

# **NINE-MONTHS CONSOLIDATED FISCAL SNAPSHOT AND REPORT**

*on Budgetary Performance*

JULY 2018 - MARCH 2019

**GOVERNMENT OF  
THE BAHAMAS**

*Fiscal  
Year  
'18/19*

**SECTION 1**  
**The Snapshot**

**SECTION 2**  
**The Report**

# Fiscal Balance

Preliminary data for the first nine-months of Fiscal Year (FY) 2018/19 show a 51% improvement on the deficit compared to the previous fiscal year (from \$261.5M in FY17/18 to \$129.2M in FY18/19).

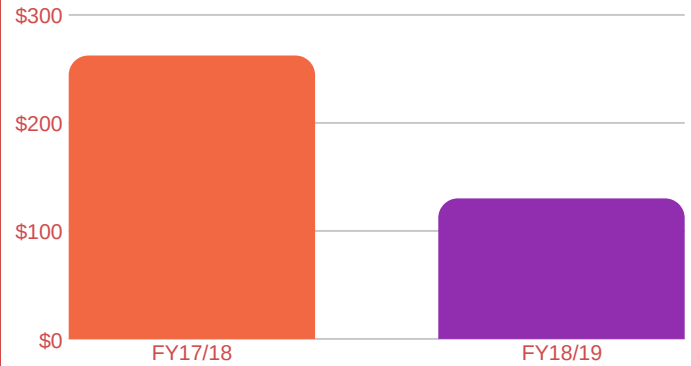
Revenue increased by \$218.7M, representing a 15% year over year (YOY) improvement. Expenditures for the review period increased by \$86.5M (5%), accounted for by a \$143.3M increase in recurrent expenditure and a \$56.8M decrease in capital expenditure.

Increased business licence revenue flows and VAT collections during the third quarter (Q3) helped to fuel a turnaround from a \$7M deficit last fiscal year Q3 to a \$40M surplus in Q3 this year.

## DEFICIT POSITION

# \$129.2M

YOY Performance Comparison  
9-Months Fiscal Balance



**YOY Deficit reduced by 51%**

### SPECIAL NOTE

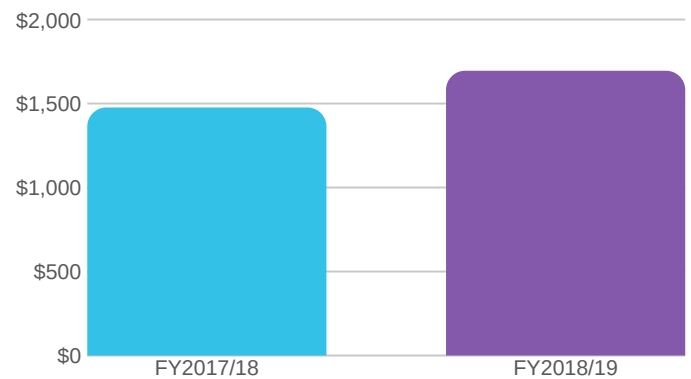
The fiscal data presented in this quarterly snapshot is provisional and subject to change until audited by the Auditor General. Because of rounding, some totals may not agree with the sum of their component parts.

## REVENUE

# \$1,689.1M

Revenue collection for the first nine-months equated to 63.7% of the annual budget target. Gains were primarily supported by increased VAT revenue and stamp taxes on financial and realty transactions. The Business licence fee collections increased by 35% YOY.

YOY Performance Comparison  
9-Months Revenue (B\$M)



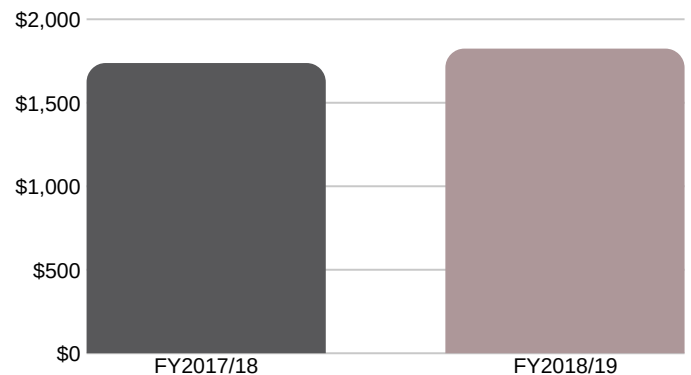
**YOY Revenue increased by 15%**

## EXPENDITURE

# \$1,818.3M

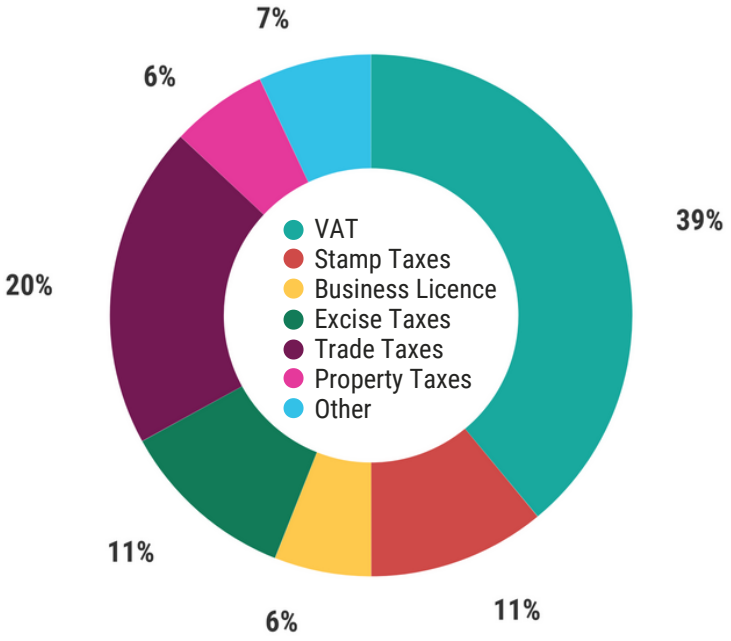
The comparatively higher growth in recurrent expenditure continued to reflect the settlement of budgeted arrears. There were also increases associated with seasonal expenditures and other operating costs. Expenditures in the period represented 63.0% of the budget allocation.

YOY Performance Comparison  
9-Months Expenditure (B\$M)



**YOY Expenditure increased by 5%**

# Revenue Performance

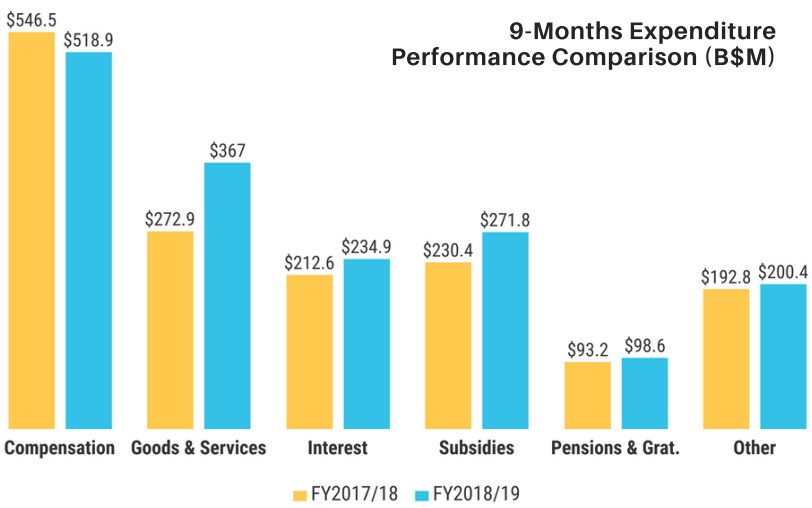


## Non-Tax Revenue Summary

Non-tax revenue surpassed the three-quarter budget mark (76.5%) with a gain of \$20.7M to \$167.3M. Supported by recent fee increases, revenue from immigration fees were higher by \$20.9 million (44.0%) and equated to 89.3% of the budget target. Fines, penalties and forfeits provided receipts of \$3.9M relative to \$1.5M last year (mainly emanating from judicial-related activities).

## Recurrent Expenditure

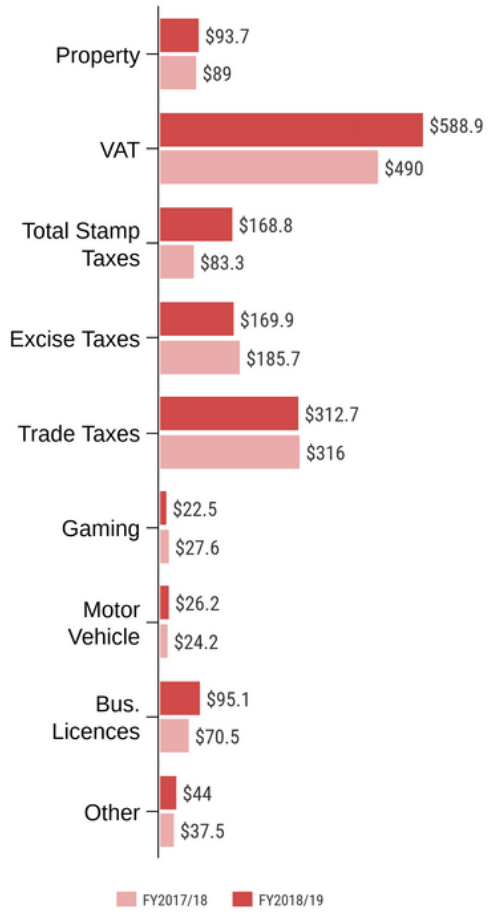
Spending increased during the review period for several activities, including subsidies for non-profits and households, and social assistance benefits, particularly for the National Drug Plan. Spending on the wage bill decreased, partly due to a reduction in payments for overtime and other allowances. Transfers to private non-financial enterprises were a lot higher at \$27.6M from \$8.0M, primarily due to the settlement of arrears with cruise line operators and grant payment to schools during the period.



Stamp taxes surpassed the budget target, at 112.5%. The transition from VAT on realty to stamp tax on realty led to an approximate twofold increase in the yield from \$80.6M a year ago to \$161.6M in this fiscal period.

Taxes on international trade and transactions were \$3.3M behind the year-earlier intake. Declines for customs and other import duties and export receipts were partially offset by gains in departure taxes.

## 9-Months Revenue Performance Comparison (B\$M)



## Settlement of Arrears

The 2018/19 budget made provision for the settlement of \$172.3M in past due payments to various entities, which are captured across several expenditure line items. By end-March 2019, some \$112.7 million or 65.4% of the total was eliminated.

# Financing Activities

For the nine months to March of FY2018/19, the Government's net liabilities increased by \$227.9M to finance operations. Following the established auction calendar, \$454.0M in new bonds were issued to refinance maturing series and to facilitate the planned conversion of Central Bank advances to bonds.

9-Months  
Fiscal Year  
2018/19

**\$830.3M** — **\$602.4M** = **\$227.9M**  
(FY2017/18: \$1,807.2M) (FY2017/18: \$1,181.1M) (FY2017/18: \$626.1M)

## NEW BORROWING

\$824 million in Bahamian dollars and the balance in loan drawings on previously obtained foreign currency loans with international agencies

## DEBT REPAYMENT

\$526.2 million was for Bahamian Dollar obligations, including bonds, treasury bills/notes, bank loans and central bank advances

## NET LIABILITY

The Direct Charge on the Government rose to an estimated \$7,470.6 million from a provisional \$7,242.7 million at end-June 2018

## CONTRIBUTIONS TO SINKING FUNDS

Through end-March of FY2018/19, the Government contributed an additional \$26.6M in the sinking fund earmarked for future debt amortization obligations.



## Equity Acquisition

Acquisitions of financial assets continued to be dominated by the Government's investment in Lucayan Renewal Holdings Ltd. (LRHL), the special purpose vehicle established to acquire the Lucayan Properties in Grand Bahama. Following the initial capital investment of some \$32.4M, the Government made additional contributions aggregating \$14.6M towards LRHL's operating costs—bringing the total investment to \$47.0M by end-March 2019.

## Policy Initiatives Under Development

for Enhanced Public Financial  
Management



### Public Financial Management Bill

The proposed legislation will substantially replace the existing Financial Administration and Audit Act, 2010 and provide clarity around the roles and responsibilities of financial officers; enhanced reporting requirements, and accountability expectations.



### Disaster Relief and Resilience Bill

The proposed legislation will create a Disaster Relief and Resilience Fund. It is currently under development and will go out for public consultation within the next fiscal year. The Fund will mitigate the underlying credit vulnerability that natural disasters pose.



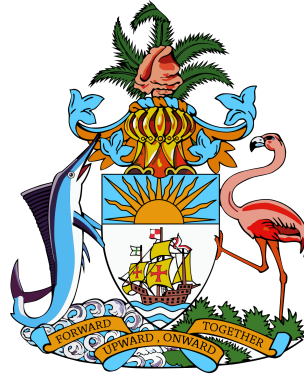
### Public Procurement Bill

The proposed legislation seeks to modernize and align procurement systems and processes with regional and international best practices and standards. It will institutionalize the digital procurement platform and bring transparency to the procurement process.



### State-Owned Enterprises Bill

The Bill will provide for the sustainability and transformation of State-Owned Enterprises into viable, efficient and self-sufficient entities. It will also provide a concise distinction in the classification of a public sector or a private sector led entity.



**GOVERNMENT  
OF THE BAHAMAS**

**NINE-MONTHS  
REPORT**

***ON BUDGETARY PERFORMANCE***

**FY2018/19**

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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 has commenced 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](http://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 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.

It should be noted that, while the progressive shift to GFS (2014) brings several changes in the categorization of the budgetary data from the previous budget presentation, the overall revenue and expenditure figures are unchanged. The Ministry intends to adopt the full GFS (2014) presentation for the FY2019/20 budget.

### 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 Nine Months of FY2018/19

Based on preliminary data for the nine months to March of FY2018/19, the deficit on the Government's overall position was lower at \$129.2 million from \$261.5 million in the corresponding period of FY2017/18—for an improvement of \$132.2 million (*see Table 1*).

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

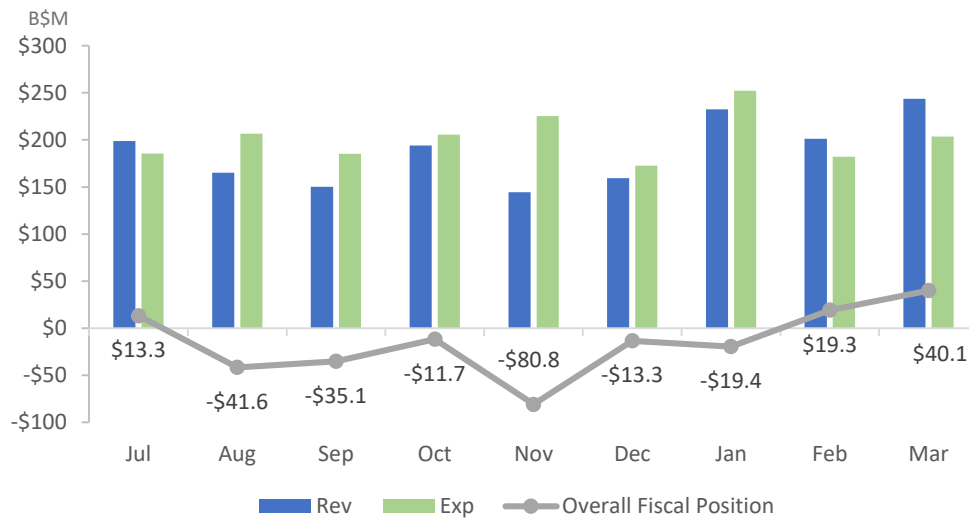
(B\$M)	[a]	[b]	[c]	[b] - [c]	[b/a]
	Budget		July - March		
	FY2018/19	FY2018/19 <sup>P</sup> Actual	FY2017/18 <sup>P</sup> Actual	Variance	% of Budget
<b>Revenue</b>	<b>2,650.9</b>	<b>1,689.1</b>	<b>1,470.4</b>	<b>218.7</b>	<b>63.7%</b>
Tax	2,429.9	1,521.8	1,323.8	198.0	62.6%
Non-tax	218.8	167.3	146.6	20.7	76.5%
Grants	2.2	0.0	0.0	0.0	0.0%
<b>Expenditure</b>	<b>2,888.5</b>	<b>1,818.3</b>	<b>1,731.9</b>	<b>86.5</b>	<b>63.0%</b>
Recurrent	2,589.2	1,691.6	1,548.4	143.3	65.3%
Capital	299.3	126.7	183.5	(56.8)	42.3%
<b>Surplus/(Deficit)</b>	<b>(237.6)</b>	<b>(129.2)</b>	<b>(261.5)</b>	<b>132.2</b>	<b>54.4%</b>
<b>Financing Activities</b>	<b>237.6</b>	<b>129.2</b>	<b>261.5</b>	<b>(132.3)</b>	<b>54.4%</b>
<i>Net Acquisition of financial assets (-)</i>	<b>46.4</b>	<b>76.9</b>	<b>66.6</b>	<b>10.3</b>	<b>165.7%</b>
Sinking Funds	46.4	26.6	0.0	26.6	57.3%
Equity	0.0	50.3	17.6	32.7	0.0%
Other	0.0	0.0	49.0	(49.0)	0.0%
<i>Net Incurrence of Liabilities (+)</i>	<b>237.6</b>	<b>227.9</b>	<b>626.1</b>	<b>(398.2)</b>	<b>95.9%</b>
Borrowings	947.0	830.3	1,807.2	(976.9)	87.7%
Debt Repayment	709.4	602.4	1,181.1	(578.7)	84.9%
<b>Change in Cash Balance [(I)= increase]</b>	<b>46.4</b>	<b>(21.8)</b>	<b>(298.0)</b>	<b>276.2</b>	<b>-47.0%</b>

- Revenue receipts increased by an estimated \$218.7 million (14.9%) to \$1,689.1 million, which represented 63.7% of the budget target. Continuing the earlier observed trend, gains were primarily supported by the rate-induced hike in VAT and strengthened collections of stamp taxes on financial and realty transactions. The outturn was also consistent with the pattern for typically more robust third quarter performance, underpinned by the incidence of business licence fee collections, which helped to secure fiscal surpluses in the months of February and March.
- Expenditures were higher by \$86.5 million (5.0%) at \$1,818.3 million for the review period, to represent 63.0% of budgeted allocation. Growth in recurrent spending, of \$143.3 million to \$1,691.6 million, continued to be boosted by the settlement of arrears which aggregated \$112.7 million for the nine months review period. Capital outlays were comparatively lower by \$56.8



million at \$126.7 million, as the previous years' position included the expensing of \$70.4 million of the Government's \$88.0 million year-to-date payment towards settlement of the \$100 million Bahamas Resolve Limited Promissory Note to Bank of The Bahamas Ltd. The balance of \$17.6 million, assessed as recoverable, is included below the line as a financial asset.

**Overall Fiscal Position for First Nine Months of FY2018/19**

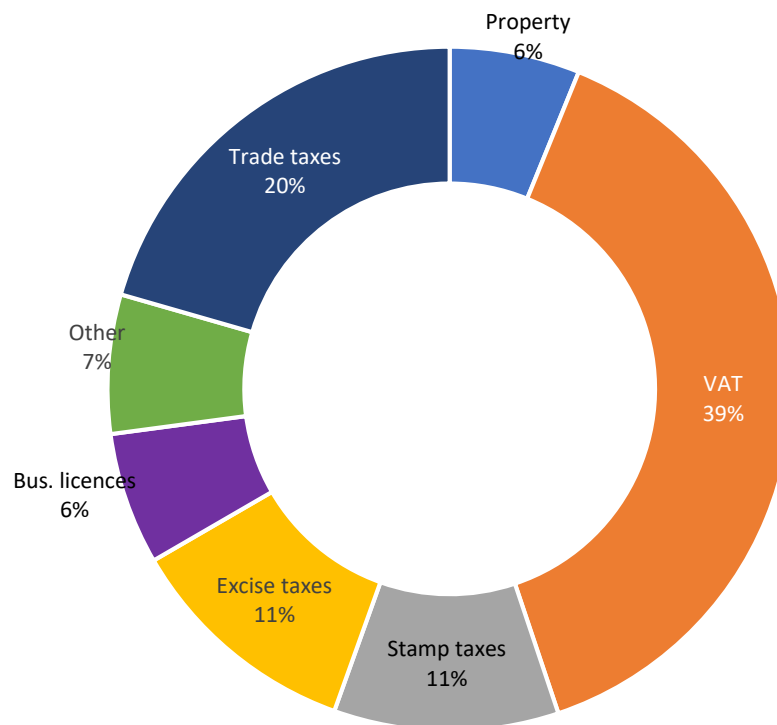


- Under financing transactions, the Government augmented its sinking funds for future debt repayment by \$26.6 million during the nine months review period—adding another \$10.0 million since the first six months of the fiscal year. Equity acquisitions continue to reflect the Government's capitalization of the special purpose vehicle, Lucayan Renewal Holdings Ltd, formed to acquire the Our Lucaya properties in Grand Bahama during the first quarter of the fiscal year. To date, these investments total \$47.0 million, comprising the original \$32.4 million in equity contribution and an additional \$14.6 million in operational support.
- Funding requirements for the nine months to March 2019 were met through new borrowings of \$830.3 million as against \$1,807.2 million a year earlier which included the impact of the \$750 international bond issuance and other short-term bank credits. Approximately \$629.0 million in Bahamian dollars was secured against the FY2018/19 Borrowing Resolution (which makes provision for the Government to raise \$187.7 million for deficit financing, together with amounts required to refinance the maturing debt budgeted at \$709.4 million), \$195.0 million in Bahamian Dollars via short-term borrowing authorities and another \$6.3 million representing drawings on existing loan facilities.
- Debt repayment was lower at \$602.2 million from the comparable year-earlier period's \$1,181.1 million when the Government termed-out interim bank financing with proceeds from the \$750 million international bond issuance in November 2017.
- Given net borrowing of \$0.228 billion over the nine months to March of FY2018/19, the Direct Charge on the Government (exclusive of exchange rate adjustments) increased to an estimated \$7.471 billion at end-March 2019.

### 3. Revenue Performance

Revenue receipts through March of FY2018/19 amounted to an estimated \$1,689.1 million, an increase of \$218.7 million (14.9%) over the corresponding period in FY2017/18 and represented nearly 64.0% of the fiscal year target (*see Table 2*). Tax receipts improved by \$198.0 million to \$1,521.8 million (62.6% of the budget), while non-tax revenue surpassed the three-quarter budget mark (76.5%) with a gain of \$20.7 million to \$167.3 million.

**Percentage Composition of Tax Revenue (First Nine Months of FY2018/19)**



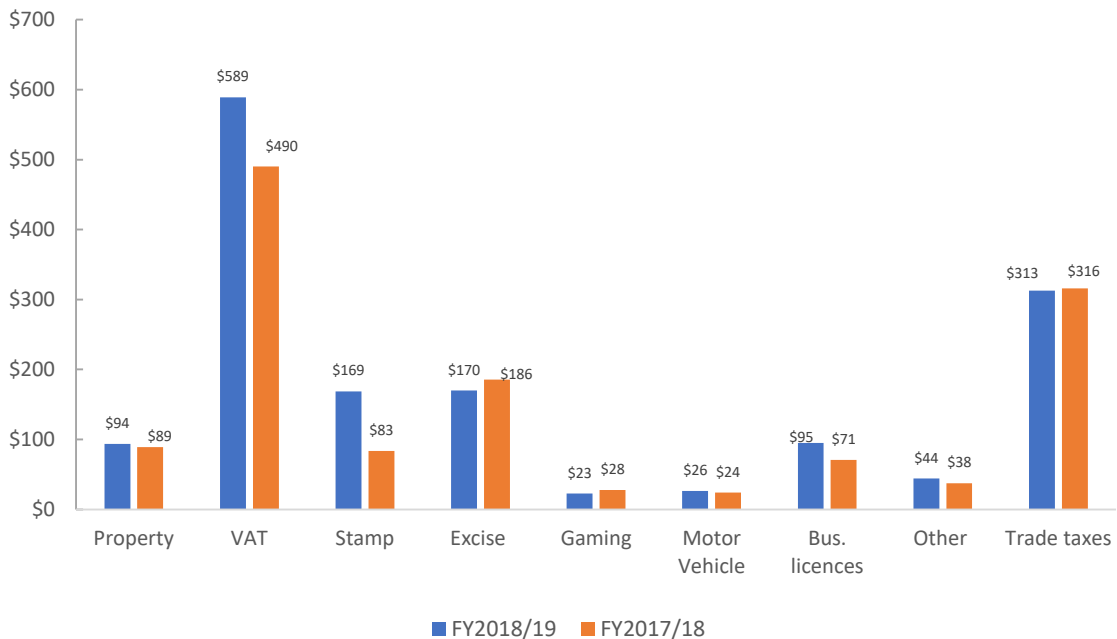
Key comparative developments for the nine months' outturn are the following:

- Taxes on Goods & Services increased by \$192.1 million (21.0%) to an estimated \$1,108.2 million, which represented 62.5% of the budget target.
  - Reflecting two quarterly filings at the 12% rate, Value Added Tax (VAT) receipts posted a gain of \$98.9 million to \$588.9 million. Collections represented approximately 55.6% of the budget, with the initial quarter's performance moderated by the Government's accommodation to hotels and resorts and development projects, to honor business booked/secured, prior to September 30, 2018, at the old rate.
  - The buoyancy in stamp taxes on financial and realty transactions was maintained throughout the year-to-date performance, with an approximate twofold hike in the yield to \$161.6 million from \$80.6 million a year ago. At 112.5% of the budget, the outcome was supported by the increase in stamp duties on realty transactions in excess of \$100,000, to 10%, effective July 1,

2018, following the corresponding removal of VAT from all realty deals. Stamp taxes on banking transactions, at \$54.0 million, represented a gain of \$8.7 million in receipts.

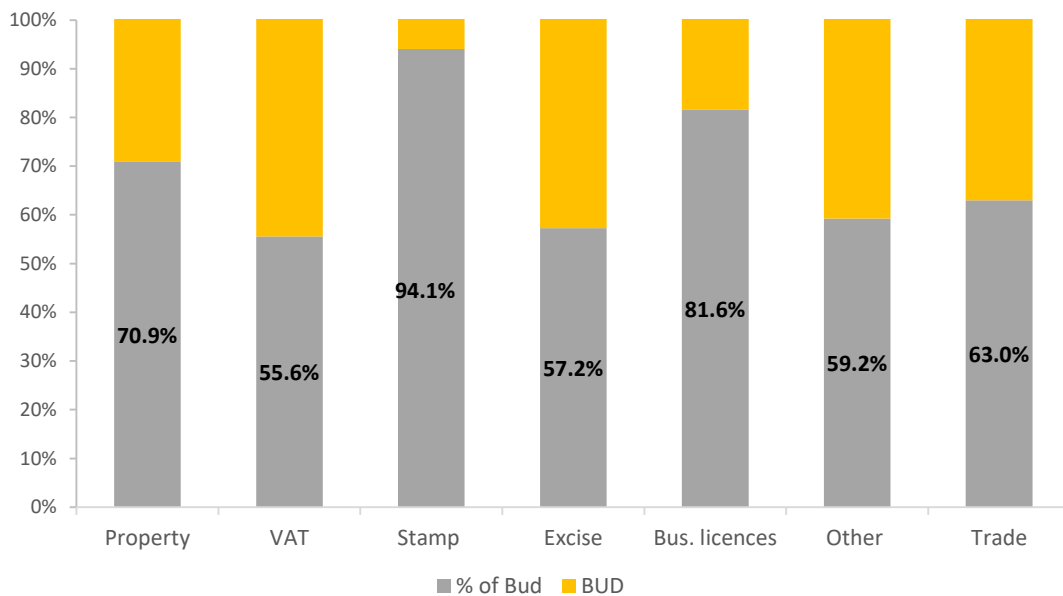
- Excise taxes were comparatively lower by \$15.8 million (8.5%) to \$169.9 million, which equated to 57.2% of the budget.
- Gaming tax receipts, at \$22.5 million, were \$5.1 million below the corresponding period and exclude the impact of the recent agreement reached with the gaming houses that will recoup a portion of the new fees anticipated in the first half of the year. Consequently, collections to date amounted to only 32.1% of the \$70.0 million budget target.
- General Stamp taxes were higher by \$4.5 million at \$7.2 million. However, this remained at a tempered 25.6% of the budget, due to the delayed introduction of the new 5% stamp tax on gaming patrons and the associated estimated revenue loss of \$10.0 million.
- Revenue collections from licences to conduct special business activity posted a gain of \$24.6 million (34.9%) to \$95.1 million. While consistent with trend collections, the dominant business licence component contributed a strengthened \$32.1 million (51.7%) more in receipts. Timing differences in payment of the communication levy explained the \$7.3 million decline in this revenue line.
- Taxes on international trade and transactions were \$3.3 million behind the year-earlier intake at an estimated \$312.7 million, for 63.0% of the budget. Declines for customs and other import duties (\$7.7 million to \$199.4 million) and export receipts (\$1.4 million to \$9.3 million) were partially offset by gains in departure taxes (\$5.8 million to \$103.9 million).

**Nine Months Comparison of Tax Revenue Performance (B\$M)**



- Property income, consisting of interest, dividends and revenue from government property, posted receipts of \$18.3 million relative to \$20.5 million in the corresponding fiscal year, and represented 77.7% of budget.
- Revenue earned from the sale of goods and services improved by \$26.4 million to \$140.5 million for 81.7% of budget.
  - Fees and service charges represented the bulk of collections at \$125.9 million—a gain of \$22.9 million or 22.2% over the comparable period of the prior fiscal year. Supported by recent fee hikes, revenue from immigration fees were higher by \$20.9 million (44.0%) at \$68.4 million and equated to 89.3% of the budget target. Timing related difference in the other significant budget line, communication levy, explained the incidence of nil payment in the current period compared with \$7.3 million a year earlier.
- Fines, penalties and forfeits provided receipts of \$3.9 million relative to \$1.5 million last year, of which \$3.2 million emanated from judicial-related activities.

**Revenue as Percentage of Budget as at Year-to-Date March of FY2018/19**



FY2018/19 NINE MONTHS REPORT ON BUDGETARY PERFORMANCE

TABLE 2: REVENUE SUMMARY (B\$M)

	[a]	[b]	[c]	[b] -[c]	[b]/[a]
	Budget		July - March		
	FY2018/19	FY2018/19 <sup>P</sup> Actual	FY2017/18 <sup>P</sup> Actual	Variance	% of Budget
<b>TAX REVENUE (a+b+c+d)</b>	<b>2,429.9</b>	<b>1,521.8</b>	<b>1,323.8</b>	<b>198.0</b>	<b>62.6%</b>
<b>a. Taxes on Property</b>	<b>132.2</b>	<b>93.7</b>	<b>89.0</b>	<b>4.7</b>	<b>70.9%</b>
<b>b. Taxes on Goods &amp; Services (i+ii+iii)</b>	<b>1,773.1</b>	<b>1,108.2</b>	<b>916.1</b>	<b>192.1</b>	<b>62.5%</b>
<b>i. General</b>	<b>1,500.1</b>	<b>920.4</b>	<b>756.3</b>	<b>164.1</b>	<b>61.4%</b>
VAT	1,059.6	588.9	490.0	98.9	55.6%
Stamp taxes (Financial & Realty)	143.7	161.6	80.6	81.0	112.5%
Excise Tax	296.8	169.9	185.7	(15.8)	57.2%
<b>ii. Specific (Gaming taxes)</b>	<b>70.0</b>	<b>22.5</b>	<b>27.6</b>	<b>(5.1)</b>	<b>32.1%</b>
<b>iii. Taxes on Use of Goods/Permission to Use</b>	<b>203.0</b>	<b>165.3</b>	<b>132.2</b>	<b>33.1</b>	<b>81.4%</b>
Motor Vehicle Taxes	36.2	26.2	24.2	2.0	72.4%
Company Taxes	20.7	17.5	17.5	0.0	84.5%
Licence to Conduct Special Bus. Activity	116.5	95.1	70.5	24.6	81.6%
Marine License Activities	3.6	1.2	1.8	(0.6)	33.3%
Banks & Trust Companies	26.0	25.3	18.2	7.1	97.3%
<b>c. Taxes on Int'l Trade &amp; Transactions</b>	<b>496.5</b>	<b>312.7</b>	<b>316.0</b>	<b>(3.3)</b>	<b>63.0%</b>
Customs & other import duties	335.3	199.4	207.1	(7.7)	59.5%
Taxes on Exports	13.9	9.3	10.7	(1.4)	66.9%
Departure Taxes	147.3	103.9	98.1	5.8	70.5%
Other	0.0	0.1	0.1	0.0	0.0%
<b>d. General Stamp Taxes</b>	<b>28.1</b>	<b>7.2</b>	<b>2.7</b>	<b>4.5</b>	<b>25.6%</b>
<b>NON-TAX REVENUE (e+f+g+h+i+j)</b>	<b>218.8</b>	<b>167.3</b>	<b>146.6</b>	<b>20.7</b>	<b>76.5%</b>
<b>e. Property Income</b>	<b>22.4</b>	<b>18.3</b>	<b>20.5</b>	<b>(2.2)</b>	<b>81.7%</b>
Interest & Dividends	6.9	4.5	6.0	(1.5)	65.2%
Revenue_Gov't Property	15.5	13.8	14.5	(0.7)	89.0%
<b>f. Sales of goods &amp; services</b>	<b>179.5</b>	<b>140.5</b>	<b>114.1</b>	<b>26.4</b>	<b>78.3%</b>
<b>i. Fees &amp; Service Charges</b>	<b>162.1</b>	<b>125.9</b>	<b>103.0</b>	<b>22.9</b>	<b>77.7%</b>
General Registration	5.1	4.4	3.5	0.9	86.3%
General Service	14.0	10.2	9.9	0.3	72.9%
Immigration	76.6	68.4	47.5	20.9	89.3%
Land & Building	1.9	1.8	1.2	0.6	94.7%
Legal	4.9	0.8	3.6	(2.8)	16.3%
Customs	46.7	34.3	31.5	2.8	73.4%
Port & Harbour	10.8	4.8	4.7	0.1	44.4%
Health	1.3	0.8	0.5	0.3	61.5%
Other Fees	0.8	0.4	0.6	(0.2)	50.0%
<b>ii. Other</b>	<b>17.4</b>	<b>14.6</b>	<b>3.3</b>	<b>11.3</b>	<b>83.9%</b>
<b>g. Fines, Penalties &amp; Forfeits</b>	<b>3.4</b>	<b>3.9</b>	<b>1.5</b>	<b>2.4</b>	<b>114.7%</b>
<b>h. Reimbursements &amp; Repayments</b>	<b>2.5</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>8.0%</b>
<b>i. Misc. &amp; Unidentified Revenue</b>	<b>9.6</b>	<b>1.8</b>	<b>9.0</b>	<b>(7.2)</b>	<b>18.8%</b>
<b>j. Sales of other Non-Financial Assets</b>	<b>1.4</b>	<b>2.6</b>	<b>1.4</b>	<b>1.2</b>	<b>185.7%</b>
<b>TOTAL TAX &amp; NON-TAX REVENUE</b>	<b>2,648.7</b>	<b>1,689.1</b>	<b>1,470.4</b>	<b>218.7</b>	<b>63.8%</b>
GRANTS	2.2	0.0	0.0	0.0	0.0%
CAPITAL REVENUE	0.0	0.0	0.0	0.0	0.0%
<b>GRAND TOTAL</b>	<b>2,650.9</b>	<b>1,689.1</b>	<b>1,470.4</b>	<b>218.7</b>	<b>63.7%</b>

## 4. Expenditure Developments

### a. Recurrent Expenditure

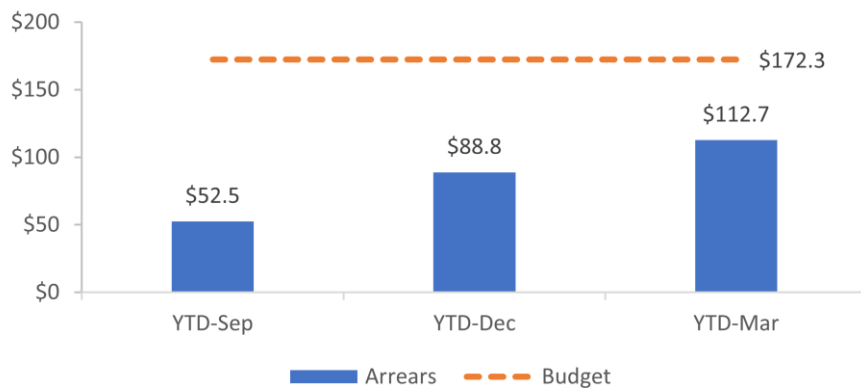
Recurrent expenditure totaled an estimated \$1,691.6 million, an increase of \$143.3 million or 9.3% from the corresponding nine-month period of FY2017/18—settling at 65.3% of the budget target (*see Table 3*).

The main factors underlying the expenditure outcome were as follows:

- Compensation of employees stood at \$518.9 million for the period, falling some \$27.6 million (5.0%) below last year and equivalent to 65.4% of the budgeted provision. At 88.0% of the total, wages and salaries were lower than the year-earlier spend by \$23.8 million (5.0%), owing to the completion of employment contracts. Allowances were reduced by \$3.0 million (7.1%) to \$38.9 million, partly due to a reduction in payments for overtime, responsibility and other allowances.

#### SETTLEMENT OF ARREARS (B\$M)

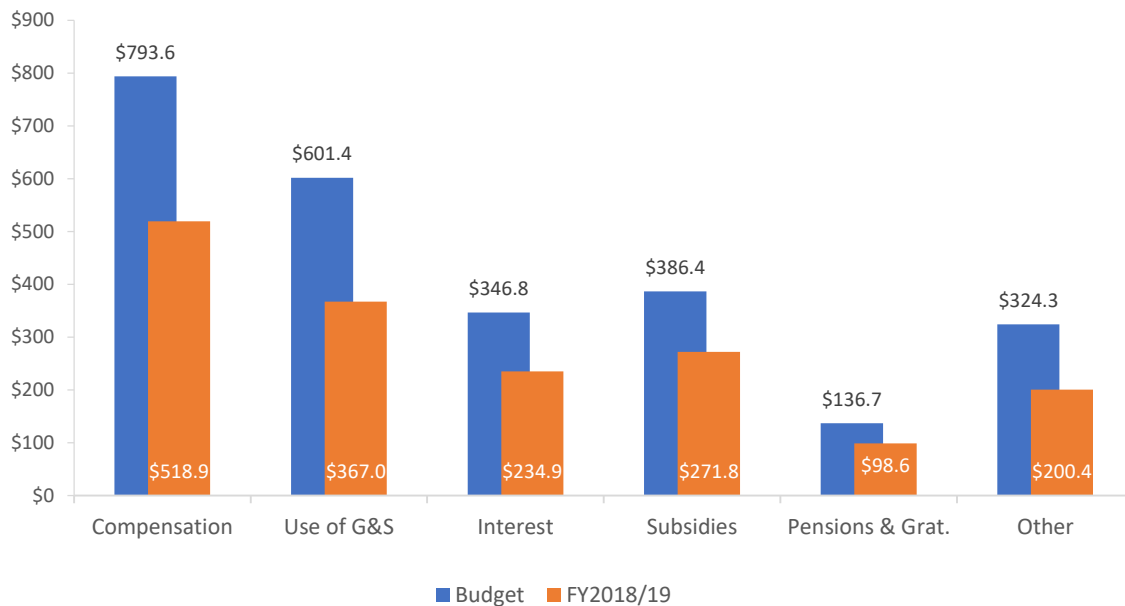
The 2018/19 budget made provision for the settlement of \$172.3 million in past due payments to various entities, which are captured across several expenditure line items. By end-March 2019, some \$112.7 million or 65.4% of the total was eliminated.



- Spending on goods & services was higher by \$94.1 million (34.5%) at \$367.0 million which equated to 61.0% of the budget. The largest component, special financing transactions, increased more than three-fold to \$74.2 million and included nearly \$55.8 million in arrears payments. Among the remaining categories, higher outlays were recorded for services (\$14.4 million or 27.0% to \$67.7 million); rent (\$19.0 million or 61.1% to \$50.1 million); utilities & communications, (\$6.9 million or 20.6% to \$40.3 million) and finance charges, which consists of non-interest related fees on government borrowing and hedging activities (\$4.3 million or 19.8% to \$26.0 million). Comparatively lower outlays were posted for tourism-related payments, of \$5.8 million (14.0%) to \$35.7 million and supplies & materials, of \$5.6 million (13.9%) to \$34.6 million.

- Public debt interest payments increased by \$22.3 million (10.5%) to \$234.9 million, accounting for 67.7% of the budget. Of the total, \$94.7 million was directed to foreign currency obligations and the balance of \$140.2 million for Bahamian Dollar debt.
- Subsidies, constituting transfers to Government-owned and/or controlled units which provide commercial goods and services to the public, totaled \$271.8 million—an increase of \$41.4 million (18.0%) from the same period in the prior fiscal year.
  - Transfers to public non-financial corporations, at \$243.6 million, exceeded last year’s expenditure by \$22.8 million (10.3%). Approximately \$177.9 million or 73.0% of the total was directed to the Public Hospitals Authority—an increase of \$28.9 million (19.4%) over the comparative fiscal period a year earlier. In a moderate offset, transfers to the National Health Insurance Scheme were \$1.7 million lower at \$13.3 million and timing related factors contributed to respective declines of \$3.3 million and \$6.2 million in transfers to the national airline carrier and the water utility company.
  - Transfers to private non-financial enterprises were significantly higher at \$27.6 million from \$8.0 million in the comparable review period. This outcome was primarily boosted by settlement of arrears with cruise line operators and grant payment to schools during the period.

**Recurrent Expenditure vs Budget (B\$M)**



- Grants, representing gifts and donations to foreign governments and international organizations (inclusive of membership fees) amounted to \$6.8 million (78.2% of the budgeted allocation), compared with \$5.6 million in the year-earlier period.
- Social Assistance Benefits, which could be in cash or in kind (e.g. medical services) totaled \$32.3 million—a gain of \$4.5 million (16.3%) from last year and approximated 65.3% of the budget. Continuing the observation in the first half, this outcome was primarily attributed to an increase in payments under the National Drug Plan Programme, from \$6.4 million to \$12.0 million.

- Pension and gratuity payments totaled \$98.6 million, compared with \$93.2 million a year earlier, and approached 72.1% of the budget allocation. Pensions and staff gratuities, which become due to eligible public service employees upon retirement, grew by \$5.6 million (8.1%) to \$74.8 million, and \$0.5 million (2.5%) to \$21.4 million, respectively.

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

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	<b>Budget</b>		<b>July - March</b>		
	<b>FY2018/19</b>	<b>FY2018/19<sup>P</sup> Actual</b>	<b>FY2017/18<sup>P</sup> Actual</b>	<b>Variance</b>	<b>% of Budget</b>
<b>RECURRENT EXPENDITURE</b>					
<b>Compensation of Employees</b>	<b>793.6</b>	<b>518.9</b>	<b>546.5</b>	<b>(27.6)</b>	<b>65.4%</b>
<b>Use of Goods &amp; Services</b>	<b>601.4</b>	<b>367.0</b>	<b>272.9</b>	<b>94.2</b>	<b>61.0%</b>
<i>of which:</i>					
Travel & Subsistence	8.9	6.0	6.2	(0.2)	67.4%
Rent	81.7	50.1	31.1	19.0	61.3%
Utilities & Telecommunications	88.4	40.3	33.4	6.9	45.6%
Supplies & Materials	45.8	34.6	40.2	(5.6)	75.5%
Services	115.9	67.7	53.3	14.4	58.4%
Minor capital repairs	2.8	1.4	1.5	(0.1)	50.0%
Finance charges	34.6	26.0	21.7	4.3	75.1%
Special Financial Transactions	80.6	74.2	16.6	57.6	92.1%
Tourism Related	96.2	35.7	41.5	(5.8)	37.1%
Local Gov't Districts	13.3	8.5	7.8	0.7	63.9%
School Boards	5.9	5.9	5.4	0.5	100.0%
Other	27.3	16.6	14.2	2.5	61.0%
<b>Public Debt Interest</b>	<b>346.8</b>	<b>234.9</b>	<b>212.6</b>	<b>22.3</b>	<b>67.7%</b>
<b>Subsidies</b>	<b>386.4</b>	<b>271.8</b>	<b>230.4</b>	<b>41.4</b>	<b>70.3%</b>
<b>Grants</b>	<b>8.7</b>	<b>6.8</b>	<b>5.6</b>	<b>1.2</b>	<b>78.2%</b>
<b>Social Assistance Benefits</b>	<b>49.5</b>	<b>32.3</b>	<b>27.8</b>	<b>4.5</b>	<b>65.3%</b>
<b>Pensions &amp; Gratuities</b>	<b>136.7</b>	<b>98.6</b>	<b>93.2</b>	<b>5.4</b>	<b>72.1%</b>
<b>Other Payments</b>	<b>245.0</b>	<b>148.0</b>	<b>147.8</b>	<b>0.2</b>	<b>60.4%</b>
Current Transfers n.e.c.	168.8	123.2	90.5	32.7	73.0%
Insurance Premiums	76.2	24.8	57.3	(32.5)	32.5%
<b>Acquisition of Non-financial Assets</b>	<b>21.1</b>	<b>13.3</b>	<b>11.6</b>	<b>1.7</b>	<b>63.0%</b>
<b>TOTAL</b>	<b>2,589.2</b>	<b>1,691.6</b>	<b>1,548.4</b>	<b>143.3</b>	<b>65.3%</b>

- Current transfers (not elsewhere classified) comprise other Government 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 subsidiaries. These outlays increased by \$32.7 million (36.1%) to \$123.2 million, which was 73.0% of the budget.

- Transfers to Households, earmarked to provide relief from the financial burden of various risks and needs, were \$0.9 million above last year's spend at \$27.7 million. Approximately \$17.4 million of this amount was allocated for scholarships, an increase of \$1.9 million from the year earlier period. Among the other items, Clico-related transactions received \$8.6 million.
- Transfers to Non-financial Public Enterprises were boosted by \$29.2 million to \$75.8 million. The key drivers continue to be the first half settlement of nearly \$13.7 million in contingent liabilities with the Bank of The Bahamas, linked to the non-performance of the guaranteed Hurricane and Student Loan programmes. The Government also facilitated the budgeted settlement of \$7.2 million in interest payment on Bahamas Resolve's \$167.7 million promissory note to the Bank of The Bahamas.
- Insurance premium payments totaled \$24.8 million compared with \$57.3 million last year—of which approximately \$24.1 million was for employee health insurance cover.

## b. Capital Spending

For the nine-month review period, capital outlays totaled \$126.7 million, a reduction of \$56.8 million (31.0%) from the corresponding year-earlier period (*see Table 4*). Spending on goods and services increased from \$7.3 million last year to \$11.1 million—of which \$1.7 million was related to arrears settlements.

**TABLE 4: CAPITAL EXPENDITURE SUMMARY (B\$M)**

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July - March		
	FY2018/19	FY2018/19 <sup>P</sup> Actual	FY2017/18 <sup>P</sup> Actual	Variance	% of Budget
<b>Uses of Goods &amp; Services</b>	<b>38.4</b>	<b>11.1</b>	<b>7.3</b>	<b>3.8</b>	<b>28.9%</b>
<b>Capital Transfers</b>	<b>46.6</b>	<b>18.0</b>	<b>22.2</b>	<b>(4.2)</b>	<b>38.6%</b>
<b>Acquisition of Non-financial assets</b>	<b>214.3</b>	<b>97.6</b>	<b>154.0</b>	<b>(56.4)</b>	<b>45.5%</b>
<b>Fixed Assets</b>	<b>204.7</b>	<b>86.2</b>	<b>79.2</b>	<b>7.0</b>	<b>42.1%</b>
Buildings other than dwellings	51.2	33.4	34.1	(0.7)	65.2%
Other structures	101.6	44.1	42.9	1.2	43.4%
Transport equipment	11.3	3.9	0.2	3.7	34.5%
Other Machinery & equipment	40.6	4.8	2.0	2.8	11.8%
<b>Land Improvements</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.0)</b>	<b>0.0%</b>
<b>Land</b>	<b>0.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Other Fixed Assets</b>	<b>9.0</b>	<b>11.4</b>	<b>74.8</b>	<b>(63.4)</b>	<b>126.7%</b>
<b>TOTAL</b>	<b>299.3</b>	<b>126.7</b>	<b>183.5</b>	<b>(56.8)</b>	<b>42.3%</b>

- Capital transfers were lower by \$4.2 million (18.9%) at \$18.0 million, which represents 38.6% of the budget.
- Outlays for the acquisition of non-financial assets totaled \$97.6 million, a decline of \$56.4 million (36.6%) from last year.
  - Acquisition of fixed assets (e.g. buildings, machinery and equipment) advanced by \$7.0 million (8.8%) to \$86.2 million.
  - Spending to acquire other fixed assets contracted by \$63.4 million (84.8%) to \$11.4 million, which was explained by the previous years' provisioning of 80% (\$70.4 million) of the \$88.0 million year-to-date payment on the \$100 million Bahamas Resolve Promissory note to the Bank of The Bahamas.

## 5. Financing Activities

### Net Increase in Liabilities

For the nine months to March of FY2018/19, the Government's net liabilities increased by \$227.9 million to finance operations.

- Deficit financing was met via aggregate borrowings of \$830.3 million—with \$824 million in Bahamian dollars and the balance in loan drawings on previously obtained foreign currency loans with international agencies.
- Following the established auction calendar, \$454.0 million in new bonds were issued to refinance maturing series and to facilitate the planned conversion of Central Bank advances to bonds. Although the Government had recourse to advances from the Central Bank, at end-March 2019, the outstanding was reduced to \$60.0 million at end-March—a decline of \$65.0 million from end-June 2018. Short-term borrowings via Treasury bills aggregated \$151.0 million, of which \$36.2 million was repaid during the review period.
- Borrowings from domestic banks amounted to \$175.0 million—all of which occurred in the first half of the year.
- Debt repayment aggregated \$602.4 million, of which \$526.2 million was for Bahamian Dollar obligations.
- Based on the \$227.9 million net increase in liabilities, the Direct Charge on the Government rose to an estimated \$7,470.6 million from a provisional \$7,242.7 million at end-June 2018.

#### CHANGE IN LIABILITIES (By Currency and Instrument)

	(B\$M)		
	FY2018/19 : July - March		
	Borrowings	Repayment	Net Change
<b>Bahamian Dollars</b>	<b>824.0</b>	<b>526.2</b>	<b>297.8</b>
Bonds	454.0	341.1	112.9
Treasury bills/notes	151.0	36.2	114.8
Bank loans	175.0	39.9	135.1
Central Bank advances	44.0	109.0	(65.0)
<b>Foreign Currency</b>	<b>6.3</b>	<b>76.2</b>	<b>(69.9)</b>
Bank loans	1.3	58.8	(57.5)
Loans from Int'l Dev. Agencies	5.0	17.4	(12.4)
<b>TOTAL</b>	<b>830.3</b>	<b>602.4</b>	<b>227.9</b>

**Contribution to Sinking Funds**

Through end-March of FY2018/19, the Government contributed an additional \$26.6 million in the sinking fund earmarked for future debt amortization obligations. At end-March, US\$128.7 million was the accumulated value for the three (3) arrangements established for assisting with the retirement of international bond issues, and \$9.6 million for the two (2) local funds.

**Equity Acquisition**

Acquisitions of financial assets continued to be dominated by the Government's investment in Lucayan Renewal Holdings Ltd. (LRHL), the special purpose vehicle established to acquire the Lucayan Properties in Grand Bahama. Following the initial capital investment of some \$32.4 million, the Government made additional contributions aggregating \$14.6 million towards LRHL's operating costs—bringing the total investment to \$47.0 million by end-March 2019.

## 6. Policy Initiatives for Enhanced Public Financial Management

### Ongoing Initiatives

Consistent with the Government’s commitment to improve the governance framework for public financial management, policy initiatives continue to focus on advancing draft legislation necessary to enhance the functioning of key operational areas of the public finances (see Box A below). During the recent quarter, the Ministry engaged further with external consultants and internal stakeholders on the proposed Public Financial Management Bill and the Public Debt Management Bill to ensure cross consistency in proposed provisions.

Following on the enactment of the recent legislative amendments impacting the dormant account regime, the Government has drafted a Disaster Relief Bill, that will provide for the management of, inter alia, the dormant accounts proceeds to be earmarked for the proposed fund. Work also commenced on the State-Owned Enterprises Bill which will support an enhanced governance framework for these entities, with the objective of securing greater operational efficiency and a reduction in their level of governmental subventions.

<b>Box A: Public Sector Financial Legislative Initiatives</b>	
<b>INITIATIVES</b>	<b>KEY FEATURES</b>
<b>Public Financial Management Bill</b>	Bill will substantially replace existing Financial Administration and Audit Act, 2010 and provide, inter alia, for clarity in specification of roles and responsibilities; enhanced reporting requirements, accountability expectations for government agencies, oversight of state-owned enterprises and expanded budget disclosure requirements.
<b>Public Procurement Bill</b>	Seeks to modernize and align procurement systems and processes with regional and international best practices and standards. To include establishment of a public procurement board, the use of different procurement methods, establishment of a digital procurement platform and electronic vendor registry.
<b>Disaster Relief Bill</b>	Bill for an Act to provide for the establishment and management of a Disaster Relief and Resilience Fund and for matters incidental thereto.
<b>State-Owned Enterprises Bill</b>	Bill will provide for the sustainability and transformation of State-Owned Enterprises into viable, efficient and self-sufficient entities. Bill will also provide a concise distinction in the classification of a public sector or a private sector led entity. Will also assist in identification of cost rationalization and cost recovery options with existing SOE’s.