



2024 FISCAL STRATEGY REPORT SNAPSHOT

"CHANGING THE STATUS QUO, CHANGING LIVES"

KEY PRIORITIES

- **GROWING REVENUES**
 - » Embracing new revenue opportunities
 - » Enforcing greater tax compliance, revenue collection, and financial reporting
 - » Launching targeted programmes to collect tax arrears
 - » Continuing the efforts of the Large Taxpayer’s Unit, Revenue Enhancement Unit, Tax Audit Committee, and Maritime Revenue Enhancement Task Force
- **RATIONALIZING EXPENDITURES**
 - » Continuing the State Owned Enterprise (SOE) reform program
 - » Reforming Government’s pension scheme
- **EMBRACING TECHNOLOGY AND DIGITIZATION**
 - » Increasing online Government service offerings
 - » Modernizing Government’s official websites
 - » Increasing visitor access to digitized local information and providing accessible Wi-Fi
 - » Commencing more ICT initiatives
- **FOSTERING ECONOMIC GROWTH**
 - » Energy reform through the use of renewables
 - » Economic diversification through trade opportunities
 - » Investments in the blue economy
 - » Greater use of Public Private Partnerships

MACROECONOMIC CONTEXT

The following macroeconomic assumptions underpin the medium-term fiscal plans outlined in the 2024 Fiscal Strategy.

- » Economic growth projections exceed pre-pandemic levels
- » Steady gains in contributions of tourism and FDI to output growth
- » Sustained downward trajectory of inflation
- » Declining unemployment rates

MEDIUM-TERM FISCAL OUTLOOK

	ACTUALS		BUDGET	FORECASTS			
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Revenue	2,605.7	2,855.4	3,319.0	3,543.3	3,958.9	4,087.7	4,213.0
Recurrent	2,605.3	2,854.2	3,316.3	3,537.0	3,949.7	4,078.5	4,203.5
Capital & Grants	0.4	1.2	2.8	6.3	9.2	9.2	9.5
Expenditure	3,327.9	3,390.0	3,450.2	3,613.1	3,510.7	3,629.8	3,753.5
Recurrent Expenditure	3,044.1	3,062.5	3,085.5	3,268.6	3,154.3	3,261.4	3,372.5
Capital Expenditure	283.8	327.5	364.6	344.5	356.4	368.4	381.0
Overall Balance: Surplus/(Deficit)	(722.2)	(534.6)	(131.1)	(69.8)	448.2	457.9	459.5
Less: Interest Payments	551.8	573.1	612.7	656.7	557.0	551.9	573.3
Primary Balance	(170.4)	38.5	481.6	586.9	1,005.2	1,009.8	1,032.8
GDP (Current Prices)	12,409.5	14,029.5	14,586.4	15,224.2	15,771.6	16,307.2	16,862.3
Government Debt	10,792.8	11,260.1	11,391.2	11,461.0	11,012.8	10,554.9	10,095.4
Overall balance as % of GDP	-5.8%	-3.8%	-0.9%	-0.5%	2.8%	2.8%	2.7%
Revenue as % of GDP	21.0%	20.4%	22.8%	23.3%	25.1%	25.1%	25.0%
Total Expenditure % of GDP; of which	26.8%	24.2%	23.7%	23.7%	22.3%	22.3%	22.3%
Recurrent Expenditure as % of GDP	24.5%	21.8%	21.2%	21.5%	20.0%	20.0%	20.0%
CAPEX as % of GDP	2.3%	2.3%	2.5%	2.3%	2.3%	2.3%	2.3%
Gov’t Debt as % of GDP	87.0%	80.3%	78.1%	75.3%	69.8%	64.7%	59.9%



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RISK ASSESSMENT & MITIGATION STRATEGY

FISCAL AND LIABILITY MANAGEMENT LEGISLATION

The Government has identified the following risks to The Bahamas' medium-term fiscal health, alongside mitigation strategies.

Key Risk Factors	Mitigation
State-owned enterprises	Accelerate plans for greater cost recovery in select SOEs.
Natural disasters	Maintain the CCRIF insurance policy; increase the disaster relief fund; maintain the IDB \$100m contingent credit line; improve building standards and investments in resilient infrastructure; and further coastal improvements.
Pension costs	Introduce a defined contribution plan via the Pensions Bill, 2023.
Undisclosed liabilities	Increase monitoring and disclosure of accounts payables.
Higher interest rates	Restructure financing; utilize interest rate hedging.
Credit rating downgrade	Continue revenue enhancement strategies and expenditure management to improve fiscal position and reduce the risk of a downgrade.
Slowdown in US and global economies	Building fiscal buffers to guarantee support to the most vulnerable and to address potential fiscal risks; implement structural reforms to reinvigorate growth; execute climate-resilient investment to boost growth.

» THE PUBLIC FINANCE MANAGEMENT ACT, 2023

The Public Finance Management Act, 2023 provides a comprehensive framework for managing public finances; promoting accountability, transparency, and stability in managing the country's finances.

» THE PUBLIC PROCUREMENT ACT, 2023

The Public Procurement Act, 2023 focuses on expanding procurement opportunities for micro, small, and medium-sized businesses to increase their participation in government procurement processes. To meet the requirements of the Public Procurement Act, 2023, the Legacy electronic public procurement portal has been upgraded to facilitate the publication of procurement opportunities, award notices, and other statutory obligations.

» THE PENSIONS BILL, 2023

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



A PLAN FOR REVENUE

The Government's plans to maintain the nation's fiscal health include an aggressive strategy to improve the revenue yield through enhanced revenue administration and targeted reform measures—which will allow achievement of the revenue to GDP target of 25.0 percent by FY2025/2026.

KEY REVENUE PRIORITIES:

- » **Legal reforms:** Modernization and simplification of tax legislation; empowering the Department of Inland Revenue; and legislative revisions to reduce tax avoidance in the maritime sector.
- » **Tax Administrative Measures:** Utilizing big data methods to close compliance gaps; registration of short-term rentals to detect tax evasion, bolstering compliance with initiatives like "Click2Clear" that enhance revenue collection; making updates to tax rolls and spatial mapping to improve accuracy for improved property tax collections; e-invoicing and VAT payment integration to reduce income leakages; and new digitized tax portals.
- » **Tax Policy Reforms:** The Government, through the Large Tax Payers Unit, Revenue Enhancement Unit, and Tax Audit Committee, is actively reviewing the tax structure to identify opportunities for revenue enhancement and address revenue leakages and administration gaps.

A PLAN FOR EXPENDITURE

Over the medium-term fiscal horizon, recurrent expenditure is anticipated to moderate to a targeted ceiling of 20.0 percent of GDP by FY2025/26. Capital expenditure is expected to be financed more heavily through PPPs.

KEY RECURRENT EXPENDITURE PRIORITIES:

- » **Reform of Government pension scheme:** To curtail the risk associated with increased future pension liabilities, the Government is introducing a contributory pension scheme for the public sector.
- » **Public Financial Management Reforms:** The recent rollout of the digital transformation initiative for an HR Management information system in the public sector will essentially eliminate time consuming manual processes.
- » **Implementing targeted public expenditure reforms:** The 2022 Public Expenditure Review, conducted with the assistance of the Inter-American Development Bank, identified areas for reform in public spending, leading to increased funding for pre-primary, primary, and secondary education.
- » **Reforming SOEs:** Reduction in funding allocation for SOEs, and the resumption of the State-Owned Enterprise reform agenda to realize savings. This reform allows for SOEs to operate under clear expenditure guidelines, particularly on hiring, salary increases, employee benefits, and capital commitments made without securing funding.
- » **Digitization of Government services:** The Department of Transformation and Digitization prioritizes innovation and cost containment to enhance the ease of doing business and launching initiatives.



A PLAN FOR EXPENDITURE CONT'D

A PLAN FOR ECONOMIC GROWTH

KEY CAPITAL EXPENDITURE PRIORITIES:

- » **Enhance the provision of public health services:** The Bahamas healthcare sector, revealed as fragile by the COVID-19 pandemic and exacerbated by Hurricane Dorian, is being bolstered through targeted investments, including the construction of new hospital facilities in New Providence and Grand Bahama, aimed at modernizing and improving healthcare services nationwide.
- » **Greater use of PPP:** To address critical infrastructure needs and save costs while delivering essential public services, the Government will further explore public-private partnership opportunities—already identified in the areas of road construction, aviation, and corrections.
- » **Improvement of roadworks:** The Government is executing a nationwide roadwork improvement plan, encompassing a traffic management scheme in New Providence and major projects aimed at elevating ground transportation infrastructure across the nation.

The Government plans to use economic policies to drive structural reform that will improve competitiveness, improve ease of doing business and incentivize investment.

PRIORITIES TO FOSTER STABLE ECONOMIC GROWTH:

- » **Institutionalizing the National Development planning process:** The National Development Plan (NDP) provides a framework for pursuing sustainable and inclusive growth, enhancing government decision-making and public service accountability. The Government intends to introduce legislation to establish a statutory footing for the NDP, which will include provision for a monitoring entity.
- » **Encouraging economic diversification through trade opportunities:** With the UN's assistance, The Bahamas developed a comprehensive trade policy aiming to exploit trade opportunities.
- » **Promoting energy reform through the use of renewables:** The Government is dedicated to transitioning towards more efficient and eco-friendly energy sources to bolster energy security and decrease costs by integrating renewable resources across the Family Islands.
- » **Exploiting investment opportunities in the blue economy:** Spearheading innovative climate financing solutions globally, with a focus on The Bahamas' vulnerability to climate change, utilizing blue carbon credits from marine preservation aiming for economic and social benefits through quantified and verified carbon credits.
- » **The promotion of foreign investment to support economic growth:** Investment projects will boost economic activity in The Bahamas by having positive impacts on employment, government revenue and other direct and indirect economic impacts.