

APPENDIX 1

**GOVERNMENT OF BARBADOS
MID YEAR REVIEW REPORT
APRIL 2020 – SEPTEMBER 2020**

ACRONYMS AND ABBREVIATIONS

BAC	Barbados Accreditation Council
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.
BIDC	Barbados Investment and Development Corporation
BTII	Barbados Tourism Investment Inc.
BTMI	Barbados Tourism Marketing Inc.
BTPA	Barbados Tourism Product Authority
BWA	Barbados Water Authority
CAVES	Caves of Barbados Ltd.
CBC	Caribbean Broadcasting Corporation
CCB	Child Care Board
CIDA	Barbados Cultural Industries Development Authority (Inactive)
FSC	Financial Services Commission
FTC	Fair Trading Commission

GYM	Gymnasium Limited (Inactive)
INVEST BDOS	Barbados International Business Promotion Corp. (Invest Barbados)
KOMI	Kensington Oval Management Inc. (Inactive)
NAB	National Assistance Board
NCC	National Conservation Commission
NCF	National Cultural Foundation
NHC	National Housing Corporation

NLICO	New Life Investment Co. Ltd.
NPC	National Petroleum Corporation
QEH	Queen Elizabeth Hospital
RDC	Rural Development Commission
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
UDC	Urban Development Commission

EXECUTIVE SUMMARY

The mid-year report for April 2020 – September 2020 provides an update on the fiscal framework and focuses on Government's outturn relative to budget and the performance in the comparative period for 2019.

The COVID-19 pandemic has had an adverse effect on the country's economy, leading to steep declines in most of the major revenue items and increases in expenditure, as Government attempts to generate economic activity. The volatility in the economy has resulted in revenue projections having to be revised regularly.

Revenue from taxes surpassed the projected amount due mainly to revenue collected from the International Business Sector, Import Duties and to a lesser extent Other Direct taxes. However, Value Added Tax (Net), Income Tax (Net), Property Tax and Excise Tax all performed short of projections.

Except for Grants to Public Institutions, all major components of Government's expenditure has increased with significant increases seen in Interest, Grants to Individuals and Capital expenditure.

During the first half of the year, the restructuring of Government's debt was concluded with the restructuring of the Prison facility. At September 30, 2020, Public debt outstanding was approximately \$12,481.3M, approximately 131.0% of GDP.

This is under the IMF ceiling on public debt by approximately \$826.7M.

Approximately \$578.2M will be required to service existing debt obligations for the period October 2020 to March 2021. This is approximately \$116.8M more than what was budgeted for the period, resulting primarily from the liquidation of approximately \$167.0M in Series F bonds held by the National Insurance Fund to provide the NIS with cash to meet the high demands for Unemployment and Severance due to Covid-19.

The review also provides key information pertaining to the State Owned Enterprises (SOEs) in the Technical Memorandum of Understanding. For the period under review, the SOEs performed poorly when compared to 2019 as many of the reforms introduced such as the Airline Travel and Development fee have suffered due to COVID-19.

Although there has been a significant decrease in SOEs arrears, these still remain a major concern and will continue to be closely monitored.

A review of the other financing matters indicates that Government's total arrears were substantially less than in 2019 as well as substantially below the PC target. Additionally during this period there has been a substantial amount of reallocations requested by

ministries as well as a substantial amount of supplementaries approved.

Based on the performance at September 30, 2020 where revenue earned was \$1,252.0M and expenditure was \$1,267.7M, and projections for revenue of \$1,220.8M and expenditure of \$1,531.4M for the remainder of the year, Government is aiming to achieve a fiscal balance of -\$387.9M (-4.3% of GDP) and a primary balance of -\$42.1M (-0.5% of GDP) at March 31, 2021.

FISCAL FRAMEWORK

The fiscal programme for 2020 – 2021 approved by Parliament reported current revenue of \$3,142.58M on the accrual basis and \$3,043.93M on the cash basis. The projected total expenditure for the same period was \$3,372.62M inclusive of amortization of \$516.16M and capital expenditure of \$253.15M.

The key macro-economic variables upon which the fiscal programme was based, were calculated on a fiscal/end of year basis as follows:

- a) Real GDP growth of 1.5% and nominal GDP growth of 2.8%
- b) Inflation of 2.6%
- c) Import cover (goods and services) of 20 weeks
- d) Tourism GDP growth of 2.5%
- e) Traded sector growth of 2.7%
- f) Growth in total imports of 3.2%. The retained imports were estimated at 43,287.2M.

GOVERNMENT OUTTURN FOR APRIL 2020 TO SEPTEMBER 2020

For the period under review the fiscal balance was reported at -\$15.7M (-0.15% of GDP) when compared to the previous year's balance of \$295.7M (2.8% of GDP). This decrease was caused by the large fall in total revenue and the corresponding increase in total expenditure.

Consequently, the primary balance of \$159.3M (1.51% of GDP) was also below that of the previous year, when a primary balance

of \$418.3M (4.0% of GDP) was reported, however interest expense showed an increase of \$52.4M.

Revenue Outturn

Total revenue inclusive of arrears was \$1,252.0M at midyear. This was a decrease of \$46.9M (3.6%) when compared to the budgeted amount of \$1,298.8M and \$202.4M (14%) less than the revenue for the previous year of \$1,454.4M. The reduction in economic activity due to the COVID-19 pandemic was the major reason for the large decline in revenue.

Tax revenue which comprised of direct and indirect taxes, was \$1,200.5M for the period, reflecting a decrease of \$169.9M (12.4%) when compared to the previous year and \$34.5M (2.8%) when compared to budget.

Revenue from direct taxes was \$643.8M, 53.6% of tax revenue. Although less than the budgeted amount of \$663.1M, direct tax revenue was \$60.8M more than the previous year's amount of \$583M, due to the improved performance of Corporation tax (net). Income tax (net) and Property tax performed worse than projected and were \$32.9M and \$13.2M less than budgeted respectively.

Corporation tax (net) was reported at \$340.2M at midyear, \$15.8M (4.9%) more than budgeted and more than double the \$124.1M recorded the previous year. The large intake in collections which was reported in June was as a result of the international business sector. The top 20 companies for tax year

2019 had an average increase of approximately 467% in their final tax payable when compared to the previous year. This was as a result of a reduction in the level of deductions they could claim for tax purposes and an increase in gross income.

It should be noted however that the loss of disposable income due to COVID-19 resulted in declines in consumer spending, which impacted negatively on the cash flow of companies and led to either reductions in profits and tax payable or increased noncompliance as companies found themselves unable or unwilling to meet their tax obligations.

Income tax (net) was \$130.9M for the year under review, 20.1% less than the \$163.8M budgeted and \$110.8M (45.8%) less than for 2019. This poor performance was due mainly to increased unemployment over all sectors, again caused by the COVID-19 pandemic. Consequently, the level of salaries and wages paid fell by approximately 38% and the total value of taxes deducted via Pay As You Earn (PAYE) fell commensurately.

Property taxes, which were reported at \$132.9M were 9% less than the projected amount of \$146.1M and \$38.6M (22.5%) less than the previous year's taxes of \$171.5M. For the 2019 – 2020 financial year, land tax bills were issued in June with the standard discount period lasting until August 2019. However, there was a delayed billing date of August 24 for land tax in 2020, with persons receiving discounts if bills were paid in full by September and October respectively. It is therefore expected that there will be significant collections in October.

Tax on Bank Assets (\$19.9M) and Tax on Assets (\$2.1M), were above both the budgeted amount of \$17.7M and the amount recorded for the previous year of \$17.2M. Bank tax assets were basically on par with the previous year, but a higher amount was reported as two banks which had delayed payments in 2019, made timely payments in 2020.

Withholding tax (\$8.7M) and the Training Levy (\$9M) were above the budgeted amount of \$11.2M by \$6.5M but below the previous year by \$10.8M. The decline of \$9.6M (52.5%) in the Withholding tax when compared to the previous year was due to the reduction of the taxable base in 2019 and the reduced economic activity due to COVID-19.

Indirect tax revenue of \$556.8M was below both the budgeted amount of \$571.9M and the amount of \$787.4M reported at September 2019. The decrease of \$15.1M when compared to budget was mainly to due to the less than expected performance of the Value Added Tax (net) and Excise tax. However, Import duties performed better than expected and was \$15.2M more than projected.

VAT (net) was reported at \$324.0M at 2020, compared to \$471.3M at 2019 and the projected amount for the period of \$346.9M. This represented decreases of \$147.3M (31.3%) and \$22.8M (6.6%) respectively. Domestic VAT accounted for 50.7% at \$164.3M and External VAT 49.3% at \$159.6M.

The resulting shutdown caused by COVID-19 affected sectors of the economy differently and although there was a large negative shift in the cost of total sales for the tourism industry, there were positive shifts for the transformation sector and other entities. The relative small weight of the tourism sector to other sectors however, resulted in total sales actually increasing for the period. The resulting increase in tax payable was not reflected in collections and this suggests that a substantial portion of VAT revenue still has to be remitted.

Excise tax which was \$68.5M for the period under review, was \$8.8M (11.4%) less than budgeted and \$46.3M (40.3%) less than the previous year when it was recorded at \$114.8M. Domestic Excise tax represented 5.7% (\$3.9M) and External excise 94.3% (\$64.6M).

External Excise was less than budgeted due to a decrease in the volume of car sales.

Import duties decreased from \$102.8M for the period 2019 to \$93.4M for 2020. However there was a significant increase of \$15.2M (19.4%), when compared to the budgeted amount of \$78.2M. This increase was due to increased efficiencies from the implementation of Asycuda World and new customs' processes.

Other indirect taxes were marginally more than projected at \$67.6M, compared to \$66M, with the only component underperforming being Goods and Services.

Fuel tax was \$34M and this was above projections by \$3.2M.

Special receipts which consist of the Product Development Levy (\$0.7M) and Room Rate levy (\$2.9M) although above budget by \$1.5M, were substantially less than the previous years due to international travel being adversely affected by COVID-19.

It should be noted that Tax Refunds for the period were \$100M, inclusive of VAT of \$46.7M, Corporation Income Tax of \$2.9M, Personal Income Tax of \$33.0M and the RTC of \$17.4M.

Non-tax revenue was reported at \$51.4M at midyear. This was \$32.5M (38.7%) less than the corresponding period in 2019 when non-tax revenue was \$83.9M and \$12.3M (19.3%) less than the budgeted amount of \$63.8M.

No grants were reported for the period under review.

Total revenue projected for the period October 2020 to March 2021 is \$1,220.8M for total revenue of \$2,472.8M for the financial year. Due to the effects of the COVID-19 pandemic this will be considerably lower than the approved amount of \$3,043.93.

Expenditure Outturn

Total expenditure for the period April 2020 to September 2020 was \$1,267.7M, exclusive of loan amortization of \$198.7M. This was in comparison to expenditure of \$1,158.6M for the

corresponding period in 2019 and reflected an increase of \$109.1M.

The increase in total expenditure resulted from increases in both current and capital expenditure. Current expenditure at \$1,189.3M, was \$70.2M (6.3%) higher than the previous year, when it was recorded at \$1,119.1M, and represented 94% of total expenditure. Capital expenditure was \$78.7M and was \$42.2M more than the previous year.

To date \$153M has been spent on Goods and Services, increasing by \$8M from \$145M the previous year. Expenditure for Rental of Property, Maintenance of Property and Professional Services represented 21.9%, 20.7% and 20% of Goods and Services respectively. For the next six months it is projected that a further \$249.2M will be spent which is in keeping with previous norms where the majority of spending is done in the second half of the year.

Wages and salaries for the half year ending September 2020 totaled \$399.3M and accounted for 32.6% of total expenditure. This was in line with the previous year when wages and salaries were \$399M. A further \$409.9M is budgeted till the end of the financial year and should be adequate for compensation of employees.

Statutory Emoluments were \$293.84M compared to \$297.42M in 2019, a decrease of \$3.58M (1.2%), whilst Other Personal

Emoluments were \$69.66M, an increase of \$3.17M (4.76%) when compared to the previous year. National Insurance contributions for the mid-year were \$35.83M.

Interest expense for the period was \$175M. This was \$52.4M more than for the previous year. It is projected that interest expense for the remainder of the year will be \$170.7M.

Current transfers increased by \$9.4M (2.1%) when compared to the previous year. Current transfers were reported at \$461.9M in 2020 and \$452.5M in 2019. Grants to Individuals increased by **\$22.5M** whilst Grants to Public Institutions fell by \$10.6M. There was also a decrease in subsidies of \$1.8M. Subscriptions and contributions and Grants to nonprofit agencies remained relatively constant at \$17M.

Total transfers to Public Institutions were \$224.9M compared to \$235.5M in 2019. Of the amount transferred, \$183.2M was paid to the entities monitored under the Barbados Economic Recovery and Transformation programme. Of this group, the University of the West Indies and the Queen Elizabeth Hospital (QEH) received 27.7% and 34.9% respectively. QEH received \$8.1M more than the previous year due to the need to provide for the COVID-19 pandemic and the reduction in collection of the Health Service Levy.

Transfers to Barbados Tourism Marketing Inc., QEH and the Sanitation Services Authority were again offset by the Airline Travel and Development Fee, the Health Service Levy and the

Garbage and Sewage contribution but the amounts were substantially reduced due to COVID-19. Total collections for these levies were \$21.3M, \$25.6M and \$29.3M, a collective reduction of \$25.9M when compared to the previous year.

A further \$330M is projected to be transferred to the Public institutions by the end of the financial year.

For the period under review Grants to Individuals which also consist of Retiring Benefits and Other Retiring Benefits, increased by 12.4% from \$180.8M to \$203.2M. The large increase was in part due to the increase in welfare payments at the beginning of the financial year. A further \$224M is projected to be transferred to individuals by the end of the financial year 2021.

At midyear, \$78.7M was spent on Capital expenditure. This was an increase of \$42.2M (115.6%) when compared to the previous year's expenditure of \$36.5M and was mainly due to payments made to the Barbados Water Authority and the Transport Board.

For the next six months, capital expenditure is projected at \$167.9M and recurrent expenditure at \$1,363.5M for total expenditure of \$2,860.6M. This will be below the approved amount of \$3,372.62M.

Net and Gross Debt

In the first half of the financial year negotiations concluded with respect to the restructuring of the Prison facility, which formally concluded the restructuring of the Government's debt.

Government received a budget support loan of approximately \$181.0M from the International Monetary Fund, as part of its support under the Extended Fund Facility Program.

On the domestic side, the issuance of BOSS bonds commenced in July to ostensibly provide workers with a mechanism for savings, while affording the Government of Barbados funds for capital works projects.

Additionally, Series F bonds totalling \$8.4M were issued in respect of the settlement of tax arrears and legal fees which predated September 2018. Approximately, \$502.3K in bonds were liquidated for bondholders facing predominately serious health challenges.

Finally, as agreed during the domestic debt restructuring, the last overdraft facility total \$2.5M previously held by the Caribbean Broadcasting Corporation, was converted to a Term Loan to be serviced by the Government.

Debt Stock

Public debt outstanding at September 30, 2020 stood at approximately \$12,481.3M, approximately 131.0% of GDP¹. This is comprised of external debt of \$3,401.5M, domestic debt of \$8,944.3M, external guaranteed debt of \$54.9M and central government arrears of \$80.5M.

¹ Estimated at \$9,525.6M

At September 30, 2020 the outstanding debt was under the IMF ceiling on public debt of \$13,308 M by approximately \$826.7M.

Debt Service

At September 30, 2020 the actual expenditure under Program 111 - Debt Management amounted to approximately \$373.7M compared to the Approved Estimates of \$449.3M for the period April to September 2020, a difference of \$75.6M. Approximately \$32.3M of this was attributed to the redemptions of Savings Bonds which have matured but have not yet been presented for settlement. Approximately, \$14.6M due in respect of external Sinking Funds Contributions have not been contributed to date. Slower project disbursements and lower interest rates during the period compared to original projections accounted mainly for the remainder.

Projections for October 2020 to March 2021

Approximately \$578.2M will be required to service existing debt obligations for the period October 2020 to March 2021; \$414.2M for interest expense, \$164.1M for amortization. This is approximately \$116.8M more than what was budgeted for the period, resulting primarily from the liquidation of approximately \$167.0M in Series F bonds held by the National Insurance Fund to provide the NIS with cash to meet the high demands for Unemployment and Severance due to Covid-19. Additionally, provision has been made for the following issuances and liquidations during the period:

- \$6.7M – to prepay bondholder holding \$5,000 or less in restructured bonds, in line with the Government’s decision announced in the Throne Speech
- Issuance of approximately \$44.9M IN Series F bonds
 - \$39.7M to settle CIT arrears
 - \$5.2 to refund NHC tenants due refunds of \$5.001 and above

Projected Variance for 2020- 2021

Total revised debt expenditure for 2020-2021 is estimated at \$952.0M, this is approximately \$41.1M more than what was approved. The projected increase in expenditure is primarily attributed to the liquidation of the NIS bonds and the issuance of additional Series F bonds, which are repaid monthly, to settle arrears and prepayments to bondholders.

The quantum of the overall increase would have been mitigated by interest rate savings due to lower LIBOR rates and slow disbursements on project loans.

Other Financing Matters

Management of Government’s Arrears

At the end of September 2020, the stock of central government arrears net of training levy was approximately \$81M. This was substantially below the PC target of \$145M and the arrears at September 2019 of \$180M.

Total arrears for the State Owned Enterprises monitored under the Technical Memorandum of Understanding totaled \$31M at midyear. At September 2019, arrears were \$120M. The PC target for arrears at September 2020 was \$56M.

Virement, Contingency Head and Supplementary Estimates

The virements approved for the period were as follows:

Ministry of Home Affairs, Information and Public Affairs

The sum of \$23,000 was transferred from 0206 Department of Emergency Management SAC 752, 212 to 0206 Department of Emergency Management SAC 753, 208 for the continuation of rental for the UPS and the outfitting of the new office accommodation.

The sum of \$300,000 was transferred from 0600 Post Office SAC 207 to 0600 Post Office SAC 211 to cover operating expenses.

Ministry of Foreign Affairs and Foreign Trade

The sum of \$46,800 was transferred from with Missions to purchase laptops for Overseas staff to work from home.

The sum of \$81,500 was transferred with Missions for the payment of pension contributions for the Attaché who was recalled to headquarters and the purchase of a vehicle.

The sum of \$26,200 was transferred from General Management and Coordination Services SAC 206 and General Management and Coordination Services SAC 212 to General Management and Coordination Services SAC 206 and General Management and Coordination Services SAC 212 to provide for the extension of the summer internship within the Ministry.

Office of the Attorney General

The sum of \$75,000 was transferred from General Management and Coordination Services SAC 212 to General Management and Coordination Services SAC 226 to cover shortfall for consultancy services.

The sum of \$500.00 was transferred from the Forensic Sciences Centre SAC 206 to the Forensic Sciences Centre SAC 212 to cover additional cost to supplier.

The sum of \$2,300 was transferred from Police Complaints Authority SAC 206 to Police Complaints Authority SAC 20 to pay telecommunication bills to end of the financial year.

Ministry of Energy, Small Business and Entrepreneurship (Small Business)

The sum of \$45,000 was transferred from the Department of Commerce and Consumer Affairs SAC 753, 206 to the Department of Commerce and Consumer Affairs SAC 755, 211, 212 for the purchase and installation of office and server.

The sum of \$7,000 was transferred from the Office of the Public Counsel SAC 317 to the Office of the Public Counsel SAC 212 to cover the cost of the Student attachment program and to purchase uniforms and protective gear.

The sum of \$3,000 was transferred from General Management and Coordination Services SAC 211 to 7030 General Management and Coordination Services SAC 206 to cover additional travel expense during COVID.

Ministry of International Business and Industry

The sum of \$24,400 was transferred from Treaty Negotiations SAC 212 to International Business and Financial Services SAC 226 to cover costs associated with two consultants assigned to the Compliance Section of the International Business Unit.

Ministry of Tourism and International Transport

The sum of \$3,000 was transferred from General Management & Coordination Services SAC 753 to General Management & Coordination Services SAC 752 to facilitate the purchase of laptops for the Ministry of Tourism and International Transport.

The sum of \$75,000 was transferred from Research and Product Development Unit SAC 103 to General Management & Coordination Services SAC102 to facilitate salaries to the end of the Financial Year March 2021.

Ministry of Youth, Sports and Community Empowerment

The sum of \$10,780 was transferred from Youth Entrepreneurship Scheme SAC 226 to General Management & Coordination Services SAC 210 to facilitate the purchase of Laptops.

Ministry of Agriculture and Food Security

The sum of \$20,000 was transferred from Agricultural Extension Services SAC 211 to Agricultural Extension Services SAC 210 to facilitate the purchase of furniture and fixtures.

Cabinet Office

The sum of \$15,000 was transferred from General Management and Coordination Services SAC 211 to General Management and Coordination Services SAC 208 to facilitate the rental of a photocopier

Ministry of People Empowerment and Elder Affairs

The sum of \$143,595 was transferred from General Management and Coordination Services sac 315 to General Management and Coordination Services SAC 210 and SAC226 to facilitate the expenditure related to the payment of the extension of contracted Rapid Assessors, a Psychologist and supplies and materials - Covid.

The sum of \$46,000 was transferred from HIV/AIDS Prevention SAC 212 to General Management and Coordination Services SAC226 for the payment the Helpline hotline workers contracted by the ministry – Covid

Ministry of Environment and National Beautification

The sum of \$5,000 was transferred from Subprogram 0420 We Gathering Vision 2020 SAC 751 to General Management and Coordination Services SAC752 to facilitate the purchase of a laptop requested by the new minister.

The sum of \$74,400 was transferred from Policy Research, Planning & Information Unit SAC212 to General Management and Coordination Services SAC226 to facilitate the procurement of a public relations firm.

The sum of \$66,000 was transferred from Policy Research, Planning & Information Unit SAC212 to 0420 We Gathering Vision 2020 SAC 226 to procure the services of two persons for the National Tree Planting Project.

Contingency Head

The sum of \$100,000 was allocated for the Financial Year 2020 – 2021 of which \$5,000 was released. For the last financial year 2019 – 2020, \$1M was allocated for the contingency vote.

Supplementary Estimates

During the period under review the following supplementaries were approved.

Ministry of Finance, Economic Affairs and Investment

- \$8,500,000 - for the acquisition and food stores and personal protective equipment for COVID-19
- \$314,285 - for the extension of contract for the Senior Technical Adviser to the GOB
- \$1,275,750 - for the extension of technical assistance for implementation of the ASYCUDA World Project

Ministry of Transport Works and Water Resources

- \$3,884,000 - for the Emmerton Flood Mitigation Project.
- \$85,000 - for the extension of contractual work for General Workers Re: sanitizing of public washrooms in the bus terminals and the sanitizing of public transport vehicles.

Ministry of Education, Technological and Vocational Training

- \$8,802,000 - for renovations and rehabilitation at nursery and primary schools
- \$3,000,000 - to complete the School Meals Centre and purchase of equipment.

- \$10,000,000 - for down payment towards tablets and laptops.

Ministry of Health and Wellness

- \$2,000,000 - for the purchase of swabs and reagents for Best DOS Santos Lab.

Ministry of Innovation, Science and Smart Technology

\$2,037,802- to acquire Smart Cards and National Digital ID system from PBS Systems and its partner Entrust Datacard

- 212 Operating Expenses-184,990-
- 226 Professional Services-4,985,575-
- 752 Machinery and Equipment-1,452,864-
- 753 Computer Software-578,782-

Prime Minister's Office

\$10,000,000 - cash transfers to support vulnerable families most affected by the economic fallout of COVID19.

Ministry of People Empowerment and Elder Affairs

- \$10,000,000 - to meet the additional cost of grants to individuals given the COVID-19 pandemic.

Cabinet Office

- \$1,166,504 - to meet the cost associated with the execution of the reregistration of the population under the New Digital ID card project.

State Owned Enterprises

The report for the period ending September 30, 2020 looks at the performance of the thirty_three State Owned Enterprises (SOEs) listed in the Technical Memorandum of Understanding (TMU) of the Barbados Economic Recovery and Transformation (BERT) Programme. Twenty-two (22) of the SOEs are classified as commercial and eleven (11) as non-commercial, as shown in Table 1. Four of these entities are now inactive.

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.

For the six month period, revenue collected was less than the corresponding period of April – September 2019 due to the curfew/lockdown of the country because of the COVID-19 pandemic. However, expenditure was not in proportion to the revenue collected and this resulted in the entities within the TMU reporting a comprehensive net loss of \$4.90M compared to a net profit of \$60.95M for the corresponding period in 2019 (Table II).

Commercial SOEs recorded a loss of \$5.57M while the Non-Commercial sector recorded a slight net profit of \$0.66M. For the period April – September 2019, Commercial SOEs accounted for 83% or \$50.85M of the comprehensive profit, while the non-commercial SOEs accounted for the remaining 17% or \$10.10M of the amount.

The top five loss-makers within the SOE sector in the TMU for the period, April – September 2020, were the QEH (\$13.52M), NHC (\$6.37M), Caves of Barbados (\$2.95M), UDC (\$2.18M), and BCC (\$1.97M).

Although there was a comprehensive net loss as previously mentioned, some SOEs made a profit. These entities were BTMI (\$11.43M), BADMC (\$5.16M), BIDC (\$4.04M), FSC (\$2.79M) and BWA (\$2.16M).

It should be noted that due to the pandemic, some of the reforms introduced under the BERT program have suffered such as 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 the closure of businesses; the Health Services Levy (HSL) due to the loss of jobs and the Airline Travel and Development fee due to the decrease in international travel.

Total Revenue for the period was recorded at \$330.33M compared to \$449.23M in 2019, a reduction of 26% or \$118.89M. For the period April – September 2020, total revenue comprised Operating income of \$137.02M; Government subvention of

\$132.86M, \$1.16M in interest revenue and \$59.29M in Other Income.

It should be noted that Government Subvention decreased by \$41.19M from \$174.05M to \$132.86 in 2020. Operating Income declined by 37% or \$81.41M from \$218.43M in 2019 to \$137.02M in 2020. Interest and Other Income collectively increased by \$3.70M to \$60.45M in 2020 from \$56.74M in 2019.

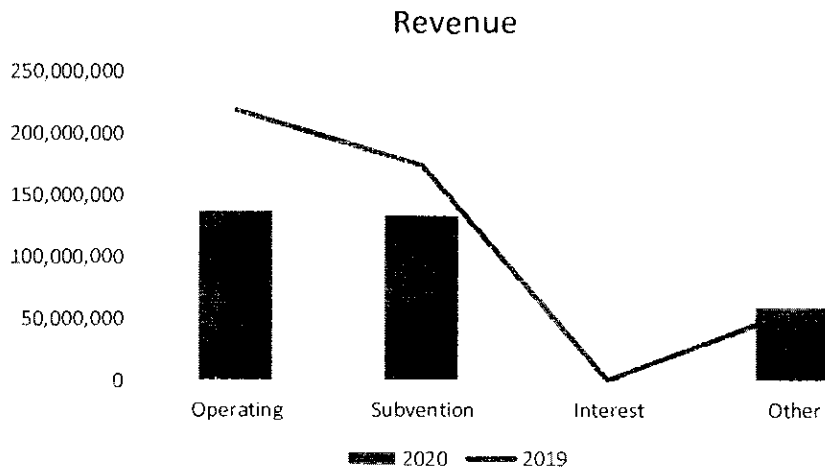


Figure 1: Revenue comparison 2019 and 2020

Commercial SOEs accounted for \$277.98M, compared to 304.71M in 2019 and Non- Commercial \$52.35M compared to \$65.98M in 2019. QEH, BWA, SSA, BTMI and TB recorded the highest revenues of \$88.60M, \$71.56M, \$30.65M, \$23.36M and \$20.33M respectively. This can be compared to 2019 when the QEH, BWA, BTMI, SSA and NLICO recorded the highest revenue totalling \$108.34M, \$86.70M, \$54.31M, \$27.79M and \$24.86M respectively.

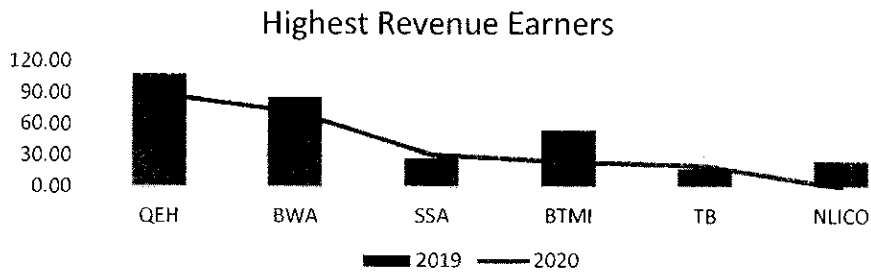


Figure 2: Highest Revenue Earners 2019 and 2020

The QEH was the top revenue performer mainly because of a Government subvention in the amount of \$66.73M and the 2.5% HSC of \$18.21M. This was a reduction from \$72.37M in subvention and \$30.37M in HSC, in 2019. Note also, there was a reduction in the QEH’s core business of patient services fees of \$3.66M in 2020 compared to \$5.30M in 2019.

Operating revenue was the largest component of total revenue for Commercial SOEs of \$124.1M compared to \$172.42M for the corresponding period in 2019. Subventions from Government were \$99.14M compared to \$128.35M in 2019.

Within the Non-Commercial entities, the situation was the opposite as Government grants was the largest component totaling \$33.73M in 2020 compared to \$52.15M in 2019. Operating income represented \$12.92M in 2020 from \$13.01M in 2019.

Total Expenditure for the period April – September 2020 was \$334.73M compared to \$389.35M for the same period in 2019, a decrease of \$54.61M. Wages and salaries decrease by \$23.73M

from \$189.00M to \$165.26M and accounted for 49% of the total expenses in both 2019 and 2020. Operating expenses also decreased by \$39.10M from \$149.10M in 2019 to \$110.00M in 2020.

For the period April–September 2020 the top five spenders were QEH (\$102.12), BWA (\$69.40M), SSA (\$28.82M), TB (20.46M) and NCC (\$17.67M) similar to QEH, BWA, BTMI, TB and SSA which totalled \$99.52M, \$78.32M, \$37.01M, \$26.44M and \$24.02, respectively in 2019.

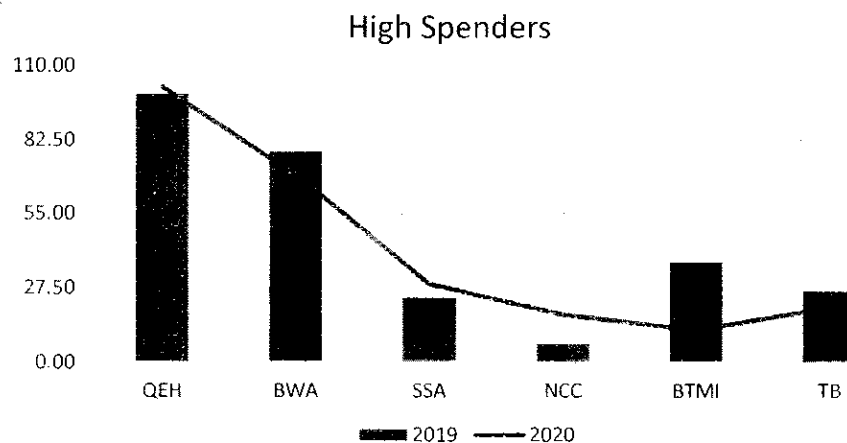


Figure 3: High Spenders 2019 and 2020

The decreases in expenditure can be attributed to the lockdown of the country, the phased reopening and the massive decline in tourists arrivals due to the COVID-19 pandemic which have impacted the operations of many SOEs. However, it should be noted, that the QEH would have spent substantial amounts in preparation for the COVID-19 pandemic inclusive of capital works to operationalize Harrison’s Point, the retrofitting of

Enmore as a surgical isolation center and the purchase of capital equipment for Harrison's Point and Enmore. It also incurred additional expenditure in respect of flight, accommodation and salaries of Cuban Nurses, medical supplies and other operational costs for Blackman Gollop School, Paragon and CDU and salaries for the Ghanaian nurses.

There was a decrease in the arrears between the beginning of April 2020 and the end of September 2020 which can be attributed to the SOEs making the effort to remain current as agreed to in the BERT programme. There were instances, where in respect of the accumulation of arrears supplementary warrants were requested to cover the debt. In addition, the discounted offer to private sector suppliers also contributed to the decline. This offer provided that the supplier received 85% on the dollar in respect of the balances due. The top five entities with the highest arrears were BTMI, TB, BWA, NHC and QEH, which totaled: \$10.35M; \$8.31M, \$6.07M; \$3.72M and \$3.13M respectively compared to BWA: \$78.20M; BTMI: \$13.53M; NHC: \$12.01M; TB: \$5.52M and CBC: \$4.65M for the same period in 2019.

In general, the SOEs in the TMU performed poorly when compared to September 2019 from a comprehensive net profit of \$60.95M to a net loss of \$4.90M. For the first six months of the financial year 2020 -2021, the Barbadian economy has been impacted by the COVID-19 pandemic, which has resulted in losses in revenue and high unemployment especially in the tourism sector due to the abrupt closure of a number of countries

around the world. The Barbadian economy is small, open and highly dependent on tourism: the reduction of visitors to the island due to travel restrictions and protocols imposed in various jurisdictions around the world and the subsequent decrease in flight activity at Grantley Adams International Airport (GAIA) has resulted in the reduction of the overall amount of revenue collected due to a slowdown in economic activity. The SOEs, particularly those in the trade and tourism sectors have been negatively impacted by the prolonged effects and uncertainty of the COVID-19 pandemic.

As a result of the COVID-19 pandemic which has highlighted the vulnerabilities of many businesses, there is a need for SOEs to refocus their efforts in order to be resilient in the uncertain times ahead through the use of technology and the creation of innovative projects either short, medium or long-term. This will enable them to generate the needed revenue to meet their obligations as they become due. SOEs also need to refocus their efforts on the reduction or elimination of those costs that contribute to wastage, thereby improving their overall efficiency and operating performance.

Although arrears are declining, it continues to be a concern to the GOB and requires continuous monitoring to ensure that they do not become a source of fiscal risk.

As well, although there has been some improvement in the financial reporting of the entities a greater effort is required if proper oversight is to be achieved.

TABLE 1

Classification of SOEs within TMU

Commercial SOEs^{1,2}

1. BADMC
2. BAMC
3. BCSL
4. BTII
5. BTMI
6. BWA
7. CBC
8. CAVES
9. KOMI
10. NCC
11. NCF
12. NHC
13. NLICO
14. QEH
15. SSA
16. SOUHERN MEATS
17. SRLF
18. TB
19. BCIC-*inactive*
20. NPC -*inactive*
21. GYM-*inactive*
22. BTPA

Non-Commercial SOEs^{1,2}

1. BAC
2. BCC
3. INVEST BDOS
4. BIDC
5. CCB
6. CIDA-*inactive*
7. FTC
8. FSC
9. NAB
10. RDC
11. UDC

Note:

1. *The above classification is contained in the PFM Act, 2019*
2. *The classification is to be reviewed periodically to ensure appropriateness*

Table II
Aggregated Results of SOE Sector (TMU)

for period September 2019 and 2020

INCOME STATEMENT

\$Millions	\$M	\$M
	2019	2020
REVENUE		
Operating	218.43	137.02
Gov't subvention	174.05	132.86
Interest Income		1.16
Other	56.74	59.28
Total Revenue	449.23	330.33
EXPENDITURE		
Operating	149.10	110.01
Wages/salaries	189.00	165.26
Depreciation		33.33
Finance charges	2.65	3.48
Tax		5.37
Other	48.59	17.28
Total Expenditure	389.35	334.73
Net Profit/(loss)	59.88	-4.40
Other comprehensive income/expense	1.07	-0.50
Total Comprehensive Income (loss)	60.95	-4.90