

Remarks By Dr. Bernard J. Nottage

Budget debate 2010 – 2011

7th June 2010

Mr. Speaker,

Since its return to office in 2007 the Government has consistently pledged to be good stewards of the nation's fiscal policy. The Prime Minister, as minister of finance, has consistently promised and committed to pursue sound fiscal policies which will require fiscal discipline. He pegged the continued delivery of this stewardship to **Leadership** ability and more particularly to his personal leadership.

In the 2007/2008 Budget Communication the prime minister said the following:

“Leadership in public life calls for and indeed, requires integrity, transparency, accountability and compassion so as to engender trust in Government. Those entrusted with leadership responsibility ought also to have a clear sense of direction, a demonstrated ability to recognize and assess challenges, and a willingness and ability to make decisions”.

In the 2009/2011 Budget Communication the Prime Minister summed up his strategic vision and his visionary leadership by quoting a poem by A.E Housman.

“The thoughts of others were light and fleeting, of lovers’ meeting, or luck of fame. Mine were of trouble, and mine were steady, so I was ready when trouble came. “

In this 2010/2011 Budget the Prime Minister said that some of the lessons he had learned were:

- 1 Leaders must fully assess the reality of the circumstances in which they find themselves and act accordingly;*
- 2 The leader who runs from today's difficult decisions only defers and doubles them for future generations.*

Mr. Speaker,

Despite the self serving accolades he heaped upon himself, the prime minister and the FNM government has failed to put their fiscal house in order on a sustained basis.

In 2007 the government committed to a balanced budget fiscal policy and was projecting a **planned Recurrent Budget Surplus**.

In 2010/2011 the government is projecting the government debt to be \$3.5 *billion or 47.3% of GDP; there are some distinguished economists and others who expect those figures to be much higher. The GFS deficit is estimated to be \$425 million or \$139 million more than projected; again there are others who expect those macro figures to be much higher.

I really don't understand why the Minister of Finance is seeking to divert our attention from the National Debt, (which is the government's direct debt plus the government guaranteed debt), by referring to government debt alone. That is disingenuous, lacks transparency and certainly does not inspire trust! The National debt is now \$3.9 billion which is 53% of GDP, not 47.3%.

Further, Mr. Speaker, having regard to the negative growth in the economy of -1.7% (2008), -4.3% (2009) and -0.5% (2010), the GDP at fiscal 2010 year end will be about \$7 billion and the national debt will reach 59%!

Now Mr. Speaker, we all understand and appreciate that those terrible fiscal numbers have been impacted by the global economic situation. But when you place these ego-boosting, self serving platitudes in the national budget statement Bahamians expect you to deliver. We have not witnessed good stewardship of the fiscal policy over the past three years...so much for trusted **leadership!**

In aiming to lower the deficit in 2010-11 from \$425 million to \$227 million this period, and with the extensive cuts in expenditure, the minister of finance claims that this Budget puts us in the position to maximize the gains from the emerging modest recovery through sacrifice, service and reform.

Let us examine those issues briefly.

Sacrifice

Obviously the government expects the sacrifice to be borne by those least able to bear it. The government has attempted to deflect criticism by making increases to certain line items such as the National Lunch Programme and the Food Assistance Programme for which I commend it.

While civil servants are being forced to sacrifice by having their increments halted, promotions stopped and salaries frozen, others, including the Prime Minister's consultant, are getting a \$5,000 increase, and yet others (including a new Director of Public Works) are being brought in at an \$18,000 increase in emoluments to head a position that Bahamians have held and are quite capable of holding.

I will address the arbitrary and heavy-handed sacrifice in salary that parliamentarians are being forced to take at a later time. However, I wish to associate myself with those who feel that the Government of The Bahamas can easily be run by a Cabinet of twelve members at most and that the Prime Minister, who is the champion of Gussie-mae cabinets, ought to have streamlined his cabinet in these cash strapped times rather than making notional cuts in parliamentary salaries.

Mr. Speaker,

*We are clearly in unprecedented times. Challenges abound! Economic challenges, social and challenges and overall challenges related to both individual and national development. People are looking to the government for visionary, clear and progressive leadership. However, it does not seem that they feel that they are getting that and this budget and the apparent public reaction to it is indicative of that. It's ironic that the party whose campaign was anchored on trust has, in three years, lost all public trust.

This FNM administration has lost the trust and confidence of the Bahamian people because it has demonstrated several traits and qualities that ought not be associated with progressive, transformative 21st century leadership. They have revealed to the Bahamian people that they are visionless, insensitive and arrogant. That's not the kind of government we need, Mr. Speaker.

Rather, we need a government that has a clear plan for the development of Bahamians and the Bahamas; we need a government that seeks to provide opportunities for its people and this country to grow economically and socially; we need a government that will work for the interest of all Bahamians not only so that we can have a better life than our parents, but so that our children, grandchildren and generations to come can have a legacy on which to build.

Mr. Speaker,

I listened attentively when the Rt. Hon Member for North Abaco presented the Budget Communication. I then read and re-read it, but it is still unclear to me what

this year's budget is seeking to do. Its purpose and intent are not clear and despite the Prime Minister's attempt to comfort the nation by telling us how many budget exercises he has participated in and presided over, one thing is clear: This government is baffled by the current situation and are, therefore, in panic mode.

As a result, Mr. Speaker, like a single cell organism, it is merely responding to stimuli; the stimuli of pressure. Pressure which is coming from all sides and which is actually causing them to try to move in all directions, but naturally they are moving us nowhere. And Mr. Speaker, be assured that moving nowhere, given the realities of life in the 21st century is akin to spinning in a downward spiral.

Essentially, the government's response to the current situation is to cut spending and increase taxes in an attempt to reconcile the revenue shortfall. This, Mr. Speaker, almost sounds like a verbatim manifestation of the IMF's prescription for austerity within developing economies which are not seeking to promote long-term sustainable development but rather only seeking a short term "fix". It would be a shame, Mr. Speaker, if just three short years after the Member for North Abaco commented on the strength of the country's finances, that we are now implementing IMF-like policies which retard economic growth in developing economies.

Unlike some of the commentators, Mr. Speaker, I would not say that the Substantive and State Ministers of Finance are intentionally destroying our economic prospects. No, I do not believe that. However, I do believe that they are acting incompetently. While their incompetence, based on their lack of knowledge in dealing with the current, is understandable, it is not acceptable; but more troubling is the arrogance with which they operate. They seem to think that listening to and receiving advice from others is a sign of weakness. They seem to think that they are the only ones

who know what is wrong and how it should be fixed.

Many in the country are questioning many of the measures introduced. For instance Mr. Speaker, the following are but a sampling of questions being asked:

- Why introduce such a large rate of increase of duty on the vast majority of cars? Is it not the case that car sales are already struggling?
- Why remove all barriers to the import of chicken onto the local market? Will this not all but exterminate the local poultry sector?
- Why reduce the subvention to independent schools by 20%? Many parents claim that they were challenged to meet fees at their 2009 level and both the Anglican and Roman Catholic school boards are anticipating having to increase fees to make up this withdrawal of public support.
- Why is the rate of taxation of locally produced beer being increased to match that of imported beer? How will this impact the sale of local beer?

Perhaps the comments by Mr. Andrew Barr, Friendly Ford Manager, best sums up the public's view of this "Tax and Pain" budget. According to The Nassau Guardian's Friday 28th May 2010 edition, after noting that his firm immediately cancelled a 200 car order from their supplier, Mr. Barr made the following comments in relation to the government's 2010/11 budget: *"This has no logic to it. The government thinks this might increase revenue when in actual fact it is going to decrease revenue."* And Mr. Speaker, according to an article in the June 1, 2010 Tribune, it appears that the Rt. Hon. Member for North Abaco is not sure why he has made these changes. In one breath, he says that he is trying to eliminate the country of gas guzzlers (supposedly to reduce the consumption of gasoline), but in

the very next he says that he is trying to raise revenue. Which is it Mr. Speaker? Will this particular measure really help to achieve either or both of the apparent intentions?

So, Mr. Speaker, while the government may have been motivated to doing what they feel is in the best interest of the country, the PLP and the Bahamian people are all aware that this FNM administration is simply out of its league and is overwhelmed by the task at hand. Their handling of budget exercise has revealed to all that they are visionless, bankrupt of ideas and solutions and are incapable of providing hope to the average Bahamian.

*Mr. Speaker,

These times call for visionary, transformational leadership led by persons secure in the knowledge that there is strength in a collective effort involving as many as necessary to navigate our country through these uncharted waters. Yes, we have never in our lifetime experienced such times, but we in the PLP have faith in ourselves and the Bahamian people that working together we can improve our existence and expand our economy bringing benefit to all.

If we were privileged to lead our country at this time, Mr. Speaker, the PLP would have operated in a more strategic and deliberate manner. We would not see this or any other budgetary exercise as an isolated exercise. No Mr. Speaker, the Budget exercise would have been integrated into a comprehensive effort to improve the operation of government while at the same time expanding the economic opportunities for Bahamians so that there would be a greater level of participation in the ownership of key sectors of our economy by regular Bahamians.

There is much that could and must be done in relation to improving government. Mr. Speaker, as I pointed out in my contribution thanking the Governor General for the Speech from the Throne, the government's stated intentions were nothing more than smoke and mirrors designed to hoodwink Bahamians by giving them a false hope. The demands of the legislative agenda would produce significant government expenditure including the creation of government bureaucracies to regulate various activities. However, a mere four weeks later, we are told that there will be cut-backs in government services, reduction in the establishment through forced retirements and hiring freezes and reduction in government assistance to independent schools and charitable organizations.

Operating in this manner, Mr. Speaker is anti-good governance and violates the deeper notions of accountability and transparency. The government says one thing and directly and seemingly willfully contradicts it. How are people, whether it be civil servants who have planned mortgages or fees for their children's education, to make effective retirement plans if the government says one thing and then makes an about-face turn and does another? How can people in the private sector plan, invest and operate, if without warning, the government changes the rules of the game? The actions of this government, Mr. Speaker, do not foster a spirit of trust.

In addition to operating in a manner that can truly reflect accountability and transparency in government, we also need to ensure that our public sector operates effectively. In a country like ours where the government revenues are arguably significantly less than needed to operate and where the public expectations are high, responsible government must find ways to make the public sector operate more effectively.

I believe that in this time of significant challenges, we should be seeking to find ways to improve the effectiveness of the public sector. There are several initiatives that could be undertaken including the following:

1. Develop a national development plan which speaks to a shared vision for our country; identifies national priorities and sets targets and goals for their realization;
2. Establish a multi-sector planning agency with the responsibility for ensuring that the efforts of all public institutions are harmonized and focused on achieving the goals and targets outlined in the national development plan;
3. Introduce a programmatic budgeting process that provides financial, human and other resources on the basis of national priorities to the responsible entities. Such a budgeting format would provide for improved accountability and transparency as it can be determined where the resources are actually being spent and the impact of their use can be more objectively measured. This has the potential of producing greater effectiveness by government agencies in addressing national priorities;
4. Evaluate operational practices to ensure that the most effective methods are being used with consideration being given to the following:
 - a. Deployment of personnel in areas where their skills can be best utilized;
 - b. Eliminate duplication and omission of responsibilities by ensuring that all departments are fully aware of their responsibilities and holding them accountable for developing annual plans which

state how they will address them. At year's end, these plans should be used to evaluate the effectiveness of each staff member in the department;

c. Reducing wastage by making full use of resources through the effective use of office and work spaces, vehicles, Information and Communication Technologies, printers & photocopiers, other equipment and supplies, and utilities.

Service

The government is calling for service excellence to increase our competitive edge. If you expect excellence in service during times of austerity would it not make sense to build into your budget some incentive for excellence? Perhaps public officers with a perfect attendance and excellent appraisal record should receive some monetary reward at the end of the year. You cannot shut off all avenues for incentive pay and expect to receive excellent service.

Reform

This Budget gives not even a hint of attempts at reform. The government has been attempting to simplify the tariff structure for decades and have not been successful. The introduction of the Excise Tax rather than reform the tariff structure has only served to add an additional layer of bureaucracy and inefficiency.

The government cannot even reform this torturous Budget process. Two years ago the Prime Minister proclaimed that this will be the final year that the House undergoes this antiquated budget process. He forecasted that future budget debates will not take a day over four days. He also committed to facilitating the two sides getting together to reform the process and of also having both sides travel to see how other more progressive parliaments did it. Today we are undergoing the same process; not one attempt to reform it.

Mr. Speaker,

Surely in the 21st century we should have done away with this Protection of Revenue Order. I understand the principle why it would have been necessary thirty, twenty or even ten years ago. Surely with the improvements in technology we could end this “**GOTCHA**” mentality in collecting revenue. Surely our procedures could have the flexibility whereby if one is able to produce receipts and invoices proving that an item was purchased before a certain date, one should not have to pay at the new excise rate. Here it is I have paid for my vehicle, it is on the dock waiting to be cleared, but because of the signing of this Protection of Revenue Order I have to pay an additional \$5,000 or \$6,000. It is not right. Indeed it is unconscionable and it is official trickery!

I believe that all measures for the ensuing budgetary year should come into effect on 1st July each year. My view is that the Mid Year Budget serves no useful or reformist purpose, particularly when it comes only three or so months before the annual and constitutionally required budget process. I believe it imposes undue and unnecessary strain on an already taxed ministry of finance staff and other public officers. It does nothing for the overused qualities of transparency and accountability that the Annual Budget process will not do.

Mr. Speaker,

Two years ago when I made my contribution to the Budget debate I started by paraphrasing the biblical story of Joseph as found in the Book of Genesis. It told of how Joseph was sold into slavery by his brothers, how he ascended to become Governor of Egypt, and provided food for his family whose country was experiencing severe famine. The moral of the story to me, apart from Joseph’s belief and faith in God, was why it is so essential to save and to plan. It is particularly important to save and plan for times of scarcity during times of plenty.

Mr. Speaker,

When I quoted that story in that debate, the Minister of Finance adopted it implying that he was our Joseph! Well look at us now. How wrong he was. We have still not

learnt the lessons of this biblical text. We still refuse to plan and prepare. This refusal has left the governance of this country drifting, being blown from place to place by any ill wind that happens to pass our way. We cannot continue this way.

Mr. Speaker I was disappointed, saddened and surprised when in 2007 the Prime Minister said the following:

“The present revenue system continues to serve the needs of our country. It is neither complex nor administratively burdensome and it has contributed to the attractiveness of the Bahamas in securing high levels of foreign direct investment and in attracting high quality providers of international services to our shores.

Almost every credible economist, financial analyst or ordinary businessman recognizes that the present tax regime is inadequate for the 21st Century Bahamas.

We have to adjust, change and reform the system.

We ought to be preparing our people and the economy for such a change right now. If we do not do so ourselves, at a pace that minimizes the pain and structural adjustments, it will be imposed upon us; and that imposition will be both painful and unnecessary.

The current revenue system does not serve the Bahamas well, it is administratively burdensome and complex and another form of taxation will not necessarily prevent us from attracting high levels of foreign direct investors and investments, nor will it deter high quality providers of international services to our shores.

Car Dealers adversely affected

Andrew Barr of Friendly Ford complained of the increases having “no logic”.

Rather than increasing revenue, it may decrease it. It may encourage importation of junk vehicles. A Ford Explorer selling at \$43,069 will now sell at \$48,984, an increase of \$5915 or 14%. A Ford F150 now selling at \$62813 will sell at \$71,884 an increase of over \$9071 (14.44%).

He said it would have an adverse impact on employment and on whether some of the franchises can remain open. At these prices, these vehicles are no longer attractive. Rather than enhancing revenue, the increases may lead to importation of Japanese cars, which he thinks derive negligible duty and give “considerable” problems on the road. He recommends that the duty be prorated according to the engine size. Even the government will be required to pay some \$3000 more per car on a current order with his company.

In summary, he said the increases will be catastrophic for dealers and his company “...may eventually be forced to focus strictly on parts and service operation”.

New car sales have been down some 40% compared to pre-recession sales. Compared to last year, sales are down 11% (15% in April). Rick Lowe said that most of the cars he sells will have duty increases of 20%. He said that a 5% increase in the price of imports “is a shock to the system”.

Even with the modifications announced by the Minister, the price of cars of 2000cc prices will go up between 2-6%; for cars between 2000 and 2500cc, the prices will increase between 9-16% (cf with 17-55%)

The fact is that the transportation sector accounts for about 35% of the total customs duties. **Diminishing sales could therefore lead to decrease in imports leading to collection of less duty, not more.**

Charities unhappy

GOB allocation for charities is decreased from \$4.5 million to \$3.5 million, a total of approximately \$1.07 million.

The Red Cross is down from \$60,000 to \$54000, i.e. 10%. This at a time when we are told that the upcoming hurricane season threatens to be the worst we have had for some time!

The Salvation Army is cut by some \$26000 which could spell trouble for employees, special needs schools (School for the Blind), and community outreach programmes such as emergency shelters. Bishop Hanchell of the Great Commission Ministries feels that there is a great need which is increasing and that the GOB should make cuts in other areas rather than those that serve and help the poor on a daily basis.

It was comedic to hear the Minister of Finance resiling from this position when he opened the debate. His story now is that the Minister has the authority within a particular block, to determine how to spend the allocation so long as he does not exceed the total sum in the block. As I listened to him and looked in the faces of his ministers it seemed to me that they, like we, were hearing that for the first time. The bottom line is still that some charities will be shortchanged at a time when they will be called upon more than ever for support from the poor, sick, distressed and marginalized.

Cut in Subsidies in Education

The \$2.47 million reduction in subsidy to COB while demand for its services is expanding will be devastating. It will retard its drive to become a university. The total subsidy to COB is now reduced to \$22,247,778. This is \$4.5 million less than it received in 2007-2008?

When the government eliminated new loans under the Loan Guarantee scheme, this put greater demands on COB for tertiary education. Cutting COB budget at the same time as eliminating the loan guarantee, which was an alternative avenue for college education does not make sense.

The result is that the training and socializing and the skill acquisition, all of which are so necessary today, comes at a time when we ought to be increasing our investment in the development of our human capital. When there is a downturn such as we are facing, it is important to retool the population to be ready when new opportunities present themselves. There is a dire need to make Bahamians more competitive. In too many cases when jobs do become available, they are going to

foreigners, either because Bahamians lack the necessary education and training or the necessary experience or as is the case too often even our government has no confidence in Bahamians.

Moreover consideration ought also to be given to the effect the cut back will have on finding an acceptable alternative to the current President who is resigning. The lack of adequate funding for the College and the potential retardation of its progress to university status might make it difficult to attract the right persons, leading to the deterioration of standards at COB. I wonder if this means that the government is not in fact committed to the transition of Cob to university status.

It has been suggested that rather than cutting back on investment in education, the GOB should scale back some of the capital projects such as the extensive and expensive \$120 million road projects. While an improved road network is needed, it is a matter of to what should priority be given...road development or human capital development?

Similarly, the reduction in subsidy to private schools will lead to cutbacks in the most academically successful primary and secondary educational institutions in the country; a transfer of students who cannot afford to pay increases in school fees to the public system, leading to overcrowding and potentially more devastating consequences.

The Anglican CEA will lose more than \$355,000 and the Catholic Board will lose \$578,000.

Aquinas has already raised their fees by 15% without the loss of government subsidy. The Director of Catholic Education considers them to be caught “between a rock and a hard place”! She fears that any increase in fees above 12-14% will lead to loss of students. Remember that the Catholic Church has had to close some schools on the islands as a result of declining attendance and the cost of keeping them open.

Archdeacon Palacios, speaking for the ACEA, spoke about whether they would have to raise fees or cut back other programmes. He said that the majority of schools already function at a “deficit” and parents have fears which they expressed about increase in fees.

Even the Minister of Finance’s newly granted independence for the relevant Minister (of Education) will leave some recipient school or schools with less than they were allotted in the previous year at a time when the parents of children attending these schools will likely be feeling the blows from the recession.

For the record, hearing the Minister of Finance decry the sums being provided for the education of Bahamians at the UWI, it is my hope that he is not seriously contemplating reducing the amounts being paid to, or changing the policy of support for that University that has done so much to educate Bahamians in a wide variety of disciplines. I do not support the reduction in the subsidy of COB either.

The anaemic assertion that the amounts this government has provided COB in recent years is more than the last PLP government provided three years ago is shameful and without merit. How in God’s name they can expect the sum being granted to remain stagnant is stupefying.

Cuts in the Ministry of Youth Sports & Culture

The Youth Summer Employment budget has been reduced by some \$750,000.

A National Youth Push programme is to be launched on June 2nd.

Self Starters programme for young entrepreneurs has been reduced to \$300,000 from \$750,000.

The National Youth Programme budget is reduced by \$250,000 to \$100,000.

Many other programmes with lower budgets have nevertheless been reduced.

Youth worker Carlos Reid has decried the reduction at this time when there is so much concern for the state of problems with the young people.

With respect to sports, funding for regattas in the Family Islands has been reduced by \$120,000 to \$300,000; subvention for elite athletes has also been reduced to \$1,000,000 by a difference of \$170,815.

Funding for the National Endowment for Sports has been cut by \$500,000 to \$1,000,000.

It is disappointing to see that the government does not get it. I see this budget as an all out assault on the youth of the country, what with the reduction of investment in education; the reduction in the Social services budget, most of which provides for the care of children; the reduction in incentives and concessions for those seeking to consolidate their business ventures and the cuts in jobs, all of which will have a summary effect of denying the youth their opportunity to get a firm foundation.

Health Insurance for selected public servants

The Prime Minister has indicated that the GOB is unable to afford to pay the health insurance for those government employees with whom it has an agreement. As usual, I guess, he blames the PLP. Last year, I think it was, at his Party's convention, he gleefully shouted out that he had the money. What happen to the money? Where is the money now? That is all I ask.

An officer called me a few weeks ago to say that his relative was ill and the insurance company would not pay for the test that she needed. (MRI) I thought to myself...here we go again. The condition was a life threatening condition. The patient had comprehensive insurance coverage. But somewhere, in the fine print, I suppose, that did not include an essential test, which is almost always required in such cases. So much for the CDPDP or is it the NPDP, long promised; long awaited; but even if it was in place, it would be of no use to this patient.

Of course, I wait to see if the government will fix its mouth to deny the security

forces and the nurses their health insurance.

Residents to be charged for Garbage Collection

GOB has revealed that tens of thousands of Bahamians (60,000 households) will be charged for residential garbage collection within 6 months. This will save the GOB around \$6 million annually! Households will have to pay \$12 to \$18 per month. It is suggested that the poorest 10% of residents who genuinely cannot afford the charge will not have to pay.

The minister alleges that the GOB has mismanaged waste collection. He also alleges that the investment of funds borrowed from the IDB for landfills has been some of the worst managed and the job has not gotten done.

The waste collection would be in zones into which the island would be divided and would be put out to bid to private companies which already collect commercial waste. At present refuse from a four unit apartment complex is regarded as commercial and is charged by private companies. Refuse from smaller properties is collected free by the government.

Private collectors will be required to provide receptacles to households and collect garbage once per week. This is yet another direct charge that many of those who I represent may not be able to meet.

The minister claims that all 60,000 households in New Providence would not be affected on day one. It will be done in sections in NP then throughout the Family Islands. He claims that the GOB knows who cannot afford to pay and will not run away from the responsibility to collect solid waste from those who cannot.

The minister is quoted as saying that the collection is not free at present, but that it is paid for out of the taxes which the government now collects. If that is the case, then if the government is hell bent on privatizing the garbage collection, it should

pay the contractor/s out of the taxes it collects!

Tonique Williams Darling Landfill

There is also a \$20 million project to transfer the New Providence landfill to professional private management. There is already an “agreement in principle” with a company out of Miami called Cambridge Development Projects to form a new company Sustainable Bahamas Ltd., 40 per cent of which is to be owned by employees, the public and institutional investors.

The minister has indicated that the GOB “... reserves the right to determine where and how...” the new policy “...is implemented” and that will be publicized.

Saunders Beach

The Minister glowingly displayed photos of the beach which he said restored itself automatically without any intervention from him. When he was doing that here last week, someone, who is normally very reliable sent me a text to say otherwise. Indeed his text indicated that he saw, with his own eyes, a truck, which he identified to me, dumping sand on that beach early one morning. He made inquiries and was told that the beach restoration was being “assisted” because the sand did not reach the “breaker” and there was some fear that someone would be injured over the holiday period. Well, they did not have to worry about that because nobody used the forsaken beach.

The National Economic Summit

In 2009, when concerned Bahamians summoned an economic summit, there was no positive response from the Bahamas Government. Nevertheless some of the observations made at that time ring true today.

They maintained that:

1. The crisis was far from reaching bottom

2. Government reconsiders spending almost \$600 million on roads and the airport. They did not think that the expenditure on roads was the best use of public money as a better solution to the traffic problem could be achieved by staggering work hours and a better public transportation system
3. That if the recession was protracted, borrowing for roads would put at risk our capacity to borrow later on.
4. That borrowing should be in areas which would have a genuine “stimulative” effect. That is, such borrowing would have the effect of reducing the current account deficit.
5. No amount of money spent on infrastructure, nor money spent on part time employment will aid in the emergence from the recession. We are in a recession because (having regard to the nature of our economy), tourists are not coming or rather coming in fewer numbers, not because of loss in confidence by Bahamians or because they are not spending.
6. While the idea of creating a bridge until the U.S. economy rebounds (and tourists return), is understandable, it is risky and threatens our foreign reserves
7. Even if the US economy recovers, they will use credit more prudently, save more and have less discretionary spending...less impulse travel etc.
8. The Bahamas’ reliance on imports presents the opportunity for us to produce more of what we consume despite the historical, cultural and ideological hurdles we would have to overcome.
9. Pump “stimulus” money into areas that would reduce our imports and increase exports, thereby creating productive and sustainable jobs.

The Summit concluded that a national goal should be set to achieve an

additional \$1 billion in the current account, to be achieved in three years by pursuing the following:

1. Fisheries

- a. Reduce Poaching
- b. World Class marine management with high tech labs etc.
- c. Value Added product development

2. Energy

- d. Bahamian owned Wind and Solar generation
- e. Approve LNG
- f. Energy Conservation – domestic and commercial

3. Food Production

- g. Achieve 100% sufficiency in poultry and mutton (goat and lamb)
- h. Promote “New Agriculture” based on science, technology and training, inclusive of:
 - i. Undercover/protected agriculture (greenhouse technology)
 - ii. Organic agriculture
 - iii. Herbals
 - iv. Agroenergy (production of biofuels)
 - v. Food safety
- i. Develop Agribusiness Centres (transform and privatize Packing

Houses)

j.

4. Trade and manufacturing

5. Other

k. Specialized tourism

l. New Family Island Product

The idea is that rather than investing in roads etc, the government, by strategic planning and prudent investment, could have and still can better stimulate the economy in the short term by investing money in producing sustainable diversification of the economy in the areas listed above, thereby at the same time, improving human capital through education and training; create new sector or strengthen dying sectors such as agriculture and fisheries, converting it into a food production industry, based on the agribusiness model, adding value to the primary product and making the industry WTO compliant. Indeed, in conjunction with this, the industry can be privatized and become less dependent on the government. Rather that government can provide the technical support and provide the initial funding for the infrastructure needed.

Job Creation in the Agricultural Sector

The 1978 census of agriculture indicated that there were 9,717 engaged in some sort of farming and /or agribusiness activity. By 1994, employment had decline to 6,695 – a drop of more than 3,000. This correlates to a decline in land under cultivation

from 80,000 acres to 50,000 acres – a drop of 30,000 acres. This represented an average of 10 acres per individual employed – meaning that every 10 acres under cultivation, an individual is employable. Today, agricultural employment is probably slightly less than 50% of the 1994 figure.

This scenario between 1977 and 1994 was tied to the level of investment in the sector. Between 1973 and 1980, the Pindling government invested \$1 million in the construction of packing houses on Eleuthera (3), Long Island (2), Exuma, Cat Island and Andros plus a wholesale outlet in Freeport, Grand Bahama.

These packing houses were able to accommodate the 80,000 acres in cultivation as well as any new land which may come into cultivation. With the decrease in acreage, the economic viability of the packing houses came in question. A major contributor to the decline in acreage was due in part to the fact that a ceiling was placed on the value of produce purchased per farmer. The ceiling was set at \$9,000 per farmer thereby highlighting the heavy dependence on the government's marketing system which is centered on the Produce Exchange and its network of packinghouses. This dependency had a stifling effect on the growth and development of the Sector.

Further, there was also the view that marketing in the public sector was operated as welfare agriculture where produce was purchased on basis which did not meet consumer standards and market demand; quality became and remains an issue.

In this era of globalization where the economic environment is greatly influenced by trade liberalization, a new paradigm has to be put in place in order to meet the

challenges which have emanated from the new global trading order. The primary objective of the push to trade liberalization is to eliminate duties and /or the reduction of duties with the introduction of measures like phyto-sanitary and sanitary requirements, trade distorting features, national commodity sensitivities etc.

The Bahamas during this globalization era has been slow in adopting the modus operandi which is demanded by the rules and regulations which have come out of the World Trade Organization's (WTO) Agreement of Agriculture (AOA). The AOA stipulate the rules and regulations which govern the agricultural trade as these are the rules and regulations which keep the Sector current and relevant. We are being left behind.

If Bahamian agriculture is to play its true role in a transformed economy of the Bahamas a “New Agriculture” is essential if the Sector is to grow and develop. To make this “ New Agriculture a reality, then i new standards must be set in order to guide it through a 21st century world which is filled with challenges, like climate change, global warming, population growth, genetically modified organisms (GMO), biodiversity issues, food safety, water scarcity, sea level rise and others. The “New Agriculture” will expand the boundaries of traditional agriculture and thus provide a larger platform and greater opportunities and benefits to our society, our economy and our Family Island communities from this new and dynamic agri-food sector.

The Sector must become:

1. Competitive

2. Technology driven
3. Must be innovative
4. Must be research based
5. Must display sensitivity to the ecosystem
6. Must be about biodiversity
7. Ensure our food security
8. Must have a policy framework of substantiality
9. Must strive for integration into the global food system
10. Must have a man power base which is trainable in science and technology

We live in an ever changing global environment and we must always be cognizant of the global agenda. This lack of awareness has constrained the development of our Agricultural Sector. The Emerging Issues are as follows:

Agriculture could be a major economic driver in our country, particularly with respect to provision of rural livelihoods, income earning – both national and foreign exchange - food supply and food and nutrition sovereignty and poverty and hunger reduction. The areas that should be pursued or given greater emphasis include:

- Undercover / protected agriculture (greenhouse technology) for the agribusiness and small farmer
- Organic agriculture
- Herbals
- Agroenergy (biofuel)

□ Food safety

(The Bahamas is extremely vulnerable with respect to SPS measures; hence the state of sanitation in our processing plants be they poultry, canneries, bakeries, bottling are low and, in some instances, no standards. Fisheries are different because of EU stipulations. We are behind the eight ball. Food chain in The Bahamas is challenged by the lack of strict food safety guidelines. One of the international standards is HACCP).

I have consulted and wish to point out some of the sub-sectors where 10,000 sustainable jobs can be created within three to five years if some of the money currently being invested by the government to stimulate the economy were to be diverted into providing the infrastructure, the science, technology and training behind the agricultural sector.

It should be pointed out that the small farmer is product of slavery; however, “New Agriculture” will only succeed firstly when the small farmer approaches food production as a business, not as a hobby, subsistence activity or as a form of welfare.

Farming must be viewed as a commercial undertaking through which you can make a reasonable living and support a family. Secondly, agribusiness must become the centerpiece of any agricultural development programme because it is agribusiness which will stimulate investment, create the jobs, introduce innovation, adopt new technology and identify new career opportunities thereby attracting our youth. Agribusiness* development is the most efficient way to achieve these objectives on the one hand and, on the other hand, expand food production in The Bahamas.

Below is a series of tables which outline the sub-sectors through which the jobs can

be created and the potential earning capacity of each.

<i>Sub-Sector Contribution to</i>		
<i>Agribusiness Centers*</i>	<i>Number to be constructed</i>	<i>Number of Employees</i>
<i>High Rock, Grand Bahama</i>	<i>1</i>	<i>20-25</i>
<i>Marsh Harbour, Abaco</i>	<i>1</i>	
<i>North Andros, Andros</i>	<i>1</i>	
<i>NCS, Eleuthera</i>	<i>3</i>	
<i>Smith's Bay, Arthur Town,</i>	<i>2</i>	
<i>Mt. Thompson, Exuma</i>	<i>1</i>	
<i>North Long Island, Long</i>	<i>2</i>	
<i>Crooked Island</i>	<i>1</i>	
<i>Acklins</i>	<i>1</i>	
<i>Total:</i>	<i>13</i>	<i>260-325</i>

Packing Houses located in the islands above can be converted to Agribusiness Centres, and placed under the control of the local farmin associations, or cooperatives or credit unions. They would have facilities for sale of fertilizers and other materials, meeting rooms, sale of products, marketing units, value added solutions such as refining, processing, packaging etc to ensure quality, quantity and meeting international standards.

261 In livestock production areas like Long Island and South Eleuthera, a slaughtering facility should be installed so as to ensure food safety and a safe food chain. In conjunction with this, small poultry and swine units could also be encouraged thereby expanding livestock production as well as add new income possibilities for local communities. This will address the multifunctionality which Agriculture brings to local communities. These centers should have jurisdictional relationship with local government councils.

Livestock

<i>Poultry*</i>	<i>\$25 million ('02), ('07)</i>
<i>Broiler (Meat)</i>	
<i>L ayer (eggs);</i>	

**Poultry is the largest agribusiness in CARICOM and valued at \$0.5 billion. It is an industry which employs 100,000 small farmers, large commercial processing facilities and 1,500-2,000 feed manufacturers.*

Broiler Meat (Poultry)

The poultry industry has been continuously under assault from the government of The Bahamas. It all started in 93/94 when the government decided to harmonize duties.

The casualty in this exercise was not only the poultry but also food processors like P.W. Albury and Sawyer's Food Products.

Duties are now as follows:

Broiler Meat -35 % (was 70%)

Pigeon Peas-10 % (dry package)

Pigeon Peas-35 % (canned dry)

Tomato Paste-40% (Sawyer's discontinued)

Now in 2010/11 Budget, poultry is under assault again. Poultry is a capital intensive business demanding substantial investment by agribusiness entrepreneurs. It has been a \$25 million agribusiness in '02. Until about two years ago on the closure of *Gladstone Farms, New Providence The Bahamas was self-sufficient in eggs.

Poultry could easily be a \$50 million agribusiness.

In CARICOM, poultry is the largest agribusiness; it surpasses sugar and any of the export commodities. It is valued at \$0.5 billion and employs more than 100,000 people. CARICOM has classified poultry as a sensitive commodity in order to insulate it from threats of American producers “dumping” by-products like leg quarters, wings and backs on the markets of Caribbean states at costs which are below production costs, the effect of which could be the destabilization of Caribbean markets with the possibility of putting thousands of small producers out of business.

The US is a white meat market, hence the poultry meat of choice is the breast which can go for as much as \$3- \$5 /lb. This makes the other parts of the chicken by products.

In the case of The Bahamas, I am told, food importers gouge the Bahamian consumer by selling these by-products at high prices, sometimes just cents below the cost of local producers. On many occasions, these by-products have been in storage for years, some are stale dated and never fresh. There have been instances where parts were defrosted and sold as fresh chicken. Further, there is no guarantee on the composition of the feed which is fed to the imported chicken. Some of the feed has hormone content.

Cheap food idea can never substitute for a fresh local product.

Other Meats

*Red meat (cattle, sheep, goat, swine) (00) \$1.3M, (07) \$1M
Could easily be \$5M*

Pork has traditionally been a small farmer activity but was constrained by inadequate abattoir facilities, feed and the lack of further processing. United pork producers can fill the void for

Ornamental Horticulture

Ornamental Horticulture (07)	\$10M
Nurseries	\$9.7M
Landscaping Maintenance	

This is the fastest growing sub-sector agribusiness **1,500-2,000**

Crop Production and the Value-Added Component

1. *Export Agriculture* (90) 20M, (07) \$9.7M 1,500-2,000

Apart from crop harvesters/pickers, provisions should be made to allow these companies to process their products and market them locally. The incentive of access to the local market should be made available to them on the condition that their employment is local and a processing facility is established. A standing policy was that off-shore operations were not allowed to put their produce on the local market as it was viewed as competing with small farmers.

2. *Domestic Market* (04) \$5.6M (07) \$32.4M

This \$32.4M was the output from small scale farming in Andros, Abaco and the Southeastern Bahamas. There are about 1000 farmers with each probably employing 2 workers – making employment about 3000. This can easily be doubled.

Conventional crop

<i>production</i>	3,000
<i>Glasshouse/Greenhouse production (commercial)*</i>	1,000
<i>Undercover/protected farming by small farmers</i>	2,000

** Lucayan Tropical presently employs 20 persons at this stage of its development and state of production.*

Food processing: Canneries

There are three canneries (P.W. Albury and Sons, Sawyer's Food Products and BAPAK) and a dairy products facility (Nassau Dairy Products) in operation. All of these operations have scaled back because of loss of business, hence a reduction in output thereby causing staff layoff.

New canneries should be established at or near the points of production i.e. Abaco and N. Abaco as this would dramatically reduce post harvest losses. B.G. Harmon had produced a fresh squeezed juice from oranges and grapefruit which did not meet export standards and were about to manufacture a pasteurized version. This approach could be used with the surplus winter vegetables from the Pine Islands thereby averting gluts on the domestic market as experienced every year by the Produce Exchange and packinghouse network, 200-250

Cascarilla Industry

Cascarilla is found in the southeastern Bahamas on the islands of Acklins, Crooked Island and Cat Island.

Uses:

Ingredient in Campari.

As an oil for use in cosmetics, tonic stimulant, fumigants and narcotic for diarrhea, stomach problems, fever, dyspepsia, urinary problems, constipation, intestinal and digestive problems.

The market potential for the Cascarilla Bark will have to be refined as well as the capacity to employ thousands but it has to evolve from being a raw material product for a foreign manufacturer to an industrialized Bahamian product. This would be a major employer.

UWI pharmacologists, in Jamaica, have developed an eye drug, CANASOL, derived from the ganja plant (marijuana) as well ASMASOL, which is used to treat asthma, colds and the flu.

In Abaco, Nick Miaoulis, has made Abaco Neem, which is used globally in the treatment of high blood pressure and diabetes, a global product. Mr. Miaoulis operates a neem farm near Casuarinas Point, Abaco composed of some 7500 neem trees.

We have the potential to establish a viable pharmaceutical industry from our indigenous flora. Bush and herbal medicine can become a reality once we develop our capability in science and technology. Let us start with cascarilla in the least developed islands of our Archipelago – Cat Island, Acklins and Crooked Island.

1,000

Marine Resources: Fisheries

In 2003, there were 10,323 individuals employed in fisheries. The Agribusiness centers which are to be constructed on Cat Island, Acklins and Crooked Island could be designed to include or to accommodate fish buying, processing and distribution. This could possibly expand the industry by 20-25 individuals on these three islands.

75-

100

Mariculture

This is an important aspect of the Fisheries development. It is important because more fish is being eaten from fish farms than from the wild.

In the Caribbean, The Bahamas has the best managed fisheries resources. In other parts of the Caribbean, fisheries resources are virtually depleted, hence the constant threats of poaching in Bahamian waters by fishermen from nearby Dominican Republic and as far away as Honduras.

Fisheries is important to the economy of The Bahamas, hence consideration should also be given to the development of mariculture (fish farming) as it is a mechanism to be developed as a tool in the way forward. Bahamians are eating more fresh water fish than ever before. Tilapia is a prime example.

Bio-Technology

Presently there is only one individual engaged in this activity; however, tissue culture has an important role to play in maintaining the genetic content of our flora and is critical to the overall biodiversity protection of the Bahamas.

Tissue Culture:

5-10

Summary: Job Creation

<i>Agribusiness Centers</i>	<i>Potential Jobs</i>
<i>Mariculture</i>	260 – 325
<i>Fisheries</i>	75-100
<i>Livestock Husbandry</i>	
<i>Poultry Agribusiness Sub-sector</i>	

<i>Broiler Production</i>	<i>1 500-2 000</i>
<i>Eggs Production</i>	<i>150-250</i>
<i>Red Meat</i>	<i>100-200</i>
<i>Processing (value added)</i>	<i>50-100</i>
<i>Ornamental Horticulture</i>	
<i>Nurseries</i>	<i>750-1000</i>
<i>Landscape Maintenance (commercial)</i>	<i>1 000-1 500</i>
<i>Crop Husbandry</i>	
<i>Export Agriculture</i>	<i>1 500-2 000</i>
<i>Processing (value added)</i>	<i>150-200</i>
<i>Crop Production</i>	<i>(3 000)</i>
<i>New Agriculture: (Greenhouse/</i>	<i>2 000</i>
<i>Undercover/Protected</i>	<i>1 000</i>
<i>Food Processing</i>	
<i>Canneries (Sauces, Food Products, PA)</i>	<i>150-300</i>
<i>Pharmaceutical Production</i>	
<i>Cascarilla, Neem and other Bush Medicine</i>	<i>1 000</i>
<i>Marine Resources</i>	
<i>Fisheries</i>	<i>75-100</i>
<i>Total</i>	<i>5 760-12 075</i>

**N.B. Time Frame – 3 to 5 years.*

Technology and sustainability based on policy framework, manpower development, investment capital

If we are really serious about developing new sectors of the economy and reducing our vulnerability to circumstances over which we have little or no control and if we wish to improve our food security while also ensuring food safety, we should consider the option outlined here.