



**REPORT ON THE
MEDIUM-TERM FISCAL FRAMEWORK 2026-2028
22ND July 2025**



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Table of Contents

SUMMARY AND RECOMMENDATIONS	3
THE LEGISLATIVE FRAMEWORK.....	6
INTRODUCTION	8
ASSESSMENT OF THE MEDIUM-TERM FISCAL FRAMEWORK	9
1.0 DEVELOPMENTS FOR 2024/2025	9
1.1 Real GDP	9
Estimated Real Growth for 2024	9
Estimated Real Growth in 2025	10
1.2 Central Government Operations	11
1.3 Fiscal Operations of State-owned Enterprises	12
1.4 Public Sector Debt	13
1.5 Financial Sector	14
1.6 External Sector	15
1.7 Social Context	16
2.0 MEDIUM-TERM FISCAL POLICY OBJECTIVES AND FORECASTS	17
2.1 Central Government Operations	17
2.2 Extension of the Suspension Clause	18
2.3 Public Sector Debt	19
2.4 Adequacy of Measures	19
2.5 Real GDP	20
2.6 Other Macro-Economic Forecast	22
CONCLUSION	23
Appendix 1: Comparison of Medium-term Fiscal Framework 2026-2028 and Medium-term Economic and Fiscal Strategy Report 2025-2027	24

SUMMARY AND RECOMMENDATIONS

The Medium-term Fiscal Framework (MTFF) 2026-2028 covers all the major sectors in the economy and provides extensive information, however, it is more weighted on developments during the first quarter of 2025 and estimates for 2025 compared with the information on the medium-term strategies and forecasts.

The following is a summary of the main findings from the review of the MTFF and the accompanying recommendations:

- In assessing economic growth, which is a quantitative indicator, the information presented is mainly descriptive and qualitative and hence the realism of the rates of economic growth could not be examined, except for comparisons with previous projections. Quantitative indicators for the main sectors should be included to support the estimated and projected growth rates.
- The growth rates in the Medium-term Economic and Fiscal Strategy Report (MTEFSR) 2025-2027 that were presented to Parliament on 7th March 2025, particularly the growth rates for the previous year and the year under review, should be included in the report and the factors of economic significance that influenced the revised growth rates should be part of the analysis.
- The assessment of developments in the economy should include more details on the sectors that are contributing most to GDP and are therefore influencing the trend in economic growth.
- The assessment of the performance of the economy needs to include the performance of the emerging sectors and, in particular, information on the creative and digital economy, which is a strategic priority for the Government.
- The analysis of the fiscal performance for the first five months of 2025 is based on a comparison with the same period in 2024. This is important and the comparison is a good analysis. The section should also include an assessment of the outturn relative to the targeted outturn for that period in support of the projections for the year.

- The analysis of the statutory bodies and state-owned enterprises should link the operations of the statutory bodies and state-owned enterprises with the public sector debt and should include information on the status of the submission of the audited accounts to Parliament.
- The analysis of the operation of the commercial banks should be based on data from December 2024/January 2025 to May 2025, which would be in sync with the analysis of the operations of the Central Government.
- The details on the financial sector should be more oriented to assessing the financial resources available and provided to support economic growth, and on the transactions impacting on the public finances and the public sector debt.
- The analysis of the external sector should be broadened to include the available data on trade in services and transactions on the capital and financial accounts, based on data from the estimated growth, the operations of the central Government and data from the financial sector.
- Indicators for the social sector, based on the policies and programmes of the Government, should be established to augment the standard international indicators for assessing developments in the social sector.
- The assessment and forecast for the medium-term should be more aligned with the publicly pronounced policies, programmes and projects of the Government.
- The fiscal strategy and forecast should include, even as a mention where details are not yet available, some of the publicly announced policies of the Government such as the transfer of services provided by the Central Government to be provided by statutory bodies, the planned introduction of National Health Insurance and the transformation of the Marketing and National Importing Board.
- The inclusion of the data series on the Central Government operations in the appendix is a good enhancement. In addition, the financing of the Central Government operations should always be included in the fiscal analysis and in the accompanying fiscal tables.
- The details provided in the analysis of the public sector debt should be in line with the provisions of the Public Finance Management Act and, in particular, the inclusion of the annual ceilings for the debt of the Central Government and the statutory bodies and state-owned enterprises.

- With growth estimated at 3.0 per cent for 2026, consideration could be given by the Government to adopting measures to boost economic growth. In addition, the constraints confronted by the private sector in accelerating growth should be identified and proposals put forward to eliminate or reduce these constraints.

THE LEGISLATIVE FRAMEWORK

This report on the Medium-Term Fiscal Framework (MTFF) 2026-2028 is submitted in accordance with the Fiscal Resilience Act No 11 (2023) and the Public Finance Management Act No. 17 (2015) as amended. Specifically, Section 12 (3) of the Fiscal Resilience Act mandates the FROC to:

(c) provide a written assessment to the Ministry of Finance on the draft of the medium-term fiscal framework prepared in accordance with section 12 of the Public Finance Management Act;

The Fiscal Resilience Act (FRA), in Section 12, also makes provisions for reporting by the FROC in the event of the activation of Section 9 of the Fiscal Resilience Act, and to provide advice on the implementation of the Fiscal Resilience Act as follows:

(e) where an Order under section 9 has been made, prepare and lay before the House of Representatives a written assessment on the compliance with this Act and the adequacy of the measures proposed to facilitate compliance with the public debt target and primary balance rule at the end of the suspension; and

(f) advise on measures that ensure compliance in accordance with the provisions of this Act.

The FROC relied on Section 12 of the Public Finance Management Act in preparing the report which stipulates:

(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.

(3) Without prejudice to the generality of subsection (1), the medium-term fiscal framework shall contain the Government's 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;

(b) inflation;

(c) Central Government revenue and public expenditure;

(e) the primary balance; and

(f) the stock of public debt.

(4) Notwithstanding subsection (3) (f), the medium-term fiscal framework shall present and report separately on—

- (a) the public debt attributable to Central Government;*
- (b) the public debt attributable to Statutory Bodies and State-Owned Enterprises, and the corresponding annual ceilings.*
- (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.*

INTRODUCTION

The FROC received the Medium-term Fiscal Framework for its review on 9th July 2025. This report on the assessment of the MTFF is being submitted to the Permanent Secretary, Ministry of Finance, by 22nd July 2025, within the two weeks mandated in the Fiscal Resilience Act. Based on the MTFF, and the provisions of the Fiscal Resilience Act and the Public Finance Management Act, the report covers, among others:

- Real GDP Growth
- Inflation
- Central Government Operations
- Operations of Statutory Bodies and State-Owned Enterprises
- Public Sector Debt
- The Financial, External and Social Sectors.

The report includes the conclusion and the summary with recommendations.

The MTFF is assessed taking into consideration the need for technical correctness, relevance of the analysis, adequacy of supporting data and information, consistency and comprehensiveness of the report and clarity of the fiscal and debt strategies, and other emerging policy issues impacting the fiscal and debt strategies.

The report is submitted to the Permanent Secretary of the Ministry of Finance for action in accordance with Section 12 of the Public Finance Management Act, which provides guidance as follows:

(7) No later than five months before the commencement of the new fiscal year, the Minister shall submit the medium-term fiscal framework to Cabinet for approval.

(8) The Minister shall oversee the preparation of the annual budget in the context of the medium-term fiscal framework to achieve the national objectives over a multi-year period and shall submit an updated medium-term fiscal framework to the House of Representatives along with the presentation of the annual budget.

ASSESSMENT OF THE MEDIUM-TERM FISCAL FRAMEWORK

1.0 DEVELOPMENTS FOR 2024/2025

1.1 Real GDP

The data constraints, particularly the limited quantitative information, do not allow for an assessment of the realism of the estimated growth rates. It is also observed that there is an unbalanced analysis with greater emphasis on the sectors that are not major contributors to GDP and, in some cases, the link between the indicators and the performance of the sectors is not presented with clarity. For example, in the education sector, student numbers at the St George's University (SGU) are reported, however, it does not include how this is translated into the overall performance of the sector.

The review of economic growth is therefore based on the growth presented in this MTFF compared with the growth rates that were presented to Parliament on 7th March 2025 in the Medium-term Economic and Fiscal Strategy Report (MTEFSR) 2025-2027, and in the process, technical issues related to the GDP are highlighted.

Estimated Real Growth for 2024

For 2024, the data on the growth rate needs to be reconciled. In the report presented to Parliament on 7th March 2025, growth for 2024 was estimated at 3.7 per cent. The MTFF 2026-2028 referenced the estimated growth of 3.7 per cent for 2024 in the Executive Summary, while Appendix 2 shows a growth rate of 3.3 percent for 2024. This needs to be reconciled.

The downward revision in economic growth, from 3.7 percent as reported in the MTEFSR 2025-2027 to 3.3 percent in the MTFF, was attributable to downward adjustment of growth across the main producing sectors, namely Hotels and Restaurants, Wholesale and Retail Trade, Transport and Storage and Public Education and, to a lesser extent, the greater than estimated decline in Agriculture, Livestock & Forestry and Fishing than projected in the MTEFSR 2025-2027.

The downward adjustment of growth outturn for 2024 is of economic significance and should be highlighted and the rationale provided.

Estimated Real Growth in 2025

Based on the MTFF, real GDP is on track to expand in 2025, building on the growth recorded in 2024, despite the devastating impact of Hurricane Beryl. The MTFF 2026-2028 is projecting improved growth performance for 2025 relative to 2024 (4.2 percent relative to 3.3 percent). This is slightly more than the 4.1 percent growth projected in the MTEFSR 2025 – 2027. Despite the marginal changes in the estimated growth, the composition of growth changed and hence the analysis. Relative to the estimates presented to Parliament in March 2025, the MTFF shows decline in the growth rate across most of the main producing sectors including Education, Construction, Wholesale and Retail Trade, and Hotels and Restaurants. A further examination of the data reveals that this is reflected in a lower reported growth rate for Gross Value Added (3.7 per cent compared to 4.4 per cent), implying that the reported estimated increase in the GDP growth rate is due to an increase in the growth rate of net indirect taxes or product taxes (0.5 per cent compared to -0.3 per cent) (See Table 1)¹. The downward revision to output (Gross Value Added) and the revised growth in revenue from indirect taxes changes the economic analysis. The original estimates, along with the revised estimates, particularly when there are material variations, should be presented to Parliament in the subsequent report.

Table 1: Comparative Medium-term Economic and Fiscal Strategy Report 2025 -2027 and Medium Term Fiscal Framework 2026-2028 Growth Estimates

	MTEFSR 2025 - 2027			MTFF 2026 - 2028		
	GDP	GVA	Net Product Taxes	GDP	GVA	Net Product Taxes
2024	3.7	3.4	0.3	3.3	2.8	0.5
2025	4.1	4.4	-0.3	4.2	3.7	0.5
2026	4.5	4.2	0.3	3	2.9	0.1
2027	4	4	0	2.6	2.5	0.1
2028				3	3	0
AVG 2025- 2027	4.2	4.2	0.0	3.3	3.0	0.2
AVG 2026 -2028	2.8	2.7	0.1	2.9	2.8	0.1

Note: GDP is Gross Domestic Product and GVA is Gross Value Added.

¹ GDP is the sum of gross value added at basic prices plus net product taxes (indirect taxes). Based on the information in the MTEFSR and the MTFF, the FROC calculated the growth rate for net product taxes.

The rationale for these adjustments was not in the report, hence the FROC is unable to comment on the merit of the estimates. The FROC notes that the growth rate for the Education sector, which accounts for the largest share of gross value added (approximately 18.1 percent based on 2023 estimates), continues to decelerate relative to 2024. Given the significance of the sector, a more thorough analysis of the sector and the factors driving the slowdown is required.

1.2 Central Government Operations

There is a detailed and good comparative analysis of the fiscal performance for the first five months of 2025. In the comparison, the report should include that the receipt of the funds from the Caribbean Catastrophe Risk Insurance Facility (CCRIF), which was recorded as non-tax revenue, and is not recurring in 2025, also contributed to the weakened fiscal position in 2025.

Consideration could be given to reviewing the rationale provided for the sharp decline in revenue from property tax which was abnormally high in 2024. The higher receipt in 2024 was due primarily to the revenue collected from the property transfer tax during the first quarter, associated with sale of property in 2023.

Consideration should be given to quantifying the typical levels of revenues from the Citizenship by Investment by using the amount during a normal year or the average over three normal years.

It is noted, and pointed out in previous reports by the FROC, that the comparisons of components of revenue and expenditure are distorted by the annual reclassification of transactions related to the Investment Migration Agency (IMA). In this regard, the rationale provided for the increase in transfers should be consistent within the paragraph by including the impact of the transfer to the IMA when reference is made to increases in transfers.

The analysis of the public finances during the first five months of 2025 is limited to the comparison with developments in the comparable period in 2024. To support the estimated fiscal outturn for 2025, the fiscal outturn at the end of May relative to the target for that period should be included. The assessment relative to the target is very important as the 2025 approved budget is significantly different from the outturn for 2024, due to the inflows from the IMA and the CCRIF. The analysis, relative to the target, is already published by the Ministry of Finance in the monthly Fiscal Summary Report. This comparison relative to the target would then inform the estimated outturn for 2025.

The lower than targeted expenditure on compensation to employees and goods and services is reported in the monthly fiscal report, and this among other factors, is also expected to contribute to a more favourable than budgeted fiscal outturn for 2025. The estimates for compensation to employees and goods and services presented in the national budget should be more precise. The analysis should therefore include specific information on whether the outturn was due to improvement in expenditure control systems and/or lags in the implementation of programmes and projects.

The financing of the overall deficit needs to be included in the analysis and in the accompanying fiscal table. This is in light of the planned financing of \$100M from the Regional Government Securities Market (RGSM) and the draw down of reserves of \$286M. The possibility of utilising the proposed financing should be included. The inclusion will allow for an assessment of developments on the debt of the Central Government which would be linked with the analysis of the public sector debt.

1.3 Fiscal Operations of State-owned Enterprises

The report indicates that twenty-nine statutory bodies and state-owned enterprises were under active monitoring by the Ministry of Finance. It is necessary to indicate the percentage of the statutory bodies and state-owned enterprises that are being monitored, and whether the data presented covers the twenty-nine entities. The analysis needs to be linked with the impact of the operations of these entities on the public finances and the public sector debt. The status of Petro Caribe Grenada and the Marketing and National Importing Board (MNIB) should be provided as the MTFF only states: “This excludes Petro Caribe Grenada and the Marketing and National Importing Board (MNIB), both of which underwent restructuring in 2023.”

Based on the Public Finance Management Act, the Statutory bodies and state-owned enterprises must submit audited accounts to Parliament. It is necessary to include how many of these statutory bodies and state-owned enterprises are up to date with the submission of the audited accounts to Parliament. A review of the audited accounts is necessary to assess the accuracy of the quarterly data submitted to the Ministry of Finance which is used for the analysis of the performance of the statutory bodies and state-owned enterprises.

The heading for this section, which refers to state-owned enterprises, should be amended to include statutory bodies.

1.4 Public Sector Debt

For the debt position at the end of March, the year of the GDP that is being used for the debt to GDP ratio should be stated. Throughout the analysis, there should be consistency by always including the absolute amount of the debt along with the debt as a percentage of GDP.

More insights into the debt developments for the first quarter of 2025 could be included. For example, the analysis includes the rationale for the increase in the public debt between 2023 and 2024, with no analysis of what occurred with the total public debt during the first quarter of 2025.

The developments related to the debt of the Central Government need to be presented with clarity and should be analysed relative to the debt at the end of December 2024. There appears to be an increase in the Central Government debt, in absolute terms, during the first quarter. However, no analysis is provided on the loans that accounted for the increase in debt. Additionally, the estimated debt of the Central Government at the end of 2025 should be included and compared with the ceiling established in the 2025 national budget and the MTEFSR 2025-2027.

For the statutory bodies and state-owned enterprises, be clear on whether the debt of EC\$527.7M is as at the end of March. The ownership of the debt of Petro Caribe Grenada should be consistent with the ownership of the restructured Petro Caribe Grenada as this has implication for the public sector debt. Also, include the projection for the debt of the statutory bodies and state-owned enterprises at the end of 2025 for comparisons with the ceiling established in the 2025 national budget and the MTEFSR 2025-2027.

The inclusion of the estimated debt as of December 2025 will be consistent with Section 8.3 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.

A table on the public debt disaggregated by Central Government and the rest of the public sector would support the analysis.

Consideration should be given to deepening the analysis of the public sector debt developments during 2025, as the statement on the medium-term forecast should be addressed in another section.

1.5 Financial Sector

The analysis of the financial sector is very detailed. However, it should be oriented to assessing the financial resources available and provided to support economic growth, and on the relationship with the public finances and the public debt based on the movements in the assets and liabilities in the monetary survey. There are two areas for consideration. Firstly, the opening paragraphs generally refer to developments in the first quarter of 2025. However, among the institutions, the period of analysis differs. In particular, the operation of the commercial banks, and possibly the credit unions, is analysed on a year-on-year basis as of March 2025. There is also a lack of consistency in referencing the date of analysis. This was evident with the assessment of the credit unions where specifics are not provided on the period of assessment for deposits, net loans and investments. Then the liquidity ratio and the non-performing loans are compared with March 2024, resulting in uncertainty of the reference period of analysis.

Secondly, the commercial banks data is available as of the end of May 2025 and, if the May data is used, it would yield different findings from the cut-off date of March 2025.

The analysis of the operations of the Central Government is for the first five months of 2025. The analysis of the activities of the commercial banks is for the twelve months ending March 2025. It is necessary to use the same period of analysis for the Central Government and the commercial banks, that is, data as at the end of May 2025.

At the end of March 2025, the deposits of the Central Government in the commercial banks would have increased. (The rate of increase needs to be checked and the statement “supported by strengthened fiscal balances” would need to be rephrased, as although there were surpluses, the fiscal balances did not strengthen in the first quarter of 2025. Additionally, the data, as at the end of May, shows that the deposits of the Central Government in the commercial banks declined, which is consistent with the recorded deficit. The most recent monetary data should be utilised to align it with the data on the fiscal performance.

Some critical commercial bank indicators for assessing developments in the economy need to be included. The level of liquidity, the trend in interest rates on savings and credit, and the extent of non-performing loans are indicators of the activities of the commercial banks in the domestic economy. Such information is included for the credit union with a liquidity ratio of 92 per cent and non-performing loans of 6.1 per cent.

In general, for the deposit taking institutions, the year-on-year comparisons could be undertaken. However, it is necessary to assess developments during the year for the determination of consistency with data on the operations of the Central Government.

Among the other institutions, there are differences in the referenced periods. The development bank is only for the first quarter of 2025; the assessment of money services business is based mainly on the comparison of the first quarter of 2025 with the first quarter of 2024, with one reference to a year-on-year comparison; and the assessment of the Insurance sector is based on the first quarters of 2025 and 2024.

For pension, there are no comparisons and therefore no supporting evidence for the following statement:

“The pension sector’s total fund size of EC\$295 million highlights both its growing role in retirement provision and the underlying stability of long-term retirement savings. This asset base provides a stable foundation for future growth and the continued provision of reliable retirement income.”

1.6 External Sector

The analysis of the external sector is based solely on the merchandise trade account, which is only one sub-component of the external sector accounts. The report indicates that there are concerns with the widening of the trade deficit during the first quarter of 2025, compared with 2024, and explained that this reflects the rebuilding efforts, which are driving higher imports and, in particular, the importation of construction materials. Concerns about the merchandise trade deficit should be related to the developments on the other external sector accounts.

The analysis of the external sector for the first quarter should therefore be broadened to include comparative data on other indicators, and this could be extended to the analysis of the external sector for 2025. The following could be included in the analysis: i. travel receipts based on the available tourism data and the projection for the growth in the hotel and restaurant sector for 2025; ii. remittances based on the assessment of the inflows of the money services business; iii. Capital inflows from the IMA and projections in the fiscal account for the inflows for 2025; iv. Capital grants from the fiscal outturn and the estimated grants for 2025; v. estimates of foreign direct investment based on the estimate for the year compared with the ongoing projects; and vi. Net outflows from the deposit taking institutions for which data is available as at the end of May. Also, imports for 2025 could be estimated based on the estimated yield from taxes on international trade for 2025. These indicators could allow for an analysis of the external sector in the absence of a comprehensive balance of payments for the first quarter of 2025 and to include estimated indicators for the full year.

1.7 Social Context

There appears to be no updated information on social indicators. In support of the statement below, the source of the data should be presented with clarity. Were there labour-force surveys or other labour related surveys in 2024 to support:

“Grenada saw a notable improvement in employment conditions. As at the end of the third Quarter of the year, the unemployment rate stood at 12 percent. However, disparities remain, with women facing higher unemployment rates at 14.4 percent compared to men 10.0 percent. A significant number of people between the ages of 15 to 24 were unemployed, compared to the other age groups.”

The reference source for this information should be presented with clarity.

Along with the international indicators for the social sector, this section should also include an assessment of the impact of the policies implemented by the Government to address social imbalances for which indicators should be developed and presented in the assessment of developments in the economy.

2.0 MEDIUM-TERM FISCAL POLICY OBJECTIVES AND FORECASTS

2.1 Central Government Operations

The forecast for the fiscal performance is based on baseline or passive scenarios for revenue and expenditure and are therefore divorced from the Government's strategy and the associated publicly announced policies, programmes and projects. The MTFF states "Figure 17 presents the Medium-Term Fiscal Framework (MTFF), which outlines the baseline fiscal projections for the medium term (2026 – 2028). These fiscal projections reflect the Government's fiscal position, assuming no changes in current policies." This 'Passive Scenario' needs to be accompanied by an 'Active Scenario', particularly in circumstances of very active fiscal policy. The MTFF is completely silent on major policies impacting on the public finances. The fiscal strategy and forecast should include, even as a mention where details are not yet available, the publicly stated policies of the Government, some of which are targeted to be implemented from 2026.

The following are highlighted to be considered for incorporating or at least mentioning in the MTFF which covers the period 2026-2028:

Petro Caribe Grenada

The MTFF states that Petro Caribe Grenada underwent restructuring in 2023. There were also plans to restructure the Petro Caribe debt. Additional information needs to be provided on the status of this entity and the implications for the public debt.

The Marketing and National Importing Board

The Marketing and National Importing Board (MNIB) is expected to be transformed into a public-private partnership (PPP) by November 2025. This will bring the number of PPPs to three which could have implications for the public debt. The developments related to the MNIB should be included in the MTFF.

Statutorisation of Disaster Management Services

The legislation was enacted for the transfer of the services for disaster management, currently undertaken by the National Disaster Management Agency, which is under the Central Government, to a statutory body. This policy decision, which would affect the components of current expenditure, should be included in the MTFF.

Reform in the Health Sector

Reforms in the delivery of health services through the statutorisation of hospital services, the introduction of National Health Insurance (NHI) and the construction of the teaching hospital are major publicly pronounced reforms that are likely to impact on the public finances over the medium-term. Specifically, if an independent statutory body is established for the provision of hospital services, expenditure on compensation to employees and the purchase of goods and services are likely to be removed from the Central Government, while transfers of the Central Government are likely to increase. This has implications for the wage bill and primary balance rules.

The MTFF should, at least, mention the policy direction of the Government over the medium-term even if the detailed data cannot be included in the 2026-2028 MTFF.

2.2 Extension of the Suspension Clause

The FROC notes that the suspension of Section 9 of the Fiscal Resilience Act (Suspension Clause) is extended into 2026. The justification for this extension of the Suspension Clause into 2026 should be directly related to the specific clause in section 9 of the Fiscal Resilience Act which states:

(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.

The main statement in the MTFF for the justification for the extension of the Suspension Clause is as follows:

“Given the ongoing recovery and the need to maintain fiscal flexibility to support economic resilience a return to the fiscal rules and targets in 2026 would impose undue constraints. Based on this assessment, the suspension of the rules and targets is expected to remain in effect through 2026 with a resumption of compliance anticipated in 2027.”

The MTFF should provide more precise data and information on the ongoing response to the impact of Hurricane Beryl in support of the requirement that the resumption of the fiscal rule and target would be unduly harmful to the public finances and macroeconomic or financial stability.

2.3 Public Sector Debt

The debt analysis should explicitly state, in this section, the projected total debt for each of the years in the MTFF, disaggregated into total public sector debt and that of the Central Government and the statutory bodies and state-owned enterprises. This would be consistent with Section 12 of the Public Finance Management Act which states:

(4) Notwithstanding subsection (3) (f), the medium-term fiscal framework shall present and report separately on—

(a) the public debt attributable to Central Government;

(b) the public debt attributable to Statutory Bodies and State-Owned Enterprises, and the corresponding annual ceilings.

Consider the inclusion of a table in support of this analysis.

Given that the House of Representatives, at its sitting on 7th March 2025 authorised the Minister to borrow \$825M to finance the budget and for projects, the MTFF should incorporate information related to the contraction or planned contraction of debt associated with this approval by Parliament. Similarly, any policy measures that will be implemented in the medium-term and have implications for the public debt should be incorporated in the analysis.

2.4 Adequacy of Measures

The FROC examined the revenue and expenditure measures to be adopted to return to the fiscal rule and target and noted the following:

1. Based on the MTFF, all categories of tax revenue are assumed to grow in line with projected nominal GDP, except for tax revenue from international transactions (IT), which is expected to grow in line with the average growth of imports. However, the strategy of the Government is to improve tax administration and therefore the revenue implications of the improved tax administration should be included in the forecast.

2. The analysis of inflation in the MTFF is limited to the first quarter of 2025. However, the forecast for some categories of expenditure is informed by inflation and hence the inflation rates should be reported in the MTFF.

3. The Public Sector Investment Programme (PSIP) that informed the capital expenditure should be circulated along with the MTFF.

The public finances are projected to return to surplus in 2027 based on no changes in Government's policy. The details of the assumptions with an 'Active Scenario' would allow for an alignment of the forecast with the policies, programmes and projects of the Government.

2.5 Real GDP

This report does not include comments on the realism of the projected real economic growth rates for 2025 and over the medium-term, except for the comparisons with the growth rates in the Medium-term Economic and Fiscal Strategy Report (2025-2027). There is a descriptive and qualitative analysis. However, the quantitative data to inform the assessment of the growth rates for each of the years is not presented in the MTFF. In its 2024 Annual Report, the FROC stated:

“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”.

The MTFF should include the quantitative indicators for the main sectors and those of strategic importance (Agriculture, Construction, Hotels and Restaurants, Wholesale and Retail Trade, Real Estate and the Education sectors) that informed the projected growth rates.

“The FROC notes that no mention is made of the creative and digital economy which is a strategic priority of the Government and reproduces the following from the 2024 Annual Report:

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 System of National Accounts makes provision for the inclusion of the emerging sectors in the GDP. However, while reforms are ongoing to integrate the emerging sectors, some indicators should be developed to report on developments in the creative and digital sectors of the economy.

The FROC notes, however, that the forecast in the MTEFSR (2025 – 2027), which was presented to Parliament on 7th March 2025, is for growth to average 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). According to the MTFF, the average growth over the period 2025-2027 is now projected to be 1 percent less at 3.2 percent (4.2 per cent in 2025, 3.0 per cent in 2026 and 2.6 per cent in 2027), compared to the MTEFSR 2025-27 estimate of 4.2 percent. This is reflected in a lowering of the estimated average growth rate for most of the leading productive sectors relative to what was reported in the MTEFSR. This downward revision in the growth rates of the productive sectors is reflected in the decline in the average growth rate of gross value added from 4.2% to 3.0%. On the other hand, no increase in the average growth of net indirect taxes over the period is projected, resulting in the gross value added being equivalent to the GDP. This pattern continues and the growth rate for GDP for 2028 is projected at 3.0 percent and, with no growth net indirect taxes, is equivalent to the growth of value-added output (Refer to Table 1).

Of economic significance, the data presented in Appendix 2 show a lowering of the growth estimates for most sectors relative to what was presented to Parliament in March 2025. This across-the-board downward adjustment requires an explanation. Appendix 2, which shows sectoral contribution to gross value added, overall growth and the growth performance of the sectors, juxtaposes the estimates from the MTEFSR with the more recent estimates in the MTFF. In strengthening the MTFF, more analysis of the performance of the main sectors contributing to overall economic growth is merited. In particular, subdued growth of less than one percent is estimated for the Education sector for 2025, 2026, and 2027 with some recovery in 2028. It would be useful to present, in more detail, the indicators of performance for the education sector as it has been the leading contributor to gross value added since 2010 and therefore is key to overall growth performance.

The FROC is cognizant of the lowering of the initial projected growth in global output for 2025 and 2026 which would have some influence on the revised growth rates. Notwithstanding, the factors contributing to such a deceleration in the growth rate for the main sectors relative to the original estimate for 2026 need to be included in the MTFF.

The FROC notes that although there is an expansionary fiscal policy for 2026, with elevated capital expenditure of 13.1 per cent of GDP, real economic growth is subdued at 3.0 per cent. This may seem to suggest that economic activity by the private sector would not be vibrant in 2026. This could lead to a halt in the decline in the rate of unemployment and a fall in the wellbeing of the population. With growth estimated at 3.0 per cent for 2026, consideration could be given by the Government to adopting measures to boost economic growth. At the same time, the constraints to the private sector activities should be examined and proposals put forward to alleviate or reduce these constraints that are impacting on economic growth.

2.6 Other Macro-Economic Forecast

The MTFF should provide more details on inflation as this is one of the variables identified in the Public Finance Management Act for inclusion in the MTFF, and it is used to estimate components of the fiscal projections. It is also necessary for labour-force surveys to be undertaken quarterly to determine the rate of unemployment, as the rate of unemployment/employment could be used as a proxy indicator of the wellbeing of the population, which is the overall objective of economic policies. For comprehensiveness, the MTFF should include indicators for developments in the external and financial sectors for the forecasted period. The inclusion of the data series on the Central Government operations in the appendix is a good enhancement. In addition, the financing of the Central Government operations should always be included in the fiscal analysis and in the accompanying fiscal tables.

CONCLUSION

The MTFF covers all the major sectors in the economy and provides extensive information. However, it is more weighted on developments for 2025 relative to information on the medium-term strategies and forecast and requires more elaboration on the medium-term. In addition, the MTFF is based on a baseline scenario, on the assumption of no changes in Government's policies, and is therefore divorced from the publicly pronounced policies, programmes and projects of the Government.

To allow for a comprehensive assessment, the MTFF should be aligned with the Government's policies, programmes and projects and it requires more data driven analysis, particularly on economic growth.

Appendix 1: Comparison of Medium-term Fiscal Framework 2026-2028 and Medium-term
Economic and Fiscal Strategy Report 2025-2027

		MEDIUM TERM ECONOMIC AND FISCAL STRATEGY REPORT 2025 - 2027				MEDIUM TERM FISCAL FRAMEWORK 2026- 2028					
	GVA	GROWTH ESTIMATES									
	Share of	Forward Estimates				Est.	Est.	Forward Estimates			
Sector	2023	2024	2025	2026	2027		2024	2025	2026	2027	2028
Agriculture, Livestock and Forestry	2.89	-20.3	2.9	2.2	3		-23.9	6	3.9	3	1.4
Fishing	1.68	-6.4	1.8	2.8	3.9		-13.1	11.9	3.3	2.7	2.4
Mining & Quarrying	0.29	5	4.3	4.1	4.5		5	13.7	2.3	2.1	2.8
Manufacturing	4.43	5.9	4.8	5.2	5.5		4.6	1.4	-0.1	0.7	1.2
Electricity & Water	4.5	6.6	3.4	4.7	5.5		7.6	4.1	0.1	-0.9	0.6
Construction	10.69	2.7	9.3	7.3	6.6		7.4	8.6	5.7	4	7.7
Wholesale & Retail Trade	7.78	9.8	5.7	5.1	4		2.5	5	4.3	2.8	3.4
Hotels & Restaurants	6.02	9.8	5.7	5.1	4		9.4	0.7	1.1	1.9	2.1
Transport and Storage	11.59	7.8	6.1	4.9	4		3.2	3.4	2.6	1.9	1.8
Communications							2	4	5	5.9	5
Financial Intermediation	9.04	4.6	5	4.8	4.8		4.6	5	3.9	3.3	3.1
Real Estate, Renting and Business Activities	13.18	2.7	3.1	3.8	4.9		2.7	3.2	3.7	4.4	2.2
Public Administration	6.65	2.7	2.2	2.3	2.1		2.7	3.4	3.1	2.5	2.6
Education	18.1	1.4	1.5	1.6	1.6		1.4	0.7	0.9	0.5	1.8
Health and Social Work	2.03	1.1	2.9	3.1	3.1		1.1	2.9	3.1	3.3	3.3
Other Community, Social & Personal Services	1.75	1.3	0.2	0.6	0.4		1.3	0.2	0.6	0.4	0.3
Activities of Private Households as Employers	0.79	0.8	0.9	0.9	1.1		0.8	0.9	0.9	1.1	1.1
Real Gross Value Added (not GDP)		3.4	4.4	4.2	4		2.8	3.7	2.9	2.5	3
Real Gross Domestic Product		3.7	4.1	4.5	4		3.3	4.2	3	2.6	3
Other key indicators											
Nominal GDP (% Change)		6.1	6.1	6.6	5.9		5	4.8	3.6	3.6	3.9
Nominal GDP (EC\$ Millions)		3830.1	4061.8	4329	4584.1		3789.9	3972.7	4117.3	4263.9	4430.3

Note: GVA is Gross Value Added.

Source: Grenada Central Statistical Office: Grenada Contribution Of Gross Value Added By Economic Activity (Industry) In Constant 2006 Prices (%), 2010 to 2023. <https://stats.gov.gd/subjects/gross-domestic-product/grenada-contribution-of-gross-value-added-by-economic-activity-industry-in-constant-2006-prices>.

Ministry of Finance: Medium-term Economic and Fiscal Strategy Report 2025 – 2027. 7th March 2025.

Ministry of Finance: Medium-term Fiscal Framework. July 9th 2025.