

GOVERNMENT OF GRENADA



BUDGET FRAMEWORK PAPER

2022

Ministry of Finance, Economic Development, Physical Development & Energy

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1. Purpose

In accordance with the requirements of Part III, Section 13 of the Regulations for the Public Financial Management Act, No. 17 of 2015, this Budget Framework Paper 2022 provides:

- i. a summary of macroeconomic and fiscal forecasts from the medium-term fiscal framework document as updated.
- ii. a summary of fiscal policy and the statement of the medium-term fiscal objectives from the medium-term fiscal framework.
- iii. a comparison between the performance of the medium-term fiscal framework and the National Budget of the current year based on projections from the most current available information.
- iv. the Government's priorities for the National Budget, including information on the funds available for new policies or projects and a prioritised list of proposed spending for such funds.
- v. proposed efficiencies and spending reductions.
- vi. ceilings to be approved in the National Budget for expenditure, debt, and other ceilings as may be required by any enactment regulating fiscal responsibility as may be promulgated from time to time; and
- vii. fiscal risk information as specified in the Act and any other applicable enactment updated from the medium-term fiscal framework where relevant.

The Framework Paper proceeds as laid out above.

2. Medium-term Fiscal Objectives

The overarching objective of the Government's Medium-term Fiscal Framework (MTFF) 2022-2024 is to support Government's plan for economic recovery, transformation and resilience while simultaneously pursuing fiscal discipline. The fiscal rules and targets under Sections 7 and 8 of the Fiscal Responsibility Act (FRA), 2015 as amended have been suspended for the fiscal year 2022 to allow the Government to continue deploying counter-cyclical policies to cushion the socioeconomic impact of COVID-19. The Government reaffirms its commitment to return to the fiscal rules and targets under the FRA once the pandemic and its effects abate.


The MTFF is guided by the Goals and Objectives of the National Sustainable Development Plan (NSDP) 2020-2035, which is the anchor for Grenada's development priorities .

The MTFF 2022-2024 builds on the previous MTFF that covered the period 2021-2023 and has incorporated recent macroeconomic developments (particularly, but not exclusively because of COVID-19), as well as new policies. It has been formulated to support the continued execution of strategic actions as well as new strategic actions to support economic recovery and transformation, as well as to contribute to economic, social, and environmental resilience, consistent with the Goals and Outcomes of the National Plan.

In summary, the MTFF 2022-2024 focuses on strategic expenditure management, technology-imbued enhancements in revenue administration, and prudent debt management. Specifically related to public expenditure, outlays will be strategically prioritised for improved effectiveness, value-for-money, accountability, and impact. The 2022-2024 MTFF, which is a separate document, details the Government's medium-term fiscal policy objectives.

Table 1 summarises the key macroeconomic and fiscal forecasts over the medium term.

Table 1: Key Medium-term Projections


	2022	2023	2024
Real GDP (%)	4.5	4.4	4.0
Total Revenue (% of GDP)	22.7	22.7	22.9
Total Expenditure (% of GDP)	31.3	26.3	21.8
Overall Fiscal Balance (after grants) (% of GDP)	-3.1	1.7	5.3
Primary Balance (after grants) (% of GDP)	-1.1	3.5	6.9
Public Debt (% of GDP)	67.0	65.2	63.5

Source: Ministry of Finance

3. Summary of 2021 Performance: Estimated Outturns and Budget

On balance, Grenada's fiscal position has strengthened despite the continued impact of the COVID-19 pandemic. Inclusive of grants, a primary balance of \$117.1 million, is estimated for 2021, exceeding the budgeted amount by \$71.7 million. Total revenue and grants are estimated at \$923.0 million of which total revenue is \$690.4 million and total grants \$232.6 million or 11.8 percent less than budgeted. Total expenditure is estimated at \$860.3 million, 8.0 percent lower than the budgeted amount. Employee compensation is forecasted to be 1.4 percent less than budgeted, partly due to positions within the Public Service that were budgeted for not being filled during the year. Additionally, goods and services are expected to be 4.4 percent less than budgeted because of Government's continued thrust to contain discretionary spending. Capital expenditure continues to lag budgeted amounts and is expected to be 14.4 percent below programmed total. Consequently, capital grants spent are estimated to be 19.8 percent below the budgeted amount. Table 2 presents the estimated outturns for 2021 compared with the Budget.

Table 2: Grenada Fiscal Projection 2021

	2021			
	Estimated Outturn	Budget	Variance	
	EC\$M	EC\$M	EC\$M	%
Total Revenue & Grants	923.0	917.1	5.9	0.6
Total Revenue	690.4	653.5	37.0	5.7
Tax Revenue	605.0	590.2	14.8	2.5
Taxes on Income	116.5	103.1	13.4	13.0
Taxes on Property	29.1	27.4	1.6	5.9
Taxes on Domestic Goods &	125.4	124.5	0.8	0.7
Taxes on International Trade & Transactions	334.1	335.2	(1.1)	(0.3)
Non - Tax Revenue	85.4	63.2	22.2	35.0
Grants	232.6	263.6	(31.0)	(11.8)
Total Expenditure	860.3	935.2	(74.9)	(8.0)
Primary Expenditure	805.9	871.6	(65.7)	(7.5)
Current Expenditure	598.6	629.6	(31.0)	(4.9)
Employee compensation	273.9	277.8	(3.9)	(1.4)
<i>o/w wages, salaries & allowances</i>	259.7	264.3	(4.7)	(1.8)
Goods and Services	116.5	121.8	(5.3)	(4.4)
Interest Payments	54.5	63.7	(9.2)	(14.4)
Transfers	153.7	166.3	(12.6)	(7.6)
Capital Expenditure	261.7	305.6	(43.9)	(14.4)
<i>o/w Grant financed</i>	195.4	243.6	(48.2)	(19.8)
Overall balance	62.7	(18.2)	80.8	(444.8)
Primary balance (including grants)	117.1	45.5	71.7	157.5

Source: Ministry of Finance

4. Government's Priorities for the 2022 Budget

The priorities for the 2022 Budget are based on Government's strategic policy agenda for recovery, transformation and resilience that is set out in its Medium-term Action Plan (MTAP) for the period 2022-2024. The various multi-year MTAPs are the vehicles through which the NSDP 2020-2035 is being implemented.

The MTAP for the period 2022-2024 sets out the strategic actions for implementation in 2022-2024, responsible entities, performance indicators and alignment with relevant Sustainable Development Goals (SDGs), under each National Goal and Outcome of the NSDP. The strategic interventions that are to be undertaken draw from the high-level strategic priorities that are elaborated in Chapter 3 of the NSDP under each of the National Goals and Outcomes. The priority actions, projects and programmes are also informed by recommendations of the Cabinet-approved COVID-19 Economic Taskforce and Sub-committees as well as feedback from the National Budget Consultations.

The MTAP has been designed to promote intersectoral coordination and policy coherence to secure the development results desired. Therefore, aligned to the Strategic Objectives and Development Outcomes are specific activities, projects and programmes to commence and/or undertaken starting Fiscal Year 2022. These activities/projects/programmes are to be executed as part of Ministries, Departments and Agencies (MDAs) work programmes in a collaborative manner.

For brevity, this Budget Framework Paper covers the proposed Strategic Objectives and Interventions only, and not the related work-programme activities of MDAs. Specific projects and programmes of MDAs will be listed in their respective work programmes and corporate plans for Fiscal Year 2022.

Table 3 presents the Strategic Objectives and Interventions to which the work programmes and budgets of MDAs for Fiscal Year 2022 are aligned.

Table 3: Strategic Priorities for Fiscal Year 2022

NSDP Outcome 1: A Healthy Population		
<i>Strategic Objectives</i>	<i>Strategic Interventions</i>	<i>Inter-Ministerial/Sectoral Ownership</i>
Strengthen Capacity for Delivery of Public Health Services and Systems for Improved Delivery.	Enhance COVID-19 risk management capacity.	MOH
	Build capacity of health care workers specialising in infectious diseases.	
	Improve medical care services and technology throughout the healthcare system.	
Increase Health and Wellness of Citizens and Residents.	Promote stronger emphasis on healthy (local) foods and lifestyles.	MOH, MOE, MOA
	Expand access to health care services.	MOH
	Build capacity of healthcare professionals.	
NSDP Outcome # 2: Educated, Productive, Highly- Skilled, Trained, and Conscious Citizens		
Improve Management and Implementation Capacity of MOE.	Establish results- based implementation and accountability systems.	MOE, NTA
Improve Quality of Teaching and Learning.	Increase focus on learner-centred education.	
	Professionalise teaching service.	MOE
Strengthen Alignment between Education and Training with the needs of the 21 st Century Economy and Society.	Rationalise academic and technical Curricula to improve the school-to-work transition.	MOE, NTA, TAMCC, NEWLO
Promote Youth Empowerment, Entrepreneur-ship Employment and Development.	Enhance coordination for improved youth development programming.	Division of Youth, SAEP, MOA, MOSD, MOE
NSDP Outcome # 3: A Resilient, Inclusive, Gender-Sensitive, and Peaceful Society		
Foster a Culture of Evidenced-based Decision-Making.	Strengthen institutions and data systems for resilience planning and decision making.	MOF- CSO, ICT
Enhance Citizen Safety and Security.	Strengthen national security architecture and judicial administration.	RGPF, Prisons, Legal Affairs

Strengthen Social Protection Systems.	Improve the quality and delivery of social services for all.	MOSD, NIS
Promote Gender Inclusivity and Equality.	Mainstream gender issues and priorities in social, economic and environmental policies.	MOSD, All ministries
NSDP Outcome # 4: Broad-based, Inclusive, and Sustainable Economic Growth and Transformation		
Boost the Economic, Social and Environmental Contribution of the Agriculture and Fisheries Sectors.	Increase value added in agriculture and fisheries production.	MOA, Fisheries, MOT
	Promote food and nutrition security.	MOA, Fisheries
	Increase youth involvement in Agriculture and fisheries.	
	Expand use of technology in agriculture and fisheries sectors.	
	Increase investment in research & development.	
	Enhance resilience of agriculture and fisheries sectors to climate change.	
Increase the Economic, Social and Environmental Contribution of the Tourism sector.	Promote the recovery and resilience of the Tourism sector.	MOTU, GTA
Unleash the Potential of the Blue and Orange Economies.	Increase investment in the Orange and Blue Economies.	Cultural Division, Environment Division, MOT
Expand ICT and Digitisation to meet the demands of the 21st Century.	Improve the digital ecosystem of both public and private sectors to enable citizens' participation in the digital economy.	ICT, MOE, Legal Affairs
NSDP Outcome # 5: A Competitiveness Business Environment		
Support for MSMEs' Resilience and Expansion.	Improve the eco-system for MSMEs' growth, development and resilience.	MOT, GIDC, GDB
NSDP Outcome # 6: Modern Climate-and-Disaster Resilient Infrastructure		
Upgrade Physical Infrastructure and Infrastructure Planning.	Increase investment in strategic, sustainable and resilient infrastructure solutions.	MOI, MOF-DETC

	Enhance capacity for physical planning and physical development.	MOF-Physical Planning, MOI
NSDP Outcomes # 7 & 8: <i>Climate Resilience, Hazard Risk Reduction and Energy Efficiency</i>		
Improve Climate Resilience, Energy Efficiency and Hazard Risk Management.	Mainstream climate change adaptation and mitigation practices.	Environment Division, MOA, MOI, MOTU
	Strengthen disaster and hazard risk management.	Environment Division, NaDMA

4.1. Gender Responsive Budgeting

The Government is keenly aware that the implementation of projects, programmes and policies that are financed by public expenditure have differential impacts on women and men. As such, the Budget aims to be gender responsive and gender sensitive by taking into consideration gender issues and priorities in various sectors and factoring in relevant cost implications in the Budget estimates. For the 2022 Budget, the Government embarked on a pilot whereby the Budget Call Circular included specific requests for MDAs to provide gender-related statements in their strategic objectives and performance measures, as well as to provide statements of the anticipated gender impacts of new spending proposals and include sex-disaggregated data [where available] on the planned outputs and outcomes for service delivery of selected MDAs.

5. Proposed Efficiencies and Spending Reductions

One of the main objectives outlined in the MTF 2022-2024 is the expenditure strategy, which is aimed at improving the management of public expenditure, tightening expenditure controls, increasing the value for money in public procurement, and prioritising productive and efficient spending. Government will take steps to address weaknesses in expenditure controls along the Expenditure Cycle (especially at the Commitment/Requisition and Purchase Order stages) that have been identified by the Cabinet-approved Public Expenditure Review Committee. An Action Plan has already been developed to strengthen expenditure controls at each stage of the Expenditure Cycle.

Additionally, Government will also take steps to substantially improve public procurement through measures geared at institutional and systems strengthening that have been recommended by the Public Expenditure Review and the Country Fiduciary Review that were completed in September 2020 and August 2021 respectively. Furthermore, greater emphasis will be placed on staff training (particularly, but not exclusively of Finance Officers) to build capacity in accounting and public financial management more broadly.


The Government will also continue the implementation of the attrition policy. Current Transfers is another area where strict expenditure controls will be implemented more specifically on Grants and Subventions. Moreover, Government will continue to monitor the operations of State-owned Enterprises and Statutory Bodies with the strategic intention of managing fiscal risks.

6. Ceilings for 2022 Budget

Table 4 presents the approved expenditure ceilings for the 2022 Budget. Total expenditure is projected to \$995.5 million, consisting of recurrent expenditure of \$661.7 million and capital expenditure of \$333.8 million. Current Transfers are projected to be higher than the estimated 2021 outturn indicative of targeted spending on the most vulnerable and those who were disproportionately affected by the COVID-19 pandemic in view of the 2022-2024 expenditure

strategy. As Government strives to remedy implementation constraints within its Public Sector Investment Program, capital outlays are projected to be higher than the 2021 outturn.

Table 4: Approved Expenditure Ceilings for 2021

	2022 Projected
	EC\$M
Total Expenditure & Net Lending	995.5
Current Expenditure	661.7
Employee Compensation	290.5
Good and Services	132.6
Interest Payments	63.7
Transfers	174.9
Net Lending	0.0
Capital Expenditure	333.8
o/w: Grant financed	175.4
Current Balance (before grants)	60.5
Overall Balance (after grants)	-97.9
Primary Balance (after grants)	-34.2
Memo Item	
GDP (nominal market prices, EC\$M)	3185.7
Real GDP growth rate (%)	4.5

Source: Ministry of Finance

7. Fiscal Risk Statement

The economy is susceptible to unprecedented uncertainty and both upside and downside risks remain to the outlook but are more tilted towards the downside. On the upside, further improvements in the fiscal position through enhanced revenue mobilisation can boost public investment and spur job creation and growth. Downside risks relate primarily to the COVID-19 pandemic and its prolonged effects on the global economy. A protracted health crisis can adversely affect tourist arrivals, remittances, and foreign direct investment through the Citizenship-by-Investment programme. The recovery path also depends on the pace of local vaccination and a rebound of economic activities in the private and public sectors. Vaccine hesitancy, vaccine resistance and the threat of more transmissible and deadlier variants of the

disease remain hurdles to a return to normalisation. Meanwhile, rising international oil and food prices are significant risks to the outlook through inflationary pressures. Grenada's high vulnerability to natural disasters is an inherent risk and its susceptibility to the adverse effects of climate change can retard agricultural production. The Fiscal Risk Statement to be laid in Parliament in accordance with Section 12 (1) (e) of the FRA contains a more in-depth analysis and discussion on relevant risks and mitigation measures.