



GOVERNMENT OF GRENADA

BUDGET FRAMEWORK PAPER 2020

Ministry of Finance, Planning, Economic & Physical Development

November 2019

1.0 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 2020 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.

2.0 Medium-term Fiscal Objectives

The Government's Medium-term Fiscal Framework (MTFF) 2020-2022 has been prepared to ensure compliance with the Fiscal Responsibility Law (FRL) No. 29/2015 (as amended in 2017). It is guided by the Goals and Objectives of the National Sustainable Development Plan, which will be the anchor for Grenada's development priorities over the 2020-2035 period.

The specific National Goals, Objectives, and Targets that are set out in the Plan will guide the priorities and work programmes of all ministries and provide the strategic direction for the 2020 Budget and all other Budgets until 2035. The Goals are:

1. High Human and Social Development: Putting People at the Centre of Sustainable Development and Transformation.
2. Vibrant, Dynamic, Competitive Economy with Supporting Climate-and-Disaster-Resilient Infrastructure.
3. Environmental Sustainability & Security.

Therefore, the MTFF for 2020-2022 has been formulated to support the execution of strategic actions that will contribute to the Government's overarching development priority to build economic, social and environmental resilience, consistent with the Goals and Outcomes of the National Plan.

The MTFF 2020-2022 has three specific components: (i) a medium-term revenue strategy; (ii) an expenditure strategy; and (iii) a debt management strategy. The strategies outlined in the MTFF build on the previous MTFF that covered the 2019-2021 and have incorporated recent developments, as well as new policies. Table 1 presents the key projections of the MTFF 2020-2022.

Table 1: Key Medium-term Projections


	2020	2021	2022
Real GDP (%)	4.2	3.6	3.4
Total Revenue (% of GDP)	22.6	22.6	22.6
Total Expenditure (% of GDP)	24.7	22.7	20.5
Overall Fiscal Balance (after grants) (% of GDP)	4.2	4.6	5.8
Primary Balance (after grants) (% of GDP)	6.1	6.3	7.4
Public Debt (% of GDP)	53.7	52.2	50.6

Source: MOF

3.0 Summary of 2019 Performance: Estimated Outturns and Budget

The primary balance after grants in 2019 is estimated to be \$225.1 million, 11.5 percent higher than the budgeted amount, largely because the outturns for both capital and recurrent expenditure are lower than the budgeted amounts by an estimated 48.8 percent and 3.6 percent respectively. The estimated capital expenditure outturns reflect the slower-than-anticipated implementation of capital projects owing to a myriad of reasons including, capacity constraints. Consequently, capital grants spent were significantly below what was budgeted. Regarding recurrent expenditure, the variance between the budget and estimated outturns is as a result of lower-than-budgeted employee compensation reflecting posts that were not filled in the year. Table 2 presents the estimated outturns for 2019 compared with the Budget.

Table 2: Grenada's Fiscal Projects 2019

<i>In millions of Eastern Caribbean Dollars unless stated otherwise</i>			
	2019		Variance (%)
	Estimated Outturn	Budget	
TOTAL REVENUE AND GRANTS	880.2	964.2	-8.7
TOTAL REVENUE	782.1	780.4	0.2
Tax revenue	726.9	726.5	0.1
Non - Tax Revenue	55.2	53.9	3.8
Grants	98.1	183.7	-46.60
TOTAL EXPENDITURE & NET LENDING	715.20	834.2	-14.3
Primary Expenditure	655.0	762.2	-14.1
CURRENT EXPENDITURE	614.7	637.8	-3.6
Employee compensation	258.8	288.9	-10.4
Goods and Services	130.2	124.8	4.3
Interest Payments*	60.2	72.0	-16.4
Transfers	165.5	152.1	8.8
Net Lending	0.0	0.0	0.0
Capital Expenditure	100.5	196.4	-48.8
Current Balance (before Grants)	167.4	142.7	17.3
Overall Balance (after Grants)	165.0	130.0	26.9
Primary Balance (after Grants)	225.1	202.0	11.5



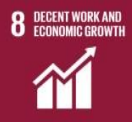









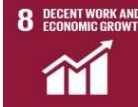











Source: MOF

4.0 Government's Priorities for the 2020 Budget

The strategic priorities of the 2020 Budget and the work programmes of ministries will be aligned to the Goals of the National Sustainable Development Plan 2020-2035. The National Plan will put in place a systematic and comprehensive framework to guide Grenada's strategic priorities for balanced and inclusive development over the medium term and will simultaneously lay a solid foundation for Grenada's transformation over the long term. The National Goals and Outcomes are to be achieved through concrete strategic actions that will be undertaken during the 16-year period by key stakeholders in the development process; the Public Sector being the major stakeholder. Specific strategic actions will be programmed in three-year cycles; with the first cycle being 2020-2022. A stable and solid fiscal framework will be important to underpin the efficient implementation of the National Plan. Therefore, the Government will continue to conduct its fiscal affairs in a manner that supports the maintenance of fiscal stability and sustainability.

Table 3 outlines the National Goals, National Outcomes, and relevant Sustainable Development Goals to which the priority interventions (projects and programmes) for 2020 are expected to contribute.

Table 3: National Goals, National Outcomes and Alignment with Sustainable Development Goals

National Goals Identified in the National Sustainable Development Plan	National Outcomes Identified in the National Sustainable Development Plan	SDG Alignment	
High Human and Social Development: Putting people at the Centre of Sustainable Development & Transformation	A Healthy Population		
	Educated, Productive, Highly- Skilled, Trained, and Conscious Citizens	 	
	A Resilient, Inclusive, Gender-Sensitive, and Peaceful Society	   	
Vibrant, Dynamic, Competitive Economy with Supporting Climate-and Disaster-Resilient Infrastructure	Broad-based, Inclusive, and Sustainable Economic Growth and Transformation	    	
	Competitive Business Environment	  	
	Modern Climate-and-Disaster-Resilient Infrastructure	   	
Environmental Sustainability & Security	Climate Resilience and Hazard Risk Reduction	  	
	Energy Security and Efficiency	 	


5.0 Proposed Efficiencies and Spending Reductions

The Government's medium-term fiscal strategy will focus on strengthening expenditure management and controls to promote greater efficiency in public spending, consistent with the FRL's fiscal rules. In this regard, the Government will be undertaking a comprehensive Public Expenditure Review (PER) to determine the efficiency, cost-effectiveness, alignment and consistency with the Government's strategic development priorities. The PER is carded to commence in the first quarter of 2020. Concrete recommendations are expected from the Review to (i) strengthen the efficiency and effectiveness of public expenditure and institutional mechanisms for expenditure management; (ii) bolster institutional and technical capacities to improve public expenditure management systems; (iii) increase value-for-money of public spending; and (iv) streamline discretionary expenditure. Furthermore, Government will continue to strengthen the Public investment management system to improve the execution of its capital budget by addressing implementation delays and enhancing the process through which projects are selected, prioritized, appraised and managed. The Government will also continue to monitor and manage fiscal risks, with a view to mitigate any actions that might have the potential to generate fiscal contingencies. Accordingly, the operations of State-owned Enterprises and Statutory Bodies would be more strictly and systematically monitored and governance frameworks bolstered.

6.0 Ceilings to be Approved in the 2020 Budget

Table 4 presents the approved expenditure ceilings for the 2020 Budget. Total expenditure is projected to be \$859.0 million, comprising recurrent expenditure of \$633.7 million and capital expenditure of \$225.3 million. The budgeted amount for capital expenditure is particularly noteworthy because it is much higher than the estimated outturns for 2019 as well as the amount that was budgeted in 2019. The primary reasons for this are the Government's concerted actions to strengthen implementation capacity with the hiring of several technical personnel including engineers. Additionally, capital grants from external partners have been secured to execute large projects, especially focusing on building climate resilience.

Table 4: Approved Expenditure Ceilings

<i>In millions of Eastern Caribbean Dollars unless otherwise stated</i>	
	2020
	Projected
TOTAL EXPENDITURE & NET LENDING	859.0
CURRENT EXPENDITURE	633.7
Employee compensation	282.2
Goods and Services	121.5
Interest Payments	67.0
Transfers	163.1
Net Lending	-
Capital Expenditure	225.3
<i>o/w: Grant financed</i>	201.8
Current Balance (before Grants)	152.5
Overall Balance (after Grants)	145.8
Primary Balance (after Grants)	212.8
Memo item	
GDP (nominal market prices)	3,475.3
Real GDP growth (%)	4.2

*Source: MOF***7.0 Fiscal Risk Statement**

Risks to the short-to-medium-term economic outlook are tilted to the downside. The main risk is associated with the projected softening in global economic activity; in particular, in the economies of Grenada's main trading partners, which can negatively affect tourist arrivals, remittances, and foreign direct investment. Uncertainties regarding Brexit outcomes also pose downside risks to Grenada; depending on the outcome, trade in both goods and services to/from the UK can be negatively impacted. Geo-political uncertainties portend volatile international fuel prices, which also pose a downside risk. Grenada's vulnerability to natural disasters is an inherent risk; adverse effects of climate change negatively affect infrastructure, tourism, and agriculture in particular. Accordingly, building resilience to climate change remains a pressing development priority of the Government.

The Fiscal Risk Statement to be laid in Parliament in accordance with Section 12 (1) (e) of the FRL, contains a fuller discussion on risks and mitigation measures.