Fiscal Resilience Oversight Committee (FROC)

2024 Annual Report

23 April 2025

TABLE OF CONTENTS

LETTER OF TRANSMITTAL vi
ABBREVIATIONS AND ACRONYMS vii
GLOSSARY ix
FOREWORD xiii
MEET THE FROC xvii
ACTIVITIES OF THE FROC xxi
CHAIRWOMAN'S MESSAGE xxiii
ACKNOWLEDGEMENT xxv
EXECUTIVE SUMMARY xxvi
Developments in the Domestic Economy xxvi
The Medium-term Economic, Fiscal and Debt Strategies xxviii
Compliance of the Government with the FRA xxx
The Fiscal Resilience Act xxxi
Recommendations xxxii
INTRODUCTION 1
CHAPTER 1: THE ECONOMIC AND SOCIAL CONTEXT: ANALYSIS OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ECONOMY IN 2024 3
Key Messages 3
Introduction 4
The Statutory Context 5
Economic Developments in 2024 5
External Macro-Economic Developments 5
Developments in the Domestic Economy 8
Overall Domestic Developments in 2024 9
Projected Economic Growth 27
Conclusion 28
CHAPTER 2: THE MEDIUM-TERM ECONOMIC OUTLOOK AND THE GOVERNMENT STRATEGY 29
Key Messages 29

The Statutory Context 30
Comparison of the Medium-term Fiscal Frameworks 31
Real Economic Growth 31
Fiscal and Debt Strategies and Analysis 35
Potential Fiscal and Debt Challenges in the Medium-Term 44
Implementation of Strategic Priorities 45
Conclusion 46
Recommendations 47
CHAPTER 3: ASSESSMENT OF COMPLIANCE OF THE GOVERNMENT WITH THE FISCAL RESILIENCE ACT: FISCAL RULES AND TARGET 48
Key Messages 48
Introduction 49
Assessment of Compliance of the Government with the Fiscal Rules and Targets 49
Assessment of Compliance for 2024 49
Assessment of Compliance for the National Budget for 2025 56
The Medium-Term Fiscal Framework 58
Implications of Implementing the Fiscal Resilience Act 60
The Statutory Context 60
Fiscal and Debt Sustainability 60
The Relevance of the Wage Bill Rule 61
Conclusion 61
Recommendations 62
CHAPTER 4: THE COMPLIANCE OF GOVERNMENT WITH THE FISCAL RESILIENCE ACT: FISCAL TRANSPARENCY 63
Key Messages 63
Introduction 64
Assessment of Compliance with Fiscal Transparency 64
The Concept of Fiscal Transparency 64
The Statutory Context 64
Preparation of the 2024 National Budget 66
Dissemination of General Data and Information not Stipulated by Legislation 66

Publication of Fiscal Reports as Legislated 67
Gaps in the Publication of Legislated Reports 77
Compliance with Other Provisions of the Fiscal Resilience Act 78
Documented Public Investment Procedures 78
Compensation Settlement for Persons Employed by the Government 78
Conclusion 79
Recommendations 79
CHAPTER 5: OPERATIONALISING THE FISCAL RESILIENCE ACT (2023) 81
Key Messages 81
Introduction 82
Operational Aspects of the Fiscal Resilience Act 82
The Effectiveness of the Wage Bill Rule 82
The Debt Target in Section 9 of the FRA 83
Precision and Application of the Primary Balance Rule 84
Recommendations 84
The Primary Balance Rule 85
The Suspension Clause 86
Monitoring of Statutory Bodies and State-owned Enterprises 88
The Structure of the Fiscal Resilience Oversight Committee 88
Conclusion 89
OVERALL CONCLUSION AND RECOMMENDATIONS 91
Overall Conclusion 91
Key Messages 91
Conclusion 92
Overall Recommendations 95
Key Messages 95
Recommendations 96

LIST OF TABLES

Table 1.1: Unemployment Rate in Grenada's Main Tourist Markets 2019-2024 7
Table 1.2: Selected Work Permit Approvals by Industry/Sector for the Period 2023-2024.......... 16
Table 1.3: Key Components of the Balance of Payments[1] (EC$M) 18
Table 1.4: Supplementary Budget Estimates for 2024 19
Table 1.5: Revenue from the IMA in EC$M 20

Table 2. 1: Comparison of Growth Forecasts for 2023 and 2024 (Per cent Change) 33

Table 3.1: Fiscal Outturn for 2024 Relative to the Fiscal Rules and Target 54
Table 3.2: Consistency of Budget 2025 with Fiscal Rules and Target 58
Table 3.3: Compliance of Government with Fiscal Rules and Target for 2026 and 2027 59

Table 4. 1: Status of the Publication of Fiscal and Debt Reports 72
Table 4. 2: Timeliness of the Published Fiscal and Debt Reports 75
Table 4. 3: Consistency and Comprehensiveness of Fiscal and Debt Reports 77

LIST OF CHARTS

Chart 1.1: The Performance of the World Economy: Percentage Change (2022 – 2024)............... 6
Chart 1.2: World Food Price Index 7
Chart 1.3: Global Oil Prices (US$ per barrel)... 8
Chart 1.4: Total Visitor Arrivals.. 11
Chart 1.5: Visitor Arrivals by Main Category 11
Chart 1.6: Key Source Market Performance 12
Chart 1.7: Growth Rate of the Agriculture, Livestock & Forestry Sector (2019-2024) 14
Chart 1.8: Total Import and Food Import Bill (2021 – 2024).. 15
Chart 1.9: Fiscal Performance: 2019 – 2024 (EC$M)... 21
Chart 1. 10: Public Sector Debt to GDP (per cent) 23
Chart 1.11: Commercial Banks - Total Loans to Deposit Ratio (per cent) 24
Chart 1.12: Commercial Banks - Credit to the Public and Private Sectors (EC$M)..................... 25
Chart 1.13: Commercial Banks - Non-Performing Loan Ratio (per cent) 26
Chart 1.14: Credit Unions – Total Loans to Deposit Ratio (per cent)... 26
Chart 1.15: Credit Unions – Total Loans (EC$M) 27
Chart 1.16: Credit Unions – Non-Performing Loans Ratio (per cent) 27

Chart 2. 1: Comparison of Estimates of Economic Growth Rates for 2022 to 2026 35
Chart 2. 2: Grenada's Fiscal Balances as a Percentage of GDP 2022 – 2027 41
Chart 2. 3 : Total Public Sector Debt as a Percentage of GDP 43
Chart 2. 4: Total Public Sector Debt in EC$M 44

APPENDICES

APPENDIX I: FROC Activities: 1 April 2024 to 31 March 2025 100
APPENDIX II: Fiscal Performance Relative to the Original Budget and the Revised Budget 104
APPENDIX III: Implementation of Government's Strategic Priorities 105
APPENDIX IV: Strengthening Data Collection and Dissemination for Effective Policy Making 113

INFORMATIONAL BOXES

Box 2. 1: Due Diligence and Operational Measures of the Investment Migration Agency in 2024 37
Box 2. 2: Fiscal Measures 39

Box 4. 1: Legislative Requirement for the Submission of Reports with the National Budget 68
Box 4. 2: Legislated Schedule for Fiscal Reports 74
Box 4. 3: Challenges and Recommendations: Consistent and Comprehensive Fiscal Data and Information 76

LETTER OF TRANSMITTAL

FISCAL RESILIENCE OVERSIGHT COMMITTEE

23rd April 2025

Mr. Andrew Augustine
Clerk of Parliament
Office of the Houses of Parliament
Parliament Building
Mt. Wheldale
St. George

Dear Mr. Augustine,

RE: SUBMISSION OF THE 2024 ANNUAL REPORT ON THE STATUS OF IMPLEMENTATION OF THE FISCAL RESILIENCE ACT (NO. 11 of 2023)

Pursuant to Section 12 (3) (b) of the Fiscal Resilience Act (No. 11 of 2023), and on behalf of the Fiscal Resilience Oversight Committee (FROC), I am pleased to submit herewith, the above-mentioned report, for consideration by the House of Representatives.

The Fiscal Resilience Act (FRA) became effective 1st January 2024. This Annual Report is based on an assessment of the Government's compliance with the Fiscal Resilience Act during the 2024 fiscal year and highlights some operational aspects of the FRA. The report also assesses the consistency of the 2025 national budget and the medium-term fiscal framework for 2025-2027 with the Fiscal Resilience Act. The assessment of compliance with the FRA is anchored in the review of economic performance in 2024 and the medium-term forecast, particularly in light of the impact of Hurricane Beryl and the November floods and landslides.

I shall therefore be grateful if you will bring this report to the attention of the Honourable Leo Cato, Speaker of the House of Representatives and Chairman of the Committee of Privileges, so that it shall be considered by the House of Representatives in accordance with Section 12 of the Fiscal Resilience Act. I thank you in anticipation of your kind co-operation.

Respectfully,

Ms. Laurel Bain
Chairwoman, Fiscal Resilience Oversight Committee

ABBREVIATIONS AND ACRONYMS

APP	Awareness and Public Participation Programme
CBI	Citizenship by Investment
CPI	Consumer Price Index
CCRIF	Caribbean Catastrophe Risk Insurance Facility
DSA	Debt Sustainability Analysis
ECCB	Eastern Caribbean Central Bank
FAO	Food and Agricultural Organization
FATF	Financial Action Task Force
FRL	Fiscal Responsibility Legislation
FROC	Fiscal Resilience Oversight Committee
FRA	Fiscal Resilience Act
GDP	Gross Domestic Product
IMF	International Monetary Fund
IMA	Investment Migration Agency
MOF	Ministry of Finance
MPU	Macroeconomic Policy Unit
MTEFSR	Medium-Term Economic and Fiscal Strategy Report
MTDS	Medium-Term Debt Management Strategy
MTFF	Medium-Term Fiscal Framework
MTEFSR	Medium-Term Economic and Fiscal Strategy Report

ABBREVIATIONS AND ACRONYMS (CONTINUED)

NHI	National Health Insurance
NSDP	National Sustainable Development Plan
NTF	National Transformation Fund
OECD	Organisation for Economic Cooperation and Development
PDMA	Public Debt Management Act
PFMA	Public Finance Management Act
PPP	Public-Private Partnership
PSIP	Public Sector Investment Programme
SB	Statutory Body
SOE	State-Owned Enterprise
SRO	Statutory Rules and Orders
WEO	World Economic Outlook

GLOSSARY

"Amortisation" means the payment on the outstanding debt that reduces the balance on the debt overtime;

"arrears" means Central Government's obligations from the current and past years that are due but have not been paid;

"capital expenditure" means 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" means 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" means 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" means recurrent or current revenue less recurrent or current expenditure;

"Disbursements" means the transfer of financial resources to the Government from its creditors;

"explicit contingent liabilities" means legal obligations for Central Government to make payments only if particular events occur;

"fiscal risk" means 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 arising from matters such as -

a. Economic outcomes differing from the assumptions made in the budget;
b. Interest rates, exchange rates, and other variables associated with public debt;
c. The potential call on explicit Government guarantees and the realisation of other contingent liabilities, including those associated with public-private partnerships; and
d. The occurrence of natural disasters and other 'acts of God';

"Fiscal Resilience Oversight Committee" means the Fiscal Resilience Oversight Committee preserved, continued and renamed under section 12 (1) of the Fiscal Resilience Act 2023;

"Fiscal Rule" means an operational guideline to be maintained by the Central Government;

"fiscal target" means a specified quantitative limit against which a particular fiscal variable is measured and monitored;

"Grants" means financial resources received by the Government, for which no goods were sold or services rendered, and no repayment is required;

"Macroeconomic Policy Unit" means the Macroeconomic Policy Unit of the Ministry of Finance and includes its successor department of Government;

"medium term" means a period not exceeding five fiscal years;

"medium-term fiscal framework" means the medium-term fiscal framework prepared in accordance with section 12 of the Public Finance Management Act;

"Net External Amortisation" means the difference between external debt amortization (external principal loan repayments) and external loan disbursements (receipts from external creditors);

"nominal GDP" means the level of gross domestic product measured at market prices;

"Overall Balance" means the total receipts of the Central Government (excluding debt receipts and unspent grants (less total expenses (excluding repayment of debt) during the fiscal year;

"primary balance" means the overall balance before interest expense in that fiscal year;

"primary expenditure" means the total expenditure less interest payment on debt in a fiscal year;

"public debt" includes 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" means a long-term 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" means the Central Government, Statutory Bodies and State-Owned Enterprises;

"real GDP" means the level of gross domestic product at a base year price;

"real GDP growth rate" means the rate of change of real GDP on an annual basis;

"Recurrent or Current Expenditure" means 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" means the total 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" means 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;

"state-owned enterprise" means an entity whether or not incorporated under company law being:

a. a company in which the Government or an agency of the Government by the holding of shares, is in a position to direct the policy of that company through, among other things, its representation on the governing board of the entity; or
b. a company, Board or Authority established under special legislation which recovers a significant portion of its operating costs through charges on users,

and being determined by the Minister to be a state-owned enterprise under the Public Finance Management Act;

"statutory body" means a body set up by an enactment with statutory powers and operational autonomy to carry out Government-related functions and which is part of and under the direct control of the Government;

"wage bill" means the total sum of payments made in respect of employees of Central Government, including personal emoluments, wages, allowances, and social contributions.

FOREWORD

The Fiscal Resilience Act (2023) became effective from 1st January 2024, with one of the main objectives of providing greater flexibility for the Government to manage the economy. The reporting requirements of the Fiscal Resilience Oversight Committee (FROC) increased under the FRA. Along with the Annual Report to be submitted to the House of Representatives by 31st March, the FROC is required to prepare a Statement on the Supplementary Appropriation Bill and a Report on the Medium-term Fiscal Framework, each to be submitted within a two-week time frame.

This Annual Report is therefore an assessment of the compliance of the government with the Fiscal Resilience Act in 2024 and the consistency of the fiscal projections for 2025 to 2027 with the fiscal rules and target in the FRA. Some practical aspects of the operation of the FRA are also reported, and the recommendations submitted in the 2023 Annual Report are restated.

The Annual Report is submitted for consideration by the House of Representatives in accordance with Section 12 3 (b) of the Fiscal Resilience Act (FRA) which mandates the Fiscal Resilience Oversight Committee (FROC) to prepare an annual report as follows:

(b) no later than three months after the end of each fiscal year, prepare and lay before the House of Representatives for consideration, an annual report on the status of implementation of this Act;

The FRA makes provision, in Section 12, for the extension of the date for the submission of the Annual Report and states:

(5) Notwithstanding subsection (3) (b), in the event of exigent circumstances and upon the request of the Fiscal Resilience Oversight Committee, the Speaker of the House of Representatives may grant an extension of time for the annual report to be laid before the House of Representatives, which shall not exceed thirty calendar days.

The Fiscal Resilience Oversight Committee (FROC) requested and approval was granted for the submission of the FROC 2024 Annual Report by 30th April 2025.

The FRA, in Section 12, specifies the content of the annual report and states:

(4) An annual report prepared pursuant to subsection (3) (b) shall include –

(a) the progress made towards compliance with the fiscal rules and targets in this Act, with respect to the relevant fiscal year, including an assessment of the actual fiscal outturns compared to the medium-term fiscal framework approved with the annual budget; and

(b) outcomes and implications of the implementation of this Act.

The FRA, in Section 12 7 (b), outlines the responsibility of the House of Representatives following the submission of the Annual Report by the FROC as follows:

not later than thirty calendar days after the report is laid before the House of Representatives, the Minister shall make representations in the House of Representatives in response to the contents of the report, including any areas of non-compliance referred to in the report;

and

(c) the House of Representatives may by Order appoint a Special Selection Committee to examine the report and the representations made by the Minister, and make recommendations to the House of Representatives on the implementation of measures to ensure compliance with the relevant provisions of this Act.

The main provisions of the Fiscal Resilience Act are the fiscal rules and target which provide a rules-based framework to guide the operations of the Central Government and that of statutory bodies and state-owned enterprises. Under the Fiscal Resilience Act, according to Section 7 and Section 8, the Government is required to maintain the wage bill of the Central Government at less than 13 per cent of GDP and generate a minimum primary balance surplus from the operations of the Central Government of 1.5 per cent of GDP. The public debt to GDP ratio of 60 per cent is targeted to be achieved by 2035.

Section 9 of the FRA, the Suspension Clause, provides guidance on the conditions under which the Government could suspend the primary balance rule and the debt target. The coverage of the debt in the FRA is that of Central Government and statutory bodies and state-owned enterprises. The FRA, therefore, in Section 13, makes provisions for the monitoring of statutory bodies and state-owned enterprises.

In keeping with the objective of bolstering fiscal resilience, Section 6 of the FRA stipulates that documented public investment procedures, including climate change mitigation and adaptation considerations, are to be prepared for all projects to be included in the capital budget of the Central Government.

The FRA makes provisions for adherence to the principles of fiscal transparency and accountability as outlined in Section 4 of the Fiscal Resilience Act which stipulates that the FRA is to be read and construed together with the Public Finance Management Act and the Public Debt Management Act. The requirement of the Government to adhere to fiscal transparency is specified in Section 5 of the FRA and further detailed in Section 6. Section 6 outlines the responsibility of the Minister in ensuring that the fiscal and financial affairs of the Government are conducted in a transparent manner. The requirement for fiscal transparency is further reinforced in Section 10 of the FRA which outlines the Minister's role in ensuring transparency in Central Government's fiscal operations at every stage of the budget preparation and execution cycle.

The FROC 2024 Annual Report is an assessment of the compliance of the Government with the provisions of the Fiscal Resilience Act and the adherence of the Government to the principles of fiscal transparency and accountability as outlined in the Public Finance Management Act and the Debt Management Act.

The FROC urges the House of Representatives to consider this Annual Report as the recommendations emanating from the House of Representatives will be instrumental in guiding the work of the FROC and would serve to strengthen the framework for financial management and fiscal policy in Grenada.

This 2024 Annual Report was completed by the FROC, which the FRA stipulates, comprises five (5) members who are appointed by the Governor General upon the nomination of the Committee of Privileges of Parliament. Four (4) of the members are nominated in consultation with the Director of Audit, while the fifth member is nominated on the advice of the Governor of the Eastern Caribbean Central Bank (ECCB). The Second Schedule of the Act stipulates that members of the FROC must possess expertise in the areas of accounting, business management, public administration and law while the nominee from the Governor of the ECCB is required to have expertise in economics.

The Chair of the Committee, Ms. Laurel Bain and Committee Member Ms. Anette Henry, completed their service on the FROC on 31st August 2024 and were reappointed to serve for another two years. Mrs. Lisa Taylor continued her service on the FROC for her second year. Mr. Hyacinth Jeremiah was appointed to the FROC effective May 2024, following the shortened period of service by Mr. Randy Lewis. Mr. Leon Bullen completed four years of service on 31st January 2025 and an Economist is to be appointed to the FROC.

Dr. Juliet Melville provided technical support for the completion of the Annual Report; and Mrs. Tracy Victor provided technical and administrative services to the FROC.

This Annual Report is accordingly forwarded to the Speaker of the House of Representatives for consideration by the House of Representatives and for action in accordance with Section 12 of the Fiscal Resilience Act.

Ms. Laurel Bain
Chairwoman, Fiscal Resilience Oversight Committee

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.

ACTIVITIES OF THE FROC

On 28th March 2024, the FROC submitted its 2023 Annual Report to the Speaker of the House of Representatives, through the Clerk of Parliament, in accordance with Section 12 of the Fiscal Resilience Act. Over the following six-month period (April 2024 to September 2024) the FROC continued with the activities related to the Annual Report, monitored compliance of the Government with the Fiscal Resilience Act, prepared the legislative required report, finalised operational guidelines for the FROC and engaged in consultations.

The Annual Report and a summary of the Annual Report (FROC 2023 Annual Report At a Glance) were circulated to the public on 10th April 2024 and the FROC engaged with the media through a press briefing on 4th May 2024. Thereafter, the FROC participated in consultation with the International Monetary Fund (IMF) during its Article IV Consultation mission to Grenada in June 2024.

The FROC examined the monthly 'Fiscal Summary Reports' of the Ministry of Finance and prepared the 'Statement of Compliance'. The 'Statement of Compliance' assessed the fiscal performance during the first quarter of 2024 for compliance of the Government with the FRA, based on data and information as of 31st March 2024. The 'Statement of Compliance' which was planned to be published, based on data and information as of 30th June 2024, was replaced by the FROC 'Statement on the Passage of Hurricane Beryl' which was published on 8th July 2024.

The FROC focused on policies and procedures for improving the operations of the FROC. In this regard. The FROC Charter and Guidelines, to guide the functioning of the FROC, was updated and considered by the FROC on 18th July 2024. A Memorandum of Understanding with the Ministry of Finance was completed and submitted to the Ministry of Finance on 1st August 2024 for input prior to its finalisation.

Following the presentation of the Supplementary Appropriation Bill to Parliament on 27th August 2024, the FROC, in compliance with the Fiscal Resilience Act, submitted the 'Statement on the Supplementary Appropriation Bill' to the Clerk of Parliament on 10th September for onward submission to Parliament. As part of its Awareness and Public Participation programme, the FROC launched its Face Book and LinkedIn pages.

In the six-month period, October 2024 to March 2025, the work of the FROC focused on adherence to the legislative requirement to prepare reports, the Awareness and Public Participation Programme and the activities associated with the preparation of the FROC 2024 Annual Report. Guided by the Public Finance Management Act, the FROC submitted the report on the 'Medium-term Fiscal Framework' to the Permanent Secretary, Ministry of Finance on 28th October 2024. The FROC Charter and Guidelines was approved by the FROC on 7th November 2024 and now guides the functioning of the FROC.

The FROC continued its Awareness and Public Participation programme. In collaboration with the Ministry of Education, an essay competition for secondary schools was launched on 6th January 2025. Under the theme "Empowering Youth to Contribute to Fiscal Sustainability and Fiscal Resilience", the competition is expected to further strengthen students' research and writing skills. During this period, the FROC worked on developing its website and upgrading its Face Book and LinkedIn pages.

Importantly, between January 2025 and March 2025, the FROC worked to fulfill one of its prime mandates, that is, to submit an Annual Report on the compliance of the Government with the Fiscal Resilience Act to Parliament, within the extended date of 30th April 2025. The FROC completed the development phase of the website which was launched on 6th March 2025.

The activities of the FROC for the period 1st April 2024 to 31st March 2025 are outlined in Appendix I.

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

ACKNOWLEDGEMENT

The Fiscal Resilience Oversight Committee (FROC) is pleased to submit to the House of Representatives the FROC 2024 Annual Report on the compliance of Government with the Fiscal Resilience Act (2023).

The Macro Policy Unit and the Debt Management Unit of the Ministry of Finance provided the requested information for the preparation of the Annual Report and engaged in consultations with the FROC on the information submitted, for which the FROC expresses its appreciation.

The FROC also appreciates the support provided by Mrs. Joseph-Zufelt to the FROC as the Technical and Administrative Manager and to Mr. Hajjie Charles for his support in resolving technological matters and developing the FROC website. The FROC is thankful for the services being provided by Ms. Zanna Barnard and Mr. Angus Smith, former members of the FROC, for the ongoing implementation of the FROC essay competition for secondary schools.

The FROC extends its appreciation to Mr. Leon Bullen for his service on the FROC for the past four years. Thanks to the Honourable Leo Cato, the Speaker of the House of Representatives, for his continued support and for transmitting the FROC 2024 Annual Report as stipulated in the Fiscal Resilience Act. The FROC extends thanks to Mr. Andrew Augustine, Clerk of Parliament and to the staff of Parliament for facilitating the transmission of the Annual Report.

Ms. Laurel Bain

Chairwoman, Fiscal Resilience Oversight Committee (FROC), on behalf of the FROC

EXECUTIVE SUMMARY

The FROC 2024 Annual Report is prepared by the Fiscal Resilience Oversight Committee (FROC) in accordance with the Fiscal Resilience Act No 11 of 2023. The Fiscal Resilience Act (FRA) makes provisions for fiscal rules and target, and for fiscal transparency. The report is therefore an assessment of the compliance of the Government with the FRA for 2024 and the consistency of the medium-term fiscal projections with the FRA.

Developments in the Domestic Economy

Macro-Economic Development

Growth was sustained in Grenada's economy at 3.7 per cent in 2024, following growth of 4.5 per cent in 2023. Economic performance in 2024 was influenced by continued expansion in tourism, recovery in the construction sector and modest growth in the wholesale and retail trade. Economic growth is projected at an average rate of 4.2 per cent over the medium-term (2025-2027). This medium-term projection would need to be under constant review given the unstable and unpredictable global environment.

The FROC notes that growth of 3.7 per cent in 2024 did not deviate significantly from the growth rate of 3.6 per cent that was projected in the MTEFSR (2024 – 2026) and the IMF's estimate of 3.9 per cent in June 2024, just prior to the impact of Hurricane Beryl. Of significance, the construction and wholesale and retail trade sectors, which generally boost economic activity after natural disasters, recorded moderate growth rates of 2.7 per cent and 5.4 per cent respectively in 2024. Given the increased capital expenditure by the Central Government, the higher revenue intake from import duty, VAT collected at the port and from the customs service charge combined with the growth in the currency in circulation during 2024, the FROC is of the view that the growth rate for the construction and the wholesale and retail trade sectors should be re-examined. Meanwhile, tourism, as proxied by the hotels and restaurant sector, grew by 9.8 per cent. It was also noted that developments related to the creative and digital economy, which is a strategic priority of the Government, were not directly included in the assessment of the performance of the economy.

The External Account

It is estimated that the current account deficit of the balance of payments widened in 2024, influenced by an increase in the merchandise trade deficit due to higher imports. The increased positive balance of trade in services partially offset the deficit on the current account. The capital account benefited from substantial inflows associated with receipts from the Investment Migration Agency (IMA) and the Caribbean Catastrophe Risk Insurance Facility (CCRIF). The aggregation of the net foreign exchange outflows of $764.6M on the current account with the foreign exchange inflows of $670.8M on the capital account resulted in a gap of $93.8M. The financial account benefited from inflows from foreign direct investment which was substantially dampened by the outflows associated with external investment by financial institutions.

Central Government Finances

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 was included in the memorandum to support the activation of Section 9 of the FRA, did not materialise. This was attributable mainly to higher receipts from the IMA and proceeds from CCRIF despite the increase in total expenditure. Consequently, a primary surplus of 11.3 per cent of GDP was recorded in 2024.

Negative fiscal balances are projected for 2025, influenced by a fall-off in revenue and greater expenditure. As such, the primary and overall balances (including grants) are estimated at -5.1 per cent of GDP (-$208.6M) and -8.3 per cent of GDP (-$337.4M) respectively, necessitating an extension of Section 9 of the FRA. The negative fiscal balances are projected to persist in 2026, with the primary and the overall balances projected at -0.6 per cent of GDP (-$25.7M) and -2.0 per cent of GDP (-$86.9M) respectively. Thereafter, both the primary and overall balances are projected to return to surplus at 3.9 per cent of GDP ($178.1M) and 2.6 per cent of GDP ($121.0M) respectively in 2027.

The Public Debt

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.

The public debt to GDP ratio is projected to decline from 71.5 per cent of GDP ($2,739.3M) in 2024 to 71.1 per cent of GDP ($2,889.7M) in 2025 and to decrease further, over the medium-term, to 68.2 per cent of GDP ($2,953.09M) in 2026, and to 65.8 per cent of GDP ($3,015.1) in 2027. The declining debt ratio is due to the more rapid growth in GDP than that of the growth of debt stock.

The Financial Sector

In 2024, the commercial banking sector was stable, characterised by high liquidity with a loan to deposit ratio of 51 per cent, a marginal decline in the average interest rate on savings from 1.81 per cent to 1.79 per cent, and low non-performing loans ratio of 2.9 per cent. With the high liquidity and comparatively moderate expansion in domestic credit, the commercial banks accumulated external assets.

The Medium-term Economic, Fiscal and Debt Strategies

Fiscal Strategy

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 adequate 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.

In light of the Government strategy to generate adequate domestic resources to contribute to the financing of capital expenditure, the FROC examined the outturn on the current account. This analysis shows the current account surplus contracting in 2025 from a peak of $731M in 2024 to $86.6M in 2025, sufficient to finance 17 per cent of planned capital expenditure. Thereafter, the current account surplus is projected to increase to $226.5M and $308.5M in 2026 and 2027 respectively. In 2026, the surplus on the current account would cover 63.7 per cent of planned capital expenditure and in 2027 fully finance the projected capital expenditure (148.2 per cent of capital expenditure).

Debt Strategy

The debt strategy is anchored in the fiscal rule to generate a primary balance of a minimum of 1.5 per cent of GDP to achieve the targeted debt to GDP ratio of 60 per cent by 2035. The Government has therefore stated its intention to borrow on concessionary terms, and as necessary, to finance the budget and capital projects. In this regard, the FROC notes the approval by Parliament of the Budget and New Hospital Project Loan Authorisation Bill, 2025 which authorises the Minister to borrow up to $825M, including planned borrowing of $100M from the Regional Government Securities Market (RGSM). The $100M to be borrowed from the RGSM is included in the financing of the 2025 national budget.

In preparation for contracting new debt and to ensure that the attainment of the targeted debt to GDP ratio of 60 per cent by 2035 remains on track, sensitivity analysis should be undertaken to ascertain how different loan terms and conditions may impact this target. Additionally, the FROC urges the implementation of the institutional arrangements for the management of the public debt as stipulated in the Debt Management Act as amended.

Economic Strategy

The overall strategy of the Government is to transform the economic structure by upgrading and strengthening linkages among the sectors and developing the creative and digital economy. This strategy will be underpinned by enhancement in education and improvement in health services. Other areas of focus are the reform of the public service and the pension system. The upgrade of economic and social infrastructure is also a priority. Details on the implementation of the strategy are outlined in Appendix 3.

The preparation of the new three year rolling medium-term economic strategy should be accelerated in light of the rebuilding and reconstruction necessitated by the passage of Hurricane Beryl and the November flooding and landslides and the need to reschedule the implementation of some projects.

Compliance of the Government with the FRA

Compliance with Fiscal Rules and Target

With the passage of Hurricane Beryl on 1st July 2024, Section 9 of the Fiscal Resilience Act was activated, and the primary balance rule and the debt target were suspended for 2024. With a forecasted primary balance deficit for 2025, the suspension of Section 9 of the FRA was extended to 2025.

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 and 2025. The wage bill was in compliance with the cap set 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 FRA provides for the attainment of the debt target by 2035 and the approval of annual debt ceilings for achieving the debt target. The FROC, therefore, examined the debt in relation to the ceilings established in the MTEFSR 2024 – 2026. In this regard, the public debt to GDP ratio of 71.5 percent for 2024 and 71.1 per cent for 2025 were lower than the 73.3 per cent and 71.9 per cent respectively projected in the MTEFSR.

The Central Government operations are projected to be in accordance with the fiscal rules for 2027 as outlined in the Fiscal Resilience Act.

Monitoring of the Statutory Bodies and State-owned Enterprises

In 2024, there was no need for revisions to the performance guidelines for the statutory bodies and state-owned enterprises. The directors of statutory bodies and state-owned enterprises participated in training during 2024 and were provided with the SBs and SOEs Handbook which covers matters relating to financial management and governance. However, some of the statutory bodies and state-owned enterprises need to submit their audited accounts to Parliament as stipulated in the Public Finance Management Act. The adherence to the legislation is of particular importance as the coverage of the public debt in the FRA includes the debt of statutory bodies and state-owned enterprises.

Consequently, consideration should be given to establishing a framework that would facilitate the imposition of penalties on the statutory bodies and state-owned enterprises for failure to submit the audited accounts to the Minister for onward submission to Parliament.

Compliance with Fiscal Transparency

Data and information were generally disseminated on public platforms, mainly through publication on Government websites, press briefings and consultative and town hall meetings. The major avenue for the dissemination of timely and regular data and information on fiscal performance is the monthly Fiscal Summary Report. During the year, there were challenges in the timely publication of these reports. Additionally, there were lags in the publication of the Quarterly Debt Bulletin which contains comprehensive information on the public debt.

The main documents, required by legislation, that were published in 2024 were the Mid-year Fiscal Policy Review and the Medium-term Fiscal Framework. The Medium-term Debt Management Strategy and the audited public accounts were not submitted to parliament in accordance with the legislation. A report on tax concession is not being submitted to Parliament.

As legislated, some of the documents were submitted to Parliament simultaneously with the presentation of the national budget on 7th March 2025. These include: the Medium-term Economic and Fiscal Strategy Report (2025 – 2027) and the Annual Debt Report for 2023. The FROC notes that the Annual Debt Report is submitted with a one-year lag which does not seem to be the intent of the provision of the Debt Management Act.

The lack of consistent fiscal data series in the publications, particularly on government finances and the public debt, covering at least five years (two years prior to the year under review, the year under review and two forward years), is a constraint to undertaking analysis of fiscal performance.

The Fiscal Resilience Act

The FROC examined the operationalisation of the FRA during 2024 and reiterates the need to review and consider the following three areas, namely the effectiveness of the wage bill rule, the debt target referred to in Section 9 of the FRA and the precision and application of the primary balance rule.

The FROC also provided detailed recommendations in its 2023 Annual Report related to the primary balance rule, debt sustainability, the suspension clause and the structure of the Fiscal Resilience Oversight Committee, and these are reproduced for the consideration of Parliament.

Recommendations

The recommendations emanating from the FROC's 2024 review and from the FROC 2023 Annual Report are presented under the following headings: i. The Fiscal Resilience Act; ii. Fiscal Transparency and iii. Economic Growth and Transformation.

The Fiscal Resilience Act

The FROC recommends the following in relation to the Fiscal Resilience Act:

1. Elimination of the wage bill rule due to its ineffectiveness and its potential to introduce distortions in the public sector.
2. Modify the primary balance rule for precision and coverage taking into consideration the primary balance rule is applicable to the reduction of the debt of the total public sector.
3. Define debt sustainability in the FRA or alternatively provide a formula for calculating the indicator that will be used to assess debt sustainability to avoid ambiguity and for ease of reference in operationalising the FRA.
4. If the wage bill rule is maintained, the Suspension Clause, which currently excludes the wage bill rule, should be modified to include this rule.
5. The debt target is to be achieved by 2035, and there is no annual target for individual years. Therefore, the FRA should specify that after any suspension, the measures adopted should facilitate the return to the annual ceilings established in the MTEFSR, rather than returning to the debt target.
6. Modify the appointment to the FROC to include at least two economists given the expanded legislated mandate of the Fiscal Resilience Act and the nature of the work of the FROC. As the functions of the FROC expand, it will become necessary to structure the FROC so it could effectively carryout its mandate.

Fiscal Transparency

The following are recommended to improve fiscal transparency:

- Ensure the timely publication of the monthly Fiscal Summary Report and the Quarterly Debt Bulletin.
- In the economic and fiscal reports, publish a consistent fiscal data series, including the public debt, covering at least five years (two years prior to the year under review, the year under review and two forward years).
- Develop a structure to facilitate the publication of the report on tax incentives as stipulated in the Public Finance Management Act.
- Present to Parliament the report on the National Transformation Fund, in accordance with the Public Finance Management Act.
- Establish the framework for wage negotiation, in accordance with the Fiscal Resilience Act.
- Accelerate the submission of the outstanding audited public accounts to Parliament to achieve compliance with the Public Finance Management Act.
- Improve fiscal transparency and accountability through the examination of the audited accounts by the Public Accounts Committee in accordance with the Standing Order of the House of Representatives.
- Strengthen the monitoring of statutory bodies and state-owned enterprises. As such, consider the establishment of a framework that would facilitate the imposition of penalties on the statutory bodies and state-owned enterprises for failure to submit the audited accounts to the Minister for onward submission to Parliament as required by the legislation.
- Strengthen the institutional arrangements for the management of public debt in accordance with the Debt Management Act.
- Examine the schedule for various legislated reports to ensure that the schedule is consistent with the availability of relevant data and information and the capacity of the Ministry of Finance to produce analytically robust and relevant reports by the stipulated timeframe and allow adequate time for review by the FROC.

Economic Growth and Transformation

The following are proposed:

1. Develop indicators or systems to measure the rate of productivity and the efficiency of doing business.
2. Strengthen policies and programmes to foster linkages in the economy.
3. Improve the timeliness and comprehensiveness of data to strengthen the assessment of the performance of the economy.
4. Update the Medium-Term Economic Strategy and Action Plan, particularly in light of the impact of the climatic hazards and the emerging unstable and unpredictable global environment.

INTRODUCTION

This report is prepared by the Fiscal Resilience Oversight Committee (FROC) in accordance with the Fiscal Resilience Act No 11 of 2023 which became effective 1st January 2024. The Fiscal Resilience Act (FRA) replaced the repealed Fiscal Responsibility Act No. 29 of 2015 and its amendments.

Based on the FRA, the Government is required to adhere to fiscal rules for the primary balance and the wage bill and a target for the public debt, except under conditions specified in the FRA.

The devastating impact of Hurricane Beryl on 1st July 2024 led to the activation of the Suspension Clause in the FRA. This also necessitated the Supplementary Appropriation Bill (2023), with an accompanying projection for negative fiscal balances for 2024. However, the fiscal outturn resulted in positive primary and overall balances, and the fiscal balances are projected to be negative for 2025 and 2026. The fiscal balances return to surpluses in 2027.

An assessment of the state of the economy in 2024, incorporating the impact of Hurricane Beryl and the November floods and landslides, is undertaken in Chapter One. In Chapter Two, the economic and fiscal performance for 2024 is compared with the projections in the Medium-Term Economic and Fiscal Strategy Report (MTEFSR) 2024 - 2026. Further, a comparison is undertaken of the projections in the MTEFSR 2024 - 2026 with the MTEFSR 2025-2027, and an analysis is undertaken of the fiscal and debt strategies. The chapter also identifies risks that could impact the Government's Medium-Term economic strategy. The compliance of the Government with the FRA in 2024 is assessed in Chapter Three, inclusive of the circumstances underpinning the activation of the Suspension Clause. The chapter also includes an assessment of the consistency of the 2025 national budget and the medium-term fiscal forecast (2026 and 2027) with the FRA. The compliance of the government with the principles of fiscal transparency and accountability is assessed in Chapter Four. In Chapter Five, the experience in 2024 with the operationalisation of the FRA is highlighted, and the recommended reforms, as outlined in the 2023 Annual Report, are reproduced.

INTRODUCTION (CONTINUED)

The report concludes with the conclusions from the assessment of the compliance of the Government with the FRA and recommendations that would support compliance with the fiscal rules and target, improve fiscal transparency and accountability, and strengthen the monitoring and reporting on compliance of the Government with the FRA.

CHAPTER 1: THE ECONOMIC AND SOCIAL CONTEXT: ANALYSIS OF ECONOMIC AND SOCIAL DEVELOPMENTS IN THE ECONOMY IN 2024

Key Messages

The external environment was marked by moderate economic growth, reduction in the rate of inflation, stable oil prices and some tightening of the labour market.

Grenada's economy continued to register sustained economic growth estimated at 3.7 per cent in 2024 following the growth rate of 4.5 per cent in 2023, despite being impacted by climatic hazards.

Fiscal performance improved with the outturn for 2024 more favourable than budgeted due mainly to the higher than projected revenue from the IMA and receipt of proceeds from CCRIF.

The total public debt, as a percentage of GDP, is on a downward trajectory and was lower than the ceiling established for 2024 in the MTEFSR (2024 – 2026).

The external account was characterised by a widened current account deficit, financed by substantial capital and financial inflows.

Developments in the commercial banking sector showed high liquidity, a reduction of the average rate on savings, low non-performing loan ratio and an increase in external investments.

Grenada's economy is projected to grow on average by 4.2 per cent over the medium term. The medium-term projections should be kept under constant review as the global environment is becoming increasingly unstable and unpredictable.

Introduction

Economic forecast of developments in Grenada's economy over the medium-term (2025 – 2027) is influenced by the performance of the economy in the previous year (2024). This chapter is therefore an assessment of the performance of Grenada's economy in 2024 during which there were major economic shocks. Climatic risks materialised with the drought conditions during the first half of the year, the passage of Hurricane Beryl on 1st July, the torrential rain and accompanying flooding and landslides of 8th to 19th November and the Grenville town flood of 19th December.

As a Small Island Developing State (SIDS), developments in the global economy, and in particular, the global trends in GDP, inflation and energy prices would have impacted on economic activities in Grenada. However, these impacts were overshadowed by the materialization of climatic risks.

The Chapter begins with an overview of the external macro-economic developments. This is followed by an overview of developments in the domestic economy in the context of the Government's economic strategy.

The assessment of the domestic economy begins with an analysis of economic growth in 2024 and the main sectors that contributed to growth. The analysis of the performance of the economic sectors is followed by a review of the external account namely the balance of payments.

The fiscal performance and debt developments are analysed in the context of economic growth, developments on the external account and policies pursued by the Government. The financial sector is assessed for its supportive role in sustaining economic activity.

In light of the stated goal of the Government to transform the economy to "A Sustainable, Equitable and Prosperous Grenada for All", the impact on the policy priorities of the Government, where necessary, is referenced in the assessment of the performance of the economy.

The Statutory Context

The Medium-term Economic and Fiscal Strategy Report (MTEFSR), which includes the Medium-term Fiscal Framework (MTFF), for 2025 to 2027, as submitted to Parliament on 7th March 2025, assesses the developments in the economy in 2024 and contained macro-economic and fiscal data for the 2025 fiscal year and two forward years as stipulated in Section 12 of the Public Finance Management Act (PFMA) as amended. The PFMA stipulates as follows:

(2) The Minister shall cause to be prepared a medium-term fiscal framework based on estimates for the fiscal year and for two consecutive years thereafter, which take into account the economic and development policies that are consistent with the Government's declared medium -term economic and fiscal objectives, including the fiscal obligations under the Fiscal Resilience Act.

The PFMA specifies the content of the MTFF to include, in summary, real GDP growth, the outturn from Central Government operations and the public debt.

The macro-economic and fiscal estimates for 2025 and over the medium-term are influenced by developments in the prior year (2024) and may extend beyond that period. Consequently, the assessment of the forecast for the medium-term (2025 – 2027) and the economic, fiscal and debt strategies are anchored in the performance of the economy in 2024.

Economic Developments in 2024

External Macro-Economic Developments

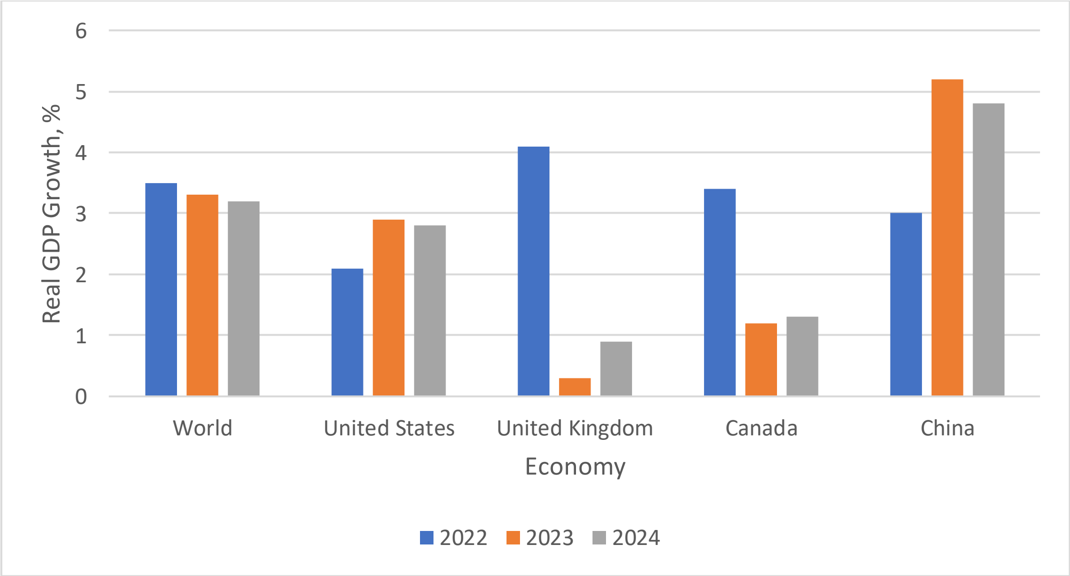
In 2024, the external environment and in particular, developments in Grenada's main trading countries, were marked by moderate economic growth, reduction in the rate of inflation, stable oil prices and some tightening of the labour market. Uncertainties persisted with the ongoing Russia/Ukraine war and the conflicts between Israel and Palestine and other countries in the Middle East, the onset of the strike by port workers and operators on the East Coast of the USA and the protest and strike of workers at the port in Trinidad and Tobago, and the extreme weather experienced by countries.

Economic Growth and Employment

Economic growth moderated in 2024 as the global economy is estimated to have expanded by 3.2 per cent in 2024, slightly lower than the 3.3 per cent growth in 2023. Specifically, among Grenada's main trading countries, growth in the USA of 2.8 per cent, which has a significant impact on global growth, was slightly lower than the 2.9 per cent in 2023. Moving from a low rate, there was a marginal increase in the rate of growth in the other major markets. The growth rate in the UK of 0.9 per cent and Canada of 1.3 per cent was slightly higher than the 0.3 per cent and 1.2 per cent respectively, in 2023. Meanwhile, the rate of growth in China, which has a strong influence on global growth, was estimated at 4.8 per cent for 2024, compared with the 5.2 per cent in 2023. (January 2025 update of the World Economic Outlook)

(Refer to Chart 1.1).

Chart 1.1: The Performance of the World Economy: Percentage Change (2022 – 2024)



Source: International Monetary Fund 2022-2025

In 2024, labour market conditions tightened in Grenada's main source market for tourism. Following a period of reduction in the rate of unemployment, unemployment increased in the major markets.

In the USA, the unemployment rate rose to 4.1 per cent in 2024, from an estimated 3.8 per cent in 2023. Over that same period, the unemployment rate rose from 3.9 per cent to 4.4 per cent in the UK and from 5.8 per cent to 6.7 per cent in Canada. (Refer to Table 1.1).

Table 1.1: Unemployment Rate in Grenada's Main Tourist Markets 2019-2024

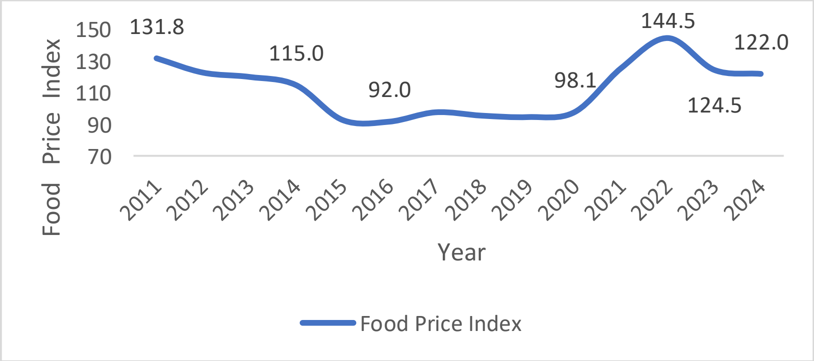
	2019	2020	2021	2022	2023	2024
Canada	5.6	8.9	5.9	5.0	5.8	6.7
USA	3.6	6.7	3.9	3.5	3.8	4.1
UK	3.7	5.3	4.2	3.9	3.9	4.4

Source: UK Office for National Statistics; U.S. Bureau of Labor Statistics; Statistics Canada

Inflation

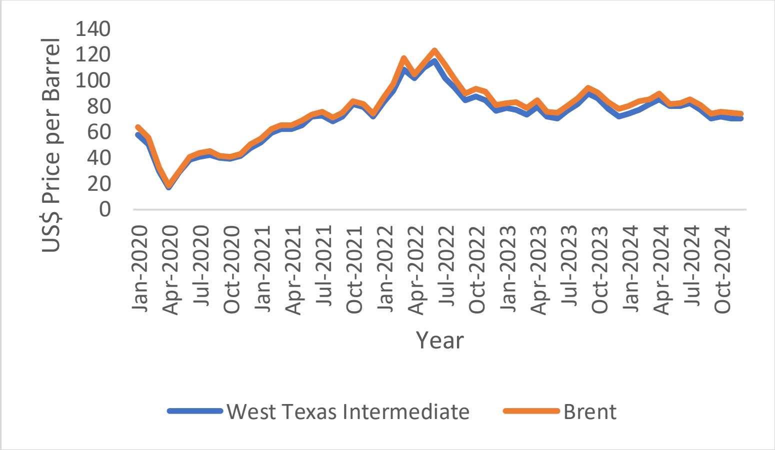
The rate of inflation eased in 2024. Global inflation declined from 6.7 per cent in 2023 to 5.8 per cent in 2024 (January 2025 update of the World Economic Outlook), on account of lower prices for food and energy. The Food Price Index fell from 124.5 per cent to 122.0 per cent, while oil prices per barrel fell from US$71.90 (WTI) and US$77.63 (Brent) to US$70.12 (WTI) and US$73.86 (Brent). See Charts 1.2 and 1.3.

Chart 1.2: World Food Price Index



Source: Food and Agriculture Organization

Chart 1.3: Global Oil Prices (US$ per barrel)



Source: U.S. Energy Information Administration

The inflation rate among Grenada's major trading countries fell during 2024 and stood at 2.9 per cent in the USA (3.4 % in 2023), 3.5 per cent in the UK (4.2% in 2023), and 2.4 per cent in Canada (3.9% in 2023).

The macro-economic external environment was relatively stable in 2024 amidst uncertainties associated with ongoing political conflicts. However, the impact of natural disasters had a more profound impact on developments in the domestic economy.

Developments in the Domestic Economy

The developments in Grenada's economy in 2024 could be subdivided into two phases, namely the pre-hurricane period (January to June) and post Hurricane Beryl (July to December). The performance of the economy for the period prior to Hurricane Beryl is reviewed, followed by an assessment of the overall performance of the economy in 2024.

The Economy Prior to the Impact of Hurricane Beryl

During the first half of 2024, the economy continued to register economic growth driven by the developments in the tourism industry. Total tourist arrivals increased by 3.4 per cent to 309,138. The stay-over visitors' category, which has the most significant impact on the economy, increased by 18.9 per cent to 103,027.

At the end of June, the economy was projected to grow by 3.9 per cent in 2024 (Grenada Staff Concluding Statement of the 2024 Article IV Mission June 20, 2024), driven mainly by continued expansion in tourism. Economic growth was accompanied by a reduction in the rate of unemployment which was estimated at 11.1 per cent based on the Quarterly Labour- Force Survey for the fourth quarter of 2023.

At the end of June, the fiscal outturn (primary and overall balances) was more favourable than targeted. Specifically, the Mid-Year Fiscal Review Report states: *During the first half of 2024, the Primary Balance, and Overall Balance including grants, stood at $216.2 million and $191.4 million, respectively (p.24)*. Further, The Grenada: Staff Concluding Statement of the 2024 Article IV Mission forecasted that *The clearing of the large backlog of CBI applications from the recent surge is projected to result in a large 2024 budget surplus of 9.5 per cent of GDP and further accumulation of government deposits (20th June 2024).”*

The passage of Hurricane Beryl on 1st July 2024, which devastated Carriacou and Petite Martinique and caused damage to the northern part of Grenada, affected developments in the economy. The following is the assessment of the overall developments in the domestic economy for 2024.

Overall Domestic Developments in 2024

Macro-Economic Performance

Real Growth

Based on the macro-economic indicators, growth in Grenada’s economy was sustained in 2024 and was accompanied with a lower rate of inflation.

For 2024, economic growth is estimated at 3.7 per cent, following a revised growth rate of 4.5 per cent in 2023[1].

[1] Economic growth was revised downward from 5.5 per cent to 4.5 per cent influenced mainly by the downward revision in the performance of the construction and agriculture sectors. This economic performance was influenced primary by the continued growth in tourism as proxied by the growth in the hotels and restaurant sector of 9.8 per cent. The construction sector recovered from the decline registered in 2023, however, growth was subdued in 2024 at 2.7 per cent while the wholesale and retail trade grew moderately by 5.4 per cent. The education sector, another major driver of economic activity, registered growth of 1.4 per cent. Among the other main productive sectors, the manufacturing sector is estimated to have grown by 5.9 per cent. Meanwhile, the agriculture sector is estimated to have contracted by 20.3 per cent.

The performance of the economy in 2024 was influenced by the impact of Hurricane Beryl and other climatic hazards, and this is taken into consideration in the assessment of the performance of the economic sectors.

Inflation and Employment

The inflation rate moderated in 2024; and fell to 1.2 per cent from 2.7 per cent in the previous year, on a Period Average basis. The trend in inflation was consistent with global trends, and in particular the movement in the inflation rate in Grenada's major trading markets. Based on the labour-force survey for the fourth quarter of 2023, the unemployment rate was placed at 11.1 per cent. Further employment/unemployment indicators, as derived from the labour-force surveys, were not available for 2024.

Assessment of Real Sector

The assessment of the performance of the real sectors focusses on the main contributors to GDP; noting that the outputs among these sectors are closely interlinked namely, tourism, construction, wholesale and retail trade, and education.[2] The performance of the manufacturing and agriculture sectors is included due to their strategic importance to Government policy of strengthening linkages in the economy. A statement is included on creative and digital economic activities which are priority areas supported by the Government.

Tourism

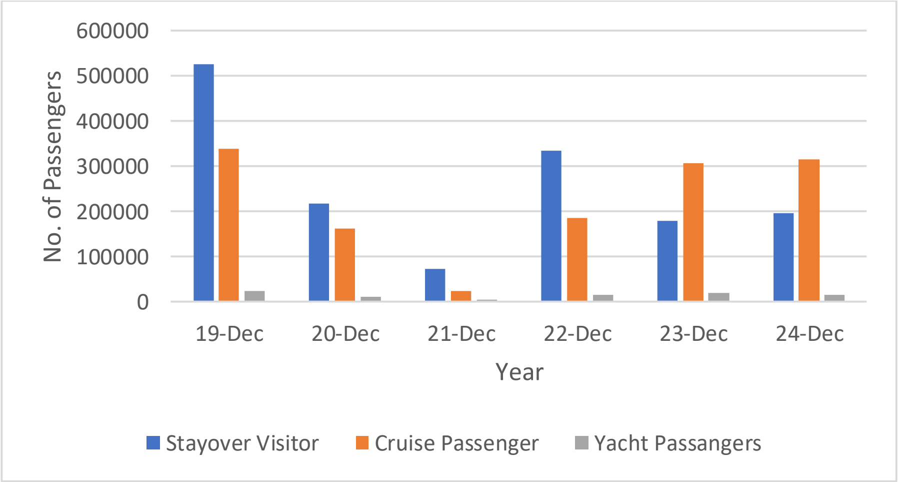
The tourism industry, which has the potential for propelling growth in the other sectors, continued to register growth in 2024 as total visitor arrivals increased by 4 per cent to 524,708 (Chart 1.4). This growth in total tourist arrivals was due to the increases in the stayover visitors (9.5 per cent) and cruise ship passengers (2.8 per cent) categories, as yacht passengers declined by 24.5 per cent. (Chart 1.5).

[2] The performance of education is not assessed. The number of registered students at the St Georges University is the indicator used to assess the performance of education. The number of registered students will need to be translated into an economic indicator to assess the growth in the sector, particularly as there are both national and international students and impacts on the economy are multidimensional.

Chart 1.4: Total Visitor Arrivals

Source: Statistics Department, Grenada
Ministry of Finance, Grenada

Chart 1.5: Visitor Arrivals by Main Category

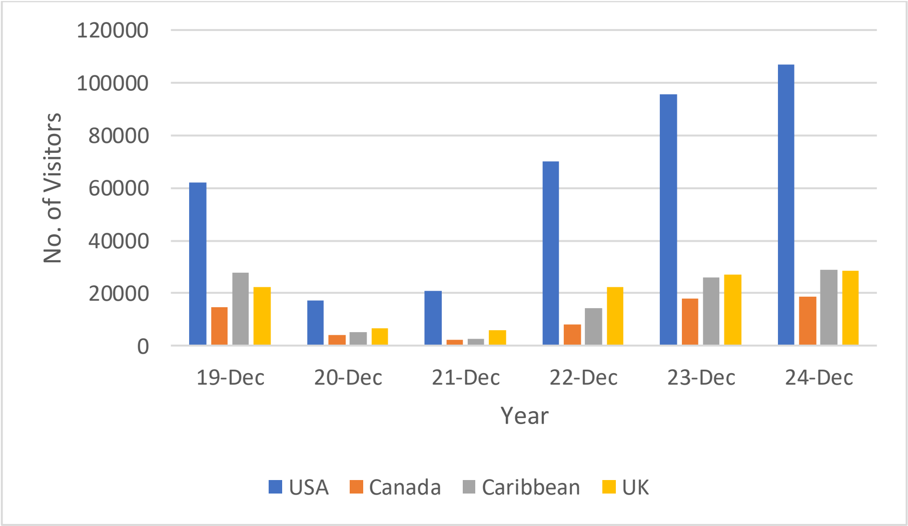


Source: Statistics Department, Grenada.
Ministry of Finance, Grenada

The tourism industry and, in particular the stayover visitor category, benefited from major events in 2024, including the 50th Independence Celebrations, the hosting of the 24th Caribbean Free Trade Association (CARIFTA) Games, and the convening of the 47th Regular Meeting of the Caribbean Community (CARICOM) Heads of Government. The growth in the industry was supported by increased airlift from Grenada's major markets and in particular the USA and Canada and from within the region; and was facilitated by the expansion in hotel room capacity.

The impact of Hurricane Beryl on the major tourist infrastructure was minimal on mainland Grenada. Stayover arrivals from all the major source markets expanded with growth recorded for the USA (11.6 per cent); Canada (4.5 per cent); the Caribbean (10.4 per cent); and the United Kingdom (6.2 per cent) (Chart 1.6). Overall, the Hotel and Restaurant sector recorded a growth of 9.8 per cent in 2024, influenced by the 9.5 per cent growth in stayover visitors.

Chart 1.6: Key Source Market Performance



Source: Statistics Department, Grenada
Ministry of Finance, Grenada.

Construction

The developments in the construction sector are of greater significance in 2024 as it is generally a leading growth sector after the passage of hurricanes. The construction sector is estimated to have expanded by 2.7 per cent in 2024, reflecting a 14.4 percentage points recovery from the reported decline of 11.7 per cent in 2023. Activities in the construction sector generally boost the economy in the aftermath of natural disasters, and the observed moderate growth in the sector is referenced in Chapter 2.

The rehabilitation and rebuilding work by both the public and private sectors following the passage of Hurricane Beryl; the continued work on the Inter-Continental Hotel; the implementation of some of the public sector projects notably the Molinere Landslip Rehabilitation Project, the Central Police Station, Grenada Climate Resilient Water Sector (G-Crews) project, the Government supported house repair and upgrade programme, and ongoing asphalt and concrete road works should have contributed to growth in the construction sector. The need for urgent rehabilitation and rebuilding following Hurricane Beryl, and administrative and capacity constraints would have contributed to lags in the implementation of some of the projects approved in the 2024 Estimates of Revenue and Expenditure.

Wholesale and Retail Trade

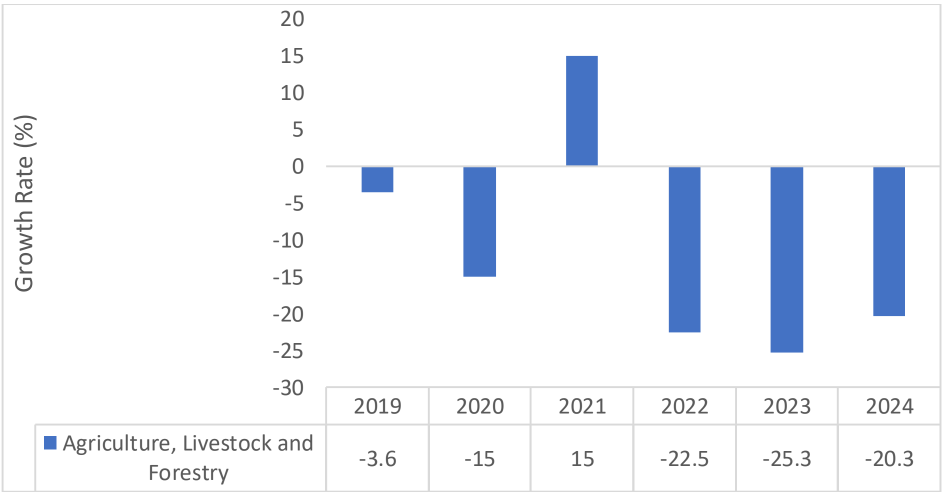
Growth in the wholesale and retail trade is closely linked with the performance of tourism and construction. This relationship would have varied somewhat in 2024. The MTFF (2025 – 2027) reports that large hotels importing goods and a rise in small retail establishments contributed to the performance of the wholesale and retail sector. This suggests a structural shift in the coverage of the wholesale and retail trade. In addition, the response to Hurricane Beryl would have contributed to changes due to a higher demand for consumer supplies and for recovery, rehabilitation and rebuilding supplies; some of which would have been channeled through the established wholesalers and retailers; and some of which would have been distributed directly from external private suppliers to the consumers.

The wholesale and retail trade sector recorded an estimated growth of 5.4 per cent in 2024. Similar to the construction sector, there is generally a boost in the growth in wholesale and retail sales after a hurricane. The moderate growth in wholesale and retail trade could therefore have been influenced by the changes in the operation of economic agents, and activities normally captured under wholesale and retail trade are not recorded. (See Chapter 2 for further analysis).

Agriculture and Manufacturing

The agriculture, forestry and livestock sector provides inputs to the agro processing manufacturing subsector. In 2024, the agriculture sector was adversely affected by extremes of weather conditions and in particular, the impact of Hurricane Beryl and the November torrential rain and the accompany flooding and landslides. The data shows a 20.3 per cent decline in the agriculture sector on account of an estimated decline in the production of all the following major crops: bananas (18.1), cocoa (32.2), and nutmeg (31.0). This outturn was further aggravated by an estimated decline in fish production. (Chart 1.7).

Chart 1.7: Growth Rate of the Agriculture, Livestock & Forestry Sector (2019-2024)



Source: Medium Term Economic and Fiscal Strategy Report 2024-2026, Ministry of Finance, Government of Grenada (2023)

Medium Term Economic and Fiscal Strategy Report 2025-2027, Ministry of Finance, Government of Grenada (2025)

Assessment of the External Sector

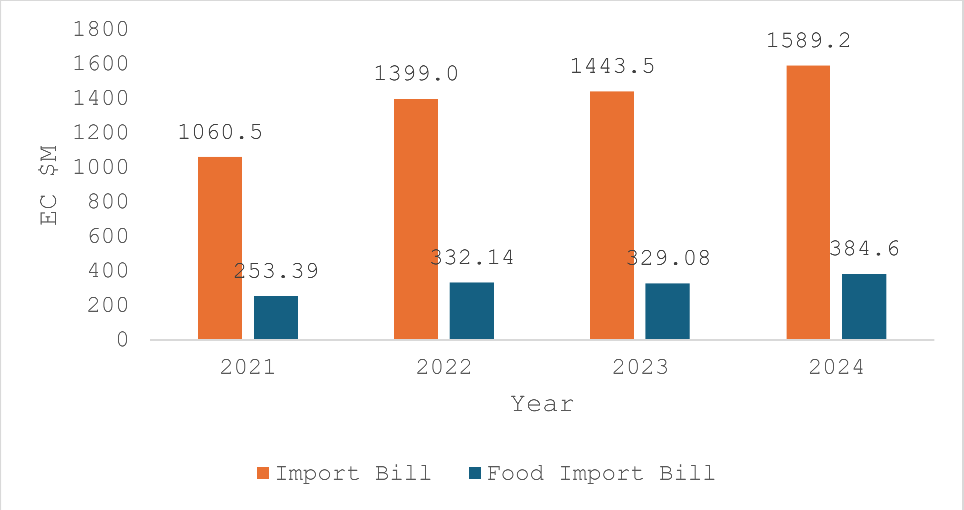
Grenada's transactions on the external account reflected developments in the domestic economy. This was manifested by the deficit position from trading in goods and services which was financed primarily by inflows on the capital account and, in particular, receipts from the IMA and proceeds from CCRIF. As such, the dominant feature of the balance of payments was the widening of the current account deficit and significant capital and financial inflows.

The Current Account: Trade in Goods and Services

The current account deficit is estimated to have widened by 16.3 per cent to $764.6M, compared with a deficit of $657.4M in 2023.

The development on the current account was mainly influenced by an 18.2 per cent increase in the merchandise trade deficit to $1,472.6M as a result of a higher import bill which increased by 10.1 per cent to $1,589.2M. Along with the growth in imports normally associated with economic growth, the recovery, rehabilitation and reconstruction following the passage of Hurricane Beryl would have contributed to the higher import bill. The higher revenue from import duty of 5.5 per cent, the customs service charge of 5.3 per cent, and the VAT collected at the port of 2.4 per cent, despite the granting of tax relief, supported the estimate of a higher import bill. The food category of imports, estimated at 24.2 per cent, continues to be an important component of merchandise imports. (Chart 1.8)[3].

Chart 1.8: Total Import and Food Import Bill (2021 – 2024)



Source: Statistics Department, Grenada; Eastern Caribbean Central Bank, St Kitts Website - retrieved 21st March 2025

[3] Strong growth in the tourism industry is consistent with greater visible trade in goods, primarily on the import side, thereby contributing to a larger current account deficit.

The impact of the higher imports on the merchandise trade account was partially offset by the surplus from trade in services which increased from $986.1M to $1,087.8M. The main contributing factors were the growth in travel inflows of 12.7 per cent to $1,872.4M.

The surplus on the services account was further boosted by inflows of secondary income, mainly remittances which increased from $125.9M in 2023 to $152.8M in 2024.

These surpluses were moderated by payments mainly for transportation services, and other business and professional services. In particular net payments for other business and professional services increased from $340.4M in 2023 to $411.2M in 2024, despite the reduction in the number of approved work permits as shown in Table 1.2 on the importation of labour and service providers. The data from the Department of Labour reveal that in 2024, 568 work permits were approved, in addition to the 172 that were granted exemptions. Some of the key industries for which work permits were granted continue to be construction; hotel/tourism/catering; entertainment/arts/culture/sports; marine/yachting; and health services (Table 1.2).

Table 1.2: Selected Work Permit Approvals by Industry/Sector for the Period 2023-2024

	2023		**2024**	
Industry/Sector	Total Number of Approvals	Total Number of Exemptions	Total Number of Approvals	Total Number of Exemptions
Construction	171	58	189	110
Hotel/Tourism/Catering	105	1	194	19
Entertainment/Arts/ Culture/Sports	64	45	47	43
Marine/Yachting	47	1	78	0
Health Services	15		33	0
Managerial	15	1	4	0
Financial	11	1	4	0
Manufacturing	8		14	0
Mechanics	5	1	5	0
Total	**631**	**215**	**568**	**172**

Source: Department of Labour, Grenada; as submitted by the Ministry of Finance on 25th January 2023 and 21st January 2025

The Capital Account: Specific Types of Asset Transfers and Non-Financial Assets

Inflows on the capital account partially offset the deficit on the current account. Consistent with the significant inflows to general government in 2024, the capital account surplus is estimated to have widened to $670.8M, up from $343.2M in the prior year, driven by receipt by the IMA.

Contributing also to the surplus on the capital account are the inflows from CCRIF and the inflows of capital grants. The aggregation of the net foreign exchange outflows of $764.6M on the current account with the foreign exchange inflows of $670.8M on the capital account resulted in a gap of $93.8M.

The Financial Account: Investments and Financial Transactions with External Agents

On the financial account, the estimated Foreign Direct Investment (FDI) of $748.06M was higher than the $614.63M in 2023. The inflows of FDI were dampened by outflows associated with portfolio investment of $389.13M and other investment of $329.94M, reflecting outward investments by financial institutions. (Table 1.3).

Table 1.3: Key Components of the Balance of Payments[1] (EC$M)

	2019	2020	2021	2022	2023	2024
Current Account Balance	(339.39)	(453.74)	(435.70)	(-400.80)	(657.38)	(764.55)
Merchandise Trade Balance	(998.27)	(856.57)	(940.95)	(1,233.91)	(1,245.77)	(1472.63)
Services Trade Balance	956.55	543.09	714.16	1,021.08	986.14	1087.75
Workers Remittances	164.94	184.88	162.93	162.93	181.97	208.76
Capital Account	167.44	212.40	150.49	128.39	343.18	670.82
Balance on Current + Capital Account	(170.95)	(241.34)	(285.20)	(272.41)	(314.20)	(93.74)
Financial Account Balance	175.45	201.93	314.82	238.51	510.07	98.84
Of which: Foreign Direct Investment[2]	549.49	402.29	425.92	465.53	614.63	748.06
Portfolio Balance[3]	(125.86)	(5.02)	(10.65)	(264.65)	(293.27)	(389.13)
Other Investment Balance[4]	(189.30)	(82.02)	38.49	158.16	295.68	(329.94)
Change in Imputed Reserves	8.90	153.20	89.80	76.34	98.91	-96.88

Source: Eastern Caribbean Central Bank, St Kitts.
Balance of Payments Analytic Presentation retrieved 1st April 2025

Notes:
1. A positive sign indicates an inflow of foreign reserves and a negative sign indicates an outflow.
2. Refers to gross foreign direct investment inflows.
3. Comprises mainly lending abroad by deposit-taking corporations (Debt securities assets), equity investment abroad and the repayment of foreign loans by the government. All these transactions require the use of foreign exchange.
4. Comprises investment in currency and deposits primarily by of the banking sector.

Fiscal and Debt Performance

Fiscal Performance

The fiscal performance in 2024 was characterised by large positive fiscal balances, which were higher than the budgeted amount for the year. The recorded primary and overall surpluses of $432.9M (11.3 per cent of GDP) and $310.5M (8.1 per cent of GDP), resulting in the further accumulation of Government deposits at the commercial banks. The fiscal balances were also in surplus in 2023, recording primary balances of $339.3M or 9.4 per cent of GDP and the overall balance of $286M or 7.9 per cent of GDP in 2023.

The Government originally budgeted a primary surplus of $57.2M or 1.5 per cent of GDP and an overall surplus of $0.6M or 0.02 per cent of GDP in 2024. A supplementary budget of $269.6M was approved by Parliament on 27th August 2024 in light of the need to respond to the impact of Hurricane Beryl, which augmented mainly the capital component of the budget. Capital expenditure, estimated at $238.6M and current expenditure of $31.1M, were approved in the supplementary budget. (See Table 1.4).

Table 1.4: Supplementary Budget Estimates for 2024

EC$			EC$	
Total Expenditure	269,598,086		Total Financing	269,598,086
Current Expenditure	31,011,296		*CCRIF	118,800,000
Capital Expenditure	238,586,790		Capital Grant	5,368,472
			Domestic Revenue/Reserves	145,429,614

Source: The Supplementary Appropriation Bill and the explanatory notes presented to Parliament by the Minister for Finance on 27th August 2024

The more favourable fiscal performance was due to a higher than budgeted current account surplus. The current account surplus was $731M (19.1 per cent of GDP), significantly higher than the budgeted $315.5M and the $599.9M realised in 2023. This performance was influenced primarily by the higher than budgeted non-tax revenue of $756.3M, associated with the increased receipt of $553.7M from the IMA, and the recording of CCRIF funds of $118.0M in non-tax revenue.

Table 1.5: Revenue from the IMA in EC$M

	2023	2024
Non-tax Revenue	454.1	756.3
Of Which IMA	381.6	553.7
Of Which CCRIF	-	118.0

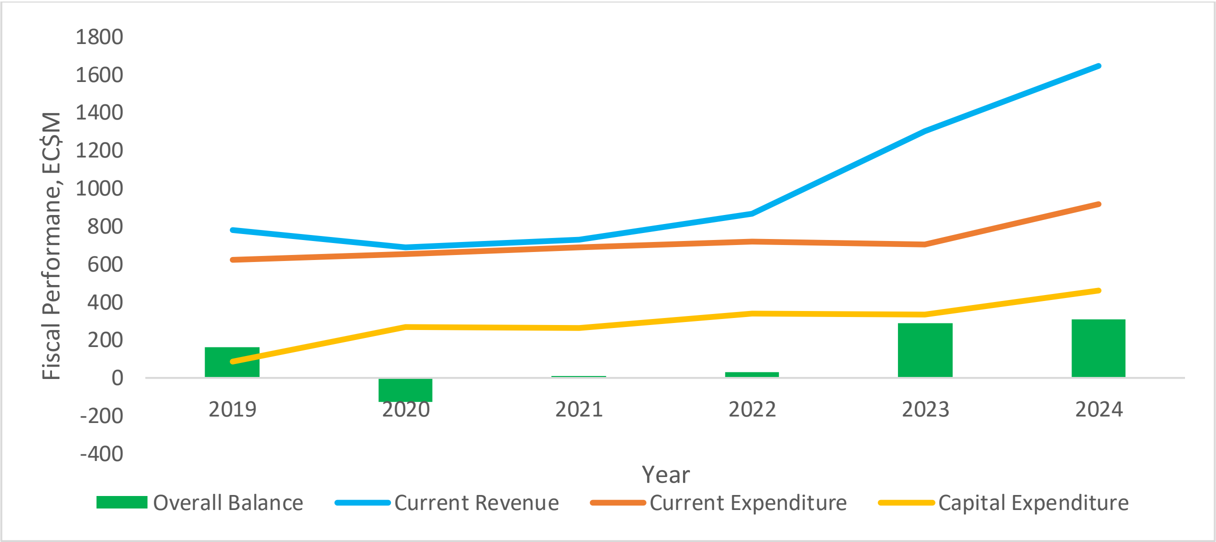
Source: Medium Term Economic and Fiscal Strategy Report 2025-2027, Ministry of Finance, Government of Grenada (2025)

The growth in non-tax revenue compensated for the less buoyant tax revenue in 2024, as the Government granted tax relief in response to the impact of Hurricane Beryl.

Tax revenue increased moderately by 5.0 per cent to $890.6M and was higher than the budgeted $853.7M. All the categories of taxes were higher than the amount the Government budgeted to collect, except taxes on Domestic Goods and Services, which were marginally lower than budgeted. Compared with 2023, all tax categories increased in 2024, except property tax which declined.

With these developments, current revenue of $1,646.9M was higher than the budgeted $1,216.8M and represented 26.5 per cent increase compared with 2023. (Chart 1.9).

Chart 1.9: Fiscal Performance: 2019 – 2024 (EC$M)



Source: Medium Term Economic and Fiscal Strategy Report 2024-2026, Ministry of Finance, Government of Grenada (2023)

Medium Term Economic and Fiscal Strategy Report 2025-2027, Ministry of Finance, Government of Grenada (2025)

Current expenditure of $915.9M was within the budgeted amount of $932.3M (an aggregation of the budgeted current expenditure of $901.3M and the supplementary budgeted expenditure of $31M) and increased by 30.4 per cent ($213.6M). This was influenced by increases in all the categories of current expenditure. The analysis of the components of current expenditure relative to the budget was not assessed as the supplementary budget did not include a disaggregation of the $31M of current expenditure.

The capital budget for 2024 was augmented with the supplementary budget of $238.6M, yielding a total capital budget of $658.2M. The total capital expenditure of $461.4M was less than the budgeted capital expenditure of $658.2M and was 38.9 per cent ($129.2M) higher than 2023. Capital expenditure was redirected to the recovery, rehabilitation and rebuilding following the passage of Hurricane Beryl and in particular, rebuilding the social and economic infrastructure in Carriacou and Petite Martinique.

Some of the on-going projects included the rehabilitation of Fort George, the construction of the Central Police Station and the Molinere Landslip Rehabilitation Project. (See Appendix II with comparison of budgeted and fiscal outturn for 2024).

The resulting overall surplus of $310.5M from Central Government operations was applied to net amortisation of $40.5M, resulting in available resources of $270M. At the end of 2024, the Central Government net positive position with the commercial banks was $849.9M.

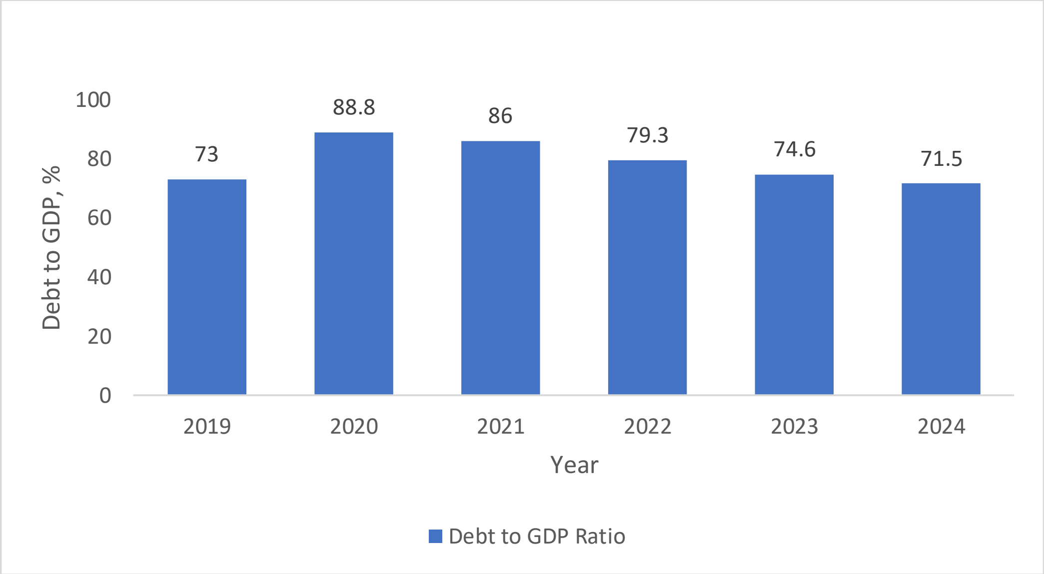
Public Debt

The total public sector debt of 71.5 per cent of GDP for 2024 was within the approved ceiling of 73.3 per cent of GDP. 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, compared with $2,690.7M in 2023. This decline in the public debt, as a percentage of GDP, was influenced by the faster growth in GDP.

Central government debt, which comprised 80 per cent of the total public debt, declined from 59.7 per cent of GDP in 2023 to 57.5 per cent of GDP in 2024.

In absolute terms, the central government debt increased by $48.3M to $2,203.9M. The debt of statutory bodies and state-owned enterprises declined from 14.8 per cent of GDP to 14 per cent of GDP and remained virtually unchanged at $535.1M.

Chart 1. 10: Public Sector Debt to GDP (per cent)



Source: Medium Term Economic and Fiscal Strategy Report 2024-2026, Ministry of Finance, Government of Grenada (2023)

Medium Term Economic and Fiscal Strategy Report 2025-2027, Ministry of Finance, Government of Grenada (2025)

Assessment of the Financial Sector

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.

Consistent with the growth in the economy, the broad money supply (Monetary Liabilities) in Grenada rose by 8.4 per cent ($271.1M) to $3,484.1M as of December 2024. This was reflective of an increase in currency in circulation (11.3 per cent), checking deposits (1 per cent), savings deposits (6.1 per cent), and foreign currency deposits (9.3 per cent).

Commercial Banks

In 2024, the banking sector was characterised by high liquidity, a reduction in non-performing loans, growth in credit to the private sector; and a wider interest rate spread due to a reduction in the weighted average saving rate.

The commercial banks continued to record high levels of liquidity with the ratio of total loans to deposits at 51 per cent, well below the prudential guideline of 80.0 to 85.0 per cent (Chart 1.11).

Chart 1.11: Commercial Banks - Total Loans to Deposit Ratio (per cent)

	2020	2021	2022	2023	2024
Loans to Deposit Ratio	52.1	51.5	50.0	50.8	51.0

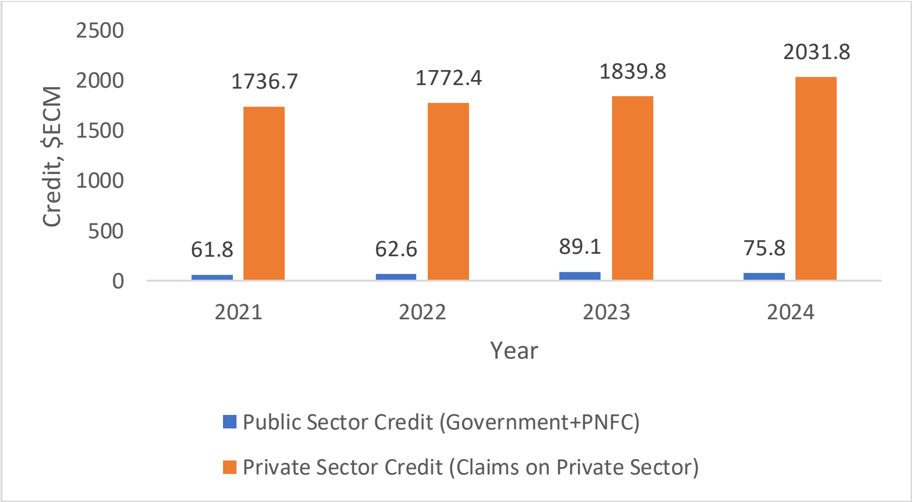
Source: Eastern Caribbean Central Bank, St Kitts, Website - retrieved 21 March 2025

In the midst of the high liquidity, the lending rates remained stable except for the increase of the maximum rate on Residential Mortgages which rose from 9 per cent in 2023 to 12 per cent in 2024. The average interest rate on savings declined marginally from 1.81 per cent to 1.79 per cent, resulting in a widening of the interest rate spread in 2024.

Total credit to the private sector (Claims on the Private Sector) expanded by 10.4 per cent ($192.0M) to $2,031.8M (Chart 1.12). A further disaggregation of the data reveals that the movement in private sector credit was driven by business credit, which increased by 19.8 per cent ($106.4M) to $643.8M, while credit to households rose by 6.6 per cent ($85.2M) to $1,387.8M. On the public sector side, the net credit position of the Central Government increased from $561.1M to $849.9M.

The deposits in the banking system were further augmented by higher net deposits by the National Insurance Scheme of $8.3M and Public Non-Financial Corporations (Statutory Bodies and State-own Enterprises) of $3.6M. Meanwhile, Loans to Public Non-Financial Corporation decreased from $89.1M in 2023 to $71.2M in 2024.

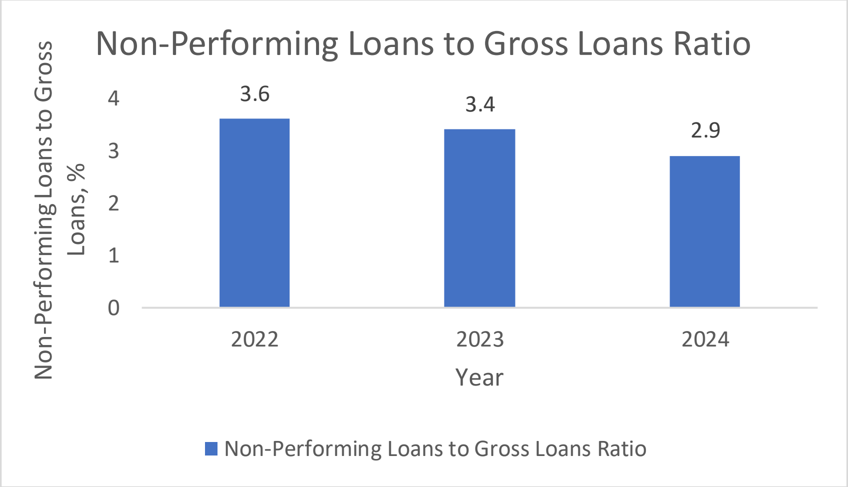
Chart 1.12: Commercial Banks - Credit to the Public and Private Sectors (EC$M)



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

With high liquidity and comparatively moderate expansion in domestic credit, the external assets of the commercial banks increased by $422.2M (31.2 per cent) to $1,776.6M. The non-performing loans (NPLs) ratio declined from 3.4 per cent to 2.9 per cent as of December 2024 (Chart 1.13).

Chart 1.13: Commercial Banks - Non-Performing Loan Ratio (per cent)

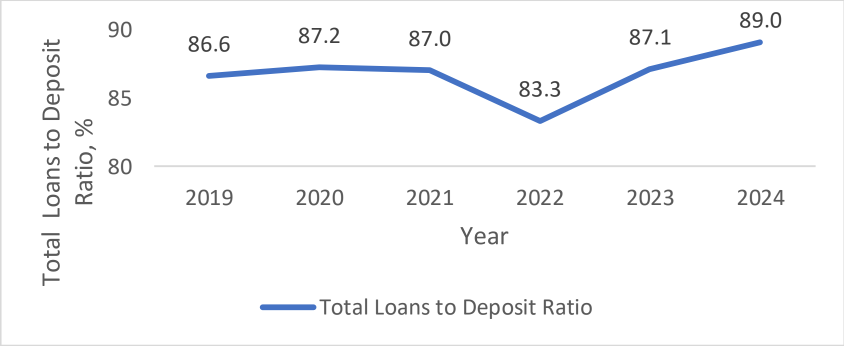


Source: Eastern Caribbean Central Bank, St Kitts, Website - retrieved 21 March 2025

Credit Unions

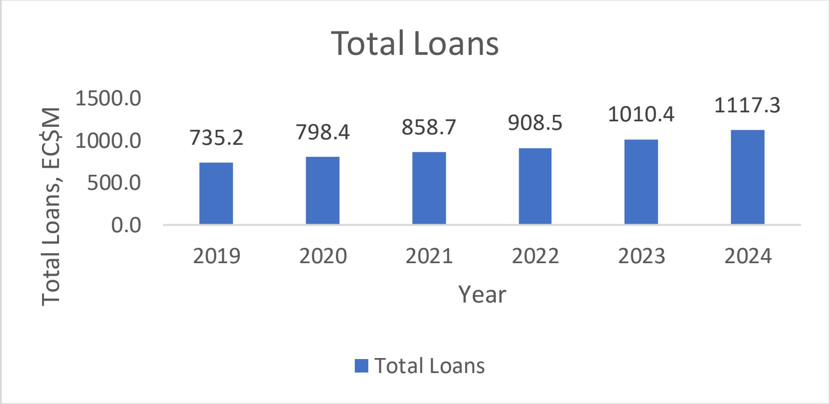
Compared with the commercial banks, the credit unions recorded tighter liquidity and higher NPLs. Liquidity in the credit union sector was reflected in the loans to deposit ratio of 89 per cent in December 2024, above the recommended benchmark of 80.0 to 85.0 per cent (Chart 1.14). This development was 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 (Chart 1.15).

Chart 1.14: Credit Unions – Total Loans to Deposit Ratio (per cent)



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

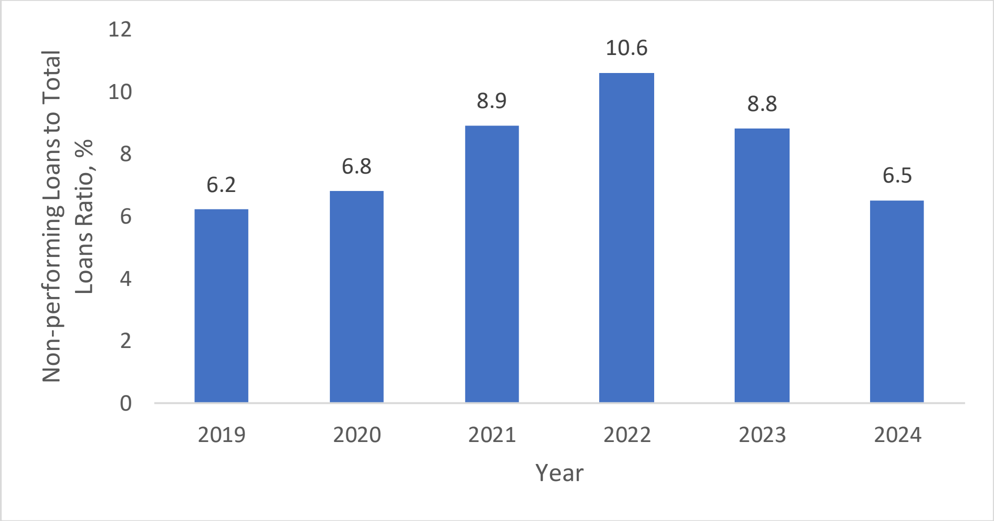
Chart 1.15: Credit Unions – Total Loans (EC$M)



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

Meanwhile, the asset quality of credit unions improved, reflected in a decline in the non-performing loans (NPL) ratio to 6.5 per cent, relative to 8.8 per cent in 2023, but still above the prudential benchmark of 5.0 per cent. (Chart 1.16).

Chart 1.16: Credit Unions – Non-Performing Loans Ratio (per cent)



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

Projected Economic Growth

Grenada's economy is projected to grow on average by 4.2 per cent over the medium term. However, the global environment is becoming increasingly unstable and unpredictable.

The measures being adopted by the USA are reverberating across all countries and have the potential to disrupt international trade flows and suppress economic activity globally. Consequently, higher rates of inflation and a slowdown in global output are projected and this will have adverse implications for the domestic economy. Therefore, the projected growth rate should be kept under constant review for the adoption of appropriate response measures.

Conclusion

Grenada's economy continued to record sustained economic growth in 2024 despite the passage of Hurricane Beryl and occurrence of other climatic hazards. With the higher imports associated with the growth in the economy and for the recovery, rehabilitation and rebuilding activities after Hurricane Beryl, the merchandise trade deficit widened, and the gap was partially offset by growth in the services balance. The widened current account deficit was financed primarily by capital inflows related to IMA. The fiscal balances were favourable and significantly higher than budgeted, influenced mainly by inflows from the IMA and proceeds from the CCRIF.

The financial system was stable and was characterised by high liquidity, leading to the accumulation of foreign assets.

The forecast for economic growth should be kept under constant review due to the unstable and unpredictable global environment.

CHAPTER 2: THE MEDIUM-TERM ECONOMIC OUTLOOK AND THE GOVERNMENT STRATEGY

Key Messages

The projected economic growth for the medium-term was higher than the original forecast due, in part, to the response to the impact of the adverse climatic conditions in 2024.

The fiscal performance for 2025 and 2026 deviated from previous forecast as the primary and overall balances turned negative.

In 2027, the fiscal balances return to primary and overall surpluses.

The overall fiscal deficit for 2025 will be financed primarily by a reduction in reserves.

In 2026, the Government will need to balance among the options of accelerating disbursements on existing debt, contracting new debt and reducing reserves to finance the deficit.

The total public debt, as a percentage of GDP, is projected to decline over the medium-term and to remain in line with that previously projected.

Given the planned contraction of new debt over the medium term, the FROC urges the implementation of the institutional arrangements for the management of the public debt.

The Medium-term Strategy and Action Plan would need to be modified to incorporate responses to the impact of the climate hazards and the rescheduling of some planned public sector projects.

Introduction

This chapter is a comparative assessment of the outturn and projections in the Medium-term Economic and Fiscal Strategy Reports (MTEFSR 2024 – 2026 and MTEFSR 2025 - 2027) as submitted to Parliament during the presentation of the national budgets, and data and information submitted to the FROC by the Ministry of Finance. It includes an assessment of the Government's economic, fiscal and debt strategies for the medium-term.

The chapter begins with a comparison of the original projected economic growth for 2023 and 2024 with the revised economic growth for these years, as well as for the medium-term (2025 – 2027). This is followed by a comparative assessment of the projections for the fiscal performance in 2025 and for the medium- term in the context of the fiscal and debt strategies for 2025 – 2027. The risks to the fiscal and debt strategies are also identified. Developments related to the economic and social strategies are then highlighted given the Government's stated medium-term programmes and projects. Recommendations to enhance economic, fiscal and debt management are included in the chapter.

The Statutory Context

The chapter is in accordance with Section 5 of the Fiscal Resilience Act (FRA) which, among others, the objective of the Act is to ensure fiscal and debt sustainability, and the prudent management of fiscal risk as follows:

(c) to ensure that debt is reduced to, and then maintained at, a prudent and sustainable level by maintaining primary surpluses that are consistent with this object; and

(d) to ensure prudent management of fiscal risks.

The FRA, in Section 12, outlines the content of the Annual Report in relation to assessing the fiscal outturn as follows:

(4) An annual report prepared pursuant to subsection (3) (b) shall include–

(a) the progress made towards compliance with the fiscal rules and targets in this Act, with respect to the relevant fiscal year, including an assessment of the actual fiscal outturns compared to the medium-term fiscal framework approved with the annual budget;

Further, Section 12 of the Public Finance Management Act (as amended) identifies the real GDP as a core reporting requirement for the MTFF and states:

(3) Without prejudice to the generality of subsection (1), the medium-term fiscal framework shall contain the Government fiscal policy objectives over the medium term, a statement showing the progress made towards compliance with the fiscal rules and targets under the Fiscal Resilience Act and the strategies and priorities for achieving its fiscal objectives, setting out the medium-term macroeconomic forecasts for—
(a) real GDP growth;

Of significance, the fiscal rules and the debt target in the FRA are presented as percentages of GDP. Therefore, it is necessary to examine developments related to the GDP. In addition, sustained economic growth is a prerequisite for maintaining fiscal and debt sustainability which is the core objective of the Fiscal Resilience Act.

Comparison of the Medium-term Fiscal Frameworks

Real Economic Growth

The FROC noted the revisions to the estimated and projected growth rates for 2023 to 2026. According to the Economic and Fiscal Strategy Report (2024 – 2026) presented to Parliament on 4th December 2023, the economy was expected to record growth of 5.5 per cent in 2023, and slower growth of 3.6 per cent for 2024, with projection of growth of 3.0 per cent for 2025 and 4.2 per cent for 2026. These growth projections have been subsequently revised in MTEFSR 2025-2027.

Based on the MTEFSR (2025 – 2027), the FROC noted the revision to the growth rate for 2023. The projected economic performance over the medium-term is also expected to deviate from the original forecast due, in part, to the adverse climatic conditions in 2024 and, in particular, the drought-like conditions during the first half of the year, the impact of Hurricane Beryl of 1st July, the torrential rain and the accompanying flooding and mudslides that occurred between 8th to 19th November and the Grenville town flood of 19th December.

Revised Real GDP Growth for 2023

The real GDP growth for 2023 was revised downward to 4.5 per cent compared to the original forecast of 5.5 per cent. Steep downward adjustments were recorded for Agriculture (-25.3 per cent compared with the original estimate of -6.0 per cent); and Construction (-11.7 per cent compared with the original estimated growth rate of 12.6 per cent).

While upward revisions in growth were reported for Manufacturing (12 per cent compared with the original estimate of 4.3 per cent) and Wholesale and Retail Trade (17.2 per cent compared with the original 2.8 per cent). The estimates for Hotels and Restaurants and Education, the other major drivers of GDP, did not change significantly. (Refer to Table 2.1).

The material revisions to the growth rates for 2023 suggest that the methodology for arriving at the GDP estimates needs to be re-examined.

Comparison of Real Growth for 2024

The MTEFSR (2024 – 2026) projected a real growth rate of 3.6 per cent for 2024. This has been revised to 3.7 per cent in the MTEFSR (2025 – 2027).

Growth was led by the tourism sector, proxied by hotels and restaurants and subdued growth was recorded for the other key sectors.

Growth of 2.7 per cent and 5.4 per cent were recorded for the construction and the wholesale and retail trade sectors, respectively. The estimated growth for these sectors should be re-examined given the reconstruction effort that was undertaken following Hurricane Beryl of 1st July and the recovery efforts following the November torrential rain and the accompanying flooding and mudslides of 8th to 19th November. The rehabilitation and reconstruction activities impacted on these two sectors. Specifically, capital expenditure of the Central Government increased by $129.2M in 2024, from $332.2M in 2023 to $461.4M in 2024. The capital expenditure of statutory bodies and state-owned enterprises would have increased the public sector investment in 2024. Further, the hurricane occurred on 1st July allowing for six months of reconstruction and rebuilding activities by the public and private sectors. These developments should have contributed to heightened activity in the construction sector and the wholesale and retail trade. The FROC examined other indicators in reviewing the performance of the wholesale and retail trade and noted the increased revenue from taxes on imports (import duty, VAT collected at the Port and the customs service charge) and the growth in currency in circulation and hence the recommended review of these sectors. (Refer to Table 2.1).

The FROC noted that the creative and digital economy is a priority and a strategic focus of the Government. However, developments in that area are not included in the analysis of the performance of the economy. The Government has provided administrative, technical and financial support to this sector. Therefore, it is important to assess the impact of the sector in the analysis of the growth performance of the economy.

The FROC is of the view that the estimated growth rate for 2024 should be reviewed carefully to ensure there is full coverage of all economic activities and, given the estimates for construction and wholesale and retail trade, the growth rate reflects developments in these sectors.

Table 2. 1: Comparison of Growth Forecasts for 2023 and 2024 (Per cent Change)

	Est.[1]	Revised Est.[2]	Est.[1]	Revised Est.[2]
	2023	**2023**	**2024**	**2024**
Construction	12.6	-11.7	7.9	2.7
Hotels and Restaurants	15.6	19.3	28.1	9.8
Wholesale & Retail	2.8	17.2	3.8	5.4
Agriculture, Livestock and Forestry	-6	-25.3	2.1	-20.3
Manufacturing	4.3	12.0	3.4	5.9
Education	3.8	3.6	1.5	1.4
Real GDP Growth	5.5	4.5	3.6	3.7
Nominal GDP (EC$ M)	3616.43	3608.3	3845.9	3830.1

Source: Medium Term Economic and Fiscal Strategy Report 2024-2026, Ministry of Finance, Government of Grenada (2023)

Medium Term Economic and Fiscal Strategy Report 2025-2027, Ministry of Finance, Government of Grenada (2025)

Assessment of Real GDP Growth over the Medium-Term

Real economic growth for the medium-term was revised upwards. The MTEFSR (2024 – 2026) had projected growth rates averaging 3.6 per cent over the medium-term (3.6 per cent in 2024, 3.0 per cent in 2025 and 4.2 per cent in 2026). The revised forecast in the MTEFSR (2025 – 2027) projects higher growth rates with an average growth rate 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).

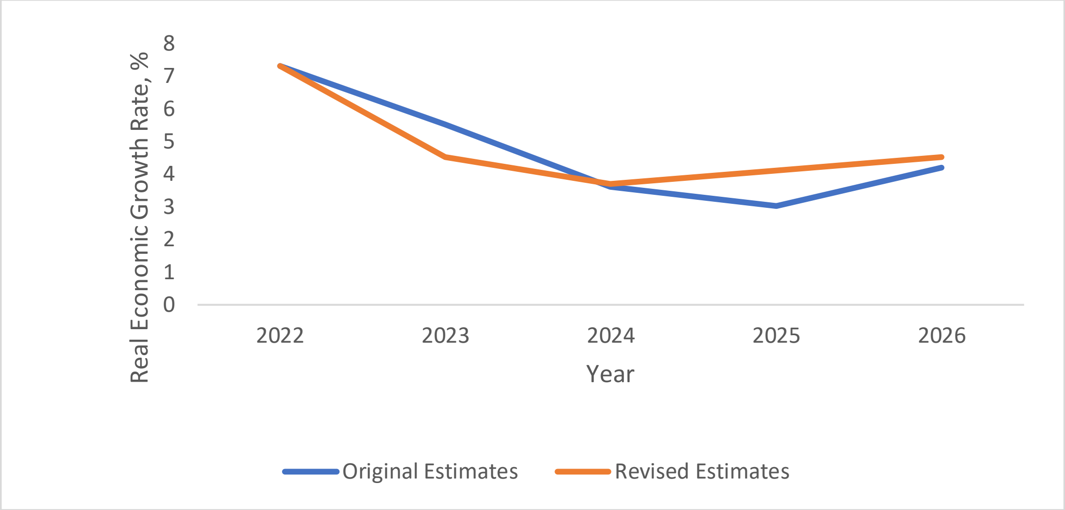
The detailed assumptions and accompanying data underlying the projected performance of the various sectors are necessary to evaluate the growth forecasts for the period 2025 to 2027. The GDP growth is primarily driven by the performance of the Construction, Hotels and Restaurants, Wholesale and Retail Trade and the Education sectors. As such, data should be provided on these sectors to support the projected growth rates over the medium-term. Notwithstanding, the projected growth should be kept under constant review as the global environment is becoming increasingly unstable and unpredictable, with projected slowdown in global output.

Specifically, GDP is the foundation for analysing the growth performance of the economy and the performance of the other sectors. It is therefore important that the estimates reflect the developments in the economy and the rationale for variations from preliminary estimates be clearly articulated. The inclusion of prices, taxes and subsidies in the calculation of real growth at market price which, in some cases account for material revisions to the GDP, suggests the need to also examine real GDP at factor cost to gauge the developments in the productive sectors without the distortions caused by taxes and subsidies. As such, the FROC 2023 Annual Report stated:

This development raises the issue of whether the real GDP at market prices is the indicator that should be used to gauge production and productive capacity of the economy; or whether the GDP at factor cost is the most appropriate indicator. It is also timely for the coverage of the estimates of GDP, the method of gathering information and the methodology for compiling the GDP to be examined to ensure that the GDP reflects the output of the economy (FROC 2023 Annual Report p. 62).

The Comparative estimates for economic growth for 2022 to 2026 are shown in Chart 2.1 and Appendix 2.

Chart 2. 1: Comparison of Estimates of Economic Growth Rates for 2022 to 2026



Source: Medium Term Economic and Fiscal Strategy Report 2024-2026, Ministry of Finance, Government of Grenada (2023)

Medium Term Economic and Fiscal Strategy Report 2025-2027, Ministry of Finance, Government of Grenada (2025)

Fiscal and Debt Strategies and Analysis

Fiscal Strategy

The Government's fiscal strategy over the medium-term continues to be that of generating adequate resources to ensure stability of the public debt. The focus of the fiscal strategy is to generate adequate domestic revenue to finance the projected higher expenditure, thereby reducing the need to contract new debt.

The higher estimated tax revenue will be influenced, in part, by the growth in GDP. The correlation between the growth in tax revenue and GDP is likely to be less in 2025 than in previous years due to the granting of tax relief for the reconstruction effort following the impact of the climatic hazards. The strategy is for additional revenue to be gained through improved tax administration and the application of technology in the collection of tax revenue.

The FROC noted the high proportion of revenue from the Investment Migration Agency (29.3 per cent of current revenue in 2023 and 33.6 per cent of current revenue in 2024) and the risks associated with fluctuations in such revenue. In the 2024 national budget statement, it was announced that:

the Government stated policy is to examine the recommendations of the Organization for Economic Corporation & Development (OECD) and the Financial Action Task Force (FATF) November 2023 Report to implement the recommendations that will aid in the strengthening of the design, implementation, and oversight of the CBI programme (2024 Budget Statement).

The FROC therefore examined the progress in implementing this stated policy.

The Ministry of Finance reported that a number of measures were adopted by the Investment Migration Agency (IMA) to improve due diligence and to strengthen operations as shown in Box 2.1.

Box 2. 1: Due Diligence and Operational Measures of the Investment Migration Agency in 2024

Governance

- **Revision of the CBI Committee Charter:** The Charter was updated to reflect enhanced governance structures, ensuring clearer roles, responsibilities, and decision-making processes for the CBI Committee.
  - **Creation of Sub-Committee Charters:** Sub-Committees were established with their own Charters to focus on specific areas such as Risk & Compliance, Human Resource and Compensation and Budget and Finance.
  - **Revision of Code of Conduct and Ethics – Employees and Committee**; The Code of Conduct was reviewed and strengthened to align with international best practices, promoting integrity and accountability among employees and committee members.

Strengthening Capacity

- **Anti-Money Laundering Training:** Staff and directors participated in specialized training to bolster compliance with international AML standards and FATF recommendations which was conducted by Mr. Senneth Joseph – Executive Director, Office of the Anti-Money Laundering Commission Grenada, and the Chartered Governance Institute of Canada.
- **Ongoing Due Diligence and Operations Training:** Regular training sessions were conducted to ensure that team members remain proficient in due diligence practices and operational procedures as part of the new HR Policy.

Strategic Planning

- **Strategic Plan Review:** A comprehensive review of the 2023 Strategic Plan was conducted to ensure alignment with evolving global standards and the Government's objectives for the CBI programme.
- **Operational Budget Spend Protocol:** A structured protocol for budget spending was implemented, ensuring accountability and prudent financial management.
- **Operations Audit/Risk Framework:** An operational audit was conducted by Deloitte to develop a comprehensive risk management framework aimed at identifying, assessing, and mitigating risks associated with the programme.
- **Procurement Policy:** A robust procurement policy was developed to enhance transparency and fairness in acquiring goods and services in line with the Public Procurement and Contract Administration Act, Cap 267A.
- **IT Policy and Cybersecurity Audit:** An IT policy was formalized, and a cybersecurity audit was conducted to protect sensitive data and safeguard systems against potential threats.
- **Transition to an Enhanced MIS Platform for Processing Applications;** The Agency transitioned to a superior MIS platform, improving efficiency, transparency, and security in the application processing system.

In light of the significance of revenue from the IMA and its contribution to capital expenditure, the FROC supports the efforts at aligning the operations of the IMA with the recommendations from the reports of the OECD and FATF. The FROC encourages the careful management of the financial resources from this source through investment in the productive capacity of the economy and for the accumulation of reserves.

The prudent management of domestic revenue is particularly relevant as increased revenue is needed to finance ongoing public sector reforms that will lead to higher expenditure if no expenditure reduction policies are adopted. Higher current expenditure, specifically for 2025, is associated with increased compensation to employees due to the regularisation of workers in the public service and higher transfers, particularly to the education system and contributions associated with the implementation of the Public Sector Employees (Pension Fund) Act.

The reforms that induce growth in expenditure should be weighed against the Government's stated intention to transfer responsibility for some of the services financed directly by the Central Government to statutory bodies. Consideration is being given to the transfer of hospital services, disaster management services, and transportation services. This policy is likely to result in a reduction in the wage bill and outlays for goods and services of the Central Government, but could increase transfers and subsidies.

The impact of transferring some of the services currently provided and financed directly by the Central Government to statutory bodies is not included in the MTEFSR 2025 – 2027. The implications of this policy shift for the wage bill and the primary balance fiscal rules are outlined in Chapter Three. The proposed fiscal measures are outlined in Box 2.2.

The FROC notes the statement from the Ministry of Finance to closely monitor the implementation of the measures outlined in the fiscal strategy for impact. This is particularly important in light of the cost of reconstruction and the associated negative primary balance estimated for 2025 and 2026.

Box 2. 2: Fiscal Measures

The revenue and expenditure impact of the measures outlined were not included in the MTFF. The enhanced revenue is highly dependent on improved administrative efficiency. The implementation of the policies will need to be closely monitored to ensure that there is the intended revenue and expenditure impact. This monitoring and necessary actions will be particularly so for the 2026 fiscal year when the Government returns to the fiscal rule.

- Enhancement of revenue collection mechanisms by the Inland Revenue Department (IRD) through a more modern digitized tax administration tool.
- Enhancement of the operational efficiency of the Customs and Excise Division (CED) through upgrades to the Automated System for Customs Data (ASYCUDA) and greater collaboration with regional entities to harmonise customs administration and strengthen regulatory compliance; supported by strengthened capacity of staff.
- Review of the legislative frameworks governing all tax types to identify gaps and opportunities for enhancing the overall effectiveness of the tax administration system.
- Review exemptions provided and rates charged on all property types based on the recently completed property revaluation exercise, which resulted in revised property values.
- Enhancement of the public procurement processes.
- Strengthen the monitoring and evaluation framework of the Public Sector Investment Programme (PSIP).
- Strengthen staff and institutional capacity to formulate policies and implement key projects.

Comparison and Analysis of Fiscal Performance Over the Medium-term

Following the surplus on the fiscal accounts in 2024, the fiscal balances are projected to turn negative in 2025 and remain in deficit for 2026.

The FROC noted the impact of policy reforms on current expenditure and that a large proportion of the fiscal cost of responding to natural disasters is estimated for 2025.

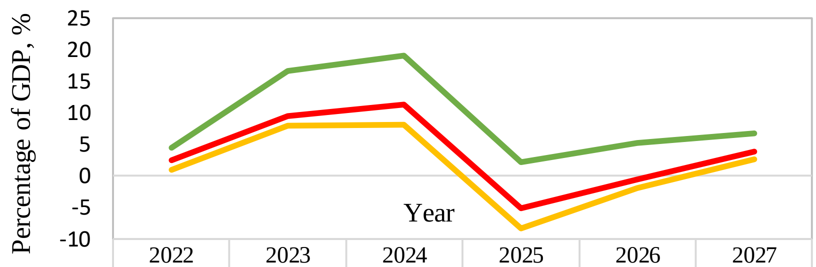
Analysis of Fiscal Performance over the Medium-Term

Both current and capital expenditures are projected to increase, specifically between 2024 and 2025, as the Government implements public sector reforms and responds to the impact of the natural disasters. Consequently, the fiscal position of the Central Government will weaken substantially in 2025, associated with developments related to both revenue and expenditure.

Total revenue is projected to decline from $1646.9M (42 per cent of GDP) in 2024 to $1192.5M (29.4 per cent of GDP) in 2025 due to an estimated significant decline in non-tax revenue from $756.3M (19.7 per cent of GDP) in 2024 to $256M (6.3 per cent of GDP) in 2025. Non-tax revenue peaked in 2024 due to higher receipts from IMA ($553.7M) and the receipt of CCRIF funds ($118.0M) which are both included in non-tax revenue. Expenditure is projected to remain elevated, moving from $1377.3M (36 per cent of GDP) in 2024 to $1602.4M (39.5 per cent of GDP) in 2025. Capital expenditure will remain elevated between 2024 and 2025 at $461.4M (12.0 percent of GDP) and $496.5M (12.2 percent of GDP) respectively, while current expenditure increased from $915.9M (23.9 percent of GDP) in 2024 to $1105.9M (27.2 per cent of GDP) in 2025. As a result, the primary and overall balances (including grants) are estimated to be in deficit at 5.1 per cent of GDP ($208.6M) and 8.3 per cent of GDP ($337.4M) respectively.

Notwithstanding the estimated contraction of total expenditure to $1403.1M (32.4 percent of GDP) in 2026 due to a reduction in capital expenditure to $355.8M (8.2 percent of GDP), the primary balance and overall balance are projected to remain in deficit at 0.6 per cent of GDP ($25.7M) and 2.0 per cent of GDP ($86.9M) respectively. Thereafter the primary and overall balances are projected to be in surplus at 3.9 per cent of GDP ($178.1M) and 2.6 per cent of GDP ($121.0M) respectively in 2027.

Chart 2. 2: Grenada's Fiscal Balances as a Percentage of GDP 2022 – 2027



	2022	2023	2024	2025	2026	2027
Current Account	4.4	16.6	19.1	2.1	5.2	6.7
Primary Balance	2.5	9.4	11.3	-5.1	-0.6	3.9
Overall Balance (including grants)	0.9	7.9	8.1	-8.3	-2	2.6

Source: Grenada Medium-Term Fiscal Framework: 2023-2025 (Ministry of Finance 2022); Grenada 2022 Annual Economic Review (Ministry of Finance 2022)

Medium Term Economic and Fiscal Strategy Report 2024-2026, Ministry of Finance, Government of Grenada (2023)

Medium Term Economic and Fiscal Strategy Report 2025-2027, Ministry of Finance, Government of Grenada (2025)

The FROC examined the surplus on the current account in light of the Government's stated strategy to generate adequate domestic resources to contribute to financing capital expenditure. The current account surplus is expected to contract sharply in 2025 from $731M in 2024 to $86.6M in 2025 and will be able to finance 17 per cent of capital expenditure. Thereafter, the current account balance is projected to increase to $226.5M and $308.5M in 2026 and 2027 respectively, due to the higher current revenue combined with declining current expenditure. In 2026, the surplus on the current account will finance 63.7 per cent of capital expenditure and fully finance capital expenditure in 2027, accounting for 148.2 per cent of capital expenditure.

With an overall deficit of $337.4M (including grants) in 2025 and given the planned principal repayment on external debt of $84.5M, the projected receipts from loan disbursements from external sources of $34.6M, and borrowing from the Regional Government Securities Market of $100M, $287M from reserves will be needed to finance the 2025 budget.

Based on the consolidated data from the commercial banks[4], there will be adequate reserves to contribute to the financing of the deficit in 2025. With an overall deficit in 2026, financing will be needed to close the fiscal gap. The Government will need to balance the options of accelerating disbursements on existing debt, contracting new debt and reducing reserves to finance this deficit. The fiscal outturn returns to an overall surplus in 2027, providing resources to fully finance government operations.

Debt Strategy and Analysis

Debt Strategy

The Government strategy for maintaining fiscal and debt sustainability is based on the Fiscal Resilience Act (2023). Accordingly, the Government is required to generate a minimum primary surplus of 1.5 per cent of GDP to achieve a public debt to GDP ratio of 60 per cent by 2035. To achieve this target, the Government intends to borrow, on concessionary terms and as necessary, to finance the budget and capital projects. In this regard, the FROC notes the Budget and New Hospital Project Loan Authorisation Bill, 2025 which was approved by Parliament:

"to authorise the Minister of Finance to borrow from various sources, the amount of Eight Hundred and Twenty-Five Million Eastern Caribbean Dollars (EC$825,000,000.00) for the purpose of financing the 2025 Budget and the new Hospital Project."

In preparation for the contraction of new debt, analysis of different scenarios of terms and conditions should be undertaken in the context of the targeted debt to GDP ratio of 60 per cent to be achieved by 2035.

In light of the planned contraction of new debt over the medium term, the FROC urges the implementation of the institutional arrangements for the management of the public debt as stipulated in Section 27 and in the Second Schedule of the Debt Management Act as amended.

Debt Analysis

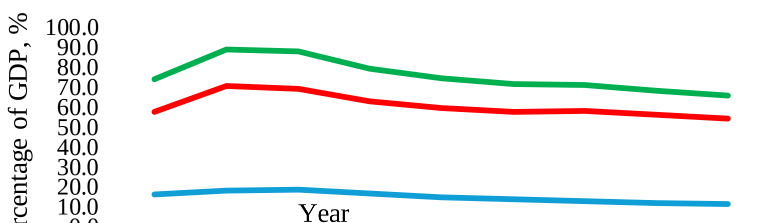
The declining trend in the public debt to GDP ratio remains in line with that projected in the MTEFSR (2024 – 2026), primarily as a result of the higher projected economic growth.

[4] As published on the ECCB website as of March 21, 2025.

The total public debt is estimated to decline from 71.5 per cent of GDP ($2,739.0M) in 2024 to 71.1 per cent of GDP ($2,889.7M) in 2025 and is projected to decline further, over the medium-term, to 68.2 per cent of GDP ($2,953.1M) in 2026, and to 65.8 per cent of GDP ($3,015.1M) in 2027 (MTEFSR 2025-2027).

In 2024, Central Government debt was reported at 57.5 per cent of GDP ($2,203.9M). The debt of the rest of the public sector was 14 per cent of GDP ($535.1M) with the arrears of the Petro Caribe debt amounting to $372.1M (9.7 per cent of GDP. Central Government Debt, as percentages of GDP, declines over the medium term, averaging 56.2 per cent of GDP between 2025 and 2027, and that of Statutory Bodies averaging 12.2 per cent of GDP over the same period.

Chart 2. 3 : Total Public Sector Debt as a Percentage of GDP



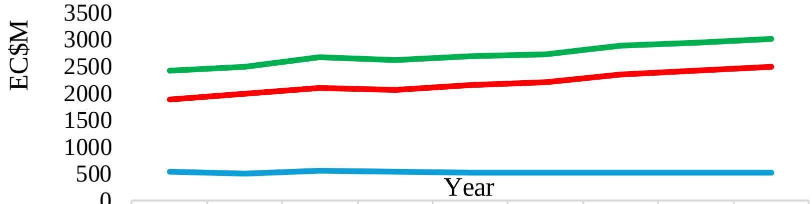
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total Public Sector Debt as a % of GDP	74.1	88.8	88.2	79.4	74.6	71.5	71.1	68.2	65.8
Total Central Government Debt as a % of GDP	57.6	70.6	69.4	62.8	59.7	57.5	58.0	56.1	54.4
SOEs & SBs Debt as a % of GDP	16.4	18.3	18.7	16.6	14.8	14.0	13.1	12.1	11.3

Source: Medium Term Economic and Fiscal Strategy Report 2024-2026, Ministry of Finance, Government of Grenada (2023)

Medium Term Economic and Fiscal Strategy Report 2025-2027, Ministry of Finance, Government of Grenada (2025)

Data submitted by the Ministry of Finance on 21st March 2025

Chart 2. 4: 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

Source: Medium Term Economic and Fiscal Strategy Report 2024-2026, Ministry of Finance, Government of Grenada (2023)

Medium Term Economic and Fiscal Strategy Report 2025-2027, Ministry of Finance, Government of Grenada (2025)

Data submitted by the Ministry of Finance on 21st March 2025

Potential Fiscal and Debt Challenges in the Medium-Term

The MTEFSR, as laid in Parliament on 7th March 2025, adequately outlined the risk associated with the fiscal and debt strategies. The FROC highlights the following that could impact on the implementation of the 2025 national budget:

Capital expenditure is estimated at $496.5M or 12.2 per cent of GDP for 2025. The implementation of the capital projects could be affected by institutional and capacity constraints as acknowledged in the MTFF (2025 – 2027) as follows:

Notwithstanding the support of MIT, a limited pool of technical personnel across the public service poses a challenge to effective budget execution and achieving the Government's fiscal objectives. Expanding this pool through the onboarding of technical personnel is an urgent priority for the Government.

To alleviate the institutional and technical constraints, the Government in the MTFF (2025 – 2027) outlined its commitment:

To support these rising public expenditures, the Government will enhance public procurement processes, strengthen the monitoring and evaluation framework of the Public Sector Investment Programme (PSIP), and build staff and institutional capacity to formulate transformational policies and implement key projects.

However, the impact of the institutional and capacity strengthening may not be manifested in 2025, and this could affect the implementation of the budget.

The materialization of the domestic risks, the impact of the increasingly unstable and unpredictable global environment, and any of the external factors as outlined in the Economic and Fiscal Strategy Report, could impact the implementation of the strategic priorities of the Government.

Implementation of Strategic Priorities

The Government's stated goal is to transform the economy to "A Sustainable, Equitable and Prosperous Grenada for All". The strategy of the Government is to transform the economic structure through upgrading and strengthening linkages among the sectors and developing the creative and digital economy (Throne Speeches and the Budget Statements from 2022). The intention is to support this through enhancement in education and improvement in health services. The reform of the public service and the pension system are among the other areas of focus. These will be supported with projects for upgrading the economic and social infrastructure.

The key elements of the strategic priorities, based on the four themes as outlined in the 2024 Budget Statement, are as follows:

i. Human Development

The programmes and projects for human development include a broadening of the coverage of secondary school education, re-orienting the school curriculum and skills training to meet the demands of the economy. In health, the priority is for the implementation of policies for improving health services through the recruitment and training of health professionals and the upgrading of the infrastructure.

ii. Promoting Robust Economic Growth and Job Creation

The programmes and projects for stimulating economic growth and job creation are mainly related to the agriculture and tourism sectors, and the creative and digital economy. In agriculture, the main project is the 'Food Security Enhancement Project' aimed at providing increased access to farm machinery and equipment, fertilisers, improved crop varieties and for better and higher quality breeds of pigs, goats and sheep.

In tourism and hospitality, the Government focus is on policies and programmes for upgrading the infrastructure and protecting the natural resources. For the Creative and Digital Economy, priority was given to the creation of the Office of Creative Affairs to provide administrative support to the sector and technical support to creatives to source financing. The private sector is expected to benefit from the provision of the institutional framework and financial infrastructure for private sector development.

iii. Promoting Good Governance

In promoting good governance, public sector reform and pension reform are the two main areas of focus.

iv. Enhancing Climate Resilience, Environmental Sustainability, and Renewable Energy

This is the main theme for improving the country's infrastructure. The impact of the climatic hazards has brought to the forefront 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.

Further details on the status of the various programmes and projects are outlined in Appendix III.

The rebuilding and reconstruction necessitated by the recent natural disasters coincides with the timeframe for the preparation of a new three year rolling medium-term economic strategy. The Medium-term Strategy and Action Plan would need to incorporate responses to the impact of the climatic hazards and the rescheduling of some planned public sector projects.

Conclusion

The economy is projected to grow at a higher rate over the medium-term than previously projected due, in part, to the response to the impact of Hurricane Beryl and the November floods and landslides. However, the approach to the determination of the growth rate should be reviewed to ensure that the growth of sectors and the economy reflects the developments in the economy. The primary and overall balances, which improved significantly in 2024, turned negative in 2025 and is estimated to be negative in 2026.

The primary and overall balances are expected to return to surplus in 2027. The public debt to GDP ratio is projected to decline over the medium-term in pursuit of the targeted debt to GDP ratio of 60 per cent by 2035.

Recommendations

The following recommendations, elements of which were previously published, are put forward:

Enhancing Data Coverage

Improving the timeliness and comprehensiveness of data is necessary for the assessment of the performance of the economy. An analysis of the data challenges and opportunities was presented in the appendix to the FROC 2022 Annual Report, and the issues are highlighted in Appendix 6 to this report.

Strengthening the Presentation of Data, particularly for the Fiscal Accounts, for Ease of Analysis

To make it easier for users to gauge the trend in the data series and facilitate ease of analysis, particularly for the fiscal and debt data, there is the need to consistently include, in the same table, absolute figures and as percentages of GDP, and provide information on, at least, the past two years, the year under review and the projected period.

Debt Management

Implement the institutional arrangements for the management of the public debt as stipulated in Section 27 and in the Second Schedule of the Debt Management Act as amended.

Other recommendations are:

i. Develop indicators of productivity and economic efficiency; and
ii. Strengthen policies to foster linkages among the sectors in the economy.
iii. The medium-term economic strategy should be updated particularly in light of the impact of Hurricane Beryl and the November floods and landslides, and the emerging unstable and unpredictable global environment with the projected higher rates of inflation and slowdown in global output.

CHAPTER 3: ASSESSMENT OF COMPLIANCE OF THE GOVERNMENT WITH THE FISCAL RESILIENCE ACT: FISCAL RULES AND TARGET

Key Messages

In compliance with Section 9 of the FRA, the Government suspended the fiscal rule for the primary balance and the debt target for 2024.

Notwithstanding the suspension of the primary balance rule and the debt target for 2024, a primary surplus was achieved and the debt to GDP ratio was in line with that approved in the MTFF.

In accordance with the FRA, the suspension of the primary balance and the debt target was extended to 2025, as a primary balance deficit is estimated for that year.

The primary balance is projected to be in deficit for 2026 and to return to surplus in 2027.

For 2026, the Government will need to balance the acceleration of the drawdown of existing loans, use of reserves and/or the contraction of debt to finance budget operations.

The statutory bodies and state-owned enterprises should be monitored and their audited accounts should be submitted to Parliament as stipulated in the PFMA.

Introduction

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 FROC provides, in this chapter, an assessment of the compliance of the Government with the FRA for the fiscal year 2024, with particular reference to the activation of Section 9 of the FRA. The approved Estimates of Revenue and Expenditure for 2025 projects that the fiscal outturn for 2025 will result in a negative primary balance, requiring the activation of the Suspension Clause for 2025. In this regard, the compliance of the national budget for 2025 with section 9 of the FRA is examined. This is followed by an assessment of the adherence of the Government to the fiscal rules and target for 2026 and 2027.

The chapter concludes with an analysis of the implications of implementing the FRA in line with its objective of ensuring debt sustainability.

Assessment of Compliance of the Government with the Fiscal Rules and Targets

Assessment of Compliance for 2024

The Statutory Context

The FRA provides fiscal rules for the wage bill and primary balance and the target for the public debt as a framework to guide the operations of the Government. These rules and target are outlined in Section 7 and Section 8 of the FRA which stipulates:

7.—(1) The Minister shall take appropriate measures to ensure that the annual wage bill of Central Government does not exceed thirteen percent of nominal GDP.

8.—(1) The public debt target shall be no more than sixty percent of nominal GDP to be achieved by 2035.

(2) In respect of each annual Budget, the medium term fiscal framework shall set an annual percentage ceiling for public debt as a ratio of nominal GDP to achieve the public debt target.

(3) For the purposes of achieving the public debt target under subsection (1), the medium-term fiscal framework shall set an annual debt-reducing primary balance, which shall be no less than one and a half percent of nominal GDP until the public debt target is achieved.

(4) Where the public debt target specified under subsection (1) is achieved, the Minister shall take appropriate steps to ensure that primary balances are consistent with maintaining debt sustainability.

The FRA specifies the circumstances under which the fiscal rule for the primary balance and debt target could be suspended. This is outlined as follows:

9.—(1) The Minister may, by Order subject to negative resolution, suspend the public debt target and primary balance rule under section 8 at any time during a fiscal year where any of the following occurs–

(a) a major economic shock resulting from–

(i) a global economic recession or crisis as declared by the International Monetary Fund;

or

(ii) 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; or

(iii) a public health epidemic, as declared by an authorised national, regional or intentional agency; or

(iv) war, or any other event whether national, regional or international resulting in the declaration of a state of emergency by the Governor-General pursuant to section 17 (1) of the Constitution;

The conditions for the suspension of the fiscal rule and target also include a cumulative decline in real GDP equal to or greater than three percent over the two consecutive preceding fiscal years and the declaration by the Eastern Caribbean Central Bank that a financial sector crisis has occurred or is imminent and the Minister estimates that the fiscal costs of such crisis, including the costs of any related recapitalisation of banks by the State of Grenada after all possible private sector solutions have been explored, is likely to equate or exceed four percent of nominal GDP.

The Act further states:

(2) An Order under subsection (1) shall be accompanied by a memorandum setting out –

(a) the manner in which implementation of the fiscal rule or target under this Act would be harmful to the public finances, macroeconomic or financial stability; and

(b) the estimated levels of total revenue, total expenditure, the primary balance, and public debt as a result of the relevant circumstances under subsection (1) and the implications for the projections of these fiscal aggregates in the medium-term fiscal framework required under section 12 of the Public Finance Management Act.

Compliance with Fiscal Rules and Target

The 2024 national budget, as presented to Parliament on 4th December 2023, was in compliance with the fiscal rules and target as specified in the Fiscal Resilience Act.

With the passage of Hurricane Beryl on 1st July 2024, the Prime Minister declared a disaster by Statutory Rules and Order No. 21 of 2024 which was made pursuant to section 55(1) of the Disaster Management Act, No. 2 of 2023.

The impact of Hurricane Beryl necessitated the approval of a supplementary budget. The House of Representatives therefore approved the Supplementary Appropriation Bill on 27th August 2024, amounting to $269.6M, for the authorisation of expenditures associated with the response to the impact of Hurricane Beryl.

With these developments, the fiscal outturn for 2024 was projected to result in a primary balance deficit estimated at 2.3 per cent of GDP. As such, the Government activated Section 9 of the FRA on the basis of the declaration of a natural disaster.

In compliance with the FRA, the Statutory Rules and Orders (SRO) No. 25 of 2024 was gazetted on 9th September 2024 and laid in the House of Representatives on 26th November 2024. The SRO referenced the declaration of the natural disaster as follows:

And Whereas on the 1st day of July 2024, the Prime Minister declared a disaster by Statutory Rules and Order No. 21 of 2024 made pursuant to section 55(1) of the Disaster Management Act, No. 2 of 2023;

And

Whereas that declaration constitutes a major economic shock within the meaning of section 9(1) of the Act;

The Memorandum dated September 2024 was laid in the House of Representatives on 26th November 2024. The Memorandum highlighted the resulting deterioration of the fiscal balances in response to the impact of Hurricane Beryl. The Memorandum stated:

Table 2 indicates that one of the two fiscal rules (the primary balance rule) is projected to be breached in 2024. Despite this, the public sector debt-to-GDP ratio is expected to continue on its downward trajectory, reaching the 60% target by 2035. The breach is directly attributed to the economic impact of Hurricane Beryl, which significantly disrupted key macroeconomic variables such as GDP, government revenue, and expenditure.

See extract from Memorandum below:

Table 1: Grenada Medium-Term Projections

In millions of Eastern Caribbean Dollars, unless stated otherwise

	2024		2025		2026	
	Projected	% GDP	Projected	% GDP	Projected	% GDP
Total Revenue & Grants	**1,404.1**	**37.0%**	**1246.1**	**30.8%**	**1,301.2**	**30.1%**
Total Revenue	**1,331.4**	**35.0%**	**1,163.0**	**28.8%**	**1,218.9**	**28.2%**
Tax Revenue	864.8	**22.8%**	878.4	21.7%	938.5	21.7%
Non - Tax Revenue	466.6	**12.3%**	284.6	7.0%	280.3	6.5%
Grants	**72.7**	**1.9%**	**83.1**	**2.1%**	**82.7**	**1.9%**
Total Expenditure	**1,548.2**	**40.7%**	**1,536.8**	**38.0%**	**1,274.2**	**29.5%**
Primary Expenditure	1492.5	**39.3%**	1,480.2	36.6%	1,222.8	28.3%
Current Expenditure	**940.3**	**24.7%**	**890.0**	**22.0%**	**894.3**	**20.7%**
Employee compensation	346.8	**9.1%**	350.7	8.7%	354.3	8.2%
wages, salaries & allowances	0.0	**0.0%**	-	0.0%	-	0.0%
Social Contribution to employees	17.9	**0.5%**	350.7	8.7%	354.3	8.2%
Goods and Services	195.5	**5.1%**	197.6	4.9%	199.6	4.6%
Interest Payments	55.7	**1.5%**	56.6	1.4%	51.5	1.2%
Transfers	247.6	**6.5%**	253.2	6.3%	255.8	5.9%
IMA Expenses	64.6	**1.7%**	31.8	0.8%	33.1	0.8%
Capital Expenditure	**608.0**	**16.0%**	**646.8**	**16.0%**	**379.9**	**8.8%**
o/w: Grant financed	78.1	**2.1%**	83.1	2.1%	82.7	1.9%
Overall balance	**-144.0**	**-3.8%**	**-290.8**	**-7.2%**	**27.3**	**0.6%**
Primary balance (excluding grants)	**-161.0**	**-4.2%**	**(317.2)**	**-7.8%**	**(3.9)**	**-0.1%**
Primary balance (including grants)	**-88.4**	**-2.3%**	**(234.1)**	**-5.8%**	**78.8**	**1.8%**
Memo Item						
GDP (Nominal market Prices)		3,799.6		4,042.4		4,319.1

Table 2: Compliance Matrix

Fiscal Variable	*Fiscal Rules*	*2024 Projected*	*Compliance*	*2025 Projected*	*Compliance*	*2026 Projected*	*Compliance*
Primary Balance, After Grants (percent of GDP)	**1.5%** (not less than)	-2.3%	No	-5.8%	No	1.8%	Yes
Wage Bill (percent of GDP)	**13.0%** (not exceeding)	9.1%	Yes	8.7%	Yes	8.2%	Yes
Public Sector Debt (percent of GDP)	**60.0% by 2035**	70.9%	On target	68.9%	On target	67.0%	On target

Source: Ministry of Finance

(SRO 25: Grenada Statutory Rules and Orders No. 25 of 2024)

The estimation of the fiscal cost of Hurricane Beryl, particularly in relation to the additional current and capital expenditure and the loss of tax revenue due to the tax relief, could have been estimated and presented in the memorandum. This would have provided supporting data on the impact of Hurricane Beryl on the macroeconomic variables and, in particular, on the public finances.

The FROC concluded that the Government complied with its statutory obligations for the suspension of Section 9 of the FRA relating to the primary balance rule and the debt target for 2024.

Notwithstanding the suspension of the primary balance rule, the fiscal outturn resulted in a 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.

The debt target was suspended under section 9 of the FRA. However, there is not a specific debt target for 2024 or for any individual year. The FRA provides for the attainment of the debt target by 2035. The suspension clause therefore needs to be reviewed for consistency with this provision. Given the importance of the public debt in the fiscal framework, the FROC examined the debt in relation to the ceiling established in the MTFF (2024 – 2026) and was guided by the Fiscal Resilience Act as follows:

8.—(1) The public debt target shall be no more than sixty percent of nominal GDP to be achieved by 2035.

(2) In respect of each annual Budget, the medium term fiscal framework shall set an annual percentage ceiling for public debt as a ratio of nominal GDP to achieve the public debt target.

In this regard, 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. (Refer to Table 3.1).

Table 3.1: 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	Compliant	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	Suspended	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 as discussed in Chapter 5.
Public Debt (Percentage of GDP)	60 per cent of GDP	73.3 per cent	71.6 percent	Suspended	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**
Green circle	Compliant
Red circle	Breach
Orange circle	Cannot be determined
Light blue circle	Suspended

Monitoring of Statutory Bodies and State-Owned Enterprises

In keeping with the coverage of the public debt, the Fiscal Resilience Act, in Section 13, makes provisions for the monitoring of statutory bodies and state-owned enterprises as follows:

(1) The Minister shall cause to be established Performance-Monitoring Guidelines for Statutory Bodies and State-Owned Enterprises in accordance with the objects of this Act.

(2) No later than three months prior to the beginning of a fiscal year, the Minister shall—

(a) review and, where applicable, update the Performance-Monitoring Guidelines for Statutory Bodies and State-Owned Enterprises; and

(b) where applicable, issue Statutory Bodies and State-Owned Enterprises with explicit guidelines for non-interest expenditure, new borrowings and other policies for the fiscal year, which shall be monitored by the Ministry of Finance.

There was no need for revisions to the performance monitoring guidelines for statutory bodies and state-owned enterprises in 2024. The FROC notes that the Directors of statutory bodies and state-owned enterprises participated in training and were provided with the SBs and SOEs Handbook that was approved by Cabinet which includes matters relating to financial management and governance.

The FROC notes the need for some of the statutory bodies and state-owned enterprises to submit their audited accounts to Parliament as stipulated in the Public Finance Management Act as follows:

73. The Minister shall present a statement of the overall performance of all and each Statutory Body and State-owned enterprise based on audited financial statements for the preceding year to Parliament alongside the budget proposals for the following financial year.

The reporting gap by the statutory bodies and state-owned enterprises needs to be urgently addressed. For 2022 and 2023, it is reported that *"Thirteen SOEs and SBs have submitted their audited financial statements to the MOF as of January 20,2025 (Submitted by the Ministry of Finance on 21st January 2025)".*

At the end of 2023, there were twenty-six (26) SOEs and SBs (SBs and SOEs Handbook), an indication of the extent to which the statutory bodies and state-owned enterprises have not been reporting their audited accounts to Parliament.

The SBs and SOEs Handbook makes specific provision for the application of penalties for delinquency in the submission of the quarterly reports, financial statements and other financial reports to the Minister of Finance as follows:

*If the Board of Directors of a Statutory Body or State-Owned Enterprise fails to comply with reporting requirements, the Minister of Finance, in consultation with the Line Minister, may withhold any subvention due to the entity and/or impose a surcharge on the entity and/or its Board members for each day of noncompliance. (*SBs and SOEs Handbook p. 39)

There is no reference to specific penalties in the SBs and SOEs Handbook or other publications for the non-submission of the audited accounts by statutory bodies and state-owned enterprises to Parliament. Comprehensive and up-to-date information on the debt of the statutory bodies and state-owned enterprises is important in assessing the compliance of the Government with the FRA.

The FROC recommends that, similar to the framework for the application of penalties for non-submission of quarterly reports, financial statements and other financial reports to the Ministry of Finance, consideration should be given to establishing a framework that would facilitate the imposition of penalties on the statutory bodies and state-owned enterprises for failure to submit the audited accounts to the Minister for onward submission to Parliament as stipulated in the legislation.

Assessment of Compliance for the National Budget for 2025

The Statutory Context

The following, as outlined in Section 9 of the FRA, is applicable to the national budget for 2025:

(4) Subject to an extension under subsection (5), where the Order under subsection (1) is published in the Gazette within the second half of the fiscal year, the mediumterm economic and fiscal strategy report accompanying the national Budget for the new fiscal year shall include the measures proposed to facilitate compliance with the public debt target and primary balance rule in the new fiscal year, including the size and nature of the revenue and expenditure measures for the national Budget for the new fiscal year.

(5) If the Minister is satisfied that–

(a) one circumstance under subsection (1) (a), (b) or (c) applies; or(b) resumption of the application of the public debt target and primary balance rule suspended by an Order under subsection (1) would be unduly harmful to the public finances and macroeconomic or financial stability, the Minister may extend the period for the Order under subsection (1) by a second or subsequent Order subject to affirmative resolution made concurrently with the presentation of the national Budget for the new fiscal year.

(6) An Order under subsection (1) or a second or subsequent Order under subsection (5) shall apply for a period not exceeding one fiscal year.

The Government presented the Appropriation Bill to Parliament on 7th March 2025. This was accompanied with the Economic and Fiscal Strategy Report which included the Compliance Assessment Report for 2025. The Compliance Assessment Report is an evaluation of the 2025 budget for consistency with the fiscal rules and target. This report is in fulfilment of Section 12 (1) (C) of the Fiscal Resilience Act 2023, which states that:

The Minister of Finance shall prepare and submit to Parliament, along with the presentation of the annual and any supplementary budget, a statement showing the progress made towards compliance with the fiscal rules and targets under Sections 7 and 8, in the relevant financial year.

Compliance with Fiscal Rules and Target

The Compliance Assessment Matrix, as presented to Parliament, showed that the primary balance of -5.1 per cent for the Central Government in 2025 is not in accordance with the legislated minimum primary balance of 1.5 per cent of GDP as stipulated in the FRA. The Central Government budgeted operations are in accordance with the fiscal rule for a wage bill of 13 per cent of GDP with a budgeted wage bill of 10.1 per cent of GDP. In light of the negative primary balance the Government extended the suspension of the primary balance rule and the debt target for 2025 by the Fiscal Resilience (Suspension of the Public Debt Target and Primary Balance Rule) (Extension) Order, 2025. This was in accordance with the FRA which requires affirmative resolution made concurrently with the presentation of the national budget for the new fiscal year.

In accordance with Section 9 of the FRA, the debt target was suspended for 2025. The FROC notes that the public debt target of 60 per cent of GDP is to be achieved by 2035, and the debt to GDP ratio of 71.4 per cent for 2025 was less than the ceiling of 71.9 per cent of GDP ($2.9B) projected for 2025 in the MTEFSR (2024 – 2026) (Refer to Table 3.2).

Table 3.2: 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 as discussed in Chapter 5.
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

The FROC concludes that the Government complied with its statutory obligations for the suspension of Section 9 of the FRA relating to the primary balance and the debt target for 2025.

The Medium-Term Fiscal Framework

The Medium-term Economic and Fiscal Strategy Report (2025-2027) sets out the Government's fiscal policy strategy and objectives for the Budget year 2025 and the two forward years, 2026 and 2027. The primary balance is projected to be in deficit of -0.6 per cent of GDP in 2026 below the benchmark established in the FRA. The wage bill is projected to be in compliance with the FRA, and the debt to GDP ratio continues on a downward trajectory to achieve the targeted debt to GDP ratio by 2035. The public debt, which was previously projected at 70.5 per cent of GDP ($3B) for 2026, is now projected at 66.5 per cent of GDP for that year.

The Central Government operations are in accordance with the fiscal rules for 2027 as outlined in the Fiscal Resilience Act.

The wage bill is below the cap of 13 per cent of GDP and is projected at 9.2 per cent of GDP for 2027. The primary balance surplus is projected at 3.9 per cent of GDP for 2027, above the legislated minimum primary balance of 1.5 per cent of GDP. In the Medium-term Economic and Fiscal Strategy Report, the public debt is projected to decline as a percentage of GDP over the medium-term and had not deviated from the projection in the previous MTEFSR. The compliance of the Government with the fiscal rules and targets is shown in Table 3.3, based on the information presented to Parliament on 7th March 2025:

Table 3.3: 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 as discussed in Chapter 5.
	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 respect to the Budget and New Hospital Project Loan AuthorisationBill, 2025 *to borrow Eight Hundred and Twenty-Five Million Eastern Caribbean Dollars (EC$825,000,000.00)*, the debt is not yet contracted and therefore not included in the analysis.

Implications of Implementing the Fiscal Resilience Act

The Statutory Context

The implications for implementing the Fiscal Resilience Act are outlined in relation to the object of the Act, that is, to maintain debt sustainability. This is specified in Section 5 of the Fiscal Resilience Act where, among others, the objective of the Act is to ensure fiscal and debt sustainability, and the prudent management of fiscal risk as follows:

The objects of this Act are–

(c) to ensure that debt is reduced to, and then maintained at, a prudent and sustainable level by maintaining primary surpluses that are consistent with this object; and

(d) to ensure prudent management of fiscal risks.

Fiscal and Debt Sustainability

In relation to the fiscal performance and forecast, the FROC noted the following:

- The primary and overall fiscal balances were in surplus in 2024, resulting in the accumulation of reserves.
- The fiscal outturn for 2025 is projected to result in deficit primary and overall balances.
- The overall deficit for 2025 will be financed mainly from reserves and borrowing from the Regional Government Securities Market.
- The overall balance is projected to be in deficit of $86.9M (2.0 per cent of GDP) in 2026.
- The overall fiscal balance returns to surplus in 2027 of $121.0M (2.6 per cent of GDP).

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 resources to cover government operations.

The fiscal strategy of generating high current surpluses (savings), as manifested in the projected fiscal outturn for 2027should be pursued in order 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.

The Relevance of the Wage Bill Rule

The structure of the public sector is expected to change as the provision of some goods and services, once provided by the Central Government, will be supplied by statutory bodies. The changing structure of the public sector would result in a reduction in the wage bill of the Central Government and an increase in the wage bill of the statutory bodies and state-owned enterprises. The wage bill rule is restricted to the Central Government. Therefore, the effectiveness of the wage bill rule of 13 per cent of GDP would need to be examined. The changing structure of the public sector could lead to higher transfers and subsidies which are not monitored under the FRA.

The FROC, in its 2022 Annual Report and reproduced in the 2023 Annual Report, indicated that any of the components of expenditure whether it is expenditure on goods and services, transfers and subsidies or interest payment could have a negative impact on fiscal balances. Given the ineffectiveness of the wage bill rule and its potential for the wage bill rule to introduce distortions in employment in the public service, the FROC, in its 2022 Annual Report and reproduced in the 2023 Annual Report, recommended the elimination of the wage bill rule.

Conclusion

The Government was in compliance with the obligations under the FRA for the suspension of the fiscal rule for the primary balance and the debt target for 2024 and 2025. In these years, the Government was in compliance with the wage bill rule. For 2026, the primary balance is projected to be less than the legislated minimum primary balance while the wage bill is projected to be in compliance with the FRA. The fiscal balances return to surpluses in 2027, and the operations of the Government are projected to be in compliance with the FRA. The public debt target is to be achieved by 2035. The debt to GDP ratio is trending downwards and above that established in the previous MTFF.

Recommendations

- The monitoring of the statutory bodies and state-owned enterprises should be strengthened in light of the coverage of the public debt to include that of statutory bodies and state-owned enterprises. Therefore, consideration should be given to establishing a framework for the imposition of penalties on the statutory bodies and state-owned enterprises for not submitting the audited accounts to the Minister for onward submission to Parliament as required by the legislation.
- In reviewing the Fiscal Resilience Act as an instrument for ensuring debt sustainability, it is necessary to examine the relevance of the wage bill rule and the precision and coverage of the primary balance rule.

CHAPTER 4: THE COMPLIANCE OF GOVERNMENT WITH THE FISCAL RESILIENCE ACT: FISCAL TRANSPARENCY

Key Messages

Fiscal transparency requires the publication of timely, consistent and comprehensive data and information which should be easy to access and understand.

Data and information were generally disseminated on public platforms, mainly through publication on Government websites, press briefings and consultative and town hall meetings.

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

The FROC urges a re-examination of the legislated schedule for various reports to ensure the use of up-to-date information and to allow adequate time for rigorous analysis and review.

The audited public accounts for 2016 to 2019 were presented to Parliament, and this is a commendable step in addressing the backlog. The presentation of the audited public accounts for 2020 to 2023 to Parliament should be accelerated.

Systems and procedures should be established to address gaps in reporting based on the Public Finance Management Act and the Fiscal Resilience Act.

Introduction

In this Chapter, the FROC assesses whether the Government adhered to the principles of fiscal transparency in 2024, in accordance with the Fiscal Resilience Act, the Public Finance Management Act as amended, and the Debt Management Act as amended.

In assessing fiscal transparency, the FROC focused on the timeliness of the Government dissemination of consistent and comprehensive data and information affecting government finances to the public; and on the availability of economic, fiscal and debt reports as stipulated in the legislation. Based on this assessment, gaps are identified in the existing system for disseminating timely, consistent and comprehensive data and information on government finances.

The chapter also includes an assessment of the Government's compliance with other provisions of the FRA, including compliance of the Government with the procedures for the mitigation of climate risk for projects included in the PSIP.

The Chapter concludes with recommendations for improving the timely dissemination of consistent and comprehensive data and information on government finances to the public.

Assessment of Compliance with Fiscal Transparency

The Concept of Fiscal Transparency

Fiscal transparency refers to the operations of the public sector in an environment where there is clarity of government objectives, policies, rules, regulations and decisions and the process of their formulation and implementation. It requires the availability of timely, comprehensive, consistent, easy to understand and accessible data and information on the operations of the public sector.

The Statutory Context

The principles of fiscal transparency are enshrined in the Fiscal Resilience Act, the Public Finance Management Act as amended, and the Debt Management Act as amended. The scope for fiscal transparency is outlined in Section 4 of the FRA which stipulates that:

This Act shall be read and construed together with the Public Finance Management Act and the Public Debt Management Act.

The requirement of the Government to adhere to fiscal transparency is specified in Section 5 of the FRA as follows:

> *Objects of this Act:*
> *(a) to ensure that fiscal and financial affairs are conducted in a transparent manner;*
> *(b) to ensure full and timely disclosure and wide publication of all transactions and decisions involving public revenues and expenditures and their implications;*

Further, Section 6 instructs as follows:

The Minister shall take appropriate measures to ensure compliance with this Act, including taking appropriate measures to ensure the following –

> *(a) that the fiscal and financial affairs of the Government are conducted in a transparent manner with full and timely disclosure and wide publication of all transactions and decisions involving public revenues and expenditures and the implications for finances;*

The requirement for fiscal transparency is further emphasised in Section 10 of the Fiscal Resilience Act which states:

10. (1) The Minister—

(a) shall take appropriate measures to ensure transparency in Central Government's fiscal operations at every stage of the budget preparation and execution cycle, unless it is reasonably required to withhold publication of information in the interest of national security;

As a result, the legislation place responsibility on the Minister to ensure compliance with fiscal transparency through the full and timely disclosure of consistent and comprehensive fiscal and financial information of Central Government, Statutory Bodies and State-Owned Enterprises.

The practical actions to be taken to ensure fiscal transparency are detailed in the Public Finance Management Act as amended, which provides the procedures for the preparation, implementation and monitoring of the national budget, and for oversight and accountability. The Debt Management Act as amended provides guidelines for contracting, managing and monitoring the public debt. Embedded in these Acts of Parliament are the provisions for the publication of reports on the economy, government finances, the financial position of statutory bodies and state-owned enterprises, and on the public debt.

Based on the provisions of the legislation, the FROC assessed the adherence of the Government in 2024 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.

Preparation of the 2024 National Budget

The cycle of fiscal transparency commences with the preparation of the national budget. The yearly budget process is the main mechanism through which the Government outlines its policies, programmes and projects for spending, collecting revenue and the financing of deficits or the disposal of a surplus in the fiscal year. Opportunity is given to the citizenry to make their contributions to the budget process through the convening of budget consultations with various stakeholders and interest groups.

In preparation for the delivery of the 2024 budget, consultations with different interest groups were held at various community spots.

The presentation of the budget was aired on various media platforms then debated through the Parliamentary process. Thereafter the Estimates of Revenue and Expenditure was printed and circulated within the Government Ministries and on the website of the Ministry of Finance. The implementation of the budget was effective from 1st January 2024.

Dissemination of General Data and Information not Stipulated by Legislation

Beyond the legislative requirements, fiscal transparency requires the provision of timely and regular information on matters affecting government finances. The data and information were generally disseminated on public platforms, mainly through publication on Government websites, press briefings and consultative and town hall meetings. The consultative meetings were related to two major policy issues, namely, the Marketing and National Importing Board and pension reform.

The Pension Reform Bill was passed by the House of Representatives on 18th December 2024 and the Prime Minister informed that the trade unions were not represented in the consultative process and provided Parliament with the developments related to the absence of the trade unions from the consultative process. The press briefings intensified after the passage of Hurricane Beryl and provided information on tax relief and financing of the recovery and reconstruction.

A major avenue for the dissemination of timely and regular data and information on fiscal performance is the monthly Fiscal Summary Report which is published on the website of the Ministry of Finance. During the year, there were challenges in the timely publication of these reports. As at the end of the fiscal year, the Fiscal Summary Report for August was the latest report available on the Ministry of Finance website. This development has led to an unpredictable schedule for publication and ultimately affected the relevance of the published reports.

The publication of timely and regular fiscal and debt data and information is an important element of fiscal transparency. The FROC therefore continues to urge the timely publication of the monthly Fiscal Summary Report and the establishment of a 'Release Calendar' to allow for predictability of the dates for the publication of the fiscal reports.

Publication of Fiscal Reports as Legislated

Status of Legislated Publications

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. Some of the major legislated documents are required to be submitted to Parliament simultaneously with the presentation of the national budget, and these include: The Medium-term Economic and Fiscal Strategy Report (2025 – 2027) which includes the Medium-term Fiscal Framework, and The Annual Debt Report. These requirements are outlined in Section 12 of the Public Finance Management Act as amended and Section 25 of the Debt Management Act as amended. (Refer to Box 4.1).

Box 4. 1: Legislative Requirement for the Submission of Reports with the National Budget

Public Finance Management Act

12A. (1) The Minister shall cause to be prepared a medium-term economic and fiscal strategy report to be—

- *(a) laid before the House of Representatives for approval along with the presentation of the annual budget;*

Debt Management Act

25.— (2) The Minister shall, simultaneously with the submission of the annual budget, furnish Parliament with–

- *(a) an annual report on public debt management activities, Government guarantees and Government lending, which shall include a statement on the extent to which the Government's debt management activities in the fiscal year conformed with the approved debt management strategy and debt management objectives, and reasons for any deviations*

Presentation of the 2025 Budget and Approval of Accompanying Documents

The Medium-Term Economic and Fiscal Strategy Report was approved by Parliament on 7th March 2025 at the time of the presentation of the national budget. The 2023 Annual Debt Report was submitted to Parliament simultaneously with the national budget. The FROC noted the disruption to normal activities caused by Hurricane Beryl which would have contributed to lags in the budgetary process and ultimately in the enactment of the Appropriation Bill and the approval of the Medium-term Economic and Fiscal Strategy Report and the submission of the Annual Debt Report to Parliament.

The presentation of the national budget in the new fiscal year is reviewed in the context of the legal process for the preparation of the national budget. Specifically, the Public Finance Management Act as amended stipulates that:

16. The budget preparation cycle shall consist of the following two phases—

(a) preparation of a medium-term fiscal framework, in accordance with the rules and targets under the Fiscal Resilience Act; and

(b) preparation of the budget circular and the detailed annual budget that addresses the policies and priorities set out in the medium-term fiscal framework.

The passage of Hurricane Beryl on 1st July 2024 meant significant adjustments were required to the Medium-term Fiscal Framework, which according to the Public Finance Management Act, should be submitted to the FROC for review on 1st July as follows:

(5) Prior to the finalisation of the medium-term fiscal framework and no later than six months before the commencement of the new fiscal year, the Minister shall cause a draft of the medium-term fiscal framework to be submitted to the Fiscal Resilience Oversight Committee for review.

(6) Within two weeks of receipt of the draft of the medium-term fiscal framework submitted in accordance with subsection (5), the Fiscal Resilience Oversight Committee shall prepare and submit to the Permanent Secretary a written assessment of the draft.

This legal process was disrupted, and the Medium-term Fiscal Framework was received by the FROC on 28th September2024, presumably in its final version and after it was published on the website of the Ministry of Finance. This process was not in accordance with the provisions of the PFMA. Notwithstanding the legislative breach, the FROC examined the Medium-Term Fiscal Framework, and the report was submitted to the Permanent Secretary, Ministry of Finance on 28th October 2024.

It is evident that the disruption caused lags in the legislative process contributing to the presentation of the national budget and the accompanying documents on 7th March 2025. The FROC, however, noted that the presentation of the national budget and approval of the Appropriation Act in the new fiscal year were in accordance with the Public Finance Management Act as amended which authorises the Minister for Finance to collect revenues and incur expenditure, and states:

21.—(1) Where the Appropriation Act for a financial year has not come into operation at the commencement of the financial year for any reason, the Minister is authorized to collect revenues and approve such expenditure necessary to three months from the beginning of that financial year or the coming into operation of the Appropriation Act, whichever is the earlier, …

This was effected through the issue of the Provisional General Warrant by the Minister for Finance and the notification of the entities in the public sector by Circular No. 1 of 2025 dated 2nd January 2025.

Notwithstanding adherence to the legal requirements for the presentation of the national budget, the occurrence deviated from the best practice of presenting the budget prior to the beginning of the financial year as provided for in the Public Finance Management Act as follows:

19. Parliament shall have the sole authority and responsibility to review and approve the proposed Budget prior to the commencement of the fiscal year in accordance with the provisions of the Constitution.

In the absence of any disruptions, the FROC urges the enactment of the Appropriation Bill prior to the beginning of the financial year as stipulated in section 19 of the Public Finance Management Act.

The Annual Debt Report for 2023, submitted to Parliament at the time of the presentation of the national budget, was presented with a one-year lag. Addressing this lag would provide up-to-date information on the status of the public debt. The submission of the Annual Debt Report with a lag is not the intent of the Debt Management Act.

The Medium-term Debt Management Strategy and the Quarterly Debt Bulletin

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 as amended as follows:

(3) The Minister shall lay the medium-term debt management strategy document before Parliament, no later than two months prior to the commencement of every fiscal year.

The date for the submission of the Medium-term Debt Management Strategy to Parliament should be synchronised with the time for the presentation of the national budget.

The Quarterly Debt Bulletin emanates from the requirement in Section 25 of the Debt Management Act as follows:

25.—(1) The Debt Management Unit shall, no later than one month after the end of every quarter of the fiscal year, prepare for approval by Cabinet, a debt management strategy implementation report which shall outline the outstanding stock of public sector debt, its size and currency composition, interest rate mix, maturity profile and consistency with the approved medium-term debt management strategy.

During the year, there were challenges with the timely publication of the Quarterly Debt Bulletin and there were lags in the publication of the reports.

The Audited Public Accounts

On 26th November 2024, the Government presented the audited public accounts for 2016 to 2019 to the House of Representatives. This marked the beginning of addressing the backlog of unaudited public accounts. On that same date, the Public Accounts Committee was appointed, and based on the Standing Order No. 69 of the Standing Orders of the House of Representatives, the Public Accounts Committee is mandated to examine the audited accounts and report to Parliament as follows:

It shall be the duty of the Committee to examine the Audited Accounts of the State as well as the account of corporations, boards and other bodies appointed by Government and report thereon to the House.

The Public Accounts Committee should examine and report on the accounts in pursuit of the principles of transparency and accountability.

The FROC extends commendation on the submission of the outstanding audited accounts (2016 to 2019) to Parliament and urges the acceleration of the submission of the other outstanding public accounts to Parliament. The objective should be to achieve compliance with the Constitution (Section 82), the Audit Act (2007) and Section 67 of the Public Finance Management Act (2015) as amended.

Report on Tax Incentives

In 2024, tax relief was granted to support priority sectors and for encouraging the use of green energy, and in response to Hurricane Beryl and other natural hazards. The Ministry of Finance compiled data on the revenue impact of the granting of tax relief in 2024. The framework for recording and reporting on the tax relief will need to be upgraded for compliance with the Public Finance Management Act which states:

29.—(1) The Minister shall cause to be maintained a public record of any waiver, exemptions, or revisions granted by the government.

(2) Within six months after the coming into force of this Act and every 3 years thereafter, the Minister shall cause to be prepared and submitted to Parliament, a report analyzing the rationale, cost and benefits of existing tax incentives and recommendations for retaining or removing such incentives.

With the granting of such tax relief in 2024 and in prior years, it is timely to develop a structure for reporting to Parliament on tax incentives.

The status of the publication of fiscal reports is outlined in Table 4.1.

Table 4. 1: 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

Timeliness of Reports

During 2024, the timeliness of the publication of some of the legislated reports, and in particular the Medium-term Fiscal Framework, were delayed due to the disruption caused by Hurricane Beryl and subsequent climate hazards. The presentation of the national budget in the new fiscal year and the requirement for the simultaneous approval of the accompanying documents, notably the Medium-term Economic and Fiscal Strategy Report, pushed the publication of these reports into the new fiscal year. The Medium-term Debt Management Strategy, which has traditionally accompanied the national budget, was also approved in the new fiscal year. The approval of the Medium-term Debe Management Strategy simultaneously with the national budget is not consistent with the requirement of the Debt Management Act. During the year, there were lags in the publication of the quarterly Debt Bulletin. The report that was published within the legislated time was the Mid-year Fiscal Policy Review.

There are practical challenges in publishing some of the reports as scheduled in the legislation. Specifically, the data needed to inform the analysis is usually not available. The lack of up-to-date data and limited time for the analysis of these can impact on the ability to meet the scheduled date of June 30th for the production of the Medium-term Fiscal Framework. Data for the first half of the year is usually not available by this time, and the Mid-year Fiscal Policy Review is scheduled to be prepared by 1st September, after the submission of the Medium-term Fiscal Framework. There is a need to examine the process and the scheduled dates for the publication of the legislated reports.

The following Box highlights the legislated deadlines for the production of various fiscal reports which may need to be reviewed for practicability.

Box 4. 2: Legislated Schedule for Fiscal Reports

Legislated Schedule for Fiscal Reports

- Debt Management Report to the Executive one month after the end of the quarter (April, July, October and January) Draft Medium-term Fiscal Framework submitted to the FROC by 1st July for review within two weeks
- A statement on the Supplementary Appropriation Bill within two weeks of approval by Parliament to be prepared by the FROC
- The Medium-term Debt Management Strategy to be submitted to Parliament by 1st November
- The submission of the annual estimates for the next fiscal year to the Standing Committee on Finance by 1st November

The FROC, therefore, urges a re-examination of the legislated schedule for various reports to ensure this is consistent with the availability of the relevant information and data and the capacity of the Ministry of Finance to produce analytically robust and relevant reports by the stipulated timeframe, and allows adequate time for review by the FROC.

The assessment of the timeliness of reports is summarised in Table 4.2.

Table 4. 2: 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[5]	With budget presentation	🔴

Symbol	Meaning
🟢	Compliant;
🟠	Partially compliant
🔴	Not compliant

Consistency and Comprehensiveness of Reports

The fiscal and debt reports are detailed and when different reports, for current and past years and various sections of the reports are examined together a comprehensive analysis could be undertaken by those capable of doing the research and combining the data and information. A feature of fiscal transparency is that the reports are accessible and easy to understand. The lack of a consistent fiscal data series, including the public debt, covering at least five years (two years prior to the year under review, the year under review and two forward years), is a constraint to undertaking analysis of fiscal performance. This is inconsistent with the principles of ease of access and easy to understand. The challenges and recommendations for consistency and comprehensiveness are highlighted in Box 4.3.

[5] 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.

The FROC urges the publication of a consistent fiscal data series, including public debt, with data for two years prior to the year under review, the year under review and two forward years, and these should be presented in absolute amounts and as percentages of GDP. The data series should be adjusted to ensure consistency in comparisons whenever there are reclassifications and include highlights for revisions to the prior years' data.

Box 4. 3: Challenges and Recommendations: Consistent and Comprehensive Fiscal Data and Information

Issue: Lack of a consistent series of fiscal data

Challenge: The need to construct the fiscal data series for a five-year period, 2023 - 2027. To assess fiscal performance for 2024 and over the medium-term, based on the data and information provided in the Medium-term Economic and Fiscal Strategy Report (2025 - 2027), fiscal data for 2023 will have to be sourced from the previous Medium-term Economic and Fiscal Strategy Report (2024 – 2026) and additional data and information submitted by the MoF subsequently. The fiscal data for 2024 is presented in the current Medium-term Economic and Fiscal Strategy Report (2025 – 2027) in a standalone table, while the forecasted fiscal data for 2025 – 2027 is presented in a separate section of the report. Therefore, fiscal data for 2024 has to be combined with the series that begins with 2025 in that same report. Further checks have to be undertaken to ensure that the comparisons as percentages of GDP are correct, given the adjustments to nominal GDP.

The assessment of consistency and comprehensiveness of the reports is shown in Table 4.5.

Table 4. 3: Consistency and Comprehensiveness of Fiscal and Debt Reports

Name of Report	Applicable Legislation	Status
Public Finance Management Act		
Medium-term Fiscal Framework	Section 12	Partially compliant
Medium-term Economic and Fiscal Strategy Report	Section 15	Partially compliant
The Annual Budget	Section 24	Compliant
Mid-year Fiscal Policy Review	Section 25	Compliant
Tax Concession Report	Section 29	Not compliant
Audited Public Accounts	Section 67	Not compliant
Debt Management Act		
The Debt Management Strategy	Section 5	Partially compliant
The Borrowing Plan	Section 6	Compliant
Debt Bulletin	Section 24	Compliant
Annual Debt Report	Section 25	Partially compliant

Symbol	**Meaning**
(green)	Compliant
(orange)	Partially compliant
(red)	Not compliant

Gaps in the Publication of Legislated Reports

Report on Special Fund

The Parliament may establish a Special Fund for a specific purpose and duration. The National Transformation Fund (NTF) was established by an Act of Parliament in which inflows from the Citizenship By Investment (CBI) programme were to be deposited and from which funds were to be transferred to the Consolidated Fund. In 2023, the regulations to the NTF were amended, requiring a deposit of 10 per cent of all NTF receipts into a Contingency or Rainy-Day Fund (2024 Budget Statement, pg17).

The Public Finance Management Act stipulates that Special Funds should be managed similar to the Consolidated Fund. The FROC notes the report submitted to Parliament on the Contingency Fund, established pursuant to SRO 42 of 2015 – National Transformation Fund Regulations, as amended.

The submission of the report on the Contingency Fund should be accompanied by the submission of the report on the NTF in accordance with Section 45 of the Public Finance Management Act.

Compliance with Other Provisions of the Fiscal Resilience Act

The following is the status of compliance of the Government with other provisions of the FRA:

Documented Public Investment Procedures

The documented public investment procedures are available in accordance with Section 6 of the Fiscal Resilience Act which stipulates:

(e) that, in respect of all projects submitted for inclusion in the capital expenditure programmes of the Central Government, documented public investment procedures are prepared, include climate change mitigation and adaptation considerations and are made available for submission and approval.

The FROC is satisfied that documented public investment procedures are available, and that some project justification includes climate change mitigation and adaptation considerations. The FROC would identify supporting indicators to assess the operation of the documented structure and procedures.

Compensation Settlement for Persons Employed by the Government

In 2023, the Government concluded compensation agreements for persons employed by the Government for the period 2023 to 2025. In 2025, negotiations should begin for the period 2026 to 2028, requiring the establishment of a wage negotiating framework for wage negotiation in accordance with the wage bill rule and the policies outlined in the MTFF (2025 – 2027) as specified in Section 7 of the FRA as follows:

(2) Subject to subsection (4), the compensation settlement for persons employed by Central Government shall be subject to a compensation negotiating cycle of three fiscal years.

(3) In respect of a compensation negotiation cycle, the Minister shall–

(a) no later than one year before the compensation negotiation cycle commences and in consultation with the Minister responsible for Public Administration, cause to be established a Wage Negotiation Framework to guide the conduct and arrangements for negotiations concerning the compensation of employees of Central Government in accordance with the ceiling under subsection (1), section 8 and the policies and plans set out in the mediumterm fiscal framework;

The FROC recommends that the framework for wage negotiations be prepared in accordance with the Fiscal Resilience Act.

Conclusion

Fiscal transparency requires the publication of timely, consistent and comprehensive data and information; and these should be easy to access and understand. The Government disseminated information on Government websites, public platforms, and held consultative and town hall meetings. There were challenges with the publication of the monthly Fiscal Summary Report which is a mechanism for providing regular information to the public.

The publication of fiscal and debt reports, as stipulated in the legislation, was affected by the disruption in activities caused by hurricane Beryl. Notwithstanding, there is a need for a re-examination of the legislated schedule for various reports to ensure this is consistent with the availability of relevant information and the capacity of the Ministry of Finance to produce analytically robust and relevant reports by the stipulated timeframe and allow for adequate time for review by the FROC. Additionally, the presentation of the data and information should be such that it is easier for users to access and understand, thereby facilitating thorough analysis of fiscal performance.

The reporting gaps should be addressed through the acceleration of the presentation of the outstanding audited public accounts to Parliament, developing a structure for reporting on tax incentives and reporting on Special Funds established by Acts of Parliament.

Recommendations

To further improve the information that is disseminated to the public, the following are recommended:

- Ensure the timely publication of the monthly Fiscal Summary Report and the Quarterly Debt Bulletin as a source of regular data and information on the public finances.

- In the economic and fiscal reports, publish a consistent fiscal data series, including the public debt, covering at least five years (two years prior to the year under review, the year under review and two forward years).
- Develop a structure to facilitate the publication of the report on tax incentives and the accompanying details on tax relief and exemptions as stipulated in the Public Finance Management Act.
- Prepare the framework for wage negotiations in accordance with the Fiscal Resilience Act.
- Present to Parliament the reports on the National Transformation Fund, in accordance with the Public Finance Management Act.
- Accelerate the submission of the outstanding audited public accounts to Parliament to achieve compliance with the Constitution, the Audit Act and the Public Finance Management Act.
- Improve fiscal transparency and accountability through the examination of the audited accounts by the Public Accounts Committee in accordance with the Standing Order No. 69 of the Standing Orders of the House of Representatives.
- Examine the schedule for various legislated reports to ensure that the schedule is consistent with the availability of relevant data and information and the capacity of the Ministry of Finance to produce analytically robust and relevant reports by the stipulated timeframe and allow adequate time for review by the FROC.

CHAPTER 5: OPERATIONALISING THE FISCAL RESILIENCE ACT (2023)

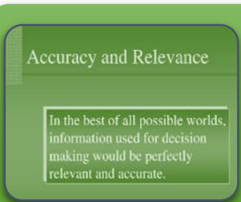
Key Messages

The provisions of the FRA are presented with clarity, and this allows for ease of implementation, and for monitoring and reporting on compliance of the Government with the FRA.

With a lower primary balance and a public debt to GDP ratio to be achieved by 2035, the Fiscal Resilience Act is meant to provide flexibility for the Government to manage the economy.

Based on developments in 2024 and policies for the medium-term, the FROC outlines some operational considerations related to the wage bill rule and the debt target; and highlights proposed policy changes that may impact on the primary balance rule in the implementation of the FRA.

The wage bill rule is considered ineffective and has the potential to be distortionary. There are debt ceilings in the approved MTFF which should inform the return to the path to achieve the debt target after the activation of the Suspension Clause.



With the policy to transfer the provision of some public goods and services from the Central Government to statutory bodies, the application of the primary balance rule solely to the Central Government for the reduction in the total public debt should be reviewed for its precision and coverage.

The FROC recommends that consideration be given to eliminating the wage bill rule, and reproduces the recommendations from the 2023 Annual Report for the consideration of Parliament.

Introduction

The Fiscal Resilience Act No. 11 of 2023 came into effect from 1st January 2024. During the year, the FROC monitored the compliance of the Government with the FRA and as stipulated prepared a statement on the Supplementary Appropriation Bill which was submitted to the Clerk of Parliament on 10th September 2024 for onward submission to the House of Representatives. Guided by the Public Finance Management Act as amended, the FROC prepared the report on the Medium-Term Fiscal Framework (MTFF) which was submitted to the Permanent Secretary of the Ministry of Finance on 28th October 2024. The FROC was therefore able to examine the operationalisation of the FRA during 2024.

Additionally, the FROC, in its 2023 Annual Report highlighted four main provisions of the FRA that should be considered for review.

This chapter outlines some of the operational aspects of the FRA and re-states areas that were highlighted in the FROC 2023 Annual Report for review and consideration by Parliament.

Operational Aspects of the Fiscal Resilience Act

In the FRA, the provisions are provided with clarity which allows for ease of implementation and for monitoring and reporting on compliance of the Government with the FRA. With a lower primary balance of 1.5 per cent of GDP and a debt to GDP ratio of 60 per cent to be achieved by 2035, the Fiscal Resilience Act is intended to provide flexibility for the Government to manage the economy with the use of fiscal policy.

Based on the application of the provisions of the FRA, the FROC reiterates the need to consider the effectiveness of the wage bill rule, the debt target referenced in Section 9 of the FRA, and the precision and application of the primary balance rule.

The Effectiveness of the Wage Bill Rule

The wage bill rule is ineffective while having the potential to be distortionary. The wage bill rule seems to have been established at a level that can accommodate extremely adverse economic conditions as it is excluded from the Suspension Clause.

Based on projections in the Medium-Term Fiscal Framework 2025- 2027, it will require a more than 30 per cent reduction in GDP or an increase of more than $175M (50 per cent) in the wage bill to breach the wage cap over the medium term. This raises the question as to the relevance of this rule during normal economic conditions.

In its previous reports, the FROC highlighted the potential distortionary effects of a wage rule if it is set too low. Based on the fiscal data, the wage bill rule should not be distortionary at this time.

It must be noted, however, that a wage bill rule that is not linked to a determination of the optimal size of the public service could be ineffective or has the potential of being distortionary. In particular, the distortionary impact of the wage bill rule is generally subtle and manifested over a long period. The Government has to provide goods and services and, in the event of a possible breach of the wage bill rule, it would find innovative mechanisms of employment without breaching the rule. As a consequence, the wage bill rule may never be breached, as was evident since the enactment of the Fiscal Responsibility Act in 2015. In practice, therefore, the wage bill rule is considered to be ineffective.

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 Economic and Fiscal Strategy Report and the Medium-Term Fiscal Framework that are approved by Parliament. This is in accordance with Section 8 of the Fiscal Resilience Act as follows:

(2) In respect of each annual Budget, the medium-term fiscal framework shall set an annual percentage ceiling for public debt as a ratio of nominal GDP to achieve the public debt target.

Therefore, Section 9 of the FRA should refer to the ceilings for the debt to GDP ratio as specified in the Economic and Fiscal Strategy Report and the Medium-Term Fiscal Framework for the relevant years as approved by Parliament. The monitoring of compliance of the Government will then be related to whether there is a deviation in the path towards achieving the debt target, based on the approved ceilings, rather than on achieving the debt target.

Precision and Application of the Primary Balance Rule

The legislated minimum primary surplus of 1.5 per cent of GDP is required by the Central Government to reduce the public debt comprising Central Government debt and that of statutory bodies and state-owned enterprises. This was based, according to the Ministry of Finance, on the high proportion of the debt of the Central Government in the total public debt. At the time of the application of the model in 2022, to determine the fiscal rules and target, the public debt was $2.6B or 80 per cent of GDP and was dominated by Central Government Debt of $2.1B or 63 per cent of GDP. The debt of statutory bodies and state-owned enterprises was $0.5B or 17 per cent of GDP. The debt of the statutory bodies and the state-owned enterprises primarily comprised the arrears for the Petro Caribe debt of $0.4B or 11 per cent of GDP. The public debt therefore consisted primarily of that of the Central Government.

Economic interrelationships are dynamic, and this should be taken into consideration in the enactment of legislation. In the public sector, these interrelationships are manifested as functions and the associated assets and liabilities are transferable between the Central Government and statutory bodies and state-owned enterprises. The need to respond to the impact of Hurricane Beryl on the public utilities (water and electricity) and for waste disposal could change the debt liabilities of the statutory bodies and state-owned enterprises, possibly increasing their share of the public debt. Therefore, the ownership structure of the public debt could change, and hence the ownership structure of the debt should not be a primary consideration in the design of the fiscal rule. The primary balance rule for the Central Government to generate a surplus of 1.5 per cent of GDP to reduce the total public debt should be reviewed for its precision and coverage.

Recommendations

Given the ineffectiveness of the wage bill rule, in the context of a legislated primary balance and the targeted debt to GDP ratio, the FROC recommends that consideration be given to eliminating the wage bill rule.

The FROC also reproduces the following recommendations from the 2023 Annual Report for the consideration of Parliament:

i. The primary balance rule;

ii. The Suspension Clause;

iii. The monitoring of statutory bodies and state-owned enterprises; and

iv. The structure of the Fiscal Resilience Oversight Committee.

The Primary Balance Rule

The primary balance rule should be specific as to whether it applies to Central Government or to Central Government **and** (emphasis added) the statutory bodies and state-owned enterprises.

The fiscal rule related to the primary balance states in Section 8:

(3) *For the purposes of achieving the public debt target under subsection (1), the medium-term fiscal framework shall set an annual debt-reducing primary balance, which shall be no less than one and a half per cent of nominal GDP until the public debt target is achieved.*

The primary balance rule is critical to the achievement of debt sustainability. Therefore, similar to the precision of the wage rule, the primary balance rule should be precise as to the agent responsible for generating the primary balance of 1.5 per cent of GDP.

Recommendation

It is recommended that Section 8 (3) be revised as follows:

The Minister shall take appropriate action to maintain an annual debt-reducing primary balance, which shall be no less than one and a half per cent of nominal GDP in order to reduce the Central Government debt to GDP ratio to that which is consistent with achieving the public debt target.

In addition, Section 8 (4) of the Fiscal Resilience Act reads:

4) *Where the public debt target specified under subsection (1) is achieved, the Minister shall take appropriate steps to ensure that primary balances are consistent with maintaining debt sustainability.*

To avoid any ambiguity and for ease of reference, there is need to either define debt sustainability in the Act itself or alternatively provide a formula for calculating the indicator that will be used for debt sustainability.

Recommendation

Include, in the Act, the definition of debt sustainability or include the formula for the determination of debt sustainability in the schedule to the Act in order to operationalise Section 8 (4).

The Suspension Clause

Suspension of Fiscal Rule and Target

In the Fiscal Responsibility Act (2015), the Escape clause allowed for the suspension of the fiscal rules and targets as follows:

10.— (1) The Minister may by Order suspend, for a period not exceeding one fiscal year, fiscal rules, targets and corrective measures under sections 7 and 8.

By contrast, in the Fiscal Resilience Act (2023), the suspension is specific to the primary balance rule and the public debt target. Section 9 provides as follows:

(1) The Minister may, by Order subject to negative resolution, suspend the public debt target and primary balance rule under section 8 at any time during a fiscal year where any of the following occurs …

The wage rule is not referenced in the suspension clause. Clarification is therefore required on whether it is the intention of the Act to enforce the wage rule during any suspension of the fiscal rules and target. If so intended, the rationale for the exclusion of the wage bill, (which is identified as a fiscal rule in Section 7) from the suspension clause, needs to be made clear. It may not be practical to reduce the wage bill during a period where there is a drastic decline in GDP.

Recommendation

It is recommended that the wording of Section 10(1) of the Fiscal Responsibility Act (2015), that is, the reference to "fiscal rules, targets and corrective measures", be maintained for the Fiscal Resilience Act (2023).

Extension of the Suspension of the Fiscal Rule and Target

As indicated above, section 9, the suspension clause, provides for suspension of the public debt target and primary balance as follows:

9.— (1) The Minister may, by Order subject to negative resolution, suspend the public debt target and primary balance rule under Section 8 at any time during a fiscal year where any of the following occurs.

There follows a listing of the scenarios or events which may trigger the suspension clause.

This could be simplified as follows:

(5) *If the Minister is satisfied that– (a) one circumstance under subsection (1) (a), (b) or (c) applies; or (b) resumption of the application of the public debt target and primary balance rule suspended by an Order under subsection (1) would be unduly harmful to the public finances and macroeconomic or financial stability, the Minister may extend the period for the Order under subsection (1) by a second or subsequent order subject to affirmative resolution made concurrently with the presentation of the National Budget for the new fiscal year.*

<u>Returning to fiscal rules and target after suspension</u>

The debt target is to be achieved by 2035. The Act should specify the requirements to return to the path towards achieving the debt target after the suspension rather than returning to the debt target. Therefore, the following may need to be addressed:

The new Act currently states in Section 9(3) and (4):

(3) Where the Order under subsection (1) is published in the Gazette within the first half of the fiscal year, the mid-year review report laid in accordance with section 25 of the Public Finance Management Act shall include the measures proposed to facilitate compliance with the public debt target and primary balance rule at the end of the suspension, including the size and nature of the revenue and expenditure measures.

(4) Subject to an extension under subsection (5), where the Order under subsection (1) is published in the Gazette within the second half of the fiscal year, the medium term economic and fiscal strategy report accompanying the national Budget for the new fiscal year shall include the measures proposed to facilitate compliance with the public debt target and primary balance rule in the new fiscal year, including the size and nature of the revenue and expenditure measures for the national Budget for the new fiscal year.

Recommendation

The Medium-Term Fiscal Framework should inform the programmed debt level to be attained after the suspension period as the debt target is to be achieved by 2035. The following formulation is recommended:

3) *Where the Order under subsection (1) is published in the Gazette within the first half of the fiscal year, the mid-year review report laid in accordance with section 25 of the Public Finance*

Management Act shall include the measures proposed to facilitate compliance with the fiscal rules (wage bill and primary balance) and public debt, as set out in the Medium-term fiscal framework, at the end of the suspension, including the size and nature of the revenue and expenditure measures.

(4) Subject to an extension under subsection (5), where the Order under subsection (1) is published in the Gazette within the second half of the fiscal year, the medium term economic and fiscal strategy report accompanying the national Budget for the new fiscal year shall include the measures proposed to facilitate compliance with the fiscal rules (wage bill and primary balance) and public debt as set out, in the Medium-term fiscal framework, in the new fiscal year, including the size and nature of the revenue and expenditure measures for the national Budget for the new fiscal year.

Monitoring of Statutory Bodies and State-owned Enterprises

The Fiscal Resilience Act gives the Minister the authority to give directives to the statutory bodies and state-owned enterprises as follows:

13.— (1) The Minister shall cause to be established Performance-Monitoring Guidelines for Statutory Bodies and State-Owned Enterprises in accordance with the objects of this Act.

(2) No later than three months prior to the beginning of a fiscal year, the Minister shall–

(a) review and, where applicable, update the Performance-Monitoring Guidelines for Statutory Bodies and State-Owned Enterprises; and

(b) where applicable, issue Statutory Bodies and State-Owned Enterprises with explicit guidelines for non-interest expenditure, new borrowings and other policies for the fiscal year, which shall be monitored by the Ministry of Finance.

FROC notes that there is the potential for conflict between the exercise of this Ministerial authority and the governance authority ordinarily exercised by the Board of Directors of statutory bodies and state-owned enterprises.

Recommendation

This conflict or even the perception of it will have to be managed.

The Structure of the Fiscal Resilience Oversight Committee

The Fiscal Resilience Act makes provision for enhanced monitoring and reporting on compliance with the Act by the Fiscal Resilience Oversight Committee. Consideration should be given to the skills needed for the effective and efficient functioning of the FROC. The expertise identified in the Fiscal Resilience Act is hereunder summarised as follows:

In the case of four members, in consultation with the Director of Audit, having qualifications in the following areas—(i) accounting; (ii) business management; (iii) public administration; or (iv) law; and (b) in the case of one member who shall have expertise in economics, on the advice of the Governor of the Eastern Caribbean Central Bank.

The work of the FROC is mainly concentrated on fiscal and economic issues and this should be adequately reflected in the expertise of members of the FROC and any supporting structures. Therefore, to ensure that the FROC can effectively carry out its mandate, there should be an alignment of the expertise and technical competence with the responsibilities and activities associated with the government adherence to legislative provisions, debt sustainability, fiscal oversight and the monitoring of government operations.

This requires expertise gained through practical experience in relevant areas such as macroeconomics, government finances, debt sustainability analysis, and the legal and regulatory framework for the operation of the public sector.

Recommendation

In the short term, the appointment to the FROC should be modified to include at least two economists with proven experience and expertise in the relevant areas. This may be achieved by merging the qualification in business management and accounting required, which are generally similar, in a single member and allowing for the additional member to be an economist. As the functions of the FROC are enhanced, it will become necessary to structure the FROC so it could effectively carryout its mandate.

Conclusion

The language and concepts of the Fiscal Resilience Act are generally expressed in simpler terms and will tend to enhance implementation and monitoring.

During the operational phase of the FRA, the FROC identified three areas for consideration namely, the effectiveness of the wage bill rule, the debt target referred to in Section 9 of the FRA and the precision and application of the primary balance rule.

The main areas of the FRA for review, as outlined in the FROC 2023 Annual Report, are restated for the consideration by the House of Representatives. These are related to the primary balance, debt sustainability and the suspension clause. The clarification of these areas will further contribute to clarity and precision of the Fiscal Resilience Act.

OVERALL CONCLUSION AND RECOMMENDATIONS

Overall Conclusion

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 medium-term projections should be kept under constant review as the global environment is becoming increasingly unstable and unpredictable.

- 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.

Conclusion

Macro-Economic Development

Despite the challenges posed by a series of natural disasters in 2024, growth was sustained in Grenada's economy at 3.7 per cent, following growth of 4.5 per cent in 2023. Economic growth is projected to average 4.2 percent over the medium-term.

The growth rate for 2024 did not deviate significantly from what was projected prior to the impact of Hurricane Beryl. Tourism, proxied by the hotels and restaurant sector, was the leading source of growth expanding by 9.8 per cent. The construction and wholesale and retail trade sectors, which generally boost economic activity after natural disasters, recorded moderate growth rates of 2.7 per cent and 5.4 per cent respectively. It was also noted that developments related to the creative and digital economy were not directly included in the assessment of the performance of the economy. The FROC is of the view that the estimated growth rate for 2024 should be reviewed carefully to ensure that there is full coverage of all economic activities, and that this accurately reflects developments in construction and wholesale and retail trade. In this context, and given the ongoing data challenges, consideration should be given to reviewing the method for determining GDP to ensure the estimated GDP captures the developments in the economy.

The External Account

It is estimated that the current account of the balance of payments widened in 2024, influenced by an increase in the merchandise trade deficit on account of higher imports. High inflows on the capital account partially offset the deficit on the current account.

Central Government Finances

Central Government finances strengthened substantially in 2024, mainly as a result of higher receipts from the IMA and a payout from CCRIF, despite the increase in total expenditure. Consequently, a primary surplus of 11.3 per cent of GDP was recorded. This was a much more favourable outcome than was anticipated when Section 9 of the FRA was activated, as it was expected that the impact of Hurricane Beryl would have resulted in a breach of the primary balance rule.

The fiscal balances, namely the primary and overall balances, are projected to turn negative in 2025 and 2026 requiring the extension of the suspension clause in 2025. The overall deficit for 2025 will be financed primarily from reserves, while the government may need to consider a mix of debt and reserves to cover the deficit in 2026. The primary and overall balances are projected to return to surplus in 2027.

The Public Debt

The public debt to GDP ratio is projected to remain on its downward trajectory over the medium-term and to remain within the ceiling approved by Parliament. With Parliament's approval of "The Budget and New Hospital Project Loan Authorisation Bill, 2025", the government is authorised to borrow up to $825M. To ensure that the path to the attainment of the targeted debt to GDP ratio of 60 per cent by 2035 remains on track, sensitivity analysis should be undertaken to ascertain how different loan terms and conditions may impact this target. The institutional arrangements for the management of the public debt as stipulated in Section 27 and in the Second Schedule of the Debt Management Act as amended should be implemented.

The Financial Sector

In 2024, the financial sector remained stable. The commercial banking system was characterised by high liquidity, marginal decline in average saving rate and low non-performing loans. With the high liquidity, the commercial banks accumulated external assets.

Compliance of the Government with the FRA

i. Compliance with Fiscal Rules and Target

With the passage of Hurricane Beryl on 1st July 2024, Section 9 of the Fiscal Resilience Act was activated, and the primary balance rule and the debt target were suspended for 2024. With an estimated primary balance deficit for 2025, the suspension of Section 9 of the FRA was extended to 2025. The Government complied with its statutory obligations for the suspension of Section 9 of the FRA relating to the primary balance rule and the debt target for 2024 and 2025. 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 as outlined in the Fiscal Resilience Act.

ii. Monitoring of the Statutory Bodies and State-owned Enterprises

There was no need for revisions to the existing performance guidelines for the statutory bodies and state-owned enterprises. The statutory bodies and state-owned enterprises were provided with the SBs and SOEs Handbook which covers matters relating to financial management and governance. Some of the statutory bodies and state-owned enterprises have not submitted their audited accounts to Parliament as stipulated in the Public Finance Management Act. Consideration should be given to establishing a framework for the imposition of penalties on the statutory bodies and state-owned enterprises for not submitting the audited accounts to Parliament.

iii. Compliance with Fiscal Transparency

Data and information were generally disseminated. The major avenue for the dissemination of timely and regular data and information on fiscal performance is the monthly Fiscal Summary Report and, during the year, there were challenges in the timely publication of these reports.

The main documents, required by legislation, that were published in 2024 were the Mid-year Fiscal Policy Review and the Medium-term Fiscal Framework. The Medium-term Debt Management Strategy and the audited public accounts were not submitted to Parliament as legislated. A report on tax concession is not being submitted to Parliament.

The Medium-term Economic and Fiscal Strategy Report (2025 – 2027) and The Annual Debt Report were submitted to Parliament simultaneously with the presentation of the national budget as legislated. However, the Annual Debt Report was submitted with a one-year lag.

The absence of consistent data series on key fiscal and public debt indicators, covering at least five years (two years prior to the year under review, the year under review and two forward years), is a constraint to undertaking analysis of fiscal and debt performance.

The Fiscal Resilience Act

The FROC reiterates the need for an evaluation of the effectiveness of the wage bill rule and a reconsideration of the reference to debt target in Section 9 of the FRA and the precision and application of the primary balance rule. The detailed recommendations in the FROC 2023 Annual

Report related to the primary balance rule, debt sustainability, the suspension clause and the structure of the Fiscal Resilience Oversight Committee should be considered by Parliament.

Overall Recommendations

Key Messages

- Continuous review of the Fiscal Resilience Act for the effectiveness of the wage rule, precision and scope of the primary balance rule, the definition of debt sustainability, the coverage of the suspension clause and the structure of the FROC.
- Strengthen the monitoring of statutory bodies and state-owned enterprises given their inclusion in the coverage of the public debt.
- In light of the authorisation to borrow, conduct sensitivity analysis to ascertain the impact of different loan terms and conditions on the attainment of the targeted debt to GDP ratio of 60 per cent by 2035.
- Continuous improvement in fiscal transparency through the timely publication of the monthly Fiscal Summary Report and the Quarterly Debt Bulletin, consistent data series for fiscal and public debt, and accelerate the submission of the outstanding audited public accounts to Parliament.
- In support of the growth and transformation strategy, develop indicators or systems to measure productivity and the efficiency of doing business.
- The medium-term economic strategy should be updated, particularly in light of the impact of Hurricane Beryl and the November floods and landslides.

Recommendations

In the FROC 2023 Annual Report, recommendations arising from the assessment of the compliance of the Government with the Fiscal Responsibility Act (2015) in 2023 and the Fiscal Resilience Act (2023) over the medium-term were put forward for the consideration of Parliament. Based on the assessment of compliance of the Government with the Fiscal Resilience Act for 2024, the recommendations are integrated with the previously submitted recommendations and are submitted under the following headings: i. The Fiscal Resilience Act, ii. Fiscal Transparency and iii. Economic Growth and Transformation.

The Fiscal Resilience Act

The Fiscal Resilience Act is the instrument for ensuring debt sustainability. The recommendations are related to the relevance of the wage bill rule, the precision and scope of the primary balance rule, the definition of debt sustainability, the coverage of the suspension clause and the structure of the Fiscal Resilience Oversight Committee.

The Wage Bill Rule

The FROC recommends the elimination of the wage bill rule as it is ineffective while having the potential to be distortionary. The cap for the wage bill could accommodate extremely adverse economic conditions, manifested by its exclusion from the Suspension Clause. As such, it would not be effective under normal economic conditions. In addition, the policy decision of the Government for some goods and services to be provided by statutory bodies could change the structure of the public sector and the effectiveness of the wage bill rule.

The Primary Balance Rule

The legislated minimum primary balance rule should be specific to Central Government in the FRA. It is therefore recommended that Section 8 (3) be revised to make the clause specific to the Central Government while taking into consideration the need to reduce the total public debt.

Debt Sustainability

To avoid ambiguity and for ease of reference in operationalising Section 8 (4) of the FRA, either define debt sustainability in the Act itself or alternatively provide a formula for calculating the indicator that will be used for debt sustainability.

The Suspension Clause

Suspension of Fiscal Rule and Target

In the Fiscal Resilience Act (2023), Section 9, the suspension of fiscal rules and target is specific to the primary balance rule and the public debt target. If the wage bill rule is maintained in the FRA, the Suspension Clause, which currently excludes the wage bill rule, should be modified to include this rule.

Extension of the Suspension of the Fiscal Rules and Target

In Section 9, the suspension clause provides for the suspension of the public debt target and the primary balance rule, with a listing of the scenarios or events which may trigger the suspension clause. Consideration should be given to the simplification of that section.

Returning to Fiscal Rules and Target after Suspension

The debt target is to be achieved by 2035. Therefore, the Act should specify the requirements to return to the path towards achieving the debt target after the suspension rather than returning to the debt target.

The Structure of the Fiscal Resilience Oversight Committee

The Fiscal Resilience Act makes provision for enhanced monitoring and reporting on compliance with the Act by the Fiscal Resilience Oversight Committee. To facilitate the work of the FROC, it is recommended, that in the short term, the appointment to the FROC should be modified to include at least two economists. As the functions of the FROC are enhanced, it will become necessary to structure the FROC so it could effectively carryout its mandate.

Fiscal Transparency

Dissemination of Information and other Provisions

To further improve the information that is disseminated to the public and other related provisions for fiscal transparency, the following are recommended:

- Ensure the timely publication of the monthly Fiscal Summary Report and the Quarterly Debt Bulletin as a source of regular data and information on the public finances.

- In the economic and fiscal reports, publish a consistent data series for fiscal and public debt covering at least five years (two years prior to the year under review, the year under review and two forward years).
- Develop a structure to facilitate the publication of the report on tax incentives and the accompanying details on tax relief and exemptions as stipulated in the Public Finance Management Act.
- Prepare the framework for wage negotiations in accordance with the Fiscal Resilience Act.
- Present to Parliament the reports on the National Transformation Fund, in accordance with the Public Finance Management Act.
- Accelerate the submission of the outstanding audited public accounts to Parliament to achieve compliance with the Constitution, the Audit Act and the Public Finance Management Act.
- Improve fiscal transparency and accountability through the examination of the audited accounts by the Public Accounts Committee in accordance with the Standing Order No. 69 of the Standing Orders of the House of Representatives.
- Examine the schedule for various legislated reports to ensure that the schedule is consistent with the availability of relevant data and information and the capacity of the Ministry of Finance to produce analytically robust and relevant reports by the stipulated timeframe and allow adequate time for review by the FROC.
- Strengthen the monitoring of statutory bodies and state-owned enterprises in light of their inclusion in the coverage of the public debt. As such, consideration should be given to establishing a framework for the imposition of penalties on the statutory bodies and state-owned enterprises for not submitting the audited accounts to the Minister for onward submission to Parliament as stipulated in the legislation.
- Strengthen the institutional arrangements for the management of public debt in accordance with the Debt Management Act which provides for the establishment of a Public Debt Coordinating Committee and a Debt Unit. The Public Debt Co-ordinating Committee should function in accordance with the Debt Management Act.
- In light of the authorisation to borrow, conduct sensitivity analysis to ascertain the impact of different loan terms and conditions on the attainment of the targeted debt to GDP ratio of 60 per cent by 2035.

OVERALL CONCLUSION AND RECOMMENDATIONS (CONTINUED)

Economic Growth and Transformation

The following are proposed:

- Develop indicators or systems to measure productivity and the efficiency of doing business.
- Establish policies and programmes that will strengthen linkages among the sectors in the economy.
    - Improve the timeliness and comprehensiveness of data to strengthen the assessment of the performance of the economy.
    - The medium-term economic strategy should be updated, particularly in light of the impact of Hurricane Beryl and the November floods and landslides, and the emerging unstable and unpredictable global environment.

APPENDIX I: FROC Activities: 1 April 2024 to 31 March 2025

DATE	ACTIVITY/ENGAGEMENTS	PURPOSE
April 2024	Circulation to the public and publication in local newspapers of the FROC 2023 Annual Report and the accompanying documents	Public awareness
May 2024	Revision of the Memorandum of Understanding with the Ministry of Finance. Revision of the FROC Charter and Guidelines	Improving the operations of the FROC
	Press Conference on the FROC 2023 Annual Report	Public communication of the Annual Report
	Preparation of 'Statement of Compliance' and submission to the Speaker of the House of Representatives, Minister of Finance, and circulate to the general public through local newspapers as of 31 March 2024	Assessment of compliance and discussion
June 2024	Meeting with the IMF on the Article IV Consultation Mission	Consultation on economic matters
	Finalisation of the Memorandum of Understanding with the Ministry of Finance. Finalisation of the FROC Charter and Guidelines	Improving the operations of the FROC
	Meeting with the Speaker of the House of Representatives and Chairman of the Committee of Privileges.	Information on the activities of the FROC

DATE	ACTIVITY/ENGAGEMENTS	PURPOSE
July 2024	Preparation of reports for the meeting of the FROC: i. FROC Charter and Guidelines. ii. Preparation of the Memorandum of Understanding. iii. Report on the Finalization of the 2025 budget of the FROC and submit to the Speaker of the House of Representatives and the Clerk of Parliament.	Technical and administrative matters
	Meeting of the FROC for the approval of the Charter and Guidelines, the Memorandum of Understanding, and the 2025 Budget.	Technical and administrative matters
	Preparation and circulation of the Statement on the passage of Hurricane Beryl. The statement was submitted to the Speaker and circulated to the Public.	FROC activities in light of the passage of Hurricane Beryl.
August 2024	Submission of the Memorandum of Understanding to the Ministry of Finance for comments and suggestions.	Operations of the FROC and relationship with the Ministry of Finance.
September 2024	Preparation and submission of Statement on the Supplementary Appropriation Bill to the Speaker of the House of Representatives.	Compliance with the Fiscal Resilience Act.
	Preparation of the 'Activities, Responsibilities and Timelines document to guide the work of the FROC for 2024-2025	Planning and documentation
	Preparation of the outline for the 2024 Annual Report. Ms. Laurel Bain and Mrs. Annette Henry have been reappointed to the FROC Committee, while Mr. Hyacinth Jeremiah has joined as a new member.	In preparation for the 2024 Annual Report. Technical and Administrative Matters
October 2024	Preparation and submission of the comments on the Medium-Term Fiscal Framework to the Ministry of Finance.	In compliance with the Fiscal Resilience Act.
November 2024	Establish the Essay Competition Committee. Essay Committee members include Ms. Zanna Barnard and Mr. Angus Smith. Preparation and submission of the Concept Notes for the essay competition were submitted to the Ministry of Education. FROC Website Development Coordination started.	Technical and administrative matters Awareness and Public Participation

DATE	ACTIVITY/ENGAGEMENTS	PURPOSE
	Mrs. Tracy Victor, the Technical and The Administrative Manager joined the FROC	Technical and administrative matters
December 2024	Honorable Leo Cato participated in the FROC meeting with the Committee Members. The Website Committee carried out extensive updates and enhancements on the FROC Website. The Ministry of Education received the finalized concept for the Essay Competition. Social media updates included: a. A statement on the Supplementary Appropriation Bill 2024. b. An announcement introducing Mr. Hyacinth Jeremiah on the FROC and Mrs. Tracy Victor as Technical and Administrative Manager. c. A post on the reappointment of FROC members, Ms. Annette Henry and Ms. Laurel Bain. d. The publication of a report on the FROC meeting with the Speaker of the House of Representatives, Honorable Leo Cato.	Technical and administrative matters Awareness and Public Participation
January 2025	The FROC operated with the Guidelines and Outline for the Annual Report that was approved by the FROC. Social Media Update: Shared the FROC Charter and Guidelines on Facebook and LinkedIn. The preparation of the Annual Report was ongoing. Coordination of Website Development continued	Technical and administrative matters Awareness and Public Participation
February 2025	The FROC Essay Competition was ongoing. A reminder letter was sent to all participating schools to encourage timely submissions. A request for prize contributions was sent to Ariza, Communal, NEXA Credit Unions, and Grenada Co-operative Bank Limited.	Awareness and Public Participation

DATE	ACTIVITY/ENGAGEMENTS	PURPOSE
	The FROC Chair and Administrative Manager met with PURC's Ms. Kelisha Gibbs to discuss collaboration, strategic support, and expanding the impact of the FROC Essay Competition.	
March 2025	Completion of the FROC Website. Social Media Update: Announced the FROC Website launch on Facebook and LinkedIn Meeting with the FROC and the Ministry of Finance. The draft annual report was circulated to FROC members for internal review.	Improving the operations of the FROC

APPENDIX II: Fiscal Performance Relative to the Original Budget and the Revised Budget

Total Revenue and Grants	Original Budget	Revised Budget	Actual Outturn (AO)	Variation of Original Budget From AO		Variation of Revised Budget from AO	
	$ Mn	$Mn	$Mn	$Mn	per cent	$Mn	per cent
	1321.4	1326.8	1687.8	366.4	27.7	361	27.2
Grants	104.6	110	40.9	-63.7	-60.9	-69.1	-62.8
Current Revenue	1216.8	1216.8	1646.9	430.1	35.3	430.1	35.3
Tax Revenue	853.7	853.7	890.6	36.9	4.3	36.9	4.3
Non-tax Revenue	363.1	363.1	756.3	393.2	108.3	393.2	108.3
Total Expenditure	1320.9	1590.6	1377.3	56.4	4.3	-213.3	-13.4
Current Expenditure	901.4	932.3	915.9	14.5	1.6	-16.5	-1.8
Interest Payment	56.6	56.6	122.4	65.8	116.3	65.8	116.3
Capital Expenditure	419.6	658.2	461.4	41.8	10.0	-196.8	-29.9
Current Account Balance	315.4	284.4	731	415.6	131.8	446.6	157.0
Primary Balance (Before Grants)	-47.4	-317.2	392	439.4	-927.0	709.2	-223.6
Primary Balance (After Grants)	57.2	-207.2	432.9	375.7	656.8	640.1	-308.9
Overall Balance (Before Grants)	-104.1	-373.8	269.6	373.7	-359.0	643.4	-172.1
Overall Balance (After Grants)	0.5	-263.8	310.5	310	62000.0	574.3	-217.7

Source: Estimates of Revenue and Expenditure 2024; Statement on Appropriation Act; Medium-term Economic and Fiscal Strategy Report 2025-2027 (Ministry of Finance 2025)

The status of the implementation of the strategic priorities is highlighted based on the following four themes: i. Human Development; ii. Promoting Robust Economic Growth and Job Creation; iii. Promoting Good Governance; and iv. Enhancing Climate Resilience, Environmental Sustainability, and Renewable Energy.

Human Development

The programmes and projects for human development included a broadening of the coverage of secondary school education, reorienting the school curriculum and skills training to meet the demands of the economy.

The programmes and projects that were implemented and projects for acceleration are displayed in Box 3.1

Box 3.1: Human Development: Education

Programmes and Projects Implemented

- Increased access to secondary education
- The elimination of registration fees at pre-primary, primary and secondary schools
- The removal of tuition fees at the T.A Marryshow Community College (TAMCC) and New Life Organisation (NEWLO)
- The elimination of fees for the school feeding programme
- Policies to synchronise the school curriculum with the education and skills requirement of the economy
- The granting of scholarships to undertake studies in creatives at TAMCC and training of youths in cyber security.

Programmes and Projects to be Accelerated

- The implementation of the World Bank funded OECS Skills and Innovation Project
- The Grenada Education Enhancement Project (GEEP), Phases 1 and 2
- Rehabilitation of the St. Giles and the Florida Government Schools with funding from the National Transformation Fun.
- The restoration of the public library

In health, the implementation of policies for improving health services through the recruitment and training of health professionals and the upgrading of the infrastructure are being pursued. The programmes and projects that were implemented and projects for acceleration are displayed in Box 3.2

Box 3.2: Human Development: Health and Wellness

Programmes and Projects Implemented	Programmes and Projects to be Accelerated
Upgrade of health centers and medical stations (Hillsborough Smart Health Centre, Victoria Medical Station, the Princess Royal and Princess Alice Hospitals, and the Westerhall and Good Hope Medical Stations)	Upgrade of health centers and medical stations (Sauteurs Health Centre, Grand Bras Medical Station, the Mt. Rich Medical Station and the New Hampshire Medical Station) The new teaching hospital project **Carlton House Project** The National Health Insurance Project Human Development: Other Social Sector Projects One of the major social projects is related to housing. The retrofitting of the China aided 600 affordable housing units were completed and are being distributed. The Project 500 Steering Committee and Management Unit was established to plan and implement Project 500 through the Grenada Housing Authority. The project commenced with the display of the model for the houses. There is the ongoing Grenada Home Improvement and Resilience Project for the provision of material assistance and to support the Water Access and Sanitation in Homes (WASH) Programme.

Promoting Robust Economic Growth and Job Creation

The following highlights the status of the main projects to facilitate robust economic growth and job creation: tourism and hospitality.

Agriculture Food and Nutrition Security

Over the past two years, the agricultural projects surrounded the implementation of the 'Food Security Enhancement Project'. The programmes and projects that were implemented and projects for acceleration are displayed in Box 3.3.

Box 3.3: Promoting Robust Economic Growth and Job Creation: Agriculture Food and Nutrition Security

Programmes and Projects Implemented	Programmes and Projects to be Accelerated
The Food Security Enhancement Project	Strengthening the Bureau of Standard to support the strategy to address the export-import imbalances
The Youth in Agriculture Project	Transformation of the Marketing and National Importing Board (MNIB)
Propagation of plants for the spice replanting project	The work of the Commission on Cannabis Legalisation and Regulation
Upgrade and reconstruction of fisheries and agriculture infrastructure in Cariacou	

Tourism and Hospitality

The Government's stated strategy is to support and collaborate with the private sector for the development of tourism, while focusing on policies, upgrading the infrastructure and protecting the natural resources. The programmes and projects that were implemented and projects for acceleration are displayed in Box 3.4

Box 3.4: Promoting Robust Economic Growth and Job Creation: Tourism and Hospitality

Programmes and Projects Implemented	Programmes and Projects to be Accelerated
Increased regional and international airlift	The Declaration of Heritage Sites, and the Development of Tourism Products
The laying of sculptures, depicting Grenada's history and culture, at the Molinere Undersea Museum and the Undersea Museum in Carriacou	A comprehensive review of the current framework for the management of the historical and geological sites
	Restoration and rehabilitation of Fort George

The Creative and Digital Economy

The development of the creative and digital economy is a strategic priority of the Government. The focus has been on the creation of the Office of Creative Affairs to provide administrative support to the sector and technical support to creatives to source financing. The programmes and projects that were implemented and projects for acceleration are displayed in Box 3.5

Box 3.5: Promoting Robust Economic Growth and Job Creation: The Creative and Digital Economy

Programmes and Projects Implemented	Programmes and Projects to be Accelerated
The Creative Industries Development Fund to provide soft loans and grants to creatives The granting of 100% duty-free concessions on imported gear and/ or equipment by local creatives The collaboration of the Office of Creative Affairs with the Ministry of Education and the T.A Marryshow Community College to offer specialised courses in Entertainment Law and Introduction to Entrepreneurship The implementation of programmes to bridge the digital divide and to Enhance digital literacy Working (ongoing) with internet service providers to establish a network of free wireless access points in communities, schools, government offices, tourism sites and recreational parks The implementation of programmes to bridge the digital divide and to Enhance digital literacy	A Research Project to map the Creative Economy Digitisation of the application process for passports and other certificates, such as birth and death certificates and other government services Working (ongoing) with internet service providers to establish a network of free wireless access points in communities, schools, government offices, tourism sites and recreational parks

Private Sector Development

The focus is on providing the institutional framework and financial infrastructure for the development of the private sector. Box 3.6 displays the projects implemented and projects to be accelerated.

Box 3.6: Promoting Robust Economic Growth and Job Creation: Private Sector Development

Programmes and Projects Implemented	Programmes and Projects to be Accelerated
Injection of $2.0 million in equity into the Grenada Development Bank to support the Bank in raising capital	The provision of grant financing to farmers through the Grenada Development Bank as part of the Challenge Grant Component of the G-CREWS Project
The extension of the concession regime for MSMEs for a further period of 12 months to December 2024	The development of a national export strategy with the strategic aim of redefining and revitalizing Grenada's approach to international trade
Improving Tax Administration	A comprehensive study to guide the merger of the Grenada Investment Development Corporation (GIDC) and the Grenada Development Bank (GDB
Support to Hotel Capacity Expansion	
The provision of competitive matching innovation grants of up to US$30,000 per beneficiary through the Investment Development Corporation as part of the OECS Skills and Innovation Project	

Promoting Good Governance

Two main areas of focus are public sector reform and pension reform. Box 3.7 displays the projects implemented and projects to be accelerated.

Box 3.7: Promoting Good Governance: Public Sector Reform and Pension Reform

Programmes and Projects Implemented	Programmes and Projects to be Accelerated
The establishment of the Pension Review Committee and the enactment of a defined contribution pension plan to provide pension for Government workers	Construction of state-of-the-art Halls of Justice
The upward adjustment to the legislated minimum wage in the public and private sectors	The introduction of CCTV cameras across public spaces and other vulnerable spots across Grenada, Carriacou and Petite Martinique
Development of the Public Service Regularisation Strategic Framework and Guidelines and the commencement of the regularisation of government workers	Revaluation of the structure of the RGPF and eliminating non-essential departments
The upward adjustment to the minimum stipend for IMANIs working in the Public Service	Strengthen human resource capacity, enhance infrastructure and rehabilitation efforts, and promote self-sufficiency within the prison system.
Government payment of the employer contribution to the National Insurance Scheme for all Government employees	
Upgrade and rehabilitation of Government buildings	
The amendment to the Firearms Act to provide for stiffer penalties for persons convicted of possession, trading, or use of illegal firearms	

Enhancing Climate Resilience, Environmental Sustainability, and Renewable Energy

The impact of Hurricane Beryl and the November floods and landslides has brought to the forefront the need to address the physical economic and social infrastructure. The priority projects, based on the assessment of the impact of the natural disasters, will need to be integrated with the ongoing projects for upgrading the social and economic infrastructure. These projects, for the social infrastructure, include the construction of houses, the construction and rehabilitation of schools, upgrading of medical facilities, and the preparation for the construction of the teaching hospital. The economic infrastructure projects would need to be prioritise and accelerated over the medium- term including the revisiting of the already identified projects such as the Grenville Flood Reduction and the St. John's River Flood Mitigation projects.

The rebuilding and reconstruction brought about by the passage of Hurricane Beryl and the November floods and landslides coincides with the time for preparing a new three year rolling medium-term economic strategy.

Background

In 2024 and previous years, challenges were identified with the data used to assess economic developments, and addressing these should be given priority. During the year, the Fiscal Resilience Oversight Committee (FROC) referenced the data challenges.

In its Statement on the Supplementary Appropriation Bill submitted to the House of Representatives through the Clerk of Parliament on 10th September 2024, the FROC reported that:

> "The estimate for economic growth is a reflection, in part, of the data challenges associated with the determination of the GDP."

The FROC in its report on the 2025 – 2027 Medium-Term Fiscal Framework (MTFF), submitted to the Permanent Secretary, Ministry of Finance on 28th October 2024, recommended the examination of:

> "The method of gathering information and the methodology for compiling the GDP to ensure that the GDP reflects the output of the economy".

Some of the data challenges were also identified by the FROC in its annual reports and, in the 2022 Annual Report, an appendix was included that outlined the data challenges with accompanying recommendations. The IMF, in its report on the 2024 Article IV Consultation released on 4th February 2025 also pointed to the data deficiencies and commented that the:

Data provided to the IMF have some shortcomings that somewhat hamper surveillance (Annex VII). Adequately resourcing the Central Statistics Office (CSO) should be a priority to improve the timeliness and consistency of national accounts and external sector statistics.

It is therefore necessary to address the data gaps and deficiencies to support effective policymaking and the monitoring of the impact of such policies.

Rationale

Regular, timely, consistent, and comprehensive data is required for effective policymaking and monitoring of impacts. The data and information are also important for assessing developments in the economy, informing decisions of the private sector (households and businesses), and for the assessment of the welfare of the population.

The Current Issues

The Minister for Finance is required to submit economic and fiscal reports for the approval of the House of Representatives, including the Medium-term Economic and Fiscal Strategy Report and the Medium-term Fiscal Framework. These reports include an assessment of economic, fiscal, and debt developments requiring data on GDP, inflation, employment, trade, fiscal performance, and on the financial sector.

Generally, there is coverage of the operations of the Central Government and areas for improvements could be addressed through ongoing consultations, particularly for adequately including the financing component in the accounts.

Reporting by statutory bodies and state-owned enterprises and the presentation of consolidated public sector accounts are the main areas requiring further development in the public finance accounts, and this could be achieved over time. The ECCB is responsible for the integrity of the financial data from commercial banks and GARFIN for the data from non-bank financial institutions.

The data gaps/deficiencies are generally associated with the non-existence of some important data and lag in the availability of data and information for assessing economic growth, particularly for strategic sectors earmarked by the Government, notably agriculture, manufacturing (agro processing), and the creative economy. In addition, there are gaps/deficiencies in the data for prices and employment, and for analyzing external trade.

The following are some specifics on the data gaps and deficiencies:

1. Gross Domestic Product (GDP)

The GDP at market price is an indicator of the total value of goods and services produced in the economy in a given year, and when the concept of real GDP at factor cost is applied, the estimate is adjusted to eliminate the effect of inflation, taxes and subsidies. There are some technical issues related to the calculation of the GDP, and this should be a subject of discussion among the experts in national accounts. These technical issues are not included as the note focuses on the availability of data. The gaps/deficiencies in the data on output for critical sectors affect the extent to which the GDP measures the output of the economy. The following are highlighted:

- Information on agriculture and marine resources continues to be deficient and this has been recognized and restated annually in the economic reports presented to Parliament (2022, 2023, and 2024). The relevant extracts from these reports on the deficiencies in the data are outlined in Annex 1. Notwithstanding this recognition, there are no published proposals to improve the availability of data on agriculture and fishing.

- The Manufacturing Sector: Up-to-date data is usually not available on the production of manufactured products, and this would affect the assessment of the performance of the sector. General statements are included in the reports and, in some cases, data for the first quarter of the year is used to project the performance of the sector for the full year and over the medium-term. There is no published information or analysis in the economic reports on the agro-processing subsector, in the context of the Government's strategy of strengthening linkages among the sectors. The following highlights are based on the economic reports:

- In the Medium-term Fiscal Framework (MTFF) 2023 - 2025, there are general statements without supporting data on the performance of the manufacturing sector in 2022 [6].

- In the MTFF 2024-2026[7], data on manufactured products for the first quarter of 2023 is used as the basis for assessing production for the full year. Similarly, the MTFF (2025-2027) uses data on manufactured products for the first quarter of 2024 as the basis for assessing production for the full year (https://www.finance.gd/index.php/budget). In the MTFF, estimates for the current year and projections for the medium term are based on data for the first quarter of the current year.

- The Construction Sector: The assessment of the performance of the construction sector is particularly challenging due to lags in the data and weaknesses in the indicators, including the incorporation of inflation in the estimation used to measure construction activity. The approach to the assessment of the sector requires more concerted discussions among the technical officers involved in the preparation of the national accounts. The challenge was manifested in the assessment of the performance of the construction sector for 2023. In the MTFF 2024 – 2026, growth in the construction sector for 2023 was projected at 12.6 percent. In the MTFF 2025 - 2027 (https://www.finance.gd/index.php/budget), the performance of the sector for the same period was revised downward to a decline of 10.9 percent. This development required an accompanying note explaining the reasons for such a wide variation. Along with including the impact of inflation in the estimation, which should not be included in the determination of real growth, the absence of trade data from the Statistics Department could constrain the thorough assessment of the performance of the sector.

- The creative industry has been identified as a strategic priority by the Government, and the sector is provided with administrative and financial support. However, analysis of the sector is not included in the assessment of the performance of the economy.

2. The Consumer Price Index (CPI) is the indicator used to determine the rate of inflation, and therefore, should as far as possible, reflect current prices. The Household Budget Survey, from which the base year and the current items in the 'basket of goods' are used to calculate the CPI, was derived from the Country Poverty Assessment that was undertaken in 2008/2009. The pattern of expenditure of consumers would have changed since then, and hence the 'basket of goods' used to calculate the Consumer Price Index needs to be updated. Therefore, there is a need to accelerate the updating of the Basket of Goods, and the development of a new Consumer Price Index based on the Grenada Survey of Living Conditions (World Bank 2021) to reflect changes in consumption patterns and current price developments.

---

[6] Presented to Parliament on 5th December 2022 at the time of the presentation of the 2023 national budget.
[7] Presented to Parliament on 4th December 2023, at the time of the presentation of the national budget for 2024

3. Unemployment: The rate of unemployment is determined by the labour-force surveys which are infrequent and seem to be implemented in a 'start and stop' manner. Three labour-force surveys (Quarterly labour-force surveys for June, September, and December 2023) were published, and this closed a gap in labour market information that existed. However, there are no published labour-force surveys for 2024.

4. External Trade: The trade data is very important for assessing the success of policies to gain export markets and/or to replace imports and overall developments in the economy, given the Government's stated policy on food and nutrition security, strengthening linkages among the sectors, developing creative industries and the plan to prepare an export strategy. It also provides information on the country's foreign exchange earning capacity and the major users of foreign exchange. It appears that the Statistics Department does not have updated data on external trade, and at times, data is sourced directly from the Customs Department for the preparation of various reports. For example, according to the Medium-term Economic and Fiscal Strategy Report 2024 – 2026:

Data from the Customs and Excise Division (CED) was utilized to assess the performance of the external sector. Based on this data, a trade deficit of $999.7 million was recorded during the first nine months of 2023.

The Medium-term Economic and Fiscal Strategy Report 2025 – 2027, in the analysis of the external trade performance for 2024 stated that:

In the absence of trade statistics from Grenada's Central Statistics Office, an analysis of Customs Department data showed a 2.7% widening of the trade deficit in the first half of 2024, increasing from -$767.6 million in 2023 to -$788.3 million in 2024 (https://www.finance.gd/index.php/budget).

This deficiency in the trade data is occurring even after investment in systems to capture trade data to be utilized by the Statistics Department.

In addition, in various economic reports, a comprehensive analysis of the external sector is usually not presented. The analysis of the Balance of Payments was included in the Medium-term Economic and Fiscal Strategy Report (2025 – 2027). The disaggregation of the capital and financial flows, and in particular, receipts by the IMA, grants, migrant transfers and foreign direct investment, would support the assessment of developments in the economy and the impact of these developments on the earning and use of foreign exchange.

Recommendations

The data gaps/deficiencies should be addressed for a credible assessment of the developments in the economy. Firstly, there should be structured consultations among the Ministries and Departments that are collecting and analysing data. In addition, the following approach could be adopted to address the data gaps/deficiencies in a comprehensive manner:

The establishment of a National Statistics Steering Council (NSSC). The NSSC could comprise two representatives from Economic Development, including the Director of Statistics, a representative of the Macro Policy Unit of the Ministry of Finance, two representatives of the private sector including a representative from the Chamber of Industry and Commerce, and a representative of civil society, along with a secretary, who will work with an expert in statistics. The NSSC will undertake the following:

a. A thorough review of the published data and data that could be published and the identification of the gaps in the data system.

b. Assessment of the capacity and organization of the Statistics Department with recommendations for improving the structure and capacity to provide timely, consistent, and comprehensive data.

c. Develop a Strategy for addressing the data deficiencies using the following approach:

   i. Identify gaps/deficiencies that could be immediately addressed, that is, within a six-month period to a year.

   ii. Identify the gaps/deficiencies that require longer-term solutions, including the possible need to reorganise and strengthen the capacity of the Statistics Department, and to collaborate with regional and international agencies for improving the statistics.

   iii. Based on consultations with regional and international agencies, establish a time-bound strategy for addressing the data gaps/deficiencies.

   iv. Establish a monitoring and reporting system to monitor the progress towards improving the data, following the completion of the strategy.

d. A report should be prepared within six months of the establishment of the NSSC with the inclusion of recommendations to address the data gaps/deficiencies that could be resolved nationally. A second report to be prepared within the next six months with the comprehensive recommendations for improving the data.

Annex 1: Extracts from the Medium-Term Economic and Fiscal Strategy Report and the Medium-Term Fiscal Framework on the Agriculture Sector over the period 2022 to 2024

- Medium-term Fiscal Framework 2023- 2025 dated 22 November 2022

"An overall decline of 10.9 percent is estimated for the Agriculture Sector in 2022. Based on the data available, the production of all crops declined in the second quarter of 2022 apart from nutmeg and mace. However, limitations in data and the proxy indicator[8] used (purchases of bananas and other crops by the Marketing and National Importing Board) may not give a true representation of actual production in the sector (p.7)."

"An overall decline in fish production of 11.1 percent is expected at the end of 2022. This decline reflects the shortage of fish within the first nine months of 2022. The high cost of diesel prevented fisherfolks from fishing as much as they usually do. Therefore, fish catch decreased significantly. Lack of airlift remained an issue and led to a decline in fish exports (p.8)"

- Medium-term Economic and Fiscal Strategy Report 2024-2026

"The analysis of the latest available data on the Agriculture and Fishing Sectors showed notable declines in several key agricultural produce. Amidst data challenges, a 22.7 percent decline was observed in the value of Banana production, while Cocoa production decreased by 13.9 percent. The indicator used to measure the production of "Other Crops" also had an estimated 47.1 percent reduction for the first half of 2023 relative to the comparable period in 2022 (p.6)."

- The Medium-term Economic and Fiscal Strategy Report 2025 – 2027

"In 2024, data collection challenges persist in the agriculture and fishing sectors, complicating accurate estimates of their outputs. Current data issues, including inconsistent fishing data and underrepresented crop production, lead to conservative estimates for the agriculture sector (p.5)".

(Posted on 25th September on the website of the Ministry of Finance (https://www.finance.gd/index.php/budget)

[8] Mindful of the limitations of this indicator, the MoF is in the process of reassessing this with the aim to improve data collection and reporting.