COMMONWEALTH OF THE BAHAMAS

FISCAL STRATEGY REPORT

December 2021

Published & Edited by The Ministry of Finance
Printed by Government Printing
Creative Design by Hilltop Designs

1.242.**702.1500**
financemail@bahamas.gov.bs
www.**bahamas**.gov.bs
www.**bahamasbudget**.gov.bs

CONTENTS

TABLES

FIGURES

Letter of Transmittal

The 2021 Fiscal Strategy Report (2021FSR) is the fourth prepared in accordance with the Fiscal Responsibility Act, 2018 (the Act) and submitted to the Cabinet and Parliament to ensure budget credibility, transparency and fiscal sustainability. This document outlines the Government's medium-term fiscal framework which will inform the FY2022/23 budget, annual borrowing plan and medium-term debt strategy based on the macroeconomic projections and fiscal objectives set out in the 2021FSR.

During the FY2020/21 period, The Bahamas continued to weather the fall out of the impacts of COVID-19 on the health & safety, social and economic environments across the country. The country suffered significant increases in COVID-19 cases, rising to 23,112 cases and 713 deaths by 18 December 2021. The national vaccination dashboard, as at 11 December 2021, highlighted the rise in total vaccinations administered to 293,347, of that total 151,183 people have been fully vaccinated. While these statistics have waned, the national strategy to address this pandemic and adhere to best practices continues.

In 2021, in the midst of the fight against the Delta variant of the COVID-19 virus, the country and the wider global community began to relax the lockdown and restrictive measures and protocols that were put in place to contain the spread of the virus. It was understood by the local and global communities that the world will have to adapt and learn to cope with the variants of the corona virus, while still allowing economic activity to take place. Without this approach, extreme pressure will be brought to bear on economic growth, small businesses and ultimately the livelihoods of people. Currently, businesses are operating at almost full capacity, borders are open and travel restrictions are considerably reduced in comparison to a year ago. The labour market has also begun to re-absorb employees, thereby reducing the unemployment support provided previously, as workers begin to reengage in meaningful employment.

Presently, the country is on a path to steady recovery. Preliminary indicators demonstrate a stable increase in tourism arrivals, room occupancy levels, healthy reserve levels and revenue intake that is currently outpacing projections. Despite this, we are still mindful of the presence of the new Omicron variant, which has now made its way to the United States. This indicates that in the short term, the country will inevitably have to contend with the effects of this highly contagious strain. As a result of these realities, the medium term framework, quite naturally continues to include some level of COVID-19 support, with the expectation that this support will decrease over time. It is estimated that the total amount of COVID-19 support spent by the government on the health care sector, small businesses and to provide unemployment assistances to the populace, to date, has grown roughly to about $400M.

With the change in government on September 16, 2021, the approved May 2021 budget was adjusted via a supplementary budget in October 2021. The medium term framework incorporates revised targets for the main fiscal indicators to address the downturn experienced in the economy from 2019 and to capitalize on the recovery in local and global economic conditions. The underlying assumption remains the same and still assumes a gradual recovery in economic activity and resurgence of the tourism economy.

More specifically, the framework now addresses the losses in revenue experienced during these times through an aggressive strategy that has been implemented to collect outstanding taxes, make necessary changes to enforcement mechanisms and implement tax reforms. Expenditure is expected to become more targeted for better use and management of public funds. In particular, priority projects, such as hospitals and family islands airports, which will be funded by PPP arrangements, represents an intentional effort for containment of capital expenditure above projects already disclosed in the FY2021/22 supplementary budget. Consequently, deficit targets are expected to decline, eventually reaching a surplus in the outer years. It is expected that the debt to GDP target remains unchanged and is expected to be achieved by FY2030/31, due to elevated borrowing for COVID support. We are seeking to expand the legislation to include additional metrics that would provide a more robust monitoring and evaluation framework for accountability. These additions would include targets for revenue, interest and capital expenditure.

The government continues to monitor the social and economic situation and will adjust as necessary to remain within the fiscal targets established for the current fiscal year. As with previous fiscal strategy reports, the government will review possible outcomes for the fiscal position, to determine whether more changes are required to the medium term fiscal framework at the time of the mid-year budget presentation, and to be able to respond with the most appropriate policy action to address any emerging events.

The government remains focused on guaranteeing fiscal consolidation occurs in a manner that is practical, targeted and manageable over the medium-term, as presented in this Fiscal Strategy Report. To this end, the policies and strategies outlined within this document will prioritise fiscal risks to ensure economic resilience and stability over the coming years.

The undersigned attest that, to the extent feasible and practicable at the date of publication, the 2021 FSR contains information that is accurate, reliable and complete in respect of requirements of the Act.

Philip Davis
Prime Minister & Minister of Finance

Simon Wilson
Financial Secretary

Introduction

1. INTRODUCTION
2. OVERVIEW OF ECONOMIC AND FISCAL PERFORMANCE IN FY2020/21
3. ECONOMIC AND FISCAL OUTLOOK
4. GOVERNMENT FISCAL STRATEGY AND PRIORITIES
5 FISCAL RISK IDENTIFICATION AND MITIGATION STRATEGIES
6. SENSITIVITY ANALYSIS
ANNEX

1.1 Report

The 2021 FSR is the fourth such report to be submitted to Cabinet and Parliament under the Act. As per section 10 of the Act, the Minister of Finance is required to prepare and submit a Fiscal Strategy Report (FSR) to Cabinet, for approval no later than the 1st Tuesday of November of each fiscal year, in this case November 2, 2021. On approval, the FSR is to be presented to both Parliament and the Fiscal Responsibility Council by the 3rd Wednesday of November (i.e., November 17, 2021) for their review and recommendations.

As a result of the September 16, 2021 General Elections which saw a change in administration, a Supplementary Budget was tabled in the House of Assembly on October 27, 2021. Further, on November 15, 2021 Parliament was prorogued until November 29, 2021 when debate on the Supplementary Budget commenced. On November 18, 2021 the Government issued a public notice advising that the 2021 FSR would be presented to both Parliament and the Fiscal Responsibility Council immediately after debate of the 2021 Supplementary Budget to allow for inclusion of the most current budgetary information in the fiscal forecasts.

The 2021 FSR provides the Government's medium-term fiscal framework to achieve the fiscal targets mandated in the Act and as revised in the 2019 Fiscal Adjustment Plan (2019 FAP) and 2020 Fiscal Strategy Report owing to the devastating impact of the COVID-19 pandemic on the macro-economy.

Following this section, and in compliance with the Act, the remainder of this report is organized as follows:

» Section 2 reports on the economic and fiscal performance in the most recently completed fiscal year, namely 2020/2021;
» Section 3 presents the required macroeconomic and fiscal forecasts for the current and next four fiscal years—to show the intended path towards convergence with the fiscal targets;
» Section 4 outlines the proposed fiscal policy for the next five fiscal years;
» Section 5 frames an analysis of fiscal risks and mitigation strategies; and
» Section 6 provides a summary of Government's debt management policy and analysis of debt sustainability.

The information to be included in the 2021 FSR, as specified in the Act, is presented as ***Annex A***.

1.2 Accounting Principles and Methods

The budgetary data presented in the 2021 FSR are prepared using a modified cash basis of accounting and guided by the International Public Sector Accounting Standards (IPSAS) financial reporting under the cash basis. As such, revenue is recognized when received and not when earned; expenditure is recorded in the period it is incurred and paid; and purchases of fixed assets, including immovable property, plant and equipment, are fully expensed in the year of purchase.

Data tables are prepared using the new chart of accounts introduced on July 1, 2019 which allows for aggregation and presentation of the fiscal data according to the International Monetary Fund's (IMF) Government Finance Statistics (GFS) 2014 reporting framework for analyzing and evaluating the performance of the government finances. The new framework also lays the basis for the eventual conversion of the accounting presentation to the IPSAS financial reporting under the accrual basis, as underscored by various ongoing initiatives to strengthen public financial management institutional arrangements—including the implementation of the Integrated Financial Management Information Systems and the supportive legislative frameworks and technology systems.

As data reconciliation is ongoing, annual data for FY2019/20 and FY2020/21 are subject to change, until audited by the Auditor General; therefore, their status is provisional.

1.3 National Accounts Estimates

In considering prospects for the economy through the medium-term, the practice to date at the Ministry of Finance has been to utilize the GDP forecasts developed by the IMF in the context of its World Economic Outlook (WEO) exercise and the Article IV Staff Reports on The Bahamas. Aside from the unavailability of GDP projections by the Ministry, the rationale underpinning this choice has related to the desire to develop fiscal projections that are based on an independent assessment of economic prospects in The Bahamas, and that align with the consensus view of the various international agencies.

The National Accounts are compiled based on data received from a myriad of sources both survey and administratively sourced. In an effort to meet the increasing demand for early estimates, preliminary GDP numbers are produced based on data which themselves are subject to errors and omissions. It is internationally recognized that all preliminary numbers, by their very designation, are subject to change and are impacted by timeliness and accuracy issues. The year 2020 was exceptional in that the Covid-19 pandemic had a negative effect on the availability of source data, many data producing agencies were subjected to reduced hours and staffing which rendered their data extremely delayed and also prone to revisions. Due to issues surrounding the timeliness and accuracy of data received, it is anticipated that revisions will be made to the May 2021 National Accounts estimates which will necessitate future revisions to this 2021FSR.

2 Overview of Economic and Fiscal Performance in FY2020/21

Tables

Figures

2.1 Economic Performance

a. International Economic Context

The weakened economic outturn in The Bahamas for the 2020/2021 fiscal year was a consequence of the ongoing spread of the COVID-19 pandemic and the evolution of multiple variant strains. This necessitated the continuation of a variety of health & safety containment measures – inclusive of border restrictions and border closures that impeded the movement of people and merchandise. This muted 2020 growth prospects in The Bahamas due to the resulting recessionary conditions. However, with continued deployment of COVID-19 vaccines, global economic conditions continued to improve during the first half of 2021, although not reaching pre-pandemic levels.

Based on data from the IMF's latest World Economic Outlook (October 2021), world output contracted by 3.1 percent in 2020 during the worst period of the global pandemic, a sharp erosion from the 2.8 percent gain realized in 2019. The growth of global output is anticipated to rebound to 5.9 percent in 2021 before moderating to 4.9 percent in 2022 as global economies are anticipated to have rebounded from the impact of the coronavirus. For the United States, The Bahamas' largest trading partner, output declined in line with global trends at a rate of 3.4 percent in 2020, outperforming the sharper reduction that had been projected in the October 2019 WEO. This enhanced performance was largely supported by US federal stimulus efforts that saw almost every taxpayer receiving $1,200 cheques in April 2020. With the passage of the $900 billion federal stimulus bill in December 2020, mask mandates, continued vaccine efforts and other health and safety protocols, real GDP in the U.S. is projected to advance by 6.0 percent in 2021 and 5.2 percent in 2022.

Economic conditions in Canada, another major trading partner for The Bahamas, fared similarly in 2020 with an estimated contraction in output of 5.3 percent. For European economies, output contracted by 6.3 percent while the contraction in output in the United Kingdom was even steeper at 9.8 percent. For China, the first country to experience a COVID-19 outbreak, the recovery effort is already underway with output increasing by 8.0 percent in 2021.

Labour market conditions around the globe in 2020 were significantly impacted by the COVID-19 pandemic with the decline in hours worked amounting to a loss of 255 million jobs, according to International Labour Organization estimates. This, in turn, translated to an increase in global unemployment of 1.1 percentage points to 6.5 percent. In major market developments, the unemployment rate in the United States more than doubled to 8.1 percent in 2020. In Canada, it reached a level of 9.6 per cent.

Global inflationary pressure remained subdued in 2020, with the United States' annual inflation rate falling to 1.2 percent from 1.8 percent in 2019. Over the same period, inflation in the Euro area declined to 0.3 percent from 1.2 percent; in Canada inflation fell to 0.7 percent from 1.9 percent. During the first quarter of 2021, inflationary pressures continued to be contained amidst the firming of global energy prices. However, as the economic recovery phase has continued through 2021, we have seen a combination of more buoyant spending internationally, reflecting pent-up demand and accumulated savings. At the same time, we have also witnessed supply chain disruptions across the globe. These factors combined have resulted in greater cost and price pressures and a spurt in inflationary pressures to an extent unseen in decades. Despite this, the IMF remains of the view that inflation should revert to pre-pandemic levels by the middle of 2022. The Fund does stress, however, that this view is shaded in substantial uncertainty since the economic recovery that is underway may be atypical of past recoveries in key respects (primarily reflecting the ongoing effects of the global pandemic).

b. Domestic Economic Development

On the domestic front, economic performance during the 2020/21 fiscal year continued to be dominated by the lingering impacts of category 5 Hurricane Dorian and the COVID-19 pandemic. As a result of the devastating impact of Dorian in September 2019, the islands of Grand Bahama and Abaco experienced an unprecedented level of damage to homes, businesses and infrastructure. Some 26 months later, repairs to critical infrastructure such as hospitals, roads and airports remain incomplete, thus limiting potential output in these islands/local economies.

Table 1: Forecast and Actual Economic Performance

	2020			2021
INDICATORS	**ORIGINAL BUDGET**	**ACTUAL**	**VARIANCE**	**BUDGET FORECAST**
Gross Domestic Product, current prices (% change)	-4.8	-24.7	-19.9	7.8
Gross Domestic Product, constant prices (% change)	-1.1	-14.5	-13.4	2.0
Inflation (GDP deflator %)	1.7	1.2	-0.5	8.3

Note: Original forecast is from the 2020/2021 Budget; actual GDP estimates are from the BNSI Gross Domestic Product estimates released in May 2021; and the 2021 Budget Forecast is as stated in the 2021/2022 Budget.

In the midst of rebuilding efforts following Hurricane Dorian, The Bahamas experienced its first cases of COVID-19 in March 2020 resulting in the imposition of lockdowns and other health and safety measures to halt the spread of the pandemic. The result was a near halt of economic activity for the remainder of fiscal year 2019/20. Despite efforts to reopen the tourism sector of the Bahamian economy in July 2020, the spike in COVID-19 infections immediately after the reopening necessitated the re-imposition of curfews and lockdowns for an additional 4 months, again resulting in a near standstill in trade activity. In November 2020, a second attempt was made to reopen the tourism sector of the Bahamian economy with increased safety protocols to prevent viral spread from visitors and citizens alike entering Bahamian shores. Included in these health and safety protocols was the launch of a COVID-19 vaccine campaign which commenced March 11, 2021. As at end-June 2021, 58,122 vaccine doses (14.8 percent of the population) were delivered. As at November 19, 2021 the vaccination rate increased to 149,231 doses delivered (37.9 percent of the population).

Figure 1: Bahamas GDP Growth Trends

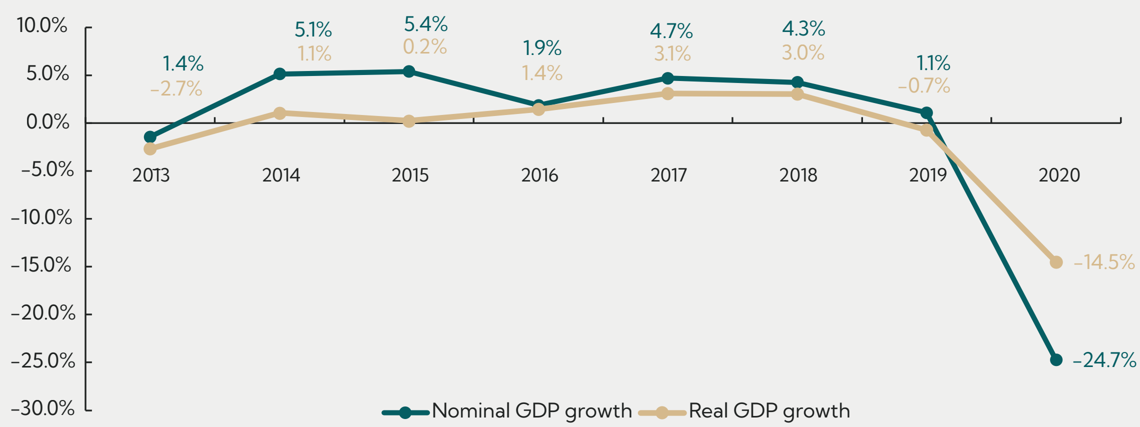


Figure 2: Key Macroeconomic Indicators

Official estimates released by BNSI (May 2021) indicate a contraction in real output in 2020 of 14.5 percent to $9,665.5 million from the $11,306.6 million. This represents a significantly steeper deterioration in economic conditions as a result of the COVID-19 pandemic as compared to the original forecast of a 1.1 percent contraction in output used in the government's 2020/21 budgetary framework. On a fiscal basis, this translates to real output of $9,607 million for 2020/21. The growth of real output is expected to improve in FY 2021/2022 to 11.2 percent as vaccination rates improve, health & safety measures are relaxed and the economy rebounds from the pandemic.

Examining the expenditure components of 2020 GDP, the contraction in real GDP was led by a $1,089.2 million (36.2 percent) loss in gross capital formation. This was attributed mostly to contractions in buildings and infrastructure (36.7 percent) and machinery and equipment (35.7 percent). Final consumption narrowed by $727.8 million (7.9 percent) due to reduced outlays on goods and services by the government (16.9 percent) and non-profit institutions serving households (33.7 percent). Exports of goods and services declined by $1,767.4 (43.7 percent) along with a decline in imports of goods and services by $2,374.7 million (43.7 percent) – narrowing the trade deficit by $607.2 million (44.5 percent).

Year-over-year analysis of real GDP by sector indicates a broad loss in production across industries, except for the financial and insurance sectors which experienced improved gross value added of $58.2 million (5.5 percent). The loss of economic production was primarily experienced by industries in the accommodations and food services sector, which declined by $820.3 million (71.4 percent) due to the imposition of COVID-19 health & safety protocols including periodic travel restrictions. Similarly, notable reductions were observed in the transport and storage sector by $316.4 (70.2 percent); the construction sector by $275.0 million (35.1 percent); the wholesale and retail trade and motor vehicle repairs sector by $176.8 million (12.1 percent); and the administrative and support services sector by $115.0 million (43.4 percent).

Economic conditions improved during the first half of 2021 as a result of a relaxation of COVID-19 health & safety protocols and travel restrictions amidst increased vaccination rates in key tourism source markets and the launch of the local vaccine campaign. While visitor arrivals didn't fully return to pre-pandemic levels, the second quarter of 2021 saw an increase in arrivals from 3,998 visitors in 2020 to 297,759 visitors in 2021.

As a result of the limitations on the movement of persons due to Hurricane Dorian and the COVID-19 pandemic, the collection of specific employment and labour market data by BNSI was interrupted for the first time in more than a decade. In its last published Labour Force Report (May 2019), BNSI estimated 22,635 unemployed persons (9.5 percent as at May 2019) across all islands. As a result of the twin disasters, the IMF in its 2020 article IV report noted that the unemployment rate which peaked at 25.6 percent in 2020 is estimated to decrease to at least 24.0 percent in 2021. The deterioration in unemployment conditions is verified by the 40,258 claimants receiving unemployment assistance from the National Insurance Board (NIB) and the Government's unemployment assistance program administered by the NIB between March to December 2020, with an estimated $203.1 million disbursed. As evidence of the improvement in employment conditions in 2021, the number of claimants still receiving this unemployment support by October 2021 declined to 17,154.

On the prices front, the impact of global price fluctuations as the world rebounds from the coronavirus pandemic have already begun to impact domestic prices with inflation, as measured by the consumer price index increasing by 2.7 percent for the first six months of the year. This represents an increase over the 1.5 percent inflationary rate projected in the November 2020 Article IV Mission report from the IMF.

In the monetary sector, for the first half of the 2021, broad money (M2) grew by $267.6 million (3.6 percent) over end-December 2020, to $7,773.3 million. Private sector credit declined 0.7 percent and public sector credit rose 2.9 percent. The average bank deposit rate increased by 17.8 percent to 0.53 percent end-June2021. The average lending rate decreased by 5.2 percent over end-December 2020 to 9.85 percent end-June 2021.

The overall balance on the external reserves remained favorable for the first nine months of 2021, with a gain of $334.7 million over end-December 2020 to $2,716.9 million at end-September 2021, substantiated by government's external borrowing activities and improvements in tourism activity. Consequently, the stock of external reserves was estimated to equate 58.1 weeks of non-oil import cover.

2.2 Budget and Fiscal Performance

a. Overall Balance

While the Fiscal Responsibility Act called for attainment of a fiscal balance target of a deficit of 1.0 percent of GDP in FY2019/20, the impact of Hurricane Dorian necessitated a planned deviation from this target with a new target of 5.3 percent established in the January 2020 Fiscal Adjustment Plan after invoking the Exceptional Circumstances clause (13) of the Act. As a result of the impact of the COVID-19 pandemic reaching Bahamian shores in March 2020, the actual outturn revealed a fiscal deficit of 7.2 percent of GDP. As a result of the failed restart of the tourism sector of the Bahamian economy, the 2020 Fiscal Strategy Report (2020 FSR) proposed new fiscal targets (see **Table 2**).

Table 2: Fiscal Responsibility Targets

FISCAL INDICATOR	OBJECTIVES	REVISED OBJECTIVES 2020FAP	2020 FSR TARGETS
Debt Target[1]	Reduce debt from 58.9 percent in FY2017/18 of GDP to a debt level of no more than 50 percent of GDP by 2024/25.	Reduce debt to GDP ratio to no more than 50 percent of GDP by 2028/29.	Achieve a debt to GDP ratio of no more than 50 percent of GDP by 2030/31
Fiscal Balance Target	FY2018/19: 1.8 percent FY2019/20: 1.0 percent FY2020/21: 0.5 percent	FY2019/20: 5.3 percent FY2020/21: 3.8 percent FY2021/22: 2.2 percent FY2022/23:1.7 percent FY2023/24: 1.0 percent FY2024/25: 0.5 percent	FY2020/21: 11.6 percent FY2021/22: 7.8 percent FY2022/23:2.5 percent FY2023/24: 1.5 percent FY2024/25: 0.5 percent
Recurrent Expenditure	After the attainment of a deficit *of no more than 0.5 percent of GDP*, the growth of recurrent expenditure shall not exceed the estimated long-term rate of growth of nominal GDP.	After the attainment of a deficit *of no more than 0.5 percent of GDP*, the growth of recurrent expenditure shall not exceed the estimated long-term rate of growth of nominal GDP.	After the attainment of a deficit *of no more than 0.5 percent of GDP*, the growth of recurrent expenditure shall not exceed the estimated long-term rate of growth of nominal GDP.

[1]Debt is defined in the Act as central government debt only

To improve transparency and accountability framework in The Bahamas, Government has proposed amendments to the Fiscal Responsibility Act 2018 for tabling in Parliament in early 2022. This improved framework will retain targets for debt, fiscal balance and recurrent expenditure as a share of GDP but also include targets for interest, revenue and capital expenditure as a share of GDP (see Figure 3).

Based on preliminary fiscal data (see ***Table 3***), the budgetary outturn for FY2020/21 increased mildly over original forecasts. The fiscal deficit widened to $1,347.6 million from $811.7 million the previous year as per the FY2020/21 budget, an increase from the previous 7.2 percent of GDP to the recent 13.6 percent. The worsening of the coronavirus pandemic during the first half of the fiscal year resulted in lower than expected level of economic output, although revenue outturn improved in the second half of the fiscal year alongside increased COVID-19 support measures (see ***Box 1*** for an update on Government's COVID-19 support measures).

Figure 3: Fiscal Responsibility Achievement Timeline

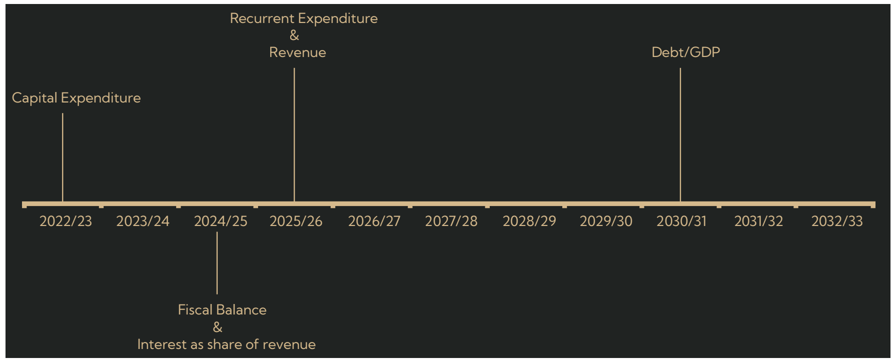


Table 3: FY2020/21 Forecast and Actual Fiscal Performance (B$M)

	ORIGINAL BUDGET	ACTUAL	VARIANCE
1. Revenue	1,762.6	1,890.8	128.3
2. Expenditure	3,089.8	3,238.5	148.7
Recurrent	2,574.3	2,868.1	293.8
Capital	515.5	370.4	-145.1
3. Surplus/(Deficit) [1-2]	-1,327.2	-1,347.6	-20.4
4. GFS Deficit as % of GDP	-11.6%	-13.6%	-2.1%
5. Govt Direct Charge	9,506.8	9,935.0	428.2
6. Gov't Direct Charge as % of GDP	82.8%	100.4%	17.6%
7. GDP estimate	11,481.0	9,895.0	-1,586.0

Box 1: Government's Response to the COVID-19 Pandemic

On March 17, 2020, the Government declared a state of emergency as the first case of COVID-19 was diagnosed on Bahamian shores. Air and sea borders were closed to all incoming passengers, and on March 24 a strict curfew was established requiring full stay-at-home lockdowns during the weekends, with some differences between various islands. These measures remained in place through end-June 2020.

While borders were reopened on July 1, 2020, beginning July 24, 2020 weekend lockdowns, weekly curfews and limitations on gatherings were reinstated. Effective July 28, 2020, all travellers were required to obtain The Bahamas' Health Visa and to present a negative COVID-19 RT-PCR test result for both vaccinated and unvaccinated travellers.

On March 10, 2021, the Government received its first batch of the COVID-19 AstraZeneca vaccines, to be administered to residents, as a part of its vaccination roll-out plan. Vaccines continued to be acquired and on August 12, 2021 the first tranche of the Pfizer vaccines arrived. Additional batches of Pfizer and Johnson & Johnson were received on September 23, 2021 and October 27, 2021. As of October 23, 2021 a total of 225,085 doses of vaccines were administered with 127,567 residents fully vaccinated. The PAHO vaccination database November 5, 2021 update places The Bahamas 19th of 25 Non-Latin Caribbean countries with 32.31 completed dose schedules per 100 people.

Following the onset of the pandemic, measures were taken to reduce the economic effects of COVID-19 with focus on public health and safety, job protection and social and economic support for households and businesses. These included budgetary allocations through the FY2021/2022 budget. The following table outlines actual cash outlays through end-September 2021.

SUMMARY OF COVID-19 RELATED EXPENSES (B$M)

	FY2019/20	FY2020/21p	FY2021/22 July - Sept	Total
Recurrent Expenditure	**39.2**	**268.5**	**39.4**	**347.1**
Public Health Safety	1.9	36.6	0	38.5
Unemployment Assistance	10	164.7	29.7	204.4
Goods & Services Acquisition	1.8	2.2	0.4	4.4
Job Retention Programme	21.4	23	0	44.4
Food Assistance	2	40.4	8.8	51.2
Other	2.1	1.5	0.5	4.1
Capital Expenditure	**40.3**	**4.7**	**0**	**45**
Public Health Safety	0.4	0	0	0.4
Goods & Services Acquisition	0.6	0.1	0	0.7
COVID-19 Unit	0.3	0.5	0	0.8
Small Business Loans	39	4.1	0	43.1
Total	**79.5**	**273.3**	**39.4**	**392.1**

b. Revenue

Government revenue collections for the 2020/2021 fiscal year were estimated to be $1,890.8 million. This represented an additional $128.3 million (7.3 percent) collected beyond the budgeted $1,762.5 million, for 19.1 percent of GDP vis-à-vis the targeted 15.3 percent (see **Table 4**).

Gradual derestricting of COVID-19 protocols and the advent of related vaccines preceded the upturn in domestic economic activity which translated into outperforming the approved estimates. This was mainly seen in VAT receipts which, at 46.0 percent of tax revenue, were 10.1 percent higher than forecasted. General stamp taxes, and taxes on international trade and transactions underperformed their forecasts by 65.1 percent, and 14.0 percent respectively.

Collections from non-tax sources at $292.6 million surpassed the budget by 18.4 percent. Despite the overall increase for this subheading, property income was 12.7 percent below budget - where interest and dividend earnings in this category was short by 23.4 percent.

Figure 4: FY2020/21 Revenue by Source (%)

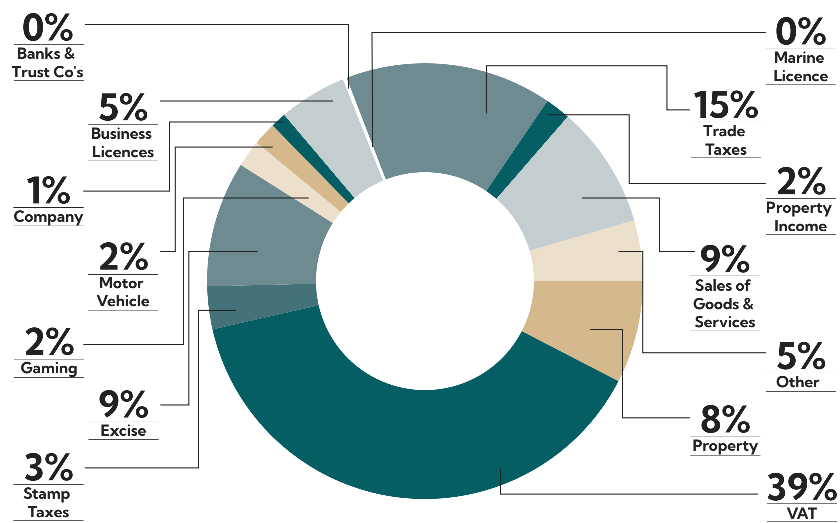


Table 4: Detailed Summary of Provisional Fiscal Outturn, 2020/21 (B$M)

(B$M)	FY2020/21			As Percent of GDP		As Share of sub-head
	Budget	Actual	Variance	Budget	Actual	
TAX REVENUE		(B$M)				
Taxes on Property	104.8	143.5	36.9%	0.9%	1.4%	9.0%
Taxes on Goods & Services	1,063.9	1,160.0	9.0%	9.3%	11.7%	72.7%
VAT	666.3	733.8	10.1%	5.8%	7.4%	46.0%
Stamp Taxes (Financial & Realty)	65.2	57.5	-11.8%	0.6%	0.6%	3.6%
Excise Tax	161.8	176.3	9.0%	1.4%	1.8%	11.0%
Taxes on Specific Servcs. (Gaming)	34.2	37.8	10.6%	0.3%	0.4%	2.4%
Motor Vehicle Taxes	33.0	32.4	-1.9%	0.3%	0.3%	2.0%
Company Taxes	15.9	21.7	36.6%	0.1%	0.2%	1.4%
License to Conduct Special Bus. Act.	85.5	97.5	14.0%	0.7%	1.0%	6.1%
Marine License Activities	2.0	3.2	54.4%	0.0%	0.0%	0.2%
Banks & Trust Companies	0.0	0.0	0.0%	0.0%	0.0%	0.0%
Taxes on Int'l Trade & Transactions	337.4	290.2	-14.0%	2.9%	2.9%	18.2%
General Stamp Taxes	7.3	2.5	-65.1%	0.1%	0.0%	0.2%
TOTAL TAX REVENUE	1,513.4	1,596.2	5.5%	13.2%	16.1%	100.0%
NON-TAX REVENUE						
Property Income	40.4	35.3	-12.7%	0.4%	0.4%	12.1%
Sales of Goods & Services	154.7	172.1	11.3%	1.3%	1.7%	58.8%
Other	52.0	85.2	63.8%	0.5%	0.9%	29.1%
TOTAL NON-TAX REVENUE	247.1	292.6	18.4%	2.2%	3.0%	100.0%
TOTAL TAX & NON-TAX REVENUE	1,760.5	1,888.8	7.3%	15.3%	19.1%	
CAPITAL REVENUE						
Capital Revenue	0.0	0.0	0.0%	0.0%	0.0%	
Grants	2.0	2.0	-0.1%	0.0%	0.0%	
TOTAL CAPITAL REVENUE	2.0	2.0	-0.2%	0.0%	0.0%	
GRAND TOTAL ALL REVENUE	1,762.5	1,890.8	7.3%	15.4%	19.1%	
EXPENDITURES						
RECURRENT EXPENDITURE						
Compensation of Employees	748.9	700.1	-6.5%	6.5%	7.1%	24.4%
Use of Goods & Services	557.7	610.0	9.4%	4.9%	6.2%	21.3%
Travel & Subsistence	9.5	7.1	-25.3%	0.1%	0.1%	0.2%
Rent	64.4	61.5	-4.5%	0.6%	0.6%	2.1%
Utilities & Telecommunications	92.0	113.2	23.1%	0.8%	1.1%	3.9%
Supplies & Materials	42.0	32.1	-23.7%	0.4%	0.3%	1.1%

Table 4: Detailed Summary of Provisional Fiscal Outturn, 2020/21 (B$M) cont'd

(B$M)	FY2020/21			As Percent of GDP		As Share of sub-head
	Budget	Actual	Variance	Budget	Actual	
Services	186.5	176.0	-5.6%	1.6%	1.8%	6.1%
Minor capital repairs	4.1	3.1	-25.3%	0.0%	0.0%	0.1%
Finance charges	25.0	66.7	166.8%	0.2%	0.7%	2.3%
Special Financial Transactions	100.6	124.2	23.4%	0.9%	1.3%	4.3%
Tourism Related	8.4	1.8	-79.0%	0.1%	0.0%	0.1%
Local Gov't Districts	13.3	12.7	-4.4%	0.1%	0.1%	0.4%
School Boards	0.0	0.1	0.0%	0.0%	0.0%	0.0%
Other	11.9	11.7	-2.0%	0.1%	0.1%	0.4%
Public Debt Interest	396.9	422.5	6.4%	3.5%	4.3%	14.7%
Subsidies	370.9	474.1	27.8%	3.2%	4.8%	16.5%
Grants	7.5	6.4	-14.6%	0.1%	0.1%	0.2%
Social Assistance Benefits	137.4	245.0	78.3%	1.2%	2.5%	8.5%
Pensions & Gratuities	140.9	160.1	13.6%	1.2%	1.6%	5.6%
Other Payments	214.1	249.9	16.7%	1.9%	2.5%	8.7%
TOTAL RECURRENT EXPENDITURE	2,574.3	2,868.1	11.4%	22.4%	29.0%	100.0%
CAPITAL EXPENDITURE	515.5	370.4	-28.2%	4.5%	3.7%	
TOTAL EXPENDITURE	3,089.8	3,238.5	4.8%	26.9%	32.7%	
FISCAL DEFICIT	-1,327.3	-1,347.6	1.5%	-11.6%	-13.6%	
Less: Public Debt Interest	396.9	422.5	6.4%	3.5%	4.3%	
PRIMARY DEFICIT	-930.4	-925.1	-0.6%	-8.1%	-9.3%	

MEMO: Nominal GDP of $13,578 [B$M]
*Excludes acquisition of financial assets

c. Expenditure

Aggregate expenditure at $ 3,238.5 million was 148.7 million (4.8 percent) above forecast and equated to 32.7 percent of GDP as opposed to the forecasted 26.9 percent (see **Table 4**). This growth in primary recurrent expenditure was 11.4 percent above the budgeted amount of $2,574.3 million. While employee compensation stood at 93.5 percent of the budget amount for this subheading, its comparison to the GDP improved from 6.5 percent to 7.1 percent of GDP. However, outlays related to the use of goods and services was 109.4 percent of the budgeted amount but represented 6.2 percent of GDP, an increase from the expected 4.9 percent. Travel and subsistence, tourism related, rent, and services were the main drivers for the lowered expenditure. Conversely, utilities and telecommunications, finance charges, and special financial transactions were higher than previously expected. Public debt interest and subsidies were beyond the budget by 6.4 and 27.8 percent, respectively. Grants were over forecasted by 14.6 percent ($1.1 million). Social assistance benefits exceeded the budget by 78.3 percent ($107.6 million). Pensions and gratuities also exceeded expectations, representing 13.6 percent ($19.2 million) above forecasts. Overall, total recurrent expenditure represented 29.0 percent of GDP.

Figure 5: FY2020/21 Recurrent Expenditure (B$M)

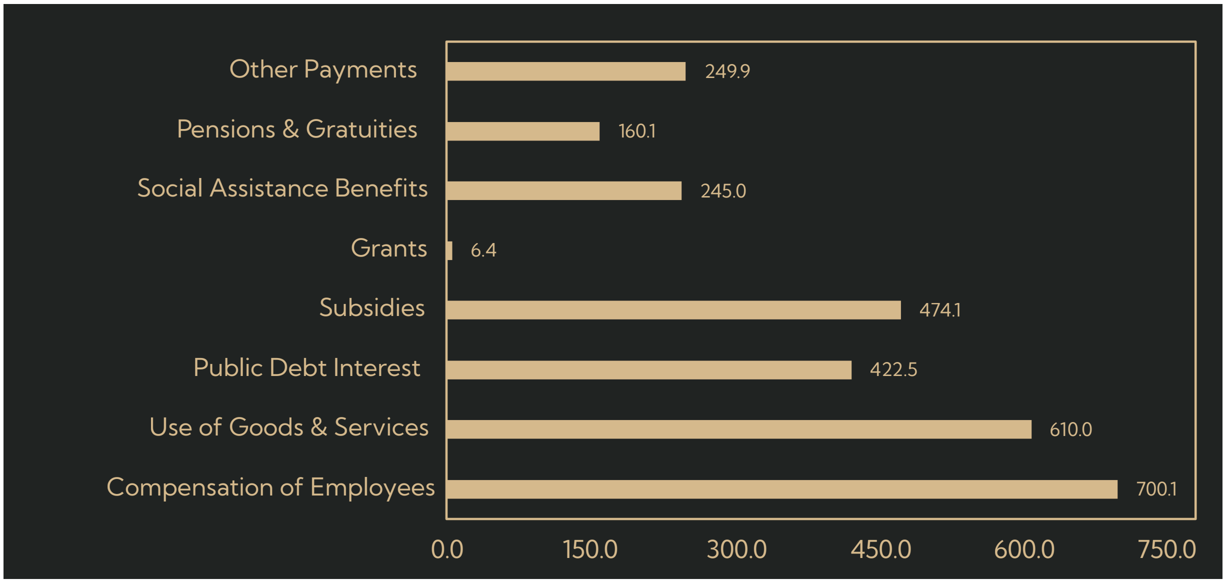
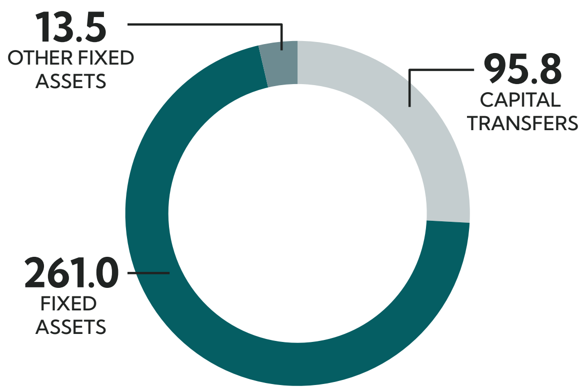


Figure 6: FY2020/21 Capital Expenditure (B$M)



Capital outlays, at $370.4 million (3.7 percent of GDP) were 28.2 percent under forecast. Capital transfers were $95.8 million, 47.2 percent of the budgeted $203.0 million. Likewise, fixed assets came up to 89.2 percent of the budgeted amount at $274.6 million. Expenditure made for land was forecasted to be $4.8 million, but there were no outlays for this purpose within the fiscal year.

d. Financing Activities

The Government borrowed an aggregate of $3,075.8 million during FY2020/21 (see **Table 5**), a large portion of which was facilitated in foreign currency ($1,972.3 million). This comprised primarily of $609.2 million in bank loans, $825.0 million in international bonds, and $538.1 million in loans from international development agencies. Included in these calculations were a US$246.0 million credit agreement from Credit Suisse (Former BPL Loans) that matured in July 2021 and a US$115.3 million term facility agreement with Banco Santander that matured in April 2021. Borrowings from various programs facilitated by the IDB and CDB amounted to $538.1 million that would have helped with developing water supply, employment, airport infrastructure, coastal management, government digital transformation, among others. Bonds in Bahamian dollars were summed to $559.5 million, of which $462.5 million was used to refinance maturing bonds. Treasury Notes and Bills were $49.1 million and Central Bank advances $494.9 million.

Repayments in foreign currency bank loans totaled $378.2 million. Loans from international development agencies were $22.8 million. Loans for defense force ships were repaid to the tune of $15.6 million over the fiscal year. For repayments made in Bahamian dollars, $462.5 million were paid in bank loans, and $136.9 million in Treasury Bills/Notes. Loan repayments for C.O.B. capital works amounted $0.7 million for the year. Additionally in the same period, loans purposed for Hurricane Dorian recovery efforts were repaid in the amount of $6.6 million.

Table 5: Financing Activities in 2020/21 (B$M)

	FY2020/21		Variance
	Budget	**Actual**	
Overall Balance [Surplus/(Deficit]	**-1,327.2**	**-1,347.6**	**-20.4**
Net Incurrence of Liabilities (a-b) [+]	**1,327.1**	**1,718.1**	**391.0**
a. Borrowings	2,023.7	3,075.8	1,052.1
b. Debt Repayment	696.6	1,357.7	661.1
Net Acquisition of Financial Assets [-]	**46.5**	**27.6**	**-18.9**
Sinking Funds	46.5	27.6	-18.9
Equity	0.0	0.0	0.0
Other	0.0	0.0	0.0
Other Financing & Change in Cash Balance (incl. Overdraft) [()= increase]	46.6	-342.8	-389.4

e. Direct Charge

Analysis of borrowings and debt repayment activities revealed the government's net increase in liabilities was $1,718.1 million (17.3 percent), bringing the outstanding Direct Charge at end-June 2021 to an estimated $9,909.335.0 million or 80.100.4 percent of the revised GDP estimate. Domestic debt represented 56.2 percent of government liabilities with $5,567.1 million. Further details on government debt are provided in **Section 6**.

f. Other Financing Activities

Contributions in the first quarter made to the sinking funds established to retire future debt obligations totalled $13.5 million. At end-September 2021, the three (3) arrangements earmarked for scheduled retirement of external bonds held a cumulative value of $222.9 million, while the funds set aside for the two (2) local arrangements stood at $13.3 million.

Economic and Fiscal Outlook

Tables

Figures

3.1 Macroeconomic Outlook for the Medium Term

The 2020FSR was released a month after the first successful opening of the Bahamian economy post the onset of the coronavirus pandemic, the worst health and economic challenge to the world in 100 years. At this time, the country was still in the process of Hurricane Dorian rebuilding efforts, halted during COVID-19 lockdown efforts. The 2021FSR is cast in a time when global and local COVID-19 vaccination rates continue to improve, travel & tourism activity continues to improve to pre-COVID levels and global economies begin to adjust to the "new normal".

In its October 2021 WEO, the IMF projected global output growth of 5.9 percent in 2021, an increase from the 5.2 percent forecast a year prior amidst increased vaccine roll-outs and increased country specific stimulus activities. For The Bahamas's major trading partner, the United States, 2021 growth estimates have improved from 3.1 percent to 6.0 percent, largely supported by federal stimulus initiatives and increasing demand as the country reopens. This increased output level is despite increasing spread of the COVID-19 Delta variant across the US. A similar trend is seen across the group of advanced economies with an average increase in output of 5.2 percent, an advance from the original real growth rate of 3.9 percent.

The medium-term macroeconomic forecast for The Bahamas that is presented in this section may be viewed essentially as a status quo outlook, that is, reflecting the projected economic outturn in the absence of major Government policy initiatives. Such a forecast is instructive as it sets the stage for section 4 in this FSR in which we present a detailed discussion of the objectives and modalities of the Government's medium-term economic and fiscal priorities and strategies that will be implemented in the upcoming and future Budgets. These goals and strategies will, of course, be inspired by the Government's Blueprint for Change as well as the recent Speech from the Throne.

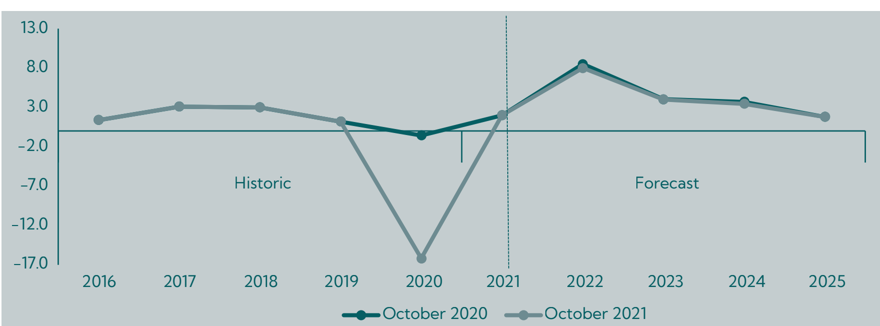
Underpinning the FY2021/22 forecast is the assumption of a continued rebounding of the tourism sector of the Bahamian economy to pre-COVID-19 levels. This rebounding is predicated on continued vaccine deployment both domestically and abroad in major source markets. Accompanying the renewed buoyancy in the tourism sector is the assumption of a reopening of the domestic sectors of the economy, as evidenced by the end of emergency orders November 13 2021, allowing for the end of curfews and lockdowns. Threatening these assumptions is the risk of continued emergence of COVID-19 variants (such as the most recent Omicron strain), however, ongoing vaccination efforts and the continued production of new vaccines and treatments are expected to mitigate this risk. Over the short-term, however, the recent travel advisory upgrade of The Bahamas from a Level 4 to Level 3 on November 15, 2021 by the US Department of State signals a positive sign for future travel bookings to The Bahamas. Confirming this positive outlook for hotel bookings, the Bahamas Hotel Tourism Association confirmed hotel bookings in excess of 90 percent from the US Thanksgiving holiday to early 2022.

Table 6: Macroeconomic Forecasts

INDICATORS	2021	2022	2023	2024	2025
GDP Growth at Constant Prices (%)					
October 2020	2.0	8.5	4.0	3.7	1.8
October 2021	2.0	8.0	4.0	3.4	1.8
GDP Growth at Current Prices (%)					
October 2020	3.4	10.6	6.1	5.9	3.8
October 2021	7.8	12.7	7.0	6.2	4.3
GDP Deflator (%)					
October 2020	1.4	2.0	2.0	2.1	2.0
October 2021	5.7	4.4	2.9	2.7	2.5
Inflation Rate - Period Average (%)					
October 2020	1.5	2.2	2.2	2.1	2.1
October 2021	3.0	4.2	3.2	2.9	2.7

Data sources:
Historical data are from the Department of Statistics; where noted with an asterisk (*), the data are preliminary. The forecast data are from the IMF World Economic Outlook, October 2021

Figure 7: Real GDP Growth (in percent)



Note: 2016 to 2020 GDP data are based on Deparment of Statistics estimates.
2021 to 2025 GDP data are based on the October 2021 WEO.

While the BNSI estimated a contraction in real GDP of 14.5 percent in 2020, real growth is forecasted by the IMF in its October 2021 WEO to improve modestly by 2.0 percent in 2021, rebounding by 8.0 percent in 2022 and then gradually returning to pre-pandemic, longer-term trend growth levels of 4.0 percent, 3.4 percent and 1.8 percent in 2023, 2024 and 2025 respectively (see Table 6 and Figure 6).

In line with trends in output, IMF estimates indicate price inflation is expected to increase in 2021 to 3.0 percent from a minimal 0.039 percent experienced in 2020 amidst global supply chain shortages as countries rebound. In line with output trends, inflationary levels are similarly expected to increase to 4.2 percent in 2022 before gradually returning to historic levels of 3.2, 2.9 and 2.7 in 2023, 2024 and 2025 respectively. While recent efforts have been made to diversify the Bahamian economy, inclusive of focusing on food security, The Bahamas remains a net importer of most items consumed locally. As such, inflationary levels will continue to be sensitive to the current supply chain shortage.

As a result of job losses associated with the health & safety protocols and economic downturn attributed to the COVID-19 virus, IMF estimates place unemployment at end-December 2020 was estimated at 25.6 percent. With the implementation of emergency orders after onset of the pandemic locally, which allowed for furloughing of staff in lieu of termination, a large proportion of the Bahamian labour force also found themselves underemployed. Notwithstanding expected improvements in vaccination rates in major tourism source markets, relaxed travel restrictions and pent up demand for travel and leisure; the recovery to pre-COVID-19 output levels is expected to be protracted. As a result, unemployment levels in 2021 are forecast by the IMF to improve to 21.5 percent from an estimated 25.6 percent in 2020, more conservative than informal estimates generated based on NIB administered COVID-19 unemployment assistance. Over the medium term, unemployment rates are expected to return to pre-COVID-19 levels improving to 15.2 percent in 2022, 11.5 percent in 2023, 10.6 percent in 2024 and 10.3 percent in 2025.

Overall, with consideration of the prior factors, the status quo outlook for the recovery of the Bahamian economy remains largely positive. Key to the success of the achievement of this goal will be the continued containment of the COVID-19 infection rates.

3.2 Medium Term Fiscal Outlook

The medium-term outlook for key fiscal aggregates, developed within the context of the economic projections outlined above, is presented in **Table 7**.

This updated framework reflects the Government's revised baseline macroeconomic projections underlying the FY2021/2022 supplementary budget and the accompanying medium-term fiscal framework.

These forecasts assume that current efforts to restore fiscal health to pre-COVID-19 levels remain successful. This necessitates achievement of targeted efforts to improvement revenue collection and continued curtailing of expenditure. The projections also assume the cessation of the COVID-19 fiscal stimulus and income support by the end of 2021.

As a result of the national elections on September 16, 2021 and the change in administration, the medium term fiscal outlook reflects a realignment of economic and fiscal objectives which include:

- Continued diversification of the Bahamian economy through targeted Foreign Direct Investment (FDI) projects;
- A reduction in the quantum and mix of long term financing, this includes greater use of PPPs and green financing options;
- Reduction in the nominal rate of VAT from 12.0 percent to 10.0 percent while reducing zero rating categories to improve VAT yield;
- Attainment of a revenue to GDP ratio of 25.0 percent by FY2025/26;
- Attainment of a recurrent expenditure to GDP ratio of 20.0 percent by FY2022/23;
- Maintenance of a capital expenditure to GDP ratio of 3.0 percent by FY2022/23; and
- Attainment of a balanced budget by FY2024/25.

Table 7: Medium-Term Fiscal Outlook (B$M)

	ACTUALS		BUDGET	REVISED BUDGET	FORECASTS			
	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26
Revenue	**2,086.9**	**1,890.8**	**2,246.5**	**2,338.8**	**2,700.3**	**3,057.7**	**3,428.3**	**3,642.7**
Recurrent	2,086.8	1,888.8	2,244.5	2,336.8	2,698.3	3,055.7	3,426.3	3,640.7
Capital & Grants	0.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Expenditure	**2,898.7**	**3,238.5**	**3,198.3**	**3,197.4**	**3,115.5**	**3,255.1**	**3,356.4**	**3,422.3**
Recurrent Expenditure	2,526.4	2,868.1	2,825.9	2,879.2	2,679.3	2,790.1	2,866.9	2,912.6
Capital Expenditure	372.2	370.4	372.4	318.2	436.2	465.0	489.5	509.7
Overall Balance: Surplus/(Deficit)	**(811.7)**	**(1,347.6)**	**(951.8)**	**(858.6)**	**(415.2)**	**(197.3)**	**71.9**	**220.4**
Less: Interest Payments	377.1	422.5	441.8	482.5	505.8	565.8	578.0	567.6
Primary Balance	**(434.6)**	**(925.1)**	**(510.0)**	**(376.1)**	**90.6**	**368.5**	**649.9**	**788.0**
GDP (Current Prices)	11,301.0	9,895.0	12,326.5	11,573.0	12,462.0	13,286.0	13,985.0	14,563.0
Government Debt	8,191.2	9,935.0	10,886.8	10,793.6	11,233.6	11,500.9	11,568.7	11,566.7
Overall balance as % of GDP	-7.2%	-13.6%	-7.7%	-7.4%	-3.3%	-1.5%	0.5%	1.5%
Revenue as % of GDP	18.5%	19.1%	18.2%	20.2%	21.7%	23.0%	24.5%	25.0%
Expenditue as % of GDP	25.6%	32.7%	25.9%	27.6%	25.0%	24.5%	24.0%	23.5%
Gov't Debt as % of GDP	72.5%	100.4%	88.3%	93.3%	90.1%	86.6%	82.7%	79.4%

Note: Quarterly GDP estimates for calendar year 2019 and 2020 sourced from the BNSI Annual Gross Domestic Product report May 2021 were used in compiling fiscal estimates for FY2019/20 and FY2020/21. For 2021 and beyond based on October 2021 WEO.

a. Revenue Forecast

i. FY2021/2022

- Since the preparation of the FY2021/22 budget, the Government has seen an increase in revenue collection as the economy has rebounded more rapidly than originally forecast. The resultant increase in revenue collections during the first quarter of $92 million has been added to the revenue forecast. See **Table 8**.
- The forecasts also include fulfilment of the campaign promise to reduce the VAT rate from 12 percent to 10 percent beginning in the second half of the fiscal year. To ensure maintenance of the country's fiscal health, broad reductions in the list of zero rated items is also included in the forecast which includes elimination of zero rating on a variety of breadbasket items.
- On November 13, 2021 the expiration of emergency orders allowed for a full reopening of the Bahamian economy, inclusive of elimination of restrictive curfews. The removal of these restrictions allows for a full reopening of the domestic economy and should further accelerate the pace of economic recovery.

ii. FY2022/2023 to FY2025/2026

- The re-establishment of the Revenue Enhancement Unit is anticipated to increase revenue collections by $200 million over 24 months over the medium term by performing key revenue audits.
- To further improve revenue collections, the Ministry of Finance has re-established the Revenue Enhancement Policy Committee comprising heads of revenue collection agencies across Government. The major aim of the committee is to review Government policy measures to identify new sources of revenue. Attention will also be paid to reducing areas of revenue leakage.
- Based on financial modelling performed by the University of The Bahamas, the reduction in the nominal VAT rate in January 2022 combined with the elimination of selected zero rating categories is anticipated to result in increased consumer spending and overall increases in revenue collections over the medium term.
- As part of the project to improve collection of Real Property Tax (RPT) in The Bahamas, the update of the real property tax roll conducted by Tyler Technologies has completed the assessment of New Providence properties. The exercise has identified an additional $100 million in RPT revenue for New Providence properties alone. Work is commencing to update the real property tax roll on other islands to ensure more accurate RPT assessments and revenue collection.
- The overall impact of the revenue enhancement initiatives is a gradual increase in revenue collections over the medium term toward revenue targets of 21.5 percent of GDP in FY2022/23, 23.0 percent in FY2023/24, 24.5 percent in FY2024/25 and 25.0 percent in FY2025/26.

b. Recurrent Expenditure Forecast

Tables 9, 10 and 11 present the details of recurrent expenditure by economic, administrative and functional classifications. Reflective of the priorities of the new administration, the recurrent expenditure estimates include allocations for the creation of new ministries and departments and the reallocation of funding based on new priorities. The expenditure forecast is prepared with the assumption that the need for incremental COVID-19 health & safety measures and income support measures will be eliminated by end of FY2021/22 and achievement of Government's recurrent expenditure target of 20 percent of GDP by FY2025/26.

i. FY2021/22

As the country rebounds, recurrent expenditure is anticipated to begin to moderate to historic levels. With the removal of COVID-19 support, recurrent expenditure is forecast to trend to 22 percent of GDP over the period.

- Recurrent expenditure estimates assume the elimination of income support after December 2021 as the economy rebounds. The forecasts also include a one-time lump-sum payment at the conclusion of the program of $500 per person in December 2021. Similarly, allocations for Government's food assistance program are eliminated, with the expectation that households in need of assistance will continue to rely on traditional social services programs in the immediate term
- With the abating of COVID-19 related economic conditions, a resumption of promotions and increment payments are provided for in the budget as Government's fiscal health is restored.
- Also provided for is a one-time permanent increase in public service pensions on a graduated scale: As at December 1, 2021, 742 persons receiving less than $500 per month in monthly pension payment would receive an increase of $100; the 2,012 persons receiving more than $500 per month would receive an increase of $75 and the 4,432 persons receiving a monthly pension of greater than $1,000 would receive a monthly adjustment of $50. The cost of living adjustment represents a annual cost of $6.4 million to the Government.

ii. FY2022/23 to FY2025/2026

By the beginning of the next fiscal cycle, it is anticipated that funding for all forms of COVID-19 support would have fallen away. The forecasts anticipate maintaining a ratio of recurrent expenditures to GDP of no more than 20.0 percent of GDP over the medium-term horizon.

- Outlays for social assistance benefits (already narrowed by approximately $100.0 million compared to FY2020/21) will maintain this level of expenditure over the medium term. As a reference, FY2020/21 social assistance expenditure was inflated by an estimated $164.7 million attributed to COVID-19 support and $40.4 million in food assistance support.
- As a result of elevated levels of borrowing as a result of the twin pandemics, the national debt stock increased. The increased level of debt, in tandem with the recent sovereign credit downgrade by Moody's Investor Services as well as Standard and Poor will necessitate higher rates of interest.

c. Capital Expenditure

- After peaking at 3.7 percent of GDP in 2020/2021 (largely as a result of transfers to support small and medium sized businesses), capital outlays are forecasted to contract to 2.7 percent of GDP in 2021/2022 as the need for immediate fiscal stimulus lessens with the expected gradual reflation of the economy.
- Over the medium term, Government anticipates the need for medium-term growth in capital expenditures and, as such, capital outlays are maintained at 3.5 percent of GDP, as presented in **Tables 13 and 14**.
- Over the medium-term framework, capital transfers are assumed to level-off by FY2022/23 as COVID-19 related assistance significantly falls due to continued economic rebound. Reallocations are expected to be invested in buildings other than dwellings as the government undertakes greater investments into hospital buildings and infrastructure. As a result, capital spending by the Ministry of Health and Wellness is expected to increase by FY2022/23 and over the medium-term.

Table 8: Medium-term Revenue Estimates

	ACTUALS		BUDGET	REVISED BUDGET	FORECASTS			
	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26
TAX REVENUE (a+b+c+d)	**1,858.2**	**1,596.2**	**1,926.2**	**2,018.5**	**2,330.8**	**2,639.5**	**2,959.6**	**3,144.8**
a. Taxes on Property	**99.1**	**143.5**	**158.8**	**158.8**	**243.4**	**267.7**	**292.9**	**307.4**
b. Taxes on Goods & Services (i+ii+iii)	**1,346.8**	**1,160.0**	**1,358.2**	**1,438.8**	**1,601.4**	**1,821.5**	**2,049.6**	**2,181.7**
i. General	**1,154.6**	**967.6**	**1,140.3**	**1,220.9**	**1,349.8**	**1,536.6**	**1,730.2**	**1,842.2**
VAT	879.7	733.8	845.4	926.0	1,009.3	1,150.9	1,297.7	1,382.7
Stamp Taxes (Financial & Realty)	66.9	57.5	58.4	58.4	67.4	76.3	85.6	91.0
Excise Tax	208.0	176.3	236.5	236.5	273.1	309.3	346.8	368.5
ii. Specific (Gaming taxes)	**39.9**	**37.8**	**54.0**	**54.0**	**62.4**	**70.6**	**79.2**	**84.1**
iii. Taxes on Use of Goods/Permission to Use	**152.3**	**154.6**	**163.9**	**163.9**	**189.2**	**214.3**	**240.3**	**255.3**
Motor Vehicle Taxes	30.6	32.4	35.4	35.4	40.9	46.3	51.9	55.2
Company Taxes	16.8	21.7	21.1	21.1	24.4	27.6	31.0	32.9
Licence to Conduct Special Bus. Activity	103.0	97.5	105.7	105.7	122.1	138.3	155.1	164.8
Marine License Activities	1.7	3.2	1.6	1.6	1.9	2.1	2.4	2.5
Banks & Trust Companies	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
c. Taxes on Int'l Trade & Transactions	**405.6**	**290.2**	**405.1**	**416.8**	**481.3**	**545.1**	**611.2**	**649.4**
Customs & other import duties	227.0	187.3	232.8	244.6	282.4	319.8	358.6	381.0
Taxes on Exports	53.1	92.0	77.5	77.5	89.5	101.4	113.7	120.8
Departure Taxes	125.3	10.7	94.7	94.7	109.4	123.9	138.9	147.6
Other	0.2	0.2	0.0	0.0	0.0	0.0	0.1	0.1
d. General Stamp Taxes	**6.7**	**2.5**	**4.0**	**4.0**	**4.7**	**5.3**	**5.9**	**6.3**
NON-TAX REVENUE (e+f+g+h+i+j)	**228.6**	**292.6**	**318.3**	**318.3**	**367.5**	**416.2**	**466.7**	**495.9**
e. Property Income	**30.4**	**35.3**	**21.1**	**21.1**	**24.4**	**27.6**	**31.0**	**32.9**
Interest & Dividends	10.9	19.6	6.0	6.0	6.9	7.8	8.8	9.3
Revenue_Gov't Property	19.5	15.7	15.1	15.1	17.5	19.8	22.2	23.6
f. Sales of Goods & Services	**151.2**	**172.1**	**237.5**	**237.5**	**274.3**	**310.6**	**348.3**	**370.1**

Table 8: Medium-term Revenue Estimates cont'd

	ACTUALS		BUDGET	REVISED BUDGET	FORECASTS			
	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26
i. Fees & Service Charges	**132.1**	**159.1**	**222.0**	**222.0**	**256.3**	**290.3**	**325.5**	**345.8**
General Registration	4.3	4.1	3.7	3.7	4.3	4.9	5.5	5.8
General Service	12.1	11.4	15.0	15.0	17.3	19.6	22.0	23.3
Immigration	67.2	93.8	130.2	130.2	150.3	170.3	190.9	202.9
Land & Building	2.1	2.2	2.2	2.2	2.6	2.9	3.3	3.5
Legal	1.2	1.0	1.0	1.0	1.1	1.3	1.4	1.5
Customs	40.0	39.8	60.0	60.0	69.3	78.5	88.0	93.5
Port & Harbour	4.4	4.9	7.4	7.4	8.5	9.7	10.9	11.5
Health	0.5	1.2	2.1	2.1	2.4	2.7	3.1	3.2
Other Fees	0.3	0.5	0.3	0.3	0.4	0.5	0.5	0.5
ii. Other	**19.1**	**13.1**	**15.6**	**15.6**	**18.0**	**20.3**	**22.8**	**24.2**
g. Fines, Penalties & Forfeits	**4.8**	**5.4**	**5.3**	**5.3**	**6.1**	**7.0**	**7.8**	**8.3**
h. Reimbursements & Repayments	**39.4**	**42.9**	**47.5**	**47.5**	**54.8**	**62.1**	**69.6**	**74.0**
i. Misc. & Unidentified Revenue	**2.8**	**36.7**	**6.7**	**6.7**	**7.8**	**8.8**	**9.9**	**10.5**
j. Sales of Other Non-Financial Assets	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**
TOTAL TAX & NON-TAX REVENUE	**2,086.8**	**1,888.8**	**2,244.5**	**2,336.8**	**2,698.3**	**3,055.7**	**3,426.3**	**3,640.7**
Grants	0.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Capital Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GRAND TOTAL	**2,086.9**	**1,890.8**	**2,246.5**	**2,338.8**	**2,700.3**	**3,057.7**	**3,428.3**	**3,642.7**
		(in percent of GDP)						
VAT Rev (% of GDP)	7.8	7.4	6.9	8.0	8.1	8.7	9.3	9.5
Tax Revenue (% of GDP)	16.4	16.1	15.6	17.4	18.5	20.0	21.5	22.2
Non-Tax Revenue (% of GDP)	2.0	3.0	2.6	2.8	2.9	3.1	3.3	3.4
Total Revenue (% of GDP)	18.5	19.1	18.2	20.2	21.5	23.1	24.8	25.6

Table 9: Medium-term Recurrent Expenditure Estimates by Economic Classification (B$M)

	ACTUALS		BUDGET	REVISED BUDGET	FORECASTS			
	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26
Compensation of Employees	**760.8**	**700.1**	**778.6**	**782.6**	**709.7**	**726.3**	**747.4**	**765.7**
Wages & Salaries	657.5	613.2	670.9	675.1	612.2	626.5	644.7	660.5
Allowances	76.1	57.3	71.3	71.2	64.5	66.0	68.0	69.6
NIB Contribution	27.2	29.6	36.4	36.4	33.0	33.7	34.7	35.6
Use of Goods & Services	**561.8**	**610.0**	**631.5**	**626.2**	**567.9**	**581.1**	**598.0**	**612.7**
of which:								
Travel & Subsistence	12.8	7.1	11.0	10.7	9.7	9.9	10.2	10.4
Rent	72.4	61.5	78.0	78.0	70.8	72.4	74.5	76.4
Utilities & Telecommunications	80.5	113.2	104.2	103.7	94.1	96.2	99.0	101.5
Supplies & Materials	50.7	32.1	37.2	36.0	32.6	33.4	34.4	35.2
Services	183.9	176.0	233.4	231.0	209.5	214.4	220.6	226.0
Minor capital repairs	3.7	3.1	6.7	5.4	4.9	5.0	5.2	5.3
Finance charges	23.7	66.7	30.0	30.0	27.2	27.8	28.7	29.4
Special Financial Transactions	100.1	124.2	99.9	99.8	90.5	92.6	95.3	97.6
Tourism Related	6.9	1.8	4.8	4.8	4.4	4.5	4.6	4.7
Local Gov't Districts	13.0	12.7	13.3	13.3	12.1	12.3	12.7	13.0
School Boards	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	14.0	11.7	13.1	13.4	12.1	12.4	12.8	13.1
Public Debt Interest	**344.7**	**422.5**	**482.5**	**482.5**	**505.8**	**565.8**	**578.0**	**567.6**
Subsidies	**427.5**	**474.1**	**390.2**	**390.2**	**353.8**	**362.1**	**372.6**	**381.7**
Grants	**8.6**	**6.4**	**8.5**	**8.5**	**7.7**	**7.9**	**8.1**	**8.3**
Social Assistance Benefits	**47.7**	**245.0**	**115.8**	**152.7**	**138.5**	**141.7**	**145.8**	**149.4**
Pensions & Gratuities	**140.3**	**160.1**	**150.9**	**170.5**	**154.6**	**158.2**	**162.8**	**166.8**
Other Payments	**235.1**	**249.9**	**267.9**	**266.1**	**241.3**	**246.9**	**254.1**	**260.3**
Current Transfers n.e.c.	158.4	184.9	184.2	182.4	165.4	169.3	174.2	178.5
Insurance Premiums	76.7	64.9	83.7	83.7	75.9	77.7	79.9	81.9
TOTAL	**2,526.4**	**2,868.1**	**2,825.9**	**2,879.2**	**2,679.3**	**2,790.1**	**2,866.9**	**2,912.6**
Total Recurrent Expenditure	22.4	29.0	22.9	24.9	21.5	21.0	20.5	20.0
Compensation of Employees	6.7	7.1	6.3	6.3	5.7	5.5	5.3	5.3
Use of Goods & Services	5.0	6.2	5.1	5.1	4.6	4.4	4.3	4.2
Public Debt Interest	3.1	4.3	3.9	3.9	4.1	4.3	4.1	3.9
Subsidies	3.8	4.8	3.2	3.2	2.8	2.7	2.7	2.6
Social Assistance Benefits	0.4	2.5	1.2	1.2	1.1	1.1	1.0	1.0
Pensions & Gratuities	1.2	1.6	1.4	1.4	1.2	1.2	1.2	1.1
Other Payments	2.1	2.5	2.2	2.2	1.9	1.9	1.8	1.8

Table 10: Recurrent Expenditure Estimates by Administrative Classification (B$M)

	ACTUALS		BUDGET	REVISED BUDGET	FORECASTS			
	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26
Governor General & Staff	1.1	0.9	1.0	1.0	0.9	1.0	1.0	1.0
The Senate	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3
House of Assembly	6.1	3.4	3.7	3.7	3.4	3.4	3.5	3.6
Dept. of the Auditor General	2.3	1.8	2.5	2.5	2.3	2.4	2.4	2.5
Department of Public Service	278.5	279.9	306.1	325.7	299.3	306.3	315.2	322.9
Cabinet Office	6.8	4.7	5.4	4.7	4.3	4.4	4.5	4.6
Attorney General's Office and Ministry of Legal Affairs	19.7	18.3	18.2	18.2	16.8	17.2	17.7	18.1
Office of the Judiciary	13.3	13.0	16.8	16.8	15.4	15.8	16.3	16.7
Court of Appeal	2.0	2.1	2.4	2.4	2.2	2.2	2.3	2.3
Registrar General's Department	2.8	2.8	4.5	4.5	4.1	4.2	4.3	4.4
Bahamas Department of Corrections	26.3	24.5	31.1	30.9	28.4	29.0	29.9	30.6
Parliamentary Registration Dept	1.1	1.6	4.7	4.2	3.9	4.0	4.1	4.2
Ministry of Foreign Affairs and Public Service	33.4	28.3	30.1	30.1	27.7	28.3	29.1	29.9
Office of the Prime Minister	22.5	21.8	21.2	27.9	25.6	26.2	27.0	27.7
Bahamas Info Service Dept	1.9	1.8	2.0	2.0	1.9	1.9	2.0	2.0
Government Printing Dept	1.1	1.0	1.4	1.4	1.3	1.3	1.4	1.4
Department of Local Government	23.6	21.4	28.3	27.1	24.9	25.5	26.3	26.9
Department of Physical Planning	0.8	0.9	1.0	1.0	0.9	0.9	0.9	0.9
Dept of Lands & Surveys	2.5	1.8	3.6	3.6	3.3	3.4	3.5	3.6
Ministry of Finance	215.1	320.8	253.2	284.4	261.3	267.4	275.2	282.0
Treasury Department	101.7	150.3	78.2	78.2	71.9	73.6	75.7	77.6
Customs Department	35.4	33.3	35.7	35.7	32.8	33.6	34.6	35.4
Department of Statistics	3.0	3.1	0.0	0.0	0.0	0.0	0.0	0.0
Public Debt Servicing –Interest	344.7	422.5	512.5	512.5	505.8	565.8	578.0	567.6
Department of Inland Revenue	5.9	5.4	6.7	6.7	6.1	6.3	6.4	6.6
Ministry of National Security	9.9	9.3	12.2	14.3	13.2	13.5	13.9	14.2
Department of Immigration	34.1	25.0	31.7	31.7	29.1	29.8	30.7	31.4
Royal Bahamas Police Force	126.9	121.9	124.9	124.9	114.7	117.4	120.8	123.8
Royal Bahamas Defence Force	60.9	57.8	62.2	62.2	57.2	58.5	60.2	61.7
Ministry of Public Works and Utilities	73.1	78.0	47.7	55.4	50.9	52.1	53.6	55.0
Department of Public Works	17.4	16.6	18.3	17.8	16.4	16.8	17.3	17.7
Department of Education	198.1	180.0	202.6	200.5	184.2	188.5	194.0	198.7

Table 10: Recurrent Expenditure Estimates by Administrative Classification (B$M) cont'd

	ACTUALS		BUDGET	REVISED BUDGET	FORECASTS			
	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26
Department of Archives	0.7	0.6	0.7	0.7	0.6	0.6	0.7	0.7
Ministry of Education	103.0	118.0	114.1	114.1	104.8	107.3	110.4	113.1
Ministry of Transport & Housing	9.0	9.8	10.2	10.2	9.3	9.6	9.8	10.1
Ministry of Social Services & Urban Development	10.3	9.9	13.0	13.0	11.9	12.2	12.6	12.9
Social Service Department	42.6	85.6	81.5	81.5	74.9	76.6	78.9	80.8
Department of Housing	2.0	1.7	2.2	2.0	1.8	1.9	1.9	2.0
Ministry of Youth Sports & Culture	20.0	12.4	19.0	17.1	15.7	16.1	16.6	17.0
Labor Department	2.2	1.9	2.1	2.1	1.9	2.0	2.0	2.1
Ministry of Financial Services, Trade & Industry	1.5	1.3	1.7	0.0	0.0	0.0	0.0	0.0
Ministry of Economic Affairs	0.0	0.0	0.0	14.2	13.0	13.3	13.7	14.0
Post Office Department	5.9	5.8	8.4	8.0	7.4	7.6	7.8	8.0
Port Department	7.6	7.3	8.9	8.9	8.2	8.4	8.6	8.8
Department of Road Traffic	4.6	4.6	5.5	5.5	5.0	5.2	5.3	5.4
Department of Meteorology	2.2	2.0	2.8	2.7	2.5	2.5	2.6	2.6
Ministry of Agriculture & Marine Resources & Family Isl.	22.4	20.6	27.7	26.7	24.5	25.1	25.8	26.4
Department of Agriculture	5.6	4.9	5.6	5.6	5.1	5.2	5.4	5.5
Department of Marine Resources	2.1	2.0	2.8	2.8	2.6	2.7	2.7	2.8
Ministry of Health & Wellness	340.2	324.5	297.1	297.1	273.0	279.4	287.5	294.5
Department of Environmental Health Services	66.1	55.1	56.3	56.3	51.8	53.0	54.5	55.8
Department of Public Health	0.0	42.5	47.5	47.5	43.6	44.6	45.9	47.1
Ministry of Tourism, Investment & Aviation	125.8	177.5	140.6	139.7	128.4	131.4	135.2	138.5
Ministry of Labour and Immigration	5.6	4.8	5.9	5.2	4.8	4.9	5.0	5.1
Ministry of Environment & Natural Resources	37.3	39.2	26.6	18.7	17.2	17.6	18.1	18.6
Department of Transformation & Digitization	30.3	54.0	53.6	53.6	49.3	50.4	51.9	53.2
Ministry for Grand Bahama	7.1	6.9	9.8	8.8	8.1	8.3	8.5	8.7
Ministry of Disaster Preparedness, Management & Reconstruction	0.0	19.3	8.8	1.5	0.0	0.0	0.0	0.0
Office of the Director of Public Prosecutions	0.0	1.7	3.4	3.4	3.1	3.2	3.3	3.4
GRAND TOTAL	**2526.4**	**2868.1**	**2825.9**	**2879.2**	**2679.3**	**2790.1**	**2866.9**	**2912.6**

Table 11: Recurrent Expenditure Estimates by Functional Classification (B$M)

	ACTUALS		BUDGET	REVISED BUDGET	FORECASTS			
	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26
General Public Service	905.7	993.2	1,131.1	1,150.8	1,070.9	1,115.2	1,145.9	1,164.1
Defense	61.0	57.8	62.2	62.2	57.9	60.3	62.0	63.0
Public Order & Safety	237.1	220.5	246.1	248.1	230.9	240.4	247.0	251.0
Economic Affairs	301.4	343.6	295.1	292.3	272.0	283.2	291.1	295.7
Evirnomental Protection	150.4	139.2	108.9	108.7	101.2	105.3	108.2	110.0
Housing & Community Amenities	2.3	2.1	9.2	9.0	8.4	8.7	9.0	9.1
Health	375.5	388.3	365.9	366.0	340.6	354.7	364.4	370.2
Recreation, Culture & Religion	31.8	26.0	30.6	28.3	26.3	27.4	28.2	28.6
Education	300.1	296.2	320.0	317.8	295.7	308.0	316.4	321.5
Social Protection	168.0	402.5	256.7	296.0	275.4	286.8	294.7	299.4
GRAND TOTAL	**2,533.3**	**2869.3**	**2825.9**	**2,879.2**	**2,679.3**	**2,790.1**	**2,866.9**	**2,912.6**

Table 12: Capital Expenditure by Economic Classification (B$M)

	ACTUAL		BUDGET	REVISED BUDGET	FORECASTS			
	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26
Capital Transfers	**151.6**	**95.8**	**131.2**	**103.7**	**142.1**	**151.5**	**159.5**	**166.1**
Acquisition of Non-financial assets	**220.6**	**274.6**	**241.2**	**214.5**	**294.0**	**313.5**	**330.0**	**343.6**
Fixed Assets	**220.6**	**274.6**	**239.2**	**212.5**	**291.3**	**310.5**	**326.9**	**340.4**
Buildings other than dwellings	74.1	85.0	86.3	89.6	122.8	130.9	137.8	143.5
Other structures	83.9	145.6	90.5	71.4	97.9	104.3	109.8	114.4
Transport equipment	3.4	7.5	6.7	0.6	0.8	0.9	0.9	1.0
Other Machinery & equipment	28.8	16.4	27.1	20.6	28.2	30.1	31.7	33.0
Land Improvements	1.3	6.5	8.2	8.2	11.2	12.0	12.6	13.1
Other fixed assets	29.1	13.5	20.5	22.1	30.3	32.3	34.0	35.4
Land	**0.0**	**0.0**	**2.0**	**2.0**	**2.7**	**2.9**	**3.1**	**3.2**
TOTAL	**372.2**	**370.4**	**372.4**	**318.2**	**436.2**	**465.0**	**489.5**	**509.7**
		(in percent of GDP)						
Capital Transfers	1.3	1.0	1.1	0.9	1.1	1.1	1.1	1.1
Acquisition of Non-financial Assets	2.0	2.8	2.0	1.9	2.4	2.4	2.4	2.4
CAPEX (in percent of GDP)	3.3	3.7	3.0	2.7	3.5	3.5	3.5	3.5
CAPEX (as percent of total expenditure)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Table 13: Capital Expenditure by Administrative Classification (B$M)

	ACTUALS		BUDGET	REVISED BUDGET	FORECASTS			
	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26
Ministry of Foreign Affairs and Public Service	2.0	1.3	2.0	1.5	2.1	2.2	2.3	2.4
Office of The Attorney General and Legal Affairs	0.2	0.0	1.3	0.8	1.1	1.2	1.2	1.3
Customs Department	3.4	1.2	2.1	1.7	2.3	2.4	2.6	2.7
Ministry for Grand Bahama	1.3	0.7	0.8	0.8	1.0	1.1	1.2	1.2
Ministry of Finance	147.4	65.3	107.4	86.4	118.2	126.0	132.6	138.1
Ministry of National Security	12.0	11.7	13.5	13.5	18.4	19.6	20.7	21.5
Royal Bahamas Defence Force	8.9	9.0	6.6	5.6	7.7	8.2	8.6	9.0
Ministry of Public Works and Utilities	94.1	107.3	108.4	100.6	137.6	146.7	154.4	160.8
Ministry of Education & Training	52.3	50.3	53.8	51.3	70.2	74.8	78.8	82.0
Ministry of Agriculture & Fisheries & Family Island	1.2	0.5	3.2	3.2	4.4	4.7	4.9	5.1
Mnistry of Health and Wellness	22.1	102.2	50.6	36.6	50.1	53.4	56.2	58.5
Ministry of the Environment & Natural Resource	4.3	2.5	5.9	3.8	5.2	5.5	5.8	6.0
Ministry of Tourism, Investment & Aviation	2.0	4.0	2.0	1.7	2.3	2.5	2.6	2.7
Department of Transformation & Digitization	7.5	2.4	10.0	9.0	12.3	13.1	13.8	14.4
Ministry of Transport & Housing	0.56	0.1	0.4	1.3	1.8	1.9	2.0	2.1
Ministry of Disaster Preparedness, Management & Reconstruction	0.0	11.7	4.5	0.4	0.5	0.6	0.6	0.6
TOTAL	**372.2**	**370.4**	**372.4**	**318.2**	**436.2**	**465.0**	**489.5**	**509.7**

Table 14: Capital Expenditure by Functional Classification (B$M)

	ACTUALS		BUDGET	REVISED BUDGET	FORECASTS			
	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26
General Public Service	87.3	50.4	65.3	55.4	75.9	81.0	85.2	88.7
Defense	6.6	9.0	6.6	5.6	7.7	8.2	8.6	9.0
Public Order & Safety	11.7	11.7	14.7	14.3	19.5	20.8	21.9	22.8
Economic Affairs	169.9	130.8	163.2	141.0	193.2	206.0	216.8	225.8
Environmental Protection	6.2	4.0	9.2	6.5	8.9	9.5	10.0	10.5
Housing and Community Amenities	1.7	0.0	–	–	–	–	–	–
Health	34.3	102.2	51.6	37.1	50.9	54.3	57.1	59.5
Recreation, Culture & Religion	–	0.0	2.0	1.0	1.4	1.5	1.5	1.6
Education	69.6	50.4	53.8	51.3	70.3	75.0	78.9	82.2
Social Protection	–	11.9	6.0	6.0	8.2	8.7	9.2	9.6
GRAND TOTAL	**387.2**	**370.4**	**372.4**	**318.2**	**436.2**	**465.0**	**489.5**	**509.7**

3.3 Overall Fiscal Balance and Debt Financing

The overall fiscal balance and the financing structure for the medium-term fiscal framework are outlined in Table 15. As a result of operations, and the assumptions of a continued improvement in economic conditions, the fiscal deficit and overall position is expected to narrow from $1,347.6 million in 2020/2021 to $858.6 million in 2021/2022. This reduced fiscal deficit also benefits from improved revenue performance during the first quarter of the year reducing the planned deficit. The deficit is expected to contract further over the medium term in line with budgeted increases in revenue, declining to $415.2 million in FY2022/23 and $197.3 million in FY2023/24. A surplus of $71.9 million is projected in FY2024/25 followed by a surplus of $220.4 million in FY2025/26.

Table 15: Sources of Budget Financing through the Medium Term (B$M)

	ACTUALS		BUDGET	REVISED BUDGET	FORECASTS			
	2019/20	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26
Overall Balance [Surplus/(Deficit]	**(811.7)**	**(1,347.6)**	**(951.8)**	**(858.6)**	**(415.5)**	**(415.2)**	**71.9**	**220.4**
Net Incurrence of Liabilities (a-b) [+]	**714.4**	**1,334.2**	**951.9**	**858.6**	**415.2**	**197.3**	**(71.9)**	**(220.4)**
a. Borrowings	1,541.3	2,030.8	1,851.6	1,758.6	3,275.2	2,368.3	2,266.1	1,604.6
b. Debt Repayment	826.9	696.6	899.7	900.0	2,860.0	2,171.0	2,338.0	1,825.0
Net Acquisition of Financial Assets [-]	**71.8**	**46.5**	**59.8**	**59.8**	**46.5**	**46.5**	**46.5**	**45.4**
Sinking Funds	46.5	46.5	59.8	59.8	46.5	46.5	46.5	45.4
Equity	10.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	15.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
"Other Financing & Cash Balance Change (incl. Overdraft) [()= increase]"	(169.1)	(59.9)	(59.7)	(59.8)	(46.5)	(46.5)	(46.5)	(45.4)

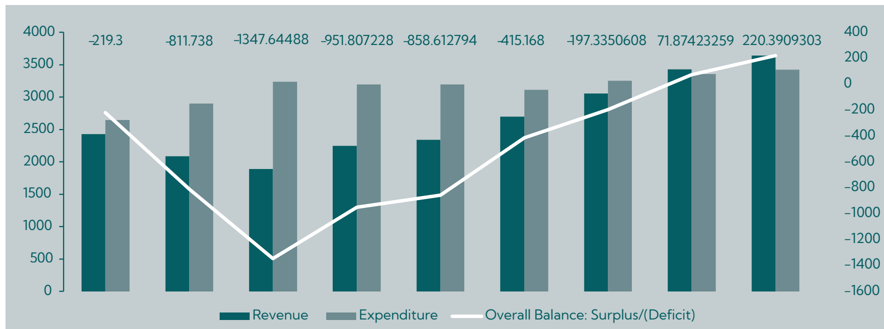
Note: Borrowings and Repayment from CBOB

1. INTRODUCTION
2. OVERVIEW OF ECONOMIC AND FISCAL PERFORMANCE IN FY2020/21
3. ECONOMIC AND FISCAL OUTLOOK
4. GOVERNMENT FISCAL STRATEGY AND PRIORITIES
5. FISCAL RISK IDENTIFICATION AND MITIGATION STRATEGIES
6. SENSITIVITY ANALYSIS
ANNEX

In line with the projected overall balance, the nominal debt level is expected to increase in FY2020/2021 to approximately $10.8 billion or 93.3 percent of GDP, a decline from the 100.4 percent experienced during the most recent fiscal year. Debt levels are anticipated to peak at $11.2 billion in FY2023/24 before declining to $10.8 billion or 74.1 percent of GDP by FY2025/26.

Based on the current fiscal trajectory, inclusive of revenue enhancement and expenditure containment plans, the Government anticipates maintaining achievement of its 50 percent debt target 2030/2031. This is predicated on the assumption that the accumulation of primary surpluses in the intervening years would reduce the need for borrowing. Details on the Government debt and debt sustainability analysis are presented in **Section 6**.

Figure 6: Summary of Fiscal Data (B$M)



3.4 Fiscal Responsibility

In accordance with Section 7 of the Act, the Government is mandated to manage its fiscal affairs in line with the principles of accountability, intergenerational equity, responsibility, stability, and transparency. Recent measures taken to promote these fiscal principles are outlined below and underscore the government's commitment to good governance.

In an effort to maintain the tenets of fiscal responsibility, accountability and transparency while also promoting efficiency in the delivery of government service, the Government proposes amendments to: Fiscal Responsibility Act, 2018; Public Procurement Act, 2021; Public Financial Management Act, 2021; and Debt Management Act, 2021.

» Such critical amendments provide for, among other things:

» The expansion of specific fiscal targets to include measures of capital expenditure, revenue and interest to allow for increased accountability and monitoring of performance;

» The allowance for the publishing of financial information of Ministries, Government Business Enterprises and Agencies on the Government's website, whether or not such financial information has been tabled in Parliament;

» Improvement in public procurement processes to reduce bottlenecks in the approval process;

» Allow for the creation of an external private sector debt management committee; and

» Commencement of monthly reporting on Government's fiscal performance in July 2022.

Government Fiscal Strategy and Priorities

4.1 Key Budget Priorities and Considerations

The fiscal impact of Hurricane Dorian in September 2019 followed by the emergence of the COVID-19 virus on Bahamian shores in March 2020 has presented significant fiscal challenges to the Bahamian economy, at a time when fiscal consolidation efforts were proving successful in debt and deficit reduction. The FY2021/22 Supplementary Budget is the first budget of the current administration which promises a more people centric budget focused on providing tax relief and social support, while also ensuring fiscal responsibility. Over the medium term, the revised fiscal strategy is designed to ensure:

- restoration of the fiscal health of The Bahamas;
- a focus on broader health care support via expansive free COVID-19 testing;
- the development of community centered/bottom up development strategies for each island/community focused on development and expansion of intrinsic areas of development;
- exploitation of the Bahamian blue/green economy in economic diversification and potential financing opportunities;
- inclusion of alternative financing mechanisms such as Public Private Partnerships and blue/green bonds to finance critical infrastructure needs; and
- fiscal transparency and accountability to while providing fiscal sustainability.

a. Revenue Strategies

At the core of the Government's plan to restore the nation's fiscal health is the inclusion of an aggressive strategy to improve revenue generation and revenue administration to achieve the target revenue collections of 25.0 percent of GDP by FY2025/26. That, in turn, will require both an enhancement of the tax base as well as improved efficiency in tax administration, Achievement of this target is critical in ensuring Government's fiscal consolidation efforts, reducing the increasing debt burden and providing fiscal headroom to weather unforeseen macroeconomic shocks in the future. While a robust level of economic growth is anticipated over the near term as the economy reflates, a credible strategy to achieve these fiscal goals will also necessitate concerted efforts to increase the longer term potential growth of the economy.

Tax Compliance Measures

» Strengthen the capacity to conduct investigations and revenue audits by institutionalizing the Revenue Enhancement Unit. This exercise will include ensuring proper staffing and training of staff is conducted. An emphasis will be placed on performing Risk Based Audits to improve efficiencies

» Continue exploiting the use of big data techniques to detect tax evasion and avoidance with a focus on entering into agreements for data collection (eg. the Government already collects data on AirBnB rentals allowing for the identification of properties collecting revenue but not paying taxes). An independent firm is being engaged by Government to track and report to Government on activity in the short term rental market.

» Continue monitoring and expanding the Custom's Electronic Single Window, "Click2Clear", launched in September 2019, to ensure efficient collection and maximization of custom revenue intake across the medium term.

» Expedite progress on the ongoing real property tax roll project particularly for Family Island properties to increase the yield in line with expectations and ensure all parties pay their fair share of taxes.

Legal & Administrative Reforms

Review the existing laws to determine opportunities for modernization and simplification of tax legislation, having regard to efficiency, fairness and stability of taxes, and to achieve conformity with best practices.

Conduct a comprehensive review of the Government's tax concessions regime with a view to reducing the quantum of revenue foregone across sectors and in line with international standards. Such as review will also include the introduction of a monitoring and evaluation framework to ensure value for money.

Tax Reform

» Conduct a diagnostic review of the tax regime to identify and eliminate revenue administration gaps and contain leakages.

» Review existing tax regime to develop a road map of tax system reform recommendations that would introduce greater progressivity, fairness and stability to the government's revenue collection over the medium-term horizon.

b. Recurrent Expenditure Policy & Priorities

In tandem with the goal of improving revenue collection, to achieve fiscal stability, the Government intends to curtail expenditure and limit recurrent expenditure to 22.0 percent of GDP through the forecast horizon of this FSR and ensuring efficiency in implementing targeted spending initiatives to ensure sustainable development. While areas such as education and health care remain areas of priority spending, focus is also being placed on reducing the debt burden and financing charges. As part of the plan to secure fiscal sustainability, areas of focus will include the following initiatives.

» **Implementing targeted public expenditure reforms to enhance the effectiveness and efficiency of public spending.** The recently completed Public Expenditure Review conducted by the Inter-American Development Bank (IDB) outlines several areas of reform in public spending to achieve the goals of equity and sustainable development. Chief among the recommendations is the prioritization of primary and secondary education in public spending, inclusive of job readiness programs. Emphasis is also placed on the need to ensure greater redistribution towards the least advantaged in society, which will be achieved by the reintroduction of the RISE program at the Department of Social Services. Careful attention must be paid to reducing rising health care costs, which is achievable with the focus of the Ministry of Health in the new budget to include wellness programs to reduce non-communicable diseases.

» **Continuing to limit the overall growth in public sector employment while focusing on improv-**

ing employee efficiency. Except for priority areas, mainly health, education, public defence & safety, and the need to boost capacity with necessary technical expertise to meet the increasing need for policy review and support, the government intends to curtail overall growth in employment. Where possible, priority will be placed on cross-training and professional development to improve the productivity and efficiency of the existing labour force.

» **Resumption of State Owned Enterprise (SOE) reform agenda.** To avoid suspension of essential public services provided by certain SOEs (eg. water, electricity, healthcare) and to provide economic support to others during the COVID-19 pandemic, Government temporarily suspended its SOE reform plan. With the improvement in economic conditions forecast in the FY2021/22 budget, Government intends to resume its original SOE reform agenda, which targeted $100 million in cost savings over the medium-term horizon from the SOEs. In 2019, the Government engaged the assistance of a firm to conduct a review of several SOEs for the purpose of identifying cost savings through either legislative, regulatory, or institutional initiatives slated to commence by mid-2022. The recently concluded overflight fee agreement to support the delivery and long-term development of air navigation services in The Bahamas, will also provide for the elimination of the annual subventions provided to the Civil Aviation Authority of The Bahamas, budgeted at $15.3 million for 2020/2021. The Government intends to resume its SOE reform agenda in mid-2022.

» **Digitization of government services.** The Government will seek to drive public sector transformation and contain a range of budgetary costs though the employment of digital technologies in the execution and delivery of key processes and services. To date, the Government's Department of Transformation and Digitization (DTaD) has made significant progress in simplifying and improving existing online portal functionality for payments and services, including the launch of several services, such as online requests for services from the Registrar General's Department (certified copies of birth, marriage and death certificates); Royal Bahamas Police Force (character certificate); Road Traffic (Driver's licence) and the Passport Office (e-passport renewal). By delivering enhanced operational efficiency and effectiveness, these activities will have a growing positive impact on the country's competitiveness, innovation and Bahamians, in general. Over the medium term, the Government will also take steps for the onboarding of the Central Bank's digital currency (Sand Dollar) as a payment method for the collection of revenue for all government agencies. Over the medium term, Government intends to launch a National Digital ID to allow for increased ease of doing business by issuance of a digital electronic ID which is interoperable across various platforms.

» **Reform of Government pension scheme.** An initial review and assessment of the Government's existing defined benefit pension scheme has been completed by the accounting firm, KPMG, which outlines the need for reform and modernization. Pension payments for FY2021/22 equate to $124.7 million or 4 percent of total recurrent expenditure. To limit the risk associated with future pension liabilities, Government intends to pursue a strategy where all new employees will only be eligible to participate in a defined contribution plan, with a limit on the growth in pensionable salaries for existing employees. This strategy is estimated to improve cash flow by $6.0 million over 10 years.

c. Capital Expenditure Policy

To ensure the provision of critical infrastructure, the Government has increased its medium-term target for capital expenditure from 2.0 percent of GDP in the 2020FSR to 3.0 percent. In addition to continuing residual rebuilding efforts related to Hurricane Dorian and Hurricane Ida, the spending priorities through the medium-term will focus on investments in health infrastructure, roads, bridges and airports using creative financing mechanisms.

» **Shore-up the health care sector.** Hurricane Dorian and the COVID-19 pandemic exposed many of the vulnerabilities in the Bahamian public health care system. Both pandemics demonstrated the need to expand and shore-up local health care resources (inclusive of mental health and national health insurance) to withstand potential future disasters. Targeted investments in the healthcare sector are planned to continue to build out and upgrade facilities to conform with best practices

» **Greater use of Public Private Partnerships.** Public Private Partnership (PPP) opportunities will continue to be explored where feasible as a mechanism for delivering priority infrastructure needs—building upon the policy framework established in 2018. Health care and aviation opportunities for the use of PPPs have already been identified, which represent considerable cost savings to Government in the delivery of essential public services. To this end, the Government intends to update and institutionalize its PPP framework inclusive of the establishment of project evaluation criteria.

d. Structural Reforms and Economic Policy

At the heart of Government's fiscal strategy is a reliance on sound and stable economic policies to drive growth and allow achievement of key fiscal objectives. Such economic policies necessitate structural reform to improve competitiveness, improve the ease of doing business and incentivize investment.

» **Institutionalize the National Development planning process.** With support from the IDB, a draft National Development Plan (NDP) for The Bahamas was released in 2016 charting the vision for a sustainable and inclusive development framework for the nation. This plan, aligned with the United Nations Sustainable Development Goals outlines a bottom-up, inclusive framework for priority development areas to ensure long-term sustainable growth targets are achieved. Government intends to institutionalize the national development planning process, by using targeted development plans to guide public investment spending towards priority areas, which currently impede long-term growth. Family island development, namely development of airports, and infrastructural upgrades, are key points of focus for future investments.

» **Continuing to support Micro, Small and Medium Sized Businesses (MSMEs) development.** Government recognizes the contribution of MSMEs to sustainable and more inclusive development, in terms of contributions to economic growth, creation of jobs, provision of public goods and services, as well as poverty alleviation and reduced inequality. Ensuring their growth is, therefore, important for achievement of the Government's socio-economic objectives. Appreciating the value of MSMEs to the Bahamian economy, Government intends to continue providing funding of $50 million per year to further support the growth of MSMEs. In other funding support to small businesses, in July 2021 the Securities Commission of The Bahamas approved new crowdfunding regulations allowing for a low cost mechanism for MSMEs to raise capital. Using this mechanism, entrepreneurs can raise up to $5 million in equity funding via the use of online platforms from numerous micro-investors while maintaining control of their operations. To date at least one company has taken advantage of the new product to commercialize the crowdfunding process for entrepreneurs.

» **Promoting domestic and foreign investment.** The Government recognizes the need for greater efficiency in promoting the development of larger scaled investments, which contribute significantly to new jobs and spending in the economy. Renewed focus is being given to expediting pipeline projects along the implementation stages—adding to the already important foreign direct investment (FDI) projects either approved or underway. To ensure the alignment of major investments with the long-term development goals of the country, the Bahamas Investment Authority (BIA) will have its remit expanded and the agency transformed to BahamasInvest. This broader entity will be provided additional support for monitoring of investment projects against approved objectives as well as investment promotion to encourage investment in priority sectors.

» **Increased investments in the digitization of Government.** The digitization of Government processes/services will bring greater cost efficiency and effectiveness to Government operations. As part of the initiatives being undertaken by the DTaD, the Government intends to digitize the domestic and foreign investment processes, providing efficient, electronic access for businesses and investors to Government services.

- **Encouraging economic diversification through trade opportunities.** The inherent risk of a largely single sourced economy was realized during the onset of the COVID-19 outbreak when boarders were closed and tourist activity ceased. As a means of encouraging economic diversity and resilience as well as to provide additional opportunities for business growth, The Bahamas, as part of the CARIFORUM delegation, entered into an economic partnership agreement with the European Union in 2008. Despite entering into this agreement, the duty free and quota free access to European markets has remained largely unexploited thus far with little appreciable increase in European exports since signing of the agreement. During the first half 2021, the Bahamian ambassador to the Kingdom of Belgium and Head of Mission to the European Union (EU) announced recent pledged support from the EU to assist in trade facilitation. To date, two Bahamian based rum manufacturers have been named as recipients of the technical assistance to aid in increasing exports to the EU. With the United Kingdom (UK) departing from the EU, CARIFORUM countries have entered into a similar economic partnership agreement with the UK to preserve the benefits of the EU agreement as relates to the UK. As part of the broader mandate to exploit trade opportunities, during the first half of 2021, The Bahamas received assistance from the United Nations to develop a comprehensive trade policy for The Bahamas. The aim of this document is to develop a comprehensive framework to guide The Bahamas' approach to trade in the future. As a means of establishing employment opportunities, supporting the growth and development of the cultural industry and expanding trade The Bahamas is receiving technical assistance to further develop a comprehensive framework as part of the Economic Partnership Agreement (EPA). This legislative expansion will facilitate increased gains through exports by providing Bahamian creators new intellectual property rights through trademarking, copyrighting, patents, etc.
- **Stimulating the rebound through specialized tourism.** A key priority of the Government's economic resilience plan is to maximize every opportunity for growth and development. The Government has committed to relaunching the Sports in Paradise programme as a means of encouraging major international sports federations and leagues to use The Bahamas as a base. Moving beyond recreational tourism will provide opportunities for enhanced revenue collection, increased employment opportunities, and potentially increased access to professional programs thus leading to development of local athletes.
- **Modernizing the trade industry through legislative reform.** The latter half of 2021 saw progressive reform to trade legislation with the amendment of the 1976 Merchant Shipping Act. The aim of this Bill is to modernise merchant shipping, stimulate creative thinking and technological innovation while addressing marine pollution. Amendments within this Bill are set to facilitate the ease of fulfilling international obligations by simplifying the process of incorporating standard international shipping conventions and codes. The Bill gave effect to international maritime instruments, the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW Convention), the Safety of Life At Sea Convention (SOLAS) and the Maritime Labour Convention (MLC) to enhance safety within the industry. Furthermore the recent amendment retains measures of regulation and development within the industry by incorporating provisions from earlier Acts of Parliament, the Limited Liability Act. Such advancements to local shipping practices are expected to amplify trade activity, and ultimately diversify government revenue.
- **Promoting energy reform through the use of renewables.** The Government is committed to the use of more efficient and environmentally friendly energy sources, as a means of improving energy security and cost. A key prong of the government's socio-economic transformational agenda and economic resilience plan is to optimize energy efficiency by incorporating the use of renewable resources throughout the Family Islands. This imperative was reinforced by the passing of Hurricane Dorian which left the affected islands without power for extended periods. To boost climate resilience, the Government intends to utilize proceeds of the $170 million IDB Credit Line for Investment Projects to invest in climate resilient projects aimed at reducing The Bahamas's carbon footprint and greenhouse gas emissions. In a further move to enhance climate resiliency capacity and reduce The Bahamas' footprint in fossil fuel generated electricity, the Government is continuing with the streetlight retrofitting project with solar installation.

» **Climate and Disaster Budget Tagging.** The Bahamas embarked on its first climate tagging exercise, in conjunction with the World Bank, during its FY2021/22 budget exercise. Climate and Disaster Tagging is a methodology that extracts information from the national budget on the nature, quantity and quality of its expenditures related to climate change mitigation and disaster risk management. This methodology enables countries to identify, allocate and manage the levels of these expenditures each fiscal year. By using this methodology, countries are able to improve management of spending on disasters throughout each phase of the disaster, by sector and by programme. This exercise is expected to become a regular part of the budget process for future national budgets. This effort demonstrates the country's commitment to climate action and disaster mitigation and improving transparency on climate related expenditures.

The preliminary report on the first tagging exercise will be finalized shortly, however, preliminary figures indicate that the amount budgeted for climate change mitigation and disaster risk management totalled $66.1M (2.1 percent of total budgeted expenditure) in the FY2021/22 national budget. By category, roughly $24.7M is budgeted for climate change mitigation and adaptation for FY2021/22, of which capital expenditure accounts for $19.5M and recurrent expenditure accounts for $5.2M. For disaster risk management, a total of $41.4M was budgeted, of which $17.1M is budgeted for capital expenditure, and $17.0M for recurrent expenditure, respectively. Recurrent expenditures across both categories include budgeted sums for travel, training, equipment, fuel and medical and surgical supplies. Similarly, capital expenditures across categories include allocations for large scale infrastructure projects, such as rebuilding after Hurricane Dorian and the Ministry of Health's Sector Improvement Programme. The tagging for the upcoming FY2022/23 will commence in the spring of 2022.

» **Expanding Potential Financial Sector Opportunities.** The Government recognizes the value of the financial services sector to economic growth, in providing significant high-end employment opportunities for Bahamians, and the important linkages to tourism and the second-homes market. Significant effort has been placed on ensuring that the jurisdiction remains competitive, and agile in the context of the dynamic changes underway in the financial technology space. In a signature piece of legislation, on November 3, 2020 the Government passed the Securities Commission's most progressive piece of legislation to date, the Digital Assets and Registered Exchanges (DARE) Act, 2020. The DARE Act creates a compliant legislative regime to regulate the issue and sale of digital assets, including digital tokens and digital asset businesses.

Fiscal Risk Identification and Mitigation Strategies

Tables

Fiscal risks are driven by developments or events that may cause the Government's fiscal performance to deviate from the expected budget outcome or the medium-term forecasts, or that threaten long-term fiscal sustainability. Crystallization of potential shocks to forecasts of Government revenue and expenditure could increase the overall deficit and the public debt. The government acknowledges the importance of risk identification, analysis, and mitigation in its fiscal planning exercise, and recognizes that sound management of fiscal risks contributes to macroeconomic stability.

In managing the principal risks, the Government seeks to identify the source, scale, and likelihood of the risk which are disclosed in the 2021 FSR to ensure accountability. The principal risks over the medium-term horizon are summarized in **Table 17**, along various risk mitigation measures that the Government has either devised/ or could implement should one or more of these risks materialize during the forecast period. The presentation below groups fiscal risks into the categories of macroeconomic (which has feedback effects on both revenue and expenditure), exogenous/external (which includes natural disasters and other external shocks) and other Government liabilities (which includes Government guarantees and other contingent liabilities).

5.1 Macroeconomic Risks

The preparation of fiscal forecasts involves the inclusion of assumptions regarding the future behavior of various macroeconomic variables (e.g., commodity prices, global GDP growth, interest and exchange rates) and the impact of these variables on local aggregates.

Since the onset of the coronavirus outbreak, there has been great uncertainty surrounding the duration and intensity of the pandemic. The rapid pace of viral mutation and continued rapid pace of viral spread solidify the significant uncertainty surrounding the impact of the COVID-19 virus of future economic conditions. This concern is elevated if viral mutations persist and should existing vaccines lose efficacy against these new strains, significant downside risks may materialize. This report is being prepared at a time when a new COVID-19 strain, labeled the Omicron strain, has emerged and has already been identified in major markets such as the US, France and Japan. Under the extreme downside risk, the new variant may result in the reimposition of boarder closures and lockdowns while under the moderate and more likely scenario, the recovery to pre-COVID conditions may be further delayed.

In the extreme downside risk scenario, it is assumed that the Omicron variant will result in global macroeconomic conditions similar to during the initial onset of the COVID-19 virus. This would necessitate the reimposition of containment measures such as boarder closures and travel restrictions (even if only temporarily) limiting or eliminating cross border movement. The reimposition of curfews and lockdowns would limit domestic output and supply side economic activity. Based on historic performance, this would result in several months with revenue losses near 50 percent of projected and elevated expenditures for unemployment assistance ($13 million per month) and health expenditure ($2.0 million per month) over the duration of the lockdowns. In the extreme downside risk scenario, the impacts would impact revenue and expenditure for a minimum of 3 months before reverting to moderate risk scenario conditions.

In the moderate downside risk scenario, COVID-19 containment measures are less aggressive and do not include boarder closures or extreme lockdowns, limiting the impacts of the pandemic on the travel and tourism sector and the domestic economy. This scenario also includes the reimposition of restrictions on certain domestic economic activity, however, such restrictions are not as broad as full lockdowns. In this scenario, the impact of COVID-19 containment measures on fiscal and economic aggregates is more muted, with performance at 70 percent of pre-COVID or current levels.

It is apparent that the longer COVID-19 persists, the greater the adverse impacts on economic growth, investment and the fiscal situation, and the increased financial stress for households and businesses. The government recognizes these risks and seeks to, inter alia, ensure the prudent management of the public finances, and address structural impediments to growth to counter these vulnerabilities posed by global macroeconomic conditions and the health pandemic.

5.2 Exogenous /External Shocks

Natural Disasters

The Bahamas is located in the Caribbean, in an area highly susceptible to hurricanes exposure as evidenced by the six severe storms which have made landfall on Bahamian shores in the past decade which has caused widespread damage to infrastructure, businesses and families. Notwithstanding the fairly inactive hurricane season in 2021, the increasing frequency and intensity of storms present a potential source of widespread damage to lives and infrastructure, and increased financial, fiscal and social costs that may be catastrophic in scope. In the context of constrained fiscal space, the Government recognizes the importance of disaster risk management strategies as indispensable for enhancing fiscal and economic resilience.

To address these vulnerabilities, the Government has access to a range of measures to reduce the financial exposure and other vulnerabilities to disaster risk:

- **Contingent Credit Line:** The Government continues to maintain a contingent credit line with the IDB of up to $100 million to provide liquidity in the event of a natural disaster
- **Disaster Insurance:** The Government maintains a risk transfer mechanism in the form of a parametric insurance policy with the CCRIF, which divides coverage for The Bahamas into three zones—the North West, South East and Central Bahamas, each with separate parametric triggers. The Government is also seeking to explore the use of catastrophe bonds similar that of Mexico; and is supportive of encouraging private sector risk financing to limit the potential for unplanned fiscal costs.
- **Disaster Relief Fund:** The Fund was initially constituted with $40 million in proceeds from the extinguished dormant bank accounts, which was utilized to meet needs arising from Hurricane Dorian. The Fund currently has a balance of $17.9 million at December 6, 2021. As originally contemplated, the Government remains committed to growing the Fund to the optimal size—estimated by the IMF to be between 2 and 4 percent of GDP—once budgetary conditions permit.
- **Coastal Protection and Risk Management:** The IDB funded project to strengthen The Bahamas' resilience to coastal risks through the implementation and adoption of sustainable coastal protection infrastructure and management, is ongoing. The $35 million loan from the IDB covers activities related to reinforcing natural infrastructure, restoring coastal natural habitat, and improving coastal flood control measures particularly in the islands of Grand Bahama and Andros where natural banks exist.

To ensure responsive and comprehensive management of disaster risk, the Government established the Ministry of Disaster Preparedness, Management and Reconstruction (MDPMR) following Hurricane Dorian. The MDPMR's activities cover prevention, mitigation, and emergency preparedness in the pre-disaster phase to reduce disaster risks, through to disaster response, rehabilitation, and reconstruction in the post-disaster phase.

Disease and Pandemic Management

COVID-19 has exposed many of the weaknesses in the Bahamian healthcare sector. Due to the magnitude and duration of the disaster, the pandemic has monopolized healthcare resources and placed a strain on the capacity of the system to respond to non-pandemic related healthcare issues. This experience reinforces the importance of building resilience in the healthcare system to effectively manage health emergencies while addressing constraints to the continuous delivery of quality essential health services.

While at the time of preparation of this report, viral outbreak and new hospitalizations has been contained, should the Omicron variant emerge on Bahamian shores and incite a fourth viral outbreak, the challenge of continuing the virus may be significant. Risks are elevated due to the continued prevalence of insufficient isolation rooms and equipment for the treatment of patients with severe respiratory diseases; and inadequate frontline health workers to address the intensification of demands on the health system.

To shore up existing infrastructure and resources, Government intends to construct a new tower at the Princess Margaret Hospital & Rand Memorial Hospital and expand the Sandilands Rehabilitation Center. The planned upgrades are intended to increase bed capacity and build greater resilience of the healthcare sector to shocks with planned expenditure to be funded through a PPP modality. Commencement of constructing the additional capacity is scheduled to begin in FY2022/23.

1. INTRODUCTION
2. OVERVIEW OF ECONOMIC AND FISCAL PERFORMANCE IN FY2020/21
3. ECONOMIC AND FISCAL OUTLOOK
4. GOVERNMENT FISCAL STRATEGY AND PRIORITIES
5. FISCAL RISK IDENTIFICATION AND MITIGATION STRATEGIES
6. SENSITIVITY ANALYSIS
ANNEX

5.3 Government Liabilities

Contingent Liabilities of Government Agencies and Government Business Enterprises

Contingent liabilities represent explicit guarantees provided by the Government to assist Agencies and Government Business Enterprises (GBEs) in structuring external debt financing. Should these financing obligations not be met by the direct borrowers, meeting the financial obligation is then incumbent on the Government and as such, they pose significant risk to central Government's fiscal situation. This inherent risk reinforces the Government's goal and requirement to ensure proper oversight and management of these entities.

As shown in **Table 16**, contingent liabilities are estimated at $397.5 million at end-June 2022 moving lower to approximately $372.6 million at end-June 2023 largely due to a $15.0 million repayment on debt by the Bahamas Mortgage Corporation. At the time of preparation of this document, the transfer of the $246 million legacy debt of BEC to the Government's Direct Charge balance persisted as the planned rate reduction bond (RRB) issuance had not been completed. As such, the bridge facility covering the $246 million facility remained in place. As opposed to the original plan for issuance of a RRB to replace the bridge financing, the Government intends to convert the bridge facility to traditional loan financing during FY2021/22. The back-to-back agreement between the Government and BEC, obliging BEC to make all debt servicing, financing and other costs with respect to the loan, would be suspended. Contingent liabilities show a progressively declining outstanding balances in the forward three years, to $216.8 million at end-June 2026.

Table 16: Contingent Liabilities (B$M)

(B$'000)	Actual	Projected	Forecast			
	FY2020/21	FY2021/22	FY2022/23	FY2023/24	FY2024/25	FY2025/26
Bahamas Development Bank	40.7	39.4	38.1	36.7	35.3	29.8
Bahamas Electricity Corporation	0.0	0.0	0.0	0.0	0.0	0.0
Bahamas Water & Sewerage Corporation	65.1	62.5	57.9	53.3	49.2	45.1
Bridge Authority	16.0	16.0	16.0	8.0	8.0	8.0
Bahamas Mortgage Corporation	160.0	160.0	145.0	126.3	115.0	65.0
Education Loan Authority	47.0	47.0	47.0	20.0	20.0	20.0
The Clifton Heritage Authority	24.0	24.0	24.0	24.0	16.0	16.0
Public Hospitals Authority	66.5	47.1	43.2	39.2	35.3	31.4
Small Business Development Center	1.5	1.5	1.5	1.5	1.5	1.5
Lucayan Renewal Holdings Ltd.	0.0	0.0	0.0	0.0	0.0	0.0
Total Contingent Liabilities	**420.7**	**397.5**	**372.6**	**309.0**	**280.3**	**216.8**
Contingent Liabilities as a % of GDP	4.3%	3.4%	3.0%	2.3%	2.0%	1.5%

Unplanned/Contingent Expenses

Prior to July 1, 2021, under the Financial Administration and Audit Act, Government budgets maintained an allowance equivalent to 5 percent of recurrent expenditure to provide for unplanned/contingent expenditures which may emerge above the budget allocation. For FY2020/21, this contingency allocation totaled $128.7 million to provide for such occurrences. Despite the progress made on fiscal consolidation efforts prior to Hurricane Dorian and the onset of the COVID-19 pandemic, the magnitude and duration of the COVID-19 pandemic and the requirement for prolonged economic and social support augmented unplanned expenditure.

As a result of activities, contingent expenditure totaled $449.4 million during FY2020/21 or $320.6 million in excess of budget, largely associated with:

- $147.1 million in COVID-19 assistance (including unemployment assistance, health & safety expenditure an food assistance)
- $11.3 million in Hurricane Dorian debris removal and related expenses,
- $133.1 million in additional SOE allocations (including $58.9 million additional operating funding for Bahamasair and $13.7 million additional funding for the Bahamas Public Parks and Public Beaches Authority),
- $79.3 million in miscellaneous recurrent expenditure (including $28.0 million in VAT write-offs and $35.7 million in salary & pension payment adjustments), and
- $68.4 million in capital expenditure allocations for the construction of a new tower at PMH.
- It is clear that despite prior efforts at fiscal consolidation, in the face of a natural disaster (pandemic, hurricane or otherwise) and the resultant ballooning of contingent expenditures to restore economic and fiscal conditions, expenditure containment poses a significant risk.

To aid in managing fiscal risk, the recently passed Public Finance Management Act incorporates a comprehensive reporting and transparency regime requiring Agencies and GBEs to submit monthly and quarterly reports to the Ministry of Finance as at July 1, 2022. This new, more stringent process will allow for closer monitoring of expenditure of Agencies and GBEs receiving more than 50 percent of their revenue from public funds.

Pension Liabilities

The Government has historically maintained a non-contributory defined benefit pension scheme for the benefit of qualifying permanent public service officials, inclusive of uniformed branches. The public service pension program is separate and in addition to the defined contribution pension scheme managed by the National Insurance Board (NIB) for the general public.

In 2012, Government engaged a private consulting firm to review the existing public service pension scheme to determine the sufficiency of pension reserves to meet future obligations, estimating any potential pension deficits and recommend corrective action. Government intends to proceed with the recommendations made by KPMG, to limit the risk associated with future pension liabilities. This strategy involves limiting all new employees to participation in a defined contribution plan, with a limit on the growth in pensionable salaries for existing employees. This strategy is estimated to improve cash flow by $6 million over 10 years.

Payment Arrears

As a part of the normal course of business, due to timing and cash flow considerations, accounts payables and arrears are produced from time to time. The Accounts Payable position changes daily as invoices are paid or submitted for settlement.

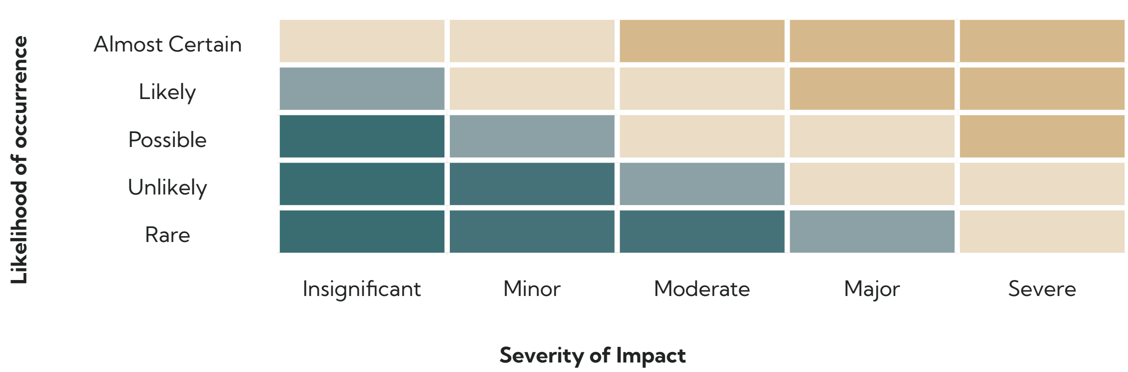
In September 2021 the Government engaged an independent accounting firm the review the position of all Government arrears, payables and outstanding liabilities as at September 30, 2021. The final report remained pending as at the time of preparation of this report.

Other

The outstanding second promissory note (PN) of Bahamas Resolve Limited (Resolve) to the Bank of The Bahamas, becomes due in August, 2022, and represents a fiscal cost to the Government which has been incorporated in the forecasts. Although Resolve has been able to make this semi-annual payment on the PN, which is $5.878 quarterly, it estimates being able to meet at least 40 percent of the $167.7 million liability through loan recoveries. Therefore, the Government has provisioned in the estimates for 2022/2023, an additional outlay of $100.0 million. The Government continues to work with Resolve to establish greater operational transparency through regular financial reporting and publication of asset sales information.

Risk	Impact	Gross risk			Mitigation	Net risk		
		Impact	Likelihood	Risk factor		Impact	Likelihood	Risk factor
Persistence of COVID-19	Economy contracts or grows at a slower pace than forecast; reduced revenue and revenue growth; increased expenditure	Major	Likely	Major	Continuous updating of scenarios and assessment of implications for the fiscal position; rationalize expenditures and consider interim revenue measures before undertaking further borrowings.	Moderate	Possible	Moderate
Credit rating downgrade	Reduction in credit rating could increase borrowing costs and limit investors' uptake of government paper.	Major	Possible	Major	Advance recovery programmes to promote economic growth—including the removal of structural impediments.	Moderate	Possible	Moderate
State-owned enterprises	SOEs incur substantial losses requiring intervention	Major	Likely	Major	Accelerate plans for greater cost recovery in select SOEs; new Public Debt Management Act and Public Financial Management Act allows for more rigorous oversight of borrowing activities.	Moderate	Possible	Moderate
Higher interest rates	Increased borrowing costs	Moderate	Likely	Major	Reassess/restructure financing; decrease debt. Implement interest rate hedging scheme	Moderate	Likely	Major
Natural disaster	Hurricane or other substantial natural disaster	Severe	Possible	Severe	CCRIF insurance policy; continue building disaster relief fund; renew IDB $100m contingent credit line; continue with implementing improvement in building standards; more comprehensive planning.; coastal improvement; continue to build fiscal buffers	Major	Possible	Major
Pension costs	Pension liabilities higher than anticipated	Major	Likely	Major	Implement longer-term actions to improve fund sustainability; introduction of defined contribution plan.	Moderate	Possible	Moderate
Undisclosed liabilities	Audit reveals significant value of undisclosed payment areas and liabilities	Moderate	Possible	Major	Increased monitoring and disclosure of accounts payables as provided for under Public Financial Management Act	Moderate	Possible	Moderate

Risk Assessment Grid



Sensitivity Analysis

Figures

6.1 Debt Sustainability Analysis

The achievement of Government's fiscal targets and fiscal strategy is contingent on achievement of certain operational goals and the realization of certain macroeconomic outcomes. The emergence of the Omicron strain of the COVID-19 virus and the possibility of another severe hurricane making landfall in The Bahamas over the medium term presents a significant downside risk to the forecasts contained herein.

Table 18: Central Government Sensitivity Analysis Indicators

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/2025	2025/2026
Total Public Debt (B$M)	8,191.20	9,935.30	10,713.95	11,238.80	11,536.84	11,576.48	11,451.86
% of GDP	72.48%	100.41%	92.58%	90.18%	86.83%	82.78%	78.64%
Local Currency (B$M)	5,239.90	5,386.60	5,552.05	5,705.30	5,895.74	5,947.48	5,971.06
Foreign Currency (B$M)	2,951.30	4,548.70	5,161.90	5,533.50	5,641.10	5,629.00	5,480.80
Short Term Debt (B$M)	969.60	1026.9	1348.65	1,254.00	1,286.44	1,209.46	1,494.36
Medium Term & Long Term Debt (B$M)	7,221.60	8,908.40	9,365.30	9,984.80	10,250.40	10,367.02	9,957.50
Total Revenue (B$M)	2,099.20	1,872.70	2,338.80	2,700.33	3,057.78	3,428.33	3,642.75
Total Non-Interest Expenditure (B$M)	2,181.30	2,428.90	2,396.69	2,235.84	2,290.69	2,357.75	2,348.82
Overall Balance (B$M)	-426.80	-978.60	-540.39	-41.31	201.29	491.48	730.15
Primary Deficit (B$M)	-82.10	-556.20	-57.89	464.49	767.09	1,070.58	1,293.93
Gross Financing Needs (B$M)	1,199.00	1,769.00	3,260.05	3,212.85	2,417.69	2,313.00	1,430.42
% of GDP	10.61%	17.88%	28.17%	25.78%	18.20%	16.54%	9.82%
% of Revenue	57.12%	94.46%	139.39%	118.98%	79.07%	67.47%	39.27%
Interest Payments (B$M)	344.70	422.40	482.50	505.80	565.80	579.10	563.78
Amortization (B$M)	801	879	2,421.60	2,641.50	2,073.40	2,227.38	1,509.52
Effective Interest Rates	4.20%	4.20%	5.00%	5.60%	6.30%	6.40%	7.10%
Domestic	3.52%	3.80%	4.78%	5.38%	6.75%	7.19%	7.90%
External	5.69%	4.78%	5.29%	5.80%	5.91%	6.29%	6.39%
Nominal GDP (B$ M)	11,301.00	9,895.00	11,573.00	12,462.00	13,286.00	13,985.00	14,563.00
Real GDP (B$ M)	10,486.03	9,606.66	10,682.01	11,020.81	11,418.31	11,702.93	11,889.81
Unemployment	25.57%	21.55%	15.22%	11.51%	10.58%	10.32%	9.96%

Note: Estimates of nominal GDP and unemployment are based on the IMF's October 2021 World Economic Outlook forecasts.

In examining The Bahamas's debt sustainability in this 2021 FSR, consideration was given to the twin exogenous shocks of Hurricane Dorian and the COVID-19 pandemic during 2019/2020. Despite these challenges, the government remains committed to achieving a budget deficit of 0.5 percent of GDP by the 2024/2025 fiscal year. It is anticipated that the level of Government debt and the gross financing need (calculated as budget deficit plus old and new principal repayments), will increase slightly before moving along a steadily declining trajectory in the outer years of the medium-term framework, as the government is able to achieve primary surpluses and reduce the need for financing.

The data in Table 18 presents The Bahamas' baseline data used to conduct the debt sustainability analysis (DSA) using the IMF's Market Access Country (MAC) analytical tool, and fiscal year data for the period FY2019/20 to FY2026/27. Given the trajectory of debt in recent years with the debt/GDP ratio exceeding 50 percent, the "higher scrutiny" country classification was used in performing the debt sustainability assessment.

The direct charge (Central Government debt) peaked at 100.4 percent of GDP in FY2020/21 as a result of the economic contraction associated with the coronavirus pandemic and the elevated levels of borrowing to support health and social support measures. As the domestic economy rebounds and the demand for increased health and social support payments abates, the direct charge is projected to moderate to 74.1 percent of GDP by FY025/26.

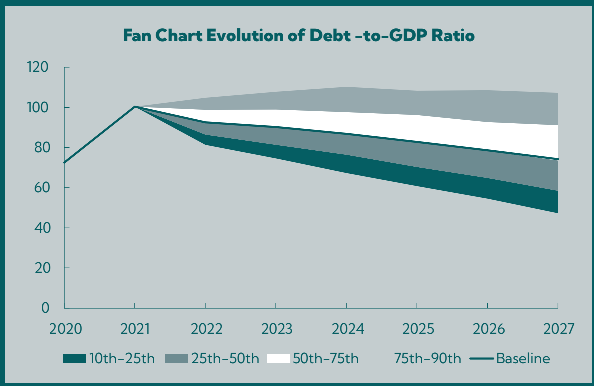
The trajectory of the direct charge is underpinned by several key factors/assumptions, most notably:

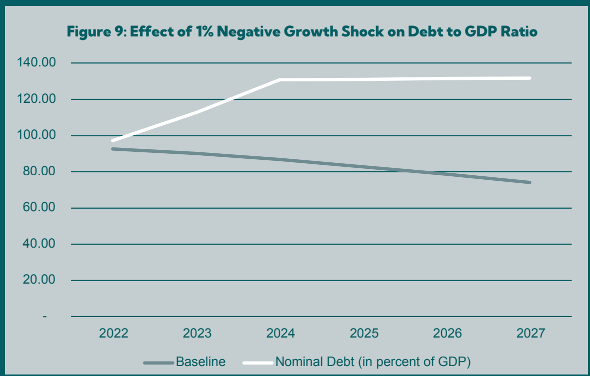
- COVID-19 virus becoming endemic. With the continued vaccine rollout both domestically and abroad, it is assumed that heard immunity will be developed allowing the COVID-19 virus to become endemic, resulting in fewer cases of transmission and lower hospitalization and death rates. The result would imply more moderate levels of health expenditure in line with historic trends
- Rebound in global output by 2022. Estimates released by the IMF, IDB and other international agencies continue to project a rebound in the global economy to pre-pandemic levels by 2022 inclusive of a rebound in the travel, leisure and tourism industry. With the emergence of the newest coronavirus strain, the Omicron strain, increased certainty surrounds the ability to achieve these forecasts over the medium term.
- Cessation of further extensive lockdowns. At the time of preparation of this report, no cases of the Omicron viral strain have been identified in The Bahamas, daily infection rates remain contained and COVID-19 related hospitalizations remain low and manageable. As a result of this positive trend, local emergency orders (inclusive of lockdowns) were allowed to expire in November in favour of more moderate Health Services COVID-19 Rules. Given these outcomes, the DSA assumes that further extensive lockdowns are no longer necessary to contain viral spread.
- No serious deterioration in credit conditions. Notwithstanding the downgrade in The Bahamas' sovereign debt rating by the credit rating agencies in 2021 by both Moody's and Standard & Poor's, the DSA assumes that, at a minimum, credit conditions will remain firm over the medium term with the possibility of improving over the long term.
- No major external shocks in the short term. Given the geographic location of The Bahamas in an area prone to experiencing hurricanes increasing the risk of damage from natural disasters each year, the DSA assumes that over the short-term, such exogenous shocks do not occur and that the economy firmly rebounds. The DSA also assumes that over the medium term, any such natural disasters will be minimal in intensity upon making landfall.

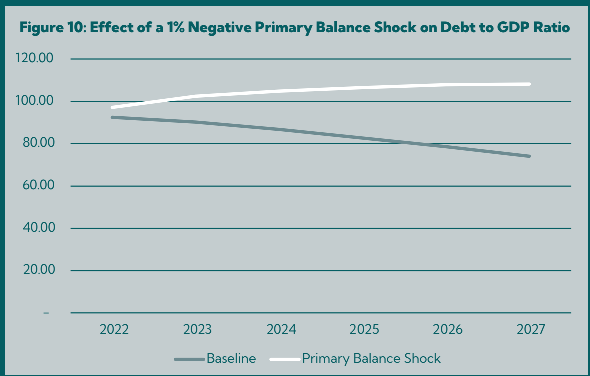
Based on the above assumptions, Figure 8 displays the baseline debt trajectory over the medium to long term. Based on the assumptions outlined, the debt to GDP ratio is anticipated to improve over the medium term to pre-COVID-19 levels by FY2026/27 with a continued trend toward the fiscal target of a 50 percent debt to GDP target thereafter. While the threats to external and macroeconomic shocks still persist, over the medium to longer term, the current debt profile places The Bahamas on a sustainable path.

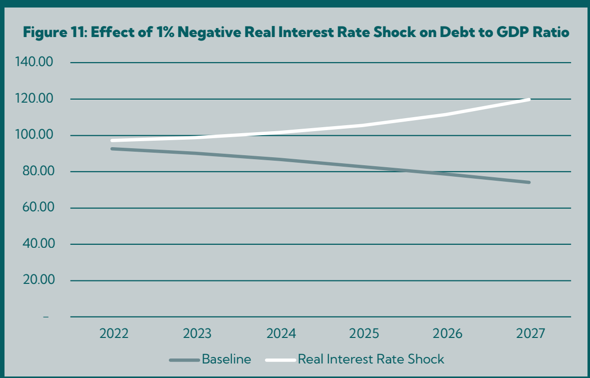
Figures 9 to 12 show the impact of shocks to the baseline scenario presented in Figure 8 below. At its core, the fiscal forecasts presented are contingent on achievement of Government's growth forecasts as the global economy rebounds. As depicted in Figure 9, should output levels be retarded by a 1 percent contraction in projections, the subsequent debt to GDP ratio would exceed 130 percent by FY2026/27. While more moderate in its impact, the impact of a 1 percent increase in real interest rates also presents a threat to the sustainability of the debt to GDP ratio with levels of 120 percent being achieved by FY2026/27. The impact of a negative 1 percent shock to the primary balance is more muted in its impact and places The Bahamas on a trajectory to maintain current debt to GDP levels in excess of 100 percent of GDP over the medium term.

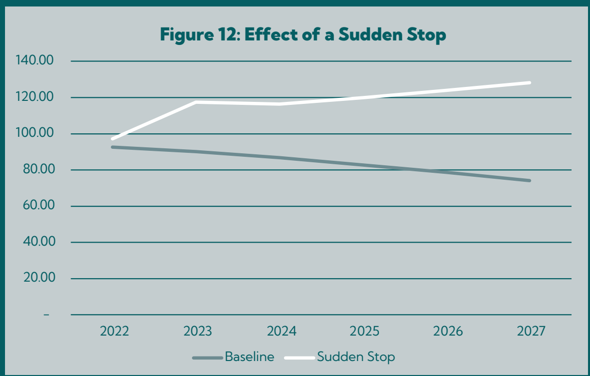
In the more extreme scenario, should The Bahamian economy experience a "sudden stop" in economic activity similar in magnitude and length as the boarder closures and reimposition of curfew measures, the impact on domestic macroeconomic conditions would be more severe. As depicted in Figure 12, reintroducing emergency order protocols and limiting economic activity would result in debt to GDP ratios approaching 140 percent by FY2026/27.











Annex A: Fiscal Responsibility Act 2018

Annex A: Fiscal Responsibility Act, 2018

SECOND SCHEDULE (Section 10)

CONTENTS OF A FISCAL STRATEGY REPORT

1. The fiscal strategy report shall contain a report for the recently concluded financial year which shall include —
   (a) analysis of any difference in results from the macroeconomic forecasts and fiscal forecasts in the previous fiscal strategy report;
   (b) a summary of budget execution compared to the appropriations and statutory expenditure;
   (c) summary of the performance compared to the general principles in section 6, the fiscal responsibility principles in section 7, and the fiscal objectives in the previous fiscal strategy report;
   (d) reasons for any deviations from the general principles, fiscal responsibility principles and fiscal objectives in the previous fiscal strategy report with a fiscal adjustment plan to address any such deviations, and the expected time to achieve this;
   (e) report on the extent to which the risks identified in the previous fiscal strategy report were realised and the effect on fiscal performance; and
   (f) other matters on performance the Minister considers relevant.
2. The fiscal strategy report shall contain medium-term macroeconomic forecasts setting out actual, estimated, and projected values of the following economic variables for no less than the previous two years, the current year, and the next three years including—
   (a) gross domestic product and its components;
   (b) inflation;
   (c) employment and unemployment;
   (d) exchange rates with major trading partners;
   (e) interest rates; and
   (f) money supply and monetary conditions including credit to the private sector;

   and for (a) to (f) the source of the data shall be identified, and for historical information, a statement provided of- whether it is official or estimated in cases where official data are not available.
3. The fiscal strategy report shall contain information on the longer-term macroeconomic forecasts.
4. The fiscal strategy report shall contain a statement of assumptions and methodologies underpinning the economic forecasts.
5. The fiscal strategy report shall contain medium-term fiscal forecasts setting out actual, estimated, and projected values of the following fiscal variables for no less than the previous two years, the current year, and the next three years including —
   (a) revenues by type;
   (b) aggregate expenditures by economic, administrative, and functional classifications;
   (c) fiscal balance for the overall budget;
   (d) a summary of the sources of budget financing;
   (e) the level of debt by external source, domestic source and total;
   (f) level of financial and performance guarantees;
   (g) the accounting principles and methods used in the fiscal strategy report and key assumptions on which the above numbers are based;
   (h) sensitivity analysis taking account of possible changes in macroeconomic conditions; and
   (i) any other information the Minister determines is material to the fiscal forecasts.
6. The fiscal strategy report shall contain fiscal forecasts for the longer term that have been used in formulating the fiscal policies in the fiscal strategy report and such forecasts shall take account of the impacts of changes in demographics and other factors.

7. The fiscal strategy report shall contain a statement of intention about the general principles in section 6 of the Act.

8. The fiscal strategy report shall contain a statement of intention about the fiscal responsibility principles in section 7 of the Act consistent with the First Schedule.

9. The fiscal strategy report shall contain a description of the fiscal policy including —

(1) a table containing the fiscal information for the previous two years, the current year and the forthcoming three years and longer term where relevant including —

(a) aggregate Government expenditure as a percentage of GDP and in nominal terms;

(b) recurrent Government expenditure as a percentage of GDP and in nominal terms;

(c) primary Government expenditure as a percentage of GDP and in nominal terms;

(d) capital Government expenditure as a percentage of aggregate Government expenditure, as a percentage of GDP and in nominal terms;

(e) Government expenditure on wages and benefits as a percentage of GDP and in nominal terms for all positions funded from the annual budget including all positions funded by direct charge on the Consolidated Fund and all positions funded by appropriation;

(f) Government revenues as a percentage of GDP and in nominal terms;

(g) overall fiscal balance as a percentage of GDP and in nominal terms;

(h) Government debt as a percentage of GDP and in nominal terms;

(i) Government arrears as percentage of budget expenditure and in nominal terms;

(j) Government guarantees as a percentage of GDP and in nominal terms; and

(k) Government net worth as a percentage of GDP and in nominal terms when net worth can be measured; and

(2) Table of fiscal objectives to measure the fiscal position of the government against the fiscal responsibility principles consistent with the First Schedule for the forthcoming year and each of the next three years which shall at a minimum include measurable fiscal objectives for the fiscal balance, debt, guarantees, expenditure growth rate, wage expenditure limit, proportion of proposed capital Government expenditure as a percentage of aggregate Government expenditure and any measures for an adjustment plan if in force;

(3) information on the fiscal policies for medium-term including—

(a) the revenue policy with planned changes to taxes and policies affecting other revenues and intentions regarding revenue collection activities;

(b) policy on the fiscal balance;

(c) debt policy with a summary of the debt management strategy, a summary of the debt sustainability analysis, debt ceilings, and guarantee ceilings; and

(d) expenditure policy including expenditure priorities linked to ceilings;

(4) an assessment of the consistency of the planned fiscal policy aggregates and measurable fiscal objectives in paragraph 9(2) of this Schedule with the fiscal responsibility principles, the requirements in the First Schedule and the requirements of section 8(2);

(5) a medium-term expenditure framework stating the Government's annual and medium-term expenditure intentions and an explanation of any changes in the proposed ceilings from the previous fiscal strategy report including —

(a) the aggregate expenditure ceiling to be used in the preparation of the annual budget which shall include indicative ceilings for two further outer years;

(b) ceilings for central Government expenditure by Ministry and other budget entity for the budget year and next two years to be used as the basis for the preparation of the annual budget;

(c) forecast non-financial performance information at a suitable level of aggregation linked to the budget to show what is planned to be provided and achieved for the proposed expenditure, for strategic changes only; and

(d) information on major public investments including priorities and rationale for these and forecast costs for the forthcoming budget year and two outer years related to expenditure ceilings.

10. The fiscal strategy report shall contain a fiscal risk statement with quantified risks where practicable including—

(a) contingent liabilities;

(b) any commitments not included in the fiscal forecasts;

(c) all other circumstances which may have a material effect on the fiscal and economic forecasts, and which have not already been incorporated into the fiscal forecasts; and

(d) risk management intentions.

11. The fiscal strategy report shall contain a statement of responsibility signed by the Minister and the Financial Secretary attesting to the reliability and completeness of the information in the fiscal strategy report and its compliance with the law.

12. If the Government is unable to provide any of the information required by this Schedule the Ministry shall state in the fiscal strategy report the reasons for any missing information and shall ensure that such information is available as soon as practicable for future fiscal strategy reports.

13. For the purposes of this Schedule —

"current expenditure" means spending for acquisition of all goods and services, personnel cost including salaries, emoluments and other employee benefits; and transfer payments, inclusive of interest payments, subsidies, transfers to non-financial public enterprises, public corporations, to households, abroad and to non-profit institutions which excludes all outlays that result in debt reduction and the acquisition of financial assets;

"debt" means all direct charge on the central government that require payments of interest and principal to both resident and non-resident creditor;

"fiscal balance" means total revenues and grants minus total expenditure where revenues and grants are computed as total revenues less borrowings, refunds, and sales of financial assets;

"Gross Domestic Product" means the nominal value of all goods and services produced in the economy within a year, as compiled by the Department of Statistics and in the absence of official statistics, estimates produced by the Ministry of Finance shall be utilized and subsequently updated once the official statistics are available and until quarterly official GDP statistics become available, estimates for the fiscal year shall be derived by taking the average of the current and the preceding calendar year.

2021 FISCAL STRATEGY REPORT

THE MINISTRY OF FINANCE
Cecil Wallace Whitfield Centre
West Bay Street
P.O.Box N-3017
Nassau, The Bahamas