



MINISTRY OF FINANCE, ECONOMIC PLANNING, SUSTAINABLE DEVELOPMENT
AND INFORMATION TECHNOLOGY

MEDIA RELEASE

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During the debate on the 2020 Appropriation Bill, the Honourable Leader of the Opposition made a series of inaccurate statements regarding the Government's use of Parliament-approved overdraft facilities. The Honourable Leader of the Opposition falsely asserted that the Government was acting in an "illegal" and "lawless" manner. Subsequently, these claims have been amplified by various surrogates of the New Democratic Party and repeated in an 18th February Press Conference by the Honourable Leader of the Opposition.

Additionally, in his 18th February Press Conference, the Honourable Leader of the Opposition once again implied that the Government was acting improperly in the awarding of public contracts, and specifically questioned whether the Government was engaged in "retribution" against an unsuccessful bidder, despite that bidder's acknowledged violation of established tendering rules and procedures.

In light of these statements, the Ministry of Finance, Economic Planning, Sustainable Development and Information Technology wishes to clarify the following matters.

Overdraft and Borrowing Authority of the Government

Each year, the Parliament issues two important authorisations to the Government regarding its ability to borrow:

First, a Parliamentary resolution authorises the Minister of Finance to borrow by way of a fluctuating overdraft or other borrowing at any local commercial bank. The amount of the overdraft approved by Parliament has varied over the years, between \$35 million and \$75 million.

Second, a Public Sector Investment Loan Act is passed annually to authorise the Government to raise funds for the Public Sector Investment Programme. The PSIL borrowings authorised by Parliament is usually around \$100 million. The Public Sector Investment Loan Act is an important, blanket authorisation to the Government to borrow money on favourable terms up to the prescribed limit. Without such authorisation, every single loan or bond issued by the Government would require its own individual parliamentary approval.

The Honourable Leader of the Opposition's failure to mention the additional legal authorisation to borrow is significant. In discussing only the overdraft authorisation, he baldly states that the subsequent "Accountant General Loans" are illegally borrowed without Parliamentary approval.

This is false. The Parliamentary approval to incur Accountant General Loans lies in the general authority given to the Government to borrow annually under the Public Sector Investment Loan Act. If the Government is below its statutorily-prescribed annual PSIL limit, it is legally permitted to convert any public indebtedness to a loan with more favourable terms under that general legal authority of the PSIL, as long as that conversion does not push the total borrowings past the legal limit.

As such, the Honourable Leader of the Opposition's claim that "there was no authorisation from Parliament to borrow more than \$50m" is false.

The practice of converting portions of an overdraft to a more favourable loan under the general authority of the annual Public Sector Investment Loan Act is an established procedure in the Ministry of Finance, over multiple administrations. For example, such a procedure took place in many years, including 1995, 1996, 2002, 2011 and 2017.

Factual Errors by the Leader of the Opposition

Further, the Honourable Leader of the Opposition makes a series of inaccurate assertions about the size of the Government overdraft at year's end. For example, he claims that the 2019 year-end balance of the Government overdraft is \$31.6 million, when it was actually \$30.2 million (well under the \$50 million limit set that year by Parliament). More significantly, he makes significantly erroneous allegations about a number of other years, claiming, for example, that the 2017 year-end overdraft was \$57.4 million, when it was actually \$27.7 million; and asserting that the 2010 overdraft was \$77.8 million, when it was in fact \$58.2 million (below the \$75 million overdraft limit set in 2010).

Indeed, in the ten years between 2010 and 2019, inclusive, the Honourable Leader of the Opposition overstates the cumulative amount of the year-end overdraft by \$59 million.

There have been occasions where the overdraft limit was inadvertently exceeded. The excesses stemmed primarily from (1) the overly-optimistic reduction of the overdraft limit from \$75 million to \$35 million; and (2) certain communication delays between the Ministry of Finance and the lending institution. These issues have subsequently been rectified. Accordingly, the Honourable Leader of the Opposition's claim that the Minister of Finance "has disregarded financial accountability" by exceeding the year-end overdraft limit is false. The Government's year-end overdraft balances during the three-year tenure of the Minister of Finance have been well below the Parliamentary limit:

Year	Authorised Overdraft Limit	Hon. Leader of the Opposition's claim	Actual Overdraft Balance on Dec. 31
2017	\$50,000,000	\$57.4 million	\$27,714,384
2018	\$50,000,000	\$47.7 million	\$39,575,291
2019	\$50,000,000	\$31.6 million	\$30,225,537

The Honourable Leader of the Opposition went on to make an erroneous conclusion about the overdraft balance in 2017. He claimed that the overdraft balance was \$57.4 million as at

December 30th 2017. (The correct balance is in fact \$27.7 million) and that the Government converted \$40 million to a loan making the overdraft \$97.7 million. This analysis is flawed and inaccurate. The facts are as follows:

1. On page 663 of the 2018 Estimates the Accountant General Overdraft balance was \$72.36 million as at September 30th 2017;
2. In December 2017, the Government took the decision, in accordance with the requisite legal authority, to convert \$40.0 million of the overdraft to a loan. NOTE: this conversion took place after the reporting date in the 2018 Estimates;
3. In keeping with proper financial management and full disclosure, in the 2018 Estimates, on page 669, footnote 2, explains how the estimate for principal and interest payments for New Borrowing was determined. The footnote 2 says as follows:

“In addition to providing a provision for new borrowing in 2018 this figure includes debt servicing for EC\$40 million BOSVG facility that represents the conversion of that portion of the overdraft into a loan.”

Surely, this disclosure in the published Estimates cannot suggest that the Government is attempting to hide anything from the Parliament and the public. Quite the contrary; it indicates that the Government is being forthright and transparent.

Annual Renewal of the Overdraft Facility

The Leader of the Opposition makes the misleading assertion that the balance on the Government overdraft should be “paid in full” by the end of the year, citing the 12-month limit on short-term borrowings prescribed by section 45(2) of the Finance Administration Act. Such an assertion represents a fundamental misunderstanding of the nature of fluctuating overdrafts and the fact that the Government has annually renewed and rolled over its overdraft facility in compliance with the applicable laws and accepted procedures.

A review of the last 40 years reveals that no Vincentian government has ever reduced its overdraft to a zero balance by the end of the year. To do so would be impractical.

By the Honourable Leader of the Opposition's own assertions in his Press Conference, the overdraft facility exists "to enable smooth implementation of the Budget broadly speaking," and "to cover the gap between expenditure outflows and revenue inflows of the Government, since these do not always move in sync with each other, in order to meet . . . current requirements." However, were it necessary to "pay off" a \$35 - \$75 million overdraft by December 31, the Government would not be able to ensure smooth budget implementation or cover gaps between inflows and outflows during the last quarter of the year. Any funding gap in the month of December, for example, couldn't be resolved via the overdraft, because of the assumption that it would have to be paid off by year's end.

Given the Government's obligations regarding recurrent expenditure, loan repayments, and capital implementation, there are particular points in the year when the overdraft facility is critical to enabling smooth implementation of the budgeted expenditure. End of year is one of those periods. The Honourable Leader of the Opposition's unprecedented interpretation of the Finance Administration Act would render the overdraft facility useless at precisely one of the points it is most needed.

As such, the overdraft is renewable annually. It is therefore not expected that the Government would liquidate its overdraft in full at the close of the fiscal year. In fact, it is standard banking practice to "roll-over" an overdraft once the credit review process does not reveal any significant deterioration in the financial conditions of the entity, be it private business or government. No administration has ever fully paid off the overdraft balance at the end of any fiscal year. In operation of the facility, the Government ensures that the balance fluctuates in a manner consistent with a well-functioning overdraft arrangement.

Hypothetically, if Parliament refused to approve a new overdraft resolution at the beginning of a new year, the existing overdraft would have to be either liquidated or converted to a

loan. However, this has never happened. The annual Parliamentary resolution, occurring within a year of the previous resolution, serves to roll over any existing overdraft balance.

Bally and Bally Investments Ltd. Complaint

In his 18th February Press Conference, the Honourable Leader of the Opposition aligned himself with allegations made by Mr. Cameron Balcombe of Bally and Bally Investments, Ltd. Mr. Balcombe's allegations were issued in his own, separate, press conference, before their amplification by the Honourable Leader of the Opposition.

In his comments, the Honourable Leader of the Opposition made claims of "gross unfair[ness]" and "retribution," while suggesting that the objections raised by Bally and Bally may "raise serious questions again about the tendering process in SVG."

As an initial matter, it is important to note that dissatisfied contractors are entitled to challenge contract awards. The existence of a challenge, or its consideration, is not evidence of an unfair or vindictive procurement process. Indeed, as the Government puts increasing numbers of large capital works out to public tender, it anticipates increased numbers of challenges by disgruntled contractors. This is how the system works.

In the specific case of Bally and Bally's latest challenge, the following facts are significant:

1. Bally and Bally did not sign an important bid document. This is a fundamental oversight, akin to an unsigned cheque or an unsigned contract.
2. Bally and Bally was notified that its failure to sign required documents rendered its bid non-responsive.
3. Additionally, Bally and Bally claimed to be in partnership with another entity in its bid for the specific contract, but failed to provide any documentation establishing a partnership, joint venture, or any other relationship with that entity.
4. In the letter dated January 3rd 2020 notifying Bally and Bally of its unsuccessful bid, Mr. Balcombe was given 14 days – until midnight on 17th January 2020 – to challenge

the decision of the Tenders Board or to seek a debriefing meeting with the Economic Planning Department, the procuring entity. Bally and Bally did not challenge the bid until one week after the deadline, on 24th January, 2020.

5. Bally and Bally's claim that the winner bidder was given an unfair advantage is false. The Secretary of the Tenders Board, by internal memorandum, wrote to the Director of Economic Planning seeking several clarifications on the Bid Evaluation Report submitted to the Tenders Board with the recommendation to award the contract. Bally and Bally obtained a copy of this correspondence and came to his conclusions. At no time was the winner bidder requested to supply any information contained in the memorandum from the Secretary of the Tenders Board. All the required information was contained in the bid submitted by which was received at the stipulated deadline date.

In the process of tendering for large contracts – particularly those funded by multilateral entities like the World Bank, European Union and Caribbean Development Bank – precision is important. Many bids are disqualified for failure to strictly comply with the procedures set forth in law or the procurement guidelines of the funding agency. The Government applies these laws and guidelines in an even-handed and transparent manner, in collaboration with the funding entity. The process is free of political influence or interference. It is regrettable that the Honourable Leader of the Opposition would malign the work of the Tenders Board and the Ministry of Finance and Economic Planning in this manner, without fully understanding the facts underlying Bally and Bally's complaint.

The Government has demonstrated, by its recent passage of the Public Procurement Act and Public Procurement Regulations, its level of commitment to transparency and fairness in the government procurement system. Currently, work is ongoing to bring these laws into effect by the June this year. Before the end of the first quarter, the Ministry of Finance will be actively engaging all stakeholders in the public and private sector in training and sensitisation sessions on the new procurement laws to ensure contractors and the like understand their rights and obligations. In addition to clearly outlining procedures for procurement methods, the laws introduce strong provisions for integrity and ethics in public

procurement along with civil liabilities for breaches by procurement officials and bidders. We are inviting everyone to attend when the invitations are sent out.

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The Ministry of Finance, Economic Planning, Sustainable Development and Information Technology takes seriously its role as stewards of the public purse, and the legal parameters established by the applicable laws and resolutions. The Ministry continuously strives to improve its methods and procedures in pursuit of increasingly efficient, accountable and reliable service. As such, the staff of the Ministry is confident in their ability to serve the Vincentian people with professionalism and probity.