



OFFICE *of* THE PRIME MINISTER  
COMMONWEALTH OF THE BAHAMAS

**2024/2025 BUDGET COMMUNICATION**  
**CHANGING THE STATUS QUO, CHANGING LIVES**

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**MEMBER OF PARLIAMENT FOR CAT ISLAND RUM CAY AND SAN SALVADOR**

**MAY 29, 2024**

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## **Introduction**

Madam Speaker:

It is a great privilege to represent the talented and hard-working Bahamians of Cat Island, Rum Cay, and San Salvador in this Honourable House.

It is on their behalf, and on behalf of Bahamians across all of our islands, that today I present our government's annual budget for the fiscal year 2024/2025.

The 2024/2025 budget reflects just how far we've come, in under three years, in putting our country's fiscal house in order – in fact, as you will see, we have significantly surpassed international projections.

I very much understand why the international projections were cautious – we faced, and in many ways, continue to face, very serious challenges.

But let me tell you something:

It's never a good idea to underestimate Bahamians!

When we came into office, the fiscal situation was bleak, with a deficit that was 13.1 percent of GDP.

By the end of the last fiscal year, the deficit had been significantly reduced – to 3.8 percent of GDP – and during this budget communication I will announce a further reduction.

But I don't want to wait to share the bottom line: in under three years, *we've knocked a billion dollars off our deficit.*

And what's important is that we pulled the country back from the brink by exercising fiscal discipline – while *still* putting our compassion for the Bahamian people at the heart of our policies.

We could not do otherwise: when we came into office, Bahamians were suffering terribly – far too many were out of work and in despair.

The unemployment rate at that time was 17.6%.

We moved fast -- we opened up the economy, we partnered with the private sector, we encouraged innovation and new investment in tourism and other sectors, and we worked hard to promote our special little country.

The unemployment rate is now the lowest it's been since 2008, at 8.8%.

Another key fiscal measure, the debt-to-GDP ratio, shows how dire the situation was in 2021. In June of that year, debt-to-GDP was 100.4 %.<sup>1</sup>

That means that the size of our debt was the same size – even a little bigger -- than the size of our economy.

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<sup>1</sup> <http://www.tribune242.com/news/2021/sep/23/104bn-national-debt-bigger-economy/>

Once this happens to a country, a cascade of negative consequences can gain momentum, leading to very grim outcomes.

We took action to prevent those worst-case scenarios, and the latest debt statistics reflect a debt-to-GDP ratio of 79.9 percent, a significant achievement.

We know we still have a lot of work ahead of us.

But we've come a long way, and our country is finally headed in the right direction.

Madam Speaker:

Shortly, I will lay out in detail information about our country's current fiscal picture, and the outlook for the year to come.

I will begin with a look at international and domestic macroeconomic conditions – and then turn to our nine-month fiscal performance for FY2023/2024, our financing activities, and our medium-term debt management strategy.

I will then review our nation's credit ratings, our removal from EU blacklisting, and our new GoBonfire eProcurement Platform, before providing key highlights from our 2024 Fiscal Strategy Report and estimates for revenues and expenditures in FY2024/2025, as well as describing some key revenue and expenditure measures.

But first I want to reiterate the values and the vision behind the policy decisions we've made.

We have big ambitions for our country and for the Bahamian people.

We are working hard to bring down the cost of living for Bahamians, to create safer communities, to support our entrepreneurs, to strengthen our borders, and to build a more inclusive economy.

We are also determined to expand opportunities across our beautiful islands, throughout our archipelago. It's the first time The Bahamas has a Prime Minister and a Deputy Prime Minister representing Family Islands. We're making the most of it, aren't we, Exuma?

Our core policies, including our initiatives promoting progress for our Family Islands, were articulated in our Blueprint for Change, and were reflected in previous budgets, which have focused on national, economic, and personal security. These goals and policies will be further developed and expanded in the new fiscal year.

Madam Speaker:

We came into office with the country teetering on the brink of fiscal and economic catastrophes. Tens of thousands of Bahamians hadn't worked in months. Our children had missed more than a year of learning in their classrooms with their teachers and friends.

We ended the curfew, the lockdowns, the travel visas, and the Emergency Orders.

We opened up faster and better than competing destinations – and we did it safely -- by providing the free testing and the free masks which we had said from the start were

a much saner and more humane policy than lockdowns -- and we did it by treating nurses and doctors as partners, not adversaries.

The rapid transition from one reality to another underscored that values matter. Policy choices matter.

But as I said a moment ago, while it's so important to finally be moving in the right direction –there is so much more work to do.

Our country's economic recovery hasn't reached everyone yet. I know a lot of Bahamians are still hurting. And the worst global inflation crisis in decades is really hitting our families hard.

That's why it's so important to build an economy with more opportunities for Bahamian advancement and ownership.

Recovery was never a good-enough goal – instead, recovery must be a stepping-stone to a new era in The Bahamas.

It's time for our country to take big steps forward in solving the challenges that have held us back for too long.

You've heard us say it before:

We didn't come here to defend the status quo.

We came here to change it.

Because changing the status quo is the best way to change lives.

Changing the status quo means *challenging* the systems, practices, and powers-that-be if they aren't serving the people well – and innovating and building something better.

**We are challenging the status quo in our energy sector:** we just passed two new, comprehensive pieces of legislation that provide the framework for the first serious energy reforms in The Bahamas in *decades*.

We did not need additional evidence that our outdated electricity infrastructure is falling apart, but unfortunately there has been plenty evidence of that recently. Nothing could be clearer: temporary patches and Band-Aids aren't sufficient.

Despite the enormous scale of the challenge, with BPL more than \$500 million in debt, we are finalizing comprehensive energy reforms which will upgrade and modernize our failing grid, bring solar on board in a big way, pull down sky-high costs, and increase reliability.

**We are also challenging the status quo in health care** – building not just one new hospital, but two, one in New Providence and one in Grand Bahama, even as we're renovating clinics and procuring ambulances for our Family Islands – and making a long overdue investment in mental health care.

**We are challenging the status quo in Grand Bahama** – where the Port Authority has been earning private profits at the public's expense, while failing to live up to their responsibility to develop Freeport. It's time – long past time – for change in Grand Bahama. The people of Grand Bahama deserve a credible partner with a vision for progress and shared prosperity.



**We are challenging the Nassau-centric status quo**, by recognizing that the people and the potential of the Family Islands have long been overlooked and underestimated – that’s why solar energy, new investments, and infrastructure improvements are in motion across our archipelago.

**We are challenging the status quo in labour relations** – we signed *twenty-seven* labour agreements in 30 months – after none had been signed in the previous four years! – because Bahamian workers deserve dignity and security.

**We are challenging the status quo when it comes to work permits** – insisting that employers live up to their obligation to identify and train Bahamians for these positions.

**We are challenging the status quo with a new National Youth Guard** – a pioneering force to support our security forces during national emergencies; young Bahamians gain career-ready skills while training to serve our country. I was proud to attend the graduation of the very impressive second cohort just a few weeks ago. Their strength is our country’s strength.

**We are challenging the status quo when it comes to tax fairness** – by stepping up collection from the wealthiest companies, because they must shoulder their fair share of the tax burden. It is astounding that some of the wealthiest and most powerful have treated paying the taxes they owe as optional. That’s never going to be the case under our government.

**We are challenging the status quo on unregulated communities** – our task force is demolishing shantytowns because they are unsafe, they alter life on our islands, and they are against the law.

**And we are challenging a status quo which has allowed gangs to flourish** – we passed tough new anti-gang measures, to give the police new tools to disrupt and dismantle the gangs which have terrorized our communities, and we are tabling new legislation this month to increase penalties for illegal weapons.

It's very simple: Bahamians who follow the law shouldn't be menaced and endangered by those who don't.

**We are challenging the status quo in our justice system** – we put in place stricter bail laws, to stop the endless cycle of those out on bail violating the terms of their bail and remaining free to commit more violence. Those who are granted bail can no longer take their freedom for granted, or so easily gamble with their lives and the lives of those in their communities.

We built new courts, and we passed a law to allow defendants to choose judge-alone trials – because the backlog and long delays in our system have for too long encouraged criminals to act with impunity.

**We are challenging the status quo by *finally* redeveloping downtown**, where we're tearing down the old, and making way for the new.

**We are challenging the status quo with the first meaningful government support for affordable housing in many years, and with Rent-to-Own**, which will see consequential investment and progress this year.

**We are challenging the status quo in our schools** – we are developing a new curriculum, and we have now served *more than 100,000* breakfasts to primary school children, ensuring they get the healthy start to their day that allows them to focus on learning.

**We are challenging the status quo by making strategic investments in our nation’s food security**, while expanding BAMSI to support Bahamians who want a future in our agriculture industry.

**We are challenging the status quo on the world stage** – we worked hard to get The Bahamas off the blacklist, we’re strengthening partnerships to protect our borders, and we’re building alliances with other small island nations to fight for economic climate justice. We are a small country that knows how to stand tall.

These are only some of the ways things are changing.

We are bringing innovation and technology to policing.

We are digitizing across the public sector.

We are opening up opportunities in regulated cannabis cultivation, while for the first time allowing sick patients to use cannabis when other medicines can’t relieve symptoms.

We invested in free Wi-Fi in the parks.

We raised the minimum wage.

We created a Catastrophic Health Care Fund.

These policies and others are adding up to meaningful *change*.

Madam Speaker:

We are determined to address the issues that have been holding our country back – and we're doing just that, in partnership with the Bahamian people.

Madam Speaker:

When it comes to our country's fiscal outlook – we have moved the country from freefall and crisis to solid ground.

When we entered office in September of 2021, everyone was talking about downgrades and fiscal cliffs – there was even talk by some of a possible currency devaluation!<sup>2</sup>

I know many Bahamians were anxious about the major tax hikes which were rumoured to be under consideration by the previous government and thought to be an impetus for calling an early election.

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<sup>2</sup> [https://www.thenassauguardian.com/business/laing-stunned-by-ag-s-dollar-devaluation-claim/article\\_359fb19f-883b-5f75-ae5c-70e32cb9c338.html](https://www.thenassauguardian.com/business/laing-stunned-by-ag-s-dollar-devaluation-claim/article_359fb19f-883b-5f75-ae5c-70e32cb9c338.html)

As the Prime Minister and the Minister of Finance, I have the privilege of presenting this budget and telling you about the decisions we made which moved our country from sky-high deficits to fiscal stability – all while *lowering* VAT, instead of raising it.

I want to begin by acknowledging that although I am very proud of our excellent team in the Ministry of Finance, our country's fiscal achievements have been a joint production – the result of hard work not just in my Ministry, and in the Ministry of Economic Affairs, but also in departments throughout our government. As Prime Minister, I have emphasized that a focus on fiscal prudence requires an all-hands-on-deck approach – and I am grateful to my colleagues and their teams for responding with a shared seriousness of purpose.

In the Ministry of Finance, we have seen and felt support for these shared goals in the series of meetings we've held with ministries and various agencies. Ministers, permanent secretaries, and heads of public corporations are in attendance and actively participate – an approach that leads to better outcomes and supports accountability. In many cases, tough choices have to be made, and making them has required flexibility, an openness to innovation, and a consensus about key priorities.

Working together, we have been able to continue our commitment to fiscal consolidation, strengthened public finances, and a lower burden of public debt.

Madam Speaker:

The remainder of this Budget Communication is divided into four sections. The first presents an analysis of the current macroeconomic and fiscal conditions, as well as future prospects, which underpin the framework for this year's budget proposals. Following, there is a discussion of significant financial developments in The Bahamas. Subsequently, the key policy measures outlined in this Budget are presented. Finally, a summary of the anticipated fiscal outcomes for the Fiscal Year 2024/2025 are provided.

### **Macroeconomic Overview and Outlook**

Madam Speaker:

I turn now to an overview of current economic developments and the future projections for both the international and Bahamian economies. This will serve as the basis for the subsequent discourse on the development of the Budget framework, as well as the strategies that have been formulated to address obstacles and capitalize on opportunities.

### **International Economic Overview and Outlook**

Madam Speaker:

Given the tightly interconnected global economy, it is important to begin with an assessment of the global economic climate.

According to the International Monetary Fund (IMF), as stated in their April 2024 World Economic Outlook, the world experienced a 3.2 percent real GDP growth rate last year and that same rate is estimated for 2024. This pace of growth is considered relatively modest by historical standards and reflects factors such as ongoing high borrowing costs, the withdrawal of fiscal support and geo-economic fragmentation.

Global inflation was estimated at 6.8 percent in 2023 and is expected to gradually decline to 5.9 percent in 2024. Ongoing inflationary pressures reflect the impact of energy price shocks and other supply-side disturbances that have influenced prices on a global scale.

Madam Speaker:

In the United States, The Bahamas' major trading partner, the growth outlook has improved modestly from 2.5 percent in 2023 to 2.7 percent in 2024. This upward revision reflects better-than-expected growth results in the fourth quarter of 2023, with that momentum expected to continue in 2024. The unemployment rate is projected to increase to 4.0 percent in 2024 from the 3.6 percent in 2023. Inflation is expected to fall to 2.9 percent in 2024 from 4.1 percent in 2023.

A slowdown in the US economy would have a considerable impact on our country - one of the reasons why it's so important to build fiscal buffers.

The economy in Canada, our country's second major source of visitors, grew by 1.7 percent in 2023. With the persistence of above-target inflation and ongoing high borrowing costs, the real GDP growth rate is projected to decrease to 1.3 percent in 2024. The rate of unemployment in Canada is expected to rise to 6.2 percent in 2024, from 5.5 percent in 2023.

Real growth in China is projected to slow from 5.4 percent in 2023 to 4.6 percent in 2024, as property sector strains continue to weigh on private demand and confidence.

The eurozone is projected to experience a gradual economic recovery following a challenging period because of the war in Ukraine. According to the April 2024 World Economic Outlook, weak consumer sentiment and the lingering effects of the pandemic, in the form of fiscal policy constraints, contributed to subdued growth of 0.4 percent in 2023.

Madam Speaker:

According to the 2024 Latin American and Caribbean Macroeconomic Report, the region experienced stronger-than-expected growth in 2023, with real GDP growth reaching 2.3 percent. However, as 2024 approached, real GDP growth prospects deteriorated slightly for the region and most sub-regions, with current forecasts putting growth at close to 2.0 percent in 2024.



## **Domestic Economic Overview and Outlook**

Madam Speaker:

The Bahamian economy has recovered to its pre-pandemic level since 2022 with growth momentum continuing into 2023. The recently released GDP estimates by The Bahamas National Statistical Institute (BNSI) indicate that real GDP growth was on the order of 2.6 percent in 2023, while GDP in nominal terms increased by 9.2 percent.

The IMF now projects that the Bahamian economy will post real growth at 2.3 percent in 2024, as large tourist inflows fuel the economy and inflation continues to decline.

The most recent official data from BNSI shows 22 percent growth in the construction industry, reflecting robust economic conditions, government investment in infrastructural improvements, and increased private investment in building projects.

The tourism sector has seen significant expansion, driven by a rise in tourist arrivals. Service industries such as hotels, casinos and sporting facilities benefited from the increase in tourist activity, growing by 10.0 percent. Further, the rise in tourist inflows has resulted in an increase in tourism expenditure that has driven a 5 percent gain in export services.

Household consumption saw an 8 percent rise in 2023 compared to the previous year. Household consumption levels reflect the spending behavior of households and are often considered a proxy for assessing economic well-being.

This increase in purchasing power shows that positive economic developments are reaching Bahamian families.

Customs data reveal an increase in household items in 2023, relative to 2022. To share two examples:

- Imports of major household appliances increased by double digits; and
- A 17 percent increase was seen for imported gasoline.

Madam Speaker:

The Bahamas had 9.7 million visitors in 2023, representing a 37.9 percent increase from the 7 million arrivals in 2022. The influx of visitors last year underscores the substantial growth in arrivals since the peak in 2019, when there were 7.3 million visitors.

At present, during the initial three months of 2024, the number of arrivals reached 3 million, reflecting a 14.9 percent growth when compared to the first three months of 2023.

In other words, 2024 is off to a very strong beginning, surpassing not only the levels recorded in 2023 but also exceeding those of 2019 by 50.8 percent for the same time frame.

Madam Speaker:

I will also consider the performance of tourism by island as a proxy for economic activity on those islands:

- In New Providence, tourist activity grew by 35.7 percent in 2023, compared to the year prior.
- In Grand Bahama, arrivals increased by 31.8 percent in 2023, compared to the previous year.

In the Family Islands:

- Abaco reported 25.1 percent growth in tourist activity, with the bulk concentrated in Marsh Harbour;
- Andros also experience a 9.1 percent increase in arrivals;
- Bimini's arrivals rose by 10.8 percent;
- Eleuthera experienced growth of 6.3 percent in arrivals;
- Exuma reported a boost in arrivals by 7.8 percent;
- San Salvador saw a rise in arrivals by 348.1 percent; and
- Long Island's arrivals grew by 5.8 percent.

- Cat Island saw growth of 8.7% year over year and a 74% increase compared to 2019

Madam Speaker:

With respect to the short-term vacation rental industry, data provided by Airbnb confirm the favourable improvement in tourism. At the end of March 2024, total room nights sold increased by 16.7 percent from the previous year, reflecting the rise in average occupancy rates for both entire unit listings and comparable hotel listings.

Madam Speaker:

I am pleased to report that investors have had their confidence restored in The Bahamas, and as a result, we've attracted and developed more than \$7.2 billion in investments, representing more than 7000 new jobs for Bahamians, since we entered office.

Projects like the Royal Caribbean's Royal Beach Club on Paradise Island, the new Celebration Key development by Carnival Cruise Lines in Grand Bahama, and the Disney entertainment facility in Eleuthera represent important commitments from some of the world's leading companies and will generate significant opportunities for Bahamians.

We are finalizing discussions with Baha Mar for an exciting new development phase at the Melia property.

The planned expansion of the Grand Bahama Shipyard is set to bring new business opportunities, further diversifying our economy and bolstering our industrial sector.

Madam Speaker, projects and investments like these are crucial drivers of our economic resurgence, and we intend to ensure that Bahamians have the opportunity to benefit from the entrepreneurial opportunities that follows such expansive development.

As foreign direct investment continues to grow, we anticipate a rise in job and entrepreneurial opportunities and growth in the construction sector.

Madam Speaker:

The global inflation crisis has hit countries like ours very hard. The cost of living on an island where we need to import so much of what we consume was already too high, and the global inflation crisis was yet another unwelcome shock – we needed a break after Hurricane Dorian, and the COVID pandemic, but instead we got global supply chain interruptions, turbulent commodity markets, and higher food and energy prices.

Inflation in The Bahamas has been on a downward path since its peak in mid-2022 and is lower compared to regional peers. The inflation rate in 2023 moderated to 3.1 percent from the 5.6 percent in 2022. According to the IMF, inflation in The Bahamas is forecast to decline to 2.4 percent in 2024.

Last year, the Bahamas National Statistical Institute (BNSI) released its updated labour force survey. The results show that unemployment was at its lowest level since 2008, with the unemployment rate at 8.8 percent in 2023. As well, for the first time in over a decade, labor force participation was higher and the unemployment rate was lower for women relative to men.

Madam Speaker:

A review of other key indicators shows that monetary conditions in The Bahamas remain favourable and support stability in our exchange rate.

During the initial three months of 2024, there was an increase in external reserves by \$547 million, bringing the total amount to \$2.9 billion.

This growth was driven by **net foreign currency inflows** from the private sector, meaning it was **not** achieved through borrowing.

It is projected that external reserves will continue to be strong, supported by inflows from tourism and other private sector activities. External balances are expected to exceed international standards, providing ample support for the Bahamian dollar's currency peg.

Further, the estimated current account deficit narrowed at the end of 2023, as the services account surplus strengthened, supported by the ongoing gains in tourism earnings.

## **Nine-Month Fiscal Performance for FY2023/24**

### **Revenue performance**

Madam Speaker:

Traditionally, the budget communication includes a discussion of the nine-month fiscal performance ending in March. I plan to adhere to this tradition, but before proceeding, I would like to highlight that historically, March has typically been the highest revenue-generating month in a given fiscal year.

Consistent with that pattern, March 2024 was indeed a strong month – but it is the month following to which I draw your attention: the preliminary total revenue for April 2024 is estimated to be \$385.8 million, reflecting a significant increase of \$108.6 million, or 39.2 percent, compared to April in the previous year.

The strong revenue performance in April shows that fourth quarter revenue performance will be very strong, which provides the basis of our favourable outlook for meeting our revenue targets to the end of the fiscal year.

Madam Speaker:

I will now review the fiscal performance from July 2023 to March 2024, the first three quarters of the 2023/2024 fiscal year.

Total revenue amounted to \$2.2 billion in the first nine months of the fiscal year. This marks an increase of \$112.4 million, or 5.4 percent, as compared to the previous fiscal year. At this time, total revenue stood at 66 percent of the budget forecast, not out of line with expectations owing to timing considerations.

This improvement in revenue performance resulted from an increase in tax revenue of \$136.9 million to a total of \$2 billion. Tax revenue to date amounts to 67 percent of the budget forecast.

Revenue highlights during the first three quarters of the fiscal year are as follows:

Taxes collected on property grew by \$18.4 million and totalled \$145.6 million, which represents 74.6 percent of the budget target. This increase period-over-period was expected due to the strengthening of collection exercises under the Real Property Tax Act, a majority of which is collected from non-Bahamians.

To demonstrate our revenue enhancement efforts, I can report that real property tax accounts experienced a 3 percent increase in 2023 compared to 2022, and a further 2.3 percent increase in 2024 compared to 2023.

This increase is reflected in the 2023 real property tax billings exceeding those of 2022 by 14.6 percent. As of the current year, 2024, the real property tax billings have surpassed those of 2023 by 5.1 percent. It is evident that the increase in revenue



cannot solely be attributed to inflation, but rather to the diligent collection efforts of our dedicated public officials.

VAT receipts improved by \$58.5 million, or 6.3 percent, and amounted to \$993.9 million following amendments to the VAT Act strengthening collections enforcement. This total accounts for 62.5 percent of the budget target. Data indicates that the number of VAT registrants has risen by 9.4 percent in 2023 compared to 2022, and by an additional 2.9 percent in 2024 compared to 2023.

Stamp Taxes on financial transactions and VAT on real estate transactions grew by \$2.8 million and totalled \$82.5 million, or 71.9 percent of the budget estimate.

The area of revenue underperformance which became apparent during these nine months is the VAT on real estate transactions. For example, if we look at the budget forecast for VAT on realty transactions over \$1 million, it is \$190.3 million. At the end-March 2024, we have only collected \$15.1 million or 7.9 percent of this total. It has also been observed that the certificate of residency and international holding permits issuances are consistent with Balance of Payments data that shows strong inflow of funds for property purchases. Last year's revenue intake of this item was \$121.1 million. These are the reasons why it is necessary for this Government to take a deeper dive into the underperformance of this category of revenue.

We have addressed this issue of underperformance in this year's budget by implementing legal and administrative measures to improve compliance in this area.

These measures will be explained later in this communication.

Excise Taxes on alcohol and tobacco totalled \$16.7 million, a \$15 million increase from the same period last year, surpassing the budget forecast by \$14.3 million. Although our original forecasts anticipated a decrease in this item due to the new distinction between Excise Taxes and Excise Duties, this revenue performance can be directly attributed to improved enforcement efforts.

Licenses to conduct special business activity, which comprise business licenses and communication levies, increased by \$43 million and totalled \$126.3 million. To date, this represents 80.1 percent of the budget forecast.

Taxes on international trade and transactions increased by \$11.1 million and totalled \$502.3 million and can be largely explained by the following items:

Customs and other import duties increased by \$4.4 million in the first three quarters of the 2023/2024 fiscal year, an increase of 2.4 percent to \$190.5 million. To date, this represents 76.1 percent of the budget target.

Departure tax collections increased by \$7.2 million and totalled \$134 million, representing 67.2 percent of the budget target.

Although non-tax revenue met an overall decrease of 9.0 percent period-over-period, sales of goods and services improved by 13.4 percent. This was a result of an increase in revenue garnered from fees and service charges. Non-tax revenue equated 59.2 percent of the budget projection.

Madam Speaker:

Given revenue performance to date, we expect all major revenue components, with the exception of VAT on real estate transactions, to meet revenue targets.

I want to express my gratitude to the public, including the private sector, for their cooperation in meeting tax obligations, and acknowledge the significant efforts made by our country's revenue collection agencies, to collect that which is owed under the law.

### **Aggregate Expenditure**

Madam Speaker:

I now turn to expenditure performance during the first three quarters of the 2023/2024 fiscal year.

Total expenditure increased by \$76.9 million to \$2.4 billion during the first nine months of the fiscal year. This fulfills 69.7 percent of the budget target.

### **Recurrent Expenditure**

Specifically, recurrent expenditure increased by \$35.9 million to total \$2.2 billion, which accounts for 70.3 percent of the budget forecast. This increase reflects the following:

- Outlay on compensation of employees increased by \$35 million to total \$629 million, representing 73.5 percent of the budget target. This reflects a higher public sector wage bill, due to various union agreements and employee promotions and classification reforms.
- Interest Payments on Public Debt increased by \$17.3 million to total \$409.1 million and amounted to 66.8 percent of the budget forecast. Payments on foreign currency obligations totalled \$205.7 million or 50.3 percent of the total, while payments on our domestic debt obligations totalled \$203.4 million or 49.7 percent of the total.

Beyond these increases in expenditure, a few categories of spending experienced reductions.

- Spending on the use of goods and services had a modest decline of 0.1 percent to total \$431.7 million, which represents 68.7 percent of the budget forecast.
- Current transfers not elsewhere classified fell by \$4.8 million to \$158.5 million, or 62.5 percent of the budget forecast.

- Government subsidies contracted by \$17.6 million and totalled \$312.8 million. This equals 76.7 percent of the budget forecast.

## **Capital Expenditure**

Madam Speaker:

Regarding capital expenditure, spending increased by \$41.0 million, totaling \$235.0 million, which accounts for 64.4 percent of the budget forecast. This increase was driven by a net rise for the acquisition of non-financial assets, including building maintenance for educational facilities, road works, sporting infrastructure development, and Family Island capital development.

## **Deficit Performance**

Madam Speaker:

The Government's fiscal performance for the first nine months of the fiscal year shows a deficit of \$214.1 million, which accounts for 2 percent of nominal GDP. This represents a decrease of 14.3 percent from the deficit of \$249.8 million in the same period of the

prior year. The deficit in the previous year amounted to 2.4 percent of nominal GDP, at end March-2023.

We achieved a decrease in the deficit via operational efficiency, while ensuring no new taxes and controlling expenditure.

I want to note that payables have been declining, falling to 2.1% of nominal GDP at the end of 2023, so that suggestions that the reduction in the deficit is due to an accumulation of payables are erroneous.

### **Primary Balance Performance**

Madam Speaker:

The primary balance refers to the difference between a government's total revenue and its **non-interest** expenditure. This measure provides significant insight, from a fiscal policy perspective, into a country's fiscal health. This represents the ability to meet financial obligations **without relying on borrowing**.

At end-March 2024, the primary balance reflected a surplus equating to \$194.9 million or 1.8 percent of nominal GDP. This represents an improvement over the primary surplus of \$142.0 million or 1.4 percent of GDP in the prior fiscal year. To date, this equates to 40.5 percent of the budget forecast.

This increasing primary surplus signifies that revenue collection is growing faster than primary government spending.

**In fact, for the third consecutive time, we have achieved a primary surplus.**

The primary surplus shows that the Government is not borrowing for public interest expenses. Going forward most borrowings will be for critical infrastructure as we continue on the path to achieve a balanced budget.

Maintaining a healthy primary balance is crucial for ensuring long-term fiscal stability and avoiding excessive debt accumulation.

### **Debt Performance and Trajectory**

Madam Speaker:

As a result of net borrowing activities, total central Government debt totalled \$11.5 billion at end-March 2024. Domestic currency debt accounted for \$6.1 billion or 52.6 percent of total central Government debt. Foreign currency debt accounted for \$5.5 billion or 47.4 percent of total central Government debt.

Over the period, the debt-to-GDP ratio has been trending downwards as Government stands firm on its debt strategy and achieving its medium-term debt target.

As such, at end-March 2024, the debt stock equated to 79.9 percent of GDP, a decrease from the ratio of 80.3 at end-June 2023, the end of the last full fiscal year.

In their most recent Staff Report, the IMF predicted that the debt to GDP ratio would decline to 78.0 percent by FY2027/2028.

As we can see, our debt to GDP ratio has *already* reached 79.9 percent of GDP by the end of March 2024.

We are several years ahead of schedule!

It's no small thing to beat IMF projections by several *years* – and doing so reflects the seriousness of our commitment to our fiscal plan and our debt reduction strategy.

### **Projected Fiscal Outturn in FY2023/24**

Madam Speaker:

As I previously indicated, revenue receipts showed robust performance during the nine-month period to March 2024 and extraordinary performance during the month of April 2024. Year over year revenue growth is currently at 9 percent, notwithstanding the underperformance in VAT on real estate transactions.



We expect little or no fall in revenue performance over the last month of the fiscal year and project total revenue of \$3.1 billion, which represents an 8 percent increase in overall revenue.

On the expenditure side, we project both recurrent and capital expenditure to be slightly below our original estimates with recurrent expenditure expected to be about 5 percent below budget and capital expenditure around 10 percent below budget. Most of the shortfall in the capital spending directly relates to slow disbursements from multilateral-funded projects.

Total expenditure is expected to be \$3.3 billion in comparison to the budgeted amount of \$3.45 billion.

We estimate that our projected deficit is going to fall between 1 and 1 ½ percent of GDP, slightly higher than the FY2023/24 original forecast of 0.9 percent of GDP.

However, our projection accounts for a 60.6 percent decrease in the deficit outturn from the previous fiscal year- FY2022/2023.

The projected deficit between 1 and 1 ½ percent of GDP is also lower than the IMF's projection of 2.6 percent of GDP, in their Staff report released in January 2024.

This out-turn can be directly attributed to robust revenue performance in most categories and our consistent commitment to expenditure control.

### **Financing Activities**

Madam Speaker:

I now shift our focus to the subject of government financing.

With respect to domestic debt, we've undertaken strategic measures to bolster our financial position. We've successfully issued \$236.4 million in T-bills and \$149.2 million

in local bonds, demonstrating confidence in our domestic markets. Additionally, our commitment to fiscal responsibility is evident in our net repayment of \$131.1 million in Central Bank advances and \$117.1 million on existing loans. These actions reflect our dedication to managing our domestic debt obligations responsibly and sustainably.

Turning to external debt, we've secured crucial financing arrangements to support our nation's development agenda. Notably, we've received a commercial loan of US\$500.0 million from Banco Santander S.A. and BNP Paribas, bolstered by an IDB policy-based guarantee.

I explained the Banco Santander transaction in great detail during the Mid-Year Budget earlier this year, so it is on public record.

Continuing, disbursements totaling approximately \$63.1 million on new and existing multilateral debt have further fortified our external financial position. We have also remained steadfast in our commitment to fiscal discipline by repaying \$662.4 million on existing external debt.

Madam Speaker:

At the end of March 2024, the weighted average interest rate (WAIR) on our existing debt was 5.8 percent. This reflects an increase from our total weighted average interest rate of 5.6 percent in 2023. This uptick indicates a modest rise in borrowing costs over the period.

Further analysis reveals that the interest rates for external bonds experienced a slight uptick, reaching 7.3 percent in end-March 2024, compared to the 7.2 percent in end-March 2023. The interest rates for external loans increased to 6.8 percent in end-March 2024, compared to the 5.9 percent in end-March 2023. However, our domestic debt portfolio remained relatively stable, with the interest rates for both bonds and loans holding firm at 4.6 percent and 4.9 percent, respectively.

In terms of debt maturity, at end-March 2023, the average time to maturity stood at 6.6 years, reflecting stability in the government's debt profile. However, by March 2024, there was a slight decrease in the average time to maturity to 6.5 years, primarily driven by changes in the internal loan component. Notably, the average time to maturity for external debt remained steady at 6.6 years, underscoring the government's efforts to manage external financing risks amidst challenging market conditions.

## **Medium-Term Debt Management Strategy**

Madam Speaker:

I am pleased to share with you the latest developments regarding our Medium-Term Debt Management Strategy (MTDS), which underscores significant progress in areas which are critical to our nation's financial stability.

Firstly, our government has made substantial strides in shifting away from costly external commercial debt. Recognizing the importance of fiscal sustainability, we have actively shifted our borrowing focus from external markets towards the more favorable options available domestically. This strategic shift not only helps to reduce borrowing costs but also strengthens our resilience by tapping into the stability of the domestic market.

Another notable achievement is the prolonging of the average maturity time of our debt. By extending the maturity profile of our debt, we are actively mitigating refinancing risks and enhancing overall debt sustainability. This allows us to better align with our long-term fiscal objectives, alleviating the burden of short-term debt obligations and providing more stable financing conditions over time.

The advancements in our Medium-Term Debt Management Strategy reflect our commitment to prudent fiscal management and the pursuit of sustainable economic policies.

## **Climate Finance**

Madam Speaker:

To understand our fiscal situation, one must understand the impact of the climate crisis on The Bahamas.

Small island nations like ours have contributed only a tiny fraction of the fossil fuel emissions which are causing climate change, but we are among the most vulnerable to the impact of warming seas, more intense storms, and environmental degradation.

In fact, the Inter-American Development Bank (IDB) estimated that our country sustained \$7.7 billion in economic losses in the past decade alone, from the impact of extreme storms like Dorian and Matthew.

These storms leave in their wake terrible tragedies.

And they also leave behind the kind of destruction which slows our national development.

Storms have wiped out hospitals, airports, roads, schools, and water and sewage pipes, disrupting economic activity, reducing government revenue, and requiring new government spending. We borrow in order to recover and rebuild – increasing our debt burden, which affects the interest rates we pay, which are already higher than we want them to be because lenders price in our *future* climate risk, too.

As you've heard me say many times – we're paying for the hurricanes of the past – *and* the hurricanes of the future.

That's why we have worked so hard to stand up for The Bahamas on the world stage, forming alliances with other small island nations, and working for climate justice at summits with leaders from around the world.

Fairness principles, such as "the polluter pays", means that wealthy, high-emissions countries should pay for the impact caused by their pollution. The establishment of a Loss and Damage fund at the United Nations is a good start, but it will be a fight to induce countries to fund it properly.

That's one of the reasons why we've been working to be the first country in the world to establish Blue Carbon Credits.

Our seagrass meadows cover 92,000 square kilometers – and absorb as much or even more carbon than the Amazon Rainforest. We worked with the IMF so that Blue Carbon Credits could be established as an asset class, and we are working with scientists and an independent verification company to methodically map and quantify the seagrasses.

When we've finished the mapping and the verification process, we will be in a strong position to determine the best way to move forward. The voluntary carbon credits market has changed a lot since we entered office, and new efforts to regulate and standardize practices are underway. Our goals remain the same: to protect our beautiful waters *and* to be compensated properly for the role our seagrasses play in removing carbon from the atmosphere.

In addition, separately, we are also considering a debt-for-nature arrangement, which would allow the government to increase our conservation efforts, such as improving our biodiversity and the health of our ecosystem, while reducing the government's cost of capital.

And as part of our strategy to manage debt, The Bahamas has joined the Development Bank for Latin America and the Caribbean (CAF), which will increase our access to concessional resources. In April of this year, two agreements with the Development Bank of Latin America and the Caribbean were signed to start the process of The Bahamas obtaining full membership in the CAF. Legislation to join CAF will be tabled during the budget debate.

CAF is a development bank committed to improving the quality of life in Latin America and the Caribbean. With over \$54 billion in assets and a robust credit rating, CAF promotes sustainable development and regional integration with an aim of converting the organization into a green and blue bank.

Membership in CAF provides The Bahamas new opportunities to improve the quality of life for all Bahamians, and underscores our country's commitment to development, environmental protection, and preparing for the growing impacts of climate change.



## **Credit Ratings and Recent Credit Update**

Madam Speaker:

I'm pleased to share with you an update on The Bahamas' credit rating, as assessed by Moody's Investor Services and S&P Global Ratings.

In April 2024, Moody's Investor Services affirmed The Bahamas' credit rating at B1 with a stable outlook. Despite the challenges we face, Moody's acknowledges several strengths in our nation. These include our stable political system, a robust institutional framework, and recent improvements in fiscal policy effectiveness. These factors have contributed to the maintenance of our stable credit outlook.

Similarly, in September 2023, S&P Global Ratings reaffirmed The Bahamas' credit rating at B+ with a stable outlook. This decision reflects the resilience of our economy, led by the tourism sector, which has facilitated fiscal improvements and slowed the growth of total debt accumulation. The strategies implemented by our government to address financing and refinancing needs, combined with the stability of our political environment, have instilled confidence in our ability to manage risks and uphold macroeconomic stability.

## **Removal From EU Blacklisting**

Madam Speaker:

On February 20th, 2024, the Ministry of Finance announced that The Bahamas has been removed from the European Union's list of non-cooperative jurisdictions for tax purposes. This accomplishment is a result of the hard work and dedication of our government. Over the past years, we have made significant progress in addressing concerns from the OECD and EU through measures such as investing in new reporting systems and increasing compliance efforts. Our goal now is to secure a Fully Equipped Monitoring Mechanism designation and to remain off the EU's blacklist.

### **Procurement Reform**

Madam Speaker:

In October 2022, we embarked on a transformative journey with the launch of the GoBonfire eProcurement Platform, aimed at modernizing our procurement procedures and enhancing transparency across all government agencies. This platform empowers vendors by providing them with seamless access to procurement opportunities, which allowed them to efficiently search for opportunities, download necessary documents, and receive timely notices.

As of May 9, 2024, the data from the GoBonfire portal speaks volumes about the tangible benefits of this initiative. With total government savings amounting to \$16.5

million, we've successfully optimized spending and negotiation processes, leading to substantial cost reductions. Moreover, the registration of 6,377 external vendors signifies robust participation and healthy competition in government procurement, fostering a vibrant marketplace. Furthermore, the platform's provision of 4,177 total opportunities, encompassing completed, evaluated, open, and archived projects, underscores its pivotal role in promoting transparency and accessibility throughout the procurement process.

## **The 2024 Fiscal Strategy Report**

### **Overview**

Madam Speaker:

The 2024 Fiscal Strategy Report will be tabled immediately after tabling this budget. This Report follows the guidelines set by the Public Finance Management Act, 2023, demonstrating the Government's commitment to budget credibility, transparency, and fiscal sustainability. It outlines the Government's medium-term fiscal framework which serves as the foundation for shaping the FY2024/2025 budget, annual borrowing plan, and medium-term debt strategy.

## **The Capital Expenditure Fiscal Target in the FSR**

Madam Speaker:

I would like to provide a further clarity on the medium-term capital expenditure fiscal target. According to the PFM 2023 and 2024 FSR, capital expenditure is projected to be 3.5 percent of GDP by the fiscal year 2025/2026 and will continue to be maintained at that level.

It is important to note that this ratio includes capital expenditures not only for central government but also for state-owned enterprises and government agencies. Therefore, the 3.5 percent ratio accounts for total public government capital outlays. For example, investment in airports are largely funded by the Airport Authority. Thus, this clarification is now made as an amendment to the PFM Act.

The government acknowledges the importance of infrastructure development in promoting sustainable long-term growth. Therefore, in the medium term, capital projects will be primarily funded by State Owned Entities, concessional loans or through increased public-private partnerships rather than relying solely on government revenues

or borrowings, as relying too heavily on government revenue or borrowings for capital infrastructure could jeopardize our long term fiscal health.

Moving forward, the Government plans to utilize funding from three sources: directly from the SOEs own resources; expanding Public-Private Partnerships; and Government Guaranteed Loans. These sources of funding will be listed in the budget, but the actual capital investment will not be reflected in the budget estimates. In the past, funding for capital projects came almost exclusively from the Government's consolidated fund.

In light of this, it was important to specify that the capex target ratio in the medium-term fiscal framework would mainly consist of investments made by central government in the foreseeable future, which would lead to the downward trend in the long-term capex ratio over time.

## **Budget Estimates for FY2024/25**

### **Overview of Budget Estimates for Revenue and Expenditure**

Madam Speaker:

I now turn to the Budget Estimates for FY2024/25.

The 2024/25 budget estimate for total revenue amounts to \$3.54 billion.

This estimated revenue excludes reimbursement of \$75 million from the Grand Bahama Port Authority during this specific budget year. In our budget book annex, a list of tax arrears is provided, which show the total amount due to the Government, inclusive of our claim of \$357 million against the Grand Bahama Port Authority.

Total expenditure is estimated to amount to \$3.61 billion, of which, recurrent expenditure accounts for \$3.27 billion and capital expenditure for \$344.5 million.

The fiscal deficit is estimated at \$69.8 million or 0.5 percent of GDP, with the primary balance showing a surplus of \$586.9 million or 3.9 percent of GDP. Given this, the debt to GDP ratio has been projected at 75.3 percent of GDP at the end of the FY24/25.

### **Fiscal Management and SOE Reform**

Madam Speaker:

On May 9th the Ministry of Finance and the Ministry of the Public Service officially launched Cloud Bahamas, which is the name of our new Government Enterprise Resource Planning Application. This application or ERP is going to modernize how we do business in the public service.

As we've referenced in the past, the previous government put in place a compendium of financial legislation<sup>3</sup> which included reporting obligations which could not be met using the government's existing financial information systems.

We decline to speculate as to whether an error of this magnitude was intentional, but subsequent complaints about missed reporting deadlines, when the government's existing systems made reporting impossible, cannot be taken seriously.

Thus, we have ignored the noise and focused on the remedy.

Beginning in January 2025, CloudBahamas will bring change and innovation to the public sector.

The new system will allow for improved financial reporting, including a public sector income statement and balance sheet. I will speak to additional innovations of CloudBahamas later in this communication, but I am highlighting here the improved financial reporting capacity and the significant benefit of lowering the costs of operating the public sector.

Madam Speaker:

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<sup>3</sup> 2018 Fiscal Transparency Act, 2020 Public Procurement Act, 2020 Public Finance Management Act.

In accordance with the PFM Act, and to ensure prudent fiscal management, this budget year, we are appointing both the Public Sector Audit Committee and the Fiscal Responsibility Council.

The Fiscal Responsibility Council will assess compliance with the general principles, fiscal responsibility principles and fiscal objectives and advise on fiscal and budgetary matters of the Government.

The Public Sector Audit Committee will advise on the resources of the Internal Audit Department and Auditor General, recommend an internal audit charter for approval by the Auditor General, advise the Financial Secretary on resources for the Internal Audit Department, review and make recommendations on audit reports and management action plans, require explanations for deficiencies in reports, review progress against the audit plan, and refer matters to the appropriate authorities.

These very important new initiatives will bring substantial support to our determination to exercise prudent fiscal management.

Madam Speaker:

The PFM Act outlines the reporting and financial responsibilities of State-Owned Enterprises (SOEs). Further, in section 113, a statement of corporate intent and business plan is also required. This administration is committed to ensuring compliance with these regulations. In cases where SOEs are unable to fulfill these obligations, they



will be provided with support and guidance to help them improve their performance in these areas.

Earlier this year, a workshop was provided for directors of SOEs, to provide support for improving management practices, gaining efficiencies, and optimizing productivity.

Our objective is to support improvements and efficiencies in our state-owned enterprises (SOEs), which will support meeting fiscal and expenditure targets in the coming years. This ongoing reform process is crucial for us to stay on course towards our medium-term financial objectives.

## **Key Budget Measures**

### **Revenue Measures**

This administration's revenue philosophy has always been to lower the overall tax burden for ordinary Bahamians, and to focus on tax efficiency and enforcement.

This budget has no new taxes, with some adjustments made to fees on government services where the cost of providing that service has increased.

Since we started prioritizing this focus, we have gained favorable results. The revenue to GDP ratio has shown consistent growth, rising from 18.7 percent at the beginning of

our first term to 20.4 percent in the most recent complete fiscal year, which was 2022/23. Going forward we will continue on this path of revenue enhancement toward the attainment of our medium-term revenue target of at least 25.0 percent of GDP.

Madam Speaker:

The revenue measures in Budget 2024 can be categorized as falling within four main priorities, which are:

- enhancing the well-being of Bahamians and creating opportunities;
- increasing revenue from foreign direct investment;
- addressing the revenue underperformance of VAT on real estate transactions;
- and
- developing an equitable and competitive business environment.

### **Enhancing the Well-Being of Bahamians and Creating Opportunities**

Madam Speaker:

A key policy priority for our government is supporting new opportunities for Bahamians and incentivizing Bahamian participation in our growing economy.

Accordingly, we are expanding the list of duty concessions in the fishing industry, including:

- Push Poles, Poling Towers, Trolling Motors, Refrigerated Trucks
- Fiberglass tanks, troughs, raceways and aquaria
- Aquariums, aquaculture heaters, and Chillers
- Sumps
- Fractionators and protein skimmers
- Water Chemistry probes and meters
- Water quality supplies, Powerheads Aquarium and Aquaculture lighting, Ultraviolet lamps

We believe Bahamians should be given every opportunity to participate in a more modern fishing industry in The Bahamas.

In addition, we want to create greater opportunities in manufacturing, and reduce barriers to entry.

By encouraging more opportunities in industry and manufacturing in The Bahamas, we not only broaden our economy, but we lessen our dependency on imports.

Therefore, we are removing the bond requirement for authorised manufacturers under the Industries Encouragement Act. In addition, we are removing customs duty on parts for machinery for businesses under the same act.

We are always working to expand Bahamian ownership in our tourism industry.

In this budget, we are adding a new provision, specifying that only Bahamians may be issued a license for the commercial operation of all motorized watercraft, including jet skis. The recreational watercraft industry in The Bahamas must be owned and operated by Bahamians.

This includes ownership and operation of jet skis for hire and other commercial leisure boating activity. Bahamians should get the maximum benefit from our successful tourism industry,

We have included a number of additional custom duty reductions in this budget. The Tariff Act and Customs Regulations will be amended in the following ways:

- fire extinguishers will now be duty free;
- drones will now be duty free;
- laundry detergents in the form of paper sheets will now be duty free;
- sea moss for health benefits will now be duty free;

- digital camera parts will now be duty free.
- duty on cotton sheets, bed linen, and cotton bed linen will be reduced;
- duty on composite rebar of plastic will be reduced;
- duty on compostable bags will be reduced; and
- duty on paper bags will be reduced, to encourage the use of eco-friendly packaging items.
- The environmental levy on kayaks will be reduced.

Madam Speaker:

The First Schedule of the Customs Management Act will be amended to add ATM skimmer machines to the prohibited list of imported items. Upon investigation, it was clear that this item is being imported for illegal transactions, particularly by foreign nationals.

Madam Speaker:

I want to share some good news.

Provisions were made to the Consular Fee Schedule, so that the Passport Office will now be able to courier Bahamian passports to residences abroad, including in the USA, Canada, and UK.

This means that passports can now be delivered directly to the recipient's address overseas, rather than requiring travel to an embassy. This is especially beneficial for individuals residing in locations far from an embassy, such as those living on the west coast of Canada, where there is no Bahamian consulate. Currently, Bahamians living there need to travel long distances to collect their passports, for example, to the consulate in Toronto, the embassy in Ottawa, or the consulate in Los Angeles. When this arrangement comes into place, passports will be delivered to home addresses of our citizens.

Madam Speaker:

In order to support our talented Bahamian artists, this budget will continue provisions which would allow Bahamian artists to import supplies and equipment on a duty free basis.

The Ministry of Finance will also create a web interface to make the process easier for Bahamian artists.

And in the coming weeks, we will bring forward new intellectual property legislation that will benefit Bahamian creatives enormously, incentivizing them to create here, where they will have new intellectual property protections, and empowering them to negotiate from a stronger position with content platforms abroad.

### **Increasing Revenue from Foreign Direct Investment**

Madam Speaker:

Foreign investment has long been one of the primary drivers of our economy. Another key focus of this budget is to enhance the income generated from foreign direct investment, and to streamline the processes for better collection efficiency.

Therefore, Madam Speaker:

The Department of Immigration's expedited fee will now be 10.0 percent of the actual cost of the work permit, with no change in the minimum fee of \$400.

The Immigration Department will also implement a Visitors Stay extension application Fee of \$200. This will cover the costs of issuing a visitors' card.

In addition, the Trusted Traveller programme will begin this new fiscal year. The Trusted Traveller programme is designed for frequent visitors to The Bahamas and will speed up immigration processing at the Border. A fee of \$200 will be set for this programme.

We are also imposing a \$500 reinstatement fee for Permanent Resident Applications which have been successfully concluded but not finalized after 90 days.

Madam Speaker:

The requirements for application for economic permanent residency have been updated. The minimum investment requirements to qualify for economic Permanent Residency status will be increased and diversified. Before, the requirement only called for \$750,000 in Real Estate investments. This will now increase to \$1.0 million in real estate investments and or the purchase of Zero Coupon Bonds from the Central Bank of The Bahamas. In both cases, the asset must be held for a minimum of 10 years. This measure will come into effect January 1, 2025.

The legislation is clear that the proceeds from these bonds can only be used for investment in Education, Health, Culture and Family Island Infrastructure, and not to fund ordinary expenses of the Government.



We are also amending the Immigration Act to clarify that Deed of Gift cannot be used by foreigners to make application or qualify for permanent residency.

Additionally, we propose to enforce the following rules when submitting applications for economic permanent residency based on the purchase of real estate. That is, to provide 3 items:

**a) Firstly, applicants are required to provide the Real Property Tax assessment number of the property being purchased:**

This will allow Real Property Tax numbers to be carried through in the process for greater transparency and tax efficiency.

**b) An appraisal report no more than 12 months old and to the standard used by commercial banks on the evaluation of financing. This is to ensure that real estate meets the minimum threshold for consideration for economic permanent residency.**

**c) Finally, applicants will need to provide a stamped conveyance.**

Madam Speaker:

It is not right to sign away acres of seabed to commercial ventures for minimal amounts, something I am sorry to say has occurred in the past.

No more.

The government is currently undergoing a comprehensive evaluation of all seabed leases in order to guarantee that we are receiving fair compensation for the use of our resources.

### **Addressing the revenue underperformance of VAT on real estate transactions**

Madam Speaker:

We have discovered that information provided by the local real estate sector about the buoyancy of the high-end real estate market is not reflected in the government's receipts.

We have witnessed a sizable drop in revenue this year for this category. This is the primary underperforming revenue item that we have identified, and we have included a number of administrative measures to address the underreporting of real estate transactions.

One such measure is the requirement that the Real Property Tax Assessment Number provided by Department of Inland Revenue must be affixed on the Certificate of Registration and all certificates, before forwarding to the Department of Immigration. Further, the Department of Immigration must ensure that the Real Property Tax

Assessment Number is captured on its approval documents for economic permanent residence and homeowners.

This administrative step will help streamline the process and ensure that the real property tax number is carried throughout all processes across all government agencies, which would allow for auditing to ensure that the correct tax amount is being paid.

Madam Speaker:

Another area of concern is, the government is aware that there are a number of unstamped documents held by persons, which results in these persons not being able to prove land ownership to the Department of Inland Revenue and otherwise. This is an impediment for development and commerce in this country. So, the Government has made the decision to grant amnesty to allow documents to be stamped at the value of the time in which the transaction took place rather than at the current market value.

This regime is temporary and effective immediately with an expiration date of December 1, 2024.

This is a significant concession. At present, all documents are stamped at their current market value, regardless of when they were purchased. For example, suppose an individual purchased a property thirty years ago for \$25,000 and sold that same property for \$50,000, but never stamped the documentation. Later on, a new prospective buyer wants to acquire the property through a mortgage. The property now has a small house on it that is worth \$150,000. In order to have the property

financed, all of the transactions for the last 30 years need to be recorded, that is, to have the VAT paid at the current market value of \$150,000 plus penalty. Unfortunately, this is all too often a deal breaker, preventing the transaction from moving forward, hurting both the buyer and the seller, and acting as a drag on the real estate market.

Another measure to address the issue of revenue underperformance for VAT on real estate will be the elimination of Inter-vivos transfers to non-natural persons. All inter-vivos transfers after July 1<sup>st</sup> would have to be to a natural person.

### **Developing an Equitable and Competitive Business Environment**

Madam Speaker:

Another goal for our government is to reduce barriers and encourage wider participation in all aspects of our economy.

One barrier we are taking down is related to investment in the real estate sector.

We are providing a VAT exemption for individuals investing in a real estate trust, where the individual investment totals less than 10% of the ownership. Thus, the Real Estate Trust is responsible for paying VAT when initially acquiring property, but individuals buying or selling shares in the trust are eligible for VAT exemption. It is required that a minimum of 10 individual investors participate in the purchase of the property, and these investors must be separate entities, not related entities with beneficial ownership.

Madam Speaker:

For individual customs entries which total **more than \$750,000**, the maximum Customs processing fee will increase from \$750 to \$1000.

To reiterate, this will **only** impact individual customs entries over **\$750,000 in value**.

Madam Speaker:

Credit unions are currently taxed as other financial services entities, by paying a business license fee.

This budget includes an amendment to the VAT Act seeking to exempt credit unions from paying the business license fee if they pay their Central Bank regulatory fees.

We expect that the regulatory fee applied would represent the true cost of regulation of these very important financial institutions, as the Government recognizes that credit unions provide valuable access to financing for ordinary Bahamians, and we are committed to maintaining and enhancing that access.

Madam Speaker:

As previously stated in prior communications, the proposed legislation for the implementation of an International Business Income Tax for large multinational

corporations will come into effect this year. Our objective is to present the draft legislation at the conclusion of the budget debate in order to initiate the process of public consultation. This legislation will have an expected effective date of January 1, 2024.

The Government estimates that introducing a Qualified Domestic Top-Up Tax for in-scope Pillar two multinational entities operating within The Bahamas will bring in an additional \$140.0 million in potential revenue. However, revenues from this measure will not be seen until FY2025/2026.

The coming into force of the International Business Income Tax for large multinationals would necessitate changes to the current business licence and Stamp Tax Regime. For example, no business would be subject to both taxes, and the Stamp Tax Regime would amend to convert the 5 percent tax on dividends into a withholding tax to avoid a potential double taxation.

Madam Speaker,

We also have to ensure that there are no opportunities for tax arbitrage, and as result, when we table the new legislation, we will also table amendments to the Business Licence Act, focusing on the largest companies, with revenues of five million dollars or more, per annum.

This is approximately one percent of the business licence registrants. In the current fiscal year, ninety-one percent of registrants pay no business licence fees, with declared revenue of less than \$ 100,000 per annum, an additional four percent have declared revenues of less than \$500,000, and an additional four percent have declared revenues of less than \$5 million. The proposed reform would impact only the largest companies.

We plan to consult closely with the business community on these measures prior to presenting new legislation in Parliament.

Madam Speaker:

The Business License Act is also amended to clarify that the rate for businesses with a turnover of \$100,000 and below, that are exempted from Business Licence Tax, **does not apply** to financial services entities, international business companies, proprietary trading entities, and family offices.

## **Expenditure Measures**

Madam Speaker:

I turn now to the expenditure measures in the budget.

You will see that **even as we are seeing levels of revenue, our expenditures remain measured and strategic.**

Our vulnerability on the frontlines of climate change, our exposure to downturns in the US economy, and the turbulent commodity markets which accompany geopolitical conflict, all necessitate prudent fiscal management.

Nonetheless, we are unwilling to postpone any longer some of the big, transformative changes that our country needs – in energy, in health care, in infrastructure -- to really serve our people well, to support a vibrant economy, and to give us strength and resilience in uncertain times.

The government cannot shoulder the full costs of transformative change across multiple sectors simultaneously – especially after years of one external shock after another, from Dorian to COVID to the global inflation crisis.

We need to limit upfront costs for the government, so that we can create the fiscal buffer we need to survive future external shocks.

But we do not accept constraints on the size of our ambition.

Thus, we are creating public-private partnerships in critical areas.

Other new projects and initiatives will be funded via Government Guaranteed loans.

And we are moving to limit state subsidies for our State-Owned Enterprises, which we believe can become profitable - revenue generators rather than expenses.



We don't need to scale back our ambitions – we just need creativity and innovation to achieve them.

Madam Speaker:

As I review some key expenditure measures, it will be clear that the investments in this budget are investments in our people, our safety, our prosperity, and our future.

### **Investing in our Public Service**

Madam Speaker:

A strong public sector is essential for a nation's progress.

Beginning in July of last year, the Ministry of Labour and Public Service rolled out the first public service wide promotional exercise in over nine years, providing an additional \$18 million dollars for public servants. This is separate and apart from our efforts to eliminate the decades-long promotions backlog, which is moving steadily along.

As of today, we have negotiated over 27 trade union agreements, increasing salaries and introducing new benefits for many public servants, including our uniformed branches, teachers, and nurses.

Between the promotions and the new trade union agreements, thousands of public servants have been positively impacted.

Even so, we believe salaries are too low, and that fair compensation is crucial for attracting and retaining the best employees.

Therefore, funds have been designated in this budget to conduct and implement a salary review, with the aim of increasing the compensation for the entire public service, including accountants, nurses, teachers, Defense Force officers, Police Force officers, Immigrations, Corrections and Customs Officers – all of whom should be adequately compensated for their hard work and dedication.

In addition, funding has been allocated for the continuation of training of mid-level and senior public officers through the University of The Bahamas and for the full implementation of the Public Service Scholars Programme. Funding has been allocated for a project aimed at enhancing the skill set of individuals within the public service workforce.

Madam Speaker:

During the current year, we invested in digital transformation of the public service to streamline for efficiency and productivity. Nearly one million files have been scanned and digitized and soon all Human Resource and payroll processes will be automated and digitized with the rollout of the Cloud Bahamas system.

Key features include a redesign and fully electronic salary notifications form; online job applications for most posts; and biweekly salary payments for all employees.

At the macro level, Cloud Bahamas will lower the cost of operating the public sector, moving the public sector from a reactive mode to a proactive mode. In simple terms, it means that individuals will not have to wait 20 years to be paid the right salary, or the Government does not have to wait 5 years to be notified that an employee has abandoned his/her job.

Other innovations are on the way.

During the upcoming budget cycle, we will launch a pilot to provide free training and paid apprenticeships through the National Apprenticeship Programme.

We will also fully launch the Notice of Vacancy Policy Enforcement Unit to ensure that Bahamian understudies are trained for roles currently occupied by non-Bahamians.

Madam Speaker:

Funds have been allocated to implement the Government's reformed pension plan. This reform is very important to managing the Government's existing pension liability risks.

On February 21, 2024, the Government commenced a public feedback process on the Draft Pensions Bill, which aims to reshape the public service retirement system to enhance preservation, reduce pension liabilities, and ensure equitable employee benefits. The Bill proposes the establishment of a Contributory Public Service Pensions Fund, transitioning from a non-funded, non-contributory scheme, to a funded and defined contributory pension plan.

This administration anticipates tabling this Bill at a time before the summer recess during this session of Parliament.

However, this reformed pension plan only addresses the pension needs going forward. We are still looking into addressing Government's legacy pension plan, as the introduction of a contributory pension plan does not address the existing pension liability of the Government.

## **TOURISM**

Madam Speaker: We don't believe in resting on our successes, we believe in expanding them.

We broke records with nearly ten million visitors last year. Now we want to break new records – and support a record number of success stories for Bahamian entrepreneurs. That's why we've launched a Tourism Development Fund, to provide targeted funding for local tourism-based businesses, and we've opened a free incubation centre, a shared working space for innovative small businesses, at the heart of Bay Street.

Speaking of Bay Street – that's another place where the status quo has long been unacceptable. This year, we made significant progress on demolishing derelict and abandoned buildings that stood as eyesores for years.

Our investments in tourism included expanded airlift to the US, Canada, and Europe and the beginning of works on the Bimini, Cat Island, and George Town airports. We started demolition works for the Grand Bahama International Airport and we will begin construction of the new Grand Bahama Airport this budget cycle. Investing in airports is a strategic move that can yield significant returns, airports are key drivers of economic growth and development. Funding for the airports in Cat Island, Exuma, and Grand Bahama are expected to be sourced from the Saudi Fund for Development, and other Government Guaranteed Loans provided to the Airport Authority.

In this budget, we recognize that strategic investment in sports tourism promotion helps us draw visitors, stimulate revenue, and create jobs. Moreover, sports tourism elevates our global standing, solidifying The Bahamas as a venue for sporting events and competitions on the international stage.

Further, funding has also been allocated to bid for the 2026 World Relays and prepare for the upcoming 2026 Bahama Games.

Madam Speaker:

As part of our ongoing efforts to enhance our tourism product and attract more visitors, funding has also been allocated for the upgrade of national sites, managed by the Clifton Heritage Authority and the Antiques Monuments and Museum Corporation. These

investments will help to improve infrastructure, facilities, and overall visitor experience at key attractions. By upgrading these sites, we can best showcase our rich cultural heritage and natural beauty.

We are doing more to ensure that the experience of traveling to and from The Bahamas is a positive one. We introduced additional Immigration Booths at the Lynden Pindling International Airport to alleviate congestion and reduce wait times, given the record levels of arrivals we are seeing. In the upcoming budget cycle, we will recruit an additional 100 Immigration officers.

These investments will allow us to take full advantage of the meteoric growth we are seeing in tourism.

## **NATIONAL SECURITY, LAW and ORDER**

National Security is essential for national growth and development.

We have recruited additional Royal Bahamas Defence Officers and purchased four new safe boats to patrol our waters. Our vessels are a part of the southern blockade we have formed with international partners to detect and intercept undocumented vessels in our waters.

We have recruited more Royal Bahamas Police Force Officers, which will allow us to continue our current strategy of expanded patrols throughout New Providence. We are supporting the increase in manpower with expanded CCTV surveillance capabilities powered by Artificial Intelligence and facial recognition technology.

In the upcoming year, we have allocated funds to strengthen our electronic monitoring capabilities, strengthen the CCTV network, expand the use of body cameras on police officers, add to the police vehicle fleet, and acquire new vessels for the Defence Force. We see these expenses as an investment in the safety of our people.

Madam Speaker:

We are introducing amendments to the Road Traffic Act which will allow the Royal Bahamas Police Force to impound unlicensed or uninsured vehicles driven by persons who do not possess a valid driver's licence – as unlicensed vehicles are known to represent a substantial public health and crime risk.

Madam Speaker:

We also recognise the fact that food security is national security, so we have allocated funds to expand programmes like the Golden Yolk Egg Production initiative as we take steps toward growing more of what we eat at home.

Madam Speaker:

As previously announced, the Government through its real estate investment vehicle, "Poinciana" has completed the purchase of the former home of the Registrar General Department "50 Shirley Street". The Government is also finalizing the transfer from the National Insurance Board to Poinciana, the Rodney Bain Building. The site of these two buildings would be the new judicial complex. The size of this investment is \$70 million and will be raised by "Poinciana", independent of the Government. Work on this project

has already commenced and demolition of the Rodney Bain Building, which is the first phase of this project, is scheduled to commence in the early fall.

Madam Speaker:

In this budget, we have dedicated financial resources towards the creation of both a Judicial and Parliamentary Authority. Additionally, funding has been set aside for the Attorney General's Office to improve the operations of the Registrar General's Department and enhance its services for the community. Moreover, this budget includes allocation of funds for settlement of outstanding legal judgements inclusive of land acquisition matters.

Madam Speaker:

In the upcoming budget cycle, funding has been set aside to improve the operations of the Registrar General's Department and enhance its services for the community.

This budget also allocates funds for the modernization of the parliamentary registration system.

## **YOUNG BAHAMIANS**

Madam Speaker:

Our youngest citizens are our pride and joy.



Over the past year, we began the process of a comprehensive, research-based curriculum reform, to modernize the curriculum, and improve educational outcomes. We will see the results of this work soon. Meanwhile, our primary school students have been served more than 100,000 breakfasts – that’s 100,000 times a child was able to focus on his or her teacher and the lesson properly, without feeling hungry. The programme has been an extraordinary success, a hit with children, parents, teachers, and administrators, and I am very pleased to say that we are continuing the programme in New Providence, and expanding to ensure that **every school on our Family Islands** will now be included.

Our increase in “around the clock” security services at our schools reflects our dedication to enhancing safety and security in our school communities.

We are also investing 12 million dollars for the University of The Bahamas to gain additional accreditations, as well as 8 million dollars in upgrades to the Bahamas Technical and Vocational Institute to ensure that our technical and vocational students remain competitive at the tertiary level. This total of \$20 million in funding will be sourced via external funding.

Our National Youth Guard is training young Bahamian men and women to help with disaster response efforts, while equipping them with the kind of in-demand skills that allowed over 85% of participants in the first cohort to be gainfully employed. We just

attended a beautiful and emotional graduation for the second cohort, and we are now recruiting the third cohort of this trailblazing programme.

Just a few weeks ago, we opened the Grand Bahama Ministry of Youth, Sports, and Culture Office, which had been closed since Hurricane Dorian, and throughout the past year we invested heavily in sports development across our islands. We renovated the National Stadium and the Betty Kelly Kenning Aquatic Centre, to host sports tourism events like the CARIFTA and World Relays.

We also provided funds for 200 young people to receive training in digital skills to prepare them for emerging opportunities in the job market.

## **HEALTH CARE**

Madam Speaker:

We recognise the need for major investments in healthcare, so that our public clinics and hospitals can meet the healthcare needs of the 21<sup>st</sup> century Bahamas. It has been more than 70 years since a new Hospital was built in New Providence – medicine has changed, our population has grown. In this upcoming budget cycle, the work will begin for a new hospital in our nation’s capital. We will also invest in renovations to Princess Margaret Hospital’s Accident and Emergency ward. In addition, work has begun on the new hospital in Grand Bahama, and will continue at an accelerated pace.

Public clinic renovations that were started this budget cycle will continue.

During the current fiscal year, we began a major training and recruitment exercise to address the shortage of healthcare workers in our nation. We also funded salary and benefit increases for our nurses, as well as a number of promotions across the public health system.

Funding for healthcare will be raised domestically through a commercial bank totaling \$75.0 million. This will be targeted toward the ongoing development of the hospital in Grand Bahama, and the renovations at Princess Margaret Hospital.

Additionally, financing from the China EXIM bank will be allocated for the construction of a new hospital in New Providence.

## **GRAND BAHAMA**

In Grand Bahama, a number of important initiatives are underway.

The Ministry of Grand Bahama's Restoration Village has assisted dozens of families with housing, employment support, counselling, and social services. The Beautiful Grand Bahama Initiative employed hundreds of people, who completed more than 100 community projects. Many other efforts are underway, including the restoration of the YMCA grounds, the revitalisation of the Grand Bahama Arts and Craft Centre at BAIC, the renovation of the Downtown Farmer's Market, and works at the Grand Bahama Sports Complex, including the upcoming construction of a major, world class aquatics centre. We also provided grants to 149 local micro and small business owners.

This budget year, we expect to source \$30 million to fund the purchase of the International Bazaar and the re-opening of the West Sunrise Highway, to accommodate the projected growth in tourism and economic activity over the next few years. Beyond preserving a significant landmark, this endeavor holds economic potential, as the revitalization of the Bazaar can stimulate tourism, create jobs, and generate business activity. Similarly, reopening the West Sunrise Highway will improve connectivity and facilitate growth in Grand Bahama.

## **HURRICANES**

During the current fiscal year, we expedited recovery and rebuilding efforts in both of our hurricane-hit northern islands. The West Grand Bahama Homeowner's Assistance & Repair Programme and the St. Bernard Partnership Project repaired well over 100 homes across the island of Grand Bahama. We know that it's urgent to pick up the pace when it comes to home repairs, and we are making plans to carry those out more efficiently so that we can reach more families.

On Abaco, our collaboration with the Bahamas Conference of the Methodist Church has rebuilt several homes. The Disaster Reconstruction Authority's state-of-the-art hurricane shelter and community centre will be completed during the upcoming fiscal year. This shelter provides the surrounding Abaco community with programmes and support throughout the year and a place of refuge during hurricanes.

Meanwhile, we have recruited record numbers of young Bahamians into the Niccolo P Small Meteorology Cadet Programme to expose them to the work of the Department of Meteorology and pique their interests in pursuing a career. We have also expanded the number of weather stations throughout our islands to better monitor the weather and keep Bahamians safe.

## **INFRASTRUCTURE**

Madam Speaker:

To support our economic growth, we are making key investments in infrastructure. Our efforts have included major waterworks to bring fresh, potable water to settlements in Harbour Island and mainland Eleuthera, as well as the extension of piped water to areas of Exuma for the first time ever.

Other islands seeing major waterworks include Andros, Cat Island, Moores Island, Grand Cay, and Long Island.

In the upcoming year, the Water & Sewerage Corporation will access additional funding to implement Water Supply Improvement and Climate Resilience initiatives throughout the nation.

During the past year, roadworks were initiated throughout the archipelago, including twenty-five miles in New Providence with additional works scheduled for the upcoming budget cycle.

In The Family Islands, there was nearly \$100 million in roadworks and infrastructural projects initiated including the Red Bays Settlement Roads, Long Island Road Repairs, Governor's Harbour Roadworks, Great Harbour Cay Airport Civil Works, and the Pelican Shores Road Repairs Project in Marsh Harbour.

Other works throughout the Family Islands included works in South Andros, Cat Island, and Crooked Island. The major Exuma Road Repairs Project is nearly 44% complete, with dozens of miles of road paved. Completion is set for mid-2025.

New infrastructural projects for the coming fiscal year will include major roadworks in Exuma, Cat Island, Long Island, Eleuthera, and Abaco implemented through public-private partnership financing and through use of the Family Island Development Fund. This is a major fund launched by this administration which uses revenues generated in the Family Islands to develop the Family Islands.

In the upcoming budget, we are also making significant investments in our energy infrastructure. This will include exploring a major solar energy project on New Providence and micro solar grids throughout the Family Islands, as well as investments to facilitate a transition to LNG. These investments will result in significantly lower light bills and a more stable power supply.

## **ENERGY and TRANSPORT**

Madam Speaker:

After nearly three years of work, we will soon launch our country's first *comprehensive* energy reforms.

The cost of electricity has been a huge expense and a huge burden to Bahamian families and businesses.

We need system-wide change, because in order to reduce the cost of electricity for consumers, we need a grid that is well-designed, effective and efficient.

We simply cannot lower costs – or meet our full potential as a nation – with an outdated, deteriorating energy grid.

An aging 20<sup>th</sup> century grid cannot support a modern 21<sup>st</sup> century economy.

And the reality is, demand for energy is going up, while our grid is falling apart.

We also need to add the capacity to integrate large-scale renewable energy. Solar energy has always been essential to our plans – but solar power is intermittent. That means the amount of solar power generated will fluctuate – will vary – depending on whether it's a sunny day or a cloudy day, daytime or nighttime. Using solar energy across our archipelago requires careful planning and design, and major new investments in grid flexibility and energy storage.

Madam Speaker:

The BPL we inherited from our predecessors was carrying \$500 million – half a billion dollars. And experts have told us we need another \$500 million in capital investments, to rescue and then modernize our grid. One billion dollars, just to get BPL on track.

I look forward to sharing plans for a new energy future for our country, including extensive use of solar power, in New Providence and in the Family Islands, LNG as a partner fuel, and a modern power grid.

Madam Speaker:

This budget will allocate additional funding for mail boat contracts, as well as funds to support the expansion of mailboat routes.

Further, funding is allocated in the capital budget for the Port Department for the upgrade of navigation aids in The Bahamas, which also enhances safety for seafarers.

Additionally, funding has been provided to build a Bahamian workboat (Class A) for our Defense Force, which will allow them to fully participate in our national sport: sailing.

## **HOUSING**

Madam Speaker:

Housing remains a priority for this government.

In the upcoming budget, we are investing an additional \$5 million for small home repairs – this is separate and apart from the funds allocated to Urban Renewal.

We are exploring options for increased financing for housing for public servants in the Family Islands, including leveraging private sector funding, to address the scarcity of



accommodations driven by the increased investment in short-term vacation rentals in our Family Islands.

We are expanding the affordable homes programme, and we have allocated funds to launch the Rent-To-Own initiative, so that more Bahamians have access to home ownership.

## **Conclusion**

Madam Speaker:

Many components of this budget carry forward and build on the measures that we have implemented since we came into office, along with new measures that align with our meeting our challenges and furthering our aspirations.

I look forward to opening the budget debate next week, when I can describe at greater length our investments in our people, our country, and our future.

In closing, I want to share my optimism for the country we're building together.

Optimism isn't complacency – I know how much work lies ahead.

And we know it won't always be smooth sailing.

In a time of geopolitical conflict...

In a new climate era of more intense hurricanes, where the NOAA has predicted:

- 17-25 Named Storms
- 8-14 Hurricanes 8-13
- And 4-7 **Major** hurricanes

And with the impact of the global inflation crisis continuing to play out...

We may face some rough waters ahead.

But finally – *finally* – our country is navigating forward in a sturdier boat – and moving in the right direction.

We are growing stronger, building both resilience and new opportunities.

We are a country on the move.

We are seeing the fruits of our labour: from the millions saved with the eProcurement platform to the gradual reduction in our debt and debt-to-GDP ratio, removal from blacklistings, and overall economic development of our Islands.

We continue to strengthen revenue by reinforcing compliance and reform and introducing new mechanisms in this year's budget.

We have also seen other aspects of fiscal consolidation with the introduction of the Pensions bills, and draft legislation for a qualified domestic minimum top-up tax.

It's worth remembering how far we've come:

In under three years:

We went from the brink of risking harsh austerity measures to a new era of compassion *and* fiscal responsibility.

We went from deserted, empty hotels to record-breaking numbers of visitors.

We went from the worst economic contraction in our nation's history to robust economic growth.

We went from shocking levels of unemployment to record job creation.

We went from understaffed security forces to hundreds of new police and defence force officers.

We went from despair to optimism.

We are facing forward with renewed confidence and determination.

We are strong enough to challenge the status quo on behalf of the Bahamian people, and we are changing lives.

What a blessing to be involved in these endeavors.

May God Bless Us All, and May God Bless the People of the Commonwealth of The Bahamas.

- END-

