

STATUTORY RULES AND ORDERS NO. 26 OF 2019

(Gazetted 31st October, 2019).

NATIONAL TRANSFORMATION FUND (AMENDMENT)
REGULATIONS, 2019,

(2) These Regulations shall come into force on the 1st day of November, 2020.

“11. Establishment of Contingency Fund.—(1) The Contingency Fund is hereby established as a separate account of the Fund, for the following purposes—

- (a) to provide financial resources for relief, recovery and reconstruction costs from a national disaster;
- (b) to provide financial resources for facilitating a counter-cyclical fiscal policy in the event of an economic recession or crisis; and
- (c) to provide financial resources for re-payment of debt only under exceptional conditions and not as part of Government's normal annual debt repayments

(2) The Government delegates to the Minister the representation of the ownership of the assets of the Contingency Fund.

(3) For the avoidance of doubt, the Contingency Fund shall be managed by the Board and regulations 13, 15, 36, 37 and 38 shall apply with respect to the Contingency Fund.

11A. Payments into the Contingency Fund.— (1) There is payable into the Contingency Fund—

- (a) at the beginning of every month, forty percent of the inflows into the National Transformation Fund from the previous month;
- (b) Unused Money of the National Transformation Fund in accordance with regulation 12 (2); and
- (c) all money directed or authorised to be saved into the Contingency Fund under any enactment.

(2) All payments into the Contingency Fund shall be processed through the financial management information system of the Government, currently called SmartStream.

(3) All payments into the Contingency Fund shall be registered below the line as (-) financing operations.

11B. Payments out of the Contingency Fund.—(1) There is payable from the Contingency Fund—

- (a) in the case of a national disaster, a maximum of 2% of GDP per year for a period of three years, or the costs of the national disaster over a period of three years, whichever is smaller, subject to subregulation (2);
- (b) in the case of an economic recession or crisis, a maximum of 1% of GDP per year for a period of three years, if—
 - (i) the decline of real GDP persists for three years; or

(ii) real GDP experiences a decline of 2% in a given fiscal year; or

(iii) real GDP experiences a cumulative decline equal to or greater than 3% over two consecutive fiscal years,

and the assets of the Contingency Fund amount to more than 4% of GDP of the preceding year; and

(c) in the case of re-payment of debt, a maximum of 0.5% of GDP yearly, if the assets of the Contingency Fund amount to more than 5% of GDP of the preceding year..

(2) Where a national disaster triggers payments from alternate sources, the amount payable under subregulation (1) (a) is available to the extent that the costs of the national disaster are in excess of payments from alternate sources, including contingent lines of credit and catastrophic insurance policies.

(3) All payments out of the Contingency Fund shall be registered below the line as (+) financing operations.

(4) The parameters under subregulation (1) shall be recalibrated in accordance with sections 10 (1) and 11 (1) of the Fiscal Responsibility Act, 2015.

(5) For the avoidance of doubt, regulation 6 (3) shall apply with respect to the Contingency Fund.

11C. Investment of the Assets of the Contingency Fund.—(1) The assets of the Contingency Fund shall be invested only outside the Eastern Caribbean Currency Union and in currencies other than the Eastern Caribbean Currency.

(2) The Eastern Caribbean Central Bank shall prepare an annual investment plan in line with the investment directives issued by the Board.

(3) The Minister, on the advice of the Board, shall define the mandate on the rate of return and the overall risk tolerance level acceptable regarding the investment of the assets of the Contingency Fund.

(4) The Board shall issue yearly investment directives regarding the assets of the Contingency Fund, subject to subregulation (1), in line with the Minister's mandate of rate of return and overall risk tolerance levels.

(5) The Eastern Caribbean Central Bank shall carry the investment of the assets of the Contingency Fund under a Trust Fund agreement entered with the Minister of Finance and in accordance with the investment directives issued yearly by the Board.”.

Made by the Minister this 24th day of October, 2019.

KEITH C. MITCHELL
Minister responsible for Finance.

Passed by the House of Representatives this 28th day of October, 2019.

ANDREW AUGUSTINE
Clerk to the House of Representatives (Ag.).

GRENADA