



COMMONWEALTH OF THE BAHAMAS

2021

**FIRST SIX MONTHS
REPORT ON BUDGETARY
PERFORMANCE FY2021/22
JULY - DECEMBER**

January 2022

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4. REVENUE PERFORMANCE

5. EXPENDITURE DEVELOPMENTS

6. FINANCING ACTIVITIES

Published & Edited by The Ministry of Finance
Printed by Government Printing
Creative Design by Hilltop Designs

1.242.702.1500

financemail@bahamas.gov.bs

www.bahamas.gov.bs

www.bahamasbudget.gov.bs



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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 half of the 2021/22 fiscal year, The Bahamas demonstrated improved economic performance as compared to the same period in the prior year, mirroring the rebound of the global market despite the emergence of the Omicron variant of the COVID-19 virus in The Bahamas during the second quarter.

As a result of national elections on 16 September, 2021 which resulted in a change in political administration, the country saw the implementation of a suite of new policies aimed at supporting the rebound of the Bahamian economy:

- » Passage of a supplementary budget aligned with the new policy mandate and portfolio allocations;
- » Legislation to reduce Value Added Tax from 12 percent to 10 percent effective 1 January 2022;
- » Launch of the free COVID-19 testing programme; and
- » Elimination of curfews and lockdowns with the cessation of the State of Emergency in November 2021 to be replaced with Health Services Rules to mitigate the spread of the COVID-19 virus.

As a result of these policies which allowed for a full reopening of the Bahamian economy, macroeconomic in-

dicators indicate a rebounding of the Bahamian economy to pre-pandemic levels. Output in the tourism sector continued to strengthen, underpinned by improvements in the stopover market segment. Unemployment estimates indicate a decreased reliance on government unemployment assistance programmes as hotel occupancies firm leading into the holiday season. Supported by increasing global oil prices and supply chain shortages, inflationary pressures are anticipated to continue to increase over the near term.

Government fiscal performance during the second quarter FY2021/22 indicates continued levels of strong revenue collections with total revenues for the first six months exceeding pre-Dorian pre-COVID-19 levels. With a rebounding of economic conditions, Government expenditure continues to return to historic trends as Government COVID-19 health & safety and social support programmes 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

six-months of FY2021/22 indicate a deficit of \$269.0 million (**see Table 1**), \$467.2 million (63.5 percent) lower than the same period of the year prior and 28.3 percent of the budget target.

- » Total revenue settled at \$1,137.2 million— advancing \$465.8 million (69.4 percent) over the prior year and 50.6 percent of the budget target. Tax receipts widened by \$402.6 million (70.7 percent) to settle at \$972.1 million and 50.5 percent of the budget. During the period, Value Added Tax (VAT) aggregated \$576.5 million (68.2 percent of budget). Improvements were also noted in taxes on: property of \$36.8 million (23.2 percent of budget); excise taxes of \$40.4 million (17.1 percent of budget); gaming taxes of \$21.4 million (39.5 percent of budget); departure taxes \$26.5 million (27.9 percent of budget) —reflecting increased economic activity. Non-tax performance firmed by \$63.0 million (61.8 percent) to \$164.9 million, supported by improvements in immigration fee collections of \$66.1 million, a \$33.2 million (100.8 percent) increase period-over-period as tourist travel increased.



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

	Budget		July - December		
	FY2021/22	FY2021/22p Actual	FY2020/21p Actual	Variance	% of Budget
Revenue	2,246.5	1,137.2	671.4	465.8	50.6%
Tax	1,926.2	972.1	569.5	402.6	50.5%
Non-tax	318.3	164.9	101.9	63.0	51.8%
Grants	2.0	0.2	0.0	0.2	7.9%
Expenditure	3,198.3	1,406.2	1,407.6	(1.4)	44.0%
Recurrent	2,825.9	1,306.0	1,298.3	7.8	46.2%
Capital	372.4	100.2	109.4	(9.2)	26.9%
Surplus/(Deficit)	(951.8)	(269.0)	(736.2)	467.2	28.3%
Financing Activities	951.8	269.0	736.2	(467.2)	28.3%
Net Acquisition of financial assets (-)	59.8	13.6	13.3	0.3	22.7%
Sinking Funds	59.8	13.6	13.3	0.3	22.7%
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	395.6	1,198.8	(803.2)	41.6%
Borrowings	1,851.6	1,098.3	2,120.1	(1,021.8)	59.3%
Debt Repayment	899.7	702.7	921.3	(218.6)	78.1%
Change in Cash Balance [(I)= increase]	59.7	(112.9)	(449.3)	336.3	-189.2%

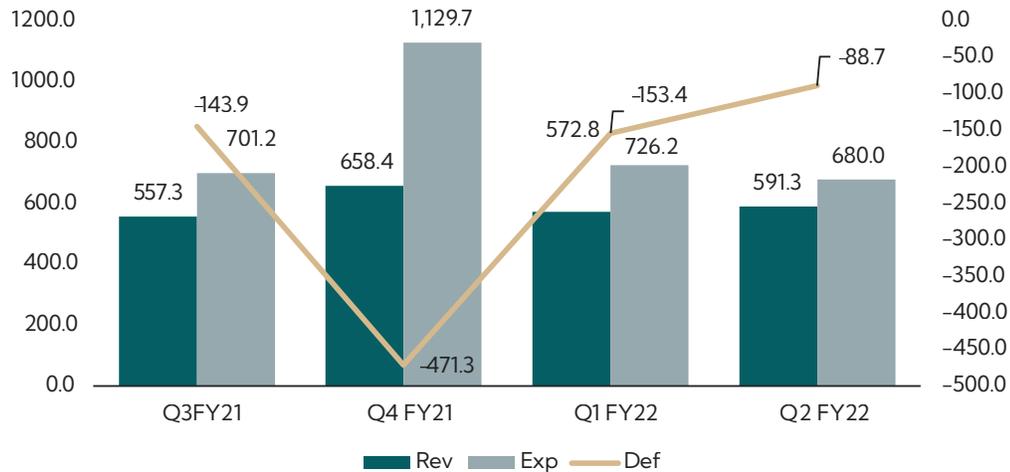
» Total expenditure aggregated expenditure aggregate \$1,406.2 million, a decrease of \$1.4 million (0.1 percent) and representing 44.0 percent of the budget target. Compensation of employees widened by \$13.7 million to \$355.9 largely due to increases in pension costs and reinstatement of promotions and gratuities. Public debt interest payments of \$239.8 million were made and \$225.0 mil-

lion in subsidies were provided. These elevated levels of expenditure were partly offset by reductions in spending for rent (\$4.3 million) and insurance premiums (\$4.5 million). Notable reductions are also seen in finance charges (\$41.8 million) and social assistance benefits (\$46.7 million). The latter represents a 44.8 percent contraction from the \$104.4 million expended in the same period of

the year prior during the peak of the COVID-19 economic downturn. Notable increases include special financial transactions (\$8.7 million) and pensions and gratuities (\$5.2 million). Capital spend decreased by \$9.2 million (8.4 percent) to \$100.2 million and 26.9 percent of budget largely driven by decreases in capital transfers \$6.3 million to \$19.5 million.



Figure 1: Budgetary Performance (B\$M)



- » During the period, contributions were made to the sinking funds established to retire future debt obligations totaled \$30.0 million. At end-December 2021, the three (3) arrangements earmarked for scheduled retirement of external bonds held a cumulative value of \$236.5 million, while the funds set aside for the two (2) local arrangements stood at \$13.4 million.
- » With the rebounding domestic economy, Government’s gross borrowing totaled \$1,098.3 million as compared to \$2,120.1 million in the same period of the prior fiscal year. Of this total, \$276.8 million

- » Repayments of Government debt were more muted at \$702.7 million compared to \$921.3 million in the same period of the prior year. Bahamian dollar repayments included \$320.0 million in Central Bank advances, \$248.4 million for matured Bahamas Government Registered Stock, \$74.2 million in bank loans and \$17.2 million in

- » Treasury note redemptions and conversions. Foreign debt repayments were made to Deutsche Bank (\$10.4 million), Credit Suisse (\$21.1 million) and multilateral development agencies (\$11.4 million).
- » As a result of net borrowing activities, the Direct Charge on the Government—exclusive of exchange rate adjustments, increased by \$395.6 million to \$10,317.9 million or 96.4 percent of GDP at end-December 2021, as compared to 100.2 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 \$44.2 million and, together with past outlays, brings the aggregate spend to approximately \$397.0 million.

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

	FY2019/20	FY2020/21p	FY2021/22	Total
	July – Dec.			
Recurrent Expenditure	39.2	268.5	44.2	352.0
Public Health Safety	1.9	36.6	0.0	38.5
Unemployment Assistance	10.0	164.7	29.7	204.4
Goods & Services Acquisition	1.8	2.2	1.3	5.3
Job Retention Programme	21.4	23.0	3.3	47.7
Food Assistance	2.0	40.4	8.8	51.2
Other	2.1	1.5	1.2	4.8
Capital Expenditure	40.3	4.7	0.0	45.0
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	0.0	43.1
Total	79.5	273.3	44.2	397.0



3.

Economic Overview

During the second quarter FY2021/22 economic activity continued to signal a recovery of the domestic economy from the COVID-19 economic downturn despite the emergence of the Omicron variant locally, as vaccination procedures strengthen both domestically and internationally. In its October 2021 World Economic Outlook (WEO), the IMF projected 2021 global growth of 5.9 percent, moderating to 4.9 percent by 2022. As a result of the spread of the more contagious Omicron variant, in its January 2022 WEO, the IMF reduced its 2022 global growth forecast to 4.4 percent. Similarly, output growth for the US economy was reduced from 6.0 percent and 5.2 percent for 2021 and 2022 respectively to 5.6 percent and 4.0 percent. Undergirded by expected improvements in global economic conditions, particularly with expected improvements in economic conditions in the US market, output in The Bahamas was forecast by the IMF in October 2021 to increase by 2.0 percent and 8.0 percent in 2021 and 2022 respectively.

In major economies, labor market con-

ditions continue to improve. In the United States, the unemployment rate continued to improve to 3.9 percent for December 2021 from 4.2 percent in November 2021 and 4.6 percent in October 2021. In the Euro area, the unemployment rate declined modestly to 7.2 percent in November 2021 from 7.3 percent in October 2021.

Consequent of global economic growth, global inflationary pressures continued to increase over the period. Consumer prices in China firmed modestly by 0.7 percent in October 2021 and 0.4 percent in November 2021. However, in December, national consumer prices fell by 0.3 percent month-over-month amidst economic contractions associated with Omicron spread. In the Euro area, the annual inflation rate for December 2021 firmed to 5.0 percent compared to 4.9 percent in the month prior, and 4.1 at the start of the quarter. Similarly, in the United States, the index of urban consumer prices decreased to 0.5 percent in December 2021, from a 0.8 percent price increase in November 2021. Notably, December 2021 year-over-year

consumer prices in the United States rose 7 percent, the fastest pace since June 1982. On the domestic front, labour market conditions continue to improve with the number of persons relying on the National Insurance Board administered COVID-19 unemployment assistance decreasing to less than 8,000 persons at end-December 2021, from more than 22,000 during the peak of the program.

Tourism activity, although below pre-pandemic levels, continued to improve with year-over-year increases in stopover and cruise visitors. Firming of the tourism sector ensued from the reopening of international borders and relaxed travel restrictions as compared to the year prior. Visitor arrivals totaled 260,942 in the October 2021, and 383,706 in November 2021 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 57.8 percent of October 2019 and 20.5 percent of November 2019 visitor totals respectfully.

4.

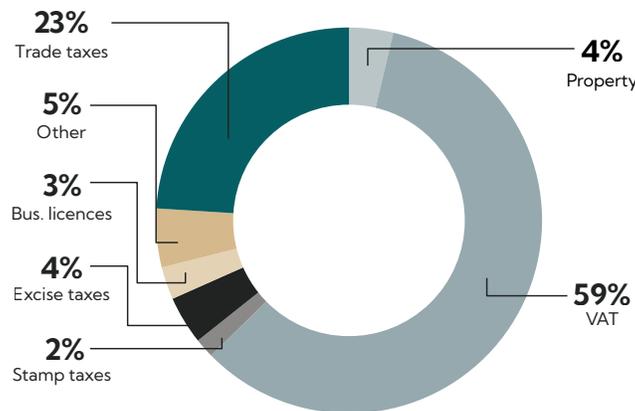
Revenue Performance

For the first six months of FY2021/22, total revenue receipts increased by \$465.9 million (69.4 percent) to \$1,137.3 million as compared to the prior year, and represented 50.6 percent of the budget target (see **Table 3**). Revenue collections benefitted from the coun-

try's continued containment of the COVID-19 virus until the final weeks of December. As a result, the Center for Disease Control reduced its travel advisory for The Bahamas from a level 4 to level 3 in November and to level 2 in December. The improved

revenue performance was supported by increases in tax revenue of \$402.6 million (70.7 percent) to \$972.1 million (50.5 percent of budget) while non-tax revenue expanded by \$63.0 million (61.8 percent) to \$164.9 million (51.9 percent of the budget).

Figure 2: Percentage Composition of Tax Revenue (First Six-Months FY2021/22)



Key developments underlying revenue performance for the first six months in FY2021/22 relative to the prior year are outlined below.

- » Taxes on Property improved by an estimated \$11.7 million to \$36.8 million, and represented 23.2 percent of the annual budget for

such collections. Real property tax collections received a \$9.8 million uplift from the Real Property Tax Amnesty program which ended in September 2021.

- » Taxes on Goods & Services, which encompasses 72.6 percent of tax revenues, grew by \$265.4 million

(60.3 percent), representing 51.9 percent of budget.

- As a result of further easing of COVID-19 health and safety restrictions, including expiration of local Emergency Orders in November 2021, VAT receipts were elevated by \$290.2



million (101.4 percent) to \$576.5 million or 68.2 percent of the budget.

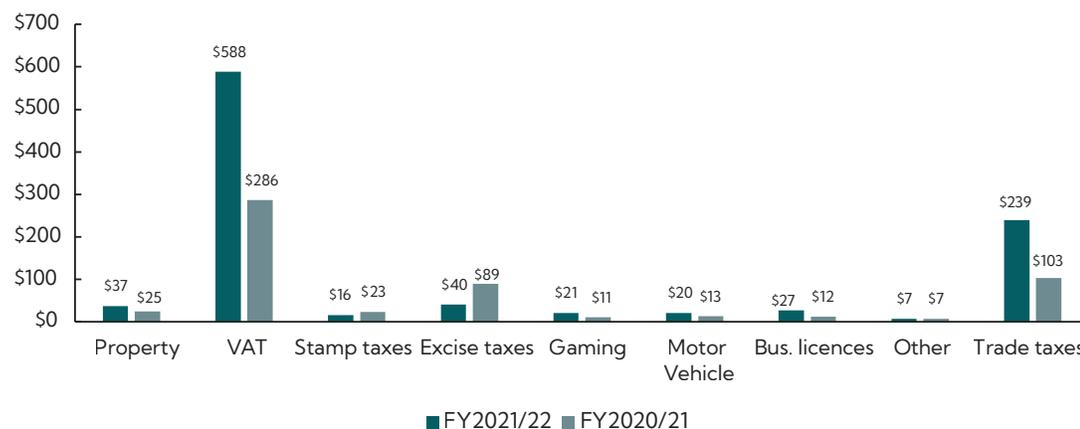
- Collections from stamp taxes on financial and real estate transactions weakened by \$9.4 million (43.7 percent) to \$12.2 million, for 20.8 percent of the budget.
- Excise tax outturn dampened by \$48.5 million (54.6 percent) to \$40.4 million or 17.1 percent of budget.
- Taxes on specific services (gaming taxes) increased by

\$10.4 million (94.1 percent) totaling \$21.4 million, benefitting from improved employment levels as the domestic economy rebounds. In December 2020, the Government announced plans to implement the tax on patron's winnings (5 percent tax on winnings up to \$1,000 and 7.5 percent on winnings over \$1,000), with effect January 2021. As a result of ongoing legal challenges, implementation of this tax was delayed. On 3 January 2022, Government

formally announced its intention to repeal this legislative requirement.

- License to conduct special business activity – which comprise specific business and licenses and communication levies – increased \$14.8 million (119.5 percent) to \$27.2 million as business activity and business duration resumed in several sectors with the elimination of curfews and lockdowns.

Figure 3: 6- Month Comparison of Tax Revenue Performance (B\$M)



- » Taxes on international trade & transactions widened by \$122.7 million (119.0 percent) to \$225.8 million and 55.7 percent of budget. During the same period of the year prior, international activities we constrained after the attempt to reopen the tourism sector of the economy resulted in rapid increases in COVID-19 infection rates, necessitating border closures and the reimposition of lockdowns. The improved trade tax performance is largely attributed to:
 - increases in customs and other import duties of \$31.7 million (37.0 percent) to \$117.4 million and 50.4 percent of budget; and
 - improvements in departure tax collections of \$23.6 million

(812.2 percent) to \$26.5 million and 27.9 percent of budget.

- » General stamp taxes were estimated at \$4.2 million (104.9 percent of budget) – a \$2.8 million (202.8 percent) increase from the previous \$1.4 million.
- » Property income receipts improved by \$32.7 million (194.6 percent) to \$49.5 million and 234.3 percent of the annual target owing largely to a \$24.5 million BTC dividend payment in December.
- » Revenue from the sale of goods and services improved by \$45.7 million (69.4 percent) to \$111.6 million and 47.1 percent of budget, also benefitting from improved domestic market activity as a result of the elimination of emergency orders and the associated

curfews and lockdowns. Increased revenue collections were attributed to:

- Increases in immigration related receipts of \$33.2 million (100.8 percent) to \$66.1 million and 50.7 percent of budget. Chief among these receipts was \$25.0 million in work & residency permits and tourist health visa collections of \$24.4 million.
- Improved customs fees of \$6.3 million (37.1 percent) to \$23.4 million and 39.0 percent of budget
- » Miscellaneous and unidentified collections positioned at \$0.7 million, representing a decrease of \$16.4 million or 96.0 percent.



TABLE 3: REVENUE SUMMARY (B\$M)

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July - December		
	FY2021/22	FY2021/22p Actual	FY2020/21p Actual	Variance	% of Budget
TAX REVENUE (a+b+c+d)	1,926.2	972.1	569.5	402.6	50.5%
a. Taxes on Property	158.8	36.8	25.1	11.7	23.2%
b. Taxes on Goods & Services (i+ii+iii)	1,358.2	705.3	439.9	265.4	51.9%
i. General	1,140.3	629.0	396.8	232.2	55.2%
VAT	845.4	576.5	286.3	290.2	68.2%
Stamp taxes (Financial & Realty)	58.4	12.2	21.6	(9.4)	20.8%
Excise Tax	236.5	40.4	88.9	(48.5)	17.1%
ii. Specific (Gaming taxes)	54.0	21.4	11.0	10.4	39.5%
iii. Taxes on Use of Goods/Permission to Use	163.9	54.9	32.1	22.8	33.5%
Motor Vehicle Taxes	35.4	20.5	13.2	7.3	57.8%
Company Taxes	21.1	5.2	6.0	(0.8)	24.8%
Licence to Conduct Special Bus. Activity	105.7	27.2	12.4	14.8	25.7%
Marine License Activities	1.6	2.0	0.5	1.5	125.3%
c. Taxes on Int'l Trade & Transactions	405.1	225.8	103.1	122.7	55.7%
Customs & other import duties	232.8	117.4	85.7	31.7	50.4%
Taxes on Exports	77.5	81.6	14.5	67.1	105.3%
Departure Taxes	94.7	26.5	2.9	23.6	27.9%
Other	0.0	0.2	0.0	0.2	0.0%
d. General Stamp Taxes	4.0	4.2	1.4	2.8	104.9%
NON-TAX REVENUE (e+f+g+h+i+j)	318.0	164.9	101.9	63.0	51.9%
e. Property Income	21.1	49.5	16.8	32.7	234.3%
Interest & Dividends	6.0	38.3	3.1	35.2	638.7%
Revenue_Gov't Property	15.1	11.2	13.7	(2.5)	73.8%
f. Sales of goods & services	237.2	111.6	65.9	45.7	47.1%
i. Fees & Service Charges	221.6	104.7	60.1	44.6	47.3%
General Registration	3.7	1.4	2.0	(0.6)	37.5%
General Service	15.0	8.8	4.5	4.3	58.7%
Immigration	130.2	66.1	32.9	33.2	50.7%
Land & Building	2.2	1.1	0.8	0.3	49.7%
Legal	1.0	0.5	0.4	0.1	55.0%
Customs	60.0	23.4	17.1	6.3	39.0%
Port & Harbour	7.4	2.6	2.1	0.5	35.2%



TABLE 3: REVENUE SUMMARY (B\$M) Cont'd

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July - December		
	FY2021/22	FY2021/22p	FY2020/21p	Variance	% of Budget
		Actual	Actual		
Health	2.1	0.3	0.1	0.2	16.3%
Other Fees	0.0	0.5	0.2	0.3	>100.0%
ii. Other	15.6	6.9	5.8	1.1	44.3%
g. Fines, Penalties & Forfeits	5.3	2.8	2.0	0.8	52.6%
h. Reimbursements & Repayments	47.5	0.0	0.1	(0.1)	0.1%
i. Misc. & Unidentified Revenue	6.7	0.7	17.1	(16.4)	10.1%
j. Sales of other Non-Financial Assets	0.1	0.3	0.0	0.3	262.1%
TOTAL TAX & NON-TAX REVENUE	2,244.1	1,137.0	671.4	465.6	50.7%
GRANTS	2.0	0.2	0.0	0.2	7.9%
CAPITAL REVENUE	0.0	0.1	0.0	0.1	0.0%
GRAND TOTAL	2,246.1	1,137.3	671.4	465.9	50.6%

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

Tax revenue performance for the first six months indicate a return to historic levels with first quarter revenues of \$502.1 and second quarter marginally lower at \$470.0 million (see Table 4). When compared period-over-period, tax receipts for the period increased by \$394.6 million (68.3 percent) compared to the same period in the prior year when the tourism sector of the Bahamian economy remained under curfew and lockdown conditions for much of the period.

TABLE 4: REVENUE SUMMARY (B\$M)

	FY2020/21				FY2021/22			
	QI	QII	QIII	QIV	Total	QI	QII	Total
TAX REVENUE (a+b+c+d)	269.4	308.1	491.2	561.4	1,630.1	502.1	470.0	972.1
a. Taxes on Property	8.5	16.5	71.5	46.9	143.5	20.6	16.2	36.8
b. Taxes on Goods & Services (i+ii+iii)	207.5	240.5	333.1	412.9	1,194.0	363.6	341.7	705.3
i. General	187.1	217.8	243.7	352.9	1,001.5	330.9	298.1	629.0
VAT	134.7	183.7	183.5	263.7	765.6	295.4	281.1	576.5
Stamp taxes (Financial & Realty)	12.3	20.1	20.1	15.8	68.2	8.6	3.5	12.2
Excise Tax	40.2	14.1	40.1	73.3	167.7	26.9	13.5	40.4
ii. Specific (Gaming taxes)	5.4	5.6	5.4	21.4	37.8	10.5	10.9	21.4
iii. Taxes on Use of Goods/Permission to Use	15.0	17.0	84.0	38.6	154.6	22.3	32.6	54.9
Motor Vehicle Taxes	6.1	7.0	10.6	8.6	32.3	4.8	15.7	20.5
Company Taxes	2.5	3.5	11.2	4.6	21.7	1.8	3.4	5.2
Licence to Conduct Special Bus. Activity	6.1	6.3	61.6	23.5	97.5	14.6	12.6	27.2
Marine License Activities	0.3	0.3	0.6	2.0	3.2	1.1	0.9	2.0
c. Taxes on Int'l Trade & Transactions	52.1	51.0	86.3	100.7	290.2	115.6	110.2	225.8
Customs & other import duties	42.3	43.4	48.8	52.8	187.3	62.3	55.1	117.4
Taxes on Exports	8.2	6.3	34.5	43.1	92.0	42.6	39.0	81.6
Departure Taxes	1.6	1.3	2.9	4.8	10.7	10.6	15.9	26.5
Other	0.0	0.0	0.0	0.1	0.2	0.1	0.1	0.2
d. General Stamp Taxes	1.3	0.1	0.3	0.9	2.5	2.2	2.0	4.2



5.

Expenditure Developments

A. RECURRENT EXPENDITURE

Outlays for recurrent expenditure expanded during the period by \$7.8 million (0.6 percent) to aggregate \$1,306.0 million as compared to the same period in the prior year—representing 46.2 percent of the targeted spend (see **Table 5**).

- » Compensation of employees increased by \$13.7 million (4.0 percent) to \$355.9 million and represented 45.7 percent of the budget target. This firming was largely explained by period-over-period expansions in employee wages (\$10.0 million); discretionary allowances (\$1.8 million); summer employment (\$1.4 million); and overtime (\$1.1 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 were curtailed by \$21.3

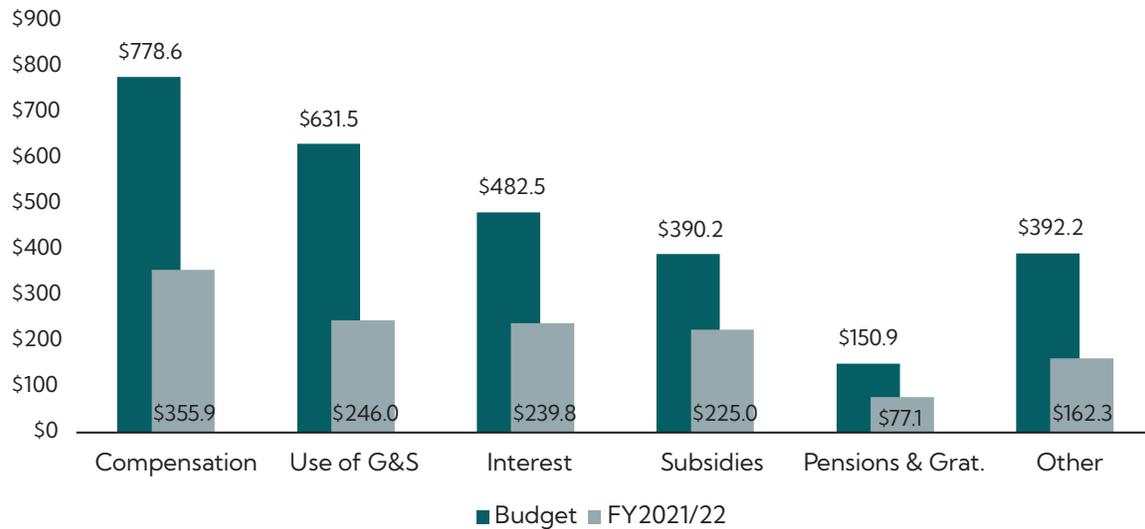
million (8.0 percent) to \$246.0 million, relative to the same period in the prior year. This accounted for 38.9 percent of the annual budget, and aligns with continued efforts to contain non-essential expenditures.

- Rental costs contracted by \$4.3 million (11.8 percent) to \$32.2 million, for 41.2 percent of the budget. This reductions in cost are mainly driven by timing delays of \$5.0 million relative to lease agreements with the National Insurance Board.
- Utilities and telecommunications disbursements narrowed by \$4.0 million (13.0 percent) to \$26.8 million, which represented 25.7 percent of the budget.
- Supplies and materials spend contracted by \$1.0 million (7.2 percent) to \$12.9 million, representing 34.6 percent of the budget.

- Outlays for travel and subsistence increased by \$1.3 million (37.7 percent) to \$4.7 million, for 42.7 percent of the budget.
- Spending on services elevated by \$19.4 million (26.0 percent) to \$93.8 million, for 40.2 percent of the budget; principally warranted by outlays of \$19.8 million towards tourism health visa expenses.
- Finance charges receded by \$41.8 million (83.7 percent) to \$8.2 million (27.2 percent of the budget)—primarily explained by reduced outlays related to Government debt financing and foreign exchange hedging activities.
- Conversely, special financial transactions, which include payment of arrears, increased by \$8.7 million (19.1 percent) to \$54.1 million to constitute 54.2 percent of the budget.



Figure 4: 6-Month Comparison of Recurrent Expenditure vs Budget for FY2021/22 (B\$M)



» Public debt interest payments broadened by \$56.6 million (30.9 percent) to \$239.8 million, equating to 49.7 percent of the budget; resulting from the elevated levels of borrowing since the onset of the COVID-19 pandemic. By currency, \$118.5 million (49.4 percent) represented payments on foreign currency obligations and \$121.3 million (50.6 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 \$5.7 million (2.6 percent) to \$225.0 million, which equaled 57.7 percent of the budget.

- Subsidies to public non-financial corporations were higher

by \$12.1 million (5.9 percent) at \$217.8 million. Additional transfers of \$25.8 million were disbursed to the Public Hospital Authority (PHA) as the country further contests the coronavirus pandemic; \$5.1 million to Water and Sewerage; \$3.5 million to National Health Insurance.

- Subsidies to private enterprises and other sectors fell by \$6.4 million (46.7 percent) to \$7.3 million. Transfers dampened by \$5.1 million for salary grants for independent schools owing to COVID-19 support and \$1.0 million for small business support.
- » Social assistance benefits receded by \$46.7 million (44.8 percent) to \$57.7 million, representing 49.8 percent of the budget; primarily

driven by reduced COVID-19 induced social economic assistance provided to the public as the country rebounds from the current economic crisis.

- » Pension and gratuity payments increased by \$5.2 million (7.3 percent) to \$77.1 million and 51.1 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 increased by \$0.2 million (0.2 percent of budget), reflecting a period-over-period expansion in outlays for Urban Renewal (\$3.3 million) and international scholarships.



TABLE 5: RECURRENT EXPENDITURE SUMMARY (B\$M)

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July - December		
	FY2021/22	FY2021/22p Actual	FY2020/21p Actual	Variance	% of Budget
RECURRENT EXPENDITURE					
Compensation of Employees	778.6	355.9	342.2	13.7	45.7%
Use of Goods & Services	631.5	246.0	267.2	(21.3)	38.9%
Travel & Subsistence	11.0	4.7	3.4	1.3	42.7%
Rent	78.0	32.2	36.5	(4.3)	41.2%
Utilities & Telecommunications	104.2	26.8	30.8	(4.0)	25.7%
Supplies & Materials	37.2	12.9	13.9	(1.0)	34.6%
Services	233.4	93.8	74.5	19.4	40.2%
Minor capital repairs	6.7	2.0	1.5	0.5	30.2%
Finance charges	30.0	8.2	50.0	(41.8)	27.2%
Special Financial Transactions	99.9	54.1	45.4	8.7	54.2%
Tourism Related	4.8	0.0	0.0	0.0	0.0%
Local Gov't Districts	13.3	5.9	6.2	(0.3)	44.6%
School Boards	0.1	0.0	0.0	0.0	0.0%
Other	13.1	5.4	5.1	0.2	40.9%
Public Debt Interest	482.5	239.8	183.2	56.6	49.7%
Subsidies	390.2	225.0	219.3	5.7	57.7%
Grants	8.5	3.2	4.3	(1.1)	37.4%
Social Assistance Benefits	115.8	57.7	104.4	(46.7)	49.8%
Pensions & Gratuities	150.9	77.1	71.9	5.2	51.1%
Other Payments	267.9	101.4	105.7	(4.3)	37.9%
Current Transfers n.e.c.	184.2	81.3	81.2	0.2	44.2%
Insurance Premiums	83.7	20.1	24.5	(4.5)	24.0%
TOTAL	2,825.9	1,306.0	1,298.3	7.8	46.2%

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B. CAPITAL SPENDING

- » Capital outlays contracted by \$9.2 million (8.4 percent) to \$100.2 million – representing 26.9 percent of the budget (see Table 6).
- » Capital transfers subsided by \$6.3 million (24.3 percent) to \$19.5 million, representing 14.9 percent of the budget target.
 - Transfers to support small and medium sized business were abated by \$7.0 million as the provisions in the prior year to support businesses impacted by Hurricane Dorian and the COVID-19 pandemic fell away.
 - Additional transfers were made to support post-Dorian national disaster recovery (\$2.1 million) and energy restoration and renewable energy (\$6.4 million).
- » Expenditure on the acquisition of non-financial assets narrowed by \$2.9 million (3.5 percent) to \$80.6 million and representing 33.4 percent of the annual target.
 - Investments in buildings other than dwellings increased by \$4.9 million (17.2 percent) to \$33.3 million, accounting for 38.6 percent of budget. This rise largely reflected improvements to Government buildings (\$3.4 million) and investments on new primary and secondary schools (\$1.3 million).
 - Outlays for other structures were lower by \$4.8 million (13.7 percent) to \$30.1 million, representing 33.3 percent of budget. Predominant declines occurred for bridge repairs and maintenance (\$7.2 million) and New Providence roadworks (\$3.7 million).
 - Other machinery and equipment spend lessened by \$1.6 million (16.9 percent) to \$8.1 million, or 30.0 percent of budget. Major reductions were noted for military, police and prison equipment (\$2.4 million).
 - Land improvement expenditures modestly declined by \$0.5 million (13.4 percent) to \$3.1 million, accounting for 38.2 percent of budget. This was mainly attributed to the \$1.8 million reduction for parks and ground improvement. Albeit, investments of \$1.5 million were allocated for food security capital developments.
 - Acquisitions of other fixed assets slumped by \$1.7 million (30.9 percent) to \$3.7 million, representing 18.2 percent of the budget; chiefly accredited to a decline of \$2.3 million towards the digitization project.

TABLE 6: CAPITAL EXPENDITURE SUMMARY (B\$M)

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget	July - December			
	FY2021/22	FY2021/22p Actual	FY2020/21p Actual	Variance	% of Budget
Capital Transfers	131.2	19.5	25.8	(6.3)	14.9%
Acquisition of Non-financial assets	241.2	80.6	83.5	(2.9)	33.4%
Fixed Assets	239.2	80.2	83.5	(3.3)	33.5%
Buildings other than dwellings	86.3	33.3	28.4	4.9	38.6%
Other structures	90.5	30.1	34.9	(4.8)	33.3%
Transport equipment	6.7	1.9	1.5	0.4	28.0%
Other Machinery & equipment	27.1	8.1	9.8	(1.6)	30.0%
Land Improvements	8.2	3.1	3.6	(0.5)	38.2%
Other Fixed Assets	20.5	3.7	5.4	(1.7)	18.2%
Land	2.0	0.4	0.0	0.4	19.2%
TOTAL	372.4	100.2	109.4	(9.2)	26.9%



6.

Financing Activities

NET INCREASE IN LIABILITIES

Owing to continued improving fiscal conditions, Government experienced a net deficit during the first six months of FY2021/22 of \$269.0 million, a reduction in the deficit of \$494.0 million (67.1 percent) as compared to the same period in the prior fiscal year. As a result, Government contained the growth of financing to \$395.6 million, a \$803.2 million (67.0 percent) decrease in the net liability growth of \$1,198.8 million experienced in the same period of the prior year.

- » To fulfill budgetary financing requirements as well as to settle maturing debt instruments, the Government utilized gross borrowings of \$1,098.3 million as compared to \$2,120.1 million in the same period of the prior fiscal year.
 - Domestic bond issuances totaled \$276.8 million with proceeds primarily used to refinance \$248.4 million of maturing bonds.
 - Via a demand loan facility with the Royal Bank of Canada, the Government accessed \$100.0 million

- 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

- \$272.8 million were issued during the period to meet short term financing needs while \$425.0 million in advances was received from the Central Bank.
- » Repayments of Government debt were more muted at \$702.7 million compared to \$921.3 million in the same period of the prior year.
 - Payments made to international development agencies totaled \$11.4 million comprising:
 - An aggregate 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



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of \$1.9 and to the People’s Republic of China of \$1.3 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 10.4 million

Euros. Loans from Credit Suisse of 21.1 million Swiss Francs were repaid.

- Bahamian Dollar repayments included reductions in Central Bank advances (\$320.0 million); Bahamas Government Registered Stock (\$248.4 million); bank loans (\$74.2 million) and Treasury note redemptions

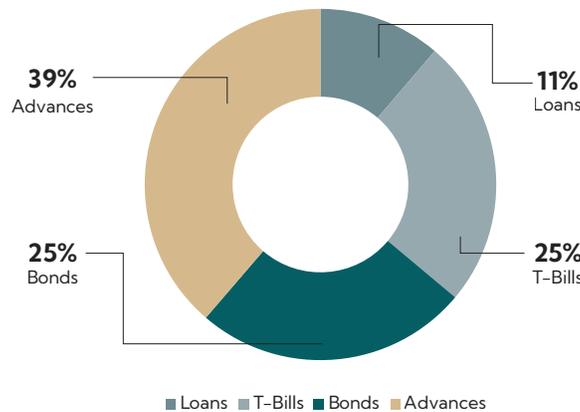
and conversions (\$17.2 million).

- » As a result of net borrowing activities, the Direct Charge on the Government—exclusive of exchange rate adjustments, increased by \$395.6 million to \$10,317.9 million or 96.4 percent of GDP at end-December 2021, as compared to 100.2 percent of GDP at end-June 2021.

Table 7. CHANGE IN LIABILITIES (By Currency and Instrument) (B\$M)

	FY2021/22: July - December		
	Borrowings	Repayment	Net Change
Bahamian Dollars	1,074.6	659.8	414.7
Bonds	276.8	248.4	28.4
Treasury Bills/Notes	272.8	17.2	255.6
Bank Loans	100.0	74.2	25.8
Central Bank Advances	425.0	320.0	105.0
Foreign Currency	23.7	42.9	(19.2)
Bank Loans	-	31.5	(31.5)
International Bonds	-	-	-
Loans from Int’l Dev. Agencies	23.7	11.4	12.3
TOTAL	1,098.3	702.7	395.6

Figure 5: Composition of Government Borrowings for FY2021/22



CONTRIBUTION TO SINKING FUNDS

During the period, contributions were made to the sinking funds established to retire future debt obligations totaled \$30.0 million. At end-December

2021, the three (3) arrangements earmarked for scheduled retirement of external bonds held a cumulative value of \$236.5 million, while the funds

set aside for the two (2) local arrangements stood at \$13.4 million.

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FIRST SIX MONTHS REPORT ON BUDGETARY PERFORMANCE FY2021/22 JULY - DECEMBER

THE MINISTRY OF FINANCE
Cecil Wallace Whitfield Centre
West Bay Street
P.O.Box N-3017
Nassau, The Bahamas