

## **FISCAL SUMMARY LEAVES WRB TRANSACTION AN UNSOLVED MYSTERY**

**By Laurel Theresa Bain**

The Government has released its Fiscal Summary report for December 2020. This report published on the Government website, <https://www.finance.gd/index.php/fiscal-reports>, has not shed much light on the financing of the repurchase of the WRB shares in GRENLEC.

In the fiscal table provided, capital expenditure for December 2020 was reported at \$178.5M. It is obvious from the size of the reported capital expenditure for December 2020 that elements of the WRB repurchase transaction were included. In this situation, ideally, the capital expenditure should have been disaggregated into expenditure on capital projects and the purchase of shares. This precision in the fiscal summary table would have allowed the public to be better informed about the WRB transaction.

The Fiscal Summary report is inconsistent with official statements on the source of the funds for the WRB transaction. Hence, the financing of the repurchase of the WRB shares in GRENLEC by the Government of Grenada remains a mystery. The positions of the Government as pronounced by Ministers, on various occasions, were: [i] the transaction was financed by savings accumulated due to prudent fiscal management from 2013; [ii] savings from the 2020 capital budget due to the non-implementation of capital projects; and [iii] from grants and concessionary loan. Until comprehensive reports on Government finances are presented to the public, the WRB financial transaction will remain an unsolved mystery.

In the Fiscal Summary report, despite a large capital expenditure of \$178.5M, the grants reported as spent in December was only \$13.6M. This amount of grants [\$13.6M] was far below the approximately \$170M required to finance the WRB transaction. The figures in the Fiscal Summary for December 2020, failed to show that the expenditure for the WRB transaction was financed by grants. This conclusion is further corroborated by an examination of the full year data for 2020 as presented in the Fiscal Summary report.

For 2020, the Government spent \$103.1M in grants. This presumably consisted of budgetary support, along with capital grants as defined by the Government, which contributed to financing the \$269.9M in capital expenditure. It can therefore be deduced that this large capital expenditure included amounts for the WRB transaction. The grants expended were significantly below the required amount for the repurchase of the WRB shares. It is clear that the grants allocated to capital projects that were not implemented in 2020 were insufficient and was not utilized to finance the WRB transaction.

Based on this examination of the Fiscal Summary report for December 2020, it could be concluded that the WRB transaction was not financed by grants or from savings on the capital budget for 2020. By this process of elimination, the WRB transaction mystery is gradually unfolding.

It is impossible to accurately determine, from the Fiscal Summary report for December 2020, the financing of the WRB transaction as the information provided in the summary table is incomplete. The table showed that the Government needed, at least, \$147.8M to close the revenue/expenditure gap for December 2020. When the full year of Government operations is considered, the Government needed to find \$128.1M to finance its operations.

The Fiscal Summary did not provide any information on where the Government obtained the funds to finance this deficit. This is a serious omission in the reporting on Government finances. It makes it impossible to determine the financing of Government operations and, in this case, the WRB transaction from an examination of the Fiscal Summary report as published by the Ministry of Finance. The audited public sector accounts which should be presented to Parliament in October 2021 may provide information that could solve the mystery of the WRB financial transaction.

In going forward, the publication of the various reports by the Government should not only be seen as meeting its statutory obligations but should be regarded as an opportunity to educate the public about the business of government through presentation of easily understood and complete information and analyses in these reports.

**“Knowledge is power, and experience is the greatest teacher!”**

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Ms Bain has undertaken assessments of the economies of the Eastern Caribbean Currency Union (ECCU) and research on fiscal policy and taxation issues in the ECCU. She is the Author of the books: Fiscal Policy The Economy and The Tax Structure of the Member Countries of the ECCB. Ms. Bain has worked extensively with international development agencies and regional institutions.

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