

# **COMMUNIQUE FROM HOMEGROWN PROGRAMME MONITORING COMMITTEE (HPMC)**

**NO. 02/2016**

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The Monitoring Committee for the Homegrown Programme held meetings on Thursday, April 7<sup>th</sup>, 2016 and Thursday May 5<sup>th</sup>, 2016, at the Ministry of Finance.

In keeping Structural Benchmarks agreed upon with the IMF, the government implemented a New Chart of Accounts as of January 2016. The Committee, though it applauds the government on meeting this benchmark, notes some difficulties experienced during the transition. As the categorization of certain expenditure has changed, the ease at which one can compare outturn figures with targets has been negatively affected.

## **PERFORMANCE CRITERION AND STRUCTURAL BENCHMARKS**

The Committee reviewed the reports for January, February and March 2016, as well as the January to March 2016 cumulative performance. The Committee noted the excellent performance in achieving a central government primary balance of \$27.2m for the first quarter of 2016 compared with the goal of \$ 21.0m.

The Committee also noted the following:

- Funds disbursed under the SEED programme are now meeting the targets
- That the wage bill was within target
- Efforts to keep primary spending within stipulated limits

The Committee also notes the discrepancy between capital expenditure targets and actual outturn and recognizes that it is as a result of the adoption of the new chart of accounts and not a lack of Capital investment by government in the economy.

The Committee reiterated that fiscal responsibility should continue after the completion of the program through the proper enforcement and adherence to the Public Finance Management Law, Fiscal Responsibility Act, Public Debt Management Act and other laws enacted to ensure fiscal sustainability.

The performance criteria are summarized in the following table:

<b>Table 1. Grenada: Quantitative Program Targets and Actuals to Date</b>					
<b>Performance Criteria</b>	<b>Jan 2016</b>	<b>Feb 2016</b>	<b>March</b>	<b>Jan-Mar 2016</b>	<b>Jan-Mar 2016</b>
	<b>EC\$M Actual</b>	<b>EC\$M Actual</b>	<b>EC\$M Actual</b>	<b>EC\$M Actual</b>	<b>EC\$M Target</b>
Cumulative floor on central government primary balance	12.4	(2.9)	17.7	27.2	21.0
Cumulative ceiling on central government primary spending	37.4	57.9	49.3	144.5	145.6
Ceiling on stock of central government budget expenditure arrears	-	-	-	-	-
Ceiling on accumulation of external debt arrears (continuous)	-	-	-	-	-
Ceiling on contracting of non-concessional external debt by the central government (continuous) (US\$m)	-	-	-	-	-
<b>Indicative Targets</b>					
Cumulative ceiling on net change in central government and central government guaranteed debt	-	-	-	-	13.0 (June 2016)
Floor on social spending by central government	1.1	1.2	1.3	3.6	3.5
<b>Monitoring</b>					
Wage Bill	19.4	20.3	20.2	60.0	62.4
Public employment				6,713	7,434
<b>Revenue &amp; Budgetary Grants</b>					
Non Grant Revenue	47.2	48.4	61.9	157.5	138.7
Budgetary Grants	1.4	1.5	1.9	4.8	-
Capital spending	3.9	9.1	7.7	20.6	51.2
of which financed by capital grants	1.2	5.3	3.2	9.7	27.8

### **STRUCTURAL BENCHMARKS**

The Government is more or less on par with its legislative agenda as at the end of March 2016. The benchmark relating to the modernization the public sector has been rephrased to focus on a strategy to manage the public sector wage bill, and the timeline for completion adjusted to September, 2016

The structural benchmarks up to December 2016 are summarized in the following table:

<b>Table 2. Grenada: Structural Benchmarks up to end 2016</b>		
<b>Structural benchmarks</b>	<b>Deadline</b>	<b>Status/Comments</b>
1 Cabinet approval of a strategic plan to modernize the public sector	March 31, 2016	To be revised.
2 Parliamentary approval of the revised GIDC Act	June 30, 2016	
3 Parliamentary approval of a new Grenada Labor Code	August 31, 2016	
4 Approval by cabinet of a focused reform strategy to manage the public sector wage bill	September 30, 2016	

## **Developments in the Inland Revenue Department (IRD)**

The Committee recognizes the efforts made in the Inland Revenue Department to improve tax administration. A summary of changes are as follows:

### **Restructuring of IRD**

- A new structure was implemented in IRD in December 2015 which included, among other changes, a more targeted approach to tax collection via the creation of the Large & Medium Taxpayer Unit and the Small & Micro Taxpayer Unit. Improved revenue collection in the first quarter of 2016 can be partly attributed to the new structure.

### **Collection of Income Taxes from Self Employed persons**

- IRD is actively pursuing self-employed persons who are not registered to pay income tax. Registration of these professionals is ongoing with most being compliant once contacted.

### **Vehicle Licenses**

- Computerization of the vehicular licensing system is currently underway. Information was entered into an electronic database from the previously used paper cards. The exercise should be complete by mid-2016 and thereafter, the IRD can begin accepting payments online.

## **CONCERNS EXPRESSED**

- The Committee registers its deep concern that the Proxy Means Test is not currently operational in selecting beneficiaries for the SEED programme and urges the Ministry of Finance to play a more active role in ensuring that the system is in place in the shortest possible time. A follow-up report was also requested by the Committee to ascertain the timeline for completion of this process.
- A summary of the findings of the Spicemas Survey 2015 was presented. A total of 5,483 persons were recorded as visiting Grenada specifically for Spicemas. The associated expenditure was approximately EC \$32,764,527 or US\$ 12,271,358, the largest proportion being paid for accommodation. The US market had the greatest share in visitor expenditure – 44%. Total V.A.T. collections attributable to Spicemas for the period was approximately \$4,553,772.

### **Farewell**

Mrs. Aine Braithwaite, the Grenada Private Sector Organisation's Representative on the Homegrown Programme Monitoring Committee, announced that she was relinquishing her responsibility on the Committee as she was taking on new roles within the private sector, and her replacement on the Committee will be Mrs. Xiomara Forsyth. The Chairman and members of the Committee thanked Mrs. Braithwaite for her service and wished her all the best in her future endeavours. Mrs. Forsyth was also welcomed to the team. Mrs. Braithwaite thanked the members for the collaboration during her tenure and extends best wishes to the Committee going forward.

**The Homegrown Programme Monitoring Committee will hold its next meeting on Thursday June 9<sup>th</sup> 2016.**