

## Central Government's Fiscal Performance – April to June, FY 2010/2011

### Overview of Performance

- Preliminary figures for the April to June period of FY 2010/11 point to a primary balance of \$29.8 million and an overall surplus of \$23.0 million. This compares to the primary balance and overall surplus of \$38.1 million and \$27.3 million, respectively, recorded during the first three months of FY 2009/10. While total revenue and grants increased by \$2.1 million to \$194.0 million or 23.9% of budget during FY 2010/11, the growth in total expenditure was more pronounced, as this accelerated by \$6.4 million (3.9%) to \$171.0 million.

	( Bz \$ Million )					
	Approved Budget FY 09/10	2009 Apr-Jun	Actual FY 09/10	Approved Budget FY 10/11	Prelim 2010 Apr-Jun	As % of Budget
<b>Total Revenue and Grants</b>	<b>807.1</b>	<b>191.9</b>	<b>724.5</b>	<b>811.5</b>	<b>194.0</b>	<b>23.9%</b>
Total Revenue	756.9	171.7	690.8	789.0	192.9	24.4%
Grants	50.2	20.2	33.7	22.5	1.1	4.9%
<b>Total Expenditure</b>	<b>859.7</b>	<b>164.6</b>	<b>769.4</b>	<b>876.3</b>	<b>171.0</b>	<b>19.5%</b>
Primary Balance	54.0	38.1	51.5	54.0	29.8	55.2%
<b>Overall Balance</b>	<b>(52.6)</b>	<b>27.3</b>	<b>(44.9)</b>	<b>(64.8)</b>	<b>23.0</b>	

### Revenue Performance

- The rise in total revenue and grants to \$194.0 million was attributed to a \$21.2 million upswing in total revenue to \$192.4 million while grants declined by \$19.1 million to \$1.1 million.
- Tax and royalty collections from the local petroleum industry amounted to \$10.1 million or 5.2% of total revenue and grants during the April to June quarter of FY 2010/11. This compares to \$3.2 million or 1.7% obtained during the similar period of FY 2009/10. The increased revenue earnings was the result of (i) higher world crude oil prices and (ii) reduced seismic activity by the petroleum company and consequently lower capital costs eligible for tax write-off.
- The broad tax category that was the best performer during the review period was the taxes on **“goods and services”**, which accelerated by \$12.9 million to \$66.2 million. The most significant collections came from the GST that grew by \$16.3 million to \$51.6 million. The improvement in the tax proceeds was the result of (i) higher importation and (ii) the increase in the GST rate.

5. While importation increased during the quarter, tax collections from “**International trade and transactions**” remained constant at \$41.0 million. While the administrative charges and social fee on goods in-transit to the CFZ grew by 37.8%, as a consequence of the higher imports, the collections from import duty was not as buoyant as a consequence of the removal of import duty on over 35 items at the start of the fiscal year.
6. Revenues from the remaining two broad categories of taxation declined, as taxes on “**income and profits**” decreased by \$4.8 million to \$53.6 million while taxes on “**property**” fell by \$0.9 million to \$1.4 million. Tax arrears collected from BTL accounted for the higher revenue in FY 2009/10 compared to FY 2010/11, and a reduction in land taxes was responsible for the fall in taxes on property in FY 2010/11.

	( Bz \$ Million )				
	Approved Budget FY 09/10	2009 Apr-Jun	Approved Budget FY 10/11	Prelim 2010 Apr-Jun	As % of Budget
Total Revenue and Grants	807.1	191.9	811.5	194.0	23.9%
Total Revenue	756.9	171.7	789.0	192.9	24.4%
Recurrent Revenue	751.3	169.7	784.2	191.8	24.5%
Tax Revenue	670.2	155.0	703.4	162.1	23.0%
on Income & Profits	210.5	58.4	247.5	53.6	21.7%
on Property	7.7	2.3	7.0	1.4	20.0%
on Goods & Services	261.4	53.3	273.1	66.2	24.2%
on Int'l Trade & Transactions	190.6	41.0	175.8	40.9	23.3%
Non-Tax Revenue	81.1	14.7	80.8	29.7	36.8%
Capital Revenue	5.6	2.0	4.8	1.1	22.9%
Grants	50.2	20.2	22.5	1.1	4.9%

7. Increases in all categories of non-tax revenue propelled collections by \$15.0 million to 36.8% of budget. The three biggest contributors to the upswing in non-tax revenue were (i) Dividends from BTL and inflows from the PUC resulted in the acceleration in property income by \$6.3 million, (ii) Proceeds from oil mining and prospecting licenses triggered an increase of \$3.2 million in revenues from licenses and (iii) Settlement of a claim relating to the grounding of the Caribe Mariner on the barrier reef boosted the collections from Government Ministries/Departments by \$2.7 million.
8. The grants for this fiscal year are back to normal levels, as a one-off grant inflow of US\$9.0 million from the CARICOM Petroleum Fund in April 2009 was responsible for the high grant level during the first quarter of FY 2009/10. An analysis of grant flows will be addressed in a future report.

## Expenditure Performance

9. The overall rise in total expenditure to \$171.0 million was underscored by increases in both recurrent and capital expenditures. Recurrent expenditure rose by \$0.9 million to \$145.3 million while capital expenditure went up by \$5.5 million to \$25.8 million.
10. The increases in **goods and services** (\$5.2 million) and **wages and salaries** (\$1.6 million) completely overshadowed the declines in **interest payments** (\$4.0 million), **pensions** (\$1.1 million) and **subsidies and current transfers** (\$0.8 million).
11. The acceleration in expenditure on goods and services was the result of higher outlays on contracts and consultancy (\$2.6 million), materials and supplies (\$2.4 million), operating costs (\$2.1 million) and maintenance costs (\$1.0 million).
12. The deceleration in interest payments was attributed to lower expenditures on (i) a much reduced overdraft balance with the Central Bank and (ii) LIBOR-denominated foreign loans due to a fall in LIBOR. As part of its commitment to monetary policy reform, the Government reduced the legal limit on the overdraft to 8.5% of GOB's recurrent revenue in the previous fiscal year in April 2010 from 20%. As part of this reform, the GOB also increased its issues of securities.

	( Bz \$ Million )				
	Approved Budget FY 09/10	2009 Apr-Jun	Approved Budget FY 10/11	Prelim 2010 Apr-Jun	As % of Budget
<b>Total Expenditure</b>	<b>859.7</b>	<b>164.6</b>	<b>876.3</b>	<b>171.0</b>	<b>19.5%</b>
<b>Recurrent Expenditure</b>	<b>689.8</b>	<b>144.4</b>	<b>721.6</b>	<b>145.3</b>	<b>20.1%</b>
Wages & Salaries	276.5	65.0	291.2	66.6	22.9%
Pensions	43.9	11.8	50.4	10.8	21.4%
Goods & Services	168.8	33.6	165.1	38.8	23.5%
Interest Payments	106.6	10.8	118.8	6.8	5.7%
Subsidies & Transfers	94.0	23.2	96.1	22.3	23.2%
<b>Capital Expenditure &amp; Net Lending</b>	<b>169.9</b>	<b>20.2</b>	<b>154.7</b>	<b>25.7</b>	<b>16.6%</b>
Capital II Expenditure	63.4	11.2	65.2	18.8	28.8%
Capital III Expenditure	100.1	8.2	83.0	5.3	6.4%
Net Lending	6.4	0.8	6.5	1.6	24.6%

13. A \$7.6 million rise in capital II expenditure to \$18.8 million prompted the overall expansion in total expenditure to 28.8% of budget, as the quarterly seasonal outlays by a number of Ministries went above 25% of budget. The Ministries and the primary reason for the high expenditures are

highlighted in Table 4. The Ministry of Works' projects included (i) Completion of Southern Highway, (ii) Maintenance of Streets & Drains, Highways and Bridges & Ferries, (iii) Iguana Creek upgrading, (iv) Santa Elena Int'l Border Crossing and (v) Furniture & Equipment.

<b>Table 4: Capital II Expenditures for Select Ministries</b>						
( Bz \$'000 )						
	Approved			Approved		
	Budget	2009	As % of	Budget	2010	As % of
Ministry of:	FY 09/10	Apr-Jun	Budget	FY 10/11	Apr-Jun	Budget
<b>Public Service, Governance</b> <i>- due to Election &amp; Boundaries</i>	90.0	63.9	71.0%	120.0	267.6	223.0%
<b>Housing &amp; Urban Development</b> <i>- due to Home Improvement</i>	13,775.0	606.1	4.4%	3,750.0	2,209.0	58.9%
<b>Economic Development</b> <i>- due to Population Census</i>	2,283.5	76.7	3.4%	5,232.5	2,572.3	49.2%
<b>Works</b> <i>- due to a number of projects</i>	5,375.0	1,544.7	28.7%	10,500.0	4,273.6	40.7%
<b>Finance</b> <i>- due to Int'l Contributions</i>	12,893.2	3,698.4	28.7%	10,653.9	3,891.2	36.5%
<b>Labour, Local Government</b> <i>- due to Furniture, Rural Water &amp; Sanitation, Law Revision, IT</i>	520.0	181.0	34.8%	776.0	235.3	30.3%

#### **Fiscal Outlook for the Remainder of FY 2010/11**

14. The Ministry of Finance will continue to monitor the full impact of the revenue raising measures that were introduced at the beginning of April this year. Certainly, a mid-year review of the performance will be able to inform if any measures need to be taken to maintain the budgetary targets.
15. Expenditure performance will be defined by some new initiatives that have come to the fore after the current budget was approved, and the budgetary effects of these have not yet been quantified.
16. One issue relates to the measures that are being rolled out to tackle some key social ills and a rising crime situation. Another matter of concern is the recent country-wide outbreak of dengue, which will require some additional level of expenditure that was not budgeted for.
17. Without any new revenue measures under consideration, these initiatives will be funded by either the proceeds from the new securities (see paragraph 12) or by reallocations from current programs that may no longer be priorities, but the precise impact on the deficit cannot yet be determined.

Table 5: Central Government's Fiscal Operations, FY 2009/10 and FY 2010/11					
	( Bz \$ Million)				
	Approved Budget	Apr - Jun	Actual	Approved Budget	Prelim
	FY 09/10	2009	FY 09/10	FY 10/11	Apr-Jun 2010
<b>Total Revenue and Grants</b>	<b>807.1</b>	<b>191.9</b>	<b>724.5</b>	<b>811.5</b>	<b>194.0</b>
Total Revenue	756.9	171.7	690.8	789.0	192.9
<b>Recurrent Revenue</b>	<b>751.3</b>	<b>169.7</b>	<b>686.0</b>	<b>784.2</b>	<b>191.8</b>
<b>Tax Revenue</b>	<b>670.2</b>	<b>155.0</b>	<b>598.4</b>	<b>703.4</b>	<b>162.1</b>
Taxes on Income & Profits	210.5	58.4	207.2	247.5	53.6
<i>of which: Petroleum operations</i>	25.0	1.9	21.2	31.6	5.8
Taxes on Property	7.7	2.3	5.3	7.0	1.4
Taxes on Goods & Services	261.4	53.3	220.5	273.1	66.2
<i>of which: GST</i>	192.0	35.3	157.5	207.0	51.6
Taxes on Int'l Trade & Transactions	190.6	41.0	165.4	175.8	40.9
<i>of which: Import duties</i>	145.0	31.9	129.8	133.5	31.8
<b>Non-Tax Revenue</b>	<b>81.1</b>	<b>14.7</b>	<b>87.6</b>	<b>80.8</b>	<b>29.7</b>
<i>of which: Petroleum Royalties</i>	15.0	1.3	12.3	18.0	4.3
Capital Revenue	5.6	2.0	4.8	4.8	1.1
Grants	50.2	20.2	33.7	22.5	1.1
<b>Total Expenditure</b>	<b>859.7</b>	<b>164.6</b>	<b>769.4</b>	<b>876.3</b>	<b>171.0</b>
<b>Recurrent Expenditure</b>	<b>689.8</b>	<b>144.4</b>	<b>668.9</b>	<b>721.6</b>	<b>145.3</b>
Wages & Salaries	276.5	65.0	273.7	291.2	66.6
Pensions	43.9	11.8	48.1	50.4	10.8
Goods & Services	168.8	33.6	157.6	165.1	38.8
Interest Payments	106.6	10.8	96.4	118.8	6.8
Subsidies & Transfers	94.0	23.2	93.1	96.1	22.3
Capital Expenditure & Net Lending	169.9	20.2	100.5	154.7	25.7
Development Expenditure	163.5	19.4	97.3	148.2	24.1
Capital II Expenditure	63.4	11.2	53.7	65.2	18.8
Capital III Expenditure	100.1	8.2	43.6	83.0	5.3
Net Lending	6.4	0.8	3.2	6.5	1.6
<b>Recurrent Balance</b>	<b>61.4</b>	<b>25.3</b>	<b>17.1</b>	<b>62.6</b>	<b>46.5</b>
<b>Primary Balance</b>	<b>54.0</b>	<b>38.1</b>	<b>51.5</b>	<b>54.0</b>	<b>29.8</b>
<b>Overall Balance</b>	<b>(52.6)</b>	<b>27.3</b>	<b>(44.9)</b>	<b>(64.8)</b>	<b>23.0</b>
<b>Financing</b>	<b>52.6</b>	<b>(27.3)</b>	<b>44.9</b>	<b>64.8</b>	<b>(23.0)</b>
External		(2.3)	23.7	32.0	18.7
Domestic		(28.3)	(23.9)	10.0	(40.2)
Other		3.3	45.1	22.8	(1.5)
<b>Amortization</b>	<b>70.8</b>	<b>19.4</b>	<b>69.9</b>	<b>63.0</b>	<b>10.9</b>