



THE WAY FORWARD

—BUDGET 2022—

A PLAN FOR RECOVERY & PROGRESS





The Budget...In Brief

The ‘Budget 2022: The Way Forward’, the Davis Administration’s first budget, comes at a time of immense challenges for the Bahamian people and reflects a determination to both address the immediate crises and build a better future.

The Challenges

The nation continues to grapple with the COVID-19 pandemic, new challenges have emerged as we re-establish a positive growth trajectory. Around the world, global trade is still being disrupted by issues arising out of the pandemic, leading to supply chain interruptions and higher prices for imported goods. These factors, together with high energy prices and geopolitical tensions, have caused a spike in inflationary pressures.

This is keenly felt in The Bahamas because of our high dependence on imported goods; and based on the IMF’s projections, high rates of price gains are likely to persist for some time. High inflation erodes purchasing power, reduces the amount of money businesses and consumers spend, and invokes a tightening in macro-economic policy, which has implications for slowing economic growth.

The Outlook

Notwithstanding these risks, the economic outlook remains encouraging, in part because of government strategy to address the harmful effects of the ongoing inflation pressures on consumers, and proactive steps to ensure more durable and broad-based economic growth in the fiscal year ahead. Domestic economic activity is expected to maintain its growth momentum in 2022, however, the speed of this rebound is reliant on the alleviation of all global travel restrictions and broadening of vaccination efforts across countries.

A Plan for Recovery and Progress

This budget puts the nation on the path to continued economic recovery and charts a course to navigate the new challenges facing the Bahamian people, especially since the beginning of 2022, as well as maximise opportunities and deliver the growth necessary to support national development.

The Budget focuses on three central priorities:

- Softening the Impact of Inflation
- Creating Jobs and Opportunities
- Addressing Security

The first priority is to help Bahamians cope with a cost-of-living crisis. In recent months, geopolitical conflict and continued supply chain disruptions around the world have caused prices to rise dramatically, which has put pressure on everyone, especially the middle class and the most vulnerable. Our strategy for softening the impact of this global inflation crisis includes a mix of broad-based import duty reductions, increased enforcement of price controls, increased social assistance, and new health care measures amongst others.

Addressing the issue in the medium-and-long-term, this budget outlines significant investments in agriculture, to increase the nation’s food security, better weather volatility in global markets and create new opportunities.

The second priority is the creation and expansion of jobs and ownership opportunities for Bahamians. These include planned investments in the Orange, Green and Blue economies to ensure the long-term development of the country, support for Small Businesses, and investments in Education and job training to address the learning loss young people have experienced these past years and to provide avenues for job creation.

And finally, the third priority addresses various security issues, to make our communities and homes safer and our borders more secure. The budget allocates significant investments in the three core national security agencies - the Bahamas Department of Corrections, the Royal Bahamas Police Force and the Royal Bahamas Defence Force.

And as one of the top ten countries in the world most vulnerable to climate change, this budget prioritises climate security and resiliency to ensure that The Bahamas is better able to withstand the impacts of rising sea levels, erosion of our coastal and marine resources, and adverse weather events.

Funding Recovery and Progress

This ambitious agenda is being funded without any general increase in taxes or rates. There are, however, some new and very targeted fees and reforms, developed to ensure our tax system is fair and equitable, that no single taxpayer has an advantage. These include but are not limited to: measures to ensure those who can pay property taxes pay do pay, new fees and licences for financial service providers, new fees within the Road Traffic Department, and increased royalties for the export of seafood.

Ultimately, this budget provides a foundation to strengthen our nation, to empower the Bahamian people and economy, and to face the future with optimism. It provides support for the here and now, and also charts The Way Forward for a brighter tomorrow.



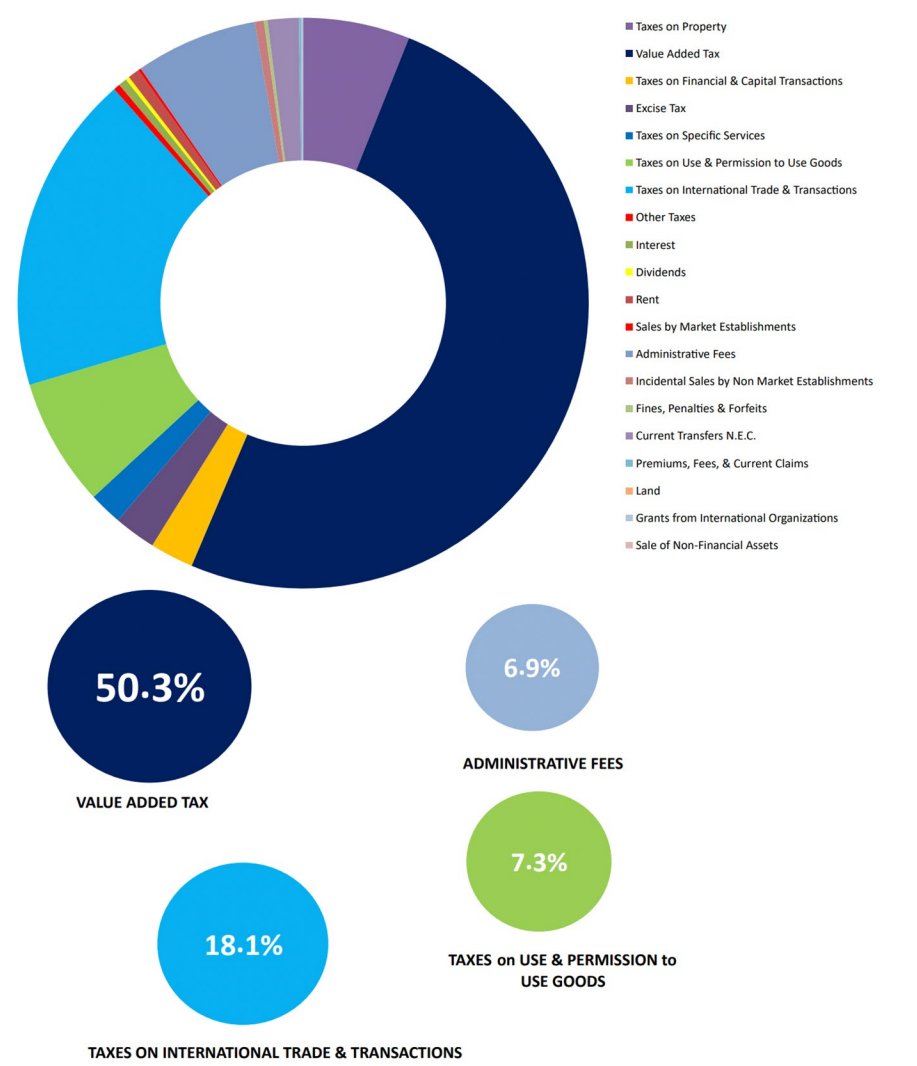
Fiscal Projections in FY2022/23

Revenue

The Way Forward projects a significant rebound in the Bahamian economy. **Total revenue** is projected at **\$2,804.4 billion**, a **19.9 percent increase** over the prior fiscal year owing to many revenue enhancing strategies and outcomes such as:

- Increasing Real Property Tax collections and compliance.
- An improved VAT performance, based on the economic rebound.
- Growth in other fees as a result of improved revenue administration.

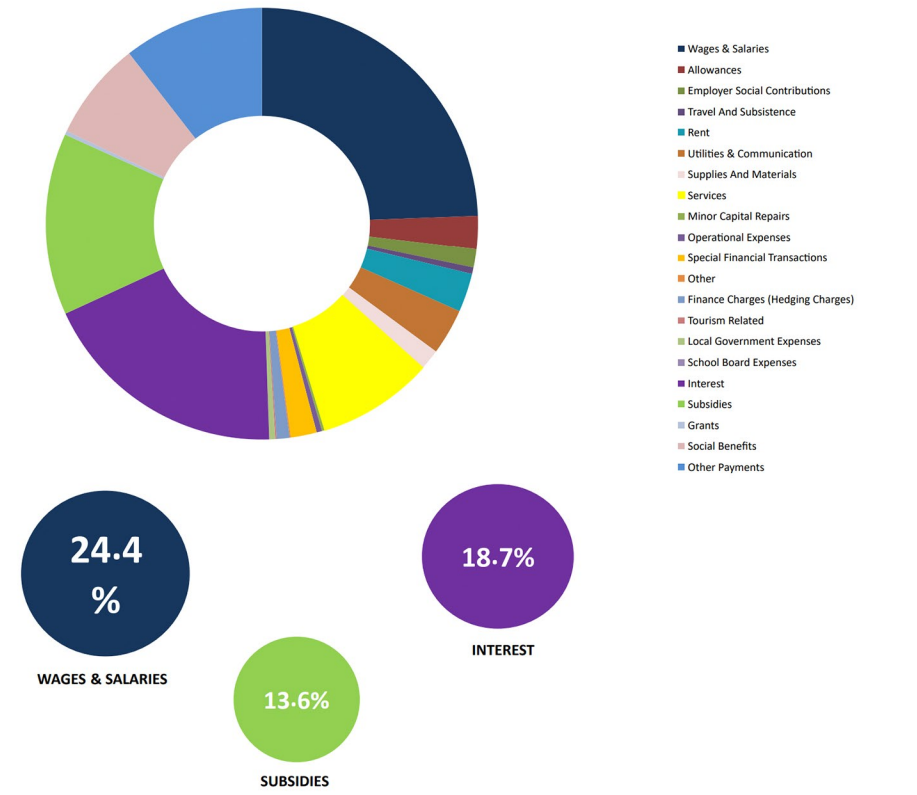
2022 REVENUE SUMMARY GRAPH
SOURCE: MINISTRY OF FINANCE



Expenditure

Total expenditure is forecast at \$3,368.4 million, with recurrent expenditure projected at \$2,997.2 million, and capital expenditure estimated at \$371.1 million.

2022 EXPENDITURE SUMMARY GRAPH
SOURCE: MINISTRY OF FINANCE



Deficit

With the implementation of prudent fiscal management principles, the fiscal deficit under the current budget is estimated to be \$564.3 million or 4.3 percent of GDP, a significant decrease from prior years.

The Way Forward: A Plan for Recovery and Progress

A Plan for Softening the Impact of Inflation

Bahamians are struggling to afford everyday essentials, and ongoing supply chain disruptions have resulted in rising prices around the world and a cost-of-living crisis here at home. The budget outlines immediate steps to provide relief, offset the impact of inflation, and buffer against future shocks through lower import duties, greater social assistance, enhanced food security and more accessible health care services.

A More Affordable Bahamas

Countermeasures for Rising Prices

- Duty reductions for a broad list of foods and building materials.
- Increased enforcement of Price Controls.

Enhancing Food Security

Reducing Reliance on Imports in the Medium and Long Term

- \$6 Million for food security initiatives.
- Over \$1.5 Million in grants and concessionary support to farmers.
- Agritech hubs, training facilities and container farms on Family Islands.



A Living Wage for Bahamians

Wage Increases for Public Officers

- Pay Increases for most public officers and the full reinstatement of increments.
- Increase to the minimum wage for public servants, with incremental increases starting July 2022.
- New contributory pension plan for the public service.
- Pay Rise for Teachers and retention bonus to teachers and nurses.

Relief for the Most Vulnerable

- Funding for social assistance increased by 50% in comparison to pre-pandemic levels.
- Re-introduction of the RISE conditional cash transfer programme
- 10% increase in funding for NGOs.
- \$500,000 for a new Women's Shelter.



Improved Access to Healthcare

Support for Catastrophic Care

For the first time the Government can provide meaningful assistance to Bahamians facing serious medical issues, including dialysis and heart patients.

- \$10 Million for catastrophic health care in this budget.
- \$150 Million for new Grand Bahama Hospital, to break ground this fiscal year.



A Plan to Create Jobs and Opportunities For Bahamians

The Way Forward outlines a policy package to bring economic empowerment and greater Bahamian ownership. The budget includes initiatives which will expand opportunities for Bahamians, address critical issues in education, bring development to underserved communities, create jobs, and foster an environment where Bahamians can thrive.

Bahamian Home and Land Ownership

Addressing the Ease and Cost of Buying Property

- **Expanding Concessions to First-Time Homeowners.**
 - Increasing level of exemption for first-time homeowners from \$250,000 to \$300,000.
 - Refund on up to \$40k VAT on construction services/materials.
- **Reduced VAT on property transfers below \$1 Million and eliminating VAT on land-transfer between joint tenants.**
- **Reduced rates on commercial property taxes.**

Encouraging Small Businesses

- **\$50 Million to small business development through: Bahamas Development Bank, Bahamas Agriculture and Industrial Corporation, The Venture Capital Fund and The Small Business Development Center.**



Investing in Education and Training

- **Funding to study and address Learning Loss over the pandemic.**
- **Salary increases and retention bonuses for Teachers.**
- **New School for the Creative and Performing Arts.**
- **Partnership between the Bahamas Maritime Authority and the LJM Marine Academy to offer more training opportunities for Bahamians in the Maritime Sector.**

Family Island Development

- **The Family Island Development Trust Fund - 10% of revenue collected in the Family Islands from property tax and road traffic fees to fund Family Island Infrastructure.**
- **Creation of a fund for aviation infrastructure within the National Infrastructure Fund to accelerate the reconstruction of Family Island airport.**
- **Incentives for Telecommunications providers to invest in emerging technologies such as 5G technology or fibre in the Family Islands.**
- **Duty exemptions on construction, renovation, and furniture for short term rentals in the Family Islands.**

A Plan to Enhance Safety and Security

Combatting Crime

Safer Communities Through Prevention and Policing

- **Increased allocation to Urban Renewal by an additional \$500,000.**
- **\$1 Million in dedicated funding for urban restoration in Grand Bahama.**
- **Increased capital allocation to RBPF for crimefighting technology.**
- **\$6 Million allotted to New Vessels for Defense Force.**
- **Public Private Partnership for the construction of a New Prison complex.**



Security Against Climate Change

Building Climate Resilience

- **Installation of renewable energy systems throughout the Family Islands - to be deployed this year in Inagua, Mayaguana, Acklins, Crooked Island and Long Cay.**
- **Training and resources for Bahamians to operate in the renewables sector.**
- **Eliminated import duty on lithium batteries for renewable energy sources.**
- **Reduced duty on electric vehicles.**
- **Monetization of “Carbon Credits”.**



Funding Recovery and Progress

This policy agenda is being funded without any general increase in taxes or rates. There are, however, some new and very targeted fees and reforms, developed to ensure our tax system is fair and equitable, that no single taxpayer has an advantage.

- **Maximum cap on property tax for owner-occupied properties increased from \$60,000 to \$120,000.**
- **New minimum tax fee of 75% of real property tax assessment for high-end rental properties which are exempt from tax.**
- **Legal reforms to ensure that foreign yacht charters register and pay VAT.**
- **Introducing business licences for financial service providers, and reintroducing business licence fees for commercial banks.**
- **Assorted other fees: e.g. vanity plates, new class of commercial driver's licence, and service fee to expedite passport renewal/ application.**