GOVERNMENT OF GRENADA

MEDIUM-TERM FISCAL FRAMEWORK: 2022-2024

Ministry of Finance, Economic Development, Physical Development& Energy

Revised February 2022

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1. PURPOSE

The Medium-Term Fiscal Framework (MTFF) is prepared in accordance with Section 12 of the Public Finance Management Act No. 17 of 2015 and Section 8 of the Public Finance Management Regulations SRO No. 33 of 2015.

This MTFF dated February 2022 is an update to the original one that was prepared in November 2021 for the 2022 Budget. This updated MTFF lays out specific measures that will be implemented to better prioritize and manage expenditure as well as enhance revenue administration and provides quantifiable estimates of their fiscal impact. The update MTFF is intended to firmly anchor expectations about medium-term fiscal and debt sustainability in the context of the third activation of the FRL's Escape Clause and risks that have heightened since the original framework was prepared; for example, the Omicron variant had not yet emerged when the original MTFF was prepared. The fiscal projections have been revised for the years 2023 and 2024.

As with the original MTFF, the Medium-term Action Plan (MTAP) 2022-2024, which is focused on recovery, resilience and transformation provides the overarching strategic context for the MTFF. The MTAP is the operational vehicle through which Grenada's National Sustainable Development Plan 2020-2035 is being implemented. The MTAP 2022-2024 was approved by Cabinet in November 2021. Both the NSDP 2020 - 2035 and the MTAP 2022 - 2024 are published on the MOF Website: www. finance.gd.

2. RECENT ECONOMIC DEVELOPMENTS

2.1. Real Sector

The local economy continues to experience the lingering effects of the COVID-19 pandemic, 22 months after the first case was recorded in Grenada. Preliminary estimates for the first half of 2021 point to a recovery relative to the 13.8 % contraction recorded in 2020.

Some key sectors are projected to record growth in 2021:

(i) The Agriculture and Fishing sectors are projected to grow by 12.5 % driven by increased output in cocoa (31.8%),bananas (9.8%), nutmeg (2.1%) and fishing (3.9%).

(ii) The Construction sector is projected to grow by 22.8%, reflective of robust activity in that sector

(iii) The Financial Intermediation sector is expected to grow by 3.5% associated with increased financial services of commercial banks and credit unions.

(iv) The Private Education and Private Health subsectors are projected to grow by 2.0% and 4.4% respectively.

(v) The Manufacturing and Wholesale and Retail sectors are projected to grow by 9.7% and 4.4% respectively.

Sectors expected to decline in 2021 based on half year data are Hotels and Restaurants (-2.6%) and Transport and Storage (-5.2%). While the economy is still estimated to recover in 2021 from the massive contraction in 2020, the recovery is now projected to be slower than initially estimated. At this juncture, real GDP is estimated to have expanded by 4.8% compared to the 6.0% which was initially projected at the time of the 2021 Budget presentation in December 2020.

Inflation (Consumer Price Index)

Inflation is expected to strengthen and rise above initial projections as global commodity prices increase. More specifically, inflation is now projected to reach 2.2% as against the 1.6% projected at the time of the 2021 Budget presentation.

Unemployment

The almost doubling of the unemployment rate from its historic low of 15.1% at the end of 2019 to 28.4% at the end of the second quarter of 2020 has proven to be transient. As at the end of second quarter of 2021, the unemployment rate dropped to 16.6%.

2.2. Fiscal

The severe disruption in economic activity has significantly undercut Government's revenues,with a short fall of $96.6 million in 2020 relative to the budgeted amount.

Nonetheless, the fiscal performance strengthened in 2021, but the prolonged effects of the COVID- 19 pandemic continue to weigh on the fiscal performance. Tax revenues showed signs of strengthening with collections exceeding the target for 2021 and the outturn for last year. Grant receipts continue to lag target.

Government recurrent outlays were $57.2 million more than the programmed amount but capital expenditure fell short of target by $45.2 million.

A primary balance including grants of $64.1 million (2.2% of GDP), is preliminarily estimated for 2021, which is $18.6 million above the budgeted amount. Likewise, an overall surplus of $9.9 million (0.3% of GDP), is estimated compared to a budgeted deficit of $18.2 million. Total public debt[1] at the end of September 2021 stood at $2.1 billion or 70.6% of estimated GDP and included Central Government's external and domestic debtsolely. Total debt at the end of 2021 is estimated to decline from the spike in 2020 to around 69.0% of GDP.

3. MEDIUM – TERM MACROECONOMIC FORECAST

The outlook for Grenada's economy is expected to remain favourable despite considerable risks, including from the still-unfolding COVID-19 pandemic. Real GDP growth is expected to average 4.3% during the period 2022 – 2024.

The recovery of the Tourism sector will depend to a large extent on the rebound of global travel and economic conditions in major source markets, which have been impacted by the pandemic. Prospects for

[1] Total public debt includes both the external and domestic debt of Central Government and Government Guaranteed debt of State-Owned enterprises

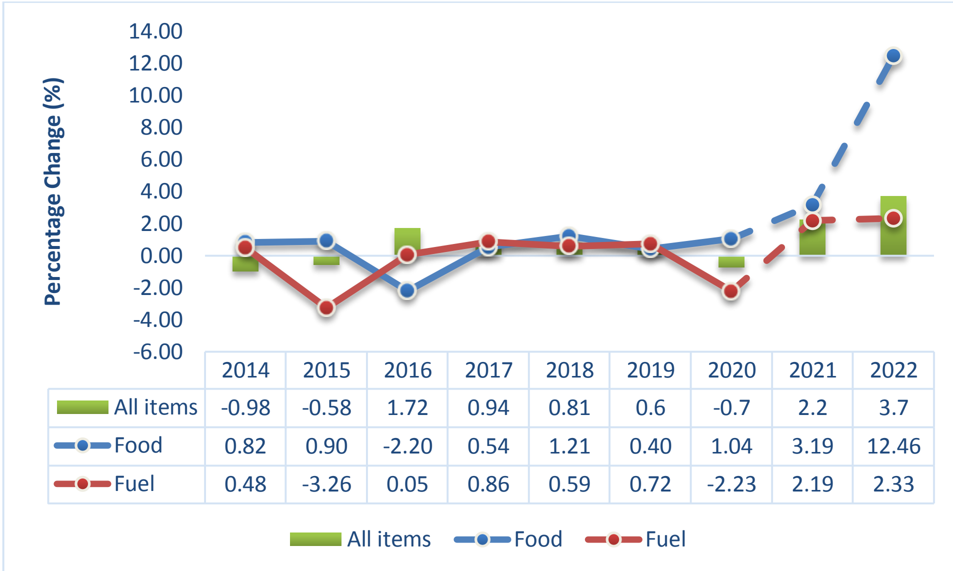
growth in advanced economies such as the United States (one of Grenada's major source markets) are generally greater than for emerging markets and developing countries due to better vaccination access and additional policy support. It is therefore anticipated that these factors would quicken economic recoveries in Grenada's major source markets and increase global travel, which would benefit economies like Grenada. The uptick in commercial air traffic from both regional and international markets, including the United States, should gradually ease the effects of the economic downturn in the Tourism sector primarily, with spill-over effects in other sectors. However, adequate protocols, such as physical distancing, sanitizing, mask wearing and mandating that all visitors be fully vaccinated, are needed to safeguard the health of citizens and visitors alike and reduce the risk of a resurgence of the virus locally.

The return of students to the St. George's University campus in August 2021 boosted demand in the second half of 2021 and spurred increased activity in other sectors, including Manufacturing, Real Estate, and Wholesale & Retail. Though there was a partial disruption due to the spike in COVID-19 cases in September 2021, this trend is expected to continue for the rest of the year and the medium-term barring further spikes. Moreover, a full return of students and faculty is expected in August of this year. Additionally, the outlook for the Construction sector is positive over the medium term with several public and private sector projects ongoing and in the pipeline. Major hotel projects, including the Six Senses Resort continue, as well as several private housing and commercial-building projects across the Tri-Island state. Furthermore, significant investment in agriculture feeder roads, road and bridge repairs, and schools' upgrades across the Tri-Island, and other projects to improve infrastructure and boost climate resilience are ongoing. This should provide much-needed employment and further increase aggregate demand.

Appendix 1 provides detailed medium-term growth forecasts by economic sectors.

Consistent with the global outlook, inflation pressures, especially from food and fuel prices, are expected to continue to weigh on economic recovery over the medium term. The domestic inflation rate is projected to average 2.2% over the period 2022-2024.

Figure 1: Inflation (measured by CPI) - 2014-2022*



	2014	2015	2016	2017	2018	2019	2020	2021	2022
All items	-0.98	-0.58	1.72	0.94	0.81	0.6	-0.7	2.2	3.7
Food	0.82	0.90	-2.20	0.54	1.21	0.40	1.04	3.19	12.46
Fuel	0.48	-3.26	0.05	0.86	0.59	0.72	-2.23	2.19	2.33

Source: Ministry of Finance, CSO
*Projected

Over the medium term, further employment gains are expected. However, while theunemployment rate is expected to fall below its current level of 16.6% achieved at the end of the second quarter of 2021, it is expected that the unemployment rate will remain above the historic low of 15.1% achieved at the end of 2019.

4. MEDIUM-TERM FISCAL POLICY OBJECTIVES

Government remains firmly committed to maintaining strong fiscal discipline to support debt reduction, macroeconomic stability, inclusive growth, and sustainable development. Accordingly, the two explicit objectives of fiscal policies over the medium term are: (i) sustaining policy support for the economy given negative effects of the pandemic that are expected to linger; and (ii) safeguarding fiscal and debt sustainability. In order to meet these two objectives, Government has activated the FRL's Escape Clause for 2022 and will implement specific measures to improve revenue administration and expenditure management.

The revised MTFF 2022-2024 improves on the original one by detailing specific measures to strengthen expenditure management and controls as well as improving revenue administration and providing quantifiable estimates of their fiscal impact.

4.1. Government's Expenditure Priorities:

In the context of the COVID-19 pandemic, Government's expenditure will be strategically prioritised for improved effectiveness, value-for-money, accountability, and impact. Specifically, there will be increased expenditure on health and education to improve service delivery. There will also be higher spending to support economic recovery, inclusive growth, and job preservation and/or creation. Expenditure will be better targeted to support the most vulnerable, particularly those who are disproportionally affected by the adverse effects of COVID-19. The wage bill will be consistent with the fiscal rule of 9% of GDP. Government will continue its policy of sustainable wage bill management through attrition as well as adherence to the tenets of the framework on forward-looking wage negotiations. Priority spending will also be focused on building resilience to climate change and promoting economic transformation in all productive sectors. In this regard, greater attention will be given to improving the performance of the Public Sector Investment Programme by addressing implementation bottlenecks and building project management capacities.

More emphasis will be placed on strengthening expenditure management systems to better align public expenditure with desired outcomes to ultimately support Government's strategic development agenda. In this regard, Government will take steps to address weaknesses in expenditure controls along the Expenditure Cycle (especially at the Commitment/Requisition and Purchase Order stages) that have been identified by the Cabinet-approved Public Expenditure Review (PER) Committee. An Action Plan has already been developed to strengthen expenditure controls at each stage of the Expenditure Cycle.

Specifically, the following recommendations from the PER will be implemented:

- All Ministries and Departments to prepare quarterly budget implementation plans for both recurrent and capital expenditure.

- All Ministries and Departments to: (i) submit their quarterly procurement plan (for both capital and recurrent items) when submitting their quarterly cash flows; and (ii) enter their requisition when they begin the procurement process so that budget is set aside.

- Donor-funded projects to be integrated with SmartStream (budget control, commitments, accounting, bank reconciliation, and reporting) and Government's Treasury manual controls to be implemented for donor projects as well.

- The Procurement Unit to prepare quarterly reports on the execution of all contracts for works, goods and services (exceeding EC$15,000) detailing: (i) information on payments occurring during the quarter and pending payments; and (ii) comparing actual payments with estimates in Procurement Plans. The quarterly reports to be submitted to the Minister of Finance and Cabinet.

Furthermore, greater emphasis will be placed on staff training (particularly, but not exclusively of Finance Officers) to build capacity in accounting and public financial management more broadly. Lastly, but not least, Government will continue to monitor the operations of State-owned Enterprises and Statutory Bodies with the strategic intention of improving financial and operational performance and managing fiscal risks. The successful rollout of these expenditure control measures will result in cost savings estimated at 0.3% of GDP and 0.2% of GDP on Government's recurrent outlays over the period 2023 and 2024, broadly in line with past instances of expenditure containment measures.

Recurrent expenditure is projected to reduce from 20.8% of GDP in 2022 to 19.8% of GDP in 2024. Capital expenditure as a percent of GDP is projected to average 7.5% in the period 2022-2024, if implementation capacity support would be strengthened so that the projects in the pipeline can be effectively implemented, especially projects that are focused on building resilience. Specific actions and strategies will be deployed by the Department of Economic and Technical Cooperation (DETC) to sustain high implementation rates of projects over the medium term. Some of the actions/strategies include:

- Continuously monitoring and measuring of PSIPs using Alpha and Beta testing to ensure that projects achieve desired outcomes.

- Developing project activity or workflow maps to establish critical path and resources requirement at different control points.
- Utilising upgraded technology to facilitate effective project monitoring. Relatedly, a comprehensive Project Information Management Software (PIMS) will be developed for rollout in 2023.
- Training/capacity building will be done to improve project officers' capacities in project implementation, Key Performance Indicators (KPIs) development, analysis, and interpretation.

The main sources of financing for capital expenditure are capital grants from the National Transformation Fund (NTF) and those secured from external development partners specifically to support Government's resilience-building agenda.

4.2. Government's Revenue Priorities:

The revenue strategy will continue to focus on improving tax collection, addressing revenue leakages, strengthening enforcement and compliance measures, and enhancing revenue administration by placing greater emphasis on technology. Specifically, the containment of noncompliance growth and assistance to taxpayers in coping with the prolonged effects of the pandemic are two objectives proposed to enhance tax compliance. Improving registration compliance by identifying non-registrants is critical to enhancing compliance. To this end the Inland Revenue Department (IRD) will engage in a "registration drive" during the first quarter of 2022 that will focus on E-registration of large taxpayers and online businesses. Enforcing the Tax Administration Act by charging penalties for failure to register will also be implemented.

To reduce the stock of outstanding arrears and to improve on-time payments, the IRD will re-establish the Write-Off Committee during the first quarter and implement due date text reminders through mobile networks. Greater collaboration with the Grenada Bankers' Association and the Cooperative League to ensure improved tax compliance by non-compliant taxpayers will be pursued during the second quarter. Another aspect of IRD's compliance strategy involves improving filing performance of large and medium enterprises. Timely issuances of filing forms and effectively monitoring filing extensions will ensure that this strategy meets its desired outcomes.

Additionally, compliance will be strengthened through greater focus on service delivery, education outreach and enforcement measures where necessary. The IRD is committed to working along the softer side of compliance by flexibly establishing payment arrangements with taxpayers who are in financial difficulties and will comprehensively assess these taxpayers' ability to pay before recommending collection and enforcement actions. Based on past experience with the implementation of revenue-enforcement measures, it is estimated that revenues equivalent to 0.5% of GDP and 0.1% of GDP in 2023 and 2024 can be potentially recuperated through the successful execution of these measures. Accordingly, recurrent revenue is projected to average $786.7 million(23.3% of GDP) over the period 2022-2024.

Table 1 summaries the main measures as well as the estimated fiscal impact.

Table 1: RETURN TO THE FISCAL RULES - 2023
ADJUSTMENT MEASURES
(IN % OF GDP)

MEASURES	**YIELD**	
	2023	**2024**
Revenue measures	**0.5**	**0.1**
Improving the administration and collections of taxes (improving registration and filing compliance, reducing the stock of arrears, greater incorporation of ICT and taxpayer education)	0.5	0.1
Current Expenditure Measures	**0.3**	**0.2**
Sustainable wage bill management policies (attrition)	0.1	0.1
Efficiency gains from implementation of PER (strengthening expenditure controls, strengthening procurement function, incorporation of renewable energy technologies (AC Units, Electric Vehicles, Solar lighting in public buildings)	0.1	0.1
Expenditure reallocation (COVID-19 measures)	0.1	0.0
Capital Expenditure Measures	**3.8**	**1.0**
Streamline non-grant financed capital spending	3.7	1.0
Expenditure reallocation (COVID-19 measures)	0.1	0.0
Total Fiscal Adjustment	**4.6**	**1.3**

4.3. Government's Debt Management Strategy:

The Medium-term Debt Management Strategy for the period 2022-2024 focuses on: (i) managing public debt in a manner that is consistent with ensuring that the Budget is adequately funded at the lowest cost and within a manageable risk framework; (ii) promoting debt sustainability; and (iii) ensuring that public debtmanagement operations support the establishment of a well-developed domestic debt market in the medium-to-long term. The strategy remains broadly unchanged from the 2021-2023 strategy. As such, it targets concessional external financing and seeks to extend the maturity profile of the domestic debt portfolio and to maintain an active presence on the Regional Government Securities Market (RGSM). Public debt (defined as Central Government debt plus Government guaranteed debt) is projected to decline from 67.0% of GDP in 2022 to 63.5% by 2024. The MTDS is also published on the MOF's website for ease of reference.

5. MEDIUM-TERM FISCAL FORECAST

Table 2 presents the revised MTFF for the period 2022-2024. Government's fiscal surpluses are forecasted to expand over the medium term, with the Overall and Primary Surpluses (including Grants) improving to 2.9% and 4.5% of GDP respectively in 2024 from deficits of -3.1 and -1.1% of GDP correspondingly in 2022. The assumptions underlying the revised MTFF projections are in Appendix 2.

Table 2: Medium -Term Fiscal Framework 2022-2024

In millions of Eastern Caribbean Dollars, unless stated otherwise						
	2022		2023		2024	
	Projected	% GDP	Projected	% GDP	Projected	% GDP
Total Revenue & Grants	**897.7**	**28.2%**	**982.1**	**29.0%**	**993.6**	**28.0%**
Total Revenue	**722.3**	**22.7%**	**795.9**	**23.5%**	**842.0**	**23.7%**
Tax Revenue	630.9	19.8%	698.9	20.7%	740.2	20.8%
Non - Tax Revenue	91.3	2.9%	97.0	2.9%	101.8	2.9%
Grants	**175.4**	**5.5%**	**186.1**	**5.5%**	**151.5**	**4.3%**
Total Expenditure	**995.5**	**31.3%**	**927.4**	**27.4%**	**891.5**	**25.1%**
Primary Expenditure	931.8	29.3%	865.2	25.6%	834.6	23.5%
Current Expenditure	**661.7**	**20.8%**	**699.9**	**20.7%**	**704.6**	**19.8%**
Employee compensation	290.5	9.1%	301.2	8.9%	307.4	8.7%
wages, salaries & allowances	276.5	8.7%	286.7	8.5%	292.6	8.2%
Social Contribution to employees	14.0	0.4%	14.5	0.4%	14.8	0.4%
Goods and Services	132.6	4.2%	135.4	4.0%	137.3	3.9%
Interest Payments	63.7	2.0%	62.2	1.8%	56.8	1.6%
Transfers	174.9	5.5%	201.1	5.9%	203.0	5.7%
Capital Expenditure	**333.8**	**10.5%**	**227.5**	**6.7%**	**186.8**	**5.3%**
o/w: Grant financed	175.4	5.5%	186.1	5.5%	151.5	4.3%
Overall balance	**(97.9)**	**-3.1%**	**54.7**	**1.6%**	**102.1**	**2.9%**
Primary balance (excluding grants)	**(209.6)**	**-6.6%**	**(69.3)**	**-2.1%**	**7.4**	**0.2%**
Primary balance (including grants)	**(34.2)**	**-1.1%**	**116.8**	**3.5%**	**158.9**	**4.5%**
Memo Item						
GDP (Nominal market Prices)		3,185.7		3,380.6		3,551.7

6. CONSISTENCY OF THE MTFF 2022-2024 WITH THE FISCAL RESPONSIBILITY LEGISLATION

The revised MTFF 2022-2024 is framed to ensure compliance with the FRL in 2023 and 2024. Given the impact of, and Government's response to the COVID-19 crisis, the rules outlined in the Sections 7 and 8 of the FRL were suspended in April 2020 for one year and was further extended to the end of 2021. As the path of the pandemic remains uncertain and protracted, Government commits to confronting the challenges posed and will not prematurely withdraw support to affected sectors. Accordingly, the fiscal rules will remain suspended in 2022, but will revert to compliance in 2023. The recovery path for the return to the fiscal rules and targets is set out in the MTFF projections in 2023-2024 and Appendix 2 outlines the underlying fiscal assumptions.

The following explicit fiscal rules and debt target are stipulated in Sections 7 and 8 of the FRL:

1. *Primary Expenditure Rule:* the rate of growth of the primary expenditure[2] of the Central Government, and of every covered public entity, shall not exceed 2.0 % in real terms in any fiscal year, when adjusted by the preceding year's inflation rate.

2. *Wage Bill Rule:* the ratio of expenditure on the wage bill shall not exceed 9.0% of GDP.

3. *Primary Balance Rule:* the targeted primary balance shall be a minimum of 3.5% ofGDP.

4. *Contingent Liabilities Rule:* contingent liabilities arising from, because of, or in connection with Public-Private Partnerships (PPPs) shall not exceed 5.0 % of GDP.

5. *Public Debt Target*: the total stock of public sector debt shall not exceed 55.0% of GDP.

Table 2 presents the compliance matrix. As shown in the table, the fiscal rules and targets will not be met in 2022. The 2023 and 2024 projections comply with the requirements of Sections 7 and 8 of the FRL and the rules are adhered to. Public debt is projected to be on a downward path

[2] Calculated as Total Expenditure less Interest Payments

throughout the medium term, with sustainability remaining well anchored, based on the debt sustainability analysis

Table 1: Compliance Matrix

	2022		2023		2024	
	Fiscal Rule	**Projected**	**Fiscal Rule**	**Projected**	**Fiscal Rule**	**Projected**
Growth of Real Primary Expenditure less Capital Grants (Annual % change)	Not Exceeding 2.0%	21.7%	Not exceeding 2.0%	-13.9%	Not exceeding 2.0%	-1.5%
Wage Bill (% of GDP)	Not exceeding 9.0% ofGDP	8.7%	Not exceeding 9.0% of GDP	8.5%	Not exceeding 9.0% of GDP	8.2%
Primary Balance (% of GDP)	Not less than 3.5% of GDP	-1.1%	Not less than 3.5% of GDP	3.5%	Not less than 3.5% of GDP	4.5%
Contingent Liabilities related to PPPs (% of GDP)	Not exceeding 5.0% of GDP	0.0%	Not exceeding 5.0% of GDP	0.0%	Not exceeding 5.0% of GDP	0.0%
Public Debt (% of GDP) ^	55.0%	67.0%	55.0%	65.2%	55.0%	63.5%

Source: Ministry of Finance
^FRL does not stipulate a time within which the 55% is to be attained

7. RISKS TO THE MEDIUM-TERM ECONOMIC OUTLOOK

The outlook is subject to both upside and downside risks, but risks are more tilted to the downside. On the upside, further improvements in the fiscal position through enhanced revenue mobilisation can boost public investment and spur job creation and growth. Downside risks relate primarily to the COVID-19 pandemic and its prolonged effects on the global economy. A protracted health crisis can adversely affect tourist arrivals, remittances, and foreign direct investments. The recovery path also depends on the pace of vaccination and a rebound of economic activities in the private and public sectors. Vaccine hesitancy remains a hurdle to a return to normalisation. Furthermore, a premature removal/relaxing of protocols poses the threat of a domestic outbreak and additional waves of the COVID-19 infections. Meanwhile, rising international oil and food prices are significant risks to the outlook through inflationary pressures. Grenada's high vulnerability to natural disasters and climate change is an inherent risk that can result in serious economic fallout and a build-up of debt. The Fiscal Risk Statement to be laid in Parliament in accordance with Section 12 (1) (e) of the FRL contains a more in-depth analysis and discussion on relevant risks and mitigation measures.

8. STATEMENT OF RESPONSIBILITY

I, Mike Sylvester, Permanent Secretary, Ministry of Finance, attest to the reliability and completeness of the information presented in the Medium-term Fiscal Framework 2022-2024 and its compliance with the Fiscal Responsibility Legislation No. 29/2015 as amended.

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Mr. Mike Sylvester

Permanent Secretary

Appendix 1: Grenada Medium-Term Growth Forecast

	Rev	Prelim	Proj	Forward Estimates		
	2019	2020	2021	2022	2023	2024
Agriculture, Livestock and Forestry	-3.6	-15.0	12.5	8.4	5.7	4.2
Fishing	2.0	-13.0	3.9	3.8	4.2	4.7
Mining & Quarrying	5.0	-8.0	7.4	6.9	5.8	5.0
Manufacturing	3.2	-10.2	9.7	8.0	6.7	6.5
Electricity & Water	3.2	-6.4	2.1	3.8	2.8	2.3
Construction	-3.6	-20.5	22.8	12.0	9.6	7.1
Wholesale & Retail Trade	1.8	-15.4	4.4	6.6	5.5	5.6
Hotels & Restaurants	4.1	-68.2	-2.6	40.6	9.8	4.5
Transport and Storage	4.2	-33.1	-5.2	21.1	12.0	9.1
Communications	-7.9	-6.3	0.2	0.6	1.0	1.0
Financial Intermediation	2.9	4.3	3.5	2.0	1.5	4.2
Real Estate, Renting and Business Activities	1.5	-7.0	2.2	1.8	1.6	1.5
Public Administration	-0.8	-2.0	4.1	2.8	2.0	1.9
Education	4.2	-0.3	2.3	2.8	2.3	1.9
Health and Social Work	-3.8	-1.7	3.8	3.6	2.2	2.9
Other Community, Social & Personal Services	1.6	-11.4	-0.2	0.7	1.5	2.4
Activities of Private Households as Employers	0.6	-4.3	-0.2	1.6	1.8	0.9
Real Gross Value added (not GDP)	1.2	-13.7	4.6	6.4	4.5	4.0
Real Gross Domestic Product	**0.7**	**-13.8**	**4.8**	**4.5**	**4.4**	**4.0**
Other key indicators						
Nominal GDP (EC$ Millions)	3276.4	2817.2	2978.8	3185.7	3380.6	3551.7
Inflation (measured by CPI)	0.6	-0.7	2.2	3.7	2.1	2.7

*Percent growth unless indicated

Appendix 2: Baseline Medium-Term Assumptions

CATEGORIES	2022	2023	2024
Recurrent Revenue	All categories of tax and non-tax revenue are assumed to grow in line with projected nominal GDP, except for ImportDuty and Customs Service Charge. Import duty and Customs Service Charge are moved by the average growth of import values over the period 2009-2020.	All categories of tax and non-tax revenue are assumed to grow in line with projected nominal GDP and a gain of approximately 0.6% of GDP due to revenue-enhancement measures is factored in for 2023-2024.	
Recurrent Expenditure			
Personal Emoluments, Wages, Salaries and Allowances	Adjustment was made for the agreed 4 percent salary increase.	Pending salary agreement for the new negotiating cycle, this category is moved in line with projected inflation. .	
Social contributions to employees			
Goods & Services	Categories under this item move in line with inflation and a cost containment equivalent to 0.5% of nominal GDP cumulative for 2023 and 2024, owing to expenditure control measures		
Current transfers	Inflation used to project for each category except for transfers abroad and pension. Transfers abroad reflect contractual agreements and pension values are adjusted by the 4 percent salary increase.	Inflation of the previous year was used to project for each category except for transfers abroad. Transfers abroad reflect conditions as per contractual agreements. A gradual roll back of some of the COVID-19-related social protection measures is assumed given uncertainties about the pandemic.	
Interest payment	External and domestic interest payments reflect the conditions stated in the contractual agreements.		
Capital Expenditure			
Capital	Capital expenditure will be maintained at around 5% of GDP even as some large project wind down, such as the St. John's River Project, the Western Corridor Upgrade Project, and some other road infrastructure developments.		
Capital expenditure & net lending			
Grants	Capital Grants will average around 5% of GDP and will be mainly financed through the NTF. Other main sources of grants, include the GCF and UK CIF		
Non-Grant financed	Reflects implementation of locally and loan financed ongoing and new investments over the period.		

Source: Ministry of Finance