



COMMONWEALTH OF THE BAHAMAS

2021

**NINE MONTH
REPORT ON BUDGETARY
PERFORMANCE FY2021/22
JULY - MARCH**

April 2022

1. ABOUT THIS REPORT

2. EXECUTIVE SUMMARY

3. ECONOMIC OVERVIEW

4. REVENUE PERFORMANCE

5. EXPENDITURE DEVELOPMENTS

6. FINANCING ACTIVITIES

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Contents

1.	About This Report	4
2.	Executive Summary	5-8
3.	Economic Overview	9
4.	Revenue Performance	10-15
5.	Expenditure Developments	16-20
	a. Recurrent Expenditure	16-18
	b. Capital Spending	18-20
6.	Financing Activities	21-22



1.

About This Report

GENERAL STATEMENT

In keeping with its commitment to 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.

Executive Summary

During the first nine months of fiscal year 2021/22, the Bahamian economy demonstrated signs of a strong rebound despite the emergence of the Omicron variant of the COVID-19 virus and global supply chain shortages during the second quarter, and increased inflationary pressures as a result of the war in Ukraine in the third quarter.

With the expiration of emergency orders in November 2021 and the subsequent full reopening of the Bahamian economy, macroeconomic indicators signal a rebounding of the Bahamian economy to pre-pandemic levels. Improved revenue collections in the tourism sector were underpinned by a rebound in tourist arrivals amidst a relaxation of COVID-19 restrictions as well as a return in seasonal tourism activity. Improved levels of tourism arrivals supported higher hotel occupancies and reduced unemployment estimates. Inflationary pressures, which began to rise during the first half of the fiscal year due to increasing global oil prices and supply

chain shortages amidst the rebounding global economies, have exacerbated due to the war in Ukraine which commenced in February 2022.

Government fiscal performance for the nine months end-March 2022 indicate strong revenue collections with total revenues nearing pre-Dorian pre-COVID-19 levels. Amidst rebounding economic conditions, Government expenditure continues to return to historic trends as Government spending, elevated by COVID-19 related programs, are gradually eliminated. Notwithstanding increases in pensions and restoration of promotional exercises and gratuities increasing recurrent expenditure, capital expenditure continued to be contained.

» Preliminary data on central Government's fiscal performance for the first nine-months of FY2021/22 indicate a deficit of \$334.3 million (see Table 1), \$544.8 million (62.0 percent) lower than the same period of the year prior

and 38.9 percent of the budget target.

» Total revenue settled at \$1,847.3 million— advancing \$617.6 million (50.2 percent) over the prior year and 79.0 percent of the budget target. Tax receipts widened by \$526.4 million (50.9 percent) to settle at \$1,560.5 million and 77.3 percent of the budget. Notable advances were seen in: Value Added Tax (VAT) of \$366.3 million; \$11.0 million in stamp taxes on financial and realty transactions; \$21.0 million in gaming taxes; \$42.8 million in departure taxes. Declines were noted in excise taxes (\$82.7 million). Non-tax performance firmed by \$90.9 million (46.5 percent) to \$286.6 million, supported by increases in interest & dividend payment of \$35.5 million (789.3 percent) and immigration fees of \$43.6 million (77.6 percent).



TABLE 1: FISCAL SUMMARY (STATEMENT OF SOURCES & USES OF CASH)

	Budget		July - March		
	FY2021/22	FY2021/22p Actual	FY2020/21p Actual	Variance	% of Budget
Revenue	2,338.8	1,847.3	1,229.7	617.6	79.0%
Tax	2,018.5	1,560.5	1,034.1	526.4	77.3%
Non-tax	318.3	286.6	195.6	90.9	90.0%
Grants	2.0	0.3	0.0	0.3	14.5%
Expenditure	3,197.4	2,181.6	2,108.8	72.8	68.2%
Recurrent	2,879.2	2,021.5	1,940.9	80.7	70.2%
Capital	318.2	160.1	167.9	(7.8)	50.3%
Surplus/(Deficit)	(858.6)	(334.3)	(879.1)	544.8	38.9%
Financing Activities	858.6	334.3	879.1	(544.8)	38.9%
Net Acquisition of financial assets (-)	59.8	40.0	13.3	26.7	66.8%
Sinking Funds	59.8	40.0	13.3	26.7	66.8%
Equity	0.0	0.0	0.0	0.0	0.0%
Other	0.0	0.0	0.0	0.0	0.0%
Net Incurrence of Liabilities (+)	951.9	603.5	1,312.1	(708.6)	63.4%
Borrowings	1,851.6	2,120.1	2,392.4	(272.3)	114.5%
Debt Repayment	899.7	1,516.7	1,080.3	436.4	168.6%
Change in Cash Balance [(I)= increase]	(33.5)	(229.2)	(419.7)	190.5	684.6%

» Total expenditure aggregated to \$2,181.6 million, a decrease of \$72.8 million (3.5 percent) compared to the same period of the previous year and 68.2 percent of the budget target.

- Recurrent spending totaled \$2,021.5 million, increasing \$80.7 million (4.2 percent) and accounting for 70.2 percent of the budget target. Compensation of employees widened by \$24.4 million to \$538.3 largely due to

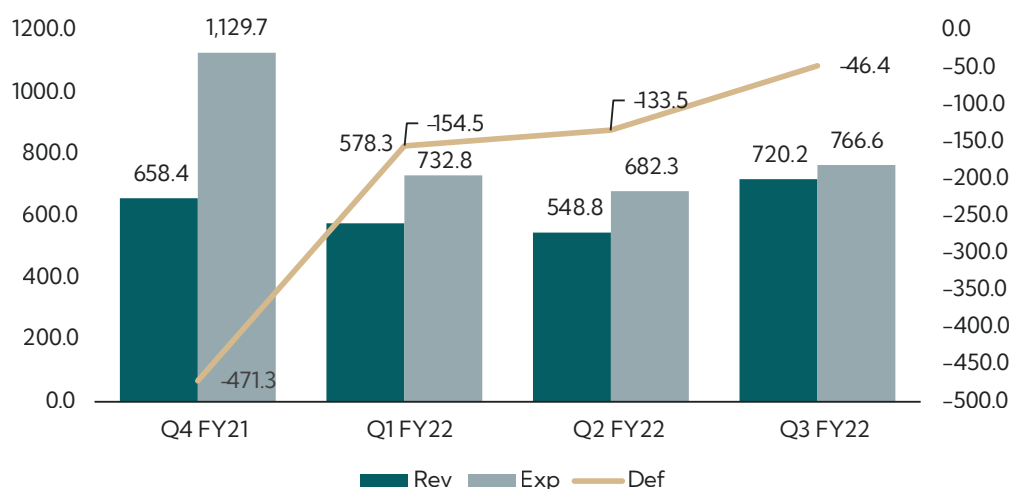
expansions in employee wages and allowances. Increases were noted in: public debt interest payments of \$69.7 million, subsidies of \$21.3 million, pensions & gratuities of \$17.8 million and insurance premiums of \$15.7 million. Reductions were noted in: COVID-19 components of social assistance benefits of \$88.6 million and finance charges of \$37.4 million.

- Capital expenditure contracted

by \$7.8 million (4.7 percent) to \$160.1 million and 50.3 percent of the budget target largely driven by a \$9.3 million decrease in capital transfers. Capital expenditure by function of the Government narrowed by \$9.2 million (40.3 percent) for general public service, and \$4.4 million (67.1 percent) for social protection spend. Capital outlays rose for economic affairs rose by \$5.7 million (7.4 percent).



FIGURE 1: BUDGETARY PERFORMANCE (B\$M)



- » During the period, voluntary contributions to the sinking funds established to retire future debt obligations totaled \$40.0 million. At end-March 2022, the three (3) arrangements earmarked for scheduled retirement of external bonds held a cumulative value of \$250.7 million, while the funds set aside for the two (2) local arrangements stood at \$13.4 million. As a result of the February 2022 repurchase agreement, \$235.9 million of external bonds have been sold for repurchase in two (2) years.
- » Government’s gross borrowing totaled \$2,120.1 million as compared to \$2,392.4 million in the same period of the prior fiscal year. Of this total, \$426.4 million was

provided via domestic bond issuances, \$273.4 million in treasury bills and notes, \$690.0 million in Central Bank advances and \$166.8 million in domestic bank financing. Foreign currency loan financing of US\$23.7 was drawn on existing facilities with development agencies whilst \$539.8 million was provided in foreign bank financing.

- » Repayments of Government debt increased to \$1,516.7 million as compared to \$1,080.3 million in the same period of the prior year. Bahamian dollar repayments included a \$645.0 million reduction in Central Bank advances, \$383.1 million for matured Bahamas Government Registered Stock, \$242.1 million in bank loans and

\$53.9 million in Treasury note redemptions and conversions. Foreign debt repayments were made to Deutsche Bank (EUR15.1 million), Credit Suisse (\$115.6 million and 42.2 million Swiss Francs) and multilateral development agencies (\$17.0 million)

- » As a result of net borrowing activities, the Direct Charge on the Government—exclusive of exchange rate adjustments, increased by \$677.4 million. When exchange rate adjustments are applied, the total Direct Charge at end-March 2022 totaled \$10,532.4 million or 87.5 percent of GDP, as compared to 101.0 percent of GDP at end-June 2021.

**BOX A: SUMMARY OF COVID-19 EXPENDITURE**

During FY2021/22, Government continued the process of winding up its COVID-19 related health containment, mitigation and support programs for impacted families and businesses. These outlays are estimated at \$61.62 million and, together with past outlays, brings the aggregate spend to approximately \$414.3 million or 3.4 percent of GDP.

TABLE 2: SUMMARY OF COVID-19 RELATED EXPENSES (B\$M)

	FY2019/20	FY2020/21p	FY2021/22p	Total
	Mar - June	July - June	July - Mar	
Recurrent Expenditure	39.2	268.5	58.7	366.4
Public Health Safety	1.9	36.6	10.8	49.3
Unemployment Assistance	10.0	164.7	29.7	204.4
Goods & Services Acquisition	1.8	2.2	2.6	6.6
Job Retention Programs	21.4	23.0	5.1	49.5
Food Assistance	2.0	40.4	8.8	51.2
Other	2.1	1.5	1.6	5.3
Capital Expenditure	40.3	4.7	2.9	47.9
Public Health Safety	0.4	0.0	0.0	0.4
Goods & Services Acquisition	0.6	0.1	0.0	0.7
COVID-19 Unit	0.3	0.5	0.0	0.8
Small Business Loans	39.0	4.1	2.9	46.0
Total	79.5	273.3	61.6	414.3



3.

Economic Overview

During the third quarter FY2021/22, the economic recovery from the COVID-19 economic downturn continued in the domestic economy, strengthened by vaccination procedures both domestically and internationally. Lower infection rates supported rebounding productivity, namely in the domestic tourism sector. However, increased economic activity and disruptions in global transport intensified inflationary pressures, driving consumer prices upward during the quarter. Disrupted trade from suppliers in China, Russia and Ukraine, as well as increased manufacturing costs compounded with heightened transport fees are disproportionately causing heightened inflation, adversely affecting developing and emerging economies five times more than advanced economies.

In its April 2022 World Economic Outlook (WEO), the IMF signaled the war in Ukraine, a costly humanitarian crisis, has led to immense economic damage that will significantly slow down global growth in 2022 and add to inflation. The new outlook projects 2021 global growth of 6.1 percent, a 0.2 percentage point increase from the previous outlook. However as a result of intensifying inflationary pressures and supply chain disruptions the projections for global growth in 2022 was adjusted to 3.6 percent, a 1.3 percentage point decrease.

Similarly, 2022 output growth projections for emerging market and developing economies decreased by 1.8 percentage points to 3.3 percent. At the country level, output growth for the US economy was adjusted from 6.0 percent and 5.2 percent for 2021 and 2022 respectively to 5.7 percent and 3.7 percent. Output in The Bahamas is forecast by the IMF to increase by 8.0 percent and 4.1 percent in 2022 and 2023 respectively.

Maintaining a zero-COVID policy, mainland China enforced a total lockdown for much of the quarter. However, consumer prices are modestly effected peaking at a 1.5 percent increase compared to the same period of the prior year. During the period, consumer prices in China firmed by 0.4 percent in January 2022 and remained constant at 0.6 percent in February and March 2022. In the Euro area, the annual inflation rate for March 2022 firmed to 7.4 percent compared to 5.9 percent in the month prior, and 5.1 at the start of the quarter. Similarly, in the United States, the index of urban consumer prices increased by 1.2 percent in March 2022, from a 0.8 percent price increase in February 2022 and 0.6 percent increase in January 2022. Notably, the rise in March 2022 consumer prices in the United States was largely due to increases in the price of gas, shelter and food. It is expected

that spending trends will adjust to favor saving resulting in lower than normal stopover arrivals and ultimately reducing domestic productivity in the upcoming quarter.

In major economies, labor market conditions continue to improve. In the United States, the unemployment rate continued to improve to 3.6 percent for March 2022 from 3.8 percent in February 2022 and 4.0 percent in January 2022. During the quarter, unemployment in China increased steadily from 5.3 percent in January 2022 to 5.5 percent in February 2022 peaking at 5.8 percent in March 2022. In the Euro area, the unemployment rate declined modestly to 6.8 percent in February 2022 from 6.9 percent in January 2022. On the domestic front, labour market conditions continue to improve as activity in the tourism sector improve at a steady rate. Visitor arrivals totaled 312,201 in January 2022, 411,321 in February 2022 and 623,102 in March 2022; 1,221.8 percent, 1,293.8 percent and 1,061.9 percent increases compared to arrivals in the same period of the year prior. However, comparative tourism indicators remain far below pre-Dorian pre-pandemic levels, accounting for 51.0 percent of January 2019 and 32.4 percent of November 2019 visitor totals respectfully.



4.

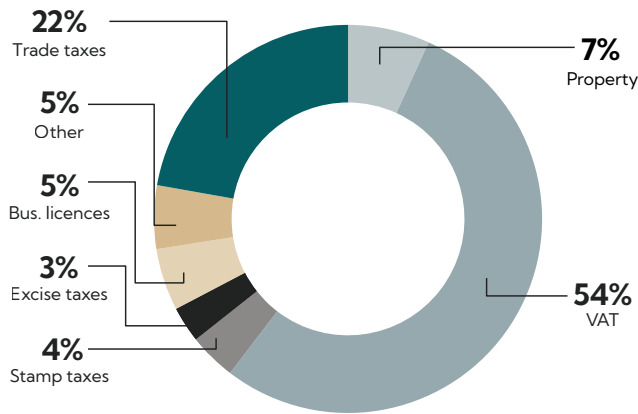
Revenue Performance

During the first nine months of FY2021/22, total revenue receipts increased by \$617.6 million (50.2 percent) to \$1,847.3 million as compared to the prior year, and represented 79.0 per-

cent of the budget target (see Table 3). The development in revenue performance was supported by increases in tax revenue of \$526.4 million (50.9 percent) to \$1,560.5 million (77.3 per-

cent of budget) while non-tax revenue expanded by \$90.9 million (46.5 percent) to \$286.6 million (90.0 percent of the budget).

FIGURE 2: PERCENTAGE COMPOSITION OF TAX REVENUE (FIRST NINE-MONTHS FY2021/22)



Key developments underlying revenue performance are outlined below.

- » Taxes on Property strengthened by an estimated \$9.8 million to \$96.6 million, and represented 67.0 percent of the annual budget.
- » Taxes on Goods & Services, which comprises 70.4 percent of tax revenues, increased by \$325.6 million (42.1 percent), representing 76.3 percent of budget.

- Notwithstanding a reduction in the nominal VAT rate from 12 percent to 10 percent in January 2022, VAT receipts increased by \$366.3 million (78.0 percent) to \$836.1 million or 90.3 percent of the budget.
- Collections from stamp taxes on financial and real estate transactions improved by \$11.0 million (26.3 percent) to \$52.6

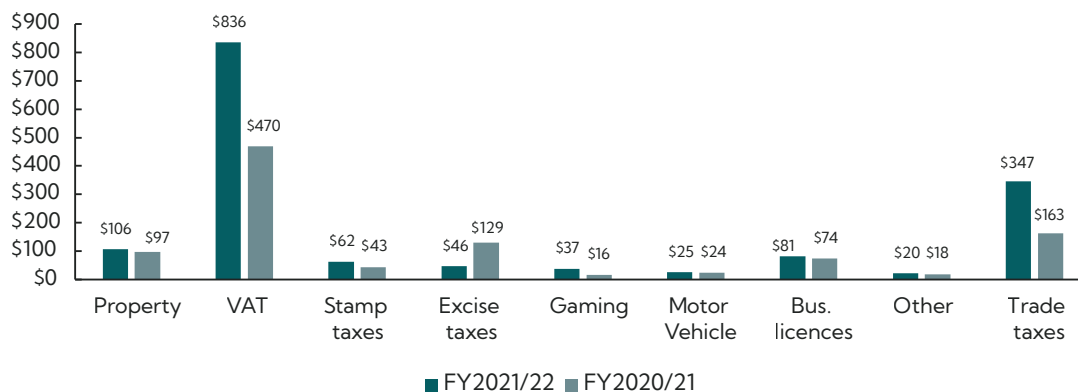
million, for 90.1 percent of the budget.

- Excise tax outturn were estimated at \$46.2 million (19.5 percent of budget) – an \$82.7 million (64.1 percent) decline from the previous \$129.0 million.
- Taxes on specific services (gaming taxes) grew by \$21.0 million (128.1 percent) totaling \$37.5 million.



- Motor vehicle taxes firmed by \$0.9 million (3.8 percent) totaling \$24.7 million and reflecting 69.7 percent of the annual budget.
- Taxes levied on companies contracted by \$0.2 million (1.2 percent) for \$16.9 million or 80.1 percent of the budget.
- License to conduct special business activity – which encompass specific business and licenses and communication levies – increased \$7.0 million (9.4 percent) to \$81.0 million.

FIGURE 3: 9- MONTH COMPARISON OF TAX REVENUE PERFORMANCE (B\$M)



- » Taxes on international trade & transactions broadened by \$183.5 million (112.6 percent) to \$346.6 million and 83.1 percent of budget. The improved trade tax performance is largely explained by:
 - Increases in customs and other import duties of \$46.7 million (34.8 percent) to \$180.9 million and 74.0 percent of budget; and
 - Improvements in departure tax collections of \$42.8 million (730.6 percent) to \$48.7 million and 51.4 percent of budget.
- » General stamp taxes developed by \$7.4 million (451.9 percent) to an estimated \$9.1 million (224.0 percent of budget)..
- » Property income receipts improved by \$45.9 million (241.4 percent) to \$64.9 million and 307.1 percent of the annual target.
- » Revenue from the sale of goods and services improved by \$58.7 million (52.5 percent) to \$170.5 million and 71.8 percent of budget. Increased revenue collections were attributed to:
 - Increases in immigration related receipts of \$43.6 million (77.6 percent) to \$99.8 million and 76.6 percent of budget. Chief among these receipts were \$50.97 million in work & residency permits and tourist health visa collections of \$31.8 million;
 - Improved customs fees of \$8.7 million (30.7 percent) to \$36.9 million and 61.5 percent of budget
- » Miscellaneous and unidentified collections positioned at \$4.2 million, representing a decrease of \$14.5 million or 77.7 percent.



TABLE 3: REVENUE SUMMARY (B\$M)

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget	July - March			
	FY2021/22	FY2021/22p Actual	FY2020/21p Actual	Variance	% of Budget
TAX REVENUE (a+b+c+d)	2,018.5	1,560.5	1,034.1	526.4	77.3%
a. Taxes on Property	158.8	106.4	96.6	9.8	67.0%
b. Taxes on Goods & Services (i+ii+iii)	1,438.8	1,098.4	772.8	325.6	76.3%
i. General	1,220.9	934.9	640.4	294.5	76.6%
VAT	926.0	836.1	469.8	366.3	90.3%
Stamp taxes (Financial & Realty)	58.4	52.6	41.7	11.0	90.1%
Excise Tax	236.5	46.2	129.0	(82.7)	19.5%
ii. Specific (Gaming taxes)	54.0	37.5	16.4	21.0	69.4%
iii. Taxes on Use of Goods/Permission to Use	163.9	126.1	116.0	10.0	76.9%
Motor Vehicle Taxes	35.4	24.7	23.8	0.9	69.7%
Company Taxes	21.1	16.9	17.1	(0.2)	80.1%
Licence to Conduct Special Bus. Activity	105.7	81.0	74.0	7.0	76.6%
Marine License Activities	1.6	3.5	1.2	2.3	217.6%
c. Taxes on Int'l Trade & Transactions	416.8	346.6	163.0	183.5	83.1%
Customs & other import duties	244.6	180.9	134.2	46.7	74.0%
Excise Duties	77.5	116.6	22.9	93.7	150.4%
Departure Taxes	94.7	48.7	5.9	42.8	51.4%
Other	0.0	0.4	0.1	0.3	1026.1%
d. General Stamp Taxes	4.0	9.1	1.6	7.4	224.0%
NON-TAX REVENUE (e+f+g+h+i+j)	318.3	286.6	195.6	90.9	90.0%
e. Property Income	21.1	64.9	19.0	45.9	307.1%
Interest & Dividends	6.0	40.0	4.5	35.5	666.5%
Revenue_Gov't Property	15.1	24.9	14.5	10.4	164.5%
f. Sales of goods & services	237.5	170.5	111.8	58.7	71.8%
i. Fees & Service Charges	222.0	158.8	102.3	56.5	71.5%
General Registration	3.7	2.8	3.2	(0.4)	75.0%
General Service	15.0	10.2	8.5	1.7	68.2%
Immigration	130.2	99.8	56.2	43.6	76.6%
Land & Building	2.2	1.6	1.4	0.3	73.0%
Legal	1.0	0.9	0.8	0.1	88.6%
Customs	60.0	36.9	28.3	8.7	61.5%



TABLE 3: REVENUE SUMMARY (B\$M) CONT'D

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July - March		
	FY2021/22	FY2021/22p Actual	FY2020/21p Actual	Variance	% of Budget
Port & Harbour	7.4	3.8	3.8	0.0	51.3%
Health	2.1	0.7	0.2	0.5	33.5%
Other Fees	0.3	2.1	0.0	2.1	610.9%
ii. Other	15.6	11.6	9.5	2.2	74.8%
g. Fines, Penalties & Forfeits	5.3	4.2	3.6	0.7	79.7%
h. Reimbursements & Repayments	47.5	42.6	42.6	0.0	89.6%
i. Misc. & Unidentified Revenue	6.7	4.2	18.7	(14.5)	61.7%
j. Sales of other Non-Financial Assets	0.1	0.3	0.0	0.3	275.9%
TOTAL TAX & NON-TAX REVENUE	2,336.8	1,847.0	1,229.7	617.3	79.0%
GRANTS	2.0	0.2	0.0	0.2	10.1%
CAPITAL REVENUE	0.0	0.1	0.0	0.1	4421.6%
GRAND TOTAL	2,338.8	1,847.3	1,229.7	617.6	79.0%

**BOX B: TRENDS IN GOVERNMENT REVENUE PERFORMANCE & POLICY INITIATIVES**

The first nine months indicate further progression toward the peak figures experienced pre-pandemic and pre-hurricane. Third quarter revenues of FY2021/2022 were an estimated \$601.2 million (see Table 4), a period-on-period increase of 22.4 percent. Similar to the improvements in the first and second quarters, the increases were largely explained by VAT and excise tax collections.

TABLE 4: REVENUE SUMMARY (B\$M)

	FY2020/21					FY2021/22			
	QI	QII	QIII	QIV	Total	QI	QII	QIII	Total
TAX REVENUE (a+b+c+d)	269.4	308.1	491.2	561.4	1,630.1	502.1	457.1	601.2	1,560.5
a. Taxes on Property	8.5	16.5	71.5	46.9	143.5	20.6	16.2	69.6	106.4
b. Taxes on Goods & Services (i+ii+iii)	207.5	240.5	333.1	412.9	1,194.0	363.6	328.8	406.0	1,098.4
i. General	187.1	217.8	243.7	352.9	1,001.5	330.9	295.2	308.9	934.9
VAT	134.7	183.7	183.5	263.7	765.6	277.2	259.8	299.0	836.1
Stamp taxes (Financial & Realty)	12.3	20.1	20.1	15.8	68.2	26.7	21.9	3.9	52.6
Excise Tax	40.2	14.1	40.1	73.3	167.7	26.9	13.4	5.9	46.2
ii. Specific (Gaming taxes)	5.4	5.6	5.4	21.4	37.8	10.5	7.3	19.7	37.5
iii. Taxes on Use of Goods/ Permission to Use	15.0	17.0	84.0	38.6	154.6	22.3	26.3	77.4	126.1
Motor Vehicle Taxes	6.1	7.0	10.6	8.6	32.3	4.8	9.4	10.5	24.7
Company Taxes	2.5	3.5	11.2	4.6	21.7	1.8	3.4	11.7	16.9
Licence to Conduct Special Bus Activity	6.1	6.3	61.6	23.5	97.5	14.6	12.6	53.8	81.0
Marine License Activities	0.3	0.3	0.6	2.0	3.2	1.1	0.9	1.5	3.5
c. Taxes on Int'l Trade & Transactions	52.1	51.0	86.3	100.7	290.2	115.6	110.2	120.8	346.6
Customs & other import duties	42.3	43.4	48.8	52.8	187.3	62.3	55.1	63.5	180.9
Taxes on Exports	8.2	6.3	34.5	43.1	92.0	42.6	39.0	35.0	116.6
Departure Taxes	1.6	1.3	2.9	4.8	10.7	10.6	15.9	22.2	48.7
Other	0.0	0.0	0.0	0.1	0.2	0.1	0.1	0.1	0.4
d. General Stamp Taxes	1.3	0.1	0.3	0.9	2.5	2.2	2.0	4.8	9.1

Effective 1 January 2022, the Government made adjustments to the VAT regime. These changes included:

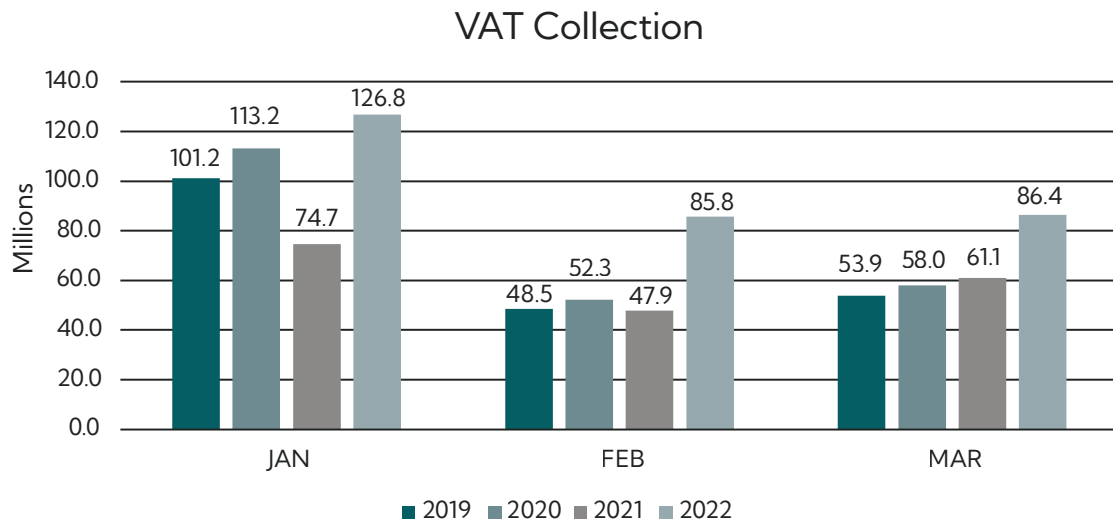
- » A reduction in the nominal VAT rate from 12 percent to 10 percent; and
- » The removal of zero rating from many items, including "bread basket" items.

Despite the reduction in the nominal VAT rate, VAT receipts increased by 62.9 percent for the three months end-March 2022 to \$299.0 million as compared to \$183.5 million in the same period of the prior year. When compared to pre-COVID-19 and pre-Dorian VAT collections of 2019, VAT collections increased by \$95.2 million (46.8 percent).



BOX B: TRENDS IN GOVERNMENT REVENUE PERFORMANCE & POLICY INITIATIVES

FIGURE 4: MONTHLY VAT COLLECTIONS BY YEAR





5.

Expenditure Developments

A. RECURRENT EXPENDITURE

During the nine-month period of the FY2021/2022, outlays for recurrent expenditure expanded by \$80.7 million (4.2 percent) to aggregate \$2,021.5 million as compared to the same period in the prior year—representing 70.2 percent of the targeted spend (see **Table 5**).

- » Compensation of employees increased by \$24.4 million (4.7 percent) to \$538.3 million and represented 68.8 percent of the budget target. This firming was largely explained by period-over-period expansions in employee wages (\$17.9 million); discretionary allowances (\$2.8 million); special employment programs (\$2.8 million); summer employment (\$1.4 million); and overtime (\$0.5 million). This increase in expenditure is largely attributed to the resumption of promotions, staff reclassifications, payment of increments and other employee costs delayed

in the past year due to fiscal constraints.

- » Spending on the use of goods and services widened by \$21.8 million (5.7 percent) to \$403.0 million, relative to the same period in the prior year. This accounted for 64.4 percent of the annual budget.
 - Rental costs rose by \$7.0 million (14.3 percent) to \$56.4 million, for 72.2 percent of the budget. This rise is mainly driven by higher office rent costs of \$2.9 million and \$5.3 million lease agreements relative to the National Insurance Board.
 - Spending on services elevated by \$34.1 million (30.0 percent) to \$148.1 million, for 64.1 percent of the budget; principally warranted by outlays of \$25.3 million towards tourism health visa expenses and expanded costs of \$9.6 for consultancy services.
- Outlays for travel and subsistence increased by \$1.3 million (23.2 percent) to \$6.8 million, for 63.8 percent of the budget.
- Special financial transactions, which include payment of arrears, increased by \$18.7 million (26.2 percent) to \$89.9 million to constitute 90.1 percent of the budget.
- Conversely, finance charges receded by \$37.4 million (70.8 percent) to \$15.4 million (51.2 percent of the budget)—primarily explained by reduced outlays related to Government debt financing and foreign exchange hedging activities.
- Utilities and telecommunications disbursements narrowed by \$1.2 million (2.6 percent) to \$44.8 million, which represented 43.2 percent of the budget.



FIGURE 5: 9-MONTH COMPARISON OF RECURRENT EXPENDITURE VS BUDGET FOR FY2021/22 (B\$M)



- » Public debt interest payments broadened by \$69.7 million (26.4 percent) to \$333.8 million, equating to 69.2 percent of the budget; resulting from the elevated levels of borrowing since the onset of the COVID-19 pandemic. By currency, \$144.7 million (43.3 percent) represented payments on foreign currency obligations and \$189.1 million (56.7 percent) were for Bahamian debt transactions.
- » Government subsidies, which include transfers to Government-owned and/or controlled enterprises that provide commercial goods and services to the public, widened by \$21.3 million (6.5 percent) to \$351.3 million, which equaled 90.0 percent of the budget.
 - Subsidies to public non-financial corporations were higher by \$25.3 million (8.1 percent) at

- Subsidies to private enterprises and other sectors fell by \$4.0 million (20.7 percent) to \$15.4 million. Transfers narrowed by \$4.7 million for salary grants for independent schools owing to COVID-19 support and \$1.6 million for small business support.
- » Social assistance benefits receded by \$88.6 million (53.0 percent) to \$78.7 million, representing 51.5 percent of the budget; primarily driven by reduced COVID-19 in-

duced social economic assistance provided to the public as the country rebounds from the current economic crisis.

- » Pension and gratuity payments increased by \$17.8 million (17.3 percent) to \$120.9 million and 70.9 percent of the budget attributed to Government’s promised cost of living adjustment for pensioners as outlined in the FY2021/22 Supplementary Budget.
- » Current transfers not elsewhere classified contracted by \$1.6 million (1.2 percent) to \$130.3 million (71.4 percent of the budget), reflecting major reductions in transfers to Bahamas Civil Aviation (\$11.3 million); scholarships to the University of The Bahamas (\$16.6 million); Nassau Flight Services (\$5.0 million).



TABLE 5: RECURRENT EXPENDITURE BY ECONOMIC CLASSIFICATION (B\$M)

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July - March		
	FY2021/22	FY2021/22p Actual	FY2020/21p Actual	Variance	% of Budget
RECURRENT EXPENDITURE					
Compensation of Employees	782.6	538.3	513.9	24.4	68.8%
Use of Goods & Services	626.2	403.0	381.2	21.8	64.4%
Travel & Subsistence	10.7	6.8	5.5	1.3	63.8%
Rent	78.0	56.4	49.3	7.0	72.2%
Utilities & Telecommunications	103.7	44.8	46.0	(1.2)	43.2%
Supplies & Materials	36.0	21.6	21.8	(0.2)	60.0%
Services	231.0	148.1	114.0	34.1	64.1%
Minor capital repairs	5.4	2.9	2.2	0.6	53.0%
Finance charges	30.0	15.4	52.7	(37.4)	51.2%
Special Financial Transactions	99.8	89.9	71.2	18.7	90.1%
Tourism Related	4.8	0.0	0.7	(0.7)	0.0%
Local Gov't Districts	13.3	9.3	9.2	0.2	70.2%
School Boards	0.1	0.0	0.1	(0.0)	0.0%
Other	13.4	7.8	8.4	(0.6)	58.2%
Public Debt Interest	482.5	333.8	264.1	69.7	69.2%
Subsidies	390.2	351.3	330.0	21.3	90.0%
Grants	8.5	6.4	6.1	0.3	75.6%
Social Assistance Benefits	152.7	78.7	167.3	(88.6)	51.5%
Pensions & Gratuities	170.5	120.9	103.1	17.8	70.9%
Other Payments	266.1	189.0	175.0	14.1	71.0%
Current Transfers n.e.c.	182.4	130.3	131.9	(1.6)	71.4%
Insurance Premiums	83.7	58.8	43.1	15.7	70.2%
TOTAL	2,879.2	2,021.5	1,940.9	80.7	70.2%

» During the nine months end-March 2022, expenditure by function of the Government (see Table 6) increased for general public service by \$99.4 million (15.3 percent) to \$751.2 million relative to the same period in the prior year, and accounted for 65.3 percent of

the budget target. This widening is explained by the resumption of delayed employment costs including promotions, staff reclassifications, and payment of increments due to the prior year's fiscal constraints amidst the COVID-19 pandemic.

» Disbursements on health rose by \$55.3 million (20.1 million) to \$329.7 million for 90.1 percent of the budget as the Government continued to contest with the COVID-19 pandemic.



TABLE 6: RECURRENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION (B\$M)

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget	July - March			
	FY2021/22	FY2021/22p	FY2020/21p	Variance	% of Budget
		Actual	Actual		
General Public Service	1,150.8	751.2	651.7	99.4	65.3%
Defense	62.2	47.5	44.0	3.5	76.3%
Public Order & Safety	248.1	181.3	156.8	24.4	73.1%
Economic Affairs	292.3	192.1	198.1	(6.0)	65.7%
Environmental Protection	108.7	102.9	88.6	14.3	94.7%
Housing & Community Amenities	9.0	6.4	1.5	4.9	70.9%
Health	366.0	329.7	274.4	55.3	90.1%
Recreation, Culture & Religion	28.3	20.1	19.4	0.7	71.0%
Education	317.8	211.8	217.8	(6.0)	66.6%
Social Protection	296.0	178.6	288.4	(109.9)	60.3%
TOTAL	2,879.2	2,021.5	1,940.9	80.7	70.2%

B. CAPITAL SPENDING

- » Capital outlays contracted by \$7.8 million (4.7 percent) to \$160.1 million – representing 50.3 percent of the budget (see **Table 7**).
 - » Capital transfers subsidized by \$9.3 million (20.9 percent) to \$35.1 million, representing 33.9 percent of the budget target.
 - Major declines in transfers occurred for the support small and medium sized businesses (\$13.7 million) as the provisions in the prior year to support businesses impacted by Hurricane Dorian and the COVID-19 pandemic fell away.
 - Additional transfers largely occurred for energy restoration and renewable energy (\$9.0 million) and post-Dorian national disaster recovery support (\$1.3 million)T.
 - » Expenditure on the acquisition of non-financial assets increased by \$1.4 million (1.2 percent) to \$125.0 million and representing 58.3 percent of the annual target.
 - Investments on buildings other than dwellings increased by \$2.2 million (4.4 percent) to \$52.3 million, accounting for 58.3 percent of budget. This rise largely reflected improvements to hospital and medical facilities (\$4.8 million) and government buildings (\$0.8 million). During the period, cutbacks primarily occurred for the construction of schools (\$1.8 million) and building maintenance (\$1.8 million).
 - Outlays for other structures were lower by \$1.8 million (3.8 percent) to \$45.8 million, representing 64.1 percent of budget. Predominant declines occurred for bridge repairs and maintenance (\$9.5 million) and New Providence roadworks (\$3.4 million); however, further allocations notably occurred for airport infrastructure (\$5.8 million) and road repairs and maintenance (\$5.5 million).
 - Other machinery and equipment spend lessened by \$1.2 million (10.3 percent) to \$10.1 million, or 49.2 percent of budget. Expenditure fell for military, police and prison equipment (\$1.9 million) while additional allocations were mainly invested towards electronic monitoring (\$0.8 million).
 - Land improvement expenditures declined by \$1.3 million (25.9 percent) to \$3.7 million, accounting for 45.3 percent of budget. This was mainly attributed to a reduction of \$2.7 million for parks and ground improvement. Albeit, investments of \$1.4 million were allocated for food security capital developments.
- Acquisitions of other fixed assets rose by \$2.0 million (26.7 percent) to \$9.4 million, representing 42.4 percent of the budget. Further investments during the period primarily occurred for the digitization project (\$0.2 million), software (\$0.4 million), and the electronic Hansard system (\$0.7 million).

**TABLE 7: CAPITAL EXPENDITURE BY ECONOMIC CLASSIFICATION (B\$M)**

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July - March		
	FY2021/22	FY2021/22p	FY2020/21p	Variance	% of Budget
		Actual	Actual		
Capital Transfers	103.7	35.1	44.4	(9.3)	33.9%
Acquisition of Non-financial assets	214.5	125.0	123.5	1.4	58.3%
Fixed Assets	212.5	123.6	123.5	0.0	58.2%
Buildings other than dwellings	89.6	52.3	50.1	2.2	58.3%
Other structures	71.4	45.8	47.6	(1.8)	64.1%
Transport equipment	0.6	2.3	2.2	0.1	387.2%
Other Machinery & equipment	20.6	10.1	11.3	(1.2)	49.2%
Land Improvements	8.2	3.7	5.0	(1.3)	45.3%
Other Fixed Assets	22.1	9.4	7.4	2.0	42.4%
Land	2.0	1.4	0.0	1.4	70.0%
TOTAL	318.2	160.1	167.9	(7.8)	50.3%

» During the first nine months, capital expenditure by function of the Government (see Table 8) narrowed for general public service by \$9.2 million (40.3 percent) to \$13.6 million (24.5 percent of budget) as compared to the prior year largely as a result of a reduction in

capital transfers.

» Capital spending on social protection also declined by \$4.4 million (67.1 percent) to \$2.2 million (36.2 percent of budget) as COVID-19 related spending abated

» Outlays on economic affairs rose

by \$5.7 million (7.4 percent) to \$83.4 million (59.2 percent of budget) driven by investments in fuel and energy (\$9.2 million), transport (\$6.9 million), and mining, manufacturing and construction (\$60.9 million).

TABLE 8: CAPITAL EXPENDITURE BY FUNCTIONAL CLASSIFICATION (B\$M)

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July - March		
	FY2021/22	FY2021/22p	FY2020/21p	Variance	% of Budget
		Actual	Actual		
General Public Service	55.40	13.6	22.8	(9.2)	24.5%
Defense	5.61	3.1	2.5	0.5	54.6%
Public Order & Safety	14.26	8.5	9.0	(0.6)	59.3%
Economic Affairs	140.96	83.4	77.7	5.7	59.2%
Environmental Protection	6.53	1.3	3.4	(2.1)	20.1%
Housing & Community Amenities	-	-	-	-	0.0%
Health	37.13	12.5	10.2	2.3	33.5%
Recreation, Culture & Religion	1.00	0.6	-	0.6	55.1%
Education	51.32	35.1	35.8	(0.6)	68.4%
Social Protection	5.99	2.2	6.6	(4.4)	36.2%
TOTAL	318.2	160.1	167.9	(7.8)	50.3%



6.

Financing Activities

NET INCREASE IN LIABILITIES

Reflecting the further improving fiscal circumstances, Government experienced a net deficit during the first nine months of FY2021/22 of \$334.3 million. This represented a decrease in the deficit of \$544.8 million (62.0 percent) as compared to the same period in the prior fiscal year. Accordingly, Government was able to limit the increase in net financing to \$603.5 million, a \$708.6 million (54.0 percent) decrease in the net liability growth as compared to the \$1,312.1 million experienced in the same period of the prior year.

- » Government utilized gross borrowings of \$2,120.1 million as compared to \$2,392.4 million in the same period of the prior fiscal year to satisfy budgetary financing requirements as well as to settle maturing debt instruments.
- Domestic bond issuances totaled \$426.4 million, chiefly utilized to refinance \$248.4 million of maturing bonds.
- Drawings on a credit agreement with Credit Suisse and the National Bank of Jamaica of US\$105.0 million to refinance an equivalent value of BPL legacy debt now assumed

by Central Government.

- Financing was obtained from Goldman Sachs as part of the repurchase agreement totaling US\$206.5 million.
- Drawings were made on Deutsche Bank Senior Loan facility of EUR\$228.4.
- Drawings on existing loans from international development agencies aggregated US\$23.7 million which includes:
 - » funding received for the Citizen Security & Justice Programme of US\$2.4 million;
 - » Government Digital Transformation to Strengthen Competitiveness drawing of US\$2.8 million;
 - » a drawing for Reconstruction with Resilience in the Energy Sector in The Bahamas of US\$10.4 million;
 - » financing for the Credit Enhancement Program for Micro, Small and Medium Enterprises of US\$2.7 million; and
 - » a drawing for the program

to support the health sector to contain and control coronavirus and to mitigate its effects in service provision of US\$2.4 million.

- Treasury bills and notes of \$273.4 million were issued during the period to meet short term financing needs while \$690.0 million in advances were received from the Central Bank.
- » Repayments of Government debt increased to \$1,516.7 million compared to \$1,080.3 million in the same period of the prior year.
- Payments made to international development agencies totaled \$17.0 million comprising:
 - Total repayment of \$5.4 million to the Inter-American Development Bank for New Providence Transportation Project, phase 1 (\$1.6 million); New Providence Transportation Project, phase 2 (\$1.4 million) and the Supplementary Financing for the New Providence Transportation Project (\$2.4 million); and

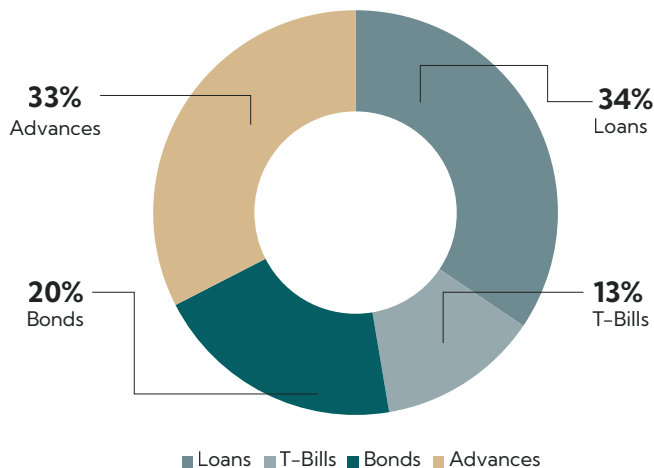


- A repayment to the Chinese Export-Import Bank of \$3.8 and to the People's Republic of China of \$2.7 million in debt repayment towards the Airport Gateway Project and North Abaco Port & Little Abaco Bridge Project respectively.
- Payments were made on an export credit facility from Deutsche Bank of EUR15.1 million. Loans from Credit Suisse of 42.2 million Swiss Francs and US\$115.6 million were repaid.
- Bahamian Dollar repayments included reductions in Central Bank advances (\$645.0 million); Bahamas Government Registered Stock (\$383.1 million); bank loans (\$101.3 million) and Treasury note redemptions and conversions (\$53.9 million).
- » As a result of net borrowing activities, the Direct Charge on the Government—exclusive of exchange rate adjustments, increased by \$603.5 million. When exchange rate adjustments are applied, the total Direct Charge at end-March 2022 totaled \$10,532.4 million or 87.5 percent of GDP, as compared to 101.0 percent of GDP at end-June 2021.

TABLE 9: CHANGE IN LIABILITIES (BY CURRENCY AND INSTRUMENT) (B\$M)

	FY2021/22 July - March		
	Borrowings	Repayment	Net Change
Bahamian Dollars	1,556.6	1,324.1	232.5
Bonds	426.4	383.1	43.3
Treasury Bills/Notes	273.4	53.9	219.5
Bank Loans	166.8	242.1	(75.3)
Central Bank Advances	690.0	645.0	45.0
Foreign Currency	563.5	192.6	371.0
Bank Loans	539.8	175.5	364.3
International Bonds	-	-	-
Loans from Int'l Dev. Agencies	23.7	17.0	6.7
TOTAL	2,120.1	1,516.7	603.5

FIGURE 6: COMPOSITION OF GOVERNMENT BORROWINGS FOR FY2021/22



CONTRIBUTION TO SINKING FUNDS

During the period, voluntary contributions to the sinking funds established to retire future debt obligations totaled \$40.0 million. At end-March 2022, the three (3) arrangements earmarked for scheduled retirement of external bonds held a cumulative value of \$250.7 million, while the funds set aside for the two (2) local arrangements stood at \$13.4 million. As a result of the February 2022 repurchase agreement, \$235.9 million of external bonds have been sold for repurchase in two (2) years.

1. ABOUT THIS REPORT

2. EXECUTIVE SUMMARY


3. ECONOMIC OVERVIEW

4. REVENUE PERFORMANCE

5. EXPENDITURE DEVELOPMENTS

6. FINANCING ACTIVITIES

NINE MONTH REPORT ON BUDGETARY PERFORMANCE FY2021/22 JULY - MARCH



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