

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

For the year ended December 31, 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 December 31, 2020. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.

Preliminary data as at December 31, 2020 indicates that the Central Government fiscal operations deteriorated when compared to the same period in 2019. Current Revenue increased by 0.6 percent to \$605.26 million, while Current Expenditure grew by 6.3 percent to \$638.01 million. Consequently, a current deficit of \$32.75 million was recorded, compared to a deficit of \$1.28 million for the same period in 2019. The Overall Balance also worsened, moving from a deficit of \$66.03 million in 2019 to a deficit of \$111.69 million.

Table 1: Summary of fiscal operations for the period ended December 31, 2020

	BUDGET 2020 \$ M	ACTUAL 2020 \$ M	ACTUAL 2019 \$ M	% CHANGE
Current Revenue	680.04	605.26	601.72	0.6
<i>of which:</i>				
Taxes on Income & Profits	162.00	143.20	140.29	2.1
Taxes on Property	47.49	40.83	27.11	50.6
Taxes on Goods & Services	195.16	184.28	186.49	(1.2)
Taxes on International Trade	176.29	153.20	160.10	(4.3)
Sale of Goods & Services	73.76	61.21	65.70	(6.8)
Current Expenditure	677.93	638.01	600.44	6.3
<i>of which:</i>				
Compensation Employees	330.21	323.53	304.15	6.4
Use of Goods & Services	101.01	88.87	79.63	(11.6)
Interest Payments	68.16	51.56	55.905	(7.8)
Transfers	178.56	174.05	160.75	8.3
Current Balance	2.10	(32.75)	1.28	(2657.0)
Primary Balance (net CCF)	(176.82)	(60.13)	(10.12)	(494.0)
Capital Expenditure	310.77	188.00	159.56	17.8
<i>Of which:</i>				
Capitalisation of Contingency Fund (CCF)	12.85	12.85	13.95	(7.9)
Capital Revenue	63.68	96.21	78.09	22.9
Overall Balance (net CCF)	(244.98)	(111.69)	(66.03)	(69.2)

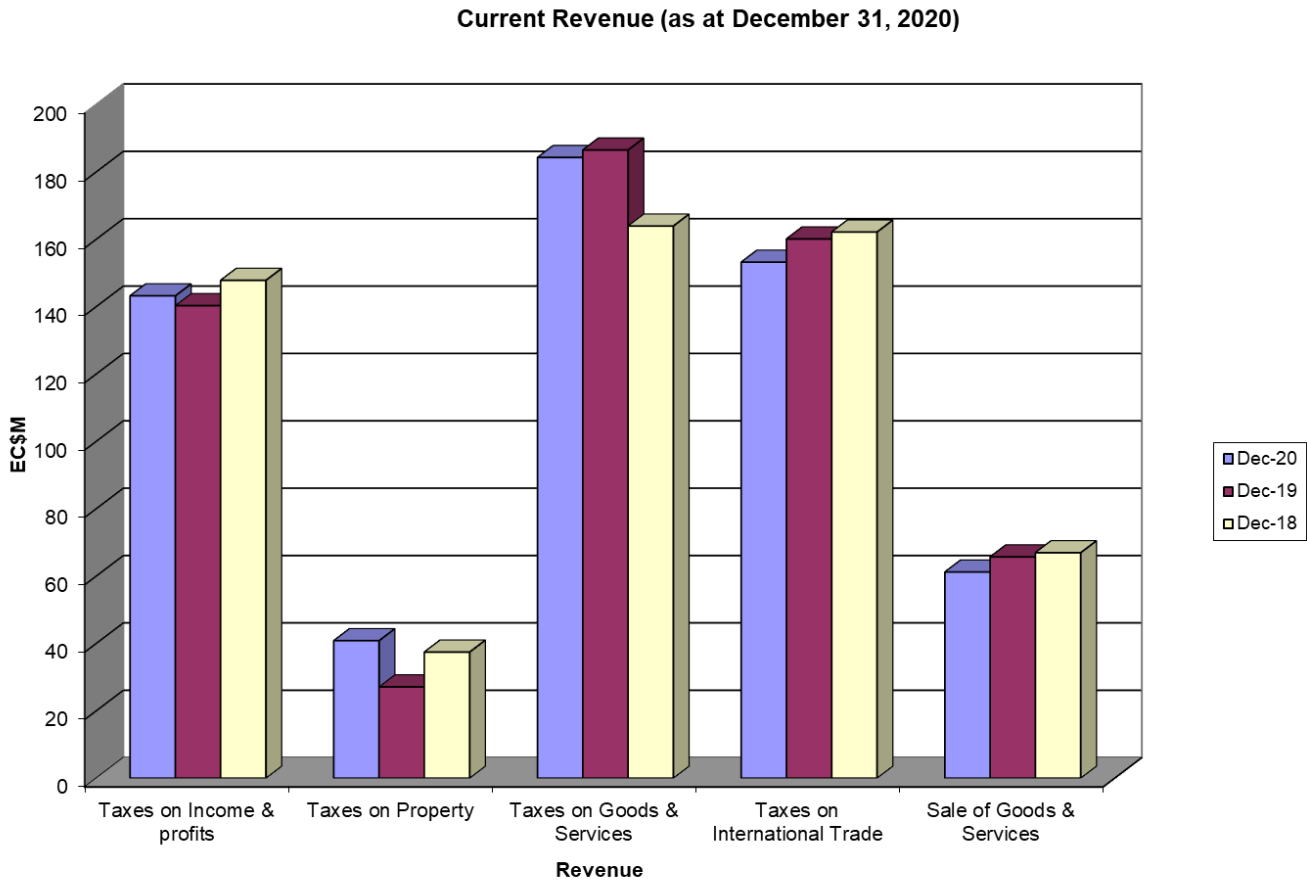
Source: Ministry of Finance and Planning

Revenue

Receipts from Taxes on Income and Profits increased by 2.1 percent to \$143.20 million due to higher collections from Personal Income Tax and Corporate Income Tax. Collections of Personal Income Tax went up 2.3 percent. This was impacted by the 2.0 percent salary increase paid to public servants from January 2020. The 3.3 percent increase in Corporate Income Tax was mainly due to higher reported profits from some large companies.

Revenue from Taxes on Property increased by 50.6 percent to \$40.83 million during the period. This resulted mainly from higher receipts of Alien Land Holding Licence (which amounted to \$11.80 million, compared to \$4.57 million in 2019) and Stamp Duty on Property (which went up by 38.0 percent). The boost in collections in the above categories was due to greater land sales during the period.

Figure 1: Items of Current Revenue as at December 31, 2020



As at 31st December, 2020, Taxes on Goods and Services totalled \$184.28 million, a 1.2 percent decrease when compared to 2019. Lower collections from Value Added Tax, Insurance Premium Tax, Telecomm Broadcast Licence, Yacht Licences, Merchant Shipping (International) Fees and Interest Levy all contributed to the performance of this category. The most significant contributor to the decrease was the Value Added Tax, which fell by 8.8 percent. The drop in VAT revenue mainly reflects large one-off receipts of arrears in December 2019 which was not repeated in 2020. Increased takings were recorded for Excise Duties and Motor Vehicle Licence. Most notably, Excise Duty went up by 31.3 percent mainly as a result of accounting issues as a significant amount of Excise on petroleum products imported in 2019 was paid in 2020.

Revenue from International Trade Taxes fell by 4.3 percent, to \$153.20 million. Under this rubric, revenue collection from all major subcomponents decreased; VAT receipts went down by 3.9 percent, Import Duty decreased by 4.7 percent and Vehicle Surtax fell by 6.6 percent. A 4.3 percent drop in the importation of vehicles was mainly responsible for reduced collection of Vehicle Surtax. The lower receipt for VAT and Import Duty was mainly attributable to a 4.1 percent fall in merchandise imports during the period.

Revenue from Sales of Goods and Services grossed \$61.21 million. This represents a 6.8 percent fall in the amount collected in 2020 as three major subcategories saw reductions in revenue. CIPO Registration Fees, Driver's Licence and Customs Service Charge declined by 3.4 percent, 6.9 percent and 6.7 percent, respectively. Conversely, revenue from International Financial Services went up by 3.5 percent to \$2.86 million. The decline in revenue from Sales of Goods and Services is reflective of a slowdown in business activity during the period.

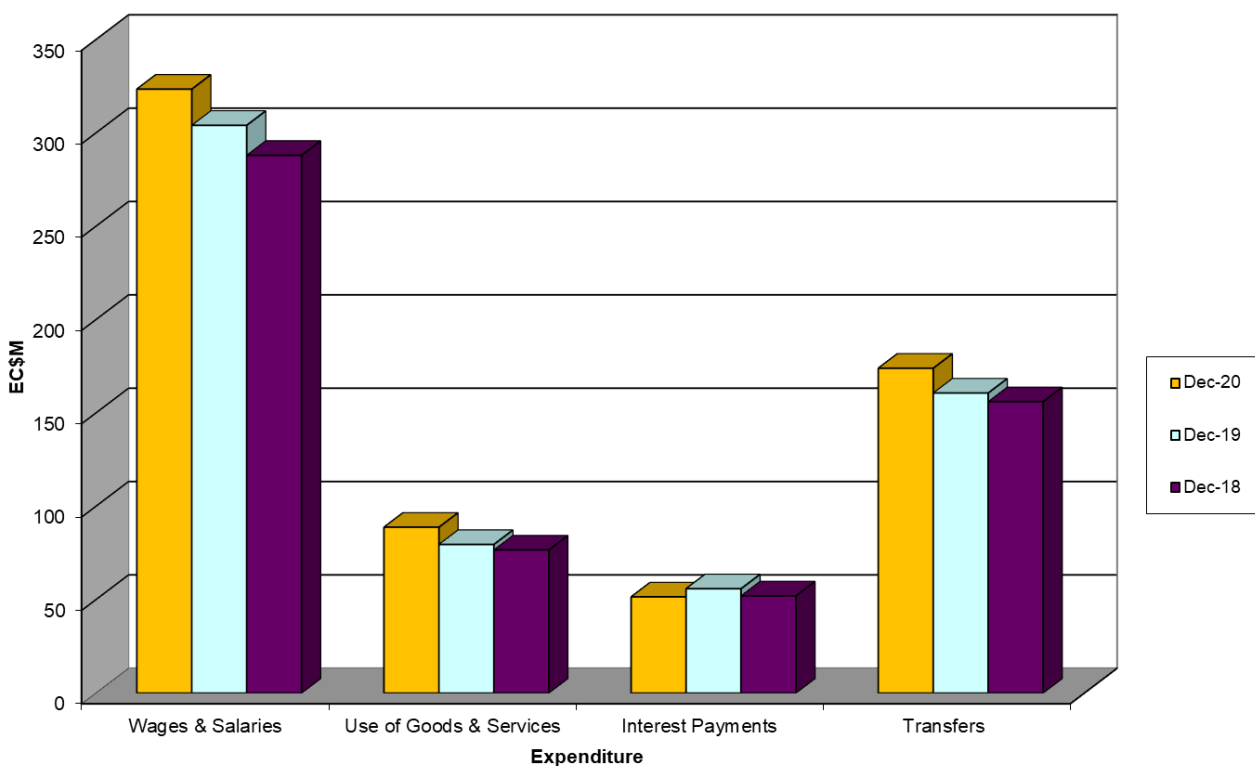
Capital inflows as at December 31, 2020 amounted to \$96.21 million, up from the \$78.30 million collected over the corresponding period in 2019. This was driven, in the main by a significant amount received for Disposal of Assets (namely Buccament Bay Resort in the amount of \$34.30 million). Other Capital Receipts also increased significantly, moving from \$3.11 million in 2019 to \$10.62 million in 2020 mainly on account of the \$10.00 million drawn down from the contingencies fund to aid in financing the Government's COVID-19 response package. Revenue from grants fell by 32.5 percent to \$50.04 million.

Expenditure

As at December 31, 2020, Current Expenditure amounted to \$638.01 million. This figure represents an increase of 6.3 percent when compared to the amount spent during the same period in 2019. Payment of Wages and Salaries amounted to \$309.25 million and the Employer's Social Security Contribution to \$14.28 million, these were responsible for the overall 6.4 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. Changes in increments and allowances and the filling of critical public sector posts also added to the growth in Wages and Salaries.

Figure 2: Items of recurrent expenditure as at December 31, 2020

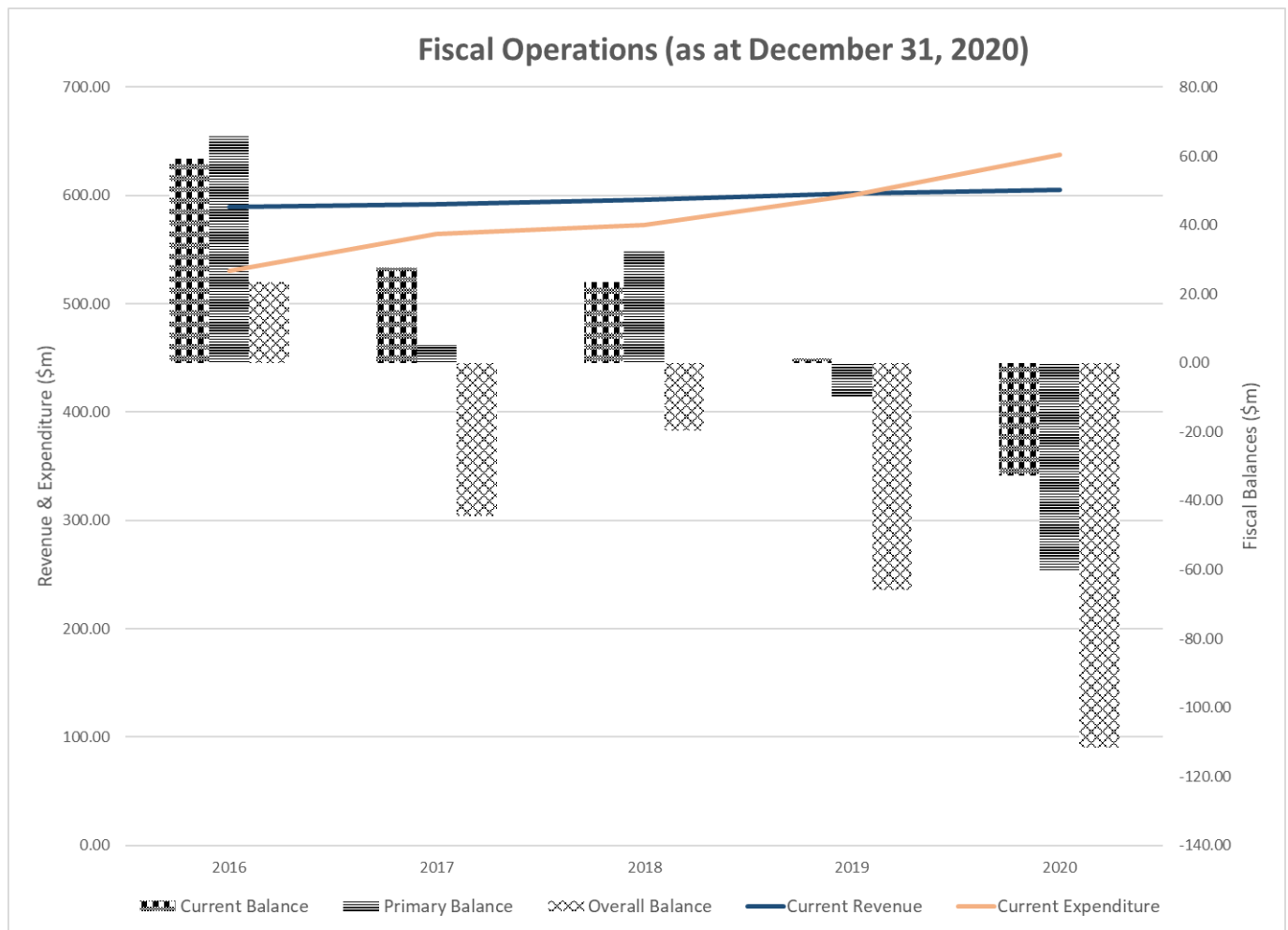
Current Expenditure (as at December 31, 2020)



Interest Payments decreased during the period by 7.8 percent to \$51.56 million as a result of reduced payments on both the domestic and external components of the debt. The domestic and external interest payments fell by 8.2 percent and 7.0 percent, respectively. A deferral of payments on some domestic debt instruments would have contributed to the lower interest payment. Outlays on Transfers

increased by 8.3 percent to \$174.05 million mainly based on higher amounts expended on Social Assistance Benefits (43.7 percent) driven by the government’s COVID-19 response package. Grants to Other Agencies and pension benefits declined, by 7.4 percent and 3.8 percent respectively, moderating the increase in transfers.

Figure 3: Fiscal Recurrent Activity December 2016-2020



Preliminary data indicates that Capital Expenditure for the period amounted to \$188.00 million, up 17.8 percent from the \$159.56 million recorded for the same period in 2019. Some of the larger items of capital expenditure include the Regional Disaster Vulnerability Reduction Project (\$31.72 million), the Acquisition of Buccament Bay Resort (\$31.44 million), Mobile Devices for Online Learning (\$8.49 million), the Caribbean Communication Infrastructure Project (\$7.67 million), the Road Rehabilitation and Repair Programme (\$7.82 million) and the Housing Rehabilitation Program (\$7.4 million).

Financing

Table 2 below summarizes the Central Government financing as at December 31, 2020 with comparable numbers for 2019.

Table 2: Summary of Central Government Financing as at December 31, 2020 compared with 2019

	2020 \$ M	2019 \$ M
OVERALL DEFICIT	(111.69)	(66.03)
FINANCED BY:	111.69	66.03
External Loans	64.91	40.40
Disbursements	117.22	113.41
Less: Amortisation	(52.31)	(73.01)
Domestic Financing (net)	46.78	25.63

Source: Ministry of Finance and Planning

Table 2 above shows a deficit of \$111.69 million for the period, financed from a mix of external and domestic sources. Disbursements of external loans accounted for \$117.22 million in financing while domestic loan disbursements amounted to \$49.08 million and domestic bonds issued totalled \$70.92 million. In addition, a reduction of cash balances by \$47.80 million also contributed to financing the overall deficit.