



THE COMMONWEALTH OF THE BAHAMAS

2020 FISCAL STRATEGY REPORT PRESS BRIEFING

REMARKS BY

SENATOR J. KWASI THOMPSON

MINISTER OF STATE FOR FINANCE

ON

MONDAY DECEMBER 21, 2020

Good afternoon to members of the press, colleagues and the listening audience.

Last week, the Government tabled the 2020 Fiscal Strategy Report (2020 FSR) in the House of Assembly. Our press conference today is an opportunity to create a deeper understanding of the Government's plan to restore the nation's fiscal health and to build economic resilience beyond the coronavirus pandemic.

The Government is closely monitoring the positive domestic and global developments on the public health and economic fronts. We remain confident that we are seeing light at the end of the tunnel. However, the pandemic is still very unpredictable. Our success is still dependent on our collective behaviour and discipline, so every Bahamian and resident should keep this in mind as they go about their private lives this holiday season. Please, I implore everyone: Wear your mask; socially distance; follow the public health guidelines and the emergency orders. No one wants to start the New Year with a January spike, and it is up to each and every one of us to do our part.

The pandemic wiped out the savings of many Bahamians who had big dreams for their families and businesses that are now on hold. The pandemic caused many hard-working Bahamians, who value the dignity of work, to become dependent on the state for the first time in their lives. We provided \$17.2 million in food support since the start of the pandemic response through October. With the tremendous support of non-governmental partners, this helped to feed over 140,000 families. The Government has planned an additional \$10 million to end-December to support rapid food distribution taskforce.

In the aggregate, the government has spent over \$177 million through the end of October 2020 on its comprehensive COVID-19 response. This includes:

- \$44.4 Million Dollars in tax credit/tax deferrals which funded the payrolls for nearly 7,000 private-sector employees.
- \$47.3 million into small business grants and continuity loans through the Access Accelerator Small Business Development Center to protect nearly 4,500 jobs in the small business sector.

This has been no ordinary year: that is painfully clear. COVID-19 has scarred our economy and transformed our lives forever. But we are resilient people, and this Government has not and will not stop working to restore the nation. We have already committed more than \$60 million in additional direct funding to support our essential unemployment programs, food assistance programs and other efforts from November into the New Year.

So, where do we go from here and how do we get there? This is the question we answer in the Government's plan articulated in the 2020 Fiscal Strategy Report (or FSR).

We continue to hear critics talk about the need for a plan, which is interesting, because during the Budget Debate in June, the Government presented a clearly articulated Resilient Bahamas Plan that was carefully designed to support the social needs and wellbeing of Bahamians feeling the weight of the pandemic; to maintain economic stability in the middle of the crisis; and to plant the seeds for accelerated recovery. It was a plan that instilled confidence in the Bahamian people at the time and it is a plan that has performed considerably well given the economic calamity we face. In fact, in the latest Caribbean Quarterly Bulletin, the Inter American Development Bank recognised the Government for the effectiveness of its policies.

The IDB acknowledged that the Government's fiscal and monetary policy responses have been effective in preventing a more "dire" economic downturn than had originally been predicted. The elements of these planned policy responses include our focus on protecting public health, expanding social support, sustaining employment levels, strengthening the domestic economy and accelerating structure and public sector reforms.

Part of this response was also to shift to foreign sources of borrowing to support the Central Bank's reserve holding and ensure the viability of the Bahamian dollar. As a result, our foreign reserve levels as of December 15, 2020 remain near historic highs of some \$2.39 billion, which is in excess of six months of import cover. I am pleased to cast aside any concern regarding the threat of devaluation of the Bahamian dollar. Despite the economic trauma of the last nine or so months, the prudent management by this administration has ensured that the Bahamian dollar remains as strong and as secure today as it was before the onset of this most devastating economic setback.

Now that we are transitioning into a new phase of the response, the Government once again has a holistic plan to restore fiscal sustainability and accelerate the economic recovery.

SO WHERE DO WE GO FROM HERE? Again, the FSR contains our medium-term roadmap and strategy. We are a government that has consistently articulated and published our plans, and we have executed these plans. We shall do everything in our power to restore the economy for sustainable and inclusive macroeconomic growth. That will improve the lives of Bahamians.

HOW DO WE GET THERE: These are the 5 key things we must and will do:

1. Continue the dynamic COVID-19 response--**(Take care of our People)** this will ensure that we provide the necessary safety net and support to the vulnerable and avoid a collapse of our economy.
2. Recalibrate public finances to reduce spending,, achieve revenue sufficiency and curtail the need for future borrowing--**(We must put our finances in order)** this will bring stability to the public finances and allow us to focus on our medium-term goals.

3. Build economic resilience beyond the pandemic--(We must grow the economy) this will allow us to shore up our defenses to confront future health and climate-related challenges that could pose serious threats to our macroeconomic sustainability
4. Optimize the Government's debt management to ensure ongoing debt sustainability--(We must manage our debt) we need to maintain access to markets, at reasonable terms, for the ongoing strategic financing needs of the government.
5. Manage the ongoing fiscal risks proactively--(We must remain diligent and nimble) here it is critical that we continually monitor those risks that could threaten our goal to achieve fiscal sustainability

Implemented together, these actions will ensure that the Government has sufficient resources and flexibility to meet the opportunities and challenges of governance for today and into the future, and they will also foster a stable and dynamic macroeconomic environment that can stimulate growth.

WHAT DOES THIS MEAN FOR THE BAHAMIAN PEOPLE?

- It will become easier to interact with the Government because of our focus on **Digitization**. The work at the Passport office, which has been getting rave reviews for simplifying and digitizing the passport renewal process, is an indication of what is possible. In the first quarter of next year, at least five additional government services will go online, including the renewal of drivers licenses and the ability to obtain copies of birth certificates and marriage certificates online. Going into 2021, Bahamians throughout the country will see these changes manifested at the Road Traffic Department, the Registrar General's Department, the Department of Social Services, the Judiciary Department, the Ministry of Finance and Department of Immigration
- Digitization is just one component of the broader **promotion of the digital economy**. We are creating a national digital marketplace so small businesses and other entrepreneurs will be able to trade their goods and services internationally through an e-commerce platform.
- While we must embrace technology and innovation, the Government is also supporting Bahamians who might not have adequate access to the digital skills needed to participate inclusively in the digital economy. We are investing in **skills development and education**. Just last week, I participated in a ceremony in Grand Bahama to celebrate the launch of the DEVNET Software Development Program between the Bahamas Technical and Vocational Institute (BTVI) and CISCO Systems, a worldwide leader in networking technologies, and cybersecurity solutions. This program will train one hundred (100) Bahamians as software developers to Cisco's international standard.

- We are also cutting out the unnecessary red tape to make it easier and faster to start a new business with our **Ease of Doing Business** efforts. In the New Year, I have asked the Department of Inland Revenue (DIR) to expand the use of the provisional license, which streamlines and accelerates the time it takes to start a new business. DIR is already far along with its cashless services, which allows the business community the convenience of paying most of its business and property taxes online.
- Related to Ease of Doing Business is our **promotion of domestic and foreign investment**. By making it easier and faster for businesses to invest in The Bahamas, we are stimulating more opportunities for job creation and improving the conditions to accelerate economic growth.

In late October 2020, the government announced its acceptance of the ERC's recommendation to restructure the FDI investment decision-making process, so that applications under \$10 million do not require submission to the National Economic Council. This administrative carve out would provide a more expeditious approval path for potentially high impact investments. The Bahamas Investment Authority (BIA) will be provided with additional resources to focus on the promotion of Foreign and Domestic Investment.

- This Administration's support for the development of Micro, Small and Medium-Sized Businesses (MSMEs) is well documented. For hundreds of Bahamians, this means access to capital no longer has to be a barrier to small business development. The Government will also increase funding by 1 million to the Access Accelerator - Small Business Development Centre's (SBDC) small grant program, which will now mean that 600 or more entrepreneurs will get the critical funding to start or grow their small business.

Despite what many critics may say regarding the economic trajectory of The Bahamas, I would like to commend the hard work of many persons in the public and private sector, the NGO's, the religious community, and other groups that have helped our country to stay above water while weathering two truly unprecedented crises. These efforts have not been in vain.

Just last week, we would have seen that The Bahamas improved its ranking in the Human Development Index, from 60 to 58, meaning investments in healthcare, education, and other factors are indeed improving lives. This ranks alongside Barbados as the best in the Caribbean. The Financial Action Task Force on Money Laundering also removed The Bahamas from the list of Jurisdictions under increased monitoring.

The Bahamas is on the right track.

In closing, I assure the Bahamian people that the work of the Ministry of Finance, and the Government more broadly, is focused 100% on creating opportunities for Bahamians to emerge even stronger from the challenges we have confronted over these past 15 months. The 2020 Fiscal Strategy Report details the Government's various fiscal and economic plans to do just that.

I will now turn things over to the Acting Financial Secretary who will dive deeper into the key numbers within the 2020 FSR.