

**SUMMARY OF FISCAL OPERATIONS OF THE CENTRAL GOVERNMENT OF ST.VINCENT
AND THE GRENADINES
For the year ended December 31, 2019**

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, 2019. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.

As at December 31, 2019, the Central Government fiscal operations recorded an Overall Deficit of \$66.03 million, this compared to a deficit of \$19.71 million for the same period in 2018. This was largely due to increases in Recurrent and Capital Expenditure during the period of 4.8 percent and 61.3 percent, respectively as Current Revenue increased marginally by 0.9 percent. This increase in Current Revenue coupled with the 4.8 percent growth in Current Expenditure resulted in a Current Surplus of \$1.28 million, down from a surplus of \$23.45 million for 2018.

Table 1: Summary of fiscal operations for the period ended December 31, 2019

	BUDGET 2019 \$ M	ACTUAL 2019 \$ M	ACTUAL 2018 \$ M	% CHANGE
Current Revenue	656.60	601.72	596.40	0.9
<i>of which:</i>				
Taxes on Income & Profits	158.61	140.29	147.80	(5.1)
Taxes on Property	48.40	27.11	37.43	(27.6)
Taxes on Goods & Services	185.90	186.49	163.92	13.8
Taxes on International Trade	170.81	160.10	162.14	(1.3)
Sale of Goods & Services	71.09	65.70	66.94	(1.9)
Current Expenditure	655.44	600.44	572.96	4.8
<i>of which:</i>				
Compensation Employees	319.13	304.15	288.09	5.6
Use of Goods & Services	92.39	290.75	76.67	3.9
Interest Payments	66.60	55.91	52.09	7.3
Transfers	177.32	160.75	156.10	3.0
Current Balance	1.16	1.28	23.45	(94.5)
Primary Balance (net CCF)	(91.43)	(10.12)	32.39	(131.3)
Capital Expenditure	222.58	159.56	98.89	61.3
<i>Of which:</i>				
Capitalisation of Contingency Fund (CCF)	12.50	13.951	15.09	(7.5)
Capital Revenue	50.89	78.30	40.65	92.6
Overall Balance (net CCF)	(158.03)	(66.03)	(19.71)	(235.0)

Source: Ministry of Finance and Planning

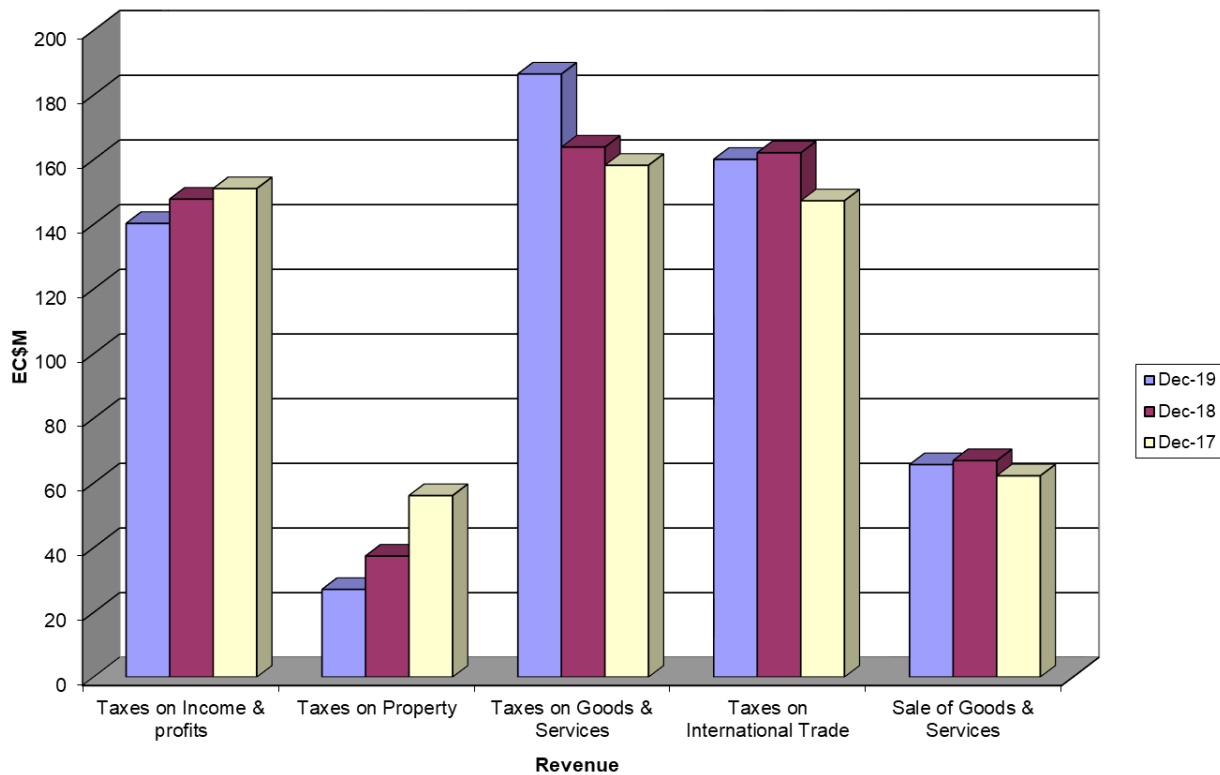
Revenue

Receipts from Taxes on Income and Profits declined by 5.1 percent to \$140.29 million, on account of lower collections from Corporate Income Tax (19.1 percent) and Non-Resident Taxes (13.3 percent) while receipts from Personal Income Tax increased (by 6.3 percent) during the period. The fall in receipts from Corporate Income Tax was attributable to the lower reported profitability of some companies. The increase in Personal Income Tax partly reflects the salary enhancement received by public servants for the period July-December 2018 and 2019.

Revenue from Taxes on Property also fell, from \$37.43 million in 2018 to \$27.11 million in 2019. This was mainly the result of reduced collections from Stamp Duty on Property and Alien Land Holding Licence, these items recorded declines of 23.9 percent and 48.2 percent, respectively, owing to a drop in land sales during the period.

Figure 1: Items of Current Revenue as at December 31, 2019

Current Revenue (as at December 31, 2019)



As at December 31, 2019, collections from Taxes on Goods and Services grossed \$186.49 million, this figure was \$22.57 million or 13.8 percent more than the amount collected during the same period in 2018. The improved receipt was mainly due to greater collections of Value Added Tax (22.4 percent) and Telecomm Broadcast Licence (61.5 percent). The uptick in Value Added Tax revenue during the period was due mainly to the implementation of the VAT reverse charge mechanism while Telecomm and Broadcast fees increased on account of revenue from domain name sales. The increase in revenue from this subcategory was however moderated by lower takings from Excise Duty on Imports, Yacht Licences and Interest Levy during the period.

Revenue from International Trade Taxes declined by 1.3 percent, to \$160.10 million. Under this rubric, the main items responsible for this were Import Duty, which decreased by 3.3 percent and Vehicle Surtax which fell by 21.2 percent. The drop in collections from Import duty and Vehicle Surtax reflects a 5.2 percent fall in the value of merchandise imports during the period.

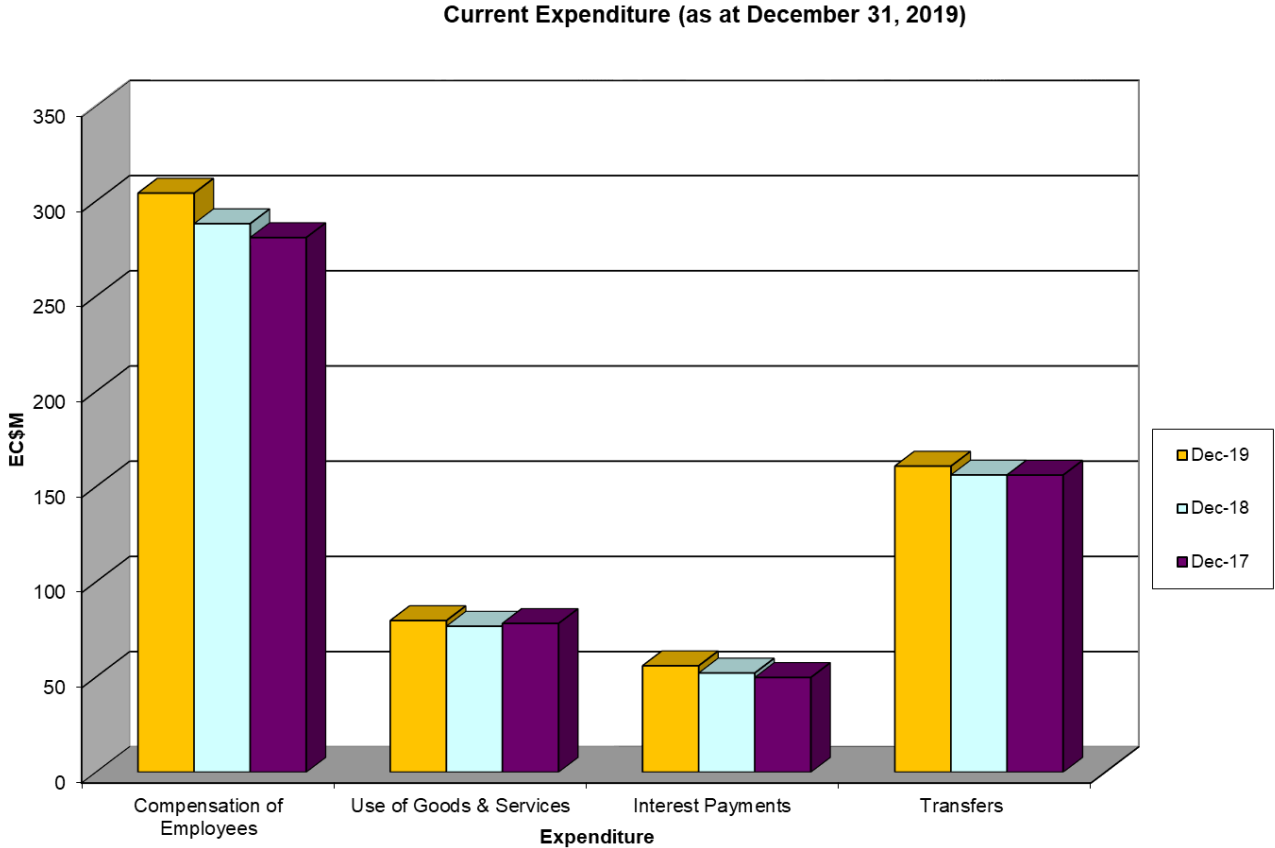
Revenue from Sale of Goods and Services amounted to \$65.70 million. This figure was 1.9 percent lower than the amount collected in 2018 as the performance of most major subcategories under this heading deteriorated during the year. Collections from International Financial Services Fees, CIPO Registration Fees and Customs Service Charge fell by 4.6 percent, 6.4 percent and 0.7 percent, respectively, while revenue from Drivers Licence went up by 1.7 percent.

Capital inflows as at December 31, 2019 amounted to \$78.30 million, up from the \$40.65 million collected in the corresponding period in 2018. This was mainly because revenue from Grants increased by 86.7 percent to \$74.09 million.

Expenditure

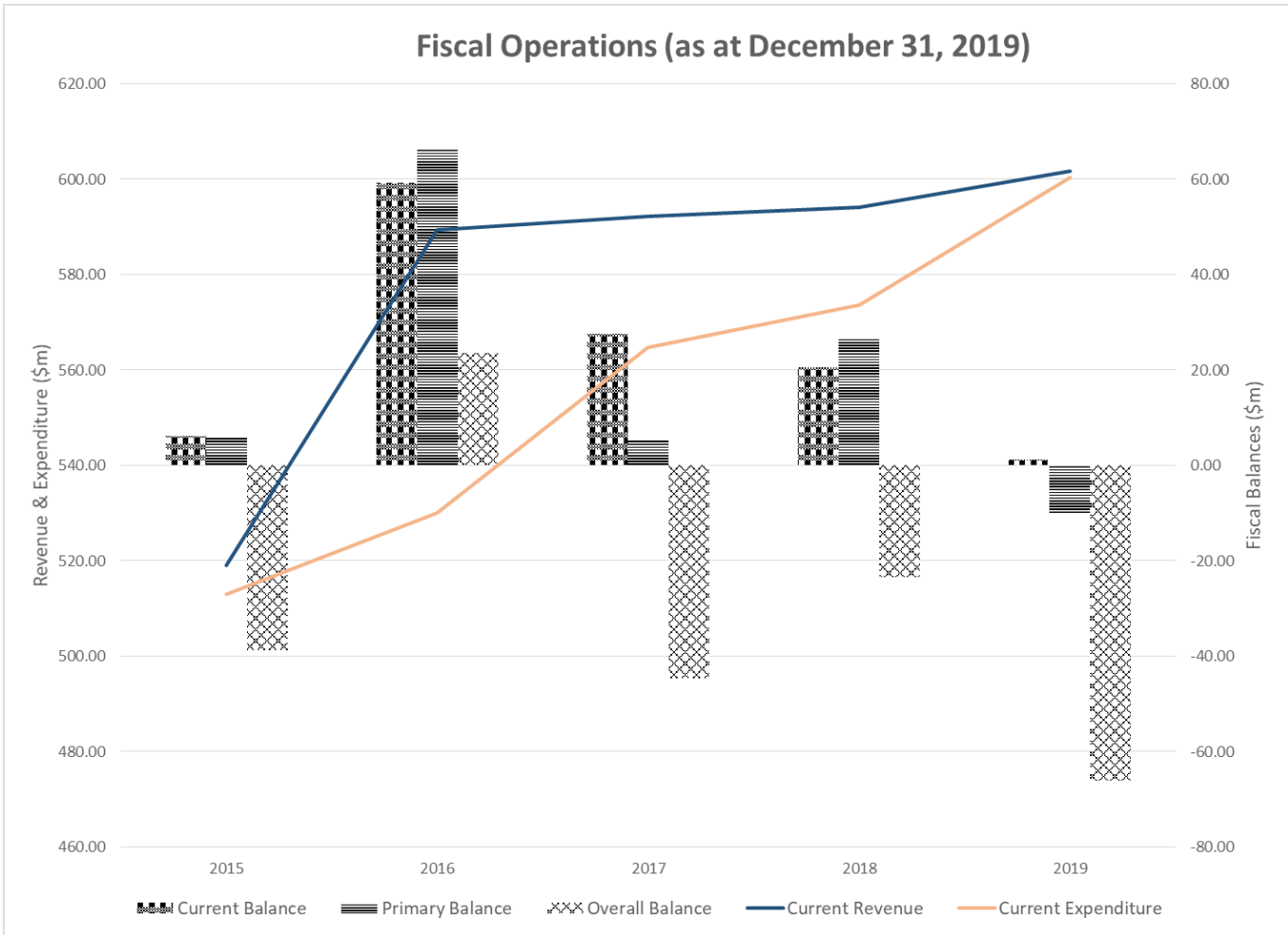
Current Expenditure, as at December 31, 2019 totaled \$600.44 million, an increase of 4.8 percent when compared to the amount spent during the same period in 2018. A total of \$290.75 million was spent on the payment of Wages and Salaries during the period and the Employer’s Social Security Contribution amounted to \$13.41 million; these were responsible for the overall 5.6 percent increase in Compensation of Employees. The increased spending on Wages and Salaries was mainly due to the 1.5 percent salary increase paid to public servants on top of the 1.0 percent for the period July-December 2018. Increments and allowances paid during the period also contributed to the growth in Wages and Salaries.

Figure 2: Items of recurrent expenditure as at December 31, 2019



Interest Payments increased during the period by 7.3 percent to \$55.87 million largely as a result of higher payments on the domestic component of the debt. Domestic interest payments increased by 11.2 percent while external interest payments increased by 1.3 percent. Outlays on Transfers increased by 3.0 percent to \$160.75 million mainly due to higher amounts expended on pension benefits (6.3 percent). Grants to Local Authorities, Grants to Other Agencies and Social Welfare payments also increased by 3.6 percent, 5.0 percent and 1.6 percent, respectively.

Figure 3: Fiscal Recurrent Activity December 2015-2019



Preliminary data indicates that Capital Expenditure for the year amounted to \$159.56 million, up 61.3 percent from the \$98.89 million recorded in 2018. The recorded increase in capital spending reflects improvements in project implementation and in the journalizing of expenditure on a number of capital projects. Some of the larger items of capital expenditure included the Geothermal Project (\$32.88 million) and the Regional Disaster

Vulnerability Risk Reduction Programme (\$21.73 million). Other significant spending was recorded for the upgrading of school premises, modernization of the health sector, improvement in Information Communication Technology (ICT) and construction of secondary village and feeder roads.

Financing

Table 2 below summarizes the Central Government financing as at December 31, 2019 with comparable numbers for 2018.

Table 2: Summary of Central Government Financing as at December 31, 2019 compared with 2018

	2019 \$ M	2018 \$ M
OVERALL BALANCE	(66.03)	(19.71)
FINANCED BY:	66.03	19.71
External Loans	40.40	(43.72)
Disbursements	113.41	19.88
Less: Amortisation	(73.01)	(63.60)
Domestic Financing (net)	25.63	63.43

Source: Ministry of Finance and Planning

Table 2 above shows a deficit of \$66.03 million for the period financed from a mix of domestic and external sources. The majority of the domestic financing came from disbursements of domestic loans amounting to \$186.87 million while external loan disbursements amounted to \$113.41 million.