

ORG Responds to the Fiscal Responsibility Act 2018

Over the past two years, The Organization for Responsible Governance has advocated for a Fiscal Responsibility Bill that would take measures to institute greater transparency in government expenditure and reporting, provide limits to capital and recurrent expenditure relative to GDP, and develop a strategy toward a balanced budget and debt reduction.

As such, ORG and its membership see the passage of The Fiscal Responsibility Act 2018 as a very positive step forward. We commend the Ministry of Finance for undergoing deliberate and extensive steps to engage stakeholders and solicit public consultation in the development of the Legislation.

ORG further recognizes their commitment to consideration of the recommendations of Civil Society and Private Industry. These were reflected in a comprehensive Ministry of Finance memo of Sept 24th which responded to recommendations provided by ORG, Bahamas Chamber of Commerce and Employers Confederation and the Central Bank on draft fiscal Responsibility legislation. The memo provides clear rationale and explanation as to the inclusion or exclusion of the recommendations. There are estimated to be 13 instances of meaningful adjustments to the legislation which reflect the recommendations which were provided. Additionally, several references are made to incorporation of the feedback into future Financial Legislation.

There remain some areas of concern with the legislation, which ORG will continue to pursue, but this process of dynamic, open dialogue demonstrates how participatory and responsive democracy can be furthered. ORG calls that the inclusive and participatory process can present a benchmark for future public consultations on key legislation by the Government of The Bahamas. The Minister of Finance, K. Peter Turnquest and Financial Secretary, Marlon Johnson, stand out as leaders of this effort toward good governance and deserve distinct recognition as such.

Specific areas of note.

ORG acknowledges that the reporting structures and schedules put forward in The Fiscal Responsibility Act 2018 are comprehensive, reflect international standards and represent a significant step forward in the accountability and transparency of Fiscal policy and practice in The Bahamas. Also noted is some adjustment in the legislation to increase opportunity of the Fiscal Responsibility Council (FRC) to proactively serve as a resource to the adjustment of fiscal strategy and reporting, although more could be done to strengthen the independence and contribution of the Council.

Given The Bahamas' poor history of compliance with similar reporting laws, such as Public Disclosure, ORG continues to express concern that without methods of enforcement there is a risk that the Fiscal Responsibility Bill could ultimately be ineffective despite its thorough reporting mandates and methodically outlined goals. ORG holds that measures in the passed legislation don't sufficiently discourage breach of Fiscal Responsibility rectify errant behavior and encourage compliance.

Specific examples of these points are articulated below.

- ORG is encouraged to see the adjustment of the scope of the FRC to act as a proactive resource and provide positions on matters of amendments to the 2nd and 4th schedules.
- Similarly, ORG continues to applaud the suggested appointment and funding process of the FRC, with the Governor General drawing upon the advice of the Speaker of The House and the nomination by the representative private sector & academic groups. These protocols clearly



Organization for Responsible Governance

recognize the importance maintaining an independence of this body to make critical and objective assessments of the government performance against the Fiscal Responsibility Bill.

- The selection of a committee chair by the members, of the FRC as presented in the previous draft version of the Fiscal Responsibility Act, has been strongly endorsed as a further step to ensuring the aforementioned independence. As such, ORG is disappointed to see that the Act offers that the Prime Minister, with consultation of the Leader of The Opposition, will select the chair of the Fiscal Council. This can be easily interpreted as a political appointment and represents a step away from the spirit and intent of the council. ORG appeals with the Senate to reconsider this structure and make recommendation for amendment.
- ORG notes the removal of the Public Accounts Committee (PAC) in favor of Parliament as a measure of accountability. This is particularly concerning, given the current composition of Parliament has a majority of members holding cabinet positions and thus bound by mandatory cabinet allegiance. We take note the recommendation within the Ministry of Finance response memo of September 24th, that a Standing Committee could serve a similar function as the PAC, and urge the Government of The Bahamas to make the formation of this committee a priority and that the composition of any such body be similar to that of the PAC to mitigate for political/partisan influence.
- ORG commends the inclusion of clause (2) in Part II section 11 that the “Pre-election Economic and Fiscal Update is a technical and objective Update”. This provides a clear declaration of the scope of the report.
- ORG questions the removal of language from stating that “The Pre-election Economic and Fiscal Update should not receive prior approval of or notice to the Cabinet” as this eliminates one of the elements that ensures the Pre-election Report remains free from Political influence (or the perception thereof). Additionally, the shift of the responsibility of the Pre-election report from the Financial Secretary to the Minister, who is required to report and align with Cabinet, would seem to take away an additional check toward objectivity. ORG calls for reconsideration on these points by the Senate.

About The Organization for Responsible Governance

The Organization for Responsible Governance (ORG) is a not-for-profit civic foundation committed to creating dialogue, insights, and solutions around the challenges affecting accountable governance, education reform, and economic development in The Bahamas. We are businesspersons, students, artists, educators, politicians, clergy, academics and members of civil society united to resolve the nation’s most vexing issues by addressing their root causes through research, education, and partnership.

CONTACT:

Matthew Aubry, Executive Director

maubry@orgbahamas.com

242-477-3134

www.orgbahamas.com