FISCAL RESPONSIBILITY OVERSIGHT COMMITTEE (FROC)

2017 ANNUAL REPORT

30 April, 2018

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LETTER OF TRANSMITTAL

FISCAL RESPONSIBILITY OVERSIGHT COMMITTEE

30th April, 2018

Mr. Adrian Francis
Clerk of Parliament (Ag.)
Office of the Houses of Parliament
Botanical Gardens
St. George's

Dear Mr. Francis,

RE: SUBMISSION OF THE 2017 ANNUAL REPORT ON THE STATUS OF IMPLEMENTATION OF THE FISCAL RESPONSIBILITY ACT (NO. 29 of 2015)

Pursuant to Section 14 (3) (b) of the Fiscal Responsibility Act (No. 29 of 2015), and on behalf of the Fiscal Responsibility Oversight Committee (FROC), I am pleased to submit, herewith, the required sixty (60) copies of the afore-mentioned report for consideration by the House of Representatives.

I shall therefore be grateful if you will bring the said report to the attention of the Hon. Michael Pierre, Speaker of the House of Representatives and Chairman of the Committee of Privileges, so that it may be laid before the House in accordance with the Act.

I thank you in anticipation of your kind co-operation.

Respectfully,

Richard W. Duncan
Chairman

Members: Richard W. Duncan, Chairman | Sabina Gibbs | Zanna Barnard | Adrian Hayes | Angus Smith

Secretary: Michelle Millet | PKF - Accountants & Business Advisors | P.O. Box 1798 | Pannell House | Grand Anse | St. George's

GLOSSARY

CBI	Citizenship by Investment
ECCB	Eastern Caribbean Central Bank
FRA	Fiscal Responsibility Act
FROC	Fiscal Responsibility Oversight Committee
GDP	Gross Domestic Product
GPRS	Growth Poverty Reduction Strategy
PDMA	Public Debt Management Act
PFMA	Public Finance Management Act
PPP	Public Private Partnership
NTF	National Transformation Fund
SB	Statutory Body
SOE	State-Owned Enterprise

I. FOREWORD

I. Many Governments throughout the world and in the region have begun to realise the importance of practicing greater fiscal responsibility in order to ensure consistent and stable economic growth. This entails establishment of prudent fiscal policies, not only over the short term, annual budgetary period but also over the medium and long term as well. To achieve this, coherent policies must be established with specific rules and targets in place. Concurrent with this is the need for fiscal responsibility legislation to ensure compliance. Following the introduction of a Homegrown Structural Adjustment Programme in January 2014 the Grenada Government embraced the fiscal responsibility concept and to this end introduced, in 2015, the Fiscal Responsibility Act No. 29 of 2015.

II. The Fiscal Responsibility Act (the Act or the FRA) governs matters related to the management of public finances and fiscal matters relating to the Central Government and covered public entities.

III. The specific objectives of the Act are ***"to establish a transparent and accountable rule-based fiscal responsibility framework in Grenada, to guide and anchor fiscal policy during the budget process, to ensure that government finances are sustainable over the short, medium, and long term, consistent with a sustainable level of debt, and for related matters."***

IV. The FRA created a Fiscal Responsibility Oversight Committee (FROC). This Committee is responsible, under section 14 (3) of the FRA, for monitoring compliance with the fiscal rules and targets as stipulated in the Act. The FROC is required to report to the House of Representatives annually on the status of implementation of the Act.

V. The FROC comprises five persons, four of whom were nominated by the Committee of Privileges of Parliament in consultation with the Director of Audit and appointed by the Governor General on 23 August, 2017. As required by the Act these persons possess expertise in the following areas:

I. FOREWORD (CONTINUED)

(i) accounting;

(ii) business management, having not less than ten years of experience;

(iii) public administration, having not less than ten years of experience; and

(iv) law

The fifth member, a person with expertise in Economics, was appointed by the Governor General on the advice of the Governor of the Eastern Caribbean Central Bank.

The FROC appointed PKF – Accountants & Business Advisers as its secretariat on 20 September, 2017.

The FROC comprises the following persons:

 Mr. Richard W. Duncan – Chairperson	Accountant and Economist Term of appointment - 4 years
 Ms. Sabina Gibbs	Attorney-at-Law Term of appointment - 2 years
 Ms. Zanna Barnard	Economist - Eastern Caribbean Central Bank Term of appointment - 2 years

I. FOREWORD (CONTINUED)

 Mr. Adrian Hayes	Retired Public Administrator Term of appointment - 1 year
 Mr. Angus Smith	Retired Accountant Term of appointment - 1 year

Secretary to the FROC

 Ms. Michelle Millet – Secretary	Assurance Partner - PKF Accountants & Business Advisers

VI. On initial appointment all members of the FROC attended an orientation seminar conducted by the Ministries of Finance and Legal Affairs and a training workshop conducted by a Caribbean Regional Technical Assistance Center (CARTAC) consultant, Ms. Lynne Mc Kenzie.

I FOREWORD (CONTINUED)

VII. The FROC's first Report covered the fiscal year ending December 31, 2016 and was submitted to the clerk of Parliament on 21 November 2017. As required by section 14(3)(b) of the Act, the Report must be laid before Parliament and examined by the Public Accounts Committee, the Standing Orders Committee and the Standing Committee on Finance of Parliament. The FROC held two briefings with the media on the 2016 Report.

VIII. In the process of fulfilling its legislative mandate, the FROC held several meetings[1] with the Ministry of Finance to discuss administrative arrangements and to clarify data and information needed to prepare its 2017 report. Data for the preparation of the 2017 FROC Report was provided by the Division of Economic Management and Planning (the Macroeconomic Policy Unit) in the Ministry of Finance. This Report reviews the public sector's fiscal and debt performance in 2017, based on the data provided, as compared to the rules and targets in the FRA and assesses the variances between the actual and targeted performance and Government's overall implementation of the Act.

IX. The FROC appreciates the one-month extension for submission of this Report, graciously granted by the Speaker of the House of Representatives pursuant to Sub-Section (3) (b) of the Fiscal Responsibility (Amendment) Act 11 of 2017.

X. The FROC wishes to acknowledge the support received from the staff of the Macroeconomic Policy Unit and the Eastern Caribbean Central Bank (ECCB) in the preparation of the Report.

[1] See Annex

I. FOREWORD (CONTINUED)

XI. As required by section 14(3)(b) of the Act this Report is being forwarded to the Speaker of the House of Representatives to be laid before the House and examined by the Public Accounts Committee, the Standing Orders Committee and the Standing Committee on Finance of Parliament.

………………………	………………………	…..……..…………
Richard W. Duncan	**Sabina Gibbs**	**Zanna Barnard**
………………………	……………………….	
Adrian Hayes	**Angus Smith**	**30 April, 2018**

1.0 EXECUTIVE SUMMARY

1.1 The Government continued, throughout 2017, to put measures in place to satisfy the requirements of the FRA including capacity building in the Macroeconomic Policy Unit. This Report assesses Government's compliance for 2017 with the specific fiscal rules and targets as outlined in sections 7 and 8 of the Act as well as the other duties and responsibilities outlined in sections 5, 6 and 12.

1.2 In this Report the following keys are used to assist readers to easily understand the FROC's assessment of compliance with the rules and targets -

Table 1: Compliance Symbols

SYMBOL	INTERPRETATION
	Compliant, without reservations
	Compliant, with reservations
	Non-compliant

1.3 Of the five (5) specific Rules and Targets in the Act there was compliance with three (3) with reservations and non-compliance with two (2).

1.0 EXECUTIVE SUMMARY (CONTINUED)

Table 2: Compliance with Rules and Targets

Fiscal Rule	Target	Compliance
1. Sub-Section 8(1) – Public Sector Debt to GDP ratio	**Not to exceed 55%**	STOP
2. Sub-Section 8(2) – Public Private Partnership (PPP) contingent liabilities	**Not to exceed 5% of GDP**	STOP
3. Sub-Section 7(3) - Wage Bill to GDP ratio	**Not to exceed 9%**	CAUTION
4. Sub-Section 7(1)(a) - Rate of growth of primary expenditure.	**Not to exceed 2%**	CAUTION
5. Sub-Section 8(3) – Primary Balance	**Not less than 3.5 % of GDP**	CAUTION

1.4 The specific rules and targets in the FRA include "covered public entities". However, the data submitted by the macroeconomic policy unit of the Ministry of Finance to prepare this report only captures that of the central government, with the exception of guaranteed debt. This has given rise to the caution applied in the assessment of a number of rules and targets.

1.0 EXECUTIVE SUMMARY (CONTINUED)

1.5 To ensure that Government's fiscal and financial affairs are conducted in a fully transparent manner the FRA as well as the Public Finance Management Act (PFM) and the Public Debt Management Act (PDM) requires the submission to Parliament of a number of Reports. To this end the following Reports were tabled in Parliament in November 2017 –

(i) Budget Framework Paper: 2018 - 2020
(ii) Compliance Assessment Report: 2016 - 2017
(iii) Fiscal Risk Statement
(iv) Medium - Term Debt Management Strategy: 2018 - 2020

Additionally, Government produced annual and mid-term reviews of its performance in 2017.

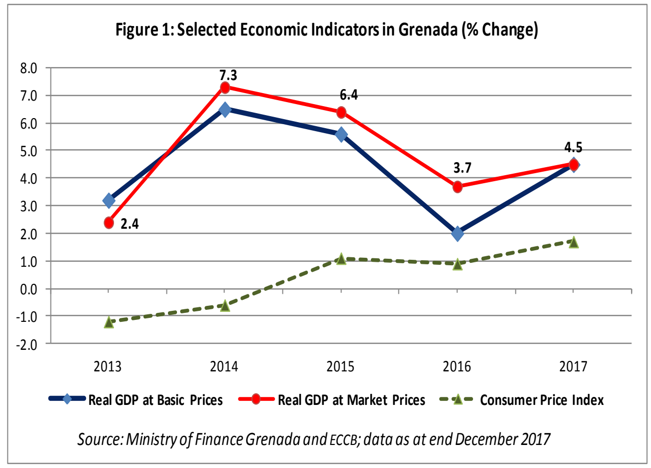
2.0 MACROECONOMIC CONTEXT

2.1 Against the backdrop of a stable global economy, economic activity in Grenada was relatively buoyant in 2017. Furthermore, the economy continued to benefit from the reforms and initiatives implemented under the three-year Home-grown Structural Adjustment Programme, which came to an end in March 2017. The fiscal outturn of the central government improved, evidenced by an increase in the primary surplus. The ratio of public sector debt to GDP continued on a downward trajectory due to the impact of the expansion in GDP, scheduled amortization payments and debt restructuring efforts, in particular, the second phase of debt restructuring with Taiwan and the international bond[2]. The inflation rate increased concomitant with greater local demand and the unemployment rate trended downwards due to higher activity in the construction and tourism sectors.

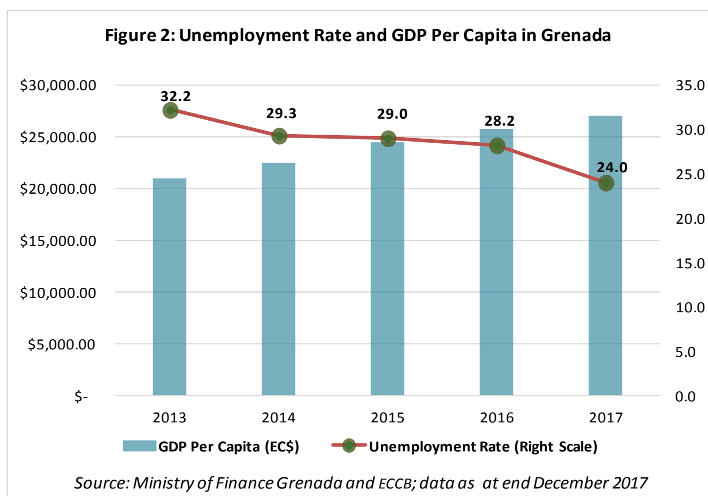
[2] The International Bond (US and EC portions) 25 percent reduction upfront (2015) with the remaining 25 percent applied in November 2017. Taiwan- 47 percent was received upfront (2014) with the remaining 3 percent applied in December 2017.

2.0 MACROECONOMIC CONTEXT (CONTINUED)

2.2 The economy of Grenada is preliminarily estimated to have expanded at an accelerated rate of 4.5 percent in 2017 (real GDP at market prices)[3], up from 3.7 percent in 2016 (see figure 1). This pace of economic activity was largely driven by positive developments in the tourism, construction and education sectors with spillover effects into the major supporting sectors such as wholesale and retail trade and transportation, storage and communications. The expansion in these sectors was partly tempered by a reduction in output in the agricultural sector. Accordingly, the increase in aggregate output fueled an uptick in the rate of inflation, which rose to 1.7 percent in 2017 from 0.9 percent in 2016.



2.3 The average wealth of the Grenadian population grew in tandem with the expansion in GDP. GDP per Capita rose by 5.2 percent to EC$27,037 in 2017, when compared with EC$25,698 in 2016 (see figure 2). Preliminary results of the 2017 Labour Force Survey indicated an unemployment rate of 24.0 percent, a decline from the rate of 28.2 percent in 2016. Higher levels of activity in the



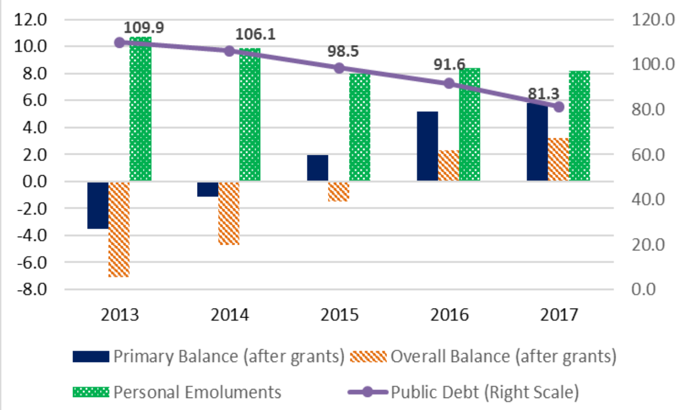
[3] The growth of the economy is measured in real GDP terms. Nominal GDP is used to calculate all the ratios in the report.

2.0 MACROECONOMIC CONTEXT (CONTINUED)

construction and tourism sectors along with their ancillary sectors, in part, contributed to a reduction in the level of unemployment.

2.4 Grenada's fiscal and debt positions continued to improve in 2017 (see figure 3). The improvement stemmed largely from the fiscal reforms and debt restructuring elements under the three-year Homegrown Structural Adjustment Programme. The Programme which commenced in January 2014 came to an end in March 2017. The fiscal operations of the government yielded a primary surplus after grants of $174.6m (5.8 percent of GDP) in 2017, greater than the one of $148.3m (5.2 percent of GDP) recorded in 2016. This was the third consecutive year of primary surpluses. The higher level of primary surplus along with debt restructuring and scheduled debt repayment, positively contributed to Grenada's debt dynamics. The public sector debt amounted to $2,441.2m (81.3 percent of GDP) at the end of 2017, relative to $2,612.9m (91.6 percent of GDP) at the end of 2016.

Figure 3: Public Finance Indicators for Grenada (% of GDP)



3.0 COMPLIANCE WITH FISCAL RULES AND TARGETS: 2017

3.1 Summary

3.1.1 The extent of compliance with the Fiscal Rules and the attainment of targets are pivotal to the sustainability of Grenada's public sector finances.

3.1.2 Much of the improvements in Grenada's public finances have been, by design, from structural reforms and adjustments. However, medium to long term sustainability rests on lowering unemployment as the economy grows and fiscal prudence, in particular, enhanced tax administration.

3.1.3 As indicated earlier, in this Report the following keys are used to assist readers to easily understand the FROC's assessment of compliance with the Rules and Targets:-

<u>Table 3: Compliance Symbols</u>

SYMBOL	INTERPRETATION
	Compliant, without reservations
	Compliant, with reservations
	Non-compliant

3.0 COMPLIANCE WITH FISCAL RULES AND TARGETS: 2017 (CONTINUED)

3.1 Summary (continued)

Table 4: Tabular Summary of Assessment of Compliance

FISCAL RULES	FRA TARGETS	2016 Actual	2017 Target	2017 Actual	COMPLIANCE	COMMENTS
1.Public Sector Debt to GDP Ratio	Not to exceed 55%	91.6%	N/A	81.3%	**NO** STOP	**Non-compliant.** (i) No intermediate debt to GDP Ratio target was set in 2017. (ii) The FROC recognizes that there has been improvement in the reporting of the debt and contingent liabilities of statutory bodies and state owned entities, but remains concerned that all contingent liabilities assumed by the government is not captured. (iii) Given that the ratio was above 60% in 2016, corrective measures ought to have been taken to bring the ratio down to 55% within 3 years (by 2019) with 1/3 of the adjustment taking place in the first year 2017.

3.0 COMPLIANCE WITH FISCAL RULES AND TARGETS: 2017 (CONTINUED)

3.1 Summary (continued)

Table 4: Tabular Summary of Assessment of Compliance (continued)

FISCAL RULES	FRA TARGETS	2016 Actual	2017 Target	2017 Actual	COMPLIANCE	COMMENTS
2.Contingent liabilities arising from public-private partnerships	Not to exceed 5% of GDP				**NO**	**Non-compliant** FROC is still not satisfied that the Macroeconomic Policy Unit has a firm handle on this subject. The Fiscal Authorities have not thoroughly, or at all, scrutinized the relationships between Government, government agencies and private entities.
3. Wage Bill to GDP Ratio	Not to exceed 9%	8.4%	≤9.0%	8.5%	**YES**	**Compliant.** However, the wages of covered entities are not included in this ratio.
4. Growth in Primary Expenditure (in real terms)	No to exceed 2%	0.9%	≤2%	0.2%	**YES**	**Compliant** However, the growth in primary expenditure of covered entities is not included in this ratio.
5. Primary Balance	Not to be less than 3.5% of GDP	5.2%	≥3.5%	5.2%	**YES**	**Compliant.** However, data of covered entities are not included in the calculation of the primary balance.

3.0 COMPLIANCE WITH FISCAL RULES AND TARGETS: 2017 (CONTINUED)

3.2 Assessment of Compliance

3.2.1 Public Sector Debt to GDP Ratio:

3.2.1.1 **Legal Requirement – Sub-section 8(1):** ***(a) "the total stock of public sector debt from domestic or external sources for any purpose, including the total sum of debt guaranteed by the Government including contingent liabilities assumed by the Government, but excluding contingent liabilities arising from, as a result of, or in connection with public-private partnerships;(b) the debt and contingent liabilities of statutory bodies and state-owned enterprises; and(c) such sums as may be necessary to defray expenses in connection with such liabilities, to the GDP shall not exceed fifty-five percent of GDP"***.

3.2.1.2 **Legal Requirement – Sub-section 8(5):** ***"If in a fiscal year the debt level exceeds sixty percent of GDP, the Minister shall undertake appropriate corrective revenue and expenditure measures to reduce the public debt to fifty-five percent of GDP over a period of three fiscal years, with at least one-third of the adjustment in the first year"***.

3.2.1.3 In its 2016 Report the FROC commented thus

(i) "The Fiscal Authorities have achieved strong and highly commendable downward movement in the Debt to GDP Ratio from 86.9% in 2015 to 80.5% in 2016."

(ii) The FROC was unable to reconcile the figure provided by the Macroeconomic Policy Unit in the ***"Grenada Fiscal Data 2014 - 2016"*** *for Public Debt as at December 31, 2016 of $2,295.63 million versus the higher figure of $2,613.37 million published in the* ***"Quarterly Public Debt Bulletin"*** *for December 2016 which was provided to the FROC also by the Macroeconomic Policy Unit. "*

(iii) "The FROC was not provided with a schedule of Public Sector Debt as requested. Given that the management of the Public Debt is vitally critical to the viability of the public finances, the FROC cannot over emphasize the importance of having

3.0 COMPLIANCE WITH FISCAL RULES AND TARGETS: 2017 (CONTINUED)

3.2 Assessment of Compliance (continued)

3.2.1 Public Sector Debt to GDP Ratio: (continued)

3.2.1.3 *a very firm handle on the debt stock and a comprehensive understanding of its dynamics."* **In the process of conducting comparative analysis in preparation of the 2017 Report, it was observed that the Fiscal Tables provided by the Macroeconomic Policy Unit presented a debt to GDP ratio for 2016 of 91.6% as opposed to the 80.5% previously reported.** Additionally, the FROC noted that the stock of debt for 2017 that was disclosed by the Unit differed from what was included in the 2018 Budget address - the former stock was more updated and included Petro Caribe debt, while the latter stock included more estimates and did not include Petro Caribe debt.

Given these developments, especially against the background of paragraphs (ii) and (iii) above, FROC strongly urges the Fiscal Authorities to ensure that the ultimate objective of the Fiscal Responsibility Act (**ACT NO. 29 OF 2015)** of establishing *".... a transparent and accountable rule-based fiscal responsibility framework in Grenada,....." i*s diligently pursued.

Given that the ratio was above 60% in 2016, corrective measures ought to have been taken to bring the ratio down to 55% within 3 years (by 2019) with 1/3 of the adjustment taking place in the first year, 2017. This implies that the ratio should have declined 12.2 percentage points in 2017 i.e. 1/3 of (91.6% -55%). Actual decline is 10.3 percentage points (91.6% -81.3%).

3.2.1.4 It is perplexing that an interim Debt to GDP ratio target was not set in 2017, having regard for the crucial importance of debt management in enhancing the viability of the public finances.

3.0 COMPLIANCE WITH FISCAL RULES AND TARGETS: 2017 (CONTINUED)

3.2 Assessment of Compliance (continued)

3.2.1 Public Sector Debt to GDP Ratio: (continued)

3.2.1.5 The FROC has been provided with Government's Medium Term Debt Management Strategy 2018-2020 as contained in the Budget Framework Paper 2018 – 2020. This will enhance the 2018 FROC Report.

3.2.1.6 However, in respect of 2017 Report, the FROC has not been provided with Government's **Medium** Term Debt Management strategy in order to assess compliance with same or the efficacy of its implementation. No reason was proffered by the Macroeconomic Policy Unit for the unavailability of the said document**.**

3.2.2 Contingent Liabilities Arising from Public- Private Partnerships:

3.2.2.1 **Legal Requirement – Sub-section 8(2):** *contingent liabilities arising from, as a result of, or in connection with public private partnerships* ***shall not exceed five percent of GDP.***

3.2.2.2 FROC is of the considered opinion that the Ministry of Finance should, as a matter of high priority, scrutinize all relationships between public entities and private entities to determine whether they are Public Private Partnerships as defined by the FRA.

3.2.2.3 In particular the FROC calls attention to the arrangements for land reclamation and development on Melville Street, St. George's in which the Grenada Ports Authority and the National Insurance Scheme are involved; the Tyrell Bay land reclamation and development in Carriacou in which the Grenada Ports Authority is involved; and arrangements for the provision of postal and related services in which Grenada Postal Corporation is involved.

3.0 COMPLIANCE WITH FISCAL RULES AND TARGETS: 2017 (CONTINUED)

3.2 Assessment of Compliance (continued)

3.2.2 Contingent Liabilities Arising from Public- Private Partnerships: (continued)

3.2.2.4 FROC repeats its recommendation in the 2016 Report viz: *"FROC further strongly recommends the establishment of a registry or database of all PPPs and that a system be developed to monitor their performance primarily in respect of acquisition of debt and debt servicing."*

3.2.3 Wage Bill to GDP Ratio:

3.2.3.1 **Legal Requirement – Sub-section 7(3): *"The Minister shall take appropriate measures to ensure that the ratio of expenditure on the wage bill shall not exceed nine percent to GDP".***

3.2.3.2 As in the 2016 Report, this has been assessed as compliant, with strong reservations. The figure for Wage Bill excludes covered public entities as required by the FRA, suggesting further under reporting.

3.2.4 Growth in Primary Expenditure (in real terms)

3.2.4.1 **Legal Requirement – Paragraph 7(1)(a)*: "the rate of growth of the primary expenditure of the Central Government, and of every covered public entity, shall not exceed two percent in real terms in any fiscal year, when adjusted by the preceding year's inflation rate".***

3.2.4.2 The FROC confirms compliance with reservations as the primary expenditure of covered public entities was not included in the data.

3.0 COMPLIANCE WITH FISCAL RULES AND TARGETS: 2017 (CONTINUED)

3.2 Assessment of Compliance (continued)

3.2.5 Primary Balance

3.2.5.1 **Legal Requirement – Paragraph 8(3)(a): "*Where the ratio of public debt to GDP for the preceding year* reaches fifty-five *percent; the Minister shall take appropriate steps to ensure that the targeted primary balance shall be a minimum of three point five percent of GDP*".**

3.2.5.2 The FROC confirms compliance with reservations as data for covered public entities was not included in calculating this ratio.

3.3 Other Requirements in the FRA

Table 5: Other Requirements in the FRA: Status and Compliance

3.3 Other requirements in the FRA	Status and Assessment of Compliance
1. **Paragraph 7(1)(b):** *policy on negotiation of rates of pay and related conditions of employment for persons employed in the Central Government and covered public entities shall be consistent with the targets under section 8(1) and the policies and plans set out in the Medium Term Fiscal Framework under section 12(2) of the Public Finance Management Act.*	A three-year (2017-2019) wage negotiation cycle, which was finalized in March 2017, is in effect for central government workers. FROC is of the view that the fiscal costs associated with the wage cycle were factored into the medium term projections and they seem consistent with targets and the Medium Term Fiscal Framework. The FROC noted that the employees of covered public entities are not included in this wage agreement. It is unable to assess the consistency between the targets, Fiscal Framework, and policy on negotiation of rates of pay (and related conditions of employment) for persons employed in covered public entities because of the lack of data/information on these organisations and the focus

3.0 COMPLIANCE WITH FISCAL RULES AND TARGETS: 2017 (CONTINUED)

3.3 Other Requirements in the FRA (continued)

Table 5: Other Requirements in the FRA: Status and Compliance (continued)

3.3 Other requirements in the FRA	Status and Assessment of Compliance
	of the Framework on central government operations
2. **Paragraph 7(1)(c):** *no multi-year commitment shall be entered during a period in which Parliament is dissolved.*	The FROC confirms full compliance as Parliament was not dissolved in 2017.
3. **Paragraph 7(2)(c):** *For purposes of subsection 1(b) the Minister must establish compensation negotiation cycles that allow for settlements for government employees to be included in estimates of revenue and expenditure for the financial year to which settlement relates.*	The estimated cost of the salary increase for government employees has been incorporated into the Estimates of Revenue and Expenditure for the financial year to which such settlement relates.
4. **Paragraph 12(1)(c):** *The Minister "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".*	The FROC confirms full compliance. The FROC confirms that the Compliance statement was completed and presented to Parliament on 27 November 2017 during the 2018 Budget Address. The Compliance statement was in line with the requirement of the FRA. However, a Compliance Statement did not accompany the tabling of the Supplementary Budget in July 2017.

3.0 COMPLIANCE WITH FISCAL RULES AND TARGETS: 2017 (CONTINUED)

3.3 Other Requirements in the FRA (continued)

Table 5: Other Requirements in the FRA: Status and Compliance (continued)

3.3 Other requirements in the FRA	Status and Assessment of Compliance
5. **Paragraph 12(1)(e):** *The Minister also has to "prepare and submit to Parliament, with the annual Budget Bill, a fiscal risk statement that shall reflect all decisions by Cabinet and the Minister and circumstances that may have a material effect on the economic and fiscal outlook*	GO The FROC confirms that the Fiscal Risk Statement was completed and presented to Parliament on 27 November 2017 during the 2018 Budget Address. The Fiscal Risk Statement was compliant with the FRA.
6. **Paragraph 5(a): One of the Objects of the Act**, "is to ensure that Fiscal and financial affairs are conducted in a transparent manner."	CAUTION The FROC noted that some documents have been published and are available on the official website of the government, in order to improve transparency. These include the quarterly Citizenship by Investment (CBI) statistics; monthly summary fiscal reports on revenue, expenditure and fiscal balances; the quarterly debt bulletin (although last published for March 2017) the Budget Framework Paper 2018-2020/Medium Term Fiscal Framework; and the Medium-term Debt Strategy for the period 2018-2020. The Debt Sustainability Analysis was completed but was not submitted to Cabinet. The FROC is of the view that more consistent disclosure of Petro Caribe debt and contingent liabilities of covered public entities is required. There is also a lack of consistency between the debt to GDP ratio stated in the 2018 Budget Address and the amount that has been submitted to FROC.

3.0 COMPLIANCE WITH FISCAL RULES AND TARGETS: 2017 (CONTINUED)

3.3 Other Requirements in the FRA (continued)

Table 5: Other Requirements in the FRA: Status and Compliance (continued)

3.3 Other requirements in the FRA	Status and Assessment of Compliance
7. **Paragraph 5(b): One of the Objects of the Act** "is to ensure full and timely disclosure and wide publication of all transactions and decisions involving public revenues and expenditures and their implications" as per Section 5 (b)	GO Through the 2017 Budget Address the government disclosed the allocation of estimated revenue and planned expenditures and their fiscal and economy-wide implications. The government also published monthly fiscal summaries online in addition to hard copies that are posted on the Ministry of Finance's Bulletin Board. This was supplemented by the airing of several episodes of the weekly programme 'Inside Finance' which discussed financial and economic issues and Cabinet briefings. However, the FROC is of the opinion that more specific dialogue is needed on fiscal decisions and their likely implications.
8. **Paragraph 5(c): One of the Objects of the Act** "is 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."	CAUTION The public debt has been on a downward trajectory from 2016-2017 supported by improvements in the primary surplus which amounted to 5.8 percent of GDP in 2017 and successful debt restructuring in the same year. In the medium term (2018-2020) an average primary fiscal surplus of 4.7 percent of GDP has been forecasted by the Ministry of Finance, Grenada. However, the FROC believes that it is critical to establish annual debt stabilizing primary balance targets and an interim debt to GDP target, to ensure that debt approaches the required ratio.

3.0 COMPLIANCE WITH FISCAL RULES AND TARGETS: 2017 (CONTINUED)

3.3 Other Requirements in the FRA (continued)

Table 5: Other Requirements in the FRA: Status and Compliance (continued)

3.3 Other requirements in the FRA	Status and Assessment of Compliance
9. **Paragraph 5(d): One of the Objects of the Act** "is to ensure Prudent management of fiscal risks; Furthermore, **paragraph 6(d)** stipulates that "management of fiscal risks is in accordance with regulations and guidelines to be issued by the Minister"	 The FROC noted that the Fiscal Risk report was presented to parliament on 27 November 2017. The risks highlighted in the report included: global growth shocks; lower than anticipated grant receipts; higher than anticipated pension liabilities; natural disasters; and contingent liability risks from State Owned Enterprises (SOEs). The report stated that some of these risks were mitigated by the building of fiscal buffers; continued implementation of initiatives to strengthen growth; modernizing the public sector and the adoption of climate change adaptation efforts. The FROC is of the opinion that these measures are too broad and should be specific to the actions taken in 2017. For example, the report stated that initiatives were implemented during the year to strengthen growth, but no specifics were provided on these initiatives. The FROC also believes that mention should be made of the likely impact of National Health Insurance, the impending public sector pension reform and natural gas exploration on the economy and central government's fiscal accounts.

3.0 COMPLIANCE WITH FISCAL RULES AND TARGETS: 2017 (CONTINUED)

3.3 Other Requirements in the FRA (continued)

Table 5: Other Requirements in the FRA: Status and Compliance (continued)

3.3 Other requirements in the FRA	Status and Assessment of Compliance
10. **Paragraph 6(c): Stipulates** that "no announcements or implementation of any new policy initiative, unless measures that offset the impact of the policy initiative on the primary balance or overall level of spending have been identified"	The FROC noted that in 2017, there were no new policy initiatives implemented that at an aggregate level adversely impacted the primary balance. Nevertheless, the announcement of a National Health Insurance Scheme and the payment of outstanding pension liabilities should be analyzed.
11. **Paragraph 6(e):** provides that "documented public investment procedures are prepared and made available for the submission and approval of all projects submitted for inclusion in the capital expenditure programmes of the Central Government and covered public entities"	The FROC was provided with Appendix D of the Public Finance Management Act 17 of 2015, which outlines the criteria and procedures used for the selection and prioritization of public sector investment projects. The Public Investment Management System (PIMS) dated February 2016 outlines the format for the preparation and submission of projects by line Ministries and Departments.

4.0 OUTCOMES AND IMPLICATIONS OF IMPLEMENTATION OF THE ACT

4.1 The primary objective of the FRA is ***'to establish a transparent and accountable rule based fiscal responsibility framework in Grenada, to guide and anchor fiscal policy during the budget process to ensure that government finances are sustainable over the short, medium, and long term, consistent with a sustainable level of debt, and for related matters"***. Accordingly, the FRA has implications for the budget and its associated processes and procedures, along with the medium term fiscal framework. The rules, requirements and targets embedded in the legislation act as guiding principles in the design of the budget and by extension overall fiscal policy.

4.2 Medium and Long Term Fiscal Policy and Implications of the Act

4.2.1 The FROC noted that there are three fundamental fiscal rules in the FRA for guiding medium term fiscal policy in Grenada. These are:

(i) The total stock of public sector debt to the GDP shall not exceed fifty-five percent of GDP;

(ii) The rate of growth of the primary expenditure (excluding grant or National Transformation Fund (NTF) financed capital expenditure) of the Central Government, and of every covered public entity, shall not exceed two percent in real terms in any fiscal year, when adjusted by the preceding year's inflation rate;

(iii) The ratio of expenditure on the wage bill shall not exceed nine percent to GDP.

4.2.2 Rule No. 1 implicitly requires that the authorities implement better debt management practices, post the Home-Grown Structural Adjustment Programme. These include but are not limited to the preparation of the Medium Term Debt Management Strategy; the Debt Sustainability Analysis; improvement in the recording of debt and more disclosure of public sector debt accumulation and service obligations. These documents can be considered debt monitoring tools which can signal whether primary balance outturns are in line with the debt targets. During the year 2017, the FROC noted that the stock of debt being disclosed is more in line with the FRA, as Petro Caribe debt has now been included in the numbers submitted to the FROC by the Ministry of Finance. Notwithstanding, the 2018 Budget Address debt numbers are exclusive of this debt. This can lead to a misunderstanding about the fiscal effort required to get the debt level to the required target.

4.2.3 The FROC noted that the government was compliant in achieving the stipulated minimum primary balance of 3.5 percent of GDP. Notably, in the Act Section 8(3)(a), this minimum primary balance applies "*Where the ratio of public debt to GDP for the preceding year reaches fifty-five percent*". Therefore, the FROC recommends that on an annual basis the debt stabilizing primary balance should be estimated to better guide the achievement of both the policy and operational debt targets of 55 and 60 percent, respectively. Since the measure of debt to GDP was above 60 percent in 2016, then Section 8 (5) should have applied in the short to medium term – "*there should be revenue and expenditure measures to lower the public debt to 55 percent of GDP over a period of three fiscal years, with at least one-third of the adjustment in the first year*".

4.2.4 Rule 2 above is being applied by the government to only the primary expenditure (excluding grant or NTF financed expenditure) of central government. This has implications for the assessment of compliance to the FRA as primary expenditure data on covered public entities was unavailable in 2017. One of the main implications of this rule is that it forces the government to prioritize primary expenditure and also constrains its growth. The legislation therefore encourages the most efficient use of government revenue. Although data on covered entities were not included in the analysis, the FROC commends the efforts of the government to contain the growth in primary expenditure. The FROC commends the commitment of the authorities to this rule particularly during the 2017-2019 wage negotiation process with trade unions.

4.0 OUTCOMES AND IMPLICATIONS OF IMPLEMENTATION OF THE ACT (CONTINUED)

4.2.5 Rule No. 3 above is being applied by the authorities to a definition of the wage bill that is not consistent with the one provided in the FRA. The FROC expects this measurement issue to be clarified in the short term. Meanwhile, the wage bill, as currently disclosed by the Macro Policy Unit, remained below the 9.0 percent of GDP ceiling in 2017. Given the size of the wage bill in relation to current revenue (35.3 percent) and current expenditure (36.2 percent), the FROC strongly suggest that the authorities keep a keen eye on wages. However, the FROC has reservations as to whether this target will be fully met in the period 2017-2019 as the government fulfils its three-year agreement to pay salary increases to public sector employees. Furthermore, if the full coverage of the definition is applied to the 'wage bill' as used in the FRA, the achievement of the target will be at risk.

4.2.6 If the country achieves the 55 percent debt to GDP target in the medium term (at least in the next five years), then Section 8(3) – a minimum primary balance of 3.5 percent of GDP- should be a fundamental focus of long term fiscal policy. This Section of the legislation would call for, in the long term, prudent management of Citizenship by Investment flows; expenditure restraint and targeted growth enhancing initiatives.

4.3 Medium Term Macroeconomic Forecasts and Implications for the Act

The medium term macroeconomic forecasts contained in the Budget Framework Paper/ Medium Term Fiscal Framework paper and the Medium Term Debt Strategy do not fully comply with the requirements of the FRA, as they lack assumptions and projections for the fiscal and debt operations of covered public entities. Notably, the fiscal rules were used in projecting the growth in primary expenditure of central government, thus allowing the primary surplus target to be maintained in the medium term for central government operations only. In regard to debt, the assumptions made by the authorities of sustained growth and primary surpluses will contribute to a constant reduction in the debt to GDP ratio leading it closer to the 55.0 per cent target in the medium term.

4.0 OUTCOMES AND IMPLICATIONS OF IMPLEMENTATION OF THE ACT (CONTINUED)

4.3 Medium Term Macroeconomic Forecasts and Implications for the Act (continued)

Notably, the authorities should fully incorporate the total debt and contingent liabilities of covered public entities into their debt forecasts, as it is not only an implication of the Act but is also necessary to get a better perspective of the potential debt trajectory in the medium term. While the authorities seem keen, in the medium term, on remaining committed to the central government requirements of the FRA, it has not yet explicitly embraced the legislation in its entirety as it relates to the requirements for covered public entities.

4.4 Adequacy of Risk Assessment by Government

While the Fiscal Risk Statement was submitted as required, the FROC is of the view that deeper analysis of these risks can be done. These include quantification of these risks, likely period of impact and specific strategies to mitigate these risks. Furthermore, upside risks can also be featured in the document such as the impact of oil exploration on government balances and the economy.

4.5 Issues for Consideration in the Further Implementation of the Act

There are a number of issues for consideration in the further implementation of the Act as follows:

(i) To further improve debt management practices, the Ministry of Finance should consider establishing an interim debt to GDP ratio.

(ii) In the event of a natural disaster, the Act can be suspended for a period no greater than one year. As a result, the disaster management and recovery machinery must be efficient and swift. This should therefore be a priority area for the government.

(iii) Uncertainty regarding the implementation of impending initiatives such as the National Health Insurance and pension reform; and contingent liabilities of covered entities are potential risks to the adherence of the legislation.

4.0 OUTCOMES AND IMPLICATIONS OF IMPLEMENTATION OF THE ACT (CONTINUED)

4.5 Issues for Consideration in the Further Implementation of the Act (continued)

(iv) Sustained economic growth is paramount in maintaining compliance with the Act. The government should continue to foster economic growth by executing initiatives embedded in the Growth and Poverty Reduction Strategy (GPRS) (2014 - 2018).

(v) Greater citizenship engagement on the legislation is required to improve accountability and transparency in all matters relating to compliance to the FRA and fiscal and economic issues.

(vi) The FROC should be provided with the resources as well as all data and documents required on both the public sector and covered entities, in a timely manner, to effectively fulfil its mandate as an oversight committee.

5.0 SUGGESTED AMENDMENTS TO THE FISCAL RESPONSIBILTY LEGISLATION

5.1 The FROC in its 2017 Report herein respectfully suggests two further amendments to the Fiscal Responsibility legislations. In this 2017 FROC Report it is submitted that focus should be placed on Section 14(6)(c) and Section 8 of the Fiscal Responsibility Act No. 29 of 2015 (FRA).

5.2 In addition to the aforesaid, given that the FROC 2016's three (3) suggested amendments to the legislations are still under consideration, for the sake of ensuring all suggested amendments are deliberated upon at once when the Ministry of Finance and Ministry of Legal Affairs consider same, for ease of reference and for completeness, the FROC also hereby respectfully reproduces the 2016 suggested amendments:

5.0 SUGGESTED AMENDMENTS TO THE FISCAL RESPONSIBILTY LEGISLATION (CONTINUED)

Under the 2016 Report, three amendments were recommended – one to the Fiscal Responsibility (Amendment) Act No. 11 of 2017 and two to principal Act, the Fiscal Responsibility Act No. 29 of 2015.

5.3 2017 SUGGESTED AMENDMENTS:

5.3.1 Suggested Amendment 1: Amendment to Section 14(6)(c) of FRA

Section 14(6)(c) of the FRA currently provides:

"(6) Where the Fiscal Responsibility Oversight Committee lays before the House of Representatives a report pursuant to paragraph (b) or (c) of subsection (3) –

(c) the Public Accounts Committee, the Standing Orders Committee and the Standing Committee on Finance of Parliament shall proceed to examine the report together and the representations made by the Minister and shall make recommendations to the House of Representatives on the implementation of measures to ensure compliance with the relevant provisions of this Act."

FROC's suggestion:

As it relates to Section 14(6)(c) of the FRA, the FROC suggests that a deadline or time-frame should be clearly set for the examination of the Annual Report by the Public Accounts Committee, the Standing Order Committee and the Standing Committee on Finance.

5.0 SUGGESTED AMENDMENTS TO THE FISCAL RESPONSIBILTY LEGISLATION (CONTINUED)

5.3.2 Suggested Amendment 2: Amendment to Section 8 of FRA

Section 8 of the FRA makes provision for among other things the ratio of public sector debt to GDP.

FROC's observation:

The FROC's and the Ministry of Finance's (MOF) interpretation of this section differs as it is not clear. The FROC interprets the Debt to GDP target to be 55% and if this ratio exceeds 60% appropriate measures must be taken to reduce the debt to 55% over a three year period. The FROC further interprets this provision to be currently in effect.

The MOF sets no yearly debt to GDP targets in order to get it to 55%. The MOF states also that it is only when the 55% level is achieved and subsequently surpasses 60%, will the three year rule be effective.

The Act does not state the timeframe when the 55% is to be met. However, in interpreting this section, one has to look at the spirit and intention of the Act. The FROC is of the view that it will be best in the long-run to maintain the fiscal authority to set annual targets in pursuant of the 55% debt to GDP ratio.

5.4 2016 SUGGESTED AMENDMENTS:

5.4.1 Suggested Amendment 1:

1) It is submitted that an amendment to **Section 14(2) Schedule II of the Fiscal Responsibility Act (Amendment) Act No. 11 of 2017** is needed.

2) As it stands now, Section 14(2) Schedule II of the Fiscal Responsibility Act (Amendment) Act No. 11 of 2017 provides:

"2. Tenure and revocation.

(1) The Governor General shall appoint as Chairperson of the Fiscal Responsibility Oversight Committee one of the four members nominated by the

5.0 SUGGESTED AMENDMENTS TO THE FISCAL RESPONSIBILTY LEGISLATION (CONTINUED)

5.4.1 Suggested Amendment 1 (continued)

Committee of Privileges upon the Committee of Privileges nominating the member to be the Chairperson.

(2) A member of the Committee shall hold office for a period not exceeding three years and shall be eligible for re-appointment subject to subsection (3).

(3) In no case shall a person hold office as a member of the Committee for a period exceeding four consecutive years, but a person who has served for a period of four consecutive years may become eligible for re-appointment after the expiration of two years.

3) There is ambiguity in the wording of the provision for tenure and revocation. It is submitted that the intention of Parliament is that members of the FROC are to be conferred with a term of office not exceeding three (3) years – Section 14(2)(2). The intention of Section 14(2)(3) is to prevent any person from serving for a period exceeding four (4) consecutive years. The cumulative period of any number of terms should not exceed four consecutive years. Accordingly, there can be reappointments. For instance, there can be four one-year appointments.
4) It is respectfully suggested that an amendment should be made to Section 14 (2) on the provision of tenure and revocation for members of the FROC that clearly communicates the following intentions:
    i) That a member of the FROC can initially have a tenure in office for a maximum period of three years;
    ii) At the end of that three-year tenure; the member can be eligible for re-appointment for a term of one year;
    iii) A person shall not hold office as a member of the FROC for a period exceeding four consecutive years; and

5.0 SUGGESTED AMENDMENTS TO THE FISCAL RESPONSIBILTY LEGISLATION (CONTINUED)

5.4.1 Suggested Amendment 1 (continued)

iv) After serving as a member of the FROC for a period of four consecutive years, a person may only become eligible for re-appointment after the expiration of two years.

5.4.2 Suggested Amendment 2:

1) **Section 8** of the **Fiscal Responsibility Act No. 29 of 2015** (FRA) sets out the fiscal targets for a fiscal year and specifically provides for, *"prudent debt, contingent liabilities, and primary balance target."*
2) Overall there is a need to reduce the ambiguity with the debt to GDP ratio.
3) Section 8(3) of the FRA is notably silent on what measures the Minister can implement when the ratio of public debt to GDP is over fifty-five percent.
4) Section 8(3) currently provides:

   "(3) ***Where the ratio of public debt to GDP for the preceding year reaches fifty-five percent****, the Minister shall take appropriate steps to ensure that –*

   (a).. – (f)(i), (ii), (iii)."
5) Accordingly, it is respectfully suggested that Section 8(3) of the principal act should be amended. This amendment would therefore replace the words, *"where the ratio of public debt to GDP for the preceding year reaches fifty-five percent*, the Minister shall take appropriate steps to ensure that -…" with the following:

   "**Once the ratio of public debt to GDP is fifty-five percent or more the Minister shall take appropriate steps to ensure that -**

   (a) the targeted primary balance shall be a minimum of three point five percent of GDP;

   (b) upon achievement of the target specified in paragraph (a), the target shall be maintained over the medium term by ensuring compliance with the expenditure growth rule established in section 7(1)(a);

5.0 SUGGESTED AMENDMENTS TO THE FISCAL RESPONSIBILTY LEGISLATION (CONTINUED)

5.4.2 Suggested Amendment 2 (continued)

(c) as a transitional arrangement, the targeted primary balance shall be at a minimum one point three percent of GDP in the fiscal year ending in December 2015;

(d) a notional compensatory primary balance shall be calculated to reflect the cumulated difference between the target primary balance and the actual primary balance, by subtracting the actual primary balance from the target primary balance as realized in any fiscal year from the first full fiscal year after commencement of this section; ***[This paragraph 8(3)(d) herein by virtue of the Fiscal Responsibility (Amendment) Act 1 of 2016 is repealed and replaced by paragraph 8(3) (d) of the Principal Act]***

(e) If at any time the notional compensatory balance shows a value greater than three percent of gross domestic product, revenue and/or expenditure corrective policies will be introduced to reduce the notional compensatory primary balance to zero over a period of three fiscal years to achieve compliance with the target, with at least one third of the adjustment in the first year;

(f) Where the programme established under the Citizenship by Investment Act, 2013 is in effect –

- *i) forty percent of the monthly inflows into the National Transformation Fund shall be saved for general budget financing purposes, including contingency spending, natural disasters and debt reduction;*
- *ii) at the end of every month, the inflow under subparagraph (i) shall be transferred from the National Transformation Fund account to the Consolidated Fund account; and*
- *iii) upon achievement of the debt levels pursuant to subsections (1) and (2), the total sum of receipts from the programme, which are used*

5.0 SUGGESTED AMENDMENTS TO THE FISCAL RESPONSIBILTY LEGISLATION (CONTINUED)

5.4.2 Suggested Amendment 2 (continued)

for meeting the primary balance targets shall not exceed the equivalent of one point five percent of GDP.

5.4.3 Suggested Amendment 3:

1) It is further submitted that the aforesaid suggested amendment 2, would conflict with the current provision of Section 8(5) of the principal act which states:

   "*If in a fiscal year the debt level exceeds sixty percent of GDP, the Minister shall undertake appropriate corrective revenue and expenditure measures to reduce the public debt to fifty-five percent of GDP over a period of three fiscal years, with at least one-third of the adjustment in the first year.*"

2) Given that the ratio of public debt to GDP shall not exceed fifty-five percent as stipulated in section 8(1), it is submitted that section 8(5) also needs to be amended to ensure consistency in the statement of the ratio of public debt to GDP as provided in subsection 8(1), and in-keeping with the suggested amendment to section 8(3) above.

3) Presently section 8(5) speaks to the corrective revenue and expenditure measure to be employed by the Minister to reduce public debt when the debt level exceeds sixty percent of GDP.

4) It is respectfully submitted that section 8(5) of the FRA should be accordingly amended to reflect the following:

   "If in a fiscal year the debt level exceeds fifty-five percent of GDP, the Minister shall undertake appropriate corrective revenue and expenditure measures to reduce the public debt to fifty-five percent of GDP over a period of three fiscal years, with at least one-third of the adjustment in the first year.**"**

6.0 CONCLUSION AND RECOMMENDATIONS

6.1 The Grenadian economy continued to experience relatively strong economic growth during 2017, led by developments in the construction and tourism sectors as well as the implementation of initiatives which commenced under the Home-grown Structural Adjustment Programme. The fiscal balances improved further, evidenced by a higher primary surplus as tax revenue outperformed the amount collected in the previous year. Accordingly, the debt to GDP ratio trended downwards during the year. These developments had positive implications for the implementation of the FRA.

6.2 The implementation of the FRA is still in the infant stage and as a result there continues to be some challenges such as a divergence in the understanding and interpretation of the law by the Ministry of Finance and the FROC. Hence, continued dialogue on the legislation is necessary.

6.3 The FRA, if implemented as required, will better guide fiscal policy in the medium to long term and will bode well for the overall development of Grenada for current and future generations. In particular, containing debt levels along with primary surpluses and other aspects of the legislation, inadvertently allows for better management of fiscal and economic shocks.

6.4 In 2017, efforts were made to comply with the legislation. However, some of the major targets, including the 55 percent debt to GDP ratio and contingent liabilities arising from or in connection with public private partnerships not exceeding 5.0 per cent, were still not met.

6.5 In recognition of this, the FROC recommends the following:

1. From thereon a transition period should be identified in the legislation and other public finance documents for the attainment of the debt to GDP targets (policy target of 60 per cent and operational target of 55 percent). At the time of the preparation of this Report, the FRA did not state the time for attainment of these targets.
2. While the FROC recognizes that there was some improvement in the recording and monitoring of fiscal and debt statistics, more emphasis should be placed on data

6.0 CONCLUSION AND RECOMMENDATIONS (CONTINUED)

collection from covered public entities as required by the legislation. This dataset on covered public entities should include income, wages, debt including contingent liabilities and public-private partnerships. This is very critical for the compliance assessment conducted by FROC.

3. Continue to strengthen the reporting and monitoring mechanism for data and information sharing between the Ministry of Finance and the FROC. This partnership will allow for greater transparency and accountability and make the work of the FROC a bit more seamless.
4. Continue to bolster support for the fiscal responsibility legislation through public education campaigns and programmes within the domestic public sector. Furthermore, gaining support from regional and multi-lateral organizations will positively influence the sustainability of the implementation of the Act.

7.0 ANNEX

Table 1: Selected Macroeconomic Indicators for Grenada (2012 -2017)

Grenada Central Government Fiscal Data 2012 -2017								
in millions of Eastern Caribbean Dollars (unless otherwise stated)								
	2012	**2013**	**2014**	**2015**	**2016**	**2017 (Actual)**	**2017 (Budget)**	**2017 (Target)**
Total Revenue and Grants	**446.6**	**471.5**	**602.8**	**649.5**	**751.6**	**778.1**	**809.1**	**809.1**
Current Revenue	425.3	440.3	502.3	571.3	651.6	700.1	657.2	657.2
Tax Revenue	403.2	376.8	448.1	511.8	600.5	651.8	605.0	605.0
Taxes on Income & Profits	75.5	66.1	89.9	101.7	127.3	140.6	120.1	120.1
Taxes on Property	16.4	15.1	21.4	23.3	23.9	24.3	22.4	22.4
Taxes on Domestic Goods & Services	189.5	92.4	104.1	116.1	140.0	147.7	141.0	141.0
Taxes on International Trade Transactions	121.8	203.2	232.8	270.6	309.3	339.2	321.5	321.5
Non-tax Revenue	22.1	63.5	54.2	59.4	51.1	48.2	52.2	52.2
Grants	21.3	31.3	100.5	78.3	100.0	78.1	151.9	151.9
Budgetary Grants	0.7	-	9.9	-	26.0	13.9	25.9	25.9
Capital Grants	20.6	31.3	90.6	78.3	74.0	64.2	126.0	126.0
Primary Expenditure	**492.8**	**552.0**	**631.3**	**597.3**	**603.3**	**603.5**	**667.2**	**667.2**
Primary Expenditure less Capital Grants	***472.0***	***520.8***	***540.7***	***519.0***	***529.3***	***539.4***	***541.2***	***541.2***
Real Growth in Primary Expenditure (%)		***7.9***	***3.9***	***(3.0)***	***2.5***	***0.2***	-	-
Total Expenditure	**566.5**	**632.3**	**718.1**	**688.9**	**685.6**	**681.5**	**753.3**	**753.3**
Current Expenditure	458.1	471.9	491.4	468.9	565.5	600.9	599.0	599.0
Employee Compensation	237.1	254.5	253.8	225.9	251.6	265.2	265.9	265.9
Personal emoluments, Wages & Allowances	227.2	243.5	242.4	215.3	240.4	246.8	253.9	253.9
Social contribution to employees	9.9	11.1	11.4	10.6	11.2	18.4	12.0	12.0
Goods & Services	86.4	75.9	72.2	76.0	117.6	126.5	119.5	119.5
Interest payments	73.6	80.3	86.8	91.7	82.3	78.0	86.0	86.0
Transfers	61.0	61.1	78.6	75.3	113.9	131.2	127.6	127.6
Capital Expenditure	108.4	160.5	226.7	220.1	120.1	80.6	154.3	154.3
Grants	20.6	31.3	90.6	78.3	74.0	64.2	126.0	126.0
Local Revenue	62.7	70.9	96.2	101.1	28.7	6.1	16.2	16.2
Loans	25.1	58.4	39.9	40.7	17.4	10.4	12.1	12.1
Primary Balance after grants	**(46.2)**	**(80.5)**	**(28.5)**	**52.3**	**148.3**	**174.6**	**141.9**	**141.9**
Overall Balance after grants	**(119.9)**	**(160.8)**	**(115.3)**	**(39.4)**	**66.0**	**96.6**	**55.8**	**55.8**
Primary balance (% of GDP)	**(2.1)**	**(3.5)**	**(1.2)**	**1.9**	**5.2**	**5.8**	**4.7**	-
Notional Compensatory Balance (%)	-	-	-	-	***(1.7)***	***(4.0)***	-	-
Memo Items:								
Real GDP Growth (%) (Constant Prices)	-0.6	3.2	6.5	5.6	2.0		4.5	
Real GDP Growth (%) (Market Prices)	-1.2	2.4	7.3	6.4	3.7	Not Avaliable*	4.5	Not Applicable**
Nominal GDP in EC$M (Market Prices)	2159.7	2275.1	2461.0	2691.9	2851.7		3003.9	
Wage Bill in EC$M	227.2	243.5	242.4	215.3	240.4	246.8	253.9	253.9
Wage bill (% of GDP)	10.5	10.7	9.9	8.0	8.4	-	8.5	-
Public Debt (incl guaranteed and Petrocaribe debt)	2334.8	2500.3	2610.4	2652.8	2612.9	2441.2		
Public Debt (% of GDP) (with Petrocaribe)	*108.1*	*109.9*	*106.1*	*98.5*	*91.6*	*81.3*		
Public Debt (% of GDP)(without Petrocaribe)	*96.1*	*96.3*	*91.4*	*85.3*	*79.0*	*68.9*		
Central Government Debt (% of GDP)	*89.1*	*90.4*	*86.3*	*81.3*	*76.3*	*66.5*		
Inflation Rate (end of period) (%)	**1.8**	**-1.2**	**-0.6**	**1.1**	**0.9**	**1.7**	**2.0**	**2.0**
Inflation Rate (period average) (%)	**2.4**	**0.0**	**-1.0**	**-0.5**	**1.7**	**1.7**	**2.0**	**2.0**

Sources: Central Statistics Office and Ministry of Finance, Grenada

Other data sources referenced include: https://www.eccb-centralbank.org/

7.0 ANNEX (CONTINUED)

Table 2: The FROC Schedule of Meetings

Date	Activity/Engagements	Purpose
27 November, 2017	FROC Committee attended the 2018 Budget Address	General Oversight
10 January, 2018	FROC Held Media Briefing	Media Appearance
12 January, 2018	Appearance on GIS	Media Appearance
14 January, 2018	Appearance on George Grant	Media Appearance
26 January, 2018	FROC Committee Meeting	Planning and Administration
9 February, 2018	Meeting with Prime Minister	Planning and Administration
14 February, 2018	Meeting with FROC and the MOF	Planning and Administration
9 March, 2018	Meeting with FROC and the MOF	Planning and Administration
12 March, 2018	FROC Committee Meeting	Administration and Report Preparation
21 March, 2018	FROC Committee Meeting	Report Preparation
26 March, 2018	Meeting with FROC and the MOF	Report Preparation
20 April, 2018	FROC Committee Meeting	Report Preparation
23 April, 2018	Meeting with FROC and the MOF	Report Preparation
26 April, 2018	FROC Committee Meeting	Report Preparation