

SUMMARY OF FISCAL OPERATIONS OF THE CENTRAL GOVERNMENT OF ST.VINCENT AND THE GRENADINES

For the year ended December 31, 2021

The objective of this report is to present the public with a brief summary of the Government of St. Vincent and the Grenadines' fiscal operations, for the year ended December 31, 2021. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.

Preliminary data as at December 31, 2021 indicated that the Central Government fiscal operations improved when compared to the same period in 2020. Current Revenue increased by 12.1 percent to \$679.53 million, while Current Expenditure grew by 6.3 percent, to \$682.48 million. Consequently, the Current Balance recorded a reduced deficit of \$2.95 million compared to \$35.55 million in 2020. The Overall Balance also improved, as it moved from a deficit of \$124.46 million in 2020 to a deficit of \$100.74 million in 2021.

Table 1: Summary of fiscal operations for the year ended December 31, 2021

	Budget 2021 \$ m	Actual 2021 \$ m	Actual 2020 \$ m	% Change
Current Revenue	647.39	679.53	606.27	12.1
<i>of which:</i>				
Taxes on Income & Profits	155.00	143.53	143.36	0.1
Taxes on Property	45.13	100.73	40.83	146.7
Taxes on Goods & Services	187.95	178.74	185.82	(3.8)
Taxes on International Trade	162.61	160.34	153.79	4.3
Sale of Goods & Services	74.97	71.64	61.43	16.6
Current Expenditure	698.13	682.48	641.81	6.3
<i>of which:</i>				
Compensation Employees	345.98	337.32	323.66	4.2
Use of Goods & Services	102.22	97.92	89.78	9.1
Interest Payments	72.72	49.34	51.61	(4.4)
Transfers	177.20	197.90	176.76	12.0
Current Balance	(50.74)	(2.95)	(35.55)	(91.7)
Primary Balance (net CCF)	(223.28)	(51.40)	(72.85)	(29.4)
Capital Expenditure	317.40	193.65	211.18	(8.3)
<i>Of which:</i>				
Capitalisation of Contingency Fund (CCF)	13.24	12.75	12.85	(0.8)
Capital Revenue	58.90	83.11	109.41	(24.0)
Overall Balance (net CCF)	(296.00)	(100.74)	(124.46)	(19.1)

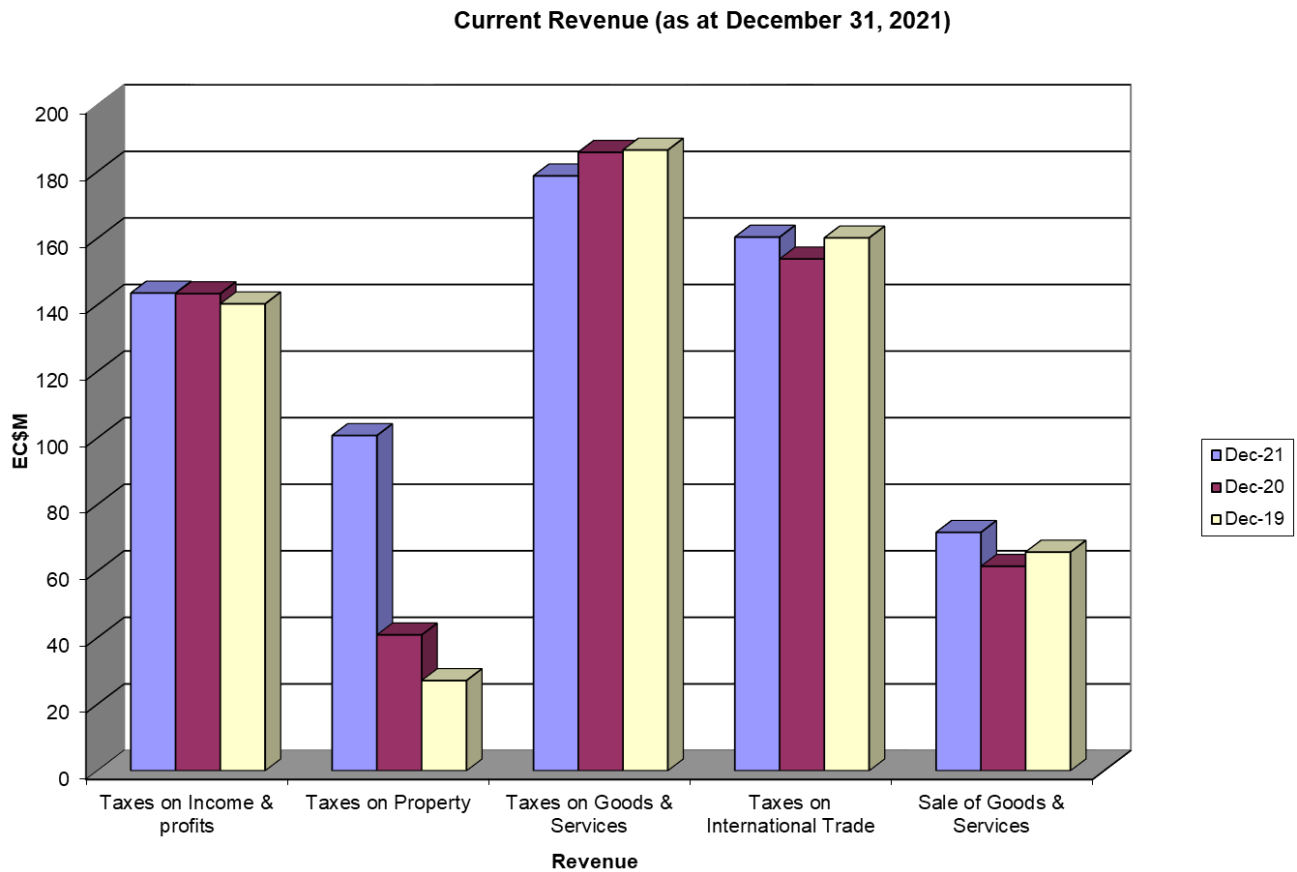
Source: Ministry of Finance and Planning

Revenue

Receipts from Taxes on Income and Profits increased marginally by 0.1 percent to \$143.53 million due to higher collections from Personal Income Tax. Revenue from Corporate Income Tax and Non-Resident (Withholding) Tax went down by 3.0 percent and 9.7 percent, respectively, when compared to the same period in 2020. The decline in collections from Corporate Income Tax is reflective of lower profits reported by some companies. The lower receipts from Non-Resident Tax is partly related to the fact that less field audits were conducted during the period due to the Covid-19 pandemic.

Collections from Taxes on Property amounted to \$100.73 million compared to the \$40.83 million which was collected in the same period in 2020. This resulted mainly from higher receipts from Stamp Duty on Property (which amounted to \$59.02 million) and Alien Land Holding Licence (of \$37.54 million). Greater land sales in the Grenadines was the main contributor to the improved performance of property taxes.

Figure 1: Items of Current Revenue as at December 31, 2021



As of 31st December, 2021, Taxes on Goods and Services totaled \$178.74 million which represents a 3.8 percent decrease relative to the figure for the 2020 fiscal year. This decrease is mainly as a result of the fall in Excise Duty (on imports) by 9.2 percent largely owing to timing issues in the recording of payments for petroleum products. Also, revenue from Telecommunications and Broadcast Licences fell considerably, moving from \$5.02 million in 2020 to \$3.59 million in 2021. However, the fall in revenue from Taxes on Goods and Services was moderated by higher receipts from Excise Duty (on Domestic Transactions), Insurance Premium Tax, Motor Vehicle Licence, Merchant Shipping International Fees and the Interest Levy.

Revenue from International Trade Taxes went up by 4.3 percent, to \$160.34 million as receipts from the majority of the subcomponents increased. Value Added Tax and Import Duty receipts grew by 5.9 percent and 2.5 percent, respectively. These increases were supported by a 16.1 percent increase in merchandise imports during the period. However, revenue from Vehicle Surtax went down (by 2.4 percent) on account of a 2.3 percent decline in relation to the importation of used vehicles. Notwithstanding the foregoing, revenue loss due to Special Cabinet concessions rose by 53.8 percent partly on account of waivers of duties and taxes granted on items for Covid-19 management and volcano relief.

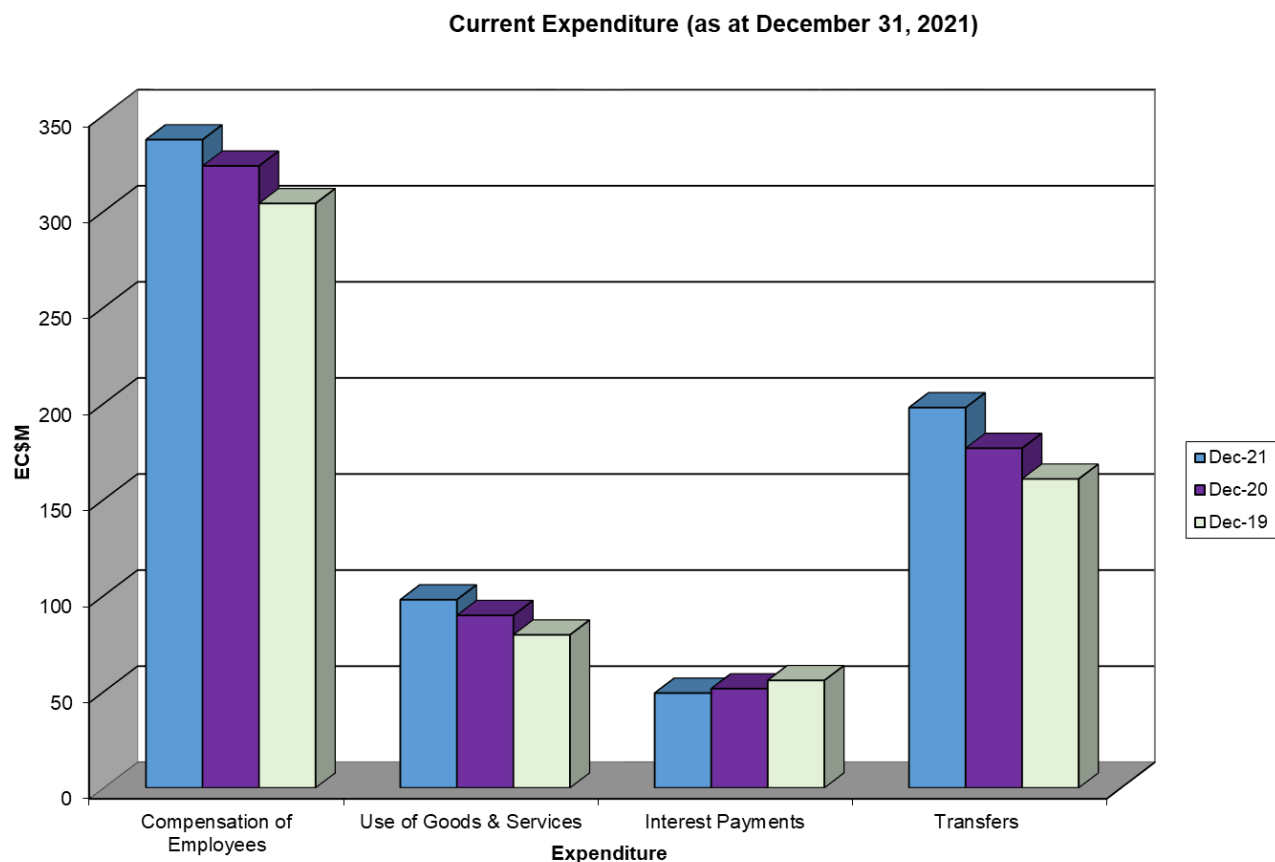
Takings from Sales of Goods and Services as at year-end 2021 grossed \$71.64 million representing a 16.6 percent growth on the amount collected in 2020. This was mainly related to a 24.8 percent increase in collections from Customs Service Charge, which amounted to \$46.84 million. The higher receipts from Customs Service Charge is partly related to the implementation of the 1.0 percentage point increase in the rate effective June 1st, 2021. Collections from International Financial Services and Driver's Licences also increased by 6.3 percent and 4.1 percent, respectively.

Capital inflows as of December 31, 2021 amounted to \$83.11 million, down 24.0 percent from the \$109.41 million collected in the corresponding period in 2020. The Capital Revenue figure included \$61.75 million collected in Grants and \$19.82 million under Other Capital Receipts. The main source of Other Capital Receipts was the \$15.00 million from the Contingencies Fund, which was drawn down as a result of the eruption of the La Soufriere volcano.

Expenditure

Current Expenditure amounted to \$682.48 million, as at December 31, 2021. This figure represents an increase of 6.3 percent when compared to the amount spent during the same period in 2020. Payment of Wages and Salaries amounted to \$322.27 million and the Employer's Social Security Contribution to \$15.05 million, these were responsible for the overall 4.2 percent increase in Compensation of Employees. The growth in spending on Wages and Salaries was mainly due to a number of new positions created and changes in increments and allowances during the period.

Figure 2: Items of recurrent expenditure as at December 31, 2021

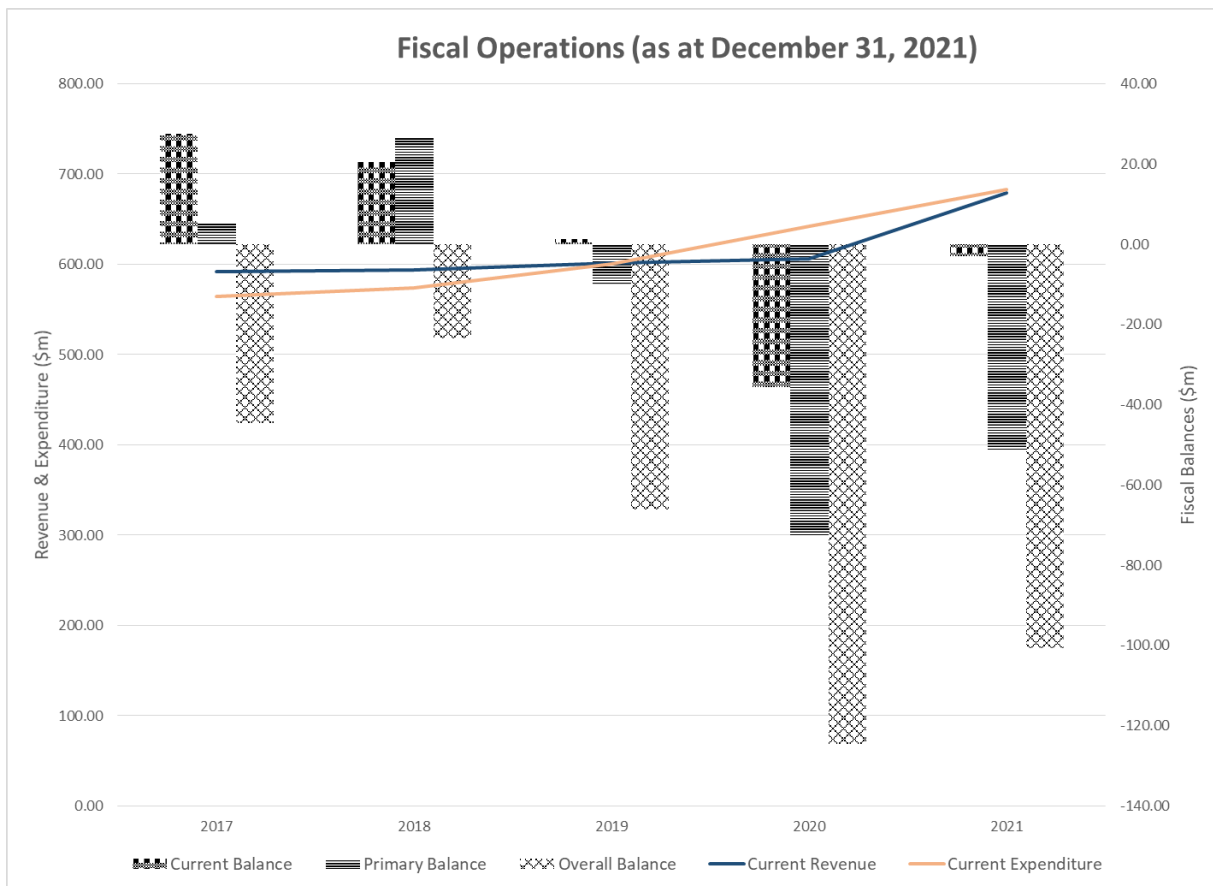


Interest Payments decreased during the period by 4.4 percent to \$49.34 million as a result of reduced payments on both the domestic and external components of the debt. Domestic interest payments contracted by 2.3 percent while interest payments on external debt fell by 8.0 percent. The significant reduction in external interest payments mainly reflected the impact of COVID-19 moratoria on some loans as follows:

- Caribbean Development Bank (CDB) debt service suspension on all CDB loans for July 2020 to July 2021
- Debt Service Suspension Initiative (DSSI) debt service suspension on Paris Club loans for January 2021 to December 2021.

Outlays on Transfers went up significantly, by 12.0 percent to \$197.90 million, this amount was also 11.7 percent above the amount budgeted for Transfers and was mainly due to the higher amounts that were expended on Grants to Other Agencies (15.7 percent) and Social Assistance Benefits (53.8 percent). It is important to note that the large growth in spending on Social Assistance Benefits was principally related to payouts of income support to farmers and other individuals affected by the volcanic eruptions.

Figure 3: Fiscal Recurrent Activity December 2017-2021



Preliminary data indicates that Capital Expenditure for the year ended 2021 amounted to \$193.65 million, down from the \$211.18 million recorded for the same period in 2020. Some of the major capital projects undertaken in 2021 included:

❖ Regional Disaster Vulnerability Reduction Project	\$ 25.161
❖ Volcano Recovery and Reconstruction Programme	\$ 19.026
❖ La Soufriere Eruption Disaster Relief Programme	\$ 14.518
❖ Housing Reconstruction Rehabilitation Project	\$ 10.524
❖ La Soufriere Eruption Disaster Relief II	\$ 8.245
❖ School Development Programme	\$ 6.037
❖ Purchase of Heavy Equipment and Vehicles	\$ 5.796
❖ Diamond Hotel Project	\$ 5.500
❖ Port Redevelopment Project	\$ 5.000
❖ Land Purchase III	\$ 4.124
❖ Road Rehabilitation and Repair Programme II	\$ 3.930
❖ Capitalization of the Medicinal Cannabis Authority	\$ 3.058

Financing

Table 2 below summarizes the Central Government financing as at December 31, 2021 with comparable numbers for 2020.

Table 2: Summary of Central Government Financing as at December 31, 2021 compared with 2020

	2021 \$ M	2020 \$ M
OVERALL DEFICIT	(100.74)	(124.46)
FINANCED BY:	100.74	124.46
External Loans	192.94	74.07
Disbursements	232.32	126.38
Less: Amortisation	(39.39)	(52.31)
Domestic Financing (net)	(92.20)	50.39

Source: Ministry of Finance and Planning

Table 2 above shows a deficit of \$100.74 million for the period, financed from external sources. The main items of external financing were disbursements from the International Development Agency (\$194.23 million) and the International Monetary Fund (\$31.35 million). These funds were primarily to provide support for the government's response to the April 2021 volcanic eruptions.