

A promotional banner for the Minister's Report. On the right side is a portrait of Hon. K. Peter Turnquest, a man with glasses and a goatee, wearing a dark suit, a light blue checkered shirt, and a striped tie. The background is blue with a subtle geometric pattern. On the left side, the text is as follows: At the top is the coat of arms of the Bahamas. Below it, 'MINISTRY OF FINANCE' in white capital letters. Then 'MINISTER'S' in large white capital letters on a black rectangular background. Below that, 'REPORT' in large black capital letters on a white rectangular background. Underneath, 'HON. K. PETER TURNQUEST' in white capital letters, followed by 'WEDNESDAY 9 SEPTEMBER 2020' in white capital letters. Below that, 'COMMUNICATION TO PARLIAMENT @ 10AM' and 'PRESS CONFERENCE @ 1:30PM' in smaller white capital letters. At the bottom, a white line contains the text '▶ WATCH LIVE ON' followed by a Facebook icon and '@FINANCEBAH AND @OPMBS'.

MINISTRY OF FINANCE

MINISTER'S

REPORT

HON. K. PETER TURNQUEST

WEDNESDAY 9 SEPTEMBER 2020

COMMUNICATION TO PARLIAMENT @ 10AM

PRESS CONFERENCE @ 1:30PM

▶ WATCH LIVE ON  @FINANCEBAH AND @OPMBS

Good Afternoon Bahamas,

The COVID-19 experience has changed the future economic landscape for The Bahamas and countries around the world, forever. For this reason, the Government convened the Economic Recovery Committee (ERC) to present a robust set of recommendations that would underpin a Bahamas that is resilient, dynamic, inclusive, and sustainable.

I recognize there is great interest in this process, in seeing the Government apply innovative thinking to drive the transformation--whether that is through the diversification of the tourism sector or the diversification of the broader economy. I want to reassure the public; these calls are not falling on deaf ears. The Prime Minister announced that he will speak to these areas in detail, following the submission of recommendations from the ERC later this month. These recommendations will speak to both immediate and short-term initiatives, as well as efforts for the medium-term horizon that will help to reshape our economy.

My task, however, is to address our current fiscal and economic realities, and our plan considering the active and ongoing COVID-19 crisis. This task started when I presented the “Resilient Bahamas Budget Plan”, which covers the 12-month fiscal year starting July 2020. COVID-19 is the defining feature of our economic life now and into the foreseeable future. By budget season, we all knew this would be the case, and we planned for it accordingly.

This morning I gave a detailed address in the House of Assembly. I am sure these issue will come up again during our Q&A session, so I will only provide an overview statement, before asking the Acting Financial Secretary to present a detailed spending overview showing how we have used public resources to implement our plan.:

1. From the onset let me emphasize that our fiscal and economic plan remains focused on managing the ongoing crisis, mitigating further economic fall-out, stimulating domestic consumption, and preparing for a robust reopening. We appreciate the desire by some for a quick fix plan that can restore the economy right away. But while we are still navigating the pandemic, our efforts must remain focused on the execution of a mitigation plan.
2. Our base case budget scenario anticipated subdued economic activity in tourism for the first quarter of the fiscal year, meaning July to September. Early performance indicators for July and August show that the shutdown caused some deviation from our revenue projections.
3. What happens over the next few months, with the continued reopening of the domestic economy, in particular, will be critical to determining the way forward. Failure to jump-start tourism before the end of the year will likely require significant fiscal adjustments.
4. In this constrained environment, the government remains extremely vigilant in the management of its fiscal resources. However, the position of the Public Treasury is secure, and the viability of the Bahamian dollar and the exchange regime remain robust.
5. We presently have no plans to raise taxes to address any revenue shortfalls.

6. The Ministry is using its borrowing authority approved by Parliament under the FY2020/21 Budget in a planned and judicious manner to finance the deficit gap and meet core obligations.
7. Some of our economic mitigation programs are set to expire in the coming weeks and months, and we will report at a later date if further policy measures will be put in place. These will be influenced by our further assessment of first quarter outcomes, which will be reported on in October during our regular reporting cycle.
8. The Government is cutting back wherever it can. We are making good on our commitment to slash non-essential expenditures by 20% across all ministries, and we continue to contain other discretionary expenditures.
9. We made the decision not to reduce public sector employment, and we stand by that strategic decision at this time. Keeping people employed means that they have resources to provide for themselves and the ability to generate domestic consumption at a time when we already have over 110,000 people in the feeding network, and over 28,000 receiving government-funded unemployment assistance. Of course, as I said earlier, the situation remains fluid and we will continue to monitor the plan in case there is a need for adjustments.
10. The Government is maintaining critical expenditures in priority areas that are consistent with our articulated Resilient Bahamas Plan. The five pillars of this plan remain:
 - a. Managing the public health crisis,
 - b. Providing social support through food and unemployment assistance,
 - c. Sustaining employment levels,
 - d. Strengthening the domestic economy to mitigate further economic fall-out,
 - e. Accelerating government reforms and preparing for a robust reopening.

As I close, I want to leave everyone with a reminder: Every day, every week, every month, the Government has financial obligations to meet just like its citizens. We have vendors to pay, civil servants to compensate

and essential public services to deliver, including those for public health and safety, national security and the wellbeing of our children.

When we decided on the government's fiscal plan - with its reliance on substantial borrowing - it was not based on a flippant attitude toward public debt. It was not an abandonment of our core commitment to fiscal propriety. Instead, it was and is a response to an unprecedented economic crisis that came on the heels of an unprecedented natural disaster.

We recognize that the government as a first priority must ensure it does as much as it can to support the tens of thousands of Bahamians that have been impacted by the fallout of Dorian and the COVID-19 pandemic. As such, we continue to pursue an immediate financing plan that will allow the government to meet its obligations today, in line with the Resilient Bahamas Plan we presented in June and are implementing now.

As I mentioned in my communication to the House this morning, last month, we accessed \$248 million as part of a \$300 million bridge financing deal under the borrowing authority approved by Parliament with the FY2020/21 Budget. We are also in the process of concluding a \$200 million transaction with the Inter-American Development Bank and a \$40 million facility with the Caribbean Development Bank.

Further, we are readying ourselves for a capital market transaction as soon as market conditions permit and have under consideration other transactions to ensure that we can cover our budgetary requirements for this fiscal year.

Notwithstanding the country's formidable economic challenges, the domestic and international markets continue to have confidence in The Bahamas. The success of the government in raising the necessary funds is testament to this.

I hope the Bahamian people will take away the fact that our fiscal and economic plan remains focused on managing the ongoing crisis, mitigating further economic fall-out, and preparing for a robust reopening.

This is the immediate plan we need for today, while we are simultaneously planning for our medium and long-term economic recovery.

The recent report from the Minister of Tourism should instill optimism in the return of the tourism sector, and the reopening of the economy.

In addition, working with our partners in the financial services industry, BFSB, AIBT, CBA and other industry stakeholders, we continue to support and encourage compliance and innovation in domestic and global financial solutions and asset management.

We continue to make investments in agriculture and marine resources, and we continue to consider proposals for a Sovereign Wealth Fund based upon a realistic asset base and expectation.

Our continued investment in the small and medium sized businesses economy will provide stability in the short to medium term, and we expect will pay dividends in increased economic activity and wealth diversification in the long term.

Combined with our shared commitment to adhering to the COVID-19 Health Guidelines, I am confident that we will transform this crisis into an opportunity for our country's recovery.

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