

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

**For the period ended September 30, 2020**

*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 period ended September 30, 2020. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.*

Preliminary data as at September 30, 2020 indicated that the Central Government fiscal operations deteriorated when compared to the same period in 2019. Current Revenue increased by 3.4 percent to \$429.54 million, while Current Expenditure grew by 6.1 percent to \$478.95 million. Consequently, a current deficit of \$49.40 million was recorded in 2020 compared to a deficit of \$36.11 million recorded for the same period in 2019. The Overall Balance worsened, moving from a deficit of \$61.51 million in 2019 to a deficit of \$106.19 million in 2020. This outturn which showed continued growth in Recurrent and Capital expenditure largely reflects the impact of COVID-19 related spending.

**Table 1: Summary of fiscal operations for the period ended September 30, 2020**

	<b>BUDGET 2020 \$ M</b>	<b>ACTUAL 2020 \$ M</b>	<b>ACTUAL 2019 \$ M</b>	<b>% CHANGE</b>
<b>Current Revenue</b>	<b>479.37</b>	<b>429.54</b>	<b>415.34</b>	<b>3.4</b>
<i>of which:</i>				
Taxes on Income & Profits	113.93	102.13	96.82	5.5
Taxes on Property	30.32	19.87	16.23	22.4
Taxes on Goods & Services	145.22	144.20	128.64	12.1
Taxes on International Trade	122.97	104.55	111.80	(6.5)
Sale of Goods & Services	51.93	43.54	45.04	(3.3)
<b>Current Expenditure</b>	<b>502.11</b>	<b>478.95</b>	<b>451.45</b>	<b>6.1</b>
<i>of which:</i>				
Compensation Employees	245.20	238.80	225.48	5.9
Use of Goods & Services	66.67	64.64	54.87	17.8
Interest Payments	49.35	39.84	40.02	(0.5)
Transfers	140.90	135.67	131.08	3.5
<b>Current Balance</b>	<b>(22.74)</b>	<b>(49.40)</b>	<b>(36.11)</b>	<b>(36.8)</b>
<b>Primary Balance (net CCF)</b>	<b>(61.59)</b>	<b>(66.36)</b>	<b>(21.49)</b>	<b>(208.8)</b>
<b>Capital Expenditure</b>	<b>121.80</b>	<b>105.15</b>	<b>47.48</b>	<b>121.5</b>
<i>Of which:</i>				
Capitalisation of Contingency Fund (CCF)	<b>9.64</b>	<b>10.14</b>	<b>6.35</b>	<b>59.7</b>
<b>Capital Revenue</b>	<b>33.61</b>	<b>38.22</b>	<b>15.73</b>	<b>142.9</b>
<b>Overall Balance (net CCF)</b>	<b>(110.93)</b>	<b>(106.19)</b>	<b>(61.51)</b>	<b>(72.6)</b>

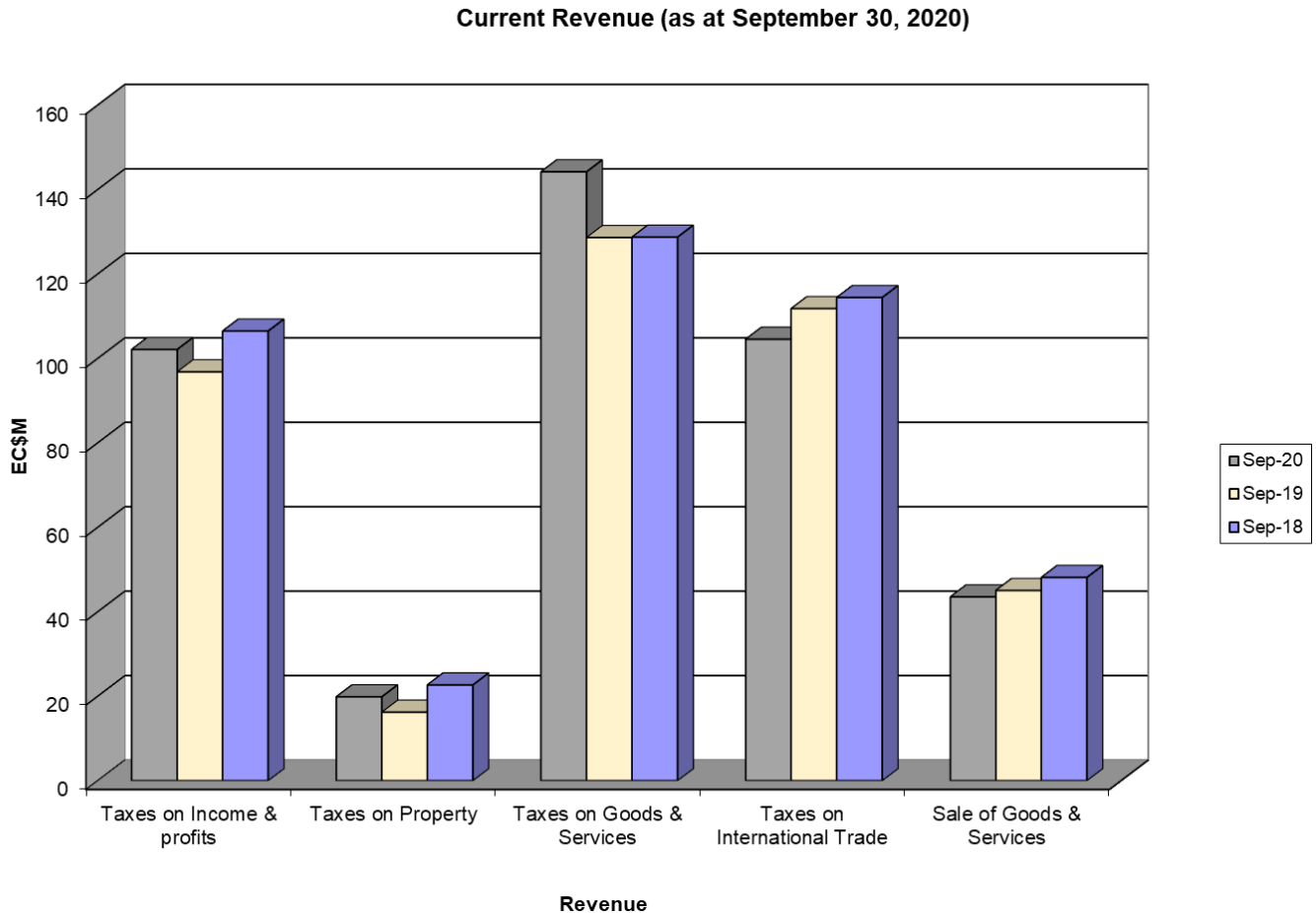
Source: Ministry of Finance and Planning

**Revenue**

Receipts from Taxes on Income and Profits grew by 5.5 percent to \$102.13 million due to higher collections from Personal Income Tax and Corporate Income Tax. The increase in Corporate Income Tax of 9.3 percent was reflective of higher reported profits from some large companies. Collections from Personal Income Tax increased by 5.8 percent, partly on account of the 2.0 percent salary enhancement received by Public Servants in January 2020. Collections from Non-Resident (Withholding) Tax declined by 7.0 percent.

Revenue from Taxes on Property increased by 22.4 percent to \$19.87 million during the period. This resulted mainly from higher collection of Stamp Duty on Property (which went up by 11.1 percent) and Alien Land Holding Licence (which amounted to \$4.33 million, compared to \$1.72 million in 2019). Greater land sales to foreigners during the period was the main contributor to the rise in collections from the above categories.

**Figure 1: Items of Current Revenue as at September 30, 2020**



As at 30<sup>th</sup> September, 2020, Taxes on Goods and Services which totalled \$144.2 million, increased by 12.1 percent. This was mainly as a result of improved receipts from Excise Duty on Imports (73.9 percent) largely on account of payments received in 2020 which were related to 2019 imports. Greater amounts were also collected from VAT on Domestic Transactions, Merchant Shipping International Fees and Motor Vehicle Licences. The increase in revenue from Taxes on Goods and Services was however moderated by lower takings from Telecomm Broadcast Licence, Yacht Licence and Insurance Premium Tax during the period.

Revenue from International Trade Taxes fell by 6.5 percent, to \$104.55 million. Under this rubric, revenue collection from all major subcomponents decreased; VAT receipts went down by 5.2 percent, Import Duty decreased by 6.6 percent and Vehicle Surtax fell by 22.10 percent. The decline in revenue from Vehicle Surtax reflects a 9.4 drop in the importation of used vehicles during the period while the decrease in revenue from VAT and Import Duty was mainly on account of 5.1 percent fall-off in non-oil imports during the period.

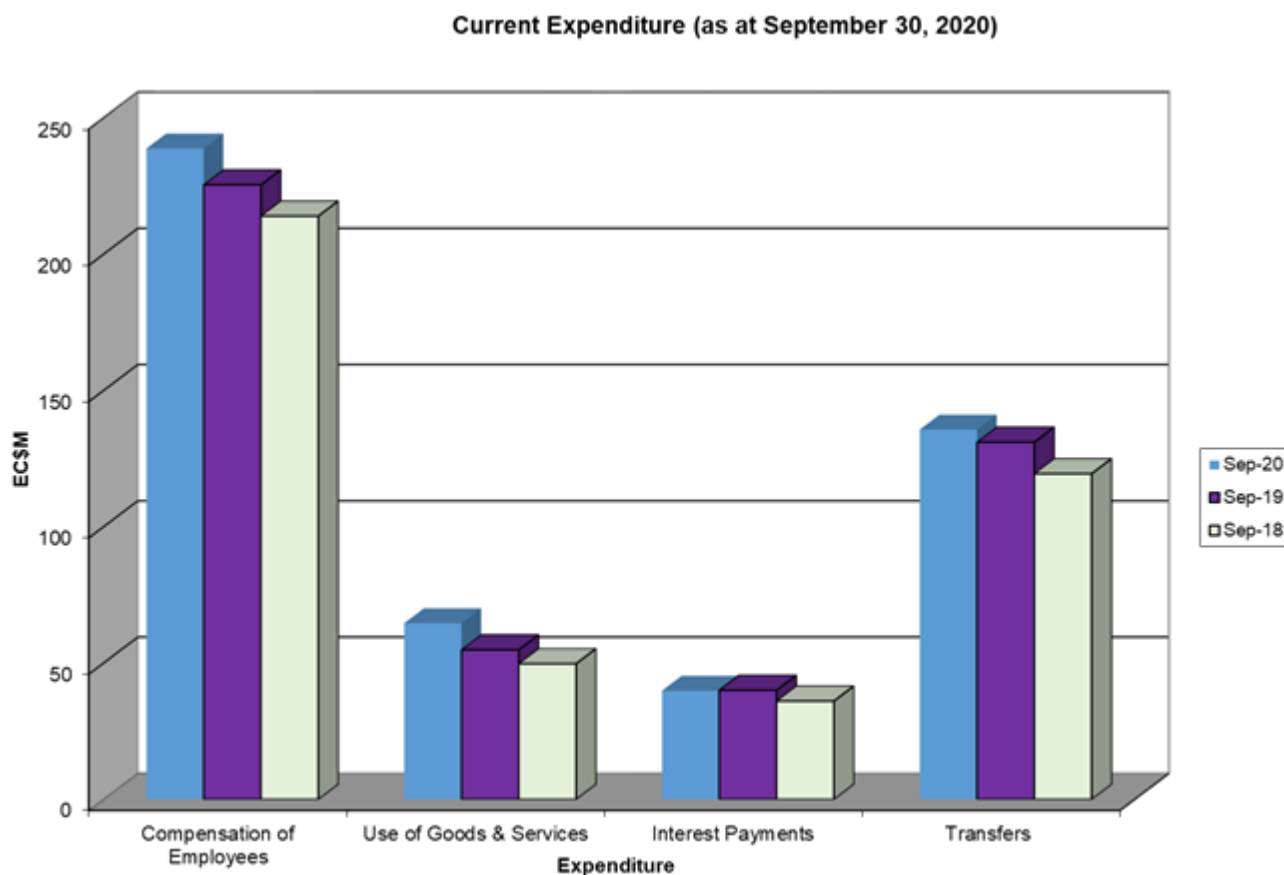
Revenue from Sales of Goods and Services grossed \$43.54 million. This represents a 3.3 percent reduction on the amount collected in 2019 as all major subcategories recorded lower receipts. Collections from International Financial Services, CIPO Registration Fees, Driver's Licence and Customs Service Charges declined by 7.6 percent, 1.9 percent, 6.5 percent and 1.9 percent, respectively. The decline in revenue from Sales of Goods and Services reflects a slowdown in business activity during the period.

Capital inflows as at September 30, 2020 amounted to \$38.22 million, up from the \$15.73 million collected in the corresponding period in 2019. This is mainly due to an increase in grant receipts which moved from \$14.87 million in 2019 to \$32.75 million in 2020. Similarly, revenue from the sale of crown lands moved from 0.81 million in 2019 to \$4.85 million in 2020.

## **Expenditure**

As at September 30, 2020, Current Expenditure amounted to \$478.95 million. This figure represents an increase of 6.1 percent when compared to the amount spent during the same period in 2019. Payment of Wages and Salaries amounted to \$228.16 million and the Employer's Social Security Contribution to \$10.65 million, these were responsible for the overall 5.9 percent increase in Compensation of Employees. The 2.0 percent salary enhancement paid to public servants from January 2020 would have contributed to the increased spending on Wages & Salaries along with changes in increments and allowances during the period.

**Figure 2: Items of recurrent expenditure as at September 30, 2020**

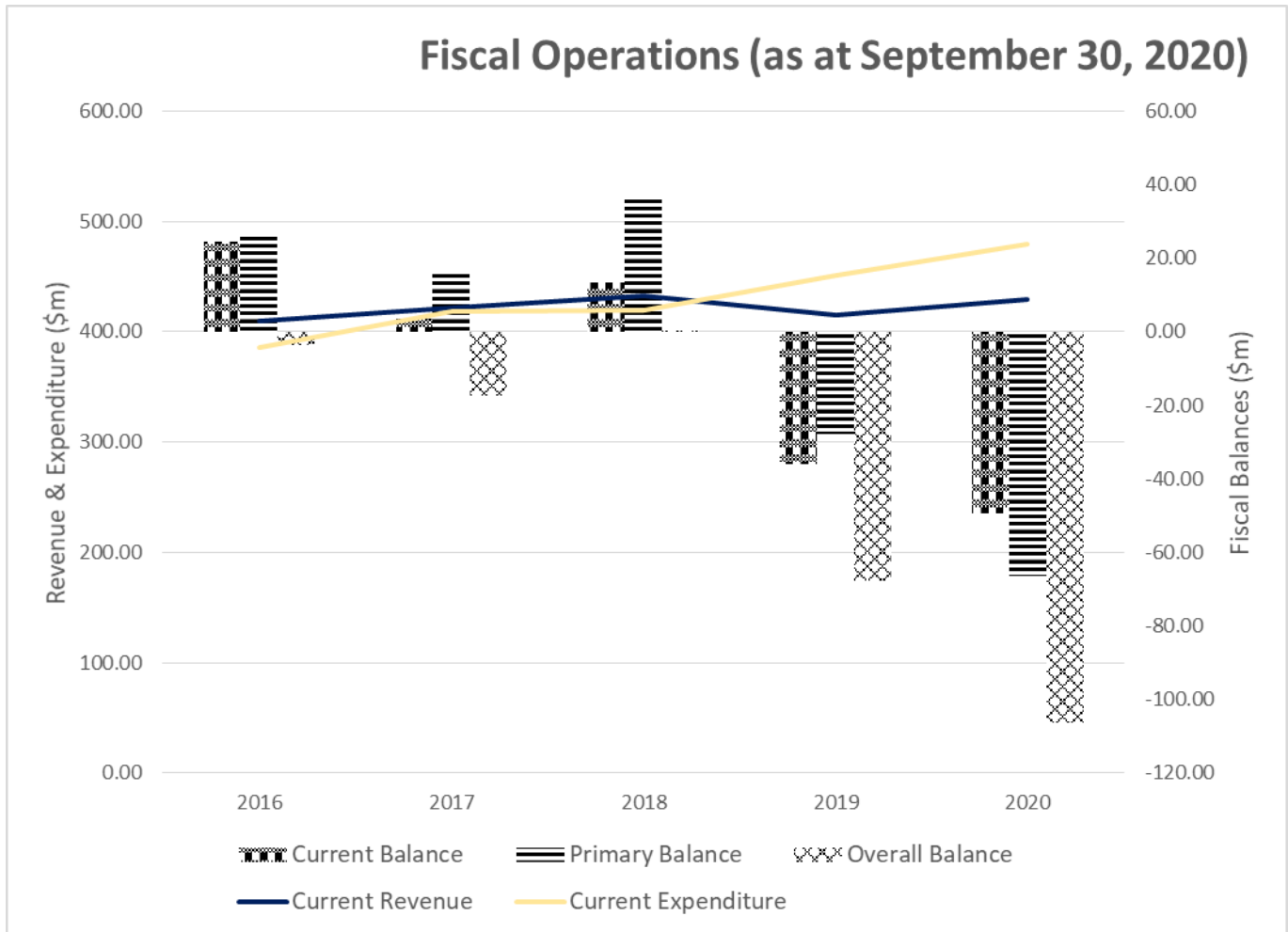


Interest Payments decreased during the period by 0.5 percent to \$39.84 million lower payments on the external component of debt, while interest payment on domestic debt grew. The reduction in external interest payments was related to deferred payments on some debt instruments. Outlays on Transfers increased by 3.5 percent to \$135.67 million mainly based on higher amounts expended on Social

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Assistance (31.1 percent). Grants to Other Agencies declined by 8.2 percent, moderating the increase in transfers.

**Figure 3: Fiscal Recurrent Activity September 2016-2020**



Preliminary data indicates that Capital Expenditure for the period amounted to \$105.15 million, up from the \$47.48 million recorded for the same period in 2019. Some of the larger items of capital expenditure included the Regional Disaster Vulnerability Reduction Project (\$14.00 million), the acquisition of the Buccament Bay Resort (\$12.77 million), the Road Rehabilitation and Repair Programme (\$7.82 million) and the Housing Rehabilitation Program (\$7.40 million). Other significant spending was recorded for the purchase of mobile devices for IT based learning and construction of the Diamond hotel and Diamond sporting facility.

## **Financing**

Table 2 below summarizes the Central Government financing as at September 30, 2020 with comparable numbers for 2019.

**Table 2: Summary of Central Government Financing as at September 30, 2020 compared with 2019**

	<b>2020 \$ M</b>	<b>2019 \$ M</b>
<b>OVERALL DEFICIT</b>	<b>(106.19)</b>	<b>(61.51)</b>
<b>FINANCED BY:</b>	<b>106.19</b>	<b>61.51</b>
<b>External Loans</b>	<b>7.22</b>	<b>2.85</b>
Disbursements	50.78	51.85
Less: Amortisation	(43.56)	(49.00)
<b>Domestic Financing (net)</b>	<b>98.97</b>	<b>58.66</b>

Source: Ministry of Finance and Planning

Table 2 above shows a deficit of \$106.19 million for the period financed chiefly from domestic sources. The main categories of domestic financing were reducing cash balances by \$102.70 million, the issuance of domestic bonds in the amount of \$60.92 million and the disbursement of domestic loans amounting to \$24.08 million. External loans also contributed to financing the overall deficit.

### Fiscal Operations for the Third Quarter of 2020

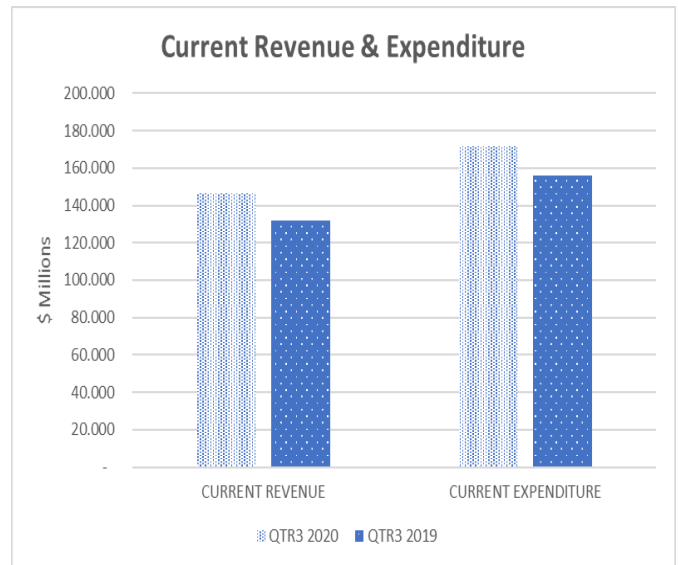
The Central Government fiscal position deteriorated for the third quarter of 2020 compared to the same period in 2019. The overall deficit moved from \$46.88 million to \$54.51 million. This outturn reflected an increase in capital spending from \$31.26 million in quarter 3 2019, to \$63.05 million in quarter 3 2020. A 10.0 percent increase in recurrent expenditure also contributed to the overall deficit. These adverse performances were mainly due to the impact of the COVID-19 pandemic on economy activity.

**Table 3: Summary of fiscal operations for the Third quarter of 2020**

	<b>QTR 3 2020 \$ m</b>	<b>QTR 3 2019 \$ m</b>	<b>% Change</b>
<b>Current Revenue</b>	<b>146.70</b>	<b>132.09</b>	<b>11.1</b>
<i>of which:</i>			
Taxes on Income & Profits	35.43	31.55	12.3
Taxes on Property	8.65	4.77	81.2
Taxes on Goods & Services	47.21	40.73	15.9
Taxes on International Trade	35.72	36.13	(1.1)
Sale of Goods & Services	14.91	14.04	6.1
<b>Current Expenditure</b>	<b>171.76</b>	<b>156.17</b>	<b>10.0</b>
<i>of which:</i>			
Compensation Employees	80.03	74.39	7.6
Use of Goods & Services	27.24	22.22	22.6
Interest Payments	14.60	14.14	3.3
Transfers	49.89	45.41	9.9
<b>Current Balance</b>	<b>(25.06)</b>	<b>(24.08)</b>	<b>(4.1)</b>
<b>Primary Balance (net CCF)</b>	<b>(39.91)</b>	<b>(32.74)</b>	<b>(21.9)</b>
<b>Capital Expenditure</b>	<b>63.05</b>	<b>31.26</b>	<b>101.27</b>
<i>Of which:</i>			
Capitalisation of Contingency Fund (CCF)	<b>3.13</b>	<b>0.33</b>	<b>856.0</b>
<b>Capital Revenue</b>	<b>30.47</b>	<b>8.13</b>	<b>274.8</b>
<b>Overall Balance (net CCF)</b>	<b>(54.51)</b>	<b>(46.88)</b>	<b>(16.3)</b>

### ***Current Revenue & Recurrent Expenditure***

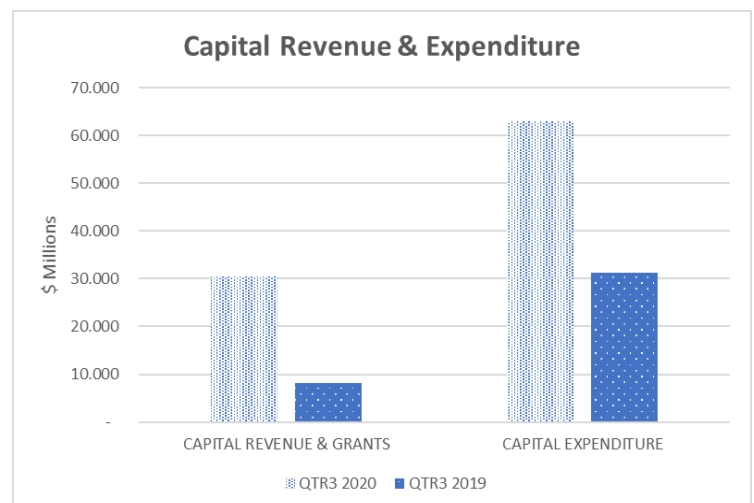
Current Revenue collected during quarter 3, 2020 increased to \$146.70 million from \$132.09 million collected for the same period in 2019. This favourable performance was due to higher levels of receipts from all major categories of revenue with the exception of Taxes on International Trade. The most significant contributor was Taxes on Goods and Services which rose by 15.9 percent. The improvement was largely related to increases in receipts from VAT on domestic transactions and Excise Duty on Imports. Taxes on International Trade declined mainly on account of lower receipts from Vehicle Surtax.



Recurrent Expenditure increased by 10.0 percent. In addition to the normal increase in Compensation of Employees, greater amounts were spent on goods and services and transfers. The impact of the COVID-19 pandemic was observed in the greater spending on supplies and materials and rental of assets, across Ministries. Transfers continued on an upward trend, increasing by 9.9 percent to \$49.89 million, partly due to increased subvention to AIA in light of reduced air traffic and the higher amounts of Social Assistance Benefits paid during the period. The 52.2 percent increase in Social Assistance Benefits was mainly on account of financial support to citizens on account of economic difficulties as a result of the pandemic.

### ***Capital Revenue & Expenditure***

On the capital side, grant revenue rose from \$7.86 million in quarter 3, 2019 to \$26.18 million for the same period in 2020. At the same time, Capital expenditure rose from \$31.26 million to \$63.05 million. Much of the increase in capital spending (\$9.00 million) was related to the implementation of capital projects approved as part of the fiscal stimulus





package in response to the COVID-19 pandemic. The main items of COVID-19 capital expenditure were the Road Rehabilitation and Repair Programme (\$3.82 million) and the Farmers Support Revolving Fund (\$2.31 million) and Promoting Youth Microenterprise (\$1.46 million).

### **Financing**

Table 3 below summarizes the Central Government financing for Quarter 3, 2020 with comparable numbers for 2019.

**Table 3: Summary of Central Government Financing for Quarter 3, 2020 compared with 2019**

	<b>2020 \$ M</b>	<b>2019 \$ M</b>
<b>OVERALL DEFICIT</b>	<b>(54.51)</b>	<b>(46.88)</b>
<b>FINANCED BY:</b>	<b>54.51</b>	<b>46.88</b>
<b>External Loans</b>	<b>37.62</b>	<b>30.45</b>
Disbursements	50.71	51.53
Less: Amortisation	(13.09)	(21.08)
<b>Domestic Financing (net)</b>	<b>16.89</b>	<b>16.42</b>

Source: Ministry of Finance and Planning

Table 2 above indicates that the Overall Deficit for the period was financed through a mix of external and domestic instruments. The main sources of financing were external loan receipts of \$50.71 million namely, drawing down cash balances (\$36.54 million) and receipts from domestic bonds and loans (\$34.72 million).