Growing debt threatens budget sustainability, economists argue

FILE: Minister of Finance Davendranath Tancoo at the 25th sitting of the House of Representatives earlier this month.

Economist Mariano Browne

Economist Dr Vanus James

Under the weight of shrinking fiscal space, weak economic growth and mounting debt obligations, T&T's public finances are facing increasingly hard choices.

The Auditor General's 2025 Report, laid in Parliament on April 24, has brought those issues into sharp focus, providing a sobering snapshot of a country running out of easy options.

For economists Dr Vanus James and Mariano Browne, the report is less about accounting irregularities and more about the structural pressures now confronting fiscal policy.

The Auditor General issued a "qualified opinion" on the public accounts for fiscal year 2024/25, prepared on a simplified cash basis.

James outlined that as in previous years, the qualification arose from persistent weaknesses: material discrepancies in value-added tax and personal income tax figures across the Treasury and Inland Revenue Department's records, and the absence of documentation to support $1.59 billion in payments—about 2.43 per cent of the $65.45 billion in total expenditure.

The report also documents continuing failures in record keeping, weak financial controls, expired leases, and unverified rental payments across ministries and agencies.

A recurring theme in the Auditor General's report is the weak connection between stated government policy and actual spending outcomes, limiting value for money.

Tobago features prominently in this regard as James told the Business

Guardian that nearly $1 billion was spent by the end of Fiscal 2024/25 on constructing a terminal and associated facilities at the ANR Robinson International Airport, yet the report noted that an opening ceremony for "practical completion" was held in March 2025 even as the Ministry of Finance couldnot confirm when the terminal would be officially opened.

Such issues, while serious, have become familiar features of local governance over time.

What makes this year's report more alarming, economists argue, is the macroeconomic context.

James contended that the report "has a darker side" as it provides strong evidence of a sound basis for the recent negative outlook of the international rating agencies tasked with assessing the trend capacity of the Government to meet its debt obligations over time.

"For fiscal 2024/25, total expenditure was $65.5 billion. Total revenue, $60.1 billion.

On the face of it, this indicates a manageable deficit of 3.1 per cent of the GDP of about $174.4 billion for 2025. However, more troubling is the fact that, at an average tax rate of 27 per cent, earned revenues over the period were $46.6 billion.

"Of this, the oil companies contributed a mere $5.7 billion, far below their contributions in the heady 'God is a Trini' days.

Another $13.5 billion of the revenues came from borrowing of $10.7 billion and withdrawals from the HSF (national savings) of $2.8 billion," James explained.

When matched against earned revenue, ie, without the borrowings and drawdowns, he further noted the primary deficit was $18.9 billion or 10.8 per cent of the GDP.

"This is the hidden threat to sustainability of the national budgeting and deficit financing strategy revealed by the Auditor General. It concerns every citizen because it points to growing national indebtedness that Government must address with sound policy," James cautioned.

He further cited that the accumulated national debt to September 2025 was

$117.5 billion, about 86 per cent of GDP.

Of this, $81.2 billion were in the form of outstanding domestic bonds and treasury bills.

The other $33.6 billion took the form of foreign debts to IADB, Exim Bank of China; CAF and other international private market facilities. The debt increased by $7.3 billion above the $110.1 billion for Fiscal 2023/2024.

"So, its annual rate of growth was 6.7 per cent in fiscal 2024/25. Excessive debt is burdensome because it must be serviced with interest and capital repayments. Debt service payments in Fiscal 2024/25 were $14.4 billion, a whopping 22 per cent of government spending. And debt service payments were 4.2 per cent higher than in fiscal 2023/24, so the burden is growing, not declining. Rising debt service payments crowd out more useful types of spending, including spending on urgently needed economic diversification," James further outlined.

Regarding the Exchequer Account, the report stated this was overdrawn to a balance of $51,939,835,864.83, an increase of $5,376,041,457.69 or 11.55 per cent when compared to the previous year's figure of $46,563,794,407.14.

This account has been consistently in overdraft since 2003, the report added.

It is against this backdrop that former minister in the Ministry of Finance Browne advised that the report must be read as a warning about the narrowing set of policy options available to any government.

He argued that while the Auditor General does not prescribe solutions, the arithmetic of public finance now leaves little room for political comfort.

"Or you raise taxes," Browne observed, noting that while this has not been explicitly stated by the Auditor General, it is one of the unavoidable options facing the Government.

Browne pointed to the policy choices made over the past decade that have reduced the tax base even as demands on the State have increased. Successive commitments not to implement a tax revenue authority, not to fully enforce property taxes, and to exempt private pensions from taxation have all contributed to what he describes as "tax leakage."

At the same time, public expectations for expanded government spending—

in areas ranging from wages to social programmes— have only intensified.

The Auditor General, Browne stressed, is not offering an opinion on what the Government should do.

Instead, she is highlighting a structural reality: every year, the amount required to service debt rises, leaving less room for routine expenditure. This dynamic, Browne argued, helps explain recent wage negotiations with public sector unions, where the Government offered increases of five per cent rather than ten. “If you offer ten,” he asks, “where are you going to get the revenue from?”

That question, Browne said, is the central one confronting the Ministry of Finance.

It is not about ideology or political preference, but about financial capacity.

The report, he added, is simply stating that the current approach cannot continue indefinitely.

How the problem is addressed—through taxes, spending restraint, growth, or some combination thereof—is a policy decision but ignoring the constraints is no longer an option, James and Browne contended.