



FOURTH QUARTER FISCAL SNAPSHOT & REPORT

on Budgetary Performance



FISCAL YEAR 2019/20

Section 1 The Snapshot

Section 2 The Report

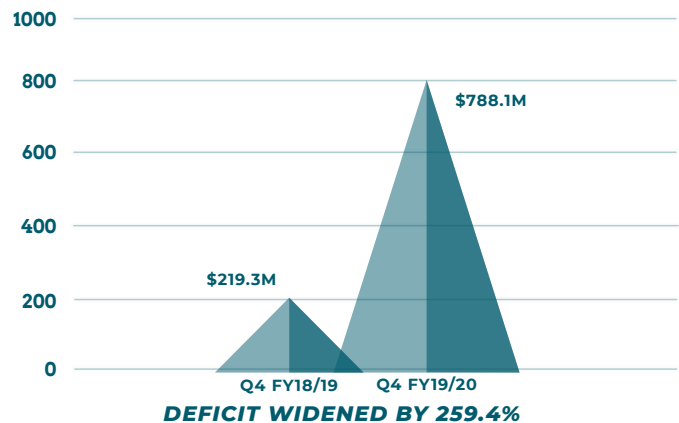
FISCAL BALANCE

Budgetary operations for FY2019/20 were adversely affected by two catastrophic events: Hurricane Dorian, a Category 5 hurricane in early September 2019, and the Coronavirus (COVID-19) global pandemic in March 2020. These unprecedented events caused significant variations in the fiscal performance from the original budget expectations.

The fiscal costs were evident in a marked reduction in revenue receipts, alongside additional expenditures to support rebuilding in Abaco and Grand Bahama, the unemployed, small business continuation and the Ministry of Health's COVID-19 preparedness and response plan. In response to Hurricane Dorian, the Government tabled and passed a revised budget for FY2019/20 in January 2020. It took further action to address the compounding macroeconomic fallout due to COVID-19.

Preliminary data for FY2019/20 shows an estimated threefold increase in the fiscal deficit, to **\$788.1 million**, from **\$219.3 million**, in FY2018/19.

12 Month Deficit Position Comparison (B\$M)

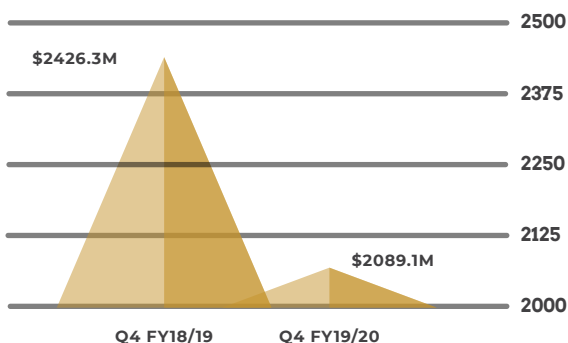


DEFICIT POSITION
\$788.1M

REVENUE
\$2,089.1M

Total revenue decreased, year over year, by **\$337.1 million** (13.9%) to **\$2,089.1 million**, which represented 87.2% of the revised budget. This outcome reflects the combined impact of slower economic activity in the hurricane-affected islands—Abaco and Grand Bahama—and the reduction in business activity amid the series of national lockdowns throughout the last quarter of the fiscal year.

12 Month Revenue Performance Comparison (B\$M)

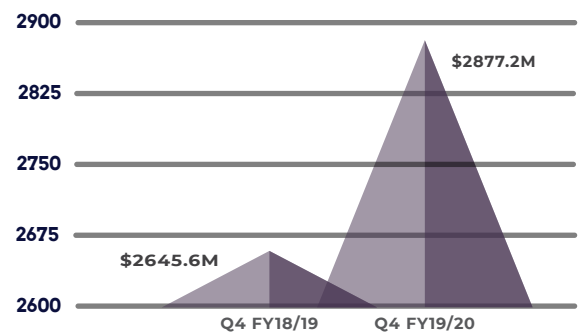


Revenue decreased by -13.9%

EXPENDITURE
\$2877.2M

Recurrent and capital expenditures grew by a combined **\$231.7 million** (8.8%) to **\$2877.2 million**, largely due to outlays for Hurricane Dorian and COVID-19 initiatives. In the final quarter of FY2019/20, expenditure spiked due to ongoing Dorian recovery and Covid-19 militating efforts and the seasonal year-end uptick in expenses associated with the closing of the budget year.

12 Month Expenditure Performance Comparison (B\$M)



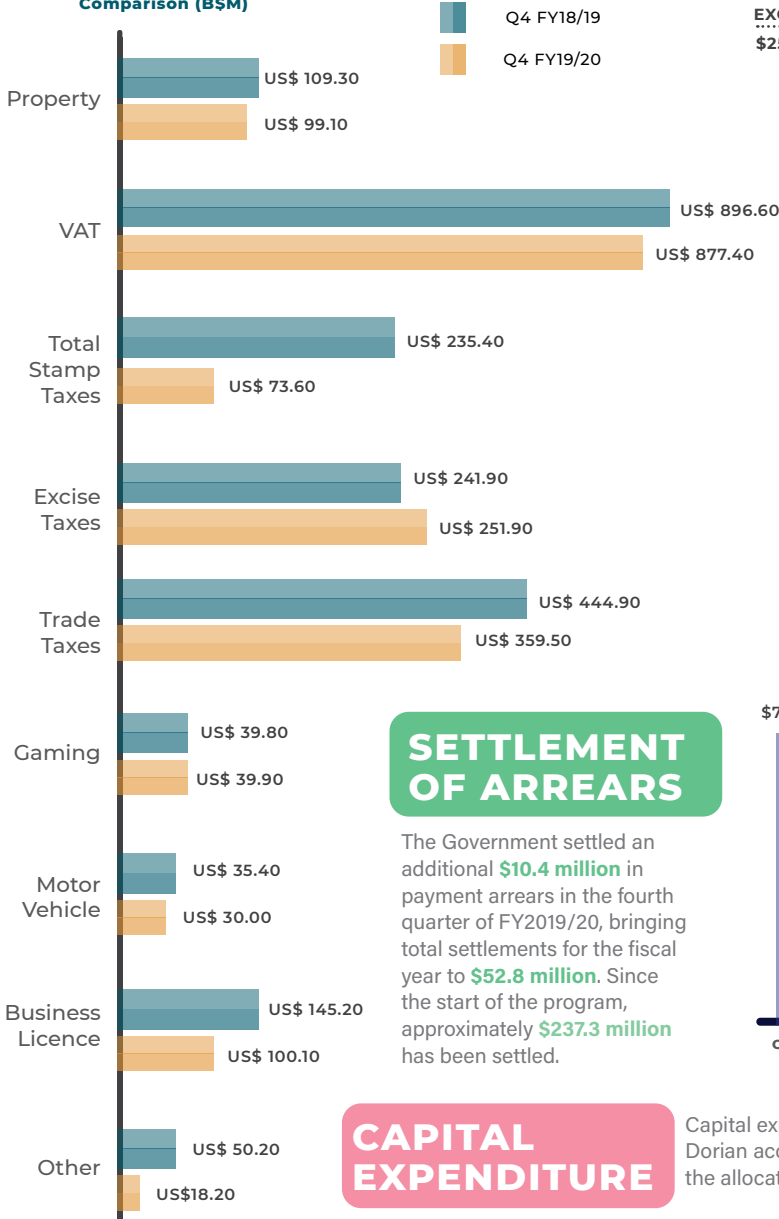
Expenditure increased by 8.8%

REVENUE PERFORMANCE

With the establishment of Special Economic Recovery Zones, intake from licenses to conduct business activity declined by **\$45.1 million** (31.1%). Reduced economic activity in the hurricane affected islands also contributed to a decline in immigration fees, by **\$26.4 million** (28.3%); and customs fees by **\$10.9 million** (21.7%). Border closures throughout the final fiscal quarter weakened taxes on international trade by **\$85.4 million** (19.2%).

The severity of the impact of COVID-19 on revenue performance was very pronounced in the final quarter of the fiscal year, with a 55.2% contraction in receipts compared to the same period in the previous year. This weakness was across tax categories, including significant contractions in VAT receipts (**\$169.2 million** or 55.0%), customs and import duties (**\$54.2 million** or 63.6%), departure taxes (**\$27.6 million** or 63.7%), license to conduct specific business activity (**\$37.6 million** or 75.1%), and gaming taxes (**\$8.2 million** or 47.2%).

12 Month YOY Revenue Performance Comparison (B\$M)



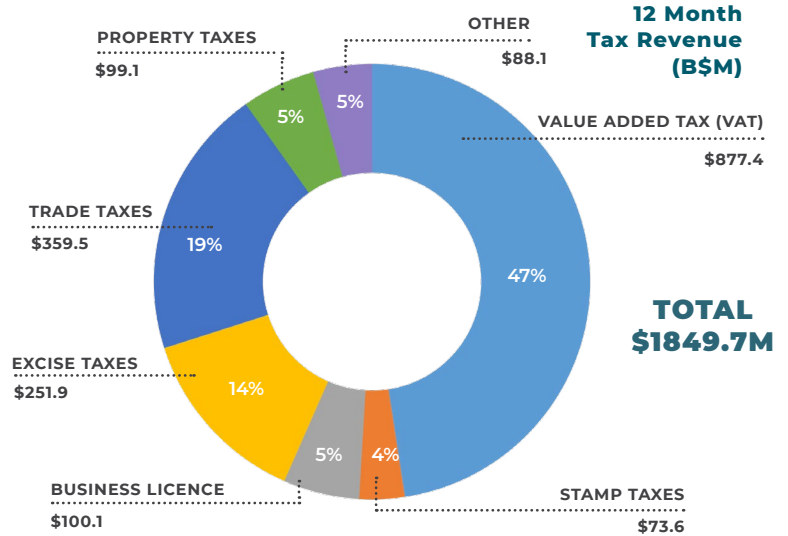
SETTLEMENT OF ARREARS

The Government settled an additional **\$10.4 million** in payment arrears in the fourth quarter of FY2019/20, bringing total settlements for the fiscal year to **\$52.8 million**. Since the start of the program, approximately **\$237.3 million** has been settled.

CAPITAL EXPENDITURE

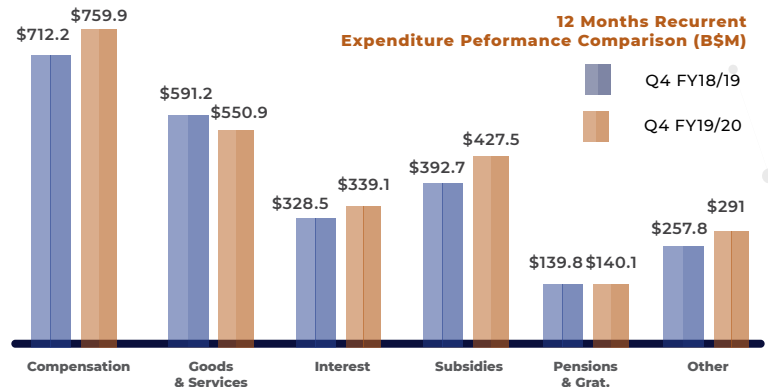
NON-TAX REVENUE SUMMARY

Growth in non-tax collections, of **\$11.8 million** (5.2%) to roughly 84.0% of the revised budget, was primarily due to the **\$12.8 million** payout from the Caribbean Catastrophic Risk Insurance Facility (CCRIF).



RECURRENT EXPENDITURE

Subsidies to public non-financial corporations increased by **\$52.0 million** (14.9%), as the government facilitated repatriation flights with the national airline, repairs to water mains, outlays to the Public Hospital Authority and the National Health Insurance Authority to assist with Hurricane Dorian relief and recovery efforts. Compensation of employees expanded by **\$47.6 million**, including a growth in allowances of **\$17.0 million** (28.7%) primarily associated with increased outlays for staff that were either displaced by Hurricane Dorian or relocated to assist with recovery efforts. Spending on goods and services decreased by **\$40.3 million** (6.8%), largely due to the reduction in tourism-related outlays such as several marketing subventions.



Capital expenditures were higher by **\$145.3 million** (65.1%) at **\$368.7 million**: Hurricane Dorian accounted for **\$94.0 million** and COVID-19 initiatives, **\$39.5 million** – primarily the allocation for small business continuity loans.

FINANCIAL ACTIVITIES

The Government's operational requirements resulted in a net increase in its debt obligations of **\$714.4 million** for FY2019/20. Short-term funding comprised **\$228.0 million** in Treasury bill taps, and another **\$60 million** in Central Bank advances—the latter being repaid within the fiscal year.

NATIONAL DEBT

Did you know? Many people confuse national debt and government debt. Know the difference! National Debt is calculated by adding Government Debt together with Contingent Liabilities, which are monies owed by State Owned Enterprises that are guaranteed by the Government. The Central Bank of The Bahamas reports on the National Debt every calendar year.

National Debt = \$8,457M
As of December 2019

www.centralbankbahamas.com

CHANGES IN GOVERNMENT DEBT

Government Debt is money owed directly by the Government. It is also referred to as the Direct Charge on Government. These financials are reported by the government by fiscal year.



Borrowings were in the form of bonds, short-term bank advances, Treasury bills and foreign currency loans from international development agencies.

MONEY BORROWED

\$1,095.6M

Bahamian Dollars

MONEY REPAID

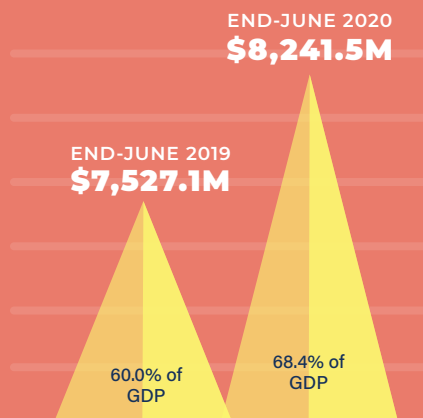
\$826.9M

Bahamian Dollars

\$445.7M

Foreign Currency

GOVERNMENT DEBT



CONTRIBUTIONS TO SINKING FUND

In the fourth quarter of FY2019/20, the Government contributed an additional **\$16.5 million** to the sinking funds—established to retire future debt obligations—bringing total contributions to **\$46.5 million** for the twelve-month period. As at June 2020, the Government's funds to retire external bonds held a cumulative value of **\$181.8 million** and its local funds stood at **\$13.2 million**.

POLICY INITIATIVES



COVID-19

Although the initial impact of COVID-19 occurred within the last quarter of the fiscal year, the government introduced comprehensive policy initiatives to combat both the health and ensuing economic fallout associated with the pandemic. These included the enactment of the Emergency Powers Act, which enabled a series of Emergency Orders establishing border and school closures, national curfews and lockdowns, and other social distancing measures.

To combat the adverse impact of COVID-19 on the macro-economy, the government disclosed several programs to lend support to citizens, and business continuity. By end-June, approximately \$140 million was spent on COVID-19 related initiatives, which covered food assistance, unemployment support, business continuity loan support for small businesses, tax credits for medium and large businesses, increased funding to the public health sector, and subvention support to allow for utility payment deferrals. Collectively, these measures have assisted 284 businesses to continue operations; provided approximately 26,000 persons with income replacement and allowed for the continuation of nearly 5,400 jobs through the end of the fiscal year.



Hurricane Dorian

In response to Hurricane Dorian, the government announced several policies to underpin restoration, rebuilding and relief efforts, while stimulating economic activity. These included a mix of tax exemptions and incentives for businesses and individuals delivered through designating the Special Economic Recovery Zone (SERZ), and temporarily waiving VAT in certain areas of the impacted islands.

The exemptions included in the SERZ Order were extended into the first half of the 2020/21 fiscal year, to further support restoration on Abaco and Grand Bahama—from not only the Hurricane, but impact of the COVID-19 pandemic.



Legislative

The government continues to progress its policy agenda to achieve reforms in public financial management. The Public Procurement Bill, 2020 was tabled in the House of Parliament during the 2020/21 Budget process and is currently pending debate. The final legislative review is currently underway to advance both the draft Statistics Bill, Public Debt Management Bill and the Public Finance Management Bill to the public consultation phase, in late August early September.

EQUITY ACQUISITIONS & LOANS

Equity investments for FY2019/20 consisted of the second and third quarter incremental \$10.3 million contribution to Lucayan Renewal Holdings Ltd.—the special purpose vehicle created to house transactions related to the Grand Lucayan purchase. During the third quarter, the Government signed a Heads of Agreement with Bahamas Port Investments Ltd—a joint company of Royal Caribbean International (RCI) and the ICM Group—for the sale of the resort and the development of a cruise port in Grand Bahama.



FOURTH QUARTER REPORT

on Budgetary Performance



FISCAL YEAR 2019/20

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1. About This Report

General Statement

To promote greater transparency in the public finances and align with global fiscal disclosure standards and best practices, the Ministry of Finance provides in-year reporting on the performance of the central government's revenue, expenditure and financing operations vis-à-vis the approved budget.

Periodicity: Quarterly (Qtr. I: July – September; Qtr. II: July – December; Qtr. III: July – March; and Qtr. IV: July – June).

Timeliness: Within four (4) weeks after the end of the referenced quarter, except for Qtr. IV report which will be released two months after the end of the quarter given year-end closing activities.

Publication: To be released on the Ministry of Finance website (www.bahamas.gov.bs).

Basis of Preparation

The budgetary data are prepared using a modified cash basis of accounting and guided by International Public Sector Accounting Standards (IPSAS) cash basis. As such, revenue is recognized when received and not when earned, expenditure is recorded in the period it is incurred and paid, and purchases of fixed assets, including immovable property, plant and equipment, are fully expensed in the year of purchase.

The fiscal data tables compiled in the quarterly reports are presented using the new modified chart of accounts introduced in July 1, 2018 which accomplishes two (2) important objectives, namely:

- prepares for the eventual conversion of the accounting presentation to the IPSAS accrual basis,
- facilitates the aggregation and presentation of the fiscal data to meet the International Monetary Fund's Government Finance Statistics (GFS) 2014 reporting standards. The primary purpose of the GFS is to provide a comprehensive conceptual and reporting framework for analyzing and evaluating the performance of the government's finances.

Unaudited Data

As reconciliation is ongoing, the fiscal data presented in these quarterly reports are subject to change and, therefore, their status is provisional (denoted as "p") until audited by the Auditor General.

Rounding

Because of rounding, some totals may not agree with the sum of their component parts.

2. Summary of Fiscal Performance for FY2019/20

The central government's budgetary operations for FY2019/20 were adversely affected by two catastrophic events, which caused significant variations in the fiscal performance from the original budget expectations. As a result of Hurricane Dorian, a Category 5 hurricane which decimated parts of the northern Bahamas in early September 2019, the government tabled and passed a revised budget for FY2019/20 in January 2020, to address the increased expenditure requirements and revenue loss caused by the storm.

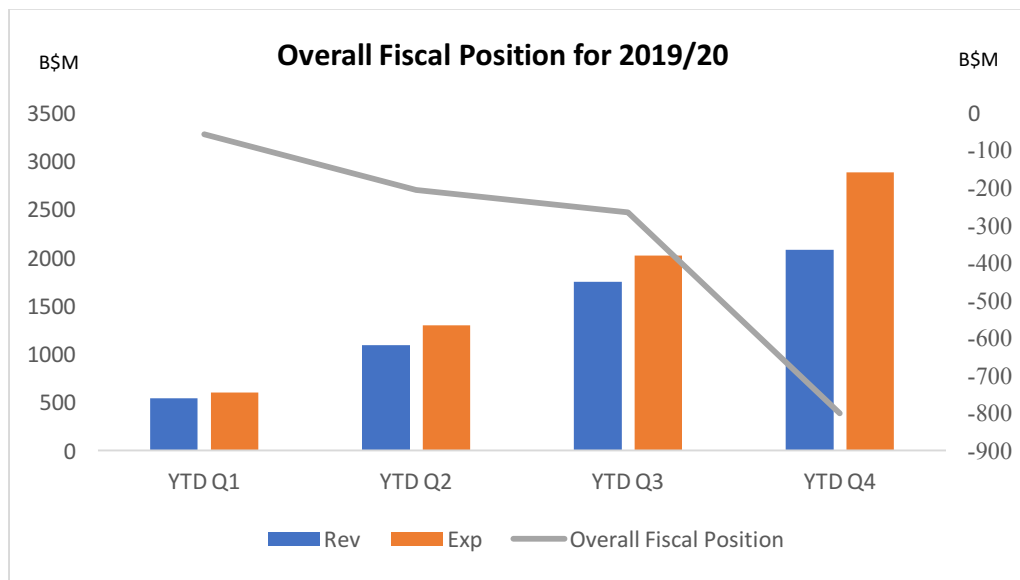
Just a few short months later, in March 2020, the government was forced to take extreme containment measures to deal with the Coronavirus (COVID-19) pandemic, resulting in the closure of businesses, the sudden stop of tourism activity and imposed lockdowns, which had a material impact on macroeconomic activity. The fiscal costs were evident in a marked reduction in revenue receipts, alongside additional expenditures to support the unemployed, small business continuation and the Ministry of Health's COVID-19 preparedness and response plan.

Given these developments, preliminary data for the FY2019/20 outcome indicate an estimated threefold hike in the fiscal deficit, to \$788.1 million, from \$219.3 million, in FY2018/19—when the government achieved the lowest fiscal deficit in over a decade (*see Table 1*).

TABLE 1: FISCAL SUMMARY (Statement of Sources & Uses of Cash)

(B\$M)	[a]	[b]	[c]	[b] - [c]	[b/a]
	Budget		July - June		
	FY2019/20	FY2019/20 ^P Actual	FY2018/19 ^P Actual	Variance	% of Budget
Revenue	2,395.6	2,089.1	2,426.3	(337.1)	87.2%
Tax	2,107.8	1,849.7	2,198.7	(349.0)	87.8%
Non-tax	285.8	239.3	227.6	11.8	83.7%
Grants	2.0	0.1	0.0	0.1	5.0%
Expenditure	3,073.1	2,877.2	2,645.6	231.7	93.6%
Recurrent	2,687.6	2,508.5	2,422.2	86.3	93.3%
Capital	385.5	368.7	223.4	145.3	95.7%
Surplus/(Deficit)	(677.5)	(788.1)	(219.3)	(568.8)	116.3%
Financing Activities	677.5	788.1	219.3	568.8	116.3%
Net Acquisition of financial assets (-)	46.5	71.8	119.6	(47.8)	154.4%
Sinking Funds	46.5	46.5	46.5	0.0	100.0%
Equity	0.0	10.3	50.3	(40.0)	0.0%
Other	0.0	15.0	22.8	(7.8)	0.0%
Net Incurrence of Liabilities (+)	644.8	714.4	293.1	421.3	110.8%
Borrowings	1,352.8	1,541.3	1,094.2	447.1	113.9%
Debt Repayment	708.0	826.9	801.1	25.8	116.8%
Change in Cash Balance [(I)= increase]	79.2	145.5	45.8	99.7	183.8%

- Total revenue decreased, year over year, by \$337.1 million (13.9%) to \$2,089.1 million, which represented 87.2% of the revised budget. This outcome reflects the combined impact of slower economic activity in the hurricane-affected islands—Abaco and Grand Bahama—and the reduction in business activity amid the series of national lockdowns throughout the last quarter of the fiscal year. Tax receipts fell by \$349.0 million (15.9%) to \$1,849.7 million, for 87.8% of the revised budget. This was partly explained by the shift in taxes on realty transactions from stamp to Value Added Tax (VAT), which resulted in a corresponding \$158.5 million (70.3%) decline in stamp taxes on realty and financial transactions. Notwithstanding, VAT receipts declined by \$19.2 million (2.1%), under the weight of weakened economic activity. Growth in non-tax collections, of \$11.8 million (5.2%) to roughly 84.0% of the revised budget, was primarily due to the \$12.8 million payout from the Caribbean Catastrophic Risk Insurance Facility (CCRIF).
- Aggregate expenditure grew by \$231.7 million (8.8%) to \$2,877.2 million, or some 93.6% of the revised budget target. Recurrent expenses increased by \$86.3 million (3.6%) to \$2,508.5 million or 93.3% of the revised budget, inclusive of hurricane and COVID-19 spend of \$34.7 million and \$17.8 million, respectively. Similarly, capital expenditures were higher by \$145.3 million (65.1%) at \$368.7 million (95.7% of the revised estimate), enlarged by outlays for Hurricane Dorian (\$94.0 million) and COVID-19 (\$39.5 million) initiatives. The combined outlays for these two shocks, at \$186.0 million, approximated 6.5% of total expenditure for the fiscal year. In the final quarter of FY2019/20, expenditure spiked against the backdrop of weakened revenue receipts in the face of COVID-19, and the seasonal year-end uptick in expenses associated with the closing of the budget year.



- Financing transactions for the fourth quarter of FY2019/20 included an additional \$16.5 million to the government’s sinking funds—established to meet future debt amortizations—bringing total contributions for the year to \$46.5 million. In equity transactions, \$10.3 million was provided the Grand Lucayan hotel properties to assist, inter alia, with debt servicing obligations. The

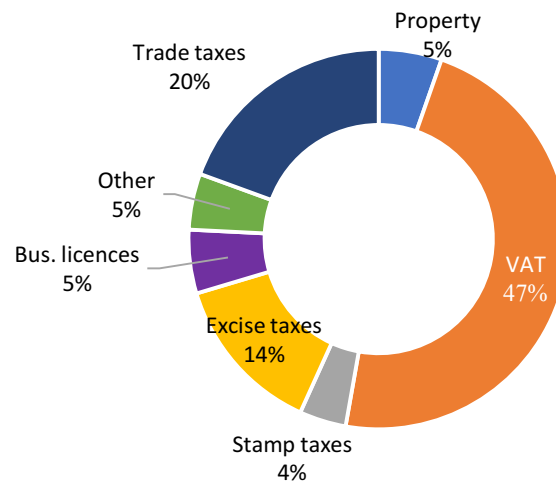
government's execution of a Heads of Agreement, during the third quarter, with Bahamas Port Investments Ltd. (a joint company of Royal Caribbean International (RCI) and the ITM Group) for the sale of the Grand Lucayan resort and the development of the cruise port in Grand Bahama represents a major step towards the eventual liquidation of this investment. In other financing activities, the government made an additional short-term shareholder loan of \$15.0 million to Bahamas Power & Light (BPL), in August 2019 which, together with the initial \$15.0 million loan provided in June 2019, were granted an extension in maturity date to September 2020.

- During the 2019/20 fiscal year, budgetary operations featured new borrowings of \$1,541.3 million, partly boosted by the emerging needs associated with Hurricane Dorian and COVID-19, exceeding the \$1,094.2 million registered for FY2018/19. Of this total, \$562.6 million was sourced through domestic bond issuances, with proceeds largely utilized to refinance the \$438.6 million in maturing bonds. Approximately \$690.7 million was raised by way of loan financing, including \$245.0 million in Bahamian dollars, and a \$50 million foreign currency facility. The remaining \$395.7 million comprised loans from international development agencies, among which were the \$80.0 million Contingent Credit Line for hurricane relief from the Inter-American Development Bank (IDB), a \$50.0 million facility from the Caribbean Development Bank (CDB), and the \$252.0 million Rapid Financing Facility from the International Monetary Fund (IMF). Short-term financing comprised \$228.0 million via Treasury bills, and another \$60.0 million in advances from the Central Bank.
- Debt repayment aggregated \$826.9 million in FY2019/20. Bahamian dollar repayments, at \$783.0 million, comprised a dominant 94.7% of the total.
- As a result of these developments, the Direct Charge (exclusive of exchange rate adjustments) grew by \$714.4 million over the June 2019 position to \$8,241.5 million in June 2020. The latter equated to an estimated 68.4% of GDP, compared with 60% of GDP a year earlier.

3. Revenue Performance

Total revenue decreased by \$337.2 million (13.9%) to \$2,089.2 million in FY2019/20, as compared to the previous fiscal year, to represent 87.2% of the revised budget (*see Table 2*). Tax receipts, at 87.8% of the revised budget, fell by \$349.0 million (15.9%) to \$1,849.7 million, while the yield from non-tax improved by \$11.8 million (5.2%) to \$239.3 million, or 83.7% of the revised budget.

Percentage Composition of Tax Revenue (FY2019/20)



Key developments underlying revenue performance for FY2019/20 are as follows:

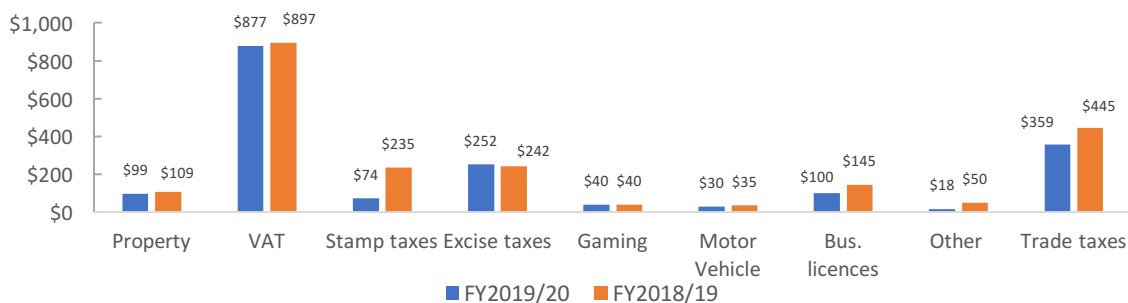
- Taxes on Goods & Services—at 78.4% of total tax revenue—declined by \$249.9 million (15.3%) to \$1,384.5 million, or 89.5% of the revised target.
 - Notwithstanding the shift from stamp taxes to VAT for realty transactions, Hurricane Dorian-related tax exemptions, combined with the impact of the COVID-19 pandemic, led to a reduction in VAT receipts, by \$19.2 million (2.1%) to \$877.4 million (90.1% of the revised estimate). Correspondingly, stamp taxes on realty and financial transactions declined by \$158.5 million (70.3%) to \$66.9 million, which represented 65.9% of the target.
 - Excise tax receipts advanced by \$10.0 million (4.1%) to \$251.9 million, or some 99.0% of the revised budget target.
 - Year over year, revenue from gaming taxes rose by a marginal \$0.1 million to \$39.9 million, although outperforming the \$36.2 million revised budget target. This outcome was partially supported by the implementation of the revised tax schedule for gaming houses, which features a 15.0% tax on revenues of \$24.0 million or less, and 17.5% on revenues greater than \$24.0 million. The new tax schedule also includes a 5.0% to 7.5% winnings tax, which has yet to be implemented.
 - Intake from licenses to conduct business activity—comprised mostly of Business Licence fees and communications levies—receded by \$45.1 million (31.1%) to \$100.1 million, or 87.1% of the revised target. This outcome reflected the establishment of the Special

Economic Recovery Zone (SERZ), which featured specific tax exemptions to stimulate economic activity in the aftermath of Hurricane Dorian. In addition, the COVID-19-related Tax Credit & Deferral Employee Retention program allowed medium and large businesses to benefit from a mix of Business Licence and VAT credits and deferrals for a period of three months in its first phase, which ended on June 30, 2020. Approximately 64 businesses took advantage of the first phase of this program, at a cost of \$21 million, some of which consisted of VAT exemptions.

- Given the border closures throughout the final fiscal quarter, taxes on international trade weakened by \$85.4 million (19.2%) to \$359.5 million, or 82.4% of the revised budget estimate. Specifically, customs and other import duties recorded a \$58.9 million (20.7%) reduction, and departure taxes contracted by \$22.0 million (14.9%). Taxes on exports were slightly lower by \$4.6 million (34.9%) at \$8.5 million.
- General stamp taxes declined by \$3.5 million to \$6.7 million, to represent only 64.1% of the revised budget.

The severity of the impact of COVID-19 on revenue performance was evident in the pronounced 55.2% contraction in receipts for the final quarter of the fiscal year, compared with the year-earlier outcome. Consistent with the pervasive impact of the pandemic on economic activity, this weakness was broadly based, with significant contractions in VAT receipts (\$169.2 million or 55.0%), customs and import duties (\$54.2 million or 63.6%), departure taxes (\$27.6 million or 63.7%), license to conduct specific business activity (\$37.6 million or 75.1%), and gaming taxes (\$8.2 million or 47.2%).

Yearly Comparison of Tax Revenue Performance for FY2019/20 (B\$M)



- Revenue from government property expanded by \$5.3 million (37.0%) to \$19.5 million, exceeding the revised estimate by nearly \$5.0 million.
- Receipts from the sale of goods and services contracted by \$46.8 million (23.9%) to \$149.2 million, or 72.2% of the revised target.

- Reduced economic activity in the hurricane affected islands contributed to a decline in immigration fees, by \$26.4 million (28.3%) to \$66.8 million; and customs fees were lower by \$10.9 million (21.7%) at \$39.5 million, on account of generally subdued activity. More muted declines were recorded for port and harbor fees, general registration, general service, and health-related fees, of \$2.4 million (36.1%), \$1.6 million (27.5%), \$1.6 million (11.7%), and \$1.3 million (83.9%), respectively.
- Fines, penalties & forfeits contracted by \$2.0 million (29.7%) to \$4.7 million, or 76.6% of the revised budget estimate.
- Miscellaneous and unidentified revenue expanded from \$2.4 million to \$15.4 million, buoyed by the \$12.8 million in proceeds from the Caribbean Catastrophic Risk Insurance Facility (CCRIF), following Hurricane Dorian.

FOURTH QUARTER REPORT ON BUDGETARY PERFORMANCE FY2019/20 JULY - JUNE

TABLE 2: REVENUE SUMMARY (B\$M)

	[a]	[b]	[c]	[b] -[c]	[b]/[a]
	Budget	July - June			
	FY2019/20	FY2019/20	FY2018/19	Variance	% of Budget
	0	P Actual	P Actual		
TAX REVENUE (a+b+c+d)	2,107.8	1,849.7	2,198.7	(349.0)	87.8%
a. Taxes on Property	113.6	99.1	109.3	(10.2)	87.3%
b. Taxes on Goods & Services (i+ii+iii)	1,547.4	1,384.5	1,634.4	(249.9)	89.5%
i. General	1,329.6	1,196.1	1,363.8	(167.7)	90.0%
VAT	973.3	877.4	896.6	(19.2)	90.1%
Stamp taxes (Financial & Realty)	101.5	66.9	225.3	(158.5)	65.9%
Excise Tax	254.8	251.9	241.9	10.0	98.9%
ii. Specific (Gaming taxes)	36.2	39.9	39.8	0.1	110.3%
iii. Taxes on Use of Goods/Permission to Use	181.6	148.4	230.8	(82.4)	81.7%
Motor Vehicle Taxes	38.8	30.0	35.4	(5.3)	77.4%
Company Taxes	25.4	16.6	20.3	(3.7)	65.5%
Licence to Conduct Special Bus. Activity	114.9	100.1	145.2	(45.1)	87.1%
Marine License Activities	2.0	1.6	2.2	(0.6)	82.5%
Banks & Trust Companies	0.6	0.0	27.6	(27.6)	0.0%
c. Taxes on Int'l Trade & Transactions	436.4	359.5	444.9	(85.4)	82.4%
Customs & other import duties	282.2	225.5	284.5	(58.9)	79.9%
Taxes on Exports	8.8	8.5	13.1	(4.6)	96.6%
Departure Taxes	145.4	125.3	147.2	(22.0)	86.1%
Other	0.0	0.2	0.2	0.0	0.0%
d. General Stamp Taxes	10.4	6.7	10.1	(3.5)	64.1%
NON-TAX REVENUE (e+f+g+h+i+j)	285.8	239.3	227.6	11.8	83.7%
e. Property Income	39.5	30.3	19.6	10.7	76.7%
Interest & Dividends	24.6	10.8	5.4	5.5	44.0%
Revenue_Gov't Property	14.8	19.5	14.2	5.3	131.2%
f. Sales of goods & services	206.5	149.2	196.0	(46.8)	72.2%
i. Fees & Service Charges	185.8	130.2	175.1	(44.9)	70.1%
General Registration	6.4	4.1	5.6	(1.6)	63.5%
General Service	15.0	11.9	13.5	(1.6)	79.1%
Immigration	97.3	66.8	93.2	(26.4)	68.7%
Land & Building	2.6	1.9	2.5	(0.6)	73.4%
Legal	1.3	1.2	1.1	0.1	95.4%
Customs	53.6	39.5	50.4	(10.9)	73.6%
Port & Harbour	7.0	4.3	6.7	(2.4)	61.1%
Health	1.9	0.2	1.5	(1.3)	12.8%
Other Fees	0.6	0.3	0.6	(0.3)	49.0%
ii. Other	20.8	18.9	20.9	(2.0)	91.2%
g. Fines, Penalties & Forfeits	6.1	4.7	6.7	(2.0)	76.6%
h. Reimbursements & Repayments	27.6	39.7	0.2	39.5	143.7%
i. Misc. & Unidentified Revenue	2.5	15.4	2.4	13.0	629.9%
j. Sales of other Non-Financial Assets	3.7	0.1	2.7	(2.6)	1.9%
TOTAL TAX & NON-TAX REVENUE	2,393.6	2,089.0	2,426.3	(337.2)	87.3%
GRANTS	2.0	0.1	0.0	0.1	5.0%
CAPITAL REVENUE	0.0	0.0	0.0	(0.0)	0.0%
GRAND TOTAL	2,395.6	2,089.2	2,426.3	(337.2)	87.2%

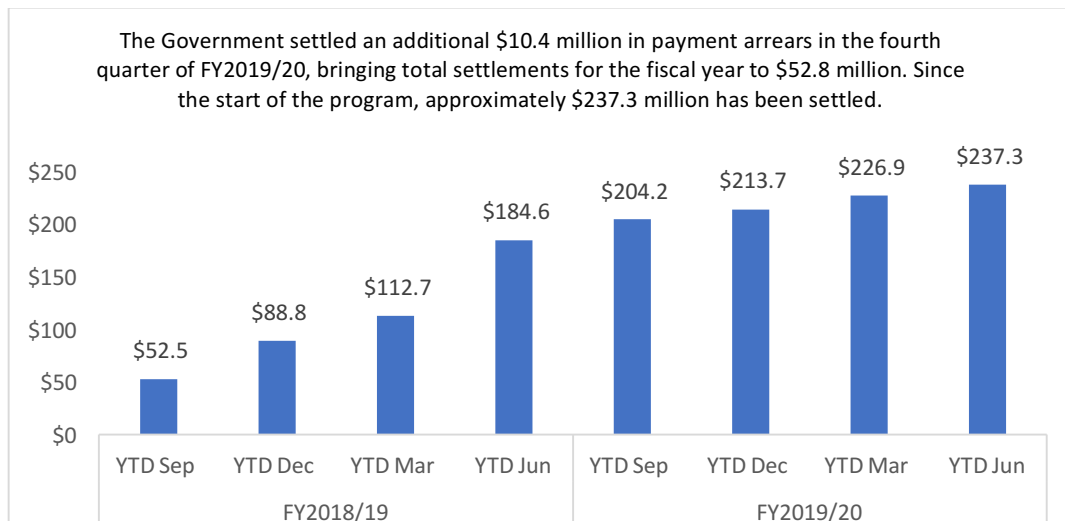
4. Expenditure Developments

a. Recurrent Expenditure

Recurrent expenditure advanced by \$86.3 million (3.6%) to \$2,508.5 million (93.3% of the revised target), when compared to FY2018/19 (*see Table 3*).

- Compensation of employees expanded by \$47.6 million (6.7%) to \$759.9 million, or 96.5% of the revised budget amount. Wages & salaries—comprising 86.4% of the total—increased by \$34.6 million (5.6%) to \$656.6 million, buoyed by the \$22.8 million union negotiated lump sum payment to civil servants in December 2019. Growth in allowances of \$17.0 million (28.7%) was primarily associated with increased outlays for staff that were either displaced by Hurricane Dorian, or relocated to assist with recovery efforts.

Settlement of Arrears (B\$M)

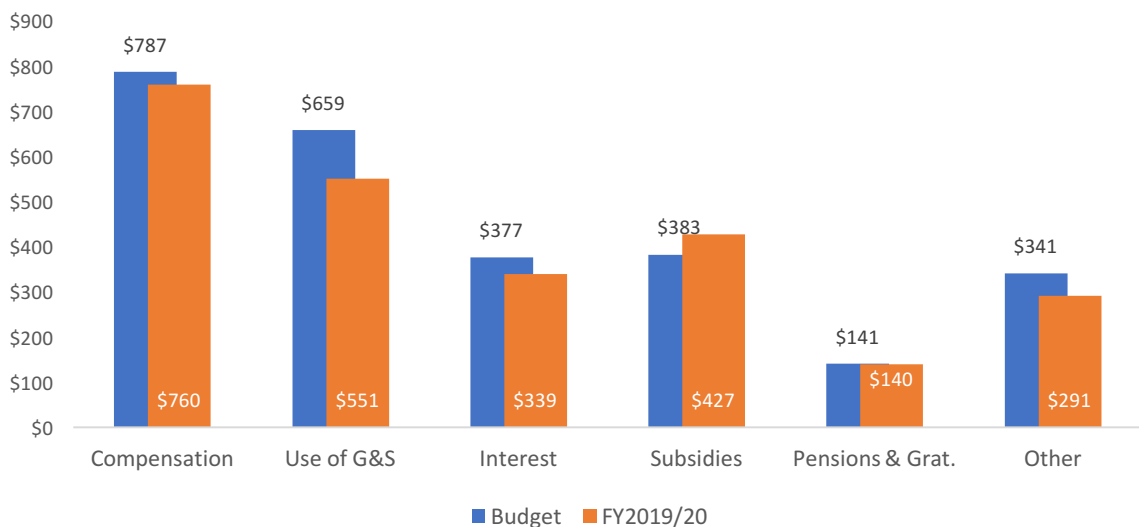


- Spending on goods and services decreased by \$40.3 million (6.8%) to \$550.9 million (83.6% of the revised estimate). A key factor was the reduction in tourism-related outlays, by \$52.2 million (88.3%), as several marketing subventions for properties on Abaco and Grand Bahama were suspended in the aftermath of Hurricane Dorian, and payments of a similar nature were stalled for properties on other islands. Expenditures on special financial transactions fell by \$30.3 million (24.9%), following arrears-elevated settlements in FY2018/19. Similarly, outlays for utilities and telecommunications and other expenses were reduced by \$20.2 million (20.7%) and \$10.9 million (44.2%), respectively. In contrast, spending on services widened by \$72.7 million (66.1%), attributed mostly to hurricane restoration efforts, while a more muted \$3.1 million (32.2%) rise was recorded for travel and subsistence.
- Public debt interest payments grew by \$10.6 million (3.2%) to \$339.1 million in FY2019/20, as compared to the previous fiscal year, and represented nearly 90.0% of the revised budget.

Approximately \$199.2 million or 58.7% was directed to domestic creditors, and the balance to foreign lenders.

- Subsidies—comprising transfers to government-owned and/or controlled units that provide commercial goods and services to the public—expanded by \$34.8 million (8.9%) to \$427.5 million. The 11.7% excess over the revised budget reflected the additional funding earmarked to assist with Hurricane Dorian and COVID-19 relief initiatives.
 - Subsidies to public non-financial corporations increased by \$52.0 million (14.9%) to \$400.1 million, as the government facilitated the hurricane-related relief and restoration activities of several State-Owned Enterprises (SOEs). Specifically, outlays to the national airline more than doubled, to \$27.4 million from \$13.3 million in FY2018/19, primarily representing additional allocations to cover various operational costs, and the cost of repatriation flights from Abaco and Grand Bahama to New Providence. Additionally, transfers to the Water & Sewerage Corporation to assist with repairs to water mains, increased by \$15.9 million (51.3%) to \$46.9 million, and these outlays were also higher for the Public Hospital Authority, by \$22.3 million (9.7%) at \$252.5 million. Meanwhile, outlays to the National Health Insurance Authority were relatively stable at \$24.0 million.
 - Subsidies to private non-financial institutions were reduced to \$25.0 million from the prior years' \$42.0 million which was elevated by settlement of arrears.

Recurrent Expenditure vs Budget for FY2019/20 (B\$M)



- Grants, which represent gifts and donations to foreign governments and international organizations and membership fees, grew slightly, by \$0.4 million (5.4%), to \$8.6 million (93.9% of the revised target).
- Social Assistance Benefits—both in kind and in cash—rose marginally by \$1.2 million (2.7%) to \$47.6 million, to represent 80.9% of the budget.

- Pension & gratuity payments edged up by \$0.3 million (0.2%) to \$140.1 million, to comprise 99.6% of the revised budget.

TABLE 3: RECURRENT EXPENDITURE SUMMARY (B\$M)

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget	July - June			
	FY2019/20	FY2019/20 ^P Actual	FY2018/19 ^P Actual	Variance	% of Budget
RECURRENT EXPENDITURE					
Compensation of Employees	787.2	759.9	712.2	47.6	96.5%
Use of Goods & Services	659.1	550.9	591.2	(40.3)	83.6%
Travel & Subsistence	23.0	12.7	9.6	3.1	55.2%
Rent	70.3	72.4	69.0	3.4	102.9%
Utilities & Telecommunications	88.0	77.6	97.8	(20.2)	88.1%
Supplies & Materials	52.4	50.4	52.0	(1.6)	96.2%
Services	224.0	182.7	109.9	72.7	81.5%
Minor capital repairs	5.2	3.4	4.5	(1.1)	66.2%
Finance charges	45.6	26.8	23.7	3.2	58.9%
Special Financial Transactions	110.6	91.6	121.9	(30.3)	82.8%
Tourism Related	10.0	6.9	59.1	(52.2)	68.9%
Local Gov't Districts	13.1	12.7	13.3	(0.7)	96.6%
School Boards	0.1	0.1	5.8	(5.7)	90.0%
Other	16.8	13.7	24.6	(10.9)	81.8%
Public Debt Interest	377.1	339.1	328.5	10.6	89.9%
Subsidies	382.6	427.5	392.7	34.8	111.7%
Grants	9.2	8.6	8.2	0.4	93.9%
Social Assistance Benefits	58.8	47.6	46.3	1.2	80.9%
Pensions & Gratuities	140.7	140.1	139.8	0.3	99.6%
Other Payments	272.9	234.9	203.3	31.6	86.1%
Current Transfers n.e.c.	195.5	158.4	150.5	7.9	81.0%
Insurance Premiums	77.5	76.5	52.8	23.7	98.7%
TOTAL	2,687.6	2,508.5	2,422.2	86.3	93.3%

- Current transfers—not elsewhere classified—increased by \$7.9 million (5.2%) to \$158.4 million, positioning at 81.0% of the revised estimate. These payments represent the government's direct and indirect support to households and to non-profit institutions that assist households, as well as subventions to public corporations that do not classify as subsidies.
 - Transfers to households grew from \$37.1 million to total \$45.3 million; of which \$17.0 million was allocated in scholarships and grants for Bahamian students' attendance at the University of The Bahamas.
 - Transfers to non-financial public institutions rose by \$5.2 million (6.5%) to \$85.9 million, which included a \$12.1 million (87.0%) increase in allocation to Bahamas Beaches & Parks.

b. Capital Spending

Capital expenditure for FY2019/20 grew by \$145.3 million (65.1%) to \$368.7 million vis-à-vis FY2018/19, and approximated 96.0% of the revised budget estimate (*see Table 4*).

TABLE 4: CAPITAL EXPENDITURE SUMMARY

(B\$M)

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July - June		
	FY2019/20	FY2019/20 ^P Actual	FY2018/19 ^P Actual	Variance	% of Budget
Capital Transfers	162.2	155.6	30.6	125.1	95.9%
Acquisition of Non-financial assets	223.3	213.1	192.8	20.3	95.4%
<i>Fixed Assets</i>	218.5	213.1	192.8	20.3	97.5%
Buildings other than dwellings	61.4	73.8	62.2	11.6	120.2%
Other structures	97.0	79.9	85.5	(5.6)	82.3%
Transport equipment	6.6	3.4	11.6	(8.1)	52.3%
Other Machinery & equipment	41.2	28.8	10.0	18.8	69.9%
Land Improvements	3.2	1.3	0.7	0.5	40.0%
Other Fixed Assets	9.1	25.9	22.7	3.2	284.5%
<i>Land</i>	4.8	0.0	0.0	(0.0)	0.0%
TOTAL	385.5	368.7	223.4	145.3	95.7%

- Boosted by hurricane and COVID-related spending, the category of capital transfers grew five-fold to \$155.6 million, to represent 95.9% of the revised budget. Within this envelope, the government contributed nearly \$30.0 million towards electricity restoration, \$11.0 million for water rehabilitation, \$21.8 million for hurricane cleanup activities, and a further \$8.0 million for temporary housing. An aggregated \$46.3 million was provided to the Small Business Development Centre to assist small and medium sized businesses with both hurricane repairs and business continuity loans and grants to support small businesses in the face of COVID-19.
- Year over year, outlays for the acquisition of non-financial assets widened by \$20.3 million (10.5%) to \$213.1 million, to approach 95.4% of the revised budget.
 - Investments in fixed assets grew by \$20.3 million (10.5%), alongside the near threefold hike in spending on other machinery and equipment to \$28.8 million, and an \$11.6 million (18.6%) rise in outlays on buildings other than dwellings. More marginal increases were recorded for other fixed assets (\$3.2 million, or 13.9%), and land improvements (\$0.5 million, or 71.8%). In contrast, outlays for transport equipment declined by \$8.1 million (70.4%), and for other structures, by \$5.6 million (6.6%).

5. Financing Activities

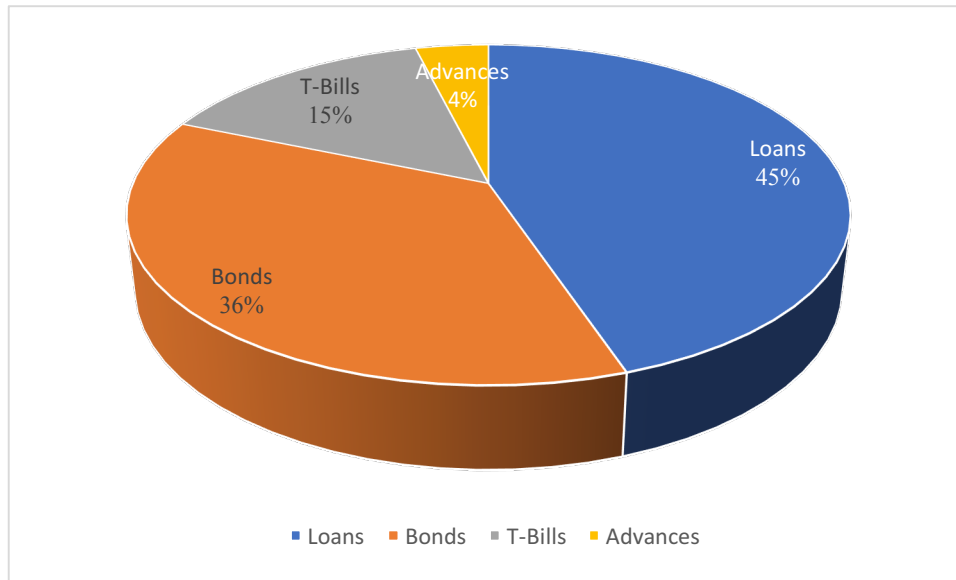
Net Increase in Liabilities

The Government's operational requirements for FY2019/20 were facilitated through a net increase in liabilities of \$714.4 million.

- To finance the deficit, which was heavily impacted by elevated spending and revenue losses associated with Hurricane Dorian and the initial impact of COVID-19, the government's gross borrowings totaled \$1,541.3 million through a mix of short and long term facilities. Of this total, \$1,095.6 million was sourced in Bahamian dollars, with the remaining \$445.7 million in foreign currency.
- By instrument, \$562.6 million was raised via bond issuances, with proceeds mainly used to refinance maturities. Loan financing aggregated \$690.7 million, of which \$295.0 million was borrowed from domestic sources; \$245.0 million in Bahamian dollars, and the remaining \$50.0 million in foreign currency. The balance of \$395.7 million comprised loans from international development agencies to assist with hurricane and COVID-19 recovery efforts. These included an aggregate \$80.0 million via the IDB Contingent Credit Line—which featured its last disbursement in March 2020; \$50.0 million from the CDB in March 2020, and the \$252.0 million loan from the IMF in June 2020 via the Rapid Financing Instrument facility. Borrowings under short-term authorizations included \$228.0 million in Treasury bill taps, and another \$60.0 million in advances from the Central Bank—the latter being repaid within the fiscal year.
- Debt repayment totaled \$826.9 million for FY2019/20, of which 94.7% was facilitated in Bahamian dollars.
- As a result, the government's net borrowings stood at \$714.4 million for FY2019/20, which resulted in the Direct Charge (exclusive of exchange rate adjustments) growing from \$7,527.1 million at end-June 2019 to \$8,241.5 million at end-June 2020. This corresponded to a hike in the debt to GDP ratio, to an estimated 68.4% from 60.0% a year earlier.

CHANGE IN LIABILITIES (By Currency and Instrument) (B\$M)

	FY2019/20: July - June		
	Borrowings	Repayment	Net Change
Bahamian Dollars	1,095.6	783.0	312.5
Bonds	562.6	393.5	169.1
Treasury Bills/Notes	228.0	210.1	17.9
Bank Loans	245.0	119.4	125.6
Central Bank Advances	60.0	60.1	(0.1)
Foreign Currency	445.7	43.9	401.8
Bank Loans	50.0	25.6	24.4
Loans from Int'l Dev. Agencies	395.7	18.2	377.5
TOTAL	1,541.3	826.9	714.4

Composition of Government Borrowings for FY2019/20**Contribution to Sinking Funds**

Fourth quarter contributions to the sinking funds established to retire future debt obligations totaled \$16.5 million—bringing the annual amount to \$46.5 million. As at June 2020, the three (3) arrangements earmarked for scheduled retirement of external bonds held a cumulative value of \$181.8 million, while the funds set aside for the two (2) local arrangements stood at \$13.2 million.

Equity Acquisition

Equity investments for FY2019/20 consisted of the second and third quarter incremental \$10.3 million contribution to Lucayan Renewal Holdings Ltd.—the special purpose vehicle created to house transactions related to the Grand Lucayan purchase. During the third quarter, the Government signed a Heads of Agreement with Bahamas Port Investments Ltd—a joint company of Royal Caribbean International (RCI) and the ICM Group—for the sale of the resort and the development of a cruise port in Grand Bahama.

Other

The two shareholder loans of \$15.0 million each, made to BPL in June 2019 and August 2019, respectively, were originally due in December 2019. While BPL continued to service the loans according to the loan agreement, the maturities have been extended to September 2020 because of the ongoing delay in the Rate Reduction Bond transaction, now exacerbated by of the COVID-19 pandemic.

6. Policy Initiatives

a. Government's response to Hurricane Dorian & COVID-19

Policy initiatives for the 2019/20 fiscal year were heavily influenced by the government's response to Hurricane Dorian and the COVID-19 pandemic—two catastrophic events that adversely impacted domestic macroeconomic conditions.

In response to Hurricane Dorian, the government announced several policies to underpin restoration, rebuilding and relief efforts, while stimulating economic activity (*see Box A*). These included a mix of tax exemptions and incentives for businesses and individuals delivered through designating the Special Economic Recovery Zone (SERZ), and temporarily waiving VAT in certain areas of the impacted islands. The exemptions included in the SERZ Order were extended into the first half of the 2020/21 fiscal year, to further support restoration on Abaco and Grand Bahama—from not only the Hurricane, but impact of the COVID-19 pandemic.

BOX A
Hurricane Dorian
<p>Exigency Order</p> <p>Immediately following Hurricane Dorian, the government invoked an Exigency Order which allowed for the duty-free importation of approved relief goods for 30 days for some items, and 90 days for other items. In October 2019, the government extended the Order until the end of 2019 for all approved goods. These items include, but are not limited to, medical supplies, cots, bottled water, clothing, food for personal consumption, electrical and plumbing fixtures, and personal hygiene products.</p>
<p>Special Economic Recovery Zone</p> <p>In late September 2019, both Abaco and Grand Bahama were declared Special Economic Recovery Zones (SERZ), which allows residents and businesses to benefit from several tax exemptions and incentives for a period of three (3) years. Features of the SERZ include:</p> <ul style="list-style-type: none"> • Duty-free imports of all materials, fixtures, furniture, vehicles, and equipment for approved commercial and residential construction and rehabilitation efforts • Waived Business Licence fees for all operations within the SERZ for new and existing businesses that return their employment count to at least 60% of its pre-Dorian level by December 2020. • Waived Real Property Tax on eligible properties that are reconstructed, restored or otherwise inhabitable by October 2020. • VAT credit of up to 50% on sale of qualifying real property • \$10.0 million loan guarantee and equity financing program for Bahamian SMEs to secure financing for rebuilding and restarting • An extension of the provisional Business Licence program to allow fast and efficient startups • The creation of a One-Stop-Shop for business assistance in both Abaco and Grand Bahama to aid with the facilitation of regulatory requirements within five working days
<p>VAT-Free Zone</p> <p>In late October 2019, the government announced that Abaco and Grand Bahama would be VAT-free zones until June 2020. Both residents and businesses on these islands are exempt from paying VAT on various items including, but not limited to, water, fruit and vegetable juice, clothes, shoes, unprepared food of all types, cleaning supplies, household furniture, tents, air-conditioning units, electrical generators, and office supplies.</p>

Although the initial impact of COVID-19 occurred within the last quarter of the fiscal year, the government introduced comprehensive policy initiatives to combat both the health and ensuing economic fallout associated with the pandemic. These included the enactment of the Emergency Powers Act, which enabled a series of Emergency Orders establishing border and school closures, national curfews and lockdowns, and other social distancing measures. In April 2020, the government announced a 5-phased planned reopening of the domestic and external economies, which culminated with a reopening of the international borders on July 1, 2020. However, the government was clear that the full and permanent opening of the economy will remain contingent on how the virus develops until the pandemic ceases.

To combat the adverse impact of COVID-19 on the macro-economy, the government disclosed several programs (*see Box B*) to lend support to citizens, and business continuity. By end-June, approximately \$140 million was spent on COVID-19 related initiatives, which covered food assistance, unemployment support, business continuity loan support for small businesses, tax credits for medium and large businesses, increased funding to the public health sector, and subvention support to allow for utility payment deferrals. Collectively, these measures have assisted 284 businesses to continue operations; provided approximately 26,000 persons with income replacement, and allowed for the continuation of nearly 5,400 jobs through the end of the fiscal year.

BOX B	
KEY FEATURES OF THE COVID-19 INITIATIVES	
Tax Credit and Tax Deferral Employee Retention Program	The government implemented a tax credit and deferral program to assist businesses with meeting non-executive payroll. In Phase I, which ended on June 30, 2020, businesses with an annual turnover of over \$3 million and at least 25 employees could have applied for a tax credit of up to \$300,000 over a 3-month period for VAT and Business Licence fees. Businesses were also eligible to receive up to \$300,000 in these taxes deferred, with payments to begin in January 2021, in 12 monthly installments. However, eligible businesses must retain at least 80% of their staff level as of February 2020 to receive the credit/deferral, and must not be in the following industries: hotel and resorts, retail or wholesale grocery food, regulated telecommunications, regulated financial and insurance business, or gaming.
Utility Support	BPL and WSC suspended disconnections temporarily and deferred bill payments for a period of 3 months to June 2020 for persons who have contracted the virus, are in quarantine, or have lost their jobs as a result of the impact of the virus.
Ministry of Health Funding	An additional \$15.2 million was allocated to the Ministry of Health to assist with the detection, treatment and mitigation of COVID-19. This includes the purchase of supplies and equipment, research, etc.
Unemployment Assistance	The government funded an unemployment assistance program, which was being administered by the National Insurance Board (NIB) to provide self-employed persons who have been impacted by COVID-19 with up to \$200 per week for an initial period of 8 weeks.
Food Assistance Program	For persons who were placed on reduced work weeks as a result of COVID-19, the government provided food vouchers with a value of \$100 per week to assist persons with groceries. This program was administered through the Department of Social Services.
Business Continuity Loan Program	\$25 million was allocated to assist small businesses with less than \$3 million in turnover, who have been in existence for at least 1 year, with loans and grants to assist with payroll and other operational expenses. Eligible businesses must have agreed to retain at least 51% of their staff level as of February 2020. The Small Business Development Center (SDBC) administered this program, with the help of its financial partners.

b. Legislative Initiatives

The government continues to progress its policy agenda to achieve reforms in public financial management (**see Box C**). After a 4-week period of public consultation, the Public Procurement Bill, 2020 was tabled in the House of Parliament during the 2020/21 Budget process, and is currently pending debate. The final legislative review is currently underway to advance both the draft Public Debt Management Bill and the Public Finance Management Bill to the public consultation phase, in late August-early September.

BOX C	
LEGISLATIVE INITIATIVES	KEY FEATURES + DEVELOPMENTS
Public Procurement Bill, 2020	The draft Bill seeks to establish a public procurement board, a digital procurement platform, and an electronic vendor registry, to modernize existing procurement systems with international best practices. The draft Bill was tabled in the House of Parliament in June with the 2020/21 Budget and is pending debate.
Public Debt Management Bill, 2020	The draft Bill seeks to consolidate and amend existing laws for public debt management, as well as implement a governance framework oversight of government debt activities, which are to be guided by defined objectives. The Bill will also establish a Debt Management Unit and a Debt Management Committee and require the production of an annual Debt Management Strategy Report, which is to be presented to Parliament at the time of the fiscal strategy report. This Bill is expected to be finalized before the end of the calendar year.
Public Financial Management Bill, 2020	The draft Bill seeks to replace the existing Financial Administration and Audit Act, 2010, and to clearly specify the roles and responsibilities of financial officers, enhance reporting requirements and accountability expectations across the public service, and solidify criminal penalties for malfeasance in public financial matters. This Bill is expected to be completed before the end of the calendar year.
Statistics Bill, 2020	The draft Bill seeks to establish the National Statistical Institute (the "Institute") as an autonomous body corporate to replace the existing Department of Statistics. The Institute will also establish a National Statistical System and would facilitate the establishment of standards for collecting, compiling, analyzing and publishing official statistics. Lastly, the Bill will foster the development of a national statistical strategy by the national statistical committee, which is to be comprised of heads of other agencies in the national statistical ecosystem, as well as representatives from the private sector. The draft Bill will go out for public consultation in September 2020, and thereafter finalized for eventual tabling in Parliament.