

COMBINED NINE MONTH FISCAL SNAPSHOT & REPORT

ON BUDGETARY PERFORMANCE



FY2019/20 July - March

SECTION 1

The Snapshot

SECTION 2

The Report

SPECIAL NOTICE

In January 2020, the Government approved the 2019/20 Supplementary Budget, which outlined increased expenditure and revenue losses associated with the passage of Hurricane Dorian in September 2019. As a result, this report reflects the revised budget estimates for FY2019/20, against which the year-to-date performance will be measured.

In March 2020, the Government issued an Emergency Powers Proclamation to respond to the public health and economic crisis brought on by the novel coronavirus (COVID-19) pandemic. Based on the fiscal and economic impact, the Ministry of Finance is reassessing its fiscal projections for the balance of FY2019/20 as well as prospects for the upcoming budget year.

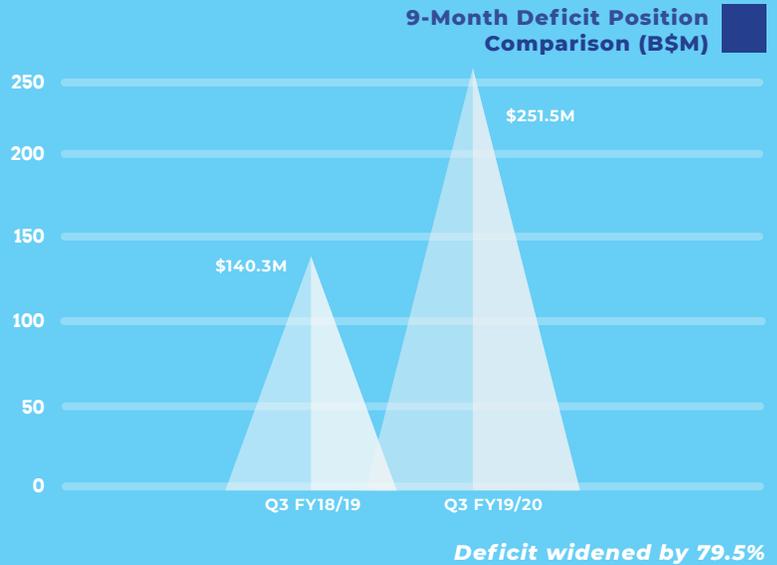
FISCAL BALANCE

Budgetary performance through the first nine months FY2019/20 was dominated by rebuilding efforts following Hurricane Dorian and, to a lesser extent, the initial impact of the government's policy response to the novel coronavirus (COVID-19) pandemic that invoked a national curfew and the closure of schools, national borders and most non-essential businesses at end-March 2020.

The fiscal deficit expanded by 79.3% to an estimated **\$251.5 million** in the nine months to March of FY2019/20, as compared to the same period of the previous fiscal year.

DEFICIT POSITION
\$251.5M

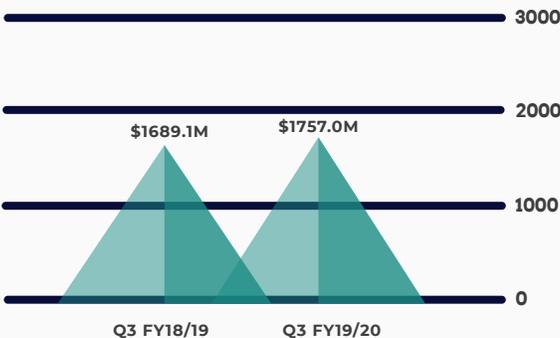
Revenue intake increased year over year (YOY) by **\$67.9 million**, or 4.0%, while total expenditure moved higher by **\$179.4 million**, or 9.8%, relative to the previous fiscal period.



REVENUE
\$1,757.0M

Despite the temporary decline in business activity in the storm-affected islands, total revenue grew to **\$1,757.0 million**, representing 73.3% of the revised budget estimate. Taxes on Goods & Services grew by **\$40.7 million** (3.7%) to **\$1,149.0 million**, representing nearly 75.0% of the budget. VAT receipts were boosted by **\$149.8 million** (25.4%) largely due to the shift from stamp tax to VAT on realty transactions.

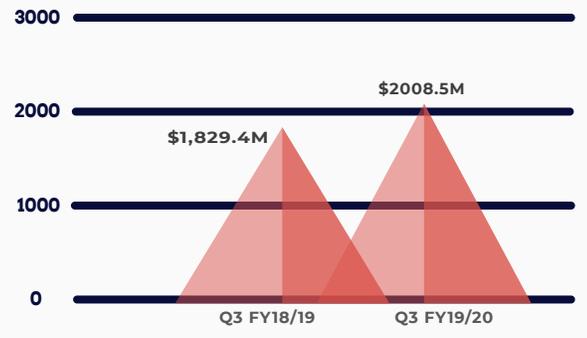
9-Month Revenue Performance Comparison (B\$M)



EXPENDITURE
\$2,008.5M

Total spending stood at **\$2,008.5 million**, or 65.4% of the budget, reflecting increased spending related to hurricane recovery and restoration activities and other priority spending imperatives identified in the Supplementary Budget. Recurrent expenditure expanded by **\$109.0 million** (6.4%) to **\$1,810.3 million**, while capital expenditure expanded by **\$70.2 million** (54.8%) to **\$198.3 million**, to represent 51.4% of the revised budget.

9-Month Expenditure Performance Comparison (B\$M)



REVENUE PERFORMANCE

Taxes on international trade tapered by **\$0.5 million**, or 0.1%, to **\$312.2 million** (71.5% of the revised budget target), despite the relative buoyancy of the economy prior to Hurricane Dorian. Following the Exigency Order in the aftermath of Dorian, collections of customs and import duties softened by **\$4.8 million**, or 2.4%, to **\$194.6 million** (69.0% of the budget). Similarly, taxes on exports narrowed by **\$1.3 million**, or 13.7%, over the nine-month period to **\$8.0 million** (90.9% of the budget).

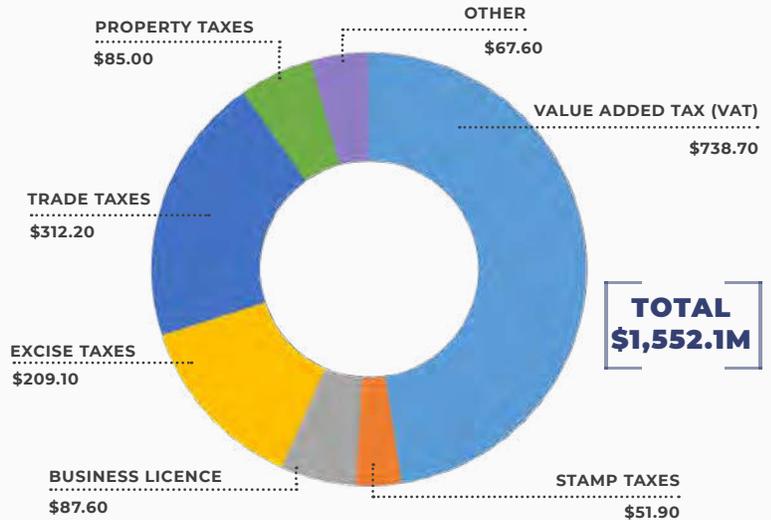
However, the high volume of cruise arrivals up to February 2020 strengthened departure taxes by **\$5.6 million**, or 5.4%, to **\$109.5 million** (75.3% of the budget).

Gaming taxes rose by **\$8.3 million**, or 37.0%, to **\$30.8 million** over the review period, supported by the new tax schedule agreed to by the Government and gaming operators.

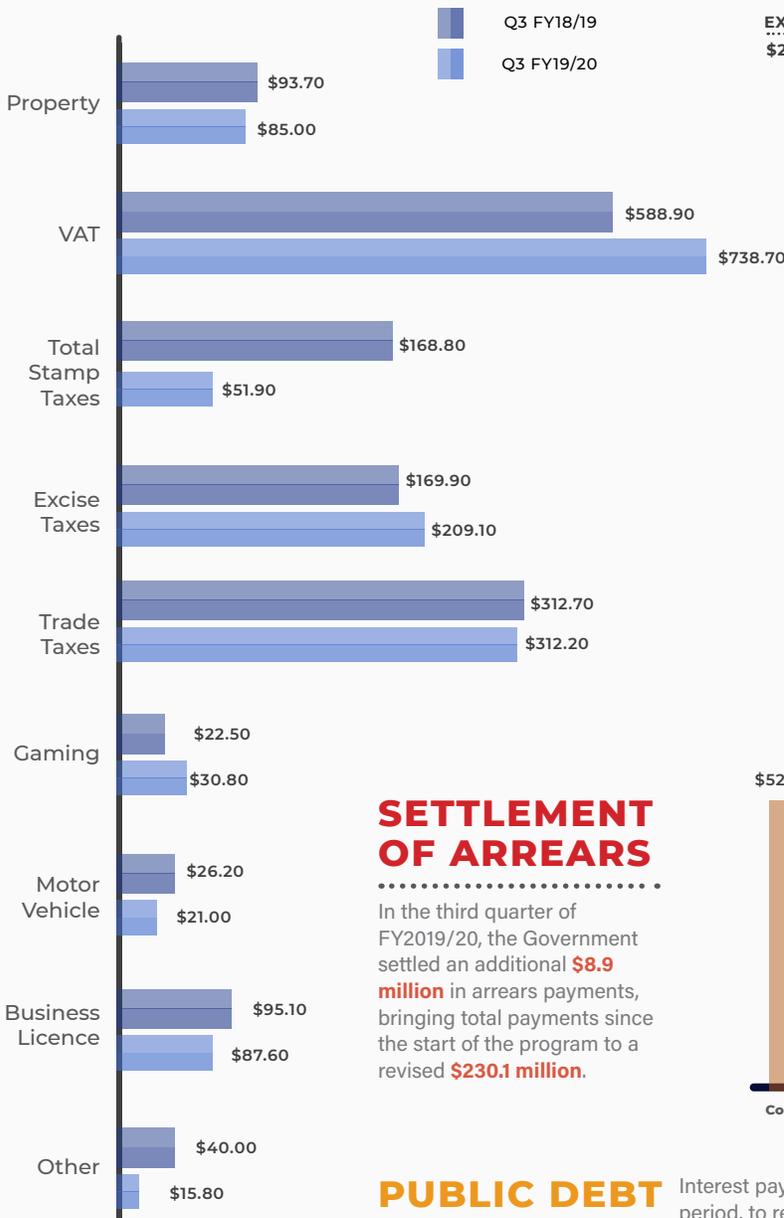
NON-TAX REVENUE SUMMARY

Total non-tax revenue rose by **\$37.5 million**, or 22.4%, to **\$204.8 million**, equating to 71.6% of the revised budget target.

9-Month Tax Revenue (B\$M)



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



SETTLEMENT OF ARREARS

In the third quarter of FY2019/20, the Government settled an additional **\$8.9 million** in arrears payments, bringing total payments since the start of the program to a revised **\$230.1 million**.

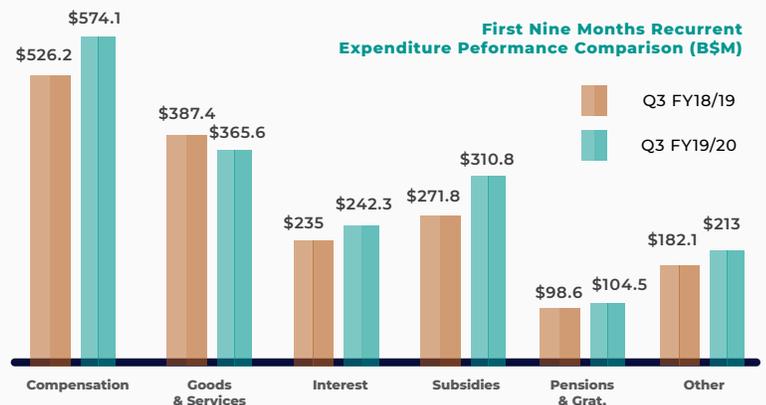
PUBLIC DEBT INTEREST

Interest payments grew by **\$7.4 million** (3.1%) to **\$242.3 million** over the nine-month period, to represent 64.3% of the revised budget. Approximately **\$151.9 million** was directed to Bahamian dollar debt, while the balance of **\$90.5 million** was used to settle foreign currency obligations.

RECURRENT EXPENDITURE HIGHLIGHTS

Compensation of employees increased by **\$47.9 million**, or 9.1%, over the review period and represented 72.9% of the revised budget target. The boost in wages and salaries by **\$37.2 million** largely reflected the union negotiated lump sum payment to civil servants in December, which totaled some **\$22.8 million**. Allowances increased by **\$13.6 million**, of which **\$7.9 million** was spent on hardship, overtime and other related payments to staff that were either displaced by Hurricane Dorian or key to recovery and restoration efforts.

Tourism-related payments declined by **\$29.1 million** (81.5%) to **\$6.6 million**, reflecting the suspension of several marketing subventions provided for under various Heads of Agreements for visiting cruise ships and hotel properties in Abaco and Grand Bahama.



FINANCING ACTIVITIES

The Government's operational requirements resulted in a net increase of **\$351.1 million** in its debt obligations over the first nine months of FY2019/20.

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, central bank advances, Treasury bills and loans.

MONEY BORROWED
\$792.5M
Bahamian Dollars

REPAYMENTS
\$546.4M
Bahamian Dollars

\$144.0M
Foreign Currency

\$39.0M
Foreign Currency

GOVERNMENT DEBT
END-MARCH 2020
\$7,878.1M

END-JUNE 2019
\$7,527.0M

60.0% of GDP

61.8% of GDP

CONTRIBUTIONS TO SINKING FUND

In the third quarter of FY2019/20, the Government contributed an additional **\$9.4 million** to the sinking funds—established to retire future debt obligations—bringing total contributions to \$30.0 million for the nine-month period.

POLICY INITIATIVES



COVID-19 Response

The Government's ongoing response to the COVID-19 pandemic includes border closures, national curfews, and lockdowns for different periods of time. The closure of hotel properties resulted in thousands of direct employee layoffs and a surge in unemployment for hundreds of self-employed persons involved in the tourism trade. The closure of all non-essential businesses and social distancing restrictions to contain the spread of the virus, and restrictions on non-essential activities brought business activity to a virtual standstill.

To address the social and economic needs arising from COVID-19 the Government implemented several unemployment and social assistance measures for households and financial support for businesses, including: Unemployment assistance, food assistance, utility support, business tax deferrals and credits, business continuity loans and payroll grants, and increased funding for the public health response. These measures amount to additional estimated fiscal outlays of **\$59.2 million** and revenue forgone of **\$60.0 million**.



Hurricane Dorian

In late September 2019, parts of Abaco and Grand Bahama were declared Special Economic Recovery Zones (SERZ). This allows residents and businesses to benefit from several tax exemptions and incentives for a period of three (3) years, including select duty-free imports and other tax waivers.



Public Financial Management

The following bills are continuing to undergo internal review: **Public Procurement Bill, 2020, Public Debt Management Bill, 2020, Public Financial Management Bill, 2020**. Public consultation was completed for the public procurement legislation. The draft Bill is being finalized for tabling in the House of Parliament before the end of the fiscal year.

EQUITY ACQUISITIONS & LOANS

The Government contributed an additional **\$5.3 million** to Lucayan Renewal Ltd.—the special purpose vehicle created to hold the Lucayan hotel properties—to support operational expenses.

OTHER FINANCING ACTIVITIES

The Government made two short-term shareholder loans to Bahamas Power & Light Ltd. (BPL) of **\$15 million** each in June and August of 2019. Both loans—which were to assist with the company's debt amortization payments—were to be repaid no later than December 31, 2019. However, given the delay in the finalization of the proposed Rate Reduction Bond, the Government the loan agreement was amended to allow for an extension to the maturity date for both loans, to September 2020.



NINE MONTH FISCAL REPORT

ON BUDGETARY PERFORMANCE

FY2019/20 July - March

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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).

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.

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. As reflected in the FY2019/20 budget presentation, the Ministry completed the implementation of the new chart of accounts and has adopted the full GFS (2014) presentation, which has resulted in several slight modifications to the categorization of expenditure and revenue items.

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 the Nine Months of FY2019/20

In January 2020, the Government approved the 2019/20 Supplementary Budget, which outlined increased expenditure and revenue losses associated with the passage of Hurricane Dorian in September 2019. As a result, this report reflects the revised budget estimates for FY2019/20, against which the year-to-date performance will be measured.

Budgetary performance through the nine months to March of FY2019/20 was dominated by rebuilding efforts following Hurricane Dorian and, to a lesser extent, the initial impact of the government's policy response to the novel coronavirus (COVID-19) pandemic that invoked a national curfew and the closure of schools, national borders and most non-essential businesses at end-March 2020.

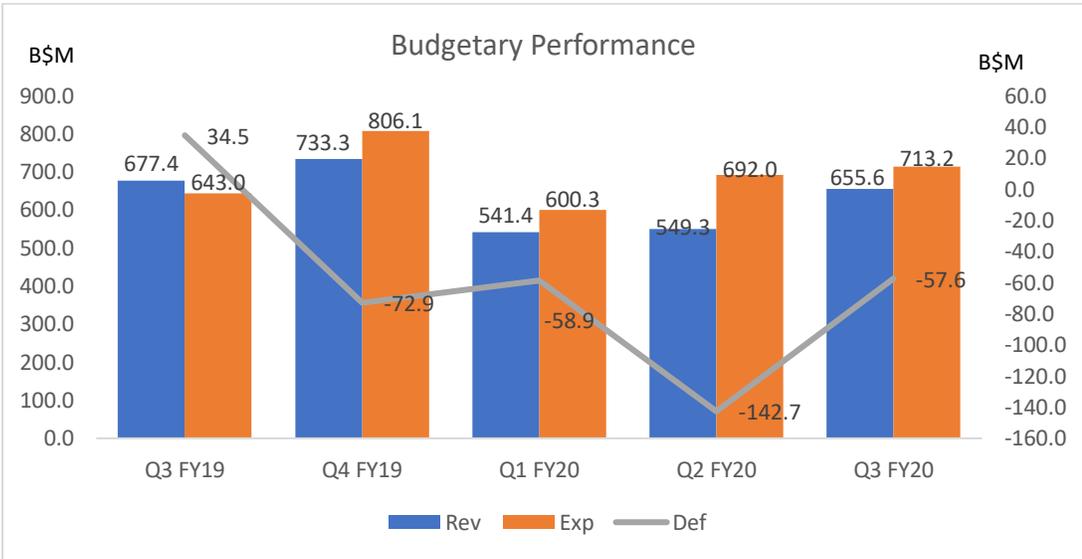
Based on preliminary data on the central Government's budgetary performance for the review period, the fiscal deficit expanded to an estimated \$251.5 million through March of FY2019/20, up from \$140.3 million in the corresponding period of the previous fiscal year (*see Table 1*).

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

| (B\$M) | [a] | [b] | [c] | [b] -[c] | [b/a] |
|--|----------------|----------------------------------|----------------------------------|----------------|----------------|
| | Budget | | July - March | | |
| | FY2019/20 | FY2019/20 ^P Actual | FY2018/19 ^P Actual | Variance | % of Budget |
| Revenue | 2,395.6 | 1,757.0 | 1,689.1 | 67.9 | 73.3% |
| Tax | 2,107.8 | 1,552.1 | 1,521.8 | 30.3 | 73.6% |
| Non-tax | 285.8 | 204.8 | 167.3 | 37.5 | 71.6% |
| Grants | 2.0 | 0.1 | 0.0 | 0.1 | 5.0% |
| Expenditure | 3,073.1 | 2,008.5 | 1,829.4 | 179.1 | 65.4% |
| Recurrent | 2,687.6 | 1,810.3 | 1,701.3 | 109.0 | 67.4% |
| Capital | 385.5 | 198.3 | 128.1 | 70.2 | 51.4% |
| Surplus/(Deficit) | (677.5) | (251.5) | (140.3) | (111.2) | 37.1% |
| Financing Activities | 677.5 | 251.5 | 140.3 | 111.5 | 37.1% |
| Net Acquisition of financial assets (-) | 46.5 | 40.3 | 76.9 | (36.6) | 86.6% |
| Sinking Funds | 46.5 | 30.0 | 26.6 | 3.4 | 64.5% |
| Equity | 0.0 | 10.3 | 50.3 | (40.0) | 0.0% |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0% |
| Net Incurrence of Liabilities (+) | 644.8 | 351.1 | 227.9 | 123.2 | 54.4% |
| Borrowings | 1,352.8 | 936.5 | 830.3 | 106.2 | 69.2% |
| Debt Repayment | 708.0 | 585.4 | 602.4 | (17.0) | 82.7% |
| Change in Cash Balance [(I)= increase] | 79.2 | (59.3) | (10.7) | (48.3) | -74.9% |

- Despite the temporary decline in business activity in the storm-affected islands of Abaco and Grand Bahama, total revenue collections firmed by \$67.9 million (4.0%) to \$1,757.0 million, representing 73.3% of the revised budget estimate. Tax receipts grew by \$30.3 million (2.0%) to \$1,552.1 million, for 73.6% of the budget. With the shift in taxes on realty transactions from stamp taxes to Value Added Tax (VAT), these receipts were higher by \$149.8 million (25.4%), against a corresponding \$115.6 million (71.5%) reduction in stamp tax collections. Non-tax receipts grew by \$37.5 million (22.4%) to \$204.8 million and 71.6% of the budget.

- Aggregate expenditure advanced by \$179.1 million (9.8%) to \$2,008.5 million, to represent 65.4% of the revised budget estimate at the nine-month mark. Reflecting hurricane recovery and restoration activities, alongside several priority spending imperatives identified in the Supplementary Budget, recurrent and capital expenditure expanded by \$109.0 million (6.4%) and \$70.2 million (54.8%) to \$1,810.3 million (67.4% of budget) and \$198.3 million (51.4% of budget), respectively.



- Financing transactions for the third quarter of FY2019/20 included an additional \$9.4 million contribution to the Government’s sinking funds established for future debt amortizations, bringing total allocations for the nine-month period to \$30.0 million. The Government also provided \$5.3 million to Lucayan Renewal Holdings in the third quarter of FY2019/20 to support operational expenses, given the delay in the pending finalization of the property sale. However, on March 2, 2020 the Government signed a Heads of Agreement with Bahamas Port Investments Limited—a joint company of Royal Caribbean International (RCI) and ITM Group, for the sale of the Grand Lucayan resort and the development of a cruise port on Grand Bahama.

- To fund its budgetary operations, the Government borrowed approximately \$936.5 million during the review period. The \$431.5 million in proceeds from new domestic bond issuances were used primarily to refinance maturing bonds. Borrowings by way of loan facilities totaled \$372.0 million, with \$94.0 million facilitated through existing facilities with international development institutions—\$55.0 million of which represented the second and third tranches of drawdowns on the \$100 million Contingent Credit Line with the Inter-American Development Bank (IDB), bringing total drawings on this facility to \$80 million at end-March 2020. Of the remaining \$278.0 million sourced in bank loans, \$228.0 million

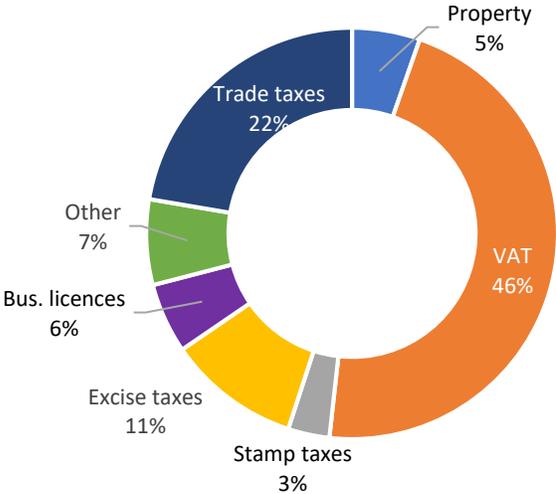
was in Bahamian dollars, and \$50.0 million in foreign currency facilities. Short-term financing comprised \$60.0 million in advances from the Central Bank and \$73.0 million in Treasury bills.

- Debt redemption stood lower at \$585.4 million, as compared to \$602.2 million in FY2018/19.
- As a result of financing activities, the Government incurred a net increase in its liability of \$351.1 million, bringing the estimated Direct Charge—exclusive of exchange rate adjustments—to \$7,878.1 million, or 61.8% of GDP—up from \$7,527.0 million (60% of GDP) at end-June 2019.

3. Revenue Performance

In the nine months to March 2020, total revenue collections rose to \$1,757.0 million, or 73.3% of the revised budget estimate, from \$1,689.1 million in the same period of FY2018/19 (*see Table 2*). Tax revenue—comprising 90.6% of total revenue—widened by \$30.3 million (2.0%) to \$1,552.1 million and 73.6% of the budget allocation. Non-tax receipts advanced by \$37.5 million (22.4%) to \$204.8 million, for 71.6% of the revised budget.

Percentage Composition of Tax Revenue (Qtr. III FY2019/20)



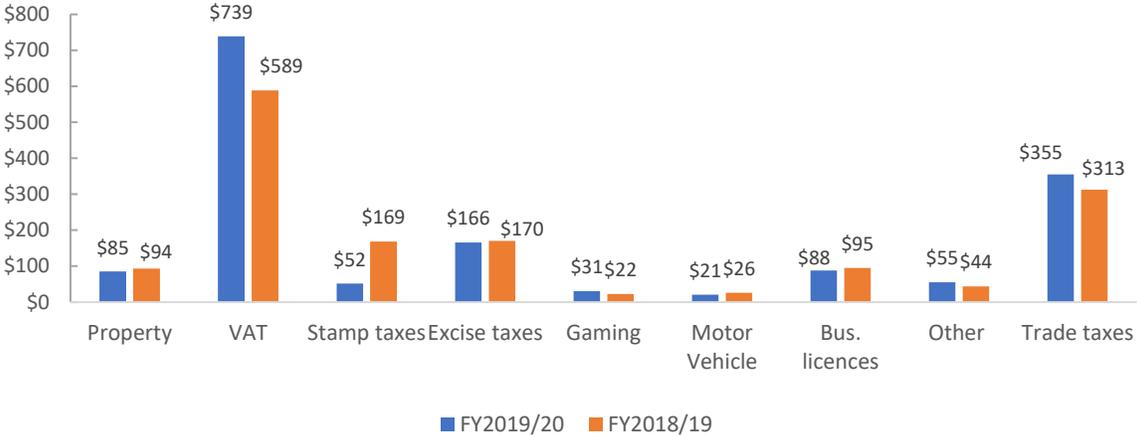
Key developments underlying revenue performance for the nine months to March of FY2019/20 are as follows:

- Taxes on Goods & Services firmed by \$40.7 million (3.7%) to \$1,149.0 million, representing nearly 75.0% of the revised budget allocation.
 - In the underlying transactions, VAT receipts were boosted by \$149.8 million (25.4%) to \$738.7 million vis-à-vis the nine months of FY2018/19, on account of the shift in taxes on realty to VAT from stamp taxes. As a consequence, VAT comprised 47.6% of total tax revenue and 75.9% of the revised budget target.
 - Stamp taxes on realty and financial transactions fell by \$115.6 million (71.5%) to \$46.0 million, or 45.3% of the revised budget estimate.
 - Excise taxes grew by \$39.2 million (23.1%) to \$209.1 million, which was 82.1% of the revised budget.
 - Gaming taxes rose by \$8.3 million (37.0%) to \$30.8 million over the nine-month review period, reflecting the implementation of the revised tax schedule agreed to by the Government and gaming operators last year, which featured a 15% tax on revenues up to \$24 million, and 17.5% on revenues greater than \$24 million. The 5%-7.5% tax to be imposed on winnings has yet to be implemented.
 - Revenues from licenses to conduct special business activity—comprised mostly of business licence fees and communications levies—declined by \$7.5 million (7.9%) to \$87.6 million, partly explained by the tax waivers granted under the Special Economic Recovery Zone (SERZ)

tax initiative for Abaco and Grand Bahama, geared at stimulating economic recovery following the passage of Hurricane Dorian.

- Despite the relative buoyancy of the economy prior to Hurricane Dorian, taxes on international trade declined marginally by \$0.5 million (0.1%) to \$312.2 million, to represent 71.5% of the revised budget target. Following on the Exigency Order in the aftermath of Dorian, which extends to June of 2020, collections of customs and import duties softened by \$4.8 million (2.4%) to \$194.6 million, for 69.0% of the revised budget estimate. Similarly, taxes on exports narrowed by \$1.3 million (13.7%) over the nine-month period to \$8.0 million, equating to 90.9% of the budget target.
- However, the high volume of cruise arrivals up to February 2020 buoyed departure taxes by \$5.6 million (5.4%) to \$109.5 million, which equated to the targeted 75.3% of the revised budget.
- General stamp taxes were slightly lower by \$1.3 million (18.0%) at \$5.9 million, to represent 56.8% of the revised budget target.

9-Month Comparison of Tax Revenue Performance (B\$M)



- Revenue from Government property rose by \$2.8 million (15.3%) to \$21.1 million, equating to some 53.3% of the revised budget estimate.
- Collections from the sale of goods and services contracted by \$14.6 million (10.4%) to \$125.9 million, for 61.0% of the revised budget.
 - Reflecting the reduced level of economic activity in Abaco, immigration-related fees decreased by \$8.0 million (11.6%), while more muted declines were recorded for customs-related fees, port & harbor fees, general services fees and general registration fees, of \$1.3 million (3.8%), \$1.2 million (25.0%), \$1.1 million (9.8%), and \$1.0 million (22.7%), respectively.
- Fines, penalties and forfeits collections weakened by \$0.9 million (23.1%) to \$3.0 million—equating to 49.2% of the revised budget.
- Miscellaneous and unidentified revenue, which expanded to \$15.4 million from \$1.8 million in FY2018/19, included the Hurricane Dorian related \$12.8 million payout under the Caribbean Catastrophic Risk Insurance Facility (CCRIF).

NINE MONTH REPORT ON BUDGETARY PERFORMANCE FY2019/20 JULY - MARCH

TABLE 2: REVENUE SUMMARY (B\$M)

| | [a] | [b] | [c] | [b] -[c] | [b]/[a] |
|---|----------------|----------------------------------|----------------------------------|---------------|----------------|
| | Budget | | July - March | | |
| | FY2019/20 | FY2019/20 ^P Actual | FY2018/19 ^P Actual | Variance | % of Budget |
| TAX REVENUE (a+b+c+d) | 2,107.8 | 1,552.1 | 1,521.8 | 30.3 | 73.6% |
| a. Taxes on Property | 113.6 | 85.0 | 93.7 | (8.7) | 74.9% |
| b. Taxes on Goods & Services (i+ii+iii) | 1,547.4 | 1,149.0 | 1,108.2 | 40.7 | 74.3% |
| i. General | 1,329.6 | 993.8 | 920.4 | 73.4 | 74.7% |
| VAT | 973.3 | 738.7 | 588.9 | 149.8 | 75.9% |
| Stamp taxes (Financial & Realty) | 101.5 | 46.0 | 161.6 | (115.6) | 45.3% |
| Excise Tax | 254.8 | 209.1 | 169.9 | 39.2 | 82.1% |
| ii. Specific (Gaming taxes) | 36.2 | 30.8 | 22.5 | 8.3 | 85.0% |
| iii. Taxes on Use of Goods/Permission to Use | 181.6 | 124.4 | 165.4 | (41.0) | 68.5% |
| Motor Vehicle Taxes | 38.8 | 21.0 | 26.2 | (5.2) | 54.0% |
| Company Taxes | 25.4 | 14.5 | 17.5 | (3.0) | 57.0% |
| Licence to Conduct Special Bus. Activity | 114.9 | 87.6 | 95.1 | (7.5) | 76.3% |
| Marine License Activities | 2.0 | 1.3 | 1.2 | 0.1 | 66.7% |
| Banks & Trust Companies | 0.6 | 0.0 | 25.3 | (25.3) | 0.0% |
| c. Taxes on Int'l Trade & Transactions | 436.4 | 312.2 | 312.7 | (0.5) | 71.5% |
| Customs & other import duties | 282.2 | 194.6 | 199.4 | (4.8) | 69.0% |
| Taxes on Exports | 8.8 | 8.0 | 9.3 | (1.3) | 90.9% |
| Departure Taxes | 145.4 | 109.5 | 103.9 | 5.6 | 75.3% |
| Other | 0.0 | 0.1 | 0.1 | (0.0) | 0.0% |
| d. General Stamp Taxes | 10.4 | 5.9 | 7.2 | (1.3) | 56.8% |
| NON-TAX REVENUE (e+f+g+h+i+j) | 285.8 | 204.8 | 167.3 | 37.5 | 71.6% |
| e. Property Income | 39.5 | 21.1 | 18.3 | 2.8 | 53.3% |
| Interest & Dividends | 24.6 | 6.2 | 4.5 | 1.7 | 25.1% |
| Revenue_Gov't Property | 14.8 | 14.9 | 13.8 | 1.1 | 100.3% |
| f. Sales of goods & services | 206.5 | 125.9 | 140.6 | (14.6) | 61.0% |
| i. Fees & Service Charges | 185.8 | 112.7 | 125.9 | (13.3) | 60.7% |
| General Registration | 6.4 | 3.4 | 4.4 | (1.0) | 53.1% |
| General Service | 15.0 | 9.2 | 10.2 | (1.1) | 61.0% |
| Immigration | 97.3 | 60.4 | 68.4 | (8.0) | 62.1% |
| Land & Building | 2.6 | 1.6 | 1.8 | (0.1) | 61.5% |
| Legal | 1.3 | 1.1 | 0.8 | 0.3 | 84.6% |
| Customs | 53.6 | 33.0 | 34.3 | (1.3) | 61.5% |
| Port & Harbour | 7.0 | 3.6 | 4.8 | (1.2) | 51.4% |
| Health | 1.9 | 0.1 | 0.8 | (0.7) | 5.3% |
| Other Fees | 0.6 | 0.2 | 0.4 | (0.2) | 33.3% |
| ii. Other | 20.8 | 13.3 | 14.6 | (1.4) | 63.9% |
| g. Fines, Penalties & Forfeits | 6.1 | 3.0 | 3.9 | (0.9) | 49.2% |
| h. Reimbursements & Repayments | 27.6 | 39.4 | 0.2 | 39.3 | 142.8% |
| i. Misc. & Unidentified Revenue | 2.5 | 15.4 | 1.8 | 13.6 | 616.0% |
| j. Sales of other Non-Financial Assets | 3.7 | 0.1 | 2.6 | (2.5) | 2.7% |
| TOTAL TAX & NON-TAX REVENUE | 2,393.6 | 1,756.9 | 1,689.1 | 67.8 | 73.4% |
| 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 | 1,757.0 | 1,689.1 | 67.9 | 73.3% |

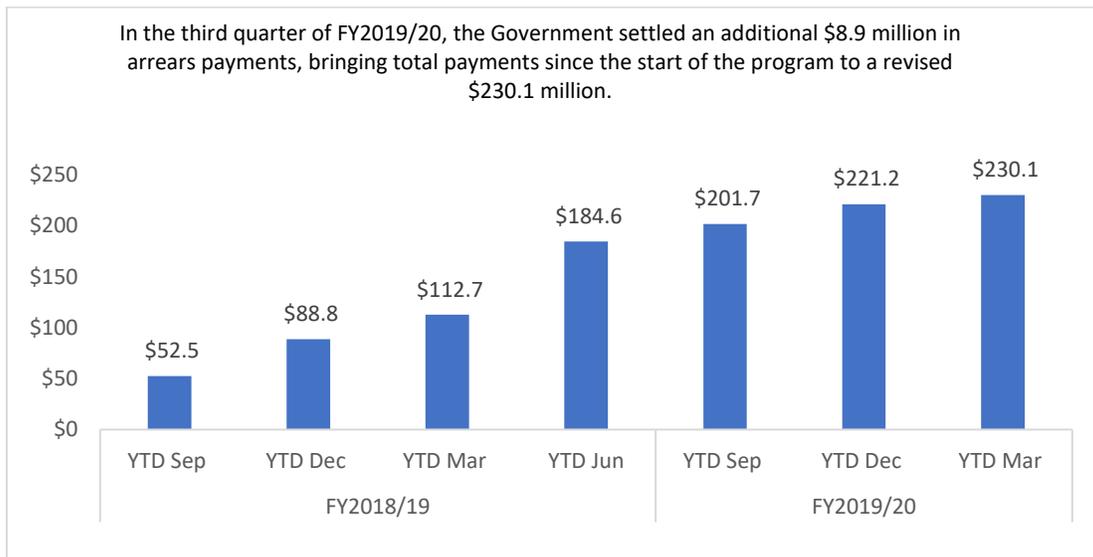
4. Expenditure Developments

a. Recurrent Expenditure

For the nine months to March 2020, recurrent expenditure grew by \$109.0 million (6.4%) to \$1,810.3 million, or 67.4% of the revised budget estimate, vis-à-vis the same period of FY2018/19 (*see Table 3*).

- Compensation of employees firmed by \$47.9 million (9.1%) over the review period, and comprised 72.9% of the revised budget target. The boost in wages & salaries, by \$37.2 million (8.0%) to \$500.8 million, largely reflected the union negotiated lump sum payment to civil servants in December which totaled some \$22.8 million. Allowances advanced by \$13.6 million (34.6%) to \$52.9 million, of which \$7.9 million was spent on hardship, overtime and other related payments to staff that were either displaced by Hurricane Dorian or key to recovery and restoration efforts.

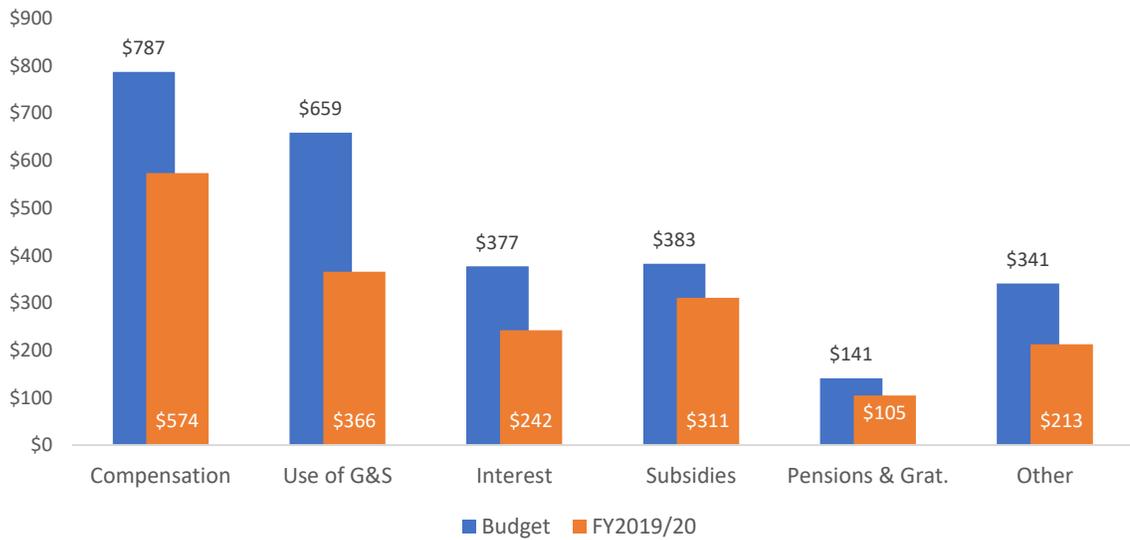
Settlement of Arears (B\$M)



- Spending on the use of goods & services decreased by \$21.8 million (5.6%) to \$365.6 million, to represent 55.5% of the revised budget target.
 - Special financial transactions contracted by \$34.4 million (34.8%), as the bulk of arrears payments for FY2018/19 would have been recorded under this line item last year. Additionally, tourism-related payments declined by \$29.1 million (81.5%) to \$6.6 million, reflecting the suspension of a number of marketing subventions provided for under various Heads of Agreements for visiting cruise ships and hotel properties in Abaco and Grand Bahama, as well as stalled payments for similar arrangements for resort properties in other islands.
 - Finance charges were reduced by \$16.8 million (64.6%), owing largely to the reclassification of tourism-related charges previously recorded under this line item.

- More muted declines were posted for spending associated with other expenses, school boards, the acquisition of supplies & materials, and rent, of \$6.7 million (39.5%), \$5.8 million (99.5%), \$1.7 million (4.9%) and \$1.6 million (3.2%), respectively.
- Spending on services, however, increased by \$53.5 million (76.1%), reflecting the \$2.3 million spend on debris removal, and an additional \$10.6 million in tourism-related communication and marketing outlays in the aftermath of Hurricane Dorian; while timing related differences explained the \$18.7 million (62.1%) hike in spending on utilities and communication services.

Recurrent Expenditure vs Budget Qtr. III FY2019/20 (B\$M)



- Public debt interest payments increased by \$7.4 million (3.1%) to \$242.3 million, or 64.3% of the revised budget target. Of this total, \$151.9 million was directed to Bahamian dollar debt, with the remaining \$90.5 million associated with foreign currency obligations.
- Subsidies—transfers to Government-owned or controlled units which provide goods and services to the public—widened by \$39.0 million (14.3%) to \$310.8 million, and represented 81.2% of the revised budget estimate.
 - Subsidies to public non-financial corporations strengthened by \$45.0 million (18.5%) to \$288.6 million, as compared to FY2018/19. Partly reflecting payments associated with hurricane evacuations, subsidies to the National air carrier increased to \$17.3 million from \$7.8 million in FY2018/19, while subsidies to Water & Sewerage more than doubled to \$38.0 million in the nine months to March 2020. Transfers to the Public Hospital Authority (PHA) also grew to \$187.9 million from \$177.9 million in the previous year, reflecting several transfers approved in the Supplementary Budget, including the \$4.5 million to facilitate outstanding payments to nurses.
 - Transfers to private non-financial enterprises fell by \$7.7 million (27.9%) to \$19.9 million, inclusive of the \$8.0 million settlement in arrears payment in the same period of FY2018/19.

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

| | [a] | [b] | [c] | [b] - [c] | [b]/[a] |
|------------------------------------|------------------|---|---|-----------------|------------------------|
| | Budget | | July - March | | |
| | FY2019/20 | FY2019/20^P Actual | FY2018/19^P Actual | Variance | % of Budget |
| RECURRENT EXPENDITURE | | | | | |
| Compensation of Employees | 787.2 | 574.1 | 526.2 | 47.9 | 72.9% |
| Use of Goods & Services | 659.1 | 365.6 | 387.4 | (21.8) | 55.5% |
| Travel & Subsistence | 23.0 | 8.5 | 6.0 | 2.5 | 36.9% |
| Rent | 70.3 | 48.5 | 50.1 | (1.6) | 68.9% |
| Utilities & Telecommunications | 88.0 | 48.9 | 30.1 | 18.7 | 55.5% |
| Supplies & Materials | 52.4 | 33.3 | 35.1 | (1.7) | 63.6% |
| Services | 224.0 | 123.9 | 70.3 | 53.5 | 55.3% |
| Minor capital repairs | 5.2 | 2.7 | 2.4 | 0.4 | 51.9% |
| Finance charges | 45.6 | 9.2 | 26.0 | (16.8) | 20.2% |
| Special Financial Transactions | 110.6 | 64.4 | 98.8 | (34.4) | 58.2% |
| Tourism Related | 10.0 | 6.6 | 35.7 | (29.1) | 66.0% |
| Local Gov't Districts | 13.1 | 9.3 | 10.0 | (0.6) | 71.3% |
| School Boards | 0.1 | 0.0 | 5.9 | (5.8) | 30.0% |
| Other | 16.8 | 10.3 | 17.0 | (6.7) | 61.3% |
| Public Debt Interest | 377.1 | 242.3 | 235.0 | 7.4 | 64.3% |
| Subsidies | 382.6 | 310.8 | 271.8 | 39.0 | 81.2% |
| Grants | 9.2 | 6.7 | 6.8 | (0.1) | 72.8% |
| Social Assistance Benefits | 58.8 | 22.3 | 33.0 | (10.7) | 38.0% |
| Pensions & Gratuities | 140.7 | 104.5 | 98.6 | 6.0 | 74.3% |
| Other Payments | 272.9 | 183.9 | 142.5 | 41.4 | 67.4% |
| Current Transfers n.e.c. | 195.5 | 126.3 | 117.7 | 8.5 | 64.6% |
| Insurance Premiums | 77.5 | 57.7 | 24.8 | 32.9 | 74.5% |
| TOTAL | 2,687.6 | 1,810.3 | 1,701.3 | 109.0 | 67.4% |

- Grants, which represent gifts and donations to foreign governments and international organizations (inclusive of membership fees) were \$0.1 million (1.5%) lower at \$6.7 million and represented 72.8% of the budget allocation.
- Social Assistance Benefits—in cash or in kind—contracted by \$10.7 million (32.4%) to \$22.3 million, equating to some 38.0% of the budgeted amount.
- Pension and gratuity payments rose by \$6.0 million (6.0%) to \$104.5 million, comprising 74.3% of the revised budget target.
- Current transfers—not elsewhere classified—include 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 subsidies. Outlays under this line item grew by \$8.5 million (7.3%) over the review period to \$126.3 million, or 64.6% of the revised budget amount.
 - Transfers to households grew by \$11.5 million (36.5%) to \$42.8 million, \$15.5 million of which was allocated to educational scholarships/grants.
 - Transfers to non-financial public institutions narrowed by \$1.6 million (2.6%) to \$60.5 million, and those to financial public institutions also fell by \$3.4 million (72.3%) to \$1.3 million.

- Reflecting timing-related differences, insurance payments expanded to \$57.7 million from \$24.8 million, equating to 74.5% of the budget provision.

| Summary of Hurricane Dorian Outlays | |
|-------------------------------------|---------------|
| FY2019/20 (Sep - Mar) | |
| | B\$ M |
| Recurrent | \$14.4 |
| Allowances | \$7.9 |
| Landfill Operations | \$2.7 |
| Travel | \$0.3 |
| Food Assistance | \$0.5 |
| Other | \$3.0 |
| Capital | \$44.3 |
| Rehab. Water Supply | \$5.4 |
| Rehab. Power | \$20.0 |
| Debris Management | \$13.1 |
| Machinery & Equipment | \$0.3 |
| SMEs | \$2.9 |
| Other | \$2.6 |
| Grand Total | \$58.7 |

b. Capital Spending

During the nine months to March of FY2019/20, capital expenditure increased by \$70.2 million (54.8%) to \$198.3 million, to represent 51.4% of the revised budget target (*see Table 4*).

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

| | [a] | [b] | [c] | [b] - [c] | [b]/[a] |
|--|--------------|----------------------------------|----------------------------------|--------------|----------------|
| | Budget | July - March | | | |
| | FY2019/20 | FY2019/20 ^P Actual | FY2018/19 ^P Actual | Variance | % of Budget |
| Capital Transfers | 162.2 | 72.2 | 20.3 | 51.9 | 44.5% |
| Acquisition of Non-financial assets | 223.3 | 126.0 | 107.7 | 18.3 | 56.5% |
| Fixed Assets | 218.5 | 126.0 | 107.7 | 18.2 | 57.7% |
| Buildings other than dwellings | 61.4 | 46.3 | 40.6 | 5.7 | 75.4% |
| Other structures | 97.0 | 49.5 | 44.9 | 4.6 | 51.1% |
| Transport equipment | 6.6 | 0.4 | 5.2 | (4.8) | 6.2% |
| Other Machinery & equipment | 41.2 | 13.4 | 5.2 | 8.2 | 32.5% |
| Land Improvements | 3.2 | 0.5 | 0.5 | 0.1 | 15.8% |
| Other Fixed Assets | 9.1 | 15.8 | 11.4 | 4.5 | 174.1% |
| Land | 4.8 | 0.0 | 0.0 | (0.0) | 0.0% |
| TOTAL | 385.5 | 198.3 | 128.1 | 70.2 | 51.4% |

- Capital transfers firmed to \$72.2 million from \$20.3 million in the nine months of FY2018/19, reflecting elevated spending in response to hurricane recovery needs. Specifically, \$5.4 million has been spent on water restoration, and \$20.0 million on electricity restoration. In addition, \$2.9 million has been disbursed via the Small Business Development Center (SBDC) to businesses directly impacted by the hurricane, while an additional \$0.3 million has gone toward the replacement of machinery and equipment.
- Outlays for the acquisition of non-financial assets stood higher at \$126.0 million at end-March 2020—an increase of \$18.3 million (17.0%) over the corresponding period of FY2018/19, and equating to 56.4% of the revised budget allocation.
 - Fixed asset acquisitions grew by \$18.2 million (16.9%) to \$126.0 million. In the underlying developments, outlays for the acquisitions of other machinery and equipment jumped to \$13.4 million from \$5.2 million; while spending for other structures was higher by \$4.6 million (10.2%) at \$49.5 million. Spending for buildings other than dwellings increased by \$5.7 million (14.0%) to \$46.3 million, and for other fixed assets by \$4.5 million (39.5%) at \$15.8 million.

5. Financing Activities

Net Increase in Liabilities

To meet its operational requirements, the Government incurred a net increase in its liabilities of \$351.1 million.

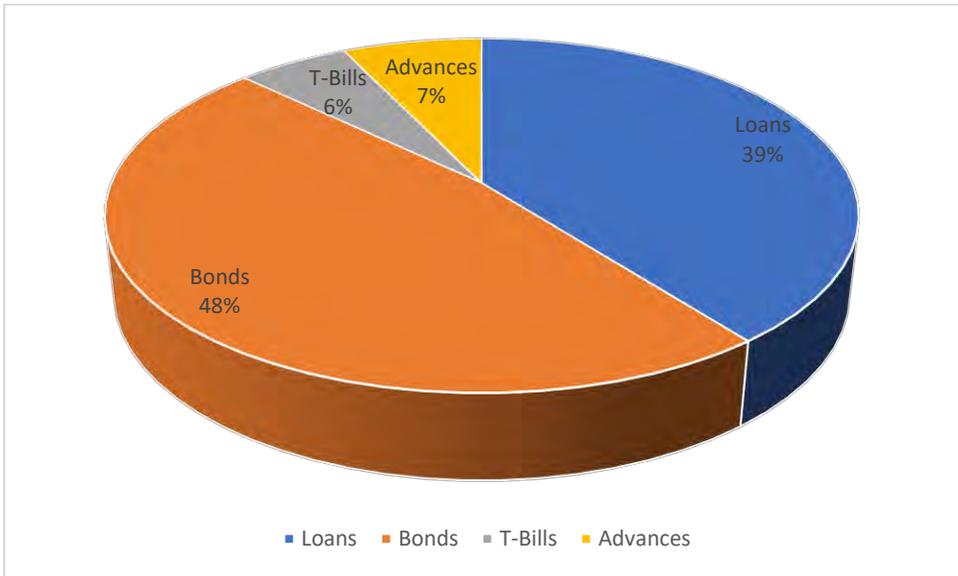
- The Government borrowed a total of \$936.5 million in the nine months to March 2020, to finance the deficit. Of this total, \$792.5 million or (84.6%) was sourced in Bahamian dollars, and the remaining \$144.0 million (15.4%) in foreign currency.
- Approximately \$431.5 million or 46.1% of borrowings was via domestic bond issuances. Of the \$278.0 million in bank loans, \$228.0 million was in Bahamian dollars and \$50.0 million in foreign currency facilities. An additional \$94.0 million was drawn down on existing facilities with international development agencies—\$55.0 million of which was from the \$100 million IDB contingent credit line to assist with hurricane recovery efforts; bringing total drawdowns on this facility to \$80 million as at end-March 2020. Short-term funding comprised \$60.0 million in Central Bank advances—all of which were repaid in March 2020, and \$73.0 million in Treasury bills.
- Debt repayment totaled \$585.4 million for the nine-month period—comprising \$546.4 million in Bahamian dollars and \$39.0 million in foreign currency.
- Given these developments, the Direct Charge—exclusive of exchange rate adjustments—grew by an estimated \$351.1 million to \$7,878.1 million, or 61.8% of GDP at end-March 2020, as compared to end-June 2019.

CHANGE IN LIABILITIES (By Currency and Instrument)

(B\$M)

| | FY2019/20: July - March | | |
|--------------------------------|-------------------------|--------------|--------------|
| | Borrowings | Repayment | Net Change |
| Bahamian Dollars | 792.5 | 546.4 | 246.1 |
| Bonds | 431.5 | 326.5 | 105.0 |
| Treasury Bills/Notes | 73.0 | 63.0 | 10.0 |
| Bank Loans | 228.0 | 96.8 | 131.2 |
| Central Bank Advances | 60.0 | 60.1 | (0.1) |
| Foreign Currency | 144.0 | 39.0 | 105.0 |
| Bank Loans | 50.0 | 21.6 | 28.4 |
| Loans from Int'l Dev. Agencies | 94.0 | 17.4 | 76.6 |
| TOTAL | 936.5 | 585.4 | 351.1 |

Composition of Government Borrowings for the Nine Months of FY2019/20



Contribution to Sinking Funds

In the third quarter of FY2019/20, the Government contributed an additional \$9.4 million to the sinking funds—established to retire future debt obligations—bringing total contributions to \$30.0 million for the nine-month period. As at March 2020, the three (3) arrangements earmarked for scheduled retirement of external bonds held a cumulative value of \$179.2 million, while the funds set aside for the two (2) local arrangements stood at \$11.8 million.

Equity Acquisition

The Government contributed an additional \$5.3 million to Lucayan Renewal Ltd.—the special purpose vehicle created to hold the Lucayan hotel properties—to support operational expenses.

Other

The Government made two short-term shareholder loans to Bahamas Power & Light Ltd. (BPL) of \$15 million each in June and August of 2019. Both loans—which were to assist with the company’s debt amortization payments—were to be repaid no later than December 31, 2019. However, given the delay in the finalization of the proposed Rate Reduction Bond, the Government the loan agreement was amended to allow for an extension to the maturity date for both loans, to September 2020.

6. Policy Initiatives

a. Government's Response to the Coronavirus (COVID-19)

During the month of March, the novel coronavirus (COVID-19) which originated in Wuhan, China, quickly spread across the world to become a pandemic—triggering international border closures and delivering a massive blow to tourism-dependent economies like The Bahamas. Domestically, the closure of hotel properties resulted in thousands of direct employee layoffs and a surge in unemployment for hundreds of self-employed persons involved in the tourism trade. Faced with the emerging health, social, and economic fallout of COVID-19, the Government formulated a series of measures to contain the spread of COVID-19, and to support households and businesses.

With the overarching priority being the health and safety of Bahamians, the Government increased resources allocated to health and imposed several Emergency Powers (COVID-19) Orders, which mandated a national curfew, and lockdowns for different periods of time. This also included the closure of all non-essential businesses and social distancing restrictions to contain the spread of the virus, and restrictions on non-essential activities which have brought business activity to a virtual stand-still.

To address the social and economic needs arising from COVID-19 the Government implemented several unemployment and social assistance measures for households and financial support for businesses, as presented in **Box A**. These measures amount to additional estimated fiscal outlays of \$59.2 million and revenue forgone of \$60.0 million. Based on COVID-19's impact on the Government's revenue and expenditures, the Ministry of Finance is reassessing its fiscal projections for the balance of FY2019/20 as well as prospects for the upcoming budget year, using various scenarios covering possible durations and severity.

| BOX A | |
|---|--|
| COVID-19 INITIATIVES | KEY FEATURES |
| Tax Credit and Tax Deferral Employee Retention Program | To assist with meeting non-executive payroll, businesses with an annual turnover of over \$3 million and at least 25 employees may apply for a tax credit of up to \$300,000 over a 3-month period for VAT and Business Licence fees. Businesses may also 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 to suspend disconnections temporarily and defer bill payments for a period of 3 months 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 is funding an unemployment assistance program, which is 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. |

| BOX A | |
|---|--|
| COVID-19 INITIATIVES | KEY FEATURES |
| Food Assistance Program | For persons who are now on reduced work weeks as a result of COVID-19, the Government is providing food vouchers with a value of \$100 per week to assist persons with groceries. Eligible persons may apply for and receive these vouchers at the Department of Social Services. |
| Business Continuity Loan Program | \$25 million has been 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 agree to retain at least 51% of their staff level as of February 2020. The Small Business Development Center (SDBC) is administering this program, with the help of its financial partners. |

b. Legislative Initiatives

The Government continues to progress its policies in the area of public sector management reform, as well as recovery and restoration in the aftermath of Hurricane Dorian—as outlined in **Box B**.

| BOX B | |
|---|--|
| 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. With the public consultation completed, the draft Bill is being finalized for tabling in the House of Parliament before the end of the fiscal year. |
| 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 at the time of the annual budget exercise. Work continued on this Bill, which is expected to be finalized before the end of the fiscal 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. Work continued on finalizing the draft Bill, which is expected to be completed before the end of the fiscal year. |
| Hurricane Dorian | |
| Exigency Order | 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 |

| BOX B | |
|---------------------------------------|---|
| LEGISLATIVE INITIATIVES | KEY FEATURES + DEVELOPMENTS |
| | consumption, electrical and plumbing fixtures, and personal hygiene products. |
| Special Economic Recovery Zone | <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 programme 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 |
| VAT-Free Zone | <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> |