

FIRST QUARTER & FISCAL SNAPSHOT REPORT

on Budgetary Performance

FISCAL YEAR 2020/21

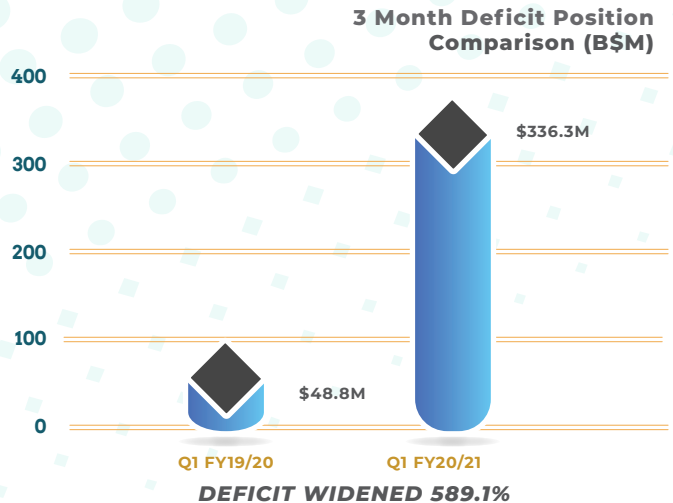
Section 1 The Snapshot

Section 2 The Report

FISCAL BALANCE

DEFICIT POSITION
\$336.3M

The impact of the second wave of the COVID-19 pandemic in July 2020 and the subsequent reinstatement of curfews and lockdowns for the entire month of August exerted significant pressure on the fiscal position during the first quarter of the fiscal year 2020/21, elevating the overall deficit above earlier projections.

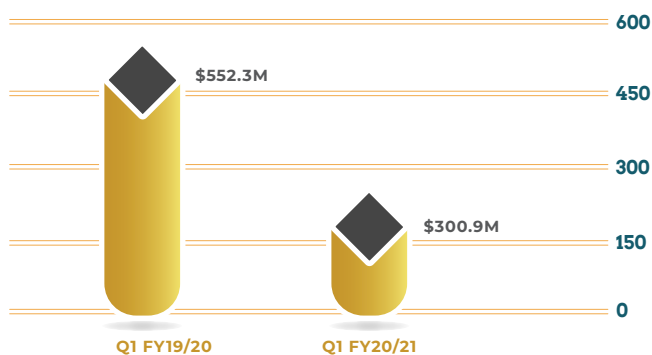


Amid the higher than expected contraction in revenues and increased COVID-19 related spending, preliminary estimates show a stronger deterioration in the overall deficit, to **\$336.3 million** from **\$48.8 million** in the comparable 2019/20 period

REVENUE
\$300.9M

Total revenue contracted by **\$251.4 million** (45.5 percent) to **\$300.9 million**, as compared to the first quarter of FY2019/20. Reflecting the adverse impact of COVID-19 on economic activity and travel, tax receipts—which represented 89.5 percent of aggregate revenue—declined by **\$229.3 million** (46.0 percent) to **\$269.5 million**, largely due to a slump in revenue from VAT, import duties and departure taxes. Non-tax revenue weakened by \$22.0 million at \$31.4 million, mainly on account of lower collections of immigration and customs fees.

3 Month Revenue Performance Comparison (B\$M)

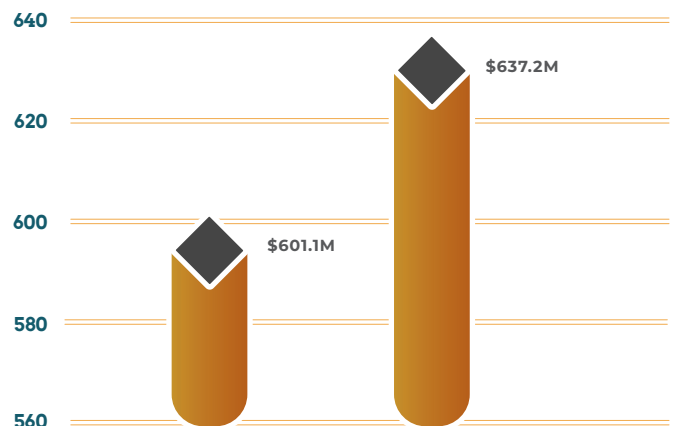


Revenue decreased by 45.5%

EXPENDITURE
\$637.2M

Aggregate expenditure firmed by **\$36.1 million** (6.0 percent) to **\$637.2 million**, when compared to the previous fiscal period. At 91.0 percent of total outlays, recurrent expenditure grew by **\$35.0 million** (6.4 percent) to **\$579.8 million**.

3 Month Expenditure Performance Comparison (B\$M)



Expenditure increased by 6%

REVENUE PERFORMANCE

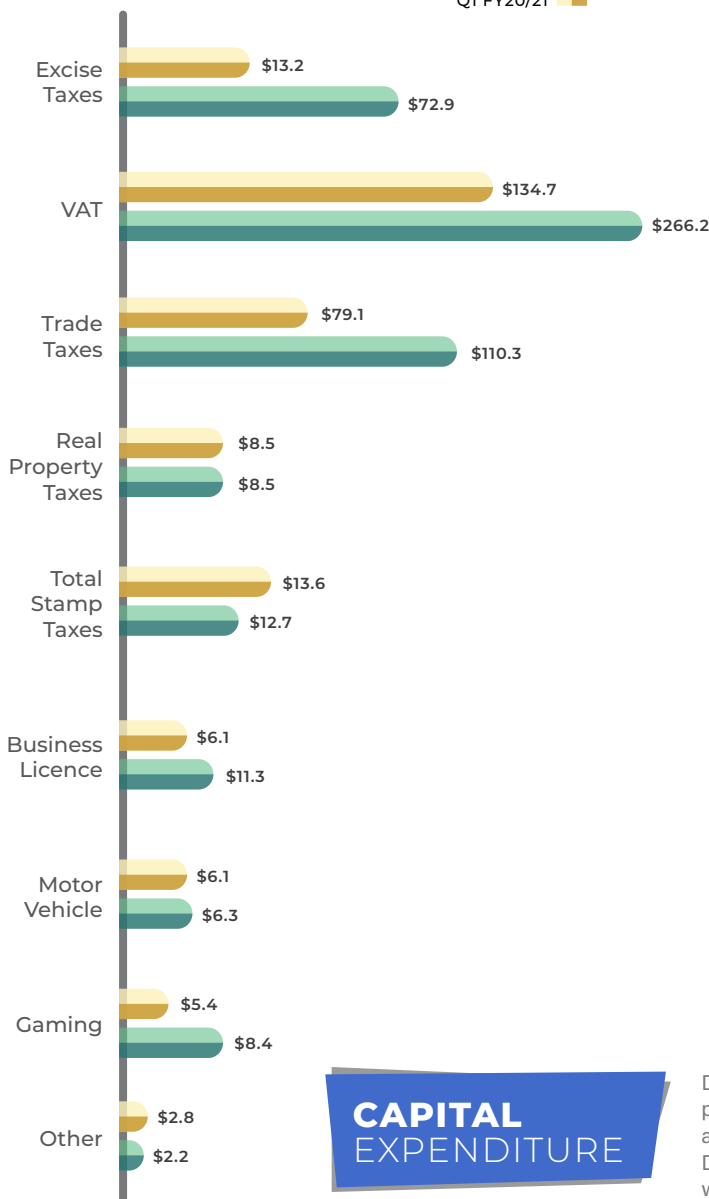
TAX REVENUE SUMMARY

Collections of taxes on goods and services, which constituted the largest share of tax revenue at 67.0 percent, were sharply lower by 52.2 percent to **\$180.6 million**. As COVID-19 restrictions curtailed business activity and movement, VAT receipts declined by 49.4 percent (\$131.5 million) to **\$134.7 million** and represented 20.2 percent of budget. Similarly, excise taxes contracted by 81.9 percent (\$59.7 million) to **\$13.2 million**.

Receipts from license to conduct special business receded by 46.0 percent to **\$6.1 million**, for 71 percent of the annual target, largely due to declines in business license revenues associated with Hurricane Dorian-related initiatives and the COVID-19 Tax Credit & Deferral Employee Retention programs. With the sudden stop in tourism and other COVID-related travel limitations, the intake from departure taxes receded sharply by **\$38.2 million** (96.0 percent) to **\$1.6 million**.

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

Q1 FY19/20
Q1 FY20/21

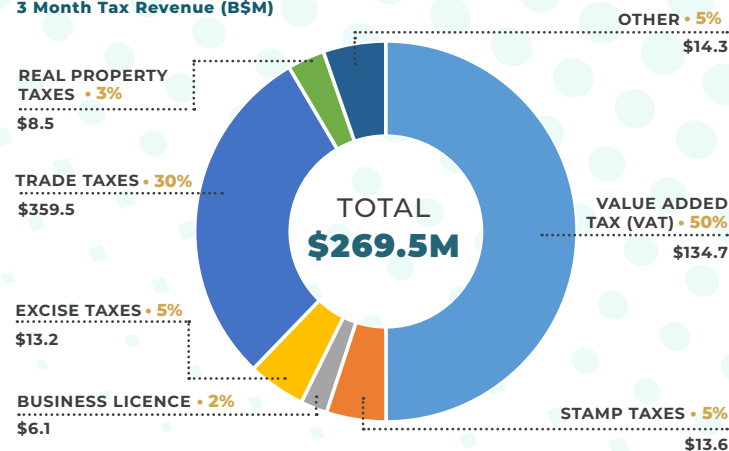


CAPITAL EXPENDITURE

NON-TAX REVENUE SUMMARY

The decline in non-tax revenue of **\$22.0 million** (41.2 percent) to 12.7 percent of budget is explained by the boost in the previous fiscal period's position due to the **\$12.3 million** payout under the Caribbean Catastrophe Risk Insurance Facility.

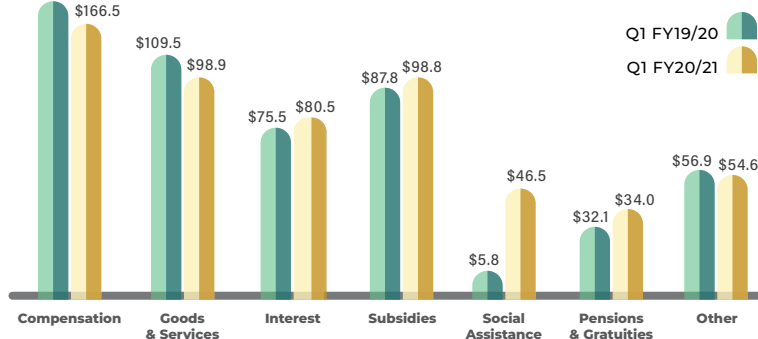
3 Month Tax Revenue (B\$M)



RECURRENT EXPENDITURE

Compensation of employees declined by **\$10.7 million** (6.0 percent) to **\$166.5 million**. Expenditures for the acquisition of goods & services were curtailed by **\$10.6 million** (9.7 percent) to **\$98.9 million**, to position at 17.7 percent of budget. Reductions in subsidies to Bahamasair of **\$2.3 million** and Water and Sewerage Corporation of **\$5.5 million** were outpaced by higher transfers to National Health Insurance of **\$7.7 million** and the Public Hospitals Authority of **\$10.4 million**, to cover COVID-19 related health initiatives. Social assistance benefits—in cash or in kind—increased substantially, by **\$40.7 million** to **\$46.5 million**—being driven by COVID-19 related hikes in outlays for unemployment assistance (**\$25.1 million**) and food assistance and meal vouchers (**\$13.9 million**).

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



During the first quarter of FY2020/21, capital outlays firmed modestly by \$1.1 million (2.0 percent) to \$57.4 million, compared to the same period during the prior year, to settle at 11.1 percent of the budget target. Transfers to the Access Accelerator Small Business Development Center of \$8.3 million represented 49.6 percent of total capital transfers and were largely associated with loans and grants to small businesses impacted by COVID-19.

FINANCIAL ACTIVITIES

The government's operational activities for the opening quarter of FY2020/21 included a net increase in liabilities of **\$692.0 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

\$8,906.0 million

As of June 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

\$222.7M

Bahamian Dollars

\$698.3M

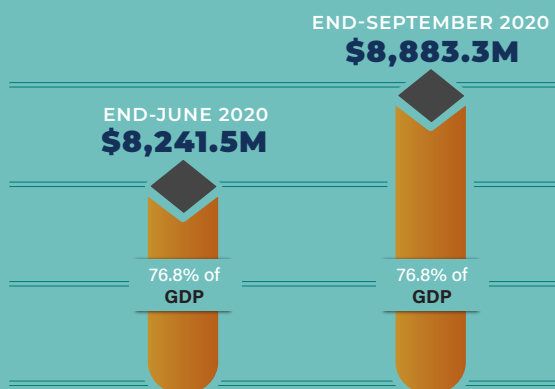
Foreign Currency

MONEY REPAID

\$229.0M

Bahamian Dollars

GOVERNMENT DEBT



Borrowings were in the form of short-term bank advances, Treasury bills and foreign currency loans from international development agencies. The government borrowed a total of **\$921.0 million** during the first quarter, as compared to \$162.6 million in the same period a year prior. Of the total, \$592.3 million was used to cover the overall deficit—being comprised of a **US\$248.0 million** bridge facility from global investors, a **US\$200.0 million** policy loan from the Inter-American Development Bank (IDB), **\$140.0 million** in short-term advances from the Central Bank and **US\$4.3 million** in drawings under existing external loan agreements. The government raised **US\$246.0 million** via another external bridge facility to retire the equivalent legacy facility of the Bahamas Electricity Corporation (BEC), which was previously guaranteed by the government. A total of **\$81.5 million** in maturing bonds were refinanced through an equivalent issuance of new bonds.

POLICY INITIATIVES

Economic Recovery Committee

Given the unprecedented economic toll of the COVID-19 virus on the Bahamian economy, in April 2020 the government appointed a 15-member Economic Recovery Committee (ERC) to make recommendations to the Cabinet on medium and long term strategies for the recovery of the Bahamian economy. The ERC's work is developed around several key pillars including:

The macroeconomy;

Restarting a competitive business environment;

Economic diversification;

Tourism and transport;

Financial services; and

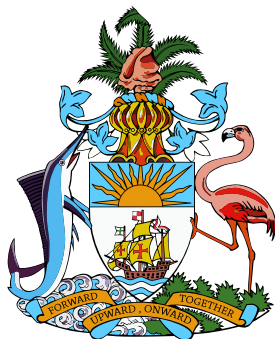
Labour

During the quarter, the government adopted one of the ERC's early recommendations for an extended stay work visa program allowing persons to work remotely from The Bahamas. The ERC submitted the Executive Summary of its plan to the Cabinet in late September for consideration, after which the document was released to the public.

COVID-19 Response

During the quarter, the government continued its COVID-19 related support programs for impacted businesses and families, spending a total of **\$57.1 million** or 45.0 percent of the budgeted allocation on containment and mitigation costs.

	Summary Of Covid-19 Related Expenses (B\$M)		
	BUDGET	JULY - SEPTEMBER	
	FY2020/21	FY2020/21 ^P Actual	% of Budget
RECURRENT EXPENDITURE	111.3	48.4	43.5%
Government unemployment assistance	17.2	6.3	36.6%
Extension of NIB unemployment assistance	51.6	18.8	36.4%
Food assistance	13.9	13.9	100.0%
Health	21.3	9.0	42.3%
Subsistence support for COVID victims	4.4	0.4	9.1%
COVID enforcement unit support	2.9	0.0	0.0%
CAPITAL EXPENDITURE	15.6	8.7	55.8%
Business Continuity Loan Support	15.0	8.3	55.3%
Vehicles and other security equip.	0.6	0.4	66.7%
TOTAL	126.9	57.1	45.0%



FIRST QUARTER 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 FY2020/21

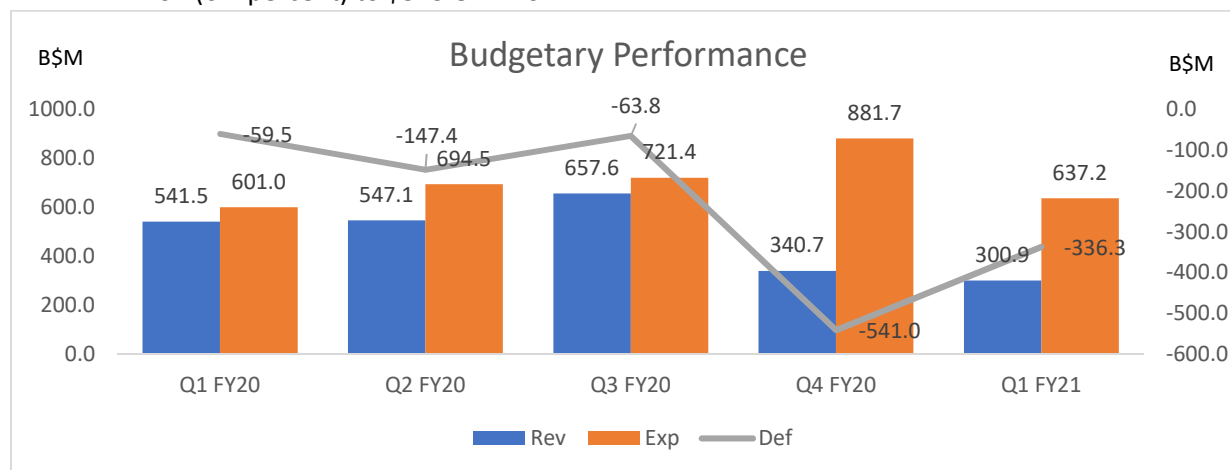
The impact of the second wave of the COVID-19 pandemic in July 2020 and the subsequent reinstatement of curfews and lockdowns for the entire month of August exerted significant pressure on the fiscal position during the first quarter of the fiscal year 2020/21, elevating the overall deficit above earlier projections. Amid the higher than expected contraction in revenues and increased COVID-19 related spending, preliminary estimates show a stronger deterioration in the overall deficit, to \$336.3 million from \$48.3 million in the comparable 2019/20 period (*see Table 1*).

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

(B\$M)	[a]	[b]	[c]	[b] - [c]	[b/a]
	Budget	July - September			
	FY2020/21	FY2020/21 ^p Actual	FY2019/20 ^p Actual	Variance	% of Budget
Revenue	1,762.6	300.9	552.3	(251.4)	17.1%
Tax	1,513.3	269.5	498.8	(229.3)	17.8%
Non-tax	247.3	31.4	53.4	(22.0)	12.7%
Grants	2.0	0.0	0.1	(0.1)	0.0%
Expenditure	3,089.8	637.2	601.1	36.1	20.6%
Recurrent	2,574.3	579.8	544.8	35.0	22.5%
Capital	515.5	57.4	56.3	1.1	11.1%
Surplus/(Deficit)	(1,327.2)	(336.3)	(48.8)	(287.5)	25.3%
Financing Activities	1,327.2	336.3	48.8	287.5	25.3%
<i>Net Acquisition of financial assets (-)</i>	46.5	0.0	21.7	(21.7)	0.0%
Sinking Funds	46.5	0.0	6.7	(6.7)	0.0%
Equity	0.0	0.0	0.0	0.0	0.0%
Other	0.0	0.0	15.0	(15.0)	0.0%
<i>Net Incurrence of Liabilities (+)</i>	1,327.1	692.0	64.3	627.7	52.1%
Borrowings	2,023.7	921.0	162.6	758.4	45.5%
Debt Repayment	696.6	229.0	98.3	130.7	32.9%
Change in Cash Balance [(+)= increase]	46.6	(355.7)	6.2	(361.9)	-763.3%

- Total revenue contracted by \$251.4 million (45.5 percent) to \$300.9 million, as compared to the first quarter of FY2019/20. Reflecting the adverse impact of COVID-19 on economic activity and travel, tax receipts—which represented approximately 90.0 percent of aggregate revenue—declined by \$229.3 million (46.0 percent) to \$269.5 million, largely due to a slump in revenue from VAT, import duties and departure taxes. Non-tax revenue weakened by \$22.0 million at \$31.4 million, mainly on account of lower collections of immigration and customs fees.

- Aggregate expenditure firmed by \$36.1 million (6.0 percent) to \$637.2 million, when compared to the previous fiscal period. At 91.0 percent of total outlays, recurrent expenditure grew by \$35.0 million (6.4 percent) to \$579.8 million.

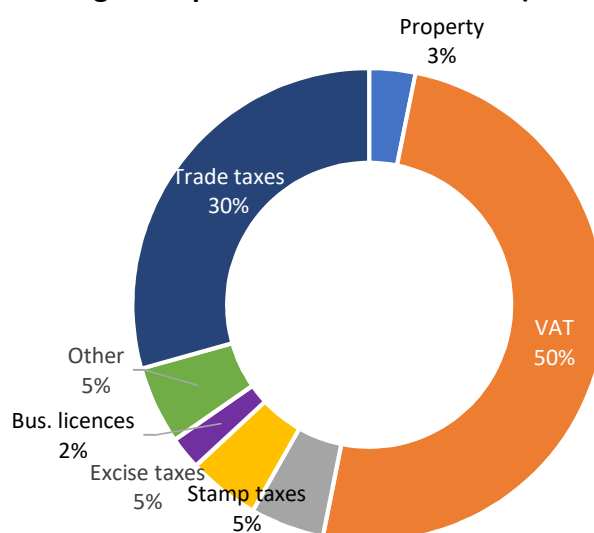


- The government borrowed a total of \$921.0 million during the first quarter, as compared to \$162.6 million in the same period a year prior.
 - Of the total, \$592.3 million was used to cover the overall deficit—being comprised of a US\$248.0 million bridge facility from global investors, a US\$200.0 million policy loan from the Inter-American Development Bank (IDB), \$140.0 million in short-term advances from the Central Bank and US\$4.3 million in drawings under existing external loan agreements.
 - The government raised US\$246.0 million via another external bridge facility to retire the equivalent legacy facility of the Bahamas Electricity Corporation (BEC), which was previously guaranteed by the government.
 - A total of \$81.5 million in maturing bonds were refinanced through an equivalent issuance of new bonds.
- Given the sharp fall-off in revenue receipts below initial projections, no contributions were made to the sinking funds during the quarter.
- Scheduled quarterly debt repayment aggregated \$229.0 million, compared with \$98.3 million in the same period in FY2019/20. In other liability management activities, the government obtained twelve-month principal extensions on \$96.8 million of internal debt and six-months principal extension on \$19.6 million in external debt. Overall, the \$116.4 million constituted 16.7 percent of the \$696.6 million in debt amortization budgeted for FY2020/21.
- Given these debt developments, the Direct Charge on the government (exclusive of exchange rate adjustments) firmed from an estimated \$7,591.3 million or 55.9 percent of GDP to an estimated \$8,883.3 or 76.8 percent of GDP at end-September.

3. Revenue Performance

Total revenue for the first quarter of FY2020/21 declined by \$251.4 million (45.5 percent) to \$300.9 million, when compared to the same period in FY2019/20, and represented 17.1 percent of the budget (see **Table 2**). Reflecting the severe impact of COVID-19 on economic activity, tax receipts contracted sharply by 46.0 percent to \$269.5 million, equating to 17.8 percent of the annual target. Collections of non-tax revenue also receded, by 41.2 percent to \$31.4 million, for 12.7 percent of the budget.

Percentage Composition of Tax Revenue (FY2020/21)

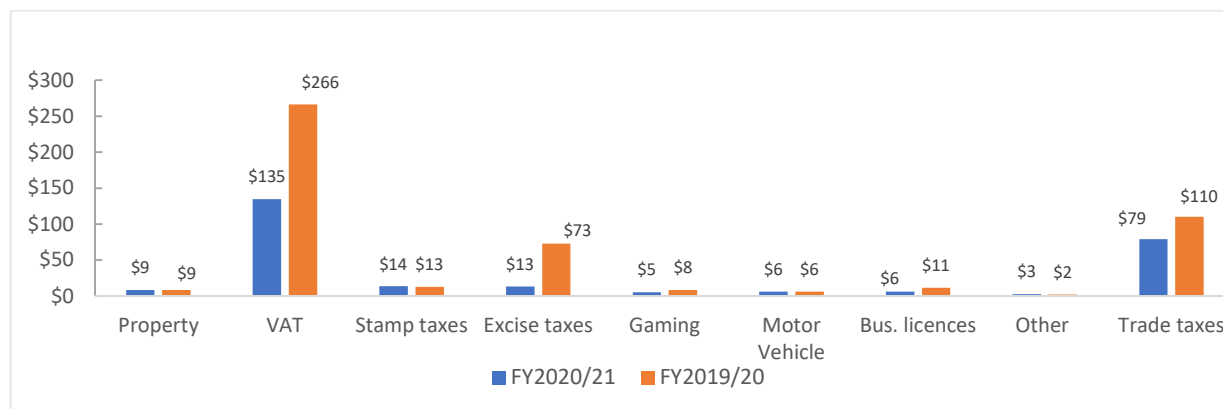


Key developments underlying revenue performance for the first quarter relative to the year-earlier outturn are outlined below:

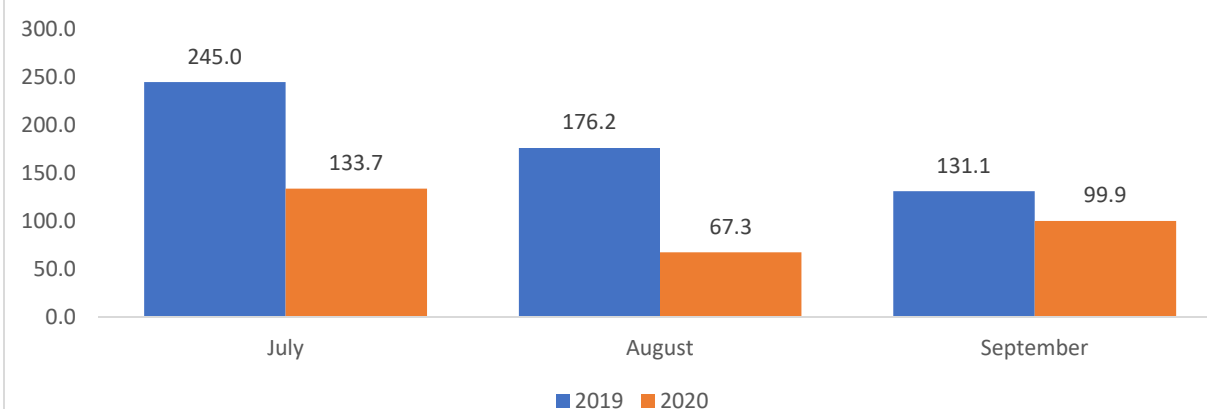
- Collections of taxes on goods and services, which constituted the largest share of tax revenue at 67.0 percent, were sharply lower by 52.2 percent to \$180.6 million
 - As COVID-19 restrictions curtailed business activity and movement, VAT receipts declined by 49.4 percent (\$131.5 million) to \$134.7 million and represented 20.2 percent of budget. Similarly, excise taxes contracted by 81.9 percent (\$59.7 million) to \$13.2 million.
 - Receipts from license to conduct special business receded by 46.0 percent to \$6.1 million, for 7.1 percent of the annual target, largely due to declines in business license revenues associated with Hurricane Dorian-related initiatives and the COVID-19 Tax Credit & Deferral Employee Retention programs.
- Taxes on international trade & transactions declined by \$31.2 million to \$79.1 million, to position at 23.5 percent of the budget and 29.4 percent of tax revenue.
 - The yield from customs & other import duties firmed by \$6.7 million to \$74.3 million, which equated to 33.1 percent of the budget.
 - With the sudden stop in tourism and other COVID-related travel limitations, the intake from departure taxes receded sharply by \$38.2 million (96.0 percent) to \$1.6 million.

- Taxes on exports improved slightly to \$3.2 million from \$2.9 million

Quarterly Comparison of Tax Revenue Performance (B\$M)



Monthly Comparison of Total Revenue Performance (B\$M)



- Immigration fees & service charges tapered-off by 27.7 percent or \$5.3 million to \$13.8 million, as the COVID-19 related lockdown restricted movements and employment conditions remained below pre-hurricane levels in the islands of Abaco and Grand Bahama which both have large pools of migrant workers.
- The reduction in the miscellaneous and unidentified revenue line, of \$11.2 million to \$0.3 million, is explained by the boost in the previous fiscal period's position due to the \$12.3 million payout under the Caribbean Catastrophe Risk Insurance Facility.
- Receipts of customs fee & services charges declined by \$2.4 million (22.2 percent) to \$8.4 million.

TABLE 2: REVENUE SUMMARY (B\$M)

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July - September		
	FY2020/21	FY2020/21 ^P Actual	FY2019/20 ^P Actual	Variance	% of Budget
TAX REVENUE (a+b+c+d)	1,513.3	269.5	498.8	(229.3)	17.8%
a. Taxes on Property	104.8	8.5	8.5	0.0	8.1%
b. Taxes on Goods & Services (i+ii+iii)	1,063.9	180.6	377.9	(197.3)	17.0%
i. General	893.3	160.2	349.7	(189.5)	17.9%
VAT	666.3	134.7	266.2	(131.5)	20.2%
Stamp taxes (Financial & Realty)	65.2	12.3	10.6	1.7	18.9%
Excise Tax	161.8	13.2	72.9	(59.7)	8.2%
ii. Specific (Gaming taxes)	34.2	5.4	8.4	(3.0)	15.8%
iii. Taxes on Use of Goods/Permission to Use	136.4	15.0	19.8	(4.8)	11.0%
Motor Vehicle Taxes	33.0	6.1	6.3	(0.2)	18.5%
Company Taxes	15.9	2.5	1.9	0.6	15.7%
Licence to Conduct Special Bus. Activity	85.5	6.1	11.3	(5.2)	7.1%
Marine License Activities	2.0	0.3	0.3	0.0	15.0%
c. Taxes on Int'l Trade & Transactions	337.3	79.1	110.3	(31.2)	23.5%
Customs & other import duties	224.6	74.3	67.6	6.7	33.1%
Taxes on Exports	29.3	3.2	2.9	0.3	10.9%
Departure Taxes	83.4	1.6	39.8	(38.2)	1.9%
Other	0.1	0.0	0.0	0.0	0.0%
d. General Stamp Taxes	7.3	1.3	2.1	(0.8)	17.8%
NON-TAX REVENUE (e+f+g+h+i+j)	247.3	31.4	53.4	(22.0)	12.7%
e. Property Income	40.5	0.8	1.8	(1.0)	2.0%
Interest & Dividends	25.6	0.7	0.4	0.3	2.7%
Revenue Gov't Property	14.9	0.1	1.4	(1.3)	0.7%
f. Sales of goods & services	154.8	29.5	39.8	(10.3)	19.1%
i. Fees & Service Charges	135.4	26.5	35.2	(8.7)	19.6%
General Registration	4.0	0.5	0.6	(0.1)	12.5%
General Service	11.5	2.4	2.7	(0.3)	20.9%
Immigration	65.2	13.8	19.1	(5.3)	21.2%
Land & Building	2.4	0.3	0.4	(0.1)	12.5%
Legal	0.9	0.2	0.2	0.0	22.2%
Customs	45.3	8.4	10.8	(2.4)	18.5%
Port & Harbour	3.5	0.9	1.3	(0.4)	25.7%
Health	2.0	0.0	0.0	0.0	0.0%
Other Fees	0.6	0.0	0.1	(0.1)	0.0%
ii. Other	19.4	3.0	4.6	(1.6)	15.5%
g. Fines, Penalties & Forfeits	4.6	0.8	0.3	0.5	17.4%
h. Reimbursements & Repayments	42.6	0.0	0.0	0.0	0.0%
i. Misc. & Unidentified Revenue	1.8	0.3	11.5	(11.2)	16.7%
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	300.9	552.2	(251.3)	17.1%
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	300.9	552.3	(251.4)	17.1%

4. Expenditure Developments

a. Recurrent Expenditure

Recurrent expenditure was higher by \$35.0 million (6.4 percent) at \$579.8 million when compared with the same period FY2019/20 (*see Table 3*).

- Compensation of employees declined by \$10.7 million (6.0 percent) to \$166.5 million. This comprised reductions in wages & salaries by \$11.8 million to \$148.1 million and in allowances, by \$2.8 million to \$13.1 million; while the employer's social contribution component advanced by \$1.0 million to \$7.9 million.
- Expenditures for the acquisition of goods & services were curtailed by \$10.6 million (9.7 percent) to \$98.9 million, to position at 17.7 percent of budget.
 - Rental costs receded by \$9.7 million (44.9 percent) to \$11.9 million, while utilities costs were \$5.2 million (113.0 percent) higher at \$9.8 million.
 - Outlays for supplies & materials slackened by \$4.4 million (32.6 percent) to \$9.1 million.
 - Finance charges more than doubled to \$13.0 million from \$5.7 million, mainly on account of interest rate and foreign exchange hedging activities.
 - Special financial transaction, which include payments of arrears, were \$6.3 million (26.1 percent) lower at \$17.8 million. During the quarter, payment arrears, with span across several expenditure categories, amounted to \$2.1 million—bringing total settlements since the start of the programme in FY2018/19 to \$239.4 million.
- Public debt interest payments grew by \$5.0 million to \$80.5 million, which equated to 20.3 percent of the budget. Of the total, \$20.2 million (25.0 percent) was related to foreign currency obligations and the remaining \$60.5 million (75.0 percent) covered Bahamian dollar interest charges.

Recurrent Expenditure vs Budget for FY2020/21 (B\$M)

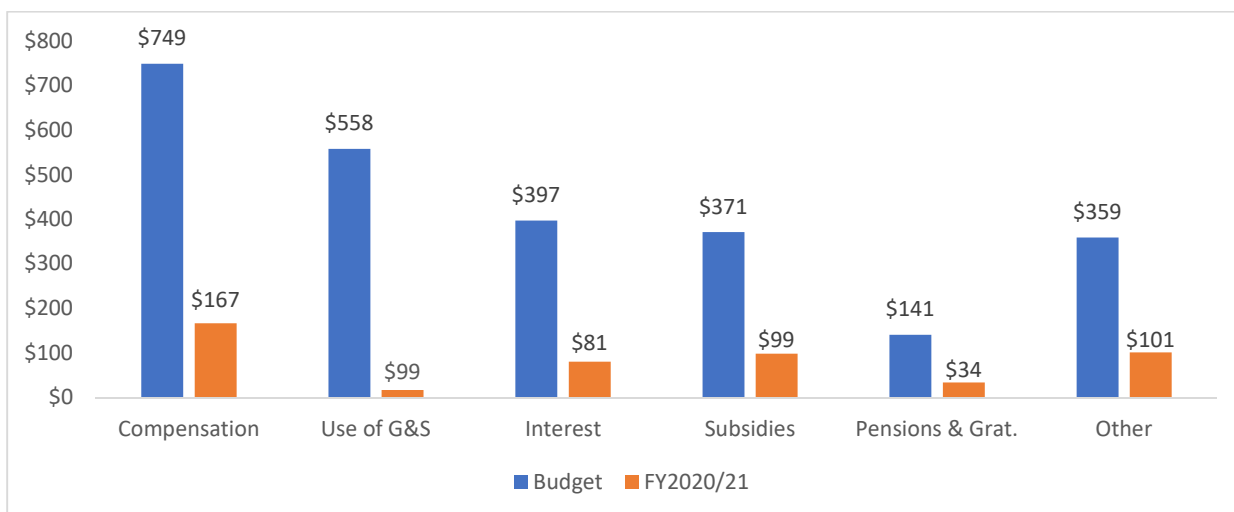


TABLE 3: RECURRENT EXPENDITURE SUMMARY (B\$M)

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July - September		
	FY2020/21	FY2020/21 ^P Actual	FY2019/20 ^P Actual	Variance	% of Budget
RECURRENT EXPENDITURE					
Compensation of Employees	748.9	166.5	177.2	(10.7)	22.2%
Use of Goods & Services	557.7	98.9	109.5	(10.6)	17.7%
Travel & Subsistence	9.5	1.8	2.8	(1.0)	18.9%
Rent	64.4	11.9	21.6	(9.7)	18.5%
Utilities & Telecommunications	92.0	9.8	4.6	5.2	10.7%
Supplies & Materials	42.0	9.1	13.5	(4.4)	21.7%
Services	186.5	30.1	29.6	0.5	16.1%
Minor capital repairs	4.1	0.6	0.6	0.0	14.6%
Finance charges	25.0	13.0	5.7	7.3	52.0%
Special Financial Transactions	100.6	17.8	24.1	(6.3)	17.7%
Tourism Related	8.4	0.0	1.5	(1.5)	0.0%
Local Gov't Districts	13.3	2.1	2.8	(0.7)	15.8%
School Boards	0.0	0.0	0.0	0.0	0.0%
Other	11.9	2.7	2.7	0.0	22.7%
Public Debt Interest	396.9	80.5	75.5	5.0	20.3%
Subsidies	370.9	98.8	87.8	11.0	26.6%
Grants	7.5	2.5	1.9	0.6	33.3%
Social Assistance Benefits	137.4	46.5	5.8	40.7	33.8%
Pensions & Gratuities	140.9	34.0	32.1	1.9	24.1%
Other Payments	214.1	52.1	55.0	(2.9)	24.3%
Current Transfers n.e.c.	146.3	40.1	46.6	(6.5)	27.4%
Insurance Premiums	67.8	12.0	8.3	3.7	17.7%
TOTAL	2,574.3	579.8	544.8	35.0	22.5%

- Subsidies, which include transfers to government-owned and/or controlled enterprises that provide commercial goods and services to the public, were boosted by \$11.0 million (12.5 percent) to \$98.8 million—for 26.6 percent of budget.
 - Reductions in subsidies to Bahamasair of \$2.3 million and Water and Sewerage Corporation of \$5.5 million were outpaced by higher transfers to National Health Insurance of \$7.7 million and the Public Hospitals Authority of \$10.4 million, to cover COVID-19 related health initiatives.
- Grants, which represent gifts and donations to foreign governments and international organizations and membership fees, were up by \$0.6 million to \$2.5 million.
- Social assistance benefits—in cash or in kind—increased substantially, by \$40.7 million to \$46.5 million—being driven COVID-19 related hikes in outlays for unemployment assistance (\$25.1 million) and food assistance and meal vouchers (\$13.9 million).

- Pensions & gratuity payments increased by \$1.9 million (5.9 percent) to \$34.0 million—of which \$28.6 million (84.1 percent) was directed to civil servants
 - Current transfers that are not elsewhere classified (n.e.c.) contracted by \$6.5 million (13.9 percent) to \$40.1 million. This included a \$3.2 million decline in international scholarships reflecting the government's shift more toward funding of domestic tertiary study options amid the global COVID-19 pandemic.
- Insurance premiums advanced by \$3.7 million (44.6 percent) to \$12.0 million, for 17.7 percent of the budget allocation—and was entirely explained by health-related payments for government personnel.

Box A: COVID-19 Expenditures

During the quarter, the government continued its COVID-19 related support programs for impacted businesses and families, spending a total of \$57.1 million or 45.0 percent of the budgeted allocation.

Note that the budget and expenditure items listed relate specifically to COVID-19 containment and mitigation costs and may not include budget and expenditure items where the cost is not exclusively utilized for COVID-19 mitigation strategies.

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

	Budget	July - September	
	FY2020/21	FY2020/21 ^P Actual	% of Budget
Recurrent Expenditure	111.3	48.4	43.5%
Government unemployment assistance	17.2	6.3	36.6%
Extension of NIB unemployment assistance	51.6	18.8	36.4%
Food assistance	13.9	13.9	100.0%
Health	21.3	9.0	42.3%
Subsistence support for COVID victims	4.4	0.4	9.1%
COVID enforcement unit support	2.9	0.0	0.0%
Capital Expenditure	15.6	8.7	55.8%
Business continuity support	15.0	8.3	55.3%
Vehicles and other security equip.	0.6	0.4	66.7%
Total	126.9	57.1	45.0%

b. Capital Spending

During the first quarter of FY2020/21, capital outlays firmed modestly by \$1.1 million (2.0 percent) to \$57.4 million, compared to the same period during the prior year, to settle at 11.1 percent of the budget target (*see Table 4*).

- Capital transfers contracted by \$1.7 million (9.3 percent) to \$16.6 million.
 - Transfers to the Small Business Development Center of \$8.3 million represented 49.6 percent of the total and were largely associated with loans and grants to small businesses impacted by COVID-19.

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

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget	July - June			
	FY2020/21	FY2020/21 ^P Actual	FY2019/20 ^P Actual	Variance	% of Budget
Capital Transfers	203.0	16.6	18.3	(1.7)	8.2%
Acquisition of Non-financial assets	312.5	40.8	38.0	2.8	13.1%
Fixed Assets	307.7	40.8	38.0	2.8	13.3%
Buildings other than dwellings	109.5	10.5	23.3	(12.8)	9.6%
Other structures	133.1	17.3	9.3	8.0	13.0%
Transport equipment	11.3	0.7	0.0	0.7	6.2%
Other Machinery & equipment	26.0	7.6	3.7	3.9	29.2%
Land Improvements	5.6	1.8	0.1	1.7	32.1%
Other Fixed Assets	22.2	2.9	1.6	1.3	13.1%
Land	4.8	0.0	0.0	0.0	0.0%
TOTAL	515.5	57.4	56.3	1.1	11.1%

- Spending for the acquisitions of non-financial assets advanced by \$2.8 million or 7.4 percent to \$40.8 million. Among the dominant fixed assets component:
 - investments in buildings other than dwellings contracted by \$12.8 million (54.9 percent) to \$10.5 million;
 - outlays on other structures were higher by \$8.0 million at \$17.3 million, and included increased spending on bridge repair and maintenance (\$4.9 million); roadworks (\$5.2 million) and airport infrastructure (\$1.0 million);
 - investments related to other machinery & equipment increased more than twofold to \$7.6 million, attributed to increased spend on military, police and prison equipment; and.
 - expenditure on land improvement rose by \$1.7 million to \$1.8 million, largely attributed to park renovations and upgrades.

5. Financing Activities

Net Increase in Liabilities

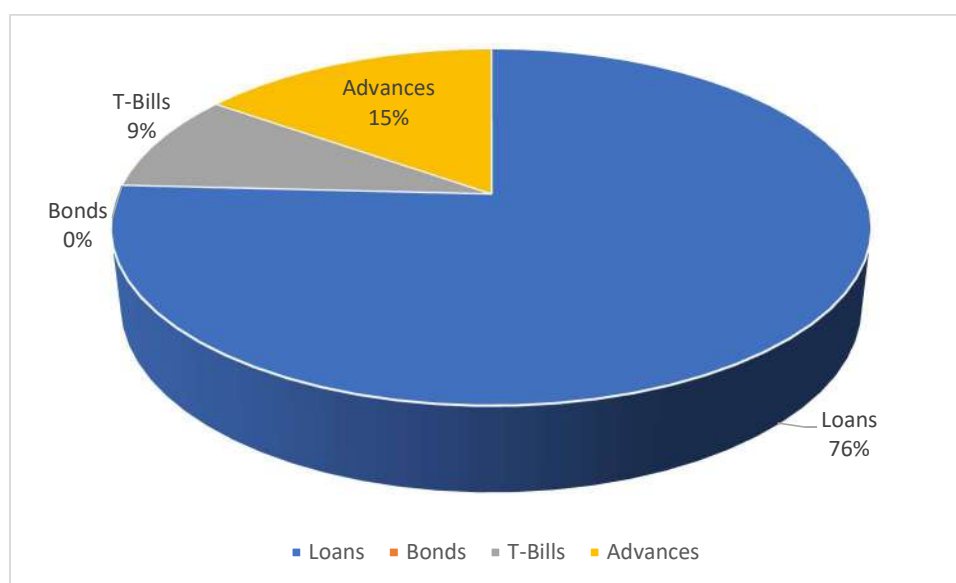
The government's operational activities for the opening quarter of FY2020/21 included a net increase in liabilities of \$692.0 million.

- To finance the overall deficit, the government incurred gross borrowings of \$592.3 million, with \$140 million or 23.6 percent sourced in local currency and \$452.3.0 million or 76.4 percent in foreign currency.
 - All foreign currency borrowings (less the \$4.3 million in drawings under existing loans) were against the \$1.334 billion Parliamentary Borrowing Resolution for the 2020/2021 fiscal year. Borrowings included a US\$248.0 million drawn under a \$300 million syndicated bridge loan— which is to be eventually replaced with a capital market transaction. The loan bears interest at Libor plus a spread of 5.5 percent and has a maturity span of 365 days. The government also obtained a US\$200 million policy-based loan from the IDB, at an interest rate of 2.11 percent and a maturity of twenty (20) years.
 - Under the government's short-term borrowing authority, a total of \$140 million was obtained via advances from the Central Bank of The Bahamas.
 - Debt amortization totaled \$229.0 million—settling obligations of \$126.1 million in Bahamian dollars and \$102.8 million in foreign currency. In other liability management activities, amid the increase in planned borrowings for the fiscal year, the government sought principal extensions on several internal bilateral and syndicated long-term loan facilities with commercial banks and other domestic investors—totaling \$116.4 million or 16.7% of the \$696.6 million principal payments for fiscal year 2020/2021. This comprised an aggregate of \$96.8 million in internal principal payment deferrals, which extended the maturities on the respective credits by twelve months, and a further \$19.6 million on two external facilities for six months. On the short-term spectrum, a 12-month \$17.0 million facility with a domestic bank, originally due July 29, 2020, was extended for one year.
- Under a separate Parliamentary Borrowing Resolution, dated June 22, 2020, the government secured a US\$246.0 million bridge loan facility from global investors, to retire and assume direct responsibility for the US\$246.0 million legacy debt of the BEC, which was previously a contingent liability. Simultaneously, the government executed a side agreement with BPL, the subsidiary of BEC, for the servicing of the new debt until it is repaid out of the proceeds of BPL's prospective rate reduction bonds issuance.
- As a result of these developments, the Direct Charge on the government (exclusive of exchange rate adjustments) expanded from \$7,591.3 million or 55.9 percent of GDP to \$8,883.3 or 76.8 percent of GDP at end-September 2020.

In other debt activities, the government obtained the approval of the Caribbean Development Bank Board for a US\$40.0 million loan, which is expected to be drawn in October or early November, 2020. During September, the government initiated plans for a capital market transaction, and continued discussions with other potential credit sources, including multilateral agencies, with respect to additional borrowing opportunities to meet the remaining financing requirements for FY2020/21.

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

	FY2020/21: July - September		
	Borrowings	Repayment	Net Change
Bahamian Dollars	222.7	126.1	96.6
Bonds	0.0	0.0	0.0
Treasury Bills/Notes	82.7	95.9	(13.2)
Bank Loans	0.0	0.2	(0.2)
Central Bank Advances	140.0	30.0	110.0
Foreign Currency	698.3	102.9	595.4
Bank Loans	494.0	97.9	396.1
Loans from Int'l Dev. Agencies	204.3	5.0	199.3
TOTAL	921.0	229.0	692.0

Composition of Government Borrowings for FY2020/21

Contribution to Sinking Funds

During the first quarter, no contributions were made to the sinking funds established to retire future debt obligations. At end-September 2020, the three (3) arrangements earmarked for scheduled retirement of external bonds held a cumulative value of \$192.4 million, while the funds set aside for the two (2) local arrangements stood at \$13.2 million.

6. Policy Initiatives

a. 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 pending debate.
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 began early October 2020. Upon completion of the consultation period, comments will be published electronically, and the draft Bill sent to Parliament for debate.
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 began early October 2020. Upon completion of the consultation period, comments will be published electronically, and the draft Bill sent to Parliament for debate.
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 after which the draft Bill will be sent to Parliament for debate.

b. Government's fiscal recovery plan

Given the unprecedented economic toll of the COVID-19 virus on the Bahamian economy, in April 2020 the government appointed a 15-member Economic Recovery Committee (ERC) to make recommendations to the Cabinet on medium and long term strategies for the recovery of the Bahamian economy. The ERC's work is developed around several key pillars including:

- The macroeconomy;
- Restarting a competitive business environment;
- Economic diversification;
- Tourism and transport;
- Financial services; and
- Labour

The ERC was charged by the Prime Minister to provide bold and creative recommendations to restore the economy with a focus on the use of digital technologies to deliver services.

During the quarter, the government adopted one of the ERC's early recommendations for an extended stay work visa program allowing persons to work remotely from The Bahamas. The ERC submitted the Executive Summary of its plan to the Cabinet in late September for consideration, after which the document was released to the public on 21 October 2020.