

COMBINED
NINE
MONTH
FISCAL SNAPSHOT & REPORT
on Budgetary Performance

FISCAL YEAR
2020/21

JULY - MARCH

Section 1

The Snapshot

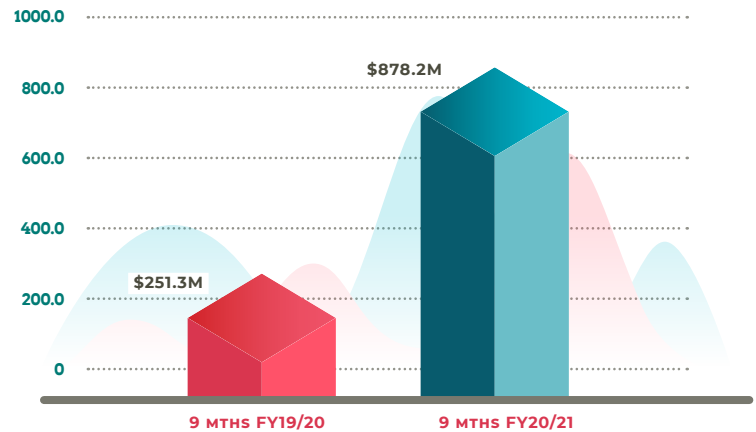
Section 2

The Report

DEFICIT POSITION \$878.2M

Provisional data on central government's operations for the nine months to March of FY2020/21 indicate a widening in the fiscal deficit, to **\$878.2 million** from **\$251.3 million** during the same period of the prior fiscal year.

9 Month Deficit Position Comparison (B\$M)



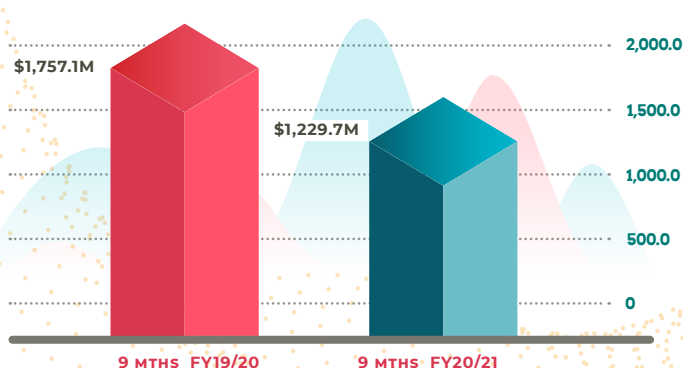
DEFICIT WIDENED 249.5%

This outcome is largely attributed to the impact of the pandemic and related measures, which significantly curtailed revenue receipts and necessitated extraordinary increases in expenditure to support various social assistance programs.

REVENUE \$1,229.7M

The continued relaxation of COVID-19 restrictive measures during the third quarter FY2020/21 and the restart of the tourism sector have improved Bahamian economic activity resulting in a firming of revenue collection in the third quarter FY2020/21. Compared with the same period in FY2019/20, however, total revenue declined by an estimated **\$527.4 million** (30.0 percent) to **\$1,229.7 million** or 70 percent of last year's collection and 69.8 percent of budget. The improved revenue outturn was largely driven by increases in collection of Value Added Tax, excise taxes, License to Conduct Special Business Activity (Business License and Communication Levies), customs & other import duties and immigration fees.

9 Month Revenue Performance Comparison (B\$M)

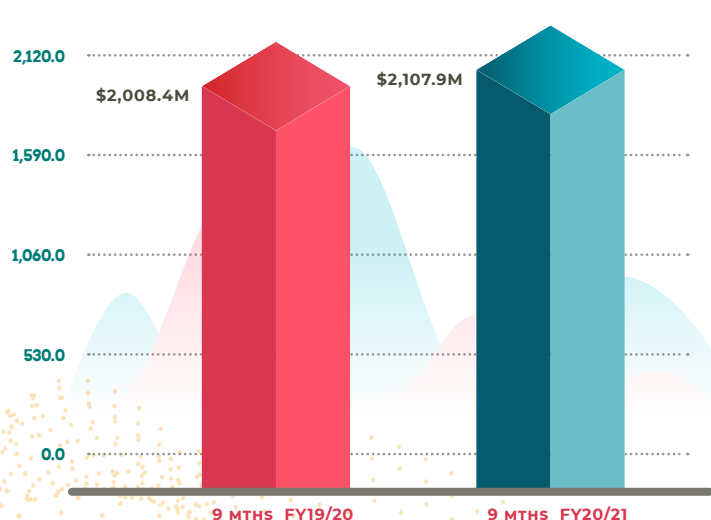


REVENUE DECREASED BY 30.0%

EXPENDITURE \$2,107.9M

Aggregate expenditure increased by **\$99.5 million** (5.0 percent) to **\$2,107.9 million**, boosted by significant increases in social assistance benefits (**\$145.0 million**), finance charges (**\$43.5 million**), public debt interest (**\$21.8 million**) and subsidies (**\$19.2 million**). However, these upturns were dampened by reductions in outlays for compensation of employees (**\$61.0 million**), supplies & materials (**\$11.5 million**) and services (**\$10.0 million**).

9 Month Expenditure Performance Comparison (B\$M)



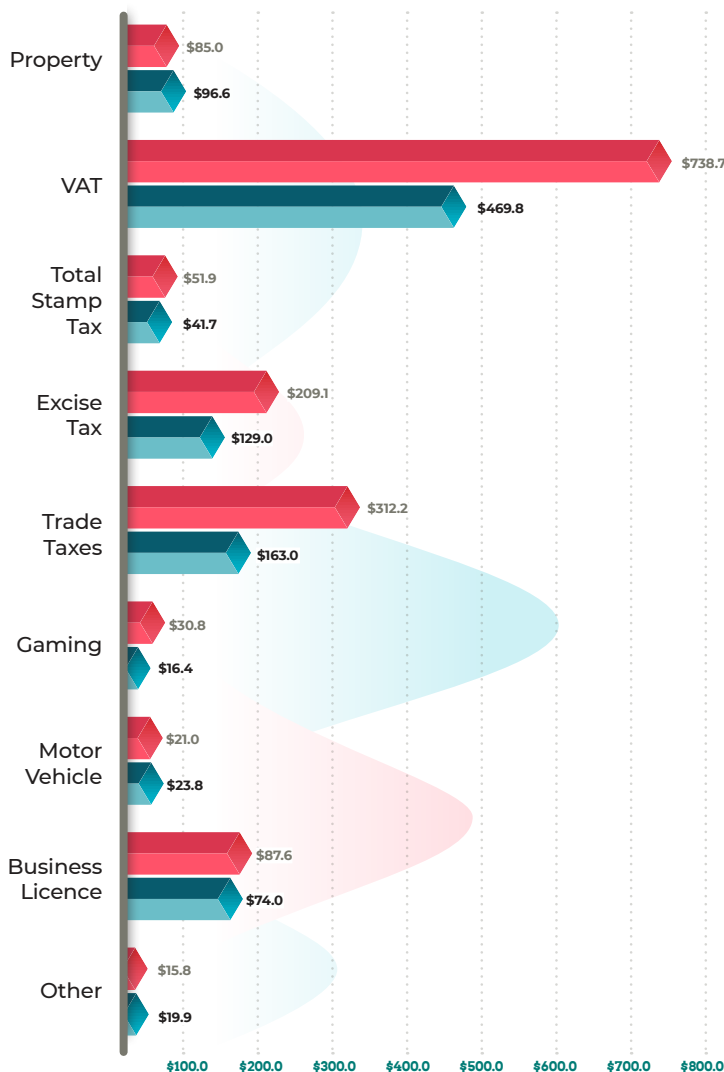
EXPENDITURE INCREASED BY 5.0%

TAX REVENUE SUMMARY

Taxes on Goods and Services – accounting for 72.2 percent of total government tax revenue, contracted by **\$402.2 million** (35.0 percent) and represents 70.2 percent of the budget target. Due to COVID-19 health and safety measures VAT receipts remain depressed by **\$268.9 million** (36.4 percent) at **\$469.8 million** or 70.5 percent of budget. Specific (Gaming taxes) contracted by **\$14.4 million** (46.7 percent) to **\$16.4 million**. Proceeds from the Patrons Winnings Tax implemented 1 January

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

9 MTHS FY19/20 9 MTHS FY20/21



NON-TAX REVENUE SUMMARY

Non-tax revenue contracted by **\$9.3million** (4.5 percent) to **\$195.6 million** and 79.1 percent of the budget. Revenues from the sale of goods and services contracted by **\$14.1million** (11.2 percent) to **\$111.8 million** and 72.2 percent of the budget largely driven by the **\$4.2 million** (7.0 percent) reduction in immigration fees and **\$4.7million** (14.3 percent) reduction in customs fees.

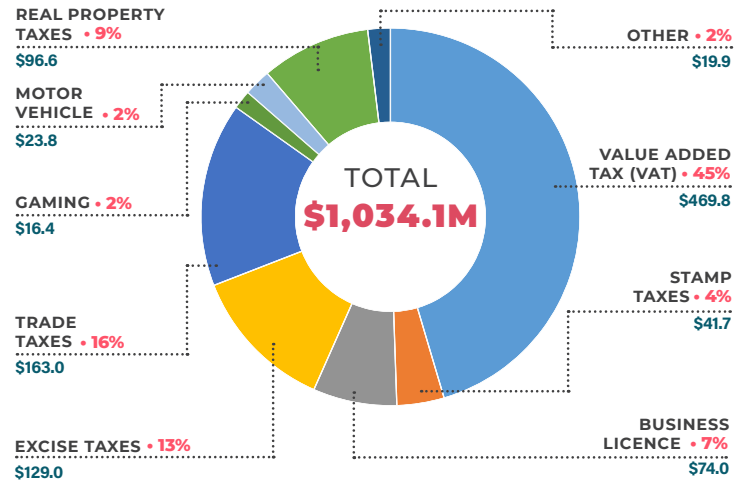
Miscellaneous and unidentified revenue firmed by **\$3.3 million** (21.3 percent) to **\$18.7 million**, primarily driven by the **\$16.8 million** premium on the December 2020 US\$225.0 million bond placement.

CAPITAL EXPENDITURE

2021 have not resulted in improved revenues due to a legal challenge by the Association of Gaming House Operators in respect to the application of the tax.

Motor vehicle taxes improved by **\$2.8 million** (13.1 percent) to **\$23.8 million** and 72.0 percent of budget, largely owing to improved revenue collection attributed to digitization efforts at the Department of Road Traffic.

9 Month Tax Revenue (B\$M)



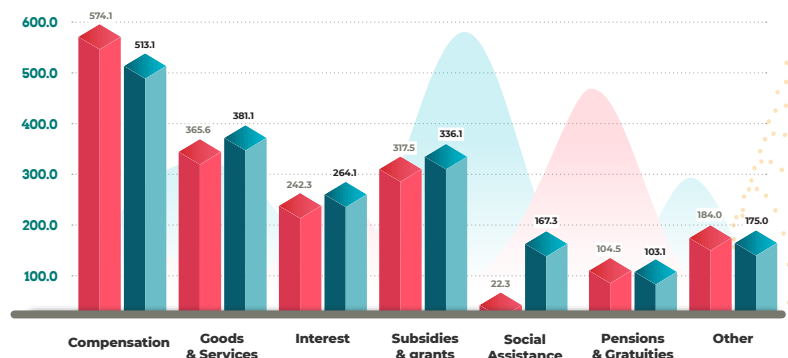
RECURRENT EXPENDITURE

Compensation of employees contracted by **\$61.0 million** (10.6 percent) to **\$513.1 million**, for 68.5 percent of the budget target. Expenditures for the acquisition of goods & services increased by **\$15.5 million** (4.2 percent) to **\$381.1 million** and representing 68.3 percent of the annual budget largely due to an increase in finance charges to **\$52.7 million**. Special Financial Transactions increased by **\$6.8 million** (10.6 percent) to **\$71.2 million** as efforts were made to realign outstanding arrears with payment agreements. Subsidies to public corporations increased by **\$22.0 million** (7.6 percent) to **\$310.6 million** inclusive of budgetary support to the air transport sector.

Social assistance benefits—in cash or in kind—expanded by **\$145.0 million** to **\$167.3 million**—being driven COVID-19 related hikes in outlays for unemployment assistance (**\$108.0 million**) and food assistance programs (**\$43.9 million**).

9 Months Recurrent Expenditure Performance Comparison (B\$M)

9 MTHS FY19/20 9 MTHS FY20/21



Capital transfers declined by **\$27.8 million** to **\$44.4 million** during the first nine months of FY2020/21. Transfers included **\$18.6 million** in support for small and medium sized enterprises, **\$8.7 million** to continue recovery efforts from Hurricane Dorian and **\$3.3 million** to restore the Rand Memorial Hospital in Grand Bahama. Expenditure on capital works similarly contracted by **\$2.4 million** (1.9 percent) to **\$123.5 million** and 40.1 percent of budget. Capital spend included **\$5.0 million** in spend to improve government buildings, **\$1.5 million** to acquire sea vessels and **\$5.0 million** in park and ground improvements.

FINANCIAL ACTIVITIES

The government's operational activities for the first nine months of FY2020/21 included a net increase in liabilities of **\$1,080.3 million**.

NATIONAL DEBT

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

\$9,856.7 million

As of December 2020
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.

MONEY BORROWED

\$783.4M

Bahamian Dollars

\$1,609.0M

Foreign Currency

MONEY REPAID

\$1,080.3M

Bahamian Dollars

GOVERNMENT DEBT

END-MARCH 2021

\$9,503.5M

END-JUNE 2020

\$8,181.2M

66.0% of
GDP

82.8% of
GDP

During the period, budgetary financing requirements were met through gross borrowings of **\$2,392.5 million** compared to **\$936.5 million** in the same period of the prior fiscal year. Domestic bond issuances totaled **\$8250.0 million**, while US\$**825.0** was raised from the international bond placements. Foreign current loan financing of US\$**752.0** was secured in addition to drawing on US\$**32.1 million** from existing facilities. Short-term domestic financing comprised **\$23.6 million** in Treasury bills and **\$334.9 million** in Central Bank advances.

Payments on the amortization of debt totaled **\$1,080.1**, above the **\$585.4 million** in the prior year.

Policy Initiatives

For Enhanced Public Management

During the quarter, the Government passed several key pieces of legislation to improve accountability and transparency:

- » **PUBLIC PROCUREMENT ACT, 2021** - The Bill was passed in both the Upper and Lower Houses of Parliament during Q3 FY2020/21 and comes into effect 1 September 2021
- » **PUBLIC DEBT MANAGEMENT ACT, 2021** - The Bill was passed in both the Upper and Lower Houses of Parliament during Q3 FY2020/21 and comes into effect 1 July 2021
- » **PUBLIC FINANCIAL MANAGEMENT ACT, 2021** - The Bill was passed in both the Upper and Lower Houses of Parliament during Q3 FY2020/21 and comes into effect 1 July 2021
- » **STATISTICS ACT, 2021** - The Bill was passed in both the Upper and Lower Houses of Parliament during Q3 FY2020/21 and comes into effect 1 July 2021.

COVID-19 Spend

For the first nine months FY2020/21, the Government continued its COVID-19 related support programs for impacted businesses and families, spending a total of **\$194.9 million**.

Summary Of Covid-19 Related Expenses (B\$M)

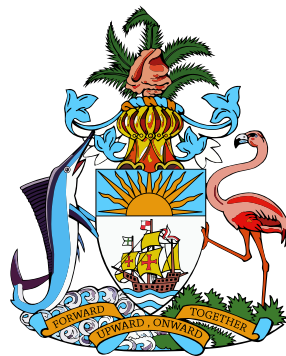
	BUDGET	JULY - MARCH	
	FY2019/20	FY2020/21P	Total
RECURRENT EXPENDITURE	39.2	180.0	219.2
Public Health Safety	1.9	15.5	17.4
Unemployment Assistance	10.0	108.0	118.0
Goods & Services Acquisition	1.8	2.2	4.0
Job Retention Programs	21.4	23.0	44.4
Food Assistance	2.0	30.8	32.8
Other	2.1	0.5	2.6
CAPITAL EXPENDITURE	40.3	14.9	55.2
Public Health Safety	0.4	0.0	0.4
Goods & Services Acquisition	0.6	0.1	0.7
COVID-19 Unit	0.3	0.5	0.8
Small Business Loans	39.0	14.3	53.3
TOTAL	79.5	194.9	274.4



NINE MONTH REPORT

ON BUDGETARY PERFORMANCE

FY2020/21 July - March



Contents

1.	About This Report	3
2.	Summary of Fiscal Performance for First Nine Months of FY2020/21.....	4
3.	Revenue Performance	7
4.	Expenditure Developments	11
	a. Recurrent Expenditure.....	11
	b. Capital Spending	13
5.	Financing Activities	15
6.	Ministry of Finance Legislative Initiatives	17

1. About This Report

General Statement

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

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

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

Publication: To be released on the Ministry of Finance's Budget website www.bahamasbudget.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 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.

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 FY2020/21

Consistent with budgetary expectations, provisional data on central government's operations for the nine months to March of FY2020/21 indicate a widening in the fiscal deficit, to \$878.2 million from \$251.3 million in the same period of the prior fiscal year (*see Table 1*). This outcome is largely attributed to the far-reaching economic costs arising from the COVID-19 crisis, which significantly curtailed revenue receipts and necessitated extraordinary increases in select expenditure elements to support various health and social assistance programs. However, the positive impact of the gradual relaxation in health and safety restrictions on domestic business conditions, and improved revenue collection efforts contributed to an improved revenue outcome during the third quarter (see Box B).

TABLE 1: FISCAL SUMMARY (Statement of Sources & Uses of Cash) (B\$M)

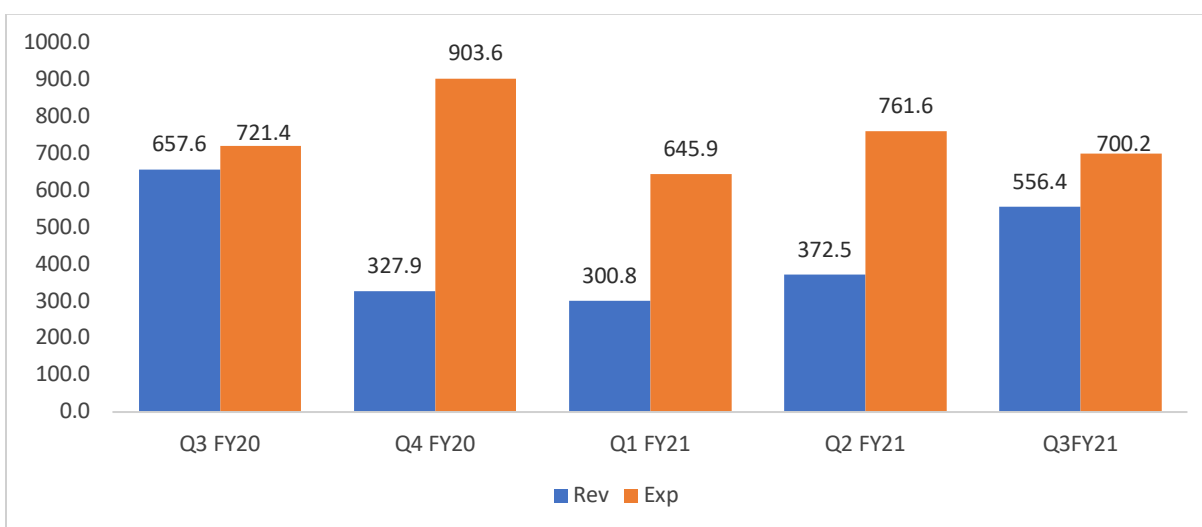
	[a]	[b]	[c]	[b] - [c]	[b/a]
	Budget	July – March			
	FY2020/21	FY2020/21 ^P Actual	FY2019/20 ^P Actual	Variance	% of Budget
Revenue	1,762.6	1,229.7	1,757.1	(527.4)	69.8%
Tax	1,513.3	1,034.1	1,552.1	(518.0)	68.3%
Non-tax	247.3	195.6	204.9	(9.3)	79.1%
Grants	2.0	0.0	0.1	(0.1)	0.0%
Expenditure	3,089.8	2,107.9	2,008.4	99.5	68.2%
Recurrent	2,574.3	1,939.9	1,810.3	129.6	75.4%
Capital	515.5	168.0	198.1	(30.1)	32.6%
Surplus/(Deficit)	(1,327.2)	(878.2)	(251.3)	(626.9)	66.2%
Financing Activities	1,327.2	878.2	251.3	626.9	66.2%
<i>Net Acquisition of financial assets (-)</i>	46.5	13.7	40.3	(26.6)	29.5%
Sinking Funds	46.5	13.7	30.0	(16.3)	29.5%
Equity	0.0	0.0	10.3	(10.3)	0.0%
Other	0.0	0.0	0.0	0.0	0.0%
<i>Net Incurrence of Liabilities (+)</i>	1,327.1	1,312.1	351.1	961.0	98.9%
Borrowings	2,023.7	2,392.4	936.5	1,455.9	>100.0%
Debt Repayment	696.6	1,080.3	585.4	494.9	>100.0%
Change in Cash Balance [(+) = increase]	46.6	(420.2)	(59.5)	(360.7)	-901.8%

- Compared with the same period in FY2019/20, total revenue declined by an estimated \$527.4 million (30.0 percent) to \$1,229.7 million, equal to 70.0 percent of last year's collection, and representing 69.8 percent of budget. Consistent with the sharp downturn in economic activity, decreased collections were recorded for value added tax (down 36.4 percent), excise taxes (down 38.3 percent), license to conduct special business activity, mainly business license and communication levies (down 15.5 percent), customs & other import duties (down 31.0 percent)

and immigration fees (down 7.0 percent). However, the yield from property taxes increased by \$11.6 million (up 13.6 percent).

- Aggregate expenditure firmed by \$99.5 million (5.0 percent) to \$2,107.9 million, boosted by substantial increases in social assistance benefits (\$145.0 million), finance charges (\$43.5 million), public debt interest (\$21.8 million) and subsidies (\$19.2 million). However, the increase in overall expenditure was offset in part by reductions in outlays for compensation of employees (\$61.0 million), supplies & materials (\$11.5 million) and services (\$10.0 million).
- Owing to the less favourable fiscal conditions, there were no contributions to the sinking funds for future debt amortization for the review period from the Consolidated Fund. However, capital gains of \$13.7 million were realized as the government sold part of the investment holdings of the sinking fund to take advantage of the positive trading fundamentals for US Treasuries earlier in the fiscal year. The realized capital gains were reinvested in the sinking funds.
- Budgetary financing requirements were met through gross borrowings of \$2,392.4 million compared to \$936.5 million in the same period of the prior fiscal year.
- Debt amortization payments were higher at \$1,080.3 million from \$585.4 million in the comparative year-earlier period.
- As a result of net borrowing activities, the Direct Charge on the Government – exclusive of interest rate adjustments, increased by \$1,312.1 million to \$9,503.5 million or 82.8 percent of GDP¹ at end-March 2021, as compared to 66.0 percent of GDP at end-June 2020.

Budgetary Performance (B\$M)



¹ In its April 2021 World Economic Outlook release, the IMF revised its FY2020/21 GDP forecast for The Bahamas upward to \$11.5 billion from \$11.4 billion. This revised GDP estimate was used in the calculation of the debt to GDP ratio.

BOX A: SUMMARY OF COVID-19 EXPENDITURE

For the nine months end-March of FY2020/21, the government continued its COVID-19 related support programs for impacted businesses and families, with cash outlays of an estimated \$194.9 million. These expenditures relate specifically to COVID-19 containment and mitigation initiatives and does not include budget and expenditure items where the cost is not exclusively utilized for COVID-19 mitigation strategies.

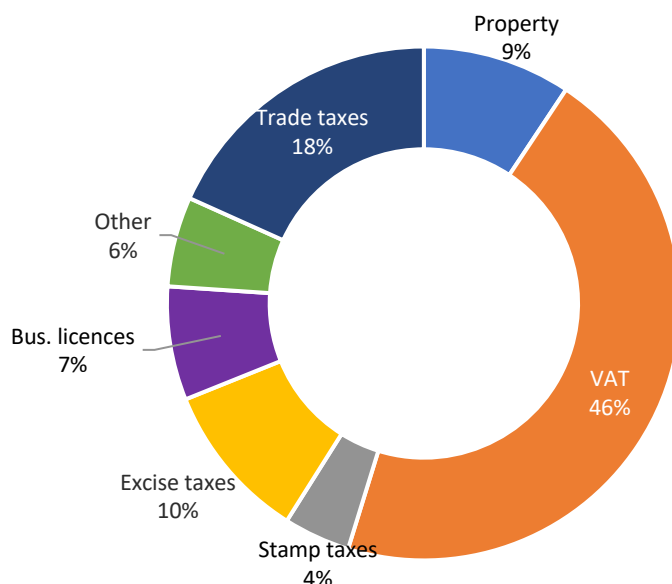
SUMMARY OF COVID-19 RELATED EXPENSES (B\$M)

	FY2019/20	FY2020/21p July - March	Total
Recurrent Expenditure	39.2	180.0	219.2
Public Health Safety	1.9	15.5	17.4
Unemployment Assistance	10.0	108.0	118.0
Goods & Services Acquisition	1.8	2.2	4.0
Job Retention Programme	21.4	23.0	44.4
Food Assistance	2.0	30.8	32.8
Other	2.1	0.5	2.6
Capital Expenditure	40.3	14.9	55.2
Public Health Safety	0.4	0.0	0.4
Goods & Services Acquisition	0.6	0.1	0.7
COVID-19 Unit	0.3	0.5	0.8
Small Business Loans	39.0	14.3	53.3
Total	79.5	194.9	274.4

3. Revenue Performance

Revenue receipts for the nine months to March of FY2020/21 stood at \$1,229.7 million or 69.8 percent of the budgeted amount—a decline of \$527.4 million (30.0 percent) million from the comparative year-earlier period (see **Table 2**). Tax receipts, at 68.3 percent of budget, contracted by \$518.0 million (33.4 percent) to \$1,034.1 million, and non-tax revenue was lower by \$9.3 million (4.5 percent) at \$195.6 million, for 79.1 percent of the budget.

Percentage Composition of Tax Revenue (FY2020/21)

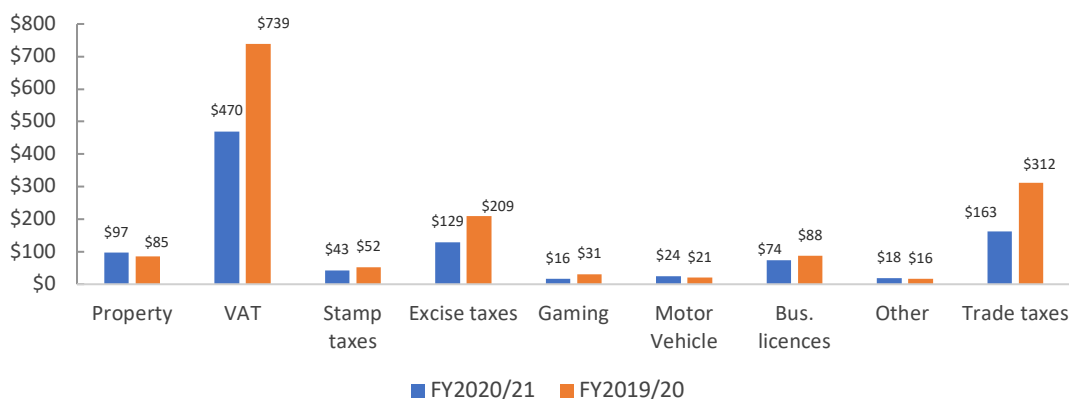


Key developments underlying revenue performance for the nine months review period relative to the year-earlier outturn are outlined below.

- Taxes on Goods and Services—at 72.2 percent of total tax revenue, contracted by \$402.2 million (35.0 percent) and represented 70.2 percent of the budget target
 - Earlier in the fiscal year, constraints imposed by COVID-19 health and safety measures on business activity had triggered a decline in commercial activity, manifesting in a year or year fall of in VAT receipts of \$268.9 million (36.4 percent) to \$469.8 million or 70.5 percent of budget. However, with the gradual improvement in economic conditions, VAT receipts strengthened to \$183.4 million in the third quarter, from \$151.7 million in the second quarter and \$134.7 million in the opening quarter of FY2020/21. The improvement in VAT collections was also aided by the expiration of certain clauses of the Special Economic Zone (SERZ) concessions designed to aid in the rebuilding of areas of Grand Bahama and Abaco damaged by the Hurricane Dorian in September 2019.
 - Stamp taxes on financial and real estate transactions were lower by \$4.3 million (9.5 percent) at \$41.7 million.

- Taxes on specific services (Gaming taxes) contracted by \$14.4 million (46.7 percent) to \$16.4 million. The Patrons Winnings Tax implemented 1 January 2021 have not resulted in any incremental revenue from these activities, due to an ongoing legal challenge by the Association of Gaming House Operators in respect to the application of the tax.
- Motor vehicle taxes improved by \$2.8 million (13.1 percent) to \$23.8 million for 72.0 percent of budget, owing to the reopening of certain offices closed since the onset of the COVID-19 pandemic.
- Taxes on international trade & transactions were lower by \$123.2 million (39.5 percent) at \$163.0 million. A major factor was the decline in departure taxes, by \$103.6 million (94.7 percent) to \$5.9 million or 7.0 percent of budget, amid the slow recovery of the tourism sector. Revenues from customs and other import duties, of \$134.2 million were also \$60.4 million below the year-earlier receipts and only 59.7 percent of the budget
- General stamp taxes at \$1.6 million were \$4.3 million (72.2 percent) below the year-earlier intake and represented 22.5 percent of the budget.

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



- Property income receipts declined by \$2.1 million (10.0 percent) to \$19.0 million and constituted 46.9 percent of budget.
- Revenues from the sale of goods and services contracted by \$14.1 million (11.2 percent) to \$111.8 million and 72.2 percent of the budget. The lower than anticipated outturn was primarily explained by reductions in immigration (\$4.2 million or 7.0 percent) and customs (\$4.7 million or 14.3 percent) fees.
- Fines, penalties and forfeits payments increased by \$0.6 million (19.6 percent) to \$3.6 million and settled at 78.0 percent of the budget.
- Miscellaneous and unidentified revenue firmed by \$3.3 million (21.3 percent) to \$18.7 million, primarily driven by the \$16.8 million premium obtained on the December 2020 US\$225.0 million bond placement.

NINE MONTH REPORT ON BUDGETARY PERFORMANCE FY2020/21 JULY - MARCH

TABLE 2: REVENUE SUMMARY (B\$M)

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July – March		
	FY2020/21	FY2020/21 ^P Actual	FY2019/20 ^P Actual	Variance	% of Budget
TAX REVENUE (a+b+c+d)	1,513.3	1,034.1	1,552.1	(518.0)	68.3%
a. Taxes on Property	104.8	96.6	85.0	11.6	92.2%
b. Taxes on Goods & Services (i+ii+iii)	1,063.9	772.8	1,149.0	(402.2)	70.2%
i. General	893.3	640.4	993.8	(379.4)	68.8%
VAT	666.3	469.8	738.7	(268.9)	70.5%
Stamp taxes (Financial & Realty)	65.2	41.7	46.0	(4.3)	63.9%
Excise Tax	161.8	129.0	209.1	(80.1)	79.7%
ii. Specific (Gaming taxes)	34.2	16.4	30.8	(14.4)	48.0%
iii. Taxes on Use of Goods/Permission to Use	136.4	116.0	124.4	(8.4)	85.1%
Motor Vehicle Taxes	33.0	23.8	21.0	2.8	72.0%
Company Taxes	15.9	17.1	14.5	2.6	>100%
Licence to Conduct Special Bus. Activity	85.5	74.0	87.6	(13.6)	86.5%
Marine License Activities	2.0	1.2	1.3	(0.1)	59.4%
c. Taxes on Int'l Trade & Transactions	337.3	163.0	312.2	(123.2)	56.0%
Customs & other import duties	224.6	134.2	194.6	(60.4)	59.7%
Taxes on Exports	29.3	22.9	8.0	14.9	78.1%
Departure Taxes	83.4	5.9	109.5	(103.6)	7.0%
Other	0.1	0.1	0.1	(0.0)	0.0%
d. General Stamp Taxes	7.3	1.6	5.9	(4.3)	22.5%
NON-TAX REVENUE (e+f+g+h+i+j)	247.3	195.6	204.9	(9.3)	79.1%
e. Property Income	40.5	19.0	21.1	(2.1)	46.9%
Interest & Dividends	25.6	4.5	6.2	(1.7)	17.6%
Revenue Gov't Property	14.9	14.5	14.9	(0.4)	97.3%
f. Sales of goods & services	154.8	111.8	125.9	(14.1)	72.2%
i. Fees & Service Charges	135.4	102.3	112.6	(10.3)	75.6%
General Registration	4.0	3.2	3.4	(0.2)	79.7%
General Service	11.5	8.5	9.2	(0.7)	74.1%
Immigration	65.2	56.2	60.4	(4.2)	86.2%
Land & Building	2.4	1.4	1.6	(0.2)	57.1%
Legal	0.9	0.8	1.1	(0.3)	88.1%
Customs	45.3	28.3	33.0	(4.7)	62.4%
Port & Harbour	3.5	3.8	3.6	0.2	>100%
Health	2.0	0.2	0.1	0.1	9.2%
Other Fees	0.6	0.0	0.2	(0.2)	0.2%
ii. Other	19.4	9.5	13.3	(3.8)	48.8%
g. Fines, Penalties & Forfeits	4.6	3.6	3.0	0.6	78.0%
h. Reimbursements & Repayments	42.6	42.6	39.4	3.2	99.9%
i. Misc. & Unidentified Revenue	1.8	18.7	15.4	3.3	>100%
j. Sales of other Non-Financial Assets	3.0	0.0	0.1	(0.1)	0.0%
TOTAL TAX & NON-TAX REVENUE	1,760.6	1,229.7	1,757.0	(527.3)	69.8%
GRANTS	2.0	0.0	0.1	(0.1)	0.0%
CAPITAL REVENUE	0.0	0.0	0.0	0.0	0.0%
GRAND TOTAL	1,762.6	1,229.7	1,757.1	(527.4)	69.8%

BOX B: QUARTERLY TRENDS IN GOVERNMENT REVENUE PERFORMANCE & POLICY INITIATIVE

During the third quarter of the fiscal year (Q3 FY2020/21), government tax revenue collection improved in line with the reopening of the Bahamian economy as the tourism sector began to open in earnest and pandemic related restrictions were eased. Of the \$1,034.5 million in tax receipts, approximately 26.1 percent was collected in the opening quarter of the fiscal year, with the proportion improving to 29.0 percent in the second quarter and peaking at 44.9 percent in the third quarter. This trend was primarily explained by a third quarter boost in collections of real property taxes, increasing year-on-year by \$11 million for the quarter due to the the Real Property Tax Forgiveness Programme. The third quarter of the fiscal year has also seen a steady recovery in VAT and business licence receipts, in the context of broadening gains in economic activity.

	QI	QII	QIII	YTD
TAX REVENUE (a+b+c+d)	269.4	300.0	464.6	1,034.0
a. Taxes on Property	8.5	16.5	71.5	96.6
b. Taxes on Goods & Services (i+ii+iii)	207.5	232.4	332.9	772.8
i. General	187.1	209.7	243.5	640.4
VAT	134.7	151.7	183.4	469.8
Stamp taxes (Financial & Realty)	12.3	9.3	20.1	41.7
Excise Tax	40.2	48.7	40.1	129.0
ii. Specific (Gaming taxes)	5.4	5.6	5.4	16.4
iii. Taxes on Use of Goods/Permission to Use	15.0	17.0	84.0	116.0
Motor Vehicle Taxes	6.1	7.0	10.6	23.8
Company Taxes	2.5	3.5	11.2	17.1
Licence to Conduct Special Bus. Activity	6.1	6.3	61.6	74.0
Marine License Activities	0.3	0.3	0.6	1.2
c. Taxes on Int'l Trade & Transactions	52.1	51.0	59.9	163.0
Customs & other import duties	42.3	43.4	48.5	134.2
Taxes on Exports	8.2	6.3	8.4	22.9
Departure Taxes	1.6	1.3	2.9	5.9
Other	0.0	0.0	0.0	0.1
d. General Stamp Taxes	1.3	0.1	0.3	1.6

Real Property Tax (RPT) Forgiveness Programme

On March 1, 2021, the government announced the RPT Forgiveness Programme, which provided waivers to Bahamian and non-Bahamian property owners in The Bahamas who are in arrears. The Programme seeks to boost the collection of outstanding property taxes, by incentivizing property owners, many of whom have been adversely impacted by the COVID-19 pandemic, to become compliant. The Programme is set to expire on May 31, 2021.

4. Expenditure Developments

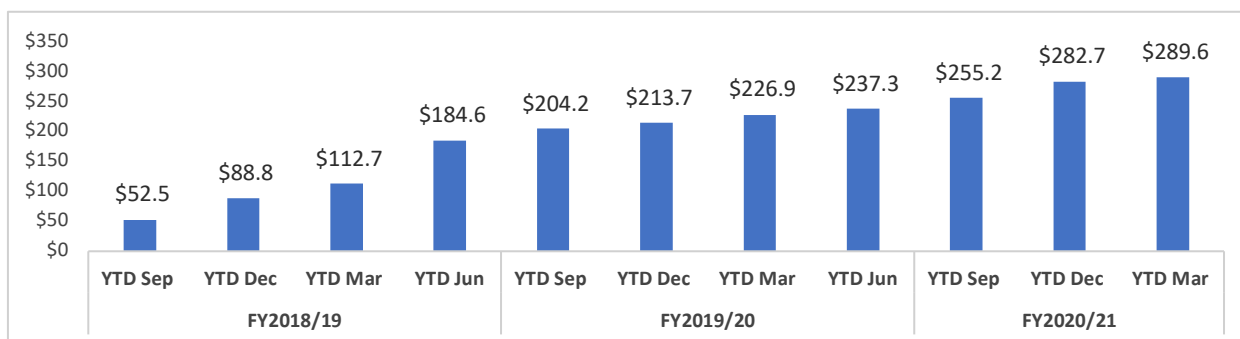
a. Recurrent Expenditure

Recurrent expenditure increased by \$129.6 million (7.2 percent) to \$1,939.9 million during the nine months to March of FY2020/21, as compared to the same period in the prior year—representing 75.4 percent of the targeted spend (*see Table 3*).

- Compensation of employees contracted by \$61.0 million (10.6 percent) to \$513.1 million, for 68.5 percent of the budget target. The decline in compensation to end-March relative to the same period in the prior year is largely explained by the \$22.8 million one-time lump sum payment to eligible Government employees during the prior budget cycle. During the period, reductions were also seen in discretionary allowances (\$11.2 million), special employment programs (\$4.4 million), summer employment (\$3.7 million), new appointments (\$2.0 million) and overtime (\$0.9 million).

Settlement of Arrears

The government settled \$52.3 million in payment arrears in the nine months end-March 2021. Since the start of the program, approximately \$289.6 million has been settled versus the total scheduled \$315.6 in arrears payments.

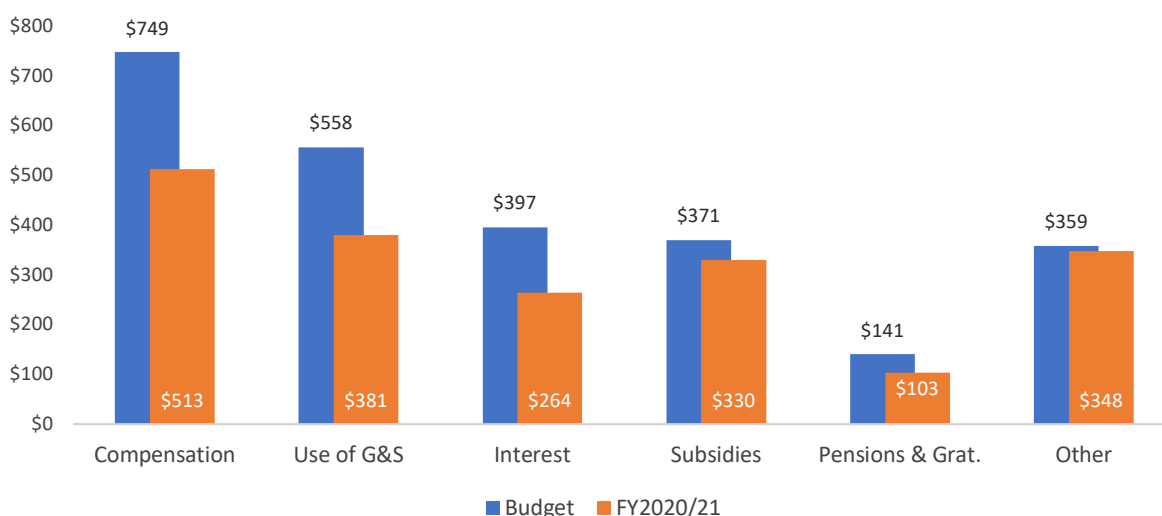


Note: Payments of arrears are included across several expenditure categories.

- Spending on the Use of Goods and Services firmed by \$15.5 million (4.2 percent) to \$381.1 million and represented 68.3 percent of the annual budget.
 - Travel and subsistence charges were lower by \$3.0 million (35.1 percent) at \$5.5 million (58.1 percent of budget), largely owing to the travel restrictions necessitated by the COVID-19 health and safety protocols. Similarly, Tourism Related charges contracted by \$5.9 million (89.4 percent) to \$0.7 million, for 8.3 percent of budget.
 - Supplies & Materials outlays declined by \$11.5 million (34.5 percent) to \$21.8 million and 51.9 percent of budget—in line with government's COVID-19 induced expenditure restraint measures.

- Services related spending were reduced by \$10.0 million (8.1 percent) to \$113.9 million and 61.1 percent of budget, also owing to discrete expenditure savings measures.
- Finance charges were elevated at \$52.7 million, compared with a budgeted \$25.0 million, and were largely explained by increased financing costs associated with government borrowing activities.
- Special Financial Transactions, which include the settlement of government arrears, firmed by \$6.8 million (10.6 percent) to \$71.2 million. During the fiscal year, \$52.3 million (70.0 percent) in arrears have been settled, as against the \$75.1 million budget target.

9-Month Comparison of Recurrent Expenditure vs Budget for FY2020/21 (B\$M)



- Public Debt Interest grew by \$21.8 million (9.0 percent) to \$264.1 million or 66.6 percent of budget. By currency, \$92.6 million (35.1 percent) represented payments on foreign currency obligations and \$171.5 million (64.9 percent) was for Bahamian debt.
- Government subsidies, which represent transfers to Government-owned and/or controlled entities or private sector partners who provide goods and services to the general public, increased by \$19.2 million (6.2 percent) to \$330.0 million and represented 89.0 percent of the budget allocation.
 - Subsidies to public non-financial corporations were elevated by \$22.0 million (7.6 percent) over the comparative period to \$310.6 million. Included in this amount are: \$11.2 million in additional assistance to Lucayan Renewal Holdings; \$2.6 million assistance to Water and Sewerage Corporation; \$34.5 million in payroll and operational support for Bahamasair; \$4.1 million in operational support to the Airport Authority and \$4.6 million to Nassau Flight Services.
 - Transfers to private non-financial enterprises and other sectors contracted by \$0.5 million (2.5 percent) to \$19.4 million.

- Expenditure on social assistance benefits expanded significantly by \$145.0 million (650.3 percent) to \$167.3 million compared to the same period in the prior year, to settle at 121.8 percent of the budget. The outcome is largely attributed to the extension of the COVID-19 related food and unemployment assistance programs.

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

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July – March		
	FY2020/21	FY2020/21 ^p Actual	FY2019/20 ^p Actual	Variance	% of Budget
RECURRENT EXPENDITURE					
Compensation of Employees	748.9	513.1	574.1	(61.0)	68.5%
Use of Goods & Services	557.7	381.1	365.6	15.5	68.3%
Travel & Subsistence	9.5	5.5	8.5	(3.0)	58.1%
Rent	64.4	49.3	48.5	0.8	76.6%
Utilities & Telecommunications	92.0	46.0	48.9	(2.9)	50.1%
Supplies & Materials	42.0	21.8	33.3	(11.5)	51.9%
Services	186.5	113.9	123.9	(10.0)	61.1%
Minor capital repairs	4.1	2.2	2.7	(0.5)	54.8%
Finance charges	25.0	52.7	9.2	43.5	210.9%
Special Financial Transactions	100.6	71.2	64.4	6.8	70.8%
Tourism Related	8.4	0.7	6.6	(5.9)	8.3%
Local Gov't Districts	13.3	9.2	9.3	(0.1)	68.8%
School Boards	0.0	0.1	0.0	0.1	0.0%
Other	11.9	8.4	10.3	(1.9)	70.8%
Public Debt Interest	396.9	264.1	242.3	21.8	66.6%
Subsidies	370.9	330.0	310.8	19.2	89.0%
Grants	7.5	6.1	6.7	(0.6)	81.8%
Social Assistance Benefits	137.4	167.3	22.3	145.0	121.8%
Pensions & Gratuities	140.9	103.1	104.5	(1.4)	73.2%
Other Payments	214.1	175.0	184.0	(9.0)	81.7%
Current Transfers n.e.c.	146.3	131.9	126.3	5.6	90.1%
Insurance Premiums	67.8	43.1	57.7	(14.6)	63.6%
TOTAL	2,574.3	1,939.9	1,810.3	129.6	75.4%

b. Capital Spending

During the review nine months period, capital outlays contracted by \$30.1 million (15.2 percent) to \$168.0 million, when compared to the same period in the prior year, to represent 32.6 percent of budget. This outcome was in line with government's efforts to secure savings through a curtailment of non-essential capital expenditure, by \$100.0 million of the approved budget, for use in priority COVID-related outlays (*see Table 4*).

- Capital transfers were contained by \$27.8 million (38.5 percent) to \$44.4 million or 21.9 percent of the budget target.
 - Capital transfers included \$18.6 million in support for small and medium sized enterprises; \$8.7 million for continuation of Hurricane Dorian recovery efforts; and \$3.3 million towards restoration of the Rand Memorial Hospital services in Grand Bahama.
- Spending on Acquisition of Non-Financial Assets declined by \$2.4 million (1.9 percent) to \$123.5 million, to represent 40.1 percent of the approved budget.
 - The spend on dwellings other than buildings advanced by \$3.8 million (8.1 percent) to \$50.1 million, for 45.7 percent of budget.
 - Transport equipment outlays firmed by \$1.8 million (445.3 percent) to \$2.2 million and 19.3 percent of budget, with \$1.5 million associated with the acquisition of sea vessels.
 - Land improvement expenditure was higher at \$5.0 million from \$0.5 million in the comparable period of FY2019/20. As part of the government's economic stimulus efforts, investments in park and ground improvements, of \$4.4 million, exceeded the \$0.9 million budgeted allocation.

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

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July - March		
	FY2020/21	FY2020/21 ^p Actual	FY2019/20 ^p Actual	Variance	% of Budget
Capital Transfers	203.0	44.4	72.2	(27.8)	21.9%
Acquisition of Non-financial assets	312.5	123.5	125.9	(2.4)	39.5%
Fixed Assets	307.7	123.5	125.9	(2.4)	40.1%
Buildings other than dwellings	109.5	50.1	46.3	3.8	45.7%
Other structures	133.1	47.6	49.5	(1.9)	35.8%
Transport equipment	11.3	2.2	0.4	1.8	19.3%
Other Machinery & equipment	26.0	11.3	13.4	(2.1)	43.5%
Land Improvements	5.6	5.0	0.5	4.5	89.5%
Other Fixed Assets	22.2	7.4	15.8	(8.4)	33.3%
Land	4.8	0.0	0.0	0.0	0.0%
TOTAL	515.5	168.0	198.1	(30.1)	32.6%

5. Financing Activities

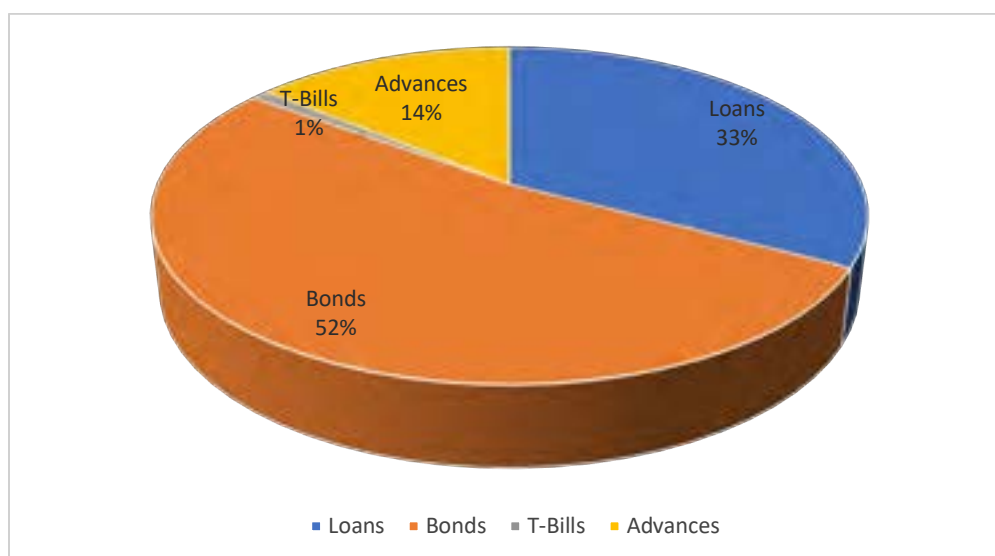
Net Increase in Liabilities

In meeting its operational requirements, the Government incurred a \$1,312.1 million net increase for the review period.

- Budgetary financing requirements were met through gross borrowings of \$2,392.5 million compared to \$936.5 million in the same period of the prior fiscal year.
 - Domestic bond issuances aggregated \$425.0 million, of which \$302.7 million was used to refinance maturing bonds.
 - Two international bond issuances totaled \$825.0 million—US\$600.0 million (October) and US\$225.0 million (December).
 - New foreign currency loan financing of US\$752.0 million comprised: a US\$246.0 million bridge facility (July) used to retire and assume direct responsibility for the Bahamas Electricity Corporation's (BEC) legacy debt of an equivalent amount; a US\$248.0 million bridge loan facility (August); a US\$200 million policy loan from the IDB under a programme to boost small business resilience and environmental protection (September); drawings of US\$2.6 million (December) under a \$25.0 million credit enhancement programme for micro, small and medium sized enterprises; US\$15.4 million draw down (December) on the IDB US\$80 million loan for reconstruction and resilience in the energy sector; and a US\$40 million policy loan from the CDB (November).
 - Drawings on existing loans aggregated US\$32.1 million—of which \$19.2 million represented the undisbursed balance under the skills and jobs programme loan from the IDB, which was redirected to assist with the government's COVID-19 support of businesses in maintaining employment levels.
 - Short-term domestic financing comprised \$23.6 million in Treasury bills and \$334.9 million in Central Bank advances.
- Debt amortization payments were higher at \$1,080.1 million from \$585.4 million in the prior year.
 - The government repaid the US\$248.0 million bridge financing, out of the proceeds from the US\$600 million bond transaction (October).
 - An aggregate US\$147.1 million and \$0.8 million was repaid in foreign currency and Bahamian dollar loans, respectively.
 - Bahamian Dollar repayments included reductions in Central Bank advances (\$249.8 million); bond (\$350.0 million) and Treasury note (\$48.2 million) redemptions and Treasury bill conversions (\$36.2 million).
- As a result of net borrowing activities, the Direct Charge on the Government – exclusive of interest rate adjustments, increased by \$1,312.3 million to \$9,503.5 million or 82.8 percent of GDP at end-March 2021, as compared to 66.0 percent of GDP at end-June 2020.

Table 5. CHANGE IN LIABILITIES (By Currency and Instrument) (B\$M)

	FY2020/21: July – March		
	Borrowings	Repayment	Net Change
Bahamian Dollars	783.4	685.1	98.3
Bonds	425.0	350.0	75.0
Treasury Bills/Notes	23.5	84.5	(61.0)
Bank Loans	0.0	0.8	(0.8)
Central Bank Advances	334.9	249.8	85.1
Foreign Currency	1,609.0	395.2	1,213.8
Bank Loans	494.0	378.2	115.8
International Bonds	825.0	0.0	825.0
Loans from Int'l Dev. Agencies	290.0	17.0	273.0
TOTAL	2,392.4	1,080.3	1,312.1

Composition of Government Borrowings for FY2020/21

Contribution to Sinking Funds

During the nine months to March of FY2020/21, the government took advantage of favourable market conditions for US Treasuries and sold a portion of the sinking fund portfolio and realized capital gains of \$11.3 million. These capital gains were reinvested in the sinking fund. At end-March 2021, the three (3) arrangements earmarked for scheduled retirement of external bonds held a cumulative value of \$195.4 million, while the funds set aside for the two (2) local arrangements stood at \$13.3 million.

6. Ministry of Finance Legislative Initiatives

The Government made significant progress in its public financial management policy reform agenda. Outlined below in **Box C** is the status of the various legislative initiatives.

Box C		
LEGISLATIVE INITIATIVES	KEY FEATURES + DEVELOPMENTS	STATUS
Public Procurement Act, 2021	This legislation establishes a public procurement board, a digital procurement platform, and an electronic vendor registry, to modernize existing procurement systems with international best practices.	The Bill was passed in both the Upper and Lower Houses of Parliament in March and the Act comes into effect 1 st September 2021. The Draft Public Procurement Regulations have been drafted and are undergoing final review for presentation to Parliament during the May 2021 budget presentation.
Public Debt Management Act, 2021	This legislation consolidates and amends 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 Act will also establish a Debt Management Unit and a Debt Management Committee and requires the production of an annual Debt Management Strategy Report.	The Bill was passed in both the Upper and Lower Houses of Parliament during March and the Act comes into effect 1 st July 2021. Work is ongoing to finalize the accompanying regulations in time for presentation to the Parliament during the May 2021 budget presentation.
Public Finance Management Act, 2021	This legislation replaces the administrative segments of the existing Financial Administration and Audit Act, 2010. It clearly specifies the roles and responsibilities of financial officers, enhances reporting requirements and accountability expectations across the public service, and solidifies criminal penalties for malfeasance in public financial matters.	The Bill was passed in both the Upper and Lower Houses of Parliament during March and the Act comes into effect 1 st July 2021. Work on the Draft Public Finance Management Regulations is substantially complete, and the document is undergoing final review. The government intends to finalize the document for presentation to Parliament during the May 2021 budget presentation.
Statistics Act, 2021	This legislation establishes the Bahamas National Statistics Institute and a National Statistical System and will facilitate the establishment of standards for collecting, compiling, analyzing and publishing official statistics.	The Bill was passed in both the Upper and Lower Houses of Parliament during March and the Act comes into effect 1 st July 2021.