COMMONWEALTH OF
THE BAHAMAS

FISCAL STRATEGY REPORT 2025

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LETTER OF TRANSMITTAL

The 2025 Fiscal Strategy Report (2025 FSR) is prepared in accordance with the Public Finance Management Act, 2023. It is an annual refresh of the Government's medium-term fiscal framework which shapes the FY2025/2026 budget and annual borrowing plan—based on the macroeconomic projections, fiscal policies and objectives detailed within.

Despite the risks in the global economy, macroeconomic developments during FY2023/2024 and into FY2024/2025 have provided an encouraging environment for the government's fiscal operations and are expected to contribute to the achievement of fiscal sustainability over the medium-term. Following an improvement in the overall balance to a deficit of 1.2 percent of GDP in FY2023/2024, the medium-term fiscal framework targets a further decrease in the deficit to 0.4 percent of GDP in FY2024/2025 and a fiscal surplus of 0.5 percent of GDP in the upcoming budget year, FY2025/2026. Over the next three years, the overall balance is expected to average a surplus of 1.7 percent of GDP.

Maintaining a revenue strategy based on the principles of fairness, simplicity and adequacy is central to the Government achieving its overarching goal of fiscal sustainability. Through improved revenue administration, tax policy initiatives and reforms, the Government expects to attain a revenue to GDP target of 23.6 percent in FY2025/2026, and 25.0 percent of GDP over the medium-term horizon.

On the spending side, through cost-effective initiatives, the Government aims to cap recurrent expenditure at 21.0 percent of GDP by FY2025/2026. Central Government capital expenditure will be maintained at 2.3 percent of GDP with indirect financing for GBEs CAPEX bringing this ratio up to 3.5 percent over the medium-term. Priority will be given to reforms to state-owned enterprises and pension administration, capital investments in health infrastructure, and the digitization of government services.

Looking ahead, the Government remains steadfast in its adherence to the statutory principles of accountability, intergenerational equity, responsibility, stability, transparency, and inclusive growth.

The policies and strategies outlined in this document acknowledge the importance of identifying and managing fiscal risks to ensure economic resilience and establish a credible fiscal path that will secure debt sustainability in the medium term. The Government will continually review the fiscal and macroeconomic outcomes to assess whether the medium-term fiscal framework would require adjustments.

The undersigned attest that, to the extent feasible and practicable at the date of publication, the 2025 FSR contains information that is accurate, reliable, and complete in respect of the requirements of the Act.

Philip Davis
Prime Minister & Minister of Finance

Simon Wilson
Financial Secretary

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OF THE BAHAMAS

INTRODUCTION

1.1 REPORT

The 2025 FSR is the second to be submitted to Cabinet and Parliament under the Public Finance Management Act, 2023 ("the Act"). As per section 23 of the Act, the Minister of Finance is required to prepare and submit a Fiscal Strategy Report (FSR) to Parliament immediately after presenting the annual budget and no later than the last Wednesday in May of the financial year. On approval, the FSR is to be presented to the Fiscal Responsibility Council by the 31st day of July of each fiscal year for their review and recommendations.

The 2025 FSR provides the Government's medium-term fiscal framework to achieve the fiscal targets mandated in the Act. Following this section, and in compliance with the Act, the remainder of this report is organized as follows:

» Section 2 reports on the economic performance for the last 2 years, and fiscal performance in the most recently concluded financial year (FY2023/2024) and 9-months of the current financial year (FY2024/2025);

» Section 3 presents the required macroeconomic forecasts for the current and next four fiscal years;

» Section 4 outlines the proposed fiscal policy measures over the medium-term;

» Section 5 depicts the required fiscal forecasts for the current and next four fiscal years—to show the intended path towards convergence with the fiscal targets;

» Section 6 provides an assessment of fiscal risks and mitigation strategies; and

» Section 7 provides a summary of Government's debt management policy and analysis of debt sustainability.

The information to be included in the 2025 FSR, as specified in the Act, is presented as **Annex A**.

1.2 ACCOUNTING PRINCIPLES & METHODS

The budgetary information included in the 2025 Fiscal Strategy Report is based on a modified cash basis of accounting, aligned with the International Public Sector Accounting Standards (IPSAS) for financial reporting under the cash basis. As such, revenue is recorded when it is received rather than when it is earned; expenditures are recognized when incurred and paid; and all purchases of fixed assets, including land, buildings, and equipment, are expensed in full during the year of acquisition.

Fiscal data is compiled in accordance with the International Monetary Fund's (IMF) Government Finance Statistics (GFS) 2014 framework, which is used to assess and analyze government financial performance. The Government submitted the FY2024/2025 budget estimates to Parliament as part of the annual budget process in May 2024, and these estimates are incorporated throughout this report. The Auditor General's report aims to assess the Government's, and its various Ministries, Departments and Agencies (MDAs), compliance with applicable laws, regulations, and internal policies; and to identify any weaknesses or discrepancies that may hinder the MDAs ability to achieve their objectives.

1.3 MACROECONOMIC & NATIONAL ACCOUNTS ESTIMATES

The Bahamas National Statistical Institute (BNSI) is responsible for compiling official annual and quarterly national accounts statistics, utilizing data from both surveys and administrative sources. These statistics serve as a critical foundation for developing macroeconomic forecasts. As is common with statistical systems worldwide, these datasets are periodically revised to reflect improved or more complete data sources, methodological enhancements, or updates to the base year.

In preparing the medium-term economic outlook, the Ministry of Finance (the "Ministry") has traditionally relied on macroeconomic forecasts produced by the International Monetary Fund (IMF), particularly those found in the IMF's World Economic Outlook (WEO) reports and the annual Article IV Staff Reports on The Bahamas. This reliance historically stemmed from the absence of in-house GDP projections and the preference for using fiscal forecasts grounded in an independent evaluation of domestic economic conditions. Additionally, this approach ensures that the macroeconomic assumptions are broadly aligned with those of leading international institutions and experts.

The Ministry of Finance maintains a Computable General Equilibrium Model (CGEM) used for internal analyses and studies. The Ministry is currently in the process of refining the tool to ensure accuracy in the sectoral disaggregation of GDP.

To strengthen fiscal risk management, the Ministry adopted the IMF's Fiscal Risk Assessment Tool (FRAT), which offers a high-level, portfolio-based perspective on a wide array of fiscal risks typically faced by governments. The FRAT serves as an entry point for more detailed fiscal risk analysis by helping identify the most significant risk exposures, which can then be further examined using specialized instruments from the IMF's Fiscal Risk Toolkit.

As part of its overall fiscal analysis toolkit, the Ministry has also employed the IMF/WBG Sovereign Risk and Debt Sustainability Analysis (SRDSA) model to aid in identifying vulnerabilities in the debt structure, thereby enabling timely policy adjustments to avoid payment difficulties.

COMMONWEALTH OF THE BAHAMAS

OVERVIEW OF ECONOMIC AND FISCAL PERFORMANCE

2.1 ECONOMIC PERFORMANCE

a. International Economic Context

Global growth remained positive but subdued in 2024, amid heightened geopolitical tensions in Eastern Europe and the Middle East and economic policy uncertainty on the trade and fiscal fronts. According to the April 2025 World Economic Outlook (WEO)[1], economic activity expanded at a steady yet moderated pace of 3.3 percent in 2024, compared with 3.5 percent in 2023. Despite elevated services price pressures and fluctuating energy prices, global inflation eased to 5.7 percent in 2024 from 6.7 percent in 2023, providing scope for some of the major central banks to relax their monetary policy stances. According to the International Labour Organization, the global unemployment rate was unchanged from the historic 2023 low of 5.0 percent, as labour market resilience continued to be constrained by the pace of economic growth.[2]

Although the global economy remained resilient in 2024, widening divergences persisted across countries. In the United States, real economic growth slowed slightly to 2.8 percent in 2024 from 2.9 percent in 2023, and was largely propelled by robust private consumption and investments. Falling food and energy prices moderated inflation to 3.0 percent in 2024 from 4.1 percent in 2023, while the unemployment rate increased to 4.0 percent in 2024 from 3.6 percent in 2023.[3]

In the Euro Area, real GDP grew by 0.9 percent in 2024, compared with 0.4 percent in 2023, primarily benefitting from gains in the services sector. Consumer price inflation declined to 2.4 percent in 2024 from 5.4 percent in 2023, under the impact of weaker demand associated with restrictive monetary conditions. The labour market remained resilient overall in 2024, despite the unemployment rate tapering to 6.4 percent in 2024 from 6.6 percent in 2023.

In Canada, real GDP maintained a stable annual pace from the prior year at 1.5 percent, underpinned by growth in services. Inflation declined to 2.4 percent in 2024 from

1 "World Economic Outlook, April 2025: A Critical Juncture amid Policy Shifts," IMF April 22, 2025

2 International Labour Organization, ILO modelled estimates, January 16, 2025.

3 "World Economic Outlook, October 2024: Policy Pivot, Rising Threats," IMF, October 22, 2024.

3.9 percent in 2023, supported by effective monetary policies. However, the unemployment rate rose slightly to 6.4 percent in 2024 from 5.4 percent in 2023.

The United Kingdom's real GDP growth improved to 1.1 percent in 2024 from 0.4 percent in 2023, driven by easing energy costs and disinflation which supported real income growth. Inflation dropped significantly to 2.5 percent in 2024 from 7.3 percent in 2023, reflecting tighter monetary conditions. The jobless rate advanced to 4.3 percent in 2024 from 4.0 percent in 2023.

China's economy posted real GDP growth of 5.0 percent in 2024, compared to 5.4 percent in 2023, reinforced by a series of policy measures, including infrastructure investments and fiscal stimulus. Inflation held steady at 0.2 percent for both 2023 and 2024, while the unemployment rate was slightly lower at 5.1 percent in 2024 from 5.2 percent in 2023.

Economic growth in Latin America and the Caribbean (LAC) approached steady-state levels, converging to pre-pandemic, long-term averages. The region experienced 2.4 percent in real GDP growth over 2024 and 2023, due to a combination of country-specific trends, including the normalization of growth rates in Brazil and Argentina's recovery. Annual average inflation for 2024 was 16.6 percent, an increase from 14.8 percent in 2023. The Unemployment rate decreased to 6.1 percent in 2024 from 6.5 percent in 2023.[4]

b. Domestic Economic Context

According to the Bahamas National Statistical Institute (BNSI), real economic activity expanded by an estimated 3.4 percent in 2024, compared with 3.0 percent in 2023. In fiscal year terms, the real GDP growth for FY2023/2024 was more than halved to 3.2 percent from 6.8 percent in FY2022/2023.

Nominal GDP growth in 2024 moderated to 3.7 percent, from 9.9 percent in 2023, with the fiscal year comparatives lower at 6.6 percent in FY2023/2024 from 12.5 percent in FY2022/2023.

Table 1 shows a comparison of GDP estimates for both a calendar and fiscal year basis, at current and constant prices.

Real GDP by expenditure shows the total economic activity of a country, allowing for analysis of overall demand, spending patterns, and the health of different sectors of the economy. Final consumption expenditure grew by $290.1 million (2.8 percent) in 2024, although moderating sharply from the $839.7 million (8.7 percent) expansion in

Household consumption, at 77.3 percent of the total, expanded by $251.6 million (3.1 percent) in real terms in 2024, compared with the $701.1 million (9.5 percent) boost in 2023 derived from increases in employee compensation. Similarly, the elevated $141.3 million (7.2 percent) growth general government final consumption expenditure moderated to $18.3 million (0.9 percent). Consumption by non-profit institutions serving households was higher by $20.2 million (6.5 percent) in 2024, in contrast to the prior years' $2.7 million (0.9 percent) contraction.

Growth in exports of goods and services of $287.2 million (6.2 percent) in 2024, compared favourably to the $223.3 million (5.0 percent) for 2023. The outrun was mainly attributed to the dominant tourism sector, with total air and sea arrivals increasing from 9.7 million in 2023 to 11.2 million in 2024. Imports of goods and services advanced by $573.7 million (12.7 percent) in 2024, compared with a 15.2 percent gain in 2023.[5]

Gross fixed capital formation also recorded strengthen growth of 20.7 percent in 2024 compared to 6.6 percent in 2023. This was primarily driven by a $341.3 million (15.9 percent) increase in the building and infrastructure sector, alongside a $290.6 million (37.7 percent) rise in machinery and transportation equipment investments.

Significant industry gains were also posted in gross value added. Boosted by growth in domestic demand, the Wholesale and Retail Trade and Motor Vehicle Repairs sector increased by $206.1 million (14.7 percent) in 2024, a reversal of the 8.5 percent decline in 2023.

Capital investment in both private and public sector infrastructure supported higher growth in the Construction industry, by $146.4 million (19.0 percent) in 2024, compared to 8.6 percent in 2023.

Following on a broadening adoption and implementation of digital technologies, the Information and Communication sector expanded by $97.0 million (21.5 percent) in 2024, to reverse 2023's 1.3 percent decline.

Benefitting from lower fuel costs, utilities—specifically Electricity and Gas, Water Supply, and Sewerage—rose by approximately $63.8 million (18.4 percent) in 2024, extending the 2023's gain of 6.1.

The Agriculture, forestry and fishing industry experienced a $14.9 million (21.0 percent) improvement in 2024, following a 33.5 percent increase in 2023. A key contributor was the regeneration of agricultural projects and continued government investments in the industry.

4 "World Economic Outlook, October 2024: Policy Pivot, Rising Threats," IMF, October 22, 2024.

5 "Quarterly Statistical Digest, February 2025," Central Bank of The Bahamas April 8, 2025

On the prices front, consumer price inflation decreased significantly to 0.5 percent in 2024, from 3.1 percent in 2023, primarily on account of easing price pressures for imported fuel and other goods and services. The unemployment rate also improved, dropping from 9.9 percent in 2023 to 8.7 percent in 2024, indicating a modest strengthening of labor market conditions.[6]

The weighted average rates for bank loans and deposits increased by 0.21 percentage points in 2024 to 11.77 percent, while both the Central Bank's Discount Rate and Prime Rate were unchanged at 4.0 percent and 4.25 percent, respectively.

In monetary developments, the money supply (M2) expanded by 4.5 percent to $9.0 billion in 2024. Reflecting increased confidence, private sector credit rose by 6.3 percent to $6.1 billion in 2024. Public sector credit also advanced by 2.8 percent to $3.9 billion in 2024.

The United States remains The Bahamas' major trading partner. Exchange rate arrangements in The Bahamas are classified as a conventional peg vis-à-vis the US dollar, established at B$1 = US$1 since 1973. External reserve developments during 2024 continued to support the stability of the exchange rate peg. At end-2024, the external reserve balance stood at $2.6 billion—a gain of $115.6 million. In 2023 the external reserve balance stood at $2.5 billion.

Table 1: Forecast and Actual Economic Performance

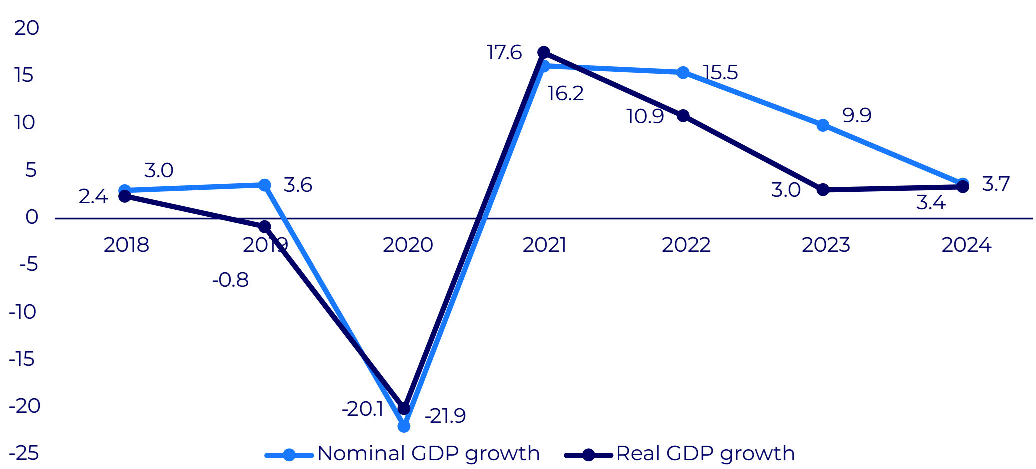
	Fiscal Year GDP Forecasts for FY2023/2024[1]		
INDICATORS	**BUDGET FORECAST**	**ACTUAL**	**VARIANCE**
Gross Domestic Product, current prices (% change)	3.7	6.6	2.9
Gross Domestic Product, constant prices (% change)	1.1	3.2	2.1
Inflation (%)	2.0	0.5	-1.5

	Calendar Year GDP Estimates for 2024[2]		
INDICATORS	**FORECAST**	**ACTUAL**	**VARIANCE**
Gross Domestic Product, current prices (% change)	3.4	3.7	0.3
Gross Domestic Product, constant prices (% change)	2.3	3.4	1.1
Inflation (%)	2.0	0.5	-1.5

1: Budget forecasts are from the FY2023/2024 Annual Budget Estimates, actual GDP estimates are from BNSI, and inflation estimates are from the IMF April 2025 WEO.

2: Forecasts are from the IMF 2024 October WEO, actual GDP estimates are from BNSI, and inflation estimates are from the IMF April 2025 WEO.

Figure 1: Bahamas GDP Growth Trends



6 "Preliminary Results Labor Force Survey", BNSI 2023 and 2024

Figure 2: Key Macroeconomic Indicators

2.2 BUDGET & FISCAL PERFORMANCE

a. Overall Balance

The Public Finance Management Act, 2023 (PFMA 2023) repealed and replaced the Public Financial Management Act, 2021, the Fiscal Responsibility Act, 2018, and sections of the Financial Administration and Audit Act. The PFMA 2023 retained the original fiscal targets for debt and the overall balance, while introducing new targets for revenue, recurrent expenditure, and capital expenditure (see **Table 2** and **Figure 3**). Since then, these fiscal objectives have been incorporated into the Government's medium-term fiscal strategy beginning with 2024 Fiscal Strategy Report.

The recent change in BNSI's GDP calculation methodology improves on the estimation of economic activity in The Bahamas. The fiscal objectives in the PFMA 2023 and the fiscal framework in the 2024 FSR did not incorporate these higher levels of nominal GDP. Consequently, the fiscal framework related to the revenue target has been amended in the 2025 FSR.

Government revenues are currently under review to streamline the tax system to account for much higher economic activity. As the Government aligns its revenue intake to account for the previously unrecorded economic activity, the revenue-to-GDP target has been revised down to 23.6 percent for FY2025/2026. The revenue target is projected to revert to 25.0 percent of GDP, thereafter.

Further, to account for global inflationary pressures, the Government has also increased its recurrent expenditure ceiling from 20.0 percent of GDP to 21.0 percent of GDP over the medium-term.

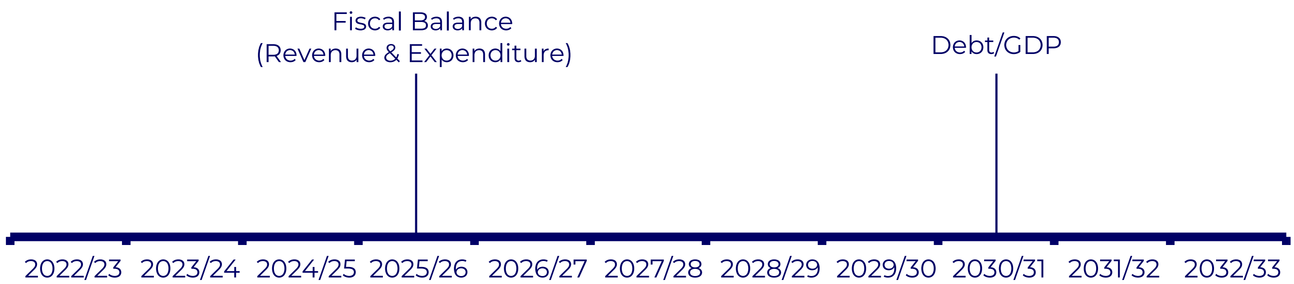
The Government does intend to continue to adhere to the fiscal responsibility principle of maintaining a sustainable fiscal balance and prudent levels of public debt.

Table 2: Fiscal Objectives

Fiscal Indicator	PFMA 2023 Objectives	2024 Objectives	2025 Objectives
Debt Target[1]	Defined in the FSR	Reduce debt to GDP ratio to no more than 50 percent of GDP by 2030/31.	Reduce debt to GDP ratio to no more than 50 percent of GDP by 2030/31.
Fiscal Balance Target	Reduce the fiscal balance (Overall Balance) so that it does not exceed a deficit of 0.5 percent of GDP from FY2024/2025 onwards	Reduce the fiscal balance (Overall Balance) so that it does not exceed a deficit of 0.5 percent of GDP from FY2024/2025 onwards	Reduce the fiscal balance (Overall Balance) so that it does not exceed a deficit of 0.5 percent of GDP from FY2024/2025 onwards.
Revenue	Increase the gross revenue to GDP ratio to a target of 25.0 percent by FY2025/2026.	Increase the gross revenue to GDP ratio to a target of 25.0 percent by FY2025/2026.	Increase the gross revenue to GDP ratio to a target of 23.6 percent by FY2025/2026, and then to 25.0 percent of GDP thereafter.
Recurrent Expenditure	Reduce recurrent expenditure to a target of 20.0 percent of GDP by 2025/26.	Reduce recurrent expenditure to a target of 20.0 percent of GDP by 2025/26.	Reduce recurrent expenditure to a target of 21.0 percent of GDP by 2025/2026.
Capital Expenditure	Increase the capital expenditure to GDP ratio to a target of 3.5 percent by FY2025/2026.	Increase the capital expenditure to GDP ratio to a target of 3.5 percent by FY2025/2026.	Increase the capital expenditure to GDP ratio to a target of 3.5 percent by FY2025/2026. [2]

[1]Debt is defined in the Act as central Government debt only.
[2] A capex-to-GDP ratio of 2.3 percent will represent capital funding for central government projects and the balance will be indirectly sourced for government business enterprises to bring the ratio up to a minimum of 3.5 percent of GDP.

Figure 3: Fiscal Responsibility Achievement Timeline



Provisional fiscal data for FY2023/2024 (see **Table 3**) indicates steady progress towards the fiscal consolidation target. The fiscal deficit contracted to $194.0 million (1.2 percent of GDP) from $534.6 million (3.7 percent of GDP) in FY2022/2023. Consequently, the primary surplus rose to $419.2 million (2.7 percent of GDP) in FY2023/2024 from $38.5 million (0.3 percent of GDP) in FY2022/2023.

Table 3: FY2023/2024 Forecast and Actual Fiscal Performance (B$M)

Table 3(a): B$M

	FY2023/2024		
	REVISED BUDGET	**ACTUAL**	**VARIANCE**
1. Revenue	3,319.0	3,069.1	-249.9
2. Expenditure	3,450.1	3,263.1	-187.0
Recurrent	3,085.5	2,961.4	-124.1
Capital	364.6	301.7	-62.9
3. Surplus/(Deficit) [1-2]	-131.1	-194.0	-62.9
4. Gov't Direct Charge	11,391.2	11,313.8	-77.4
5. GDP estimate	14,138.8	15,552.1	1,413.3

Table 3(b): % of GDP

	FY2023/2024		
	REVISED BUDGET	**ACTUAL**	**VARIANCE**
1. Revenue	23.5	19.7	-3.7
2. Expenditure	24.4	21.0	-3.4
Recurrent	21.8	19.0	-2.8
Capital	2.6	1.9	-0.6
3. Surplus/(Deficit) [1-2]	-0.9	-1.2	-0.3
4. Gov't Direct Charge	80.6	72.7	-7.8

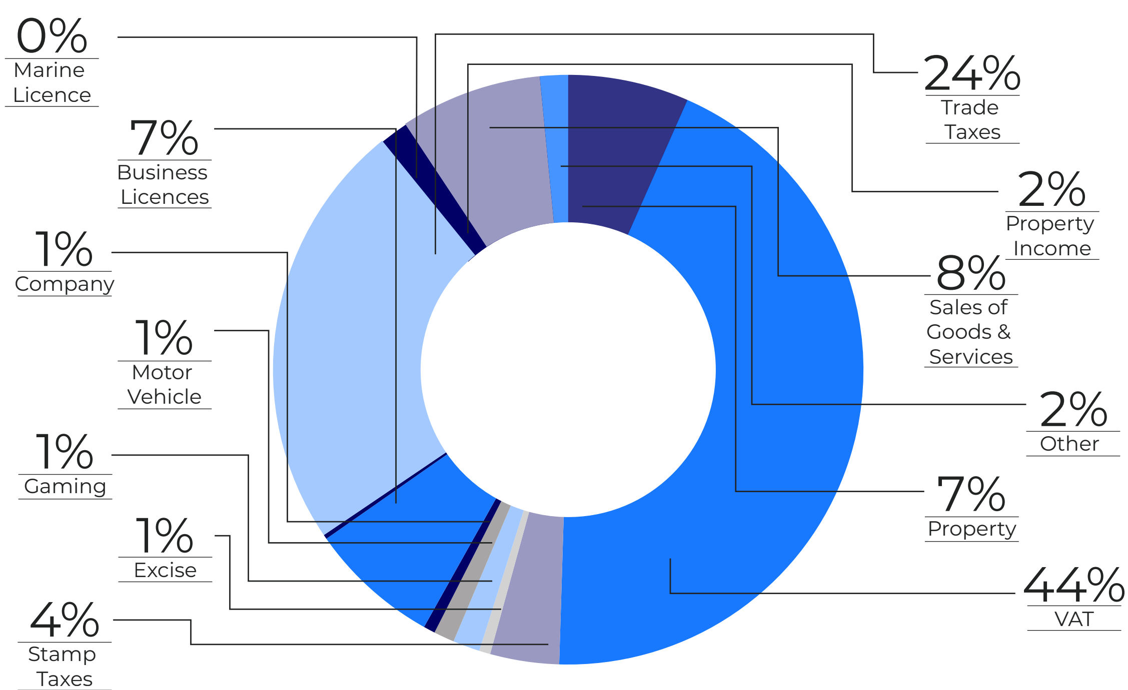
b. Revenue

Driven by robust economic activity, the FY2023/2024 revenue outturn of $3,069.1 million (19.7 percent of GDP) exceeded the FY2022/2023 intake by $213.7 million, although falling short of the budget target of $3,319.0 (23.5 percent of GDP) by $249.9 million (see **Table 3**).

Tax receipts, which aggregated $2,736.1 million, accounted for 89.1 percent of the total revenue and a 10.6 percent increase compared to FY2022/2023. Several components exceeded budget forecasts: property taxes (4.0 percent), excise tax (>100 percent), licenses for special business activities (39.3 percent), and taxes on international trade and transactions (2.4 percent) (see Table 4). However, overall tax revenue fell short of budget expectations by 6.3 percent, primarily due to lower-than-expected yields from VAT receipts (15.4 percent), gaming taxes (28.2 percent), general stamp taxes (13.1 percent), motor vehicle taxes (18.0 percent), company taxes (18.8 percent), and marine license activities (30.6 percent).

Non-tax collections amounted to $333.0 million, for a 12.5 percent decrease compared to FY2022/2023. This decline was primarily due to lower intake from miscellaneous revenue, which was boosted by tourism-related fees in the previous year, alongside a moderation in dividend income. However, receipts from the sale of goods and services improved by 13.0 percent year-over-year, surpassing the budget by 1.0 percent.

Figure 4: FY2023/24 Revenue by Source (%)



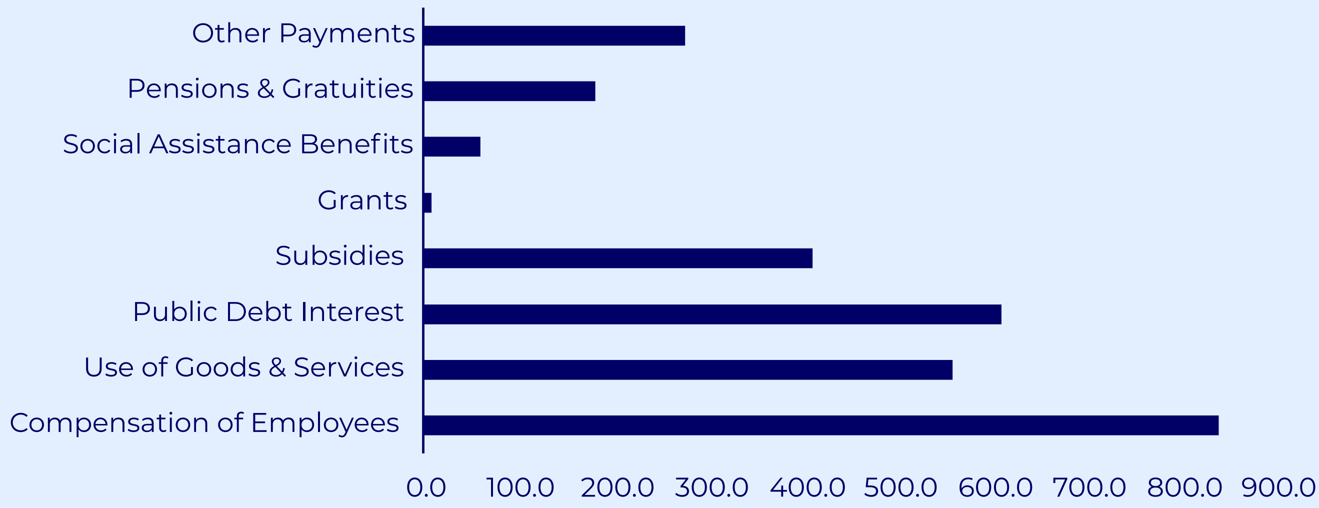
For the nine-months to March 2025, revenue collections amounted to an estimated $2,457.8 million, for 69.4 percent of the budget forecast. In the underlying developments, VAT receipts aggregated $1,044.7 million (68.9 percent of budget); taxes on international trade and transactions were $627.3 million (75.5 percent of the budget) and taxes on property amounted to $172.9 million (75.2 percent of budget). Non-tax revenues at $258.2 million equated to 65.5 percent of budget.

c. Expenditure

Aggregate spending for FY2023/2024, at $3,263.1 million, was $187.0 million (5.4 percent) less than budgeted and represented 21.0 percent of GDP (see **Table 4**).

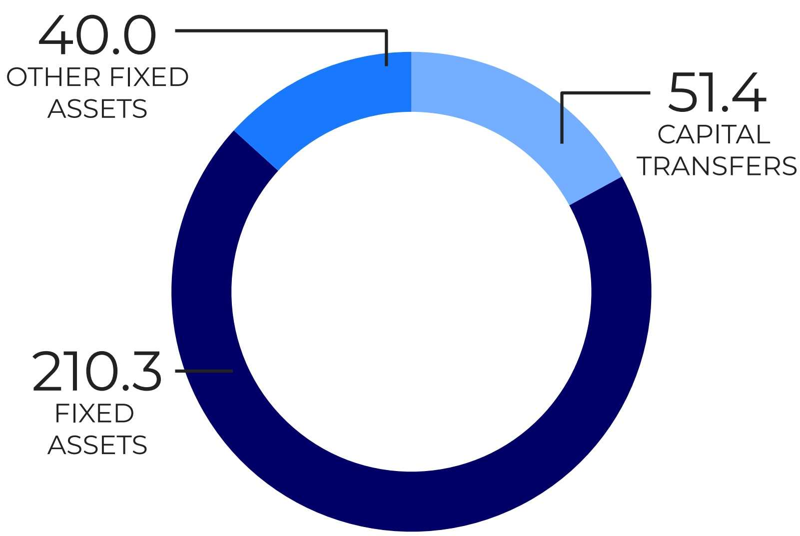
Recurrent expenditure totalled $2,961.4 million (19.0 percent of GDP) and was $124.1 million (4.0 percent) below the annual target. More than half of this shortfall was explained by reduced spending for the use of goods and services, which posted an overall negative variance of 10.7 percent, although several categories exceeding their budget target (including travel and subsistence, rent, and other operational costs). Further, other payments posted a 16.7 percent budget shortfall, primarily due to reduced transfers to several public sector entities.

Figure 5: FY2023/2024 Recurrent Expenditure (B$M)



Capital expenditure settled at $301.7 million, for an under-spend relative to the budget of $62.9 million (17.3 percent) and equating to 1.9 percent of GDP (see **Table 4**). Dominant outlays for the acquisitions of non-financial assets ($250.3 million or 1.6 percent of GDP) approximated the budget target, while capital transfers of $51.4 million (0.3 percent of GDP) were held to a 45.4 percent share of the target

Figure 6: FY2023/2024 Capital Expenditure (B$M)



For the nine-months to March 2025, total expenditure was estimated at $2,636.7 million, for 73.0 percent of the budget forecast. This comprised recurrent expenditure of $2,370.8 million (72.5 percent of budget), and capital outlays of $266.0 million (77.2 percent of budget).

Under recurrent spending, compensation of employees amounted to $649.0 million (73.0 percent of budget), and was partially boosted by recent increases in the NIB rate. Current transfers not elsewhere classified totalled $194.1 million (69.3 percent of budget)—inclusive of educational scholarships and transfers to non-financial public corporations. Government subsidies, which aggregated $338.0 million (82.1 percent of budget), largely constituted transfers to the public non-financial corporations. Public debt interest payments tallied $447.3 million (68.1 percent of budget); and spending on the use of goods and services aggregated $514.2 million (74.8 percent of budget).

Capital outlays for the acquisition of non-financial assets totalled $210.6 million (86.5 percent of budget), utilized mainly for maintaining educational facilities, road works, investment in digitization, and airport infrastructure development.

Table 4: Detailed Summary of Provisional Fiscal Outturn, 2023/24 (B$M)

	FY2023/24			As Percent of GDP	
	Budget	Actual	Variance	Budget	Actual
TAX REVENUE	**(B$M)**				
Taxes on Property	**195.3**	**203.2**	**4.0%**	**1.4%**	**1.3%**
Taxes on Goods & Services	**2,006.8**	**1,800.6**	**-10.3%**	**14.2%**	**11.6%**
VAT	1,591.4	1,346.3	-15.4%	11.3%	8.7%
Stamp Taxes (Financial & Realty)	114.8	108.8	-5.3%	0.8%	0.7%
Excise Tax	2.4	18.7	679.6%	0.0%	0.1%
Taxes on Specific Servcs. (Gaming)	63.3	45.4	-28.2%	0.4%	0.3%
Motor Vehicle Taxes	42.3	34.7	-18.0%	0.3%	0.2%
Company Taxes	24.1	19.6	-18.8%	0.2%	0.1%
License to Conduct Special Bus. Act.	157.7	219.7	39.3%	1.1%	1.4%
Marine License Activities	10.7	7.4	-30.6%	0.1%	0.0%
Taxes on Int'l Trade & Transactions	**708.5**	**725.2**	**2.4%**	**5.0%**	**4.7%**
General Stamp Taxes	**8.1**	**7.1**	**-13.1%**	**0.1%**	**0.0%**
TOTAL TAX REVENUE	**2,918.8**	**2,736.1**	**-6.3%**	**20.6%**	**17.6%**
NON-TAX REVENUE					
Property Income	65.5	47.2	-28.1%	0.5%	0.3%
Sales of Goods & Services	236.3	238.7	1.0%	1.7%	1.5%
Other	95.6	47.2	-50.6%	0.7%	0.3%
TOTAL NON-TAX REVENUE	**397.5**	**333.0**	**-16.2%**	**2.8%**	**2.1%**
TOTAL TAX & NON-TAX REVENUE	**3,316.3**	**3,069.1**	**-7.5%**	**23.5%**	**19.7%**
CAPITAL REVENUE					
Grants	2.8	0.0	0.0%	0.0%	0.0%
Capital Revenue	0.0	0.0	-94.2%	0.0%	0.0%
TOTAL CAPITAL REVENUE	**2.8**	**0.0**	**-100.0%**	**0.0%**	**0.0%**
GRAND TOTAL ALL REVENUE	**3,319.0**	**3,069.1**	**-7.5%**	**23.5%**	**19.7%**
EXPENDITURES					
RECURRENT EXPENDITURE					
Compensation of Employees	**856.3**	**843.3**	**-1.5%**	**6.1%**	**5.4%**
Use of Goods & Services	**628.6**	**561.4**	**-10.7%**	**4.4%**	**3.6%**
Travel & Subsistence	12.3	17.5	42.8%	0.1%	0.1%
Rent	94.8	102.6	8.2%	0.7%	0.7%
Utilities & Telecommunications	97.8	51.2	-47.7%	0.7%	0.3%
Supplies & Materials	44.8	44.0	-1.7%	0.3%	0.3%
Services	273.3	254.4	-6.9%	1.9%	1.6%
Minor capital repairs	5.1	4.7	-7.3%	0.0%	0.0%

Table 4: Detailed Summary of Provisional Fiscal Outturn, 2023/24 (B$M) cont'd

	FY2023/24			As Percent of GDP	
	Budget	**Actual**	**Variance**	**Budget**	**Actual**
Finance charges	22.0	21.4	-2.9%	0.2%	0.1%
Special Financial Transactions	46.8	28.1	-40.0%	0.3%	0.2%
Tourism Related	3.0	3.0	-0.4%	0.0%	0.0%
Local Gov't Districts	14.8	14.8	-0.1%	0.1%	0.1%
School Boards	0.1	0.1	0.0%	0.0%	0.0%
Other	13.8	19.6	42.0%	0.1%	0.1%
Public Debt Interest	612.7	613.2	0.1%	4.3%	3.9%
Subsidies	408.1	412.6	1.1%	2.9%	2.7%
Grants	9.5	9.1	-5.1%	0.1%	0.1%
Social Assistance Benefits	60.1	61.1	1.7%	0.4%	0.4%
Pensions & Gratuities	176.5	182.7	3.5%	1.2%	1.2%
Other Payments	333.7	278.0	-16.7%	2.4%	1.8%
TOTAL RECURENT EXPENDITURE	3,085.5	2,961.4	-4.0%	21.8%	19.0%
CAPITAL EXPENDITURE	364.6	301.7	-17.3%	2.6%	1.9%
TOTAL EXPENDITURE	3,450.1	3,263.1	-5.4%	24.4%	21.0%
FISCAL DEFICIT	-131.1	-194.0	48.0%	-0.9%	-1.2%
Less: Public Debt Interest	612.7	613.2	0.1%	4.3%	3.9%
PRIMARY SURPLUS	481.6	419.2	-13.0%	3.4%	2.7%

MEMO: Nominal GDP of $15,552.1 [B$M]

d. Financing Activities

The Government's net incurrence of liabilities, at $61.8 million for FY2023/2024, was $69.3 million (52.9 percent) below the budget target (see Table 5). The higher levels of gross borrowing and debt repayment primarily reflected the intra-year short-term financing activities with the Central Bank. Consequent on these developments, the outstanding Direct Charge at end-June 2024 was an estimated $11,313.8 million or 72.7 percent of GDP. Of this, $6,248.6 million represented domestic debt and $5,065.2 million was external debt.

Table 5: Financing Activities in 2023/24 (B$M)

	FY2023/2024		Variance
	Budget	Actual	
Overall Balance [Surplus/(Deficit)]	**-131.1**	**-194.0**	**-62.9**
Net Incurrence of Liabilities (a-b) [+]	**131.1**	**61.8**	**-69.3**
a. Borrowings	**2,198.7**	**3,627.7**	**1,428.9**
b. Debt Repayment	**2,067.6**	**3,565.9**	**1,498.3**
Net Acquisition of Financial Assets [-]	**59.8**	**301.8**	**242.0**
Sinking Funds	59.8	260.1	200.2
Equity	0.0	0.0	0.0
Other	0.0	41.7	41.7
Other Financing & Change in Cash Balance (incl. Overdraft) [() = increase]	**59.8**	**434.0**	**374.2**

During FY2023/2024, voluntary contributions to the sinking funds established to retire future debt obligations—inclusive of amounts arising from the collection of tax arrears, totalled $260.1 million. At end-June 2024, these arrangements included a cumulative $175.6 million, of which approximately $96.6 million of the portfolio was sold for repurchase.

In other investment activities, the government extended $41.7 million in short-term loans to the following six Government Business Enterprises (GBEs) during FY2023/2024.

- $16.6 million to the Public Hospitals Authority for the acquisition of medical supplies and medical services.
- $12.1 million to the Airport Authority for capital works related to family island airports.
- $4.0 million to Water and Sewerage Corporation to facilitate payment for consolidated water.
- $4.0 million to the Bahamas Mortgage Corporation regarding the facilitation of the Government housing programme.
- $3.5 million to Bahamasair for procurement of plane engines.
- $1.5 million to Bahamas Resolved Ltd.

2.3 GOVERNMENT NET WORTH AND PAYMENT ARREARS

As the Government currently operates under a modified cash basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS), it is not yet possible to produce estimates of the Government's net worth. In line with the requirements of the Public Financial Management Act, Second Schedule 9(k), these estimates—both as a share of GDP and in nominal terms—will be disclosed in future reports once they can be reliably determined.

The Government is actively progressing toward the adoption of an accrual-based accounting system. This transition requires building capacity across the public sector, implementing new software and technology, and undertaking necessary legislative reforms. As part of this transformation, the Government is also in the process of building a comprehensive balance sheet to support the shift away from the modified cash basis. The establishment of a balance sheet will provide the Government with critical insights into its financial position, including its asset base, inventory, and the value of purchases; and allow for more accurate accounting of long-term obligations, including pension liabilities, which are not currently reflected under the modified cash approach. This transformation is expected to near completion within the next two years, as well as support enhanced transparency, fiscal decision-making and sustainability.

Addressing the issue of payment arrears also remains a key priority. Currently, the Government does not have a streamlined reporting system for arrears. Improved financial reporting under the accrual framework will enable more accurate identification, classification, and monitoring of arrears, thereby enhancing accountability and supporting efforts to clear outstanding obligations in a transparent and strategic manner.

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ECONOMIC OUTLOOK

3.1 MEDIUM TERM MACROECONOMIC OUTLOOK

A fundamental consideration in formulating a sound fiscal policy is the outlook, not only for the Bahamian economy but also for the global economy. Baseline forecasts, as outlined in the April 2025 WEO, anticipate a deceleration in global real GDP growth to 2.8 percent in 2025, followed by a modest recovery to 3.0 percent in 2026. Contributing to the projected slowdown are interconnected factors, namely, trade policy uncertainty, protectionism measures, and macroeconomic spillover effects. Global inflation is projected to decline at a more tempered pace than previously estimated, reaching 4.3 percent in 2025 and 3.6 percent by 2026, to gradually align with central bank targets.

Economic activity in the United States is forecast to slow, with real GDP growth easing to 1.8 percent in 2025 and further to 1.7 percent in 2026, under the influence of trade policy uncertainty, reduced demand momentum, and moderate growth in private consumption. The unemployment rate is expected to rise to 4.2 percent in 2025 and 2026, amid softer labour market conditions and slower hiring momentum. Inflation is poised to remain at 3.0 percent in 2025, due to persistent service sector and commodity price pressures, then ease to 2.5 percent in 2026 under expectations of supportive monetary policy and improved supply chain logistics.

Since 1973, The Bahamas exchange rate risk is directly linked to that of the United States, with the Bahamian Dollar pegged to the US Dollar at 1:1 which is expected to continue into the long-term. The United States is also The Bahamas' major trading partner, followed by trade arrangements with the European Community countries, Canada, China and the United Kingdom. The United States exchange rates with these countries are expected to have a spillover effect for The Bahamas' exchange rate. The unpredictability surrounding global trade tensions, fluctuations in commodity prices, and inflation dynamics may also influence future exchange rates.

Growth in the Euro Area is expected to strengthen only modestly over 2025 and 2026, with real GDP expansion forecast at 0.8 percent in 2025 and 1.2 percent in 2026, being constrained by a combination of weaker external demand, the ongoing effects of tighter monetary policy, and structural challenges in key states. Although the outlook for economic momentum remains subdued, the labour market is expected to stabilize, with unemployment projected at 6.4 percent in 2025 and 6.3 percent in 2026, supported by reforms and steady services sector employment gains. Inflation is anticipated to gradually decline, moving from 2.1 percent in 2025 to 1.9 percent in 2026, as energy prices ease, supply chains normalize, and the continued disinflationary effect of monetary policy easing.

Canada's growth outlook for 2025 and 2026 is anticipated to be modest, with real GDP projected to range between 1.4 percent and 1.6 percent in 2025 and 2026. Unemployment is forecast to taper from 6.6 percent in 2025 to 6.5 percent in 2026, while price dynamics suggest a moderate firming in inflation from 2.0 percent in 2025 to 2.1 percent in 2026.

In China, real output expansion is projected to slow to 4.0 percent for both 2025 and 2026, amid extended trade policy uncertainty and ongoing domestic demand shortfalls. Unemployment is anticipated to steady at 5.1 percent for 2025 and 2026, supported by government measures aimed at stabilizing the labour market. Inflation is forecast to remain subdued, ranging from 0.0 percent in 2025 to 0.6 percent in 2026, as domestic demand moderates and supply chain disruptions ease.

The United Kingdom's economic growth is forecast to remain at 1.1 percent in 2025 and advance to 1.4 percent in 2026. Unemployment is set to improve slightly, from 4.5 percent in 2025 to 4.4 percent in 2026, as slower hiring momentum persists amid ongoing economic challenges. Due to one-off regulated price changes, inflation is anticipated to decline gradually, from 3.1 percent in 2025 to 2.2 percent in 2026.

Growth in Latin America and the Caribbean is projected to slow to 2.0 percent in 2025 before firming to 2.4 percent in 2026, reflecting the impact of U.S. tariffs, elevated uncertainty, geopolitical tensions, and tighter financing conditions. In 2025, at the country level, real economic growth is forecast to contract by 0.3 percent in Mexico, moderate to 2.0 percent for Brazil, and rebound to 5.5 percent for Argentina. In Central America, real GDP growth is expected to hold steady at 3.8 percent, while the growth momentum for the Caribbean economies is projected to taper to 4.2 percent. Inflation is forecasted to decline to 7.2 percent in 2025 and 4.8 percent in 2026, although downside risks persist due to potential supply shocks linked to U.S. policy shifts, strong domestic activity, fiscal uncertainty, and climate-related disruptions.[7] Given the region's deep trade and financial integration with the United States, adverse U.S. shocks—whether from slackened growth or monetary tightening—pose significant downside risks.

The Bahamas' medium-term macroeconomic forecast and outlook, as presented in this document, reflect the prevailing forecasts for global markets and Government's own forecasts for the domestic economy. The forecasts also incorporate Government's planned and commenced economic and fiscal strategies as articulated herein. These goals and strategies are anchored in the policy priorities and goals articulated in the "Blueprint for Change", the Speech from the Throne, and past and upcoming Budget Communications.

The IMF's April 2025 WEO forecasts real GDP growth for The Bahamas at 1.8 percent in 2025, narrowing slightly to 1.7 percent in 2026. The April 2025 projection remains unchanged from the April 2024 WEO, while a modest upward revision for growth was made for 2026 from 1.6 percent. Over the long term, real GDP growth is expected to remain steady at 1.5 percent, though a marginal upward adjustment of 10 basis points has been applied to projections for 2027 and 2028. In the medium term, expected increases in tourist arrivals and real average spending are projected to support real GDP growth and alleviate external and fiscal imbalances. However, the outlook remains vulnerable to downside risks, including the potential for costly natural disasters and economic slowdowns in major tourism source markets.[8]

The estimated GDP deflator for 2025 has been revised downward to 1.0 percent from the previous year's 1.9 percent but is projected to gradually return to 1.9 percent by 2029. Likewise, inflation—measured by the average annual change in the Consumer Price Index—is forecast at 0.9 percent in 2025, a notable reduction from the earlier projection of 2.2 percent for the preceding year. As external price pressures ease over the medium term, inflation is expected to reach 2.0 percent through the medium-term.

Consequently, nominal GDP growth for 2025 is projected at 2.8 percent, down from the 3.7 percent estimate published in the previous year. As global and domestic price pressures ease over the medium term, the IMF anticipates nominal GDP growth will gradually decline to 3.5 percent by 2029 (see **Table 6 and Figure 7**). The unemployment rate is expected at 9.3 percent in 2025, followed by a moderate decline to 9.1 percent in 2026. Over the medium-term unemployment is expected to further decline to 9.0 percent.

To improve the robustness of future reports, incorporating sensitivity analysis is essential to assess the impact of changes in macroeconomic conditions, such as shifts in global demand or interest rates. Technical training for staff from international agencies has been requested by the Government to strengthen capacity for scenario-based forecasting and impact analysis. Sensitivity analyses are expected to be incorporated into future Fiscal Strategy Reports.

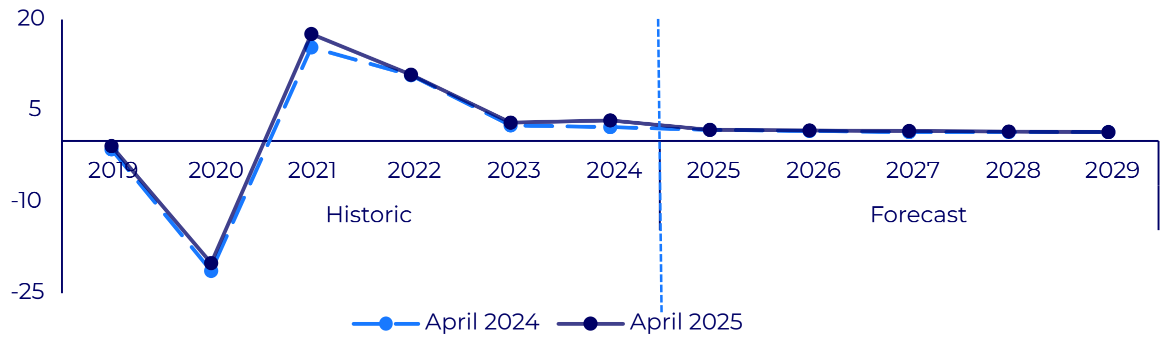
Table 6: Year-over-Year Projection Comparison

INDICATORS	2025	2026	2027	2028	2029
GDP Growth at Constant Prices (%)					
April 2024	1.8	1.6	1.5	1.5	1.5
April 2025	1.8	1.7	1.6	1.6	1.5
GDP Growth at Current Prices (%)					
April 2024	3.7	3.5	3.3	3.5	3.5
April 2025	2.8	3.0	3.3	3.4	3.5
GDP Deflator (%)					
April 2024	1.9	1.8	1.8	2.0	2.0
April 2025	1.0	1.3	1.7	1.8	1.9
Inflation Rate - Period Average (%)					
April 2024	2.2	2.0	1.9	1.9	2.0
April 2025	0.9	1.3	1.8	1.9	2.0

7 "Latin American and Caribbean Macroeconomic Report: Regional Opportunities Amid Global Shifts," IDB March 2025

8 "The Bahamas: 2024 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for The Bahamas," IMF January 2025.

Figure 7: Real GDP Growth Forecast Comparison (%)



Source: Data for 2019 to 2024 are based on BSNI calculations. Forecasts for 2025 to 2029 are based on the April 2024 and April 2025 WEO.

Table 7: Macroeconomic Forecasts

	Unit	2025	2026	2027	2028	2029
Nominal GDP	BS$ Millions	16,280.1	16,771.3	17,325.9	17,915.8	18,534.7
GDP Growth	Percent Change	2.8	3.0	3.3	3.4	3.5
Real GDP	BS$ Millions	14,362.9	14,606.5	14,840.4	15,070.1	15,296.4
GDP Growth	Percent Change	1.8	1.7	1.6	1.5	1.5
Interest Rate	Percent	4.0	4.0	4.0	4.0	4.0
Inflation	Percent Change	0.9	1.3	1.8	1.9	2.0
Unemployment Rate	Percent	9.3	9.1	9.0	9.0	9.0
Current Account Balance	BS$ Millions	(1,293)	(1,292)	(1,200)	(1,213)	(1,216)
Credit to Private Sector	BS$ Millions	6,193	6,365	6,542	6,771	7,006
Broad Money Supply	BS$ Millions	9,821	10,181	10,544	10,912	11,292

Source: GDP and inflation rate forecasts are from the IMF April 2025 WEO. All other forecasts are from the IMF's Article IV Consultation for 2024.

Real GDP by Sector Outlook

The transformation sector, encompassing manufacturing, construction, agriculture, mining, and utilities, is projected to experience moderate to strong growth over the medium term. This expansion is expected to be supported by government-led initiatives focused on food security, particularly through enhanced agricultural programs, including establishing a new centre for Food and Nutrition Security (CFNS). Additionally, increased foreign investment in the Family Islands and the development of new accommodation infrastructure are anticipated to significantly boost construction activity. The government is also actively encouraging domestic manufacturing through targeted grants and sector-specific policies. Collectively, these efforts are expected to maintain the sector's substantial contribution to overall economic growth, though slightly below its recent historical performance.

The trade sector, which includes wholesale, retail, and vehicle repair services, is forecast to grow steadily. This growth is being driven by the implementation of comprehensive national trade policies and diversification strategies that are expanding the country's import and export capabilities. Progress in the creative industries, particularly through reforms in intellectual property legislation, is also expected to enhance the sector's performance.

Tourism remains the cornerstone of the Bahamian economy, with its performance closely tied to the accommodation and food service industries. While the sector is vulnerable to natural disasters—especially in the context of climate change—planned expansions in accommodation capacity and port infrastructure are expected to mitigate some of these risks. If major disruptions are avoided, the sector is poised for robust growth, with cruise tourism playing an increasingly important role. Consequently, tourism is projected to continue as the leading contributor to overall economic expansion.

The financial sector, which includes banking, insurance, real estate, and professional services, is expected to see healthy growth. This outlook is supported by the expansion of digital banking services and initiatives aimed at increasing financial inclusion. Regulatory improvements and ongoing investments in sector capabilities are also contributing to a more favorable environment. As a result, the sector is likely to reinforce its position as a key driver of national economic development, with its contribution to growth expected to rise compared to previous projections. When taken contemporaneously, the factors mentioned above is expected to result in the 13.7 percent nominal GDP growth prospect.

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GOVERNMENT FISCAL STRATEGY & PRIORITIES

4.1 KEY BUDGET PRIORITIES & CONSIDERATIONS

The Government's medium-term fiscal strategy for the period FY2025/2026 to FY2028/2029 reaffirms its commitment to prudent fiscal management and sustainable economic development. It underscores a continued focus on achieving fiscal and debt sustainability, strengthening transparency and accountability in public finances, and pursuing policy measures that promote long-term, resilient economic growth.

The Government's medium-term fiscal strategy aims to:

- modernize the energy sector to ensure affordability, reliability, and sustainability through investments in cleaner and renewable energy and infrastructure;
- strengthen revenue performance through improved tax administration and the implementation of simple and sufficient tax policy reforms;
- curb the growth of public spending while preserving the effectiveness, efficiency, and quality of essential government services; and
- ensure the development of robust healthcare infrastructure accessible to all Bahamians.

a. Revenue Strategies

Over the medium-term horizon, government revenue is projected to increase to the targeted 23.6 percent of GDP by FY2025/2026. This will be achieved through a comprehensive set of initiatives aimed at enhancing tax administration, broadening the tax base, and improving compliance across key sectors. These strategies are designed to support the government's overarching goal of enhancing fiscal resilience, ensuring greater flexibility in managing potential macroeconomic shocks, and maintaining fiscal stability. By modernizing regulatory frameworks, introducing new fees, and tightening enforcement mechanisms, the Government aims to build a more robust and diversified revenue base, thereby securing a stronger fiscal position moving forward.

Tax Administrative Measures

A series of ongoing and new tax administrative measures are central to the Government's strategy to enhance fiscal sustainability and improve the efficiency of tax collection systems. These include measures to streamline processes, ensure compliance, and facilitate better tracking and enforcement of tax obligations.

Below is a summary of the key **new** administrative measures that will be implemented in the upcoming fiscal period:

- **Watercraft Enforcement Expansion.** Enforcement capacity for marine safety will be enhanced through fixed penalties for Jet Ski and watercraft violations. Expanded powers will be granted to the Royal Bahamas Defence Force, Royal Bahamas Police Force, and Port enforcement officers to ensure compliance with existing laws.
- **Real Property Tax Compliance Enhancements.** A revised framework for designating derelict properties will be introduced, requiring pre-approval by the Ministry of Finance to access the concessions.
- **Road Traffic Act Amendments.** New provisions will require vehicle title clearance for transfers, ensuring that outstanding fees are captured, and ownership is confirmed before licenses are issued.
- **Compliance Measures for Private Cruise Destinations.** To strengthen accountability and ensure tax compliance, a comprehensive enforcement framework will be established for all private cruise destinations operating in The Bahamas. New compliance measures for private cruise destinations will focus on enforcing customs duties, applying VAT on all imports and services, and collecting immigration work permit fees for all employees.

Below is a summary of the key ongoing administrative measures that will have a major impact on the revenue outturn:

- Increase of Customs post-clearance audits and introduction of the Customs exemption application.
- Increase in VAT audits by the reconstituted and strengthened Revenue Enhancement Unit (REU).
- Recent establishment of the Large Taxpayers Unit within the Department of Inland Revenue to provide improved services to taxpayers who contribute the majority of tax revenues.
- Establishment of the Tax Audit Committee to promote greater tax compliance, revenue collection, and financial reporting.
- Establishment of the Government's Revenue Policy Committee (RPC) to identify opportunities to increase revenue and reduce leakages and gaps in revenue administration.
- Automation of the 'Desk Audit Selection Process' at the Department of Inland Revenue.
- Digitization and implementation of the new portals for first home exemptions, VAT Stamp duty collections, and real property tax declarations.
- Launch of a targeted programme to collect tax arrears owing on VAT, Real Property Tax (RPT) and Business License fees.
- Collection of RPT on properties under mortgage by requiring domestic commercial banks to include such fees in mortgage payments and remitting the same to Government.
- Requirement for landowners to show proof of real property tax registration and payments before being granted a building permit.
- Commencement of the power of sale proceedings against delinquent property owners for undeveloped land and high-end commercial and residential properties.
- Use of big data techniques to detect tax evasion, avoidance, leakage, and underutilized capacities of taxation where commercial goods and services are rendered.
- Requirement for property owners operating short-term vacation rentals to register their properties which will promote tax compliance.
- Gradual implementation of VAT e-Invoicing to streamline the VAT billing and remittance procedure— to assist with minimizing leakages.
- Procurement of a new fully automated, fully integrated tax system.
- Proposal to restructure the DIR to better pursue execution of its tax collection mandates.

Revenue Tax and Fee Policy Reforms

New key tax policy reforms are aimed at broadening the tax base, ensuring fairness, and maintaining revenue adequacy.

- **Domestic Minimum Top-Up Tax.** The DMTT Act, enacted on 29th November 2024 and effective from 1st January 2024, implements the OECD's Pillar II framework by introducing a 15 percent minimum effective tax rate for large multinational enterprise (MNE) groups operating in The Bahamas. The DMTT is expected to generate approximately $130 million annually.
- **VAT Rate Reduction on Unprocessed Foods and Other Items.** The Government has reduced the VAT rate from 10 percent to 5 percent on a select list of unprocessed and essential food items effective April 1 2025. Effective 1st September 2025, additional items

will receive a VAT rate reduction to 5 percent, including prescription and non-prescription drugs, as well as medical and dental supplies. This targeted tax relief measure is designed to alleviate the cost of living, particularly for lower-income households, while preserving the integrity of the broader VAT regime.

- **Food Safety and Quality Fees.** The introduction of new fees under the Food Safety & Quality Act, including for food business registration and vendor badge replacements.
- **Frequent Visitors Digital Card (FVDC) for Private Vessels and Aircraft.** A new Frequent Visitors Digital Card (FVDC) will be implemented for a fee for private vessels and aircraft operating in Bahamian waters and airspace.
- **Animal Protection.** New licensing fees for the importation of regulated veterinary drugs and animal establishment registrations. Diagnostic testing fees and expedited import permits for animals will also be introduced, aimed at improving animal health and controlling zoonotic diseases.
- **Plant Protection.** New fees will be introduced for plant establishments. A diagnostic testing fee for plant diseases will also be established, filling the current gap in diagnostic capabilities for plant pests and diseases.
- **Exploitation of investments in the blue economy.** The government is actively advocating for innovative climate financing solutions on a global scale, due to The Bahamas' high vulnerability to the impacts of global climate change.

The award-winning Debt-for-Nature Swap of November 2024 unlocked $124.0 million in funding for marine conservation without increasing the debt burden. Over the next 15 years, annual savings from this agreement will be directed to the Bahamas Protected Area Fund, which will allocate resources to agencies tasked with safeguarding our marine ecosystems. These funds will begin to support the implementation of pre-established conservation targets and ensure long-term environmental stewardship in the upcoming year.

Initiatives are underway to commercialize blue carbon credits from marine preservation efforts, building on previous national actions to protect the marine environment. Expert scientific assistance has been enlisted to assess the value of sea grass meadows in carbon sequestration. Through a partnership with Carbon Management Ltd., the Government has developed a management and financial strategy that is expected to bring economic and social benefits to the country. While the quantified and verified carbon credits generated from this strategy could potentially generate significant revenues in the future, these impacts are at this time excluded from the medium-term projections.

Legal Reforms

These reforms, both new and ongoing, are focused on strengthening regulatory frameworks, improving compliance, and enhancing enforcement mechanisms across critical sectors.

- Legislative revisions will redefine "owner-occupied" for non-residents. These changes will strengthen eligibility determination for tax concessions and facilitate targeted enforcement.
- Legislative changes will empower designated agencies to enforce fixed penalties and regulatory requirements under the new watercraft safety framework and other environmental and port regulations.
- Recent clarification made to provisions in the Business License Act, Real Property Tax Act, and Stamp Tax Act to provide the DIR with the enforcement powers to penalize offenses under these legislations.
- Proposed revision in registration fees and taxes in the maritime sector to reduce tax avoidance and achieve regionally comparable tax outcomes.
- Assess current tax legislation to identify opportunities for modernization and simplification, keeping in mind the efficiency, equity, and stability of taxes, and to ensure compliance with best practices.

b. Recurrent Expenditure Policy & Priorities

The Government reaffirms its commitment to maintaining recurrent expenditure within 21.0 percent of GDP by FY2025/2026. Coupled with ongoing revenue enhancement efforts, this target is critical to achieving the medium-term fiscal objective of limiting the fiscal deficit to no more than 0.5 percent of GDP from FY2025/2026 onwards. To support this goal, the Government continues to implement a more structured and results-driven approach to public spending—prioritizing targeted initiatives that deliver measurable impact.

Spending decisions will remain guided by the principles of improving the quality and accessibility of public services, enhancing social protection systems, maintaining and upgrading critical infrastructure, addressing human resource gaps, and advancing national development priorities. The overarching fiscal consolidation strategy emphasizes debt reduction as a central objective, shaping how resources are allocated to key sectors such as education, healthcare, social support, public transportation, and citizen safety. Through disciplined expenditure management and strategic investment, the Government will continue to promote sustainable growth, resilience, and inclusive socio-economic progress.

- Implementing targeted public expenditure reforms. The Public Expenditure Review of 2022 facilitated by the Inter-American Development Bank (IDB), outlined several areas of reform in public spending to achieve the goals of equity and sustainable development.
- Operational and Program Support. Continuing operational funding for critical government programs and health insurance benefits for public sector workers; ensuring that services remain available to the Bahamian people without interruption.
- Continuing State-Owned Enterprise (SOE) rationalization program. State-Owned Enterprise (SOE) Reform remains a key budget priority with targeted measures aimed at reducing fiscal transfers and managing contingent liabilities. The newly implemented guaranteed policy framework ("Bahamas Policy Framework for Guarantees") will be fully operationalized, including the application of eligibility criteria, credit risk assessments, and a standardized guarantee fee structure. In addition, SOEs will be required to submit medium-term business plans aligned with fiscal objectives and face tighter controls on hiring, salary increases, and unfunded capital spending. The continued training of SOE Directors will improve governance and compliance. Sector-specific reforms will continue in the water and healthcare sectors, while major restructuring in the energy sector is projected to reduce direct subventions over the medium term. These reforms are essential to reducing fiscal risks, enhancing service delivery, and ensuring the sustainability of public finances.
- Digitization of Government services. The Government continues to prioritize digital transformation to improve efficiency and service delivery under recurrent expenditure. Major initiatives include the One Tax Bahamas platform, which will simplify tax registration, filing, and payments, reducing administrative burdens and improving compliance. These efforts, led by the Digital Transformation Unit, are supported by ongoing IT modernization and the Wi-Fi in the Park initiative, which expands public internet access.
- Public Financial Management Reforms. The recent rollout of the digital transformation initiative for HR Management information system ("Cloud Bahamas") in the public sector will essentially eliminate time consuming manual processes. The Government also intends to continue to identify savings across government departments and agencies and keep a tight control of government spending while funding high priority government policy commitments.
- Reform of Government pension scheme. Containing long-term pension obligations remains a key priority to ensure fiscal sustainability, improve intergenerational equity, and reduce unfunded contingent liabilities. Recurrent expenditure on pensions and gratuities totalled $182.7 million in FY2023/2024, representing a 6.2 percent of total recurrent spending. This figure is projected to increase to $201.6 million in FY2025/2026. To date, initiatives undertaken include:
  - tabling of the White Paper in Parliament during the FY2025/2026 Budget Debate;
  - the preparation of a draft Pensions Bill;
  - the design of an operational model for the new contributory scheme; and
  - the creation of a phased implementation plan.
- Expansion of Health Insurance to public sector workers. The Government is actively working to expand health insurance coverage for public sector workers through reforms to the National Health Insurance program. This initiative is a part of a broader strategy to achieve universal health coverage and enhance healthcare access for all residents. As a first phase, the Government is focused on reforming its existing health insurance program for public employees, with the goal of enhancing the range and quality of benefits available. This reform aims to address long-standing gaps in coverage, particularly in preventative care and chronic disease management, which are essential given the high national incidence of non-communicable diseases.

c. Capital Expenditure Policy

The Government remains committed to maintaining capital expenditure within 3.5 percent of GDP by FY2025/26 and onwards, striking a careful balance between maintaining fiscal sustainability and making strategic investments in critical infrastructure to support long-term economic growth and national development. Priority capital projects continue to focus on key sectors such as healthcare, education, security, transportation, and utilities, with funding sourced through a combination of budgetary allocations, public-private partnerships (PPPs), and semi-concessional financing mechanisms.

- **Enhance the provision of public health services.** As part of the Government's ongoing efforts to strengthen public service delivery, targeted capital expenditures are being directed toward the modernization of the national healthcare infrastructure. Funding has been secured to complete Phase I of the Freeport Hospital, which will significantly enhance health service delivery in Grand Bahama. A new hospital in New Providence is also planned to be supported by semi-concessional financing from the Government of China. Additionally, through loan financing from the Inter-American Development Bank, new clinics will be constructed in Mangrove Cay, Palmetto Point, and Black Point, expanding access to primary healthcare services in the Family Islands. These investments are critical to ensuring timely, equitable, and high-quality healthcare across the country and form a central pillar of the Government's strategy to improve the well-being of all Bahamians.
- **Greater use of Public Private Partnerships.** The Government will continue to prioritize the strategic use of public-private partnerships as a means of accelerating infrastructure development while managing fiscal constraints. Building on the groundwork laid in previous years, the Government will advance PPPs in several priority areas, including the continued redevelopment of Family Island airports, expansion of renewable energy infrastructure and the rehabilitation of key road and water networks on the Family Islands.
- **Improvement of roadworks.** As part of a larger initiative to enhance ground transportation in the nation, the Government has implemented a plan to improve roadwork nationwide, including traffic and asset management in New Providence. Constituted key phases of road improvement works which are expected to continue throughout the medium-term include:
    - Road development project in Exuma;
    - Road and water main improvements in Cat Island and Eleuthera;
    - Upgrade of water main infrastructure and repaving of Joe Farrington Road in New Providence;
    - Pinewood Gardens Drainage Improvement Project;
    - East Bay/Dowdeswell Streets Drainage Improvement Project;
    - The planned widening and reconstruction of Gladstone Road; and
    - The extension of Milo Butler Highway from Carmichael Road to Cowpen Road in New Providence.

To improve delivery capacity and project efficiency across all public infrastructure projects in the country, the Government has secured a $90 million loan from the Inter-American Development Bank to strengthen a newly instated entity – BAHAMIX. This investment will enhance project management systems such as the launch of a comprehensive Road and Drainage Improvement Program in New Providence.

d. Fiscal Balance Policy

The Government remains steadfast in its commitment to achieving a sustainable fiscal balance over the medium term, in line with the principles outlined in the PFMA 2023. Central to this policy is the objective of limiting the overall fiscal deficit to no more than 0.5 percent of GDP by FY2025/2026, thereby reinforcing long-term debt sustainability and macroeconomic stability.

Achieving this target will require disciplined execution of complementary revenue and expenditure policies, as well as sustained improvements in fiscal management and operational efficiency. A credible fiscal balance policy is also critical to maintaining investor confidence, improving sovereign creditworthiness, and ensuring the Government retains the flexibility to respond to unforeseen shocks including those related to climate, economic, or global financial conditions.

The following are key policy measures to support the fiscal balance objective.

- **Revenue Mobilization:** Continued implementation of tax policy and administrative reforms to increase the revenue-to-GDP ratio to 23.6 percent by FY2025/26 and 25.0 percent thereafter;
- **Expenditure Discipline:** Containment of recurrent spending within 21.0 percent of GDP in FY2025/2026, while preserving the space for essential social and service delivery;
- **Targeted Capital Investments:** Maintenance of capital expenditure at a sustainable 3.5 percent of GDP, focused on high impact and growth enhancing projects;
- **Deficit and Debt Targets:** Adherence to legally mandated fiscal rules, including the annual deficit and debt thresholds prescribed under the PFMA 2023;
- **Improved Public Financial Management:** Strengthening of budgeting, procurement, and performance management systems to ensure more efficient use of public funds and reporting; and
- **Contingency Planning:** Use of buffers and risk mitigation instruments to protect fiscal outcomes from external shocks.

e. Structural Reforms and Economic Policy

The government acknowledges that structural reforms and economic policy initiatives are required to increase competitiveness, facilitate business transactions, and foster investment.

- **Institutionalize the National Development planning process.** The government intends to introduce The Bahamas National Development Plan (NDP) Bill, which will place the NDP, which was released in 2016, on a statutory footing and provide for an oversight entity to monitor its implementation. The NDP, which is 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, includes recommendations for education, healthcare, and economic development, that align with the government's economic and social policy goals and objectives.
- **Promoting economic diversification through trade opportunities.** In line with the implementation of the National Trade Policy (NTP), the Government launched the National Trade Diversification Strategy in 2024. This strategy aims to identify new trade partners and create pathways for sustainable economic growth. It was recognized that the country's reliance on a narrow range of imports and exports exposes it to vulnerabilities amid global uncertainties. In an era of shifting trade blocs and geopolitical instability, diversifying trade partnerships has become not only a strategic priority but an urgent necessity. The Government has been collaborating with the private sector to explore trade opportunities with Canada, the Dominican Republic, Ghana, and India, while also investigating new shipping channels and logistics solutions. In addition, the intellectual property framework was modernized through new legislation passed in July 2024, covering trademarks, copyrights, and patents. A separate registrar for intellectual property was also established. Furthermore, work began in April 2025 on the Creative Sector Export Strategy, as indicated in the previous FSR. As part of the broader National Trade Policy, the Government has also initiated the implementation of a competition policy, with a Bill currently being drafted for consultation.
- Advancing energy reform through renewables. The Government continues to make significant strides in energy reform, with a strong focus on integrating cleaner and renewable energy sources to enhance energy security, reduce costs, and foster sustainable development.

Key initiatives underway include:

- Micro grid Deployment: The Government is actively deploying micro grid systems across the Family Islands to enhance energy resilience and reduce dependence on fossil fuels. These micro grids will support energy sustainability and provide more reliable electricity to remote communities, aligning with national energy policies and climate change mitigation efforts.
- Transition to Cleaner Fuels: As part of the ongoing energy transformation, The Bahamas is progressing with the switch to liquefied natural gas (LNG), projected to generate significant savings to consumers in 2025. FOCOL, in partnership with Shell, is developing the LNG infrastructure at Clifton Pier, which will supply cleaner, more cost-effective fuel to power generation facilities. These savings are part of a broader strategy to reduce reliance on high-cost, environmentally harmful energy sources, with total annual savings expected to exceed $130 million across the system.

These initiatives contribute to the Government's goal of achieving a 30 percent renewable energy share by 2030, playing a critical role in enhancing the country's economic resilience, supporting sustainable growth, and reducing greenhouse gas emissions. The continued focus on renewable energy is a vital part of the broader strategy to position The Bahamas as a leader in climate action and energy innovation.

- **Encouraging foreign investment to drive economic growth.** The following newly announced foreign direct investment projects are anticipated to significantly contribute to economic activity in The Bahamas, with notable impacts on employment, government revenue, and both direct and indirect economic outcomes:
    - Pieces of Eight Limited is investing approximately $35 million to establish a boutique residential and members' club on the island of Abaco;
    - CU Guana Limited is developing a $99 million hotel, marina, and residential complex on Guana Cay, Abaco;
    - Bird Cay Resort Properties Limited is investing $18 million to develop Bird Cay Resort on the island of Berry Island, which will feature a yacht marina, luxury resort, and ecotourism facilities;
    - Royal Caribbean Cruises Lines – Celebrity Cruises is developing $348 million worth of recreational and entertainment facilities on Grand Bahama; and
    - Caesars Capital Limited is investing $4 million to develop rental cottages in Grand Bahama.
    - Several smaller scale investments include:
        - $1.3 million development of Arrow Point, a hotel and residential property on the island of Exuma;
        - Bahama Stacks Limited is developing a $3.5 million condominium hotel at Staniel Cay;
        - Muddy Hole Development Company Limited is undertaking a $2 million project on Eleuthera, which includes The Tides—a multifaceted resort, residential community, and marina spanning six acres of land, featuring docks, private homes, rental cottages, and commercial spaces; and
        - Aluminox Manufacturing is expanding its operations in Grand Bahama with an investment of $1.8 million.

- **Launching the Centre for Food and Nutrition Security.** To address The Bahamas' urgent need for a more self-reliant and resilient food system, the Government is initiating a multidisciplinary hub. This will drive national food and nutrition security through research, innovation, and community-based initiatives. Key actions include establishing urban farms, conducting a national nutrition study, training farmers in climate-smart practices, and preserving native crop varieties through seed banks. These efforts form part of a broader strategy to enhance food sovereignty, support local producers, and promote sustainable economic growth.

COMMONWEALTH OF THE BAHAMAS

MEDIUM-TERM FISCAL & DEBT FINANCING OUTLOOK

5.1 MEDIUM-TERM FISCAL OUTLOOK

The Bahamas' medium-term outlook for key fiscal aggregates, detailed in **Table 8**, was developed based on the economic outlook and projections discussed in the above sections of this report. The baseline macroeconomic projections and the medium-term fiscal framework supporting the FY2024/2025 budget have been updated to reflect recent economic outcomes and revised forecasts. These forecasts continue to anticipate positive economic results, with tourism and sustained domestic demand driving improvements in revenue collections and the overall fiscal position.

The government's primary objective is to achieve fiscal consolidation, while ensuring the necessary investments in capital expenditures.

The medium-term fiscal framework outlined in this report aims to achieve the fiscal objectives specified in **Table 2,** namely:

- A revised revenue to GDP ratio of 23.6 percent by FY2025/2026, to be increased to 25.0 percent of GDP by FY2026/2027.
- A revised recurrent expenditure to GDP ratio of 21.0 percent by FY2025/2026.
- A capital expenditure to GDP ratio of 3.5 percent by FY2025/2026, which includes funding for both the central government and state-owned enterprises (SOEs). **Table 8** reflects the government's plans to finance most capital expenditure projects undertaken by SOEs through public-private partnerships (PPPs) and government-guaranteed loans. As these projects are not funded through government revenues via the consolidated fund, **Table 8** indicates a downward trend in the capital expenditure ratio over time.

Table 8: Medium-Term Fiscal Outlook (B$M)

	ACTUALS		BUDGET	FORECASTS			
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Revenue	**2,855.4**	**3,069.1**	**3,543.3**	**3,896.3**	**4,263.1**	**4,405.2**	**4,556.3**
Recurrent	2,854.2	3,069.1	3,537.0	3,887.1	4,253.9	4,399.8	4,550.9
Capital & Grants	1.2	0.0	6.3	9.2	9.2	5.4	5.4
Expenditure	**3,390.0**	**3,263.1**	**3,613.1**	**3,820.8**	**3,971.7**	**4,105.6**	**4,246.5**
Recurrent Expenditure	3,062.5	2,961.4	3,268.6	3,444.5	3,579.6	3,700.3	3,827.3
of which Primary Expenditure	2,489.4	2,348.3	2,611.9	2,776.5	2,976.9	3,135.2	3,315.8
Capital Expenditure	327.5	301.7	344.5	376.3	392.1	405.3	419.2
Overall Balance: Surplus/(Deficit)	**(534.6)**	**(194.0)**	**(69.8)**	**75.5**	**291.4**	**299.6**	**309.8**
Interest Payments	573.1	613.2	656.7	668.0	602.7	565.1	511.5
Primary Balance	**38.5**	**419.2**	**586.9**	**743.5**	**894.1**	**864.7**	**821.3**
GDP (Current Prices)	14,584.1	15,552.1	16,056.4	16,525.7	17,048.6	17,620.8	18,225.3
Government Debt	11,259.5	11,313.8	11,461.0	11,386.5	11,096.7	10,797.2	10,487.4
Overall balance as % of GDP	-3.7%	-1.2%	-0.4%	0.5%	1.7%	1.7%	1.7%
Revenue as % of GDP	19.6%	19.7%	22.1%	23.6%	25.0%	25.0%	25.0%
Total Expenditure % of GDP; of which	23.2%	21.0%	22.5%	23.1%	23.3%	23.3%	23.3%
Recurrent Expenditue as % of GDP	21.0%	19.0%	20.4%	20.8%	21.0%	21.0%	21.0%
Primary Expenditure	17.1%	15.1%	16.3%	16.8%	17.5%	17.8%	18.2%
CAPEX as % of GDP	2.2%	1.9%	2.1%	2.3%	2.3%	2.3%	2.3%
Gov't Debt as % of GDP	77.2%	72.7%	71.4%	68.9%	65.1%	61.3%	57.5%

Note: 2022 to 2023 are based on BNSI Annual Gross Domestic Product report. 2024 and beyond based on April 2024 WEO

a. Revenue Forecast

Baseline revenue forecasts for the medium-term indicate steady improvements in revenue performance, fuelled by positive economic growth fundamentals, ongoing revenue mobilization efforts, and enhanced tax administration and reforms. The projections include expected revenues from the recent implementation of the Domestic Minimum Top-Up Tax (DMTT) under the OECD's Pillar Two global minimum tax requirements. However, the forecasts remain policy-neutral regarding the anticipated positive contributions from the proposed commercialization of The Bahamas' blue carbon credits.

Over the medium-term, the revenue target is 23.6 percent of GDP for FY2025/2026, as the Government continues to calibrate its revenue outlook to the new estimates of GDP. However, the subsequent three years to FY2028/2029 are expected to maintain revenues at 25.0 percent of GDP (see **Table 9**). The positive impact of current revenue initiatives, coupled with improved economic conditions, has already been reflected in revenue collections for the first nine months of FY2024/2025. Preliminary estimates indicate an increase of $266.3 million period-over-period, bringing total revenue to $2.5 billion

b. Recurrent Expenditure Forecast

Details of recurrent expenditure by economic, administrative and functional classifications are presented in **Tables 10, 11** and **12**, respectively. As the timing, magnitude, directionality and ultimately the impact of a climactic disaster remains challenging to predict, the baseline forecasts presented herein do not include estimates of the cost of such events.

The government's primary expenditure objectives focus on providing more efficient, effective, and responsive public services. The strategy involves pursuing responsible spending aligned with the goal of efficiency, enhancing the management and control of non-interest expenditures, improving the efficiency of public investment management, and ensuring the sustainability of the government compensation and pension bill.

In this context, the baseline expenditure forecasts set targets to achieve the Government's recurrent expenditure goal of 21.0 percent of GDP by FY2025/2026 and for the subsequent three years to FY2028/2029.

c. Capital Expenditure

The multi-year capital budget demonstrates the government's commitment to establishing a sustainable pipeline of investments, including:

- Road maintenance and development
- Construction and maintenance of health facilities
- Airport development
- Housing development

Recognizing the link between infrastructure development and sustainable long-term growth, the government plans to finance capital projects primarily through public-private partnerships (PPPs) and government-guaranteed loans for Government Business Enterprises and Agencies, rather than relying on government revenues. Consequently, capital outlays are projected to be maintained at 2.3 percent of GDP over the medium term, reflecting central government investments (see **Tables 13, 14,** and **15**).

Table 9: Medium-term Revenue Estimates (B$M)

	ACTUALS		BUDGET	FORECASTS			
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
TAX REVENUE (a+b+c+d+e)	**2,473.6**	**2,736.1**	**3,142.6**	**3,439.2**	**3,763.8**	**3,888.8**	**4,022.3**
a. Taxes on Income, Profits & Capital Gains	**0.0**	**0.0**	**0.0**	**130.1**	**145.2**	**150.2**	**155.4**
b. Taxes on Property	**161.5**	**203.2**	**230.0**	**254.6**	**265.0**	**276.1**	**285.6**
c. Taxes on Goods & Services (i+ii+iii)	**1,629.0**	**1,800.6**	**2,066.1**	**2,081.5**	**2,232.3**	**2,300.2**	**2,379.3**
i. General	**1,361.7**	**1,473.8**	**1,661.4**	**1,688.1**	**1,817.6**	**1,876.6**	**1,941.1**
VAT	1,252.0	1,346.3	1,515.6	1,524.9	1,643.7	1,689.7	1,747.9
Stamp Taxes (Financial & Realty)	107.0	108.8	141.9	152.2	161.3	173.1	179.0
Excise Tax	2.7	18.7	3.8	11.0	12.7	13.8	14.3
ii. Specific (Gaming taxes)	**63.9**	**45.4**	**62.3**	**57.0**	**58.5**	**59.9**	**62.0**
iii. Taxes on Use of Goods/Permission to Use	**203.5**	**281.4**	**342.3**	**336.4**	**356.2**	**363.8**	**376.3**
Motor Vehicle Taxes	34.7	34.7	51.2	51.2	61.5	63.9	66.1
Company Taxes	20.1	19.6	30.2	23.6	23.9	24.1	24.9
Licence to Conduct Special Bus. Activity	144.8	219.7	242.1	240.1	248.3	252.6	261.2
Marine License Activities	3.9	7.4	18.8	21.5	22.6	23.2	24.0
d. Taxes on Int'l Trade & Transactions	**675.4**	**725.2**	**830.5**	**972.0**	**1,120.1**	**1,161.0**	**1,200.8**
Customs & other import duties	248.9	258.5	295.3	307.3	340.1	355.7	367.9
Taxes on Exports	253.5	246.5	293.0	266.1	319.7	333.0	344.4
Departure Taxes	172.2	219.3	241.3	397.7	459.3	471.3	487.4
Other	0.9	0.9	1.0	0.8	1.0	1.0	1.1
e. General Stamp Taxes	**7.7**	**7.1**	**16.1**	**1.0**	**1.2**	**1.3**	**1.3**
NON-TAX REVENUE (f+g+h+i+j+k)	**380.6**	**333.0**	**394.4**	**447.9**	**490.1**	**511.0**	**528.6**
f. Property Income	**64.6**	**47.2**	**61.8**	**65.1**	**67.0**	**69.3**	**71.7**
Interest & Dividends	45.7	32.1	43.5	46.3	47.7	49.3	51.0
Revenue_Gov't Property	18.9	15.0	18.3	18.8	19.3	20.0	20.7
g. Sales of Goods & Services	**211.2**	**238.7**	**240.1**	**304.5**	**319.5**	**332.9**	**344.3**
h. Fines, Penalties & Forfeits	**5.3**	**6.1**	**6.1**	**7.4**	**7.7**	**7.9**	**8.2**
i. Reimbursements & Repayments	**44.2**	**35.1**	**51.2**	**49.2**	**54.2**	**59.2**	**61.3**
j. Misc. & Unidentified Revenue	**54.8**	**4.4**	**34.0**	**20.4**	**40.5**	**40.5**	**41.9**
k. Sales of Other Non-Financial Assets	**0.5**	**1.7**	**1.1**	**1.3**	**1.3**	**1.3**	**1.3**
TOTAL TAX & NON-TAX REVENUE	**2,854.2**	**3,069.1**	**3,537.0**	**3,887.1**	**4,253.9**	**4,399.8**	**4,550.9**
Grants	1.1	0.0	6.3	5.8	5.8	2.0	2.0
Capital Revenue	0.1	0.0	0.0	3.4	3.4	3.4	3.4
GRAND TOTAL	**2,855.4**	**3,069.1**	**3,543.3**	**3,896.3**	**4,263.1**	**4,405.2**	**4,556.3**
VAT Rev (% of GDP)	8.6	8.7	9.4	9.2	9.6	9.6	9.6
Tax Revenue (% of GDP)	17.0	17.6	19.6	20.8	22.1	22.1	22.1
Non-Tax Revenue (% of GDP)	2.6	2.1	2.5	2.7	2.9	2.9	2.9
Total Revenue (% of GDP)	19.6	19.7	22.1	23.6	25.0	25.0	25.0

Table 10: Medium-term Recurrent Expenditure Estimates by Economic Classification (B$M)

	ACTUALS		BUDGET	FORECASTS			
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Compensation of Employees	**805.2**	**843.3**	**888.8**	**938.0**	**1,017.6**	**1,059.7**	**1,096.0**
Wages & Salaries	701.8	736.0	768.0	807.5	881.7	919.7	951.3
Allowances	68.2	71.5	85.0	88.6	91.1	93.1	96.3
NIB Contribution	35.3	35.9	35.9	41.9	44.7	46.8	48.4
Use of Goods & Services	**672.4**	**561.4**	**687.3**	**735.3**	**791.0**	**833.1**	**861.7**
of which:							
Travel & Subsistence	18.8	17.5	12.5	15.4	16.6	17.3	17.9
Rent	106.1	102.6	120.8	115.3	120.7	123.0	127.2
Utilities & Telecommunications	70.5	51.2	100.9	99.6	110.0	118.4	122.5
Supplies & Materials	44.0	44.0	44.4	44.6	50.1	53.8	55.6
Services	288.4	254.4	306.4	307.6	328.1	346.4	358.3
Minor capital repairs	5.2	4.7	5.2	5.4	6.3	6.4	6.6
Finance charges	14.5	21.4	20.0	21.6	21.6	21.6	22.3
Special Financial Transactions	93.6	28.1	47.1	70.9	77.5	80.2	83.0
Tourism Related	2.0	3.0	3.0	3.0	3.0	3.0	3.1
Local Gov't Districts	13.3	14.8	14.8	14.8	14.9	14.9	15.4
School Boards	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	15.9	19.6	12.0	36.9	42.1	48.0	49.7
Public Debt Interest	**573.1**	**613.2**	**656.7**	**668.0**	**602.7**	**565.1**	**584.4**
Subsidies	**464.7**	**412.6**	**411.8**	**450.6**	**469.4**	**508.1**	**525.6**
Grants	**7.1**	**9.1**	**10.7**	**11.3**	**11.3**	**11.3**	**11.7**
Social Assistance Benefits	**52.8**	**61.1**	**62.5**	**66.4**	**69.6**	**71.2**	**73.7**
Pensions & Gratuities	**174.6**	**182.7**	**189.7**	**201.6**	**215.9**	**230.2**	**238.1**
Other Payments	**312.7**	**278.0**	**361.1**	**373.2**	**402.1**	**421.6**	**436.1**
Current Transfers n.e.c.	232.0	197.7	280.1	287.6	309.7	326.4	337.6
Insurance Premiums	80.7	80.4	81.0	85.6	92.4	95.2	98.5
TOTAL	**3,062.5**	**2,961.4**	**3,268.6**	**3,444.5**	**3,579.6**	**3,700.3**	**3,827.3**

Total Recurrent Expenditure	21.0	19.0	20.4	20.8	21.0	21.0	21.0
Compensation of Employees	5.5	5.4	5.5	5.7	6.0	6.0	6.0
Use of Goods & Services	4.6	3.6	4.3	4.4	4.6	4.7	4.7
Public Debt Interest	3.9	3.9	4.1	4.0	3.5	3.2	3.2
Subsidies	3.2	2.7	2.6	2.7	2.8	2.9	2.9
Social Assistance Benefits	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Pensions & Gratuities	1.2	1.2	1.2	1.2	1.3	1.3	1.3
Other Payments	2.1	1.8	2.2	2.3	2.4	2.4	2.4

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

	ACTUALS		BUDGET	FORECASTS			
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Governor General and Staff	1.1	1.3	1.9	2.1	2.2	2.3	2.4
The Senate	0.3	0.3	-	-	-	-	-
House of Assembly	3.6	4.1	-	-	-	-	-
Department of the Auditor General	2.1	2.1	2.6	2.8	3.0	3.0	3.1
Ministry of Public Service	355.6	354.1	376.3	377.3	401.1	417.7	432.1
Cabinet Office	10.6	8.1	11.5	12.2	13.1	13.8	14.3
Attorney General's Office and Ministry of Legal Affairs	35.1	28.2	46.2	47.1	52.7	58.7	60.7
Office of the Judiciary	15.6	16.8	0.0	5.9	6.5	7.1	7.3
Court of Appeal	2.5	2.5	0.0	-	-	-	-
Registrar General's Department	3.0	3.0	3.5	7.1	7.6	7.8	8.1
Bahamas Department of Correctional Services	27.8	32.9	34.4	39.4	44.7	47.2	48.8
Parliamentary Registration Department	1.0	1.4	1.5	4.0	3.1	2.1	2.2
Ministry of Foreign Affairs	41.8	49.8	50.7	55.0	56.7	58.5	60.5
Office of the Prime Minister	30.2	56.9	57.8	22.2	22.0	22.1	22.8
Bahamas Information Services	2.5	2.4	2.6	2.7	2.9	3.0	3.1
Government Printing Department	1.2	1.2	1.2	1.5	1.5	1.5	1.6
Department of Local Government	25.0	28.9	29.9	30.4	31.6	32.2	33.3
Department of Physical Planning	0.9	1.0	1.1	1.1	1.2	1.2	1.3
Department of Lands and Surveys	1.5	1.8	2.3	2.6	2.7	2.8	2.9
Ministry of Finance	259.1	177.5	346.6	362.7	397.0	423.2	437.7
Treasury Department	57.4	63.3	64.6	81.3	88.5	92.9	96.1
Customs Department	39.2	39.1	41.7	42.0	46.9	49.3	51.0
Public Debt Servicing -Interest and Other Charges	587.6	634.5	676.7	689.5	624.2	586.6	606.7
Department of Inland Revenue	8.8	9.2	10.1	11.4	12.0	12.3	12.7
Ministry of National Security	13.9	11.7	20.5	20.4	21.6	22.7	23.5
Ministry of Immigration and National Insurance	32.8	33.6	35.0	38.3	42.6	44.7	46.2
Royal Bahamas Police Force	125.6	126.5	126.6	134.0	139.2	141.9	146.8
Royal Bahamas Defence Force	64.5	69.0	71.4	77.5	88.0	92.9	96.1
Ministry of Works and Family Island Affairs	111.1	49.9	36.2	48.2	50.1	50.9	52.7
Department of Public Works	17.0	18.0	19.0	21.0	23.1	24.0	24.8
Department of Education	201.4	210.4	209.4	216.4	240.0	251.1	259.7
Department of Archives	0.7	0.7	0.7	0.8	0.9	0.9	0.9
Ministry of Education and Technical and Vacational Training	119.5	114.7	123.3	137.1	138.0	139.4	144.2
Ministry of Energy and Transport	10.3	10.3	13.9	14.8	15.4	16.7	17.3
Ministry of Social Services, Information and Broadcasting	13.0	18.4	19.2	19.2	19.7	20.0	20.7
Department of Social Service	49.3	47.7	48.0	53.1	56.8	58.1	60.1
Ministry of Housing and Urban Renewal	2.8	8.2	10.8	11.1	11.5	11.7	12.1
Ministry of Youth, Sports and Culture	30.7	32.4	25.6	27.1	32.8	37.7	39.0
Department of Labor	3.7	3.8	4.0	4.5	4.8	4.9	5.1
Ministry of Economic Affairs	11.2	9.0	5.9	7.0	7.2	7.2	7.5
Post Office Department	8.7	9.1	9.9	11.0	11.3	11.6	12.0
Port Department	8.2	8.0	9.4	9.4	9.9	10.5	10.9

Table 11: Recurrent Expenditure Estimates by Administrative Classification (B$M) cont'd

	ACTUALS		BUDGET	FORECASTS			
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Department of Road Traffic	6.7	7.3	7.5	8.0	8.7	8.9	9.2
Department of Meteorology	2.0	2.2	2.7	2.7	3.4	3.6	3.7
Ministry of Agriculture and Marine Resources	26.6	25.1	33.0	35.4	36.3	36.6	37.9
Department of Agriculture	5.1	4.9	5.8	6.1	6.7	7.0	7.3
Department of Marine Resources	2.2	1.9	2.5	3.0	3.5	3.6	3.8
Ministry of Health and Wellness	324.4	288.4	332.7	355.1	375.7	417.1	431.4
Department of Environmental Health Services	61.1	57.9	60.7	61.8	66.6	71.0	73.5
Department of Public Health	52.4	52.7	53.0	60.6	66.6	69.7	72.1
Ministry of Tourism, Investment and Aviation	153.8	140.5	131.4	123.4	124.9	125.4	129.7
Ministry of Labour and the Public Service	4.1	4.3	5.0	4.5	4.6	4.7	4.9
Ministry of Environment and Natural Resources	13.3	12.4	14.1	11.7	12.7	13.4	13.8
Department of Information, Communications and Technology	33.2	33.9	37.0	37.3	44.5	49.6	51.3
Ministry for Grand Bahama	19.3	13.9	19.2	19.8	22.1	23.3	24.1
Ministry of Disaster Risk Management	18.3	11.9	10.5	60.5	65.0	69.5	71.9
Office of the Director of Public Prosecutions	2.2	2.3	1.3	3.6	4.3	4.5	4.6
GRAND TOTAL	**3062.5**	**2961.4**	**3268.6**	**3,444.5**	**3,579.6**	**3,700.3**	**3,827.3**

The Senate and House of Assembly estimates have been rolled up into Cabinet's Office.

Court of Appeal has been rolled up into Attorney General's Office and Ministry of Legal Affairs.

Table 12: Recurrent Expenditure Estimates by Functional Classification (B$M)

	ACTUALS		BUDGET	FORECASTS			
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
General Public Service	1,276.4	1305.8	1,515.4	1,530.8	1,529.7	1,533.8	1,586.4
Defense	64.5	69.0	71.4	77.5	88.0	92.9	96.1
Public Order and Safety	262.8	261.6	271.1	296.7	320.4	335.6	347.1
Economic Affairs	272.0	256.1	291.1	295.3	310.5	320.2	331.1
Evirnomental Protection	173.1	107.0	97.2	148.9	158.7	167.8	173.5
Housing and Community Amenities	20.3	10.3	21.5	21.7	23.3	24.7	25.5
Health	390.1	360.6	385.2	415.2	441.8	486.3	502.9
Recreation, Culture and Religion	47.1	40.1	33.9	35.7	41.1	46.1	47.7
Education	327.6	320.6	329.7	352.2	376.3	388.2	401.6
Social Protection	228.7	230.3	252.1	270.5	289.8	304.8	315.3
GRAND TOTAL	**3,062.5**	**2,961.4**	**3,268.6**	**3,444.5**	**3,579.6**	**3,700.3**	**3,827.3**

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

	ACTUALS		BUDGET	FORECASTS			
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Capital Transfers	**45.5**	**51.4**	**101.2**	**120.7**	**91.7**	**88.4**	**91.5**
Acquisition of Non-financial assets	**282.0**	**250.3**	**243.3**	**255.6**	**300.4**	**316.9**	**327.7**
Fixed Assets	**271.2**	**248.3**	**241.3**	**253.6**	**298.4**	**314.9**	**325.7**
Buildings other than dwellings	119.7	93.6	86.1	97.0	129.1	140.5	145.3
Other structures	84.6	85.8	90.5	92.6	96.3	100.8	104.2
Transport equipment	10.7	8.7	12.0	17.4	22.6	25.1	25.9
Other Machinery & equipment	20.1	13.6	21.5	26.4	30.5	29.2	30.2
Land Improvements	8.0	8.6	5.3	4.7	3.7	3.2	3.3
Other fixed assets	28.2	38.0	25.9	15.6	16.2	16.2	16.8
Land	**10.8**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.1**
TOTAL	**327.5**	**301.7**	**344.5**	**376.3**	**392.1**	**405.3**	**419.2**
Capital Transfers	0.3	0.3	0.6	0.7	0.5	0.5	0.5
Acquisition of Non-financial Assets	1.9	1.6	1.5	1.5	1.8	1.8	1.8
CAPEX (in percent of GDP)	2.2	1.9	2.1	2.3	2.3	2.3	2.3
CAPEX (as percent of total expenditure)	0.1	0.1	0.1	0.1	0.1	0.1	0.1

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

	ACTUALS		BUDGET	FORECASTS			
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Ministry of Foreign Affairs	1.7	1.1	7.2	8.6	9.1	8.1	8.4
Office of The Attorney General and Ministry of Legal Affairs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Customs Department	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ministry for Grand Bahama	1.0	0.9	3.5	4.3	3.5	3.5	3.6
Ministry of Finance	72.6	83.2	113.0	130.4	115.3	112.3	116.1
Ministry of National Security	10.7	7.1	18.5	19.0	19.3	14.2	14.7
Royal Bahamas Defence Force	11.4	7.7	9.7	17.7	23.9	26.7	27.6
Ministry of Works and Family Island Affairs	100.2	103.7	87.0	87.5	114.2	129.3	133.8
Ministry of Education and Technical and Vocational Training	72.3	70.6	51.0	40.2	43.0	44.0	45.5
Ministry of Agriculture and Marine Resources	3.5	1.5	3.4	3.6	2.2	1.1	1.2
Mnistry of Health and Wellness	41.0	18.9	25.1	38.5	37.5	42.4	43.8
Ministry of the Environment and Natural Resource	0.8	0.8	2.3	3.3	1.1	1.1	1.2
Ministry of Tourism, Investment and Aviation	6.1	0.0	0.0	0.0	0.0	0.0	0.0
Department of Information, Communications and Technology	3.5	3.2	3.9	5.9	3.7	2.4	2.5
Ministry of Energy and Transport	2.7	3.1	20.0	17.4	19.4	20.2	20.8
Ministry of Disaster Risk Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**327.5**	**301.7**	**344.5**	**376.3**	**392.1**	**405.3**	**419.2**

Table 15: Capital Expenditure by Functional Classification (B$M)

	ACTUALS		BUDGET	FORECASTS			
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
General Public Service	44.4	34.9	64.9	84.5	93.7	89.7	92.8
Defense	11.4	7.7	9.7	17.7	23.9	26.7	27.6
Public Order and Safety	10.7	7.1	18.5	19.0	19.3	14.2	14.7
Economic Affairs	143.5	159.6	167.1	167.0	158.2	171.7	177.6
Evirnomental Protection	2.3	2.6	5.9	8.9	16.1	16.1	16.7
Health	41.0	18.9	25.1	38.5	37.5	42.4	43.8
Recreation, Culture and Religion	-	-	0.0	0.0	0.0	0.0	-
Education	72.3	70.6	51.0	40.2	43.0	44.0	45.5
Social Protection	1.9	0.4	2.4	0.5	0.5	0.5	0.5
GRAND TOTAL	**327.5**	**301.7**	**344.5**	**376.3**	**392.1**	**405.3**	**419.2**

5.2 DEBT FINANCING OUTLOOK

Alongside the Government's overarching fiscal strategy, debt financing remains a critical tool for addressing the financing needs of the central government.

a. Borrowings

Over the medium term, the Government's borrowing strategy remains focused on maintaining access to a diversified mix of financing sources while minimizing cost and mitigating refinancing and exchange rate risks. Total gross borrowings declined from a pandemic-driven high of $3.63 billion in FY2023/2024 to an estimated $2.0 billion for FY2024/2025 and is projected to further moderate to $2.0 billion in FY2024/2025, consistent with the fiscal consolidation trajectory and reduced deficit financing requirements.

Domestic borrowings

In FY2022/2023, domestic borrowing amounted to approximately $2.5 billion, compared to $2.1 billion in FY2021/2022. In FY2023/2024, domestic borrowings continued to rise, reaching $2.8 billion. The budget for FY2024/2025 projects domestic borrowings at $1.58 billion. The increase in domestic borrowing in the previous years was mainly driven by the need to finance the deficit, particularly in the wake of challenges posed by global economic conditions and domestic fiscal pressures..

The key sources of domestic financing will include:

- Government securities, comprising treasury bills and bond instruments to meet short-term liquidity needs and to finance long-term investments, respectively. These instruments will remain a feature of the Government's debt management program, enabling access to fixed-rate debt and providing a stable financing source.
- Loans and Advances: The Government will continue to access short-term advances from the Central Bank, and loans from commercial banks.

External borrowings

External borrowings will be used strategically to meet longer-term financing needs, including financing for infrastructure investment projects.

In FY2022/2023, external borrowings totalled approximately $451.2 million, compared with $953.9 million in FY2021/2022, and mirrored the fall-off in the fiscal deficit. In FY2023/2024, external borrowings increased to $816.2 million, mainly in the form of commercial loans and government securities. The FY2024/2025 budget projects external borrowings at $392.8 million.

The external borrowings will primarily be sourced through:

- **Multilateral Loans:** Financing from multilateral institutions in the form of both policy and investment loans, at semi-concessional rates and longer maturity periods.
- **Bilateral Loans:** Bilateral lending from partner countries, especially for infrastructure development and resilience projects.
- **Private Capital Markets:** New fund raising opportunities to meet debt refinancing needs. During mid-year Budget 2025, Parliament gave approval for the Government to access the capital market for up to $300 million, with the proceeds to be used to establish the National Investment Fund.
- **Financial Institutions:** Funding derived from foreign commercial banks.

b. Debt Repayment

Debt refinancing remains a significant component of the government's financing requirement, given the significant amortization requirements over the medium term. In FY2022/2023, total debt repayments amounted to $2,533.2 million, of which $2,074.8 million was internal and $458.5 million external. Internal repayments were primarily in Bahamian dollars ($2,052.3 million) with the balance ($22.4 million) in foreign currency.

For FY2023/2024, debt repayments rose substantially to $3,565.9 million, reflecting both the rollover of maturing instruments and active liability management operations. Of the $2,815.1 million in internal repayments, $2,558.1 million was denominated in Bahamian dollars and $257.0 million in foreign currency. External repayments reached $750.8 million, comprising bilateral, multilateral, and market-based obligations.

For the first half of FY2024/2025, total debt repayments amounted to $1,297.7 million, comprising $674.8 million in Bahamian dollars, $267.3 million and a total of $622.9 million in foreign currency.

Looking forward, the Government will continue to manage its amortization schedule by smoothing maturity bunching and aligning repayment flows with projected cash availability. Interest payments will be prioritized to maintain debt service integrity, while refinancing operations will be strategically undertaken to ensure that debt servicing remains within sustainable bounds.

c. Sinking funds

The Government will strategically utilize cash reserves and accumulated sinking fund assets to meet maturing debt obligations, especially for external payments. In FY2022/2023 the contribution to the sinking fund was $116.5 million, $260.1 million in FY2023/2024, and estimated at $46.5 million for FY2024/2025. For FY2025/2026 and over the medium-term, contributions to the sinking fund totalled $46.5 million.

d. Overall Fiscal Balance

The Government remains committed to fiscal consolidation and reducing the fiscal deficit in a manner that supports macroeconomic stability, debt sustainability, and economic recovery.

Table 16: Sources of Budget Financing through the Medium Term (B$M)

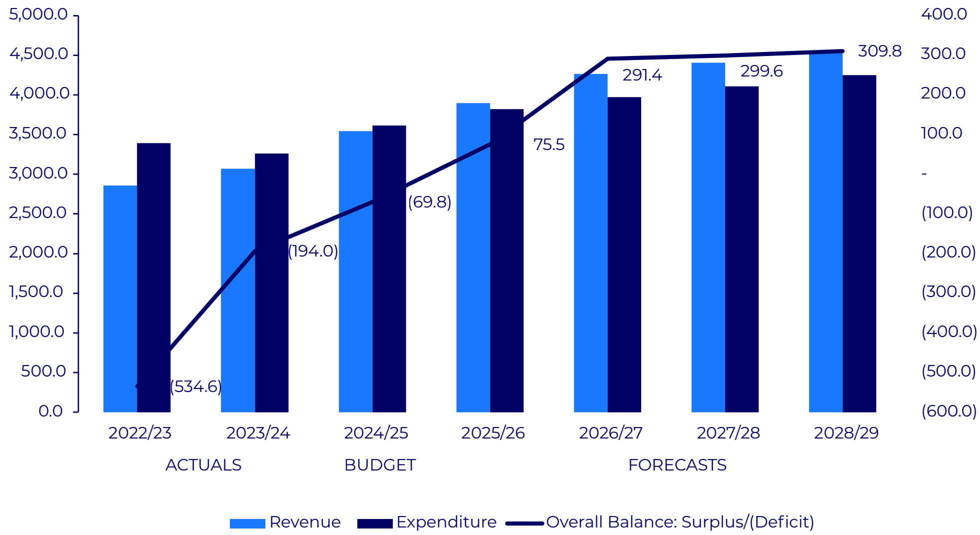
	Actuals		BUDGET	FORECASTS			
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Overall Balance [Surplus/(Deficit]	**(534.6)**	**(194.0)**	**(69.8)**	**75.5**	**291.4**	**299.6**	**309.8**
Net Incurrence of Liabilities (a-b) [+]	**451.9**	**61.8**	**135.3**	**(75.5)**	**(291.2)**	**(299.6)**	**(309.8)**
a. Borrowings	2,985.2	3,627.7	1,968.8	1,146.0	688.3	555.3	402.4
b. Debt Repayment	2,533.2	3,565.9	1,833.5	1,221.5	979.4	854.9	712.2
Net Acquisition of Financial Assets [-]	**236.5**	**297.8**	**46.5**	**46.5**	**46.5**	**46.5**	**46.5**
Sinking Funds	116.5	260.1	46.5	46.5	46.5	46.5	46.5
Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	120.0	37.7	0.0	0.0	0.0	0.0	0.0
Other Financing & Cash Balance Change (incl. Overdraft) [()= increase]	(319.2)	(430.0)	19.0	(46.5)	(46.3)	(46.4)	(46.5)

Note: Borrowings and Repaymet from CBOB

Overall Balance projections

The overall fiscal balance and the financing structure for the medium-term fiscal framework are outlined in **Table 16**. As a result of the proposed medium-term revenue and expenditure operations, and the assumptions of sustained improvement in economic conditions, the overall position is expected to narrow from a deficit of $194.0 million in FY2023/2024 to $69.8 million in FY2024/2025. A surplus of $74.5 million is projected for FY2025/2026, $289.9 million in FY2026/2027, $299.6 million in FY2027/2028, and $309.8 million in FY2028/2029. In the below **Figure 8**, total revenue and expenditure figures correspond to the left axis, while the overall balance is shown on the right axis.

Figure 8: Summary of Fiscal Data (B$M)



5.3 FISCAL RESPONSIBILITY

The Government has enhanced fiscal responsibility through a number of legislative initiatives.

The **Public Debt Management Act, 2021** established a framework for sustainable and transparent management of public debt. It aimed to minimize costs and risks associated with debt and mandated the creation of a medium-term debt management strategy, including annual borrowing plans and portfolio management operations. The act also created the **Debt Management Office** and the **Debt Management Advisory Committee** to oversee debt operations and implement strategies. Further, regular reporting and monitoring are required to maintain accountability and compliance with the debt management strategy.

On July 1, 2023, the **Public Finance Management Act, 2023**, replaced the Public Financial Management Act, 2021. This Act incorporated provisions from the repealed Fiscal Responsibility Act, 2018, with several amendments to fiscal targets, promoting accountability, transparency, and stability in managing the country's finances.

This Act also established the **Fiscal Responsibility Council** as an independent entity to ensure compliance with fiscal policies and advise on budgetary matters. The Council was reappointed effective October 15, 2024, and has released its first report on March 31, 2025. Additionally, the government has announced reconstituting the **Public Sector Audit Committee**.

The **Public Procurement Act, 2023**, came into effect July 1, 2023, and replaced the Public Procurement Act, 2021. This Act provided procurement opportunities for micro, small, and medium-sized businesses to increase their participation in government procurement processes. To comply with the requirements of the Public Procurement Act, 2023, the legacy electronic public procurement portal was upgraded to facilitate the publication of procurement opportunities, award notices, and other statutory obligations.

The Government initiated a public feedback process on the Draft **Pensions Bill, 2023**, which aims to reform the public service retirement system to enhance preservation, reduce pension liabilities, and ensure equitable employee benefits. The Bill proposes establishing a Contributory Public Service Pensions Fund, transitioning from a non-funded, non-contributory scheme to a funded, defined contributory pension plan. The Bill is expected to be tabled in Parliament during the upcoming budget exercise for fiscal year 2025/2026

Table 17: Actions on General Principles of Responsibility

	Accountability	Intergenerational Equity	Responsibility	Stability	Transparency	Inclusive Growth
Status: Completed						
Integration of "Sand Dollar" payments and other non-cash payment solutions for Government services						X
Increased national nominal minimum wage from $210 per week to $260 per week		X				X
Status: Ongoing						
Preparation and publication of an annual Fiscal Strategy Report, outlining Government's fiscal plan over the medium-term	X		X	X	X	
Preparation and publication of quarterly fiscal performance reports	X		X	X	X	
Preparation and publication of monthly fiscal performance reports	X		X	X	X	
Ongoing work on IDB funded Public Financial Management (PFM) reform programme	X		X	X		
Continued digitization of access to Government services						X
Continued reform and enhancement of public procurement practices	X		X	X	X	X
Engagement of external financial advisors to aid in arresting the country's declining credit rating			X	X		
Reduced reliance on financing from international capital markets over the short-term		X	X	X		
Enforcement of the previously tabled Domestic Minimum Top-up Tax, 2024		X		X		

Table 17 outlines Government's actions to adhere to the general principles of responsibility across various key areas. The actions are designed to promote accountability, intergenerational equity, responsibility, stability, transparency, and inclusive growth within the country's fiscal framework. Each action is marked with an "X" under the relevant fiscal responsibility principle(s) it aims to support. Since the 2024 FSR, the Government has not deviated from any of the actions outlines in **Table 17** and remains steadfast with adhering to the general principles of responsibility.

Table 18: Actions on Fiscal Responsibility Principles

	FY2025/26	FY2026/27	FY2027/28	FY2028/29
Sustainable Fiscal Balance				
Fiscal Balance (surplus) Objective (% of GDP)	0.5%	1.7%	1.7%	1.7%
Revenue Fiscal Target (% of GDP)	23.6%	25.0%	25.0%	25.0%
Recurrent Expenditure Fiscal Target (% of GDP)	21.0%	21.0%	21.0%	21.0%
Expenditure Growth Rate	5.7%	4.0%	3.4%	3.4%
Wage Expenditure Limit (% Recurrent Expenditure)	6.0%	6.0%	6.0%	6.0%
Capital Expenditure as a % of Total Expenditure	9.8%	9.9%	9.9%	9.9%
Prudent Levels of Debt				
Central Government Debt Target (% of GDP)	68.9%	65.1%	61.3%	57.5%
Managing Fiscal Risks				
SOEs Subvention % of Total Expenditure	13.6%	13.1%	12.6%	12.1%
Level of Government Guarantees (B$M)	458.8	197.4	187.8	140.1

Table 18 outlines Government's fiscal objectives as they relate to actions towards operationalizing the Fiscal Responsibility principles set forth in the PFMA 2023. The actions are designed to achieve and maintain a sustainable fiscal balance, prudent debt levels, and the mitigation of fiscal risks. The Government remains steadfast in achieving the objects as outlined.

COMMONWEALTH
OF THE BAHAMAS

FISCAL RISK IDENTIFICATION & MITIGATION STRATEGIES

6.0 FISCAL RISK IDENTIFICATION & MITIGATION STRATEGIES

Fiscal risks refer to events or shocks that may cause fiscal outcomes to deviate from baseline projections and thus adversely affect the achievement of the Government's strategic fiscal objectives. These risks can arise from macroeconomic shocks, realization of contingent liabilities from state-owned enterprises, environmental hazards, or volatility in key revenue streams. While such risks may not necessarily materialize, their potential fiscal impact underscores the need for robust identification, assessment, and mitigation strategies.

In line with the Public Finance Management Act, 2023, Second Schedule (10), the Government is committed to systematically identifying the source, scale, and likelihood of major fiscal risks and disclosing these in its fiscal planning frameworks to promote transparency and accountability. The assessment enables proactive mitigation planning and informed decision-making to maintain fiscal sustainability and resilience.

To support this process, the Government applied the IMF Fiscal Risk Assessment Tool (FRAT) to classify and prioritize key fiscal risks over the medium term. The FRAT framework was used to assess the likelihood of realization and potential fiscal impact for each risk category. Specifically, the FRAT was applied to evaluate:

- Macroeconomic risks, including global inflation, growth slowdowns, and interest rate shocks, which have direct implications for revenue performance and expenditure pressure;
- Government guarantees, particularly in relation to state-owned enterprises (SOEs), where contingent liabilities could materialize into direct budgetary obligations;
- Environmental and climate-related risks, such as hurricanes pose large, sudden, and recurrent fiscal shocks; and
- Specific revenue risks, including volatility in tourism-related taxes, customs duties, and other critical revenue sources sensitive to external condition.

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Figure 9 shows the risk rating metric used in the assessment of the above risk categories.

Figure 9: Calculation of Risk Rating

Risk Rating = Likelihood x Fiscal Impact				
Fiscal impact	**HIGH**	Medium	High	Critical
	MEDIUM	Low	Medium	High
	LOW	Irrelevant	Low	Medium
		Remote	**Possible**	**Probable**
		Likelihood of realization		

Figure 10 shows the risk assessment outcome on the rating metric for above risk categories.

Figure 10: Risks Assessment Using the FRAT Framework

Potential fiscal impact				
	High	**Government guarantees**	**Macroeconomic risks**	**Specific revenues and Environmental risks**
	Medium			
	Low			
		Remote	Possible	Probable
		Likelihood of realization		

6.1 MACROECONOMIC RISKS

Macroeconomic conditions represent one of the most significant sources of fiscal risk for The Bahamas. These risks are evaluated using the IMF's Fiscal Risk Assessment Tool (FRAT), which maps risks based on their potential fiscal impact and likelihood of realization.

- **External Demand Shocks:** The Bahamian economy is highly dependent on tourism and external trade. Global economic downturns especially in major source markets like the United States, global pandemics, or travel restrictions could sharply reduce tourist arrivals and related revenues, putting pressure on the budget.
- **Commodity Price Volatility:** Changes in the price of imported oil, food, and construction materials directly affect inflation, the cost of living, and public operating costs. Such price swings can indirectly constrain consumer demand and government fiscal space.
- **Rising Global Interest Rates:** Global monetary tightening increases the cost of external borrowing and may restrict access to foreign commercial financing, with implications for high debt servicing costs and fiscal sustainability in the future.
- **Global Tariff and Trade Policy Shifts:** Trade tensions or shifts in global tariff regimes—particularly in major partner countries—could reduce demand for Bahamian exports, including fisheries and niche services. In turn, this can suppress local incomes and employment, especially in export-linked sectors, and indirectly reduce tourism-related economic activity, especially from high-spending international travellers sensitive to economic conditions.

In the heat map above, macroeconomic risks are positioned in the high impact and possible likelihood zones (marked in red), highlighting their critical importance. These risks have the potential to severely affect fiscal outcomes if realized, particularly due to The Bahamas' small, open, and climate-vulnerable economy.

The Government is responding to these macroeconomic risks with a combination of fiscal, structural, and institutional reforms:

- **Scenario Analysis and Fiscal Buffers:** The Ministry of Finance continues to develop scenario planning tools to evaluate fiscal exposure under adverse macroeconomic conditions. This includes assessments of risks such as in this 2025 FSR, and preliminary commencement of a climate budget tagging exercise for the Government to identify, track, and monitor climate-related expenditures within the budget.

- **Economic and Export Diversification:** Policies aimed at expanding domestic exports and services, developing agro-industries, creative industries, and digital services help reduce overdependence on tourism and make the economy more adaptable to global shifts.
- **Trade and Investment Policy Engagement:** The Government engages with regional and international partners to monitor and respond to trade policy changes. Support for exporters through regulatory streamlining, product quality certification, and market access facilitation is being strengthened.
- **Debt Portfolio Resilience:** Implementation of the Medium-Term Debt Strategy helps shield public finances from global rate volatility by favouring longer maturities and fixed-rate borrowing. Further, the Government has been utilizing more concessionary financing via multilaterals.
- **Institutional Strengthening:** Enhanced capacity in macroeconomic surveillance, public financial management, and policy forecasting supports evidence-based decision-making under uncertainty.

6.2 ENVIRONMENTAL RISKS

Climate-related environmental risks, particularly hurricanes, present a severe and recurring threat to The Bahamas' fiscal and economic stability. As a small, open, and climate-vulnerable economy, The Bahamas faces heightened exposure to increasingly frequent and intense natural disasters driven by climate change. These events often result in major economic disruptions, extensive damage to public infrastructure, and large-scale humanitarian relief efforts—all of which require substantial, often unplanned, public expenditure. Associated costs can derail the Government's fiscal plans, reduce revenue collection due to economic slowdowns, and require upward revisions to expenditure forecasts or borrowing. Consequently, environmental risks are classified in the high impact and probable likelihood zone of the Fiscal Risk Heat Map (dark red zone), reflecting their potential to significantly impair fiscal performance. This entails:

- **Natural Disasters and Climate Risks:** Frequent hurricanes and other climate-related events threaten critical infrastructure and economic activity, requiring large unplanned expenditures and causing disruptions to revenue collection.

To address the fiscal risks posed by climate and environmental shocks, the Government has put in place a comprehensive set of financial, institutional, and legislative tools:

- **Contingent Credit Facility:** A $100 million contingent credit line with the Inter-American Development Bank (IDB) provides concessional financing in the aftermath of natural disasters, helping to bridge urgent funding gaps.
- **Disaster Insurance:** The Government participates in the Caribbean Catastrophe Risk Insurance Facility (CCRIF) through parametric insurance coverage for hurricanes. It is also exploring catastrophe bonds (e.g., through the World Bank) and promoting private sector risk financing mechanisms to further transfer risk.
- **National Building Code Enhancements:** Revisions are underway for the National Building Code to incorporate climate-resilient construction standards, reducing the likelihood of infrastructure losses and long-term reconstruction costs.

- **Establishment of the Disaster Prevention Fund:** The Government intends to establish this fund in keeping with the requirements of the Disaster Risk Management Act, 2022. This fund will be resourced from budgetary resources to finance ex ante disaster risk management activities.
- **Establishment of the Disaster Emergency Fund:** The Government intends to partly resource this statutory fund from dormant account balances transferred to the Government after being unclaimed for 25 years. These resources will be used to finance ex post disaster risk management activities.
- **Principal Payment Deferral (PPO) Option:** The Government has negotiated Principal PaymThe Government has negotiated Principal Payment Options (PPOs) in most of its IDB financing arrangements. In the event of a qualifying natural disaster, principal payments can be deferred for up to 2 years, easing short-term liquidity pressure.
- **Disaster Risk Management Governance Program:** In partnership with the IDB, the Government is strengthening its governance framework for disaster risk management, including improvements in preparedness, recovery planning, risk assessment, and financial protection strategies.
- **International Climate Finance Engagement:** The Bahamas is an active proponent of climate finance for Small Island Developing States (SIDS). The Government supports global mechanisms like the Loss and Damage Fund, agreed at COP27, which may offer long-term concessional funding for post-disaster recovery and resilience investments.

6.3 SPECIFIC REVENUES

Risks from specific revenue sources can significantly impact fiscal outcomes for the Government by creating volatility and uncertainty in budget execution and fiscal planning. When revenue streams such as tourism-related taxes, customs duties, or VAT underperform due to external shocks – like natural disasters, global economic downturns, or sector-specific disruptions – the Government may face unexpected shortfalls. Internal shocks may arise from deficiencies in tax enforcement or compliance, stemming from administrative or legal capacity limitations.

The implementation of the DMTT pose a specific revenue risk in that multinational enterprises tend to be geographically mobile. Entities can opt out of operating in The Bahamas if country-specific costs do not align with their goals. Another notable revenue risk involves the operations of cruise lines within the country and the need for a more streamlined and effective revenue enforcement framework. The Government has engaged in extensive consultations with the cruise industry to enhance compliance in key areas such as VAT, customs duties, utility usage, and immigration fees.

Potential shortfalls from these initiatives can widen the fiscal deficit, increase the need for borrowing, and constrain the government's ability to fund essential services or implement planned investments. Overreliance on a narrow set of revenue sources, especially those that are highly cyclical or vulnerable to external events, also limits fiscal flexibility and increases the risk of procyclical policy responses. As a result, the government intends to monitor revenue risks closely, continue to diversify the revenue base, and maintain adequate fiscal buffers to support macroeconomic stability and resilience.

In the heat map above, specific revenues risks are positioned in the high impact and probable likelihood zones (marked in red), highlighting their critical importance. These risks have the potential to severely affect fiscal outcomes if realized, particularly due to The Bahamas' small, open, and climate-vulnerable economy.

The following are the mitigation strategies for revenue specific risks:

Structural and Legal reforms: The Government has been working to broaden the tax base, including: improving VAT administration, digitalization of tax collection through the Department of Inland Revenue, streamlining tax policy rate adjustments, and exploring real property tax and gaming tax reforms. There's also been a gradual focus on economic diversification (e.g., digital economy, blue economy). The draft Business Development Incentives Programme Act seeks to provide incentives for eligible licensees under the Business License Act with annual turnover greater than B$50 million. It is intended to promote, encourage and support investment activities that contribute to the economic wellbeing of The Bahamas, and was recently submitted to Cabinet.

Direct controls: The Ministry of Finance sets expenditure ceilings and undertakes mid-year budget reviews to realign spending if revenue projections are missed. In high-risk periods (e.g., post-hurricane), hiring and spending freezes have been used.

Indirect tools (regulations and charges): Measures include fee adjustments for government services (e.g., immigration, port fees). New regulations have supported stronger customs enforcement and anti-evasion protocols. In regard to the revenues on cruise activity, the Ministry will be acquiring technical assistance with consultants to ensure that the full potential of revenue receipts are realized.

Risk transfer instruments: The Bahamas participates in risk insurance mechanisms, such as the Caribbean Catastrophe Risk Insurance Facility (CCRIF), to protect against fiscal shocks from natural disasters that would also disrupt revenue streams.

6.4 GOVERNMENT GUARANTEES

Government guarantees—primarily extended to state-owned enterprises (SOEs)—represent a significant source of contingent fiscal risk. If the financial or operational performance of guaranteed entities deteriorates, the government may be required to assume their debt obligations, leading to unplanned expenditures, higher debt, and reduced fiscal space.

In the 2025 Fiscal Risk Heat Map, government guarantees are assessed as high impact and of possible likelihood (red zone), underscoring their critical importance in fiscal risk management.

As of end-June 2025, the value of outstanding government guaranteed liabilities was estimated at $297.2 million (See Table 19). In the upcoming budget, FY2025/2026, total guarantees are estimated at a value of $458.8 million. Over the medium term, the balance is expected to decline to $140.1 million by FY2028/2029, barring the issuance of new guarantees.

To proactively manage the risks associated with government guarantees, the Government has implemented the following key measures:

- **Guarantee and On-Lending Policy Framework (2023):** Introduced a comprehensive framework that establishes:
  - o Eligibility criteria for entities requesting guarantees;
  - o Limits on the total amount of guarantees to be issued annually;
  - o Mandatory credit risk assessments prior to approval;
  - o Guarantee fees to partially offset fiscal exposure.
- **SOE Financial Monitoring**: The Ministry of Finance now collects financial data from SOEs, used to:
  - o Track key financial health indicators;
  - o Update risk assessments in the Guarantee framework above;
  - o Identify early signs of fiscal stress or operational underperformance.
- **Progressive Reduction of Contingent Liabilities:** The Government is committed to reducing the stock of guaranteed debt over the medium term through tightened issuance standards, repayment monitoring, and enhanced oversight of SOE performance.

Table 19: Government Guarantees (B$M)

	Actual		Budget	Forecast			
	FY2022/23	FY2023/24	FY 2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29
Bahamas Development Bank	38.1	37.5	35.7	37.1	28.7	27.1	25.4
Bahamas Technical and Vocational Institute	0.0	0.0	0.0	10.0	0.0	0.0	0.0
Bahamas Water & Sewerage Corporation	55.8	51.2	47.1	50.0	38.9	34.8	30.7
Bridge Authority	16.0	8.0	8.0	80.0	8.0	8.0	0.0
Broadcasting Corporation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bahamasair	0.0	0.0	0.0	6.0	0.0	0.0	0.0
Bahamas Mortgage Corporation	160.0	153.0	135.0	76.0	58.3	58.3	48.3
Educational Guarantee Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hurricane Loan Programme	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Education Loan Authority	47.0	20.0	20.0	9.7	20.0	20.0	0.0
The Clifton Heritage Authority	24.0	24.0	16.0	0.0	16.0	16.0	16.0
Public Hospitals Authority	43.2	39.2	35.3	1655.0	27.5	23.5	19.6
University of The Bahamas	0.0	0.0	0.0	25.0	0.0	0.0	0.0
Total Contingent Liabilities	**384.1**	**332.9**	**297.2**	**458.8**	**197.4**	**187.8**	**140.1**
Contingent Liabilities as a % of GDP	*2.6%*	*2.1%*	*1.9%*	*2.8%*	*1.2%*	*1.1%*	*0.8%*
GDP (current)	14,584.1	15,552.1	16,056.4	16,525.7	17,048.6	17,620.8	18,225.3

6.5 OTHER FISCAL RISKS

a. Pension Liabilities

The Government continues to face a significant fiscal risk arising from its non-contributory defined benefit pension scheme for permanent and pensionable public service officials. This scheme operates outside the National Insurance Board's contributory pension system for the public and is funded entirely from the central Government budget.

As public servants retire in greater numbers and live longer, the associated pension costs are increasing rapidly. According to a feasibility study by KPMG Advisory Services Ltd., total pension liabilities are projected to reach up to $4.1 billion by 2032, with annual cash outflows rising from approximately $165 million to $219 million over that period. These outflows include both pensions and gratuities and represent a growing share of the government's mandatory, non-discretionary spending.

If left unaddressed, these unfunded obligations will exert increasing pressure on the fiscal balance, reduce budgetary flexibility, and crowd out resources for essential public services and investments in growth-enhancing infrastructure.

To address this structural fiscal risk, the Government has initiated a comprehensive pension reform process, with the following key actions:

- **Draft Pensions Bill:** Issued for public consultation on February 21, 2024, proposing major reforms to the current pension structure.
- **Administrative and Legal Readiness:** The public consultation process has concluded, and the Bill is expected to be tabled in Parliament during the upcoming budget exercise for fiscal year 2025/2026.
- **Transition to Contributory Scheme:** Proposed shift from a non-funded, non-contributory defined benefit scheme to a funded, defined contributory pension system for new entrants to the public service. Safeguards will be included to honour existing entitlements for current employees and retirees.
- **Fiscal Sustainability Measures:** The new system is expected to stabilize long-term pension costs, limit the growth of unfunded liabilities, and enhance fiscal predictability.

b. Payment Arrears

In the normal course of government operations, accounts payables or arrears can accumulate due to timing mismatches between expenditure commitments and cash availability. While short-term fluctuations in accounts payable are expected, persistent or rising arrears can signal underlying fiscal stress, weaken the government's creditworthiness, erode supplier confidence, and increase the cost of goods and services due to perceived payment risk.

As of September 2021, the Government recognized the growing fiscal risk posed by accumulated arrears—including unsettled legal claims, outstanding vendor obligations, and working capital balances—and took deliberate steps to bring these under control. At the end of 2024, the arrears stood at 1.7 percent of nominal GDP. This is an improvement over the prior year where the arrears accounted for 2.1 percent of nominal GDP.

To reduce this fiscal risk and promote stronger financial discipline, the Government implemented the following key measures:

- **Independent Arrears Audit:** Commissioned an independent accounting firm in September 2021 to conduct a full review of arrears, payables, and outstanding liabilities across all ministries and agencies.
- **Arrears Reduction Strategy:** Developed and executed a strategic arrears clearance plan, prioritizing the settlement of aged vendor payments and legal claims.
- **Vendor Arrears Cleared:** Achieved near-complete elimination of vendor arrears—defined as payables overdue by more than 90 days—improving supplier relationships and restoring confidence in government payment practices.
- **Improved Cash Flow Management:** Strengthened payment scheduling to minimize the recurrence of arrears and ensure timely settlement of obligations.
- **Intra-Governmental Payables:** As a next phase, the Government will focus on eliminating intra-governmental payables, supported by more streamlined internal financial processes and optimized resource allocations.

c. Credit Rating

While The Bahamas has made notable progress in improving its fiscal outlook, downside credit rating risk remains an important consideration. A credit rating downgrade can significantly raise the cost of borrowing, limit access to capital markets, and weaken investor confidence, all of which can impair the Government's ability to finance deficits or respond to unforeseen shocks. It also affects the sovereign risk premium for state-owned enterprises and private sector issuers, thereby increasing the cost of capital across the economy.

In previous years, The Bahamas' sovereign credit ratings came under downward pressure due to elevated fiscal deficits, high debt levels, and climate-related vulnerabilities. However, in a significant development, in April 2025, Moody's Ratings took a positive rating action, revising The Bahamas' outlook from "stable" to "positive," while affirming the long-term issuer rating at "Ba2." This improvement reflects the Government's continued commitment to fiscal consolidation, economic recovery, and debt sustainability.

In September 2024, S&P Global Ratings reaffirmed its long-term foreign currency credit rating for The Bahamas at B+ with a stable outlook.

Historically, the government relied primarily on the two aforementioned agencies to assess sovereign creditworthiness. Fitch Ratings was engaged to provide a third point of view, expanding the government's approach to international market perception. In April 2025, an inaugural Long-Term Foreign-Currency Issuer Default Rating (IDR) of 'BB-' with a stable outlook was assigned. The rating reflects the country's high GDP per capita, robust governance and ongoing fiscal consolidation efforts.

Despite these overall positive developments, credit rating risk remains moderate-to-high impact with possible likelihood, given external vulnerabilities and global market conditions. Sustained performance will be required to secure future upgrades and preserve favourable market access.

The Government has undertaken several measures to mitigate the risk of future downgrades and preserve fiscal credibility:

- **Fiscal Consolidation:** Implementation of a multi-year fiscal adjustment path, underpinned by:
    - o Revenue enhancement (e.g., tax reform and improved compliance);
    - o Expenditure rationalization (e.g., SOE reforms, pension reform);
    - o Deficit and debt reduction targets embedded in the **PFMA 2023**.
- **Debt Management Strategy:** Execution of a Medium-Term Debt Strategy (MTDS) aimed at:
    - o Reducing the debt-to-GDP ratio;
    - o Extending average debt maturity; and
    - o Lowering interest rate and refinancing risk.
- **Macroeconomic Stabilization:** Ongoing support for economic diversification, tourism sustainability, and foreign direct investment to boost growth and foreign exchange reserves.
- **Institutional Reforms:** Strengthening of public financial management, fiscal reporting, and debt transparency, which are closely monitored by rating agencies.
- **Regular Engagement with Rating Agencies and Investors:** Maintaining open communication to ensure market participants are well informed about policy measures, economic performance, and fiscal outlook.

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DEBT SUSTAINABILITY ANALYSIS

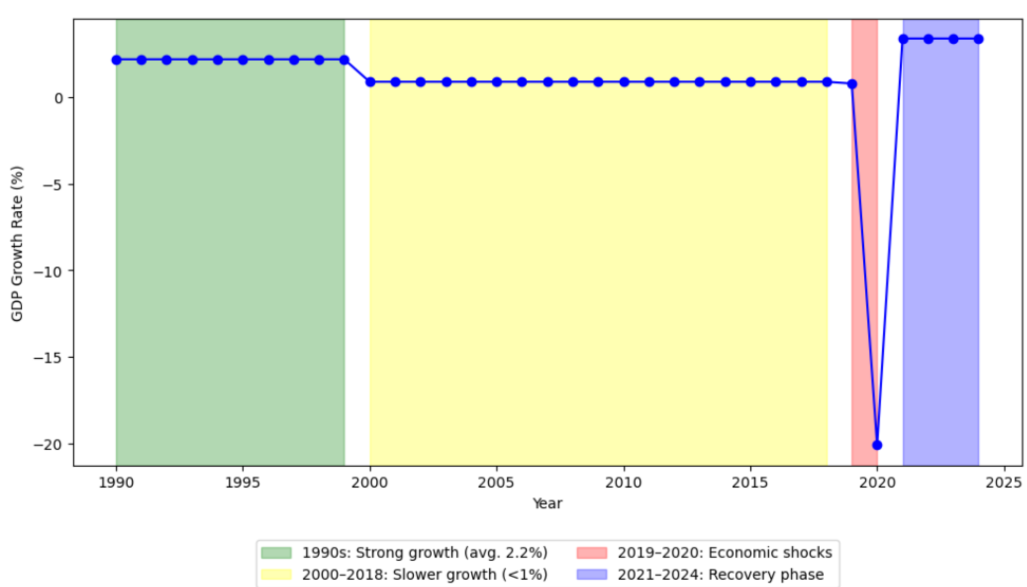
7 DEBT SUSTAINABILITY ANALYSIS

The achievement of the Government's fiscal goals and strategies depends on meeting specific fiscal targets, enhancing operational efficiency, and delivering key macroeconomic results. In preparing the sovereign risk and debt sustainability analysis, the Government utilized a new IMF-provided tool to compile and analyze debt and fiscal data on a calendar year basis.

In 2023, central government debt totalled $11,427.5 million or 74.8 percent of GDP. Of this, external debt accounted for 44.0 percent of the total debt stock and settled at $5,029.8 million. The balance equated $6,397.7 million in domestic debt. Debt levels rose by 2.8 percent to $11,748.7 million in 2024 for 74.2 percent of GDP. Domestic debt accounted for $6,625.1 million (56.4 percent) while external debt comprised $5,123.6 million (43.6 percent) of the total debt stock. Central Government debt is estimated at $11,305.8 million for 2025, falling to $10,837.2 million in 2026, $10,359.5 million in 2027 and $9,865.9 million in 2028.

Over the past decade, the upward trend in The Bahamas' debt-to-GDP ratio has been largely driven by two key factors: slow economic growth and persistent fiscal deficits, primarily associated with adverse external events. Average real GDP growth declined from 2.2 percent in the 1990s to just under 1 percent between 2000 and 2018. The situation worsened between 2019 and 2020, as the economy was severely impacted by Hurricane Dorian and the COVID-19 pandemic, resulting in further stagnation. However, a recovery began in 2021, culminating in a growth rate of 3.4 percent in 2024. Throughout this period, The Bahamas consistently experienced widening fiscal deficits, fuelled in large part by the increasing frequency and intensity of natural disasters linked to climate change, as well as the economic disruptions caused by the pandemic

Figure 11: Real GDP Growth Trend in The Bahamas From 1990 To 2024



The Government remains firmly committed to restoring and maintaining fiscal sustainability over the medium term through a fiscal framework and debt management. This section outlines the key components of the medium-term the debt management strategy, results of the latest debt sustainability analysis, and the fiscal limits on public debt. Central to this commitment is the objective to reduce the debt-to-GDP ratio to no more than 50 percent by FY2030/2031, thereby strengthening fiscal resilience and creating fiscal space for sustainable development.

The Government's debt management operations are guided by the Medium-Term Debt Strategy (MTDS), which aims to minimize borrowing costs over time while maintaining a prudent level of risk. The MTDS covers the period FY2025/2026 to FY2027/2028 and focuses on the following strategic pillars:

- Minimize the cost of debt over the medium to long term;
- Maintain debt sustainability and ensure adequate access to financing under all market conditions;
- Strengthen the structure of the debt portfolio, including currency composition, interest rate mix, and maturity profile; and

  Support the development of the domestic debt market to reduce dependence on external borrowing and foreign exchange exposure.

Table 21 shows the baseline created using the SRDSA tool. Central government debt as a percentage of GDP is expected to converge to 50.3 percent in calendar year 2029 and further down to 45.2 percent in 2030. Overall changes in central government debt over the horizon represent a positive debt sustainability trajectory. The negative values indicate an expected reduction in the debt burden. Contributions to the change in debt by component represent the proposed use of instruments outlined in the Annual Borrowing Plan for FY2024/2025. The projected primary balance is expected to generate improving surpluses over the horizon, reflecting stronger revenue and noninterest expenditure performance. Factors outside the umbrella of policy changes, i.e. relative inflation, indicate that The Bahamas is expected to experience lower inflation than trading partners. Despite the positive figure in 2023, recent differentials narrow over time.

Table 20: Medium-Term Baseline Scenario

(percent of GDP unless indicated otherwise)

	Actual	***Actual***	***Medium-term projection***					
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Central government debt	**74.7**	**74.4**	**69.4**	**64.5**	**59.9**	**55.1**	**50.3**	**45.2**
Change in central government debt	**-4.6**	**-0.3**	**-5.0**	**-4.9**	**-4.6**	**-4.8**	**-4.8**	**-5.1**
Contribution of identified flows	-3.4	-1.2	-5.1	-5.1	-4.5	-3.8	-3.3	-2.9
Primary deficit	0.3	-2.9	-6.2	-6.8	-6.5	-5.8	-5.5	-5.1
Noninterest revenues	18.6	19.4	23.6	25.0	25.0	25.0	25.0	25.0
Noninterest expenditures	18.3	16.6	17.2	18.1	18.5	19.2	19.5	19.9
Automatic debt dynamics	-3.0	1.7	1.2	1.8	2.0	2.1	2.2	2.2
Real interest rate and relative inflation	1.9	3.3	3.0	3.0	3.0	3.0	3.0	3.0
Real interest rate	1.6	4.1	3.6	3.2	3.2	3.0	3.1	2.9
Relative inflation	0.2	-0.7	-0.5	-0.2	-0.2	0.0	0.0	0.1
Real growth rate	-5.0	-2.3	-1.9	-1.2	-1.0	-0.9	-0.8	-0.8
Contribution of residual	-1.3	0.9	0.1	0.2	-0.1	-1.0	-1.6	-2.2
Gross financing needs	**7.3**	**5.3**	**13.1**	**2.7**	**3.6**	**2.1**	**2.4**	**1.8**
of which: debt service	7.7	8.2	19.3	9.5	10.1	7.9	7.9	6.9
Local currency	3.3	3.5	13.5	4.1	4.2	2.8	1.7	1.6
Foreign currency	4.4	4.7	5.8	5.4	5.9	5.1	6.2	5.3
Memo:								
Real GDP growth (percent)	6.8	3.2	2.6	1.7	1.6	1.6	1.5	1.5
Inflation (GDP deflator; percent)	3.1	0.1	0.6	1.3	1.3	1.9	1.8	2.2
Nominal GDP growth (percent)	10.1	3.3	3.2	3.1	3.0	3.5	3.4	3.8
Effective interest rate (percent)	5.4	5.7	5.5	6.1	6.4	7.1	7.6	8.3

Figure 12: Contribution to Change in Central Government Debt

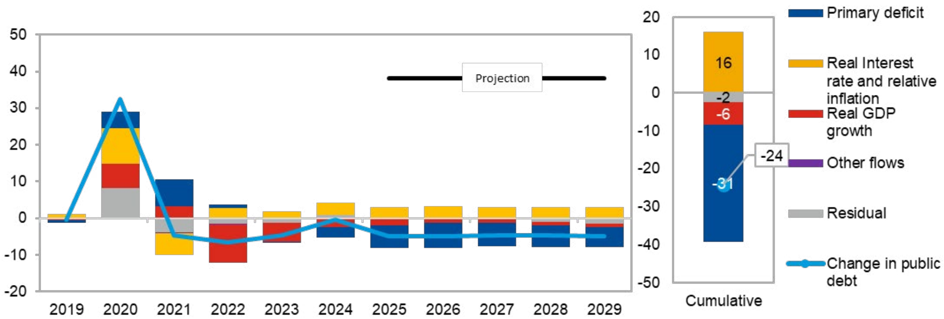
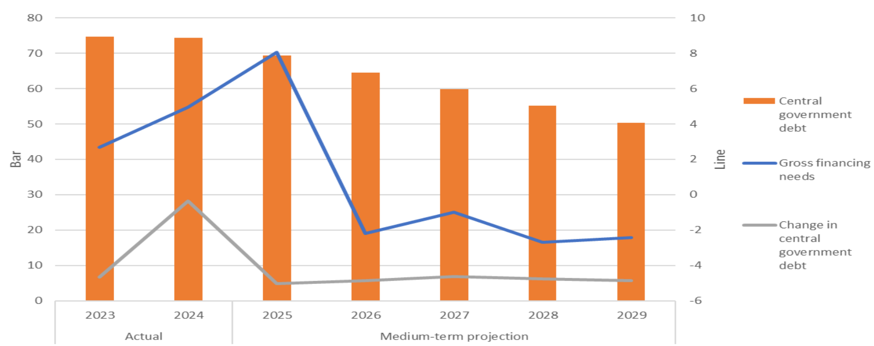


Figure 13: Baseline Indicators (% of GDP)



Realism

Baseline realism concerns are typically flagged when the projected debt-to-GDP trajectory falls below the 20th percentile of the fan chart distribution in two or more forecast years. Such deviations may suggest an overly optimistic baseline scenario relative to historical and cross-country empirical distributions.

In the case of The Bahamas, while the tool's baseline realism indicator may suggest optimism, this does not constitute a methodological concern within our modelling framework. The model is calibrated using actual historical output data, which anchors projections in empirically observed fiscal behaviour.

It is important to contextualize this within The Bahamas' fiscal history. Since gaining independence in 1973, the country has not recorded a balanced central government budget. The Public Financial Management Act, 2023 introduced a credible and historically unprecedented commitment to achieving a fiscal surplus in the near to medium term.

Given the structural shift in fiscal policy orientation and the ambitious yet institutionally supported budgetary targets, the model's baseline realism output—while statistically flagged—does not undermine the credibility of forward-looking fiscal projections.

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Figure 14: Realism of Baseline Assumptions

Forecast track Record 1/	t+1	t+3	t+5
Public debt to GDP			
Primary deficit			
r - g			
Exchange rate depreciaton			
SFA			
	real-time	t+3	t+5
Historical output gap revisions 2/			

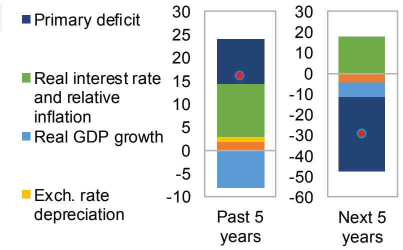
Comparator group:

, ,

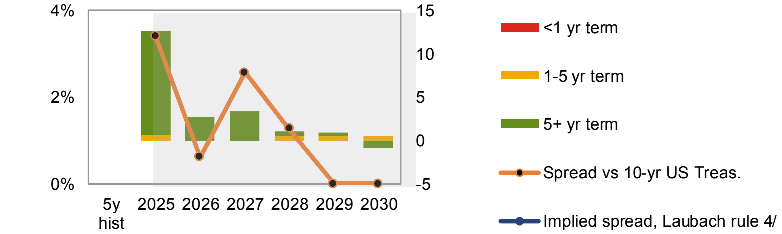
Color code:

Optimistic		> 75th percentile
		50-75th percentile
Pessimistic		25-50th percentile
		< 25th percentile

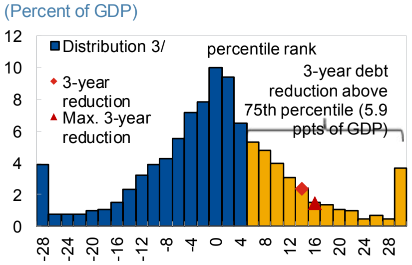
Public Debt Creating Flows
(Percent of GDP)



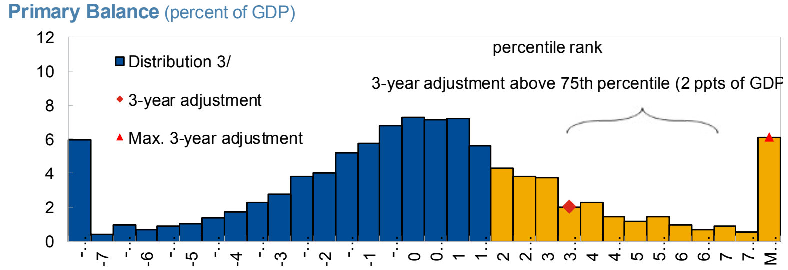
Bond Issuances (bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))



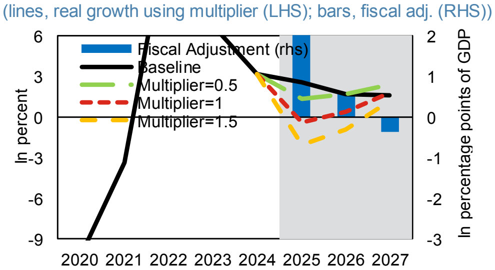
3-Year Debt Reduction
(Percent of GDP)



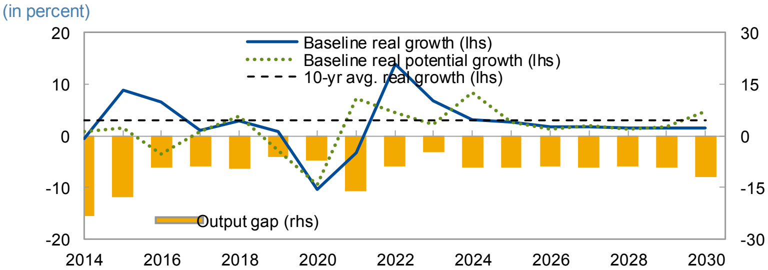
3-Year Adjustment in Cyclically-Adjusted Primary Balance (percent of GDP)



Fiscal Adjustment and Possible Growth Paths
(lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth
(in percent)



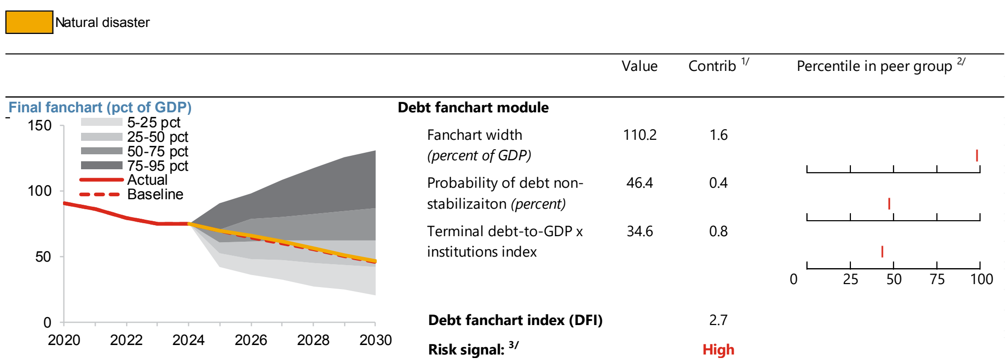
Instrument Coverage

The following instruments were not included: accounts payables, insurance, pension, and standardized guarantee schemes. Central government debt in this context refers to debt securities, loans, currency and deposits, and SDRs

Natural Disaster Shock

As a small, open country with many dispersed islands, The Bahamas remains vulnerable to natural disasters. The magnitude of impact was based on the years of significant hurricane landfall. Shocks tend to occur during one base month but tend to converge to t-1 trends. **Figure 14** depicts the effects of a natural disaster in t+1. Section 6 of this report covers the risk and mitigation of natural disasters in depth.

Figure 15: Medium-term Risk Assessment



Model Evolution

Work to calibrate the model with internally discussed projections are ongoing at the Ministry. Future editions of this report can expect further modifications of the included scenarios as additional training was requested to operationalize the full capacities of the model.

COMMONWEALTH OF THE BAHAMAS

CLOSING REMARKS

8.0 CLOSING REMARKS

The 2025 FSR, prepared in accordance with the PFMA 2023, outlines The Bahamas' medium-term fiscal framework, which informs the FY2025/2026 national budget and borrowing plan. Despite ongoing global economic uncertainties, recent macroeconomic developments have supported fiscal improvements, positioning the Government to advance its goal of fiscal sustainability. The fiscal policies disclosed in the report herein are expected to secure the achievement of the Government of The Bahamas' fiscal objectives in FY2025/2026 – increase the revenue to 23.6 percent of GDP, maintain recurrent expenditure to GDP at no more than 21.0 percent, and maintain capital expenditure inclusive of that of public corporations at 3.5 percent of GDP. As a result, the overall fiscal position is projected to move from a deficit to a surplus position of 0.5 per cent of GDP.

Key budget priorities included revenue strategies, such as the Domestic Minimum Top-up Tax, 2024, and recurrent expenditure policies with planned administrative and legislative reforms. Previous studies have shown that increases in sovereign capital expenditure can influence growth in national output. Moreover, a balanced fiscal projection aids governments in lowering gross financing needs.

The 2025 FSR underscored the Government's commitment to transparency, accountability, and economic resilience, with continuous monitoring to ensure alignment with fiscal objectives and the maintenance of debt sustainability.

The Ministry of Finance remains committed to strengthening its fiscal analysis toolkit to support sound, data-driven policymaking. The continued use of the IMF/WBG Sovereign Risk and Debt Sustainability Analysis and the adoption of the IMF's Fiscal Risk Assessment Tool have provided critical insights into debt sustainability and fiscal risk exposures.

The Ministry is well positioned to proactively identify and manage fiscal vulnerabilities. Looking ahead, strengthening capacity through targeted technical training and integrating sensitivity analyses will further improve the precision and resilience of our fiscal forecasts. While the Computable General Equilibrium Model is currently under refinement, its future application will enhance the Ministry's capacity for sector-specific impact analysis and internal policy evaluation. These advancements will ensure that future Fiscal Strategy Reports provide even more comprehensive insights to support sound policy decisions and sustainable debt management for The Bahamas.

The Ministry of Finance underscores the critical importance of inclusive stakeholder engagement in the successful implementation of the fiscal strategy. Active participation from the Legislature and civil society is essential to ensure broad-based support and accountability.

Moreover, the Ministry calls upon all economic agents, particularly business owners and entrepreneurs, to align with the outlined policy measures. Full compliance is imperative to achieving macroeconomic stability and fiscal sustainability. Stakeholders are further encouraged to leverage the structural reform agenda as a catalyst for innovation and diversification, thereby enhancing the resilience and competitiveness of the Bahamian economy.

As the Government of The Bahamas begins a new fiscal cycle, it follows structured steps to ensure effective financial management. Throughout the fiscal year, financial performance is monitored and reported through both fiscal performance reports and Mid-Year Budget documents.

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SECOND SCHEDULE (SECTION 23)

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 19, the fiscal responsibility principles in section 20, 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;

(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;

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(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 with regard to the general principles in section 19 of this Act.

8. The fiscal strategy report shall contain a statement of intention with regard to the fiscal responsibility principles in section 20 of this Act.

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 GOP 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 GOP and in nominal terms when net worth can be measured.

(2) Table of fiscal objectives to measure the fiscal position of the government against the fiscal responsibility principles 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, proposition 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 and the requirements of section 20(2);

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(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 familiar 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.

"total expenditure" means the sum of recurrent and capital expenditure less debt principal repayment and acquisition of financial assets.

FISCAL STRATEGY REPORT 2025

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