



Office of
the Prime Minister

**OPENING CONTRIBUTION TO THE
DEBATE ON THE MID-YEAR BUDGET STATEMENT**

BY

PRIME MINISTER AND MINISTER OF FINANCE

HON. PHILIP DAVIS, QC, MP

IN THE

HONOURABLE HOUSE OF ASSEMBLY

WEDNESDAY, 16 MARCH 2022

1. INTRODUCTION

Madam Speaker:

I am privileged to rise to open this debate on the Mid-Year Budget Statement, which I tabled last week.

The Statement provides a look at the administration and progress of the nation's finances.

This year's Statement is particularly noteworthy, because it is the first time in several years that it is being produced without the constraints of the Emergency Orders.

The Statement provides the Bahamian people with information about the government's fiscal performance against the budget targets at the mid-point of the fiscal year.

As you know, we entered office in mid-September, so much of this report covers activities of the previous administration.

Madam Speaker:

Our Mid-year Budget Statement spoke to observations on current macroeconomic conditions, and reported on progress-to-date regarding Public Revenue, Capital and Current Expenditure, and Public Debt and Borrowing.

I also described how our new approach to the Covid-19 pandemic has had a positive impact on the country.

Free testing, the end of Emergency Orders, the reopening of schools – these are all contributing to a brighter outlook for our country.

Madam Speaker:

The period covered by the Statement only covers 2 ½ months of our time in office, mid-September through December, so it is too early

for the full effects of many of our policy changes to have manifested.

However, many early indicators suggest grounds for cautious optimism.

Bahamians are overwhelmingly welcoming the fresh approach of our New Administration.

There is a newfound sense of hope that their lives, and the life of the country, will improve.

We're starting to dig out from under the rubble.

Our economy is finally moving in the right direction.

We are hard at work, implementing our 'Blueprint For Change', the policy platform which includes our 'Economic Plan' and our 'COVID Action Plan'.

At the end of October of last year, a month or so after we were elected, we presented a Supplementary Budget in order to:

- 1) Reallocate Government resources to priority areas;
- 2) Prioritize immediate relief for the Bahamian people; and
- 3) Lay the foundation for a robust recovery of the Bahamian economy.

Six months in, Madam Speaker, we have made important progress.

We ended the Emergency Orders.

We ended the curfews.

We have conducted tens of thousands of free Covid tests.

We have distributed hundreds of thousands of free, medical-grade masks.

We ended the expensive travel health visa for Bahamians.

We hired more nurses.

We paid healthcare workers what they were owed.

Our hotels are filling up and our businesses are open.

We've got our children back in school, and employees back to work.

Madam Speaker:

Competence and compassion in government matter.

But this is only the beginning.

So much work remains.

We look forward to announcing significant new policies and new investments in 2022.

We can't afford to stand still.

In a time of climate change, geopolitical turmoil, and global pandemics, we need to adapt, to innovate, to grow, to diversify, and to transform.

Take prices -- global prices have been rising, as demand outstrips supply; the Russian invasion of Ukraine puts upward pressure on oil and food prices; and COVID outbreaks in China are having an impact on manufacturing.

Therefore, for Bahamians, the effect of the reduction in VAT to 10%, which falls just outside this reporting period, has been blunted by rising prices caused by global economic conditions.

Madam Speaker:

Many Bahamian families are still really struggling.

11,000 households are currently receiving food assistance.

We know we need to reach more.

We need to be flexible, and continue to adjust public finances in ways that maximise opportunity and minimise negative impacts for Bahamians.

In addition, the technical teams at the Office of the Prime Minister and the Ministry of Social Services, are preparing to introduce a

nationwide RISE programme, which will provide substantial benefits to many Bahamian families.

2. REVENUE & EXPENDITURE, **BORROWING & DEFICIT**

Madam Speaker:

I do not propose to once again recite the full details of our fiscal position in relation to

Revenue and Expenditure, levels of Borrowing and The Deficit.

I will, however, just draw the House's attention to a few salient facts.

In respect of revenue: actual and forecast improvements in revenue are being driven in part, by more efficient collection of existing tax liabilities, not by the introduction of new taxes.

We anticipate that with the lowering of the rate in January 2022, VAT receipts will continue to improve in subsequent periods.

In respect of expenditures: I am proud that two key components of that spending relate to putting right some of the unconscionable decisions of the past.

We have reinstated the promotions and raises owed to the many hard-working public servants who, for the past two years, protected us after Dorian, and during the COVID-19 pandemic.

And we have increased pension and gratuity payments to provide a cost-of-living adjustment

to our many retired public servants, now living on a fixed income.

Madam Speaker:

Since June 2021, the ratio of Debt to GDP has fallen from a full 100.2 % to 96.4%.

And the net fiscal deficit has also been reduced, compared to the same period in the previous year.

In addition to the direct benefit to our economy, these indicators improve our

relationship with creditors, investors, and members of the business community.

And Madam Speaker:

There is no question that the Government's interaction with international creditors is yielding results.

Major public and private international institutions clearly have a renewed sense of confidence in the Government of The Bahamas.

The government recently entered a 'Repurchase Agreement' with Goldman Sachs

International, which is a visible demonstration of this confidence.

Under this agreement, security assets are traded for cash, with an obligation to purchase the securities back in two years' time.

It is important to note that the rate of interest on this Repo is 2.4%.

This contrasts incredibly favourably with the bond issue that was undertaken by the previous

administration, just over a year ago, where the rate of interest was 8.95%.

The difference in confidence expressed in our administration vs the previous administration could not be starker.

They were charged interest of 8.95%.

We were charged interest of only 2.4%.

Madam Speaker:

Lower costs mean less burden on the for Bahamian taxpayer.

3. PRE-ELECTION REPORT

Madam Speaker:

In my Statement I referred to the Pre-Election Report released by the previous administration in August last year, as required by law.

In part, this Act mandates the Government to disclose its account of arrears, unpaid bills and other unbudgeted financial obligations.

I am frankly astonished that Members of the Opposition appear to feel no shame or remorse over the fact that their report failed to disclose almost \$1 billion in significant liabilities and unfunded obligations of the Government.

Why? What was the purpose of not disclosing those obligations, as required by law?

It is hard to draw any conclusion other than the fact that this was a shameless, pre-election attempt, to disguise the true, dire state of the public finances.

4. ONGOING INVESTIGATIONS

Madam Speaker:

My report in the Mid-Year Budget referenced several ongoing investigations into public finances.

I am very aware that during the previous administration, a great many investigations

were announced and then never referred to again.

Whatever facts the government uncovered, assuming the investigations actually took place, stayed hidden from the public.

I believe this added greatly to the anger and cynicism of the people.

Let me be clear: in my administration, we intend to find answers.

And we intend to make those answers public, whatever they may reveal.

As Leader of the Opposition, I asked many times for a transparent reporting of pandemic spending.

It was never provided.

At the start of the pandemic, anti-corruption organizations like 'Transparency International', warned that some governments would seek to

use the health emergency to bypass ordinary procurement rules.

It would allow them to hide their spending decisions.

I regret to say that this happened here in our own country.

Who was getting how much?

And for what purpose?

And under what terms?

There were many opportunities for the previous government to do the right thing, to reveal and explain the hidden spending.

When they did not seize those opportunities, the Bahamian public drew their own conclusions.

As Minister of Finance, making a Mid-Year Report on The Budget, I am ethically bound to report on any matters which are likely to affect the performance of the public finances.

It would be seriously remiss of me if I did not, therefore, report on the several investigations which are ongoing, into the conduct of the public finances in the recent past.

Before I offer more of the specifics of the three programmes I highlighted - that is, the Food Programme, the Parks and Beaches Authority, and the Travel Health Visa – I wish to highlight some of the disturbing commonalities that give great cause for concern.

Madam Speaker:

As with most democracies, we have a structure of checks and balances that exist in the Public Service.

This system makes it difficult for an individual, or small group of individuals, to act without layers of oversight and accountability.

In the programmes which I highlighted, in each case, the decision was made to set up a structure outside of the Public Service – that is – outside of this system of accountability.

Worse still, these structures were staffed by people who had no particular competence to run those structures, and there were little to no checks and balances.

These were in violation of a number of laws, regulations and sensible good practice.

Madam Speaker:

Vast sums of public money were run through these structures, together totaling hundreds of millions of dollars.

And each of these structures had abysmally poor record-keeping concerning what monies were taken in, and how that money was spent.

Again and again, I warned repeatedly about the concentration of power into one set of hands, the Competent Authority, and the lack of transparent reporting and accountability.

I noted that the administration had handed over some of the basic functions of government to their wealthy friends and asked why.

Why did they pay a private company to handle National Insurance funds, when we have a public service whose job it is to do just that?

Why was the government paying a private company to receive customs payments, when we have a public service whose job it is to do just that?

Time and again, public officials in critical positions ,were replaced by individuals with no real administrative experience.

The institutions include BAIC, Parks and Beaches Authority, The Food Task Force, and the Disaster Reconstruction Agency, to name a few.

There are others.

There are also examples where political appointees on Boards replaced a number of Executives, or were put in leadership positions without the apparent qualifications.

Bahamasair and BPL come to mind.

In the case of BPL the abrupt departure of the recruited, experienced and qualified Bahamian Chief Operating Officer was never explained.

A. The Food Programme

But before I continue, I want to say that it was brought to my attention that the Honourable Member from Killarney was quoted in the Tribune last Friday, as saying he couldn't wait

to get to Parliament to...well, perhaps it's too vulgar to repeat.

But let me be clear.

The words "food assistance" are not themselves so sacred, that the Bahamian people do not deserve answers as to how tens of millions of their tax dollars were spent.

The good work and good intentions of some don't provide justification for the malfeasance of others.

And let me warn you, the best that can be said for the Member of Killarney who *oversaw and then obscured* this spending, is that he was aggressively incompetent.

And his colleagues, who cheered him on every step of the way, deserve scrutiny as well.

It's hard to imagine how some of them walk upright, since no backbone was in evidence during all these long months of Emergency Orders.

They could have followed the facts, asked tougher questions, upheld propriety and the law.

They could have defended the interests of the nation, but they didn't.

Madam Speaker:

Let me provide a little more detail about the Food Programme.

Since The Chairwoman has appeared in the press following my Statement last week,

challenging elements of my Statement, I will now speak more fully to some of the facts.

Mrs. Susan Holowesko Larson, the Chairperson of the National Food Security Task Force, was hired by the government and paid a salary of \$1,750 per week.

She was given some \$53 million dollars to spend - \$53 million - but it appears that she was not required to report to anyone on how that money was spent.

In addition to her salary, while setting up the programme, Mrs. Susan Holowesko Larson indicated to people on a zoom call, that she was also reserving 9% of the total amount spent to cover 'Administration Fees'.

This would amount to \$4.7 million dollars.

Madam Speaker:

Were those running the Task Force really paid almost \$5 million in Administration Fees?

Madam Speaker:

Notwithstanding the fact that the Ministry of Social Services has oversight of food distribution programmes, neither the Permanent Secretary nor the Director of Social Services were consulted on the design and implementation of the food distribution programme.

It would appear that none of the well-established organisations were not involved either, such as the Red Cross, or the major

churches, who have many years' experience of food distribution, and would not have charged for doing so.

Madam Speaker:

There is a complete absence of records on the spending of the \$53 million: no standardized reporting of results, and two entities, which received collectively over \$15 million, have refused to respond to queries as to how the money was used.

Also, some entities were directed by the Chairwoman, to pay money to other organizations, which shows at a minimum the haphazard design of the programme.

Madam Speaker:

We were extremely surprised to hear Mrs. Holowesko Larson describe in interview, the almost \$2 million surplus payment to 'Hands for Hunger', as an 'accounting error'.

While the phrase 'accounting error' may cover a multitude of sins, in a meeting on February 17th 2022, she said she knew of no organization that had such a balance.

However, on February 6th, 2022, the 'Hands For Hunger' representative reported that they had a surplus of some \$1.18 million, which was due to excess cash receipts over expenditure.

They reported that they had already advised Mrs. Holowesko Larson of the surplus, and were

waiting instructions from her on what to do with it.

Which version of events is true?

'Hands For Hunger' then discovered they had another \$588,000.

Once that error was corrected, the amount of surplus funds increased to \$1.77 million.

And still, no questions were being asked by the Food Task Force.

Had the Competent Authority, the member for Killarney, or indeed any members of the previous government reported on their dealings as the law required, these 'errors' would have been discovered and we would not be having this conversation.

Madam Speaker:

I therefore repeat the questions that I raised in my Statement.

Given the desperate circumstances of thousands of Bahamians during the lockdowns,

what was the point of holding onto funds when there was such a huge need to feed people?

And if the funds were available, why was healthier, better quality food, not provided to all Bahamians?

Just to be clear, we have no quarrel with 'Hands For Hunger' or any of the other legitimate NGOs who were involved in the Food Programme.

Indeed, we called no names last week; but this week we are responding to subsequent press reports.

But Madam Speaker, the underlying question remains: how was \$53 million of the Bahamian people's money spent?

B. The Parks and Beaches Authority

Madam Speaker:

In my Statement, I referred to the finances of 'The Parks and Beaches Authority' as a slush fund.

I stand by those comments.

The Finance Officer appointed by the last Administration came without any previous experience, and was made the sole signatory on bank accounts.

The Managing Director did not have any history of senior management experience.

None.

There was a complete absence of any internal control.

The management of the Authority have claimed not to have a specimen signature of the Executive Chairman, so they are unable to identify the true signature of the Executive Chairman of the Authority.

Madam Speaker:

Large-value contracts issued by the Authority contain three distinct signatures, all purporting to be that of the Chairman.

Simple logic dictates that at least two of them must be fraudulent.

Who was signing these contracts?

Large-value contracts such as trucking and street sweeping were negotiated and approved without any technical advice.

Some individuals received contracts for over \$250,000 without having any infrastructure of their own.

Madam Speaker:

They had no equipment and no employees of their own.

Let me repeat that.

Individuals were awarded large contracts to carry out work, but the staff and infrastructure were provided by the state.

How does this make sense?

What were they doing to deserve those contracts?

And how does this make sense especially at a time when Bahamians were prohibited from visiting local parks and beaches?

I repeat: All the evidence points to the fact that the Authority was effectively being used as a slush fund, with no attempt made to ensure that the services being paid for by Bahamian taxpayers were provided.

C. The Travel Health Visa

Madam Speaker:

We must not forget the great hardship that the Travel Health Visa imposed on many Bahamians.

It was an expensive burden for many, especially families travelling together, and there

were many reports of Bahamians being stranded because of the cost or inefficiency of the administration of that visa.

With the country in extended periods of lockdown, and the borders shut, many Bahamians were also stranded abroad for many weeks.

Despite this, at least two groups of foreigners were allowed to enter the country in circumstances that still remain unclear.

One of those instances led to the resignation of the-then Minister of Health, Dr. Duane Sands.

Against that backdrop someone in the Ministry of Tourism made a verbal agreement with a private company, Kanoo, to set up the Travel Health Visa scheme.

Again, this was outside of normal public service structures.

We still don't know who gave the instruction, who provided the link to Kanoo, or why Kanoo was chosen.

But the result was that some \$34.5 million of the Bahamian people's money passed through that company between November 2020 to August 2021.

The company was allowed to set up a private bank account - again, outside of the public service - to receive the funds.

This is in direct contravention of the law.

They held onto the money for some six months, before passing on funds to the Treasury.

As the Auditor-General said in his report, “in the absence of performing reconciliation functions in a timely manner, errors, fraud, and or irregularities could possibly go undetected.”

We only have their word for it that they’ve handed over all the funds.

This may well be the case, but we have no evidence in support of that assertion.

The questions remain:

What was the connection between Kanoo and the Ministry of Tourism that made them the beneficiaries of such a large contract, agreed to after 'a verbal chat'?

Madam Speaker:

Once again, I invite the House to recall the background to these events.

At the time, ordinary Bahamians were being fined and imprisoned for even the tiniest breaches of the law.

And yet here you have the Ministry of Tourism operating with such flagrant legal violation?

Since the change of government, many of the individuals and entities involved in these enquiries have sought to delay or frustrate our investigations.

There are many, many questions that need to be answered.

Rest assured, we will not let this drag on forever.

If they have nothing to hide, people should not fear being held accountable.

5. CONCLUSION

Madam Speaker, I look forward to putting these investigations behind us.

There will be truth, there will be consequences,
and in the meantime, alongside these
developments, there will be a new path
forward.

I feel confident that better days lie ahead.

Think about how far we've come!

In 2018, the shock 60% increase in VAT put an
immediate brake on consumer spending.

Even before Hurricane Dorian, and before the Covid-19 pandemic, government borrowing and interest payments had sky-rocketed.

A series of bad deals, including the Grand Lucayan Hotel, were dragging us down.

There were no major new investments in the country, not by major foreign investors, nor by the government.

Billions were borrowed, yet not a single new major road, school or clinic, not even a house constructed or built.

Madam Speaker, we are closing that chapter and writing a new one.

We will continue to bring forward policies which are purposeful and compassionate.

We have already done things which others said were impossible, and we're only getting started.

Because we have our faith, because we have our families, and because we have each other, we are building a new, inclusive future.

May God Bless The Commonwealth of The
Bahamas.