

COMBINED FIRST SIX MONTHS FISCAL SNAPSHOT & REPORT

on Budgetary Performance

FISCAL YEAR 2020/21 JULY - DECEMBER

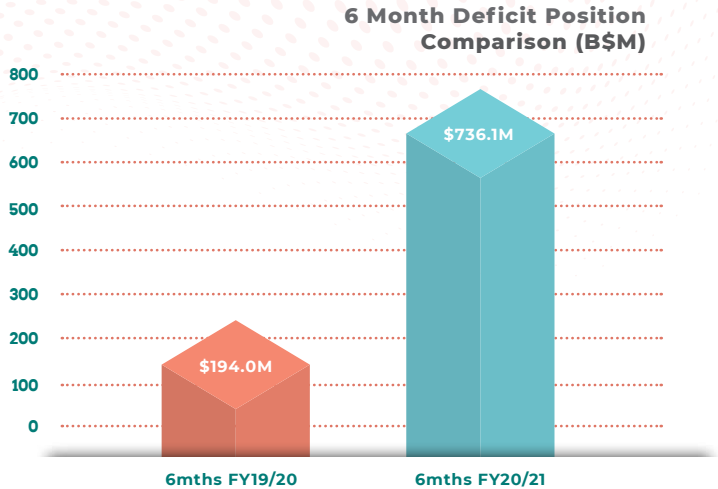
Section 1

The Snapshot

Section 2

The Report

DEFICIT POSITION
\$736.1M



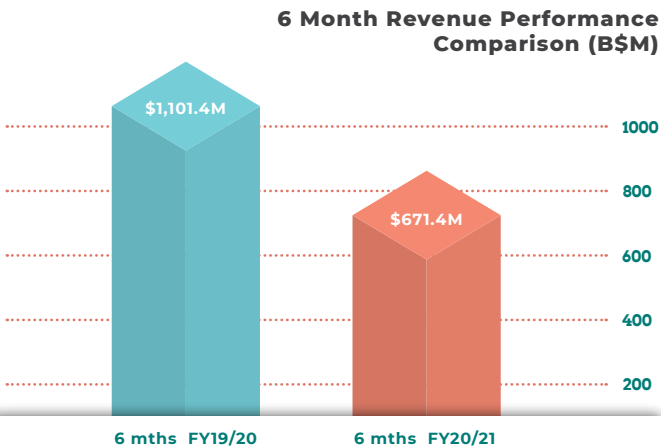
DEFICIT WIDENED 279.4%

Provisional data on the central Government's operations for the first six months of FY2020/21 indicate a significant widening in the fiscal deficit, to **\$736.1 million** from **\$194.0 million** in the same period of the prior fiscal year.

This outcome is largely attributed to the economic impact of the global pandemic and the necessary health and safety measures, and social assistance programs, implemented to save lives and contain the fall-out. The overall result was a significant reduction in revenue and increase in expenditure.

REVENUE
\$671.4M

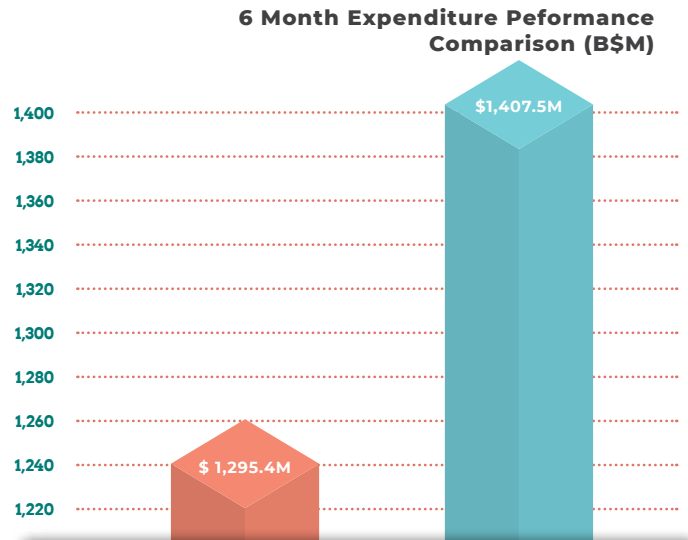
The imposition of more restrictive COVID-19 measures in the opening quarter of FY2020/21 and the slower than anticipated recovery of economic activity in the ensuing months dampened revenue collections for the first half of FY2020/21. Compared with the corresponding period of FY2019/20, total revenue declined by an estimated **\$430.0 million** (39.0 percent) to **\$671.4 million**, which constituted 61.0 percent of the prior year's collections and 38.1 percent of the budget target. Developments were largely driven by sharp contractions in receipts from Value Added Taxes, excise taxes, customs and import duties, and departure taxes.



REVENUE DECREASED BY 39.0%

EXPENDITURE
\$1,407.5M

Aggregate expenditure increased by 8.7 percent (**\$112.1 million**) to **\$1,407.5 million**. COVID-19 social assistance benefits boosted recurrent expenditure by 10.1 percent (**\$119.5 million**) to **\$1,298.2 million**, while reductions in capital transfers of **\$17.5 million** tempered capital outlays by 6.3 percent (**\$7.4 million**).



EXPENDITURE INCREASED BY 8.7%

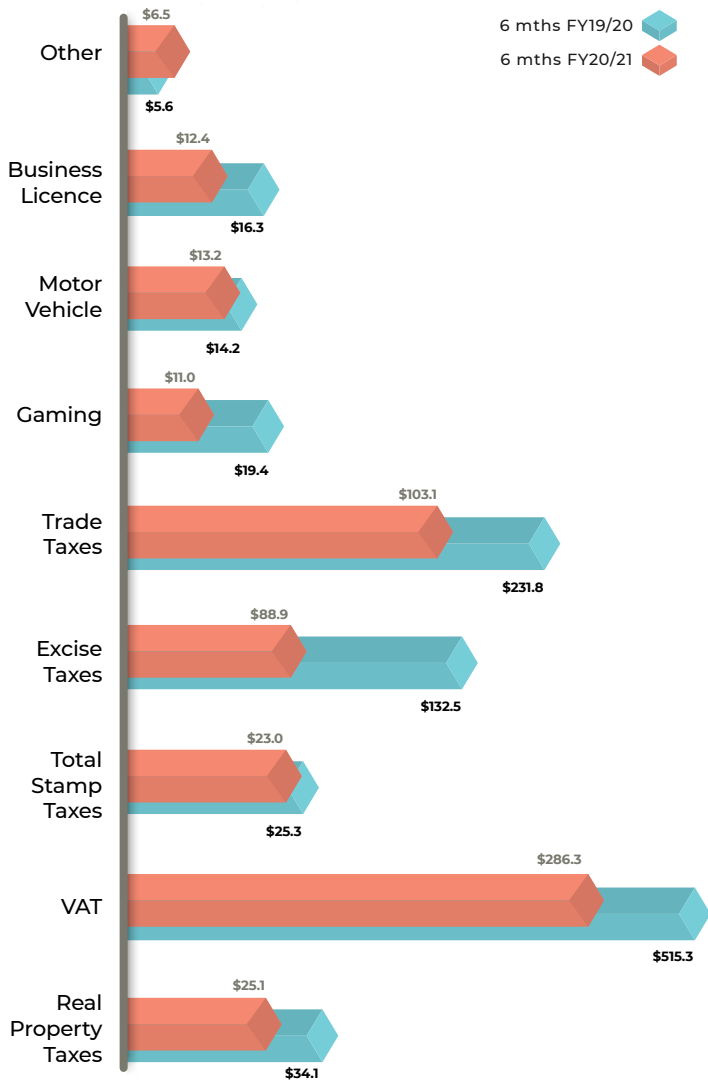
REVENUE PERFORMANCE

TAX REVENUE SUMMARY

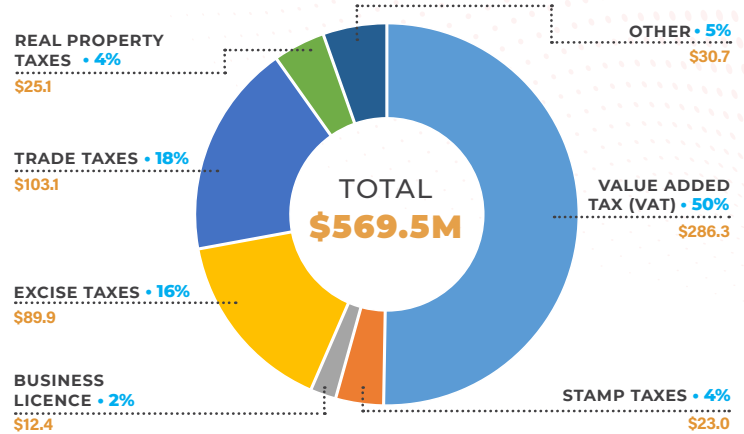
Taxes on goods and services, which remains the largest component of tax revenue at 77.2 percent, decreased sharply by 39.2 percent to **\$439.9 million**. With COVID-19 health and safety measures continuing to limit business activity, VAT receipts declined by 44.4 percent to **\$286.3 million** and 43.0 percent of budget. Excise taxes similarly fell by 32.9 percent to **\$88.9 million**. Higher unemployment conditions impacted gaming/betting activity reducing gaming taxes by 43.3 percent to **\$11.0 million**.

Receipts from license to conduct special business declined by 23.9 percent to **\$12.4 million**, for 14.5 percent of the annual target, largely due to declines in business license revenues associated with extended Hurricane Dorian-related recovery initiatives. The depressed tourism economy and other COVID-related imposed travel limitations reduced intact from international trade and transactions by 27.5 percent to **\$168.1 million**.

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



6 Month Tax Revenue (B\$M)

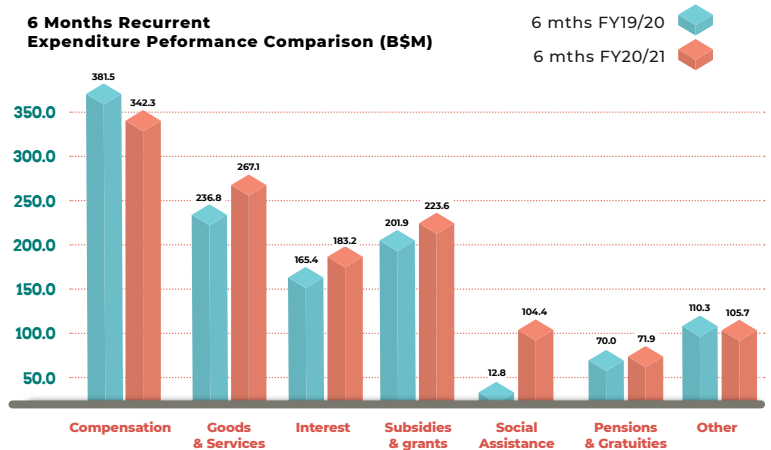


RECURRENT EXPENDITURE

Compensation of employees was lower at **\$342.3 million**. Expenditures for the acquisition of goods & services increased by **\$30.3 million** (12.8 percent) to **\$267.1 million**, driven by an increase in finance charges to **\$50.0 million**. Subsidies to public corporations rose by **\$21.5 million** to **\$219.3 million** which included transfers of **\$117.1 million** to the Public Hospitals Authority (PHA), **\$34.8 million** to Bahamasair, **\$19.0 million** to the National Health Insurance, and **\$15.2 million** to the Water and Sewerage Corporation to support COVID-19 remediation costs and operational costs, amid revenue challenges imposed by the impact of the COVID-19 economic disruptions.

Social assistance benefits—in cash or in kind—expanded significantly, by **\$91.6 million** to **\$104.4 million**—being driven COVID-19 related hikes in outlays for unemployment assistance (**\$66.2 million**) and food assistance programs (**\$30.8 million**).

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



NON-TAX REVENUE SUMMARY

Non-tax revenue receipts during the period totaled **\$101.9 million** and 41.2 percent of budget. Additionally, intake was lower from receipts from immigration by **\$8.4 million** and customs by **\$6.4 million** due to reduced movements of persons amidst the lingering impact of the coronavirus.

CAPITAL EXPENDITURE

During the first half of FY2020/21, outlays for capital works contracted by **\$7.4 million** (6.3 percent) to **\$109.3 million**, compared to the same period during the prior year, representing 21.2 percent of the budget target. Key transfers included **\$5.5 million** for post-Dorian national disaster recovery and **\$9.0 million** for small and medium sized business support. While expenditure for capital works to public buildings declined by **\$7.9 million**, outlays for other structures firmed by **\$8.6 million** (32.7 percent) to **\$34.9 million**, primarily explained by increased spend of **\$3.2 million** on bridges, **\$4.5 million** on New Providence roads and **\$3.1 million** on airport repairs and upgrades.

FINANCIAL ACTIVITIES

The government's operational activities for the first half of FY2020/21 included a net increase in liabilities of **\$1,198.8 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

\$9,346.3 million

As of September 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

\$530.3M

Bahamian Dollars

\$1,589.8M

Foreign Currency

MONEY REPAID

\$921.3M

Bahamian Dollars

GOVERNMENT DEBT

END-DECEMBER 2020

\$9,390.0M

END-JUNE 2020

\$8,191.2M

66.0% of
GDP

78.8% of
GDP

Borrowings were in the form of short-term bank advances, Treasury bills, domestic bonds, international bond offerings and foreign currency loans from banks and international development agencies. The government borrowed **\$2,120.1 million** during the first half of the fiscal year, as compared to **\$530.9 million** over the same period a year prior. Domestic bond issuances totaled **\$272.9 million**, with proceeds primarily used to refinance **\$264.0 million** of maturing bonds.

Two international bond issuances totaling **\$825.0 million** occurred during the period. External loan financing of **\$764.8 million** comprised a **US\$246.0 million** bridge facility used to retire and assume direct responsibility for the Bahamas Electricity Corporation's (BEC) legacy debt of an equivalent amount.

The Government also accessed another **US\$248.0 million** bridge loan facility, to assist with short term budgetary requirements, which has since been repaid out of the proceeds from the initial bond transaction. Another **US\$200 million** was obtained from the Inter-American Development Bank (IDB) under a programme to boost small business resilience and environmental protection.

The Government also secured a **US\$40 million** policy loan from the Caribbean Development Bank in November. An initial **US\$15.4 million** tranche of the IDB **US\$80 million** loan for reconstruction and resilience in the energy sector was received in December.

POLICY INITIATIVES

Special Economic Recovery Zone (No. 2) Order, 2020

In late September 2019, both Abaco and Grand Bahama were declared Special Economic Recovery Zones (SERZ), which allowed residents and businesses to benefit from exemptions and incentives initially until June 30, 2020. The concessions were later extended to December 31, 2020. On December 31, 2020, certain SERZ concessions were further extended by Order to aid in recovery efforts which include:



- » VAT waiver on the sale of fuel (until June 30, 2021);



- » Elimination of VAT on construction services invoiced on or before June 30, 2021 and settled by September 30, 2021; and



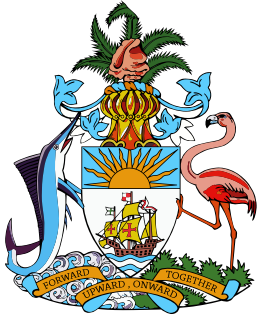
- » Reduced VAT on the sale of real property transactions valued up to \$500k (until June 30, 2021);



- » Exemption on import tax on replacement vehicles purchased and shipped by January 31, 2021 and received by April 30, 2021.



- » VAT/import tax waiver on furniture, fixtures and appliances, hardware, building materials, fixtures and related items;



FIRST SIX MONTHS REPORT

on Budgetary Performance

FISCAL YEAR
2020/21

THE BAHAMAS
MINISTRY OF FINANCE

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1. About This Report

General Statement

To promote greater transparency in the public finances and align with global fiscal disclosure standards and best practices, the Ministry of Finance 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 First Six Months of FY2020/21

Provisional data on the central Government's operations for the first six months of FY2020/21 indicate a significant widening in the fiscal deficit, to \$736.1 million from \$194.0 million in the same period of the prior fiscal year (*see Table 1*). This outcome is largely attributed to the impact of COVID-19 health and safety measures, which significantly curtailed revenue receipts and necessitated extraordinary increases in expenditure to support various social assistance programs.

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

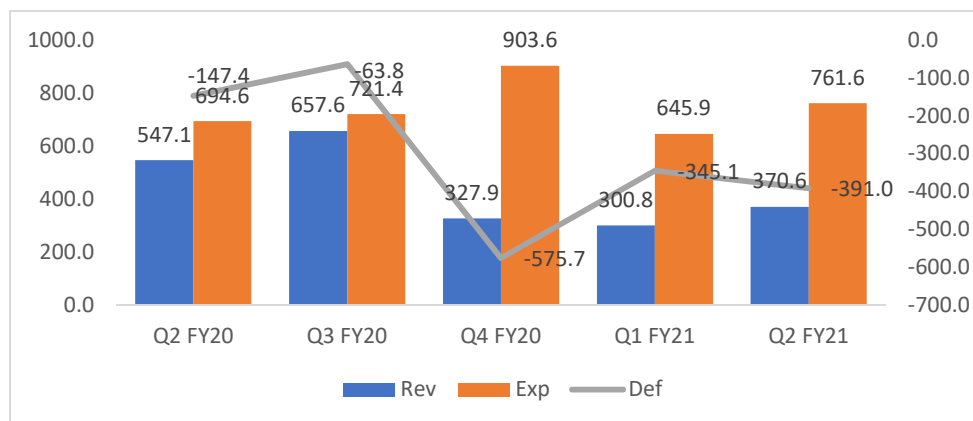
	[a]	[b]	[c]	[b] - [c]	[b/a]
	Budget		July – December		
	FY2020/21	FY2020/21 ^P	FY2019/20 ^P	Variance	% of Budget
	1	Actual	Actual		
Revenue	1,762.6	671.4	1,101.4	(430.0)	38.1%
Tax	1,513.3	569.5	994.5	(425.0)	37.6%
Non-tax	247.3	101.9	106.8	(4.9)	41.2%
Grants	2.0	0.0	0.1	(0.1)	0.0%
Expenditure	3,089.8	1,407.5	1,295.4	112.1	45.6%
Recurrent	2,574.3	1,298.2	1,178.7	119.5	50.4%
Capital	515.5	109.3	116.7	(7.4)	21.2%
Surplus/(Deficit)	(1,327.2)	(736.1)	(194.0)	(542.1)	55.5%
Financing Activities	1,327.2	736.1	194.0	542.1	55.5%
<i>Net Acquisition of financial assets (-)</i>	46.5	0.0	25.6	(25.6)	0.0%
Sinking Funds	46.5	0.0	20.6	(20.6)	0.0%
Equity	0.0	0.0	5.0	(5.0)	0.0%
Other	0.0	0.0	0.0	0.0	0.0%
<i>Net Incurrence of Liabilities (+)</i>	1,327.1	1,198.8	205.2	993.6	90.3%
Borrowings	2,023.7	2,120.1	530.9	1,589.2	104.8%
Debt Repayment	696.6	921.3	325.7	595.6	132.3%
Change in Cash Balance [(I)= increase]	46.6	(462.7)	14.4	(477.1)	-992.9%

- The imposition of more restrictive COVID-19 measures in the opening quarter of FY2020/21 and the slower than anticipated recovery of economic activity in the ensuing months dampened revenue collections for the first half of FY2020/21. Compared with the corresponding period of FY2019/20, total revenue declined by an estimated \$430.0 million (39.0 percent) to \$671.4 million, which constituted 61.0 percent of the prior year's collections and 38.1 percent of the budget target. Developments were largely driven by sharp contractions in receipts from Value Added Taxes, excise taxes, customs and import duties, and departure taxes.
- Aggregate expenditure increased by 8.7 percent (\$112.1 million) to \$1,407.5 million. COVID-19 social assistance benefits boosted recurrent expenditure by 10.1 percent (\$119.5 million) to

\$1,298.2 million, while reductions in capital transfers of \$17.5 million tempered capital outlays by 6.3 percent (\$7.4 million).

- Given the significant short-fall in revenue performance, no contributions were made to the sinking funds for future debt amortizations.
- Budgetary financing requirements were met through borrowings totaling \$2,120.1 million, compared with \$530.9 million for the same period of the prior fiscal year.
 - Domestic bond issuances aggregated \$272.9 million, with proceeds primarily used to refinance \$264.0 million of maturing bonds.
 - Two international bond issuances totaling \$825.0 million—US\$600.0 million in October and US\$225.0 million in December.
 - External loan financing of \$764.8 million comprised a US\$246.0 million bridge facility used to retire and assume direct responsibility the Bahamas Electricity Corporation’s (BEC) legacy debt of an equivalent amount. The Government also accessed another US\$248.0 million bridge loan facility, to assist with short term budgetary requirements, which has since been repaid out of the proceeds from the initial bond transaction. Another US\$200 million was obtained from the Inter-American Development Bank (IDB) under a programme to boost small business resilience and environmental protection. The Government also secured a US\$40 million policy loan from the Caribbean Development Bank (CDB) in November. An initial tranche of US\$15.4 million was drawn in December from the IDB US\$80 million loan for reconstruction and resilience in the energy sector.
 - Short-term domestic financing comprised \$22.5 million in Treasury bills and \$234.9 million in Central Bank advances.
- Debt amortization payments were boosted to \$921.3 million, from the year-earlier \$325.7 million, reflecting the repayment of the earlier US\$248 million bridge financing and \$244.9 million in Central Bank advances.
- As of result of net borrowing activities, the Direct Charge on the Government—exclusive of exchange rate adjustments, increased by \$1,198.8 million to \$9,390.0 million or an estimated 78.8 percent of GDP at end-December 2020, as compared to 66.0 percent of GDP at end-June 2020.

Budgetary Performance (B\$M)



BOX A: SUMMARY OF THE 2020 FISCAL STRATEGY REPORT

In accordance with the requirements of the Fiscal Responsibility Act, 2018, the Government released the 2020 Fiscal Strategy Report¹ (2020 FSR) in December, which highlighted the devastating shock of Hurricane Dorian and the COVID-19 pandemic on macroeconomic conditions in The Bahamas. In both cases, the Government invoked clause (13) of the Fiscal Responsibility Act, 2018, which allows for a departure from the fiscal targets in the event of a natural disaster or major disruptions in economic conditions.

The 2020 FSR outlines the sizeable fiscal response to address the health & safety concerns, as well as the need for social safety net support while the country recovers from the coronavirus pandemic. It further presents the Government's plan for revenue enhancement and expenditure reduction measures for the remainder of the FY2020/21 to contain the fiscal deficit within the original budget target.

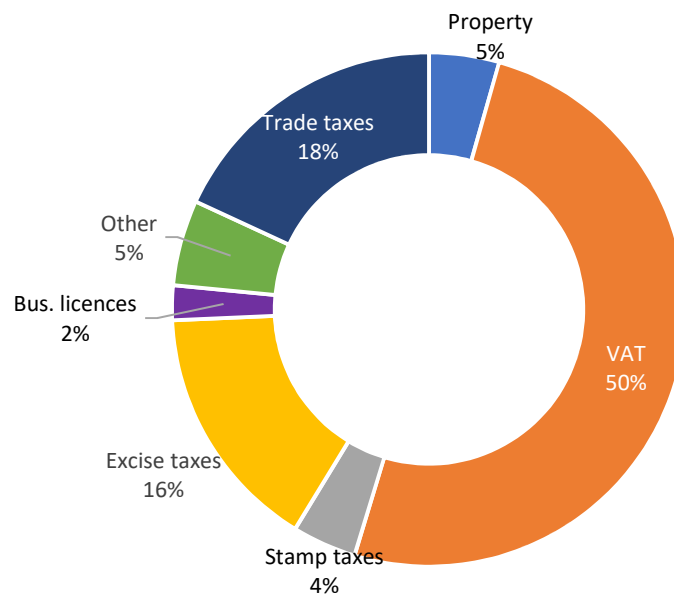
The 2020 FSR also presents a five-year plan for the Government to achieve compliance with the fiscal targets. The revised forecasts project a deficit of 7.8 percent in FY2021/22, following a peak of 11.6 percent in FY2020/21, declining thereafter to 2.5 percent in FY2022/23, 1.5 percent in FY2023/24 and achieving the mandated target of 0.5 percent in FY2024/25. The debt to GDP ratio is expected to increase from an estimated 83.0 percent in FY2020/21 to 85.0 percent in FY2021/22, before levelling-off to 73.7 percent by FY2024/25. The 50.0 percent debt to GDP ratio target is now projected to be attained in FY2030/31—two years later than originally anticipated.

¹ The 2020 Fiscal Strategy Report may be accessed on the Government's website (www.bahamas.gov.bs) or via the following link: [2020 Fiscal Strategy Report](#)

3. Revenue Performance

Revenue receipts for the first half of the FY2020/21 stood at \$671.4 million or 38.1 percent of the budgeted amount—a decline of \$430.0 million (39.0 percent) million from the comparative year-earlier period (see **Table 2**). Tax receipts, at 37.6 percent of budget, contracted by \$425.0 million (42.7 percent) to \$569.5 million, and non-tax revenue was lower by \$4.9 million (4.6 percent) at \$101.9 million, for 41.2 percent of the budget.

Percentage Composition of Tax Revenue (FY2020/21)

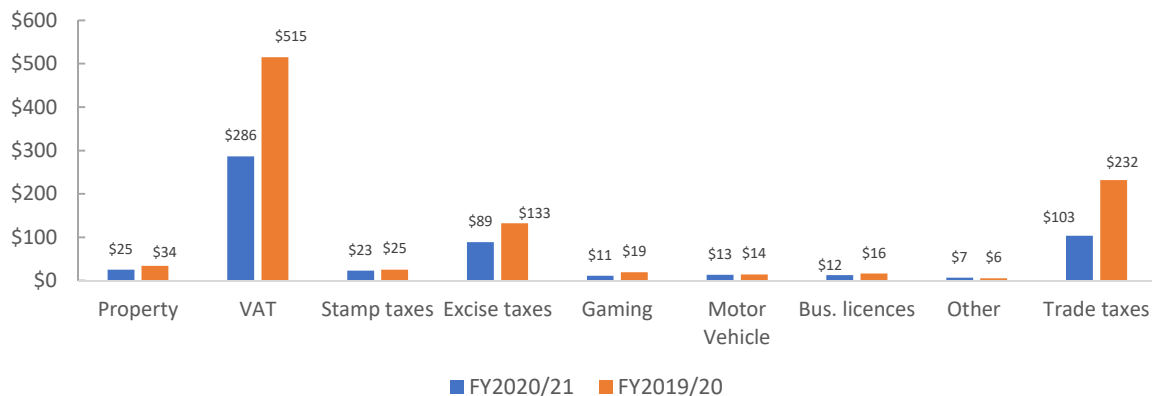


Key developments underlying revenue performance for the first six months relative to the year-earlier outturn are outlined below:

- Taxes on Goods and Services—comprising 77.2 percent of tax receipts, contracted by \$284.0 million (39.2 percent) to represent 41.3 percent of the budget.
 - Reflecting the adverse impact of COVID-19 health and safety containment measures on economic activity, VAT receipts declined by \$229.0 million (44.4 percent) to \$286.3 million, for 43.0 percent of the budget target. Another factor influencing this outcome was the extension of the Special Economic Recovery Zone (SERZ) concessions to December 31, 2020 to aid in the rebuilding of areas of Grand Bahama and Abaco impacted by Hurricane Dorian in September 2019.
 - Stamp taxes on financial and real estate transactions were up slightly, by \$1.0 million (4.9 percent) to \$21.6 million, which represented 33.1 percent of the budget.
 - Similar to the factors impacting VAT receipts, excise tax receipts contracted by \$43.6 million (32.9 percent) to \$88.9 million.

- The reduction in economic activity and higher unemployment conditions also adversely impacted gaming/betting activity, with gaming taxes lower by \$8.4 million (43.3 percent) at \$11.0 million. 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.
- Receipts from license to conduct special business activity, which primarily include business license fees and communication levies, declined by \$3.9 million (23.9 percent) to \$12.4 million, to represent 14.5 percent of the budget.
- The intake from taxes on international trade and transactions narrowed by \$128.7 million (55.5 percent) to \$103.1 million.
- General stamp taxes were lower by \$3.3 million (70.2 percent) at \$1.4 million, to represent 19.2 percent of the budget.

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



- Property income aggregated \$16.8 million, to represent 41.5 percent of the budget, and an increase of \$10.6 million from the prior year comparison, buoyed by the \$11.8 million Autec lease payment made in the second quarter.
- Receipts for the sale of goods and services, of \$65.9 million, were \$20.5 million (23.7 percent) below the year-earlier intake. Dominating this outcome were declines in immigration fees, of \$8.4 million (20.3 percent), and customs fees of \$6.4 million (27.2 percent).
- Collections of fines, penalties and forfeits firmed by \$1.1 million (122.2 percent) to \$2.0 million, to settle at 43.5 percent of budget.
- Miscellaneous and unidentified revenues improved by \$3.8 million (28.6 percent) to \$17.1 million primarily driven by the \$16.8 million premium on the December US\$225.0 million bond placement

FIRST SIX MONTHS REPORT ON BUDGETARY PERFORMANCE FY2020/21 JULY - DECEMBER

TABLE 2: REVENUE SUMMARY (B\$M)

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July – December		
	FY2020/21	FY2020/21 ^P Actual	FY2019/20 ^P Actual	Variance	% of Budget
TAX REVENUE (a+b+c+d)	1,513.3	569.5	994.5	(425.0)	37.6%
a. Taxes on Property	104.8	25.1	34.1	(9.0)	24.0%
b. Taxes on Goods & Services (i+ii+iii)	1,063.9	439.9	723.9	(349.0)	35.2%
i. General	893.3	396.8	668.4	(271.6)	44.4%
VAT	666.3	286.3	515.3	(229.0)	43.0%
Stamp taxes (Financial & Realty)	65.2	21.6	20.6	1.0	33.1%
Excise Tax	161.8	88.9	132.5	(43.6)	54.9%
ii. Specific (Gaming taxes)	34.2	11.0	19.4	(8.4)	32.2%
iii. Taxes on Use of Goods/Permission to Use	136.4	32.1	36.1	(4.0)	23.5%
Motor Vehicle Taxes	33.0	13.2	14.2	(1.0)	40.0%
Company Taxes	15.9	6.0	4.9	1.1	37.7%
Licence to Conduct Special Bus. Activity	85.5	12.4	16.3	(3.9)	14.5%
Marine License Activities	2.0	0.5	0.7	(0.2)	25.0%
c. Taxes on Int'l Trade & Transactions	337.3	103.1	231.8	(128.7)	30.6%
Customs & other import duties	224.6	85.7	141.1	(55.4)	38.2%
Taxes on Exports	29.3	14.5	26.4	(11.9)	49.5%
Departure Taxes	83.4	2.9	64.3	(61.4)	3.5%
Other	0.1	0.0	0.0	0.0	0.0%
d. General Stamp Taxes	7.3	1.4	4.7	(3.3)	19.2%
NON-TAX REVENUE (e+f+g+h+i+j)	247.3	101.9	106.8	(4.9)	41.2%
e. Property Income	40.5	16.8	6.2	10.6	41.5%
Interest & Dividends	25.6	3.1	3.9	(0.8)	12.1%
Revenue Gov't Property	14.9	13.7	2.3	11.4	91.9%
f. Sales of goods & services	154.8	65.9	86.4	(20.5)	42.6%
i. Fees & Service Charges	135.4	60.1	77.6	(17.5)	44.4%
General Registration	4.0	2.0	2.2	(0.2)	50.0%
General Service	11.5	4.5	6.4	(1.9)	39.1%
Immigration	65.2	32.9	41.3	(8.4)	50.5%
Land & Building	2.4	0.8	1.0	(0.2)	33.3%
Legal	0.9	0.4	0.6	(0.2)	44.4%
Customs	45.3	17.1	23.5	(6.4)	37.7%
Port & Harbour	3.5	2.1	2.6	(0.5)	60.0%
Health	2.0	0.1	0.0	0.1	5.0%
Other Fees	0.6	0.2	0.0	0.2	33.3%
ii. Other	19.4	5.8	8.8	(3.0)	29.9%
g. Fines, Penalties & Forfeits	4.6	2.0	0.9	1.1	43.5%
h. Reimbursements & Repayments	42.6	0.1	0.0	0.1	0.2%
i. Misc. & Unidentified Revenue	1.8	17.1	13.3	3.8	950.0%
j. Sales of other Non-Financial Assets	3.0	0.0	0.0	0.0	0.0%
TOTAL TAX & NON-TAX REVENUE	1,760.6	671.4	1,101.3	(429.9)	38.1%
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	671.4	1,101.4	(430.0)	38.1%

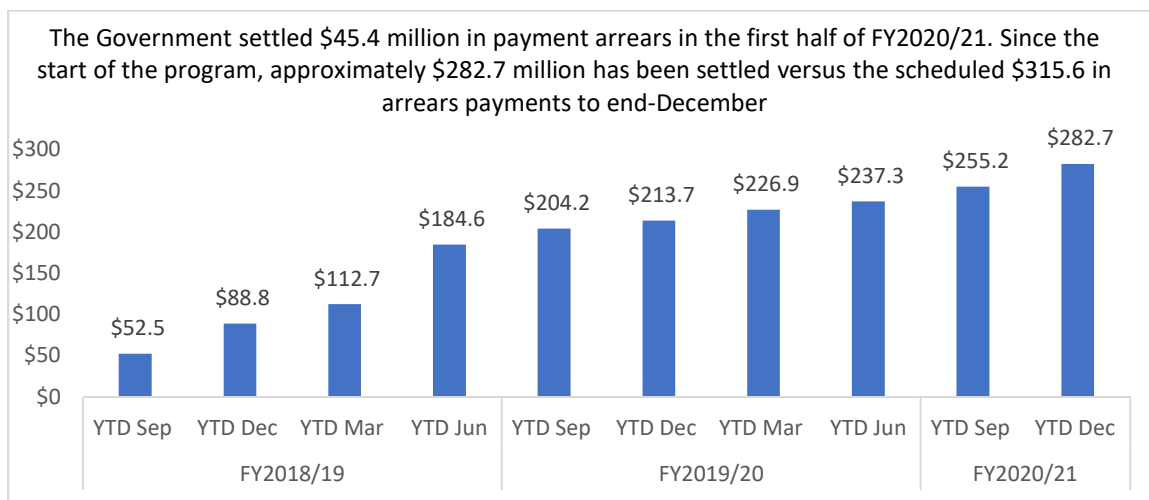
4. Expenditure Developments

a. Recurrent Expenditure

Recurrent expenditure increased by \$119.5 million (10.1 percent) to \$1,298.2 million during the first half of the FY2020/21, as compared to the same period in the prior year—representing 50.4 percent of the targeted spend (*see Table 3*).

- Outlays for compensation of employees were lower at \$342.3 million from \$381.5 million in the comparative prior period which was inflated by the December \$22.8 million lump sum payment to eligible Government employees. The outcome equated to 45.7 percent of the budget allocation. Meanwhile, allowances rose by \$1.9 million (7.5 percent) to settle at \$26.7 million.

Settlement of Arrears (B\$M)

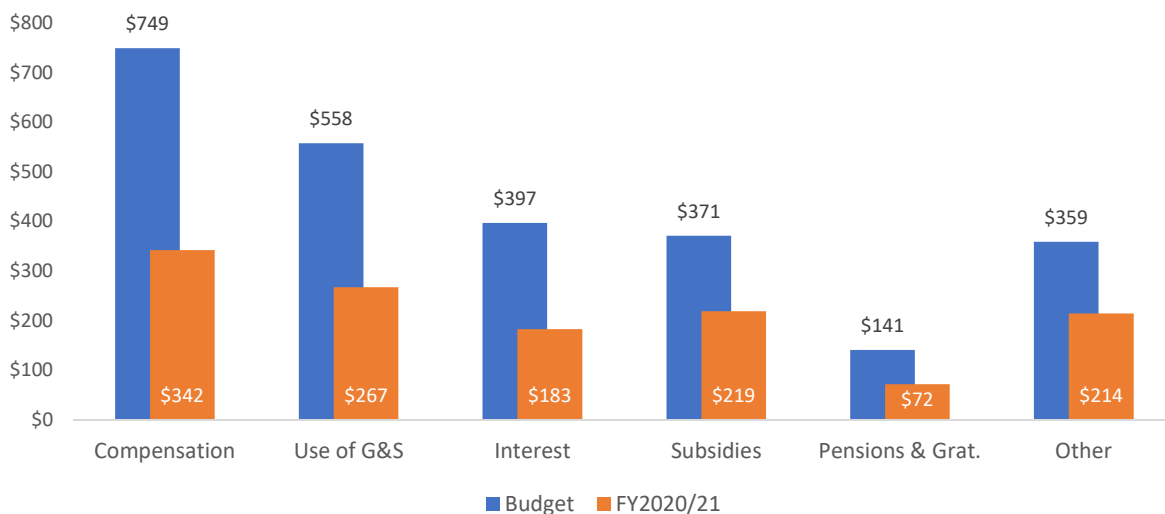


Note: Payment of arrears are included across several expenditure categories

- Expenditure on the use of goods and services increased by \$30.3 million (12.8 percent) to \$267.1 million, for 47.9 percent of the budget appropriation. Spending for supplies and materials contracted by \$11.7 million (45.7 percent) to \$13.9 million which was 33.1 percent of the budget. Reflecting unbudgeted costs associated with the two capital market and international loan transactions, finance charges were significantly higher at \$50.0 million, to double the budget allocation. More modest contractions included reductions in the spend for travel and subsistence, by \$2.5 million (42.4 percent); tourism-related, by \$3.0 million (100.0 percent) and other goods & services, by \$2.3 million (31.1 percent). Muted gains were registered for payments related to rent (\$2.0 million or 5.8 percent); services (\$1.4 million or 1.9 percent) and local Government (\$2.1 million or 51.2 percent).
- Public debt interest payments firmed by \$17.8 million (10.8 percent) to settle at \$183.2 million or 46.2 percent of the budget estimate. This comprised interest payments on the Bahamian dollar component of \$110.4 million (60.3 percent) and on foreign currency debt obligations of \$72.8 million (39.7 percent).

- Government subsidies, covering transfers to Government-owned and/or controlled entities or private sector partners which provide goods and services to the public, rose by \$21.5 million (10.9 percent) to \$219.3 million and represented 59.1 percent of the budget appropriation.
 - Subsidies to public non-financial corporations was boosted to \$205.7 million from \$189.5 million. This included transfers of \$117.1 million to the Public Hospitals Authority (PHA) to support its ongoing operations as well as COVID-19 remediation efforts. Support of \$34.8 million was provided to Bahamasair; \$19.0 million to the National Health Insurance; and \$15.2 million was transferred to the Water and Sewerage Corporation to support operational costs, amid revenue challenges imposed by the impact of the COVID-19 economic disruptions.
 - Transfers to private non-financial corporations were higher by \$2.7 million at \$12.7 million, largely attributed to the \$5.0 million increase in grants to independent schools experiencing COVID-19 related economic hardships.

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



- Expenditure on social assistance benefits expanded significantly by \$91.6 million (715.6 percent) to \$104.4 million compared to the same period in the prior year, to settle at 76.0 percent of the budget.
 - Approximately \$66.2 million was expended on direct cash transfers under the Government’s unemployment assistance programme administered by the National Insurance Board (NIB), as the Government responded to the extended impact of COVID-19 and the requirement for social safety net support. Furthermore, food assistance benefits, which were facilitated via the Department of Social Services and the National Food Distribution Task Force, totaled \$30.8 million.

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

	[a]	[b]	[c]	[b] -[c]	[b]/[a]
	Budget	July - December			
	FY2020/21	FY2020/21^P Actual	FY2019/20^P Actual	Variance	% of Budget
RECURRENT EXPENDITURE					
Compensation of Employees	748.9	342.3	381.5	(39.2)	45.7%
Use of Goods & Services	557.7	267.1	236.8	30.3	47.9%
Travel & Subsistence	9.5	3.4	5.9	(2.5)	35.8%
Rent	64.4	36.4	34.4	2.0	56.5%
Utilities & Telecommunications	92.0	30.8	30.0	0.8	33.5%
Supplies & Materials	42.0	13.9	25.6	(11.7)	33.1%
Services	186.5	74.4	73.0	1.4	39.9%
Minor capital repairs	4.1	1.5	1.7	(0.2)	36.6%
Finance charges	25.0	50.0	5.3	44.7	200.0%
Special Financial Transactions	100.6	45.4	46.4	(1.0)	45.1%
Tourism Related	8.4	0.0	3.0	(3.0)	0.0%
Local Gov't Districts	13.3	6.2	4.1	2.1	46.6%
School Boards	0.0	0.0	0.0	0.0	0.0%
Other	11.9	5.1	7.4	(2.3)	42.9%
Public Debt Interest	396.9	183.2	165.4	17.8	46.2%
Subsidies	370.9	219.3	197.8	21.5	59.1%
Grants	7.5	4.3	4.1	0.2	57.3%
Social Assistance Benefits	137.4	104.4	12.8	91.6	76.0%
Pensions & Gratuities	140.9	71.9	70.0	1.9	51.0%
Other Payments	214.1	105.7	110.3	(4.6)	49.4%
Current Transfers n.e.c.	146.3	81.2	80.2	1.0	55.5%
Insurance Premiums	67.8	24.5	30.1	(5.6)	36.1%
TOTAL	2,574.3	1,298.2	1,178.7	119.5	50.4%

b. Capital Spending

During the first half of FY2020/21, capital expenditure contracted by \$7.4 million (6.3 percent) to \$109.3 million, when compared to the same period in the prior year, to represent 21.2 percent of budget (*see Table 4*).

- Capital transfers receded by \$17.5 million (40.4 percent) to \$25.8 million at 12.7 percent of the budget target.
 - Key capital spend items included \$5.5 million in transfers related to the post-Dorian national disaster recovery and \$9.0 million for small and medium sized business support.
- Expenditure on the acquisition of non-financial assets during the period was higher by \$10.1 million (13.8 percent) at \$83.5 million –for 26.7 percent of the annual target.

- Buildings other than dwellings experienced a net reduction of \$7.9 million (21.8 percent) to settle at \$28.4 million. This is largely attributed to reductions in expenditure on Government buildings, which were inflated by Hurricane Dorian restorative efforts in the prior period. Outlays for other structures firmed by \$8.6 million (32.7 percent) to \$34.9 million, primarily explained by increased outlays of \$3.2 million on bridges, \$4.5 million on New Providence roads and \$3.1 million on airport repairs and upgrades. Land improvements expenditures were \$3.6 million, up significantly from \$0.3 million a year earlier; and spending on other fixed assets more than doubled to \$5.3 million from \$2.1 million.

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

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July - December		
	FY2020/21	FY2020/21^P Actual	FY2019/20^P Actual	Variance	% of Budget
Capital Transfers	203.0	25.8	43.3	(17.5)	12.7%
Acquisition of Non-financial assets	312.5	83.5	73.4	10.1	26.7%
Fixed Assets	307.7	83.5	73.4	10.1	27.1%
Buildings other than dwellings	109.5	28.4	36.3	(7.9)	25.9%
Other structures	133.1	34.9	26.3	8.6	26.2%
Transport equipment	11.3	1.5	0.3	1.2	13.3%
Other Machinery & equipment	26.0	9.8	8.1	1.7	37.7%
Land Improvements	5.6	3.6	0.3	3.3	64.3%
Other Fixed Assets	22.2	5.3	2.1	3.2	23.9%
Land	4.8	0.0	0.0	0.0	0.0%
TOTAL	515.5	109.3	116.7	(7.4)	21.2%

5. Financing Activities

Net Increase in Liabilities

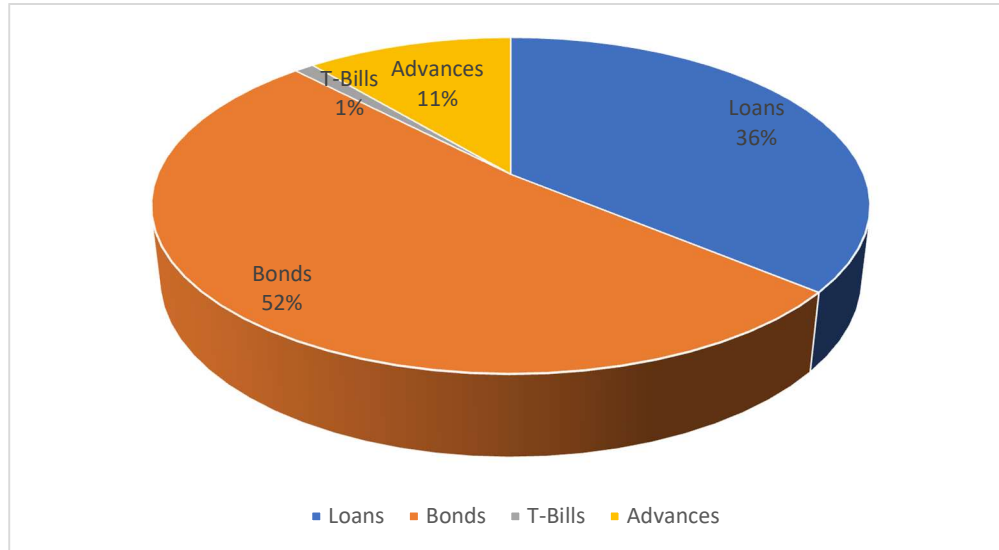
In meeting its operational requirements, the Government incurred a net increase in liabilities over the period of \$1,198.8 million.

- Budgetary financing requirements were met through borrowings totaling \$2,120.1 million, compared with \$530.9 million for the same period of the prior fiscal year.
 - Domestic bond issuances aggregated \$272.9 million, with proceeds primarily used to refinance \$264.0 million of maturing bonds.
 - Two international bond issuances totaling \$825.0 million—US\$600.0 million in October and US\$225.0 million in December.
 - External loan financing of \$764.8 million comprised a US\$246.0 million bridge facility used to retire and assume direct responsibility for the BEC legacy debt of an equivalent amount. The Government also accessed another US\$248.0 million bridge loan facility, to assist with short term budgetary requirements, which has since been repaid out of the proceeds from the initial bond transaction. Another US\$200 million was obtained from the IDB under a programme to boost small business resilience and environmental protection. The Government also secured a US\$40 million policy loan from the CDB in November. An initial US\$15.4 million was drawn in December on the IDB US\$80 million loan for reconstruction and resilience in the energy sector.
 - Short-term domestic financing comprised \$22.5 million in Treasury bills and \$234.9 million in Central Bank advances.
- Debt amortization payments were boosted to \$921.3 million, from the year-earlier \$325.7 million, and included the repayment of the US\$248 million bridge financing and \$244.9 million in Central Bank advances.
- As of result of net borrowing activities, the Direct Charge on the Government—exclusive of exchange rate adjustments, increased by \$1,198.8million to \$9,390.0 million or an estimated 78.8 percent of GDP at end-December 2020, 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 - December		
	Borrowings	Repayment	Net Change
Bahamian Dollars	530.3	564.1	(33.8)
Bonds	272.9	264.0	8.9
Treasury Bills/Notes	22.5	54.8	(32.3)
Bank Loans	0.0	0.4	(0.4)
Central Bank Advances	234.9	244.9	(10.0)
Foreign Currency	1,589.8	357.2	1,232.6
Bank Loans	494.0	345.9	148.1
International Bonds	825.0	0.0	825.0
Loans from Int'l Dev. Agencies	270.8	11.3	259.5
TOTAL	2,120.1	921.3	1,198.8

Composition of Government Borrowings for FY2020/21



Contribution to Sinking Funds

During the first half of the FY2020/21, no contributions were made to the sinking fund established to retire future debt obligations, given the increasing requirements posed by the COVID-19 pandemic on the fiscal performance. At end-December 2020, 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 arrangement stood at \$13.3 million.

6. Ministry of Finance Legislative Initiatives

The Government continued to progress its policy agenda to achieve reforms in public financial management. Outlined below in **Box B** is the status of each piece of legislation.

BOX B		
LEGISLATIVE INITIATIVES	KEY FEATURES + DEVELOPMENTS	STATUS
Public Procurement Bill, 2020	The draft Bill seeks to establish a public procurement board, a digital procurement platform, and an electronic vendor registry, to modernize existing procurement systems with international best practices.	After completion of a four-week consultation period, the draft Bill was tabled in Parliament in June 2020, along with the 2020/21 Budget, and is slated for debate during Q3 FY2020/21..
Public Debt Management Bill, 2020	The draft Bill seeks to consolidate and amend existing laws for public debt management, as well as implement a governance framework oversight of Government debt activities, which are to be guided by defined objectives. The Bill will also establish a Debt Management Unit and a Debt Management Committee and require the production of an annual Debt Management Strategy Report, which is to be presented to Parliament at the time of the fiscal strategy report.	A four-week consultation period was conducted in October 2020 and comments are soon to be published. The draft Bill is slated to be tabled during Q3 FY2020/21.
Public Financial Management Bill, 2020	The draft Bill seeks to replace the existing Financial Administration and Audit Act, 2010, and to clearly specify the roles and responsibilities of financial officers, enhance reporting requirements and accountability expectations across the public service, and solidify criminal penalties for malfeasance in public financial matters.	A four-week consultation period was conducted in October 2020 and comments are soon to be published. The draft Bill is slated to be tabled during Q3 FY2020/21.
Statistics Bill, 2020	The draft Bill seeks to establish the Bahamas National Statistics Institute and a National Statistical System and would facilitate the establishment of standards for collecting, compiling, analyzing and publishing official statistics.	A four-week consultation was completed by end-September 2020. Consolidated comments are soon to be published electronically. The draft Bill is slated to be tabled during Q3 FY2020/21.

With the prolonged and unplanned impact of the COVID-19 virus on Hurricane Dorian restorative efforts, the Government extended certain tax relief and recovery initiatives during the period to allow for a longer recovery period. Outlined below in **Box C** is a summary of the legislation.

Box C	
LEGISLATIVE INITIATIVES	KEY FEATURES + DEVELOPMENTS
<p>Special Economic Recovery Zone (No. 2) Order, 2020</p>	<p>In late September 2019, both Abaco and Grand Bahama were declared Special Economic Recovery Zones (SERZ), which allowed residents and businesses to benefit from exemptions and incentives initially until June 30, 2020. The concessions were later extended to December 31, 2020. On December 31, 2020, certain SERZ concessions were further extended by Order to aid in recovery efforts which include:</p> <ul style="list-style-type: none"> - VAT waiver on the sale of fuel (until June 30, 2021); - Reduced VAT on the sale of real property transactions valued up to \$500k (until June 30, 2021); - VAT/import tax waiver on furniture, fixtures and appliances, hardware, building materials, fixtures and related items; - Elimination of VAT on construction services invoiced on or before June 30, 2021 and settled by September 30, 2021; and - Exemption on import tax on replacement vehicles purchased and shipped by January 31, 2021 and received by April 30, 2021.