

**EXECUTIVE
BOARD
MEETING**

SM/22/84
Correction 1

May 3, 2022

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Grenada—Staff Report for the 2022 Article IV Consultation**

Board Action: The attached corrections to SM/22/84 (4/18/22) have been provided by the staff:

**Factual Errors Not
Affecting the
Presentation of
Staff's Analysis or
Views**

Pages 2, 4, 9, 12, 15, 16, 26, 28, 29, 31

Questions: Ms. Lin, WHD (ext. 37177)
Mr. Mano, WHD (ext. 38018)

Approved By
Nigel Chalk (WHD)
and Natalia Tamirisa
(SPR)

The mission team comprised Huidan Lin (head), Weicheng Lian, Rui Mano, Camila Perez Marulanda (all WHD), and was accompanied by Kevin Woods (Eastern Caribbean Central Bank), Donna Kaidou-Jeffrey (Caribbean Development Bank), and Ran Li (World Bank). Discussions took place in Saint George's during February 15–25, 2022. The team met with Prime Minister Dr. The Right Honorable Keith C. Mitchell, Minister of Finance, ~~Planning~~, Economic Development, ~~and~~ Physical Development, ~~and~~ Energy Honorable Gregory Bowen, Minister of Climate Resilience, the Environment, Forestry, Fisheries and Disaster Management Honorable Simon Stiell, Permanent Secretary of ~~Minister Ministry~~ of Finance, ~~Planning~~, Economic Development, ~~and~~ Physical Development ~~and~~ Energy Mike Sylvester, other senior government officials, and private sector, labor union, and civil society representatives. Ms. Latoya Smith (OED) attended some meetings and Mr. Philip Jennings (OED) participated in the concluding meeting. Anahit Aghababyan, Nischel Pedapudi, and Huilin Wang (all WHD) assisted in the preparation of the report.

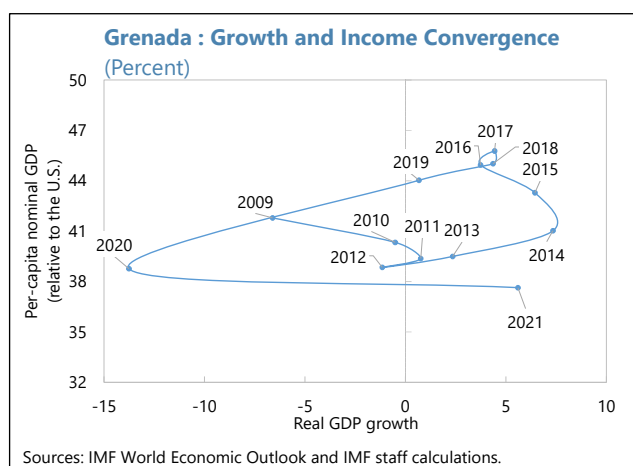
CONTENTS

| | |
|--|-----------|
| RECOVERING FROM THE COVID SHOCK | 4 |
| A. Context | 4 |
| B. A Protracted Recovery | 5 |
| C. Outlook and Risks | 7 |
| POLICY DISCUSSIONS | 7 |
| A. Supporting the Recovery and Building Resilience | 7 |
| B. Achieving Sustainable Growth and Unleashing Job Opportunities | 14 |
| C. Safeguarding Financial Stability | 17 |
| DATA ISSUES | 19 |
| STAFF APPRAISAL | 20 |
| BOXES | |
| 1. Inflation Developments | 6 |
| 2. Fiscal Rules | 13 |
| FIGURES | |
| 1. Recent Economic Developments | 22 |
| 2. External Developments | 23 |
| 3. Fiscal Developments | 24 |
| 4. Financial Sector Developments | 25 |

RECOVERING FROM THE COVID SHOCK

A. Context

1. Grenada's economy grew strongly prior to the COVID-19 shock, supported by the implementation of important reforms and favorable external conditions. Real GDP growth averaged 4.5 percent during 2014-19, driven by agriculture, tourism, and construction, and spillovers from the long U.S. expansion. The successful implementation of the Fiscal Responsibility Framework (FRF) helped address fiscal imbalances, boosted confidence, and underpinned an impressive reduction in public debt. An updated tax incentives regime helped attract foreign direct investment (FDI) inflows. Although still high, the poverty rate fell to 25 percent (from 38 percent in 2008) and unemployment declined to ~~22~~ 15.4 percent in 2019.



2. The tourism-dependent economy was hit hard by the pandemic. Tourism directly and indirectly made up 40 percent of value-added, one-quarter of employment, and 80 percent of exports. Lockdown measures, necessary to contain the spread of the virus, prompted a collapse of tourism-related activities and suspension of in-person classes at Saint George's University (SGU), a key contributor to activity. Real GDP contracted by 14 percent in 2020 and over 14,000 jobs were lost (over one-quarter of the labor force). The recovery of tourist arrivals has been slow, amid elevated uncertainties over the pandemic's lasting impacts, including possible shifts in consumer preferences (notably reduced demand for cruises).

3. Grenada's vulnerability to climate and natural disaster shocks poses additional challenges. Annual losses from past weather events are estimated by staff at around 1.7 percent of GDP but the frequency and severity of such events are likely to increase and new challenges—such as the slow-moving effects of rising sea levels—are likely to become more pressing. These will likely exacerbate resource and implementation constraints and highlight gaps in critical infrastructure. Building on the [2019 Climate Change Policy Assessment \(CCPA\)](#), the authorities have prepared a [Disaster Resilience Strategy \(DRS\)](#) that elaborates a comprehensive plan outlining the needed policies for resilience building, their expected benefits and costs, and a roadmap of actions that are consistent with debt sustainability.

As a result, the primary balance is expected to swing into deficit in 2022, financed by drawing down government deposits and external borrowing.

- *Temporary measures to mitigate rising living costs (Box 1).* Their estimated costs are 1 percent of GDP. This is likely to offset staff's projection of potential improvement in tax revenues alongside the recovery and buoyant trade-related collections (on pricier imports), resulting in a broadly unchanged tax revenue-to-GDP ratio from 2021.⁴ To cushion the impact of price increases once the temporary measures are lifted in end-May 2022, targeted transfers should be increased, including through the SEED⁵ and other social assistance programs. Temporary direct support could be considered for businesses (such as bus companies/operators) directly affected by higher energy costs. It will be important to allow higher international food and energy costs to pass through to domestic prices, especially if price increases persist.
- *Other measures.* It will be important to sustain, with better targeting, the higher levels of social spending achieved during the pandemic, as envisaged in the 2022 Budget. Efforts should continue to mitigate potential scarring through spending on healthcare, expanding youth entrepreneurship initiatives, gender empowerment, and providing internet access to poor families. Expedited implementation of the authorities' compliance risk management program, together with the cyclical recovery of tax revenues, will help offset staff's more conservative projection of higher wage bills and goods and services in light of rising inflation.

13. After 2022, fiscal policy should return to complying with the parameters of the FRF, carefully balancing supporting growth with reinforcing fiscal credibility. The Medium-Term Fiscal Framework (MTFF) establishes a downward path for the debt-to-GDP ratio to converge towards the medium-term ceiling (of 55 percent of GDP). This will imply a significant fiscal consolidation in 2023-24 as emergency measures introduced during the pandemic expire. To help return output to its pre-pandemic level by 2024, there is likely scope to increase spending in some priority areas (e.g., social protection, infrastructure maintenance, and acquisition of core skills) while still complying with the FRF. This can be partly supported by stronger efforts in raising revenues (see ¶16) to their pre-pandemic levels (that averaged 21.7 percent of GDP during 2016-19).

⁴ The projection of tax revenues in the 2022 Budget is more conservative and based on outturns in the first three quarters of 2021 (outturn in the last quarter surprised positively).

⁵ A major social program "Support for Education, Empowerment and Development (SEED)."

has established criteria and systems for estimating maintenance and rehabilitation costs for physical infrastructure investments and strengthened coordination of spending across government agencies. These efforts have supported a significant increase in the implementation rate of public investment projects. The recent Public Investment Management Assessment, incorporating a climate module, was aimed at assisting the authorities in achieving a better planning, allocation, and implementation of infrastructure and maintenance projects.

19. To improve public service provision, work should be accelerated to implement the Public Service Management Reform Strategy passed in 2017. This would include completing the ongoing functional review of ministry responsibilities and the compilation of a comprehensive public sector compensation database. This will help develop an action plan to identify skills gaps in the public sector and formulate steps to address them.

20. There is scope to strengthen the coverage and targeting of social assistance programs. Several cash transfer programs were consolidated into one flagship program (SEED) in 2015, providing conditional transfers to needy families. SEED coverage (currently of around 5,500 households) has been expanded over time, including during the pandemic. The program is expected to be reviewed in light of results of the forthcoming country poverty assessment to ensure proper targeting. A temporary unemployment insurance program was introduced during the pandemic and a permanent scheme is being established. Coverage of social protection could be strengthened by adding more poor families into SEED and expanding other programs (e.g., those to enhance education, skills developments, and youth empowerment). Targeting could be improved through better data systems and stronger collaboration across ministries that would help reduce duplication and omission. Attention should also be paid to addressing gaps in coverage (e.g., the disabled).

(iii) Strengthening the Institutional Framework for Fiscal Policy

21. The current conjuncture provides a useful nexus to examine how best to amend the fiscal responsibility framework and address identified shortcomings (Box 2 and Annex IV). The amended framework should ultimately aim to be centered on the medium-term debt ceiling (55 percent of GDP or lower given natural disaster shocks), reduce overlaps in the numerical rules, and provide clear procedures to return to the targeted debt path following shocks. It should also provide stronger incentives for revenue mobilization to create greater space for social and capital spending. To prepare for the amendment, a realistic and credible macroeconomic and fiscal framework needs to be developed to provide a guide for policy in the post-pandemic environment and ensure annual budgets are aligned with medium-term goals, and efforts should continue to strengthen public financial management. Recommendations from the 2019 IMF technical assistance on the FRF provides a basis for amendments but would need to be reviewed in the post-pandemic context, supported by IMF TA. In the meantime, the role of the Fiscal Responsibility Oversight Committee can be strengthened in assessing medium-term forecasts and outlining shock scenarios and contingent measures, to ensure compliance with the FRF.

Declines in electricity costs from a switch to renewables would help support price competitiveness of the tourism sector.

28. Continued efforts are needed to implement the authorities' [Disaster Resilience Strategy](#).

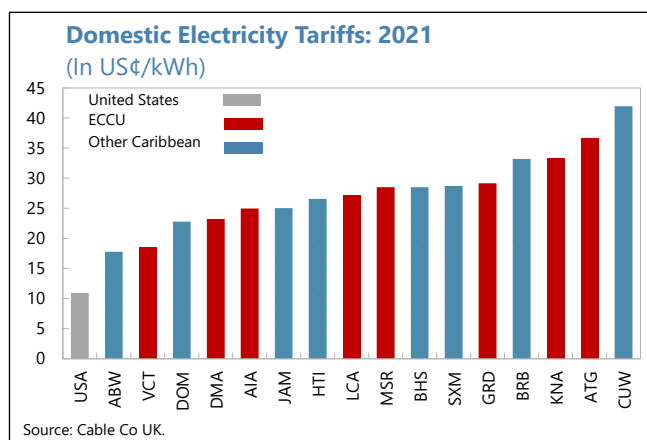
- *Structural resilience.* Progress has been made in the areas of marine and coastal protection, disaster resilience in the education sector, and stocktaking of public assets. Efforts are ongoing to secure donor financing, incorporate sustainability requirement into procurement, and identify projects with an important resilience pay-off. The ongoing update to the national adaptation plan and its implementation will further improve resilience. The updated building code should be legislated to ensure a meaningful impact on building quality.
- *Financial resilience.* Grenada has established a risk-layering framework with self-insurance through a contingency fund under the National Transformation Fund, a Catastrophe Risk Insurance Facility (CCRIF) policy, the WB Catastrophe Deferred Drawdown (CAT-DDO), hurricane clauses in debt contracts, and private sector insurance mechanisms. Facilitating risk pooling among private insurers (e.g., through a public guarantee for any excess liability from natural disasters) can help improve the insurance coverage for public assets (notably hospitals and schools) and private properties (only 20-40 percent of homeowners are estimated to have windstorm insurance). Insurance products should be [further](#) developed for agriculture ~~and fisheries~~.
- *Post-disaster and social resilience.* The integration between the National Disaster Management (NaDMA) and regional organizations could be strengthened to increase the agency's technical and operational capacity.⁸ The legislative framework for the Disaster Risk Management Act needs to be finalized to institutionalize the policy responses to climate risks. Moreover, a new database—in line with a standardized damage and loss assessment methodology across ministries—should be established with adequate resources to the disaster management coordinating body. A climate risk map for hydro-meteorological and geological hazards should be developed to guide new development, impact forecasting, and disaster response, which will also help address long-standing information asymmetries in the private insurance market.

29. Grenada can reduce its carbon footprint, improve its longer-term balance of payments position, and strengthen competitiveness by shifting to renewables and investing in energy conservation. High electricity costs from the reliance on diesel generation hamper competitiveness and make the country vulnerable to swings in international fuel prices. Electricity generation assets have depreciated (as illustrated by recent outages), offering an opportunity to switch to renewable sources. Doing so should lower costs and reduce emissions. An enabling environment to support this shift could be provided through regulatory adjustments—(including updates to the national energy policy [and interconnection policy](#)), ~~changes to the enactment of an energy efficiency act, and interconnection policy~~—and promulgation

⁸ Regional technical organizations supporting these efforts include the Caribbean Institute of Meteorology and Hydrology (CIMH), the Caribbean Disaster Emergency Management Agency (CDEMA), as well as the Seismic Research Center (SRC) at the University of the West Indies.

of procurement regulations that favor renewables. In addition, changes to construction standards (e.g., to incentivize small-scale solar on new buildings), tax incentives for renewables, and higher excises on energy-using products could be useful tools to [further](#) explore.

30. Efforts to reorient the use of CBI inflows and improve competitiveness can help strengthen the prospects for growth and job creation.



- *CBI inflows* are currently being mainly used for real estate projects (in addition to contributing to the National Transformation Fund). These could be redirected toward resilience building investments and developing sectors outside of real estate (e.g., agri-business, ICT and renewable energy).
- *Property rights.* Work is under way to improve the land registry, aimed at electronically recording title and deed, geographic information, coverage of property registry, and plat maps.
- *Trade facilitation.* Efforts are ongoing to achieve international standards food safety and improve logistics. With the MNIB being the sole authorized importer of bulk purchases of several staples, there is room for gradually opening it to competition from other private sector importers.
- *Labor market.* To address the long-standing skills mismatch, the authorities should continue to provide training programs and improve their effectiveness by strengthening the integration between academic institutions and firms, facilitating the transition to employment, and focusing on both technical and entrepreneurial skills.
- *Regulatory management practices.* There appears room for improving the transparency of rule-making, increasing public consultation, and conducting impact assessments of proposed regulations alongside an ex-post review of regulations to assess whether they achieved their policy objective.⁹

Authorities' Views

31. The authorities concurred on the need to increase the value added of the tourism sector and reaffirmed their commitment to implement the [Disaster Resilience Strategy](#). They acknowledged headwinds to the sector, but expressed cautious optimism given expected increase in room capacity from CBI-financed hotels that is likely to attract additional flights. They indicated that ongoing initiatives in the tourism sector will help increase the value-added and create job

⁹ According to the World Bank's Global Indicators of Regulatory Governance.

Table 1. Grenada: Selected Economic and Financial Indicators, 2017–27

| | | | | | | | | | | | | | | |
|--|-------|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--|------|
| Rank in UNDP Human Development Index out of 189 countries (2020) | 74 | | | | | | | | | | | | Infant mortality rate per '000 births (2019) | 14.7 |
| Life expectancy at birth in years (2020) | 72 | | | | | | | | | | | | Adult illiteracy rate in percent (2014) | 1 |
| GDP per capita in US\$ (2020) | 9,680 | | | | | | | | | | | | Poverty rate in percent of population (2019) | 25 |
| Population in millions (2018) | 0.11 | | | | | | | | | | | | Unemployment rate (2021 Q2) | 16.6 |
| | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | | |
| | | | | | | Est. | | | | Proj. | | | | |
| | | (Annual percentage change, unless otherwise specified) | | | | | | | | | | | | |
| Output and prices | | | | | | | | | | | | | | |
| Real GDP | | 4.4 | 4.4 | 0.7 | -13.8 | 5.6 | 3.6 | 3.6 | 3.9 | 3.5 | 3.2 | 2.8 | | |
| Nominal GDP | | 6.0 | 3.6 | 4.0 | -14.0 | 6.9 | 6.8 | 7.0 | 5.8 | 5.6 | 5.4 | 5.1 | | |
| Consumer prices, end of period | | 0.5 | 1.4 | 0.1 | -0.8 | 1.9 | 5.4 | 2.3 | 1.8 | 2.0 | 2.0 | 2.0 | | |
| Consumer prices, period average | | 0.9 | 0.8 | 0.6 | -0.7 | 1.2 | 4.4 | 3.5 | 1.8 | 2.0 | 2.0 | 2.0 | | |
| Output gap (percent of potential GDP) | | 1.5 | 1.5 | 0.1 | -10.1 | -6.1 | -4.9 | -3.7 | -2.2 | -1.2 | -0.5 | -0.1 | | |
| Real effective exchange rate | | -1.4 | -2.4 | 0.7 | -2.0 | ... | ... | ... | ... | ... | ... | ... | | |
| Central government balances (accrual) | | (In percent of GDP, unless otherwise specified) | | | | | | | | | | | | |
| Revenue and Grants | | 25.6 | 27.0 | 26.6 | 28.1 | 31.8 | 29.0 | 29.6 | 28.8 | 28.2 | 28.0 | 28.0 | | |
| Taxes | | 21.4 | 22.3 | 21.9 | 22.1 | 20.8 | 20.7 | 21.6 | 21.8 | 21.9 | 21.7 | 21.7 | | |
| Non-tax revenue 1/ | | 1.6 | 1.6 | 1.8 | 2.4 | 3.4 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | | |
| Grants | | 2.6 | 3.0 | 2.9 | 3.7 | 7.6 | 5.5 | 5.2 | 4.2 | 3.5 | 3.5 | 3.5 | | |
| Expenditure 2/ | | 22.6 | 22.4 | 21.6 | 26.9 | 31.5 | 32.4 | 27.9 | 26.6 | 26.1 | 25.7 | 25.6 | | |
| Current primary expenditure | | 17.3 | 17.6 | 17.2 | 21.1 | 21.0 | 20.1 | 19.2 | 19.3 | 19.4 | 19.1 | 19.1 | | |
| Interest payments | | 2.7 | 2.0 | 1.9 | 2.0 | 1.8 | 2.0 | 1.8 | 1.6 | 2.1 | 2.0 | 1.8 | | |
| Capital expenditure | | 2.7 | 2.8 | 2.6 | 3.8 | 8.6 | 10.4 | 6.9 | 5.7 | 4.6 | 4.7 | 4.7 | | |
| Primary balance 1/ | | 5.7 | 6.6 | 6.8 | 3.2 | 2.1 | -1.5 | 3.5 | 3.8 | 4.2 | 4.3 | 4.2 | | |
| Overall balance | | 3.0 | 4.6 | 5.0 | 1.2 | 0.3 | -3.4 | 1.7 | 2.2 | 2.0 | 2.3 | 2.4 | | |
| Public debt (incl. guaranteed) 3/ | | 70.4 | 64.0 | 58.5 | 71.4 | 70.3 | 69.0 | 66.5 | 64.4 | 58.9 | 53.6 | 48.6 | | |
| Domestic | | 22.6 | 15.7 | 14.6 | 16.2 | 15.4 | 15.3 | 13.8 | 12.5 | 11.4 | 9.6 | 8.0 | | |
| External | | 47.8 | 48.3 | 44.0 | 55.2 | 54.9 | 53.8 | 52.7 | 51.8 | 47.6 | 44.0 | 40.6 | | |
| Money and credit, end of period (annual percent change) | | | | | | | | | | | | | | |
| Broad money (M2) | | 4.0 | 5.9 | 2.9 | 9.1 | 8.5 | 3.3 | 3.4 | 3.6 | 3.4 | 3.3 | 3.0 | | |
| Credit to private sector | | 0.6 | 2.8 | 1.4 | 3.1 | 3.8 | 3.8 | 3.9 | 4.2 | 3.8 | 3.4 | 3.2 | | |
| Balance of payments | | | | | | | | | | | | | | |
| Current account balance, o/w: | | -14.4 | -16.1 | -14.6 | -21.0 | -24.5 | -27.9 | -20.6 | -15.4 | -13.6 | -12.9 | -12.4 | | |
| Exports of goods and services | | 51.4 | 53.3 | 54.5 | 40.4 | 40.1 | 47.5 | 54.4 | 59.9 | 61.7 | 61.3 | 61.2 | | |
| Imports of goods and services | | 54.7 | 58.7 | 59.9 | 56.3 | 60.4 | 67.5 | 65.6 | 66.0 | 65.9 | 64.7 | 64.0 | | |
| Capital account balance | | 5.9 | 5.9 | 5.1 | 7.5 | 10.6 | 9.6 | 9.2 | 7.7 | 5.7 | 5.7 | 5.7 | | |
| Financial account balance | | -7.5 | -7.1 | -6.6 | -6.8 | -14.0 | -18.3 | -11.4 | -7.7 | -7.9 | -7.2 | -6.7 | | |
| Errors and omissions | | 1.0 | 3.1 | 2.9 | 6.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| External debt (gross) | | 88.9 | 86.0 | 81.8 | 92.9 | 94.8 | 91.7 | 87.5 | 83.9 | 77.5 | 72.5 | 68.0 | | |
| Savings-Investment balance | | -14.4 | -16.1 | -14.6 | -21.0 | -24.5 | -27.9 | -20.6 | -15.4 | -13.6 | -12.9 | -12.4 | | |
| Savings | | 6.5 | 8.0 | 9.8 | 4.2 | 3.4 | 0.3 | 4.5 | 8.9 | 10.1 | 11.4 | 12.5 | | |
| Investment | | 20.9 | 24.1 | 24.4 | 25.2 | 28.0 | 28.2 | 25.0 | 24.4 | 23.8 | 24.3 | 24.9 | | |
| <i>Memorandum items:</i> | | | | | | | | | | | | | | |
| Nominal GDP (millions of ECS) | | 3,039 | 3,150 | 3,276 | 2,817 | 3,011 | 3,217 | 3,443 | 3,644 | 3,847 | 4,056 | 4,264 | | |
| Net imputed international reserves | | | | | | | | | | | | | | |
| Months of imports of goods and services | | 3.4 | 3.8 | 4.8 | 5.2 | 4.8 | 5.1 | 4.8 | 4.6 | 4.5 | 4.4 | 4.2 | | |

Sources: Country authorities; Eastern Caribbean Central Bank; United Nations, Human Development Report; World Bank WDI; and IMF staff estimates and projections.

1/ Includes Citizenship-by-Investment (CBI) related non-tax revenue.

2/ The Chart of Accounts for expenditure classification was revised in 2016 from GFSM 1996 format to GFSM 2014 format.

3/ Includes the impact of the debt restructuring agreement for the 2025 bonds.

Table 3a. Grenada: Operations of the Central Government, 2017–27
(In millions of EC dollars)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|--------------|--------------|--------------|--------------|--------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | | | | Est. | | | Proj. | | | |
| Total revenue and grants | 778.2 | 849.1 | 871.9 | 792.7 | 957.1 | 932.3 | 1,018.8 | 1,049.7 | 1,084.4 | 1,136.8 | 1,192.4 |
| Revenue | 700.1 | 754.8 | 778.4 | 689.6 | 727.1 | 756.9 | 840.2 | 896.7 | 949.7 | 994.9 | 1,043.2 |
| Tax revenue | 651.9 | 703.0 | 718.7 | 622.8 | 625.4 | 665.6 | 743.3 | 794.9 | 842.2 | 881.5 | 924.1 |
| Taxes on income and profits | 140.6 | 153.9 | 151.4 | 135.0 | 121.5 | 131.9 | 145.7 | 161.8 | 171.6 | 180.9 | 190.2 |
| Taxes on property | 24.3 | 29.2 | 39.7 | 34.8 | 29.1 | 35.4 | 37.9 | 40.1 | 42.3 | 44.6 | 46.9 |
| Taxes on goods and services | 263.7 | 276.4 | 282.2 | 241.5 | 250.3 | 270.2 | 292.7 | 309.8 | 330.9 | 348.9 | 366.7 |
| Taxes on international trade | 223.3 | 243.4 | 245.4 | 211.5 | 224.6 | 228.0 | 267.1 | 283.2 | 297.4 | 307.2 | 320.3 |
| Nontax revenue | 48.2 | 51.8 | 59.7 | 66.8 | 101.7 | 91.3 | 96.9 | 101.8 | 107.5 | 113.3 | 119.1 |
| Grants | 78.1 | 94.3 | 93.5 | 103.1 | 230.0 | 175.4 | 178.6 | 153.0 | 134.7 | 142.0 | 149.2 |
| Total expenditure and net lending 1/ | 686.6 | 704.5 | 709.1 | 758.7 | 947.2 | 1,042.9 | 960.2 | 969.2 | 1,005.8 | 1,042.9 | 1,090.9 |
| Current expenditure | 605.9 | 617.7 | 623.4 | 650.8 | 686.8 | 709.1 | 724.2 | 761.2 | 828.9 | 853.8 | 890.5 |
| Wages and salaries | 246.9 | 251.6 | 253.3 | 261.6 | 291.7 | 289.5 | 303.0 | 313.4 | 338.6 | 357.0 | 375.2 |
| NIS contributions | 18.4 | 18.9 | 13.4 | 14.8 | 16.0 | 16.0 | 16.6 | 17.3 | 18.2 | 19.2 | 20.2 |
| Goods and services | 126.5 | 130.7 | 132.8 | 132.9 | 154.0 | 160.9 | 153.0 | 173.3 | 178.0 | 182.0 | 191.9 |
| Transfers | 133.2 | 153.3 | 163.3 | 185.6 | 171.0 | 179.0 | 189.4 | 200.4 | 211.6 | 215.0 | 226.0 |
| Interest payments | 81.0 | 63.2 | 60.6 | 55.9 | 54.2 | 63.7 | 62.2 | 56.8 | 82.5 | 80.7 | 77.3 |
| Capital expenditure and net lending | 80.6 | 86.8 | 85.7 | 107.9 | 260.4 | 333.8 | 236.0 | 208.0 | 177.0 | 189.0 | 200.4 |
| Grant-financed | 64.2 | 74.9 | 75.7 | 84.8 | 182.9 | 175.4 | 178.6 | 153.0 | 134.7 | 142.0 | 149.2 |
| Non-grant financed | 16.4 | 11.9 | 10.0 | 23.1 | 77.5 | 158.4 | 57.4 | 55.0 | 42.3 | 47.1 | 51.2 |
| Primary balance 2/ | 172.6 | 207.8 | 223.5 | 89.9 | 64.1 | -46.9 | 120.9 | 137.3 | 161.0 | 174.6 | 178.8 |
| Overall balance | 91.6 | 144.5 | 162.8 | 34.0 | 9.9 | -110.6 | 58.7 | 80.5 | 78.5 | 94.0 | 101.5 |
| Public Debt | 2,140 | 2,016 | 1,918 | 2,012 | 2,117 | 2,221 | 2,291 | 2,346 | 2,267 | 2,173 | 2,072 |
| <i>Memorandum items</i> | | | | | | | | | | | |
| Nominal GDP (millions of EC\$) | 3,039 | 3,150 | 3,276 | 2,817 | 3,011 | 3,217 | 3,443 | 3,644 | 3,847 | 4,056 | 4,264 |

Sources: Ministry of Finance and IMF staff estimates.

1/ The Chart of Accounts for expenditure classification was revised in 2016 from GFSM 1986 format to

2/ The primary balances include non-tax revenue from the Citizenship-by-Investment program.

Table 3b. Grenada: Operations of the Central Government, 2017–27
(In percent of GDP)

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | | | Est. | Proj. | | | | | |
| Total revenue and grants | 25.6 | 27.0 | 26.6 | 28.1 | 31.8 | 29.0 | 29.6 | 28.8 | 28.2 | 28.0 | 28.0 |
| Revenue | 23.0 | 24.0 | 23.8 | 24.5 | 24.1 | 23.5 | 24.4 | 24.6 | 24.7 | 24.5 | 24.5 |
| Tax revenue | 21.4 | 22.3 | 21.9 | 22.1 | 20.8 | 20.7 | 21.6 | 21.8 | 21.9 | 21.7 | 21.7 |
| Taxes on income and profits | 4.6 | 4.9 | 4.6 | 4.8 | 4.0 | 4.1 | 4.2 | 4.4 | 4.5 | 4.5 | 4.5 |
| Taxes on property | 0.8 | 0.9 | 1.2 | 1.2 | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Taxes on goods and services | 8.7 | 8.8 | 8.6 | 8.6 | 8.3 | 8.4 | 8.5 | 8.5 | 8.6 | 8.6 | 8.6 |
| Taxes on international trade | 7.3 | 7.7 | 7.5 | 7.5 | 7.5 | 7.1 | 7.8 | 7.8 | 7.7 | 7.6 | 7.5 |
| Nontax revenue | 1.6 | 1.6 | 1.8 | 2.4 | 3.4 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Grants | 2.6 | 3.0 | 2.9 | 3.7 | 7.6 | 5.5 | 5.2 | 4.2 | 3.5 | 3.5 | 3.5 |
| Total expenditure and net lending 1/ | 22.6 | 22.4 | 21.6 | 26.9 | 31.5 | 32.4 | 27.9 | 26.6 | 26.1 | 25.7 | 25.6 |
| Current expenditure | 19.9 | 19.6 | 19.0 | 23.1 | 22.8 | 22.0 | 21.0 | 20.9 | 21.5 | 21.0 | 20.9 |
| Wages and salaries | 8.1 | 8.0 | 7.7 | 9.3 | 9.7 | 9.0 | 8.8 | 8.6 | 8.8 | 8.8 | 8.8 |
| NIS contributions | 0.6 | 0.6 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Goods and services | 4.2 | 4.1 | 4.1 | 4.7 | 5.1 | 5.0 | 4.4 | 4.8 | 4.6 | 4.5 | 4.5 |
| Transfers | 4.4 | 4.9 | 5.0 | 6.6 | 5.7 | 5.6 | 5.5 | 5.5 | 5.5 | 5.3 | 5.3 |
| Interest payments | 2.7 | 2.0 | 1.9 | 2.0 | 1.8 | 2.0 | 1.8 | 1.6 | 2.1 | 2.0 | 1.8 |
| Capital expenditure and net lending | 2.7 | 2.8 | 2.6 | 3.8 | 8.6 | 10.4 | 6.9 | 5.7 | 4.6 | 4.7 | 4.7 |
| Grant-financed | 2.1 | 2.4 | 2.3 | 3.0 | 6.1 | 5.5 | 5.2 | 4.2 | 3.5 | 3.5 | 3.5 |
| Non-grant financed | 0.5 | 0.4 | 0.3 | 0.8 | 2.6 | 4.9 | 1.7 | 1.5 | 1.1 | 1.2 | 1.2 |
| Primary balance 2/ | 5.7 | 6.6 | 6.8 | 3.2 | 2.1 | -1.5 | 3.5 | 3.8 | 4.2 | 4.3 | 4.2 |
| Overall balance | 3.0 | 4.6 | 5.0 | 1.2 | 0.3 | -3.4 | 1.7 | 2.2 | 2.0 | 2.3 | 2.4 |
| Public Debt | 70.4 | 64.0 | 58.5 | 71.4 | 70.3 | 69.0 | 66.5 | 64.4 | 58.9 | 53.6 | 48.6 |
| <i>Memorandum items:</i> | | | | | | | | | | | |
| Nominal GDP (millions of EC\$) | 3,039 | 3,150 | 3,276 | 2,817 | 3,011 | 3,217 | 3,443 | 3,644 | 3,847 | 4,056 | 4,264 |

Sources: Ministry of Finance and IMF staff estimates.

1/ The Chart of Accounts for expenditure classification was revised in 2016 from GFSM 1986 format to GFSM 2014 format.

2/ The primary balances include non-tax revenue from the Citizenship-by-Investment program.

Annex I. Implementation of Past Staff Advice

| 2019 Article IV Policy Recommendations | Policy Actions |
|--|---|
| Growth Agenda | |
| Enhance positive spillovers from tourism to the rest of the economy. | Ongoing. The West Indies School of Hospitality (WISH), launched in 2021, will provide Cornell University Scholarships for hospitality workers in Grenada. The Community Tourism Project seeks to link the agriculture sector with tourism. |
| Accelerate efforts to facilitate trade through simplifying customs procedures and reducing port charges. | Ongoing. Grenada Customs received TA from CARTAC to support the development of performance targets and KPI in key functional, operational and organizational areas. However, implementation has been limited due to constraints in human and material resources, among other. |
| Operationalize the regulations to the 2016 electricity supply act to unlock renewable energy investment. | Ongoing. From a total of nine Public Utilities Regulatory Commission's regulatory instruments, the Electricity Tariff-Setting Methodology Regulations and the Electricity Generation, Expansion Planning, and Competitive Procurement Regulations were both gazetted on April 8, 2022, and four two are close to promulgation. The regulation on tariff setting methodology is the most advanced one. |
| Further improve labor market institutions and education and training programs to enhance job matching. | Ongoing. The government is implementing recommendations to improve the IMANI program, the main vehicle for training. The National Skills development Program continues to help in developing skills in various areas as well as business support for youth entrepreneurs. |
| Prepare a national Disaster Resilience Strategy . | Completed. Strategy aimed at addressing the infrastructure and resilience gaps was prepared in January 2021 and published in February 2022. |
| Fiscal Policy | |
| Carefully plan steps to enhance the FRL , with a consistent and well-sequenced implementation. Continue improving public financial management . | Ongoing. The pandemic reinforced the need to amend the Fiscal Responsibility Framework. Various options are under consideration, with the timing and the details to be ironed out. Debt reports have been published regularly. Audited financial statements of the government for the last several fiscal years are still pending. |
| Further enhance the level and targeting of social assistance , including a further upgrade of the SEED. | Ongoing. A temporary unemployment insurance program was introduced in 2020 and is being formalized. The SEED was expanded in 2021 to better protect the poor. Income support and wage subsidies were provided to both formal and informal sector workers in sectors hard hit by the pandemic. |
| Improve public investment management . | Ongoing. The new institutional framework for coordinating capital projects is helping improve the efficiency of managing public investment. The registry of public assets is being established. An IMF Public Investment Management Assessment (with a climate module) took place in April 2022. |
| Address delays in the implementation of the 2017-19 public service reform . | Ongoing. The attrition policy is being used to manage size of the public sector. A Management Information System was launched to better manage human resources. More government services have moved online, including efforts in improving the communication between the cabinet and the public. |
| Implement sectoral structural reforms on aging-related spending, tax administration, and public enterprise efficiency. | Ongoing. Limited progress on aging-related spending. The inland revenue division is taking measures to reduce tax arrears. Studies for expanding the tax base are ongoing, including on reassessing property values. A centralized effort in assisting SOEs in wage negotiation has been established. Pension and dividends of SOEs are managed actively, based on profitability. |
| Financial Sector | |
| Strengthen the regulation and oversight of non-bank financial sector , in coordination with ECCB and ECCU's peer regulators aimed at continuously harmonizing oversight of non-banks. | Ongoing. The Grenada Authority for the Regulation of Financial Institutions (GARFIN) improved its capacity for credit quality review and stress testing of credit unions and intensified monitoring of credit unions and insurers during the pandemic. Standardized regulations for credit unions are yet to be promulgated and work is ongoing in conjunction with regional partners on an optimal regulatory framework for the financial sector. The development of a national crisis management plan is progressing albeit with delays. |
| Ensure compliance with AML/CFT regulations. | Ongoing. AML/CFT Commission has been established and is now staffed. The Financial Intelligence Unit has strengthened monitoring. |