



COMBINED FIRST QUARTER FISCAL SNAPSHOT & REPORT

ON BUDGETARY PERFORMANCE

.....

FY2019/20 July - September

SECTION 1

The Snapshot

SECTION 2

The Report

PUBLISHED BY THE MINISTRY OF FINANCE,
GOVERNMENT OF THE BAHAMAS
OCTOBER, 2019

FISCAL BALANCE

Preliminary estimates for the first quarter (Q1) of the year (FY2019/20) showed an improvement in the overall deficit to **\$41.8 million** in comparison to the **\$64.9 million** in the same period of FY2018/19.

Supporting this outcome, revenue increased year over year (YOY) by **\$38.9 million**, or 7.6%, while expenditure advanced by \$15.8 million, or 2.7% relative to the previous fiscal period.

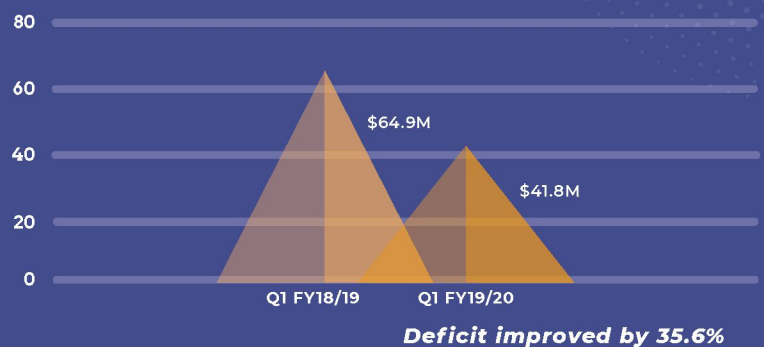
The first quarter report only reflects part of the initial relief and recovery efforts associated with Hurricane Dorian, which ravaged parts of the northern Bahamas in September causing tragic loss of life and damage to critical infrastructure.

The full impact on budgetary developments is expected to be reflected in subsequent reports this fiscal year, estimates of which will be presented in the November 2019 Fiscal Strategy Report.

DEFICIT POSITION

\$41.8M

Q1 Deficit Performance Comparison (B\$M)

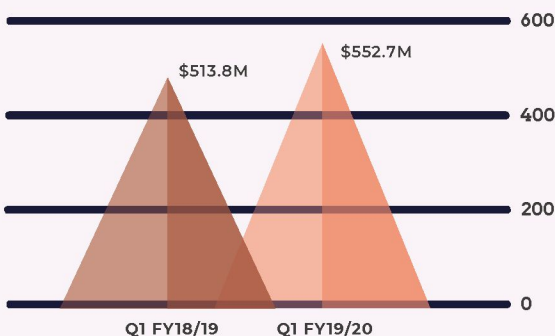


REVENUE

\$552.7M

During the first quarter of FY2019/20, revenue totaled **\$552.7 million**, which equated to some 21.0% of the budget. Tax receipts, which constituted 90.2% of total collections, grew by **\$26.8 million** (5.7%) to **\$498.6 million**, mainly associated with higher Value-Added Tax (VAT) receipts.

Q1 Revenue Performance Comparison (B\$M)



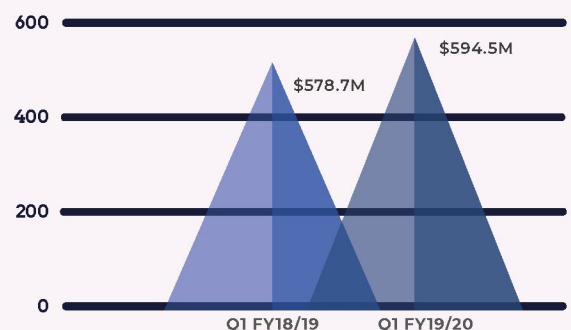
Revenue increased by 7.6%

EXPENDITURE

\$594.5M

Total spending stood at **\$594.5 million** for the first quarter of FY2019/20, which equated to 21.5% of the budget allocation. Recurrent expenses, at 90.7% of total expenditure totaled at **\$539.0 million**, while capital outlays stood at **\$55.5 million**. Initial efforts to restore water and electricity supplies on the Hurricane Dorian affected islands accounted for an increase in capital outlays by **\$16.7 million** (43.0%).

Q1 Expenditure Performance Comparison (B\$M)



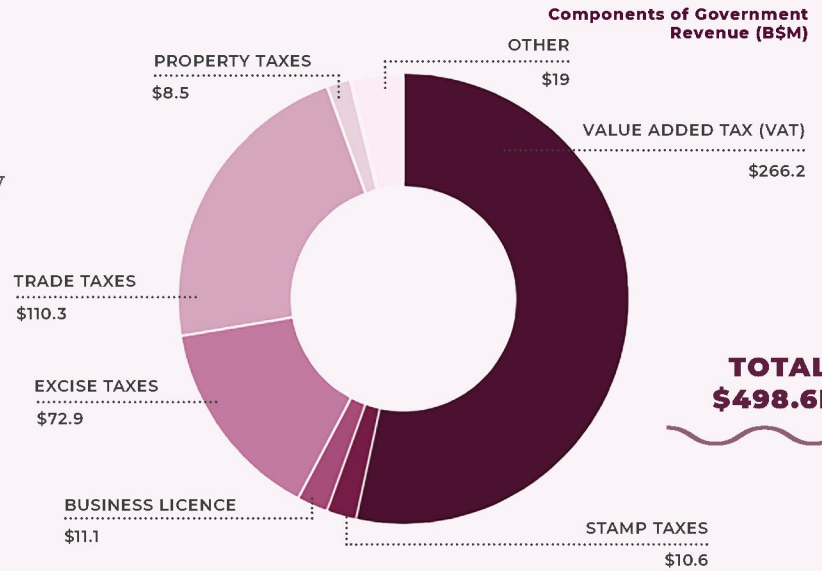
Expenditure increased by 2.7%

REVENUE PERFORMANCE

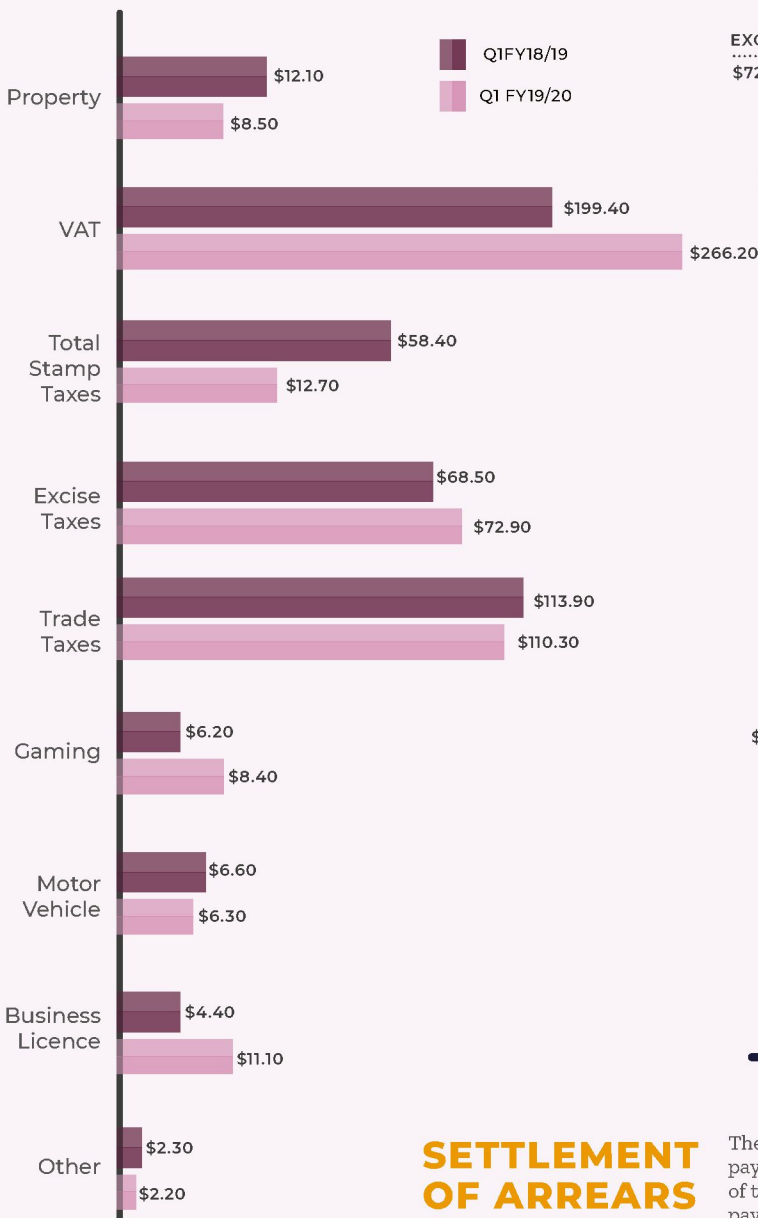
The shift in the basis for assessment on taxes on several realty transactions underscored a **\$66.8 million** (33.5%) expansion in VAT receipts, and a corresponding **\$43.8 million** (80.5%) reduction in stamp taxes on realty and financial transactions. There was a steeper than usual falloff in customs revenue between August and September—largely attributed to the Exigency Order declared in the aftermath of Hurricane Dorian, which allowed for duty concession on certain relief items. Another key driver of the **\$3.6 million** (3.2%) decline in taxes on international trade was the recent removal of duty on certain household items. However, reflecting strong tourism performance, departure taxes firmed by **\$10.0 million** (33.5%) to **\$39.8 million**.

NON-TAX REVENUE SUMMARY

Total non-tax revenue grew by **\$12.0 million** or 28.6% YOY to **\$54.0 million**. Of this amount, **\$11.6 million** came from Hurricane Dorian payouts under the Government's parametric insurance with the Caribbean Catastrophic Risk Insurance Facility (CCRIF).

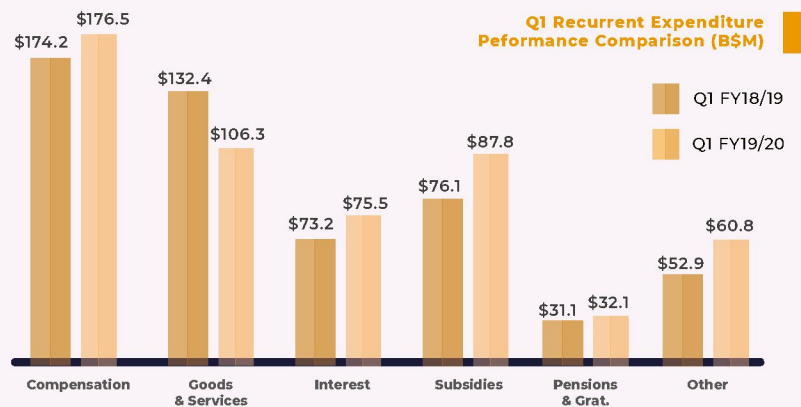


Q1 Recurrent Revenue Performance Comparison (B\$M)



EXPENDITURE PERFORMANCE

Compensation of employees rose by **\$2.3 million** (1.3%) to \$176.5 million, constituting 22.9% of the budget allotment. Spending on goods and services contracted by **\$26.1 million** (19.7%) to **\$106.3 million**, to settle at 18.2% of budget. Public debt interest payments rose by **\$2.3 million** (3.1%) to **\$75.5 million**, for 20.3% of the budget. Of the total, 26.9% or **\$20.3 million** was on foreign currency obligations, with the remaining **\$55.2 million** (73.1%) used to settle Bahamian Dollar debt.



SETTLEMENT OF ARREARS

The 2019/20 budget made provision for the settlement of **\$100.9 million** in arrears payments. For the first quarter, payments totaled **\$17.1 million**. Since the beginning of the arrears programme, the Government has paid **\$201.7 million** in arrears payments, out of the budgeted **\$360.0 million**.

FINANCING ACTIVITIES

The Government's operational requirements resulted in a net increase of **\$64.3 million** in its debt obligations over the first quarter of FY2019/20.

NATIONAL DEBT

Did you know? Many people confuse national debt and government debt. Know the difference! 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 on a calendar year basis.

Nationals Debt = \$8,263.1M
(As of June 2019)

GOVERNMENT BORROWING

Government Debt is money owed directly by the Government. It is also referred to as the Direct Charge on Government. The Government tracks and reports this data during the fiscal year.



CONTRIBUTIONS TO SINKING FUND

In the first quarter of FY2019/20, the Government contributed **\$6.7 million** to sinking funds designated for future debt retirement. As at September 2019, the accumulated value of the three arrangements established to retire external bonds stood at **US\$155.5 million**, while the two (2) local funds were valued at **\$9.6 million**.

Borrowings were in the form of bonds, short-term bank advances, Treasury bills and foreign currency loans from international development agencies: \$25.0 of which was the initial drawdown under the IDB US\$100 million contingent credit line for hurricane-related social assistance relief needs and restoration initiatives.

MONEY BORROWED

\$135.7M

Bahamian Dollars

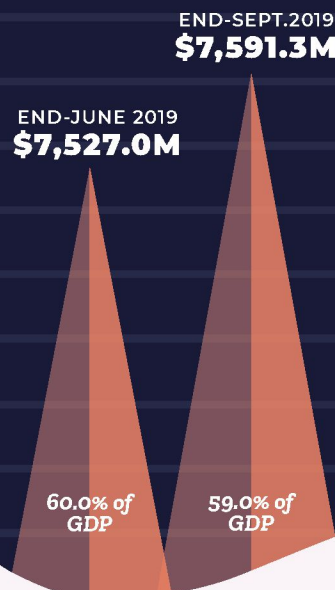
\$26.9M

Foreign Currency

MONEY REPAID

\$98.3M

GOVERNMENT DEBT



POLICY INITIATIVES FOR ENHANCED PUBLIC FINANCIAL MANAGEMENT



Public Financial Management Bill

The proposed legislation will provide a more comprehensive legal framework to strengthen the oversight, management and control of public funds.



Public Debt Management Bill

The bill creates a framework for actively managing the country's debt, with the aim of achieving the overarching goal of reducing the debt-to-GDP ratio to a more sustainable level.



Disaster Relief Bill

The proposed legislation will strengthen the government's disaster management framework and mitigate the underlying credit vulnerability that natural disasters pose.



Public Procurement Bill

The bill modernizes and brings transparency to the procurement process for all government contracts, aligning local practices with regional and international standards.

EQUITY ACQUISITIONS & LOANS

The Government made a **\$15 million** short-term shareholder loan to Bahamas Power & Light (BPL) in August 2019, the proceeds of which were used to assist the entity in meeting amortization payments that became due in September 2019. Similar to the previous facility extended to BPL in June, the loan is to mature no later than December 31, 2019.



FIRST QUARTER REPORT

ON BUDGETARY PERFORMANCE

.....

FY 2019/20 July - September

PUBLISHED BY THE MINISTRY OF FINANCE,
GOVERNMENT OF THE BAHAMAS
OCTOBER, 2019

Contents

1. About This Report	3
2. Summary of Fiscal Performance for FY2019/20	4
3. Revenue Performance	6
4. Expenditure Developments	9
a. Recurrent Expenditure.....	9
b. Capital Spending	12
5. Financing Activities	123
6. Policy Initiatives for Enhanced Public Financial Management	15

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 has commenced 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 website (www.bahamas.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 in 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.

It should be noted that, while the progressive shift to GFS (2014) brings several changes in the categorization of the budgetary data from the previous budget presentation, the overall revenue and expenditure figures are unchanged. As reflected in the FY2019/20 budget presentation, the Ministry completed the implementation of the new chart of accounts and has adopted the full GFS (2014) presentation, which has resulted in several slight modifications to the categorization of expenditure and revenue items.

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 First Quarter Fiscal Performance for FY2019/20

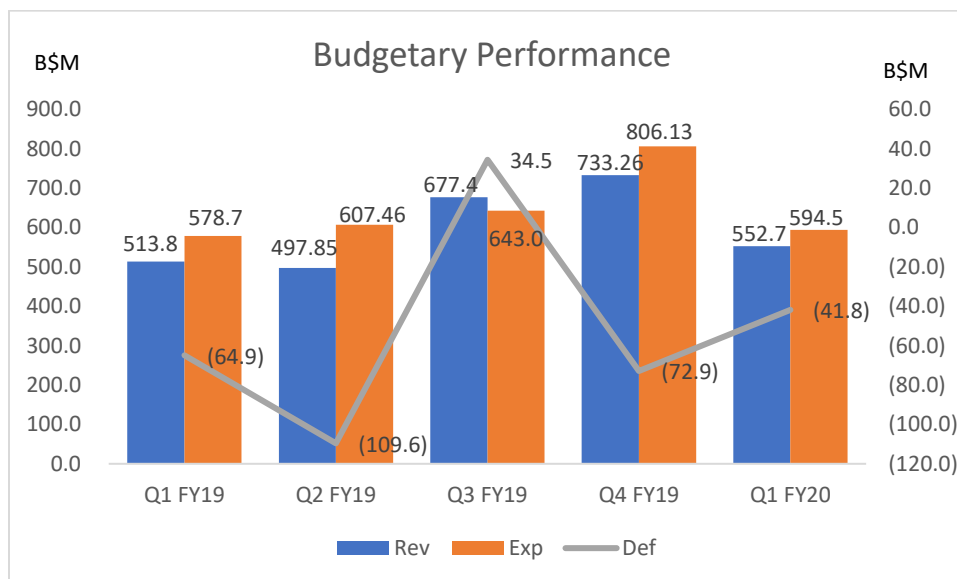
Hurricane Dorian, which caused significant damage on the islands of Abaco and Grand Bahama in early September, had only a limited impact on budgetary developments for the first quarter of fiscal year 2019/20, as the Government commenced initial relief and restoration initiatives (see Box A). Preliminary estimates of the fiscal outturn showed an improvement in the overall deficit to \$41.8 million from \$64.9 million in the comparable period of FY2018/19 (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			
	FY2019/20	FY2019/20 ^P Actual	FY2018/19 ^P Actual	Variance	% of Budget
Revenue	2,628.0	552.7	513.8	38.9	21.0%
Tax	2,340.3	498.6	471.8	26.8	21.3%
Non-tax	285.7	54.0	42.0	12.0	18.9%
Grants	2.0	0.1	0.0	0.1	5.0%
Expenditure	2,765.0	594.5	578.7	15.8	21.5%
Recurrent	2,530.0	539.0	539.9	(0.9)	21.3%
Capital	235.0	55.5	38.8	16.7	23.6%
Surplus/(Deficit)	(137.0)	(41.8)	(64.9)	23.1	30.5%
Financing Activities	137.0	41.8	64.9	(23.1)	30.5%
Net Acquisition of financial assets (-)	46.5	21.7	44.5	(22.8)	46.6%
Sinking Funds	46.5	6.7	6.7	0.0	14.3%
Equity	0.0	0.0	37.8	(37.8)	0.0%
Other	0.0	15.0	0.0	15.0	0.0%
Net Incurrence of Liabilities (+)	136.9	64.3	136.5	(72.2)	47.0%
Borrowings	764.9	162.6	280.0	(117.4)	21.3%
Debt Repayment	628.0	98.3	143.5	(45.2)	15.7%
Change in Cash Balance [(I)= increase]	46.5	(0.8)	(27.2)	26.3	-1.8%

- Aggregate revenue expanded by \$38.9 million (7.6%) to \$552.7 million, as compared to the first quarter of FY2018/19 and represented 21.0% of the budget. Tax receipts—which constituted 90.2% of total collections—grew by \$26.8 million (5.7%) to \$498.6 million, mainly associated with higher Value-Added Tax (VAT) receipts. Non-tax revenue was higher by \$12.0 million at \$54.0 million—of which \$11.6 million represented payouts under the Government’s parametric insurance with the Caribbean Catastrophic Risk Insurance Facility (CCRIF) following the passage of Hurricane Dorian.
- Total expenditure firmed by \$15.8 million (2.7%) to \$594.5 million, for 21.5% of the budget, relative to the previous fiscal year. The \$16.7 million (43.0%) increase in capital outlays to \$55.5 million was linked to initial efforts to restore water and electricity supplies on the Hurricane

Dorian affected islands. Recurrent expenditure—comprising 90.7% of total spending—was marginally lower by \$0.9 million (0.2%) at \$539.0 million, as the \$13.3 million (33.0%) hike in other payments, inclusive of transfers and insurance premiums, offset the \$26.1 million (19.7%) decline in payments for the use of goods and services.



- To fund its budgetary operations, the Government borrowed \$162.6 million, compared with \$280.0 million over the first quarter of FY2018/19. Of the total, US\$26.9 million represented loans from international development agencies, including the first \$25.0 million drawdown on the US\$100 million Inter-American Development Bank (IDB) contingent credit facility to assist with hurricane relief efforts. An additional \$3.0 million was borrowed via domestic bank loans, \$29.7 million was sourced by way of Treasury bills, and the remaining \$103.0 million via bond issuances.
- As budgeted, financing transactions included a \$6.7 million contribution to the sinking fund. Government also made an additional shareholder loan of \$15.0 million to Bahamas Power & Light (BPL), which is to be repaid, along with the earlier facility of an equivalent amount, by end-December 2019.
- Quarterly debt redemption stood lower at \$98.3 million, from \$143.5 million in FY2018/19.
- Given net borrowing activities, the Direct Charge on the Government (exclusive of exchange rate adjustments) increased from \$7,527.0 million or 60.0% of GDP at end-June 2019, to \$7,591.3 million or 59.6% of Gross Domestic Product (GDP) at end-September 2019.

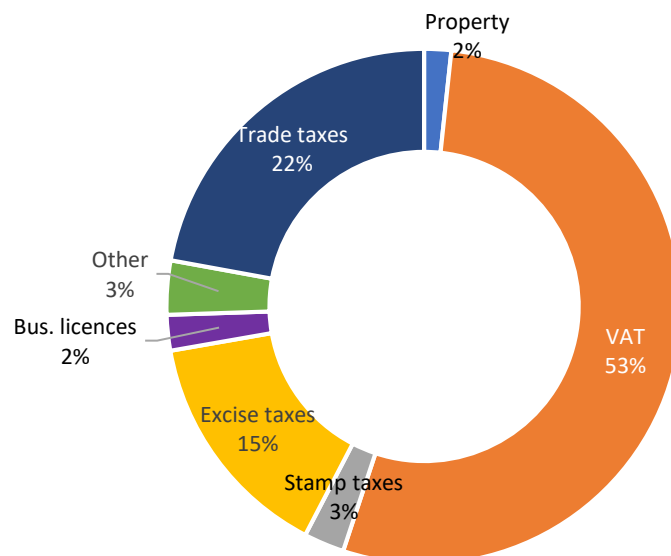
Box A: HURRICANE DORIAN

Hurricane Dorian ravaged parts of the northern Bahamas in September, causing significant loss of life, and damage to private homes and businesses and public buildings and infrastructure. While the first quarter performance only reflects parts of the initial relief and recovery efforts, estimates of the full fiscal impact of Hurricane Dorian will be presented in the November 2019 Fiscal Strategy Report. This document will include a fiscal adjustment plan, as the resultant costs will necessitate a temporary departure from the medium term fiscal targets established in the Fiscal Responsibility Act, 2018.

3. Revenue Performance

During the first quarter, total revenue increased by \$38.9 million (7.6%) to \$552.7 million, relative to FY2018/19, which represented 21.0% of the budgeted amount (*see Table 2*). Tax receipts, at 21.3% of the budget, expanded by \$26.8 million (5.7%) to \$498.6 million, and the non-tax component grew by \$12.0 million (28.5%) to \$54.0 million, for a lesser 18.9% of the target.

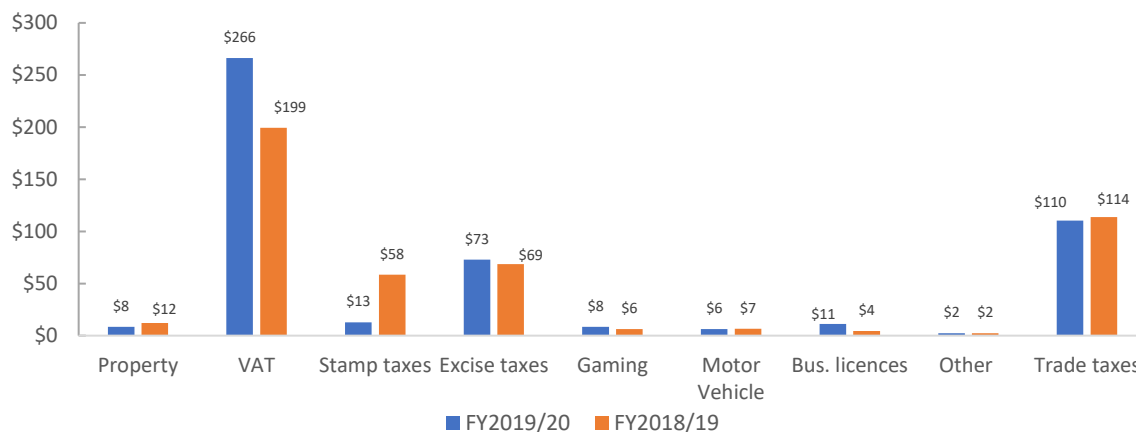
Percentage Composition of Tax Revenue (Qtr. I FY2019/20)



Key underlying developments for the first quarter of FY2019/20 performance are as follows:

- Taxes on Goods and Services constituted the bulk (75.8%) of tax revenue, registering a \$36.0 million (10.5%) boost to \$377.7 million.
 - VAT receipts grew by \$66.8 million (33.5%) to \$266.2 million, representing 24.2% of the budget. This was due largely to the shift in the basis for assessment of taxes on several realty transactions, to VAT from stamp duties. Correspondingly, revenue from stamp taxes on financial and realty transactions contracted by \$43.8 million (80.5%) to \$10.6 million, which equated to 10.4% of the budget.
 - Excise taxes rose by \$4.4 million (6.4%) to \$72.9 million, which represented 25.7% of the budget.
 - Gaming taxes increased by \$2.2 million (35.9%) to \$8.4 million, for 23.2% of the budget—partly reflecting the new tax regime for gaming operators following the court settlement in February 2019.
 - Buoyed by gains in business licence fees and notary public fees, collections from licenses to conduct special business activity were higher at \$11.1 million from \$4.4 million in FY2018/19.

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



- Taxes on international trade contracted by \$3.6 million (3.2%) to \$110.3 million, which represented 22.5% of the budget allocation. Key drivers of this development include the \$15.1 million (18.3%) decline in customs and other import duties, in the context of the recent removal of duty on certain household items as announced in the 2019/20 Budget Communication. A monthly analysis also revealed a steeper than usual falloff in customs revenue between August and September—largely attributed to the Exigency Order declared in the aftermath of Hurricane Dorian, which allowed for the importation of certain relief items, duty and VAT free. Reflecting the strong tourism performance, departure taxes firmed by \$10.0 million (33.5%) to \$39.8 million, while taxes on exports increased to \$2.9 million from \$1.4 million in the previous fiscal year.
- General stamp taxes were lower by \$1.9 million (47.9%) at \$2.1 million, which equated to 20.2% of the budget target.
- Property income—which includes interest, dividends and revenue from Government-owned property—rose by \$0.4 million (25.0%) to \$2.0 million, settling at only 5.1% of the annual projection.
- Receipts from the sale of goods and services increased by \$0.8 million (2.1%) to \$39.7 million—the equivalent of 19.2% of the budget.
 - Other sales grew by \$1.1 million (32.6%) to \$4.6 million. However, the yield from fees and services charges was \$0.2 million (0.7%) lower, mainly because of a \$1.7 million (13.6%) falloff in customs fees.
- Fines, penalties and forfeits were reduced by \$1.1 million (78.6%) to \$0.3 million, which constituted 4.9% of the budget.
- Miscellaneous and unidentified revenue surged to \$11.9 million from \$0.1 million in the comparable period of FY2018/19, owing mostly to the \$11.6 million inflow from the CCRIF following the passage of Hurricane Dorian.

FIRST QUARTER REPORT ON BUDGETARY PERFORMANCE FY2019/20 JULY - SEPTEMBER

TABLE 2: REVENUE SUMMARY (B\$M)

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July - September		
	FY2019/20	FY2019/20	FY2018/19	Variance	% of Budget
	0	P Actual	P Actual		
TAX REVENUE (a+b+c+d)	2,340.3	498.6	471.8	26.8	21.3%
a. Taxes on Property	131.0	8.5	12.1	(3.6)	6.5%
b. Taxes on Goods & Services (i+ii+iii)	1,709.8	377.7	341.8	36.0	22.1%
i. General	1,485.0	349.7	322.3	27.4	23.5%
VAT	1,100.2	266.2	199.4	66.8	24.2%
Stamp taxes (Financial & Realty)	101.5	10.6	54.4	(43.8)	10.4%
Excise Tax	283.3	72.9	68.5	4.4	25.7%
ii. Specific (Gaming taxes)	36.2	8.4	6.2	2.2	23.2%
iii. Taxes on Use of Goods/Permission to Use	188.6	19.7	13.3	6.4	10.4%
Motor Vehicle Taxes	38.8	6.3	6.6	(0.3)	16.2%
Company Taxes	25.4	1.9	1.9	0.0	7.5%
Licence to Conduct Special Bus. Activity	121.9	11.1	4.4	6.7	9.1%
Marine License Activities	2.0	0.3	0.4	(0.1)	15.0%
Banks & Trust Companies	0.6	0.0	0.0	0.0	5.3%
c. Taxes on Int'l Trade & Transactions	489.2	110.3	113.9	(3.6)	22.5%
Customs & other import duties	316.5	67.6	82.7	(15.1)	21.4%
Taxes on Exports	12.9	2.9	1.4	1.5	22.4%
Departure Taxes	159.8	39.8	29.8	10.0	24.9%
Other	0.0	0.0	0.0	(0.0)	0.0%
d. General Stamp Taxes	10.4	2.1	4.0	(1.9)	20.2%
NON-TAX REVENUE (e+f+g+h+i+j)	285.7	54.0	42.0	12.0	18.9%
e. Property Income	39.5	2.0	1.6	0.4	5.1%
Interest & Dividends	24.6	0.4	0.7	(0.3)	1.6%
Revenue_Gov't Property	14.9	1.6	1.0	0.6	10.7%
f. Sales of goods & services	206.5	39.7	38.9	0.8	19.2%
i. Fees & Service Charges	185.8	35.1	35.4	(0.2)	18.9%
General Registration	6.4	0.6	0.9	(0.3)	9.4%
General Service	15.0	2.7	2.7	(0.0)	18.0%
Immigration	97.3	18.9	17.1	1.8	19.4%
Land & Building	2.6	0.4	0.4	0.0	15.4%
Legal	1.3	0.2	0.1	0.1	15.4%
Customs	53.7	10.8	12.5	(1.7)	20.1%
Port & Harbour	7.0	1.3	1.2	0.1	18.6%
Health	1.9	0.0	0.2	(0.2)	0.9%
Other Fees	0.6	0.1	0.1	0.0	16.7%
ii. Other	20.8	4.6	3.5	1.1	22.1%
g. Fines, Penalties & Forfeits	6.1	0.3	1.4	(1.1)	4.9%
h. Reimbursements & Repayments	27.6	0.0	0.0	0.0	0.0%
i. Misc. & Unidentified Revenue	2.5	11.9	0.1	11.8	476.0%
j. Sales of other Non-Financial Assets	3.6	0.0	0.0	0.0	0.0%
TOTAL TAX & NON-TAX REVENUE	2,626.0	552.6	513.8	38.8	21.0%
GRANTS	2.0	0.1	0.0	0.1	5.0%
CAPITAL REVENUE	0.0	0.0	0.0	0.0	0.0%
GRAND TOTAL	2,628.0	552.7	513.8	38.9	21.0%

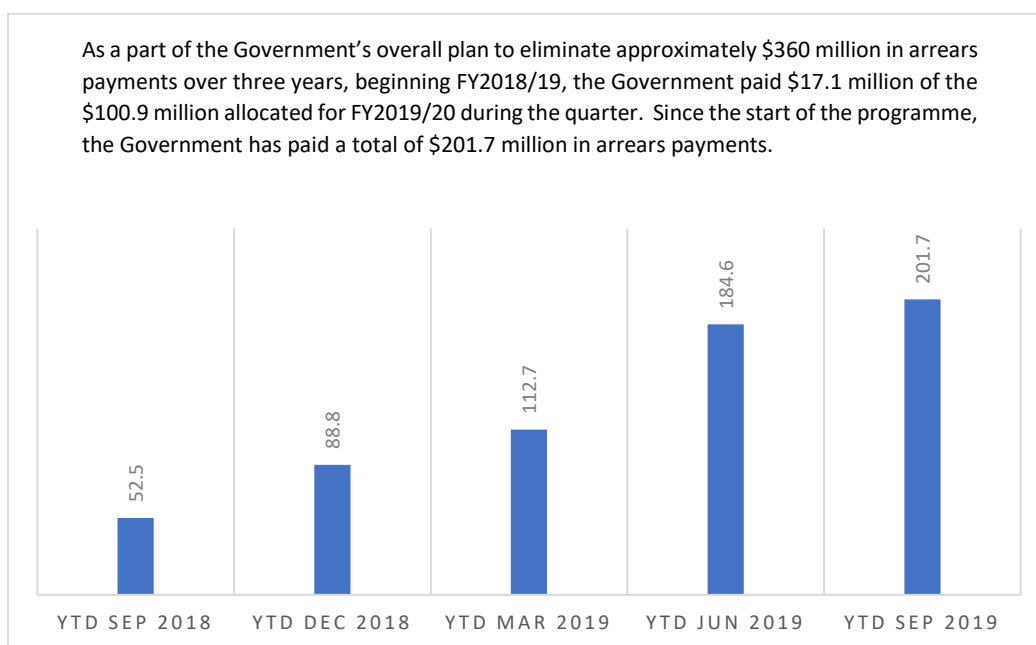
4. Expenditure Developments

a. Recurrent Expenditure

Recurrent expenditure declined slightly by \$0.9 million (0.2%) to \$539.0 million, when compared with the corresponding period in FY2018/19 over the review period (*see Table 3*).

- Compensation of employees rose by \$2.3 million (1.3%) to \$176.5 million, constituting 22.9% of the budget allotment. Among the components, wages and salaries were up by \$1.3 million (0.8%), allowances grew by \$1.6 million (13.4%) to \$13.7 million, while social contribution payments were lower by \$0.6 million (8.5%).

Settlement of Arrears (B\$M)

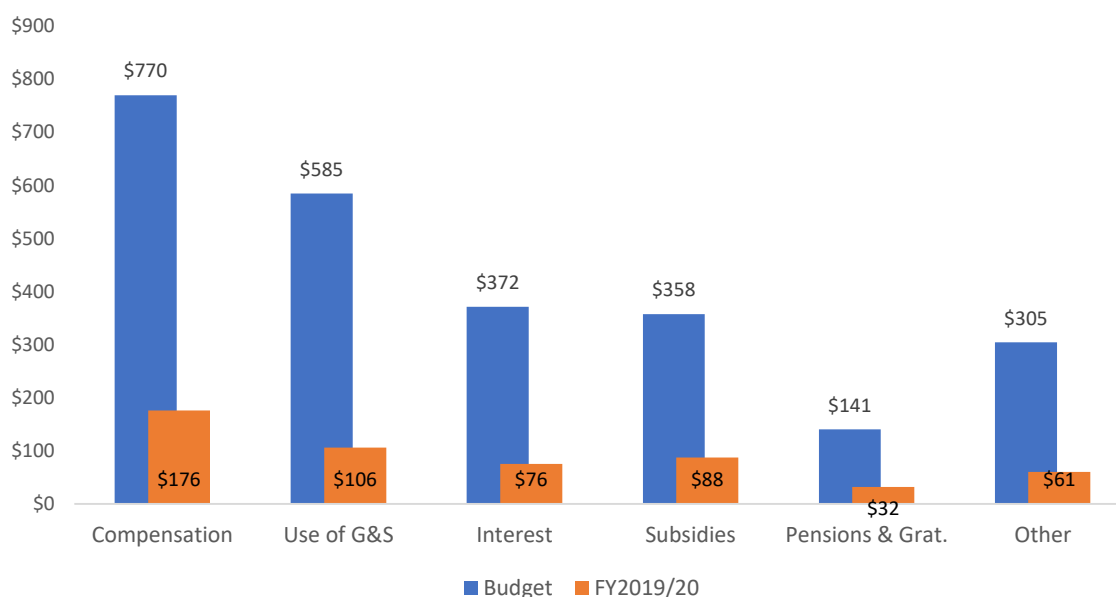


Note: Payment arrears are included across several expenditure categories.

- Spending on goods and services contracted by \$26.1 million (19.7%) to \$106.3 million, to settle at 18.2% of budget. Much of this was explained by decreases in outlays for special financial transactions, tourism-related payments and finance charges, of \$24.3 million (53.8%), \$11.2 million (88.6%), and \$10.4 million (64.7%), respectively. In contrast, outlays for services, rent, supplies & materials, and travel & subsistence advanced by \$13.1 million (79.4%), \$9.1 million (72.8%), \$2.6 million (23.9%), and \$1.1 million (64.7%), respectively.
- Public debt interest payments rose by \$2.3 million (3.1%) to \$75.5 million, for 20.3% of the budget. Of the total, 26.9% or \$20.3 million was on foreign currency obligations, with the remaining \$55.2 million (73.1%) used to settle Bahamian Dollar debt.
- Subsidies, which include transfers to Government owned and/or controlled units that provide commercial goods and services to the public—increased by \$11.7 million (15.4%) to \$87.8 million, or 24.5% of the budget.

- Subsidies to public non-financial corporations firmed by \$16.8 million (24.7%) to \$84.9 million. Approximately \$54.4 million, or 64.1% of the total, was allocated to the Public Hospital Authority (PHA)—a gain of \$3.0 million over the previous fiscal year; and \$5.0 million was directed to the National Health Insurance Scheme. Comparative year-over year increases were also registered for subsidies to the national airline carrier (\$3.7 million), the water and sewerage utility company (\$4.4 million) and \$0.7 million hike for the University of The Bahamas.
- Subsidies to private non-financial enterprises contracted by \$5.3 million (67.9%) relative to the comparable prior year period, which included arrears settlements with cruise line operators.

Recurrent Expenditure vs Budget Qtr. I FY2019/20 (B\$M)



- Grants—gifts and donations to foreign governments and international organizations (including membership fees)—steadied at \$1.3 million over the review period, representing 14.1% of the budget allocation.
- Social Assistance Benefits—in cash or in kind—fell by \$5.5 million (48.7%) to \$5.8 million, equating to some 12.5% of the budget. This was due mostly to a \$5.1 million decline in payments under the National Drug Plan.

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

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget		July - September		
	FY2019/20	FY2019/20^P Actual	FY2018/19^P Actual	Variance	% of Budget
RECURRENT EXPENDITURE					
Compensation of Employees	770.3	176.5	174.2	2.3	22.9%
Use of Goods & Services	585.1	106.3	132.4	(26.1)	18.2%
Travel & Subsistence	18.9	2.8	1.7	1.1	14.8%
Rent	69.8	21.6	12.5	9.1	30.9%
Utilities & Telecommunications	87.9	4.6	5.5	(0.9)	5.2%
Supplies & Materials	47.0	13.5	10.9	2.6	28.7%
Services	192.5	29.6	16.5	13.1	15.4%
Minor capital repairs	5.2	0.6	0.7	(0.1)	11.5%
Finance charges	45.6	5.7	16.1	(10.4)	12.5%
Special Financial Transactions	80.3	20.9	45.2	(24.3)	26.0%
Tourism Related	10.0	1.5	12.7	(11.2)	15.0%
Local Gov't Districts	13.2	2.8	3.0	(0.2)	21.2%
School Boards	0.1	0.0	2.8	(2.8)	0.0%
Other	14.7	2.7	4.8	(2.1)	18.4%
Public Debt Interest	371.6	75.5	73.2	2.3	20.3%
Subsidies	357.9	87.8	76.1	11.7	24.5%
Grants	9.2	1.3	1.3	0.0	14.1%
Social Assistance Benefits	46.3	5.8	11.3	(5.5)	12.5%
Pensions & Gratuities	140.7	32.1	31.1	1.0	22.8%
Other Payments	249.1	53.7	40.3	13.4	21.5%
Current Transfers n.e.c.	171.6	45.7	39.5	6.2	26.6%
Insurance Premiums	77.5	8.0	0.8	7.2	10.3%
TOTAL	2,530.0	539.0	539.9	(0.9)	21.3%

- Pension and gratuity payments grew moderately by \$1.0 million (3.2%) to \$32.1 million, to position at 22.8% of the annual target. Of this total, approximately \$25.6 million, or 79.8% was paid to government officials, while \$5.7 million represented staff gratuities.
- Current transfers that are not elsewhere classified (n.e.c) were boosted to \$45.7 million from \$39.5 million in the first quarter of FY2018/19. These included other direct and indirect Government support to households and non-profit institutions that assist households, and subventions to public corporations that do not otherwise classify as subsidies.
 - Transfers to households—which are used to assist with financial relief—were higher by \$4.3 million at \$16.0 million. Of this amount, \$10.8 million, or 67.5%, represented

scholarships payments, reflecting the education initiative to provide free tuition to eligible students, as announced in the 2019/20 Budget Communication.

- Transfers to non-financial public enterprises declined by \$1.6 million to \$20.3 million, while transfers to financial public enterprises were relatively unchanged at \$0.6 million.
- Reflecting timing differences, employee and eligible public officials' health insurance premium payments increased to \$8.0 million from \$0.8 million in the comparative period of FY2018/19.

b. Capital Spending

Capital outlays for the first quarter of FY2019/20 stood at an estimated \$55.5 million, or 23.6% of the budget—a gain of \$16.7 million (43.0%) over the comparable fiscal year period (*see Table 4*).

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

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget	July - September			
	FY2019/20	FY2019/20^P Actual	FY2018/19^P Actual	Variance	% of Budget
Capital Transfers	51.3	17.6	8.6	9.0	34.3%
Acquisition of Non-financial assets	183.7	37.9	30.3	7.6	20.6%
Fixed Assets	178.9	37.9	30.3	7.6	21.2%
Buildings other than dwellings	61.4	23.3	16.7	6.6	37.9%
Other structures	69.1	9.3	11.3	(2.0)	13.5%
Transport equipment	6.6	0.0	0.4	(0.4)	0.0%
Other Machinery & equipment	31.7	3.7	1.5	2.2	11.7%
Land Improvements	1.2	0.1	0.0	0.1	8.3%
Other Fixed Assets	9.0	1.5	0.4	1.1	16.7%
Land	4.8	0.0	0.0	0.0	0.0%
TOTAL	235.0	55.5	38.8	16.7	23.6%

- Capital transfers, at 34.3% of the budget, more than doubled to \$17.6 million, as developments were boosted by Hurricane Dorian related outlays to commence the restoration of water (\$6.1 million) and electricity (\$10.0 million) supplies on Abaco and Grand Bahama.
- Expenditure for the acquisition of non-financial assets grew by \$7.6 million (25.1%) to \$37.9 million, equating to 20.6% of the annual target.
 - Acquisitions of fixed assets, including but not limited to buildings, machinery and equipment, rose by \$7.6 million (25.1%), as outlays for buildings other than dwellings expanded by \$6.6 million (39.7%) to \$23.3 million. Similarly, spending on other machinery and equipment more than doubled to \$3.7 million from \$1.5 million, and for other fixed assets, was higher at \$1.5 million from \$0.4 million in the first quarter of FY2018/19.

5. Financing Activities

Net Increase in Liabilities

The Government's operational requirements resulted in a net increase in its liabilities of \$64.3 million over the first quarter of FY2019/20.

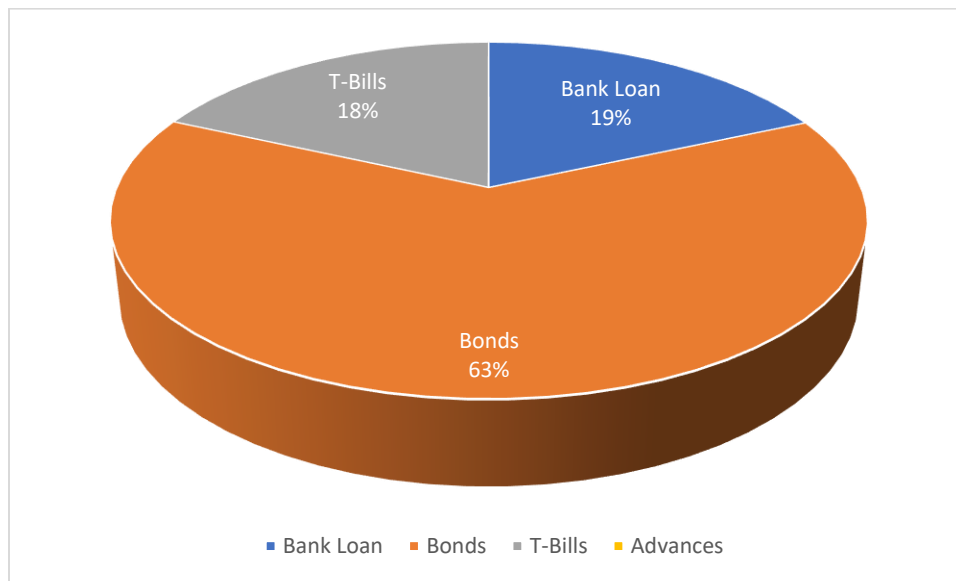
- To finance the deficit and refinance maturing debt, the Government borrowed \$135.7 million in Bahamian Dollars—comprising \$103.0 million by way of bond issues, \$29.7 million in Treasury bills, and the remaining \$3.0 million via short-term bank advances. An additional \$26.9 million was obtained in foreign currency via loans from international development agencies, \$25.0 of which was the initial drawdown under the IDB US\$100 million contingent credit line for hurricane-related social assistance relief needs and restoration initiatives.
- Debt amortization payments totaled \$98.3 million, with \$14.6 million used to reduce foreign currency obligations, and the remaining \$83.7 million for Bahamian Dollars debt.
- Given these developments, the Direct Charge on the Government (exclusive of exchange rate adjustments) increased from \$7,527.0 million or 60.0% of GDP at end-June 2019, to \$7,591.3 million or 59.6% of GDP at end-September 2019.

CHANGE IN LIABILITIES (By Currency and Instrument)

(B\$M)

	FY2019/20: July - September		
	Borrowings	Repayment	Net Change
Bahamian Dollars	135.7	83.7	52.0
Bonds	103.0	53.0	50.0
Treasury Bills/Notes	29.7	8.0	21.7
Bank Loans	3.0	22.6	(19.6)
Central Bank Advances	0.0	0.1	(0.1)
Foreign Currency	26.9	14.6	12.3
Bank Loans	0.0	0.0	0.0
Loans from Int'l Dev. Agencies	26.9	14.6	12.3
TOTAL	162.6	98.3	64.3

Composition of Government Borrowings for First Three Months of FY2019/20



Contribution to Sinking Funds

In the first quarter of FY2019/20, the Government contributed \$6.7 million to sinking funds designated for future debt retirement. As at September 2019, the accumulated value of the three arrangements established to retire external bonds stood at US\$155.5 million, while the two (2) local funds were valued at \$9.6 million.

Other

The Government made a \$15.0 million short-term shareholder loan to BPL in August 2019, to assist the entity in meeting amortization payments that became due in September 2019. Like the terms of the previous facility extended to BPL in June 2019, the loan is to mature no later than December 31, 2019.

6. Policy Initiatives for Enhanced Public Financial Management

The Government continued to progress work on various legislative initiatives, intended to strengthen its commitment to the principles of fiscal responsibility outlined in the Fiscal Responsibility Act, 2018 (the Act). At the conclusion of the ongoing internal review process, the intention is to submit the Public Financial Management Bill, the Public Procurement Bill, the Public Debt Management Bill, and the Disaster Relief Bill for public consultation prior to the end of the current fiscal year. In addition to this suite of legislation, the Statistics Act is currently under review and will be sent out for public consultation once the review is complete.

The recent devastation caused by Hurricane Dorian in both Abaco and Grand Bahama and the attendant fiscal costs highlighted the vulnerability of the fiscal finances to natural disasters and underscored the Government's commitment to ensure the sustainability of the public finances, and to strengthen its resilience strategies. While the assessment is still ongoing, the damage caused to the productive capacity and infrastructure in both hurricane-affected islands will impose additional costs on the Government, beyond that anticipated in the recent fiscal plan articulated during the recent budget exercise for FY2019/20. The size of this shock will result in the Government invoking the Exceptional Circumstance clause (13) in the Act that allows for a temporary deviation from the legally mandated targets. Consistent with its commitment to fiscal prudence, the intent is to develop a strategy to ensure a convergence with these targets within the shortest timeframe possible. The Government's revised medium-term fiscal plan, to incorporate the fiscal adjustment mandated by the Act, will be outlined in the upcoming November 2019 Fiscal Strategy Report.