



# GRENADA

December 2016

## FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; AND STAFF REPORT

In the context of the Fifth Review Under the Extended Credit Facility, Request for Modification of Performance Criteria, and Financing Assurances Review, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on September 14, 2016, with the officials of Grenada on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on November 29, 2016.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Grenada\*  
Memorandum of Economic and Financial Policies by the authorities of Grenada\*  
Technical Memorandum of Understanding\*  
\*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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December 21, 2016

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Washington, D.C. 20431 USA

### **IMF Executive Board Completes Fifth Review Under the Extended Credit Facility Arrangement for Grenada and Approves US\$2.9 Million Disbursement**

The Executive Board of the International Monetary Fund (IMF) today completed the Fifth Review of Grenada's economic performance under a program supported by a three-year arrangement under the Extended Credit Facility (ECF). The completion of the Review enables the disbursement of the equivalent of SDR 2 million (about US\$2.9 million), bringing total resources made available to Grenada under the arrangement to the equivalent of SDR 12.04 million (about US\$17.5 million). The ECF arrangement in the amount equivalent to SDR 14.04 million (then about 120 percent of Grenada's quota at the IMF) was approved by the Executive Board on June 26, 2014 (see [Press Release No. 14/310](#)). The Board's decision on the fifth review was taken on a lapse of time basis.<sup>1</sup>

The government met all performance criteria for end-June 2016 and most structural benchmarks for the Fifth Review. The government made further progress restructuring public debt. Grenada's debt-to-GDP ratio declined to 84.3 percent at end-June from 107 percent in 2013. Together with Grenada's strengthened fiscal framework, including the Fiscal Responsibility Act, Public Debt Management Act, and Public Finance Management Act, the prospects for debt sustainability and durable growth are improving. Real GDP growth (at market prices) is projected to moderate to about 3.0 percent in 2016 and 2017, reflecting strong construction activity and steady external demand for Grenada's tourism services.

Management of the public sector wage bill is a priority reform in the near term and the government continues to focus on strengthening the financial system to ensure stability and help it contribute more effectively to promoting private sector investment and growth. The government is also focusing efforts on programs to improve the quality of labor supply and the business environment to lower unemployment and encourage broad based growth.

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<sup>1</sup> The Executive Board takes decisions without a meeting when it is agreed by the Board that a proposal can be considered without convening formal discussions.

<b>Grenada: Selected Economic and Financial Indicators</b>							
	2012	2013	2014	2015	2016	2017	2018
	Proj.						
	(Annual percentage change, unless otherwise specified)						
<b>National income and prices</b>							
GDP at constant prices	-1.2	2.4	7.3	6.2	3.1	2.7	2.7
GDP deflator	3.9	2.9	0.8	1.6	1.5	3.2	2.3
Consumer prices, end of period	1.8	-1.2	-0.6	1.0	2.1	2.6	2.0
<b>Exchange rate</b>							
Real effective exchange rate (annual average, depreciation)	-1.0	-1.9	-0.3	0.3	...	...	...
<b>Money and credit, end of period</b>							
Credit to private sector	0.2	-5.7	-5.1	-3.8	3.3	3.5	5.1
Broad money (M2)	0.7	4.1	4.1	5.2	4.7	6.0	5.1
Lending rate (in percent)	9.2	9.1	9.0	8.7	...	...	...
Deposit rate (in percent)	2.7	2.5	2.2	1.6	...	...	...
	(In percent of GDP, unless otherwise specified)						
<b>Central Government</b>							
Revenue	20.8	20.9	24.5	24.8	25.1	24.6	24.5
Expenditure	26.7	28.1	29.2	26.0	23.5	23.3	22.7
o.w. capital expenditure	5.0	7.1	9.2	8.4	3.4	3.3	3.8
Primary balance 1/	-2.5	-3.9	-1.1	2.2	4.8	4.1	4.0
<b>Overall balance</b>	-5.9	-7.3	-4.7	-1.2	1.6	1.3	1.8
<b>Public debt (incl. guaranteed) 2/</b>	103.3	108.1	101.8	91.7	84.3	72.9	67.2
Domestic	35.8	37.3	34.1	29.1	24.4	21.0	19.8
External	67.6	70.8	67.7	62.6	59.9	51.9	47.4
<b>Savings-Investment balance</b>	-21.1	-23.2	-16.5	-16.5	-14.5	-15.2	-15.7
Savings	-4.7	-3.2	1.8	1.4	-3.1	-3.7	-3.6
Investment	16.3	20.0	18.3	18.0	11.4	11.6	12.1
<b>External sector</b>							
Gross international reserves (millions of dollars)	104.0	135.4	158.3	188.5	191.4	194.1	203.3
GIR (in months of imports)	2.9	4.1	4.6	5.4	5.0	4.7	4.6
Current account balance, o/w:	-21.1	-23.2	-16.5	-16.5	-14.5	-15.2	-15.7
Exports of goods and services	28.9	28.5	28.0	27.2	28.2	27.8	27.9
Imports of goods and services	49.5	50.4	43.6	42.0	40.7	41.9	42.9
External debt (gross)	141.0	144.7	144.8	137.1	132.8	122.5	116.8

Sources: Ministry of Finance; Eastern Caribbean Central Bank; and IMF staff projections.  
World Bank WDI 2007; and Fund staff estimates and projections.  
1/ Includes 0.7 percent of GDP CBI-related non-tax revenue in 2015.  
2/ Includes the impact of the debt restructuring agreements that have already been reached.



# GRENADA

## FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW

November 29, 2016

### EXECUTIVE SUMMARY

**Extended Credit Facility Arrangement.** The arrangement was approved on June 26, 2014 and the fourth review completed on May 18, 2016. Disbursements equivalent to SDR 10.04 million (about US\$14.3 million) have been made to Grenada so far under the arrangement and the equivalent of SDR 2 million (about US\$2.9 million) will be made available upon Executive Board completion of the Fifth Review.

**Debt Restructuring.** Grenada's comprehensive public debt restructuring is nearing completion. Agreements implementing the 2015 Paris Club Agreed Minute were signed with two creditors and the authorities have reached agreement with a domestic bank holding T-bills and government-guaranteed debt.

**Program Performance.** Overall program implementation remains solid. All quantitative performance criteria for the Fifth Review were met. There have been delays with some of the structural benchmarks, but corrective actions have been taken. The authorities advanced reforms to strengthen tax administration, improve public finance management, and strengthen the business environment.

**Fifth Review.** Discussions focused on completing the programmed fiscal consolidation for 2016 and developing a 2017 budget consistent with the Fiscal Responsibility Act—a proposed structural benchmark. Staff refined the structural benchmark on public wage bill management to strengthen commitment to the reform while allowing the authorities adequate time to draw on the technical assistance received in September. Another proposed structural benchmark seeks to enhance debt management.

**Perspective.** Under the ECF-supported program, fiscal adjustment, debt restructuring and reduction, and legislative reforms have been noteworthy. The authorities should be commended for their steadfast efforts to implement difficult policies. Grenada's future is now at a critical juncture: public debt and unemployment are still high and decisions in 2017 will put to the test the country's laws and regulations for fiscal sustainability. Commitment to reform and medium term goals remain key to safe-guarding progress and securing lasting prosperity.

Approved By  
**Trevor Alleyne (WHD)**  
**and Bob Traa (SPR)**

Discussions took place in St. George's during September 8-14, 2016. The staff team comprised Nicole Laframboise (head), Wayne Mitchell, Mike Li (all WHD), Klaus Hellwig (SPR) and Jemma Lafeuillee (local IMF economist). The team was joined by Kevin Silston (OED) and a representative from the Eastern Caribbean Central Bank. Representatives from the World Bank and the Caribbean Development Bank also participated in the meetings.

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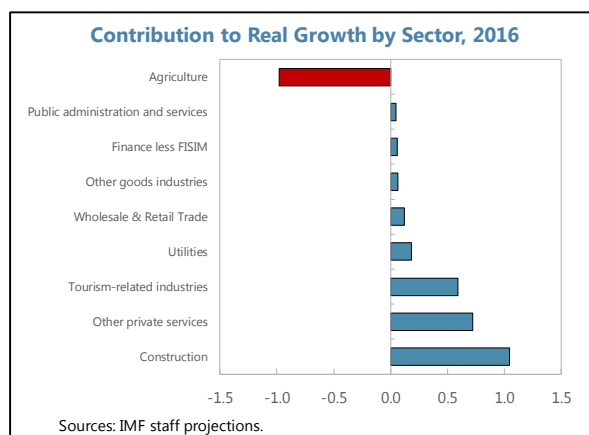
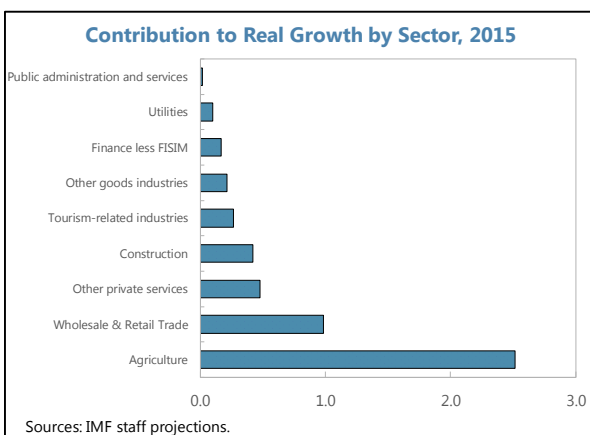
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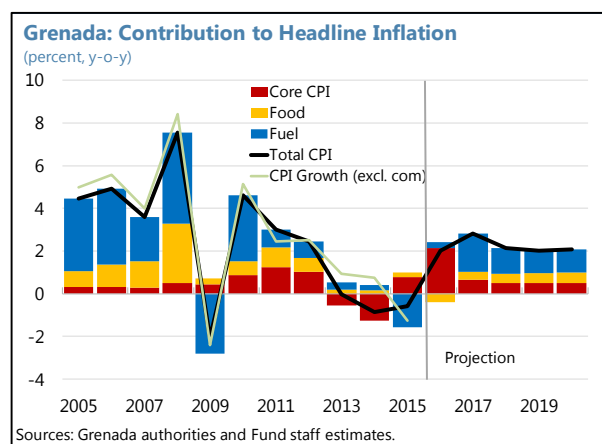
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## RECENT DEVELOPMENTS

**1. The economic recovery maintained momentum in 2015, though unemployment remained high.** Real GDP expanded by 6.2 percent in 2015, driven by a continued brisk expansion in agricultural production, supported by increased activity in tourism and a rebound in construction. Total unemployment inched down to 29 percent in 2015, while youth unemployment remained high at 41.7 percent.<sup>1</sup> Growth is projected to slow to a more sustainable rate of 3.1 percent in 2016, driven by tourism-related construction and steady tourism demand, but held back by contraction in agriculture due to drought.



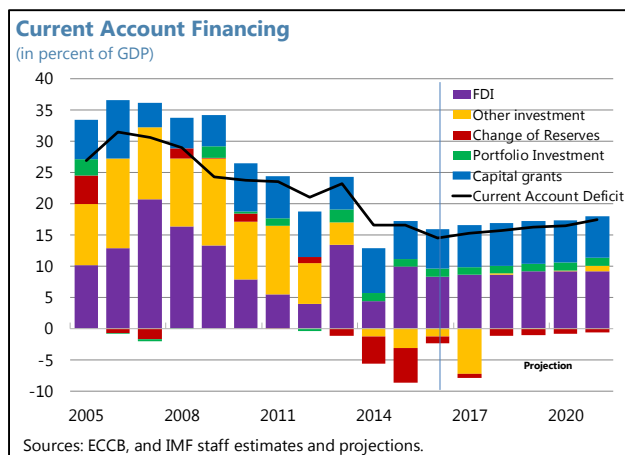
**2. Consumer prices increased for the first time in three years.** Despite falling food prices, headline CPI increased throughout the first half of the year to 3.0 percent (y/y) in June 2016. This upturn mostly reflected a 26 percent increase in prices of telecoms services in September 2015 and a further 5.7 percent increase in June 2016. Consequently, core CPI (excluding fuel and food) rose by 2.6 percent in 2015 and is projected to increase by about 6.8 percent in 2016. With food deflation continuing, annual headline inflation is projected at 2.0 percent for 2016.



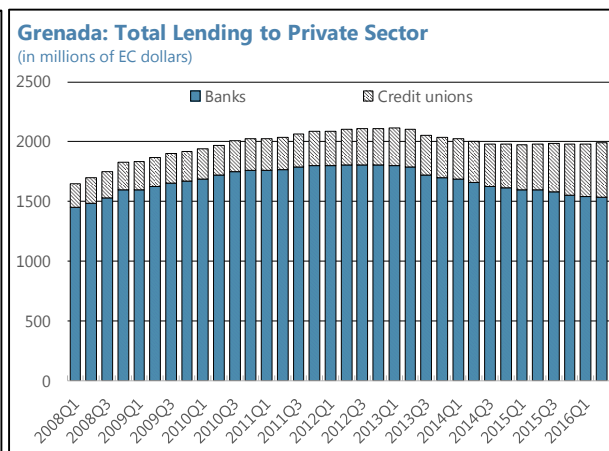
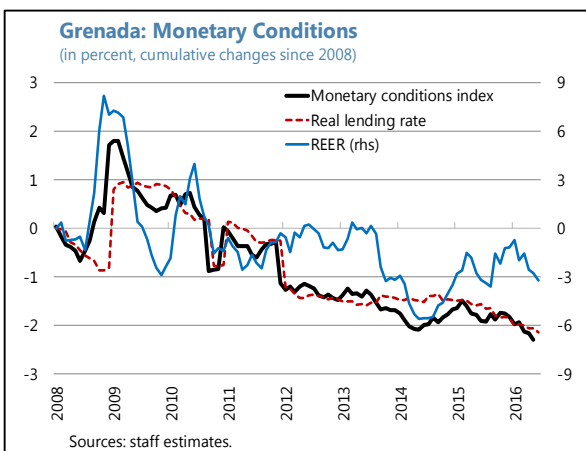
<sup>1</sup> Based on the finalized 2015 labor force survey results.

### 3. The external position has stabilized.

With stayover tourist arrivals and cruise ship passengers growing by 7.6 percent and 33 percent (y/y) respectively in the first half of 2016, the current account deficit is expected to narrow slightly to 14.5 percent of GDP in 2016.<sup>2</sup> Over the same period, imputed international reserves increased to US\$194 million (5.3 months of imports). Grenada's real exchange rate depreciated by 0.8 percent relative to other tourism competitors in 2015, but appreciated by 4 percent relative to its main tourism customers.



**4. Monetary conditions are easing and total growth in credit to the private sector turned positive in the first half of 2016.** Lending rates fell by 40 basis points (y/y) in June, reflecting the continuation of the pass through of the May 2015 reduction in the minimum savings deposit rate. Credit conditions in the banking sector remained tight, though, as pass through from easier monetary conditions to credit was weak with banks minimizing risks and strengthening balance sheets.<sup>3</sup> Banks' deposits and liquidity continued to rise, leading to increased net foreign assets and the accumulation of reserves at the ECCB. That said, the pace of decline in bank lending that started in 2013 has slowed sharply in 2016. Lending by credit unions rose by 4.6 percent in the first half of 2016, increasing their market share of total credit to almost 23 percent. This contributed to positive



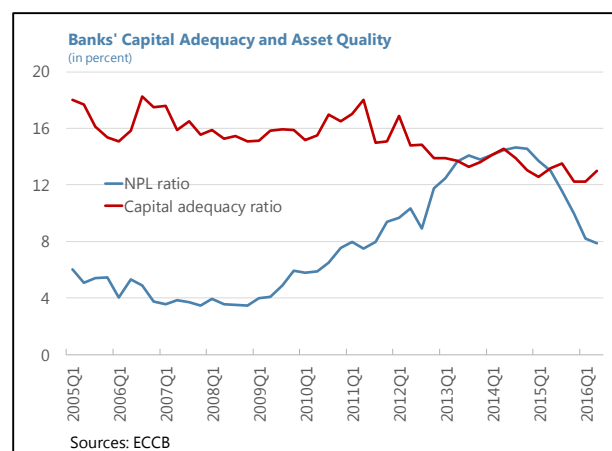
<sup>2</sup> Balance of Payments statistics are being revised and are expected for release in 2017. Preliminary data show an upward revision of the current account balance by over 10 percent of GDP (see Box 3, Country Report No. 16/133).

<sup>3</sup> Private bank credit is measured net of a EC\$48.7 million loan issued by a foreign bank to a utility company in February to finance a special dividend.



growth in total credit to the private sector of 0.4 percent y/y in June, the first increase in over three years.<sup>4</sup>

**5. Indicators point to improving financial sector soundness.** Commercial bank profitability continued to improve after two years in the red, boosted by lower interest costs, increased asset sales and investment income (Figure 5). Asset quality continued to improve as non-performing loans (NPLs) declined from 10 percent of total loans at end-2015 to 7.9 percent in June, while loan loss provisioning increased further from 44 percent to 49 percent over the same period. Capital adequacy at end-June was 13 percent of risk weighted assets, above the 8 percent regulatory requirement. NPLs at credit unions also declined to about 5 percent at end-June, reflecting lower delinquency rates among larger borrowers. Credit unions maintained capital positions at around 12 percent of assets in the second quarter, above the regulatory minimum of 10 percent.



**6. Efforts to restructure remaining public debts continue.** Agreements implementing the 2015 Paris Club Agreed Minute were signed with the U.S. and France. Discussions with the U.K. are in the final stages, and ongoing with Russia. Grenada has also reached out to non-Paris Club official bilateral creditors, namely Algeria, Libya, Trinidad and Tobago, and Venezuela, as well as private external creditors. On the domestic side, an agreement was reached with a bank holding T-bills and government-guaranteed debt.

## PERFORMANCE UNDER THE PROGRAM

### A. Quantitative Targets

**7. Strong fiscal performance continues in the last year of the program.** Robust growth in revenues across the different categories in the first half of 2016 was related to improved compliance and strong economic activity. Primary expenditure was kept below the associated end-June quantitative performance criterion (QPC), and the public wage bill (under the old Chart of Accounts—CoA—classification) was 5 percent lower than the monitoring target. This was partly attributed to continued implementation of the attrition policy: public employment declined from 7,000 to 6,810 between December and June, also below the monitoring target. Consequently, the primary surplus reached 3 percent of projected 2016 GDP at end-June and outperformed the

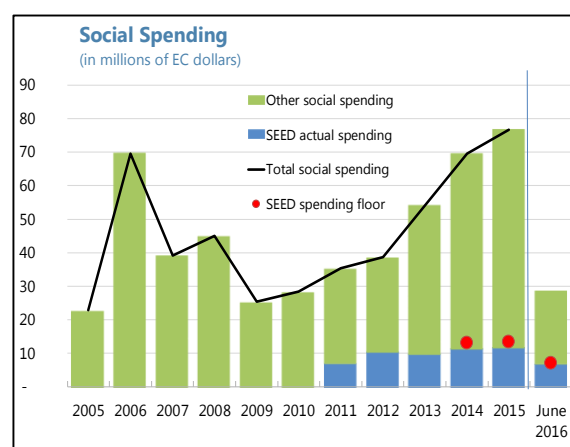
<sup>4</sup> Aggregate lending comprises credit by commercial banks and credit unions and excludes lending by non-bank financial institutions, the Grenada Development Bank and the National Insurance Scheme (NIS) for which data are unavailable.

associated QPC by a large margin (after adjustors as per the TMU). Budget expenditure arrears were not incurred after end-2015, meeting the associated QPC.

<b>Grenada: Program Monitoring – Quantitative Performance Criteria under the ECF<sup>1/</sup></b> (In millions of EC dollars)					
End-June 2016, Fifth Review					
Program	Program Adjusted 1/	Actual	Difference	Status	
<b>Performance criteria</b>					
A. Cumulative floor on central govt. primary balance (EC\$ mln) 2/	39	48	86	38	Met
B. Cumulative ceiling on central govt. primary spending (EC\$ mln) 2/	268	289	284	-5	Met
C. Ceiling on stock of central govt. budget expenditure arrears (EC\$ mln)	0	0	0	0	Met
D. Ceiling on accumulation of external debt arrears (continuous)	0	0	0	0	Met
E. Ceiling on contracting of non-concessional external borrowing by the central govt. (continuous)	0	15	15	0	Met
<b>Indicative targets</b>					
F. Cumulative ceiling on net change in central government and central government guaranteed debt (EC\$ mln) 2/	13	-7	-85	-78	Met
G. Floor on social spending by central government (EC\$ mln)	7.0	7.0	7.0	0.0	Met
<b>Monitoring</b>					
H. Wage bill target (excluding retroactive payments) 3/	110	110	105	-5	Met
I. Public employment (excluding workers under the IMANI program)	7000	7000	6810	-190	Met

1/ Targets as defined in the Technical Memorandum of Understanding.  
2/ From end-December 2014.  
3/ Wages, salaries, and personnel allowances.

**8. Social spending under the program met the indicative target for the first time.** After much delay, the new Management Information System (MIS) under the World Bank-supported SEED program has been updated and an assessment tool completed. Accordingly, SEED spending met the EC\$7 million end-June indicative target. In August 2016, the authorities began phasing-out persons no longer eligible for SEED support while concurrently accepting new applicants (MEFP 120).



**9. The government made progress clearing arrears and met the debt-related QPC.** The exchange of the 2025 bond was successfully completed and the first payments on the newly issued bonds executed in May and November.<sup>5</sup> Membership contribution arrears to international organizations were reduced from US\$22.8 million at end-2015 to US\$15.1 million in June. At end-June, the public debt stock stood at US\$868.2 million, or 84.3 percent of projected 2016 GDP compared to 91.7 percent of GDP at end-2015, below the indicative target ceiling on net change in

<sup>5</sup> At the Fourth Review, an additional allowance (US\$6.6 million) was added in the debt exchange to accommodate potential holdouts from the 2005 restructuring. This offer expired with the May payment and only one holdout participated. Thus the new debt issued under the provision was only US\$500,000, lowering debt stocks accordingly.

public debt. No new non-concessional external debt was contracted and no new external arrears accumulated (outside of debt under restructuring negotiations), thus meeting the associated continuous PCs.

## B. Structural Benchmarks

### 10. Structural reforms have advanced, though with some delay.

- A public sector wage bill management reform Plan was approved by Cabinet in November (a full strategy was the original structural benchmark set for end-September; see paragraph 18). The technical assistance (TA) report from FAD, which was a core input into the Plan, was received in September, causing some delay. The full Strategy, now due by end-March 2017, will establish guidelines for wage setting and compensation processes, and for improving the quality and effectiveness of public goods and services in 2017-2019 (MEFP ¶8-10, Annex II). Early measures in this plan are being taken in 2016 (see below).
- The program envisioned a new Act for the Grenada Industrial Development Corporation (GIDC) (end-June **structural benchmark**). The new Act provides a better legal framework to support the strategic reorganization of the GIDC and strengthen its role in promoting investment and business activity. The authorities prepared a new Act by late summer, but agreed with staff in September that amendments would be needed to align it with new fiscal legislation, particularly the Fiscal Responsibility Act (FRA), Public Financial Management Act (PFMA), Public Debt Management Act (PDMA), and the tax incentive regime (MEFP ¶15). Parliamentary approval of the amendments to the revised Act, which was obtained November 16, was a **prior action** for completing this Review. While the Amendments bring the Act into line with existing fiscal legislation, staff believe the mandate for the GIDC as defined in the Act is overly broad, which could lead to mission creep and erode its effectiveness. Staff urges the government to consider amending this in future.
- The revised Labor Code (end-August **structural benchmark**), a **prior action** for completing this Review, was approved by Parliament on November 16. The revisions, which took longer than expected due to the need for extensive consultations with labor organizations, improve labor relations by clarifying provisions regarding workers' rights and industrial relations. This should set the stage for more active labor market programs to strengthen the labor supply response (MEFP ¶17, SIP May 2016).

Grenada: Citizenship by Investment Program		
	2015	2016
	Act.	Jan-Sep
<b>Approved applications (number)</b>	<b>87</b>	<b>61</b>
NTF option	14	25
Approved projects option	73	36
<b>Budgetary revenues (US\$m)</b>	<b>6.5</b>	<b>6.8</b>
NTF (donations)	2.8	5.0
o.w. available for capital projects 1/	0.0	3.0
Approved projects (fees)	3.7	1.8
<b>Budgetary revenues (% of GDP)</b>	<b>0.7</b>	<b>0.7</b>
NTF (donations)	0.3	0.5
o.w. available for capital projects	0.0	0.3
Approved projects (fees)	0.0	0.3

1/ As per NTF regulations, up to 60 percent of total NTF donations received can be used to finance qualifying capital projects after budget expenditure arrears are cleared.

- **Citizenship-by-Investment (CBI)** statistics for the three quarters of 2016 were published, meeting the associated **structural benchmark**. The budgetary receipts (including government fees and NTF transfers to the Treasury) from applications approved in the first half of 2016 were used as general financing, as agreed under the program.

## OUTLOOK AND RISKS

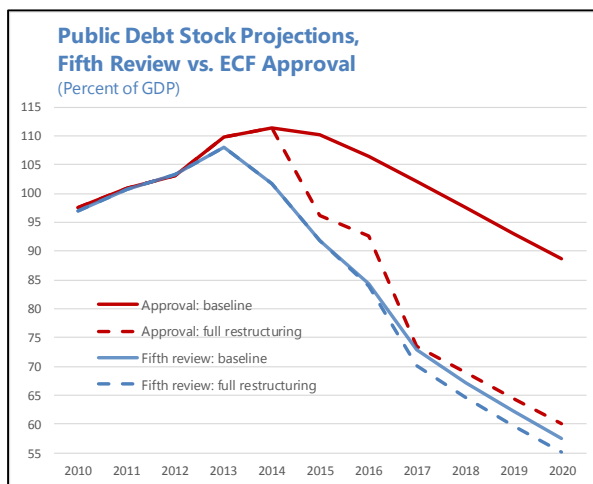
**11. The outlook for the medium term is moderately favorable, but downside risks have increased slightly.** Economic growth should continue to average 2.7 percent annually over the medium term, at potential.<sup>6</sup> Higher international oil prices are expected to generate some upward price pressures, pushing CPI inflation to 2.9 percent in 2017. However, risks related to a further depreciation of the Pound or slower growth in the U.K. related to “Brexit” could affect tourism, particularly since British visitors account for one-fifth of arrivals. Grenada has recorded a recent jump in Zika infections which could deter tourism, although so far there has been no material impact. Fiscal risks arising from higher-than-expected public sector wage increases and delays in bill reforms are possible. Other risks are outlined in Annex V.

<b>Grenada: Changes in Public Debt: 2014-2016</b>			
(In millions of U.S. dollars)			
	Central government	Government guaranteed	Total
Debt stock in 2013	860.8	49.7	910.5
+ overall CG deficit	37.4	-	37.4
+ accumulation of CG deposits	24.6	-	24.6
- haircuts / writeoffs	-87.4	-3.1	-90.6
+ other 1/	-0.1	-13.6	-13.7
Debt stock in June 2016	835.2	32.9	868.2
<i>Memorandum items:</i>			
1) additional haircut upon completion of IMF program in 2017	58.1		58.1
2) writeoff in 2018 of remaining debt from 2005 debt restructuring (statute of limitations)	5.1		5.1
3) remaining stock of restructurable debt	56.1	1.5	57.6
4) 2013 debt stock estimated at program approval 2/	842.8	50.6	50.6
Sources: Grenadian authorities; ECCB.			
1/ includes exchange rate movements, amortization of guaranteed debt, removal of guarantees.			
2/ See Country Report No. 14/196; estimates for the 2013 debt stock were revised upward by US\$ 17.1 since program approval due to previously unrecorded liabilities.			

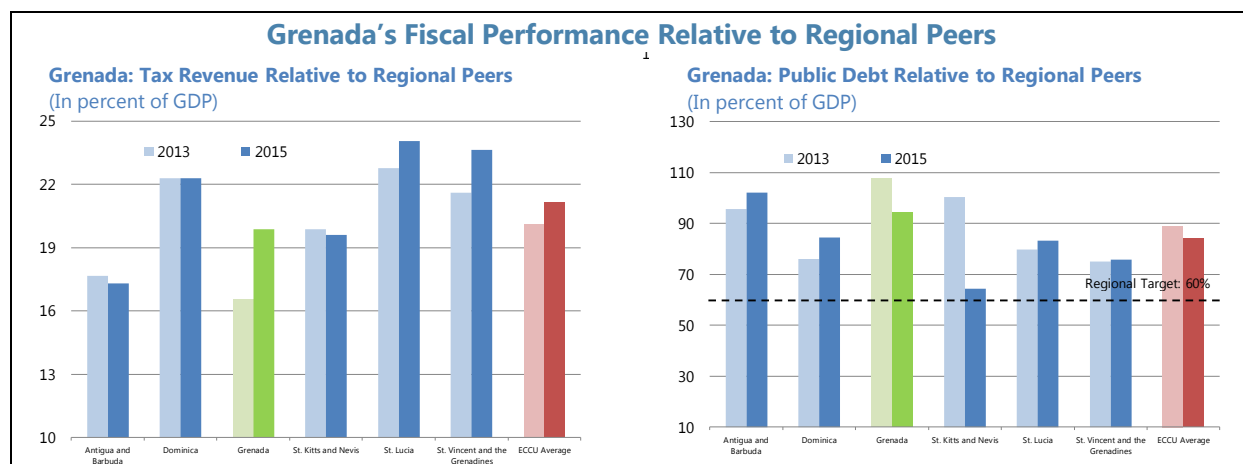
**12. Prospects for restoring long-term debt sustainability continue to improve.** With the restructuring agreements reached so far, Grenada obtained debt relief amounting to 8.8 percent of

<sup>6</sup> The potential growth rate is estimated with a Cobb-Douglas production function and suggests that productivity growth has been negative (estimated at -0.6 percent per year on average) in Grenada during the past decade, in line with the findings from WP/12/235, despite recent improvements during the recovery. Staff has made an assumption of zero productivity growth over the medium term.

2016 GDP and will receive another 5.6 percent in 2017, conditional on the successful completion of the program. In addition, fiscal consolidation efforts and robust economic growth have put Grenada’s public debt-to-GDP ratio on a downward trajectory: the ratio is now projected to fall to 57.5 percent by 2020 in staff’s baseline scenario—6 percentage points lower than at the Fourth Review. However, achieving this goal is contingent on meeting the program’s fiscal adjustment targets and complying with the new FRA (Annex I). The full restructuring scenario (blue dotted line), which assumes that remaining debts are restructured on terms comparable to those received so far, leads to a debt-to-GDP ratio of 55.2 percent by 2020.



**13. That said, the path to debt sustainability is at an important juncture.** While the fiscal adjustment target for 2016 was achieved by August 2016, the country is looking now to test its fortified fiscal framework, with wage pressures high, an election on the horizon, and the endpoint of the Fund-supported program within reach. Despite impressive progress, Grenada still has some ways to go to restore debt sustainability as public debt remains substantially above the regional average and the regional 60 percent-of-GDP target. Tax policy and administration reforms have helped raise revenues by over 3 percent of GDP since 2013, but as a share of output they remain lower than in most peers, and there is scope to broaden the tax base further. Policy reversals or relapse into policies of the previous decade demonstrate how debt would revert to its unsustainable path (see Annex 1, Figures A1-2). In this respect, the commitment to medium term goals in the coming years will be important to safeguard the progress achieved so far, and to broaden the reach of the benefits of the program.



## POLICY DISCUSSIONS

*Discussions focused on the key policies over the next 12 months to ensure successful completion of the ECF-supported program and solidify the foundation for sustained medium term growth.*

### A. Cementing a Return to Fiscal Sustainability

#### Fiscal consolidation

**14. Adherence to program targets and the FRA is necessary to restore fiscal and debt sustainability.** The primary surplus reached 4 percent of GDP at end-August 2016 on the back of strong fiscal performance, with the 3.5 percent of GDP target envisaged for the last year of the program achieved well ahead of schedule. As a result, the underlying fiscal adjustment since 2014 has increased to 8.5 percent of GDP. Close monitoring and management of government expenditure in the remainder of the year should safeguard the end-December program targets. Going forward, strict adherence to the FRA would provide a strong policy anchor and help put Grenada's public debt firmly on a downward path toward reaching the 60 percent of GDP regional debt target by 2020.

**15. The 2017 budget is an important test of the authorities' policy framework.** The budget will extend into the post-program period and will test the authorities' new rules-based fiscal policy framework. Thus the authorities agreed that parliamentary approval of the 2017 budget consistent with the FRA be a **structural benchmark for end-December 2016** (MEFP ¶5), and include:

- targeting a primary surplus of at least 3.5 percent of GDP;
- capping wage bill spending at 8.8 percent of GDP, lower than the FRA ceiling of 9 percent of GDP, to provide a cushion in the event GDP growth undershoots. Cabinet approved the ceiling, a **prior action** also under the wage bill management reform (¶18), on November 15.
- projecting realistic CBI revenues for 2017 at EC\$32.5 million (Table 13). The NTF capital grants transferred to the budget in 2016 are projected at EC\$22 million, well short of the EC\$100 million envisaged by the government last year. Staff and the authorities agreed on a more realistic projection for 2017 of EC\$32.5 million (1 percent of GDP). This conservative projection takes into consideration observed market trends as well as the new marketing arrangements recently signed.

**16. In addition, the government will build in a contingency reserve to safeguard budget execution.** Consistent with the PFMA, the government will allocate 2 percent of its revenues in the 2017 budget for contingency needs that could potentially arise within the year, should, for example, revenues undershoot or costs for restructuring state-owned enterprises and statutory bodies be greater than planned.

## Asset-liability management

**17. Grenada is in a position to more actively manage assets and liabilities to reduce debt and lower interest costs (Annex IV).** The strong fiscal performance in 2015 and 2016 contributed to raising government deposits to EC\$137 million at end-August 2016.<sup>7</sup> While acknowledging the benefits of a comfortable cash buffer, particularly for a small open economy vulnerable to large shocks, staff encouraged the authorities to also consider its opportunity costs. Grenada continues to roll over short-term debt at interest yields of 5-6 percent. Staff suggested using some of the unencumbered deposits and additional savings to accelerate debt reduction. The authorities agreed to take these issues into consideration. A lower debt stock would reduce the projected interest burden (2.8 percent of GDP in 2017), both directly and indirectly by improving creditworthiness and reducing interest yields on future debt issues.

## Fiscal structural reforms

**18. Strengthening wage bill management is the top fiscal reform priority.** Following TA received in September, there was insufficient time for the government to complete a comprehensive reform strategy by end-September (structural benchmark). The authorities provided a comprehensive plan, approved by Cabinet (**prior action**) on November 16, that lays out preliminary actions to be undertaken in the short term and an agenda of key elements of the full reform, each accompanied by timelines for implementation by end-2018 and that include the opportunity for consultation with social partners. This plan will form the basis for the full Wage Bill Management Strategy, to be completed by March 31, 2017 (**proposed structural benchmark**). As a signal of commitment and to ensure implementation of this important reform, which has been a key element of the ECF-supported program, the authorities also: (i) institutionalized the role of the Department of Public Administration to retain control over the hiring and monitoring the size of the public service; and (ii) prepared a human resource registry based on existing systems data—both **prior actions** for completing this Review (Table 13, MEFP ¶19). The human resource registry is expected to be completed and functional by end-March 2017 (**proposed structural benchmark**).

**19. Steps have been taken to strengthen public debt management, but there is room for improvement.** The PDMA and its regulations entered into force in August and the Medium-Term Debt Strategy (for 2016-19), prepared by the authorities with assistance from the World Bank and IMF, was approved by Cabinet in June. The authorities have begun the reorganization of the debt management unit (DMU), vesting it with additional resources to fulfill its function including formal oversight responsibility of all debt contracted. The Public Debt Coordinating Committee has been established to regularly monitor the DMU work plan. Repeated technical errors in the recording of debts and arrears during the life of the ECF-supported program suggest that these reforms are imperative. In this vein, and consistent with directives under the PDMA, the authorities will publish a quarterly debt statistics bulletin (**proposed structural benchmark**) from end-December 2016.

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<sup>7</sup> Roughly half of these deposits are earmarked for externally funded capital projects, and debt service in November.



### Grenada: Prior Actions and Proposed Structural Benchmarks (SB)

#### Prior Actions

Wage Bill Management:

- 1 Cabinet approval of wage bill for 2017 at or under 8.8 percent of GDP.
- 2 Cabinet approval to make permanent the DPA's control of hiring and of the size of the public service.
- 3 Cabinet approval of Public Sector Wage Bill Management Reform Plan.
- 4 Preparation of a public service human resource registry based on existing systems information.
- 5 Parliament approval of amendments to the revised GIDC Act (August SB)
- 6 Parliament approval of revised Grenada Labor Code (June SB)

#### Proposed Structural Benchmarks

#### Date

- |  |                   |
|--|-------------------|
| 1 Parliament approval of 2017 Budget consistent with parameters of the FRA | December 31, 2016 |
| 2 Publication of the debt statistics bulletin on a quarterly basis         | December 31, 2016 |
| 3 Complete and make functional the human resource registry                 | March 31, 2017    |
| 4 Cabinet approval of public sector 'Wage Bill Management Reform Strategy' | March 31, 2017    |

**20. Efforts to strengthen tax and customs administration and compliance are being accelerated.** Having completed an impressive list of legislative reforms (Table 11), follow through on revenue administration is expected to yield tangible results. This includes improving collaboration among different agencies on taxpayer information and reprioritizing audit plans to focus on major compliance risks. The next set of priorities includes stronger risk management at the Customs and Excise Department (CED) and operational changes to support core functions. The FAD peripatetic advisor installed in June will help develop an action plan in this regard.

**21. Sustained efforts are needed to continue strengthening public finance management.** The conversion to the new Chart of Accounts (CoA) was completed in August and will be fully implemented for the 2017 budget. To facilitate transparency, the authorities will also continue to record expenditures for the remainder of 2016 using the old CoA to enable a comparison between outcomes and the 2016 budget intentions. Efforts to implement the strategic plan to strengthen the financial position of SOEs and SBs should continue (MEFP ¶11). In general, shifting operations and policies to comply with the new fiscal framework—the FRA, PFMA, and PDMA—will need determined follow through. Fund staff and CARTAC intend to continue supporting these efforts.

## B. Structural Reforms to Support Competitiveness and Growth

**22. The Government continues to improve the business climate.** Efforts have been made to strengthen the business environment (MEFP ¶16). An online title search facility for deeds and land registry was introduced in August 2016 that will reduce the time and costs to complete land registration. The authorities plan to continue establishing e-business systems, including an on-line business register that would automate operations and expedite service delivery to the business community. They anticipate that these reforms will improve Grenada's Doing Business ranking in 2018 (MEFP ¶16), although unfortunately they were not completed in time to affect the 2017 ranking.



**23. Ways to lower structural unemployment are being pursued.** The authorities have sought assistance from the World Bank and Statistics Canada to improve the annual Labor Force Survey and to conduct quarterly Labor Force Surveys from 2017, respectively. Additional assistance is being sought from the ILO as part of a regional project to advance the development of a labor market information system. Better labor statistics will serve as an input into policy decisions on how to improve skills matching and job search (MEFP ¶17). As the unemployment problem is a key policy concern for the authorities, the government is encouraged to implement the recommendations made in staff's May 2016 study on the labor market, including reviewing education curriculums, broadening technical and vocational training programs, improving the access and design of apprenticeships with the private sector, and strengthening job search methods and tools.

**24. Energy sector reforms geared at increasing competitiveness and lowering energy costs are progressing.** The new Electricity Supply Act and Public Utilities Regulatory Commission Act (PURCA), prepared with assistance from the World Bank, came into force in August. This legal framework is expected to open the energy sector to competition, promote Grenada's transition to renewable energy, and introduce an independent national regulator that will review tariffs and examine incentive mechanisms to promote renewable energy (MEFP ¶18).

**25. Further steps have been taken to realize agriculture's potential to contribute to broader-based growth.** In May, Cabinet approved a national strategy to reduce the agriculture sector's vulnerability to climate change and to support its sustainable growth (MEFP ¶19). The MNIB has had some success expanding the value added in the agro processing sector, but there is scope to integrate agriculture production more into the tourism supply chain by improving quality, reliability and marketing.

## C. Financial Sector Issues

**26. Financial institutions in Grenada have not experienced any direct loss of correspondent banking relationships (CBRs).** However, demanding requirements and fee increases have inflated compliance costs, prompting a bank to voluntarily terminate a CBR. Some banks are securing additional CBRs as a contingency measure. Banks have been proactive, subjecting riskier profiled customers and related parties to high levels of scrutiny, reducing exposure to some CBI-related customers, and curtailing and/or discontinuing business with money transfer operators. Disruptions for the latter have important implications in remote, low income parts of the country given the importance of low value, high frequency cash remittances there. For their part, the authorities are continuing efforts to safeguard financial integrity through strong due diligence of the CBI program, enforcement of AML/CFT measures, and strengthening international tax co-operation frameworks. Plans are underway to implement mechanisms for automatic exchange of information to meet the reporting requirements of FATCA and OECD's Common Reporting Standards.

**27. Efforts to durably enhance financial stability are continuing.** Banks remained engaged in completing the repair of balance sheets. Although shortfalls were not identified in the recent asset quality review, the indigenous bank is actively considering options to augment its capital base including through a public offering. Indigenous banks in Grenada and St. Lucia have signed a

memorandum of understanding for strategic functional collaboration to boost operating efficiencies and viability. The authorities remain committed to operationalizing the Eastern Caribbean Asset Management Corporation and new ECCB regulations on collateral appraisal and valuation, currently circulating in draft form. The Bankruptcy and Insolvency Act became effective in September and is expected to help curb NPLs (MEFP¶ 16).

**28. Steps to strengthen oversight of the non-bank financial sector are advancing.**

Recommendations by CARTAC to enhance the oversight capacity of the Grenada Authority for the Regulation of Financial Institutions (GARFIN) have progressed with the recruitment of additional staff. Work is continuing on developing a national crisis management plan and strengthening the legal, regulatory and supervisory framework for the rapidly growing credit union sector, the insurance sector, and pension plans (MEFP¶ 22-25).

## D. PRSP Implementation

**29. Implementation of the Growth and Poverty Reduction Strategy (GPRS) has had mixed results (Annex III).**

Complementary to efforts to improve labor market functioning and boost employment, the GPRS focuses on four pillars: Building Resilience, Developing Competitiveness with Equity, Reducing Vulnerability, and Strengthening Governance and Security. Assessing objectives against the indicators that can be monitored has shown mixed results. Implementation challenges related to capacity and resource constraints have been partially overcome with technical and financial support from development partners. The government focused strategically on establishing an appropriate legal and institutional framework to support the objectives of the GPRS (Table 11). Social spending is broadly in line with the GPRS and targeting and spending of the SEED has improved. However, there is scope for improving the effectiveness of programs aimed at the youth and the poor and vulnerable, as well as strengthening the underlying monitoring and evaluation framework.

## PROGRAM DESIGN AND FINANCING

**30. Modifications to the definition of debt and the continuous QPC on the non-accumulation of external debt arrears are proposed.**

Previously, the definition of debt included the requirement that debt is considered to be contracted when signed by the Executive and ratified by Parliament. However, to comply with Grenadian law, a modification is proposed to the definition (TMU ¶12) to substitute “authorized or ratified” for “ratified” by Parliament. A modification is also proposed to the continuous QPC on the non-accumulation of external debt arrears (TMU ¶19) to delete the words “actively and in good faith” to further specify the definition in the TMU and to bring it in line with PCs in other Fund-supported programs.

**31. Financing assurances are in place for the remainder of the program.**

With a primary surplus, financing needs are confined to debt service requirements and the need to clear remaining external arrears. These include Grenada’s membership arrears to international and regional organizations (US\$15 million), for which the authorities have presented a clearance strategy. The

authorities also remain in arrears to four non-Paris Club official bilateral creditors (Algeria, Libya, Trinidad and Tobago, and Venezuela), who have consented to Fund financing notwithstanding these arrears.<sup>8</sup> Financing needs in the next 12 months are expected to be fully covered by the IMF, World Bank, and CDB and the roll-over of existing domestic debt instruments. No new external debt issuance in the market is envisioned, in line with the PC.

**Summary Table on External Borrowing Program for 2016-17**

PPG external debt contracted or guaranteed	2016		2017	
	New debt US million 1/	Present value US million 1/	New debt US million 1/	Present value US million 1/
<b>Sources of debt financing</b>	<b>37.0</b>	<b>24.6</b>	<b>13.0</b>	<b>10.0</b>
Concessional debt, of which 2/	10.0	3.9	0.0	0.0
Multilateral debt	10.0	3.9	0.0	0.0
Bilateral debt	0.0	0.0	0.0	0.0
Non-concessional debt (NCD), of which 3/	27.0	20.7	13.0	10.0
Semi-concessional debt 4/	27.0	20.7	13.0	10.0
Commercial terms 5/	0.0	0.0	0.0	0.0
<b>Use of debt financing</b>	<b>37.0</b>	<b>24.6</b>	<b>13.0</b>	<b>10.0</b>
Project financing	17.0	11.3	13.0	10.0
Budget financing	20.0	13.3	0.0	0.0
Debt restructuring	0.0	0.0	0.0	0.0

1/ Contracting and guaranteeing of new debt. The present value of debt is calculated using the terms of individual loans and applying the 5 percent program discount rate.

2/ Debt with a grant element that exceeds a minimum threshold of 35 percent.

3/ NCDs from the IBRD and the CDB and NCD issued for the purposes of debt restructuring are excluded from the continuous quantitative performance criterion on zero ceiling of NCD specified in the TMU (TMU110)

4/ Debt with a positive grant element which does not meet the minimum grant element. These include financings from IBRD and CDB.

5/ Debt without a positive grant element.

**32. The 2016 safeguards assessment update found that the ECCB continues to maintain a governance framework that provides for independent oversight.** Transparency in financial reporting has been maintained and the external audit mechanism is sound. The ECCB is taking steps to restructure the internal audit and risk management functions to align them with leading international practices.

**33. Grenada's capacity to repay the Fund remains adequate.** Debt service to the Fund has declined as a percent of GDP and percent of exports of goods and services, in line with the upward revision to the growth outlook and improvement in Grenada's external position. The disbursement profile remains unchanged. Progress made in debt restructuring will also help strengthen Grenada's capacity to repay the Fund.

<sup>8</sup> While the deadline to conclude the bilateral agreements with two Paris Club creditors to implement the 2015 Agreed Minute expired in May, staff assesses that these arrears can be deemed away, in light of the authorities' best efforts to reach agreements.

## STAFF APPRAISAL

**34. Grenada has made solid progress toward restoring macro sustainability.** Fiscal adjustment, debt restructuring and reduction, and an overhaul of fiscal legislation are noteworthy accomplishments. The authorities should be commended for their steadfast efforts to implement difficult policies. That said, Grenada's future is at an important juncture: the economy remains vulnerable because public debt and arrears are still elevated. High unemployment has important socio-economic implications that need attention and could pose risks. At this point, commitment to medium term goals and reform discipline remain key to safeguarding progress, boosting competitiveness, reducing vulnerabilities further, and broadening the benefits of reform.

**35. Fiscal performance under the program has been strong.** All quantitative performance criteria for the Fifth Review were met and the government has exceeded the fiscal targets in 2016 by a wide margin. Expansion in revenues reflects both stronger activity and improvements in administration, while the government has exercised firm control of expenditures.

**36. Approving a 2017 budget in line with Grenada's new fiscal rule is essential to keep Grenada on track to meet its debt reduction goals.** With wage and spending pressures rising, the end of the IMF-supported program in sight, and an election on the horizon, the authorities' commitment to its rules-based fiscal framework will be tested. As such, continued spending discipline, prudent management of the CBI inflows according to NTF rules, and firm efforts to strengthen revenue administration and compliance should remain the formula going forward. In addition, shifting policies and operations to comply with the new, comprehensive legislative framework will need follow through.

**37. The authorities should accelerate efforts to regularize all arrears and remaining debts to domestic and external creditors.** This will be important to restore investor confidence and creditworthiness, and should be concluded by the end of the ECF-supported program. Government deposits in excess of amounts needed as a prudent level of reserves should be used to reduce the stock of domestic short-term debt.

**38. There have been challenges implementing structural benchmarks under the program in 2016.** Preparing a strategy for wage bill management reform, revising the labor code, and drafting a new Act for the GIDC, the investment promotion entity, have taken longer than expected because of the need for broad stakeholder consultation and multi-disciplined expertise. However, the authorities remain closely engaged with staff to finalize these reforms before completion of this Fifth Review.

**39. The priority in the near term is to reform management of the wage bill.** The authorities have made significant progress developing a plan to manage the wage bill that will include reform of pay and grading systems, review of job functions and descriptions, performance assessments, and systematic indicators to inform regular wage negotiations. This reform is critical for two reasons: to ensure that the public sector wage bill is sustainable, prudent and fair to civil servants, and also to

contribute to improving efficiency and productivity in the broader labor force and the economy. A modification of the structural benchmark on public wage bill management is proposed to strengthen commitment to this end. It will be important for the government to finalize the strategy by the time of the Sixth Review.

**40. The focus on policies to foster growth is welcome and should continue.** The new GIDC Act aims to promote investment and steps to remove impediments to private sector activity are welcome. To lower unemployment, staff urges the government to review education systems to better align skills with the needs of the labor market, and on training and opportunities and job search tools in collaboration with the private sector. Establishing the conditions for fair competition in the electricity and telecom markets, among others, are examples of fostering supply conditions for higher growth.

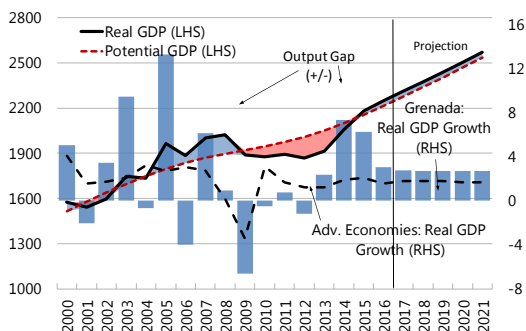
**41. Steady efforts to strengthen banks and non-bank financial institutions should continue.** Staff commend efforts to prepare for and mitigate the impact of potential losses of CBRs, as well as to improve the due diligence of the CBI program, enforce AML/CFT measures, and strengthen international tax co-operation frameworks. Staff urges the authorities to continue the process of developing a national crisis management plan and strengthening the regulation and supervision of the non-bank financial sector.

**42. Staff supports the completion of the Fifth Review under the ECF-arrangement,** the request for modification of performance criteria, and the financing assurances review on the basis that adequate safeguards remain in place for the further use of the Fund's resources in Grenada's circumstances, and that Grenada's adjustment efforts have not been undermined by developments in debtor-creditor relations.

**Figure 1. Grenada: Recent Economic Developments**

The economic recovery has continued, with the output gap closed in 2015....

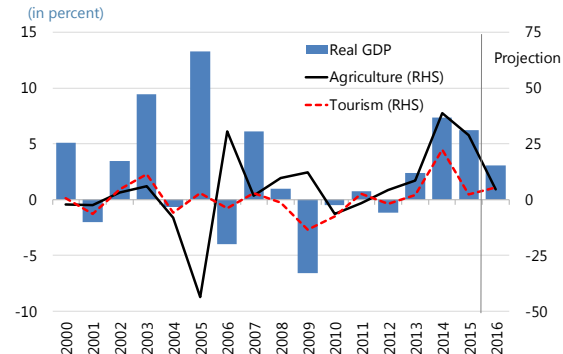
**Grenada: Actual and Potential Real GDP**  
(levels in millions of 2006 EC\$, growth in percent)



Sources: Grenada authorities and Fund staff estimates.

Growth is expected to decline in 2016 to a level marginally higher than long-term potential....

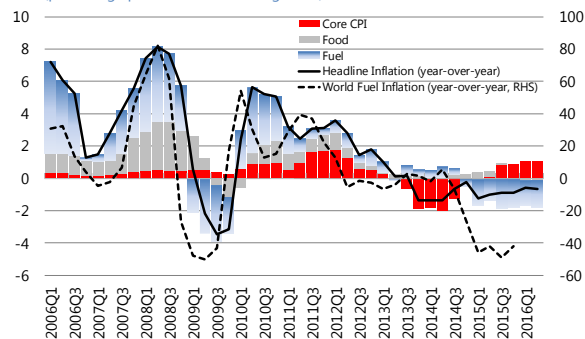
**Grenada: Economic Growth**  
(in percent)



Sources: Grenada authorities and Fund staff estimates.

Headline inflation is picking up despite the decline in food prices...

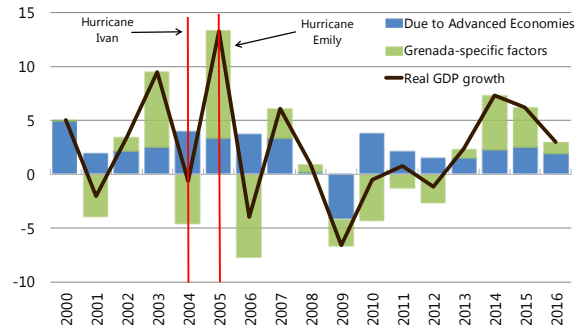
**Grenada: Inflation**  
(percentage point contribution to growth)



Sources: Grenada authorities, Fund staff estimates and WEO.

supported by robust external demand for tourism and strong growth in construction....

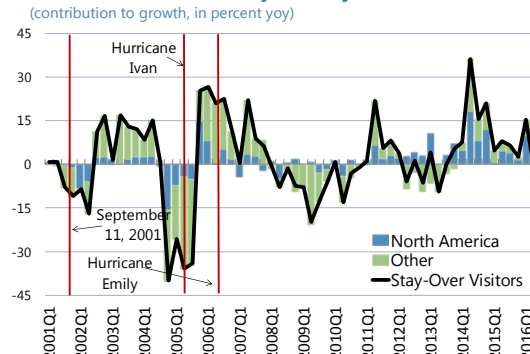
**Grenada: Economic Growth 1/**  
(contribution to growth, percentage points)



Source: Grenada authorities and Fund staff calculations.  
1/ Contributions to growth estimated using OLS.

... while tourism is likely to continue its strong momentum.

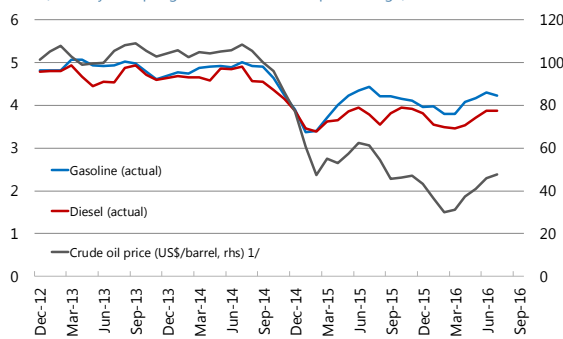
**Tourist Arrival Growth by Country**  
(contribution to growth, in percent yoy)



Source: Caribbean Tourism Organization.

...a consequence of increases in the prices of telecoms services.

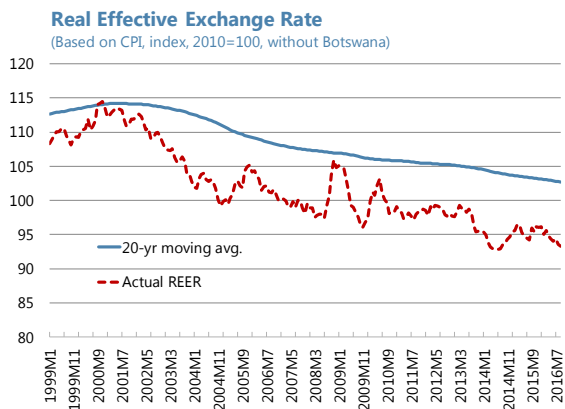
**Grenada: Retail Petroleum Product Prices 1/**  
(Monthly, US\$ per gallon, assumes 100% passthrough)



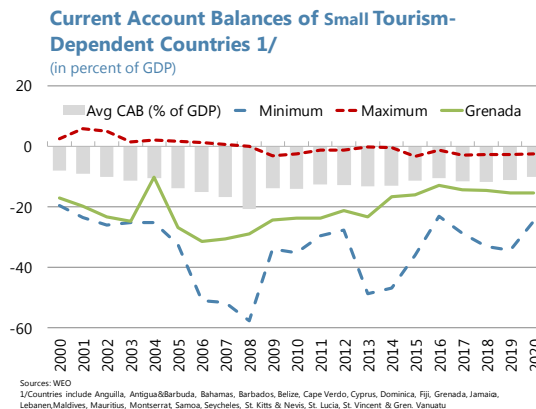
1/ From WEO, simple average of Brent, WTI and Dubai Fateh spot prices.

**Figure 2. Grenada: External Development**

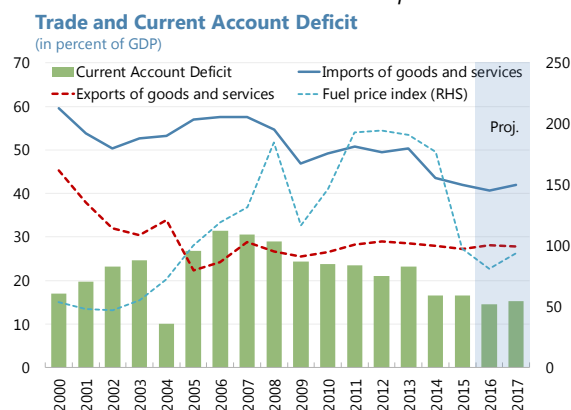
The real effective exchange rate continues to decline....



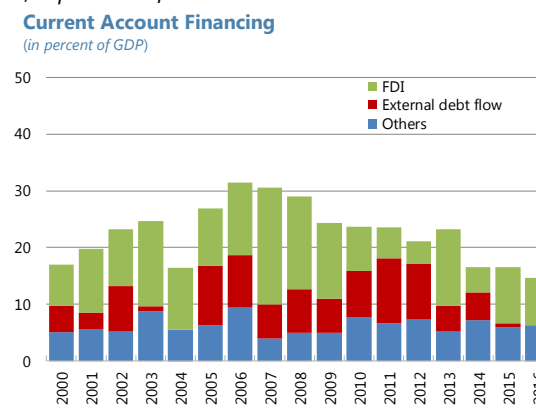
...and the current account improved, though the level is high relative to other Caribbean countries.



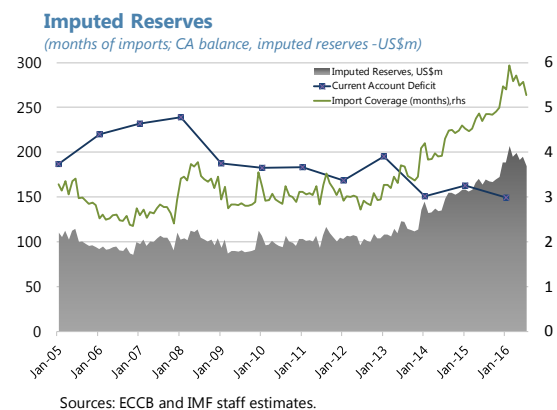
Tourism service exports increased and imports fell in line with weak domestic demand and low oil prices.



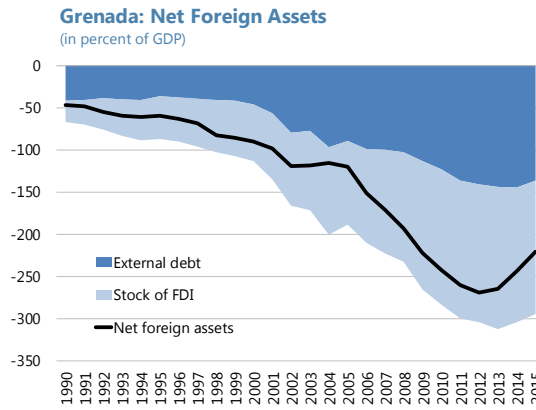
The current account deficit in 2016 is being financed by FDI, capital transfers and some debt.



Imputed reserves reached 5 months of prospective imports due to the improvement in the current account...



And the net foreign liabilities position continued to improve.

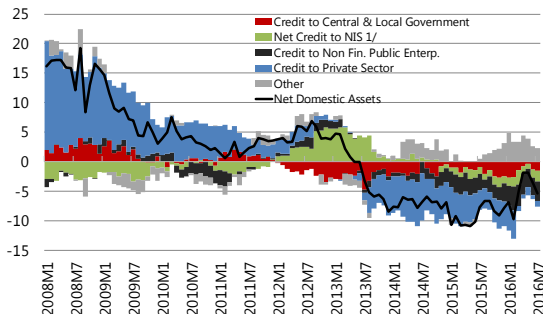


**Figure 3. Grenada: Monetary Developments**

*Banks' net domestic assets have continued to decline....*

**Commercial Banks' Net Domestic Assets**

(contribution to growth, y-o-y)



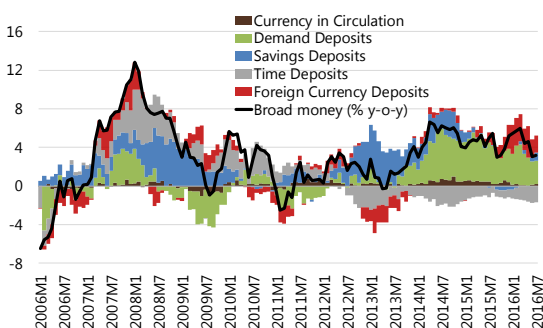
Sources: ECCB

1/ Net credit to NIS is negative in levels meaning that the NIS is holding deposits, so if this item is growing it means that the NIS is depleting its deposits.

*The contraction in credit has occurred despite a moderate expansion in broad money....*

**Components of Broad Money Growth (M2)**

(contribution to growth, y-o-y)

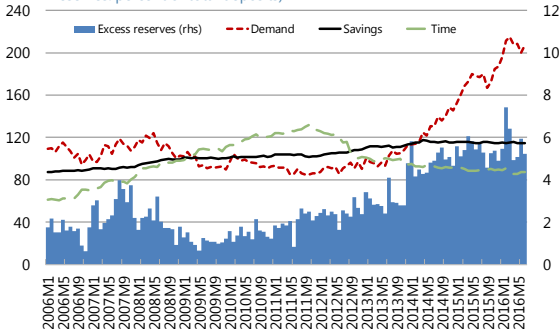


Sources: ECCB and Fund staff estimates.

*Banks' excess reserves at the central bank continue to build...*

**Deposits and Bank Excess Reserves**

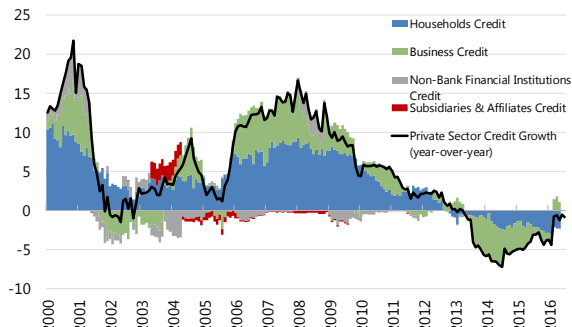
(Deposit: indices, 100=sample average for each deposit type; Excess Reserves: percent of total deposits)



*...driven by a contraction in credit to the private sector.*

**Credit growth**

(percentage point contribution to growth)

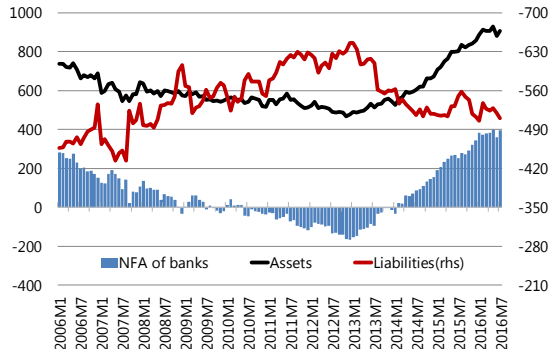


Sources: Grenada authorities and Fund staff estimates.

*... as banks have expanded net foreign assets.*

**Commercial Banks Net Foreign Assets**

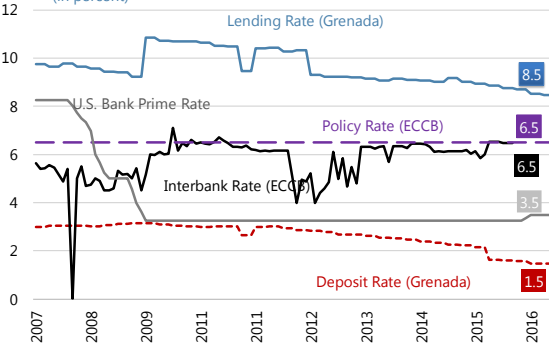
(in millions of EC\$)



*...while lending rates declined as pass through from reduction in the minimum savings rate in 2015.*

**Interest Rates**

(in percent)



Sources: ECCB and Haver Analytics.



**Figure 4. Grenada: Fiscal Developments**

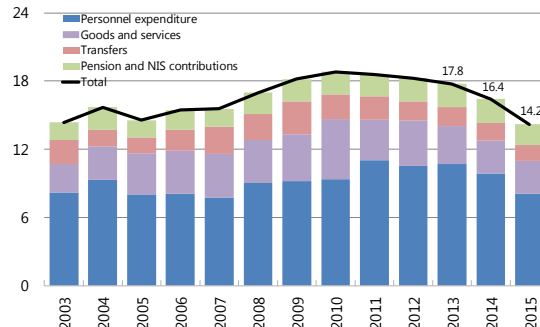
Tax revenue has recovered under the program,

**Total Tax Revenue**  
(in percent of GDP)



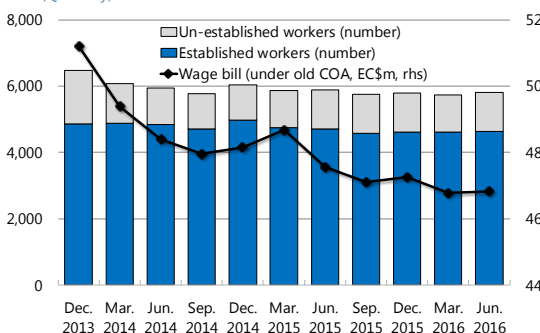
... with government spending kept under strict control, ...

**Current Primary Expenditure**  
(in percent of GDP)



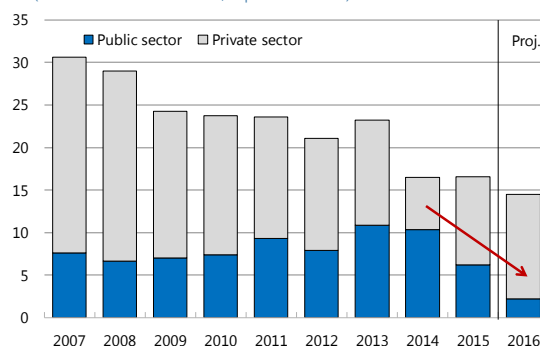
... which was in part due to the government's attrition policy that helped lower public employment and wage spending,

**Grenada: Public Employment and Wage Bill**  
(Quarterly)



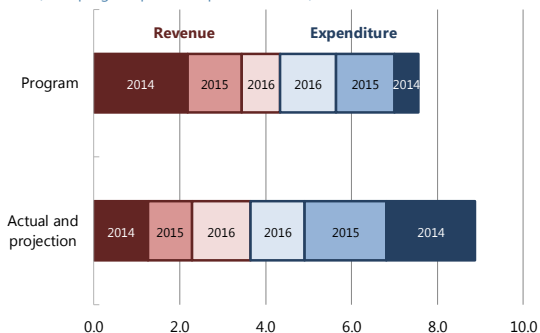
Fiscal consolidation under the program has been stronger and faster than originally envisaged, ...

**Grenada: Public Sector's Contribution to Rebalancing**  
(BOP current account deficit, in percent of GDP)



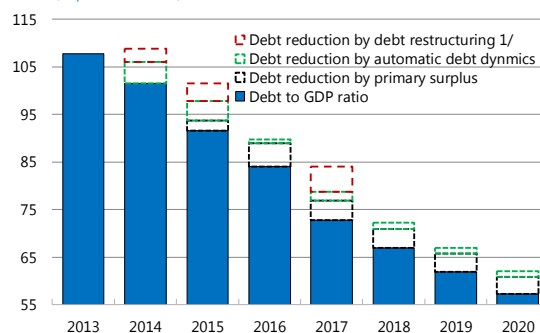
... which also contributed to rebalancing external imbalances, ...

**Grenada: Fiscal Adjustment**  
(Over program period, in percent of GDP)



... and, along with more favorable debt dynamics and savings from debt restructuring, a downward trajectory of public debt.

**Grenada: Public Sector Debt**  
(in percent of GDP)

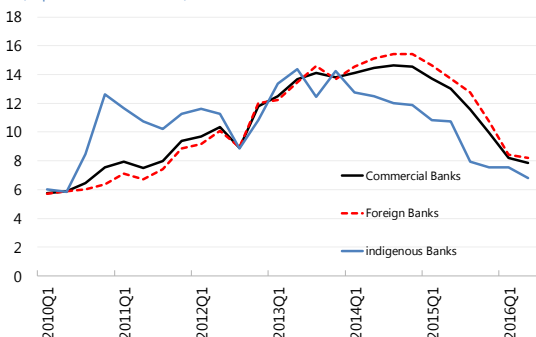


1/ Includes only agreed restructuring.

**Figure 5. Grenada: Financial Sector Developments**

Though declining, nonperforming loans remain elevated across the banking system....

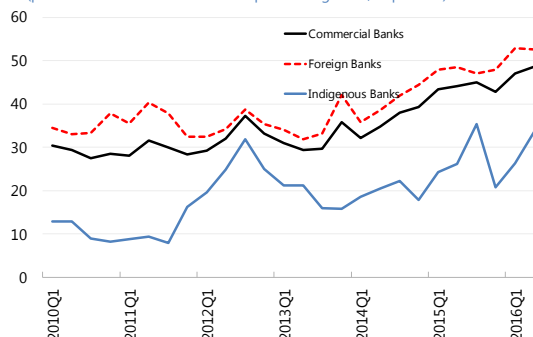
**Nonperforming Loans**  
(in percent of total loans)



Sources: ECCB.

....and provisioning for NPLs has improved particularly for indigenous banks.

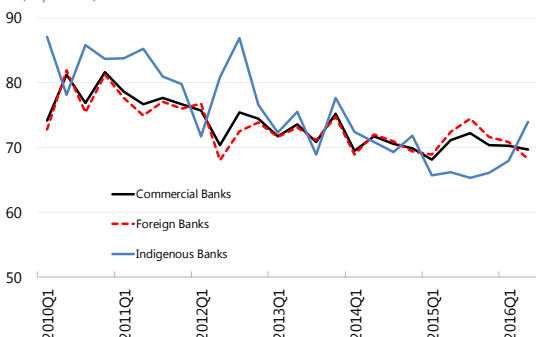
**Provisions to Nonperforming Loans**  
(provisions for loan losses to non-performing loans, in percent)



Sources: ECCB.

Interest margins-to-gross income recovered in indigenous banks but are generally still low ....

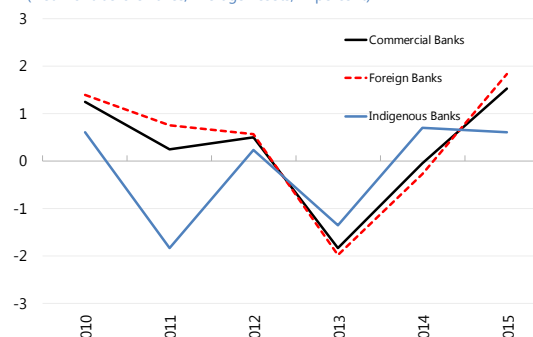
**Interest Margin/Gross Income**  
(in percent)



Sources: ECCB.

...while bank profitability remains weak although it is improving.

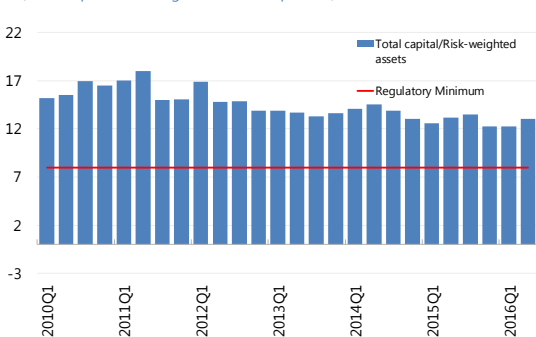
**Return on Average Assets**  
(Net Profit before Taxes/Average Assets, in percent)



Sources: ECCB.

Banks' reported capital adequacy is above the regulatory minimum...

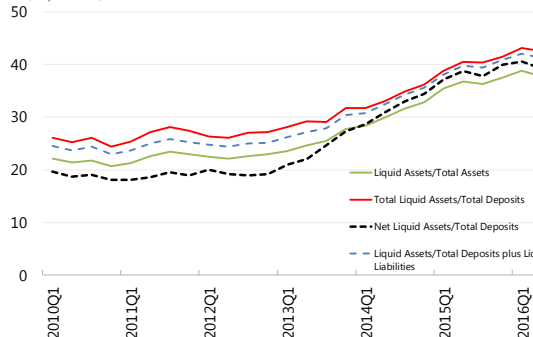
**Commercial Banks' Capital Adequacy**  
(Total Capital/Risk Weighted Assets, in percent)



Sources: ECCB.

...and their liquidity has begun to stabilize.

**Commercial Banks' Liquidity**  
(in percent)



Sources: ECCB.

Table 1. Grenada: Selected Economic and Financial Indicators, 2012–21

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
					4th review 1/	Projections				
(Annual percentage change, unless otherwise specified)										
<b>Output and prices</b>										
Real GDP	-1.2	2.4	7.3	6.2	3.0	3.1	2.7	2.7	2.7	2.7
Nominal GDP	2.7	5.3	8.2	8.0	4.6	4.6	6.0	5.1	5.0	5.0
Consumer prices, end of period	1.8	-1.2	-0.6	1.0	-0.2	2.1	2.6	2.0	2.0	2.1
Consumer prices, period average	2.4	0.0	-0.8	-0.6	-0.9	2.0	2.9	2.1	2.0	2.1
Output gap (percent of potential GDP)	-6.9	-6.7	-2.2	1.3	0.5	1.6	1.6	1.5	1.5	1.4
Real effective exchange rate (annual average, depreciation -)	-1.0	-1.9	-0.3	0.3	...	...	...	...	...	...
(In percent of GDP, unless otherwise specified)										
<b>Central government balances (accrual)</b>										
Revenue	20.8	20.9	24.5	24.8	24.6	25.1	24.6	24.5	24.3	24.1
Taxes	18.0	16.6	18.2	19.3	20.0	20.5	20.0	19.9	19.8	19.7
Non-tax revenue 2/	1.7	2.9	2.2	2.2	1.5	1.7	1.8	1.8	1.8	1.8
Grants	1.1	1.4	4.1	3.3	3.1	3.0	2.9	2.8	2.7	2.6
Expenditure	26.7	28.1	29.2	26.0	24.8	23.5	23.3	22.7	22.6	23.5
Current primary expenditure	18.3	17.8	16.4	14.2	14.9	17.0	17.2	16.7	16.6	16.6
Interest payments	3.4	3.3	3.5	3.4	3.3	3.1	2.8	2.2	2.0	1.7
Capital expenditure	5.0	7.1	9.2	8.4	6.6	3.4	3.3	3.8	3.9	5.2
Primary balance 2/	-2.5	-3.9	-1.1	2.2	3.1	4.8	4.1	4.0	3.8	2.3
Underlying primary balance (excl. one-off rev. and exp.)	...	-4.5	-1.2	1.7	3.5	5.0	4.5	4.0	3.8	2.3
Overall balance	-5.9	-7.3	-4.7	-1.2	-0.2	1.6	1.3	1.8	1.8	0.6
Public debt (incl. guaranteed) 3/	103.3	108.1	101.8	91.7	89.2	84.3	72.9	67.2	62.2	54.2
Domestic	35.8	37.3	34.1	29.1	27.3	24.3	20.9	19.6	18.2	16.5
External	67.6	70.8	67.7	62.6	61.9	60.0	52.1	47.6	44.0	37.7
<b>Money and credit, end of period</b> (annual percent change)										
Broad money (M2)	0.7	4.1	4.1	5.2	4.6	4.7	6.0	5.1	5.0	5.0
Credit to private sector	0.2	-5.7	-5.1	-3.8	0.1	3.3	3.5	5.1	5.0	5.0
<b>Balance of payments</b>										
Current account balance, o/w:	-21.1	-23.2	-16.5	-16.5	-12.1	-14.5	-15.3	-15.7	-16.2	-17.4
Exports of goods and services	28.9	28.5	28.0	27.2	28.8	28.2	27.8	27.9	28.0	28.2
Imports of goods and services	49.5	50.4	43.6	42.0	39.3	40.7	41.9	42.9	43.7	45.4
Capital and financial account balances	17.4	24.3	18.3	18.9	11.3	15.1	13.9	16.9	17.2	18.0
Overall balance	-1.0	1.1	4.3	2.4	-0.8	0.5	-1.4	1.2	1.0	0.6
External debt (gross)	141.0	144.3	144.4	136.7	136.2	132.5	122.3	116.6	112.0	103.5
<b>Savings-Investment balance</b>	-21.1	-23.2	-16.5	-16.5	-12.1	-14.5	-15.3	-15.7	-16.2	-17.4
Savings	-4.7	-3.2	1.8	1.4	4.4	-3.1	-3.7	-3.6	-3.5	-3.3
Investment	16.3	20.0	18.3	18.0	16.4	11.4	11.6	12.1	12.7	14.0
<b>Memorandum items:</b>										
Nominal GDP (EC\$ million)	2,160	2,275	2,461	2,657	2,692.3	2,780	2,947	3,097	3,251	3,585
Net imputed international reserves										
Months of imports of goods and services	2.9	4.1	4.6	5.4	5.4	5.0	4.7	4.6	4.6	4.4

Sources: Ministry of Finance; Eastern Caribbean Central Bank; United Nations, Human Development Report 2008;

World Bank WDI 2007; and Fund staff estimates and projections.

1/ Program forecast from IMF Country Report No. 16/333.

2/ Includes 0.7% of GDP CBI-related non-tax revenue in 2015.

3/ Includes the impact of the in principle debt restructuring agreement reached with the creditor committee for the 2025 bonds.

**Table 2a. Grenada: Operations of the Central Government**  
(In EC\$ million)

	2012	2013	2014	2015		2016		2017	2018	2019	2020	2021	
				4th review	Act.	Budget	4th review	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
<b>Total revenue and grants</b>	<b>449.3</b>	<b>474.7</b>	<b>602.8</b>	<b>658.2</b>	<b>658.2</b>	<b>776.2</b>	<b>662.6</b>	<b>698.7</b>	<b>725.1</b>	<b>758.0</b>	<b>791.5</b>	<b>826.8</b>	<b>863.9</b>
Revenue	425.6	443.4	502.3	571.0	571.0	574.6	580.1	616.2	640.3	671.0	702.1	735.0	769.6
Tax revenue	387.9	376.8	448.1	511.6	511.6	526.2	539.6	569.8	588.4	616.1	644.5	674.6	706.1
Taxes on income and profits	75.5	66.1	89.9	101.7	101.7	114.0	99.0	114.0	112.4	118.1	123.9	130.2	136.7
Taxes on property	16.4	15.1	21.3	23.3	23.3	23.2	21.7	23.2	23.8	24.4	24.9	25.6	26.2
Taxes on goods and services	174.5	170.5	193.4	213.8	213.8	237.4	231.5	237.4	247.3	259.8	272.7	286.3	300.6
Taxes on international trade	121.5	125.1	143.5	172.8	172.8	180.6	187.4	195.2	204.9	213.8	222.9	232.5	242.6
Nontax revenue	37.6	66.7	54.2	59.5	59.5	48.3	40.5	46.4	52.0	54.9	57.6	60.5	63.5
Citizenship by Investment Program	...	...	0.3	16.3	16.3	...	...	3.0	2.8	3.2	3.4	3.6	3.8
Fees, fines and sales	16.4	17.2	19.0	18.5	18.5	...	19.4	22.4	...	...	...	...	...
Licenses	15.5	44.7	30.0	18.4	18.4	...	18.3	15.7	...	...	...	...	...
Grants	23.7	31.3	100.5	87.2	87.2	201.6	82.5	82.5	84.8	87.0	89.4	91.8	94.3
<b>Total expenditure and net lending</b>	<b>576.3</b>	<b>639.6</b>	<b>717.6</b>	<b>690.6</b>	<b>690.6</b>	<b>775.9</b>	<b>667.4</b>	<b>653.2</b>	<b>687.3</b>	<b>703.3</b>	<b>733.2</b>	<b>769.5</b>	<b>840.7</b>
Current expenditure	468.0	479.2	490.9	467.0	467.0	481.2	488.6	559.0	589.8	584.6	606.3	628.9	652.9
Wages and salaries	227.2	243.5	242.4	215.3	215.3	196.6	229.2	236.7	259.6	264.0	276.2	289.1	302.7
Pensions and NIS contributions	44.0	46.9	51.6	48.5	48.5	50.1	51.6	51.1	55.7	56.9	59.5	62.2	65.1
Goods and services	86.4	75.9	72.2	75.9	75.9	66.7	70.7	114.9	121.8	128.0	134.3	141.1	148.1
Transfers 1/	36.7	37.6	37.4	37.5	37.5	37.9	48.7	68.6	69.9	67.6	70.9	74.5	78.2
Transfers Abroad (Contributions)	12.3	13.1	13.1	13.8	13.8	...	13.9	12.9	...	...	...	...	...
Grants & Subventions (other private sector)	23.7	23.8	24.2	23.7	23.7	...	34.8	39.5	...	...	...	...	...
Transfers to Statutory Boards	0.7	0.7	0.1	0.0	0.0	...	0.0	0.0	...	...	...	...	...
Public Assistance	0.0	0.0	0.0	0.0	0.0	...	0.0	16.3	...	...	...	...	...
Interest payments	73.6	75.3	87.2	89.9	89.9	103.3	88.4	87.6	82.9	68.2	65.3	62.0	58.9
Capital expenditure and net lending	108.4	160.5	226.7	223.6	223.6	294.7	178.8	94.3	97.4	118.7	127.0	140.6	187.8
Grant-financed	23.0	31.3	90.6	87.2	87.2	201.6	85.7	68.4	70.3	72.2	74.1	76.1	78.2
Non-grant financed	85.4	129.2	136.1	136.5	136.5	93.1	93.1	25.8	27.1	46.5	52.8	64.5	109.6
<b>Primary balance 2/</b>	<b>-53.4</b>	<b>-89.6</b>	<b>-27.6</b>	<b>57.5</b>	<b>57.5</b>	<b>95.1</b>	<b>83.6</b>	<b>133.0</b>	<b>120.8</b>	<b>122.9</b>	<b>123.6</b>	<b>119.4</b>	<b>82.0</b>
<b>Underlying primary balance (excl. one-off rev. and exp.)</b>	<b>...</b>	<b>-103.3</b>	<b>-28.5</b>	<b>45.9</b>	<b>45.9</b>	<b>94.4</b>	<b>94.4</b>	<b>138.1</b>	<b>133.8</b>	<b>122.9</b>	<b>123.6</b>	<b>119.4</b>	<b>82.0</b>
<b>Overall balance</b>	<b>-127.0</b>	<b>-164.9</b>	<b>-114.8</b>	<b>-32.4</b>	<b>-32.4</b>	<b>0.2</b>	<b>-4.7</b>	<b>45.4</b>	<b>37.8</b>	<b>54.7</b>	<b>58.3</b>	<b>57.3</b>	<b>23.1</b>
<b>Public Debt</b>	<b>2,231.8</b>	<b>2,458.4</b>	<b>2,504.5</b>	<b>2,429.0</b>	<b>2,437.7</b>	<b>2,402.3</b>	<b>2,344.4</b>	<b>2,150.0</b>	<b>2,080.2</b>	<b>2,021.9</b>	<b>1,964.6</b>	<b>1,941.4</b>	
<b>Memo items:</b>													
Nominal GDP (EC\$ millions)	2,160	2,275	2,461	2,575	2,657	2,709	2,692	2,780	2,947	3,097	3,251	3,414	3,585
Underlying primary balance, including CBI revenues (EC\$ millions) 3/	-53.4	-103.3	-28.5	45.9	45.9	94.4	94.4	138.1	133.8	122.9	123.6	119.4	82.0
Adjustment relative to the previous year (EC\$ millions)	3.8	-49.9	74.7	74.4	74.4	48.5	92.2	...	...	...	...	...	...

Sources: Country authorities and Fund staff estimates.

1/ Historical revisions are made to record membership contributions to international and regional organizations on accrual basis for 2009-13, which were previously recorded on cash

2/ The primary surpluses for 2017-21 would include revenue from the Citizenship by Investment program.

3/ Excluding one-off items (windfall revenues and retroactive wage and pension payments).

**Table 2b. Grenada: Operations of the Central Government**  
(In percent of GDP)

	2012	2013	2014	2015		2016		2017	2018	2019	2020	2021	
				4th review	Act.	Budget	4th review						Proj.
<b>Total revenue and grants</b>	<b>20.8</b>	<b>20.9</b>	<b>24.5</b>	<b>25.6</b>	<b>24.8</b>	<b>28.7</b>	<b>24.6</b>	<b>25.1</b>	<b>24.6</b>	<b>24.5</b>	<b>24.3</b>	<b>24.2</b>	<b>24.1</b>
Revenue	19.7	19.5	20.4	22.2	21.5	21.2	21.5	22.2	21.7	21.6	21.5	21.5	21.5
Tax revenue	18.0	16.6	18.2	19.9	19.3	19.4	20.0	20.5	20.0	19.9	19.8	19.8	19.7
Taxes on income and profits	3.5	2.9	3.7	4.0	3.8	4.2	3.7	4.1	3.8	3.8	3.8	3.8	3.8
Taxes on property	0.8	0.7	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.7	0.7	0.7
Taxes on goods and services	8.1	7.5	7.9	8.3	8.0	8.8	8.6	8.5	8.4	8.4	8.4	8.4	8.4
Taxes on international trade	5.6	5.5	5.8	6.7	6.5	6.7	7.0	7.0	6.9	6.9	6.8	6.8	6.8
Nontax revenue	1.7	2.9	2.2	2.3	2.2	1.8	1.5	1.7	1.8	1.8	1.8	1.8	1.8
Grants	1.1	1.4	4.1	3.4	3.3	7.4	3.1	3.0	2.9	2.8	2.7	2.7	2.6
<b>Total expenditure and net lending</b>	<b>26.7</b>	<b>28.1</b>	<b>29.2</b>	<b>26.8</b>	<b>26.0</b>	<b>28.6</b>	<b>24.8</b>	<b>23.5</b>	<b>23.3</b>	<b>22.7</b>	<b>22.6</b>	<b>22.5</b>	<b>23.4</b>
Current expenditure	21.7	21.1	19.9	18.1	17.6	17.8	18.1	20.1	20.0	18.9	18.6	18.4	18.2
Wages and salaries	10.5	10.7	9.9	8.4	8.1	7.3	8.5	8.5	8.8	8.5	8.5	8.5	8.4
Pensions and NIS contributions	2.0	2.1	2.1	1.9	1.8	1.8	1.9	1.8	1.9	1.8	1.8	1.8	1.8
Goods and services	4.0	3.3	2.9	2.9	2.9	2.5	2.6	4.1	4.1	4.1	4.1	4.1	4.1
Transfers 1/	1.7	1.7	1.5	1.5	1.4	1.4	1.8	2.5	2.4	2.2	2.2	2.2	2.2
Interest payments	3.4	3.3	3.5	3.5	3.4	3.8	3.3	3.2	2.8	2.2	2.0	1.8	1.6
Capital expenditure and net lending	5.0	7.1	9.2	8.7	8.4	10.9	6.6	3.4	3.3	3.8	3.9	4.1	5.2
Grant-financed	1.1	1.4	3.7	3.4	3.3	7.4	3.2	2.5	2.4	2.3	2.3	2.2	2.2
Non-grant financed	4.0	5.7	5.5	5.3	5.1	3.4	3.5	0.9	0.9	1.5	1.6	1.9	3.1
<b>Primary balance 2/</b>	<b>-2.5</b>	<b>-3.9</b>	<b>-1.1</b>	<b>2.2</b>	<b>2.2</b>	<b>3.5</b>	<b>3.1</b>	<b>4.8</b>	<b>4.1</b>	<b>4.0</b>	<b>3.8</b>	<b>3.5</b>	<b>2.3</b>
<b>Underlying primary balance (excl. one-off rev. and exp.)</b>	<b>...</b>	<b>-4.5</b>	<b>-1.2</b>	<b>1.8</b>	<b>1.7</b>	<b>...</b>	<b>3.5</b>	<b>5.0</b>	<b>4.5</b>	<b>4.0</b>	<b>3.8</b>	<b>3.5</b>	<b>2.3</b>
<b>Overall balance</b>	<b>-5.9</b>	<b>-7.3</b>	<b>-4.7</b>	<b>-1.3</b>	<b>-1.2</b>	<b>0.0</b>	<b>-0.2</b>	<b>1.6</b>	<b>1.3</b>	<b>1.8</b>	<b>1.8</b>	<b>1.7</b>	<b>0.6</b>
<b>Public Debt</b>	<b>103.3</b>	<b>108.1</b>	<b>101.8</b>	<b>94.3</b>	<b>91.7</b>	<b>...</b>	<b>89.2</b>	<b>84.3</b>	<b>72.9</b>	<b>67.2</b>	<b>62.2</b>	<b>57.5</b>	<b>54.1</b>
<b>Memo item:</b>													
Nominal GDP (EC\$ millions)	2,160	2,275	2,461	2,575	2,657	2,709	2,692	2,780	2,947	3,097	3,251	3,414	3,585
Underlying primary balance, including CBI revenues (% of GDP) 3/	-2.5	-4.5	-1.2	1.8	1.7	...	3.5	5.0	4.5	4.0	3.8	3.5	2.3
Adjustment relative to the previous year (% of GDP)	0.2	-2.1	3.4	2.9	2.9	...	1.8	3.3	...	...	...	...	...

Sources: Country authorities and Fund staff estimates.

1/ Historical revisions are made to record membership contributions to international and regional organizations on accrual basis for 2009-13, which were previously recorded on cash basis.

2/ The primary surpluses for 2017-21 include projected revenue from the Citizenship by Investment program.

3/ Excluding one-off items (windfall revenues and retroactive wage and pension payments).

**Table 3. Grenada: Medium-Term Central Government Financing Projections**  
(In millions of EC\$)

	2015	2016	2017	2018	2019	2020	2021
<b>Stock of deposits at beginning of the period</b>	<b>94.0</b>	<b>142.1</b>	<b>142.1</b>	<b>142.1</b>	<b>142.1</b>	<b>142.1</b>	<b>142.1</b>
<b>Inflows</b>	<b>1501.5</b>	<b>587.4</b>	<b>675.8</b>	<b>515.7</b>	<b>508.9</b>	<b>506.9</b>	<b>505.3</b>
Primary surplus	57.5	133.0	120.8	122.9	123.6	119.4	82.0
Debt placement	493.2	401.4	398.5	377.7	385.3	387.6	423.3
External	116.7	65.1	83.9	49.6	58.1	48.8	41.3
o/w Exceptional financing	82.6	15.1	61.6				
Domestic	376.5	336.2	314.6	328.1	327.2	338.8	382.0
Arrears accumulation	8.7						
Debt stock reduction from restructuring 1/	153.6	27.8	156.5	15.1			
New debt issued under restructuring 2/	788.6	25.3	0.0	0.0			
<b>Outflows</b>	<b>1,460.3</b>	<b>587.4</b>	<b>675.8</b>	<b>515.7</b>	<b>508.9</b>	<b>506.9</b>	<b>505.3</b>
Primary deficit							
Interest bill	89.9	87.3	82.9	68.2	65.3	62.0	58.9
Scheduled Amortization	425.5	460.0	434.2	430.2	436.9	438.3	439.8
External	53.6	90.6	85.4	96.2	89.4	91.6	87.8
Domestic	371.9	369.3	348.8	334.1	347.6	346.7	352.0
Arrears clearance 3/	169.6	17.8	2.1	17.2	6.6	6.6	6.6
o/w Regularization of arrears	108.2	17.8		15.1			
Debt restructuring	775.3	22.3	156.5				
<b>Net cash flow (+surplus/-deficit)</b>	<b>41.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Stock of deposits at the end of the period</b>	<b>142.1</b>	<b>142.1</b>	<b>142.1</b>	<b>142.1</b>	<b>142.1</b>	<b>142.1</b>	<b>142.1</b>
<b>Memorandum:</b>							
Stock of deposits at e.o.p. (percent of GDP)	5.3	5.1	4.8	4.6	4.4	4.2	4.0
Overall fiscal balance	-32.4	45.7	37.8	54.7	58.3	57.3	23.1
Stock of arrears	146.6	128.8	126.7	109.5	102.9	96.3	89.7
Public Debt	2437.7	2344.4	2150.0	2080.2	2021.9	1964.6	1941.4
(in percent of GDP)	91.7	84.3	72.9	67.2	62.2	57.5	54.1
o.w.							
Domestic	773.4	679.5	620.2	612.1	589.7	579.7	579.7
External	1,664.4	1,664.9	1,529.7	1,468.0	1,432.2	1,384.9	1,361.7

1/ Includes debt stock reduction from the debt exchange for the 2025 bonds, the Export-Import Bank of Taiwan Province, other external commercial debt and restructured domestic debt. Under inflows, the total restructured amount is the sum of debt restructuring and debt forgiveness. Under outflows, the counterpart is debt restructuring and regularization of arrears.

2/ Includes new debt issued under restructuring agreements executed with the Export-Import Bank of Taiwan Province of China, holders of Grenada's 2025 international bonds, Paris Club creditors, the National Insurance Scheme, and other domestic

3/ Remaining stock of arrears in 2016 is comprised of bilateral debt, contribution arrears to organizations, and domestic debt. They have a corresponding imputed repayment under arrears clearance starting in 2016.

**Table 4. Grenada: Public Sector Debt, 2013- 2016**  
(Year end, in millions of U.S. dollars)

	2013			2014			2015			2016 Q2 (prel.)		
	Stock	Percent of		Stock	Percent of		Stock	Percent of		Stock	Percent of	
		Total Debt	GDP		Total Debt	GDP		Total Debt	GDP		Total Debt	GDP
<b>Public Sector debt</b>	910.5	100.0	108.1	927.6	100.0	101.8	902.9	100.0	91.7	868.2	100.0	84.3
Central government debt	860.8	94.5	102.2	881.6	95.0	96.7	862.4	95.5	87.6	835.2	96.2	81.1
Central-government guaranteed debt	49.7	5.5	5.9	45.9	5.0	5.0	40.4	4.5	4.1	32.9	3.8	3.2
<b>External debt</b>	596.5	65.5	70.8	616.8	66.5	67.7	616.4	68.3	62.6	599.8	69.1	58.2
A. Central Government	570.3	62.6	67.7	593.3	64.0	65.1	595.8	66.0	60.5	583.0	67.2	56.6
1. Multilateral	223.1	24.5	26.5	247.1	26.6	27.1	280.0	31.0	28.5	278.7	32.1	27.1
CDB	118.1	13.0	14.0	125.0	13.5	13.7	134.7	14.9	13.7	132.1	15.2	12.8
IDA	54.2	5.9	6.4	66.2	7.1	7.3	77.7	8.6	7.9	78.2	9.0	7.6
IBRD	11.3	1.2	1.3	10.5	1.1	1.1	14.9	1.7	1.5	14.3	1.7	1.4
IMF	27.9	3.1	3.3	29.5	3.2	3.2	29.3	3.2	3.0	29.7	3.4	2.9
Other Multilateral	11.6	1.3	1.4	15.9	1.7	1.7	23.4	2.6	2.4	24.3	2.8	2.4
2. Official bilateral	104.2	11.4	12.4	97.6	10.5	10.7	97.1	10.8	9.9	96.6	11.1	9.4
Paris Club 1/	10.2	1.1	1.2	10.5	1.1	1.1	10.8	1.2	1.1	10.5	1.2	1.0
France	4.2	0.5	0.5	4.4	0.5	0.5	4.5	0.5	0.5	4.5	0.5	0.4
Russian Federation	0.2	0.0	0.0	0.2	0.0	0.0	0.3	0.0	0.0	0.3	0.0	0.0
U.S.	2.9	0.3	0.3	2.9	0.3	0.3	3.0	0.3	0.3	2.6	0.3	0.3
U.K.	2.9	0.3	0.3	2.9	0.3	0.3	3.2	0.3	0.3	3.2	0.4	0.3
Other	94.0	10.3	11.2	87.2	9.4	9.6	86.2	9.6	8.8	86.1	9.9	8.4
Kuwait	19.0	2.1	2.2	18.0	1.9	2.0	17.0	1.9	1.7	16.8	1.9	1.6
Taiwan Province of China 2/	25.2	2.8	3.0	19.4	2.1	2.1	19.4	2.1	2.0	19.4	2.2	1.9
Trinidad and Tobago	32.9	3.6	3.9	32.9	3.5	3.6	32.9	3.6	3.3	32.9	3.8	3.2
Venezuela	10.0	1.1	1.2	10.0	1.1	1.1	10.0	1.1	1.0	10.0	1.2	1.0
Other Bilateral	6.9	0.8	0.8	6.9	0.7	0.8	6.9	0.8	0.7	6.9	0.8	0.7
3. Commercial debt	202.4	22.2	24.0	202.4	21.8	22.2	192.6	21.3	19.6	183.2	21.1	17.8
US\$ 2040 Bonds 5/	193.5	21.3	23.0	193.5	20.9	21.2	183.7	20.3	18.7	174.7	20.1	17.0
Other Bonds	8.9	1.0	1.1	8.9	1.0	1.0	8.9	1.0	0.9	8.5	1.0	0.8
4. External arrears on interests	19.3	2.1	2.3	22.2	2.4	2.4	3.4	0.4	0.3	3.8	0.4	0.4
5. Overdue membership fees	21.3	2.3	2.5	23.9	2.6	2.6	22.8	2.5	2.3	20.8	2.4	2.0
B. Central-government guaranteed	26.1	2.9	3.1	23.5	2.5	2.6	20.6	2.3	2.1	16.8	1.9	1.6
<b>Domestic debt</b>	314.1	34.5	37.3	310.8	33.5	34.1	286.4	31.7	29.1	268.3	30.9	26.1
A. Central Government	290.5	31.9	34.5	288.4	31.1	31.6	266.6	29.5	27.1	252.2	29.0	24.5
1. Treasury bills	120.1	13.2	14.3	125.3	13.5	13.8	117.9	13.1	12.0	113.5	13.1	11.0
RGSM 3/	34.2	4.1	4.1	36.9	4.0	4.1	35.9	4.0	3.7	35.9	4.1	3.5
3 month initial maturity	14.8	1.8	1.8	14.8	1.6	1.6	13.0	1.4	1.3	13.0	1.5	1.3
1 year initial maturity	19.4	2.3	2.3	22.1	2.4	2.4	23.0	2.5	2.3	23.0	2.6	2.2
Private placements	85.9	9.4	10.2	88.4	9.5	9.7	82.0	9.1	8.3	77.6	8.9	7.5
National Insurance Scheme	22.1	2.4	2.6	22.1	2.4	2.4	14.8	1.6	1.5	14.8	1.7	1.4
Petrocaribe Grenada	34.8	3.8	4.1	34.8	3.8	3.8	34.8	3.9	3.5	34.8	4.0	3.4
Other private placements	29.0	3.2	3.4	31.5	3.4	3.5	32.4	3.6	3.3	27.9	3.2	2.7
2. Bonds	90.6	10.0	10.8	90.6	9.8	9.9	111.4	12.3	11.3	116.7	13.4	11.3
EC\$ 2040 Bonds 5/	68.1	7.5	8.1	68.1	7.3	7.5	68.9	7.6	7.0	67.3	7.7	6.5
RGSM 3/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private Placements	17.9	2.0	2.1	17.9	1.9	2.0	37.9	4.2	3.9	44.8	5.2	4.4
Other Bonds	4.6	0.5	0.5	4.6	0.5	0.5	4.6	0.5	0.5	4.6	0.5	0.4
3. Domestic arrears on interests	3.1	0.3	0.4	10.9	1.2	1.2	4.4	0.5	0.4	0.1	0.0	0.0
4. Compensation claims	14.8	1.6	1.8	14.8	1.6	1.6	14.8	1.6	1.5	14.8	1.7	1.4
5. Commercial Bank Loans	10.7	1.2	1.3	8.5	0.9	0.9	7.0	0.8	0.7	5.8	0.7	0.6
6. Overdraft	6.1	0.7	0.7	3.3	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
7. Supplier arrears	34.6	3.8	4.1	29.2	3.2	3.2	0.0	0.0	0.0	0.0	0.0	0.0
8. Other 4/	10.5	1.2	1.2	5.7	0.6	0.6	11.1	1.2	1.1	1.3	0.2	0.1
B. Central-Government Guaranteed	23.6	2.6	2.8	22.4	2.4	2.5	19.8	2.2	2.0	16.1	1.9	1.6
<b>Memorandum items:</b>												
Nominal GDP	842.6			911.6			984.1			1029.8		

Sources: Grenadian authorities and Fund staff estimates.

1/ Debt service obligations to the Paris Club were rescheduled in May 2006.

2/ New debt issued after restructuring in December 2014

3/ Regional Government Securities Market placements.

4/ Includes unpaid claims < 60 days, and ECCB temporary advance

5/ Prior to the restructuring that took place in November 2015 was the US\$ 2025 bonds.

**Table 5. Grenada: External and Domestic Arrears, 2013 - 2016**  
(Year end, in millions of U.S. Dollars, unless otherwise indicated)

	2013				2014				2015				2016Q2 (prel.)			
	Principal	Interest	US\$mln	% of GDP	Principal	Interest	US\$mln	% of GDP	Principal	Interest	US\$mln	% of GDP	Principal	Interest	US\$mln	% of GDP
<b>Total arrears</b>	<b>107.8</b>	<b>25.3</b>	<b>133.1</b>	<b>15.8</b>	<b>83.1</b>	<b>33.1</b>	<b>116.2</b>	<b>12.7</b>	<b>51.3</b>	<b>7.8</b>	<b>59.1</b>	<b>6.0</b>	<b>40.1</b>	<b>3.9</b>	<b>44.0</b>	<b>4.3</b>
<b>External arrears</b>	<b>67.3</b>	<b>19.5</b>	<b>86.8</b>	<b>10.3</b>	<b>45.1</b>	<b>22.2</b>	<b>67.3</b>	<b>7.4</b>	<b>45.3</b>	<b>3.4</b>	<b>48.6</b>	<b>4.9</b>	<b>37.2</b>	<b>3.8</b>	<b>41.0</b>	<b>4.0</b>
Multilateral	0.8	0.5	1.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	39.1	10.1	49.2	5.8	14.7	1.5	16.2	1.8	15.4	2.9	18.3	1.9	15.2	3.3	18.5	1.8
Paris Club	2.6	0.4	2.9	0.3	3.8	0.4	4.3	0.5	4.8	0.9	5.7	0.6	3.7	0.8	4.5	0.4
France	1.1	0.3	1.4	0.2	1.7	0.3	2.0	0.2	2.3	0.3	2.6	0.3	2.3	0.3	2.6	0.3
Russia	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.1	0.1	0.2	0.0	0.1	0.1	0.2	0.0
UK	0.8	0.1	0.9	0.1	1.1	0.1	1.2	0.1	1.3	0.5	1.8	0.2	1.3	0.5	1.8	0.2
US	0.5	0.0	0.5	0.1	0.8	0.1	0.9	0.1	1.1	0.1	1.2	0.1	0.0	0.0	0.0	0.0
Non-Paris Club	36.6	9.7	46.3	5.5	10.8	1.0	11.9	1.3	10.6	2.0	12.6	1.3	11.6	2.4	14.0	1.4
Algeria	1.9	0.0	1.9	0.2	1.9	0.0	1.9	0.2	1.9	0.0	1.9	0.2	1.9	0.0	1.9	0.2
Libya	5.0	0.0	5.0	0.6	5.0	0.0	5.0	0.5	5.0	0.0	5.0	0.5	5.0	0.0	5.0	0.5
Trinidad	1.8	0.7	2.5	0.3	2.7	1.0	3.7	0.4	3.6	2.0	5.6	0.6	4.1	2.3	6.4	0.6
Venezuela	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.2	0.7	0.1
Commercial	6.1	8.9	15.0	1.8	6.5	20.7	27.2	3.0	7.0	0.5	7.5	0.8	6.9	0.5	7.4	0.7
Unpaid contribution to organizations	21.3	0.0	21.3	2.5	23.9	0.0	23.9	2.6	22.8	0.0	22.8	2.3	15.1	0.0	15.1	1.5
<b>Budget expenditure arrears</b>	<b>40.5</b>	<b>5.8</b>	<b>46.3</b>	<b>5.5</b>	<b>37.9</b>	<b>10.9</b>	<b>48.9</b>	<b>5.4</b>	<b>6.1</b>	<b>4.4</b>	<b>10.5</b>	<b>1.1</b>	<b>2.9</b>	<b>0.1</b>	<b>3.0</b>	<b>0.3</b>
Domestic debt 1/	5.9	5.8	11.8	1.4	8.7	10.9	19.6	2.2	6.1	4.4	10.5	1.1	2.9	0.1	3.0	0.3
Domestic debt under restructuring 2/	4.5	5.8	10.3	1.2	8.7	10.9	19.6	2.2	6.1	4.4	10.5	1.1	2.9	0.1	3.0	0.3
ECCB	1.5	0.0	1.5	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplier arrears	34.6	0.0	34.6	4.1	29.2	0.0	29.2	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Grenadian authorities and staff estimates.

1/ The increase in 2014 in domestic debt under restructuring is a result of suspension of interest payment on T-bills, bonds, and commercial bank loans.

2/ Includes US\$ 1.3 million in matured but unclaimed bonds and debentures



Table 6. Grenada: Balance of Payments Summary, 2012–2021

	Est.			Projections						
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	<b>In millions of US dollars</b>									
<b>Current account</b>	<b>-168.5</b>	<b>-195.5</b>	<b>-150.5</b>	<b>-162.8</b>	<b>-149.2</b>	<b>-166.4</b>	<b>-180.4</b>	<b>-195.3</b>	<b>-208.7</b>	<b>-232.1</b>
Trade balance for goods and services	-164.4	-184.2	-141.9	-145.3	-128.7	-154.0	-172.1	-188.8	-203.9	-229.0
Exports of goods and services	231.2	240.0	255.1	268.1	290.2	303.7	319.7	336.9	354.8	373.5
Nutmeg	6.9	6.8	6.1	4.9	6.9	6.6	6.7	6.9	7.1	7.2
Tourism	146.3	147.1	160.5	172.2	193.7	204.2	215.0	226.1	237.7	249.8
Student receipts	24.7	25.8	26.3	26.8	27.6	28.8	29.8	30.8	31.8	32.9
Imports of goods and services	395.7	424.3	397.1	413.4	418.9	457.7	491.7	525.7	558.7	602.5
Mineral fuels	91.3	82.2	77.5	46.0	40.7	49.4	54.5	59.2	64.7	70.1
Foodstuffs	71.4	76.4	77.4	73.4	80.1	85.7	90.9	97.3	104.0	111.0
Other goods	137.6	165.6	143.9	188.0	187.0	205.0	222.6	239.4	253.8	278.3
Services	95.4	100.1	98.2	106.1	111.0	117.6	123.6	129.8	136.3	143.1
Net Income	-34.3	-29.6	-34.7	-39.5	-48.0	-40.4	-37.2	-37.3	-37.6	-37.8
Current transfers	30.3	18.3	26.1	22.0	27.5	28.0	28.9	30.8	32.7	34.7
<b>Capital and financial account</b>	<b>139.1</b>	<b>208.0</b>	<b>125.2</b>	<b>186.3</b>	<b>154.8</b>	<b>151.1</b>	<b>194.0</b>	<b>207.3</b>	<b>219.3</b>	<b>240.2</b>
Capital transfers	58.6	43.9	82.5	107.7	69.6	122.9	78.8	81.9	85.0	88.3
o.w. debt forgiveness 1/	...	...	17.2	48.4	4.5	49.5	0.0	0.0	0.0	0.0
Foreign direct investment	31.5	113.1	39.9	97.4	85.9	93.8	99.2	110.2	115.7	121.5
Public sector borrowing (net)	5.1	60.4	40.1	-38.3	-28.8	-56.9	-13.4	-12.9	-18.8	-17.4
NFA of Commercial banks	18.5	-57.0	-62.2	-69.9	-31.8	-16.9	-9.0	-9.2	-9.7	-10.2
Other private flows	25.3	47.6	25.0	89.4	55.4	8.3	38.3	37.3	47.0	58.0
o/w Petrocaribe	23.2	18.1	19.8	9.1	7.0	8.1	8.7	9.2	9.8	10.0
<b>Errors and omissions</b>	<b>21.6</b>	<b>-3.0</b>	<b>61.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Overall balance</b>	<b>-7.7</b>	<b>9.4</b>	<b>36.2</b>	<b>23.5</b>	<b>5.6</b>	<b>-15.3</b>	<b>13.6</b>	<b>12.0</b>	<b>10.5</b>	<b>8.1</b>
<b>Overall financing</b>	<b>7.7</b>	<b>-9.4</b>	<b>-36.2</b>	<b>-54.1</b>	<b>-11.2</b>	<b>-7.5</b>	<b>-13.6</b>	<b>-12.0</b>	<b>-10.5</b>	<b>-8.1</b>
Change in ECCB NFA	1.9	-31.4	-22.9	-30.3	-2.9	-2.7	-8.7	-9.2	-8.6	-6.1
Change in Reserve Position with the IMF	-0.5	-0.5	3.4	-4.5	-4.7	-4.9	-4.9	-2.8	-1.9	-2.0
Change in existing external arrears	6.3	22.5	-16.8	-19.3	-3.6	0.0	0.0	0.0	0.0	0.0
<b>Financing gap:</b>	<b>...</b>	<b>...</b>	<b>0.0</b>	<b>30.6</b>	<b>5.6</b>	<b>22.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Exceptional financing:	...	...	0.0	30.6	5.6	22.8	0.0	0.0	0.0	0.0
Net use of Fund resources	...	...	0.0	5.6	5.6	2.8	0.0	0.0	0.0	0.0
World Bank	...	...	0.0	15.0	0.0	10.0	0.0	0.0	0.0	0.0
CDB	...	...	0.0	10.0	0.0	10.0	0.0	0.0	0.0	0.0
	<b>In percent of GDP</b>									
<b>Current account</b>	<b>-21.1</b>	<b>-23.2</b>	<b>-16.5</b>	<b>-16.5</b>	<b>-14.5</b>	<b>-15.2</b>	<b>-15.7</b>	<b>-16.2</b>	<b>-16.5</b>	<b>-17.5</b>
Trade balance for goods and services	-20.6	-21.9	-15.6	-14.8	-12.5	-14.1	-15.0	-15.7	-16.1	-17.2
Exports of goods and services	28.9	28.5	28.0	27.2	28.2	27.8	27.9	28.0	28.1	28.1
Tourism	18.3	17.5	17.6	17.5	18.8	18.7	18.7	18.8	18.8	18.8
o.w. Student receipts 2/	3.1	3.1	2.9	2.7	2.7	2.6	2.6	2.6	2.5	2.5
Imports of goods and services	49.5	50.4	43.6	42.0	40.7	41.9	42.9	43.7	44.2	45.4
o.w. Mineral fuels	11.4	9.8	8.5	4.7	4.0	4.5	4.8	4.9	5.1	5.3
Net income	-4.3	-3.5	-3.8	-4.0	-4.7	-3.7	-3.2	-3.1	-3.0	-2.8
o.w. Public interest payment	-2.3	-2.4	-2.7	-2.3	-2.0	-1.9	-1.4	-1.3	-1.1	-1.0
Net current transfers	3.8	2.2	2.9	2.2	2.7	2.6	2.5	2.6	2.6	2.6
<b>Capital and financial account</b>	<b>17.4</b>	<b>24.7</b>	<b>13.7</b>	<b>18.9</b>	<b>15.0</b>	<b>13.8</b>	<b>16.9</b>	<b>17.2</b>	<b>17.3</b>	<b>18.1</b>
Capital transfers	7.3	5.2	9.0	10.9	6.8	11.3	6.9	6.8	6.7	6.7
o.w. debt forgiveness 1/	...	...	1.9	4.9	0.4	4.5	0.0	0.0	0.0	0.0
Foreign direct investment	3.9	13.4	4.4	9.9	8.3	8.6	8.6	9.1	9.1	9.1
Public sector flows	0.6	7.2	4.4	-3.9	-2.8	-5.2	-1.2	-1.1	-1.5	-1.3
NFA of Commercial banks	2.3	-6.8	-6.8	-7.1	-3.1	-1.6	-0.8	-0.8	-0.8	-0.8
Other private flows	3.2	5.6	2.7	9.1	5.4	0.8	3.3	3.1	3.7	4.4
<b>Error and Omission</b>	<b>2.7</b>	<b>-0.4</b>	<b>6.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Overall balance</b>	<b>-1.0</b>	<b>1.1</b>	<b>4.0</b>	<b>2.4</b>	<b>0.5</b>	<b>-1.4</b>	<b>1.2</b>	<b>1.0</b>	<b>0.8</b>	<b>0.6</b>
<b>Overall financing</b>	<b>1.0</b>	<b>-1.1</b>	<b>-4.0</b>	<b>-5.5</b>	<b>-1.1</b>	<b>-0.7</b>	<b>-1.2</b>	<b>-1.0</b>	<b>-0.8</b>	<b>-0.6</b>
Change in ECCB NFA	0.2	-3.7	-2.5	-3.1	-0.3	-0.2	-0.8	-0.8	-0.7	-0.5
Change in Reserve Position with the IMF	-0.1	-0.1	0.4	-0.5	-0.5	-0.4	-0.4	-0.2	-0.2	-0.2
Change in existing external arrears	0.8	2.7	-1.8	-2.0	-0.3	0.0	0.0	0.0	0.0	0.0
<b>Financing gap:</b>	<b>...</b>	<b>...</b>	<b>0.0</b>	<b>3.1</b>	<b>0.5</b>	<b>2.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Exceptional financing:	...	...	0.0	3.1	0.5	2.1	0.0	0.0	0.0	0.0
Net use of Fund resources	...	...	0.0	0.6	0.5	0.3	0.0	0.0	0.0	0.0
World Bank	...	...	0.0	1.5	0.0	0.9	0.0	0.0	0.0	0.0
CDB	...	...	0.0	1.0	0.0	0.9	0.0	0.0	0.0	0.0
<b>Memorandum Items:</b>										
Gross external debt	141.0	144.7	144.8	137.1	132.8	122.5	116.8	112.4	107.9	106.1
External public and publicly guaranteed debt	67.6	70.8	67.7	62.6	59.9	51.9	47.4	44.1	40.6	38.0
Foreign liabilities of private sector 3/	73.4	73.9	77.1	74.5	72.9	70.6	69.4	68.4	67.3	68.1
Nominal GDP	799.9	842.6	911.6	984.1	1029.8	1091.5	1147.2	1204.1	1264.5	1327.9

Sources: Ministry of Finance and Planning; ECCB; and Fund staff estimates and projections.

1/ Debt forgiveness as a result of debt restructuring.

2/ Incorporates receipts of students from St Georges University.

3/ Comprises foreign liabilities of commercial banks and other liabilities under the "Other investment" item of financial account.

Table 7. Grenada: Summary Accounts of the Banking System, 2012–19

	2012	2013	2014	2015	2016	2017	2018	2019	
					4th review	Proj.	Proj.	Proj.	
<b>Net foreign assets</b>	113.8	352.4	582.2	852.5	971.9	946.4	999.3	1,048.2	1,100.9
ECCB	280.8	365.6	427.3	509.0	542.7	516.9	524.1	548.8	576.7
<i>Of which:</i> Net imputed reserves	280.8	365.6	427.3	509.0	542.7	516.9	524.1	548.8	576.7
Commercial banks (net)	-167.0	-13.2	154.8	343.5	429.2	429.5	475.2	499.4	524.2
Assets	478.0	546.2	672.7	855.9	945.0	945.7	1,002.4	1,053.5	1,105.8
Liabilities	-645.0	-559.4	-517.9	-512.4	-515.8	-516.2	-527.2	-554.0	-581.5
<b>Net domestic assets</b>	1,748.5	1,586.3	1,435.8	1,269.9	1,249.0	1,276.1	1,356.4	1,427.5	1,497.7
Public sector credit (net)	-53.3	-57.3	-86.9	-232.3	-198.9	-229.0	-242.3	-255.1	-267.9
Central government	107.5	52.3	17.3	-65.9	-28.3	-28.3	-35.8	-43.4	-50.9
ECCB	30.1	17.7	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Commercial banks	77.4	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Net credit to rest of public sector	-53.3	-57.3	-104.3	-166.4	-170.6	-200.7	-206.5	-211.7	-217.0
National Insurance Scheme	-71.1	-63.8	-74.7	-92.0	-96.2	-96.3	-102.0	-107.2	-112.6
Credit to private sector	1,803.2	1,700.4	1,613.9	1,552.4	1,553.5	1,603.4	1,659.4	1,744.0	1,830.6
Other items (net)	-109.0	-109.1	-91.1	-50.2	-105.6	-98.3	-60.7	-61.4	-64.9
<b>Broad money</b>	1,862.2	1,938.7	2,018.0	2,122.4	2,220.9	2,222.4	2,355.7	2,475.7	2,598.6
Money	333.3	381.2	466.5	543.0	608.0	608.4	644.9	677.8	711.4
Currency in circulation	112.9	115.7	124.1	131.5	137.6	137.7	145.9	153.3	161.0
Demand deposits	220.4	265.5	342.4	411.4	470.5	470.8	499.0	524.4	550.5
Quasi-money	1,528.9	1,557.6	1,551.5	1,579.4	1,612.8	1,614.0	1,710.8	1,798.0	1,887.2
Time deposits	339.9	318.2	287.1	271.4	256.7	256.9	272.3	286.2	300.4
Savings deposits	1,095.9	1,143.1	1,167.9	1,160.5	1,201.9	1,202.8	1,275.0	1,339.9	1,406.4
Foreign currency deposits	93.1	96.2	96.4	147.4	154.2	154.3	163.6	171.9	180.4
	(Annual percentage change)								
<b>Net foreign assets</b>	-31.4	209.7	65.2	46.4	14.0	11.0	5.6	4.9	5.0
<b>Net domestic assets</b>	3.8	-9.3	-9.5	-11.6	-1.6	0.5	6.3	5.2	4.9
Public sector credit, net	-68.3	7.5	51.8	167.2	-14.4	-1.4	5.8	5.3	5.0
Credit to private sector	0.2	-5.7	-5.1	-3.8	0.1	3.3	3.5	5.1	5.0
<b>Broad money</b>	0.7	4.1	4.1	5.2	4.6	4.7	6.0	5.1	5.0
NFA contribution	-2.8	12.8	11.9	13.4	5.6	4.4	2.4	2.1	2.1
NDA contribution	3.5	-8.7	-7.8	-8.2	-1.0	0.3	3.6	3.0	2.8
Money	2.5	14.4	22.4	16.4	12.0	12.1	6.0	5.1	5.0
Quasi-money	0.3	1.9	-0.4	1.8	2.1	2.2	6.0	5.1	5.0
	(In percent of GDP)								
<b>Net foreign assets</b>	5.3	15.5	23.7	32.1	36.1	34.0	33.9	33.8	33.9
<b>Net domestic assets, o.w.</b>	81.0	69.7	58.3	47.8	46.4	45.9	46.0	46.1	46.1
Public sector credit, net	-2.5	-2.5	-3.5	-8.7	-7.4	-8.2	-8.2	-8.2	-8.2
Private sector credit, net	83.5	74.7	65.6	58.4	57.7	57.7	56.3	56.3	56.3
<b>Broad money (M2)</b>	86.2	85.2	82.0	79.9	82.5	79.9	79.9	79.9	79.9
Money	15.4	16.8	19.0	20.4	22.6	21.9	21.9	21.9	21.9
Quasi-money	70.8	68.5	63.0	59.4	59.9	58.0	58.0	58.0	58.0
<b>Interest rates (percent per year)</b>									
ECCB policy rate	6.5	6.5	6.5	6.5	...	...	...	...	...
US policy rate	0.1	0.1	0.1	0.1	...	...	...	...	...
Interbank market rate	6.3	6.4	6.0	N.A.	...	...	...	...	...
Time deposit rate	3.2	2.7	2.0	1.6	...	...	...	...	...
Demand deposit rate	0.5	0.3	0.3	0.3	...	...	...	...	...
Weighted average lending rate	9.2	9.1	9.0	8.7	...	...	...	...	...

Sources: Eastern Caribbean Central Bank; Ministry of Finance; and Fund staff estimates.

**Table 8. Grenada: Indicators of Capacity to Repay the Fund, 2014–22**  
(In millions of SDRs, unless otherwise indicated)

	Actual		Projections						
	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Existing Fund credit (stock)</b>									
In percent of quota	174.3	180.7	119.1	97.9	76.8	64.6	56.3	45.2	33.0
In millions of SDRs	20.4	21.1	19.5	16.1	12.6	10.6	9.2	7.4	5.4
In millions of US\$	29.7	29.3	27.3	22.5	17.6	14.8	12.9	10.4	7.6
In percent of GDP	3.3	3.0	2.7	2.1	1.5	1.2	1.0	0.8	0.5
<b>Proposed Extended Credit Facility (stock)</b>									
In percent of quota	0.0	0.0	12.3	24.5	24.5	24.5	24.6	24.6	20.8
In millions of SDRs	0.0	0.0	2.0	4.0	4.0	4.0	4.0	4.0	3.4
In millions of US\$	0.0	0.0	2.8	5.6	5.6	5.6	5.6	5.6	4.8
In percent of GDP	0.0	0.0	0.3	0.5	0.5	0.5	0.4	0.4	0.3
<b>Outstanding Fund credit (end of period)</b>									
In percent of quota	174.3	180.7	131.4	122.4	101.3	89.1	80.8	69.8	53.9
In millions of SDRs	20.4	21.1	21.5	20.1	16.6	14.6	13.3	11.4	8.8
In millions of US\$	29.7	29.3	30.2	28.1	23.2	20.4	18.6	16.0	12.4
In percent of exports of goods and services	11.6	10.9	10.4	9.3	7.3	6.1	5.2	4.3	3.1
In percent of debt service	24.5	27.2	55.3	49.9	39.3	35.0	33.9	28.7	20.9
In percent of GDP	3.3	3.0	2.9	2.6	2.0	1.7	1.5	1.2	0.9
In percent of Imputed Net International Reserves	18.8	15.5	15.8	14.5	11.4	9.6	8.3	6.9	5.1
<b>Fund obligations based on existing credit</b>	1.8	3.2	1.4	3.5	3.5	2.0	1.4	1.8	2.0
Repurchases and repayments	1.8	3.2	1.4	3.5	3.5	2.0	1.4	1.8	2.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Fund obligations based on existing and prospective credit</b>	1.8	3.2	1.4	3.5	3.5	2.0	1.4	1.8	2.6
Repurchases and repayments	1.8	3.2	1.4	3.5	3.5	2.0	1.4	1.8	2.6
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Fund obligations based on existing and prospective credit</b>									
In millions of US\$	2.7	4.5	2.0	4.9	4.9	2.9	2.0	2.6	3.7
In percent of exports of goods and services	1.1	1.7	0.7	1.6	1.5	0.9	0.5	0.7	0.9
In percent of debt service	2.2	4.2	3.7	8.6	8.3	4.9	3.6	4.6	6.3
In percent of GDP	0.3	0.5	0.2	0.4	0.4	0.2	0.2	0.2	0.3
In percent of Imputed Net International Reserves	1.7	2.4	1.1	2.5	2.4	1.3	0.9	1.1	1.5
In percent of quota	15.2	27.7	8.8	21.2	21.4	12.4	8.5	11.2	16.0
<b>Net use of Fund credit</b>	2.3	0.8	0.4	-1.5	-3.5	-2.0	-1.4	-1.8	-2.6
Disbursements	4.0	4.0	4.0	2.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	1.8	3.2	3.6	3.5	3.5	2.0	1.4	1.8	2.6
<b>Memorandum items:</b>									
Exports of goods and services (in millions of US\$)	255.1	268.1	290.1	303.7	320.0	337.6	355.9	374.9	395.8
Debt service (in millions of US\$)	121.3	107.7	54.6	56.3	59.2	58.5	54.8	55.8	59.1
GDP (in millions of US\$)	911.6	984.1	1029.8	1091.5	1147.2	1204.1	1264.5	1327.9	1394.6
Imputed Net International Reserves (in millions of US\$)	158.3	188.5	191.4	194.1	203.3	213.6	224.4	232.8	241.5
Quota (in millions of SDR)	11.7	11.7	16.4	16.4	16.4	16.4	16.4	16.4	16.4

Source: Staff estimates and projections.

**Table 9. Grenada: Financial Sector Indicators, 2012–2016**

	2012	2013	2014	2015	2016	Latest Available
<b>Financial sector indicators</b>						
Regulatory capital to risk-weighted assets	13.9	13.6	13.0	12.2	13.0	Jun-16
Regulatory Tier 1 capital to risk-weighted assets	13.2	12.2	11.7	10.2	10.6	Jun-16
Nonperforming loans net of provisions to capital	49.7	61.6	59.5	41.0	30.3	Jun-16
Nonperforming loans to total gross loans	11.8	13.8	14.6	10.0	7.9	Jun-16
Foreign banks	12.0	13.7	15.4	10.7	8.2	Jun-16
Sectoral distribution of loans to total loans						
Residents	96.2	96.0	96.3	95.9	95.8	Jun-16
Other financial corporations 1/	0.5	0.3	0.2	0.3	0.2	Jun-16
General government 2/	5.5	5.3	4.9	3.9	3.0	Jun-16
Nonfinancial corporations 3/	31.4	28.9	27.5	27.3	29.0	Jun-16
Nonresidents	3.8	4.0	3.7	4.1	4.2	Jun-16
Return on assets	0.5	-1.8	-0.1	1.5	0.4	Jun-16
Return on equity	3.1	-22.3	-2.5	15.4	3.8	Jun-16
Net interest income to Total income	51.9	50.6	51.1	56.0	58.5	Jun-16
Noninterest expenses to gross income	70.0	109.0	86.5	73.8	68.4	Jun-16
Liquid assets to total assets	22.9	27.7	32.8	37.5	37.7	Jun-16
Liquid assets to short-term liabilities	25.0	29.8	34.9	40.0	40.3	Jun-16
Net foreign currency exposure to total capital	37.7	65.2	102.7	124.1	187.3	Jun-16
U.S. treasury bill rate (percent per annum)	0.1	0.1	0.0	0.3	0.3	Sep-16
Treasury bill rate (percent per annum) 4/	6.0	6.0	6.0	6.0	6.0	Sep-16
<b>External sector indicators</b>						
Exchange rate (per US\$, end of period)	2.7	2.7	2.7	2.7	2.7	Sep-16
REER appreciation (percent change on 12-month basis, end of period)	-1.0	-1.9	0.2	-1.3	-0.3	Jul-16
Gross international reserves of the ECCB (in US\$ millions)	1,181.1	1,222.4	1,457.1	1,598.9	1,751.1	Jul-16
Gross international reserves to broad money in ECCU countries (percent)	20.5	20.4	23.0	24.2	26.1	Jul-16
Public gross external debt (in US\$ million)	540.5	593.2	613.1	612.6	613.9	Sep-16
Public gross external interest payments to fiscal revenue (percent)	8.9	8.0	7.9	9.3	7.8	Sep-16
Public gross external amortization payments to fiscal revenue (percent)	4.2	7.4	7.9	10.5	9.9	Sep-16
<b>Public sector indicators</b> (in percent of GDP)						
Central government overall balance (after grants)	-5.9	-7.3	-4.7	-1.2	1.7	Sep-16
Public and publicly-guaranteed gross external debt	103.3	107.8	101.5	91.6	84.1	Sep-16
Sources: Ministry of Finance; Eastern Caribbean Central Bank; and Fund staff estimates and projections.						
1/ Includes Non-Bank Financial Institutions						
2/ Includes Subsidiaries and Affiliates and Private Businesses						
3/ Includes Households						
4/ Rate on 365-day treasury bills.						

**Table 10. Grenada: Proposed Schedule of Disbursement Under the Extended Credit Facility**

Availability date	Amount of Disbursement		Conditions
	SDR million	Percent of quota <sup>1/</sup>	
June 26, 2014	2.040	12.439	Executive Board approval of the arrangement
September 30, 2014	2.000	12.195	Observance of continuous and end-June 2014 performance criteria and completion of the first review
March 31, 2015	2.000	12.195	Observance of continuous and end-December 2014 performance criteria and completion of the second review
September 30, 2015	2.000	12.195	Observance of continuous and end-June 2015 performance criteria and completion of the third review
March 31, 2016	2.000	12.195	Observance of continuous and end-December 2015 performance criteria and completion of the fourth review
September 30, 2016	2.000	12.195	Observance of continuous and end-June 2016 performance criteria and completion of the fifth review
March 31, 2017	2.000	12.195	Observance of continuous and end-December 2016 performance criteria and completion of the sixth review
Total	14.04	85.610	

Source: Fund staff estimates

<sup>1/</sup> Quota increased from SDR 11.7 million to SDR 16.4 million, effective March 23, 2016.

Table 11. Grenada: Recent and Ongoing Legislative Reform

	Entered into force	Regs in force	Program-related
<b>Fiscal Policy Framework and Public Financial Management Reforms</b>			
CARICOM Common External Tariff (Amendment) Order 2014	✓		✓
Customs (Service Charge) Order 2014	✓		✓
Electricity Supply (Amendment) Act 2013	✓		✓
Environmental Levy (Amendment) Act 2015 and Orders 2014 and 2015	✓		✓
Excise Tax Order 2014 and 2015	✓		✓
Firearms (Amendment) Act 2014 and Order 2014 and 2016	✓		✓
Income Tax (Amendment) Act 2014	✓		✓
Licences (Amendment) Act 2014 and Order 2014	✓		✓
Manufacturers Tax Rebate Act 2014	✓		✓
Petrol Tax (Amendment) Act 2015 and Order 2015	✓		✓
Property Tax Order 2013	✓		✓
Statutory Bodies (Treatment of Exemptions and Concessions) Act 2014	✓		✓
Value Added Tax (Amendment) Act 2014 and Order 2014	✓		✓
Fiscal Responsibility Act 2015 and Fiscal Responsibility (Amendment) Act 2016	✓		✓
Public Debt Management Act 2015 and Public Debt Management (Amendment) Act 2016	✓	✓	✓
Revised Treasury Bills (Amendment) Act	✓		
Citizenship by Investment - CBI (Amendment) Act 2014, 2015, 2016	✓	✓	
CBI (Revocation of Permanent Residence Certificate and Citizenship) 2016	✓		
National Transformation Fund Regulations 2015*		✓	✓
Public Finance Management Act 2014, 2015	✓	✓	✓
Public Procurement and Disposal of Property Act 2014	✓	✓	✓
Grenada Postal Corporation (Amendment) Act 2016	✓		✓
<b>Tax Administration and Tax Incentive Reforms</b>			
Customs Act 2015 and Customs (Amendment) Act 2016	✓	**	✓
Customs Act (Customs Duties) Order 2016	✓		
Tax Administration Act 2015	✓		✓
Mutual Exchange of Information on Taxation Matters (Amendment) Act 2014, 2016	✓		
Annual Stamp Tax (Amendment) Act 2015	✓		✓
Customs (Duties Exemptions) Order 2016	✓		✓
Customs (Service Charge) (Amendment) Act 2016	✓		✓
Excise Tax (Amendment) Act 2016	✓		✓
Income Tax (Amendment) Act 2015 and 2016	✓		✓
Investment Act 2014; Investment (Amendment) Act 2016; Investment (Priority Sectors) Regs. 2016	✓		✓
Property Transfer Tax (Amendment) Act 2015 and 2016	✓		✓
Property Transfer Tax (Amendment) Act 2016	✓		✓
Property Tax (Amendment) Act			
Value-Added Tax (Amendment) Act 2015 and 2016	✓		✓
<b>Business Environment; Energy and Labor Reforms</b>			
Alien (Land-holding Regulation) and Orders 2016	+		
Bankruptcy and Insolvency Act 2016	✓		
Casino Gaming Act 2014	✓		
Companies (Amendment) Act 2014	+		
Gaming Act 2016	✓	✓	
Free Trade and Processing Zone Act 2015	✓		
Grenada Industrial Development Corporation (Amendment) Act 2016	+		✓
Grenada Tourism Authority - GTA (Amendment) 2015 and Regulations 2016	✓		
Physical Planning and Development Control Act 2016, (Adaptation of Building Code) Order 2016	✓		
Securities (Amendment) Act and Regulations 2015	+	✓	
Time-Share and Vacation Plan Act 2016	✓		
Telecommunications Regulations and Order 2014	✓		
Tourist and Beach Vending (Amendment) Act 2015; Declaration of Tourism Enterprise Order 2016	✓	✓	
Electricity Supply Act 2016	✓		
Public Utilities Regulatory Commission (Amendment) Act 2016	✓		
Employment (Amendment) Act 2016	**		✓
Labor Relations (Amendment) Act 2016	**		✓
<b>Financial Reforms</b>			
Banking Act 2015	✓		
Cooperative Societies (Amendment) Act	**		
Eastern Caribbean Asset Management Corporation Act 2016	✓		
Eastern Caribbean Central Bank (Amendment of Schedule) Order 2016	✓		
GARFIN (Amendment) Act 2014	✓		
Insurance (Amendment) Act 2014	✓		
Money Services Business (Amendment) Act 2014	✓		
Plan of Arrangement (BAICO and CLICO) Act 2015	**		
Uniform Insurance Act	**	**	
<b>Governance and Security</b>			
Electronic Crimes (Amendment) Act 2014; Proceeds of Crime (Amendment) Act 2014	✓		
Integrity in Public Life (Amendment) 2015 and 2016	✓		
Interception of Communications (Amendment) Act 2014	✓		
Terrorism (Amendment) Act 2014, 2015	✓		
Ombudsman (Amendment) 2015	✓		

Note: \*Approved by Cabinet; \*\*Applicable and pending; + Approved by Parliament but not entered into force

Table 12. Grenada: Quantitative Program Targets

	2014		2015				2016				
	Dec.		Jun.		Dec.		Jun.			Dec.	
	Act.	Status	Act.	Status	Act.	Status	Prog.	Adj. Prog. 1/	Act.	Status	Prog.
<b>Performance criteria</b>											
A. Cumulative floor on central govt. primary balance (EC\$ mn) 2/	-28	Met	37	Met	58	Met	39	48	86	Met	94
B. Cumulative ceiling on central govt. primary spending (EC\$ mn) 2/	630	Met	281	Met	601	Met	268	289	284	Met	526
C. Ceiling on stock of central govt. budget expenditure arrears (EC\$ mn) 4/	79	Met	53	Not met	0	Met	0	0	0	Met	0
D. Ceiling on accumulation of external debt arrears (continuous)	0	Met	0	Met	0	Met	0	0	0	Met	0
E. Ceiling on contracting of non-concessional external debt by the central govt. (continuous, US\$ mn) 5/	10	Not met	0	Met	0	Met	0	15	15	Met	0
<b>Indicative targets</b>											
F. Cumulative ceiling on net change in central govt. and central govt. guaranteed debt (EC\$ mn) 2/	48	Met	-30	Met	-67	Met	13	-7	-85	Met	15
G. Floor on social spending by central govt. (EC\$ mn)	11.4	Not met	5.4	Not met	11.8	Not met	7.0	7.0	7.0	Met	14.0
<b>Monitoring</b>											
H. Wage bill target	219	Met	109	Met	215	Met	110	110	105	Met	219
I. Public employment target	7515	Met	7096	Met	7003	Met	7000	7000	6810	Met	7000
<b>Memorandum item</b>											
Projected new concessional external debt (US\$ mn) 3/							0	0	8		10

1/ Adjusted for shortfall in SEED spending, revenue overperformance, and capital grants compared to program, as applicable according to the TMU.

2/ From end-December of the previous year.

3/ Debt with a grant element that exceeds a minimum threshold of 35 percent.

4/ For June 2015: budget expenditure arrears were revised up after the Third Review resulting in nonobservance of the June 2015 performance criteria *ex post*.

5/ The ceiling has been modified to include adjustors for debt instruments issued for debt restructuring, limited to the amount of nominal debt restructured for a given period, and for borrowing from the CDB and WB for development and debt management purposes up to cumulative maximums of US\$30 million from each institution (TMU ¶10).

Table 13. Grenada: Structural Program Conditionality

Measure	Timing	Implementation Status
<b>Prior Actions for the Fifth Review</b>		
1. Parliamentary approval of the revised GIDC Act		
2. Parliamentary approval of the revised Grenada Labor Code		
3. Cabinet approval of a wage bill for 2017 at or below 8.8 percent of GDP.		
4. Cabinet approval to make permanent DPA control of hiring and the size of the public service.		
5. Preparation of a human resource registry based on existing HR systems information.		
6. Cabinet approval of a wage bill management reform Plan.		
<b>Structural Benchmarks</b>		
<b>Growth- Enhancing Reforms</b>		
1. Parliamentary approval of the revised Investment Promotion Act	November 30, 2014	Met
<b>Fiscal Adjustment Measures</b>		
1. Parliamentary approval of 2015 budget consistent with program commitments	December 31, 2014	Not met, corrective action taken
2. Parliamentary approval of 2016 Budget consistent with program commitments and Fiscal Responsibility Legislation	December 31, 2015	Not met, corrective action taken
3. Parliamentary approval of fiscal adjustment measures for 2016	December 31, 2015	Met
4. Parliamentary approval of 2017 Budget consistent with parameters of the FRA and realistic CBI program-related revenue projections. 1/	December 31, 2016	Proposed
<b>Fiscal Structural Reforms</b>		
1. Parliamentary approval of the revised PFM legislation	August 31, 2014	Met
2. Cabinet approval of a strategic plan for the statutory bodies	October 31, 2014	Met in February 2015
3. Parliamentary approval of the revised legislation on tax incentive regime	November 30, 2014	Met in June 2015
4. Parliamentary approval of the legislation for the fiscal policy framework	December 31, 2014	Met in June 2015
5. Minister of Finance approval of regulations for the National Transformation Fund	February 28, 2015	Met in August 2015
6. Parliamentary approval of a public debt management law	March 31, 2015	Met in June 2015
7. Minister of Finance approval of regulations for the revised PFM legislation	June 30, 2015	Met in September 2015
8. Publication of all citizenship-by-investment statistics on a quarterly basis	Quarterly, beginning July 31, 2015	Met
9. Parliamentary approval of a tax administration act	November 30, 2015	Met in February 2016
10. Implementation of the new Chart of Accounts for the 2016 Budget	December 31, 2015	Not met, action taken
11. Establishment and operationalization of the LMST and Small Taxpayers Service Units	December 31, 2015	Met in January 2016
12. Signing into force of the new tax incentive regime and Investment Act 2014	December 31, 2015	Met
13. Cabinet approval of a strategic plan to modernize the public sector	March 31, 2016	Not met, rephased and revised
14. Parliamentary approval of the revised GIDC Act, with amendments	June 30, 2016	Met in November 2016
15. Parliamentary approval of a new Grenada Labor Code	August 31, 2016	Met in November 2016
16. Cabinet approval of a focused reform plan to manage the public sector wage bill	September 30, 2016	Not met
17. Publication of the debt statistics bulletin on a quarterly basis	Quarterly, beginning December 31, 2016	Proposed
18. Cabinet approval of a comprehensive public sector wage bill management reform strategy	March 31, 2017	Proposed
19. Complete and make functional the human resource registry for the public service	March 31, 2017	Proposed
1/ Budget projections of CBI-related inflows should be based on 2016 inflows and realistic assumption for growth based on market indicators.		



## Annex I. Updates on Debt Sustainability Analysis<sup>1</sup>

*This Annex provides an update to the comprehensive Debt Sustainability Analysis (DSA) conducted in the context of the May 2016 Article IV consultation and Fourth Review. The fiscal adjustment under the Homegrown Program and strong economic recovery have led to a further improvement in the projected debt trajectory. However, the overall assessment is unchanged, and Grenada's external debt remains "in distress" until all arrears to official creditors are regularized.<sup>2</sup>*

### **1. Grenada's external debt remains in distress as debt restructuring is not yet completed.**

The baseline scenario in this Debt Sustainability Analysis (DSA) update incorporates all debt restructuring agreements executed thus far, including the agreed second-step haircut on the new commercial bonds ("2030 bonds") due in 2017 after successful completion of the ECF-supported program. In this scenario, Grenada's public debt is projected to decline to 84.3 percent of GDP at end-2016 before gradually trending down toward 57.5 percent of GDP by 2020, below the regional debt target of 60 percent of GDP. Meanwhile, public external debt is projected to decline from 62.6 percent of GDP in 2015 to 40.8 percent of GDP by 2020. Nevertheless, the DSA update finds that the debt thresholds on the present value of the debt-to-GDP, debt service-to-revenue, and debt-to-exports ratios are breached. These breaches are temporary in nature, as the amortization of the 2030 bonds leads to a rapid decline in the present value of external debt. However, Grenada's external debt would remain "in distress" due to the remaining unresolved arrears to official creditors.<sup>3</sup> (Grenada also continues to have membership arrears to international organizations.) Public domestic debt, at 30 percent of GDP at end-2015, remains a relatively smaller share of the total debt burden, but related vulnerabilities need to be monitored closely.

### **2. The macroeconomic outlook has improved, but long term fiscal prudence is necessary to restore debt sustainability.**

Compared to the previous DSA, growth surprised on the upside in 2015—an increase of 6.2 percent relative to the initial estimate of 4.6 percent—and is projected to maintain its momentum in 2016 before converging to its potential in the medium-term. An upward revision to oil price forecasts translates into a higher current account deficit in the medium term. (see text table below). Meanwhile, fiscal consolidation advanced faster and stronger than envisaged by the program, which has contributed to accelerating debt reduction. Going forward, a strong and credible medium term fiscal framework, which underpins the baseline scenario in the DSA, is critical for ensuring the long-term sustainability of Grenada's public debt by putting it on a firm downward trend. In particular, the second-step haircut on the 2030 bonds (about 8 percent of GDP) hinges on adherence to the framework to ensure a successful completion of the ECF-supported adjustment program. And the projected primary surplus above 3.5 percent of GDP through 2020 marks a break from the past and rests on the assumption that the FRA is strictly adhered to. The historical scenario

<sup>1</sup> Prepared by IMF and World Bank staffs.

<sup>2</sup> The Country Policy and Institutions Assessment (CPIA) ranks Grenada as a medium performer (the average CPIA rating in 2013-15 is 3.52).

<sup>3</sup> See staff report 116 and MEFP 116 for details on the debt restructuring process.

(Figure AI:2) illustrates how a return to lax fiscal policies would put Grenada's public debt back on an unsustainable path. The experience of the past decade, with moderate GDP growth, also highlights the tourism sector's exposure to macroeconomic conditions in advanced economies and to natural disaster risk. A customized shock scenario (Figure AI:2) analyzes the impact of the latter. Further risks to the outlook are posed by shocks to imports, particularly fuel, prices.

<b>DSA Update: Macroeconomic Assumptions</b> (In percent of GDP, unless otherwise specified)					
	Historical Average	Projections			
		2016-21		2022-36	
		4th Review	5th Review	4th Review	5th Review
Non-interest current account balance	-20.3	-12.9	-14.4	-14.2	-14.4
Real GDP growth (in percent)	1.2	2.7	2.8	2.7	2.7
Growth of exports of G&S (USD terms, in percent)	3.0	5.9	5.8	5.8	5.8
Current official transfer	1.4	0.6	1.0	0.4	0.8
Net FDI	9.3	8.1	8.8	8.7	9.1
Primary balance	-1.9	3.4	3.7	-0.7	-1.0
Revenue and grants	23.3	25.3	24.5	25.5	23.2
of which: grants	3.0	3.1	2.8	3.1	2.2
Primary (noninterest) expenditure	25.1	21.9	20.7	26.2	24.3
Inflation rate (GDP deflator, in percent)	1.4	2.3	2.3	2.3	2.3
<i>Memorandum item:</i>		4th Review	5th Review		
2015 Nominal GDP (in million USD)		953.6	984.1		
Source: Grenadian authorities and IMF staff projections					

### 3. Renewed efforts are needed to swiftly conclude the comprehensive debt restructuring.

Total debt reduction directly attributed to restructuring savings thus far amounts to 17.1 percent of projected 2016 GDP. One half of that was already executed and the rest is expected to be granted in 2017. While payments on restructured debt instruments have been restored (including on the 2030 bonds), discussions have recently started or been intensified with the remaining more dispersed groups of creditors (see MEF, paragraph 6). Three and half years after default, it is imperative that Grenada normalize relations with creditors by clearing or regularizing arrears, an important step toward lowering the risk of debt distress. The authorities reiterated their commitment to concluding the debt restructuring by the end of the ECF-supported program in 2017 and to adhering to the fiscal responsibility law.

Table A1.1. Grenada: Public Debt Sustainability Framework, 2013-36

(In percent of GDP)

	Actual			Average <sup>5/</sup>	Standard <sup>5/</sup> Deviation	Estimate					Projections				
	2013	2014	2015			2016	2017	2018	2019	2020	2021	2016-21 Average	2022-36 Average	2026	2036
<b>Public sector debt 1/</b>	108.1	101.8	91.7			84.3	72.9	67.2	62.3	57.6	54.2		54.4	54.2	
<i>of which: foreign-currency denominated</i>	70.8	67.7	62.6			59.9	51.9	47.4	44.1	40.6	38.0		37.7	37.0	
Change in public sector debt	4.7	-6.3	-10.0			-7.4	-11.4	-5.8	-4.9	-4.7	-3.4		0.0	0.0	
Identified debt-creating flows	2.0	-5.4	-12.7			-6.7	-11.4	-5.8	-5.0	-4.7	-3.4		-0.2	-0.3	
Primary deficit	3.9	1.1	-2.2	1.9	1.9	-4.8	-4.1	-4.0	-3.8	-3.5	-2.3	-3.7	1.0	1.0	1.0
Revenue and grants	20.9	24.5	24.8			25.1	24.6	24.5	24.3	24.2	24.1		23.5	22.6	
<i>of which: grants</i>	1.4	4.1	3.3			3.0	2.9	2.8	2.7	2.7	2.6		2.3	1.9	
Primary (noninterest) expenditure	24.8	25.6	22.6			20.3	20.5	20.5	20.5	20.7	21.8		24.5	23.6	
Automatic debt dynamics	-1.9	-4.6	-4.1			-0.9	-2.0	-1.4	-1.2	-1.2	-1.1		-1.2	-1.3	
Contribution from interest rate/growth differential	-1.1	-5.3	-3.8			-0.8	-1.3	-1.3	-1.1	-1.1	-1.0		-1.1	-1.1	
<i>of which: contribution from average real interest rate</i>	1.3	2.1	2.2			2.0	1.0	0.6	0.6	0.6	0.5		0.4	0.3	
<i>of which: contribution from real GDP growth</i>	-2.4	-7.4	-6.0			-2.7	-2.3	-1.9	-1.8	-1.6	-1.5		-1.4	-1.4	
Contribution from real exchange rate depreciation	-0.8	0.7	-0.3			-0.2	-0.7	0.0	0.0	-0.1	-0.1		...	...	
Other identified debt-creating flows	0.0	-1.9	-6.4			-0.9	-5.3	-0.5	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)6/	0.0	-1.9	-5.8			-1.0	-5.3	-0.5	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	-0.6			0.1	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	2.7	-0.9	2.7			-0.8	0.0	0.0	0.1	0.0	0.0		0.2	0.3	
<b>Other Sustainability Indicators</b>															
<b>PV of public sector debt</b>	...	...	77.8			70.0	59.0	53.9	49.5	45.4	42.4		41.4	43.7	
<i>of which: foreign-currency denominated</i>	...	...	48.7			45.6	38.0	34.1	31.3	28.4	26.2		24.8	26.5	
<i>of which: external</i>	...	...	48.7			45.6	38.0	34.1	31.3	28.4	26.2		24.8	26.5	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	7.3	22.3	17.3			16.7	13.4	12.1	11.7	11.3	11.9		12.0	8.6	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	314.2			278.5	240.0	220.2	203.3	187.4	175.9		176.1	193.4	
PV of public sector debt-to-revenue ratio (in percent)	...	...	362.2			315.8	271.8	248.8	229.1	210.8	197.4		195.6	211.0	
<i>of which: external 3/</i>	...	...	226.8			205.6	174.9	157.5	145.2	131.9	122.1		117.0	128.0	
Debt service-to-revenue and grants ratio (in percent) 4/	15.9	86.6	78.5			85.3	71.3	65.7	63.6	61.1	58.8		46.7	33.7	
Debt service-to-revenue ratio (in percent) 4/	17.0	103.9	90.5			96.7	80.7	74.3	71.7	68.8	66.0		51.9	36.8	
Primary deficit that stabilizes the debt-to-GDP ratio	-0.8	7.4	7.8			2.6	7.3	1.8	1.1	1.2	1.1		1.0	1.0	
<b>Key macroeconomic and fiscal assumptions</b>															
Real GDP growth (in percent)	2.4	7.3	6.2	1.2	4.7	3.1	2.7	2.7	2.7	2.7	2.7	2.8	2.7	2.7	2.7
Average nominal interest rate on forex debt (in percent)	2.6	3.0	3.7	2.5	0.7	3.3	3.1	2.7	2.6	2.5	2.5	2.8	2.0	1.8	1.9
Average real interest rate on domestic debt (in percent)	1.9	3.9	1.8	2.9	1.3	2.7	1.2	1.9	2.0	1.9	1.9	1.9	2.0	2.1	2.0
Real exchange rate depreciation (in percent, + indicates depreciation)	-1.3	1.0	-0.5	0.1	1.4	-0.3	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	2.9	0.8	1.6	1.4	1.5	1.5	3.2	2.3	2.2	2.3	2.3	2.3	2.3	2.3	2.3
Growth of real primary spending (deflated by GDP deflator, in percent)	9.1	10.8	-6.2	1.9	6.0	-7.3	3.6	2.7	2.9	3.6	8.1	2.3	2.3	2.4	3.3
Grant element of new external borrowing (in percent)	...	...	...	...	...	29.1	13.8	33.5	32.9	32.6	29.7	28.6	29.7	29.7	29.7

Sources: Country authorities; and staff estimates and projections.

1/ Comprises central government and government guaranteed debt

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

6/ Debt relief includes savings from restructuring agreements reached with external and domestic creditors.

Table A1.2. Grenada: External Debt Sustainability Framework, 2013-36

(In percent of GDP)

	Actual			Historical Average	Standard Deviation	Projections					2016-2021 Average	2026	2036	2022-2036 Average		
	2013	2014	2015			2016	2017	2018	2019	2020					2021	
<b>External debt (nominal) 1/</b>	<b>144.7</b>	<b>144.8</b>	<b>137.1</b>			<b>132.8</b>	<b>122.5</b>	<b>116.8</b>	<b>112.5</b>	<b>107.9</b>	<b>104.3</b>					
<i>of which: public and publicly guaranteed (PPG)</i>	70.8	67.7	62.6			59.9	51.9	47.4	44.1	40.6	38.0			37.7	37.0	
Change in external debt	3.7	0.1	-7.7			-4.3	-10.3	-5.7	-4.3	-4.6	-3.6			-1.1	-0.9	
Identified net debt-creating flows	2.6	1.2	-4.0			2.1	3.2	3.9	4.1	4.5	5.6			4.0	3.4	
<b>Non-interest current account deficit</b>	<b>21.4</b>	<b>14.4</b>	<b>14.1</b>	<b>20.3</b>	<b>4.3</b>	<b>12.4</b>	<b>13.3</b>	<b>14.2</b>	<b>14.8</b>	<b>15.3</b>	<b>16.4</b>			<b>14.9</b>	<b>14.1</b>	14.6
Deficit in balance of goods and services	21.9	15.6	14.8			12.5	14.1	15.0	15.7	16.1	17.2			15.2	13.8	
Exports	28.5	28.0	27.2			28.2	27.8	27.9	28.0	28.1	28.1			28.8	31.0	
Imports	50.4	43.6	42.0			40.7	41.9	42.9	43.7	44.2	45.4			44.0	44.7	
Net current transfers (negative = inflow)	-2.2	-2.9	-2.2	-3.5	1.0	-2.7	-2.6	-2.5	-2.6	-2.6	-2.6			-2.3	-1.8	-2.1
<i>of which: official</i>	-0.2	-1.1	-0.6			-1.1	-1.1	-1.0	-1.0	-1.0	-1.0			-0.9	-0.7	
Other current account flows (negative = net inflow)	1.7	1.7	1.5			2.5	1.8	1.7	1.7	1.7	1.7			2.0	2.1	
<b>Net FDI (negative = inflow)</b>	<b>-13.4</b>	<b>-4.4</b>	<b>-9.9</b>	<b>-9.3</b>	<b>4.7</b>	<b>-8.3</b>	<b>-8.6</b>	<b>-8.6</b>	<b>-9.1</b>	<b>-9.1</b>	<b>-9.1</b>			<b>-9.1</b>	<b>-9.1</b>	-9.1
<b>Endogenous debt dynamics 2/</b>	<b>-5.3</b>	<b>-8.8</b>	<b>-8.2</b>			<b>-1.9</b>	<b>-1.5</b>	<b>-1.6</b>	<b>-1.6</b>	<b>-1.6</b>	<b>-1.6</b>			<b>-1.8</b>	<b>-1.6</b>	
Contribution from nominal interest rate	1.9	2.1	2.5			2.1	1.9	1.5	1.4	1.3	1.1			0.8	0.7	
Contribution from real GDP growth	-3.1	-9.8	-8.4			-4.0	-3.4	-3.1	-3.0	-2.9	-2.8			-2.6	-2.3	
Contribution from price and exchange rate changes	-4.0	-1.1	-2.3			...	...	...	...	...	...			...	...	
<b>Residual (3-4) 3/</b>	<b>1.1</b>	<b>-1.1</b>	<b>-3.6</b>			<b>-6.5</b>	<b>-13.5</b>	<b>-9.6</b>	<b>-8.4</b>	<b>-9.1</b>	<b>-9.2</b>			<b>-5.1</b>	<b>-4.3</b>	
<i>of which: exceptional financing</i>	-0.7	-3.4	-3.1			-0.5	-2.1	0.0	0.0	0.0	0.0			0.0	0.0	
<i>debt restructuring</i>	0.0	-1.9	-4.9			-0.6	-4.5	-0.5	0.0	0.0	0.0					
<i>capital transfers</i>	...	...	...			-6.1	-6.7	-6.4	-6.8	-6.7	-6.7			-6.3	-5.7	
PV of external debt 4/	...	...	123.2			118.5	108.6	103.6	99.7	95.7	92.5			85.8	78.1	
In percent of exports	...	...	452.2			420.4	390.4	371.7	356.5	341.1	328.7			297.8	252.2	
<b>PV of PPG external debt</b>	<b>...</b>	<b>...</b>	<b>48.7</b>			<b>45.6</b>	<b>38.0</b>	<b>34.1</b>	<b>31.3</b>	<b>28.4</b>	<b>26.2</b>			<b>24.8</b>	<b>26.5</b>	
In percent of exports	...	...	178.9			161.7	136.6	122.5	112.0	101.2	93.2			86.0	85.5	
In percent of government revenues	...	...	226.8			205.6	174.9	157.5	145.2	131.9	122.1			117.0	128.0	
<b>Debt service-to-exports ratio (in percent)</b>	<b>6.5</b>	<b>13.2</b>	<b>16.7</b>			<b>19.1</b>	<b>17.2</b>	<b>16.4</b>	<b>14.7</b>	<b>14.4</b>	<b>13.4</b>			<b>9.5</b>	<b>7.3</b>	
<b>PPG debt service-to-exports ratio (in percent)</b>	<b>5.9</b>	<b>12.6</b>	<b>16.0</b>			<b>18.5</b>	<b>16.6</b>	<b>15.7</b>	<b>14.1</b>	<b>13.7</b>	<b>12.8</b>			<b>9.0</b>	<b>7.0</b>	
<b>PPG debt service-to-revenue ratio (in percent)</b>	<b>8.6</b>	<b>17.2</b>	<b>20.3</b>			<b>23.5</b>	<b>21.2</b>	<b>20.2</b>	<b>18.2</b>	<b>17.9</b>	<b>16.8</b>			<b>12.2</b>	<b>10.5</b>	
Total gross financing need (Millions of U.S. dollars)	82.4	125.1	85.8			96.8	103.7	116.2	118.1	128.3	145.8			143.2	202.0	
Non-interest current account deficit that stabilizes debt ratio	17.6	14.3	21.7			16.7	23.6	19.9	19.2	19.9	20.0			16.0	15.0	
<b>Key macroeconomic assumptions</b>																
Real GDP growth (in percent)	2.4	7.3	6.2	1.2	4.7	3.1	2.7	2.7	2.7	2.7	2.7	2.8	2.7	2.7	2.7	
GDP deflator in US dollar terms (change in percent)	2.9	0.8	1.6	1.4	1.5	1.5	3.2	2.3	2.2	2.3	2.3	2.3	2.3	2.3	2.3	
Effective interest rate (percent) 5/	1.4	1.6	1.9	1.5	0.2	1.6	1.6	1.3	1.2	1.2	1.1	1.3	0.9	0.8	0.9	
Growth of exports of G&S (US dollar terms, in percent)	3.8	6.3	5.1	3.0	6.2	8.2	4.7	5.3	5.4	5.3	5.3	5.7	5.6	5.2	5.7	
Growth of imports of G&S (US dollar terms, in percent)	7.2	-6.4	4.1	-0.8	9.6	1.3	9.3	7.4	6.9	6.3	7.8	6.5	5.2	5.2	5.0	
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	29.1	13.8	33.5	32.9	32.6	29.7	28.6	29.7	29.7	29.7	
Government revenues (excluding grants, in percent of GDP)	19.5	20.4	21.5			22.2	21.7	21.7	21.6	21.5	21.5			21.2	20.7	
Aid flows (in Millions of US dollars) 7/	11.6	37.2	32.3			31.1	51.2	40.1	40.9	41.8	34.9			39.9	52.3	
<i>of which: Grants</i>	11.6	37.2	32.3			30.6	31.4	32.2	33.1	34.0	34.9			39.9	52.3	
<i>of which: Concessional loans</i>	0.0	0.0	0.0			0.6	19.8	7.8	7.8	7.8	0.0			0.0	0.0	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			4.2	3.1	3.3	3.3	3.1	3.2			3.4	2.9	
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			58.4	72.2	76.8	74.3	77.4	69.6			57.4	55.3	
<b>Memorandum items:</b>																
Nominal GDP (Millions of US dollars)	842.6	911.6	984.1			1029.8	1091.5	1147.2	1204.1	1264.5	1327.9			1697.8	2783.6	
Nominal dollar GDP growth	5.3	8.2	8.0			4.6	6.0	5.1	5.0	5.0	5.0	5.1	5.1	5.1	5.1	
PV of PPG external debt (in Millions of US dollars)	...	...	479.7			469.1	414.8	391.5	377.5	359.2	348.0			420.5	737.3	
(Pvt-Pvt-1)/GDPT-1 (in percent)	...	...	...			-1.1	-5.3	-2.1	-1.2	-1.5	-0.9	-2.0	1.2	1.5	1.3	
Gross workers' remittances (Millions of US dollars)	30.5	31.2	31.8			32.7	33.9	35.4	39.8	44.3	48.9			59.4	87.6	
PV of PPG external debt (in percent of GDP + remittances)	...	...	47.2			44.2	36.9	33.1	30.3	27.4	25.3			23.9	25.7	
PV of PPG external debt (in percent of exports + remittances)	...	...	159.9			145.3	122.9	110.3	100.2	90.0	82.4			76.6	77.7	
Debt service of PPG external debt (in percent of exports + remittance)	...	...	14.3			16.6	14.9	14.1	12.6	12.2	11.3			8.0	6.4	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as  $[r - g - \rho(1+g)] / (1+g+\rho+gp)$  times previous period debt ratio, with  $r$  = nominal interest rate;  $g$  = real GDP growth rate, and  $\rho$  = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange

4/ Assumes that PV of private sector debt is equivalent to its face value.

5/ Current-year interest payments divided by previous period debt stock.

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

7/ Defined as grants, concessional loans, and debt relief.

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

**Table A1.3. Grenada: Sensitivity Analysis for Key Indicators of Public Debt, 2016-36**

	Projections							
	2016	2017	2018	2019	2020	2021	2026	2036
<b>PV of Debt-to-GDP Ratio</b>								
<b>Baseline</b>	70	59	54	49	45	42	41	44
<b>A. Alternative scenarios</b>								
A1. Real GDP growth and primary balance are at historical averages	70	65	65	65	66	66	71	84
A2. Primary balance is unchanged from 2016	70	58	53	48	43	38	16	-17
A3. Permanently lower GDP growth 1/	70	60	56	52	49	47	55	87
A4. Alternative Scenario: Natural Disaster	70	64	58	54	50	47	46	48
<b>B. Bound tests</b>								
B1. Real GDP growth is at historical average minus one standard deviations in 2017-2018	70	64	65	62	59	58	66	84
B2. Primary balance is at historical average minus one standard deviations in 2017-2018	70	65	66	61	56	53	52	51
B3. Combination of B1-B2 using one half standard deviation shocks	70	67	69	65	62	60	64	74
B4. One-time 30 percent real depreciation in 2017	70	78	72	67	62	59	54	53
B5. 10 percent of GDP increase in other debt-creating flows in 2017	70	67	61	57	52	49	48	48
<b>PV of Debt-to-Revenue Ratio 2/</b>								
<b>Baseline</b>	279	240	220	203	187	176	176	193
<b>A. Alternative scenarios</b>								
A1. Real GDP growth and primary balance are at historical averages	279	263	264	267	270	273	297	362
A2. Primary balance is unchanged from 2016	279	238	215	196	176	156	67	-77
A3. Permanently lower GDP growth 1/	279	243	226	213	201	194	231	381
A4. Alternative Scenario: Natural Disaster	279	258	238	221	206	194	195	213
<b>B. Bound tests</b>								
B1. Real GDP growth is at historical average minus one standard deviations in 2017-2018	279	258	260	249	240	236	277	369
B2. Primary balance is at historical average minus one standard deviations in 2017-2018	279	266	269	249	233	221	219	227
B3. Combination of B1-B2 using one half standard deviation shocks	279	271	281	266	253	245	269	324
B4. One-time 30 percent real depreciation in 2017	279	318	296	276	258	243	228	235
B5. 10 percent of GDP increase in other debt-creating flows in 2017	279	273	250	232	216	205	204	215
<b>Debt Service-to-Revenue Ratio 2/</b>								
<b>Baseline</b>	85	71	66	64	61	59	47	34
<b>A. Alternative scenarios</b>								
A1. Real GDP growth and primary balance are at historical averages	85	72	68	67	66	65	58	54
A2. Primary balance is unchanged from 2016	85	71	66	63	61	58	44	18
A3. Permanently lower GDP growth 1/	85	72	67	65	63	62	52	48
A4. Alternative Scenario: Natural Disaster	85	73	68	66	63	61	49	36
<b>B. Bound tests</b>								
B1. Real GDP growth is at historical average minus one standard deviations in 2017-2018	85	75	74	72	69	67	55	47
B2. Primary balance is at historical average minus one standard deviations in 2017-2018	85	71	67	65	62	60	50	37
B3. Combination of B1-B2 using one half standard deviation shocks	85	74	71	70	67	64	54	45
B4. One-time 30 percent real depreciation in 2017	85	75	74	71	68	66	53	42
B5. 10 percent of GDP increase in other debt-creating flows in 2017	85	71	67	65	62	60	49	36

Sources: Country authorities; and staff estimates and projections.  
1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.  
2/ Revenues are defined inclusive of grants.

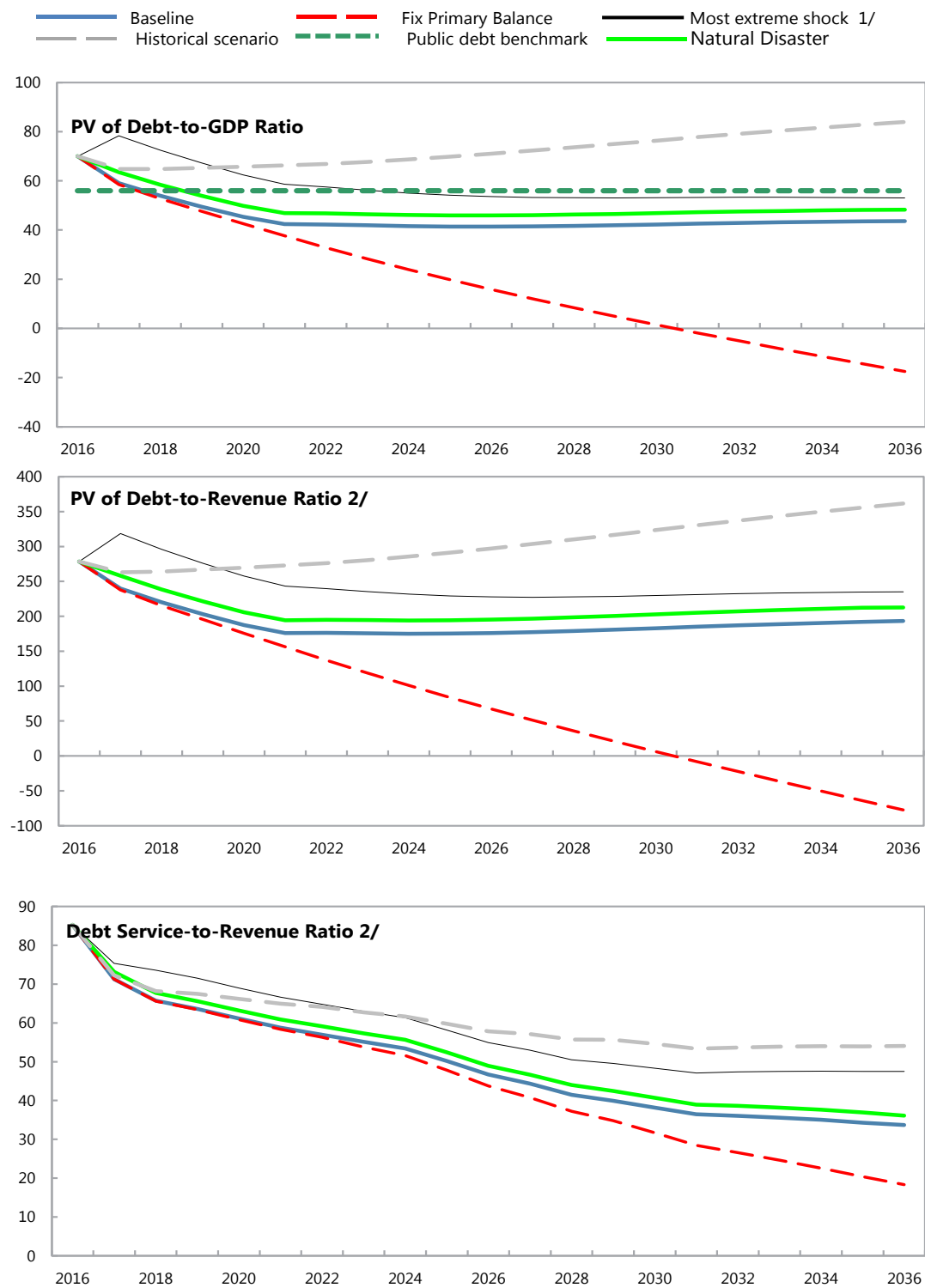
**Table A1.4. Grenada: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2016-36**

	Projections							
	2016	2017	2018	2019	2020	2021	2026	2036
<b>PV of debt-to GDP ratio</b>								
<b>Baseline</b>	46	38	34	31	28	26	<b>25</b>	26
<b>A. Alternative Scenarios</b>								
A1. Key variables at their historical averages in 2016-2036 1/	46	44	45	46	48	49	<b>68</b>	92
A2. New public sector loans on less favorable terms in 2016-2036 2	46	38	35	33	30	28	<b>31</b>	39
A3. Alternative Scenario: Natural Disaster	46	42	38	35	32	30	<b>28</b>	27
<b>B. Bound Tests</b>								
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	46	40	39	36	32	30	<b>28</b>	30
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	46	39	39	36	33	31	<b>28</b>	27
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	46	39	36	33	30	28	<b>26</b>	28
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	46	41	40	37	34	32	<b>29</b>	27
B5. Combination of B1-B4 using one-half standard deviation shocks	46	43	45	42	38	36	<b>33</b>	31
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	46	54	48	44	40	37	<b>35</b>	37
<b>PV of debt-to-exports ratio</b>								
<b>Baseline</b>	162	137	122	112	101	93	<b>86</b>	86
<b>A. Alternative Scenarios</b>								
A1. Key variables at their historical averages in 2016-2036 1/	162	158	160	166	170	174	<b>235</b>	298
A2. New public sector loans on less favorable terms in 2016-2036 2	162	138	126	117	107	101	<b>109</b>	125
A3. Alternative Scenario: Natural Disaster	162	151	137	126	115	107	<b>96</b>	87
<b>B. Bound Tests</b>								
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	162	137	122	112	101	93	<b>86</b>	86
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	162	153	163	150	137	128	<b>115</b>	103
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	162	137	122	112	101	93	<b>86</b>	86
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	162	147	144	133	122	114	<b>102</b>	89
B5. Combination of B1-B4 using one-half standard deviation shocks	162	151	158	146	134	125	<b>112</b>	98
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	162	137	122	112	101	93	<b>86</b>	86
<b>PV of debt-to-revenue ratio</b>								
<b>Baseline</b>	206	175	158	145	132	122	<b>117</b>	128
<b>A. Alternative Scenarios</b>								
A1. Key variables at their historical averages in 2016-2036 1/	206	202	206	215	222	228	<b>320</b>	446
A2. New public sector loans on less favorable terms in 2016-2036 2	206	177	162	151	140	132	<b>148</b>	187
A3. Alternative Scenario: Natural Disaster	206	194	176	164	150	140	<b>131</b>	131
<b>B. Bound Tests</b>								
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	206	186	179	165	150	138	<b>133</b>	145
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	206	182	178	166	152	142	<b>134</b>	132
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	206	181	167	153	139	129	<b>124</b>	135
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	206	188	185	172	159	149	<b>138</b>	133
B5. Combination of B1-B4 using one-half standard deviation shocks	206	197	207	193	178	167	<b>156</b>	149
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	206	247	222	205	186	172	<b>165</b>	180

**Table A1.4. Grenada: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2016-36 (concluded)**

<b>Baseline</b>	18	17	16	14	14	13	<b>9</b>	7
<b>A. Alternative Scenarios</b>								
A1. Key variables at their historical averages in 2016-2036 1/	18	17	17	16	16	16	<b>18</b>	27
A2. New public sector loans on less favorable terms in 2016-2036 2	18	17	15	14	13	12	<b>10</b>	10
A3. Alternative Scenario: Natural Disaster	18	17	16	15	14	13	<b>10</b>	8
<b>B. Bound Tests</b>								
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	18	17	16	14	14	13	<b>9</b>	7
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	18	18	19	17	17	16	<b>12</b>	9
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	18	17	16	14	14	13	<b>9</b>	7
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	18	17	16	15	14	13	<b>11</b>	8
B5. Combination of B1-B4 using one-half standard deviation shocks	18	17	18	16	16	15	<b>12</b>	9
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	18	17	16	14	14	13	<b>9</b>	7
<b>Debt service-to-revenue ratio</b>								
<b>Baseline</b>	23	21	20	18	18	17	<b>12</b>	11
<b>A. Alternative Scenarios</b>								
A1. Key variables at their historical averages in 2016-2036 1/	23	22	22	21	21	21	<b>24</b>	40
A2. New public sector loans on less favorable terms in 2016-2036 2	23	21	20	18	17	15	<b>13</b>	15
A3. Alternative Scenario: Natural Disaster	23	21	21	19	19	17	<b>14</b>	11
<b>B. Bound Tests</b>								
B1. Real GDP growth at historical average minus one standard deviation in 2017-2018	23	23	23	21	20	19	<b>14</b>	12
B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/	23	21	20	19	18	17	<b>14</b>	12
B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018	23	22	21	19	19	18	<b>13</b>	11
B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/	23	21	21	19	19	17	<b>15</b>	12
B5. Combination of B1-B4 using one-half standard deviation shocks	23	23	23	21	21	20	<b>16</b>	14
B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/	23	30	28	26	25	24	<b>17</b>	15
<i>Memorandum item:</i>								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	28	28	28	28	28	28	<b>28</b>	28
Sources: Country authorities; and staff estimates and projections.								
1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.								
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.								
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming and offsetting adjustment in import levels).								
4/ Includes official and private transfers and FDI.								
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.								
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.								

**Figure A1.1. Grenada: Indicators of Public Debt under Alternative Scenarios, 2016-36 <sup>1/</sup>**



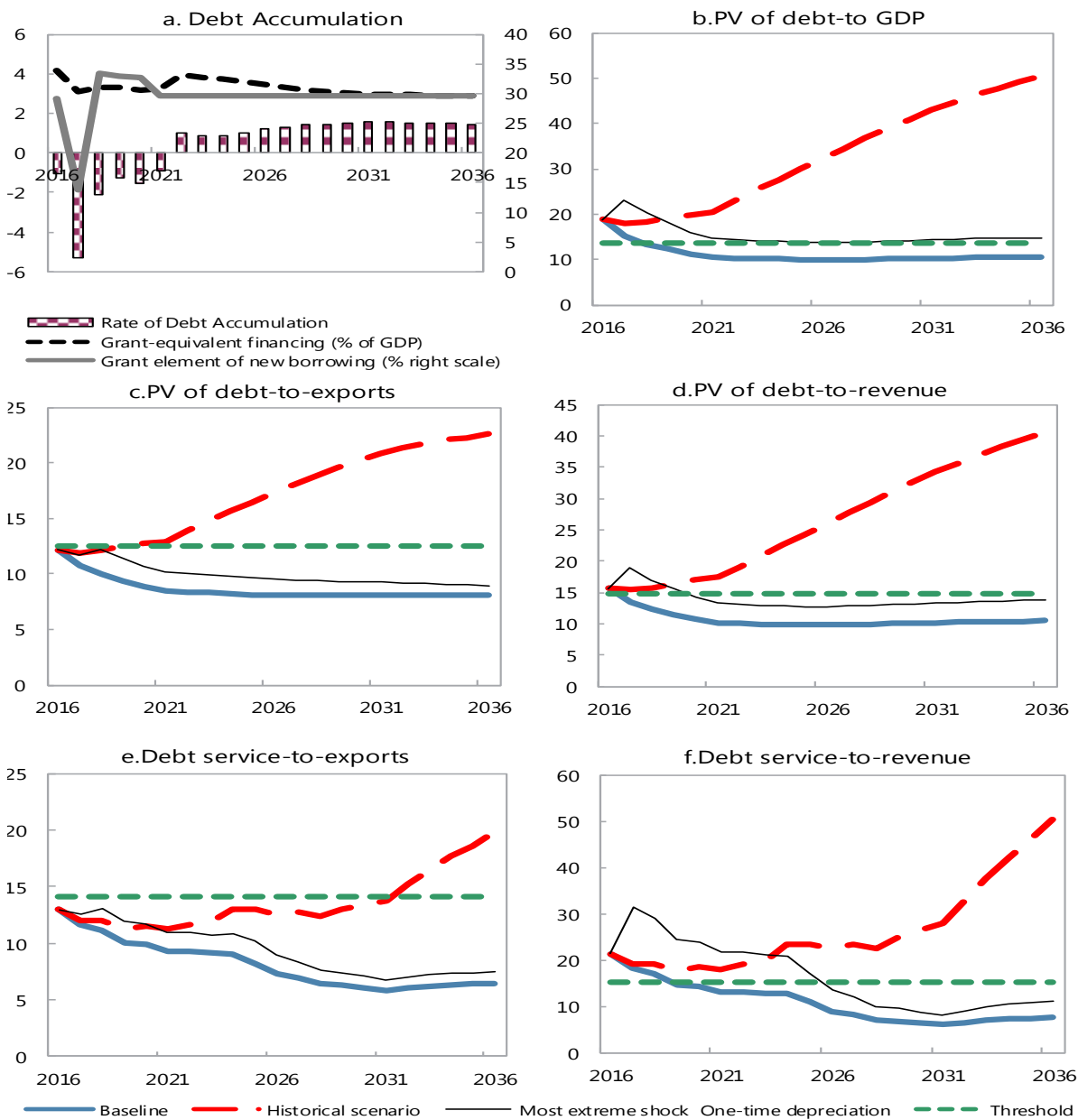
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2026.

2/ Revenues are defined inclusive of grants.



**Figure A1.2. Grenada: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2016-36 <sup>1/</sup>**



Sources: Country authorities; and staff estimates and projections.

<sup>1/</sup> The most extreme stress test is the test that yields the highest ratio on or before 2026. In figure b, it corresponds to a One-time depreciation shock; in c, to a Exports shock; in d, to a One-time depreciation shock; in e, to a Exports shock and in figure f, to a One-time depreciation shock

## Annex II. Strengthening Wage Bill Management in Grenada

Grenada developed a public wage bill reform plan to manage the public sector wage bill in a manner that is sustainable, effective, and consistent with its Fiscal Responsibility Act (FRA). The work plan was approved by Cabinet in November and will be implemented over the period 2016-2019. The reform plan drew on technical assistance (TA) provided by FAD in July-September 2016 on a review of public sector employment and compensation. This Annex presents the key findings and recommendations of the FAD experts as well as staff following discussions with the authorities in October 2016.

**The government has undertaken effective, short term measures to reduce the wage bill during the home-grown program.** At the onset of the ECF-supported program, the government relied on temporary strategies to lower the wage bill from 10.7 percent of GDP in 2013 to 8.1 percent in 2015, just under the Caribbean average. These include a nominal wage freeze and automatic step increment deferral, accounting for about one fourth of the decline, and a broad-based reduction in employment under a strict attrition policy (3 replacements for every 10 departures).<sup>1</sup> The tight hiring controls by the Department of Public Administration (DPA) have brought employment-to-population ratios into line with peers and international comparators. These wage and workforce control measures, which are set to expire at end-2016, are not sustainable nor desirable, over the long term.

**The status quo in terms of automatic pay grade increases (increments) and negotiated wage increases will result in an unsustainable trajectory of the public sector wage bill.** The current system of remuneration involves automatic pay grade increases (step increments) to eligible established employees, divorced from performance outcomes, costing on average a 2.4 percent increase in the wage bill annually. They are also unrelated to gains in service delivery. These annual step increments are based on the Education Act and public service Statutory Rules and Orders, and are a legal obligation of the government.<sup>2</sup> Singlehandedly, these automatic increments put the wage bill on an unsustainable path. Containing rising pressures on the wage bill is expected to be challenging: absent reforms and combined with retro-active payments for increments accrued (from January 2014 to June 2016) and a resumption of increments and negotiated wage increases next year, the wage bill would breach the FRA ceiling of 9 percent of GDP next year.

**Other structural issues hinder effective wage bill management.** These include:

(i) an outdated pay grid, which rewards seniority as persons with more tenure earn higher wages through annual increments, progressing towards the maximum step within each grade which averages 1.5 times the pay of the lowest step. On average, pay increases by 20 percent between

<sup>1</sup> While the police were exempt, doctors, nurses and teachers were not subjected to the attrition policy.

<sup>2</sup> The step increase was last paid in 2013. This was challenged by the public sector labor unions and in recognition of the outstanding obligation, entitled workers' pay were adjusted in July 2016 to be current in 2016 with step increments. Related retro-active obligations of step increments costing \$7.5 million (0.3 percent of GDP) are scheduled to be paid in the first quarter of 2017.

grades. These relativities have been in place since the job evaluation done in 1995, despite a review of the pay grading system conducted in 2005. As such, the public-private pay premium has narrowed and comparative wages might not reflect current labor market trends, disproportionately affecting professional and specialized staff;

(ii) a hiring control-induced misallocation of human resources with clear gaps in some ministries and areas (specialized doctors) and excess in others (teachers and nurses);

(iii) varying types of employment and contractual arrangements (established, un-established, project) that are inconsistent with government needs, arising from efforts to circumvent budget restrictions and skirt oversight. Budgets lack transparency on headcounts beyond established posts, precluding staffing analyses, complicating human resource management across government and affecting expenditure in the medium term;

(iv) limited application of the performance appraisal system due to its complexity, lack of objectivity and attention to strategic development, and no enforcement.

(v) delayed and lengthy wage negotiations that do not appear to be guided by market parameters like cost of living adjustments or performance, and have typically led to unpredictably large retroactive payments that burden the budget.

**Collectively, these factors make it difficult to recruit, train and motivate workers while ensuring quality service delivery, underscoring the need for reform.** Moreover, an inequitable and irrational system of remuneration can have adverse effects on productivity and effectiveness. This is particularly important in a small state where the public service can strongly influence overall labor market conditions and economic productivity.

## Recommendations

**The technical assistance report proposed comprehensive reform options.** The goal is to improve wage bill management while limiting fiscal risks and balancing trade-offs between affordability, service delivery and competitive pay to attract and motivate skilled staff. The reforms recommended comprise:

(i) **Making negotiated wage increases data driven and forward looking, within the parameters of the FRA.** In order to avoid an explosive wage bill path, increases should be consistent with budgetary constraints, macroeconomic developments, private sector trends and level of increments granted. In line with international best practices, bargaining should be data-driven based on published annual reports with relevant economic information such as inflation, market comparators, and eventually productivity, and supported by a communication strategy. The calendar for wage negotiations should also be established and agreed, concluding annually ahead of the start of budget cycle, with no award of retro-active increases. Aside from a commitment under the FRA to make wage negotiations forward looking, recent successive years of deflation, the current alignment of public and

private wages, and weak estimates of productivity all indicate that wage increases for the period 2014-16 are not warranted.

(ii) **Continuing tight hiring controls while moving towards ‘right sizing’ the public service.** The employment gate-keeping role played by the DPA, in accordance with a 2014 Cabinet Conclusion, should be made permanent, formalized and institutionalized, consistent with ensuring quality service delivery needs.

(iii) **Establishing and maintaining an IT-based human resource registry** of all ministries, including headcount, salaries and job descriptions, by category and grade to facilitate redeployment to help address understaffing.

(iv) **Replacing attrition policy with a global workforce ceiling**, subject to fiscal affordability and other parameters, pending functional review.

(v) **Reforming the costly system of automatic pay increments, including with legislation.** Options for realizing fiscal savings include: (a) lengthening the duration of each step to three years from the current automatic annual increment; (b) linking it to performance and restricting it to the top third performing staff; (c) linking increments to macro-variables (such as tax revenue performance and nominal GDP growth); and/or (d) completely eliminating increments at the risk of affecting the pay relativities and complicating the current simplicity of wage bargaining.

(vi) **Revamping the performance appraisal system** with clear timelines to simplify the process by shortening the form and unifying ratings; strengthening the link between compensation and performance with a restrictive distribution of ratings to reward top performers to also support reform of increments; adopting forward looking objectives consistent with government’s needs and employee career development; inclusion of confidential subordinates’ evaluation of supervisors by sub-ordinates; all supported by a robust and centralized IT system easily accessible by managers and timely records by the Public Service Commission.

(vii) **Conducting a job evaluation exercise to update the relativities in the pay grid periodically** (at least once a decade). The modalities of contracting should be standardized to reflect the strategic needs of the public service with a targeted mix of established posts for permanent core functions, un-established posts for temporary support needs, outsourcing and project workers. In addition, public and private wages should be benchmarked annually to guide pay increases, consistent with labor market developments;

(viii) **Strengthening the payroll system** to facilitate access by human resource officers in line ministries to payroll data at the Accountant General’s office, to assist with HR audits; and

(ix) **Implementing a functional review to identify overlaps or gaps across institutional functions** (over- and understaffing), and to assess the number and quality of staff suitable for the strategic needs of the government to promote effective deployment of workers. This should be accompanied by HR audit to review service delivery procedures and processes and evaluate

potential for use of information technology solutions.

### **Next Steps**

In addition to the initial steps being taken in late 2016, the authorities have prepared a full Plan that lays out the components of reform and the timeline. The next step will be to finalize the reform strategy in a way that elaborates the proposed decisions, resource costs and implementation details for the reforms in all of the areas noted above. This strategy will be finalized by March 2017, after time for consultation across the government, and with labor organizations and other stakeholders. The government plans to implement all of the reforms noted above by December 2018 so they are in place in calendar year 2019.

In addition, the government is working on a detailed, sophisticated and automated human resource registry that will be completed and functioning by March 31, 2017.

## Annex III. Review of Poverty Reduction Strategy Implementation

1. **Grenada's agenda for growth and poverty reduction is outlined in its Growth and Poverty Reduction Strategy Paper** (GPRSP 2014 – 18) which was finalized in November 2014. The strategy focuses on four pillars: Building Resilience, Developing Competitiveness with Equity, Reducing Vulnerability, and Strengthening Governance and Security. The government has attempted to overcome the country's capacity and resource constraints with technical and financial support from its development partners. The results, as assessed against the broad objectives and monitorable indicators, have been mixed.
2. **Implementation in the last two years has focused on establishing an appropriate legal and institutional framework to support the objectives of the strategy.** These were necessary to address shortcomings and provide an environment conducive to improving public service delivery and increasing efficiency. A number of legal and regulatory reforms have been undertaken covering components of the four pillars such as gender equity; environmental and land use management; financial sector laws and supervisory frameworks; public financial management; tax administration laws; the business environment, energy sector, labor and employment. Grenada's parliament has passed over 30 laws and regulations (Table 11) over the past two years. Additionally, a number of operational processes have been recently upgraded and new facilities created which should improve businesses processes and public service delivery but in some cases it is too early to assess outcomes.
3. **Progress in restoring fiscal and debt sustainability and improving macroeconomic conditions has been satisfactory.** Efforts under the government's home-grown program supported by the ECF arrangement, has led to the successful completion of four program reviews. The strengthened fiscal and accountability framework, debt restructuring, and the government's fiscal discipline has lowered public debt from 108 percent of GDP at end-2013 to 85 percent of GDP at end-June 2016. Economic activity has picked up and the external position strengthened while financial stability has improved. Unemployment while still high has declined from 32.5 percent in 2013 to 29 percent in 2015.
4. **Efforts to improve the business environment have been slow, but accelerated in 2016.** Grenada's Doing Business ranking among 189 countries has steadily declined to 135 in 2016 from 68 in 2010.<sup>1</sup> Efforts to address weaknesses have focused on legal and regulatory reforms including the amendment of the Investment Act in 2015 which now includes streamlined investment procedures, codified investment requirements and incentive criteria.<sup>2</sup> The core of the reform effort in 2016 has been with amendments that strengthen the legal framework for investment facilitation, bankruptcy and insolvency, and building quality control and regulation as well as address factors affecting structural unemployment. The government is also revising the GIDC Act which should help make the process for investment more efficient. These reforms occurred too late to affect the recent

<sup>1</sup> See details at <http://www.doingbusiness.org/data/exploreeconomies/grenada/>

<sup>2</sup> IMF Country Report No. 15/333.

rankings. However, the government anticipates that these and ongoing reforms will improve Grenada's competitiveness and improve its growth prospects over the medium term.

**5. The agriculture sector has strengthened and is contributing to poverty reduction.** The 2014/15 reforms to the Marketing and National Import Board (MNIB) which has expanded the number of farmers from which it purchases, encouraged diversification into nontraditional crops, improved productivity, and strengthened the linkages between the agricultural and tourism sectors.<sup>3</sup> The sectors contribution to the economy more than doubled from 3.18 percent in 2013 to 7.15 percent in 2015.

**6. Social spending is broadly aligned with the GPRS and targeting of programs to the poor and vulnerable have improved but the effectiveness of programs has been mixed.**<sup>4</sup> In the health sector, resources have been more effectively redeployed to areas of need such that immunization rates for vaccinateable diseases in children have increased from 90.6 in 2014 to 96.6 in 2015; comprehensive medical, dental and nutrition screening which was introduced in 2015 to 19 has been expanded to 40 schools in 2016, and screening of adults for chronic diseases has increased relative to 2014. At the same time child mortality rates which was 13.2 per thousand in 2012 peaked at 18.9 per thousand in 2014 before declining to 16.5 percent per thousand in 2015.<sup>5</sup> Among the youth, where unemployment in 2013 was above 50 percent, technical vocational and educational training (TVET) programs have been reformed in partnership with the private sector and are better tailored to addressing the skills mismatch and improving prospects for employment. However, while the number of persons taking examinations has increased, pass rates have declined.<sup>6</sup> Three major cash transfer programs were merged in 2014 into the Support for Education and Empowerment Development (SEED) program. 10,873 beneficiaries received the monthly SEED grant in September 2016 compared to 5012 beneficiaries prior to the SEED reform. Targeting was improved in 2016 using a proxy means testing tool which will be deployed to other social protection programs in the near term. Total spending on these social programs including the New IMANI program for the youth increased from 2.4 percent of GDP in 2013 to 2.9 percent of GDP in 2015.

**7. The monitoring and evaluation (M&E) framework underlying the GPRS should be strengthened.** Assessing progress in the implementation of the GPRS and the effectiveness of initiatives could usefully be enhanced with the inclusion of measurable indicators. Accountability and transparency would also be improved with the publication of regular reports and stake holder assessments. Further, strengthening the GPRS M&E framework would provide an opportunity for testing and refining its adequacy ahead of the finalization of the long term national sustainable development plan 2030, and the successor GPRS.

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<sup>3</sup> Agriculture production maybe overstated as they reflect the increase in purchases by the MNIB from farmers that are now included in the formal sector.

<sup>4</sup> Weak statistical capacity hinders the accurate measurement of poverty. The last poverty survey is from 2008.

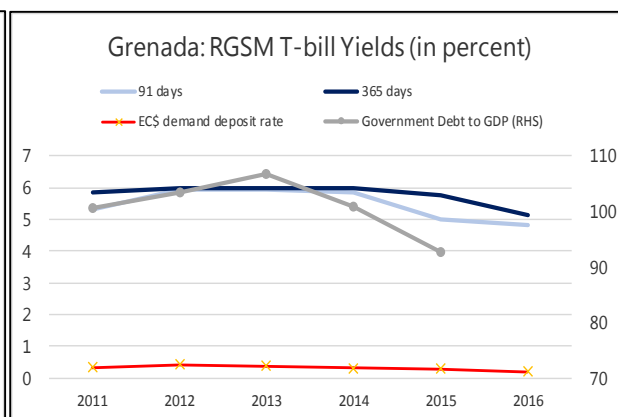
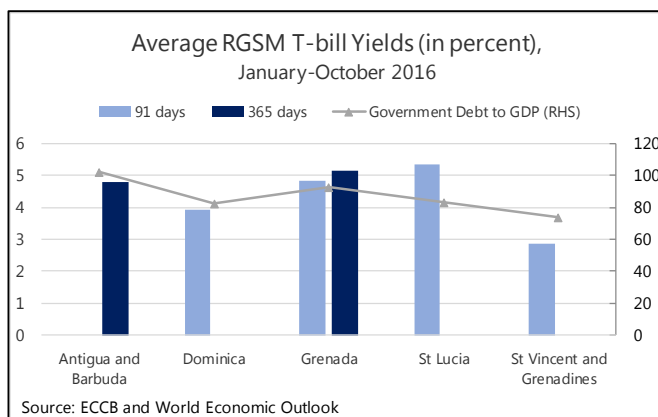
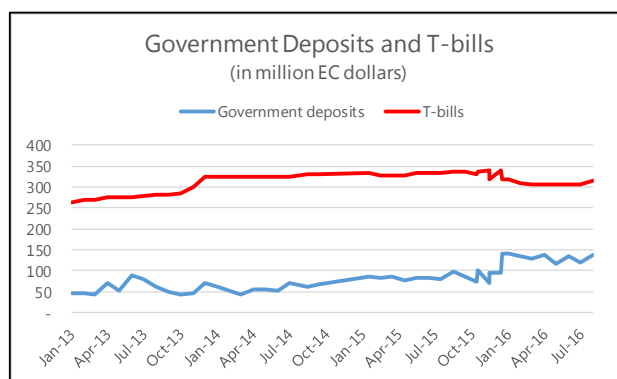
<sup>5</sup> Central Statistical Office and Registrar General Department of the Ministry of Health.

<sup>6</sup> About 54 percent of the students in 2015 were female.

## Annex IV. Managing Short-Term Assets and Liabilities

The strong fiscal performance under the Home Grown Program has allowed the authorities to accumulate deposits at commercial banks and at the ECCB reaching EC\$137 (4.9 percent of GDP) in August 2016. Roughly 20 percent of the stock is earmarked for grant-financed capital projects and about 26 percent for debt service in late-2016. Nonetheless, this relatively comfortable liquidity position at a time of still high and costly short term debt calls for a strategy to manage the government’s short-term assets and liabilities more actively, complementing the recently developed Medium-Term Debt Strategy.

At end-June, the stock of treasury bills with maturities of 91 to 365 days stood at EC\$306 million, of which EC\$82 million were issued on the Regional Government Securities Market (RGSM) and the rest through private placements.<sup>1</sup> The authorities recently announced a reduction of interest rates on rollovers of privately placed T-bills to 3 percent. However, the latest issue on the RGSM yielded rate of 5.7 percent, underscoring the still high marginal cost of debt, including in real terms. Moreover, the opportunity costs are considerable when taking into consideration the return on cash deposits. Staff argued that the newly accumulated deposits could in part be used to gradually reduce the stock of short term debt. More generally, staff encouraged the authorities to let the stock of short-term debt respond to changes in short-term financing needs.



<sup>1</sup> The stock of T-bills has been reduced during the program, as a significant share of privately placed treasury bills was restructured into new longer term securities as part of the wider debt restructuring.



Under the RGSM's mechanism of uniform price auctions, a gradual reduction of T-bill issues could lead to an immediate reduction in yields, as many bids are considerably lower than the cutoff bid that determines the yield. Moreover, even though Grenada has remained current on its RGSM T-bills, its debt is seen as riskier than that of Dominica and St Vincent and the Grenadines, which have lower debt levels. A faster reduction in the debt stock could lead to lower sovereign spreads and thereby lower the cost of borrowing.

## Annex V. Risk Assessment Matrix<sup>1</sup>

Source of Risks	Relative Likelihood	Time Horizon	Expected Impact	Recommend Policy Response
<p><b>Structurally weak growth in key advanced economies.</b> Weak demand and persistently low inflation from a failure to fully address crisis legacies and undertake structural reforms leading to low medium-term growth and persistent financial imbalances.</p>	<b>High</b>	<b>Medium Term</b>	<p><b>High.</b> Slower growth in advanced economies could directly dampen Grenada's growth through lower tourism arrivals, remittances, and FDI. The fiscal position could also worsen with weaker revenues.</p>	Carry through with the programmed fiscal adjustment and structural reforms.
<p><b>Zika Virus</b>, a virus transmitted by mosquitoes that causes flu-like symptoms but is suspected to be associated with microcephaly.</p>	<b>High</b>	<b>Near Term</b>	<p><b>High.</b> If the virus becomes more widespread it could significantly discourage tourist arrivals, widen current account deficit and dampen growth.</p>	Raise public awareness of the virus and related health issues and urge proactive prevention measures by tourism facilities (e.g. regular mosquito fogging).
<p><b>Slowdown in commodity exporter Trinidad and Tobago).</b> Lower oil prices could further weaken activity and spill over to their financial sector, further dampening demand and growth and resulting in negative feedback loops.</p>	<b>Medium</b>	<b>Near Term</b>	<p><b>Medium.</b> Grenada's growth could be affected through lower tourism arrivals, remittances and FDI. Financial spillover channels could include a cutback in lending from Trinidadian banks and tightened liquidity in regional financial markets, posing rollover risks for sovereign debt.</p>	See (1). Strengthen creditworthiness and build fiscal and financing buffers by implementing home grown program, saving receipts from the CBI program, adhering to the FRA and focusing public investment to raise productivity and competitiveness.
<p><b>Protracted uncertainty associated with negotiating post-Brexit arrangements</b> could weigh on confidence and investment more than expected in the UK and the rest of Europe. Increased barriers could also dampen the longer-run economic performance of affected countries more than expected.</p>	<b>Medium</b>	<b>Near to Medium Term</b>	<p><b>Medium.</b> The UK accounts for about 20 percent of tourism arrivals to Grenada. Slower growth in the UK and advanced economies adversely affected by Brexit could dampen growth through lower tourism arrivals, remittances, and FDI. The fiscal position could also worsen with weaker revenues.</p>	Build resilience by carrying through with the programmed fiscal adjustment. Proceed with structural reforms to improve external competitiveness which could lead to some diversification in export markets. Consider regional approach.
<p><b>Reduced financial services by global/ regional banks:</b> Further loss of correspondent banking services significantly curtails cross-border payments, trade finance, and remittances in small economies.</p>	<b>High</b>	<b>Short Term</b>	<p><b>Medium.</b> Shock to remittance flows could have a short-run impact on BOP net inflows and reduced consumption spending. Disrupted banking services could also hinder financial transactions in the tourism industry.</p>	Continue efforts to strengthen AML/CFT and financial sector supervision. Implement regional strategy to strengthen bank balance sheets.

Source of Risks	Relative Likelihood	Time Horizon	Expected Impact	Recommend Policy Response
<b>Higher than expected public sector wage increase and delays in public sector wage bill reforms</b> could push the wage bill above the 9 percent of GDP FRA-mandated ceiling.	<b>High</b>	<b>Near to Medium Term</b>	<b>Medium.</b> Higher than projected wage bill will jeopardize the progress so far to put public finances on a sustainable path, crowd out fiscal space for productive public investment and could hurt competitiveness and employment prospects given likely impact on private sector	Agree on reform strategy as per structural benchmark. Agree on wage contracts prior to budget completion. Carry through with the programmed fiscal adjustment and structural reforms.
<b>Opening of U.S-Cuba tourism</b> , following the regularization of diplomatic relations between the two countries	<b>High</b>	<b>Short Term</b>	<b>Low.</b> It is unclear how the ECCU will be affected. Research so far suggests ECCU niche could be preserved and downside risks are expected to be manageable.	Comprehensive approach to raise competitiveness; build regional synergy against potential negative shocks.
<b>Natural disasters</b> , mainly hurricanes, could cause severe damage to infrastructure and disrupt tourism flows.	<b>Medium</b>	<b>Medium Term</b>	<b>High.</b> The cost of infrastructure rehabilitation would put pressure on the fiscal position. The disruption to the hotel plant would slow tourism inflows, reduce growth and widen the current account deficit.	Build buffers by saving receipts from the CBI program as per NTF rules; increase coverage of natural disaster insurance with donor assistance; adhere to the fiscal rules in the FRA. In long-term, work with World Bank/donors to build resilience to climate change.

<sup>1</sup> The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term" and "medium term" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

## Appendix I. Letter of Intent

November 22, 2016

Ms. Christine Lagarde  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431  
USA

Dear Madame Lagarde,

We are now in the final year of implementation of our Homegrown Programme, supported by our regional and international partners, and have continued to make significant progress in boosting economic growth, restoring fiscal and debt sustainability and strengthening the financial sector. We have met all continuous and end-June 2016 quantitative performance criteria and strong progress was made on the structural reform agenda.

As committed, we achieved our third successive primary surplus, outperforming the end-June 2016 programme target by a significant margin. The substantial legislative reforms that we have undertaken to overhaul our fiscal policy framework, together with our ongoing fiscal consolidation efforts, have set the foundation for fiscal and debt sustainability and longer-term economic growth. Accordingly, we have remained firmly on track to successfully implement the remainder of our programme and have already taken the necessary fiscal adjustment measures to complete the programmed fiscal consolidation.

The Government remains fully committed to the objectives and targets of its programme, as set out in the previous Memoranda of economic and Financial Policies (MEFPs). The attached supplement to the MEFP (Attachment I), together with the Technical Memorandum of Understanding (Attachment II) present performance under the programme thus far and update the specific policies toward meeting the objectives of the home-grown economic programme. Our key focus going forward will be on safeguarding the results thus far, while advancing reforms to ensure sustainable public sector wage management, and to boost productivity, employment and growth.

On the basis of our performance under the programme and commitment to continued implementation, our Government requests that the Executive Board of the IMF complete the fifth review of the arrangement under the ECF and the financing assurances review, approve the request for modification of performance criteria and the proposed structural benchmarks, and approve the sixth disbursement under the arrangement of the equivalent of SDR 2 million.

We are confident that the policies described in the attached MEFP are adequate to achieve our programme's objectives. However, if necessary, our Government stands ready to take any additional

measures that may be required. We will consult with the Fund on the adoption of such measures and in advance of revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultation. Our Government will also provide the Fund staff with all the relevant information required to complete programme reviews and monitor performance on a timely basis.

We consent to the publication of this letter, and its attachments as well as the related staff report.

Yours truly,

/s/

**Dr. The Rt. Hon. Keith C. Mitchell**  
**PRIME MINISTER AND MINISTER OF FINANCE**

## Attachment I. Memorandum of Economic and Financial Policies for 2016-17

**1. Grenada continues to make important progress restoring fiscal and debt sustainability.** On May 18<sup>th</sup>, 2016, the IMF's Executive Board completed the Fourth Review of the three-year arrangement under the Extended Credit Facility (ECF) in support of Grenada's home-grown economic reform programme. Directors concluded that overall programme implementation remained strong through End-December 2015. For the Fifth Review, all June 2016 quantitative targets were met and the structural reform agenda advanced. Notably, the social spending target under the SEED programme was met in June for the first time; a new Grenada Industrial Development Corporation (GIDC) Act and new Labour Code were approved by Parliament; and we have developed a comprehensive reform plan to manage the public sector wage bill which was approved by Cabinet in November.

**2. The Government remains fully committed to its reform strategy and programme objectives.** The policies outlined in the June 2014 MEFP and the December 2014, June 2015, November 2015, and May 2016 Supplements remain valid in full, unless modified below. The quantitative targets that serve as performance criteria and indicative targets under the programme are presented in Table 1. Structural conditions under the programme, incorporating modifications and additions as discussed below, are presented in Table 2.

### Fiscal Consolidation in 2016

**3. The Government achieved a large primary surplus in the first half of 2016.** At 3 percent of GDP, the primary surplus outperformed the June programme target by a wide margin. This performance was driven by sustained adjustment efforts underpinned by continued strong growth and improvements in tax administration and compliance. Strict budget controls kept primary spending within the programmed envelope while public employment and the wage bill were maintained below the monitoring targets for the first half of 2016. With the progress achieved so far, the Government had undertaken by June 2016 fiscal adjustment of 7.6 percent of GDP since embarking on our home-grown adjustment programme, marking a significant turnaround in the fiscal position.

**4. With three quarters of the fiscal adjustment targeted for 2016 already achieved in the first half of the year, we are on track to achieve the end-December fiscal targets.** Our main task for the remainder of 2016 will be to continue closely monitoring and managing execution of the capital budget to safeguard the early gains and secure the 3.5 percent of GDP primary surplus target set under the ECF-supported programme. In addition, we are committed to maintaining the public sector wage bill and employment in line with the monitoring targets. These efforts will be supported going forward by the VAT on fee-based banking services, full implementation of which began in August. No additional adjustment measures are required to achieve the programmed fiscal consolidation for 2016.

## The 2017 Budget

**5. We are committed to maintaining the discipline required to restore fiscal sustainability in the medium term.** Consistent with our Fiscal Responsibility Act (FRA), the 2017 budget aims to achieve a primary surplus of at least 3.5 percent of GDP, target a wage bill lower than 9 percent of GDP (see below) and includes realistic Citizenship by Investment (CBI) programme-related revenue projections. The budget will be presented to Parliament in December and approved by end-December 2016 (**proposed structural benchmark**). To achieve the aforementioned targets, we are committed to:

- **Targeting spending on the wage bill at 8.8 percent of GDP, under the 9 percent of GDP ceiling stipulated in the FRA.** The Cabinet-approved wage bill target of at most 8.8 percent of GDP (**a prior action**) informed our negotiations with public sector unions (¶18) and is inclusive of the agreed payment for deferred increments (salary grade increases) for the period of 2014-2015 and January-June 2016. The amount of the accrued increments is estimated at 0.3 percent of GDP based on the salary adjustment for eligible public servants in July 2016.
- **Prudently managing receipts from our CBI programme to ensure that our fiscal consolidation efforts remain unaffected by the uncertain nature of these inflows.** In this respect, the 2017 Budget adopts a conservative assumption on the receipt of EC\$32.5 million as capital grants from the NTF based on projected 2016 levels, at EC\$22 million, and reflecting conservative projections for growth based on market trends and new marketing arrangements. This approach, which is consistent with the proposed structural benchmark noted above and stipulations for realistic projections under our new Public Finance Management (PFM) Act, would provide a safeguard against any potential shortfall in these grants that could risk derailing capital budget execution. To maximize the long-term benefits of these NTF resources on our nation, we further commit to:
  - Adhere to the NTF regulations and save 40 percent of the monthly inflows into the NTF for debt reduction and other contingency purposes, including natural disasters (¶17.i). This would allow the government to solidify its adjustment efforts in restoring long-term fiscal and debt sustainability and to develop a buffer to cushion negative economic shocks with quicker response in the event of natural disasters.
  - Fully integrate NTF-financed capital projects (limited to non-recurrent and transformational capital projects as required under the NTF regulations) into the Government's Public Sector Investment Programme (PSIP) and the Budget. As previously committed (June 2015 MEFP), the execution of such projects will start only when sufficient resources have been accumulated in the NTF to finance them to completion, including capital maintenance over the medium-term.
- **Including a budget allocation for contingency purposes to safeguard budget execution against any unforeseen expenditures.** As stipulated in the PFM Act, the government will allocate 2 percent of revenues in its 2017 budget to a reserve for contingency expenditure needs

that could potentially arise within the year should, for example revenues be less than projected or to cover costs for restructuring state-owned enterprises (SOEs) and statutory bodies (¶14).

## Debt Restructuring and Regularization of Arrears

**6. The government has made significant progress lowering its debt stock and clearing and regularizing its arrears.** Grenada's public debt fell from 91.7 percent of GDP at end-2015 to 84.3 percent of GDP at end-June 2016. The debt restructuring agreements implemented so far have lowered external debt arrears to 4 percent of GDP at end-June 2016 from a peak of 10.3 percent in 2013. Similarly, arrears to domestic creditors fell from a peak of 5.5 percent of GDP in 2013 to 0.3 percent at end-June 2016, due to the execution of restructuring agreements, most importantly with the National Insurance Scheme and Grenada Ports Authority in early 2016.

### External Debt

- **Private Creditors.** The debt exchange with the holders of Grenada's 2025 international bonds, concluded on November 12, 2015, was successfully executed with the first debt service payment taking place in May 2016. The Government, through the fiscal agent for the bonds, had contacted holdout creditors from the 2005 debt exchange to give them the opportunity to participate in the 2015 exchange agreement.<sup>1</sup> Some of these holdout creditors, valued at US\$568,000, subsequently came forward and their claims were restructured on the same terms as the 2025 bonds.
- **Official Creditors.** Following the signing of the Agreed Minute on November 18, 2015, we have been engaging with our Paris Club creditors to reach bilateral rescheduling agreements consistent with the Agreed Minute.<sup>2</sup> Agreements with the United States and France were signed, while negotiations with the UK are in the final stages. Discussions with the remaining creditor, Russia, are ongoing. We have also continued to reach out to our non-Paris Club official bilateral creditors to negotiate a comprehensive restructuring of their claims, both directly and through our representative at the Executive Board of the IMF.
- **Domestic Debt.** Following the comprehensive agreements in early 2016 with some of our larger creditors (see above), the government concluded a restructuring of T-bills and government-guaranteed debt held by a domestic bank.<sup>3</sup> Negotiations with remaining domestic creditors are ongoing, as is the restructuring of government guaranteed debt owed by the Marketing and National Importing Board. We aim to conclude the restructuring of all remaining debts before the end of the ECF-supported program.

<sup>1</sup> In the 2005 debt restructuring, a small portion of bonds (US\$5.6 million, or ¾ percent of GDP) was unclaimed and holders did not participate in the 2005 debt restructuring agreement.

<sup>2</sup> Details can be found in IMF Country Report 15/333, Supplement (page 80-81).

<sup>3</sup> Details can be found in IMF Country Report 16/133, Supplement (page 66-67).



- **Budget Expenditure Arrears.** We have remained current on our domestic budget expenditure obligations, thus satisfying the end-June performance criterion, and commit to staying current on all obligations going forward. We have agreed on a plan to regularize overdue membership contributions with several international organizations and will continue to reach out to the remaining organizations. We will increase efforts to conclude restructuring discussions and regularize the remaining arrears before the end of the ECF-supported program.

## Fiscal Structural Reforms

### 7. We remain focused on strong implementation of our new fiscal policy framework and improvement in public debt management and tax administration. To this end, we will:

- Adhere to the regulations for the NTF put in place in August 2015.** As required by the regulations, we will save 40 percent of the monthly inflows into the NTF (¶ 5), integrate NTF-financed capital spending into the Government's PSIP and Budget, and aligned it with the objectives of Grenada's Growth and Poverty Reduction Strategy (GPRS) 2016-18 and National Plan 2030, when finalized. We also remain committed to transparency and will continue to publish all CBI statistics on the Ministry of Finance website every quarter, as outlined in the Technical Memorandum of Understanding (TMU, ¶20, **structural benchmark**).
- Strengthen debt management.** We have restructured the Debt Management Unit (DMU) within the Ministry of Finance and strengthened its capacity to perform critical functions, particularly: (i) designing public debt strategies, for final authorization by the Cabinet of Ministers; (ii) undertaking debt sustainability analysis; and (iii) monitoring compliance with the established portfolio and risk management policies, including writing regular reports on market and credit risk developments. Additionally, we plan to encourage transparency, as mandated in the Public Debt Management regulations, by issuing a quarterly public debt statistics bulletin. This will commence by end-December 2016 (**proposed structural benchmark**). The Public Debt Coordinating Committee, which is chaired by the Permanent Secretary of the Ministry of Finance, will regularly monitor the DMU work plan and its operations.
- Strengthen public finance management.** The 2017 Budget will be prepared according to the requirements set out in the 2015 PFM Act, including an assessment of performance for the previous fiscal year and information summarizing the financial condition of each SOE and SB. It will also be accompanied by a medium-term fiscal framework which underpins the Budget estimates. As required by the Act, the Ministry of Finance has begun to prepare fiscal impact assessments for all proposed policy decisions to ensure that decisions are made only after considering their impact on fiscal and debt sustainability. As part of our efforts to strengthen the Government's PSIP (¶14), we are also taking steps, including through a new PSIP manual, to ensure that project selection under the PSIP is consistent with the prioritization and selection criteria outlined in the PFM Act and that PSIP reporting procedures are consistent with those required in the PFM Act. To further strengthen public finance management, we remain focused on strengthening our accounting and auditing framework for public accounts and are receiving

technical assistance from the IMF's Fiscal Affairs Department to prepare manuals on budget preparation and budget execution to help guide compliance with the 2015 PFM Act.

- iv) **Ensure the 2017 budget fully incorporates the new Chart of Accounts (COA).** In this respect, the technical assistance provided by CARTAC in June was useful for reclassifying all recurrent spending items in the 2016 capital budget (such as wage spending related to capital projects) from capital expenditure to their correct current expenditure categories. This reclassification exercise would provide guidance for the formulation of the 2017 capital budget to ensure correct expenditure categorizations in the annual budget.
- v) **Strengthen cash forecasting and commitment controls.** We will continue our efforts to strengthen the cash forecasting model in order to utilize it as a key input in monthly/quarterly expenditure allocations and commitment controls. We have strengthened commitment controls by requiring that all merchandise purchase orders are generated by SmartStream, as a centralized clearing house. We will continue our efforts in this regard with a goal of having all capital and services spending initiated through a SmartStream generated purchase order.
- vi) **Strengthen tax and customs administration.** The new Tax Administration Act passed in February 2016 was put in force in May 2016. In addition, we continue our efforts to strengthen tax administration by reforming the Inland Revenue Department (IRD)—with technical assistance from CARTAC and the IMF (FAD). The Large and Medium Taxpayer Service Unit (LMTU) and the Small Taxpayers Service Unit are now operational. We have focused on enhancing the LMTU's ability to facilitate compliance by the largest taxpayers and will provide sufficient resources to IRD to do so. For 2017, our priorities to strengthen tax administration will be to finalize an updated Corporate Strategic Business Plan and to put in place a detailed Taxpayer Compliance Strategy. A new FAD peripatetic advisor installed in June should help develop an action plan for improving capacity and support implementation of reforms. At customs, with the support of UNCTAD, we will expedite the roll out of the ASYCUDA World System and implement stronger risk management. Lastly, we plan to enhance the capacities of our revenue agencies by establishing a framework for improving collaboration among different agencies on taxpayer information and reprioritizing audit plans to focus on major compliance risks.

**8. The government places priority on reforms to improve management of the public sector wage bill.** We believe this reform is essential to safeguard fiscal progress made so far and to ensure that we manage the wage bill in a way that is fiscally prudent, fair, and sustainable (¶11). This is also part of our commitment under the FRA. The technical assistance (TA) received from FAD which was finalized in September, helped inform our position, but there was insufficient time and capacity to complete the comprehensive reform strategy by end-September (structural benchmark). We have provided a comprehensive plan for the completion of this strategy which was approved by Cabinet November 16, 2016 (**prior action**). This Plan includes the status of work already done and in progress, lays out preliminary actions to be undertaken in the short term (¶9), and an agenda of key elements of the full reform (¶11), each accompanied by timelines for implementation by 2019 at the latest, and includes the opportunity for early consultation with social partners. This Plan forms the

basis for the full Wage Bill Management Strategy, to be completed by March 31, 2017 (**proposed structural benchmark**).

**9. The full Strategy will provide decisions and specific actions on each of the components identified in the Plan.** It would include clear timelines for implementation for each reform during 2016-2019, responsibilities, expected outcomes and outputs, as well as an accountability and governance framework. The Department of Public Administration (DPA) will take the lead on the design and implementation of the strategy, in consultation with the Ministry of Finance. Other key stakeholders in the government and the social partners will be consulted throughout its preparation. To facilitate meeting this target date, the government would hold consultations on a draft of the strategy with social partners before end-February 2017 to allow time for its finalization.

**10. In the short term, we have delivered a number of important measures in respect of this reform.** To advance progress and demonstrate our commitment, we have: (i) prepared a human resource registry of the full public service based on existing systems data available; and (ii) made permanent by a Cabinet conclusion the current guidance whereby the DPA retains control of hiring and of the size of the public service (both **prior actions**).

**11. The full Public Wage Bill Reform Strategy (March 2017) will commit to reforms in the following areas:**

- Complete and make functional the human resource registry (¶19) by March 31, 2017 (**proposed structural benchmark**).
- Wage setting processes that are forward-looking and data driven, based on agreed parameters like inflation, market comparators, and common macro assumptions; and a timeline for periodic wage negotiations in line with the budget calendar.
- A functional review to identify the appropriate size and balance of the public service, and where possible to identify information technology solutions.
- Reform of the pay and grading system to ensure adequacy of pay relativities across grades, and from this to establish a rational system of increments, preferably linked to performance.
- Reform and implementation/enforcement of the performance appraisal system.
- Development of a communications strategy.

**12. We are continuing our efforts to implement our strategic plan to strengthen the financial position of SOEs and SBs.** We are putting in place an effective oversight framework for the sector to ensure implementation of the strategy. To this end, we are committed to strengthening the committee mandated to advise on the implementation of the strategy. We have allocated additional resources to the Policy Unit within the Ministry of Finance to strengthen our monitoring of SOE and SB compliance with reporting requirements, and to assess the financial position of individual entities and any required reforms. While some institutions have adhered to the new

reporting requirements and have provided business plans as required, reporting remains uneven across institutions and we recognize that additional outreach will be needed to strengthen compliance. We will also continue to monitor compliance with the guidance note issued to SOEs and SBs on salary negotiations and dividend policy.

**13. Reform of individual SOEs and SBs is also advancing, although progress has been slower than envisioned.** Discussions with strategic partners on Grenada Concrete and Emulsion Production Corporation are nearing completion, which would improve the company's financial situation and help reduce fiscal risks. We also remain committed to addressing capital investment needs and revenue weaknesses of the National Water and Sewerage Authority and the Solid Waste Management Authority over the medium term and will consider using public private partnerships to obtain financial support and management expertise and reviewing tariff-setting regimes if required.

### **Structural Reforms to Support Competitiveness and Growth**

**14. The Government is strengthening the institutional framework to better align economic programmes over the medium term with our GPRS 2014-18.** GPRS implementation continues to be centered on the Government's capital budget, with budgeted capital projects aligned with GPRS priorities. Cabinet has established consultative committees for operations and planning and approved guidelines for the preparation, appraisal, selection, implementation and monitoring of the PSIP. The 2017 PSIP, which will accompany the 2017 budget, includes projections of the cost of major capital projects approved over a three-year horizon consistent with the medium term fiscal framework. Additionally, the Government is in the process of establishing a management information system to align the public sector investment management system with the requirements of the FRA and PFMA. The system will enable full integration of capital spending into the budgeting process and *ex ante* analysis of debt implications of loan financed investment project proposals.

**15. We remain focused on improving prospects for growth and job creation.** We have established a committee to monitor and evaluate the implementation of the GPRS and plan to report findings to stakeholders and Cabinet by November. The report will facilitate the fine tuning of policies and actions for 2017 to improve efficiency and establish better accountability for outcomes. The GPRS will be the cornerstone for Grenada's new long-term development plan, the National Sustainable Development Plan 2030. A national steering committee continues to guide development of the plan, which is currently in the planning stage but progressing at a much slower pace than initially scheduled. We expect to commence public consultations as input into the plan from November with an expected completion of the draft plan by July 2017 and to finalize the plan by the next budget cycle.

**16. Actions to improve the business environment and enhance Grenada's investment readiness are in train.** Consistent with the GPRS emphasis on strengthening the business climate, we are committed to unlocking the critical impediments to private sector investment and activity. In this regard, we revised the GIDC Act in September (**June structural benchmark**), with assistance from the Commonwealth Secretariat, to support the business activities of GIDC and its new organizational structure. However, additional amendments were needed to make the Act fully

consistent with the new, strengthened fiscal framework and legislation, including the FRA, the PFM and the PDM Acts, among others. The revised Act with Amendments was approved by Parliament in November, completing the related **prior action**. We believe that the restructuring of GIDC and the support it now has via statute will provide it with broader scope to facilitate investments, reduce the time and cost of obtaining investment approval, and improve the business environment in Grenada.

**17. The Government is working to address deficiencies identified in the World Bank's Doing Business survey.** We have amended and enacted legislation to strengthen the legal framework and have begun establishing electronic systems to improve business processes and will make the public aware of their availability. Our action plan to address the weakest areas include:

- **Reducing the time for receiving construction permits.** The May 2016 Physical Planning and Development Control Act strengthens building quality control and regulation. We plan to introduce an online facility — to become operational in 2017— for the application for permits and inspection updates that will reduce the number of days required to receive a building permit from 90 days to 21 days.
- **Reducing the time to start a business.** The operational framework for an on-line business register will be established in 2017 and is expected to reduce the time to start a business from 15 days to 4 days.
- **Lowering the cost of electricity.** The Electricity Supply Act and Regulations passed by parliament in May came into force in August 2017. This paves the way for the use of alternative technologies and lower cost providers of electricity.
- **Reducing time and cost to register property.** An online title search facility for deeds and land registry is expected to be fully operational in the first quarter of 2017 and is expected to reduce the time to complete registration from 32 days to 27 days and to reduce costs significantly.
- **Reducing time and costs for trading across borders.** We will soon implement the Single Window Module (License Module) of the ASYCUDA World System. This simplifies and automates customs procedures to enhance trade facilitation.
- **Resolving Insolvency.** The Bankruptcy and Insolvency Act was passed in February 2016 and entered into force in September.

**18. We will focus our efforts on resolving labour market issues as part of the thrust to enhance our competitiveness and growth prospects.** In keeping with our broader macro-economic policy agenda, we will also introduce reforms to improve labor market efficiencies and lower unemployment, including:

- **Revise key components of the Labour Code for improved industrial relations.** After extensive consultations with unions and the Employers' Federation, the revised Employment Act and Labour Relations Act, which also safeguard workers' rights, were approved by parliament in November (**prior action**).

- **Strengthen labour market statistics.** With further assistance from the World Bank, we are committed to improving the annual survey shortening processing times for the 2016 Labour Force Survey (LFS). Discussions are currently underway with Statistics Canada to conduct a quarterly LFS in 2017. In addition, through the OECS we are consulting with the ILO to assist in advancing the development of a labour market information system (LMIS). The information system is expected to improve the matching of labor demand and supply.
- **Develop active labour market policies in order to improve skills matching, strengthen demand and supply links, and promote human capital development.** The government, through the National Training Agency, has undertaken a labour market needs assessment and developed the National Vocational Qualification, which provides important guidelines for tailored training programmes to meet skill demand. We have established an online job center and strengthened relations with private job agencies including in the hospitality industry to improve job search and skills matching. The government is also seeking active support from foreign investors to include elements of job training and skills development as part of their investment planning in Grenada. We are also in the process of determining other appropriate beneficial labor market policies.

**19. The Government has accelerated efforts to reform the regulatory environment for the energy sector to reduce the cost of doing business in Grenada.** Parliament approved the amendments to the Public Utilities Regulatory Commission Act (PURCA) and passed a new Electricity Supply Act (ESA) with support from the World Bank-funded Eastern Caribbean Energy Regulatory Agency (ECERA) project, and revised during the national consultation process in 2015 and 2016. Both Acts entered into force in August. The PURCA provides for the establishment of an independent national regulatory authority responsible for, inter alia, tariff-setting, to be supported by the regional advisory authority (ECERA) while the ESA is expected to introduce competition in the electricity sector and guide Grenada's transition to renewable energy alternatives. Following findings from exploration studies, supported by Japan and New Zealand, grant funding from Japan, UK and CDB is anticipated to help advance the government's efforts to exploit the geothermal energy potential. In addition, government supports emerging interests in wind and solar energy.

**20. The government plans to take further steps to better realize agriculture's potential to contribute to more sustainable growth.** The national agriculture strategy, which aims to reduce the sector's vulnerability to climate change, was recently approved by Cabinet and is consistent with GPRS goals. Grenada is leading the region on conservation, with its "blue growth" agenda for fisheries, and climate smart initiatives such as the Organic Agriculture movement. To support sustainable growth of the sector, government remains committed to investments in infrastructure, including improved road access and irrigation systems to limit the impact of adverse weather on production. Other mitigation measures, including a more effective pest control program and improvements in air cargo logistics to bolster exports, are among priorities for 2017 budget for the agriculture sector.

**21. The Government is strengthening social protection under the SEED programme.** The new Management Information System (MIS) has been uploaded with data and implementation of



the testing tool using the Grenada Living Conditions Index (GLCI) commenced. We began phasing out persons no longer eligible for SEED support based on an objective assessment of vulnerability, while concurrently accepting new applicants with needs assessed using the new MIS and testing tool in August 2016. Additionally, we intend to apply the testing tool to improve the targeting of other social protection programmes to the poor and vulnerable.

## Financial Sector Reforms

### **22. We remain committed to the ECCU regional strategy to strengthen the banking sector.**

We continue to work with the ECCB to determine an appropriate strategy, in the context of a sustainable fiscal framework consistent with commitments under the IMF-supported programme and resumption of debt sustainability, to address weaknesses in the Grenadian banking sector. Private sector solutions will be considered a first best option to address any weaknesses identified in Grenadian banks.

### **23. We continue to strengthen regulation and supervision of the nonbank financial sector.**

Towards implementation of recommendations from CARTAC's evaluation of the Grenada Authority for the Regulation of Financial Institutions' (GARFIN) operations and supervisory practices, additional and related training of staff to strengthen our oversight responsibilities is ongoing. We are also advancing work with CARTAC to develop a national crisis management plan, including with TA from the Fund. This is part of a regional project to prepare for any potential financial crisis that could arise from the failure of national financial institutions and/or cross-border financial institutions with systemic reach.

**24. GARFIN has taken steps to enhance supervision in the credit union sector, including implementing risk-based supervision.** Work on the risk-based framework is ongoing, including training workshops by CARTAC and discussions on the most appropriate capital model to be finally adopted. Going forward, with continued technical assistance from CARTAC, we intend to start conducting asset quality reviews and stress testing on the credit unions in 2017. To strengthen the legislative framework for regulation and supervision, draft amendments to the Cooperative Societies Act to standardize capital adequacy requirements and provide guidance for investments, are under review by the Attorney General. In addition, we remain committed to the proposed regional legislation which will provide support for the Cooperative Societies Act. Final consultations in all member states towards revising the draft uniform ECCU Act and regulations for the credit unions, are expected to be concluded in 2017.

**25. We continue to support the establishment of the Eastern Caribbean Financial Services Regulatory Commission as the regional regulator and supervisor of the proposed single insurance market in the ECCU.** Following extensive consultations in the respective jurisdictions, review and finalization of the third draft of the uniform ECCU Insurance Bill has been delayed as several areas including pensions and associations of underwriters are outstanding. It is hoped that with additional effort and improved co-ordination, the single regulatory framework and authority could be formally established in 2018. GARFIN will continue its close monitoring with on-site examinations and off-site supervision of insurers, through regular regular prudential meetings and review of

quarterly and annual audited statements. GARFIN is in the process of reviewing CARTAC's study on the reporting structure for a risk-based framework, which is expected to be adopted formally in 2017.

**26. With regard to pensions, GARFIN has registered most of the pension plans in Grenada.**

Ongoing offsite supervision of these plans continues through review of submitted audited financial statements and actuarial assessments. With the new detailed annual reporting forms for pension plans and ongoing data submissions, we anticipate starting to compile consolidated statistics on pensions including financial performance and membership for publication in GARFIN's 2016 annual report. Required legislation to regulate pension intermediaries as well as address the issue of restricted investment opportunities is expected to be effected under the proposed uniform ECCU Insurance Act. We expect to start on-site supervision of pension plans covering areas such as asset/investment quality and corporate governance in 2017, following training provided by the Jamaica FSC in September 2016.

**27. We continue to place importance on strengthening our framework for anti-money laundering and countering the financing of terrorism (AML/CFT).** We recognize the potential for heightened AML/CFT risks from the CBI programme and are committed to continued strengthening of our due diligence framework for the programme, with appropriate AML/CFT measures and oversight targeted to applicants and new citizens under the programme. The Financial Intelligence Unit (FIU) is working closely with banks and GARFIN, the regulator for non-bank financial institutions. More generally, critical to a further strengthening of our AML/CFT regime will be the completion of a national money laundering and terrorist financing risk assessment. Given our limited capacity to conduct the risk assessment, we are continuing our efforts to source technical assistance from our international partners to complete this assessment.

### **Programme Monitoring**

**28. The programme will be subject to review of remaining performance criteria, indicative targets and structural benchmarks at the time of the Sixth Review, as well as continuous performance criteria.** This is set out in Tables 1-2 and in the attached TMU. We anticipate that the Sixth Review will take place after March 31, 2017, and will require observance of the continuous performance criteria and of the conditionality for end-December 2016, and the remaining proposed structural benchmarks for January and March 2017. To facilitate programme monitoring, we are committed to providing detailed statistical information as specified in the TMU. Progress in the implementation of the policies under the programme may be monitored on a quarterly basis through staff visits.



Table 1. Grenada: Quantitative Programme Targets

	2014		2015				2016				
	Dec.		Jun.	Dec.	Jun.	Dec.	Jun.	Dec.	Jun.	Dec.	
	Act.	Status	Act.	Status	Act.	Status	Prog.	1/	Act.	Status	Prog.
<b>Performance criteria</b>											
A. Cumulative floor on central govt. primary balance (EC\$ mn) 2/	-28	Met	37	Met	58	Met	39	48	86	Met	94
B. Cumulative ceiling on central govt. primary spending (EC\$ mn) 2/	630	Met	281	Met	601	Met	268	289	284	Met	526
C. Ceiling on stock of central govt. budget expenditure arrears (EC\$ mn) 4/	79	Met	53	Not met	0	Met	0	0	0	Met	0
D. Ceiling on accumulation of external debt arrears (continuous)	0	Met	0	Met	0	Met	0	0	0	Met	0
E. Ceiling on contracting of non-concessional external debt by the central govt. (continuous, US\$ mn) 5/	10	Not met	0	Met	0	Met	0	15	15	Met	0
<b>Indicative targets</b>											
F. Cumulative ceiling on net change in central govt. and central govt. guaranteed debt (EC\$ mn) 2/	48	Met	-30	Met	-67	Met	13	-7	-85	Met	15
G. Floor on social spending by central govt. (EC\$ mn)	11.4	Not met	5.4	Not met	11.8	Not met	7.0	7.0	7.0	Met	14.0
<b>Monitoring</b>											
H. Wage bill target	219	Met	109	Met	215	Met	110	110	105	Met	219
I. Public employment target	7515	Met	7096	Met	7003	Met	7000	7000	6810	Met	7000
<b>Memorandum item</b>											
Projected new concessional external debt (US\$ mn) 3/							0	0	8		10

1/ Adjusted for shortfall in SEED spending, revenue overperformance, and capital grants compared to program, as applicable according to the TMU.

2/ From end-December of the previous year.

3/ Debt with a grant element that exceeds a minimum threshold of 35 percent.

4/ For June 2015: budget expenditure arrears were revised up after the Third Review resulting in nonobservance of the June 2015 performance criteria *ex post*.

5/ The ceiling has been modified to include adjustors for debt instruments issued for debt restructuring, limited to the amount of nominal debt restructured for a given period, and for borrowing from the CDB and WB for development and debt management purposes up to cumulative maximums of US\$30 million from each institution (TMU ¶110).

Table 2. Grenada: Structural Programme Conditionality

Measure	Timing	Implementation Status
<b>Prior Actions for the Fifth Review</b>		
1. Parliamentary approval of the revised GIDC Act		
2. Parliamentary approval of the revised Grenada Labor Code		
3. Cabinet approval of a wage bill for 2017 at or below 8.8 percent of GDP.		
4. Cabinet approval to make permanent DPA control of hiring and the size of the public service.		
5. Preparation of a human resource registry based on existing HR systems information.		
6. Cabinet approval of a wage bill management reform Plan.		
<b>Structural Benchmarks</b>		
<b>Growth- Enhancing Reforms</b>		
1. Parliamentary approval of the revised Investment Promotion Act	November 30, 2014	Met
<b>Fiscal Adjustment Measures</b>		
1. Parliamentary approval of 2015 budget consistent with program commitments	December 31, 2014	Not met, corrective action taken
2. Parliamentary approval of 2016 Budget consistent with program commitments and Fiscal Responsibility Legislation	December 31, 2015	Not met, corrective action taken
3. Parliamentary approval of fiscal adjustment measures for 2016	December 31, 2015	Met
4. Parliamentary approval of 2017 Budget consistent with parameters of the FRA and realistic CBI program-related revenue projections. 1/	December 31, 2016	Proposed
<b>Fiscal Structural Reforms</b>		
1. Parliamentary approval of the revised PFM legislation	August 31, 2014	Met
2. Cabinet approval of a strategic plan for the statutory bodies	October 31, 2014	Met in February 2015
3. Parliamentary approval of the revised legislation on tax incentive regime	November 30, 2014	Met in June 2015
4. Parliamentary approval of the legislation for the fiscal policy framework	December 31, 2014	Met in June 2015
5. Minister of Finance approval of regulations for the National Transformation Fund	February 28, 2015	Met in August 2015
6. Parliamentary approval of a public debt management law	March 31, 2015	Met in June 2015
7. Minister of Finance approval of regulations for the revised PFM legislation	June 30, 2015	Met in September 2015
8. Publication of all citizenship-by-investment statistics on a quarterly basis	Quarterly, beginning July 31, 2015	Met
9. Parliamentary approval of a tax administration act	November 30, 2015	Met in February 2016
10. Implementation of the new Chart of Accounts for the 2016 Budget	December 31, 2015	Not met, action taken
11. Establishment and operationalization of the LMTS and Small Taxpayers Service Units	December 31, 2015	Met in January 2016
12. Signing into force of the new tax incentive regime and Investment Act 2014	December 31, 2015	Met
13. Cabinet approval of a strategic plan to modernize the public sector	March 31, 2016	Not met, rephased and revised
14. Parliamentary approval of the revised GIDC Act, with amendments	June 30, 2016	Met in November 2016
15. Parliamentary approval of a new Grenada Labor Code	August 31, 2016	Met in November 2016
16. Cabinet approval of a focused reform plan to manage the public sector wage bill	September 30, 2016	Not met
17. Publication of the debt statistics bulletin on a quarterly basis	Quarterly, beginning December 31, 2016	Proposed
18. Cabinet approval of a comprehensive public sector wage bill management reform strategy	March 31, 2017	Proposed
19. Complete and make functional the human resource registry for the public service	March 31, 2017	Proposed

1/ Budget projections of CBI-related inflows should be based on 2016 inflows and realistic assumption for growth based on market indicators.

## Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) sets out the understandings between the Grenada authorities and the IMF regarding the definitions of quantitative performance criteria and indicative targets for the programme supported by the arrangement under the ECF. It also describes the modalities for assessing performance under the programme and the information requirements for monitoring this performance. In addition, the TMU specifies the requirements under the continuous structural benchmark with respect to the publication of citizenship-by-investment statistics.

2. **Definitions.** For the purpose of the programme, central government will cover all items included in the government budget. The definition of debt is set out in the Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangement Executive Board Decision No. 6230-(79/140), as subsequently amended. External debt is defined as central government contracted or guaranteed debt owed to creditors residing outside of Grenada, while domestic debt covers central government contracted or guaranteed debt owed to residents of Grenada. Debt is considered contracted when it is signed by the Executive and authorized or ratified by Parliament. For ease of monitoring, all securities issued at the Regional Government Securities Market (RGSM) and debt owed to the ECCB will be considered domestic debt.

### I. PERFORMANCE CRITERIA

#### A. Cumulative Floor on the Central Government Primary Balance

3. The central government primary balance will be measured from above the line, as: (a) total revenue and grants of the central government, less (b) total non-interest expenditure of the central government:

- Total revenues and grants will record (i) project grants only to the extent that they have been spent; (ii) budgetary grants (grants not earmarked for capital outlays) will be treated as project grants and recorded when spent on capital outlays; and (iii) transfers from the National Transformation Fund (NTF) for the settlement of arrears will be recorded as non-tax revenue and treated similarly to the CBI receipts.
- Expenditures will be recorded on an accrual basis, with: (a) budget execution data as reported by the Ministry of Finance (MOF); supplemented by (b) data on unprocessed claims to be collected and reported by the MOF.

4. The central government primary balance will also be monitored from below the line, as the negative sum of:

- i. Net domestic bank financing, which will be measured by the change in the domestic banking system credit to the central government minus government deposits in the banking system, as reported in the monetary survey. Domestic banking system credit to

the central government is defined as the sum of ECCB and commercial banks' financing to the central government.

- ii. Net nonbank financing, which will be measured by the: (a) net changes in holdings of government securities by nonbanks; and (b) net borrowing from nonbank institutions.  
Items  
  
(a) and (b) will be reported by the MOF and GARFIN respectively.
- iii. Net government issuance of securities in the Regional Government Securities Market (RGSM) excluding holdings by the domestic banking and nonbanking system as captured in point (i) and (ii) above.
- iv. Net external financing of the central government, defined as the sum of: (a) net disbursements of project and non-project loans, including securitization; (b) net proceeds from issuance of external debt; and (c) reduction in cash deposits held outside the domestic financial system. The data will be reported by the MOF on a monthly basis.
- v. The change in the stock of arrears of the central government, measured as the net change in  
  
(a) unpaid checks issued, (b) unprocessed claims, (c) pending invoices, (d) interest payments past due, and (e) other forms of expenditures recorded above the line but not paid, such as contributions to the National Insurance Scheme (NIS). The data will be reported by Ministry of Finance on a monthly basis.
- vi. Gross receipts from divestment, defined as proceeds received from any privatization/divestment and sale of assets; and
- vii. Any exceptional financing (including rescheduled principal and interest).
- viii. Less domestic and external interest payments on a due basis.
- ix. Less grants received but unutilized.

If the difference between the primary balance measured from above the line and from below the line is larger than EC\$6 million in 2015 and EC\$3 million in 2016, the MOF will consult with IMF staff.

5. The floor on the central government primary balance will be adjusted as follows:
  - i. Upward by the amount of non-tax revenues in the budget from the citizenship-by-investment (CBI) programme (CBI fees received by the government and payments from the CBI Committee to central government) and the amount of transfers from the NTF for the settlement of arrears.

- ii. In the event that revenues (excluding non-tax revenue from the CBI programme and transfers from the NTF) exceed those projected under the programme, the primary balance target for end-June 2016 will be adjusted upward by one half of the excess during January-June, to allow for additional capital spending while safeguarding compliance with the annual fiscal targets. The Government will safeguard the over-performance in revenue achieved in the first half of any year by increasing the capital budget allocations (€20) for the last two quarters of the year only up to 2/3 of the over-performance. The following table shows the accumulated projected revenue and budgetary grants for 2015-16, as well as capital spending, to which the actual outcomes will be compared.

<b>Grenada: Programmed Revenues and Grants, 2016</b>		
	2016 <sup>1/</sup>	
	Jun.	Dec.
(EC\$ millions)		
Non grant revenue	298.0	580.1
Budgetary grants	0	0
Capital spending <sup>2/</sup>	88.8	178.8
o.w. financed by capital grants	42.9	85.7
<sup>1/</sup> Cumulative from end of the previous year.		
<sup>2/</sup> The quarterly allocation of non-grant financed capital spending is less than the projection to provide a buffer to achieve program QPCs.		

- iii. Upward by half of the amount of budgetary grants received in excess of those projected under the programme.
- iv. Upward for any shortfall in the targeted cash transfers (SEED) from their indicative target.
- v. Downward for the cost of severance payments associated with the restructuring of Grenada Concrete Emulsion and Production Corporation and the Grenada Postal Corporation (up to a cumulative maximum of US\$4 million).
- vi. Downward by the amount paid by the government to reimburse the policy holders of the failed regional insurance companies BAICO and CLICO, less the grant-financed share of these payments.
6. The authorities will consult with IMF staff on corrective measures in the event of shortfalls in government revenue and financing.

## **B. Cumulative Ceiling on Central Government Primary Spending**

7. Primary spending of the central government will be calculated as the sum of revenues and grants that have been utilized minus the primary balance of the central government as measured above in section A. The performance criterion on primary spending will be adjusted as follows:

- i. In the event that revenues (excluding non-tax revenue from the CBI programme and transfers from the NTF) exceed those projected under the programme (table above), the end-June 2016 target will be adjusted upward by one half of the excess during January-June, to allow for additional capital spending and the end-December 2016 target will be adjusted upward for the full amount of annual revenue over performance;
- ii. Upward by the full amount of additional capital grants received in excess of programmed levels (table above) and downward by half of any shortfall in capital grants compared to programmed levels to safeguard the fiscal targets (table above).
- iii. Upward by half of the amount of budgetary grants, received and spent on capital outlays in excess of programmed levels (table above).
- iv. Downward for any shortfall in the targeted cash transfers (SEED) from their indicative target.
- v. Upward by the cost of severance payments associated with the restructuring of Grenada Concrete Emulsion and Production Corporation and the Grenada Postal Corporation (up to a cumulative maximum of US\$4 million);
- vi. Upward by the amount paid by the government to reimburse the policy holders of BAICO and CLICO.

### C. Ceiling on the Stock of Central Government Budget Expenditure Arrears

**8.** Budget expenditure arrears are defined as the sum of: (i) any invoice that has been received by a spending agency from a supplier of goods, services, and capital goods delivered and verified, and for which payment has not been made within the contractually agreed period (taking into account any applicable contractual grace period), or in the absence of a grace period, within 60 days after the due date; (ii) wages, pensions, or transfers (including to the Solid Waste Company), for which payment has been pending for longer than 60 days to domestic or foreign residents; and (iii) interest and amortization payments on domestic debt for which payment has not been made within the contractually agreed period (taking into account any applicable contractual grace period). Arrears resulting from the nonpayment of debt service for which a clearance framework has been agreed or a rescheduling agreement is being sought are excluded from this definition. The data will be reported by the Accountant General's office.

### D. Non-Accumulation of External Debt Arrears (Continuous)

**9.** The central government will not incur new arrears in the payment of their external obligations (contracted or guaranteed) at any time during the arrangement. Arrears are defined as a payment of debt which has not been made within the contractually agreed period (taking into account any applicable contractual grace period). Overdue membership fees to regional and international organizations as well as arrears resulting from the nonpayment of debt service for which a clearance framework has been agreed or for which the government or the institution with government guaranteed debt is pursuing a debt restructuring are excluded from this definition.

The performance criterion will be applied on a continuous basis under the programme.

### **E. Ceiling on Contracting of Non-Concessional External Debt by the Central Government (Continuous)**

**10.** The ceiling on non-concessional borrowing will be applied to the contracting or guaranteeing by the central government of medium and long-term external debt (maturity greater than one year). The ceiling includes adjustors for borrowing from the Caribbean Development Bank and the World Bank (for development and debt management purposes), and for debt instruments to be issued as part of a debt restructuring to improve the overall public debt profile, limited to the nominal amount of debt restructured during a given period. The total amount of contracting of non-concessional external debt from the World Bank under the adjustor will be strictly limited to US\$30 million, and the total amount of contracting of non-concessional external debt from the Caribbean Development Bank under the adjustor will be strictly limited to US\$30 million, both on a cumulative basis from the beginning of 2016. Borrowing from the World Bank and the Caribbean Development Bank will be closely monitored in cooperation with these institutions.

**11.** The contracting and guaranteeing of non-concessional external debt will be monitored and reported to the Fund staff by the Debt Management Unit (DMU), after reconciliation with the Accountant General's office, on a monthly basis. The government will undertake to consult with IMF staff on the terms and concessionality of any proposed new debt in advance of contracting such external debt. The performance criterion will be applied on a continuous basis under the programme.

**12.** A debt is non-concessional if the grant element in net present value (PV) terms relative to face value is less than 35 percent. The discount rate used for this purpose is 5 percent.

**13.** For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a programme reference rate plus the fixed spread (in basis points) specified in the debt contract. The programme reference rate for the six-month USD LIBOR is 3.34 percent and will remain fixed for the duration of the programme. The spread of six-month Euro LIBOR over six-month USD LIBOR is -250 basis points. The spread of six-month JPY LIBOR over six-month USD LIBOR is -300 basis points. The spread of six-month GBP LIBOR over six-month USD LIBOR is -100 basis points. For interest rates on currencies other than Euro, JPY, and GBP, the spread over six-month USD LIBOR is -200 basis points.<sup>1</sup> Where the variable rate is linked to a benchmark interest rate other than the six-month USD LIBOR, a spread reflecting the difference between the benchmark rate and the six-month USD LIBOR (rounded to the nearest 50 bps) will be added.

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<sup>1</sup> The programme reference rate and spreads are based on the "average projected rate" for the six-month USD LIBOR over the following 10 years from the October 2014 World Economic Outlook (WEO).

## II. INDICATIVE TARGETS

### F. Cumulative Ceiling on Net Change in Central Government and Central Government Guaranteed Debt

**14.** The net change in central government and central government guaranteed debt is defined as the difference in the stock of central government and central government guaranteed debt between two specified periods. For programme purposes, the stock of central government and central government guaranteed debt is measured under the disbursement basis.

**15.** In cases where the government facilitates the financing of Public-Private Partnership (PPP) projects by concessionaires, the debt of the central government will be increased by the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

**16.** The ceiling on the net change in central government and central government guaranteed debt will be adjusted as follows:

- Upward by the amount paid by the government to reimburse the policy holders BAICO and CLICO, less the grant-financed share of these payments.
- Upward to a maximum amount of 5 percent of GDP to accommodate PPP related expenditures.
- Downward by the amount of nominal debt forgiveness in the case of debt restructuring
- Upward for the cost of severance payments associated with the restructuring of Grenada Concrete Emulsion and Production Corporation and the Grenada Postal Corporation (up to a cumulative maximum of US\$4 million).

**17.** The data used to monitor the net change in central government and central government guaranteed debt will be provided by the DMU, after reconciliation with the Accountant General's office, on a monthly basis.

### G. Indicative Floor on the Social Spending by the Central Government

**18.** The indicative floor on social spending of the central government will apply only to expenditures incurred by the central government on the SEED programme (Support for Education Empowerment and Development). Spending under the SEED programme will be reported by the Ministry of Finance on a quarterly basis.



### III. MONITORING TARGETS

#### H. Memorandum Item: Wage Bill Target

19. The wage bill of the central government will include expenditures incurred by the central government towards the payment of wages, salaries and personnel allowances. This will be reported by the Ministry of Finance on a quarterly basis.

#### I. Memorandum Item: Public Employment

20. The public employment of the central government will include the established (permanent), unestablished (temporary) workers, and project workers. This will be reported by the Ministry of Finance on a quarterly basis.

### IV. QUARTERLY CAPITAL BUDGET ALLOCATION

21. Non-grant financed capital spending will be allocated to Ministries/Departments consistent with the quarterly allocation as set out in the following table:

	2016Q1	2016Q2	2016Q3	2016Q4
Non-grant Capital Spending Allocation	23.4	17.5	23.6	23.6

### V. PUBLICATION OF CITIZENSHIP-BY-INVESTMENT STATISTICS

22. The Ministry of Finance on a quarterly basis beginning July 31, 2015 will supply to the IMF and publish on its external website all CBI-related statistics including, but not limited to: (i) the number of CBI applications received, by type of application (National Transformation Fund (NTF) donation or investment option), (ii) the number of CBI-programme applications approved (NTF donation or investment option), (iii) the number of new citizens under the CBI programme, (iv) the number of CBI-programme applications rejected, (v) the total amount of revenues received into the NTF, (vi) the total amount of CBI programme application fees received by the central government,

(vii) total transfers of NTF funds from the NTF to the central government, (viii) total central government spending financed by CBI-programme related revenue (direct central government financing and NTF-financed projects). The data will be reported as outlined in Table 1.

### VI. PROGRAMME REPORTING REQUIREMENTS

23. Performance under the programme will be monitored from data supplied to the IMF by the Ministry of Finance and the Central Statistics Office as outlined in Table 1. The authorities will transmit promptly to IMF staff any data revisions as well as other information necessary to monitor the arrangement with the IMF.

Table 1. Summary of Data to be Reported to the IMF

Information	Frequency	Reporting Deadline	Responsible
<b>Citizenship-by-Investment Program</b>			
1. Number of CBI-program applications received by type of application (NTF donation and investment options)	Quarterly	30 days after the end of quarter	MOF
2. Number of CBI-program applications approved (NTF donation and investment options)	Quarterly	Same as above	MOF
3. Number of new citizens under the CBI program	Quarterly	Same as above	MOF
4. Number of CBI-program applications rejected	Quarterly	Same as above	MOF
5. Total amount of revenues received into the NTF	Quarterly	Same as above	MOF
6. Total amount of CBI program application fees received by the central government	Quarterly	Same as above	MOF
7. Total transfers of NTF funds from the NTF to the central government	Quarterly	Same as above	MOF
8. Total central government spending financed by CBI-program related revenue (by direct central government financing and NTF-financed projects)	Quarterly	Same as above	MOF
<b>Fiscal Sector</b>			
1. Central Government budget and outturn	Monthly	30 days after the end of month	AG <sup>1/</sup> /Budget Office
2. Grants	Monthly	Same as above	AG
Budgetary grants	Monthly	Same as above	AG
Project grants	Monthly	Same as above	AG
3. Spending on SEED program	Monthly	Same as above	AG
4. Employment data for established and un-established workers	Quarterly	30 days after the end of quarter	AG
5. Financial statements of all statutory bodies	Annually	Within 12 months after year end	AG
6. Change in the stock of domestic arrears by creditor	Monthly	30 days after the end of month	AG
Unpaid claims	Monthly	Same as above	AG
Interest arrears	Monthly	Same as above	AG
<b>Financial Sector</b>			
1. Consolidated balance sheet for all credit unions	Quarterly	30 days after the end of quarter	GARFIN <sup>2/</sup>
2. Consolidated balance sheet for all insurance companies	Quarterly	By the end of subsequent quarter	GARFIN
<b>Real and External Sector</b>			
1. Updates on annual National Accounts: by sector	Annually	Within 6 weeks after availability	CSO/MOF <sup>3/</sup>
2. Tier 1 high frequency indicators <sup>4/</sup>	Monthly	60 days after the end of month	CSO/MOF
3. Tier 2 high frequency indicators <sup>5/</sup>	Monthly	6 weeks after the end of quarter	CSO/MOF
4. Balance of Payments data	Annually	Within 3 months after year end	CSO/MOF
5. Details of exports breakdown	Quarterly	By the end of subsequent quarter	Customs Dept.
6. Details of imports breakdown	Quarterly	Same as above	Customs Dept.
7. Details of tourism data	Quarterly	Same as above	CSO
8. Customs revenue foregone	Monthly	30 days after the end of month	Customs Dept.
9. CPI	Monthly	Same as above	CSO
<b>Debt</b>			
1. External and domestic debt and guaranteed debt (by creditor) <sup>6/</sup>	Monthly	30 days after the end of month	DMU <sup>7/</sup>
Disbursements	Monthly	Same as above	DMU
Amortization	Monthly	Same as above	DMU
Interest payments	Monthly	Same as above	DMU
Stock of external debt	Monthly	Same as above	DMU
Stock of domestic debt	Monthly	Same as above	DMU
Arrears on interest and principal	Monthly	Same as above	DMU
2. Financial statement of Petrocaribe Grenada	Monthly	Same as above	DMU/AG
3. Gross receipts from divestment	Monthly	Same as above	Budget Office
4. Exceptional domestic financing	Monthly	Same as above	DMU
5. Proceeds from bonds issued abroad	Monthly	Same as above	DMU
6. Copies of any new loan agreements	As occurring		DMU
1/ Accountant General's Office.			
2/ Grenada Authority for the Regulation of Financial Institutions.			
3/ Central Statistics Office/Ministry of Finance.			
4/ The following are defined as Tier 1 high frequency indicators: retail sales; imports of construction materials; agricultural production; manufactured production; production of water and electricity.			
5/ The following are defined as Tier 2 high frequency indicators: building permits; registration of vehicles; cargo and aircraft statistics.			
6/ For Central Government and Public Sector Enterprises.			
7/ Debt Management Unit.			