

FIRST QUARTER SNAPSHOT

on Budgetary Performance

THE BAHAMAS
MINISTRY OF FINANCE

JULY-SEPTEMBER

*Fiscal
Year
'18/19*

SECTION 1
The Snapshot

SECTION 2
The Report



Fiscal Balance

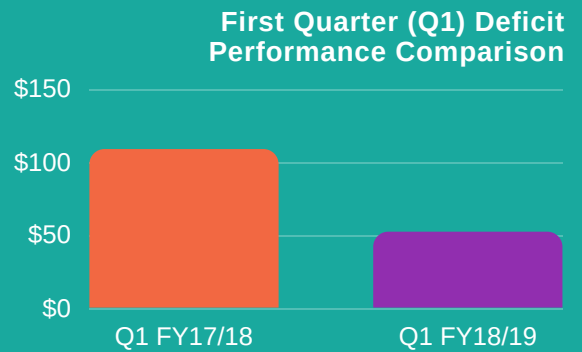
First quarter revenue increased by \$60.1M primarily due to an increase in collections from stamp tax and value added tax (VAT).

Overall expenditure increased by \$3.5M, accounted for by a \$39.1 increase in recurrent expenditure and a \$35.6M decrease in capital expenditure. The most significant increase came from payments to settle a portion of the government's budgeted arrears. During FY17/18, there was an extraordinary booking of \$40M to capital expenditure that inflated the prior Q1 figure. There was no recurrence of this one time write-down related to the Resolve Asset Holdings.

21.6% (or \$39.5M) of the total budgeted arrears were settled in Q1

EXPENDITURE
\$565.8M

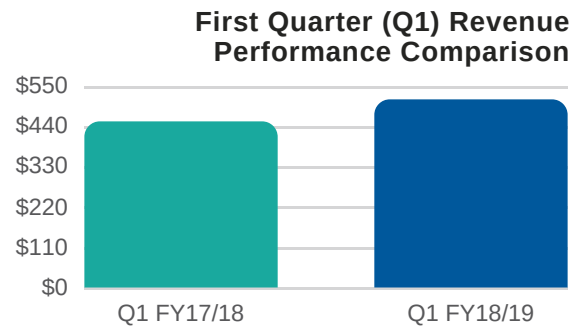
DEFICIT POSITION
\$52.0M



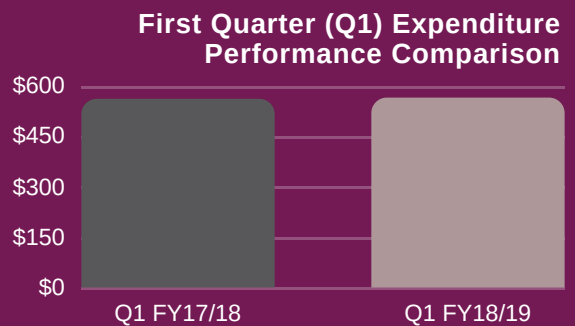
Deficit reduced by 52%

*Fiscal Year (FY)

REVENUE
\$513.8M



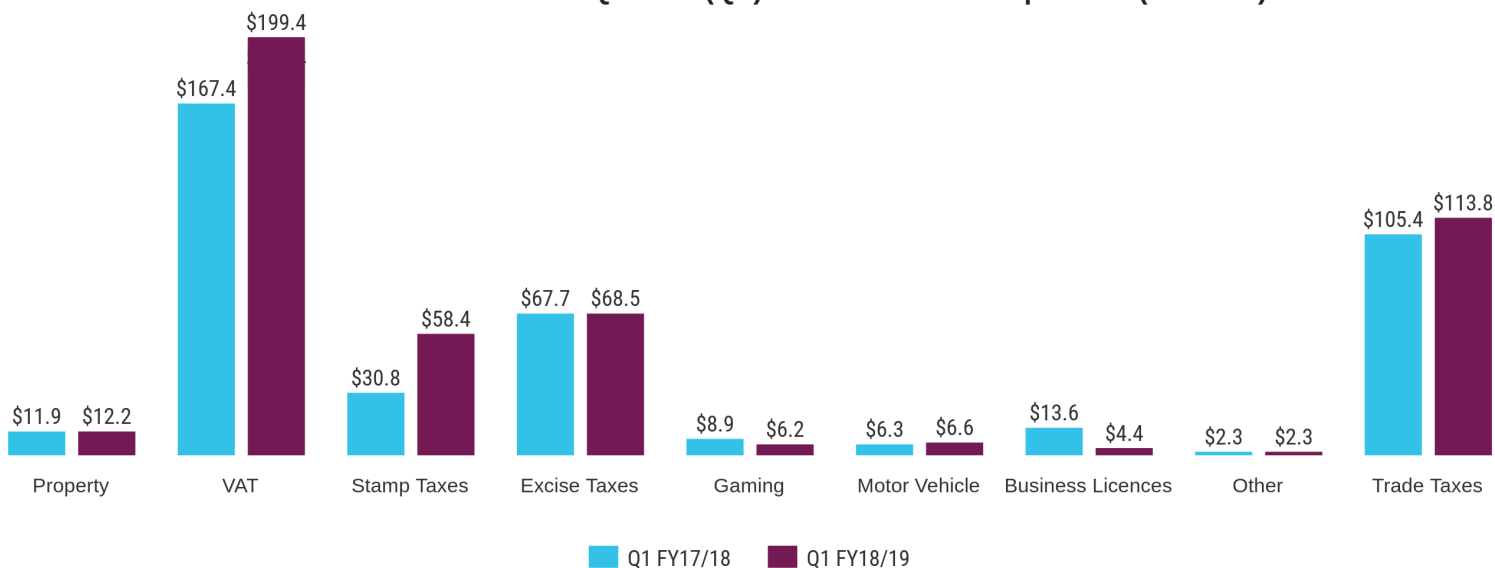
Revenue increased by 13%



Expenditure increased by 0.6%

Tax Revenue Comparison

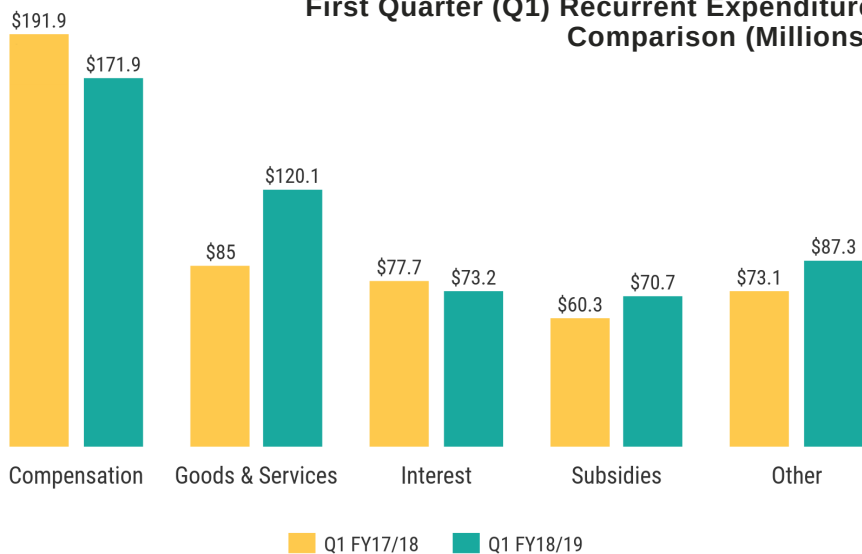
First Quarter (Q1) Tax Revenue Comparison (Millions)



There was a 19% increase in VAT revenue and a 90% increase in stamp tax revenue. The comparative yield for business licence and gaming taxes was lower.

Recurrent Expenditure Comparison

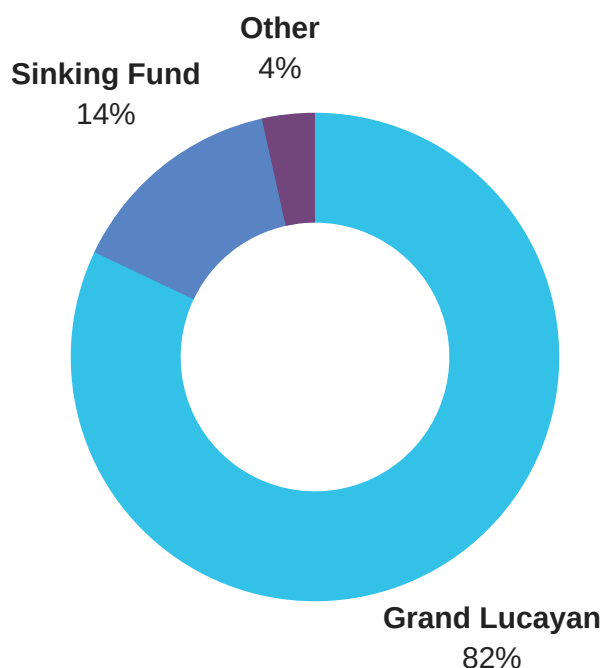
First Quarter (Q1) Recurrent Expenditure Comparison (Millions)



The significant increase in goods and services came from the payment of budgeted arrears. Employee compensation lowered by \$20.0M. Subventions to Government entities providing commercial goods and services increased by \$10.4M.



Financial Transactions

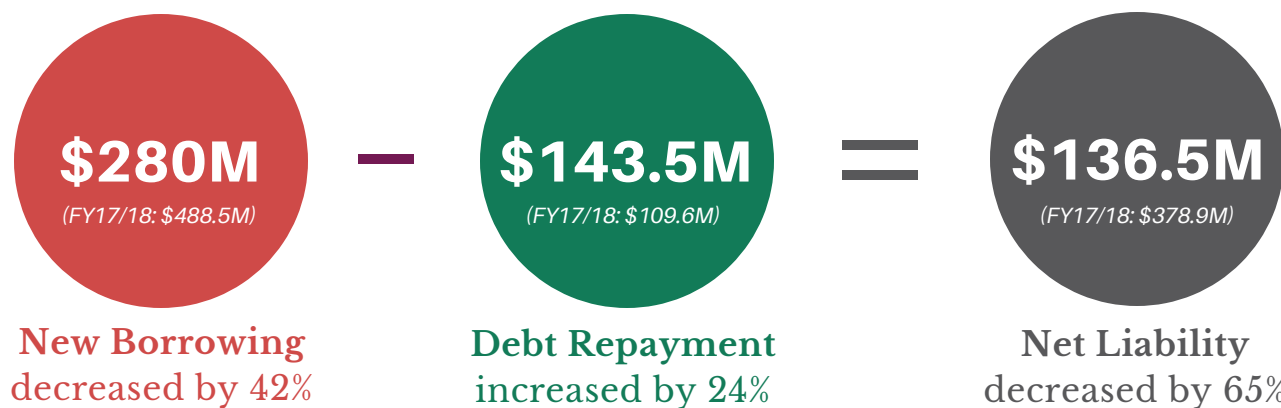


Net Acquisition of Financial Assets

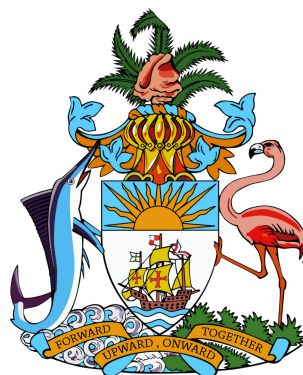
\$45.7M

The major investments were \$6.6M into the sinking funds, which sets aside money to pay off the principal on existing long term debt, and the investment of \$37.5M into Lucayan Renewal Holdings Limited to purchase and temporarily hold the Our Lucayan Properties.

Comparative Debt Activity



Estimated Direct Debt (September 2018): **\$7.3B**



FIRST QUARTER REPORT

ON BUDGETARY PERFORMANCE

FY2018/19
JULY-SEPTEMBER

THE BAHAMAS
MINISTRY OF FINANCE

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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.

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 chart of accounts introduced on 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.

2. Summary of First Quarter FY2018/19 Fiscal Performance

The Government's fiscal performance for the first quarter of FY2018/19 recorded an estimated deficit of \$52.0 million, a reduction of \$56.6 million from the \$108.6 million deficit registered for the same period in FY2017/18 (*see Table 1*).

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

(B\$ M)

	[a]	[b]	[c]	[b] - [c]
	Budget	Quarter I		
	FY2018/19	FY2018/19 ^P Actual	FY2017/18 ^P Actual	Variance
Revenue	2,650.9	513.8	453.7	60.1
Tax	2,429.9	471.8	414.3	57.5
Non-tax	218.8	42.0	39.4	2.6
Grants	2.2	0.0	0.0	0.0
Expenditure	2,888.5	565.8	562.3	3.5
Recurrent	2,589.2	527.1	488.0	39.1
Capital	299.3	38.7	74.3	(35.6)
Surplus/(Deficit)	(237.6)	(52.0)	(108.6)	56.6
Financing Activities	237.6	52.0	108.6	(56.6)
<i>Net Acquisition of Financial Assets (-)</i>	46.4	45.7	10.0	35.7
Sinking Funds	46.4	6.6	0.0	6.6
Equity	0.0	39.1	10.0	29.1
<i>Net Incurrence of Liabilities (+)</i>	237.6	136.5	378.9	(242.4)
Borrowings	947.0	280.0	488.5	(208.5)
Debt Repayment	709.4	143.5	109.6	33.9
Change in Cash Balances* [(+) = increase]	46.4	(38.8)	(260.3)	221.5

*Includes overdrafts.

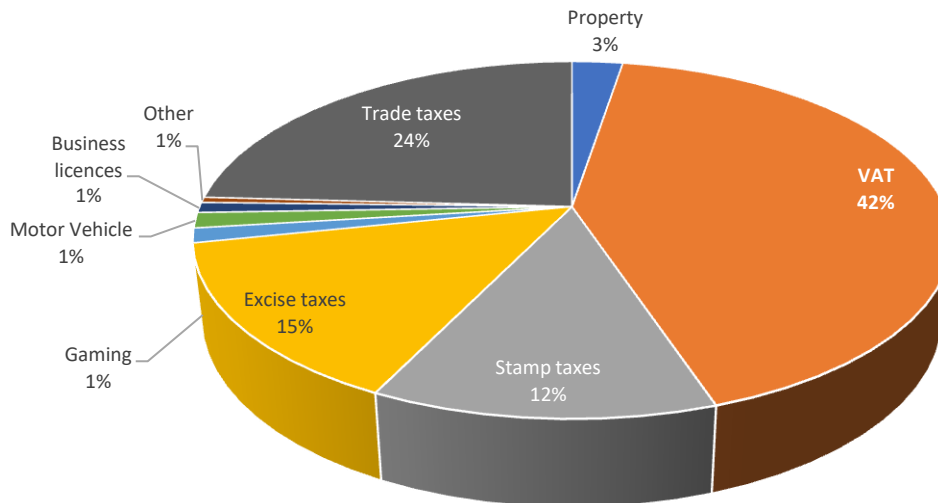
- Revenue totaled \$513.8 million, a gain of \$60.1 million over the same period last year. Growth was primarily explained by higher receipts of VAT and stamp taxes on financial and realty transactions.
- Spending was up marginally by \$3.5 million to \$565.8 million. Developments included a \$39.1 million upturn in current outlays to \$527.1 million, primarily associated with the settlement of \$39.5 million in payment arrears. In a significant offset, capital expenditures declined by \$35.6 million to \$38.7 million, following last year's extraordinary boost linked to the Government's settlement of the initial \$50.0 million of Bahamas Resolve Limited's \$100.0 million Promissory Note. As 80% of this amount was considered non-recoverable, \$40.0 million was expensed and the balance recorded as the Government's acquisition of a financial asset in Bahamas Resolve Limited.

- Government's financing transactions included an additional \$6.6 million allocation to sinking funds established to assist with future debt repayment. Government also invested \$37.5 million in its recently established special purpose vehicle, Lucayan Renewal Holdings Ltd, for the purpose of meeting the initial \$30.0 million deposit and other related payments for acquisition of the Our Lucaya Hotel and related properties in Grand Bahama. The total purchase price was \$65.0 million, with the balance, \$35 million, being sourced via a loan from the Vendors, supported by a government guarantee.
- Debt redemption amounted to an estimated \$143.5 million, compared with \$109.6 million in the corresponding period of FY2017/18.
- Government funded its budgetary operations through \$280.0 million in new borrowings. Utilizing 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), the Government secured a \$100.0 million Bahamian Dollar loan from a local bank, and issued new bonds totaling \$110.0 million. There was also recourse to short-term financing, by way of Treasury bill issuances, aggregating \$70.0 million.
- As a consequence of the net borrowing activities, the Direct Charge on the Government increased by an estimated \$136.5 million to \$7.382 billion at end-September, 2018.

3. Revenue Performance

Revenue for the first quarter of FY2018/19 totaled an estimated \$513.8 million, a gain of \$60.1 million from the comparative period in FY2017/18, and representing some 19.4% of the annual target (*see Table 2*). Collections comprised tax receipts of \$471.8 million and non-tax revenue of \$42.0 million, for respective increases of \$57.5 million and \$2.6 million.

Tax Revenue (Qtr. I FY2018/19)



The quarterly performance featured the following key developments.

- Taxes on Property grew by a marginal \$0.3 million to \$12.2 million.
- Taxes on Goods & Services, which accounted for a dominant 66.5% of receipts at \$341.8 million, increased by \$45.3 million over the corresponding period of FY2017/18.
 - Value Added Tax (VAT) collections exceeded the prior period by \$32.0 million or 19.1% and approached 19.0% of the budget target. This outcome does not reflect the full impact of the VAT rate hike, to 12.0% from 7.5%, which became effective July 1, 2018. Some tempering factors included 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; and the first quarterly filing at the new rate being in October.
 - Stamp taxes on financial and realty transactions provided \$54.4 million in receipts, a gain of \$24.1 million or 79.5% over collections in the corresponding FY2017/18 period. Developments were led by an appreciable increment in stamp tax on realty transactions, of \$19.0 million, partly explained 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 also yielded an additional \$4.8 million in receipts.

- Excise tax contributions increased marginally by \$0.8 million to \$68.5 million.
- Gaming tax receipts of \$6.2 million tracked moderately below the \$8.9 million of the prior year and excluded the potential uplift from the new schedule of taxes on gaming houses and the 5% stamp tax on patrons because of implementation delays. In combination, these new measures are budgeted to yield an incremental \$4.2 million monthly in receipts.
- Collections for licences to conduct special business activity, which are dominated by the business licence and communication levy categories, declined by \$9.2 million to \$4.4 million. This outcome was primarily explained by timing-related factors in receipt of payments.
- Revenue from international trade and transactions totaled \$113.8 million, compared with \$105.4 million a year ago. Customs and other import duties increased by \$14.9 million to \$82.6 million; export receipts declined by \$1.7 million to \$1.4 million, and departure taxes were reduced by \$4.8 million to \$29.8 million.
- Property income, representing interest, dividends and revenue from government property, was \$1.6 million—for a gain of \$0.5 million from the comparable fiscal year period.
- Receipts from sale of goods and services, at \$39.0 million, represented a positive variance of \$3.0 million from the corresponding FY2017/18 period.
 - Fees & service charges account for the bulk of this category, at an estimated \$34.3 million—for an increase of \$1.6 million from last year. Immigration fees grew by \$1.9 million to \$17.1 million, to account for nearly 50% of the total; and the \$12.5 million collected in customs administrative fees represented a gain of \$1.8 million.
- Reflecting higher intake from judicial-related activities, fines, penalties and forfeits were higher at \$1.3 million compared with \$0.2 million last year. This category encompasses compulsory payments imposed on household units by courts of law or quasi-judicial bodies for violation of laws or administrative rules.

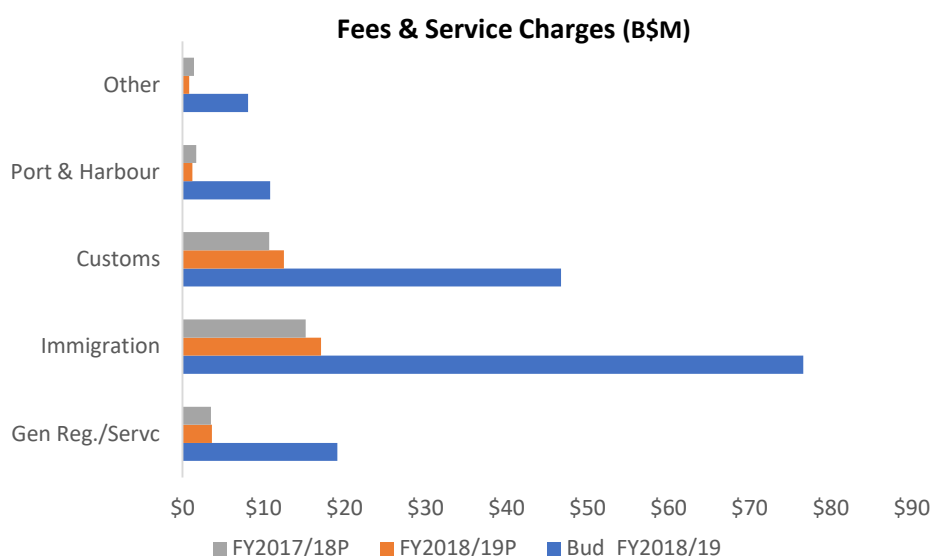


TABLE 2: REVENUE SUMMARY
 (B\$M)

	[a]	[b]	[c]	[b]-[c]
	Budget	Quarter I		
	FY2018/19	FY2018/19^P	FY2017/18^P	Variance
		Actual	Actual	
TAX REVENUE (a+b+c+d)	2,429.9	471.8	414.3	57.5
a. Taxes on Property	132.2	12.2	11.9	0.3
b. Taxes on Goods & Services (i+ii+iii)	1,773.1	341.8	296.5	45.3
i. General	1,500.1	322.3	265.4	56.9
VAT	1,059.6	199.4	167.4	32.0
Stamp Taxes (Financial & Realty)	143.7	54.4	30.3	24.1
Excise Tax	296.8	68.5	67.7	0.8
ii. Specific (Gaming taxes)	70.0	6.2	8.9	(2.7)
iii. Taxes on Use of Goods/Permission to Use	203.0	13.3	22.2	(8.9)
Motor Vehicle Taxes	36.2	6.6	6.3	0.3
Company Taxes	20.7	1.9	1.7	0.2
Licence to Conduct Special Bus. Activity	116.5	4.4	13.6	(9.2)
Marine License Activities	3.6	0.4	0.4	0.0
Banks & Trust Companies	26.0	0.0	0.2	(0.2)
c. Taxes on Int'l Trade & Transactions	496.5	113.8	105.4	8.4
Customs & Other Import Duties	335.3	82.6	67.7	14.9
Taxes on Exports	13.9	1.4	3.1	(1.7)
Departure Taxes	147.3	29.8	34.6	(4.8)
d. General Stamp Taxes	28.1	4.0	0.5	3.5
NON-TAX REVENUE (e+f+g+h+i+j)	218.8	42.0	39.4	2.6
e. Property Income	22.4	1.6	1.1	0.5
Interest & Dividends	6.9	0.7	0.7	0.0
Revenue Gov't Property	15.5	0.9	0.4	0.5
f. Sales of Goods & Services	179.5	39.0	36.0	3.0
i. Fees & Service Charges	162.1	34.3	32.7	1.6
General Registration	5.1	0.9	0.7	0.2
General Service	14.0	2.7	2.8	(0.1)
Immigration	76.6	17.1	15.2	1.9
Land & Building	1.9	0.4	0.4	0.0
Legal	4.9	0.1	1.0	(0.9)
Customs	46.7	12.5	10.7	1.8
Port & Harbour	10.8	1.2	1.7	(0.5)
Health	1.3	0.3	0.0	0.3
Other Fees	0.0	0.0	0.0	0.0
ii. Other	17.4	3.3	3.3	0.0
g. Fines, Penalties & Forfeits	3.4	1.3	0.2	1.1
h. Reimbursements & Repayments	2.5	0.0	0.0	0.0
i. Misc. & Unidentified Revenue	9.6	0.1	0.8	(0.7)
j. Sales of Other Non-Financial Assets	1.4	0.0	1.3	(1.3)
TOTAL TAX & NON-TAX REVENUE	2,648.7	513.8	453.7	60.1
Grants	2.2	0.0	0.0	0.0
Capital Revenue	0.0	0.0	0.0	0.0
GRAND TOTAL	2,650.9	513.8	453.7	60.1

4. Expenditure Developments

a. Recurrent Expenditure

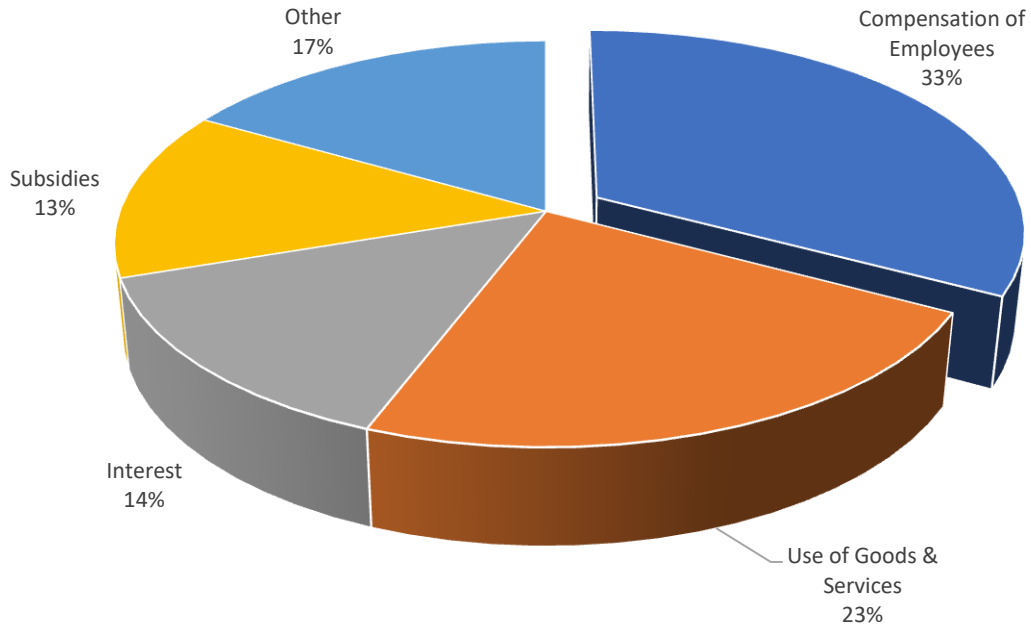
Recurrent expenditure amounted to \$527.1 million, an increase of \$39.1 million from the corresponding quarter of FY2017/18, and represented 20.4% of the budget target (*see Table 3*). The main factors underlying this outcome were as follows:

- Compensation of employees was significantly lower by \$20.0 million at \$171.9 million. The largest component, wages and salaries, declined by \$15.8 million to \$153.7 million, reflecting a combination of deliberate measures taken by the Government to rationalize contractual employment arrangements, alongside the impact of retirements. Meanwhile, timing-related factors in the payment of overtime to the security forces explained the \$3.6 million reduction in allowances. Based on the decline in employment complement, the employer's NIB contribution was reduced by \$0.6 million to \$7.4 million.
- Spending on goods & services was \$120.1 million, for a gain of \$35.1 million from last year, and neared 20.0% of the budget and 22.8% of the total recurrent spend. The increase was largely associated with the \$28.7 million uplift in outlays under the special financial transactions category, which included \$29.8 million in payment of prior period arrears. Among the other components, rent payments increased by \$5.9 million to \$12.5 million, partially explained by timing factors; the tourism-related spend was higher by \$3.4 million at \$12.7 million; outlays for procurement of services were up by \$1.4 million to \$15.8 million, while expenses for supplies and materials were reduced by \$6.8 million to \$10.9 million. Finance charges, comprising non-interest related fees on government borrowing and hedging activities, grew by \$2.0 million to \$16.1 million.

In total, payment arrears settled (which span across both current and capital goods & services and transfers) amounted to \$39.5 million for the first quarter, representing 21.6% of the \$183.2 million budgeted.

- Interest payment on the public debt was \$73.2 million, compared to \$77.7 million last year. Approximately \$23.5 million was on foreign currency obligations, and the balance of \$49.7 million was on Bahamian Dollar debt.
- Subsidies, mainly representing transfers to Government-owned and/or controlled units which provide commercial goods and services to the public, amounted to \$70.7 million, up \$10.4 million from the same period in the prior fiscal year.
 - Transfers to public non-financial corporations at \$68.1 million, exceeded last year's spend by \$8.0 million. This outcome was primarily explained by higher assistance payments to the Public Hospital Authority (\$14.9 million), being offset by timing-related reductions in assistance to the national airline carrier and the Water & Sewerage Corporation.
 - Transfers to private non-financial enterprises increased to \$2.4 million from a negligible level in the comparable period, influenced by timing-related payments made under specific arrangements with the cruise line operators and a hotel-related Heads of Agreement.

Percentage Distribution of Recurrent Expenditure
(Qtr. I FY2018/19)



- Grants, representing gifts and donations to foreign governments and international organizations (inclusive of membership fees) aggregated \$1.3 million as against \$0.6 million last year.
- Social Assistance Benefits, which could be in cash or in kind (e.g. medical services) were \$3.0 million above the prior year's level at \$11.0 million. This was principally associated with an additional \$3.3 million directed to the National Drug Plan programme, which had a total spend of \$5.1 million.
- Pension and gratuity payments totaled \$31.1 million compared with \$29.8 million last year and represented 22.7% of the budget appropriation. Of this amount, \$24.3 million was spent on pensionable officers who either have reached normal or early retirement age, opted for an early exit from the service or died while in the service—for a gain of \$1.5 million. A relatively stable \$6.0 million was paid in the form of gratuities.

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

	[a]	[b]	[c]	[b] - [c]
	Budget	Quarter I		
	FY2018/19	FY2018/19^p	FY2017/18^p	Variance
		Actual	Actual	
Compensation of Employees	793.6	171.9	191.9	(20.0)
Wages & Salaries	696.6	153.7	169.5	(15.8)
Allowances	63.5	10.8	14.4	(3.6)
NIB Payments	33.5	7.4	8.0	(0.6)
Use of Goods & Services	601.4	120.1	85.0	35.1
of which:				
Travel & Subsistence	8.9	1.7	2.0	(0.3)
Rent	81.7	12.5	6.6	5.9
Utilities & Telecommunications	88.4	5.5	4.4	1.1
Supplies & Materials	45.8	10.9	17.7	(6.8)
Services	115.9	15.8	14.4	1.4
Minor capital repairs	2.8	0.4	0.4	0.0
Finance charges	34.6	16.1	14.1	2.0
Special Financial Transactions	80.6	34.1	5.4	28.7
Tourism Related	96.2	12.7	9.3	3.4
Local Gov't Districts	13.3	3.0	2.8	0.2
School Boards	5.9	0.4	0.4	0.0
Other	27.3	7.0	7.5	(0.5)
Public Debt Interest	346.8	73.2	77.7	(4.5)
Subsidies	386.4	70.7	60.3	10.4
Grants	8.7	1.3	0.6	0.7
Social Assistance Benefits	49.5	11.0	8.0	3.0
Pensions & Gratuities	136.7	31.1	29.8	1.3
Other Payments	245.0	43.9	31.2	12.7
Current Transfers n.e.c.	168.8	43.1	28.0	15.1
Insurance Premiums	76.2	0.8	3.2	(2.4)
Acquisition of Non-financial Assets	21.1	3.9	3.5	0.4
TOTAL	2,589.2	527.1	488.0	39.1

- Current transfers, not elsewhere classified (n.e.c.), cover other Government direct and indirect assistance to households and to non-profit institutions that assist households, as well as subventions to public corporations that do not classify as subsidies. These outlays increased by \$15.1 million to \$43.1 million.
 - Transfers to Households, intended to relieve them from the financial burden of a number of risks and needs, were \$0.1 million lower at \$10.4 million, of which \$10.0 million represented scholarship payments.
 - Transfers to Non-profit Institutions were moderately higher at \$3.0 million, compared with the \$2.7 million recorded a year ago.
 - Transfers to Non-financial Public Enterprises grew by \$17.5 million to \$43.9 million. As appropriated, the Government provided: \$5.7 million to Bahamas Resolve to assist with payment of interest on its \$167.7 million promissory note to the Bank of The Bahamas; partially settled contingent liabilities with the Bank of The Bahamas related to the Hurricane

Loan and Student Loan programmes, totaling \$6.4 million; and extended an additional \$4.9 million in subventions to several public corporations. In a moderate offset, the Government's contribution to international games was reduced by \$3.0 million.

- Insurance payments of \$0.8 million were below last year's \$3.2 million, reflecting timing-related differences in the payment of the Caribbean Catastrophe risk insurance premium.

b. Capital Spending

Capital outlays, at \$38.7 million, were \$35.6 million below the year-earlier comparative period (*see Table 4*).

- The Government's use of goods and services amounted to \$2.4 million, up \$0.8 million from last year, and with \$1.6 million related to arrears.
- Capital transfers were marginally higher at \$8.4 million.
- The bulk of spending was for the acquisition of non-financial assets, which totaled \$27.9 million although a marked \$36.5 million lower than last year.
 - Acquisition of fixed assets (e.g. buildings, machinery and equipment), at \$27.5 million, were up \$4.4 million from a year ago.
 - Outlays to acquire other fixed assets fell sharply to \$0.4 million from \$41.3 million last year. In the previous year, the Government would have made an adjustment to expense \$40.0 million or 80% of the \$50.0 million initial payment on the \$100 million Bahamas Resolve Promissory Note to the Bank of The Bahamas—based on the view that only 20% of the underlying assets held by Resolve were recoverable.

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

	[a]	[b]	[c]	[b] -[c]
	Budget	Quarter I		
	FY2018/19	FY2018/19 ^P Actual	FY2017/18 ^P Actual	Variance
Uses of Goods & Services	38.4	2.4	1.6	0.8
Capital Transfers	46.6	8.4	8.3	0.1
Acquisition of Non-financial Assets	214.3	27.9	64.4	(36.5)
<i>Fixed Assets</i>	204.7	27.5	23.1	4.4
Buildings Other Than Dwellings	51.2	14.3	9.8	4.5
Other Structures	101.6	11.1	12.2	(1.1)
Transport Equipment	11.3	0.7	0.0	0.7
Other Machinery & Equipment	40.6	1.4	1.1	0.3
<i>Land Improvements</i>	0.1	0.0	0.0	0.0
<i>Land</i>	0.5	0.0	0.0	0.0
<i>Other Fixed Assets</i>	9.0	0.4	41.3	(40.9)
TOTAL	299.3	38.7	74.3	(35.6)

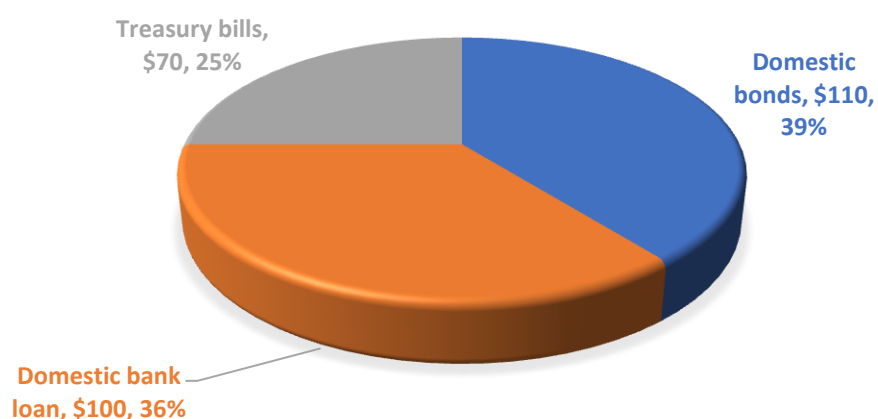
5. Financing Activities

Net Increase in Liabilities

To meet its operational requirements, the Government incurred a net increase in liabilities of \$136.5 million.

- A total of \$143.5 million was spent to repay debt maturing in the review period. Of this amount, \$108.4 million was for Bahamian dollar liabilities, and the balance of \$35.1 million settled foreign currency obligations.
- To finance the deficit and meet other funding requirements, the Government borrowed a total of \$280.0 million—of which \$100 million was by way of a Bahamian Dollar bank loan. New domestic bond issuances aggregated \$110.0 million, and were partly used to refinance the \$80.0 million in maturing bonds. The Government also had recourse to short-term borrowings via an additional \$70.0 million in Treasury bill issuance.
- As a consequence, the Direct Charge on the Government increased to an estimated \$7,382.0 million from \$7,245.4 million at end-June 2018.

QTR. I FY2018/19 Borrowings (B\$M)



Contribution to Sinking Funds

Sinking funds established to assist with the future debt retirement were incremented by \$6.6 million. At end-September 2018, the accumulated value of these arrangements was US\$107.8 million for three of the Government's international bond issues and \$9.6 million for the two local arrangements.

Equity Acquisition

During the quarter, the Government provided the initial capital funding for the acquisition of the Our Lucaya Hotel and related properties, via its special purpose vehicle, Lucayan Renewal Holdings Ltd. The Government's equity contribution amounted to \$37.5 million, comprising the \$30.0 million initial deposit requirement, and another \$7.5 million in associated payments. The balance of the purchase price, \$35.0 million, is to be obtained via a loan from the Vendors, to be secured by a Government guarantee.

6. Policy Initiatives for Enhanced Public Financial Management

During the review quarter, several important public financial legislative initiatives were advanced, aimed at strengthening the governance framework for public financial management and securing alignment with international best practices.

Fiscal Responsibility Bill, 2018

In September, the Government tabled the Fiscal Responsibility Bill, 2018 (FRB), designed to promote transparency, accountability and responsibility in the management of the public finances. Importantly, the FRB introduces fiscal rules that will anchor and guide the Government's fiscal policy towards the following predetermined targets:

- the reduction of debt to no more than 50.0 per cent of GDP;
- the reduction of the fiscal balance to no more than 0.5 per cent of GDP, from FY2020/21 onwards, with the transition path requiring the fiscal balance not to exceed 1.8 per cent of GDP in 2018/19 and 1.0 per cent of GDP in FY2019/20; and
- following the attainment of the 0.5 per cent of GDP objective for the fiscal balance, the growth of recurrent expenditure is not to exceed the estimated long-term rate of growth of nominal GDP.

To address the potential variability in estimates, the law will provide for a compliance margin of 0.5 per cent when assessing compliance with these objectives.

Accountability and transparency requirements are reinforced through several additional statutory reporting requirements imposed on the government, as well as the establishment of the Fiscal Responsibility Council, whose role is to assess and report on the Government's compliance with the fiscal responsibility objectives and the general principles of fiscal responsibility.

Draft Public Financial Management Bill, 2018

The Ministry of Finance, with assistance from the IMF's Caribbean Technical Assistance Centre, commenced work on the foreshadowed Public Financial Management Bill, 2018, (the PFM) which is expected to eventually replace the majority of the provisions in the Financial Administration and Audit Act, 2010. The PFM Bill will provide a more coherent legal framework to support the broader introduction of the Integrated Financial Management Information System (IFMIS), inclusive of process improvements that will strengthen accountability, oversight, management and control of public funds. Importantly, the PFM Bill will seek to:

- enhance, clarify and adequately specify the roles and responsibilities of persons/positions entrusted with management and control of public funds, assets, liabilities and other resources.
- build out provisions related to financial management, including the requirements for the preparation of cash flow forecasts.
- enhance the adequacy of reporting provisions, especially in-year reporting of fiscal information;
- specify accountability expectations for government agencies;
- include provisions related to sanctions for financial misconduct, financial crimes, institutional sanctions, recovery of losses other than by surcharge and publication of offences.

- consider improved oversight provisions for government agencies.
- expand provisions related to annual budget information disclosure requirements.

The initial exercise involved an intensive review of drafted provisions by internal stakeholders, with the intent of eventually broadening input via public consultation later in the year.

Public Debt Management Bill, 2018

Drafting work continued on the Public Debt Management Bill, 2018, which seeks to:

- consolidate and amend existing laws relating to public debt management in The Bahamas; and
- provide a governance framework for the prudent management of Government debt activities, guided by defined objectives.

Integral to these objectives is the proposed establishment of a public debt management office within the Ministry of Finance and a public debt management committee to, inter alia, ensure policy coordination in the preparation of an annual debt management strategy.

Public Procurement Bill, 2018

Work continued to advance the Public Procurement Bill, 2018 (the Bill) to a final stage, as the Government seeks to modernize and align its procurement systems with regional and international best practices and standards. Although public procurement processes in The Bahamas are not currently regulated through legislation, they are governed by prescribed guidelines and procedures; and will be significantly enhanced through the proposed Bill. Among the key provisions, the Bill provides for:

- the establishment of a Public Procurement Board;
- the use of a variety of procurement methods, including competitive bidding, selective bidding, restricted bidding and limited bidding;
- the imposition of sanctions where, inter alia, there is a “preponderance of evidence” that a person or contractor has failed to perform in accordance with the terms of a contract;
- disqualification of a bidder if the procuring entity finds that the information submitted in a bid concerning the bidder’s qualifications is false and misleading, etc.;
- the establishment of a Procurement Review Tribunal;
- the establishment of a Department of Public Procurement, to be tasked with the responsibility for enhancing the economy; improving efficiency, transparency and due process in public procurement and the management of government resources;
- the establishment of a fully digital procurement platform and attendant electronic Vendor Registry System; and
- the facilitation of a fully transparent bidding process where requests for bids and information on successful bidders are posted online for public view.