travel Health Visa system, through a new dedicated Unit of the Ministry, to support the country's implementation of its COVID-related guidelines for safely managing international travelers (both foreign and local), as well as inter-island travel. This process also required COVID travel insurance for foreign visitors to protect against the risk of overburdening the local health system, in the event of infection.

It is expected that the Health Visa System will continue to operate throughout the recovery of the tourism sector, to support the maintenance of traveler compliance as the requirements for travel change over time. Likewise, training for tourism participants is expected to remain a necessity as health and safety standards and requirements shift in response to the pandemic.

Mr. Speaker,

The Ministry of Tourism is supporting a more diversified approach that engages more small ships and premium/luxury lines, especially for sailings to lesser trafficked locations in the Family Islands.

In this regard, the initiation of homeporting and Bahamas-centred itineraries supports both the early re-start of cruise activity and its expansion throughout the islands, as well as the growth of linkages for local supply chain development within the country.

Based on research by the Florida Caribbean Cruise Association, in some cases there has been a 45% increase in spend when countries engage in homeporting. The Bahamas is poised to take advantage of this opportunity to boost visitor spend and the government is committed to doing everything it can to make this long awaited dream a reality.

The Ministry of Tourism will also continue to monitor and identify the emergent trends in traveler interest and demand among key stopover traveler segments, including younger travelers (GenX and Millennials), families, and the MICE (Meetings, Incentives, Conferences and Events) market.

We are positioning ourselves to take advantage of the diversification of the tourism product, to address the shifting interests and priorities of visitors, including for ecological and cultural experiences, and lower density locales, especially smaller properties and Family Island settings. This will guide our marketing approach and our industry facilitation activities, going forward.

Tourism Marketing

Mr. Speaker,

As the world begins to emerge and recover from the COVID-19 pandemic, consumer sentiment around travel is far more positive than it was in 2020.

I am advised that there is incredible pent-up demand for travel, and consumers are feeling increasingly optimistic and confident, as cases decline and access to vaccines increases.

We have worked hard to place ourselves in the position to reassure travelers, who continue to have a heightened concern for health and safety.

The comprehensive COVID-19 Response Plan for destination marketing has been combined with the country's streamlined travel protocols to enable The Bahamas to rebuild traveler confidence that a seamless and safe vacation is again within their reach.

As a data-driven organisation, I have been assured that the Ministry of Tourism will continue to stay ahead of the numbers, to drive agile and cutting-edge marketing campaigns, based on real-time booking reports.

Mr. Speaker,

Using big data and analytics to reinforce marketing decisions through the use of numerous data sources have been integrated into the Ministry's marketing strategy to ensure the best outcomes and a return on our investment in global marketing.

Going forward, the Ministry of Tourism will prioritize a more holistic strategic approach to improving tourism resilience and sustainability.

We are increasing attention to tourism product diversification and industry facilitation, especially where it supports improved entrepreneurial opportunities for Bahamians. As such, we are supporting economic diversification through tourism, and encouraging improved Bahamian participation in the tourism supply chain and tourism ownership.

Mr. Speaker,

The Ministry's strategic destination marketing and management efforts have positioned our industry for success as we move toward full reopening.

The comprehensive COVID-19 response for global communications has reassured future visitors that they can enjoy their travels throughout our islands with peace of mind that the health and safety of visitors and residents has been and will continue to remain a top priority.

In order to bring back tourism, staying the course will remain important as current protocols continue to prove successful in minimising the spread and instilling traveller confidence.

With vaccine distribution ramping up, both in The Bahamas and abroad, major hotels re-opening, and the return of cruising in The Bahamas on the horizon, there is steadfast optimism that the tourism industry will return to profitability sooner rather than later.

Through creative partnerships and exciting virtual experiences, the Ministry will ensure that The Bahamas stays in the headlines in the coming months and is top of mind for consumers as they begin planning their first post-COVID vacations. We will also work with industry stakeholders to deliver a better quality of tourism experience for our price point, and to increase the overall profitability of tourism

for Bahamians, which is the key to the future sustainability and resilience of tourism.

PUBLIC AND PRIVATE SECTOR INVESTMENTS: Improving the framework for domestic and quality foreign direct investment;

Mr. Speaker,

History tells us that investment spending, both public and private, has an important role to mitigate against the impact of economic downturns as well as to lay the foundation for general economic growth.

The importance of this investment spending is even more pronounced today in the midst of a global economic contraction as a result of the COVID-19 pandemic.

My administration recognizes that critical domestic and quality foreign direct investment can help turn the economic tide. That is why this administration has made substantial investments in the past fiscal year to prepare for the eventual rebound.

Mr. Speaker,

We purchased the Grand Bahama International Airport for \$1. Pre-Dorian, this airport brought 75 thousand visitors to Grand Bahama who spent more than \$140 million on the island over the course of the year. Work will begin shortly to build a world class airport and add to the international gateways across the country.

Other investments included:

- ground breaking of a new \$60 million international airport in Exuma
- paving of 10 miles of roadway in Exuma, roads which were last upgraded some 15 years ago
- reconstruction of the 265 foot Little Abaco Bridge which is scheduled for completion in Summer 2021
- completion of the Rock Sound dock
- completion of the \$9 million Staniard Creek Bridge in Central Andros
- works underway on the Ragged Island multi-purpose government complex
- works underway for the South Andros gymnasium
-

Mr. Speaker,

At this pivotal moment in Bahamian history, we require unique and creative approaches to public and private investment to restore our economic health and provide opportunities for employment and growth.

In this budget, my government has committed to funding:

- \$31 million in renewable and resilient energy projects.
- \$4.0 million for Phase II of the Ragged Island multi-purpose centre;
- \$2.0 million to restore the Ragged Island clinic;
- \$1.5 million to restore the Ragged Island police station;

- \$200 thousand for repairs to the Marsh Harbour International Airport;
- \$1.7 million for repairs to the Treasure Cay Airport;
- \$5.0 mill to support the North Eleuthera Airport; PPP project
- \$5.0 million to support Phase 2 of Exuma International Airport;
- \$4.0 million to repair and install proper drainage Bel-Air area of Pinewood Gardens;
- \$3.3 million for the Inagua Comprehensive School; and
- \$1.9 million for the East Grand Bahama Comprehensive School.

As we look to the future of national infrastructure development, my administration will pursue credible opportunities to create alternative means of funding these public sector investments.

I am pleased to announce that work is quickly advancing on the creation of a national infrastructure fund to provide a comprehensive, innovative solution to funding public investment. With the assistance of the IDB, we are quickly advancing the process of putting the legal and financial measures in place which will create a master infrastructure fund with industry specific sub-funds.

By creating this new funding mechanism, we shall be able to mobilize hundreds of millions of dollars in private sector capital to support critical infrastructure development throughout the country in a transparent and accountable manner. We will soon bring the necessary legislation and supporting documents to this House as we move to swiftly make this a reality.

As the government does its part to invest in the critical infrastructure of the nation as a means to create economic stimulus, this administration has sought to develop creative policies to ensure that Bahamians are poised to make investments of their own.

Mr. Speaker,

I would also like to update this Honourable House on one the most significant prospective changes in The Bahamas' national investment framework in the 20 years.

I am pleased to advise the House that the government has begun work on the InvestBahamas project, with bids having been received for the firm that will assist in the establishment of this new investment regime for the country.

Under this new framework, The Bahamas will have a new investment agency with broader powers to process applications for quality domestic and foreign direct investment. The new InvestBahamas agency will have a clear mandate to attract investment in specific sectors through global marketing and public relations. The Bahamas will no longer be reactive in its approach to attracting investment from abroad. The new approach involves us seeking out domestic and foreign investors in sectors where we see growth opportunities.

And, as I have said throughout the course of delivering this budget communication, we are focused on creating a levelled playing field for Bahamians. The public can expect that we will also revise the concessions and incentives offered to both Bahamians and foreign investors with a view to diversifying the economy and ensuring the domestic and foreign investment processes are equitable.

Implementing this new framework will necessarily involve introducing a digital risk based approach to investment and investor approval. While the rules are still being finalized, the process will call for delegated authority to the InvestBahamas to approve applications, based on specified and established criteria, with only the most significant and complex of applications needing to seek the approval the National Economic Council.

Under this revised framework, we will place the country on a much more competitive footing and reduce the unnecessary bureaucracy faced by Bahamian and foreign investors seeking to make beneficial investments. These efforts will accelerate productive investment, allowing us to meet our ambition of a robust and sustained economy.

DIGITIZATION AND INNOVATION: Accelerating the pace of digital transformation

Mr. Speaker,

Since coming to office, my administration has consistently focused on the adoption and integration of information and communication technology as a means to enhance government service delivery and accessibility.

Broad digital transformation is at the core of this administration's commitment to not only make public services more efficient, but to also make these services accessible to everyone, whether at home or abroad, in New Providence or on a Family Island.

The need for greater accessibility has become all too apparent over the past year where the movement of citizens and residents has necessarily been limited on the advice of public health experts.

Over the past year, the government has launched a myriad of new online services namely:

- The introduction of eLearning solutions by the Ministry of Education during the worst of the pandemic. This effort was supported with the compassionate outpouring of support by the private sector, citizens and civil society who came together to supply thousands of devices to students, ensuring many of our most vulnerable children had access to education even if they could not be in the classroom.
- Both the Magistrate's Court and the Industrial Tribunal implemented digital solutions to not only ensure convenient payment of court fees, but that justice can continue uninterrupted even if halls of justice are temporarily closed.
- Since the launch of the MyGateway platform, over 6,900 people have registered for the platform with approximately 2,400 drivers licenses, police certificates, marriage/birth/death certificates and other government documents issued to date.
- The Cabinet, including myself, has also made the shift to a digitized environment with the introduction of the eCabinet platform earlier this month. This platform allows key decision-makers to receive, review and approve information in a digital format, thus reducing lengthy wait times for

the dissemination of conclusions and the subsequent implementation of key decisions at the Ministry level.

- Most recently, the public saw the results of efforts to digitize the department of social services with the launch of its digital Social Protection and Management Information Systems portal called ProMIS. This platform allows citizens in need of social assistance to complete all steps, including application, eligibility identification and disbursement of funds, and then for the completion of auditing online. This platform allows beneficiaries to access 13 web-based services in one location.

Mr. Speaker,

I would like to impress upon the public that our *Accelerated Bahamas Recovery Plan* was designed with careful thought and detailed analysis.

As we speak to the need for increased digitization of government processes and services, we are also providing the means for the general public to work alongside us to do the same in the private sector. In the Accelerated Bahamas Recovery Plan, the public will benefit from:

- Elimination of duty on digital transformation hardware, software and services to aid in the digital transformation of the Bahamian economy.
- With the increased use of technology to deliver government services, the government has entered into agreements with several third party payment solution providers. These providers have aided in the delivery of services while freeing up government resources. Efficiencies have been experienced to date in immigration, customs, port and NIB facilitated unemployment assistance payments. As the electronic delivery of such services continues to

expand, we intend to make use of more vendors. I encourage all entrepreneurs to take advantage of these new conveniences for more efficient day-to-day business operations, and to take part in the Bahamian digital revolution.

- We are amending the legislation to allow for third party receivers of government revenue - some of which will be done online - and for the digitization of the forms, receipts and applications required by Customs and other tax authorities. These will all make it easier for residents and businesses alike to do business with the government.

The Bahamian public will see the continued expansion of the MyGateway platform, which will offer more than 40 government services online by December 2021, allowing for digital license issuance and improving access to a wide array of services

FISCAL RESPONSIBILITY: Improving Administration and Levelling the Playing Field

Mr. Speaker,

To stimulate economic growth, *Accelerate Bahamas* proposes an expansion of the existing concessions regime. This will necessarily mean that, while we expect economic activity to increase, government revenues will likely decrease. To counter this reduction in revenues, and in line with my administration's 4-year record of fiscal prudence, we are also proposing new and enhanced revenue

measures that will allow us to meet the medium term objectives as set out in our Fiscal Strategy Report, as the economy rebounds over time.

I would like to remind this Honourable House and the public that it was this administration who introduced fiscal responsibility legislation and more importantly, that it was this government that made the commitment to fiscal discipline, backed by unparalleled levels of transparency.

It is because we took this prudent approach that we were able to bring down the deficit and correct the gross mismanagement of the previous administration.

As we were correcting those years of mismanagement, we also took on the responsibility of paying off the more than \$400 million in bills they left behind in the Treasury.

As of present, the prevailing circumstances have compelled us - with the concurrence of the Opposition and expert economics here and abroad - to invoke the Exceptional Circumstances clause of the Fiscal Responsibility Act that permits short term deviations from the path to fiscal consolidation and to run higher deficits than would be undertaken during normal times.

Mr. Speaker,

I do not want the House to forget that, prior to Dorian, it was this administration that brought down the deficit to its lowest point in 10 years while paying off hundreds of millions of dollars in bills left by the former administration.

While we were on our way to achieving fiscal consolidation and a balanced budget, the country was hit with not just one - but two unprecedented economic calamities. And all within an eight month period.

Because of these circumstances and the core responsibility of my administration to do what is necessary to first protect and secure lives, and second to do what is necessary to preserve the economy and the value of the Bahamian currency and assets, this government undertook to relax its medium term fiscal targets and obtain the financial resources necessary to ensure stability in our domestic situation.

Bahamian economists and international commentators, including the IMF in its 2020 Article IV consultation on The Bahamas, all agreed that extraordinary fiscal measures were and are the right policy tools under these very exceptional and difficult circumstances.

However, while we have ramped up our borrowings as a near term response to these crises, we have not, and will not, abandon our commitment to fiscal discipline and prudent macroeconomic strategies.

We have revised our medium term fiscal strategy and published the same in December of 2020. It sets out our fiscal plans and targets for the next five years. The fiscal strategy was laid in the House and published online for the world to see. It shows that, as a responsible government, we will return to fiscal consolidation and reduced deficits and debt as our economy stabilizes and growth resumes. Unlike our predecessors, we articulate our fiscal plans, and we execute them and report on the results!

The Budget for Fiscal Year 2021/2022 will remain in line with the fiscal targets established in the Fiscal Strategy Report.

Mr. Speaker,

As we proceed into the new fiscal year, my administration intends to maintain a focus on improving revenue administration and restoring the country's fiscal health through strengthening the collection of existing taxes and improving tax policy.

Perhaps most importantly, this budget goes a long way to ensure a more equitable application of government taxation, with a focus on identifying new areas of revenue generation.

Mr. Speaker,

Indeed, a hallmark of this budget is to set the stage for greater equity in government taxation. This means taking steps toward standardizing taxation in such a way that all parties pay their fair share and that all businesses can compete on a level playing field.

My administration has made several statements regarding the untapped potential of the vacation homes market and the millions of tax dollars that go uncollected each year.

We are amending the law to clarify that all vacation home marketplaces, such as AirBnB and VRBO, are required to pay VAT on rentals and commissions.

Those marketplaces who are charging VAT presently have interpreted the legislation as being only applicable to the commissions paid out. The clarification in the law will make it explicit: VAT will be applicable on the full value of the rental.

Mr. Speaker,

Our plan proposes several amendments and clarifications in respect to tax law and tax policy that will provide incremental revenue for the government.

- By amending the requirements from the vacation home rental market as mentioned, we estimate \$31 million in increased government revenue.
- We are increasing the VAT on realty transactions for that portion of a real estate transaction over \$2 million. Presently, all transactions of \$100,000 are subject to 10 percent VAT. With the amendment, any portion of a transaction that is over \$2 million will be charged at the full VAT rate of 12 percent. We anticipate this adjustment will yield an additional \$4 million.
- We are introducing legislative amendments to improve Real Property Tax collections for commercial properties. We have had situations where owners of significant commercial properties collect substantial rent from businesses but are delinquent in the payment of taxes. The legislative enhancements will permit the government to have those rents paid to the Department of Inland Revenue (DIR) for delinquent commercial property tax owners.
- We are also including a new provision in the VAT legislation which requires a property owner to inform the DIR when they are shifting the use of their owner occupied home into a residential or commercial rental property. This will ensure that these buildings are properly classified.
- With the assistance of the US based company Tyler Technologies, the DIR has already completed the first phase of the upgrades to the real property tax roll - the first comprehensive update of this scope and scale to the property tax roll. This has added some 14,000 properties to the roll and increased the value of taxable properties by \$9 billion. This will translate into some anticipated \$14 million in increased real property tax revenue.

- We are increasing the excise tax on cheroots and cigarillos to bring them in line with that of conventional cigars.
- We are also amending the VAT Act to assist businesses who tend to remain in a habitual credit position with the DIR, due to the nature of their business. We are codifying provisions that, up to now, had just been VAT rules and which permit appropriate accounting treatments to be used to address VAT liabilities without putting businesses in an unsustainable cash flow deficit. This will avoid the situation where some groups of businesses have to put out substantial amounts of cash even when they are in a credit position, only to have to wait for a refund from the DIR.

Mr. Speaker,

These measures will yield an incremental gain of just over \$50 million in revenue for Fiscal Year 2020/21. They are very specific and they are targeted. They were designed with the notion of fairness and equity in mind.

The reason the government took the decision to pursue incremental gains in revenue is very simple. *Accelerate Bahamas* requires targeted tax concessions and relief to spur entrepreneurship and economic activity in the underdeveloped islands of our archipelago as part of our stated goal of accelerating economic recovery.

To do so in a responsible way, and in line with our fiscal targets, we are ensuring that the tax concessions and tax relief measures we are announcing do not take the deficit outside of the parameters established in the government fiscal strategy report.

Mr. Speaker,

The House would recall that, recently, my administration completed the agreement to take control of our sovereign airspace. This will mean somewhere between \$25 million and \$30 million per year for utilization in the civil aviation section.

While the air space agreement does not place revenue directly into the government's hands or into the consolidated fund, the revenues derived will offset the costs to operate the Civil Aviation Authority and related agencies in that sector. This has permitted the government to reduce allocations to those entities, as reflected in the budget.

Mr. Speaker, in line with the recommendations of the ERC, we are also undertaking critical reviews of our tax administration policies and overall expenditure. Our aim is to have equity and fairness in taxes, and efficiency and impact in expenditures. Accordingly, the Ministry of Finance is undertaking two very important exercises to guide fiscal policy over the medium term:

1. With the assistance of our multilateral partners, we shall undertake a comprehensive diagnostic exercise in respect of tax policy and tax administration. This study will examine the government's current sources of taxation, revenue trends, and will explore issues such as equity and efficiency in our tax practices. At the completion of this exercise, we intend to publish the findings in a White Paper to garner feedback from key stakeholders and the general public on how the government should proceed with our ongoing tax reform efforts.
2. We plan to complete the public expenditure review, which has already commenced with the support of the IDB. The goal of this study is to identify areas where there are low efficiencies, duplication or other areas where the government can reduce spending to close the gap between revenue and

expenditure. We are moving towards a system where we will no longer have to pay for the same service multiple times while the public receives limited benefits. Ultimately, the study will provide a planning framework for achieving a more targeted and efficient management of total expenditure, from year to year.

OTHER MEASURES

Mr. Speaker,

Accelerate Bahamas is a comprehensive plan designed to do just as the name says. It has been designed to accelerate the economic recovery and rebound of The Bahamas that is already underway. In addition to this comprehensive plan, this budget also presents additional incentives and concessions to ease the lives of Bahamians. Some of these measures include the following:

- Elimination of VAT on Baby and Adult Diapers, as well as sanitary pads and tampons for women.
- Elimination of duty on disinfectants, in support of efforts to maintain hygiene and sanitation.
- Elimination of duty, by application, for construction and repairs to churches and other buildings used for religious gatherings.
- Elimination of duty on a range of sporting equipment and apparatus to encourage exercise and fitness.

- Elimination of duty on a number of IT related hardware and cabling, to support private sector digitization efforts
- Reduction in duty on a number of building supplies to 20 percent and 25 percent, respectively, to encourage construction activity. Most notably, this includes the reduction in duty on electrical wire to 20 percent and continues the reduction duties on construction related items that we began last year.
- To encourage the growth and development of this promising niche sector, microbreweries have been defined in the law and will benefit from a reduction in their excise tax rate, from \$5 per gallon to \$2 per gallon. They will also be able to sell their products outside of their premises. Products from microbreweries are high value collectors' items and will promote job creation and export revenue.

Mr. Speaker,

We appreciate that the reconstruction efforts in Abaco and Grand Bahama are continuing apace, and that progress has been limited by labour shortages and even supplies shortage as typical supply chain operations have been disrupted because of the pandemic.

To continue to support the reconstruction efforts in Abaco and Grand Bahamas, we are extending the current relief order, known as the SERZ order, to end of December 2021. This order provides tax relief for the full suite of construction related supplies and activities and it will go a long way in supporting the full restoration of the impacted communities.

I am also pleased to advise that for the communities of Abaco and Grand Bahama we are for a period of two years eliminating the VAT on conveyances for

properties under \$250,000 for Bahamians to encourage persons to invest in buying properties and homes in those islands. Foreign buyers under the same threshold will get a discounted VAT rate. Again, under the *Accelerate Bahamas* Plan, we want to incentivize persons to move with urgency with the investment plans. Not only will this spur commercial activity, it will make these transactions more affordable for ordinary Bahamians.

Mr. Speaker,

Legislation is being amended to allow individuals and businesses to gift land to religious entities, educational institutions, civil organizations and other entities that are registered as non-profit organizations, free of the VAT on such conveyances.

Presently, only transfers from one non-profit to another are tax free. Moving forward, any gift of real estate to these organizations from an individual or company also will not attract any taxes on conveyance. The caveat will be that the receiving non-profit organization will have to continue to use it for its social or civic objectives and will not be able to sell it for a period of ten years.

There are other minor amendments being put forward to deal largely with the clean up or clarification of existing legislation, or to give effect to marginal operational changes. These will be addressed during the course of the budget debate.

Fiscal Outlook for FY2021/22

Mr. Speaker,

Moving from restoration to growth as the Accelerated Bahamas Recovery Plan suggests is the heart of this year's budget. As I mentioned earlier, this plan, and the entire budget by extension, is designed to continue to provide support to families and businesses most in need in the immediate term, and to accelerate the recovery of the Bahamian economy.

I want to reiterate that in December of last year, the Government invoked the Exceptional Circumstances clause (13) of the Fiscal Responsibility Act, 2018, which allowed for a temporary departure from the agreed fiscal targets given the twin impacts of Hurricane Dorian and the COVID-19 pandemic. It was detailed in the 2020 Fiscal Strategy report that the current circumstances would translate into a two year delay in the achievement of the target debt to GDP ratio of 50 percent. The adjusted date is now Fiscal Year 2030/31.

It is for this reason, that the 2020 Fiscal Strategy proposed a new path to achieve our fiscal targets. While the deficits proposed in the current budget remain at very elevated levels, they are necessary to sustain the economy and set the stage for the impending economic rebound. Further, the deficit remains in line with the fiscal strategy plan published in the 2020 Fiscal Strategy Report.

Mr. Speaker,

Extraordinary times call for an extraordinary response. Unprecedented economic calamities must be met with unprecedented fiscal and policy initiatives.

This administration makes no apologies for doing what is necessary and doing what is right to support Bahamians and the Bahamian economy under these most challenging of circumstances.

But it bears repeating, my administration is not the party of fiscal recklessness. We have taken a temporary but necessary detour from fiscal consolidation. As the economy stabilizes in the coming years, we will return to the path of reduced deficits and public debt.

Revenue

Mr. Speaker,

While we would have hoped that the impact of the coronavirus would have dissipated at a faster rate, we are faced with the reality of a more protracted pace for global recovery and particularly recovery of the global tourism industry. Nevertheless, with signs pointing to a global rebound in FY2021/22 - and with the revenue measures announced earlier - total government revenues are projected at \$2.247 billion dollars, representing an increase of \$588.3 million or 35.5% over the projected FY2020/21 total revenue.

Despite this improvement, revenues are projected to remain 7.5% below the \$2.426 billion posted in FY2018/19, reflecting the fact that our economy will not likely return to full capacity during the upcoming fiscal year.

Recurrent Expenditure

Mr. Speaker,

As we examine projected government expenditures, I will remind the House that during the current fiscal year, the government has provided approximately \$194.9 million in direct COVID-19 related support for the nine months ending March 2021.

While we anticipate a reduced need for support as the economy rebounds, the current budget still anticipates some \$100.0 million in direct COVID-19 related support in the form of food assistance, unemployment assistance and health sector support - as well as the revenue foregone on the Government's Employment Incentive Programme and other growth initiatives.

Given the substantial increase in financing required during the current fiscal year and the anticipated financing for the new fiscal period, debt servicing charges have increased over \$100 million from the prior period.

Mr. Speaker,

Our Fiscal Strategy Plan did call for the gradual reduction of interventions to the state owned enterprises (SOEs) as they moved toward greater self-sufficiency and cost recovery. However, this element of the plan has been deferred for this year, due to the effects of the pandemic on the customary revenue flows of these entities.

The outlays to those SOEs in the aviation sector have this year far exceeded their allocations. Despite some return to normalcy, the allocations to Bahamasair, Water & Sewerage and Nassau Flight Services will be higher than typical years, as cash flow slowly returns to normal.

The increased allocation to NHI is in line with a key pillar of *Accelerate Bahamas* to improve access to health care by supporting more increased sign-ups for NHI and allowing greater access by our citizens to public and private primary care.

During the debate, the Minister of Health will explain how this approach will revolutionize the delivery of health care and lower unit costs over time by placing the power of choice in the hands of consumers.

Mr. Speaker,

The government will continue to manage employee headcount very judiciously. Notwithstanding, the uniformed branches are seeing a number of staff members reach mandatory retirement age which is leading to an unsustainable fall off in manpower. We have made modest provisions for small classes of new recruits in several of the uniformed branches and in certain key agencies.

As our agencies are moving to new digitized environments and processes, we do require more young talent who are tech savvy. Therefore, we are earmarking \$1.5 million to enlist up to 75 new college recruits, aged 18 to 30, throughout the public service to provide us that critical infusion of new thinking and new ideas.

We continue to have a number of unresolved salary adjustment matters involving certain reclassified public servants or groups of public servants that have obtained approval for new career paths. We have made provision to address many of these long standing issues.

Mr. Speaker,

Members reviewing the Budget document will note that there are no budgetary allocations listed under Head 24, the Department of Statistics for the upcoming fiscal year and beyond. That is because that Department will become the National Statistics Institute as mandated by the new modern Statistics Act, 2021 that comes into effect on July 1st. The funding for that new Institute has been placed under the Ministry of Finance. Sufficient resources have been allocated to allow the new

Institute to operate and to complete the National Census that had been delayed because of the pandemic.

Mr. Speaker,

As a result of the measures outlined in this budget, recurrent expenditure is estimated at \$2.83 billion, an increase of \$270.1 million or a 10.6% increase over the projected spend for FY2020/21.

Capital Expenditure

Mr. Speaker,

As has already been detailed, for the upcoming fiscal year, the government will focus on several critical infrastructure and capital projects that are underway and that are crucial to supporting *Accelerate Bahamas*.

If we are to have an accelerated economy, we must continue the investments in infrastructure that will undergird economic development and commerce, and provide necessary economic stimulus.

We are projecting some \$372.4 million in capital outlays in the upcoming fiscal year.

While this is below the \$515.5 million budgeted last year, it represents an increase over the projected \$200 million in actual capital expenditure for this fiscal year.

Members may recall that during the midterm budget, the government signaled that it would scale back capital spending, given the need to spend more to expand the

unemployment benefit programmes, feeding programmes and provide additional subventions to the SOEs.

Accelerate Bahamas calls for targeted private and public sector investments to support an accelerated economic rebound. It also anticipates the establishment of a national infrastructure fund that will mobilize private capital to meet the immense demands for quality infrastructure throughout the entire Bahamas.

Outside of what has already been mentioned in this presentation, Mr. Speaker, the capital budget will make provision for the following:

- \$2 million to support the Junkanoo community in their development of plans for permanent headquarters. This will be supplemented with provisions of crown land to the major established Junkanoo groups, and with grants from the BTC Feeder Trust that was set up for social, cultural and civic endeavours such as this.
- \$5 million to support the infrastructure build out of the government's service lots initiatives in Prospect Ridge, Carmichael and eventually throughout The Bahamas
- \$16 million to support the Public Private Partnership initiatives that are facilitating the construction of new airports in Exuma, North Eleuthera, and Long Island - and that will assist with material renovations to other airports
- \$7.5 million to the digitization projects of the Ministry of Education, aimed at ensuring that all students, everywhere in The Bahamas, have access to the digital tools necessary for a modern education.

- \$6 million for upgrades to the IT infrastructure in the health care sector, to transform the delivery of healthcare.
- \$3 million to continue support for the Food Security Programme of the Ministry of Agriculture, as it pursues new and innovative approaches to expand domestic food production.

The details of the full range of programmes and projects that comprise the government's capital plans will be presented by the respective Ministers during the budget debate.

Mr. Speaker,

As a result of these revenue and expenditure developments, the fiscal deficit is estimated to come in at \$951.8 million or 7.7 percent of GDP. This is entirely in line with our published fiscal strategy plan which projected a deficit of \$954 million for the upcoming fiscal year. It is also down from the \$1.33 billion deficit projected for this year, reflecting the additional revenue measures and an economy that is slowly emerging from this crisis.

The major portion of this deficit will be funded through external sources - including an anticipated bond offer and ongoing operations with our multilateral partners. The House will note that we are pursuing an opportunity with one of our key multilateral partners to help support the potential bond offering, through a guarantee, which should secure interest cost savings for the government.

Mr. Speaker,

Responding to the twin calamities of Dorian and the COVID-19 pandemic has significantly elevated our country's debt as we have been compelled to mount a response equal to the challenge. We do not gloss over this fact or seek to avoid our responsibilities as stewards of the people's money.

Our commitment to pursuing prudence in public debt operations was clearly evident in the recently enacted Public Debt Management Act, 2021 that comes into effect on July 1st. Section 12 of this Act will require my government and all future governments to prepare, publish and update a debt management strategy each November that will detail how the government is managing its immediate and medium term liabilities.

It bears repeating that a key pillar of Accelerate Bahamas is fiscal responsibility. Therefore, although we have elevated deficits in the near term to address the crisis, they are being undertaken within the context of a medium and long term debt strategy that will be published later this year. This strategy will reflect the government's overarching debt management objectives--to ensure that our financing needs and payment obligations are met in a timely manner, at the lowest possible cost and consistent with a prudent degree of risk and that we promote the development and efficient functioning of the government's domestic securities market. Sinking funds will also continue to be a key component of the government's debt management strategy. While conditions did not allow for the budgeted contributions to the various sinking funds during this fiscal year, as at end-March 2021 stood at \$195.4 to settle external bonds and \$13.3 million to settle domestic commitments. The government has budgeted increased future payments over the next three years to compensate for this.

Mr. Speaker, my administration is one that takes its job seriously. We are a government that develops plans and strategies and executes them. So when the idle and indolent commentators come forward - forgetting their own history of irresponsibility - we can tell them that not only do we have a plan and strategy, but that WE were the government that has put in place the laws that require the plans to be published. We are the government that has built up the credibility to navigate the most turbulent of economic waters.

Conclusion

Mr. Speaker,

As I move to complete my remarks, I would like to remind this Honourable House of the theme for the most recent budget contribution, “From Crisis to Opportunity”. During the past year, faced with unprecedented challenges, the Bahamian government supported families, households, communities and businesses in not only keeping the economy afloat, but in also planting the seeds and preparing us to take advantage of opportunities as we emerge from this global economic downturn.

The Bahamas, like many other nations around the world, both near and far, have placed priority on protecting and maintaining life and livelihoods during this precarious time, and will continue to do so as long as necessary. But in doing so, we must also realize that the current state cannot last forever and we must begin to prepare for the future. I am confident Mr. Speaker that today’s budget does just that!

Earlier today, I thanked the Bahamian people for their indomitable spirit, for their compassion and their resilience during the worst of this pandemic. It is that positive spirit that will continue to see us through. I would also like to remind the Bahamian people that once we are through, the same resilient and industrious spirit will be needed to help us expand the economy.

When faced with difficult challenges, when we are faced with unprecedented hard times, we do not flinch, we do not cower but lift up our heads to the rising sun and rise to meet every challenge. This government and this country has faced the most devastating storm in our history but we are still standing. We have faced the most devastating health crisis in our lifetime but we are still standing. We will keep on standing, we will keep on walking and we will keep on rising, together as a people and together as a nation.



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