

# THE GOVERNMENT OF BARBADOS

## MID-YEAR REVIEW REPORT

APRIL -SEPTEMBER 2021

# 1 Table of Contents

<b>1</b>	<b>Executive Summary</b>	1
<b>2</b>	<b>Overview of Recent Macroeconomic Developments</b>	3
2.1	Global Economic Developments and Outlook	3
2.2	Domestic Macroeconomic Development	3
<b>3</b>	<b>Fiscal Half Year Outturn</b>	5
3.1	Revenue	5
3.2	Revenue Outturn by Category	5
3.2.1	Taxes on Income and Profits	5
3.2.2	Taxes on Goods and Services	8
3.2.3	Non -Tax Revenue	10
3.3	Expenditure	10
<b>4</b>	<b>Revised Revenue and Expenditure Forecast for Budget Year</b>	15
4.1	Revenue Outlook	15
4.2	Expenditure Outlook	15
4.3	Revised Expected Fiscal and Primary Balance	17
<b>5</b>	<b>Debt and Financing</b>	18
5.1	Developments during April to September 2021	18
5.2	Outlook for Debt Service FY 2021- 2022	20
<b>6</b>	<b>Fiscal Risks: State-Owned Enterprises</b>	21
6.1	OVERVIEW	21
6.2	Performance	21
6.2.1	Total Comprehensive Income/Loss	21
6.3	Arrears	24
6.4	Conclusion	26
<b>7</b>	<b>Appendices</b>	27
7.1	Fiscal Outturn and Outlook	27
7.2	Classification of SOEs	28
7.3	Classification of SOEs within TMU	29
7.4	Aggregated Results of SOE Sector (TMU)	30

## LIST OF FIGURES

Figure 1: Comparison of Nominal GDP Projections .....	4
Figure 2: Revenue Performance and Budget Forecast.....	5
Figure 3: Contribution to Total Personal Income Tax and Changes (RHS).....	6
Figure 4: Personal Income Tax Outturn and Cumulative Target .....	7
Figure 5: Cumulative Land Tax Receipts to Total Expected Revenue.....	8
Figure 6: Revenue Outturn vs Cumulative Targets.....	9
Figure 7: Apr- Sep Volume of Foreign Exchange Transactions and Variance over FY 2020/21(net Central Bank receipts).....	10
Figure 8: Apr- Sep: Changes for Goods and Services by Category.....	11
Figure 9: Comparison of outturn to Target for Grants to Individuals .....	12
Figure 10: Increases in Grants to Public Institutions by entity .....	13
Figure 11: Comparison of Budgeted and Revised Revenue Projection for FY 2021/22 .....	15
Figure 12: Approved Supplementary Expenditure as at September .....	16
Figure 13: Comparison of Budgeted and Revised Expenditure Projection for FY 2021/22 .....	16
Figure 14: Public Debt Stock FY to Date.....	19
Figure 15: Debt Service by Category FY 2021/22.....	20

## LIST OF TABLES

Table 1: Asset Tax- Actual Against Budget Forecast .....	9
Table 2: Fiscal Year changes in Capital Investment (April to September).....	14
Table 3: Fiscal Outturn and Outlook.....	27
Table 4: Debt Service Outturn and Outlook.....	27

## ACRONYMS AND ABBREVIATIONS

ATLA	Air Transport Licensing Authority
BAC	Barbados Accreditation Council
BACT	Barbados Agricultural Credit Trust
BADMC	Barbados Agricultural Development & Marketing Corporation
BAMC	Barbados Agricultural Management Co. Ltd.
BCC	Barbados Community College
BCIC	Barbados Cane Industry Corporation (Inactive)
BCSL	Barbados Conference Services Ltd.
BDF	Barbados Defence Force
BIDC	Barbados Investment and Development Corporation
BNOCL	Barbados National Oil Co. Ltd
BNOCL&BNTCL CONSOL	Barbados National Oil Co. Ltd, Barbados National Terminal Limited, Consolidated Results
BNSI	Barbados National Standards Institute
BNTCL	Barbados National Terminal Limited
BPI	Barbados Port Inc.
BRA	Barbados Revenue Authority
BTII	Barbados Tourism Investment Inc.
BTMI	Barbados Tourism Marketing Inc.
BTPA	Barbados Tourism Product Authority
BVTB	Barbados Vocational Training Board
BWA	Barbados Water Authority
CAH	Caribbean Aircraft Handling Co. Ltd.
CAI	Caribbean Airways International Ltd.
CAVES	Caves of Barbados Ltd.
CBC	Caribbean Broadcasting Corporation
CCB	Child Care Board
CIDA	Barbados Cultural Industries Development Authority (Inactive)
CLSC	Community Legal Services Commission
CPSE	Commercial Public Sector Entities
DFE	Director of Finance and Economic Affairs
EGFL	Enterprise Growth Fund
FSC	Financial Services Commission
FTC	Fair Trading Commission
FUND ACCESS	Barbados Agency for Micro Enterprise Development Limited (Fund Access)
GAIA	Grantley Adams International Airport Inc.
GYM	Gymnasium Limited (Inactive)

GOB	Government of Barbados
HRL	Hotels and Resorts Ltd.
IMF	International Monetary Fund
INVEST BDOS	Barbados International Business Promotion Corp. (Invest Barbados)
KOMI	Kensington Oval Management Inc. (Inactive)
MFEI	Ministry of Finance, Economic Affairs and Investment
NAB	National Assistance Board
NAT PROD COUNCIL	National Productivity Council (Inactive)
NCC	National Conservation Commission
NCF	National Cultural Foundation
NCSA	National Council on Substance Abuse
NHC	National Housing Corporation
NID	National Insurance Department (not Monitored)
NLICO	New Life Investment Co. Ltd.
NPC	National Petroleum Corporation
NPDH	Needhams Point Holding Limited
NPDI	Needhams Point Development Ltd.
NSC	National Sports Council
PFM	Public Financial Management
QEH	Queen Elizabeth Hospital
RDC	Rural Development Commission
RESLIFE	Resolution Life Assurance Inc.
SOEs	State Owned Enterprises
SOUTHERN MEAT	Southern Meats Inc.
SRLF	Student Revolving Loan Fund
SSA	Sanitation Services Authority
TB	Transport Board
TMU	Technical Memorandum of Understanding
TRANSPORT AUTH	Transport Authority
TVET	Technical & Vocational Education & Training Council
UDC	Urban Development Commission

# **1 Executive Summary**

**Section 7. (1) of the Public Finance Management Act indicates that** *“The Ministry responsible for Finance shall include information on progress against the Fiscal Framework in a Mid- Year Review Report as specified in the Fourth Schedule by 15<sup>th</sup> October each year.”*

This Review provides an update on the fiscal outturn for the first six months of the financial year, reviews the fiscal performance against cumulative targets set under the fiscal framework and suggests possible adjustments to the end of year forecasts given the current macroeconomic environment.

The Budget Estimates were prepared in an environment of repressed revenues as the slowdown in economic activity during the coronavirus pandemic, translated to lower revenue expectations for the fiscal year. This, coupled with constraints on spend, presented within the scope of the IMF supported program that detailed a 6 percent primary balance before the crisis and a 0.0 percent post, meant a serious reconfiguration of budget priorities.

As such the Budget Estimates were developed with emphasis placed on supporting the Health Sector in light of the ongoing pandemic while reinvigorating the economy through its emphasis on its Capital Works Program. Additionally, the budget detailed outlays to support the most vulnerable by continuing those programs that were established in the height of the pandemic.

At the start of the financial year however, the eruption of La Soufrière volcano in St Vincent and the Grenadines, the additional need to support the public health sector, public entities that were experiencing prolonged reduction to their revenue as well the tourism industry, meant that the budget estimates were inadequate in covering additional spend

Amendments to the budget as detailed in the Fiscal Framework were made to include outlays relating to the Ashfall clean-up, the Barbados Tourism Marketing Inc (BTMI) (to support their operations), as well as the Barbados Employment and Sustainable Transformation (BEST) program to lend support to the tourism sector.

With domestic COVID-19 cases at an all-time high, there was need to further support the Public Health sector, including the equipping of schools as tertiary isolation facilities as well as providing additional staffing to meet public health needs. Additionally, the passage of hurricane Elsa necessitated government intervention in rebuilding homes and damaged infrastructure.

The strain placed on the National Insurance Scheme in servicing those individuals that were eligible to claim unemployment support at the height of the pandemic also required government intervention. Total unemployment claims at the end of 2020 totalled fifty-two thousand (52,000), up from eleven thousand (11,000) in 2019. To ensure that the NIS fund remained adequately resourced \$50 million was earmarked to recapitalize the entity for this financial year.

These developments, as well as the strong revenue performance at the half year mark, have led to a further revision to the Fiscal Framework for FY 2021/22.



## **2 Overview of Recent Macroeconomic Developments**

### **2.1 Global Economic Developments and Outlook**

The ongoing COVID 19 pandemic continues to be the determining factor on which global economic recovery hangs. Strong growth remains tenable for a number of large economies as strong fiscal policy responses have mitigated large scale impacts. However, persistence of the Delta variant has led to a resurgence in cases, particularly among emerging and developing economies leading to pandemic related disruptions. This has tempered expectations for global growth for 2021 as prefaced by World Economic Outlook's (WEO) downward end of year projection from 6 percent to 5.9 percent.

Concurrently, the resumption of economic activity after a year of pent up demand has led to supply shortages, exacerbated by shipping delays which have resulted in burgeoning global inflationary pressures. Increases in oil and other commodity prices undermine the stability of import reliant economies, particularly as it threatens to worsen socioeconomic spill overs, where high unemployment rates remain pervasive.

It is expected that the strong growth in demand, particularly in the US and China, will create growth prospects for dependent economies. However, scepticism on the efficacy of vaccination, as well as global disparity in accessibility to vaccines remain a deterrent to growth as repeated shutdowns to quell spread, slow activity and travel. This is particularly salient for our own domestic economy, that hinges largely on tourism.

### **2.2 Domestic Macroeconomic Development**

#### **Growth sector projection and underlying assumptions**

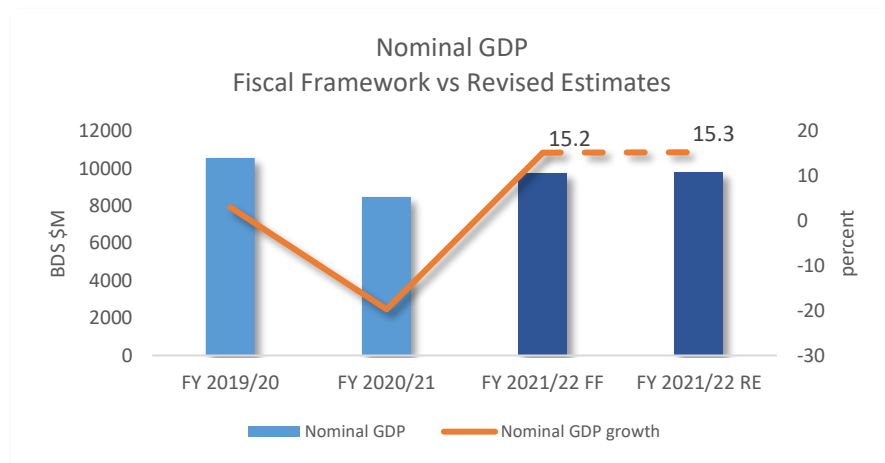
The Covid-19 pandemic has continued to impact the pace of Barbados' recovery over the last six months with the island's main source of earning, tourism, being the hardest hit sector, declining by over 95 percent during the height of the health crisis. Economic activity reached positive territory for the first time in March 2021 after five quarters of significant economic contraction, as the easing of restrictions and lockdowns began abating. With the pace of vaccination gaining momentum locally (50.2 percent of eligible population fully vaccinated as at October 13) and encouraging signs for a global recovery, it is expected the domestic economy will grow by around 2 percent by the end of 2021 and 13.2 percent by the end of the financial year.

This outturn is underpinned by a recovery for tourism the upcoming winter season and a revival of domestic demand as the island moves to fully remove all restrictions and curfews by year-end.

Additionally, economic activity is expected to be further boosted by several tourism and public investment projects which are expected to commence or move to more advanced stages. The positive developments on the domestic landscape during the first half of the fiscal year as well as a promising outturn for the rest of FY 2021/22 has spurred a modest upward revision to Fiscal year nominal GDP forecasts for the financial year.

Downside risks to these forecasts surrounds the current surge in international food and energy prices which could mitigate prospects for the global and domestic recovery. Domestic labour market disruptions witnessed at the start of the pandemic are expected to abate during 2022.

*Figure 1: Comparison of Nominal GDP Projections*



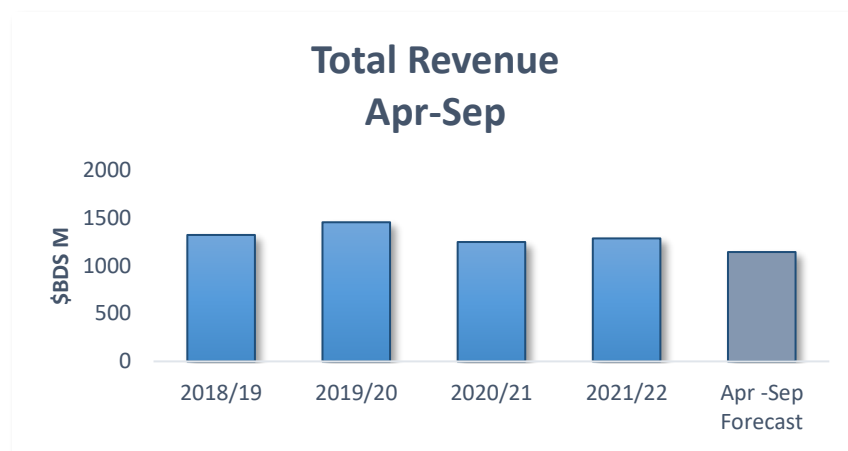
*Source: Central Bank of Barbados*

### 3 Fiscal Half Year Outturn

#### 3.1 Revenue

The impact of COVID-19 continued to repress revenues when compared to non-COVID years. However there has been some improvement in the overall revenue performance for the first half of FY 2021/22 as total revenue stood at \$1.3 billion at the end of September 2021, \$37.7 million above the outturn for the previous financial year. Total Revenue also performed above initial expectations, as the earlier than anticipated issuance of land tax bills, as well as a general pick-up in economic activity resulted in an 11 percent variance relative to the fiscal framework at midyear.

*Figure 2: Revenue Performance and Budget Forecast.*



*Source: Barbados Revenue Authority, Customs Department, Treasury Department*

#### 3.2 Revenue Outturn by Category

##### 3.2.1 Taxes on Income and Profits

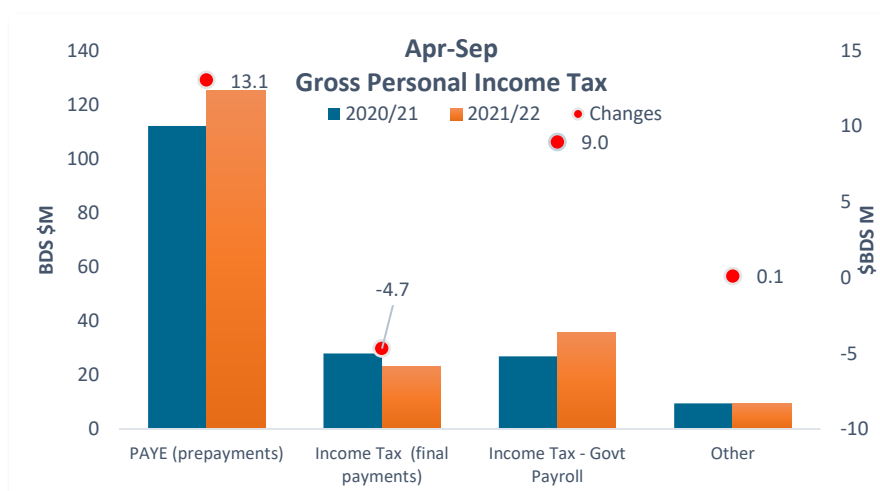
**Gross Corporation Tax** receipts fell by \$156 million over the April to September period as one-off payments made by the international business sector in the corresponding period in 2020. These significant payments that were made in July of 2020 were in large part compensatory final payments for entities that underpaid during the prepayment periods of September, December and March in 2019/20. This underpayment was not expected to be repeated given the Barbados Revenue Authority's stricter application of penalties and interest to taxpayers that fail to fulfil prepayment obligations under the Income Tax Act. Additionally, a number of entities wound up business activity in 2020 and revenues for these entities were not anticipated in the April- September outturn

Net Corporate receipts which include the payment of taxes that were due in previous tax years but paid in the current financial year (arrears), while netting out refunds transferred to the BRA, declined by \$170.9 million as there was less collection of arrears.

The uncertainty following the large windfalls experienced in the prior year, made the monthly distribution of corporate tax receipts difficult to forecast. This caused a 16.4 percent variance in actual outturn below the budget estimates as at September 2021.

**Gross Personal Income Taxes (PIT)** on the other hand increased by \$17.4 million largely due to increases in income tax prepayments (PAYE). These figures seem to reflect an improvement in employment and income for a number of sectors over the period. Improvements in PAYE payments have been noted in short term accommodation activities, hospital activities as well construction of other civil engineering projects. Government payroll also contributed to increases in income tax over the period. The gross outturn was generally in line with budgeted expectations.

Figure 3: Contribution to Total Personal Income Tax and Changes (RHS)

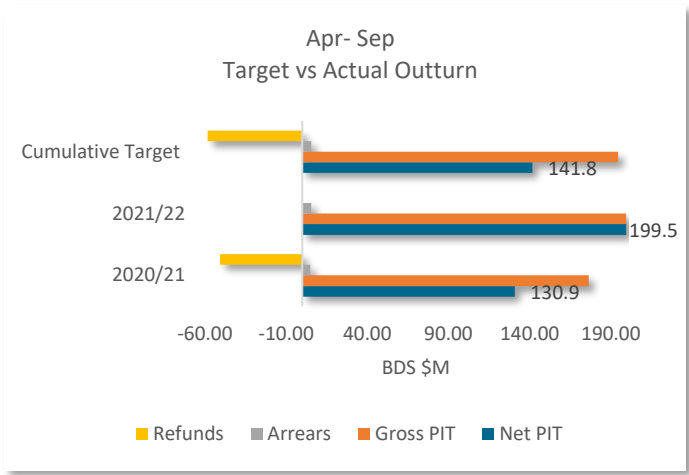


Source: Barbados Revenue Authority

**Net Personal Income Tax** receipts were also above FY 2020/21's outturn. This was due to the extension of the filing deadline to June 2021, which meant a shift in the timing of refund payments for the financial year. While the transfer of refunds to the BRA was completed in September 2020, this obligation was extended to October this year. This resulted in a \$68.6 million increase in Net PIT at the end of the first six months of FY 2021/22.

The reallocation of refund payments also accounts for the deviation between forecasted and actual revenue collection for the period. The budget estimate reflected approximately \$58 million in refunds, resulting in the large variance at the end of September.

Figure 4: Personal Income Tax Outturn and Cumulative Target

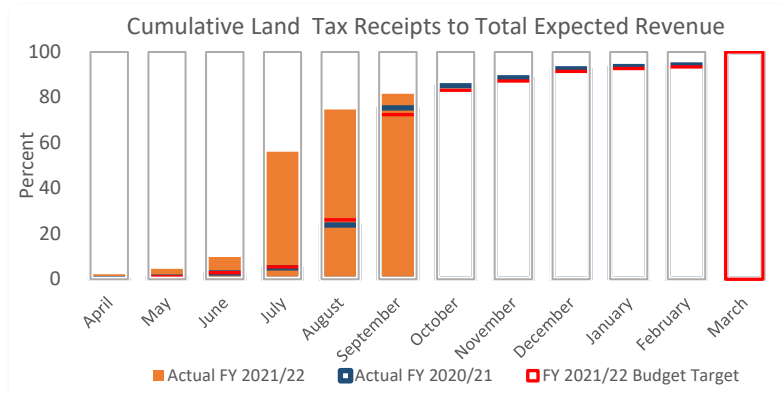


Source: Barbados Revenue Authority, Ministry of Finance

**Withholding Taxes** totalled \$10.8 million at the half-year mark, representing a moderate recovery of \$2 million. The pickup in economic activity in the first two quarters of the fiscal year has boosted business operations and revenue. Receipts are largely in line with budgeted expectations.

**Property Tax** totalled \$152.44 million at the end of the review period. The early issuance of Land Tax bills contributed to a change in the distribution of receipts for the financial year. However, at September, most of the large month on month fluctuations between FY 2020/21 and FY 2021/22 were minimized. Land Tax was approximately \$17 million above receipts collected in the corresponding period of 2020. There was also a modest increase in Property Transfer receipts for the two quarters.

Figure 5: Cumulative Land Tax Receipts to Total Expected Revenue



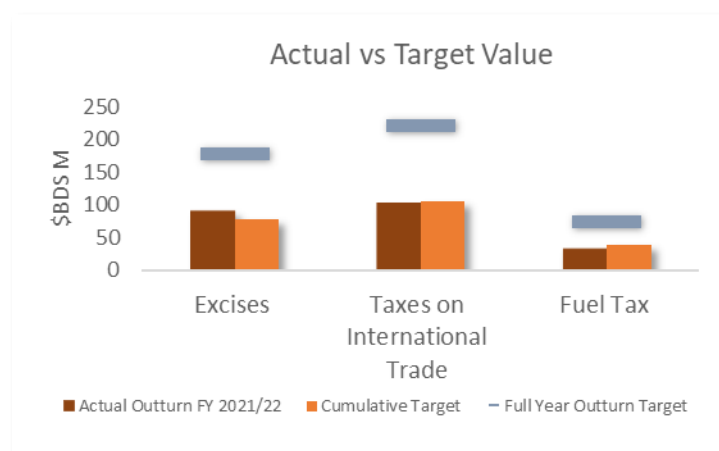
Source: Barbados Revenue Authority, Ministry of Finance

### 3.2.2 Taxes on Goods and Services

**Total Excise** intake was \$89.6 million at the end of the first six months of the financial year. Domestic Excises contributed approximately \$2 million to the overall increase, as the pickup in domestic demand translated to modest improvements in all categories (Rum, Sweetened Drinks, Tobacco and Breweries). Net Excises on Imports benefitted from lower rebates over the period as well as higher collections for fuel. Total rebates as at September stood at \$9.6 million compared to approximately \$15 million during the corresponding period in 2020. This reduction in rebates, in large part explains the increase of excises relative to the cumulative budget target of \$77 million at September.

**Taxes on International Trade as well as the Fuel Tax** also performed relatively well over the period. Import Duties increased by \$7.5 million for the April to September period as the resumption of business at the port following the mandated clearing of only essential items in 2020, improved receipts. Fuel Tax receipts remained stable. The forecast for international trade totalled \$105.8 million, lending to a variance of \$4.9 million over the actual outturn, while Fuel Tax was forecasted at \$38.8 million, representing a variation of \$5.6 million.

Figure 6: Revenue Outturn vs Cumulative Targets



Source: Customs Department, Ministry of Finance

**Value Added Tax** registered higher receipts for its domestic and external components. Domestic sales on eligible transactions improved by over \$500 million over the review period, leading to a \$28.2 million increase in gross domestic VAT. Improved collections were noted for restaurants and mobile food service activities, wholesale of fuel, passenger air transport as well as real estate activities.

VAT on imports increased by \$30.7 million following enhanced processing times at the port. An \$8 million reduction in VAT refunds transferred by the treasury to BRA, also boosted Net VAT receipts.

This led Net VAT receipts to end the first six months at \$382.6 million, 4.3 percent above the budgeted target for the same period.

**Asset Tax** includes revenues from Banks, Part III companies and Insurance Companies. Bank Assets remained stable over the period as commercial banks continued to accumulate cash due to growing deposits within the system. Similarly, asset taxes for other financial institutions performed well, with receipts largely on par with FY 2020/21's performance. This outturn was in keeping with forecast receipts as the variance was negligible for the category.

Table 1: Asset Tax- Actual Against Budget Forecast

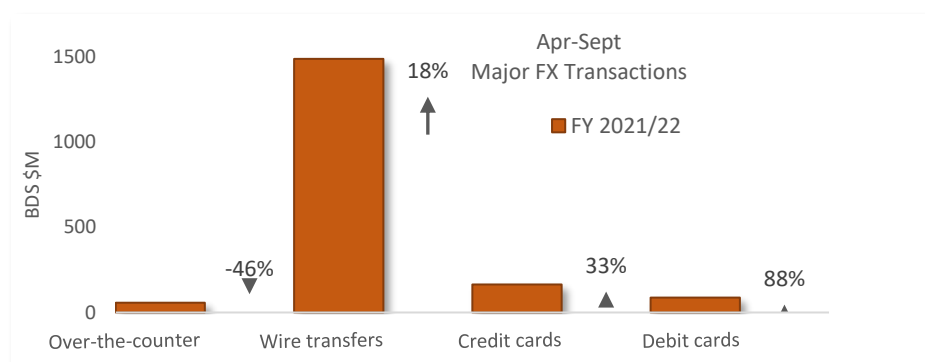
\$BDS M	Asset Tax FY 2021/22	
	Commercial Banks	Other Financial Institutions
Actual Outturn	19.9	3.6
Forecast	19.7	2.3

Source: Barbados Revenue Authority, Ministry of Finance

### 3.2.3 Non-Tax Revenue

**Non -Tax Revenue and Grants** improved by \$15.6 million at the end of September. This included improvements in Other Non-Tax Revenue as well as the Foreign Exchange Fee. This outturn remains consistent with a pick-up in most foreign exchange transactions with the exception of over-the-counter cash transactions and pre-paid travel cards (not shown on graph). The September-end receipts for Non-Tax Revenue represented a 11 percent variance above budgeted expectations.

Figure 7: Apr- Sep Volume of Foreign Exchange Transactions and Variance over FY 2020/21(Net Central Bank Receipts)



Source: Central Bank of Barbados

### 3.3 Expenditure

Total Non-Interest Expenditure increased for the first six months of the financial year, owing to the need to service additional outlays for health (given the upsurge in COVID-19 cases), as well as for disaster relief, given the recent Ashfall caused by the volcanic eruption of La Soufrière in April and damage caused by Hurricane Elsa in July. Expenditure increased by \$168 million over the corresponding period in 2020 though below the budgeted outlays determined by the fiscal framework by \$123.5 million given the slow progress of the capital works program.

#### Expenditure Outturn by Category

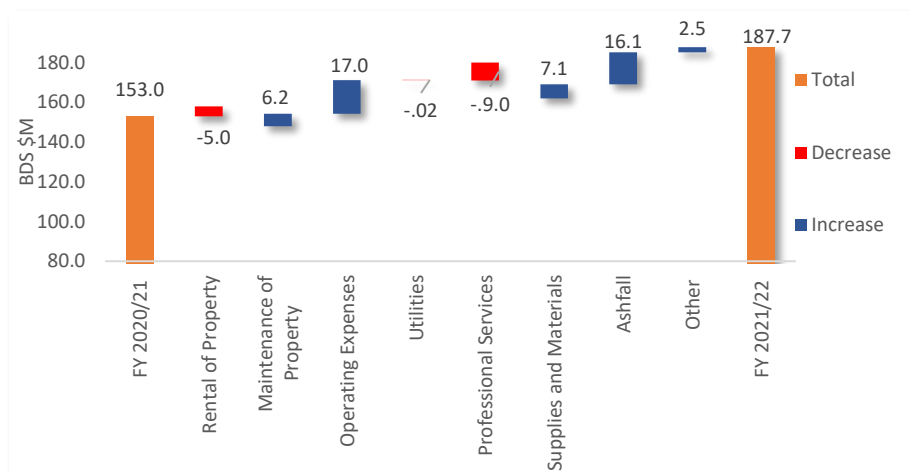
**Wages and Salaries** totalled \$374.4 million at the end of September, \$11 million above outlays in the corresponding period of 2020. This included a \$7.5 million increase in the “Other Personal Emoluments” category which involves remuneration payable for a number of temporary government posts taken up over the period including persons within the COVID management unit as well Public Affairs. Conversely, the actual outturn was \$6.3 million below the budgeted amount for the period, as posts that were anticipated to be filled within the first half have remained vacant.



**National Insurance Scheme contributions** remained largely on par with spending in the prior year, totalling \$36.2 million at the end of September. The NIS contributions associated with the posts that remained vacant, accounted for the variance between the actual outturn and the budgeted estimate for the period.

**Goods and Services** outlays at the end of the first six months, surpassed spending in 2020 by \$34.7 million. This increase covered expenditure related to the Ashfall Clean up initiative of approximately \$16 million as well as additional expenditure in Operating Expenses which includes payments to a number of quarantine hotels as well as spend relating to the National Clean-up project. The resumption of a number of government services after limited access during the national shutdowns in 2020 has led to increased spending on Supplies and Materials. The cumulative target at the end of September totalled \$242 million and accommodated some spending on the United Nations Conference on Trade and Development (UNCTAD), all of which was not spent.

Figure 8: Apr- Sep: Changes for Goods and Services by Category



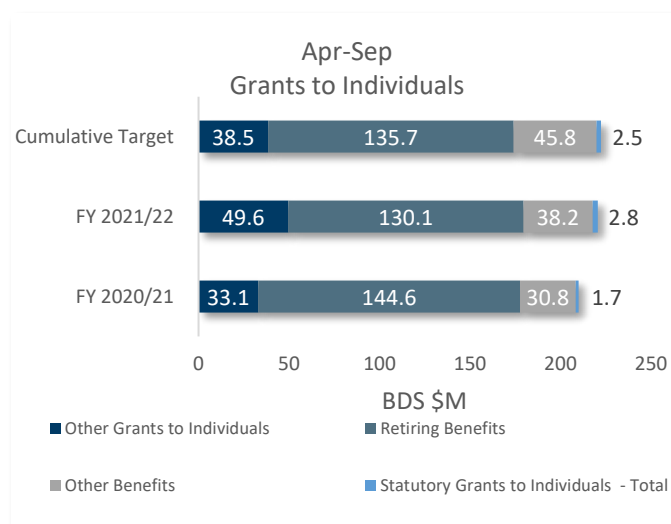
Source: Treasury Department

**Total Grants to Individuals** increased by \$10.5 million due in large part to higher outlays to the Welfare department to facilitate the Household Mitigation program as well as a subsidy for poultry farmers, which pushed “Other Grants to Individuals” up by \$16.5 million within the first six months of the financial year. The budgeted expenditure for other grants underestimated the requisite expenditure needed to fully finance the household mitigation project and did not account for the \$4 million subsidy for farmers, resulting in a \$11.1 million variance.

Statutory Grants to individuals which includes spend for bursaries, totalled \$2.8 million. This was \$1 million over outlays in the corresponding period in 2020/21, and on budget for this financial year.

Total Grants to Individuals performed below the cumulative target by approximately \$2 million at the end of September

Figure 9: Comparison of outturn to Target for Grants to Individuals



Source: Treasury Department, Ministry of Finance

**Grants to Public Institutions** include outlays to over forty-five (45) state owned enterprises and totalled \$307.8 million over the review period. Fiscal spending needed to mitigate the impact of COVID on both the private and public sector has in large part caused the \$81 million increase in transfers for the first six month.

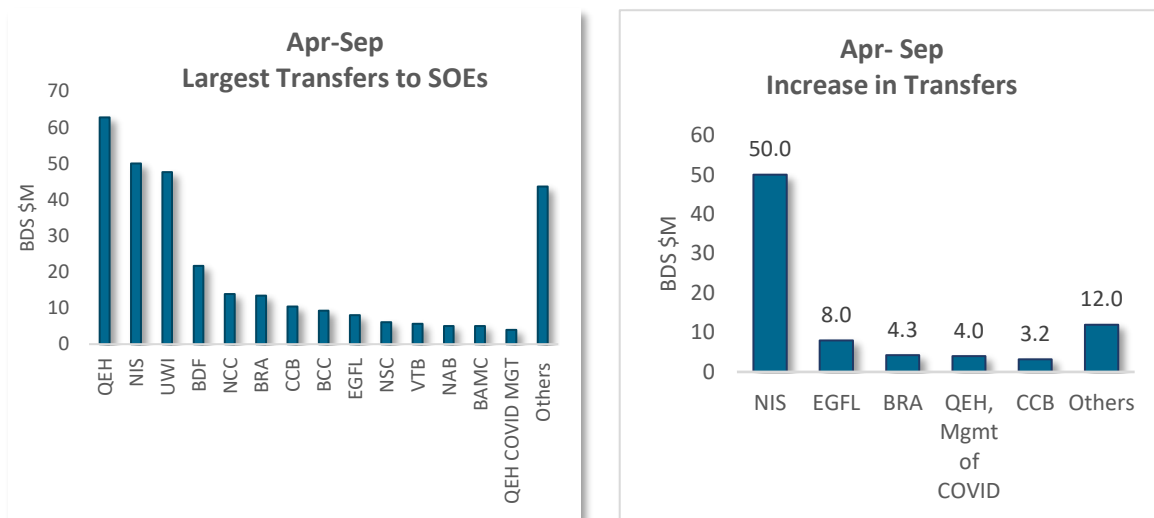
Large scale unemployment at the height of the pandemic resulted in a sharp rise in unemployment claims in 2020 to the NIS. This necessitated the shoring up of the Unemployment Fund resources to the tune of \$143 million which was borrowed from the National Insurance Fund. The Ministry of Finance under section 30A (4) of the National Insurance and Social Security Act agreed to 5-year plan to recapitalize the Unemployment Fund, of which the first tranche included a \$50 million injection in the September 2021 quarter.

Transfers were also earmarked for the Enterprise Growth Fund to help operationalize the BEST program, which aims at supporting the Tourism industry which was hard hit by limited travel. Support for the program, which was formulated in October of 2020, continues into this financial year, where \$8 million was transferred at the end of September 2021.

Other increases in grants included subventions to the Queen Elizabeth Hospital for the management of COVID-19 as well as to the Child Care Board to cover operational expenses.

The fiscal framework estimated grants to public institution at \$307.3 million at the end of September, however, the spend on recapitalization was unanticipated and suggests that the underlying transfers to state owned entities were below budgeted expectations.

Figure 10: Increases in Grants to Public Institutions by entity



Source: Treasury Department








**Subsidies** largely includes subventions to the Transport Board, which accounted for 73.9 percent of total outlays as at September. The reduction in grants to this entity fell by \$7 million as subventions in the prior year included an advance to help shore up liquidity in light of lower ridership. Total Subsidies were on par with budgeted spend for the period.

**Grants to Non -Profit Agencies** expenditure outpaced the outturn in the corresponding period of FY 2020/21 by approximately \$2.4 million as subventions to the National Cultural Foundation increased in the first six months. This outturn, however was largely on par with expectations.

**Capital Outlays** were \$28 million above the FY 2020/21 outturn as ongoing projects such as Constitution River and Speightstown Flood mitigation continued to receive support in the first six months of the fiscal year. Increased expenditure for road works, roll out carts for the Sanitation Service Authority (SSA), Fund Access and Trust loans (to aid in supporting the private sector) offset the reduction in the capital transfers to the Barbados Water Authority.

The capital budget as at September 2021, was predicated on front loading expenditure in an effort to stimulate economic activity in the first half of the financial year. However, a number of project delays resulted in actual capital expenditure to be below budgeted expectations by over \$60 million

Table 2: Fiscal Year changes in Capital Investment (April to September)

FY 2021/22	Budget Priority	\$BDS M	YOY changes	Program
	Road Works	\$6.03	\$5.09	Road Rehabilitation & Improving Connectivity Highway Construction and Maintenance Services Residential Road Construction and Maintenance Services
	Water Works	\$17.31	-\$19.10	Upgrade Barbados' water supply network
	Disaster Recovery	\$12.25	\$10.85	Rebuilding and Repairing of homes impacted by Hurricane Elsa
	Climate Change	\$6.00	\$5.31	Speightstown Flood Mitigation Constitution Flood Mitigation
	Education	\$5.26	\$4.62	Capital investment in TVET Employment and Training Fund BCC BCCHI
	Sanitation	\$17.56	\$17.56	Roll out carts for Sanitation Service Authority
	Facilitation of Entrepreneurship	\$7.00	\$7.00	Fund Access Trust Loans
	Other	\$35.28	-\$3.38	

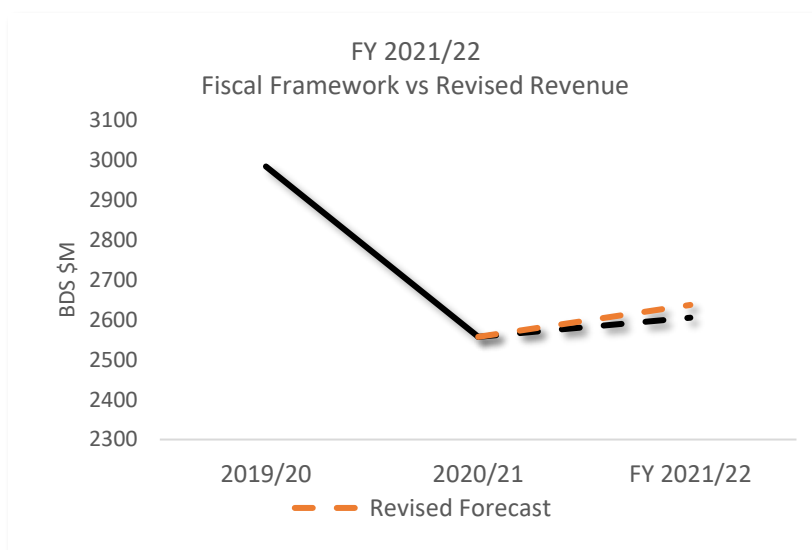
Source: Treasury Department

## 4 Revised Revenue and Expenditure Forecast for Budget Year

### 4.1 Revenue Outlook

The general improvement of revenues at the end of September relative to budgeted expectations, led to a revision of the end of year revenue forecast. The new revenue forecast is 2.8 percent above the initial budgeted projection and 1.2 percent above the amended fiscal framework.

Figure 11: Comparison of Budgeted and Revised Revenue Projection for FY 2021/22

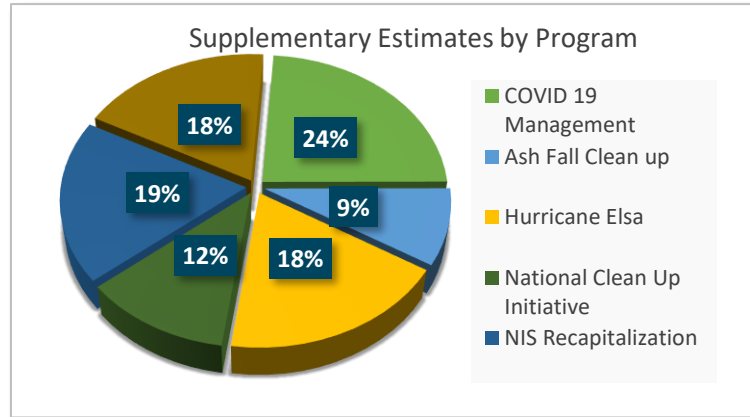


Source: Ministry of Finance

### 4.2 Expenditure Outlook

The budget estimated total expenditure net of amortization at \$2.9 billion for FY 2021/22. The outturn at the end of September represents 46.5 percent of expected budgeted outlays with approximately \$1.6 billion left to be spent. However, the ongoing demands of COVID-19, the recent fallout from Hurricane Elsa as well as the Ashfall from the La Soufriere volcano have led to the reassessment of the adequacy of the remaining outlays. As such, supplemental expenditure has been approved for this financial year.

Figure 12: Approved Supplementary Expenditure as at September

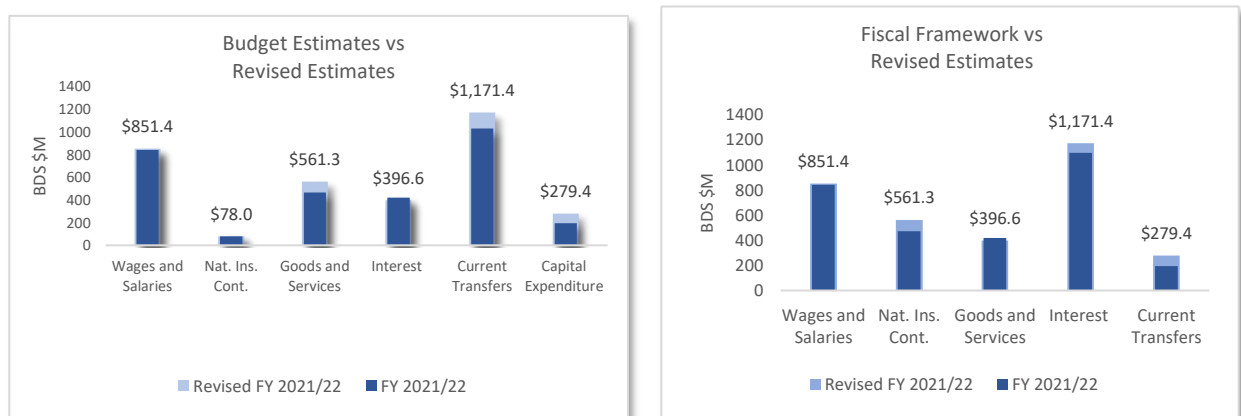


Source: Ministry of Finance

This supplemental expenditure at the end of September totalled \$267.3, and represented a 11.6 percent increase on the budgetary estimates for FY 2021/22 and 7.8 percent above what was detailed in the Fiscal Framework. This includes \$23 million from the Contingency sub programme to finance the fallout from the Ashfall event in April 2021. Expenditure increases were slightly offset by a modest decline in expected debt service for this financial year.

Virements for the year totalled \$6.6 million. Of this, \$5.5 million was transferred by the Ministry of Health and Wellness from supplies and materials to operating expenses to facilitate payment to the quarantine hotels. The remaining virement was transferred by the Ministry of Education, Technological and Vocational Training to complete renovations to Vauxhall Primary.

Figure 13: Comparison of Budgeted and Revised Expenditure Projection for FY 2021/22



Source: Ministry of Finance

### **4.3 Revised Expected Fiscal and Primary Balance**

The fiscal and primary balance at the end of September totalled -\$148 million or -1.5 percent of GDP, and \$15.9 million or 0.2 percent of GDP. This outturn was predicated on the smaller than anticipated spend on goods and services in the first half of the year, as well as the slow progress of the capital works program. It is assumed, that if the full goods and services and capital budget, as identified within the fiscal framework is fully utilized, and expenditure is further expanded by what has been detailed in the supplementary estimates, then the revised forecasts will result in an overall balance of -6.7 percent of GDP and an overall primary balance of -2.3 percent of GDP.

## **5 Debt and Financing**

### **5.1 Developments during April to September 2021**

In the first half of the financial year Government was able to access exceptional financing from the World Bank by way of a policy loan of USD100.0 million as part of its response and recovery efforts in battling the fallout from the COVID-19 pandemic.

In addition, as part of its continued support under the Extended Fund Facility Program, Government received a disbursement of \$49.1million for budget support from the International Monetary Fund.

On the domestic side, approximately BDS \$83.9 million in Series B bonds were issued by the GOB in exchange for the Needhams Point Holdings Limited (NPHL) BDS \$80.0 million bond. BOSS bonds continued to be issued, yielding approximately BDS \$23.2 million for the period.

Series F bonds totalling \$2.7 million were issued in respect of the settlement of legal claims against the Crown which were initiated before September 2018, as well as refunds to NHC tenants under the Sale of Terrace Units Program. Approximately, \$193 thousand in bonds were liquidated for bondholders whose original holdings were \$5 thousand or less and others facing predominately serious health challenges.

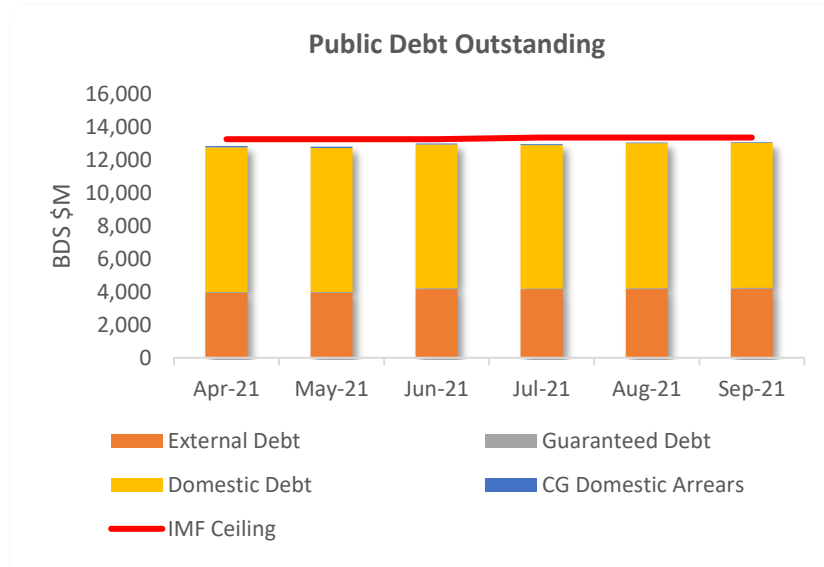
**Public Debt outstanding** at September 30, 2021 stood at approximately \$13,086.1 million, approximately 146.9 percent of GDP. This is comprised of external debt of \$4,191.0 million, domestic debt of \$8,111.2 million, external guaranteed debt of \$48.9 million and central government arrears of \$35.0 million.

At September 30, 2021 the outstanding debt was under the IMF ceiling on public debt of \$13,381 million by approximately \$294.9 million.

Due to the significant impact of the COVID-19 pandemic on the economy and the continued adjustments to the fiscal framework to respond to the additional external shocks, the initial debt/GDP target of 60 percent by 2033/34 was no longer deemed to be credible under the circumstances. This target has now been revised and set for 2035/36.



Figure 14: Public Debt Stock FY to Date



Source: Debt Management Unit

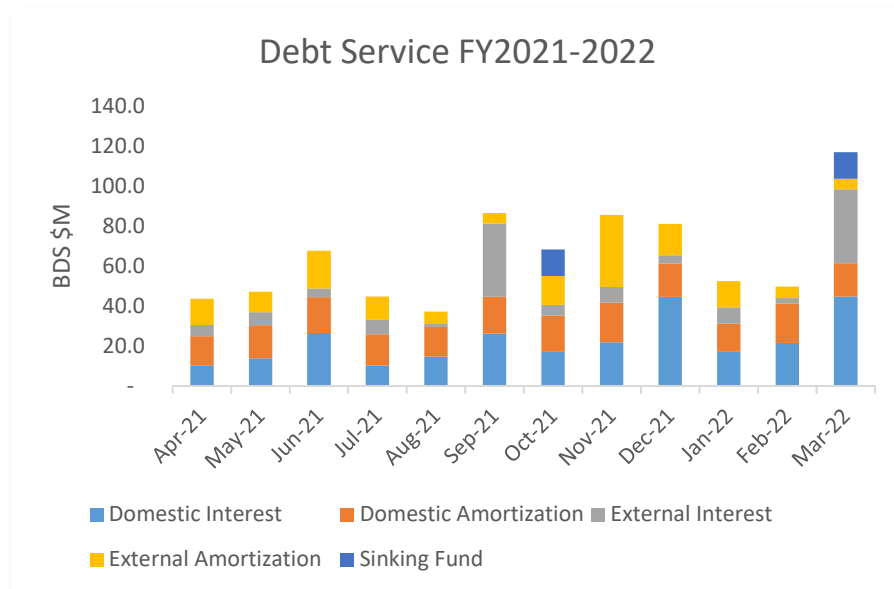
**Debt Service** as at September 30, 2021, (under Program 111 - Debt Management), amounted to approximately \$327.1 million compared to the Approved Estimates of \$360.0 million, which represented difference of approximately \$32.9 million. Slower project disbursements and lower interest rates during the period accounted for approximately \$14.2 million. A timing difference in respect of external Sinking Funds Contributions accounted for approximately \$13.3 million, with approximately \$4.6 million being attributed to the redemption of Savings Bonds which have matured but have not yet been presented for settlement.

**Projections for October 2021 to March 2022** estimates that approximately \$454.3 million will be required to service existing debt obligations for the period. This includes \$232.72 million for interest expense, \$195.2 million for amortization and \$26.5 million for Sinking Fund contributions. This is approximately \$3.6 million less than what is budgeted for the period. This is expected to result primarily from lower interest rates and fewer disbursements on projects than anticipated for the period. This will counterbalance increased expenditure on domestic securities from security prepayments and issuances to settle legal claims against the Crown. Specifically, provision has been made for the following issuances and liquidations during the period:

- \$3.9 million – to prepay Series B bonds held by the Financial Services Commission

- Issuance of approximately \$3.4 million in Series F bonds to settle legal claims against the Crown, initiated prior to September 30, 2018
- \$2.3 million to refund NHC tenants due refunds under the Sale of Terrace Units Program

Figure 15: Debt Service by Category FY 2021/22



Source: Debt Management Unit

## 5.2 Outlook for Debt Service FY 2021- 2022

**Total revised debt expenditure** for 2021-2022 is estimated at \$781.4 million, approximately \$36.6 million less than what was approved. The projected decrease in expenditure is primarily attributed to interest rate savings due to lower LIBOR rates and slow disbursements on project loans, some of which benefitted from extensions to the Terminal Disbursement dates and maturity extensions.

## **6 Fiscal Risks: State-Owned Enterprises**

### **6.1 Overview**

There are fifty-three SOEs, of which thirty-three (33) are considered Commercial SOEs, while the remaining twenty (20) have public service and regulatory objectives and are classified as NSOEs (non-commercial SOEs), as shown in Appendix 7.2. Also, of the fifty-three (53) SOEs, thirty-three (33) are covered under the Technical Memorandum of Understanding (TMU) of the Barbados Economic Recovery and Transformation (BERT) Programme. Twenty-two (22) are classified as commercial SOEs while eleven (11) are classified as non-commercial as shown in Appendix 11. It should be noted that BAMC and CBC would not have submitted information due to varying issues in 2020.

Currently, the SOE sector is undergoing significant reforms under the BERT programme. It is expected that following this exercise, the measures identified will assist the Government of Barbados (GOB) in addressing the challenges facing this sector. However, it should be noted that some of the reforms introduced under the BERT program have suffered. These include the Transportation Augmented Programme (TAP) of the TB due to the lack of ridership; the collection of the Garbage and Sewage Contribution (GSC) due to a decrease in revenue received; and the Health Services Contribution (HSC) due to the loss of jobs.

### **6.2 Performance**

#### **6.2.1 Total Comprehensive Income/Loss**

The entities within the TMU reported comprehensive income of \$19.37 million for the period April – September 2021, compared to a loss of \$4.90 million for the period April-September 2020. The Commercial SOEs accounted for 76 percent or \$14.73 million of the comprehensive profit, while the non-commercial SOEs accounted for the remaining 14 percent or \$4.6 million of the amount. This increase can be attributed to the fact that the increase in revenue surpassed the increase in expenditure.

It should however be noted that if no Government Subvention had been provided to the SOE sector, there would have been a reported loss of \$161.22 million. The top five entities that recorded a profit for the period were SSA (\$29.65 million), UDC (\$6.84 million), BTMI (\$6.44 million), BADMC (\$4.71 million) and BSCL (\$3.11 million). Conversely, some entities recorded a loss for the period April – September

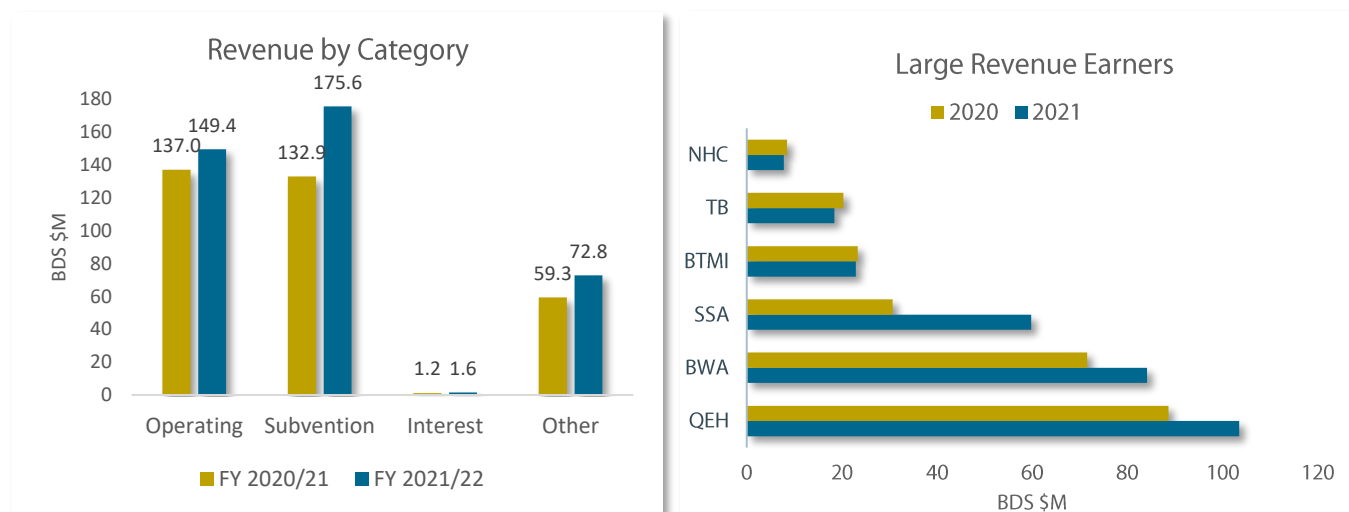
2021, QEH (\$12.93 million), NHC (\$9.43 million), CBC (\$5.54 million), TB (\$5.19 million) and BIDC (\$3.85 million).

Total Revenue reported for the period under review was \$399.40 million, an increase of \$69.07 million compared to \$330.33 million for the corresponding period in 2020. Total revenue comprised Operating Income of 37 percent or \$149.42 million, from \$137.02 million in 2020; Government Subvention of 44 percent or \$175.59 million, an increase of \$42.73 million from \$132.86 million in 2020; Other Income of 18 percent or \$72.82 million, from \$59.29 million in 2020 and Interest Income of \$1.57 million. It should be noted that all areas of revenue recorded increases for the period April – September 2021.

The top five (5) revenue earners for the period were QEH (\$103.45 million), BWA (\$84.08 million), and SSA (\$59.77 million), BTMI (\$22.92 million) and TB (\$18.41million). QEH revenue of \$103.45 million included Government Subvention of \$74.27 million for the COVID-19 pandemic fight and \$26.24 million of Health Service Contribution from the National Insurance Scheme. SSA revenue of \$59.77 million included \$29.19 million of Government Subvention of which \$11.00 million is to be returned to the Consolidated Fund and Garbage Sewage Contribution (GSC) of \$30.00 million from the BWA.

BTMI revenue of \$22.92 million included \$16.56 million of Government Subvention which was related to a Supplementary received from Government for rebate to those persons (whether visitors or Barbadians) who came to the island, did not receive the results of their COVID-19 tests on time and therefore incurred additional costs for their stay at various hotels.

Figure 16: Revenue Earnings for State Owned Enterprises Apr-Sep



Source: Management Accounting Unit

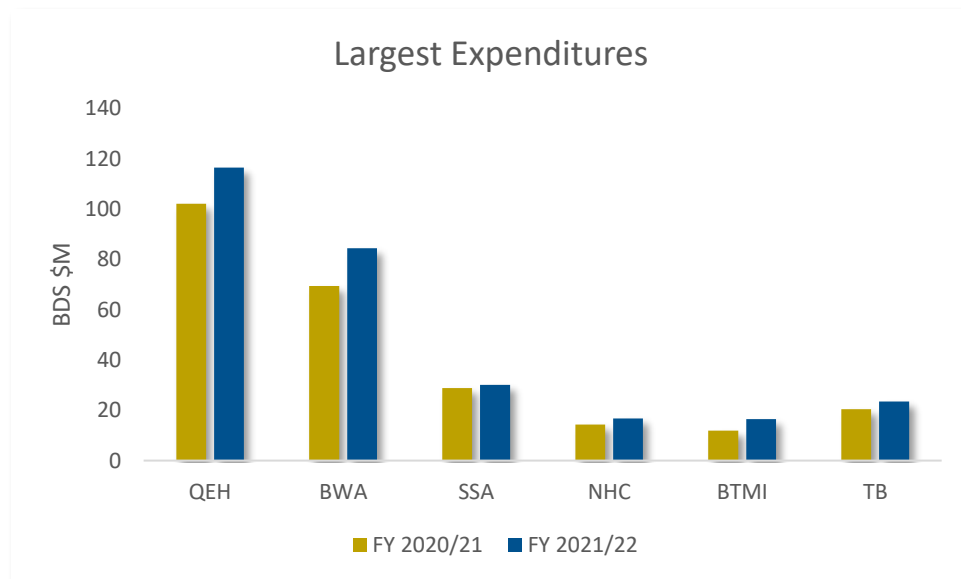
TB received Government Subvention of \$11.41 million which is used to assist with their operational expenses. The revenue of Transport Board declined by \$1.90 million from \$20.33 million in the period April – September 2021. This decline in revenue can be attributed to the decrease in ridership as result of the buses not being able to carry passengers at 100 percent capacity as well as the children having online school. The Board stated that they will be a loss in revenue of \$3 million - \$4million in this financial year.

It should be noted that NHC reported a decline in revenue for the first six months of 2021 from \$8.50 million in 2020 to \$7.78 million in 2021. This decline was as a result of the entity experiencing reduced revenue from rents and sale of property as a result of the lockdowns and ensuing unemployment brought about by the COVID-19 pandemic.

## Expenditure

Total Expenditure for the period April – September 2021 was \$384.56 million compared to \$334.73 million for the same period in 2020, an increase of \$49.85 million. Wages and salaries increased by \$16.44 million from \$165.26 million in 2020 to \$181.71 million in 2021. Operating expenses also increased by 33 percent from \$110.00 million in 2020 to \$146.69 million in 2021.

Figure 17: Largest Expenditures by State Owned Entity Apr-Sep



Source: Management Accounting Unit

For the period April–September 2021 the top five spenders were QEH (\$116.39 million), BWA (\$84.34 million), SSA (\$30.13 million), TB (\$23.50 million) and NHC (\$16.78 million). This is similar to the previous year when the top spenders were QEH (\$102.12 million), BWA (\$69.40 million), SSA (\$28.82 million), TB ((20.46 million) and NCC (\$17.67 million). These increases can be attributed to lockdown of the country, the phased reopening and the massive decline in tourist arrivals due to the COVID 19 pandemic. QEH in particular incurred significant expenditure because of the pandemic. SOEs such as the SSA and the NHC incurred additional expenditure to facilitate the clean-up of ash fall and the repairs and the replacement of the housing stock respectively. The QEH also had increased expenditure due to heightened patient activity at the QEH due to respiratory issues in relation to the ash fall and the unforeseen third wave of the COVID-19 virus.

### **6.3 Arrears**

The arrears for September 2021, amounted to \$26.68 million. This amount excluded amounts from the following SOEs that have not submitted any financial information:

- Caribbean Broadcasting Corporation (CBC)
- Community Legal Services Commission (CLSC)
- National Conservation Commission (NCC)
- National Housing Corporation (NHC)
- National Sports Council (NSC)
- Resolution Life Assurance Inc. (Reslife)
- Technical & Vocational Education & Training Council (TVET)

Of the above, CBC, NCC and NHC are part of the TMU.

Of the total amount of arrears reported \$26.22 million related to Trade Payables, \$0.46 million to Barbados Revenue Authority (BRA) and a negligible amount of \$927 to National Insurance Scheme (NIS).

### **Trade Payables**

At the end of September 2021, trade payables arrears accounted for 98 percent or \$26.22 million of total arrears, compared to \$33.26 million in August 2021, a decline of \$7.04 million. When compared to the September 2020 figure of \$42.57 million trade payables declined by \$16.35 million. The TMU accounted for 39 percent or \$10.23 million of total trade payable arrears.

Arrears were mainly concentrated in the over-120 days category and accounted for 40 percent or \$10.61 million of total trade payables arrears. The other categories namely, 31-60, 61-90 and 91-120 days

collectively accounted for the other 60 percent with totals of \$7.26 million, \$3.77 million and \$4.59 million respectively.

The following SOEs reported the largest amounts of trade payables arrears for the month of September 2021:

- National Petroleum Corporation (NPC) - \$11.40 million
- Barbados Agricultural Management Company (BAMC) - \$3.42 million
- Queen Elizabeth Hospital (QEH) - \$2.06 million
- Grantley Adams International Airport Inc. (GAIA) - \$2.01million
- Transport Board (TB) - \$1.63 million
- Barbados Water Authority - \$1.54 million
- Caribbean Aircraft Handling (CAH) - \$1.04 million
- Barbados Agricultural Development Marketing (BADMC) - \$0.72 million

#### **NIS Arrears**

NIS arrears for the month declined to a negligible amount of \$927.00 from \$0.09 million in August 2020. In September 2020, NIS arrears were \$1.41 million.

#### **BRA Arrears**

BRA arrears for September 2021, stood at \$0.46 million, a decrease of \$0.64 million compared to \$1.10 million reported for August 2021. At the end of September 2020, the arrears attributed to BRA were \$1.29 million. BRA arrears accounted for 90 percent or \$0.42 million of the total arrears for SOEs monitored under the TMU.

The following entities reported the largest BRA arrears for the month:

- Barbados Agricultural Management Company (BAMC) - \$0.39 million
- National Cultural Foundation - \$0.05 million
- Queen Elizabeth Hospital - \$0.03 million

#### **6.4 CONCLUSION**

The performance of the SOEs in the TMU improved during the period April – September 2021 compared to September 2020 from a net loss of \$4.90 million to a comprehensive net profit of \$14.38 million, despite the continued impact of the COVID-19 pandemic, the ash-fall and the effect of Hurricane Elsa. It must however be reiterated that the enhanced performance was mainly due to Government subventions.



## 7 Appendices

### 7.1 Fiscal Outturn and Outlook

Table 3: Fiscal Outturn and Outlook

	FY2019/20	FY2020/21	FY2021/22		
	Fiscal Outturn		Budget Estimate	Fiscal Framework	Revised Estimates
<b>Total Current Revenue: of which</b>	<b>2,984.2</b>	<b>2,557.3</b>	<b>2,548.3</b>	<b>2,605.3</b>	<b>2,637.3</b>
<i>Tax Revenue</i>	2,789.2	2,390.8	2,403.1	2,413.6	2,436.1
<i>Non -Tax Revenue</i>	183.3	166.5	145.2	191.7	201.2
<b>Total Expenditure: of which</b>	<b>2,599.7</b>	<b>2,992.9</b>	<b>2,948.4</b>	<b>3,023.6</b>	<b>3,260.0</b>
<i>Current Expenditure</i>	2,414.6	2,714.5	2,755.0	2,829.4	2,980.6
<i>Capital Expenditure</i>	185.1	278.3	193.4	194.2	279.4
<b>Fiscal Balance</b>	384.5	(435.5)	(400.1)	(418.3)	(622.7)
<b>Primary Balance</b>	634.2	(92.9)	19.2	1.0	(226.1)
<b>Fiscal Balance as a percent of GDP</b>	3.6	(5.1)	(4.2)	(4.3)	(6.4)
<b>Primary Balance as a percent of GDP</b>	6.0	(1.1)	0.2	0.0	(2.3)

Table 4: Debt Service Outturn and Outlook

		Actual	Projections		
BDS \$M	Approved Estimates 2020 - 2021	April - September 2020	October 2020 - March 2021	Revised 2020- 2021	Projected Variance
<b>Interest</b>	419.3	164.0	232.6	396.6	22.7
<i>Domestic</i>	263.6	98.5	167.1	265.6	-2.0
<i>Foreign</i>	151.1	62.1	62.5	124.6	26.6
<i>Exp of Loan</i>	4.5	3.3	3.1	6.4	-1.9
<b>Amortization</b>	372.1	163.1	195.2	358.3	13.8
<i>Domestic</i>	206.4	97.8	104.7	202.5	3.9
<i>Foreign</i>	165.7	65.3	90.4	155.7	9.9
<b>Sinking Fund</b>	26.7		26.5	26.5	0.1

## 7.2 Classification of SOEs

Commercial SOEs	Non – Commercial SOEs
FUND ACCESS	ATLA
BACT	BAC
BADMC	BCC
BAMC	BDF
BCIC (inactive)	INVEST BDOS
BCSL	BIDC
BNOCL*	BNSI
BNTCL	BVTB
BPI	CCB
BRA	BTPA
BTII	CLSC
BTMI	CIDA (inactive)
BTPA	FTC
BWA	FSC
CAI	NAB
CAH	NCSA
CBC	NSC
CAVES	RDC
EGFL	TVET
GAIA	Transp't Authority
GYM (inactive)	UDC
HRL	
KOMI	
NCC	
NCF	
NHC	
NID	
NPC	
NPDI	
NPHL	
NLICO	
QEH	
RESLIFE	
SSA	
SOUHERN MEAT	
SRLF	
TB	

### 7.3 Classification of SOEs within TMU

Commercial SOEs	Non-Commercial SOEs
BADMC	BAC
BAMC	BCC
BCSL	INVEST BDOS
BTII	BIDC
BTMI	CCB
BWA	CIDA-inactive
CBC	FTC
CAVES	FSC
KOMI	NAB
NCC	RDC
NCF	UDC
NHC	
NLICO	
QEH	
SSA	
SOUHERN	
MEATS	
SRLF	
TB	
BCIC-inactive	
NPC -inactive	
GYM-inactive	
BTPA	

Note:

1. The above classification is contained in the PFM Act, 2019
2. The classification is to be reviewed periodically to ensure appropriateness
3. \* BNOCL has been merged with BNTCL

#### 7.4 Aggregated Results of SOE Sector (TMU)

Summary of Performance		
	\$M 2021	\$M 2020
<b>REVENUE</b>		
Operating	149,784,993	137,024,451
Gov't subvention	187,964,543	132,863,089
Interest Income	9,775,857	1,160,512
Other	70,683,889	59,285,044
<b>Total Revenue</b>	<b>418,209,282</b>	<b>330,333,096</b>
<b>EXPENDITURE</b>		
Operating	146,779,213	110,009,179
Wages/salaries	181,740,457	165,264,434
Depreciation	22,854,519	33,329,178
Finance charges	11,025,728	3,477,894
Taxation	1,519,491	5,373,974
Other	25,497,430	17,279,592
<b>Total Expenditure</b>	<b>389,416,837</b>	<b>334,734,251</b>
<b>Net Profit/(loss)</b>	<b>28,792,445</b>	<b>-4,401,155</b>
Other comprehensive income/expense	-439,217	-504,266
<b>Total Comprehensive Income (loss)</b>	<b>28,353,228</b>	<b>-4,905,420</b>