Fiscal Resilience Oversight Committee (FROC)

2024 Annual Report At A Glance

23 April 2025

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Chairwoman's Message

Fiscal policy in Grenada continues to be implemented in the context of legislated fiscal rules and target. In 2024, fiscal policy was guided by the Fiscal Resilience Act (2023) which replaced the repeal Fiscal Responsibility Act (2015) as amended. The inclusion of fiscal resilience in the FRA implies that fiscal policy should be pursued in a manner that allows for the accumulation of adequate reserves to enable the Government to respond to crises and economic shocks while maintaining fiscal stability.

The importance of fiscal resilience was manifested in 2024 as multiple risks impacted the economy. The most severe was Hurricane Beryl which struck Grenada on 1st July 2024 and devastated Carriacou and Petite Martinique and caused substantial damage to the northern part of Grenada, requiring the activation of Section 9 of the FRA. This was followed by the torrential rain from 8th to 19th November which caused extensive flooding and landslides, destroyed agricultural output and disrupted the supply of electricity and water; and the 19th of December rain which caused flooding in the town of Grenville. There were also the ever-present uncertainties of the possibilities of economic shocks associated with high fuel and food prices linked to the conflicts in the Middle East and the ongoing Russia/Ukraine war.

Small Island Developing States (SIDS), like Grenada, need to adopt a strategic approach to managing the economy. This requires building efficient and effective governance institutions and systems, and effectively utilising human resources, which are the country's most valuable assets.

With regard to building effective governance institutions, an important gap has persisted over the years, that is, the absence of audited public accounts and a well-functioning Public Accounts Committee. The submission to Parliament of the audited public accounts for 2016 to 2019 and the establishment of the Public Accounts Committee are steps to improving the system of governance. It is necessary to maintain, at all times, an efficient and effective governance system that supports the principles of fiscal transparency and accountability.

The ongoing policies for maximizing the potential of the population should be aggressively pursued.

Information is available on social indicators, inclusive of the structure and educational attainment of the population and the status of the working population. Public policies should aim at harnessing the skills and energies of a youthful population. The results of the labour-force surveys of 2023 indicated that there were relatively high levels of unemployed human resources, particularly between the ages of 15 to 19.

The need to import labour to perform routine functions in critical sectors, under normal economic conditions, is a manifestation of the mismatch between the demands of the economy and the skills of the working population.

The effective use of human resources is even more important as the global environment is becoming increasingly unstable and unpredictable, requiring constant review and adjustments of policies, programmes and projects.

The Fiscal Resilience Act, with a lower legislated minimum primary balance, a higher wage bill cap and a debt target to be achieved by 2035, provides fiscal space to manage the economy and to implement economic and social reforms, some of which have become more urgent with the experiences with the climatic hazards and the increasingly unstable and unpredictable global environment. Ongoing assessment of programmes and projects should be undertaken to determine impacts, cognisant of the need to ensure fiscal and debt sustainability.

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

Ms. Laurel Bain
Chairwoman
Fiscal Resilience Oversight Committee

The Fiscal Resilience Oversight Committee (FROC)

The Fiscal Resilience Oversight Committee (FROC) 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 submits an **annual report** to Parliament. The FROC's 2024 Annual Report assesses whether government operations were in accordance with the provisions of the Fiscal Resilience Act No 11 of 2023 which became effective 1st January 2024.

Fiscal Resilience Act (2023)

The Fiscal Resilience Act (FRA) (2023) together with other legislation serve to guide and anchor the conduct of fiscal policy in Grenada. The FRA establishes a rules-based framework to ensure that the government spending and financing activities are consistent with the country's ability to service its debt.

The Purpose of the Fiscal Resilience Act

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:

- 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.

The FRA (2023) specifies:

Two Rules:

- The annual wage bill of Central Government **should not exceed thirteen percent (13 per cent of nominal GDP (Wage Bill Rule)**.

- The medium-term fiscal framework shall **set an annual debt-reducing primary balance of no less than one and a half percent (1.5 per cent of nominal GDP until the public debt target is achieved (Primary Balance Rule).**

One Target

- The public debt target shall be **no more than sixty percent (60%) of nominal GDP to be achieved by 2035 (Debt Target).**

Once the public debt target is achieved, the Minister is expected to take appropriate steps to ensure that primary balances are consistent with maintaining debt sustainability.

The Suspension Clause – What is this and What it Means?

The Government is required to adhere to the fiscal rules for the primary balance and the wage bill annually and to achieve the target for the public debt by 2035, except under conditions specified in Section 9 of the FRA.

Section 9 of the FRA authorises the Minister to **suspend the fiscal rule for the primary balance and debt target in clearly defined circumstances**. This empowers the Minister to suspend the primary balance rule and debt target in the event of, among other things, ***a disaster arising from a natural hazard as declared by an authorised national, regional or international agency, or any other disaster declared pursuant to section 55 of the Disaster Management Act, 2023.***

Overview

This document highlights the main findings of the FROC 2024 Annual Report prepared for Parliament. It outlines the economic context in which the government operated in 2024 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.

For the 2024 fiscal year, the Government activated Section 9 of the Fiscal Resilience Act (FRA) and suspended the fiscal rule for the primary balance and the debt target. The suspension was extended to 2025.

The FROC, therefore, assessed Government's compliance with the FRA for the fiscal year 2024 and 2025 with particular reference to the activation of the Suspension Clause. For 2026 and 2027, the Government's adherence to the fiscal rules and target as detailed in its medium-term fiscal and economic strategy report is assessed.

The compliance of the government with the principles of fiscal transparency and accountability during 2024 is also assessed, with the focus on the timeliness, consistency and comprehensiveness of data and information on government finances disseminated to the public, and on the availability of various reports as stipulated in the legislation. Government's compliance with other provisions of the FRA, including procedures for the mitigation of climate risk for projects included in the PSIP, was also evaluated.

Some operational aspects of the FRA in 2024 were reviewed, and recommended reforms restated for the consideration of the Parliament.

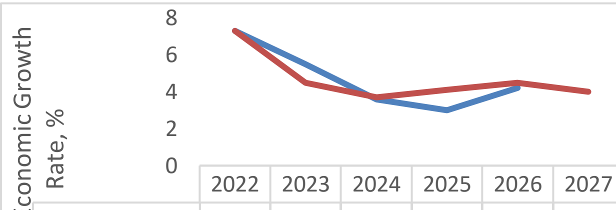
The report concludes with recommendations for the consideration of Parliament.

Key Messages

- Growth was sustained in Grenada's economy at 3.7 per cent in 2024 despite disruptions caused by a series of natural disasters during the year. Growth is projected to average 4.2 per cent over the medium-term. The projected growth should be kept under constant review due to the unstable and unpredictable global environment.
- Growth in imports accounted for a widening of the current account deficit which was partially financed by significant capital inflows.
- In accordance with Section 9 of the FRA, the primary balance rule and the debt target were suspended for 2024 in the wake of Hurricane Beryl. Notwithstanding, a primary balance surplus of 11.3 per cent of GDP was recorded for 2024, and the debt to GDP ratio was below the debt ceiling established.
- Given a projected primary balance deficit in 2025 and 2026, Parliament approved the extension of the suspension clause for 2025.
- The presentation of the main legislated documents should allow for easier analysis of economic performance and trends, including fiscal and debt performance. This requires longer and consistent data series on key fiscal and debt indicators.
- A review of the FRA should be undertaken to consider the effectiveness of the wage bill rule, the reference to the debt target in Section 9 of the FRA and the precision and application of the primary balance rule, along with the detailed recommendations in the FROC 2023 Annual Report.

Economic and Social Context and Medium-Term Outlook

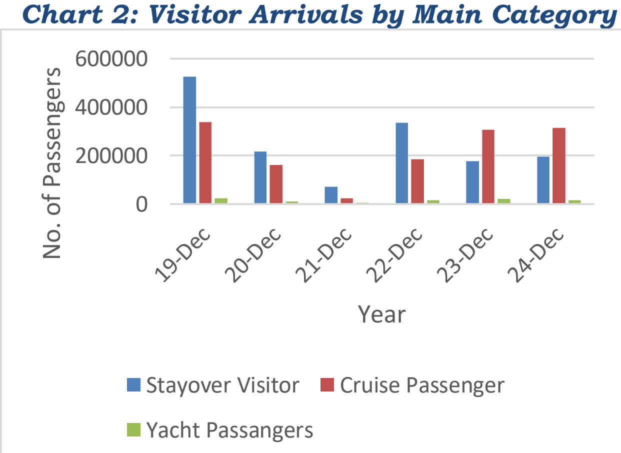
Chart 1: Real GDP Growth at Market Prices (2022-2027)



	2022	2023	2024	2025	2026	2027
Original Estimates	7.3	5.5	3.6	3	4.2	
Revised Estimates	7.3	4.5	3.7	4.1	4.5	4.0

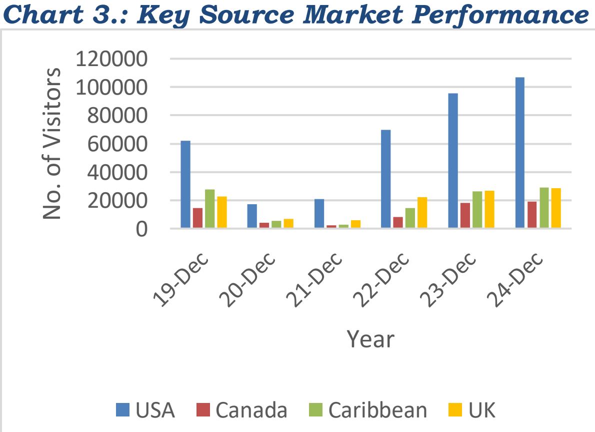
Source: Grenada Medium-Term Economic and Fiscal Strategy Report (MTEFSR) 2024-2026 (Ministry of Finance 2023); Grenada MTEFSR 2025-2027 (Ministry of Finance 2025)

Chart 2: Visitor Arrivals by Main Category



Source: Statistics Department, Grenada

Chart 3.: Key Source Market Performance



Source: Statistics Department, Grenada;

Growth Performance

The macroeconomic external environment was relatively stable in 2024 as the major economies recorded moderate economic growth, a reduction in the rate of inflation, stable oil prices and some tightening of the labour market.

The impact of natural disasters had a more profound impact on developments in the domestic economy. The performance of the economy in 2024 was influenced by drought conditions during the first half of the year, the passage of Hurricane Beryl on 1st July, torrential rains and accompanying flooding and landslides of 8th to 19th November and the Grenville town flood of 19th December.

The economy registered estimated growth of 3.7 per cent in 2024 following growth of 4.5 per cent in 2023 (Chart 1). Inflation trended downward, as the rate fell to 1.2 per cent down from 2.7 per cent in 2023.

The tourism industry continued to register growth in 2024, as total visitor arrivals increased by 4 per cent to 524,708.

Stayover visitors (9.5 per cent) and cruise ship passengers (2.8 per cent) increased, while yacht passengers declined by 24.5 per cent (Chart 2). Stayover arrivals from all the major source markets increased (Chart 3).

The construction sector registered moderate growth of 2.7 per cent, a reversal of the estimated 11.7 per cent decline in 2023. The developments in this sector are of greater significance in 2024 as there is usually an uptick in construction activities after the passage of hurricanes.

Also, activities in the wholesale and retail sector usually receive a boost from recovery and reconstruction efforts. This sector grew by an estimated 5.4 per cent in 2024. The moderate growth response of both sectors in 2024 requires further investigation and analysis.

The manufacturing sector is estimated to have grown by 5.9 per cent, while the agriculture sector contracted by 20.3 per cent.

External Developments

The external account was characterised by a widening current account deficit, financed by substantial capital and financial inflows. The current account deficit is estimated to have risen by 16.3 per cent to $764.6M, driven primarily by an 18.2 per cent increase in the merchandise trade deficit due to higher imports. This deficit was partially offset by the surplus from trade in services which grew from $986.1M to $1,087.8M, mainly on account of inflows from travel.

The capital account surplus is estimated to have grown by 95.4 per cent to $670.8M in 2024, up from $343.2M in 2023, due primarily to receipts associated with the Investment Migration Agency (IMA) and proceeds from Caribbean Catastrophe Risk Insurance Facility (CCRIF). The surplus on the capital account partially offset the deficit on the current account requiring additional external inflows of $93.8M to close the gap.

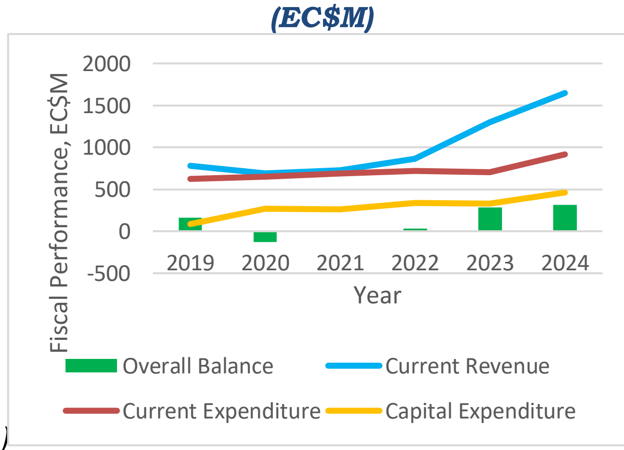
The financial account recorded substantial foreign direct investment inflows ($748.6M), but these were offset by outflows associated with deposit taking institutions lending to non-residents ($389.13M) and investing abroad ($329.94M) and the repayment of government loans ($55.1M), requiring a drawdown of $96.88M of reserves.

Central Government Fiscal Performance

Central Government finances strengthened substantially in 2024. The deterioration in the fiscal balances which was projected due to the impact of Hurricane Beryl, and which supported the rationale for the activation of Section 9 of the FRA, did not materialise. Higher receipt from the IMA and proceeds from CCRIF compensated for the increase in total expenditure. Consequently, primary and overall surpluses of $432.9M (11.3 per cent of GDP) and $310.5M (8.1 per cent of GDP) respectively were recorded, resulting in the further accumulation of government deposits at the commercial banks.

The current account surplus of $731M (19.1 per cent of GDP) was significantly higher than the $599.9M realised in 2023. Tax revenue rose moderately by 5.0 per cent to $890.6M. Higher than budgeted non-tax revenue of $756.3M, associated with increased receipt of $553.7M from the IMA and $118.0M from CCRIF (classified as non-tax revenue) contributed to this more favourable outcome (Chart 4).

Chart 4: Fiscal Performance 2019 - 2024 (EC$M)



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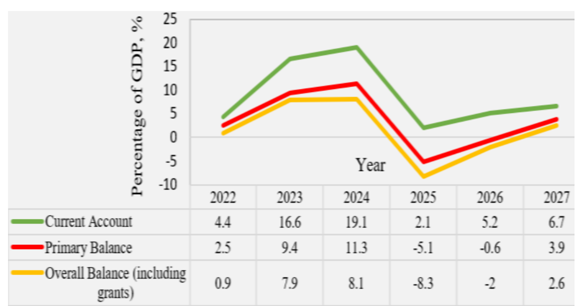
Source: Ministry of Finance 2025, Grenada: MTEFSR 2025-2027.

In light of the need to respond to the impact of Hurricane Beryl, a supplementary budget of $269.6M was approved by Parliament on 27th August 2024, which augmented mainly the capital component of the budget. Additional capital expenditure estimated at $238.6M and current expenditure of $31.1M were approved in the supplementary budget.

Current expenditure of $915.9M was within the budgeted amount of $932.3M (inclusive of the supplementary amount). The revised capital budget for 2024 totalled $658.2M. The estimated total capital expenditure of $461.4M increased by 38.9 per cent ($129.2M) compared with 2023. Capital expenditure was redirected to the recovery, rehabilitation and rebuilding efforts and, in particular, to rebuilding the social and economic infrastructure in Carriacou and Petite Martinique.

The fiscal balances are expected to turn negative in 2025 and 2026 and to return to surplus in 2027 (Chart 5).

Chart 5: Fiscal Balances 2022- 2027 (EC$M)

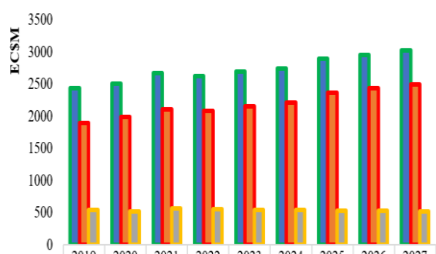


Source: Ministry of Finance 2023, Grenada: MTEFSR 2024-2026; Ministry of Finance 2025, Grenada: MTEFSR 2025-2027.

Public Sector Debt

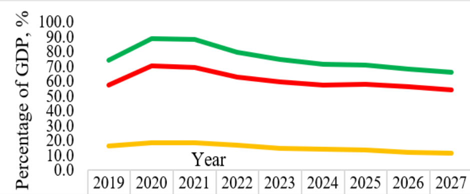
The total public debt, as a percentage of GDP, declined from 74.6 per cent of GDP in 2023 to 71.5 per cent of GDP in 2024. In absolute terms, the total public sector debt rose by 1.8 per cent ($48.3M) to $2,739M relative to 2023. The decline in the debt to GDP ratio was due to the faster growth of nominal GDP. Central Government debt, which comprised 80 per cent of the total public debt, increased by $48.3M to $2,203.9M (57.5 per cent of GDP) in 2024 compared to $2,155.6M in 2023. The public debt to GDP ratio is projected to continue its downward trend over the medium-term and to remain below the ceiling approved by Parliament in the MTEFSR 2024 - 2026. (Charts 6 & 7).

Chart 6: Total Public Sector Debt in EC$M



	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total Public Sector Debt	2427.7	2502.7	2672.5	2622.4	2690.7	2739.0	2889.7	2953.1	3015.1
Total Central Government Debt in $M	1888.8	1988.4	2104.4	2074.6	2155.6	2203.9	2357.8	2429.2	2495.8
SOEs & SBs in $M	538.9	514.3	567.1	547.8	535.1	535.1	531.9	523.9	519.3

Chart 7: Total Public Sector Debt as a Percentage of GDP



	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total Public Sector Debt as a % of GDP	74.1	88.8	88.2	79.4	74.6	71.5	71.1	68.2	65.8
Total Central Government Debt as a % of GDP	57.6	70.6	69.4	62.8	59.7	57.5	58.0	56.1	54.4
SOEs & SBs Debt as a % of GDP	16.4	18.3	18.7	16.6	14.8	14.0	13.4	12.1	11.3

Source: Ministry of Finance, Grenada (2023): MTEFSR 2024-2026; Ministry of Finance, Grenada (2025): MTEFSR 2025-2027; and Data submitted by the Ministry of Finance on 21st March 2025.

The Budget and New Hospital Project Loan Authorisation Bill, 2025 authorises the Minister to borrow up to $825M. The analysis of different scenarios for terms and conditions of new loans should be undertaken to evaluate the impact on the path to achieving the targeted 60 per cent debt to GDP ratio by 2035.

Financial Sector Performance

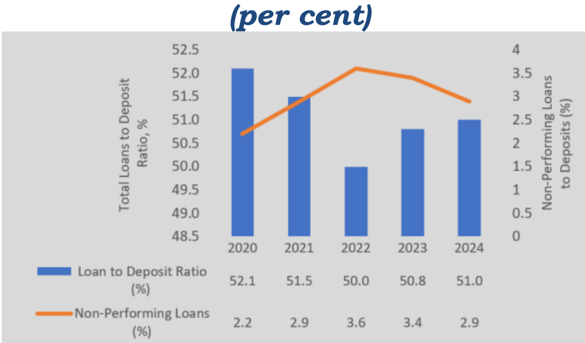
The financial sector was stable in 2024, and was characterised by high levels of liquidity, growth in the money supply, increased external investments and low non-performing loans in the commercial banking system.

Commercial Banks

The commercial banking sector recorded high levels of liquidity with the ratio of total loans to deposits at 51.0 per cent, well below the prudential guideline of 80.0 to 85.0 per cent. Over the period 2020 – 2024, the loan to deposit ratio averaged 51.2 per cent (Chart 8). The non-performing loans (NPLs) ratio declined from 3.4 per cent to 2.9 per cent as at December 2024.

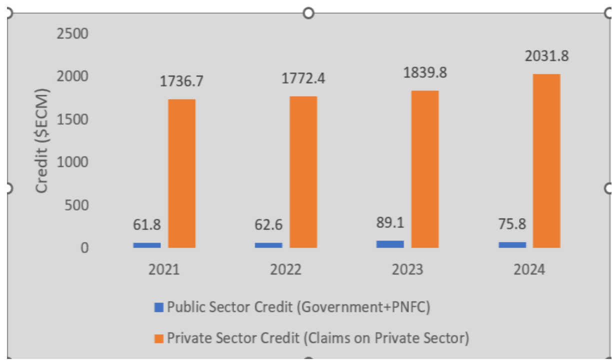
Bank credit to the private sector expanded by 10.4 per cent ($192.0M) to $2,031.8M, mainly driven by loans to businesses and to a lesser extent households, while the net credit position of the government improved. With high liquidity, the external assets of the commercial banks grew by $422.2M (31.2 per cent) to $1,776.6M

Chart 8: Commercial Banks Loans to Deposit Ratio and Non-Performing Loans Ratio (per cent)



Source: Eastern Caribbean Central Bank, St Kitts, retrieved 21 March 2025

Chart 9: Commercial Banks Credit to the Public and Private Sectors (EC$M)



Source: Website, Eastern Caribbean Central Bank, St Kitts, retrieved 21 March 2025

Credit Unions

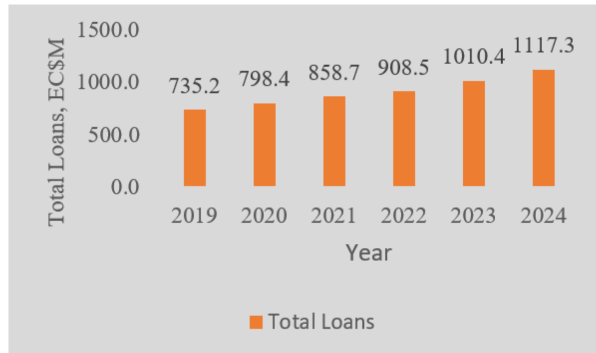
The credit union sector recorded tighter liquidity and higher NPLs than the banks in 2024. The loans to deposit ratio stood at 89.0 per cent, above the recommended benchmark of 80.0 to 85.0 per cent. This development was heavily influenced by robust growth in credit of 10.6 per cent ($106.9M) to $1,117.3M by these financial institutions, following the 11.2 per cent ($101.9M) increase in 2023.

The asset quality of credit unions improved with a decline in the NPLs ratio to 6.5 per cent from 8.8 per cent in 2023. This NPL was above the prudential benchmark of 5.0 per cent (Charts 10 and 11).

Chart 10: Credit Unions –Loans to Deposit Ratio and Non-Performing Loans Ratio (per cent)

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

Chart 11: Credit Unions – Total Loans (EC$M)



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

Medium-Term Outlook

The revised forecast in the MTEFSR (2025 – 2027) projects an average growth rate for the economy of 4.2 per cent over the medium-term (4.1 per cent in 2025, 4.5 per cent in 2026 and 4.0 per cent in 2027).

The Government's fiscal strategy over the medium-term continues to be that of generating adequate resources to ensure stability of the public debt, while generating sufficient domestic revenue to finance projected higher expenditure, thereby reducing the need to contract new debt. As such, the fiscal balances which are estimated to turn negative in 2025 and 2026 are projected to be in surplus in 2027.

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.

Economic and Social Context and Medium-Term Outlook (cont)

This strategy is expected to be supported through enhancement in education and improvement in health services, combined with the reform of the public service and the pension system. The implementation of projects for upgrading the economic and social infrastructure is an integral component of the strategy.

The impact of the climatic hazards has brought to the fore the need to address the physical economic and social infrastructure. The priority projects, based on the assessments of the impact of the natural disasters will need to be integrated with the ongoing projects for upgrading the social and economic infrastructure.

Potential Fiscal and Debt Challenges in the Medium-Term

The projected growth performance and fiscal outturn are dependent on overcoming and weathering significant domestic and external headwinds. Fiscal performance is an outcome of growth performance, as well as the efficient execution of planned expenditure and the containment of expenditure within budget, and the receipt of forecasted revenue. The implementation of capital projects, which is vital to driving economic growth, could be constrained by institutional and technical capacity weaknesses. Therefore, the implementation of institutional and capacity strengthening measures must be a priority.

The global environment is becoming increasing unstable and unpredictable as a result of measures being forcefully adopted by the United States and which are reverberating across all countries. These have the potential to disrupt international trade flows and undermine economic activity globally. A slow-down in global output is projected and this will have adverse implications for the domestic economy. The medium-term projections should be revisited to take account of the deteriorating external environment.

Compliance of Government with the Fiscal Resilience Act

Fiscal Rules and Target

The Fiscal Resilience 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 a decline in the public debt to GDP ratio of 60 per cent by 2035.

In the aftermath of Hurricane Beryl, the Government activated Section 9 of the Fiscal Resilience Act (FRA) and suspended the fiscal rule for the primary balance and the debt target for the 2024 fiscal year. This suspension was subsequently extended to 2025. For fiscal year 2024 and 2025, the FROC assessed government's compliance with the provisions of the FRA with particular reference to the activation of Section 9.

Government Operations in 2024

The Government complied with its statutory obligations for the suspension of Section 9 of the FRA as it relates to the primary balance rule and the debt target for 2024. In 2024, the fiscal outturn was more favourable than projected with an estimated primary balance surplus of 11.3 per cent of GDP. The wage bill of 8.6 percent of GDP was below the cap of 13 per cent of GDP established in the FRA.

Although the debt target was suspended in accordance with Section 9 of the FRA, no specific debt target is specified for 2024 or for any individual year in the FRA. The FROC, therefore, examined the debt in relation to the ceiling established in the MTFF (2024 – 2026). The public debt ratio of 71.6 percent was lower than the 73.3 percent of GDP ($2.8B) projected in the MTFF (2024 – 2026). Based on the debt trajectory, the public debt is projected to be at the targeted 60 percent of GDP by 2035 (Table 1).

Table 1: Fiscal Outturn for 2024 Relative to the Fiscal Rules and Target

Fiscal Rules and Target	**Fiscal Rule**	**Budgeted**	**Fiscal Outturn**	**Compliance**	**FROC Comments**
Wage Bill of (Percentage of GDP)	Not exceeding 13.0 per cent of GDP	9.7 per cent	8.6 per cent		The Government was in compliance with the wage bill rule. The wage bill rule relates to Central Government and is presented with precision and clarity in the FRA.
Primary Balance (Percentage of GDP)	Not less than 1.5 per cent of GDP	1.5 per cent	11.3 per cent		The primary balance rule was suspended in accordance with the activation of Section 9 of the FRA. There is scope for greater precision and coverage in the Act for the primary balance rule.
Public Debt (Percentage of GDP)	60 per cent of GDP	73.3 per cent	71.6 percent		The debt target is to be achieved by 2035. The debt to GDP ratio is consistent with that of 73.3 per cent of GDP as derived from the MTFF (2024 – 2026). The debt target is presented in the FRA with precision and clarity.

Symbol	**Meaning**
	Compliant
	Breach
	Cannot be determined
	Suspended

Monitoring of Statutory Bodies and State-Owned Enterprises

The Fiscal Resilience Act, in Section 13, makes provisions for the monitoring of statutory bodies and state-owned enterprises by the Minister. This include the establishment of Performance-Monitoring Guidelines to be reviewed and updated, where applicable, three months prior to the beginning of the fiscal year; and providing explicit guidelines for non-interest expenditure, new borrowings and other policies for the fiscal year.

There was no need to revise the performance monitoring guidelines for statutory bodies and state-owned enterprises. Directors participated in training and the Cabinet approved SBs and SOEs Handbook was provided. Not all of the statutory bodies and state-owned enterprises submitted their audited accounts to Parliament as stipulated in the Public Finance Management Act.

The 2025 National Budget and Medium-term Fiscal Framework

A primary balance of -5.1 per cent for the Central Government operations is projected for 2025, which is less than the minimum primary balance of 1.5 per cent of GDP as stipulated in the FRA. As a result, the Government extended the suspension order to 2025. The budgeted wage bill at 10.1 per cent of GDP for 2025 is compliant with the wage bill rule. The debt to GDP ratio of 71.4 per cent for 2025 is less than the ceiling of 71.9 per cent of GDP ($2.9B) established for 2025 in the MTEFSR (2024 – 2026) (Table 2).

Table 2: Consistency of Budget 2025 with Fiscal Rules and Target

Fiscal Rules and Target	Fiscal Rule	Budgeted	Compliance	FROC Comments
Wage Bill of (Percentage of GDP)	Not exceeding 13.0 per cent of GDP	10.1 per cent		The Government was in compliance with the wage bill rule. The wage bill rule relates to Central Government and is presented with precision and clarity in the FRA.
Primary Balance (Percentage of GDP)	Not less than 1.5 per cent of GDP	-5.1 per cent		The primary balance rule was suspended in accordance with the activation of Section 9 of the FRA. There is scope for greater precision and coverage in the Act for the primary balance rule.
Public Debt (Percentage of GDP)	60 per cent of GDP	71.4 per cent		The debt target is to be achieved by 2035. The debt to GDP ratio is consistent with that of 71.9 per cent of GDP as outlined in the MTFF (2024 – 2026). The debt target is presented in the FRA with precision and clarity.

Symbol	**Meaning**
	Compliant
	Breach
	Cannot be determined
	Suspended

A primary balance deficit of -0.6 per cent of GDP is forecasted for 2026 which is below the benchmark established in the FRA. The Central Government operations are in accordance with the fiscal rules for 2027. The wage bill is projected to remain below the legislated cap of 13 per cent of GDP over the medium term. The debt to GDP ratio is expected to continue on a downward trajectory to achieve the targeted debt to GDP ratio by 2035 (Table 3).

Table 3: Compliance of Government with Fiscal Rules and Target for 2026 and 2027

Fiscal Rules and Target	Fiscal Variables	Fiscal Variables	Compliance	FROC Comments
Wage Bill of thirteen per cent of GDP	Projected 2026	9.6 per cent	🟢	The Government is compliant with the wage bill rule. The wage bill rule relates to Central Government and is presented with precision and clarity in the Act.
	Projected 2027	9.2 per cent	🟢	
Primary balance not less than 1.5 per cent of GDP	Projected 2026	-0.6 per cent	🔴	The Government is compliant with the primary balance rule. There is scope for precision and coverage in the Act for the primary balance rule.
	Projected 2027	3.9 per cent	🟢	
Public debt to GDP ratio of 60 per cent	Projected 2026	66.5 per cent	🟢	The debt target is to be achieved by 2035. The debt to GDP ratio of per cent of GDP for 2026 is consistent with that outlined in the MTFF (2024 – 2026) of 70.5 per cent of GDP for 2026. The total public debt target, inclusive of the debt of statutory bodies and state-owned enterprises is presented with precision and clarity in the Act.
	Projected 2027	65.2 per cent	🟢	

Symbol	**Meaning**
🟢	Compliant
🔴	Breach
🟡	Cannot be determined

With an overall deficit in 2026, the Government will need to either accelerate the drawdown of existing loans, use its reserves or contract new debt to close the fiscal gap in 2026. The fiscal performance improves in 2027 and with an overall surplus there will be enough resources to cover government operations.

The fiscal strategy of generating high current surpluses (savings) should be pursued to contribute to financing capital programmes. This will reduce the dependence on reserves and new borrowing for financing fiscal operations thereby contributing to fiscal and debt sustainability.

Compliance of Government with the Fiscal Resilience Act (cont)

Fiscal Transparency

Fiscal transparency requires the publication of timely, consistent and comprehensive data and information which should be easy to access and understand. The FROC assessed the adherence of the Government to the principles of fiscal transparency by examining:

1. Adherence to the requirements pertaining to the publication of legislated documents.
2. The timeliness of the publication of the legislated documents.
3. Consistency and comprehensiveness of the data and information disseminated.

The FROC also examined publications that provide regular data and information to the public, although not specified by the legislation.

Dissemination of Information

In 2024, data and information were generally disseminated on public platforms.

Challenges were encountered in the publication of the Monthly Fiscal Summary Report and the Quarterly Debt Bulletin which are the main avenues for the dissemination of timely and regular data and information on fiscal performance and the public debt.

The main documents, required by legislation, that were published in 2024 were the Quarterly Debt Bulletin, the Mid-year Fiscal Policy Review and the Medium-term Fiscal Framework.

The publication of some of the fiscal and debt reports, as stipulated in the legislation, was affected by the disruption in activities caused by Hurricane Beryl, and the Medium-term Economic and Fiscal Strategy Report and the Annual Debt Report were presented simultaneously with the national budget on 7th March 2025.

The Annual Debt Report (2023) was submitted with a one-year lag, which is not in accordance with the provisions of the Debt Management Act.

The Medium-term Debt Management Strategy was not published in 2024 as it has traditionally accompanied the presentation of the national budget. This practice is not consistent with the Debt Management Act which requires the publication of the Debt Management Strategy two months before the beginning of the fiscal year as stated in Section 5 of the Debt Management Act.

Audited public accounts for 2016 to 2019 were presented to the House of Representatives on 26th November, 2024. This marks the beginning of addressing the backlog of unaudited public accounts. The audited public accounts for 2020 to 2023 are outstanding. The Public Accounts Committee was also appointed.

There is room to improve the consistency and comprehensiveness of the various published fiscal and debt reports. 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 4 – 6.

Table 4: 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	🟢
Medium-term Economic and Fiscal Strategy Report	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 5: Timeliness of the Published Fiscal and Debt Reports

Name of Report	Legislated Time for Publication	Status
	Public Finance Management Act	
Medium-term Fiscal Framework	Submitted to FROC by 1st July	🔴
Medium-term Economic and Fiscal Strategy Report	With budget presentation	🟢
The Annual Budget	Within the legislated 3 month from the beginning of the fiscal year	🟢
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	1st November	🔴
Debt Bulletin	Report to the Executive one month after the end of each quarter	🟡
Annual Debt Report[1]	With budget presentation	🔴

Symbol	**Meaning**
🟢	Compliant
🟡	Partially compliant
🔴	Not compliant

[1] 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.

Table 6: Consistency and Comprehensiveness of Fiscal and Debt Reports

Name of Report	Applicable Legislation	Status
	Public Finance Management Act	
Medium-term Fiscal Framework	Section 12	🟡
Medium-term Economic and Fiscal Strategy Report	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

Gaps in Reporting

Some reports required by legislation were not submitted to Parliament in 2024, and these are:

- **Audited public accounts: 2020 -2023**
- **Report on tax concessions**
- **Report on the NTF[2].**

[2] In 2023, the regulations to the NTF were amended requiring deposit of 10 per cent of all NTF receipts into a Contingency or Rainy-Day Fund (2024 Budget Statement, p.17).

Operational Aspects of the Fiscal Resilience Act

The Fiscal Responsibility Act (2015) and its amendments were repealed and replaced with the Fiscal Resilience Act (2023).

Based on the application of the provisions of the FRA, the FROC identified the need to consider the effectiveness of the wage bill rule, the reference to the debt target in the Suspension Clause (Section 9 of the FRA), and the precision and application of the primary balance rule in practice.

The Effectiveness of the Wage Bill Rule

The wage bill rule may be ineffective in practice, while having the potential to be distortionary. The existing legislated cap on the wage bill is set at a level that cannot easily be breached. This raises the question as to the relevance of this rule during normal economic conditions.

On the other hand, if the cap is set too low and not linked to a determination of the optimal size of the public service the rule can be distortionary.

The Debt Target in Section 9 of the FRA

The activation of Section 9 of the FRA allowed for the suspension of the primary balance rule and the debt target in 2024. However, the debt target is to be achieved by 2035, and there is no debt target for individual years, including 2024. Projections for a ceiling on public debt for various years are included in the medium-term fiscal framework that is approved by Parliament.

Section 9 of the FRA should be revised to be consistent with the ceilings for the debt to GDP ratio for the relevant years as specified in the Medium-Term Fiscal Framework approved by Parliament.

The above issues, together with the need to enhance the monitoring of statutory bodies and state-owned enterprises and to restructure the Fiscal Resilience Oversight Committee were highlighted in the 2023 Annual Report for the consideration of Parliament.

Recommendations

Arising from its assessment of Government's compliance with the Fiscal Resilience Act in 2024 and the application of its provisions in practice, the FROC offered a number of recommendations aimed at (1) encouraging continuous improvement in fiscal transparency, (2) fine-tuning the Fiscal Resilience Act and (3) supporting the economic growth and transformation strategy. The key recommendations are shown in Chart 12.

Recommendations (cont)

Chart 12: FROC's Recommendations

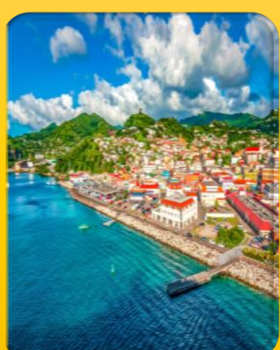
Fiscal Transparency

- Publish the **Monthly Fiscal Summary Report** and the **Quarterly Debt Bulletin** on time.
- Provide **consistent data series** on fiscal performance and public debt, covering at least five years:
  - **Two years prior, the review year, and two forward years**.
- Establish a structure to facilitate the **publication of the report on tax incentives** as required by the **Public Finance Management Act**.
- Prepare the **wage negotiation framework** in accordance with the **Fiscal Resilience Act**.
- Submit to Parliament: **report on the National Transformation Fund; outstanding audited public accounts.**
- Strengthen the monitoring of statutory bodies and state-owned enterprises. Consider establishng a framework for the imposition of penalties for non-submission.
- Ensure the schedules for legislated reports align with data availability and the capacity of the Ministry of Finance.

The Fiscal Resilience Act

- **Eliminate the wage bill rule** due to its ineffectiveness and its potential to introduce distortions in the public sector.
  - If maintained, **amend the Suspension Clause**, to include this rule.
- **Enhance the Primary Balance Rule's precision and coverage** for reducing total public sector debt.
- **Debt Target and the Suspension Clause:** The FRA should require the adoption of measures to return to the annual debt ceiling after any suspension (based on the Medium-term Economic and Fiscal Strategy Report).

FROC Appointments: Modify the appointment criteria to include at least two economists to strengthen the technical capacity of the FRO.



Economic Growth and Transformation

- Develop indicators to measure:
  - Rate of productivity.
  - Ease of doing business.
- Fast track policies and programmes to foster linkages across various sectors of the economy.
- Improve the timeliness and comprehensiveness of data to strengthen the assessment of the performance of the economy.
- Update the Medium-Term Economic Strategy and Action Plan to take account of the:
  - Impact of the climatic hazards.
  - Increasing uncertainty and instability in the global environment.

Meet the FROC

Ms. Laurel Bain – Chairwoman

Ms. 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 which are published as Budget Alert. Ms. Bain is an accredited Director and served as Deputy Chair of the Grenada Authority for the Regulation of Financial Institutions, and as a Director of the Montserrat Financial Services Commission. 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

Ms. 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. 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.

Mrs. Lisa Taylor

Mrs. 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. Hyacinth Jeremiah

Mr. Hyacinth Jeremiah is a principal partner in HLB Grenada. He is a highly skilled Accountant with an accumulation of over thirty-five years' experience in Accounting, Financial analysis and planning, Tax preparation and consultancy, Auditing, Forensic accounting, financial and management consultancy.

Mr. Jeremiah began his career with the accounting firm Pannell Kerr Forster (PKF) and also served as the Senior Internal Auditor at the CARICOM Secretariat. In 2011, Mr. Jeremiah started his own accounting practice under the business name Jeremiah Business Consulting, and in 2020 Jeremiah Business Consulting joined the HLB global network of accounting firms and currently operates as HLB Grenada. Mr. Hyacinth Jeremiah is a Certified Chartered Accountant (ACCA), Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE) and Forensic CPA. In addition, he holds an MSc. Degree in Finance.

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.

On 31st January 2025, Mr. Leon Bullen completed four years of service on the FROC, and a new Economist is to be appointed to serve on the FROC.

Technical and Administrative Manager to the FROC

Mrs. Tracey Victor

Mrs. Tracy Victor is a Business and Operations Consulting Specialist with more than 18 years of experience at senior and middle management levels in planning and executing initiatives with national, international and inter-governmental organisations. Her experience spans financial planning, debt management and organizational development. Mrs. Victor has managed and/or supported the design, implementation and review of organizational projects and policies in the hospitality, health, banking and finance industries. In her most recent experience, she has served as the Administrative/Operative Support on the IICA- CACCI Project in Guyana and Suriname, which is focused on strengthening national technical and institutional capacity in building climate resilience in the agriculture sector.

Mrs. Victor is the holder of a BSc in Business Administration and postgraduate training in Financial Planning, Financial Services and Project Management with certifications as a Tax Planner and Mortgage Agent.

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 in the design and implementation of projects and programmes to support economic governance, public debt management, financial sector strengthening and poverty reduction. Her most recent research interest includes public debt restructuring and property tax regimes. 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 2024 FROC Annual Report and the 2024 FROC Annual Report At A Glance.

Key Terms

Key Term	Explanation
Capital Expenditure	Non-recurrent expenditure on goods, works and services carried out by Central Government which is aimed at accumulating new physical assets with usable value for more than one fiscal year.
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.
Current Account Balance	Total recurrent or current revenue less Total recurrent or current expenditure.
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.
Disbursements	The transfer of financial resources to the Government from its creditors.
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.
Grants	Financial resources received by the Government, for which no goods were sold or services rendered, and no repayment is required.
Medium-Term	A period not exceeding five fiscal years.

Key Terms (cont)

Key Term	Explanation
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 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.
Recurrent or Current Expenditure	Expenditures that are not capital expenditures, and includes normal overhead and administrative expenses, purchases of non-capital goods, personnel costs including salaries, emoluments and other benefits of Central Government's current and past employees, maintenance expenditure, subsidies, interest payments, and transfers to Statutory Bodies and State-Owned Enterprises.
Recurrent or Current Revenue	The sum of revenues from taxes (taxes on income and profits, property, domestic transactions and international transactions) and non-tax revenue (profits and dividends, interest and rents, fees and fines, sales from government departments and other miscellaneous receipts by the Central Government).
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.