

Budget Alert 3.9 Budget Time Again Part 1

By Laurel Theresa Bain

It will soon be time for the presentation of the national budget for 2024. The Minister of Finance will present to Parliament the state of the economy, the achievements of the Government in relation to the pronouncements in the 2023 national budget, and the policies, programmes, and projects for the 2024 fiscal year. The budget statement will be based on the Estimates of Revenue and Expenditure for 2024 and the accompanying Appropriation Bill which will require the approval of Parliament. Among the other documents that will be laid in Parliament is the Assessment of Economic Developments for 2023 and Prospects for the Medium-Term.

The national budget has traditionally been anchored in the assessment of economic developments and prospects with a strong focus on economic indicators. While economic indicators are important to assess economic growth, and fiscal and financial stability, they must be supplemented with social indicators to assess the well-being of the population, which is the ultimate objective of economic policies. Consistent with the Government's goal of transforming the economy to “A Sustainable, Equitable and Prosperous Grenada for All”, the context of the national budget should also focus on the social indicators, particularly those that will allow for the assessment of equity and prosperity.

The economic indicators will also need to be upgraded to monitor the impact of the transformative agenda of the Government which includes i. Improving agriculture, marine resources and agro-processing; ii. strengthening linkages among the sectors; iii. developing the creative and digital economy; iv. improving the social sectors, particularly education and health; and v. developing a climate resilient economic and social infrastructure.

In the context of this economic and social agenda, the assessment of the economy requires a reform of the methodology and data-gathering systems. The traditional approach to data gathering is not adequate to monitor the impact of policies, programmes, and projects aimed at transforming the economy. New and innovative approaches to assessing the economy and data-gathering systems should evolve but must begin in order to provide baseline information.

The need to upgrade data systems was already highlighted in Budget Alert 2.13 ‘Budget Time Again’ published on 24th September 2022 as follows:

“While the economic assessment would include the usual trends in the macro-economic variables and developments in the economic, financial, fiscal, and external sectors, there should be an emphasis on the challenges in the economy and some of the structural issues that need to be addressed. These include i. the trend in agriculture production; ii. the performance of agriculture exports; iii. the trend in the food import bill; iv. the state of agro-processing and agri-business; v. developments in the fishing industry and other marine resources; vi. the status of the creative industries; vii. the foreign exchange outflows to external agents for the importation of services; and viii. the efficiency of doing business in Grenada.

The social sectors should be given equal importance in the assessment of the economy. The areas of focus should include developments in education, health and other social services, and the dynamics of deviant behaviour, unemployment, and poverty. A refocusing of the assessment of the economy to highlight the challenges and the structural imbalances would be consistent with pursuing a transformative agenda”.

In this context, the existing technology should be utilized to gather information and data for some of the sectors where data is hard to capture. Reliance on traditional systems for data gathering would not correct the current deficiencies in data.

Specifically, the data deficient sectors such as agricultural production, fish and other marine resources, and agro-processing where productive units are small and scattered. could benefit from the use of technology. There should be an enhanced and transformed role for the provision of extension services with the use of technology to gather information on production and other activities associated with these sectors.

The creative and digital economy is expected to play a major role in transforming the economy. The sector presents unique challenges to data collection. Some of the production is intangible and may not be visible to parties external to the transaction. However, these industries are contributing to national income and employment. The current systems for data gathering are not adequate to capture developments in the creative and digital economy.

If the activities in the emerging and growing sectors, such as the creative industries, are not captured in the estimates of the Gross Domestic Product (GDP), the state of the economy would

not be properly assessed. This would compromise the assessment of fiscal and other accounts that are analysed in relation to GDP.

Among the social sectors, particularly education and health. The available information needs to be integrated in the assessment of the economy and presented in a format that allows for monitoring overtime. An additional dimension to education is the data on the skills existing and being developed in the economy. This is necessary to match the availability of skills in the economy with the employment demands and reduce the need to import services. A skills bank, if it does not exist, should be established. In health, the standard information on the causes of death and mortality rates, along with other desirable indicators, would need to be monitored and reported as part of developments in the economy.

Economic growth could occur with high and chronic unemployment, particularly among the youth. Regular labour force surveys should be undertaken to gauge developments in the labour market. Along with reporting on the overall unemployment rate, the data on unemployment should be disaggregated by age, sex, and parish to provide comprehensive information on the unemployment situation and to determine the impact of policies. Also, information on the trend in the labour participation ratio is important. This ratio will capture the segment of the population that has dropped out of the labour market. These are people who are capable of working but have not been actively seeking employment and therefore are not included in the unemployed. The earning of income is necessary for improving the welfare of the population and the employment/unemployment situation should be thoroughly analysed.

Linked with the unemployment/employment situation is the level of poverty. Improving the welfare of the population is the ultimate objective of achieving economic growth and development, and the poverty rate is the most commonly used indicator to assess the welfare of the population. According to the "Grenada Survey of Living Conditions and Household Budget Survey" (SLCHBS) of 2018/2019, the poverty assessment survey is undertaken every 10 years. A ten (10) year period is too long a gap in assessing poverty if policies are to be targeted at elevating the poor out of poverty. Interim systems should be established to collect information and report on the trends in poverty.

Comprehensive data and information are required to assess the progress towards the transformation of the economy. Appropriate indicators should be identified and monitored over time. As such, the assessment of the economy that informs the national budget should provide

information for monitoring achievements relative to the goal of transforming the economy to “A Sustainable, Equitable and Prosperous Grenada for All”.

Knowledge is power and experience is the greatest teacher.

Ms. Laurel Bain is a former employee of the Eastern Caribbean Central Bank, where she served for over 25 years. All Budget Alert articles could be obtained from website <https://www.innovativealliances.com/>.

October 6th, 2023

Disclaimer: This article is written in my personal capacity and not in my capacity as Chairwoman of the Fiscal Responsibility Oversight Committee.