# Fiscal Resilience Oversight Committee (FROC)

## 2023 Annual Report At A Glance

28th March, 2024

## *Chairwoman's Message*

It was indeed an honour to serve as Chairwoman of the Fiscal Responsibility Oversight Committee in 2023. In meandering through the challenges in a period of the reform of the Fiscal Responsibility Act, it is obvious that the approach to attaining fiscal and debt sustainability will be an ongoing debate. The framework for achieving fiscal and debt sustainability must be based on the nature of the economy and its stage in the process of development and transformation. This is even more important for small countries such as Grenada where economic activity is strongly influenced by international developments. This international environment will remain fluid and unpredictable.

The uncertainties in the international environment which began as early as 2019 with the trade disputes between China and the USA, the two largest economies, intensified during and in the aftermath of the Covid-19 Pandemic. The upheaval and uncertainties in the global environment were manifested in 2023 with the ongoing Russia/Ukraine war and developments within Russia; the long-standing simmering conflict between Israel and the Palestinians which flared into war between Israel and the Harakat al – Muqawama al – Islamiya (Hamas) heightening geo-political tensions in the Middle East; unsettling political exchanges between China and Taiwan; the reaffirming and/or realignment of trading arrangements and political ties; the downward stickiness of core inflation despite aggressive interest rate policy and its impact on the financial system; and political and social upheavals, along with dysfunctional social behaviour within countries.

In the midst of all the uncertainties, there is a permanent feature, namely, the rapid advancement in technology. This is expanding the productive potential of countries and has implications for the skills needed to operate in the international environment. Technological advancement is making broad-based information global and instant. To overcome the challenges and embrace the opportunities, the country has to be in a constant RESET mode. In this RESET mode, the country is expected to be:

i. Reflective: actions must be guided by clear vision and deep thoughts to determine and pursue the opportunities that could be derived from the ongoing challenges.

ii. Equipped: its human resources must be capable and nimble; productive natural resources must be used effectively; and there must be social consensus on the development of a competitive and dynamic economy.

iii. Strategic: This involves well developed and executed plans, with clearly defined objectives, outputs and outcomes to achieve established goals.

iv. Energetic: all segments of the population must contribute with vigour in order to achieve the national goals.

v. Tactful: operating nationally and in the international environment with discernment.

This is the RESET mode that should underpin the transformation of the economy. The Government will need to lead the RESET mode. This requires the Executive, the Legislature and a supportive cadre of public service professionals to be capable and alert and able to respond with agility to ongoing and potential challenges. The efficient management of the economy and, in particular, the management of the public finances, is important to operate in this RESET mode. The Government has embarked on a strategy that is consistent with the reset mode. This is manifested through the policies, programmes and projects for increased access to both academic and vocational education and for reduced cost of such education, the development of the creative and digital economy, and the strengthening of the main productive sectors and enhancing linkages among these sectors, which is accompanied by strengthening the social and economic infrastructure.

Additionally, the Government has repealed the Fiscal Responsibility Act (2015) which was replaced with the Fiscal Resilience Act (2023). The more simplified and less rigid Fiscal Resilience Act allows for greater flexibility for the Government to manage the economy and implement its transformation agenda. In this fluid and unpredictable economic environment, it is important for the Government to prudently manage the public finances to maintain fiscal and debt sustainability.

This will support the development of a productive, dynamic and competitive economy and the achievement of the Government's stated goal of transforming the economy to "A Sustainable, Equitable and Prosperous Grenada for All".

On my behalf, and that of the other members of the FROC, I extend appreciation to all who contributed to the completion of the Report.

Ms. Laurel Bain
Chairwoman
Fiscal Responsibility Oversight Committee


## *From Fiscal Responsibility to Fiscal Resilience*

In 2015, the government adopted legislation to guide and anchor the conduct of fiscal policy in Grenada. The Fiscal Responsibility Act No. 29 of 2015, and its subsequent amendments, established a rules-based framework to ensure that the government spending and financing activities are consistent with the country's ability to service its debt.

This legislation established fiscal rules and targets, among other requirements, that the government was expected to adhere to in order to achieve the purpose of the Act, except in instances where these have been temporarily suspended. The Fiscal Responsibility Act (2015) and its amendments were repealed and replaced with the Fiscal Resilience Act (2023) which became effective from 1st January, 2024.

The Fiscal Resilience Act does away with the notion of fiscal responsibility and introduces the concept of fiscal resilience, that is, the management of fiscal matters for long term sustainability and improved capacity to withstand economic shocks.

The new Act retains many of the definitions and provisions of the Fiscal Responsibility Act; provides greater clarity for some key concepts; allows for greater flexibility in fiscal management and the pursuit of debt sustainability; and contains a new and significant clause requiring that all proposed projects for the capital expenditure programmes of the Central Government include climate change mitigation and adaptation considerations.

## *The FROC*

The Fiscal Responsibility Oversight Committee, renamed the Fiscal Resilience Oversight Committee (the FROC) under the new Act, is an independent 5-member committee established with **a mandate to monitor and report** to the House of Representatives on Government's compliance with the relevant fiscal legislation. In fulfilment of this mandate the FROC prepares and submit an **annual report** to Parliament. The FROC's 2023 Annual Report takes account of the provisions of both the Fiscal Responsibility Act and the Fiscal Resilience Act.

## *The Purpose of the Fiscal Responsibility/Resilience Legislation*

**The legislation governs matters relating to the management of public finances and fiscal matters pertaining to Central Government, Statutory Bodies and State-Owned Enterprises. It seeks to ensure the following:**

- Fiscal and financial affairs are conducted in a transparent manner and in a manner that "bolsters" fiscal resilience;
- Full and timely disclosure and wide publication of all documents and decisions involving public revenues and expenditures and their implications;
- Public debt is reduced to, and then maintained at, a prudent and sustainable level by maintaining primary balances that are consistent with this; and
- Prudent management of fiscal risks.

## *Fiscal Rules and Targets – What are these?*

**Fiscal Responsibility Act (2015) limits:**

- t**he rate of growth of the primary expenditure**[1] of the Central Government, and of every covered public entity to **at most two percent in real terms** in any fiscal year, when adjusted by the previous year's inflation rate;
- the ratio of expenditure on the wage bill to GDP to **at most nine percent;**
- the **total stock of public sector debt** from domestic or external sources for any purpose to GDP to a **maximum of fifty-five percent**;
- **contingent liabilities** arising from, as a result of, or in connection with public-private partnerships to **at most five percent of GDP**; and
- **the targeted primary balance** of a **minimum of three-point five percent of GDP** where the ratio of public debt to GDP for the preceding year reaches fifty-five percent**.**

**Fiscal Resilience Act (2023) specifies:**

- The annual wage bill of Central Government **should not exceed thirteen percent of nominal GDP**.
- The public debt target shall be **no more than sixty percent of nominal GDP to be achieved by 2035.**
- The medium-term fiscal framework shall **set an annual debt-reducing primary balance of no less than one and a half percent of nominal GDP until the public debt target is achieved.**
- Where the public debt target is achieved, the Minister shall take appropriate steps to ensure that primary balances are consistent with maintaining debt sustainability.

[1] This is defined as total expenditure less interest payments to give primary expenditure which is then adjusted by subtracting capital expenditure financed with grants and inflows from the Citizenship by Investment Programme.

# *Overview*

This document highlights the main findings of the FROC 2023 Annual Report prepared for Parliament. It outlines the economic context in which the government operated in 2023 and is expected to operate over the next three years. The Government compliance with the fiscal legislation is assessed in two dimensions, namely:

- adherence to the fiscal rules; and
- observance of fiscal transparency.

The Government operated under the Fiscal Responsibility Act in 2023, and the preparation of the 2024 national budget and the Medium-term Economic and Fiscal Strategy Report 2024-2026 would have been guided by the Fiscal Resilience Act. The FROC, therefore, assessed government's compliance with the provisions of the Fiscal Responsibility Act in 2023. The 2024 budget proposals and the proposed medium-term economic and fiscal strategy are assessed for compliance with the provisions in the Fiscal Resilience Act.

The provisions of the Fiscal Resilience Act are also reviewed for its simplicity, consistency and the flexibility it provides the government to manage the economy. Recommendations to improve fiscal transparency and the fiscal legislation framework are discussed.

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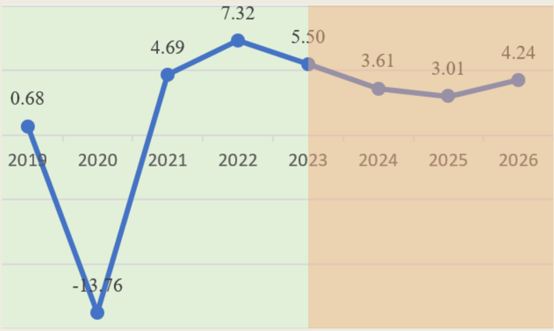
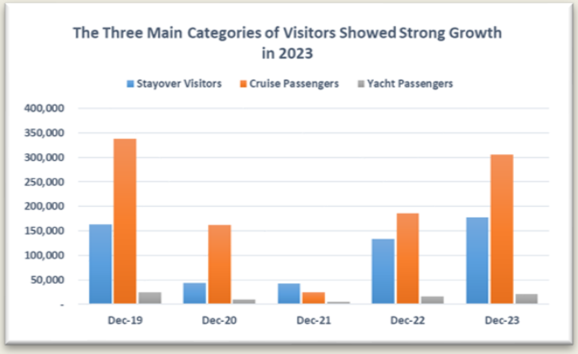
# Economic and Social Context and Medium-Term Outlook

***Chart 1: Real GDP Growth at Market Prices (2019-2026)***




Source: Ministry of Finance

***Chart 2: Total Visitor Arrivals***




Source: Statistics Department, St George, Grenada.
Eastern Caribbean Central Bank, Basseterre, St Kitts

**Growth Performance**

The Grenadian economy proved to be resilient in 2023, despite ongoing geopolitical tensions, still high levels of global inflation and the coordinated tightening of monetary policies across the world's major central banks.

In 2023, the economy grew by an estimated 5.5 percent as economic activity returned to the pre Covid-19 level, mainly due to a recovery in tourism and growth in the construction sector (Chart 1)[2]. Tourism, proxied by the hotels and restaurants sector, grew by 15.6 per cent and the construction sector by 12.6 per cent. All major categories of visitors and stayover visitors from all the major source markets, except the Caribbean, recorded growth (Chart 2).

The manufacturing sector is estimated to have grown by 4.3 per cent, while the agriculture sector is estimated to have contracted by 6.0 per cent. Consistent with global trends, the inflation rate fell to 2.3 per cent, from 2.9 per cent in the previous year, on an end-of-period basis.

**External Developments**

On the external front, the deficit on the merchandise trade account widened due to the increase in imports related to the expansion of the service-oriented sectors. Foreign exchange earnings from tourism only partially offset the merchandise trade deficit and other payments for services, resulting in the widening of the current account deficit. Inflows from the Citizenship by Investment (CBI) programme, capital grants and loans, and foreign direct investment provided foreign exchange to finance the deficit arising from current account transactions.

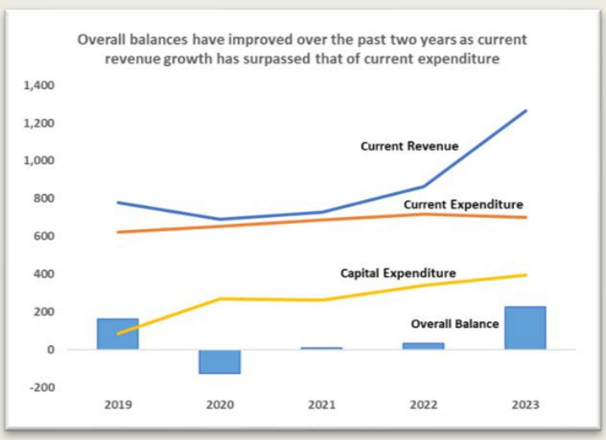
[2] The estimated growth of 5.5 percent for 2023 is an upward revision from the projected growth rate of 3.6 percent reported in the Medium-term Fiscal Framework (2023-2025).

**Central Government Fiscal Performance**

Influenced by higher tax and non-tax revenue, the fiscal performance of the Central Government improved significantly in 2023. The Government recorded both primary and overall surpluses. The growth in the economy and a tax amnesty contributed to higher tax revenue. Non-tax revenue rose significantly due to higher CBI inflows, influenced, in part, by the inclusion of these flows under non-tax revenues, an accounting treatment which was implemented in 2023.

Current revenue increased by 46.1 per cent ($398.4m) to $1.3b. Along with the one-time jump in non-tax revenue by 201.8 per cent to $449.6M, tax revenue also improved by 13.7 per cent to $813.0m

***Chart 3: Fiscal Performance 2019 -23 (EC$M)***

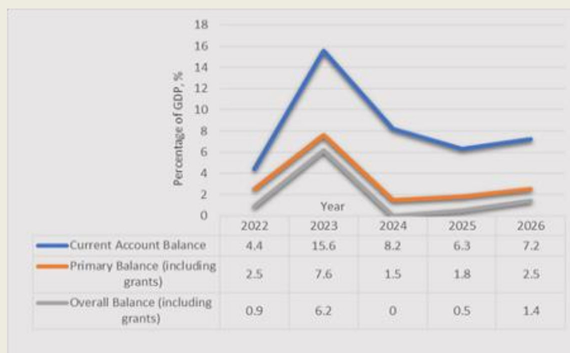



Source: Ministry of Finance, St George, Grenada

Current expenditure declined by 2.5 per cent ($17.7m) to $699.7m, influenced by a decrease in transfers and subsidies (10.8 per cent) and interest payments (4.6 per cent). Larger outlays for goods and services (6.8 per cent) and wages and salaries (1.4 per cent) moderated the contraction in current expenditure. The government increased its capital spending by 15.6 per cent ($53.0m) to $393.2m (Chart 3).

The fiscal balances are expected to moderate over the medium-term, declining in 2024 and showing some recovery over 2025 – 2026 (Chart 4).

***Chart 4: Fiscal Balances 2022- 2026 (EC$M)***




Source: Grenada Medium-Term Fiscal Framework: 2023-2025 & Grenada 2022 Annual Economic Review (Ministry of Finance 2022); Medium-Term Economic and Fiscal Strategy Report 2024-2026 (Ministry of Finance 2023)

## Public Sector Debt

Total public sector debt (inclusive of Petro Caribe debt) rose by 3.1 per cent ($80.7m) to $2.7 billion in 2023, compared with $2.6 billion in 2022. The public debt to GDP ratio has been on a declining trend due mainly to a fall in the debt to GDP ratio of the Central Government. The total public debt is estimated to decline from 74.6 percent of GDP ($2.7 billion) in 2023 to 73.3 percent of GDP ($2.8 billion) in 2024 and is projected to decline further to 71.9 percent of GDP ($2.9 billion) in 2025, and to 70.5 percent of GDP ($3 billion) in 2026 (Charts 5 & 6).

**Chart 5: Total Public Sector Debt in EC$M**

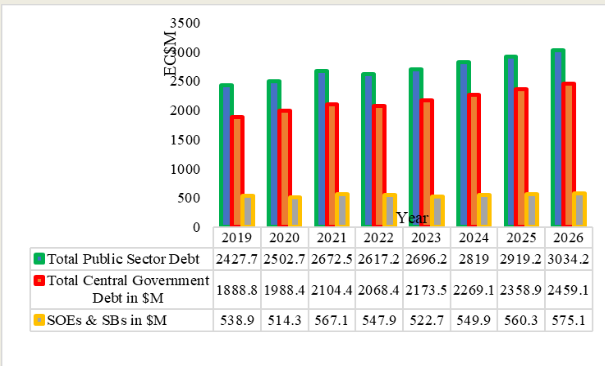
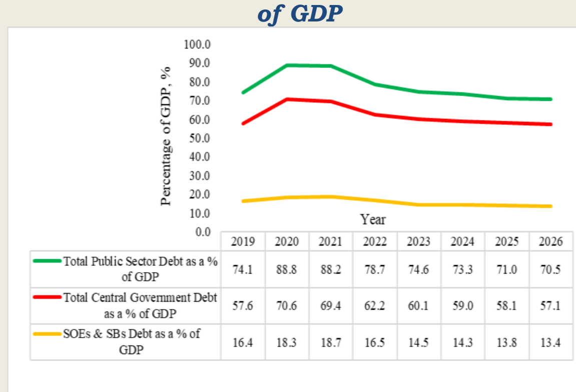



**Chart 6: Total Public Sector Debt as a Percentage of GDP**




Source: Ministry of Finance 2023. 2022 Public Debt Bulletin Quarter 4; Grenada Medium-Term Economic and Fiscal Strategy Report 2024-2026 (Ministry of Finance 2023).

## Financial Sector Performance

The financial sector was broadly stable in 2023, reflecting high levels of liquidity, sound asset quality, a marginal increase in lending rates and growth in the money supply.

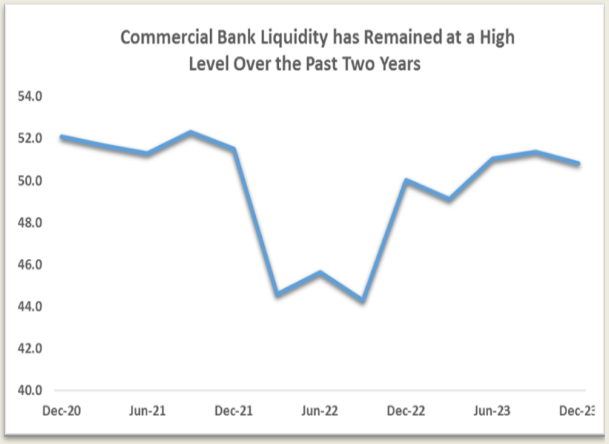
The commercial banking sector recorded high levels of liquidity with the ratio of total loans to deposits at 50.8 per cent, marginally above that of 2022 (50.0 per cent), but well below the prudential guideline of 80.0 to 85.0 per cent (Chart 7).

Bank credit to the private sector expanded by 3.8 per cent ($67.4m) to $1,839.8m, mainly driven by loans to businesses, while loans to households and the government fell. The non-performing loan (NPL) ratio declined from 3.6 per cent in 2022 to 3.4 per cent as at December 2023, below the prudential limit of 5 per cent.

Liquidity in the credit union sector tightened, year-on-year, with the loans to deposit ratio at 90.0 per cent in December 2023, above the recommended benchmark of 80.0 to 85.0 per cent, due primarily to a strong growth in credit (Chart 8).

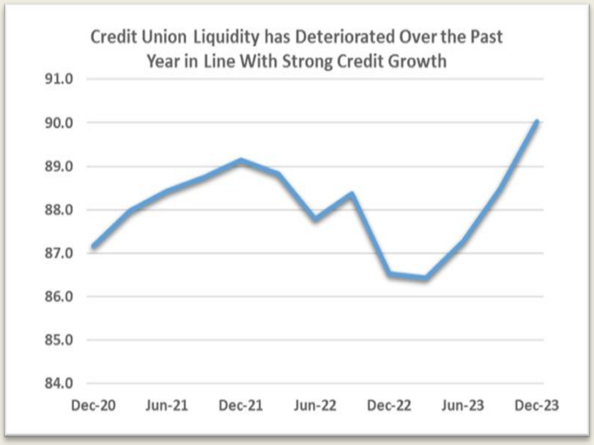
Despite the pace of credit expansion, the asset quality of credit unions improved with a decline in the non-performing loans (NPL) ratio to 6.7 per cent, relative to 8.1 per cent in 2022. This NPL was above the prudential benchmark of 5.0 per cent.

***Chart 7: Commercial Banks Loans to Deposit Ratio (per cent)***




Source: Eastern Caribbean Central Bank, Basseterre, St Kitts.

***Chart 8: Credit Unions – Total Loans to Deposit Ratio (per cent)***

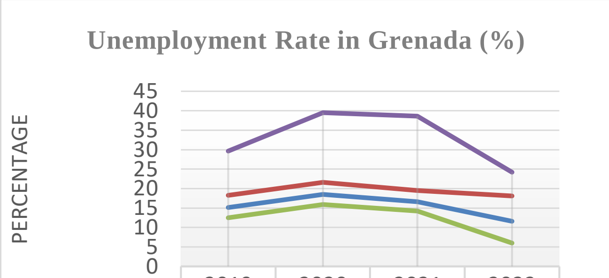



Source: Grenada Authority for the Regulation of Financial Institutions (GARFIN), St George, Grenada.

**Social Indicators – Unemployment Trends**

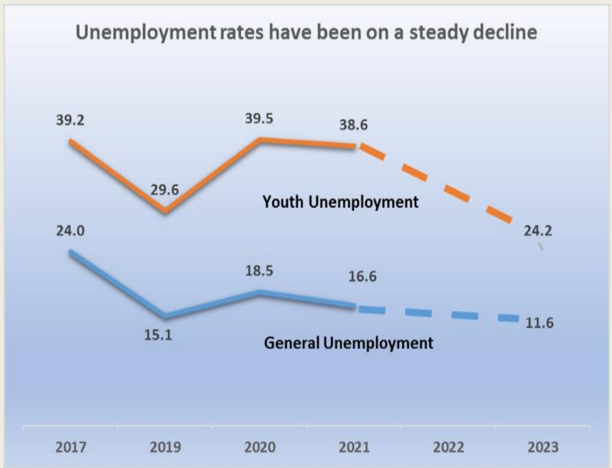
The unemployment rate declined to 11.6 per cent with new jobs added in the tourism and ancillary sectors. Youth unemployment, although high, also improved. The gender imbalance persisted with unemployment among females much higher than that of males (Charts 9 & 10).

***Chart 9: Unemployment by Category***




| | 2019 | 2020 | 2021 | 2023 |
|---|---|---|---|---|
| Total | 15.1 | 18.5 | 16.6 | 11.6 |
| Female | 18.3 | 21.6 | 19.5 | 18.1 |
| Male | 12.5 | 15.9 | 14.2 | 6 |
| Youth | 29.6 | 39.5 | 38.6 | 24.2 |

***Chart 10: Unemploymnet Rate (per cent)***




Source: Stats: Mgov. gov. (2021). Retrieved December, 2021, from [https://www.gov.gd/stats](https://www.gov.gd/stats)
Grenada Labour-Force Survey, Department of Statistics, Grenada, November 2023.
Labour-force Survey, Department of Statistics, Grenada, February 2023.

## Medium-Term Outlook

Economic growth was estimated at 5.5 per cent in 2023 and is projected to expand on average by 3.6 per cent over the medium-term. The fiscal balances, which improved significantly in 2023, is expected to moderate over the medium-term. This is due to budgeted higher expenditure in 2024 and the projected decline in inflows from the CBI programme in 2024 and 2025 and its modest recovery in 2026. Meanwhile, the public debt to GDP ratio is projected to decline over the medium-term. The debt strategy is to reduce the debt to GDP ratio to 60 percent by 2035, and, throughout the period, to borrow as necessary on concessionary terms. Developments in the international environment are uncertain and shocks would negatively impact the domestic economy. However, the fiscal policy for 2024 is expansionary. If there are no economic shocks and the budget is implemented as planned, economic growth in 2024 is likely to be higher than projected.

## Government Medium-Term Strategy

The Government's stated goal is to transform the economy to “A Sustainable, Equitable and Prosperous Grenada for All” through the focus on strategic priorities to:

- Strengthen the economic sectors and develop linkages among agriculture, agro-processing, marine resources, tourism and the creative economy.
- Provide free education up to the tertiary level, and the synchronisation of the school curriculum with the education and skills requirements of the economy.
- Train health professionals and enhance the hospital and community health services.
- Implement projects for upgrading the economic and social infrastructure.

## Potential Fiscal and Debt Challenges in the Medium-Term

These are associated, among others, with the ongoing Russia/Ukraine war and the conflicts between Israel and the Harakat al – Muqawama al – Islamiya (Hamas) and the associated geo-political tensions; increased uneasiness between China and Taiwan; and the constant negotiations resulting in the reaffirming and realignment of trading arrangements and political ties. These could contribute to economic shocks and the accompanying slow growth in global output with adverse implications for the domestic economy. The occurrence of extremes of weather, hurricanes, pests and diseases, epidemics and other natural and manmade disasters could depress economic growth with the accompanying negative impact on government finances.

# Compliance of Government with the Fiscal Legislation

## Fiscal Rules and Targets

### *Government Operations in 2023*

The operations of the Government in 2023 were assessed in relation to the provisions of the Fiscal Responsibility Act (2015) which require the following:

- the real growth in primary expenditure be no more than 2 per cent;
- a wage bill of no more than 9 per cent of GDP;
- an implied primary balance of 3.5 per cent of GDP;
- the contingent liabilities of public-private partnerships should not exceed 5 per cent of GDP and public sector debt of 55 per cent of GDP.

The operations of the Government were in compliance with the Fiscal Responsibility Act for the real growth in primary expenditure (-10.4 percent), the wage bill (7.8 percent), primary balance (7.6 percent) and there were no liabilities of public-private partnerships. The public sector debt to GDP ratio was above the targeted 55 per cent debt to GDP ratio at 74.6 per cent (Table 1).

**Table 1: Consistency of the Fiscal Outturn for 2023 with Fiscal Rules and Target**

| | Fiscal Rule | Outturn | Compliance | FROC Comments |
|---|---|---|---|---|
| Growth of Real Primary Expenditure (Annual percentage change) | Not exceeding 2.0 per cent | -10.4 per cent | | The significant decline in real primary expenditure was due to the impact of the inflows from the Citizenship by Investment Programme. Along with the capital grants, capital expenditure financed from NTF[3] inflows are excluded from the calculation of the real growth in primary expenditure. It is this adjustment that primarily contributed to the decline in real primary expenditure.<br><br>The primary expenditure does not include the expenditure of covered entities as stipulated in the legislation. |
| Wage Bill of (Percentage of GDP) | Not exceeding 9.0 per cent of GDP | 7.8 per cent | | The comparative lower wage bill was due to, for the most part, the upward revision of GDP. The wage bill does not include wages for persons employed on projects as stipulated in the legislation. The wage bill of covered entities is not included. |

[3] National Transformation Fund.

**Table 1: Consistency of the Fiscal Outturn for 2023 with Fiscal Rules and Target**

| | Fiscal Rule | Outturn | Compliance | FROC Comments |
|---|---|---|---|---|
| Primary Balance (Percentage of GDP) | Not less than 3.5 per cent of GDP | 7.6 per cent | | The comparatively higher primary balance was due to the higher than projected revenue. Tax revenue was more than estimated due to the impact of economic growth and collections associated with the tax amnesty. The higher non-tax revenue was influenced by the inflows from the Citizenship by Investment Programme. There is no legislated primary balance for when the debt is above the targeted debt ratio of 55 per cent. The FRA indicates that the 3.5 per cent primary balance **is in effect after the achievement of the 55 per cent debt target** as follows: (3) Where the ratio of public debt to GDP for the preceding year reaches fifty-five per cent, the Minister shall take appropriate steps to ensure that–(a) the targeted primary balance shall be a minimum of 3.5 per cent of GDP. |
| Contingent Liabilities related to PPPs (Percentage of GDP) | Not exceeding 5.0 per cent of GDP | 0.0 per cent | | The Medium-Term Economic and Fiscal Strategy Report stated that there are two Public-Private Partnerships. No liabilities were recorded. |
| Public Debt (Percentage of GDP) | 55.0 per cent | 74.6 per cent | | This refers to total public sector debt, which includes the debt of the Central Government, government guaranteed debt and the debt of statutory bodies. The 2023 Compliance matrix presented to Parliament on 5th December 2022, referred to Central Government and government guaranteed debt only, which is a component of the total public sector debt. At that time, the estimated total public sector debt, excluding the Petro Caribe debt, was 67 per cent of GDP. The inclusion of the Petro Caribe debt pushed the total public sector debt to 77 per cent of GDP. |

| **Symbol** | **Meaning** |
|---|---|
| | Compliance |
| | Breach |
| | Cannot be determined |

### The 2024 National Budget and Medium-term Fiscal Framework

The Central Government budgeted operations for 2024 and the projected fiscal outturn for 2025 and 2026 are evaluated in accordance with the Fiscal Resilience Act (2023). The Fiscal Resilience Act is aimed at reducing the public debt to GDP ratio to 60 percent by 2035, and the fiscal and debt strategies pursued are expected to be consistent with this target. This Act makes provision for fiscal rules of:

- a wage bill of 13 percent of GDP; and
- a minimum primary balance of 1.5 percent of GDP

to achieve the projected decline in the public debt to GDP ratio by 2035. The 2024 Budget and medium-term fiscal strategy are compliant with the Fiscal Resilience Act (Table 2).

**Table 2: Consistency of Budget 2024 and Medium-Term Fiscal Framework with Fiscal Rules and Targets**

| Fiscal rules and Targets | Fiscal Variables | Fiscal Variables | Compliance | FROC Comments |
|---|---|---|---|---|
| Wage Bill of thirteen per cent of GDP | Budget 2024 | 9.7 per cent | 🟢 | The wage rule relates to Central Government and is presented with precision and clarity in the Act. |
| | Projected 2025 | 9.4 per cent | 🟢 | |
| | Projected 2026 | 9.0 per cent | 🟢 | |
| Primary balance not less than 1.5 per cent of GDP | Budget 2024 | 1.5 per cent | 🟢 | The primary balance refers to Central Government and the fiscal rule is to be read in conjunction with the definitions in the Act as follows:<br>1. Fiscal balance means the total receipts of the Central Government (excluding debt receipts and unspent grants) minus total expenses (excluding repayment of debt) during the fiscal year;<br>2. Primary balance means the fiscal balance before interest expenditure; and 3. Primary balance rule means the fiscal rule under section 8 (3); |
| | Projected 2025 | 1.8 per cent | 🟢 | |
| | Projected 2026 | 2.5 per cent | 🟢 | |
| Public debt to GDP ratio of 60 per cent | Budget 2024 | 73.3 per cent | 🟡 | The total public debt, inclusive of the debt of statutory bodies and state-owned enterprises. The debt target is to be achieved by 2035; and the fiscal target is presented with precision and clarity in the Act. |
| | Projected 2025 | 71.9 per cent | 🟡 | |

| Symbol | Meaning |
|---|---|
| 🟢 | Compliance |
| 🔴 | Breach |
| 🟡 | Cannot be determined |

Over the medium-term, the projected primary balances (i.e. the difference between total expenditure excluding interest payments and total revenue) are adequate to cover interest payment. However, in 2025 and 2026, the fiscal outturn allows for a partial contribution to external principal debt repayment, requiring a drawdown of reserves and/or increased borrowing. The Government is encouraged to continue generating primary balances that are above the legislated minimum primary balance, as fiscal and debt sustainability requires the generation of domestic revenue for interest and principal debt repayment.

## Fiscal Transparency

### *Dissemination of Information*

In 2023, the Government disseminated information to the public on transactions impacting government finances as shown in Box 1.

**Box 1 Information Disseminated through Public Engagements**

**Financial transactions affecting revenue**

- The removal of the cap on freight
- The exemption of Value Added Tax on 19 essential foods and other basic necessities.
- Reduction in the petrol tax.
- The granting of 100 per cent tax concessions on the importation of equipment for the creative industries

**Financial transactions affecting expenditure**

- A subsidy on electricity bill to residential consumers consuming up to 99 kWh per month.
- Increase to beneficiaries of the Support for Education Empowerment and Development (SEED) programme
- The state of the finances and operations of the Marketing and National Importing Board (MNIB)

**Financial transactions related to government assets**

- The bi-monthly payment of salaries, emoluments and pensions to government workers
- Amendments to the contribution and benefits of the National Security Scheme
- Revision to the minimum wage
- The outcomes of wage negotiations for public officers
- Provision of subsidized internet services to 3,000 households
- The elimination of tuition fees for students of the T.A. Marryshow Community College (TAMCC) and the New Life Organisation (Newlo).
- 25 per cent bonus to public officers
- The assumption of the Kimpton Kawana Bay Hotel
- The reverting of the beach lands occupied by the Radisson hotel
- The purchase of lands adjacent to Camerhogne Park

Most of the fiscal and debt reports were published as stipulated in the legislation, with the main exception being the audited public accounts and the report on proposed tax expenditures and the accompanying details on tax relief and exemptions. Generally, the reports were published within the legislative timelines, except for the Medium-Term Debt Management Strategy which was submitted to Parliament on 4th December, 2023 at the time of the presentation of the national budget.

There were some improvements in the consistency and comprehensiveness of the published fiscal and debt reports, particularly with the inclusion of the financing component in the Estimates of Revenue and Expenditure and the publication of the performance of statutory bodies and state-owned enterprises. However, the presentation of the information in published documents should be such that it makes it easier for users to gauge the trend in the data series and facilitate ease of analysis. The status of the publication of the various fiscal and debt reports is given in Tables 3 – 5.

***Table 3: Status of the Publication of Fiscal and Debt Reports***

| Name of Report | Applicable Legislation | Status |
|---|---|---|
| | **Public Finance Management Act** | |
| **Medium-term Fiscal Framework** | Section 12 | 🟢 |
| **A Budget Calendar** | Section 15 | 🟠 |
| **The Annual Budget** | Section 24 | 🟢 |
| **Mid-year Fiscal Policy Review** | Section 25 | 🟢 |
| **Tax Concession Report** | Section 29 | 🔴 |
| **Audited Public Accounts** | Section 67 | 🔴 |
| | **Debt Management Act** | |
| **The Debt Management Strategy** | Section 5 | 🟢 |
| **The Borrowing Plan** | Section 6 | 🟢 |
| **Debt Bulletin** | Section 24 | 🟢 |
| **Annual Debt Report** | Section 25 | 🟢 |

| **Symbol** | **Meaning** |
|---|---|
| 🟢 | Compliant |
| 🟠 | Partially compliant |
| 🔴 | Not compliant |

| ***Table 4: Timeliness of the Published Fiscal and Debt Reports*** | | |
|---|---|---|
| **Name of Report** | **Legislated Time for Publication** | **Status** |
| **Public Finance Management Act** | | |
| **Medium-term Fiscal Framework** | 31st December | 🟢 |
| **Budget Calendar** | Prior to budget preparation | 🟠 |
| **The Annual Budget** | 31st December | 🟢 |
| **Mid-year Fiscal Policy Review** | 1st September | 🟢 |
| **Tax Concession Report** | By 31st December | 🔴 |
| **Audited Public Accounts** | 31st October | 🔴 |
| **Debt Management Act** | | |
| **The Debt Management Strategy** | 1st November | 🔴 |
| **The Borrowing Plan** | 31st December | 🟢 |
| **Debt Bulletin** | No specified date | 🟠 |
| **Annual Debt Report**[4] | 31st December | 🟠 |

**Symbol Meaning**

🟢 Compliant
🟠 Partially compliant
🔴 Not compliant

| ***Table 5: Consistency and Comprehensiveness of Fiscal and Debt Reports*** | | |
|---|---|---|
| **Name of Report** | **Applicable Legislation** | **Status** |
| **Public Finance Management Act** | | |
| **Medium-term Fiscal Framework** | Section 12 | 🟢 |
| **A Budget Calendar** | Section 15 | 🟠 |
| **The Annual Budget** | Section 24 | 🟢 |
| **Mid-year Fiscal Policy Review** | Section 25 | 🟠 |
| **Tax Concession Report** | Section 29 | 🔴 |
| **Audited Public Accounts** | Section 67 | 🔴 |
| **Debt Management Act** | | |
| **The Debt Management Strategy** | Section 5 | 🟢 |
| **The Borrowing Plan** | Section 6 | 🟢 |
| **Debt Bulletin** | Section 24 | 🟢 |
| **Annual Debt Report** | Section 25 | 🟢 |

**Symbol Meaning**

🟢 Compliant
🟠 Partially compliant
🔴 Not compliant

[4] The Annual Debt Report is presented with a one-year lag. There is not a legislated date for the publication of the Quarterly Debt Bulletin, except that debt information should be made available to the public regularly.

***Gaps in Reporting***

The following reports are required to be prepared by legislation and are outstanding:

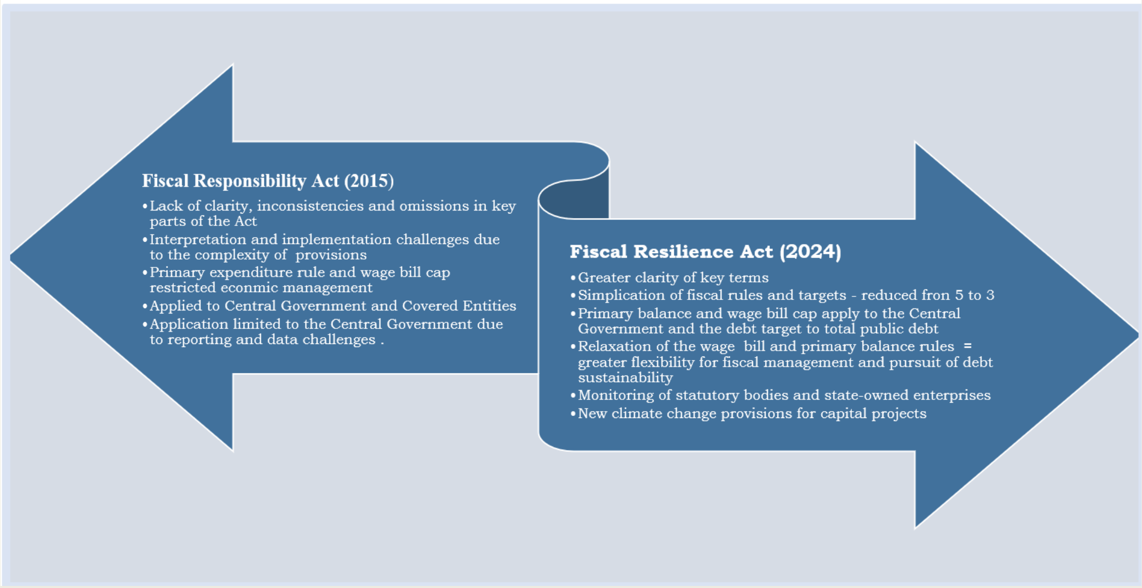
i. the report on proposed tax expenditures and the accompanying details on tax relief and exemptions; and

ii. the audited public accounts.

# *A Review of the Fiscal Resilience Act*

The Fiscal Responsibility Act (2015) and its amendments were repealed and replaced with the Fiscal Resilience Act (2023). The new Act clarified the many ambiguities in the 2015 Act and revised the fiscal rules and targets. The main areas of improvements are highlighted in Chart 1.

***Chart 1: The Fiscal Responsibility Act Versus the Fiscal Resilience Act***



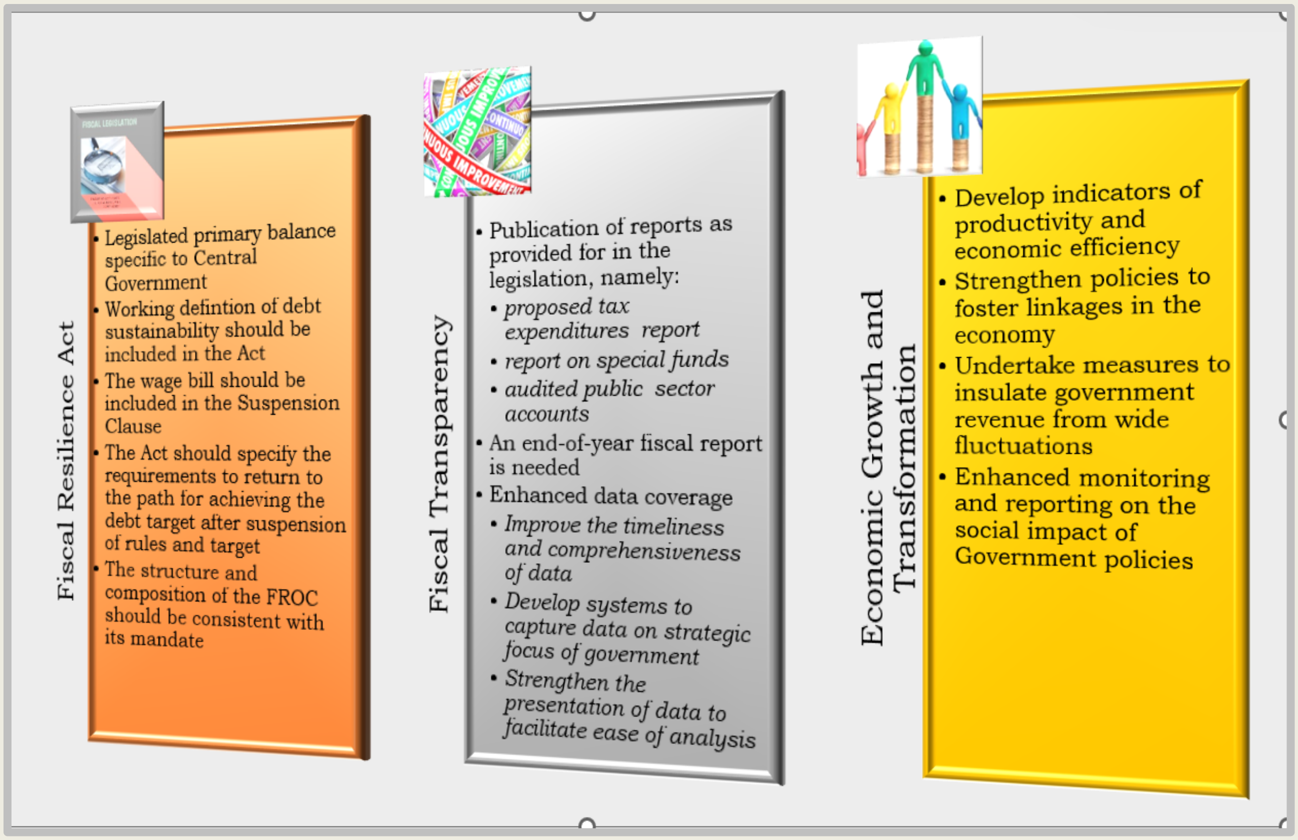

The new Act provides greater clarity in the definition of some key terms, in particular contingent liabilities and public debt. Contingent liabilities were made specific to financial obligations arising because of or in connection with public-private partnerships (PPPs) instead of possible obligations. The definition of public debt was broadened to expressly include the debt of statutory bodies and state-owned enterprises and the explicit contingent liabilities arising because of or in connection with PPPs.

The sections of the Fiscal Responsibility Act that complicated its implementation and monitoring were excluded from the Fiscal Resilience Act, and the fiscal rules and targets were reduced from five to three. Importantly, the concept of 'covered entities' which constrained the implementation, monitoring and reporting on government's compliance with the Fiscal Responsibility Act is not in the Fiscal Resilience Act. Instead, the fiscal rules relating to the primary balance and wage bill are applied to the Central Government, and the debt target is for the total public debt. The removal of the fiscal rule for the real growth in primary expenditure, the higher cap on the wage bill and the lower legislated minimum primary balance provide the Government with greater flexibility to manage the economy.

# Recommendations

Arising from the assessment of Government's compliance with the Fiscal Responsibility Act (2015) in 2023 and the Fiscal Resilience Act (2023) over the medium-term, the FROC offered a number of recommendations aimed at (1) fine-tuning the Fiscal Resilience Act (2) encouraging continuous improvement in fiscal transparency and (3) supporting the economic growth and transformation strategy. The key recommendations are shown in the following chart.

***Chart 2: FROC's Recommendations***



## MEET THE FROC

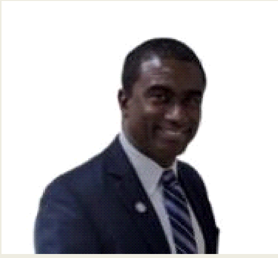
**Ms. Laurel Bain – Chairwoman**

Laurel Bain, is a former employee of the Eastern Caribbean Central Bank (ECCB) where she served in various positions, including that of Deputy Director in the Research Department, Senior Director of the Statistics Department and Senior Director in the Governor's Office. Ms. Bain has over 25 years of central banking experience and has undertaken economic assessments of countries and considerable research on fiscal policy and tax structures. She has worked extensively with the countries of the Eastern Caribbean Currency Union, regional institutions, and international organisations and development agencies. During her career at the ECCB, Ms. Bain received the Governor's award on two occasions for excellent and dedicated service. Ms. Bain has published books on fiscal policy and continues to write on economic and fiscal policy issues. Ms. Bain is an accredited Director and served as Deputy Chair of the Grenada Authority for the Regulation of Financial Institutions. Ms. Bain holds a Bachelor of Science (B.Sc.) and Masters of Science (M.Sc.) degrees in Economics from the University of the West Indies, Trinidad and Tobago.

**Ms. Annette Henry**

Annette Henry, former Registrar of the Corporate Affairs and Intellectual Property Office, Ministry of Legal Affairs, retired from the Public Service of Grenada in August 2022, having served in various capacities as a Public Servant since 6th October, 1980. Ms. Henry is an Attorney-at-Law and holds a Bachelor of Laws (LLB) and Certificate in Legal Education (CLE). Ms. Henry was admitted to the Grenada Bar in November 2003.

## MEET THE FROC



**Mr. Leon Bullen**

Leon Bullen is a Grenadian national and former Country Economist for Anguilla and Saint Lucia at the Eastern Caribbean Central Bank where he has been employed for over 15 years. He has written papers on fiscal and debt issues, energy pricing policies, private sector development and foreign direct investment, among others.

**Ms. Lisa Taylor**

Lisa Taylor is the principal of the law firm, Lisa Taylor & Co. and was admitted to the Grenada Bar on 3rd October, 1996. She holds a Bachelor of Arts degree with honors in Political Science from the City University of New York, Bachelor of Laws (Ll.B) with honours from the University of the West Indies, and Legal Education Certificate from the Hugh Wooding Law School, Trinidad. She is a past President of the Grenada Bar Association. Ms. Taylor is an accredited director (Chartered Governance Institute of Canada) and has served variously on the boards of the Physical Development Authority, Grenada Community Development Agency (GRENCODA), Bel Air Home for Children and Adolescents, Diocesan Finance Committee of the Diocese of Saint George's in Grenada and Jonas Browne & Hubbard (Grenada) Ltd. She is currently Deputy-Chairman of Grenada Co-operative Bank Ltd. and Honorary Consul of Spain in Grenada.

**Mr. Randy Lewis**

Randy Lewis was appointed Chief Executive Officer on the 1st May 2015. He has more than 27 years' experience in the banking, retailing, manufacturing and financial services industries. Prior to his appointment as Chief Executive Officer, he held the positions of Manager, Corporate Finance and Chief Financial Officer.

Mr. Lewis holds the designations of Fellow and BFP with the Institute of Chartered Accountants in England and Wales; Fellow of the Association of Chartered Certified Accountants (FCCA); and obtained his MBA (merit) from the University of Derby. He is an alumnus of the Oxford University Strategic Leadership Programme, and attained the Accredited Director designation from the Institute of Chartered Secretaries and Administrators (ICSA).

**Technical and Administrative Manager to the FROC**

**Mrs. Afia Joseph- Zufelt**

Afia Joseph-Zufelt is a Grenadian national with diverse expertise in education, business leadership, finance, and strategic planning. She holds a BSc. in Accounting and an MBA in International Business Administration from St. George's University.

**Technical Support**

**Dr. Juliet A. Melville**

Dr. Juliet Melville is a development practitioner with over 15 years of experience at the Caribbean Development Bank where she served as Acting Director of Economics, Chief Country Economist and Chief Research Economist. She has considerable experience working with regional countries, including Grenada, and with international and regional institutions. Dr. Melville was also a lecturer in the Economics Department, UWI, St. Augustine. She holds a BSc. and MSc. in Economics from UWI and a Ph.D. in Economics from the University of Kent. Dr. Melville provided technical support for the production of the 2023 FROC Annual.

# KEY TERMS

| Key Term | Explanation |
|---|---|
| Central Government | Every branch, ministry, department, agency of the Government and includes all special funds established and maintained by the Government under the Consolidated Fund. |
| Contingent Liabilities | Financial obligations which arise by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Central Government, and includes debt guarantees, demand or price guarantees, and termination clauses or other default provisions that could imply a transfer of liabilities to Central Government, including financial obligations arising as a result of or in connection with public-private partnerships, but excludes letters of comfort. |
| Covered Public Entity | A statutory body or state-owned enterprise which has either (a) received transfers of any kind from the government, including subventions or guarantees for any year in the five-year period immediately preceding the fiscal year; (b) not met the quarterly reporting requirements established by the Minister for three consecutive quarters in the preceding fiscal year; or (c) has recorded a negative equity position in the audited balance sheet as at the end of one of the preceding three financial years. |
| Debt Target | The debt to GDP ratio specified as the prudent level of debt in the fiscal legislation. Debt for this purpose includes (a) the Central Government debt, i.e., the total stock of public sector debt from domestic or external sources for any purpose, including the sums guaranteed by the Government including contingent liabilities assumed by the Government, but excluding contingent liabilities of public-private partnerships; (b) the debt and contingent liabilities of statutory bodies and state-owned enterprises; and (c) debt related expenses. |
| Expenditures | Expenditures of the Central Government and covered public entities and includes interest and non-interest spending, current expenditure, and capital expenditure. |
| Explicit Contingent Liabilities | Any legal obligations for Central Government to make payments only if particular events occur. |
| Fiscal Balance | The total receipts/inflows of Central Government (excluding debt receipts and unspent grants) less total outflows/disbursements (excluding repayment of debt) during the financial year. |
| Fiscal Risk | The possibility that actual fiscal outcomes will deviate from the fiscal outcomes expected at the time of the presentation of the annual estimates of revenue and expenditure |
| Fiscal Target | A specified quantitative limit against which a particular fiscal variable is measured and monitored. |
| Medium Term | A period not exceeding five fiscal years. |
| Nominal GDP | Gross Domestic Product measured at market prices. |
| Primary Balance | The overall fiscal balance before interest expense. |
| Primary Expenditure | The total expenditure less interest payment on debt in a fiscal year. |
| Public Debt | All direct liabilities of Central Government, Statutory Bodies and State-Owned Enterprises, including advances, arrears, compensation claims, finance leases, Government securities, loans, overdrafts, promissory notes, and supplier's credit |

| | |
|---|---|
| | agreements and contingent liabilities, including explicit contingent liabilities arising as a result of or in connection with public-private partnerships; |
| Public-Private Partnership | A long-term procurement contract between a private party and — (a) Central Government; or (b) a Statutory Body or State-Owned Enterprise for providing or managing a public asset and associated services, which shall be on terms and conditions as approved by Cabinet. |
| Public Sector | Includes the Central Government, statutory bodies and state-owned enterprises. |
| Real GDP | Level of gross domestic product adjusted for price changes relative to a given year referred to as the base year. |
| Real GDP Growth Rate | Rate of change of real GDP on an annual basis. |
| Revenue | All taxes, tolls, imposts, levies, rates, duties, fees, penalties, royalties, surcharges, forfeitures, rents and dues, proceeds of sale, interest earned, and all other receipts of Central Government from whatever sources arising. |
| Wage Bill | Total sum of payments made in respect of employees of the Central Government, including personal emoluments, wage allowances, and social contributions. |