



Office of the
Prime Minister

Budget 2023: A Budget for Security and Progress Communication to Parliament

**Hon. Philip Edward Davis KC MP
Prime Minister and Minister of Finance
Member of Parliament for Cat Island Rum Cay and San Salvador**

May 31, 2023

Madam Speaker:

Providence has determined that each of us has been blessed to represent our fellow Bahamians in this parliament as we celebrate the 50th Anniversary of the Independence of our Commonwealth.

My government heeds well the rallying cry of this year's celebrations, that we should do all that we can to lift up our 'One Nation', do all that we can to cherish and promote 'Our Legacy', and we work tirelessly to secure 'Our Future'.

As with all national budgets, this second budget of my administration is the best expression of the intentions of the government.

Woven among the various facts and figures are the Priorities and Choices we are making in order to continue to make life better for Bahamians.

But they also contain an expression of our values:

To move closer to fulfilling the ambition and promise of independence;

To put people first by ensuring that economic activity is not just a series of metrics, but instead driven by the very human needs for dignity and justice;

And to ensure that the state - the government - in its drive for efficiency and effectiveness, does not lose its ability also to act as a Good Samaritan.

Madam Speaker:

I say as I have said before, that it remains the privilege of my life to represent the people of Cat Island, Rum Cay and San Salvador, and to lead a government which continues to work hard to fulfil its promise to bring a New Day to the people of The Bahamas.

Last year, we presented a budget that charted The Way Forward for our country.

That budget was a key stepping stone towards fulfilling the plan which we have, to Recover, Rebuild, and ultimately Revolutionise our country.

As Honourable Members will soon hear, we have made strong progress, and the public finances are much, much healthier than they were.

Madam Speaker, the success is not just ours, but that of the Bahamian people. And to all of you, I say 'thank you'. By working in partnership to revive our economy, together we are forging a new course for our beloved Bahamas. And all our futures will be brighter for it.

And so this year, we are able to introduce a number of additional, short-term initiatives that not only address the immediate needs and opportunities we face, but continue to build towards a better future for everyone.

After the turbulence and chaos of the preceding years - the natural disasters, the constitutional aberrations, and gross mismanagement of the public finances - we think it critical to do what we can to ensure greater security and stability in our country.

And so, Madam Speaker, today we present a budget that has at its heart, the mission to strengthen National Security, Economic Security, and the Lives and Livelihoods of the people of The Bahamas.

Madam Speaker:

This Budget Communication is set out in three parts.

First, as is customary, I will report on macroeconomic conditions to provide some context for what we propose.

Next, I will highlight some of the Key Measures in this year's Budget.

Finally, I will offer a summary of the projected out-turn in the Fiscal Year 2023/2024.

Macroeconomic Overview and Outlook

Madam Speaker:

Before introducing key measures in this year's budget, I propose to offer a summary of the country's current economic performance, and our view of the future outlook for the Bahamian economy.

This will set the relevant backdrop for the subsequent discussion of the economic and fiscal challenges and opportunities covered in the development of this Budget, as well as the policy strategies that have been developed to address them.

However, given our country's very close interconnectedness with the wider global economy, it is essential to consider first, the wider economic climate in this discussion, to which I now turn.

International Economic Overview and Outlook

Madam Speaker:

According to the International Monetary Fund, as stated in their April 2023 World Economic Outlook, the world experienced growth in real GDP of 3.4 percent in 2022. That was down from the post-Covid recovery rate of 6.3 percent in 2021.

However, global inflation reached 8.7 percent last year, well above the generally desired target rates of inflation.

The world economy is slowly recovering from the devastating impacts of the COVID-19 pandemic and the Russian invasion of Ukraine. The resulting disruptions in supply chains are resolving, and energy and food markets are stabilizing after being severely impacted by the Russia-Ukraine war.

Additionally, many central banks have implemented restrictive monetary policies, which are expected to help bring inflation levels back to their desired targets over time.

Overall, the global economy is showing signs of improvement, although there is still much work to be done to fully recover from the recent challenges.

Real GDP growth for the Bahamas' major trading partner, the United States, expanded by 2.1 percent in 2022, down from 5.9 percent in 2021.

As with the global economy, the outlook for the U.S. economy remains uncertain, with a key factor in the outlook being the nexus between monetary policy and the rate of inflation.

Average consumer prices in the United States rose by 8 percent in 2022 and, with a target rate of 2 percent, the Federal Reserve responded with an ongoing restrictive monetary policy stance.

Over the past year, the policy rate of interest has been raised ten times, the latest rise taking place earlier this month.

Driven primarily by rising inflation and reaction shocks, recent hikes in U.S. interest rates continue to have a pernicious effect on The Bahamas in terms of higher borrowing costs. These spillovers exacerbate debt burdens via higher interest rates, which can make financing debt repayments more difficult.

Nevertheless, the projected rate of real GDP growth in the U.S., as projected by the IMF, has declined to 1.6 percent in 2023.

However, perhaps paradoxically, the rate of unemployment has remained at 50-year low levels in the 3.5 percent range and the projected rate of consumer price inflation, at 4.5 percent in 2023, remains above the Federal Reserve target. Uncertainty about the future path of the U.S. economy remains high.

Madam Speaker:

China has been rebounding strongly following the reopening of its economy, with real GDP growth equating to 3 percent in 2022 and is projected by the IMF at 5.2 percent in 2023.

Compared to the previous year, consumer prices in China rose with a 0.1 percent increase in February 2023 and 0.7 percent increase in March 2023.

On an annual basis, inflation is forecast to remain relatively low, in the range of two percent. According to the National Bureau of Statistics of China in a press release titled "*National Economy Showed a Steady Recovery in the First Two Months*", policy decisions in China were focused on promoting lasting development with priority on ensuring stable growth, employment and prices. According to the release, production and demand improved significantly, employment and prices were generally stable and market expectation saw accelerating improvement, all attributed to policy decisions.

In the euro area, which refers to member countries of the European Union who have adopted the euro as their currency, real GDP growth was 3.5 percent in 2022, down from 5.4 percent in 2021. The annual inflation rate in the euro area was 6.9 percent in March 2023, down from 9.2 percent in December 2022. The euro area unemployment rate has remained relatively stable to date in 2023, tempering slightly to 6.5 percent at end March 2023. As with the Federal Reserve, the European Central Bank has maintained a restrictive monetary policy stance targeted on further reductions in the rate of inflation. This inevitably weighs on the buoyancy of the euro economy which is projected by the IMF to expand in real terms by 0.8 percent in 2023.

Madam Speaker:

Amidst the current uncertain and challenging economic climate on the global stage, the IMF has projected a 2.8 percent growth rate for the world economy in 2023, with a modest increase to 3 percent in 2024. Although inflation is expected to decrease, the rate at which it will do so is still slower than initially predicted, with a decline from 7.0 percent in 2023 to 4.9 percent in 2024. This will continue to pose a challenge for policy authorities in the major economies.

Domestic Economic Overview

Madam Speaker:

In respect of the domestic economy, the GDP estimates recently released by The Bahamas National Statistical Institute revealed a notable rebound in the country's economic activity.

Real GDP growth in 2022 was recorded at 14.4 percent, and GDP in nominal terms grew by 11.9 percent. This outcome indicates the ongoing and significant improvement from the economic ravages imposed by the COVID-19 pandemic.

The boom in The Bahamas has continued, as businesses recover and many continue to grow. Many industries in the country recorded modest gains in 2022 when compared to the previous year. I am convinced the Government's fiscal policy, namely the reduction of VAT coupled with other reductions in customs duties and excise taxes, contributed significantly to economic growth. Other elements which contributed to growth included the digitalization of government services, especially the granting of concessions and legislative reforms. These measures have also facilitated the ease of conducting business in the country.

Further, total visitor arrivals increased considerably with increased spending in the economy by tourists. The effect of this increased spending by tourists was a noticeable rise in various components of household expenditure in 2022, which grew by 7 percent.

Madam Speaker:

A more detailed examination of the nominal GDP, which analyzes the economic performance of individual islands, can provide more insight.

While some islands saw growth, others experienced a contraction during the period.

The latest GDP statistics for New Providence paint a promising picture. It is important to highlight that New Providence contributes 78 percent of The Bahamas' total GDP.

In 2022, New Providence experienced a significant increase in GDP of 17 percent, largely due to a boost in tourism.

The accommodation and food service sectors were the leading force behind this growth, with real estate activities coming in a close second.

This impressive performance has successfully restored the island's economy to its pre-pandemic state.

In 2022, the combined GDP of Cat Island, San Salvador, and Rum Cay experienced a remarkable growth of 39 percent compared to the previous year. Although these islands only make up a small fraction of the Bahamas' economy, accounting for 0.4 percent of the total, their growth is still noteworthy, and supports the Government's very aggressive and successful effort to reopen Club Med in San Salvador.

In 2022, Exuma also played a crucial role in boosting the overall GDP of The Bahamas, contributing 2.1 percent to the country's economic growth. Exuma experienced a significant growth of 33 percent in its GDP compared to the previous year, which was largely attributed to the increase in tourist arrivals.

The tourism industry played a pivotal role in Exuma's economic progress, allowing the island to surpass its pre-pandemic levels and achieve significant growth.

From 2015 to 2022, the island of Andros consistently accounted for 1.0 percent of the Bahamas' total GDP. However, in 2022, the island's GDP reached its highest level in an eight-year period. Andros experienced a significant economic growth of 6.2 percent in 2022, with real estate activities being the primary contributor.

Bimini and the Berry Islands contributed to 1.4 percent to the Bahamas' total GDP. Despite the downturn in 2020, with the GDP dropping to almost one-third of its usual level, these islands have consistently maintained a strong economic performance from 2015 to 2022.

Notably, in 2022, they witnessed a remarkable growth of 59 percent in their industries, surpassing the growth rate of the previous year. This suggests that Bimini and the Berry Islands are poised to continue their upward trajectory and continue to make contributions to the overall economic growth of The Bahamas.

Madam Speaker:

Despite these gains, the data also reveal that other islands fared less well.

In 2022, Abaco's GDP saw a decline of 6 percent. Its contribution to the Bahamian economy was 2.8 percent.

Despite this, Abaco still ranked as the third largest island contributor to the country's overall economy.

While there was a slight improvement in Abaco's economy compared to 2019, it has yet to reach the levels seen before Hurricane Dorian. The decline in economic activity is directly related to the slowdown in the real estate and construction sectors.

Declines in the real estate sector are directly as a result of a shift to higher intermediate consumption in 2022 from that of the previous two years. In terms of declines in construction, it should be noted that in 2020 and 2021 Abaco experienced significant recovery efforts in the form of debris removal, site preparation and rebuilding of damaged structures. Such efforts bolstered the value added to the island's GDP during those years. As those efforts wrap up, the industry saw a gradual decline as construction tempered to normal levels in 2022, resulting in a lower GDP.

Madam Speaker:

Grand Bahama contributes 12 percent of the overall GDP of The Bahamas, yet its economy declined by 9 percent compared to the previous year.

There was a silver lining as the tourism sector witnessed a slight increase in 2022, which was evident in the growth of the accommodation and food service industries.

Unfortunately, the statistics show a prolonged decline in the Grand Bahamian economy. The evidence confirms the view of my Government that the Hawksbill Creek economic model, which was meant to attract foreign direct investment, does not work.

Furthermore, in our view, the governance model of the Grand Bahama Port Authority must change, in order to realise the promise, growth and prosperity which we all desire.

Additionally, The Government of The Bahamas has serious concerns regarding the compliance of the GBPA and its related companies with the terms and conditions of the Hawksbill Creek Act, and its subsequent amendments.

Previous administrations have made efforts to tackle the situation, but the issue is clearly systemic and fundamental.

We believe the time has come for decisive action.

In due course, we will make a separate, detailed announcement.

Madam Speaker:

The consistent decline in GDP faced by the Mayaguana, Acklins, Crooked Island and Inagua group continued into 2022 with an 11 percent reduction when compared to 2021. The overall decline in this group is owing to the continued headwinds facing various industries, mainly salt harvesting.

Eleuthera's contribution to the Bahamas' GDP has remained steady at 2.6 percent from 2015 to 2022. However, in 2022, there was a decline of 1.3 percent in Eleuthera's GDP, attributed primarily to decreases in several key industry groups, including: agriculture and fishing; wholesale and retail trade; motor vehicle repairs; and transport and storage.

Long Island's economy made a contribution of 0.54 percent to the overall economy of The Bahamas in 2022. Although the island's GDP experienced a contraction of 10 percent compared to the previous year, there was still growth in segments fuelled by tourism, including accommodation and food services, as well as household employment.

Domestic Economic and Monetary Performance for the Period ending March 2023

Madam Speaker:

I will now report on the Domestic Economic and Monetary Performance of the Bahamian economy for the period ending March 2023.

During the first nine months of the **current** fiscal year 2022/2023, economic conditions remained stable with strong stopover arrivals during the period. Persistent interest from tourists brought the count of total arrivals for Fiscal Year 2022/2023 to 6.6 million visitors. There were 1.2 million arrivals by air, and 5.4 million arrivals by sea at the end of March 2023.

In respect of the vacation rental industry, the statistics provided by AirDNA confirm the favourable improvement in tourism. At the end of March 2023, the data reveal that the average occupancy rate for entire unit listings had risen to 69.8 percent, an increase from 61.0 percent recorded in the corresponding period in 2022.

Similarly, for comparable hotel listings, the average occupancy rate has increased to 65.1 percent, up from 55.2 percent in the previous year.

These figures underscore the upward trend in the vacation rental market and provide compelling evidence of its profitability.

An ongoing stream of new foreign investment projects is currently underway, featuring a diverse range of ventures in New Providence, Exuma, Abaco, Long Island, Eleuthera, and Cat Island. With the continual expansion of tourism and foreign direct investment, we can

expect to witness an increase in entrepreneurial opportunities and job creation within these sectors.

Madam Speaker:

According to the Bahamas National Statistical Institute, consumer prices in January 2023 saw a slight dip of 0.1 percent, compared to December 2022. This decline was primarily influenced by a reduction of 1.3 percent in food and non-alcoholic beverages.

In February 2023, consumer prices again decreased by 0.1 percent compared to the previous month, with a decline of 1.1 percent in food and non-alcoholic beverages, and 3.4 percent in Miscellaneous Goods being the major contributors.

In this context, I would highlight that the ongoing enhancements in operations and processes at Consumer Affairs, the regulating body for price control in the Bahamas, act as a key reason for the moderation of price inflation. We have a new consumer protection bill that was laid and have already hired additional price inspectors in New Providence and the Family Islands. In addition, we have committed additional training and resources to the department to further address the cost of living.

Madam Speaker:

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

External reserves grew by \$76.9 million over the quarter to the end of March 2023 and totalled \$2.7 billion. This growth is primarily due to economic activity rather than foreign currency borrowings. However, this is notably lower than the previous year's growth of \$513.0 million, which included proceeds from Government's external borrowings.

During the three months to March 2023, bank liquidity reflected moderated growth.

For the period, the reduction in Bahamian dollar credit eased and commercial and other lending continued to rise.

In the external sector, the current account deficit narrowed at the end of 2022. This was mainly attributed to the growth in the services account surplus, which was further supported by the continuing rise in the revenue generated from the tourism industry.

Madam Speaker:

In line with projected global and U.S. economic developments, real GDP growth in The Bahamas in 2023 is expected to maintain the momentum that emerged in the post-pandemic period. As elsewhere, real growth this year is projected to settle in at somewhat more moderate levels, in the range of 4.3 percent. This reflects the very strong rebound that has already been experienced, but still remains at a level that is healthy by historical standards.

Nine-Month Fiscal Performance for FY2022/23

Madam Speaker:

I now turn to a review of fiscal performance during the first three quarters of the 2022/23 fiscal year, from July 2022 to March 2023.

I will first consider the position concerning Revenue.

Total revenue amounted to \$2.1 billion for the first nine months of the fiscal year 2022/23. This represents an increase of \$267.2 million, or 14.5 percent, when compared to the previous year.

To date, **total revenue** stands at 73.9 percent of the budget forecast.

To more properly assess the magnitude of this improvement, it can be compared to the performance in Fiscal Year 2018/19, the last normal year before the pandemic. In this

earlier period, total revenue collected during the first nine months of the fiscal year accounted for only 63.7 percent of the budget forecast.

Improved performance in respect of total revenue was supported by a period-over-period increase of \$291.3 million in tax revenue, which totalled \$1.8 billion during the period. To date, tax revenue accounts for 72.9 percent of the budget forecast.

Again, for the sake of comparison, tax revenue collected during the first three quarters of Fiscal Year 2018/19 represented only 62.6 percent of the budget forecast.

The following key points concerning the revenue are noteworthy.

Taxes collected on property grew by \$24.3 million and totalled \$130.7 million, which represents 77.1 percent of the budget target. This is in line with collection trends, as majority of property taxes are paid in the second half of the fiscal year.

VAT receipts improved by \$112.4 million and amounted to \$947.5 million, representing 67.1 percent of the budget target. This enhanced collection of Value Added Tax is due to a better economic climate when compared to the previous year, as well as the efforts of the reconstituted Revenue Enhancement Unit.

Stamp Taxes on financial transactions and VAT on real estate transactions grew by \$28.8 million and totalled \$80.5 million, which has surpassed the budget forecast by 16.3 percent or \$11.3 million.

Gaming Taxes grew by \$11.8 million to a level of \$49.2 million and represents 93.4 percent of the budget forecast at the nine-month mark.

Licenses to conduct special business activity, which comprise specific business licenses and communication levies, increased by \$8.1 million and totalled \$89.1 million. To date, this represents 68.2 percent of the budget forecast.

Taxes on international trade and transactions increased by \$151.4 million and totalled \$498.0 million. This category's strong performance, which represents 80.8 percent of the budget forecast, can be primarily attributed to the following factors:

Departure tax collections increased by \$80.0 million and totalled \$128.6 million, which has surpassed the budget forecast by 32.6 percent or \$31.6 million.

Excise duties firmed by \$63.5 million and totalled \$180.1 million, reflecting 66.8 percent of the budget forecast.

Customs and other import duties improved by \$7.8 million and totalled \$188.8 million, for 75.6 percent of the budget.

I would like to take this time to thank the public and the business community for their cooperation in acknowledging their responsibility. And the revenue agencies for their efforts.

Madam Speaker:

I will now review the position concerning Expenditure.

Total expenditure increased by \$145.3 million to a total of \$2.3 billion during the first nine months of the fiscal year. This accounts for 67.8 percent of the budget target.

In the **recurrent expenditure** component, spending increased by \$111.6 million to total \$2.1 billion, which accounts for 69.4 percent of the budget forecast.

Spending on compensation of employees increased by \$55.7 million to total \$594.0 million, representing 71.7 percent of the budget target.

In this regard, it is important to note the recent developments in labour policies that have brought about positive changes for public sector workers in The Bahamas. These include an increase in the public sector minimum wage rate from \$210.00 to \$260.00 per week, as well as industrial agreements that have been signed with various unions.

For instance, the Ministry of Education and Technical & Vocational Training, in collaboration with the three unions, has implemented a retention bonus scheme, and awarded salary increases and increments for teachers and administrators. Similarly, the Bahamas Nurses Union has successfully negotiated with the government to secure a retention bonus and other benefits for nurses.

In addition, public officers such as police officers, Defence Force Officers, and other orderly officers received a salary adjustment in December 2022, retroactive to July 1, 2022.

These developments signify a significant step towards offering equitable compensation for those who serve the public in The Bahamas.

Madam Speaker:

Looking now to other categories of spending:

Public debt interest payments increased by \$58.0 million to total \$391.8 million, and amounted to 70.0 percent of the budget forecast.

Payments on foreign currency obligations totalled \$197.2 million or 50.3 percent, while payments on our domestic debt obligations totalled \$194.6 million or 49.7 percent.

As a result of the tightening in global monetary policy, the average cost of borrowing in foreign currency has risen over the past 9 months.

Spending on the use of goods and services increased by \$29.0 million to total \$432.0 million. To date, this accounts for 64.1 percent of the budget forecast.

Current transfers not elsewhere classified increased by \$33.1 million and totalled \$163.3 million, or 63.9 percent of the budget forecast.

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

Government subsidies narrowed by \$20.9 million and totalled \$330.4 million. This equals 76.4 percent of the budget forecast.

Government's COVID-19 recurrent expenditure measures over the nine-months of this fiscal year totalled \$6.2 million. This represents a 94.4 percent decrease compared to the \$96.6 million distributed at the end of June 2022.

Madam Speaker:

In respect of **capital expenditure**, during the first three quarters spending increased by \$33.7 million, totalling \$193.9 million, which accounts for 54.0 percent of the budget forecast.

Expenditure on the acquisition of non-financial assets increased by \$42.4 million and totalled \$167.4 million, which represents 63.4 percent of the budget forecast.

This increase was the result of the following items of expenditure:

Investments in buildings other than dwellings increased by \$31.2 million and totalled \$83.4 million, which accounts for 68.1 percent of budget forecast. This mainly reflected higher expenditure on upgrades and maintenance of Government buildings, construction and repair of schools, and upkeep of the community.

Expenditure on transport equipment increased by \$3.4 million and totalled 5.7 million, which represents 49.3 percent of budget forecast. This was primarily owing to higher outlays for military vessel maintenance and motor vehicles.

Outlays for other structures increased by \$7.3 million and totalled \$53.0 million, which represents 59.2 percent of budget forecast. During the period, further investments were made towards New Providence roadwork.

Land improvement expenditures increased by \$1.2 million to total \$4.9 million, which accounts for 81.4 percent of budget. This was mainly attributed to parks and ground improvements.

Capital transfers declined by \$8.5 million and totalled \$26.6 million, representing 28.0 percent of the budget forecast.

The decrease in transfers can be attributed to the gradual decrease in COVID-19 and Hurricane Dorian support provisions.

Madam Speaker:

Central Government's fiscal performance for the first nine months of the fiscal year show a deficit of \$216.2 million, which accounts for 1.6 percent of nominal GDP. This deficit equates to 37.6 percent of the budget target.

Compared to the previous year, the deficit to date represents a decrease of \$120.1 million from the deficit of \$336.3 million in the same period of the prior year. The deficit in the previous year accounted for 2.7 percent of nominal GDP.

At the end of March 2023, the primary balance reflected a surplus equating to \$175.6 million, a striking improvement from the primary deficit of \$2.4 million in the previous year. The primary surplus experienced in the first nine months of Fiscal Year 2022/23 greatly exceeded the targeted \$25.0 million set in the Draft Estimates of Revenue and Expenditure, as well as the \$4 million deficit projected in the 2022 Fiscal Strategy Report.

The sizeable surplus signifies that primary government spending, that is public spending excluding interest payments, is less than revenue collection.

A continued primary surplus is essential to the target of achieving a balanced budget by Fiscal Year 2024/25, and reducing the burden of central debt over the medium term.

Madam Speaker:

As a result of net borrowing activities, central Government net debt increased over the nine months by \$290.8 million to total \$11.1 billion.

At the end of March 2023, domestic currency debt accounted for \$5.9 billion or 53.4 percent of total central Government debt.

Foreign currency debt accounted for \$5.2 billion or 46.6 percent of total central Government debt.

As I mentioned earlier, over the period, the debt-to-GDP ratio has been trending downwards.

At end of June 2022, the end of the previous fiscal year, the debt stock was equal to 87.3 percent of GDP. However, at end of March 2023, the end of the third quarter of the current fiscal year, the debt stock equalled 83.5 percent of GDP, which represents a 4.4 percent decline from end of June 2022.

Projected Outturn for FY2022/23

Madam Speaker:

As I mentioned, public revenue receipts were strong over the previous nine-month period. This was due to legislative reform, effective policy decisions, strengthened economic conditions and more efficient collection efforts.

Analysis of the trends of the first three quarters of this fiscal year, and the years prior, suggest that the government is potentially set to exceed the \$2.85 billion target set forth in the February 2023 Mid-year Supplementary Budget.

I am confident the revenue outturn at the end of the Fiscal Year 22/23 will near \$2.9 billion.

Public spending has remained on track, and is well within the budgeted amount.

For this reason I am confident that expenditure at end of the Fiscal Year 2022/23 will almost reach the target of \$3.1 billion set in the Supplementary Budget.

The primary balance will therefore record a surplus of \$68.4 million at the end of the fiscal year, a \$54.8 million increase from the \$13.6 million surplus projected in the supplementary budget.

Likewise, the overall deficit is expected to improve to \$520.6 million, down from the \$575.4 million outlined in the supplementary budget.

Government Financing

Madam Speaker:

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

The Bahamas' borrowing costs had begun to experience a downward trend in the previous quarter, but the cost of borrowing rose at the end of March 2023.

At the end of the third quarter, the total average cost of borrowing for current outstanding debt had risen to an interest rate of 5.55 percent. This is notably higher than the previous year's rate of 4.93 percent at the end of March 2022. This increase in borrowing costs is primarily attributable to the higher costs associated with external loan facilities.

More specifically, the average interest rate for external financing has risen by 1.99 basis points, resulting in a rate of 5.55 percent as of March 2023, compared to the preceding year's 3.56 percent.

Throughout the past year, the interest rate policies of the major Central Banks have been restrictive, with a series of interest rate increases. These adjustments have been primarily motivated by the escalation of inflation, and the resulting upsurge in interest rates has had an impact on the Bahamas' external borrowing costs.

However, the cost of borrowing in the domestic market has been declining over the past quarters.

Looking at it in more detail, we can see that:

- The average interest cost for **domestic loans** subsided by 27 basis points to 4.62 percent at end of March 2023, from 4.89 percent in the previous year;
- And the average interest cost for **domestic bonds** subsided by 3 basis points to 4.63 percent at the end of March 2023 from 4.66 percent in the previous year.

These statistics affirm the government's latest medium-term debt strategy, which aims to shift its borrowing away from costly external commercial debt. Such debt has seen a sharp increase over the past five years, including recent interest rate hikes. This strategic move will enable the government to once again rely predominantly on the domestic market to meet its financing requirements.

Madam Speaker:

When considering the maturity of debt, or the average time it takes to repay the principal amount in the government's debt portfolio, a longer maturity period leads to a reduction in refinancing risk. In essence, prioritizing longer maturities is key to managing debt effectively.

And so another element of the government's medium-term debt management strategy is the goal of prolonging the average maturity time of its debt.

In the face of unprecedented turbulence in the global financial markets, the Government was able to maintain its average time to maturity. At end of March 2023, the average time to maturity has decreased slightly to 6.7 years, down from the previous 6.8 years in March

2022. This variance is due solely to the external loan component, as the average time to maturity on internal debt has remained steady at 7.1 years.

This highlights the significance of maintaining a prudent approach to debt management, and aligning this administration's practices with the government's optimal debt strategy.

Madam Speaker

It is imperative that we continue to exercise prudence in this area to ensure financial stability.

Capital Market Development

Madam Speaker:

In our view, The Bahamas has the potential to expand the domestic government securities market, and reduce its dependence on external borrowing. This shift towards higher domestic financing could provide a more sustainable and stable source of funding for the country's needs.

In order to assist with the development of the government securities market in The Bahamas, a team from the International Monetary Fund conducted a technical assistance mission in March 2023. During their visit, they evaluated the current state of the country's sovereign debt market and provided suggestions for improvement.

These recommendations were focused on three main areas: the primary market, cash management, and investor relations management. The IMF team suggested implementing a more structured approach to these areas in order to facilitate growth and success in the local currency government bond market.

In line with this approach, there are a number of initiatives being planned for the strategic expansion of the local capital market. The rollout of the Bahamas Government Securities Depository (BGSD) in January 2023 was the first and most fundamental milestone in this process.

Building on this modern infrastructure, the Central Bank and the Bahamas International Securities Exchange finalised the direct connection between the trading system and the BGSD in May 2023.

The direct and automated settlement of Government securities strengthens the efficiency of the secondary market. Looking ahead, the BGSD will rollout competitive bidding for primary market Bahamas Registered Stock issuances early in the fiscal year, thereby, allowing the market to price Government bond issues.

This initiative will enhance price transparency, allow for the development of a true domestic yield curve, while at the same time strengthening the local bond market.

Madam Speaker:

In terms of policy reform, a significant step forward will be to promote and encourage an increase in the level of Government Securities held by regulated and unregulated businesses.

Therefore, in this budget, the Government is removing any tax on the interest income that a business would otherwise incur by holding any type of Government securities.

In addition, there will be the formulation of a master repurchase agreement for Government securities. This initiative will add agility to the local bond market and bolster Central Bank monetary policy operations. In the long-term, the Government will seek to implement buy-backs and switches to standardize and increase the depth of securities trading across the secondary market.

Credit Ratings

Madam Speaker:

The COVID-19 pandemic, and the poor policy response by the government of the day, along with the wasteful public borrowing which accompanied it, led to historically high debt levels for The Bahamas.

So notwithstanding the fact that the macro-fiscal performance has now improved, the overhang of debt has been a significant factor in credit rating actions during this period.

Therefore, in October 2022, Moody's Investor Services downgraded The Bahamas' credit rating from Ba3 to B1, largely due to the unsustainable rise in debt undertaken by the previous administration. However the outlook was revised upwards to 'stable', reflecting Moody's confidence in our strategies. Confidence was also buoyed by the early harvest, which include the recovery of our tourism-driven economy and a reduction in the fiscal deficit.

In November 2022, S&P Global Ratings affirmed The Bahamas' credit rating at B+ with a stable outlook, citing positive economic growth and overall confidence in the this administration's strategy which is reducing the fiscal deficit and slowing the growth of government debt.

Multilateral Financial Institutions

Madam Speaker:

The Inter-American Development Bank and the Caribbean Development Bank are the primary development partners for the Government. Both institutions have provided considerable and invaluable support since the COVID-19 pandemic. Multilateral Financial Institutions offer a comparatively lower-cost source of financing for the Government, when compared to commercial borrowing.

Madam Speaker:

The CDB has a portfolio of 7 loans valued at \$111.4 million and the IDB has a portfolio of 23 loans valued at \$836.6 million. In addition, the Government is presently seeking IDB board approval for two policy-based guarantee instruments, which will allow access to market financing at even more favourable rates. These guarantees will support the Government's debt management operations during the upcoming 2023/2024 fiscal year, which also contemplates a Debt-For-Nature swap.

A Debt-For-Nature swap is an arrangement whereby a developing nation can have a portion of foreign debt forgiven, typically in exchange for committing to specific conservation measures.

Several key features of the guarantee are worth noting:-

It will contribute to a reduction in the cost of the Guaranteed debt issued by the government; and also Include a policy matrix determined by the Ministry of Finance In conjunction with the IDB

A key component of the Government's fiscal strategy is to use access to the CDB and IDB financing to lower our overall funding cost, by leveraging the institutions' AAA credit rating. Reduced borrowing costs and improved debt tenor, are tools which should improve the overall debt profile of the nation.

Madam Speaker:

This survey of the macroeconomic conditions affecting the Bahamian economy offers a clear context of the conditions under which the budget has been constructed.

I turn now to Part 2 of this Communication, and will outline the key fiscal policy measures within this budget.

This will include the revenue and expenditure measures reflecting the Government's priorities in respect of National Security, Economic Security, and in securing the Lives and Livelihoods of the Bahamian people.

In addition to the measures outlined today, further details and a greater scope of other policy priorities will be addressed in the Second Reading.

National Security

Madam Speaker:

National Security remains the number one priority for every country in the world. Governments have a primary duty to defend their borders and to keep their people safe.

And so it is here in The Bahamas.

Trafficking & Smuggling: Securing our borders

The Immigration Plan which we launched a few months ago, to strengthen our security at the border, is now bearing fruit.

The international partnerships we have secured and fortified have led to a reduction in illegal migration.

We will continue to strengthen our approach by providing four new vessels to the Royal Bahamas Defence Force, and continue implementation of our Immigration Plan, 'Operation Secure/Restore'.

In recognition of the service which our Defence Force personnel give, we are providing enhanced allowances for sea-going and technical personnel of the Royal Bahamas Defence Force.

This budget also provides funding for a new Shanty Town Task Force. This is a new line item of expenditure, to support the demolition of illegal and unregulated communities.

Looking firmly within our borders, Madam Speaker:

When asked, many Bahamians cite crime or the fear of crime, as one of their main concerns.

A few months ago, I visited the S C McPherson Junior High School, and invited the children to ask me questions. Many of the questions from these fine young people related to crime.

Their anxiety is hardly surprising, given the reports and images of violence which unfortunately have become part of our daily lives.

The fact that so much of violent crime is gang-related does not mean that we should care any less about such senseless waste of life.

Madam Speaker:

I want our Bahamian children to grow up without these fears.

I want them to dream big – but if a child is worried about the safety of a brother, a friend, a cousin – or if a child is worried about his own safety – it is hard to ask him to expand his ambitions. Fear can be a powerful inhibitor, a formidable obstacle to achieving one's full potential. This limiting of dreams might not show up in official statistics, but I see it in the faces of children who should be enjoying carefree childhoods but who instead have already known too much fear and apprehension.

For our beautiful, extraordinary children – for all of our people – we are determined to make The Bahamas safer.

Madam Speaker:

We have launched a number of initiatives to reduce crime. The results so far, although promising, are not coming as quickly as any of us would like; poverty, despair, and violence have deep roots.

We have expanded the Urban Renewal Programme.

We have recruited hundreds of new Police, Defence Force, Correctional and Immigration officers. We have also increased funding for police saturation patrols and the recruitment of new officers. To assist these officers in their work, we have already acquired over 150 vehicles, including 100 dual cab trucks and 50 motorcycles.

As part of our commitment to rehabilitating offenders, so that they may become better citizens once they are released, we have increased funding for the Second Chance program to reduce recidivism, or, in other words, reduce the likelihood of a return to criminal activity.

Madam Speaker:

In this budget, I am pleased to announce that we are implementing an even more comprehensive approach to fighting crime. This covers a full range of interventions, including Prevention, Detection, Prosecution, Punishment and Rehabilitation.

Funding will be provided for the renovation of community centres in the inner-city areas of New Providence.

In order to better serve those involved in the administration of justice, the premises and facilities of the courts will be renovated, and a new judicial complex built.

We will continue to invest in technology such as CCTV and body cameras for the Royal Bahamas Police Force, as well as acquire additional vehicles and hire new staff.

We have allocated funding to build a Women's Shelter, and we are increasing legal aid support for victims of domestic violence, both within the social services framework, and with a Victim Care Fund within the office of the judiciary.

My government is fully committed to fighting crime, fighting the causes of crime, and increasing support for victims of domestic violent crime.

Before I move on, Madam Speaker, I wish to offer a brief thought about an aspect of national security which I believe may, in time, grow into a cause for concern.

Madam Speaker:

I wish to make clear how much I deplore and condemn efforts by some in our country to weaponise issues around national security, for their own political and financial benefit.

Violent and often racist language, abusive invective, and dehumanisation have no place in our society.

As many of us were once on the receiving end of this kind of talk, this is the kind of history we should have put firmly behind us.

We are all God's children, made in His image, and worthy of His grace.

Yes, we must and will defend our borders.

Yes, we must and will uphold our laws.

But we can and must reject poison and hatred.

I will leave it there.

Madam Speaker:

When I spoke earlier of the turbulence and chaos of recent years, I referred to the experience of many Bahamians, for whom the passage of Hurricane Dorian and the shutdown associated with the Covid-19 pandemic, introduced degrees of economic uncertainty they had never known.

Some people lost their homes, others slept in their cars.

Some struggled to find regular meals to feed their family, while others struggled to provide the most basic level of financial support for their loved ones.

We do not forget those dark times.

But it strengthens our resolve to build an economy which is ready not only to weather economic storms, but is also sufficiently resilient to move us closer to the ideals of Economic Justice and Dignity.

If we can build Economic Security, then Bahamians can have more confidence that the economy works for them; and have even greater confidence in planning for their future.

Investment is obviously a cornerstone of activity, and so we will continue to seek to attract increased foreign and domestic investment.

We especially want to encourage greater participation by Bahamians in the economy by promoting Bahamian Ownership through support for Small and Medium-Sized Enterprises.

Strengthening The Public Finances

Madam Speaker:

This government has set a number of medium-term budgetary targets and has committed to diligent and prudent financial management. Moreover, we plan to utilize innovative financing methods through effective public-private partnerships.

A key focus will be to generate more revenue for the public purse, without raising taxes. This means no increase in the VAT rate, and no increase on customs duties, excise duty, tax rates, and real property tax rates.

We will instead increase revenue collection by improving tax compliance and enforcement. This is based on the simple principle of fairness.

Most people pay their taxes.

Why should some people be allowed not to?

If people are experiencing hardship, or if there are other extenuating circumstances, we invite people to come and talk with us. We can usually come to some form of agreement.

It is noteworthy that, when pressed to do so, a significant number of people readily pay off their arrears. This suggests that they weren't unable to pay their taxes, they simply didn't do so.

We understand that our approach differs from that of the previous administration, who disbanded the Revenue Collection Unit and allowed a select group of people not to pay their taxes, but we consider that approach offensive to sound fiscal management and basic principles of fairness.

Strengthening The Public Finances

To implement this policy, we will introduce the following measures.

We will establish a Large Taxpayer Unit to improve compliance and revenue collection from the 100 or so businesses that account for \$1.7 billion in taxes.

We will implement a national revenue targeting centre that uses technology to identify anomalies in revenue reporting among taxpayers, which will lead to more efficient audits.

And we will improve revenue collection in the Family Islands by increasing staffing levels in revenue collection agencies in the Family Islands.

In other measures, we will introduce and implement an updated fee schedule for the registration of pleasure crafts to address chronic revenue underperformance in the marine sector.

We want our State Owned Enterprises to succeed, and we are determined to improve transparency, efficiency, and profitability in the way they operate.

We have decreased the budget allocation for SOEs from the previous budget.

We will also issue clear expenditure guidelines to SOEs to ensure transparency and financial responsibility in the conduct of their businesses to ensure that it confirms with the national fiscal objectives.

We will also implement a plan to increase revenue by collecting dividends from State Owned Enterprises.

As part of the package of broader measures we are adopting, we will continue to reduce customs and excise duty rates to encourage investments.

As much as has been achieved to revive abandoned relationships and restore the reputation of The Bahamas on the world stage, we will reduce travel expenditure to a level at or below Fiscal Year 2019/20 levels.

We will further advance efforts to introduce a contributory pension scheme for public sector employees to ensure that all can benefit upon retirement.

Infrastructure Investment

Madam Speaker:

Investment in infrastructure is a key method of promoting growth in The Bahamas.

As well as providing much needed services for the Bahamian people, critical and key infrastructure are necessary for economic development.

And so the government will continue to leverage private sector financing through public-private partnerships and continue to undertake projects such as road and airport development in various islands.

Major new projects already identified include road projects in Cat Island, Long Island, Eleuthera, and Exuma.

Major airport projects in Cat Island, Exuma, Long Island, Grand Bahama, Bimini and several other islands are also being planned.

Cost of Living

Madam Speaker:

The high cost of living in The Bahamas is well-known, and experienced by everyone.

In order to temper the effects, we have already increased the minimum wage, granted promotions across the public service, and, in partnership with the labour unions, sought to secure better employment for working people.

In this budget, we have allocated \$4.7 Million to continue an Employment Program in Grand Bahama.

We have also provided for salary increases outlined in multiple public sector agreements, benefiting Police Officers, Defence Force Officers, Prison Officers, Social Workers, and others.

We are proud that we have ended years of uncertainty and disquiet within the labour movement by completing 18 union agreements.

And we have signed a three-year agreement, to run from July 2022 - June 2025, to increase allowances and salary scales through a \$40 Million Industrial Union Agreement.

We have also allocated funding to the Ministry of Finance for a thorough evaluation of salaries in the public sector to ensure equitable compensation.

Food Security

Madam Speaker:

The Government has implemented various programs to strengthen food security over the medium term.

For example we have introduced the 'Golden Yolk Egg Program' which facilitated the purchase of chickens for domestic egg harvesting on a larger scale.

Going forward we will continue to increase food security and maintain capital expenditure in agriculture.

We will implement a new Agriculture Administration Cadet Program.

We have set aside funding for the expansion of BAMS and other Farmer's Markets in New Providence, and to support the supply of equipment to assist farmers in land development.

We will fund a number of initiatives to directly increase local agriculture and fishing.

We will use Green House Investments for local produce cultivation.

The Fishing Pot Programme trains fishermen how to make and use pots as a means of fishing.

We will promote the Citrus Tropical Orchard development in Andros, Cat Island, and Eleuthera.

And we will promote the 'Hydroponic Program and Rise Bed' initiatives in primary schools to teach children a more efficient means of growing produce.

Strengthening Climate Resilience

Madam Speaker:

Since coming to office, I have championed the cause of The Bahamas and other Small Island Developing States, and the need for the carbon-producing countries to do more to help us.

While things are slowly but promisingly moving forward, we need to move at pace to improve our state of readiness.

And so The Government, in collaboration with the Inter-American Development Bank, is executing an \$80 million project, aimed at mitigating the impact of climate change.

Even though The Bahamas' carbon footprint is negligible compared to the industrialised countries, we are committed to doing what we can to reduce our carbon emissions.

And so, as part of our focus on transitioning to renewable energy, we have allocated \$22 million for the adoption of Solar technologies on sites in Mayaguana, Inagua, Crooked Island, Acklins, and Long Cay.

We are already in negotiations to reduce the carbon footprint of Bahamas Power and Light (BPL) and make electricity more affordable.

And we are negotiating a \$20-million facility to encourage the adoption of green technology among small and medium businesses.

The work we have been doing over the past one and half years to develop a new carbon market, continues apace.

Even small countries like ours have a role to play in helping to move the planet towards net zero.

National Youth Guard

Madam Speaker:

I am especially pleased to announce today that we have provided funding in this budget for the National Youth Guard Programme.

By investing in this program and the young individuals who successfully complete it, we are not only supporting their personal growth and development, but we are also investing in the future and security of our nation.

Through this program, we are able to establish a strong and capable group of young individuals who are equipped to provide aid and support to both public and private agencies in times of emergency and disaster.

This investment in our youth serves as an investment in the well-being and protection of our country as a whole.

Madam Speaker:

So many factors contribute to our individual sense of personal security, the things we need to secure our lives and livelihoods.

In this budget, we are introducing a broad range of measures, specifically relating to Education and Skills, Health and Wellness, and Housing and Home Ownership.

Education is the number one path to success, and yet if a young person is malnourished or suffering from an otherwise preventable condition, their life chances are greatly restricted.

Similarly, lack of decent housing not only compromises the education potential for students, but the potential for work and stability for those with jobs.

And so we are introducing a number of measures linked to promoting a greater sense of personal security.

And so, Madam Speaker, In order that our children can put aside thoughts of hunger and concentrate on their schoolwork, today I am pleased to announce that my government will be introducing a new 'National School Breakfast Programme',

Because hunger does not only afflict students, we will also establish a 'Special Food Assistance Program' to provide funding for organizations operating feeding programs for vulnerable individuals.

Health and Wellness

Continuing our efforts from our last budget to promote better health and greater wellness among the Bahamian people, in this budget we are providing funding to continue the development of a new health facility in Grand Bahama, to build a new hospital in New Providence, as well as continuing to improve the infrastructure for Family Island Clinics.

To make healthcare more affordable, we will consolidate National Health Insurance and the Prescription Drug Plan into an overall health policy.

The provision of health insurance is costly, but the Government realizes that this is a necessary benefit for many employees. And so the Government is aggressively taking steps to protect this benefit for as many employees as possible. Once these plans become more crystallized, more information will be provided.

In particular, given some of the speculative commentary recently, I wish to make clear that members of the uniformed branches of our services will continue to benefit from insurance coverage, and new members will still be eligible for subsidised dependent coverage.

And finally, Madam Speaker, in relation to healthcare, in a first for The Bahamas, we will be supporting the creation of the first ever 'National Organs Transplant Programme' in The Bahamas. I trust that this will become a life-saving benefit to many, who depend on such generous donations for their very survival.

Home Ownership and Rent-To-Buy

Madam Speaker:

Homeownership is the dream of many Bahamians, a dream that can be realized.

However, many are currently struggling to achieve this dream because of elevated building costs, as well as the limited supply of housing stock driving up home and property prices.

While the government has no intention of policing the housing market beyond the necessary checks and balances, it is evident that some intervention is needed to assist those in need.

For that reason customs duty rates were lowered on select building materials, to alleviate some of the construction costs of new homes. We are extending the first home exemption benefits for owner occupied residents up to triplexes.

To address the limited supply of houses, concessions for housing projects have been expanded to non-government entities for projects with a maximum value of \$300,000 in construction cost per unit.

Moreover, the Government has made investments in a rent-to-own program. This budget includes funding to accelerate these efforts.

This programme holds significant importance for individuals and families looking to achieve homeownership, but who face financial barriers.

This programme offers an alternative path towards acquiring a home by allowing tenants to rent a property with the option to buy it later.

These potential homeowners will have the opportunity to demonstrate their ability to meet financial obligations through monthly rental payments before making a long-term commitment.

This option not only fosters a sense of stability and pride for tenants, but also promotes home ownership, widely regarded as a cornerstone of wealth creation and community development.

Education & Skills

Madam Speaker:

Just yesterday, I had an exciting video call with the students at the Forest Primary School in Exuma.

Their excitement, enthusiasm and optimism was infectious, and I wanted to make special mention of them today.

There was a different kind of excitement amongst the students graduating last week from the University of The Bahamas, no doubt for many the first move from academia and hopefully into the world of work.

A striking feature of the graduating class was that about 80% of graduates were female.

Given that the Bahamian population is fairly evenly split between males and females, it was noteworthy and disappointing that more of our young men are not taking advantage of the free, university education which is on offer.

We must make more active efforts to encourage them.

Madam Speaker:

My government has already increased the investment in education, and we will continue to do so.

In terms of infrastructure, we have expanded the Bahamas Technical and Vocational Institute (BTVI) to the Family Islands.

In terms of education and skill development, we have increased teacher salaries by 15% and implemented a retention bonus scheme.

To address the shortage in teachers, we have recruited 200 additional teachers, teachers aides, and guidance counsellors.

To help recover the learning loss which resulted from the lockdowns during the Covid-19 pandemic, we have initiated the "Find Every Child Initiative" and a national learning loss testing initiative, which are showing positive results.

And we have launched the National Smart Start Program in partnership with the Ministry of Education and Technical and Vocational Training.

Looking ahead, in this budget we will increase funding for the Bahamas Agricultural Marine Science Institute (BAMSI) and the Bahamas Technical and Vocational Institute (BTVI).

We will also increase funding to the Ministry of Education.

Madam Speaker:

I am especially pleased to announce that we have also allocated funding for a School for the Creative and Performing Arts, which takes us a step closer to fulfilling the dreams of many, and a key promise which we made during our election campaign.

As a part of our commitment to investing in Young People, Sports and the Arts, we have also budgeted to host major international sporting events, such as the CARIFTA Swimming Championship, the CARIFTA Triathlon Championship, and the World Relays.

The hosting of these sporting events plays a crucial role in our 'Sports in Paradise' initiative, as it not only celebrates athleticism but also creates a platform for aspiring Bahamian athletes to shine. This in turn can lead to a plethora of opportunities and avenues for their future success.

Madam Speaker, you may be aware of my long association with swimming, so it will come as no surprise that I am very excited that we have made provision in this budget to construct a 50-meter pool in Grand Bahama and to develop a Family Island Sports facility. The facility in Cat Island is already near completion and serves as a benchmark for other facilities throughout The Bahamas.

And as sailing has recently been proclaimed as the national sport, we have set aside funding in this budget to develop it.

At this point, I wish to acknowledge that in the aftermath of the pandemic, we appreciate that numerous civic and non-governmental organizations are facing persistent challenges in resuming their usual operations. And so this budget contains increased allocations for independent schools and children's homes.

This, combined with the increase in social services benefits which was a feature of last year's budget, demonstrates this administration's commitment to assisting the most vulnerable among us.

Projected Fiscal Outturn in FY 2023/24

Madam Speaker:

I will now elaborate further on the fiscal projections for the Fiscal Year 2023/2024.

As I alluded to earlier in this Communication, the Government is committed to following the methodologies and projections in its 2022 Fiscal Strategy Report as closely as reasonably possible.

Since the preparation of the 2022 Fiscal Strategy Report, international lending conditions firmed, leading to higher than usual interest fees.

As a result, amendments were made to accommodate higher spending on interest payments in the upcoming fiscal year.

Therefore the deficit as a percent of GDP for the upcoming 2023/2024 is 0.2 percent, higher than the 0.7 percent deficit target set forth in the 2022 Fiscal Strategy Report.

Please note that, despite this, the national deficit as a percentage of GDP remains subdued.

Barring the advent of unforeseen developments, we are still on track to achieve a balanced budget by 2024/2025.

Madam Speaker,

The following outlines the fiscal plan for the upcoming year.

Recurrent Revenue is projected to be \$3.316 billion, recurrent expenditure is projected to be \$3.085 billion, and the recurrent surplus is projected at \$230.7 million.

For the current year, we are projecting a recurrent deficit of \$164.3 million, reflecting a \$395 million change.

Interest expense is projected at \$612.7 million, and the surplus on the primary balance is expected to be \$481.6 million in comparison to \$68.4 million from the current fiscal period.

Capital expenditure is projected at \$364.6 million, a modest increase of \$5.6 million.

Capital revenue is projected to remain unchanged at \$2.8 million, and the overall deficit, which excludes debt repayment, is projected to be \$131.6 million.

This projected deficit for the Fiscal Year 2023/24 is a \$389.5 million decrease from the current year's projected outturn, and represents 0.9 percent of GDP.

This is aligned with the targets laid out in the 2022 Fiscal Strategy Report and reaffirms the Government's commitment to fiscal prudence.

Conclusion

Madam Speaker:

As I said at the beginning of this Communication, our annual budgets are a cumulative effort.

Even though we already see signs of progress, the full beneficial effects of the measures which we have already introduced, will take several years to fully mature.

We also understand that for those who are struggling with day-to-day challenges, they urgently need help, and opportunity and support, and so we are also mindful to step in and step up to help to improve the lives of the Bahamian people.

In setting the priorities of this budget, we seek to provide security in a number of meaningful and impactful ways.

By continuing to strengthen our borders, and fight against the scourge of crime, we will increase and improve our national security.

By raising much-needed revenue without adding any new taxes, we can expand the range and quality of services and investment on which Bahamians rely.

By also prudently managing our public expenditure, and adhering to our debt management strategy, the public finances will become ever-more stable.

In helping to ease the burden of the cost of living, enhancing food security, diversifying the economy to expand the number of jobs and increase the potential for wealth creation, we will provide greater economic security for the Bahamian people.

And by making ourselves better prepared and more resilient to the impact of climate change, improving people's life chances by investing in health, education, housing and job opportunities, we can better secure the lives and livelihoods of all.

And as we go forward, we must ensure that the rising tide lifts everyone, that none are forgotten or left behind.

As a Member of Parliament representing a Family Island constituency, I was especially proud a few weeks ago when I attended the coronation in London, and walked into Westminster

Abbey behind a young woman from Mayaguana, who carried our gold, black and aquamarine flag.

She hails from one of the least-populated islands in our small country, and there she was, confident, marching forward, waving our banner high.

It was a moment of great symbolism.

This young lady from Mayaguana, and me, this once-young boy from Cat Island, stepping forward to represent our great country.

Who'd have thought it?

This is part of the great promise of Independence that we should celebrate this year.

I firmly believe that Bahamians can achieve greatly, whenever we put our minds to it.

What each of us needs is just an opportunity.

Madam Speaker:

With a greater sense of security afforded by this budget, I pray that Bahamians everywhere will continue to lift themselves up and greet a brighter tomorrow.

I am forever grateful to the People of Cat Island, Rum Cay and San Salvador who have trusted and privileged me to represent in this Honourable House.

May God continue to bless them, as he continues to bless the Commonwealth of The Bahamas.

Thank you.

