



Government of the
Commonwealth of The Bahamas

Budget 2025/26 Communication to Parliament from Prime Minister and Minister of Finance the Hon. Philip Edward Davis KC, MP

Wednesday, May 28, 2025

Introduction

Madam Speaker:

It is with the greatest appreciation for my fellow Bahamians that I rise to present my government's annual budget for the fiscal year 2025/2026.

One of the best parts of being Prime Minister is getting to spend a lot of time with a lot of Bahamians from all walks of life. I cannot say that every conversation or exchange or working session always goes precisely the way I'd like. But I can say that nearly every encounter leaves me fueled by renewed optimism.

The Bahamian people understand the challenges and pressures, domestic and external, that we face - they are very clear-eyed and insightful.

In them I see determination, and strength.

In fact, I see more – I see in many a sense of purpose, and a commitment to national progress.

That is why I am so sure that our strengths as a people are far, far greater than our problems.

That is why I can say with confidence that our best days lie ahead.

We are not running from threats and dangers...we are not postponing taking on our hardest problems, and we do not fear the dramatic changes sweeping across the world.

Instead, we are coming together – and together we will harness new opportunities and create a new era of progress and renewal.

Madam Speaker:

The 2025/2026 budget reflects the values and policies laid out in detail in our Blueprint for Change, and builds on the progress of our three previous budgets.

Our agenda is focused on Security, Opportunity, Affordability, and Reform.

Security, which encompasses multiple goals, from national security to personal safety.

Opportunity, which requires growing our economy and investing in our people.

Affordability, which means pushing against global and local inflationary pressures and innovating to lower prices wherever possible.

And Reform, because our ability to make crucial investments in our people were possible because of fiscal discipline, and because if we want the best outcomes, we need to modernize government services and make them more responsive to the people.

In this budget, briefly, our expenditure and policy actions include measures to:

- For the very first time since Independence, we have finally secured the achievement of a balanced budget. More than a balanced budget – a budget with a surplus
- Modernize government for better and more effective governance;
- Provide affordability by securing our food supply;
- Stimulate private sector investments across the Family Islands;
- Ensure Bahamians benefit from the use of our natural resources;
- Secure better health outcomes for our citizens;
- Invest in critical sectors such as education, healthcare, national security and environmental protection; and
- Strengthen public infrastructure across the archipelago.

Madam Speaker:

Despite all the headwinds we've faced, despite all the hardship, we are now a country on the move.

Together, we are confronting our most difficult challenges, the ones that have held us back for too long – and it is the determination and the ingenuity of our people that is powering our country's progress.

Governments can write smart laws, and implement innovative policies. But those laws and policies can only create substantial and enduring change if we work in close partnership with the Bahamian people.

So as I speak today (and in the coming weeks) about advances already underway, and as we describe our plan to build on and expand that progress, I want to recognize that our nation's gains and successes are possible only because of our extensive collaboration with the many, many Bahamians who are contributing their ideas, their talents, and their smarts, to moving our country forward.

Madam Speaker:

Many Bahamians saw for themselves the spirit and the resourcefulness of their fellow citizens during the pandemic, when people who lost their jobs turned talents and interests into new business ventures – evidence of the no-quit character I referred to earlier.

But we won't soon forget the harsh conditions we faced in 2020 and 2021. I spent a lot of time with families in which everyone of working age had lost their jobs - the mummies, the daddies, the uncles, the aunties, the young people. Entire families, with no real money coming in. Along with frustration, there was real fear.

The lockdowns, the curfews, the travel visas, the fines and punishments – it was clear that these made a bad situation worse. Our hospitals, schools, and communities were in terrible shape. A lot of people were hurting.

It was under these circumstances that we asked Bahamians to give us the opportunity to lead the country out of crisis.

In our Economic Plan and in our Blueprint for Change, we laid out a detailed vision for recovering, rebuilding, and revolutionizing our country's economy.

We knew we had a big task ahead of us – we knew that rescuing the country from the worst fiscal and economic crises we'd ever faced was going to be a big lift. But we also knew – as bad as things were – that recovery could not be the ultimate goal; recovery had to be a stop on the way to something better.

Because even in the best of times in the past, too many Bahamians have been left out of our economy.

Celebrating our landmark Independence anniversary reminded us how far we've come, as a small independent nation, but also underscored how much work there is left to do, to meet the promise of Independence.

It is the honour of my lifetime to spend my days working hard, alongside my colleagues, to do what we can to fulfill that promise - to create opportunities that reach every island and lift up every Bahamian family.

Madam Speaker:

Even though economic recovery was never our final destination – even though our ambition is to create a new era of growth and opportunity – there was never going to be a

shortcut. There was no way to skip the rescue and recovery steps. We always knew we would need to put in the time and effort required to dig out of a very deep hole.

The choices we made fueled our country's economic recovery. It's a recovery that independent experts have called "remarkable" precisely because the pace and magnitude of the recovery was in no way inevitable. We made policy decisions – about curfews, and travel visas, and free testing – that were distinct from those of our predecessors. We ended policies that were keeping businesses closed down and people out of work. And even as we pulled the country back from a fiscal cliff – we raised the minimum wage (it's not high enough yet – but raising it was a step in the right direction), we signed new labour agreements, we approved new forms of relief. The decisions we made and the policies we carried out ended the speculation about downgrades and currency devaluation, and – as you will hear in more detail shortly, we have since then continued to strengthen considerably our country's finances.

We did not sit back, and hope good things would happen – we made good things happen.

We have actively promoted the country, creating new investments, new jobs, and new opportunities.

And ten billion dollars of private sector investment later, alongside hundreds of millions of government-led investments, we're still at it – still actively creating opportunities, not just hoping for them.

We have built important relationships with other leaders and countries, an important task for a small nation looking to leverage the influence coalitions can exert on the global stage. We have created innovative climate finance arrangements, one of which alone will

save our country more than \$120 million. We are bringing major sporting events to The Bahamas. We have strengthened partnerships to protect our borders.

Our efforts removed the country from the blacklist, and our Attorney-General is now playing an influential role on the United Nations committee that is rewriting many of the rules that will affect our financial services industry. We have not had that kind of influence before - and a seat at the table matters.

Madam Speaker:

There's so much more – from expanding Urban Renewal, to renovating clinics, to taking action on the backlog of thousands of promotions in our public service, to signing a record number of agreements with labour unions.

We have served more than one million free hot breakfasts to our schoolchildren. I am lucky enough to from time to time to be able to stop by a school and say hello as the children enjoy their breakfast. Let me tell you something, the food vendors and teachers and staff aren't just serving a nutritious meal, they are serving hope and love. School Breakfast reflects our belief that all of our children deserve a chance to start their day ready to learn. That's why our new budget expands the programme, ensuring it will soon reach every one of our government's primary schools.

Madam Speaker:

This new initiative is the first time free breakfasts have been served in our schools.

In fact, we have racked up a lot of firsts.

That's what challenging the status quo requires.

We launched our country's first National Youth Guard, the country's first significant national service programme, which gives young people training to support our security services during a national emergency, along with job-ready skills that help them find good work.

We are the first government to put free WiFi in the parks.

The first to conduct a Nationwide Learning Assessment in all of our schools, allowing us to assess learning needs more precisely.

The first to launch the Golden Yolk programme.

The first to take diversifying our trade relationships seriously, with a new Trade office and support for Bahamian exporters.

We are the first government to meaningfully stand up to the Grand Bahama Port Authority, to insist that they carry out their obligations to the people and communities of Grand Bahama.

And we're the first government to pass a law ensuring intellectual property rights for our artists and other creatives, so that they can benefit fully from what they produce.

Over the next few weeks, we will be sharing more details about these and many other "firsts".

And when – momentarily - I turn to a detailed review of macroeconomic conditions and our financing activities, an update on our fiscal strategy and more, I am pleased to say that in this arena, too, we have achieved an important first: the first government in an independent Bahamas to produce a budget surplus.

We have made substantial gains strengthening our country's fiscal outlook and our economy.

But before I share the good news, I want to say this: we know that our country's recovery and growth have not yet reached all Bahamians. Good numbers on a spreadsheet are better than bad ones, but we talk to Bahamians every day who are still under a lot of pressure, people struggling to find good-paying work they can rely on, people who worry about how or even whether they can build a secure future.

Madam Speaker:

In order to create in The Bahamas a dynamic, inclusive economy that generates more opportunities, in order to construct more ladders to security and to success, we need to do two things:

First, we have to create more opportunities – we have to build on the record levels of investment we've seen over the last several years, and continue to create conditions that encourage innovation and economic growth. That means everything from major new investments in infrastructure to modernizing our laws and regulations to revamping our nation's entire power grid to give us more reliable, more affordable electricity. All of these changes - and many more - are in motion, and as we review these investments together during this budget debate, I think it will be clear how they are designed to help generate many more of the top-quality opportunities our people deserve.

That leads me to the second crucial imperative – making sure Bahamians are ready, in every way, to step up and seize these new opportunities. That means major new investments in education and training and upskilling. It means strategic investments and

grants for entrepreneurs. It means effective advocacy for the hiring and promotion of Bahamians.

It means lowering and removing the barriers that are standing in our people's way.

Madam Speaker:

Our people deserve the education, training, and opportunities that matches their talent and ambition.

That is why, in this budget, we are building on our gains in education and training with substantial, new, and historic investments in our people.

Our youngest citizens, still in school, of course deserve the best and the most modern education we can provide.

But I am talking about all Bahamians who want more.

Bahamians who are working hard to take care of their families...

Bahamians who want to be able to think more than one month at a time – Bahamians who are searching for their path to economic security...

Bahamians who want and deserve an opportunity to have an ownership stake in our economy....

Bahamians who are dreaming of a better life.

The ambitions and the aspirations of the Bahamian people are at the heart of this budget.

As we navigate forward through a time of fascinating possibilities – but also a time of disruption and danger – we believe that our country's success depends on developing the talents of our people.

How can we achieve our country's greatest national ambitions? Any answer to that question must prioritise helping more Bahamians achieve their personal ambitions.

We are committed to providing the skills and training – and the access to lifelong learning opportunities -- that are quickly becoming essential in this new era.

We have to move past the limited, outdated, and old-fashioned ideas of what success looks like – our people have a myriad of talents, and there are a multitude of paths to fulfillment and security and prosperity.

Madam Speaker:

The 2025/2026 budget further builds on our core priorities and on our achievements to date.

The first section of the Budget Communication presents an analysis of the current macroeconomic and fiscal conditions, as well as the outlook, which underpins the framework for this year's budget proposals. There is then a discussion of significant financial developments in The Bahamas. Subsequently, some of the key policy measures outlined in this Budget are presented.

Macroeconomic Overview and Outlook

International Economic Overview and Outlook

Madam Speaker:

The current and future developments of our small, open economy are deeply linked to global, and especially U.S., economic developments. It is therefore essential to begin with an assessment of the global economic climate, which has deteriorated sharply at the beginning of 2025. This was due to heightened trade policy tensions globally, weakened consumer and business sentiment, and a latent resurgence in inflationary pressures. According to the latest IMF World Economic Outlook published just last month, the growth of global output is expected to slow to 2.8 percent this year, down from 3.3 percent in 2024 and a full one-half point weaker than the rate projected only 4 months ago. World output growth in 2026 is forecast at 3.0 percent.

The growth of global trade in 2025 has also been marked down by virtually one-half, to 1.7 percent, as compared to the projection of 3.2 percent in January 2025. Global inflation is projected to decline to 4.3 percent in 2025 and 3.6 percent in 2026, rates that are slightly higher than in the January forecast.

Needless to say, the global economic environment that we confront as we set our policy and fiscal priorities for the 2025/2026 budget is one replete with challenges. We developed this budget with a full appreciation of the risks and uncertainties.

Madam Speaker:

I now turn to a review of recent and prospective economic developments in the United States, our major trading partner. While the U.S. economy remains resilient by many measures, a notable slowdown is now widely anticipated. More specifically, real GDP declined at an annual rate of 0.3 percent in the first quarter of 2025, following a stronger performance of 2.4 percent in the last quarter of 2024. This recent decline has been attributed primarily to a rise in imports and weaker government expenditure. Real growth for 2025 is forecast at 1.8 percent, a slowdown from 2.8 percent in 2024; growth is pegged at 1.7 percent in 2026. For 2025 and 2026, these new forecasts represent downgrades of 0.9 and 0.4 percentage points from the forecast of just 4 months ago.

The U.S. labor market in 2024 featured an increase in the unemployment rate to 4.0 percent. In April 2025, unemployment remained largely unchanged at 4.2 percent, and this is expected to continue for the rest of this year. In 2024, inflation fell to 3.0 percent and by April 2025, annual inflation stood at 2.3 percent, which remains above the Federal Reserve's inflation goal. The IMF anticipates the US inflation rate to average 3.0 percent in 2025 and 2.5 percent in 2026, suggesting that the Federal Reserve is likely to remain vigilant and steadfast in the setting of U.S. monetary policy going forward.

As a result of these economic conditions, Moody's Ratings downgraded the United States' credit rating by one notch to Aa1. This downgrade reflects growing concerns about the U.S. long-term fiscal trajectory and institutional constraints, which could hinder timely policy responses to future economic challenges.

Madam Speaker:

Turning to our neighbor to the north, Canada's economy has shown a modest, though relatively steady, upward momentum. The Canadian economy grew by an estimated 1.5 percent in 2024, and it is projected to remain one of the more stable performers among G7 nations in 2025. The outlook for Canada remains cautiously optimistic, with projected growth of around 1.4 percent in 2025. However, some concerns persist, particularly in relation to trade dynamics and the risk of rising unemployment. Canada's unemployment rate stands at 6.9 percent as of April 2025 and is projected by the IMF to average 6.6 percent in 2025 and 6.5 percent in 2026. Inflation in Canada has declined within its target range of 1 to 3 percent and currently sits at 2.3 percent as of March 2025, slightly below the comparable U.S. rate. The IMF projects the inflation rate to average 2.0 percent in 2025 and 2.1 percent in 2026.

Madam Speaker:

In 2024, real GDP growth in the euro area remained modest, estimated at 0.9 percent, with a slight decline projected to 0.8 percent in 2025. Inflation has continued to ease, reaching 2.2 percent as of March 2025, a decrease from 2.4 percent in 2024, and is expected to decline further to 2.1 percent by year end.

The employment outlook in the euro area presents a mixed picture. As of March 2025, the unemployment rate was estimated at 6.2 percent, a fall from 6.4 percent in 2024, with a projected increase to 6.4 percent by the end of the year. This is mainly due to weaker labor demand and demographic challenges.

Madam Speaker:

In 2024, China's real GDP grew by 5.0 percent, but that momentum is expected to moderate, with growth projected at 4.0 percent in 2025. China's urban unemployment rate stood at 5.2 percent in March 2025, down slightly from the previous year's 5.1 percent. Unemployment is projected at 5.1 percent for the end of 2025. Meanwhile, consumer prices fell by 0.1 percent year-on-year in March 2025, marking the second consecutive month of deflation. For the rest of 2025, consumer prices are expected to remain flat with a slight uptick to 0.6 percent next year.

Madam Speaker:

Lastly, our Latin America and the Caribbean region recorded real GDP growth of 2.4 percent in 2024, and its growth outlook for 2025 is slightly more restrained with the IMF projecting growth at 2.0 percent. This forecast reflects both the underlying structural issues and broader global economic pressures that continue to influence the region's trajectory.

Impact of the trade/tariff war

Madam Speaker:

The United States remains The Bahamas' principal trading partner, accounting for approximately 83.3 percent of our total imports in 2024, valued at an estimated \$5.0 billion. This longstanding economic partnership is also reflected in our tourism sector, where, in 2024, 84 percent of our stopover visitors originated from the United States.

While this close relationship has yielded considerable benefits, it also underscores our exposure to developments in the U.S. economy. Any slowdown or heightened economic uncertainty in that market can have a direct impact on Bahamian trade and tourism. This sensitivity is particularly relevant considering recent policy announcements from the United States—specifically, the proposed imposition of a 10 percent tariff on all Caribbean nations, including The Bahamas.

Such a measure, if implemented, could potentially influence both trade flows and visitor arrivals. In this context, the Government is committed to pursuing constructive dialogue with our U.S. and CARICOM partners to address the implications of this policy shift in a manner that protects and promotes mutual economic interests.

Madam Speaker:

Well before the election of the current US President, my Government had taken proactive steps to strengthen our economic resilience through the adoption of a National Trade Policy – one of the “firsts” for our country that I alluded to earlier. This policy lays the foundation for a trade diversification framework that seeks to broaden our export base and reduce overdependence on any single market. At the core of these efforts is a commitment to ensuring that global trade developments do not unduly disadvantage Bahamian businesses or consumers. The Government has also been collaborating with the private sector to explore enhanced trade opportunities with Canada, the Dominican Republic, Ghana, and India, while also investigating new shipping channels and logistics solutions.

Let me share one example: the average price of a dozen eggs in The Bahamas currently stands at \$3.79. In comparison, during the period when eggs were primarily imported from the United States, prices soared to as much as \$10 per dozen eggs due to the devastating impact of bird flu on the American poultry industry. In response, with government support the private sector was able to shift its sourcing to the Dominican Republic, which not only stabilized supply but also resulted in significant economic benefits for Bahamian consumers by reducing costs. The Golden Yoke programme had a beneficial impact on pricing. Currently, the price of eggs in Florida averages around \$5.60 per dozen eggs. The fact that Bahamian consumers are paying less highlights the positive impact and strategic advantage of diversifying our trade partnerships.

Domestic Economic Overview and Outlook

Madam Speaker:

According to the Bahamas National Statistical Institute, economic activity in The Bahamas demonstrated a positive trend in 2024, with nominal growth recorded at 3.7 percent and real growth at 3.4 percent when compared to 2023. The IMF has projected that real economic growth in The Bahamas will moderate to 1.8 percent in 2025.

The GDP figures are expected to be improved in the future as part of BNSI's revision policy. This policy allows for regular revision of the GDP data as more accurate and complete information comes available.

We have witnessed a commendable upward growth in our nation's GDP since 2019. In real GDP terms, we have progressed from contractions of 0.8 percent in 2019 and 20.1

percent in 2020 to positive growth of 3.4 percent in 2024. In nominal terms, GDP has moved from a 3.6 percent growth in 2019 and a subsequent 21.9 percent decline in 2020 to an expansion of 3.7 percent in 2024.

These figures represent the highest output ever recorded for this country. In fact, when comparing our GDP per capita to our neighbors, The Bahamas stands ahead of tourism-driven island nations such as Jamaica, Barbados, and St. Lucia. This higher GDP per capita indicates that the Bahamian economy is performing strongly, with our people contributing significantly to national productivity and economic output. In 2024, The Bahamas' GDP per capita is estimated at \$38.9 thousand, compared to \$7.3 thousand for Jamaica, \$14.0 thousand for St. Lucia, and \$24.6 thousand for Barbados.

Madam Speaker:

A deeper look into GDP offers key insights into our national economic performance. Consumption, particularly household consumption, rose 3.1 percent in 2024 on the basis of an uptick in consumer confidence. The household expenditure survey will soon be completed by BNSI and this will have an important impact on the consumption data that feeds into the GDP calculation.

Madam Speaker:

Our country's construction industry experienced strong momentum, expanding by 19.0 percent in 2024, supported by higher capital investment and increased imports of construction materials. Similarly, due to broader adoption of digital technologies across

The Bahamas, the Information and Communication sector saw a significant rebound, growing by 21.5 percent, a reversal of the previous year's 1.3 percent decline.

Agriculture, forestry, and fishing industries also contributed to growth, with the sector expanding by 21.0 percent in 2024, reflecting the Government's ongoing investment in revitalizing domestic food production through targeted agricultural programmes and project regeneration efforts.

Madam Speaker:

While on the topic of GDP, I would like to address the "statistical discrepancies" found in the 2024 GDP tables.

On Monday of this week, BNSI released a clarification regarding the 2024 advanced estimates of GDP. In line with their press release, statistical discrepancies or errors and omissions do not imply that the numbers have been misrepresented. Rather, they reflect the differences between the two methods used to calculate GDP - the production approach and the expenditure approach.

It is important that we trust in the professionals at BNSI. It's unfortunate that a former Minister of State for Finance would choose to undermine the technical staff of the very institution he once depended on while in office. If he had any concerns, the appropriate course of action would have been to address them directly with BNSI's technical team. These are the same experts whose work he relied upon during his tenure. Undermining

their credibility without just cause is disrespectful and risks eroding confidence in our country's economic data.

Madam Speaker:

Tourism, the cornerstone of the Bahamian economy, achieved historic highs in 2024.

A record-breaking 11.2 million international visitors were welcomed to our shores in 2024, surpassing the 9.7 million arrivals recorded in 2023. Foreign air arrivals totaled 1.7 million in 2024, holding steady with 2023 levels and outperforming 2019 figures by 3.3 percent.

Cruise arrivals totaled 9.4 million in 2024, reflecting year-over-year growth of 20.6 percent, and surpassed 2019 levels by 72.1 percent. There are a lot of countries with beautiful beaches.

We have the most beautiful – not to mention the best people, culture, and cuisine. We know this – and we've worked hard to make sure others do, too, while diversifying our offerings within tourism, and prioritizing innovation and constant improvements - which is why The Bahamas is only growing as a premier travel destination.

The result? More than \$10 billion in Foreign Direct Investment over the past two years – another important first.

This includes partnerships with globally recognized luxury brands such as Rosewood, Montage, Park Hyatt, Bulgari, Four Seasons Residences, Margaritaville, and, of course, Concord Wilshire Capital, the new owners of the Grand Lucayan Hotel in Grand Bahama.

These investments will not only bolster economic output but are enhancing the international profile of The Bahamas, particularly within the highest-end of the high-end tourism market.

Madam Speaker:

Several newly-announced and ongoing projects are expected to generate meaningful economic activity across various islands, with significant impacts on employment, government revenue, and the broader investment climate.

Notable among these is the development of Royal Caribbean's Royal Beach Club on Paradise Island, a transformative project valued at approximately \$110.0 million. Implemented under a public-private partnership model, this initiative will allow Bahamians to hold up to 49.0 percent equity, ensuring robust economic gains. The Beach Club is anticipated to open this year.

Madam Speaker:

Also underway is the development of Celebration Key in East Grand Bahama – a private cruise destination. Designed exclusively for Carnival Corporation, this project is expected to welcome its first guests in the coming weeks. This project is one of the reasons things the Grand Bahama economy is finally on the upswing.

Eleuthera is also seeing notable investment, including the \$360.0 million development of the Ritz-Carlton, already underway.

Madam Speaker:

Inflation in 2024 remained subdued, with the rate standing at 0.4 percent and forecast to rise modestly to 0.9 percent in 2025. This signals relative price stability, which is essential for maintaining consumer and investor confidence.

Madam Speaker:

The latest unemployment rate stands at 8.7 percent, which is down appreciably from 9.5 percent in 2019. This unemployment rate is the *lowest since 2008* and is a significant recovery from the peak of 25.6 percent experienced in 2020. The Government expects sustained improvement in tourism and FDI to further stabilize the unemployment rate in the medium term.

Fiscal Performance in FY2024/2025

Revenue performance

Madam Speaker:

I will now review the fiscal performance from July 2024 to March 2025, the first three quarters of the 2024/2025 fiscal year. I will start with the revenue performance.

Before presenting the nine-month fiscal performance, it is important to highlight that the revenue performance for the month of April 2025 at a high level. Typically, the month of April contributes approximately 12 percent to the total revenue intake over a 10-month period. According to the latest preliminary financial data, April 2025 is consistent with

this trend, accounting for approximately 13 percent of total revenue over the 10-month period.

The **preliminary** financial data shows revenue specifically for the month of April 2025 at \$352.7 million. The strong revenue performance in April suggests that fourth quarter revenue performance will be very strong as well.

Madam Speaker:

Now onto the nine-month fiscal performance in detail.

Total revenue amounted to \$2.5 billion in the initial nine months of the fiscal year. This marks an increase of \$266.3 million, or 12.2 percent, as compared to the same period in the previous fiscal year. At the end of March 2025, total revenue stood at 69.4 percent of the budget forecast.

This improvement in revenue performance resulted from a boost in tax revenue of \$243.2 million to a total of \$2.2 billion. Tax revenue amounted to 70.0 percent of the budget forecast.

Key Revenue highlights during these nine months are as follows:

- Taxes on property grew by \$27.3 million and totaled \$172.9 million, representing 75.2 percent of the budget target. This period-over-period increase was driven by improved receipts from taxes on commercial and foreign-owned undeveloped properties that together expanded by \$25.9 million. This was expected due to

strengthened collection efforts, most of which were collected from non-Bahamians.

- As Bahamians found themselves in a position to make more purchases, VAT receipts expanded by \$50.8 million and amounted to \$1.0 billion, accounting for 68.9 percent of the budget forecast. Continued improvement in economic activity and domestic demand for goods and services has sustained the resilience of VAT revenues.

Since the Fiscal Year 2021/2022, when the VAT rate was adjusted to 10 percent, VAT receipts have demonstrated notable growth—rising by \$210.4 million or 18.5 percent by the end of the last full fiscal year, FY2023/2024. This growth reflects both the resilience of the VAT system and the underlying strength of our economy.

Despite this improved performance in the overall VAT collections, this administration believes that VAT on real estate is still not being captured fully. We will be proposing additional measures to close loopholes in the collection of this tax.

In recognition of this progress, and in keeping with our commitment to ensure that fiscal gains benefit Bahamians, this administration implemented a reduction in the VAT rate on food—from 10 percent to 5 percent—effective April 1st of this year. Later in this communication I will outline further VAT reductions in the upcoming budget year. This measure is part of our broader strategy for a more affordable Bahamas.

- Stamp Taxes on financial transactions and VAT on real estate transactions were higher by \$12.3 million and totaled \$94.7 million, or 66.8 percent of the budget estimate.
- Licenses to conduct special business activity, driven by business license receipts, rose by \$36.4 million and totaled \$162.7 million. To date, this represents 67.2 percent of the budget forecast. Likewise, company taxes, led by business tax receipts from International Business Companies, improved by \$11.7 million and amounted to \$27.3 million and equated 90.4 percent of the budget target.
- Taxes on international trade and transactions increased by \$125.0 million and totaled \$627.3 million, for 75.5 percent of its budget target. This was driven by the uptick in departure tax collections of \$121.1 million that totaled \$255.1 million, surpassing the budget target by \$13.8 million or 5.7 percent. This positive outcome is driven by two factors: sustained improvement in our tourism sector, and recent reform to cruise passenger-related taxes.
- Non-tax revenue expanded by \$22.8 million to \$258.2 million, accounting for 65.5 percent of the budget. This was driven by gains in immigration and customs fees, along with surplus bank fees.

Aggregate Expenditure

Madam Speaker:

I now turn to expenditure performance during the nine months of the 2024/2025 fiscal year. Total expenditure increased by \$230.8 million to \$2.6 billion during these nine months of the fiscal year. This fulfilled 73.0 percent of the budget target.

Recurrent Expenditure

Specifically, recurrent expenditure rose by \$199.9 million to a total of \$2.4 billion, accounting for 72.5 percent of the budget forecast. This increase reflects the following:

- Outlays on the compensation of employees increased by \$20.0 million to a total of \$649.0 million, representing 73.0 percent of the budget target. A part of this increase was driven by a \$7.1 million increase in NIB payments from the government attributed to the recent rate increase.
- Pension and gratuity payments rose by \$11.2 million to \$148.6 million, accounting for 78.3 percent of the budget target.
- Spending on the use of goods and services rose by \$82.4 million, amounting to \$514.2 million and equating 74.8 percent of the budget target. This rise was driven by payments of utilities, special financial transactions, and acquisition of services including a \$7.1 million increase for catastrophic healthcare services.

- Interest payments on public debt increased by \$38.2 million to a total of \$447.3 million and amounted to 68.1 percent of the budget forecast. Payments on foreign currency obligations totaled \$227.8 million or 50.9 percent of the total, while payments on domestic debt obligations totaled \$219.5 million or 49.1 percent of the total.
- Lastly, subsidies, primarily to non-financial public corporations, grew by \$25.1 million to \$338.0 million for 82.1 percent of the budget. Likewise, other transfers, mostly to non-financial public corporations expanded by \$35.6 million to \$194.1 million for 69.3 percent of the budget target.

Among these include continued investments in education, including:

- Contributions to UWI totaling \$5.9 million;
- Scholarships and Grants including international scholarships totaling \$30.0 million;
- Grants to independent schools totaling \$12.6 million; and
- Contributions to the University of the Bahamas amounting to \$22.7 million.

Capital Expenditure

Madam Speaker:

Regarding capital expenditure, spending increased by \$30.9 million, totaling \$266.0 million, which accounted for 77.2 percent of the budget forecast.

This increase was driven by net investments for:

- Road repairs across New Providence and the Family Islands;
- Investments in airport infrastructure;
- School ground improvements and digitization projects in schools;
- The acquisition of medical equipment; and
- Building resilience in public safety and order through acquisition of CCTVs and other security and communication equipment; military, police and prison equipment; and firearms and ammunition.

Deficit Performance

Madam Speaker:

The Government's fiscal performance for the initial nine months of the fiscal year showed a 16.6 percent decrease in the deficit to \$178.9 million. This accounted for 1.1 percent of nominal GDP compared 1.4 percent in the previous year. In dollar terms, the deficit in the previous year was \$214.4 million.

Since the current administration assumed office, the fiscal deficit has followed a consistent downward trajectory, declining from a peak of \$1.3 billion or 11.9 percent of the revised nominal GDP in FY2020/2021 to 1.2 percent of GDP in the most recent full fiscal year - FY2023/2024.

This represents a notable improvement, particularly when compared to the 2.6 percent deficit to GDP ratio recorded in the last pre-pandemic fiscal year – FY2018/2019.

This outcome further foreshadows a positive outcome for the fourth quarter's performance.

Primary Balance performance

Madam Speaker:

The primary balance refers to the difference between a government's total revenue and its non-interest expenditure. This measure provides insight, from a fiscal policy perspective, into a country's fiscal health. In essence, this represents the parameters of fiscal policy that government directly controls and are critical to managing debt levels.

At end-March 2025, the primary balance reflected an increase in the surplus position, equating to \$268.4 million or 1.7 percent of nominal GDP. This equated to 45.7 percent of the budget forecast. This also represents an improvement over the primary surplus of \$194.6 million or 1.3 percent of GDP in the prior fiscal year.

Full-Year Fiscal Outlook for FY2024/2025

Madam Speaker:

Revenue receipts demonstrated strong performance during the nine months leading up to March 2025, as well as in April 2025. This momentum, coupled with the successful resolution of tax tribunal cases—where 50 percent of the \$100 million in disputes have been settled—is expected to drive a late surge in tax collections and improve overall revenue performance for the year.

Despite a notable shortfall in VAT collections from the real estate sector, revenue is still projected to be near its annual forecast. On the expenditure side, public spending has remained aligned with the budget, even after an initial front-loading of payments earlier in the fiscal year and is expected to remain contained within its annual forecast.

As a result, the fiscal deficit will fall within a range of 0.3 to 0.7 percent of GDP. However, if we use last year's performance to extrapolate the projected fiscal balance outturn for this current fiscal year, the fiscal deficit will be estimated to fall under 0.3 percent of GDP. As such, my administration is confident that we will hit our deficit target for the full 2024/2025 fiscal year.

In the first half of this fiscal year, we experienced a 6-month deficit of \$404.1 million. However, for majority of the second half of this current fiscal year, we have witnessed monthly surpluses. The month of February 2025 experienced a surplus of \$58.6 million. The month of March 2025 settled at a surplus of \$169.6 million. Earlier in this communication I mentioned the fiscal performance for April 2025. With the strong revenue performance, preliminary data shows April 2025 at a surplus position of \$135.4 million. So again, Madam Speaker, it is due to this second half performance that we feel confident in reaching a deficit within our target range of 0.3 to 0.7 percent of GDP.

Debt Performance and Trajectory

Madam Speaker:

At end-March 2025 total central Government debt totaled \$11.7 billion. Domestic currency debt accounted for \$6.4 billion or 54.7 percent of total central Government

debt. Foreign currency debt accounted for \$5.3 billion or 45.3 percent of total central Government debt. Over the period, the debt-to-GDP ratio has been trending downwards as the Government stands firm on its debt strategy and achieving its medium-term debt target. As such, at end-March 2025, the debt stock equated to 72.9 percent of GDP, a decrease from the ratio of 73.2 percent at end-December 2024.

Financing Activities

Madam Speaker:

Over the past nine months of this fiscal year, the financing mix included the following transactions:

- On the domestic front, net borrowings comprised of government securities that totaled \$332.9 million and Central Bank advances that amounted to \$129.0 million. This was offset by net repayments on bank loans that totaled \$7.6 million.
- In terms of foreign currency, a net borrowing of \$244.4 million in commercial bank loans was offset by net redemption of international bonds amounting to \$218.2 million, and scheduled net repayments to international development agencies totaling \$99.4 million.

Credit Ratings and Recent Credit Update

Madam Speaker:

Historically, the Government has relied on two rating agencies—Moody's and Standard & Poor's—to assess its creditworthiness. Recently, the government has expanded this approach by engaging Fitch Ratings, providing a third independent perspective.

In April 2025, Fitch Ratings assigned The Bahamas a 'BB-' rating with a stable outlook. This rating reflects the country's high GDP per capita, robust and stable governance, and continued efforts towards fiscal consolidation. The inaugural 'BB-' credit rating from Fitch marks a significant milestone in The Bahamas' credit recovery and re-rating trajectory.

Additionally, in April 2025, Moody's upgraded its outlook for The Bahamas from "Stable" to "**Positive**" **for the first time in 17 years**. This upgrade was driven by several factors:

- Significant improvements in the country's fiscal soundness and debt profile, supported by strong fiscal consolidation over the past two years;
- The achievement of a primary surplus;
- Enhanced revenue collection alongside disciplined expenditure management; and
- A solid institutional framework and a stable political system.

These positive developments underscore the country's progress toward a stronger and more sustainable fiscal future, enhancing investor confidence and solidifying The Bahamas' position in the global financial markets.

Similarly, back in September 2023, S&P Global Ratings had reaffirmed The Bahamas' credit rating at B+ with a stable outlook. This decision reflected the resilience of our economy, particularly driven by the tourism sector, which played a pivotal role in facilitating fiscal improvements and moderating the growth of total debt accumulation.

The strategic measures implemented by this administration to address both financing and refinancing needs, coupled with the stability of our political environment, have instilled confidence in our ability to effectively manage risks and maintain macroeconomic stability.

Madam Speaker:

As I reaffirmed in my mid-year address, this administration remains resolute in its commitment to securing an investment-grade credit rating within the next three years, starting in the upcoming fiscal year, 2025/2026. Achieving this milestone by fiscal year 2028/2029 is not merely symbolic; it is a strategic imperative that will unlock greater economic opportunity, reduce borrowing costs, and enhance investor confidence in our nation's future.

To this end, we are focused on strengthening four critical economic indicators:

- GDP per capita, as a measure of national productivity;
- Central government debt as a percentage of GDP;

- Revenue as a percentage of GDP, to support essential public services and long-term development; and
- Interest expense as a percentage of overall revenue, a critical indicator of fiscal sustainability.

Madam Speaker:

With our GDP projections expected to fully capture economic activity within the next three years, we have confidently set the following targets to reach investment-grade status.

GDP per capita has risen by 27.7 percent, increasing from \$30.4 thousand in 2021 to \$38.9 thousand in 2024. On a year-over-year basis, it grew by 2.7 percent, up from \$37.9 thousand in 2023. Based on regional benchmarks, long-term growth prospects, and the current economic environment, we are targeting an annual GDP per capita of approximately \$44.0 thousand by 2029.

Revenue to GDP has also improved significantly, rising from 17.0 percent in fiscal year 2020/2021 to 19.7 percent in FY2023/2024. For the current fiscal year, as previously planned, we had set a target of 22.1 percent. To meet the requirements of an investment-grade rating, we must continue to enhance our revenue mobilization efforts. Accordingly, we project that total revenue will reach 23.5 percent of GDP in fiscal year 2025/2026 and increase to 25.0 percent thereafter.

On the fiscal front, we have made substantial strides in reducing the national debt burden. As of end-June 2024, central government debt stood at 72.7 percent of GDP, a marked improvement from the 88.7 percent at end-June 2021. While this progress is commendable, we recognize that sustainable debt levels are essential for long-term resilience. International best practices suggest that public debt should not exceed one-half of a country's output. In alignment with this, the Fiscal Strategy Report 2025 outlines our commitment to reducing the central government debt-to-GDP ratio to 50 percent by FY2030/2031. Based on internal estimates and expected policy changes, we expect to be near this target by FY2028/2029.

In addition to reducing the size of our debt, we are also focusing on reducing the cost of carrying it. In FY2020/2021, interest expense accounted for approximately 22.1 percent of total government revenue, decreasing to 20 percent in FY2023/2024. Our objective is to further reduce this ratio to 10 percent by FY2028/2029.

These achievements reflect the hard work and discipline of our institutions, the resilience of our economy, and the trust you have placed in this government. We are on the right path—but we must stay on course. Together, we will build a stronger, more prosperous, and more resilient nation for generations to come.

Furthermore, we have already undertaken measures through a series of comprehensive reforms. These include:

- Reducing both the deficit and debt levels;
- Implementing the country's first major nationwide energy reforms;

- Implementing mitigation for climate risks and exposure to external shocks through initiatives like the coastal protection, disaster risk programmes, disaster insurance, as well as principal deferment programs in times of disaster;
- Implementing tax reforms to diversify government revenue and align with international best practices;
- Utilizing credit-enhanced external financing to lower debt costs and interest expenses;
- Reforming the BSD debt market to improve capacity and liquidity; and
- Enhancing the collection of economic statistics.

Medium-Term Debt Management Strategy

Madam Speaker:

This administration has made significant strides in reducing reliance on costly external commercial debt. By shifting our focus to more favourable domestic borrowing options as well as concessional financing from multilateral institutions such as the Development Bank of Latin America and the Caribbean that we recently joined as a member. We are lowering borrowing costs, and enhancing our resilience through the stability of the domestic market.

Additionally, we have successfully extended the average maturity of our debt, reducing refinancing risks and improving debt sustainability. This aligns with our long-term fiscal goals, easing short-term debt pressures and creating more stable financing conditions.

As part of our borrowing strategy, we plan to increase the use of export credit facilities, which are loan funding guaranteed by export credit agencies to finance the purchase of goods and services from the countries providing them. Given the success of these arrangements, this administration is looking to finance the construction of a new Glass Window Bridge and other projects using a similar facility within the new fiscal year.

These advancements reflect our commitment to prudent fiscal management and achievement of central government debt levels at 50 percent of GDP by fiscal year 2030/2031.

Upholding our prudent and strategic debt management approach has led to several positive outcomes, one of the most notable being the successful execution of the Debt Conversion for Nature Conservation transaction. This innovative transaction was designed to reduce the national debt while simultaneously addressing the country's pressing environmental concerns, particularly in preserving the unique biodiversity and ecosystems of The Bahamas.

The success of this transaction was widely recognized in the global financial community. As a result, The Bahamas was invited to participate in the prestigious "2025 Global Capital Latin America Bond Awards".

This transaction was nominated in three categories at the Awards, and ultimately won the highly coveted award for "ESG Deal of the Year."

This achievement not only strengthens our international reputation but also shows our ongoing commitment to sustainable development, fiscal responsibility, and protecting our natural resources.

The 2025 Fiscal Strategy Report

Madam Speaker:

I also want to bring to the attention of this Honorable House that the 2025 Fiscal Strategy Report will be tabled immediately after tabling this budget.

This Report follows the guidelines set by the Public Finance Management Act, 2023, demonstrating the Government's commitment to budget credibility, transparency, and fiscal sustainability. It outlines the Government's medium-term fiscal framework which serves as the foundation for shaping the FY2025/2026 budget, annual borrowing plan, and medium-term debt strategy.

As mentioned earlier, BNSI recently revised its GDP methodology to better capture economic activity throughout The Bahamas. Given that GDP is a crucial economic base widely used throughout our fiscal analysis, this has prompted key adjustments to our fiscal framework.

Accordingly, the revenue target for FY2025/2026 has been reduced from 25.0 percent to 23.5 percent of GDP to align with the updated economic base. Nonetheless, the Government remains committed to restoring the revenue-to-GDP ratio to 25 percent over the medium term through a comprehensive tax policy alignment.

It is important to emphasize that this technical adjustment does not constitute a departure from fiscal discipline.

Madam

Speaker:

Global inflationary pressures have increased costs in The Bahamas necessitating a move from the Government to raise the recurrent expenditure ceiling from 20.0 percent to 20.8 percent of GDP starting in FY2025/2026. The overall capital expenditure-to-GDP ratio is maintained at 3.5 percent.

These adjustments reflect a dynamic, data-driven approach to fiscal planning, anchored in sound public financial management and aligned with national development priorities.

Madam Speaker:

Considering these developments, I wish to inform this Honorable House that we are tabling the necessary resolutions during this Budget to formally adjust the relevant fiscal targets in line with the updated economic assumptions and policy priorities.

Budget Estimates for FY 2025/26

Madam Speaker:

I now turn to the Budget Estimates for FY2025/26.

The 2025/26 budget estimate for total revenue amounts to \$3.89 billion or 23.6 percent of GDP.

Total expenditure is estimated to amount to \$3.82 billion or 23.1 percent of GDP. Of this, recurrent expenditure accounts for \$3.44 billion or 20.8 percent of GDP, and capital expenditure for \$376.3 million or 2.3 percent of GDP.

The fiscal surplus is estimated at \$75 million or 0.5 percent of GDP, with the primary balance showing a surplus of 4.5 percent of GDP. Given this, the debt to GDP ratio has been projected at 68.9 percent of GDP at the end of FY2025/26.

For the first time in our history as an independent nation, a Minister of Finance will be tabling a balanced budget—evidence that fiscal discipline can coexist with a bold vision for national progress.

We accomplished this without sacrificing development priorities or slowing the pace of investment.

We did it without resorting to reckless cuts, or firing dedicated employees, just to claim a quick win.

This balanced budget is the result of careful planning, responsible leadership, and a steadfast commitment to the Bahamian people.

And it is our continued commitment to fiscal responsibility that will allow us to continue making game-changing investments in our country and in our people.

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Key Budget Measures

Madam Speaker:

The remaining portion of my communication will focus on detailing the fiscal measures that form the foundation of this budget.

These policy changes are not made lightly. Each one is guided by a core principle:

That the burden and benefits of economic activity should be shared equitably – across sectors, communities and generations.

Revenue Measures

This year's revenue measures are structured around six major themes:

- Affordability;
- Environmental health;
- Marine protection and development;
- Modernizing operations;
- Tax Measures Update; and
- Private cruise destinations.

Affordability Measures

Madam Speaker:

Due to the recent effects of global inflation, economies around the world—including The Bahamas—have faced significant price increases. As a result, Bahamian families have struggled under the weight of high prices for food, household items, and basic hygiene necessities. This administration understands their difficulty, and in this Budget, we are acting decisively to bring relief to the people.

As part of the ongoing efforts to promote affordability, we will be reducing the VAT rate to 5 percent on a range of products that are crucial for the well-being of our citizens. These include:

- Baby diapers;
- Depends;
- Feminine hygiene products;
- Prescription and non-prescription drugs including medications for those with chronic conditions;
- Medical and dental supplies such as needles, blood pressure machines, lancets, dental cements and other dental fillings; and
- Other medical and therapeutic items such as cell therapy products.

These reductions, that will take effect on September 1, 2025, are aimed at ensuring that Bahamians of all ages and stages of life can access essential products without the added burden of high taxes.

Under the amended VAT Act, we are also extending VAT relief on building materials for religious institutions, in recognition of their vital role in supporting and uplifting communities. This VAT relief will come in the form of VAT exempt imports or as a refund system if purchased locally. In addition, customs duty is being removed from digital and changeable letter signs, making it more affordable for them to enhance their visibility and communication efforts.

Madam Speaker:

We are also reducing customs duties on dozens of essential items - products that

Bahamians purchase every week - items that matter in:

every kitchen;

every bathroom;

every nursery; and

every home.

We are helping families, homeowners, and small contractors by **removing** the customs

duty on the following:

- Refractory cement, mortars, and concrete, and similar compositions;
- Copper fittings;
- Screws; and
- Nuts and bolts, simple but essential hardware.

Further to this, duty on the following items is being **reduced**:

- Cleaning products;

- Electric or battery-operated shavers;
- Juice extractors;
- Trucks weighing 20 tons and above; and
- Filters of all kinds, from water to air conditioning filters.

We are also taking steps to reduce the cost of fuel sources used by numerous households. We are **removing** the 45 percent excise duty on butane fuel mostly used in portable stoves. Many Bahamians rely on this fuel for a hot meal, whether day-to-day or during emergencies. This is part of our broader commitment to build resilience and affordability into everyday life, especially where it may help the most.

Madam Speaker:

The Bahamas is committed to reducing greenhouse gas emissions by 30 percent by 2030 and achieving net-zero emissions by 2050, in line with the Paris Agreement. Our clean energy transition includes expanding renewable energy, promoting electric vehicles, and improving energy efficiency through key initiatives and projects.

Duty exemptions on household appliances with the highest level of energy efficiency will be granted. Freezers, air conditioners, freezers, and gas and electric water heaters will be duty free, once confirmed that the appliance will make a positive impact on climate change initiatives.

These exemptions encourage Bahamians to adopt cleaner technologies, directly contributing to our climate goals and a sustainable future.

Madam Speaker:

In addition to the these measures, prefabricated homes can now be imported with prior approval from Ministry of Works.

Environmental Health Measures

Madam Speaker:

Every Bahamian has the right to safe food, clean environments, and healthy communities. To support this, we are introducing new measures in the upcoming fiscal year that are practical, fair, and more focused on protecting public health.

Marine Protection and Development Measures

Madam Speaker:

The Bahamian marine environment is one of our greatest treasures, rich in biodiversity, cultural significance, and economic value. Yet, for far too long, its use has been unregulated and its protection underfunded.

This Budget marks a turning point.

We are introducing targeted measures to ensure that those who benefit from our marine space also contribute to its sustainability.

To better protect our marine environment and support long-term stewardship of our waters, we will:

- Introduce a framework to implement an Environmental Levy on seabed leases for commercial activity to reflect the true value of our marine territory;
- Enforce a cruising permit fee for tenders and boats 25 feet or larger, ensuring every vessel has its own valid permit; and
- Introduce environmental penalties to discourage harmful practices and preserve the health of our marine ecosystems.

Madam Speaker:

These measures are not about discouraging use; they are about responsible use.

They are about ensuring that those who enjoy our waters also help to preserve them and for future generations of Bahamians to inherit an ocean that is abundant, healthy, and protected.

We owe it to our people, and to the sea that sustains us.

Madam Speaker:

Earlier in my communication, I mentioned the award-winning Debt for Nature Conservation transaction. This transaction has 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 fiscal year.

The projected environmental impacts of this initiative are substantial:

- Enhanced management of 6.8 million hectares of Marine Protected Areas, representing nearly 17 percent of our nearshore environment;
- Restoration of critical mangrove ecosystems, which serve as natural buffers against storm surges and provide vital nursery habitats for marine;
- Strengthened resilience to climate change, particularly in coastal communities vulnerable to rising sea levels and extreme weather events; and
- Establishment of a \$20.0 million conservation endowment by 2039, ensuring continued funding for marine protection beyond the 15-year term.

Madam Speaker:

As we continue to prioritize the protection and sustainable use of our marine environment, this administration is taking decisive action to strengthen safety and accountability on our waters.

Jet Ski and motorboat operators will now face fines and fixed penalties for violations of the laws and regulations governing their operations.

To strengthen enforcement, we will create a Maritime Revenue Unit within the Ministry of Finance. In addition, members of the Royal Bahamas Police Force, the Royal Bahamas Defence Force, Port Officers, and other designated authorities will be empowered to issue notices, impound non-compliant vessels, and, where necessary, dispose of such vessels at the owner's expense.

Operators of motorboats and jet skis have a duty of care to their passengers and to the public. They are expected to be fully informed of, and compliant with, all relevant safety protocols and regulatory requirements. Amendments to the law have been made to provide for fixed penalty and fixed penalty notice. The Government is committed to ensuring that our marine spaces remain safe, orderly, and enjoyable for all.

Madam Speaker:

Our oceans and coastlines are some of our greatest assets, they feed our people, power our tourism, and protect our communities. Taking care of them means healthier fish stocks, stronger livelihoods, and more chances to grow our blue economy. When we look after our marine environment, we're looking after our future.

Modernizing Operations

Madam Speaker:

This Budget is not only about providing relief.

It is also about building a smarter, fairer, and more modern Bahamas.

This is why this government will put in place the proper policies and frameworks that were long needed. We will establish the Asset Disposal Assessment Unit which will examine physical government assets and recommend the optimal method for disposal. They will recommend whether a public asset should be transferred to another public entity, sold, recycled, destroyed, or any other method they will see fit.

The Asset Disposal Assessment Unit will assist in the promotion of accountability, honesty, and transparency for public assets which are no longer of its purposed use. Not only will the process be streamlined, but there will also be a record of government disposals. Public officers will be required to report if they have received overpayments for the disposal of non-financial government capital.

For too long, certain systems have remained outdated, with inefficiencies that frustrate Bahamians and drain public resources. In this Budget, we are taking meaningful steps to modernize how government works—how it taxes, how it charges, and how it serves.

When it comes to Real Property Tax, fairness is our guiding principle.

Owners of derelict properties will be eligible for a waiver or credit on all outstanding property tax arrears once those properties are repaired and made habitable again.

To ensure transparency and fairness, we will put in place a pre-approval process to confirm the property's derelict status before any repairs begin.

Madam Speaker:

To promote equity among the Real Property Tax base, we are better defining "owner-occupied" and removing its seasonality by replacing it with a defined time period for foreign homeowners.

Foreign homeowners will qualify for the partial owner-occupied exemption for property values up to \$300 thousand if they stay more than 90 days in The Bahamas. If they stay more than 183 days, full exemption will be applied, which includes both the residential cap, and the \$300 thousand exemption tied to value.

Madam Speaker:

The Bahamas has long been a haven for private yachts and aircrafts.

But our administrative systems have not kept pace with this reality.

That changes now.

We will introduce the Frequent Visitors Digital Card to make entry smoother and compliance simpler for private vessels and aircraft that visit our shores regularly.

For private boats, each vessel will be required to have its own card, linked directly to its registration number. This card will be valid for two years and is intended exclusively for cruising, not for fishing or anchoring.

For private aircraft, a separate FVDC will be introduced for propeller-driven planes, tied to the plane's serial number. And just as with boats, the card is strictly for leisure travel, it does not cover commercial activities or charters.

This suite of measures reflects a government committed to fairness, modernization, and respect for those who invest in The Bahamas.

We are moving forward with purpose, and with Bahamians in mind every step of the way.

Tax Measures Update

Madam Speaker:

As part of this Budget, we are also taking steps to strengthen our corporate tax framework in line with international standards.

I wish to remind this Honourable House that the Domestic Minimum Top-Up Tax Act was enacted on 29 November 2024 and came into effect on 1 January 2024.

This legislation implements the OECD's Pillar Two framework by introducing a 15 percent minimum effective tax rate for large multinational enterprise groups operating in The Bahamas.

This is a major step forward in ensuring that large global companies pay their fair share in jurisdictions where they conduct substantial business. The DMTT is projected to generate approximately a minimum of \$130 million, or 0.7 percent of GDP, of new revenue in the upcoming fiscal year for the Bahamian people.

Madam Speaker:

This Government plans to introduce the Business Development Incentives Program Act. This Act will encourage further development in our country through incentives for eligible licensees under the Business License Act with an annual turnover greater than B\$50 million. These incentives will benefit Bahamians, by encouraging local investment activities which create jobs, build local capacity, and expand the use of Bahamian goods and services.

Whether it's hiring more Bahamians, training staff, or investing in innovation and sustainability, this program rewards companies that deepen their footprint and impact in The Bahamas. It is a forward-looking tool to drive inclusive economic growth, support the Family Islands, and align private sector investment with our national development goals.

Private Cruise Destination Measures

Madam Speaker:

Cruise tourism in The Bahamas has come a long way. What began as a modest stream of floating leisure has now become an economic powerhouse.

In 2024 alone, cruise visitors numbered 9.4 million — an increase of 20.3 percent over the previous year and representing a staggering 83.4 percent of total tourist arrivals. These numbers are not just impressive; they are transformative.

But while cruise volumes have soared, the sector's direct contribution to government revenue has not kept pace. We've seen exponential growth in private cruise destinations, where premium onshore activities like cabana rentals now fetch as much as \$4,000 per day, yet these earnings often flow offshore with limited benefit to the Bahamian taxpayer.

Today's cruise ships are not just modes of transport. They are floating resorts—complete with their own entertainment, retail, and shore excursion operations. When they dock at our shores — particularly at private islands — they often offer excursions, from horseback riding and nature trails to zip lining, balloon rides, beach clubs, and shopping villages. These experiences have contributed to the growth of GDP over past three years.

Madam Speaker:

This Budget reflects our intent to modernize and regulate this critical sector in a way that upholds four key principles:

- Fairness and equity across the tourism sector;
- Economic benefits for all Bahamians;
- Alignment with evolving global standards for sustainable tourism; and
- Enhanced compliance and oversight for a critical sector of the Bahamian economy.

In keeping with these principles, our Budget introduces targeted compliance measures to ensure cruise-related activities contribute fairly and meaningfully to our national development. Recently, the Government has been meeting with the cruise lines to streamline compliance in this sector. The cruise lines have acknowledged the importance of compliance and will continue to work with the government to ensure that this happens in a sustainable manner.

These compliance measures will have a focus on:

- Enforcement of customs duties;
- VAT on all imports to the private cruise destinations;
- Immigration work permit fees for all employees;
- The Communication Act and Electricity Act application in respect to private utilities operating on the various private cruise destinations;
- VAT on all services offered for value on the islands; and
- The government's policy of the rental of recreational watercraft which is reserved for Bahamians.

Madam Speaker:

We expect that the economic activity on the private cruise destinations will be the biggest driver of GDP growth in the next 3 to 5 years, which underscores the importance of the information I've just shared.

Expenditure Measures

Madam Speaker:

I turn now to the expenditure measures in the budget, which are strategic, targeted, and designed to deliver results.

As I mentioned at the outset, many of our key investments promote Security, Opportunity, Affordability, and Reform.

Security

Madam Speaker:

We are making additional unprecedented investments in our national security during the coming fiscal year.

These investments span the Royal Bahamas Police Force, Royal Bahamas Defence Force, Bahamas Department of Correctional Services, and other key security agencies.

The security of our borders is fundamental to the sovereignty and safety of our nation.

The Royal Bahamas Defence Force will benefit from strategic investments, including:

Modernization of key bases at Coral Harbour and Inagua;

Upgrades to the defence fleet; and

Specialized equipment, including aircraft refurbishments, which will improve aerial surveillance, mobility, and response time.

To strengthen our presence on the frontlines, we are significantly increasing manpower. The expanded workforce will support greater enforcement, faster processing, and a more visible presence at our ports of entry and throughout the Family Islands.

In addition:

In New Providence, resources have been allocated for the construction of a boundary wall, enhanced surveillance systems, and general improvements to the Detention Centre; and,

In Grand Bahama, additional resources are earmarked for the renovation of the Detention Centre, modernizing the facility to meet national safety and security standards.

Madam Speaker:

Regarding the Royal Bahamas Police Force, we are recruiting new officers and civilian personnel to strengthen presence and response capabilities in New Providence and Freeport.

Resources are also provided for IT modernization, including:

Surveillance cameras;

Digital forensic tools; and

Upgrades to the AFIS-ADEMIA system, enhancing investigation capacity and real-time policing.

To further support public safety, the Government will:

Procure modern fire trucks, protective gear, and specialized firefighting tools;

Construct a new fire station through a public-private partnership, delivering critical infrastructure cost-effectively; and

Planning for a new Police Headquarters, to improve command operations and inter-agency coordination.

We are also expanding nationwide communications systems and CCTV networks to reinforce surveillance in high-risk areas. Additional technologies will be deployed to block illegal inmate communications and prevent drone deliveries into secure facilities.

Madam Speaker:

We are bolstering the capacity of our correctional system with:

Support for the hiring of new recruits and uniform allowances;

Procurement of body-worn cameras; and,

Investments in advanced surveillance contracts to prevent unauthorized deliveries and improve perimeter security.

To improve judicial efficiency, and to build on earlier investments in new courts, the Government is allocating resources to expand the Virtual Courts platform, reducing backlogs and delays in court proceedings.

This Government's comprehensive approach to national security, through investments in personnel, technology, and infrastructure ensures that The Bahamas remains ready to face emerging threats.

Opportunity

Madam Speaker:

We are making strategic investments in energy, infrastructure, and digital upgrades across the country.

We're going to create the conditions necessary to generate new opportunities – and then we're going to make sure Bahamians are ready for those opportunities.

Energy

Our New Energy Era reforms are a critical part of our plan.

We decided there was no way to create a 21st century economy with 20th century energy grid. That's why we're overseeing our country's first – another first! – nationwide, comprehensive energy reforms.

High prices – and unreliable electricity – affect everyone, and have held back our businesses, made them less competitive, raised operating costs, and acted as a drag on our economic growth.

BPL has been operating a very old system that in some places is held together by the equivalent of duct tape.

There's a reason previous governments struggled to fix the problems – it's incredibly complicated and expensive.

When we came in, BPL had a legacy debt of \$500 million.

But I was not willing to kick the can down the road.

Not with critical parts of our energy grid dating back to pre-Independence, and on the verge of collapse.

Not with generation engines in urgent need of replacement.

We've been burning dirty, expensive fuels – and paying a lot to do it.

And of course, we don't just have one grid – we have different islands, with different needs, all of which need attention.

So we decided we needed comprehensive reform.

No more quick fixes, no more Band-Aids, no more patching things up today in a way that means they break again tomorrow.

Putting energy reform together has taken a lot of careful planning.

But now we're finally updating transmission and distribution in New Providence.

For the first time, utility-scale solar power will be integrated into the grid.

We will have solar power throughout our Family Islands – where new hybrid microgrids will incorporate solar power and natural gas, allow us to eliminate expensive BPL rentals, replace aging generation units, and establish battery storage systems.

Energy reform is going to be a game-changer – delivering lower prices, increased reliability, and a grid that is stronger during storms.

And we're using cleaner energy, and meeting our commitment to union workers, who have job and pension security guarantees.

I am also pleased to say we are working with different Bahamian partners throughout the islands.

Madam Speaker:

We are transforming how we generate and transmit energy across the country.

We're going to have a modern grid that delivers reliable electricity at a reasonable price.

Infrastructure

We are also making transformative investments in infrastructure.

We are undertaking comprehensive roadworks across New Providence and the Family Islands, delivering long-awaited improvements that directly benefit our communities.

Major initiatives include:

- The completion of major roadworks in Exuma, Eleuthera, and Cat Island, with a total investment of \$250 million, bringing relief to residents and businesses;
- The commencement of road rehabilitation in San Salvador, beginning a new phase of development for that island's infrastructure;
- The Long Island Road Improvement Project, where a \$22 million contract has been signed to rehabilitate and upgrade key roadworks across the island; and
- The Harbour Island dock upgrade, enhancing access, safety, and rehabilitation for one of our most vital transportation hubs.

To improve delivery capacity and project efficiency across all our infrastructure programs, we have secured a \$90 million loan from the Inter-American Development Bank to strengthen BAHAMIX, the state-owned enterprise road paving and building company in The Bahamas. This investment will enhance project management systems such as the launch of a comprehensive Road and Drainage Improvement Program in New Providence. It will be focused on resurfacing major thoroughfares, improving drainage in flood-prone areas, and upgrading sidewalks, signage, and lighting near schools, clinics, and key public facilities.

Along with these infrastructure investments, we will be making significant investments in school repairs across The Bahamas.

And as part of ongoing efforts to ensure access to clean and reliable water, we are advancing several high-impact projects through the Water and Sewerage Corporation, including:

- The Joe Farrington Road Water Project;
- The Gladstone Road Wastewater Treatment Plant;
- Upgrades to water systems in Exuma, South Andros, and North Acklins; and
- Ongoing recovery efforts in Abaco post-Dorian.

Additionally, investments in national water security, such as the AquaDesign buyout, Consolidated Water, and the MIYA Water Efficiency Program, were funded during the

Mid-Year Budget. These initiatives are helping to reduce water losses, improve delivery, and ensure sustainable access to clean water for all Bahamians.

Madam Speaker:

Recognizing the critical role of air connectivity in national development, we are launching a major aviation infrastructure development program using separately sourced financing.

As part of this initiative, airport upgrades and expansions are underway in Exuma, Cat Island, and Eleuthera, strengthening tourism, trade, and mobility for these key islands.

Through these strategic capital works and public utility enhancements, this Government is not only upgrading physical infrastructure but also expanding economic opportunities and building a resilient Bahamas for generations to come.

Madam Speaker:

The investments I've outlined will create the conditions necessary to grow our economy and create new opportunities.

That's one part of creating a successful economy. Another is making sure as many Bahamians as possible can seize new opportunities and succeed.

It is really important to me to emphasize that our investments in education and training and upskilling and opportunities span many different fields, require different kinds of aptitudes and talents, and encompass different kinds of support.

We are investing in traditional scholarships to universities, yes – that is the right path for some. But we are also massively expanding our investment in BTVI.

I don't want to see applications for work permits for top-paying specialty work I know Bahamians can do, with the proper training.

We are going to expand BTVI's capacity so many more Bahamians have the opportunity to learn the kinds of skills and trades that can form a very profitable business.

We are also launching the Bahamas Polytechnic Accreditation and Training Hub this academic year, creating technical and vocational pathways to graduation and lucrative careers.

We are investing \$2.6 million in new funding for the National Maritime Academy, for Bahamians interested in careers in the blue economy.

And it is with great excitement that I announce that this year our Upskill programme will begin to enroll Bahamians in paid certification courses online, as well as hosting important in-person sessions for Bahamians looking to improve their skills or gain certifications across a range of fields and industries.

The scale and pace of change is extraordinary - Artificial Intelligence and digital technologies are reshaping industries, creating new opportunities, and, yes, sometimes replacing old ways of working. The jobs of tomorrow will not be the same as those of yesterday. But this is not a reason for fear—it is a call to action.

The skills we have today may not be enough for the challenges and opportunities of tomorrow. To thrive, we must embrace a culture of continuous learning and adaptability. It's a challenge I know Bahamians are up for.

Upskill is for everyone—young people entering the workforce, parents returning to work or interested in switching fields, experienced professionals seeking new horizons, and those who simply wish to strengthen the fundamentals.

Financial literacy, data science, business planning, marketing, design, artificial intelligence – these are important skills in today's marketplace, and I want every Bahamian who is interested to have access to education and certification.

Upskill is going to bridge the gap between our islands and the global world of work, enabling Bahamians to work remotely, start digital businesses, and access international opportunities.

I believe we can change the brain drain into a brain gain.

Remote work opportunities will allow Bahamians who want to live here at home to have access to professional development and higher incomes.

And Upskill is only the beginning. New technology will allow us to transform the classrooms, workplaces, and clinics.

We can build access to online education and skills-building, to support our teachers and schools. We can use telemedicine services to support patients and health care professionals in our clinics, for faster and more accurate diagnoses, and for prescribing treatment plans.

Madam Speaker:

The cost of living has always been too high, but the global inflation crisis of the last several years raised prices beyond what many families can endure.

A small country like ours will always be impacted by global events. But we can grow stronger. We can reduce our vulnerability to rising prices where it matters most. And there is no reason we cannot grow more of our food here at home.

We are making substantial and important new investments in developing agriculture, including an expansion of grants to Bahamians. We can create a new wave of successful Bahamian entrepreneurs, keep more of our money inside the country, and lower prices for families.

We want both small-scale operations and larger food production companies – run and operated by Bahamians – to become much bigger players in our country and the region. 21st century farming does not look like the old days – this is big business.

Food security is an important national priority – and our new Centre for Food and Nutrition Security will serve as a multidisciplinary technical hub, advancing national food and nutrition security through cutting-edge research, policy development, innovation, and community-based initiatives.

In the upcoming year, the centre will lead a series of transformative initiatives to strengthen national resilience and food sovereignty, including:

- Establishing urban farms and community food hubs to increase local food access, promote self-reliance, and support neighborhood-based food systems;
- Addressing health-related challenges linked to food insecurity;

- Training farmers in climate-smart agriculture practices to enhance productivity while promoting environmental sustainability and resilience to climate change; and
- Establishing seed banks and promoting native crop varieties to preserve biodiversity, ensure seed availability, and support culturally appropriate food systems.

Over the past year, this administration has transformed our agricultural and marine sectors through decisive action and strategic investment.

We launched our National Layer and Piggery Programme, distributing over 10,000 chicks and 3,000 adult chickens. We also equipped farmers across Cat Island, Exuma, and Acklins with tractors and other essential equipment.

Today, we are scaling these initiatives while making vital new investments. The Golden Yolk Project has a large role to play in our plans for food security. We are investing \$9 million in the construction of pullet buildings capable of housing 25,000 chicks, dual layer houses for 20,000 hens, and an egg processing facility with capacity to process 8,000 eggs per hour.

This past week, we signed an MOU to construct five hydroponic farms in New Providence, Grand Bahama, Abaco, Andros, and Cat Island as embrace modern farming techniques that can provide healthy produce to even our most remote islands.

BAMSI is expanding its academic mission with 302 enrolled students and strategic partnerships with Prairie View A&M, Athens State, and Stanford University, providing our youth with world-class educational opportunities. Of course, we are ensuring that

scholarships are available for those who wish to launch careers in Agriculture and Marine Sciences.

Overall, we are increasing support to farmers by 200% and expanding the overall agriculture budget from \$25 million to \$35 million.

SBDC

Our commitment to entrepreneurial empowerment has yielded remarkable progress across diverse sectors of our economy, demonstrating that inclusive growth requires intentional investment in every segment of our society.

Through our Entrepreneurs with Disabilities program, developed in partnership with Youth Sports & Culture and the National Disabilities Commission, we have shattered barriers that prevented members of this community from launching enterprises.

Our Fly Fishing Initiative will help Bahamians build sustainable enterprises in this fast growing, lucrative industry while preserving our natural heritage. The grant recipients for the upcoming round of funding will be announced in the near future.

The "Crafting The Bahamas" creative entrepreneurs initiatives represents an innovative approach to creative economy development. With 99 registrants spanning from Grand Bahama to Mayaguana, this programme showcases authentic Bahamian artisans across our entire archipelago. Their work will be featured on the Tingsea Marketplace, which helps Family Island entrepreneurs to access larger markets.

Recognizing the need for support, our Men in Business Programme has already transformed lives through two strategic cohorts: approving \$566,824.71 for 64

businesses in Cohort I and \$114,192.03 for 13 Family Island enterprises in Cohort II, while training 262 men through our Business Blueprint Course.

And our upcoming Blue Economy Accelerator, developed with The Nature Conservancy and the Inter-American Development Bank, represents another innovative step forward for Blue Economy Entrepreneurs.

This is a part of our expansive approach to supporting local entrepreneurs. We are pouring millions into the SBDC, recapitalizing BDB, making new investments into the Venture Capital Investment Fund, and expanding the TDC's capacity to support tourism-based entrepreneurs through programmes like the Sun, Sand, and Souvenirs Incubation Centre and the Home Sweet Home initiative to help Bahamians enter the vacation home rental market.

Conclusion

Our talented, extraordinary citizens are the reason I am so hopeful about the future.

It is our responsibility to create an environment that allows their talents to shine, and an economy that allows them to rise up.

We recognize the incredible diversity of talent we have – so we are creating educational and training programmes that support a range of interests and skills.

From our National Youth Guard to blue economy maritime opportunities to new entrepreneurs to farmers and many more – we are ready to support Bahamians who want to work hard and create and seize new opportunities.

This is how we're going to close the gap between our national potential and our national reality – is one Bahamian at a time.

Madam Speaker:

Many components of this budget carry forward the work we began when we came into office—work that has laid a strong foundation for progress. At the same time, we are introducing new measures that respond directly to the challenges we face today and that move us closer to the aspirations we share for tomorrow.

Next week, I look forward to opening the budget debate. That will be my opportunity to speak in greater detail about the investments that we are making—investments in our people, in our country, and in our future.

But right now, I want to leave you with a sense of my deep optimism for the country we are building together.

Let me be clear: optimism is not the same as complacency. We know there is a great deal of work ahead. And we know the road will not always be easy.

But together, we will steer this country forward—with purpose, with determination, and with hope.