Grenada: Sixth review Under the Extended Credit Facility Arrangement and Financing Assurances Review-Press Release; and Staff Report

INTERNATIONAL MONETARY FUND

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GRENADA

May 2017

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; AND STAFF REPORT

In the context of the Sixth Review Under the Extended Credit Facility Arrangement and Financing Assurances Review, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 18, 2017, following discussions that ended on March 22, 2017, 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 May 9, 2017.

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

Letter of Intent sent to the IMF by the authorities of Grenada*
Final Memorandum of Economic and Financial Policies by the Authorities of Grenada*
*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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Press Release No. 17/182
FOR IMMEDIATE RELEASE
May 18, 2017

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Final Review Under the Extended Credit Facility Arrangement for Grenada

- The completion of the Review enables final disbursement of US$2.8 million.
- Grenada successfully met its original reform program targets, which included fiscal adjustment and debt reduction.
- Grenada's economy grew by about 3.9 percent in 2016, reflecting strong construction activity and steady external demand for tourism services.

The Executive Board of the International Monetary Fund (IMF) today completed the sixth and final review of Grenada's 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$2.8 million), bringing total resources made available to Grenada to the equivalent of SDR 14.04 million (about US$19.4 million). The ECF arrangement was approved by the Executive Board on June 26, 2014 (see Press Release No. 14/310).

The government met all continuous and end-December 2016 performance criteria and structural benchmarks. The economy grew by about 3.9 percent in 2016, reflecting continued strong construction activity and steady external demand for Grenada's tourism services. The pace of restructuring of public debt was accelerated in recent months and Grenada's debt-to-GDP ratio declined to 83.4 percent at end-2016 from 108 percent in 2013.

Grenada succeeded in meeting the core objectives of the ECF-supported program of restoring fiscal sustainability, strengthening the financial sector, and setting the stage for sustainable growth. With successful fiscal adjustment, debt restructuring and stronger growth during the program period, the debt-to-GDP ratio is well on track to meet the medium-term goal.

The authorities also passed a substantial number of legislative reforms that helped strengthen the fiscal policy framework, including the Fiscal Responsibility, Public Debt Management, and Public Finance Management Acts. The government raised total social spending under the program and improved the targeting of social transfers to those most in need. In addition, Grenada's banking sector has strengthened and financial stability has improved.

While recent progress is commendable, Grenada remains a small open economy susceptible to external shocks, including from natural disasters and swings in tourism demand and commodity prices. While prospects for debt sustainability have vastly improved, public debt is still relatively high and the authorities need to continue their efforts to reach medium term debt targets and to lower unemployment, raise productivity, and broaden the base of growth.

Following the Executive Board's discussion on Grenada, Mr. David Lipton, First Deputy Managing Director and Acting Chair, said:

"Grenada's performance during the last phase of the ECF-supported program remained strong. The authorities met all performance criteria and structural benchmarks for the sixth review. Moreover, the program's core objectives of restoring fiscal sustainability, strengthening the financial sector, and setting the stage for sustained growth have been achieved. Going forward, the authorities should focus on advancing structural reforms that promote broad-based growth and lower unemployment, while adhering to the strengthened fiscal policy framework to secure debt sustainability.

"The authorities have made significant progress in reducing the debt-to-GDP ratio, but public debt is still high and the outlook remains vulnerable to shocks. Going forward, the authorities should adhere to the new rules-based fiscal policy framework to meet medium-term debt targets and build up reserve buffers to help the country mitigate the impact of future shocks. It will also be important to regularize all outstanding arrears and conclude discussions with remaining creditors as soon as possible.

"Significant progress has been made in improving public finance management, public debt management, tax administration, and targeting of social transfers. The next phase of reform calls for concerted implementation of the legislation passed during the program and follow through on the systems of accountability accompanying the fiscal framework to secure lasting success.

'To improve Grenada's competitiveness and growth potential, priorities should focus on removing impediments to private sector activity, advancing institution-specific reforms to state-owned enterprises, and revitalizing the agriculture sector. Efforts to lower unemployment should focus on strengthening labor market skills and mobility and on implementing the public service management reform.

"The balance sheet of the banking system has been strengthened and financial stability has improved. Continued efforts are needed now to strengthen the regulation and supervision of the non-bank financial sector and ensure that the financial system contributes more effectively to private sector growth."

Grenada: Selected Economic and Financial Indicators

	2014	2015	2016	2017	2018	2019	2020
				Projections			
National income and prices							
GDP at constant prices	7.3	6.2	3.9	2.5	2.3	2.2	2.5
Consumer prices, average	-1.0	-0.6	1.7	2.6	2.0	1.8	1.9
Consumer prices, end of period	-0.6	1.1	0.9	3.0	1.8	1.9	1.9
Money and credit, end of period							
Credit to private sector	-5.1	-3.8	4.1	2.7	4.5	4.4	4.6
Broad money (M2)	4.1	5.2	5.5	5.2	4.5	4.4	4.6
Central government balances (accrual)	(In percent of GDP, unless otherwise specified)						
Revenue	24.5	24.8	26.8	26.5	26.1	25.9	25.7
Expenditure	29.2	26.0	24.5	24.3	23.7	23.3	22.8
o.w. Capital expenditure	9.2	8.4	4.3	4.4	4.1	4.1	3.8
Primary balance 1/	-1.1	2.2	5.3	4.4	4.3	4.3	4.4
Primary balance (excl. CBI revenues)	-1.1	1.6	5.3	4.4	4.3	4.3	4.4
Overall balance	-4.7	-1.2	2.4	2.2	2.4	2.6	2.9
Public debt (incl. guaranteed) 2/	101.8	91.7	83.4	71.8	65.8	60.4	54.9
Domestic	34.1	29.1	25.6	23.5	21.0	18.3	16.0
External	67.7	62.6	57.9	48.3	44.8	42.2	38.9
External Sector							
Imputed net int'l reserves (US$ mn)	158.3	188.5	192.3	194.8	203.5	213.4	224.0
(in months of imports)	4.5	5.3	5.0	4.8	4.8	4.8	4.8
Current account balance, o/w:	-17.5	-17.5	-14.6	-15.4	-15.0	-15.0	-14.4
Exports of goods and services	27.9	27.2	29.0	28.2	28.4	28.7	29.0
Imports of goods and services	45.5	44.7	43.6	43.6	43.4	43.7	43.4
External debt (gross)	143.0	135.3	129.0	117.5	113.0	109.4	105.2

Sources: Ministry of Finance; Eastern Caribbean Central Bank; and Fund staff estimates and projections.
1/ Includes 0.7% of GDP CBI-related non-tax revenue in 2015.
2/ Includes impact of debt restructuring agreement reached with creditor committee for 2025 bonds.

INTERNATIONAL MONETARY FUND

GRENADA

May 9, 2017

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Extended Credit Facility Arrangement. The arrangement was approved on June 26, 2014 and the fifth review completed on December 14, 2016. Disbursements equivalent to SDR 12.04 million (about US$17.5 million) have been made to Grenada so far under the arrangement and the equivalent of SDR 2 million (about US$2.7 million) will be made available upon Executive Board completion of the Sixth Review.

Program Performance. Overall program implementation for the sixth ECF review was strong. All continuous and end-December 2016 performance criteria and structural benchmarks were met. The end-March 2017 structural benchmarks related to management of the public sector wage bill were implemented, one with a short delay. Staff confirmed that the fiscal program for 2017 is consistent with the Fiscal Responsibility Act, as agreed during the Fifth Review, and followed up on the remaining debts to be restructured, which now amount to about 15 percent of total restructurable debt.

Perspective and outlook. Under the ECF-supported program, fiscal adjustment, debt restructuring and reduction, and legislative reforms have been noteworthy. The authorities met the core objectives under the ECF-supported program of restoring fiscal sustainability, strengthening the financial sector, and setting the stage for sustained growth. While prospects for debt sustainability have vastly improved, public debt is still high and Grenada is vulnerable to shocks. The authorities need to persevere with Grenada's new fiscal policy framework to meet medium term debt targets. In addition, efforts should continue to reduce unemployment, improve the efficiency of the public service, lower the cost of doing business, and re-invigorate the agriculture sector.

Approved By	
Trevor Alleyne (WHD) and Bob Traa (SPR)	Discussions took place in St. George's during March 15 -22, 2017. The team comprised Nicole Laframboise (head), Wayne Mitchell, Gregorio Impavido (all WHD), Klaus Hellwig (SPR) and Jemma Lafeuillee (local IMF economist). The team was joined by Nancy Horsman and Mike Sylvester (OED) and representatives from the Eastern Caribbean Central Bank and the Caribbean Development Bank.

CONTENTS

ANNEXES

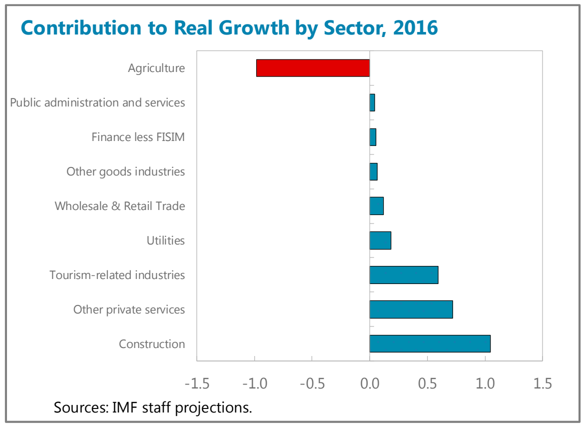
APPENDIX

Glossary

AML	Anti-money laundering
CBI	Citizenship by investment
CFT	Combating the financing of terrorism
COA	Chart of accounts
CS_DRMS	Commonwealth Secretariat-Debt Recodrding Management System
DMAS	Debt management advisory service
DMU	Debt management unit
DPA	Department of Public Administration
DSA	Debt sustainability analysis
ECF	Extended credit facility
ESA	Energy Supply Act
FRA	Fiscal Responsibility Act
GARFIN	Grenada Authority for the Regulation of Financial Institutions
GCEPC	Concrete & Emulsion Production Corporation
GDB	Grenada Development Bank
GFSM	Government finance statistics manual
GPC	Grenada Postal Corporation
GPRS	Grenada poverty reduction strategy
GRP	Grenada Private Power
GTM	Guyana and Trinindad Mutual
HGMC	Home grown monitoring committee
IRD	Inland Revenue Department
NIS	National insurance scheme
NTF	National Transformation Fund
NPLs	Non-performing loans
PDCC	Public debt coordinating committee
PFMA	Public Financial Management Act
PIT	Personal income tax
PSIP	Public sector investment programme
SB	Statutory body
SEED	Support for education, employment and development
SGU	St. George's University
SIP	Selected issues paper
SOE	State-owned Enterprise

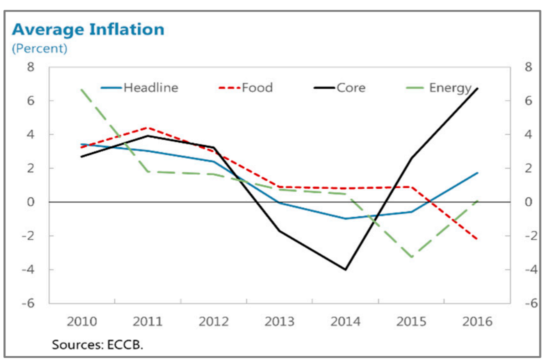
RECENT DEVELOPMENTS

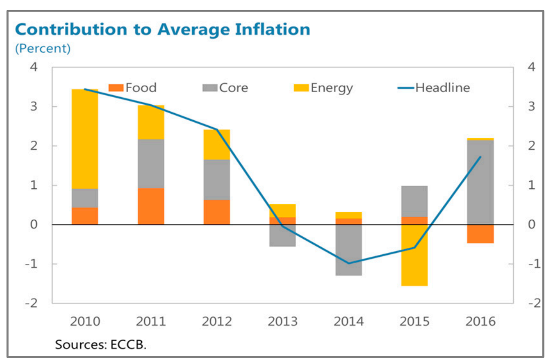
1. In 2016, the economy expanded by about 3.9 percent. Growth was underpinned by tourism-related construction activity and steady tourism demand, partially offset by a contraction in agriculture output caused by drought followed by excessive rains. Above average growth over the past three years has led to a positive output gap (Figure 1) of about 3 percentage points, despite a fiscal contraction that helped dampen aggregate demand pressures.[1]



2. Unemployment remains elevated. After a protracted recession and steady climb, unemployment declined gradually during the program, from over 35 percent (estimated) in 2012 to 28.6 percent in 2016 (Figure 2). The modest decline in unemployment is due largely to structural factors, notably a skills mismatch that affects in particular the youth. In addition, the incentive effects from remittances and wage setting mechanisms that are delinked from productivity have both contributed to unemployment.

3. Headline inflation turned positive in 2016. Average headline inflation rose by 1.7 percent in 2016: core inflation contributed more than 2 percentage points due mainly to a jump in telecom prices in June 2016 (and September 2015) after two telecom service providers were merged.[2]

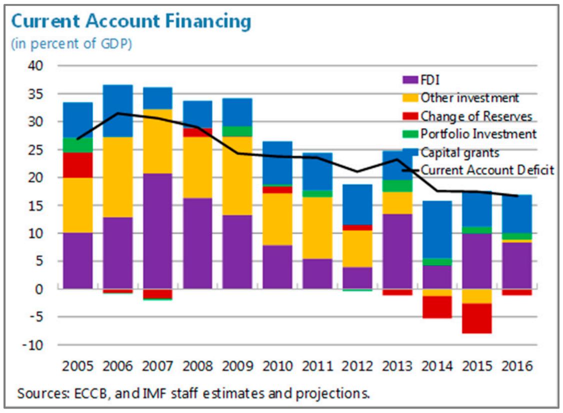


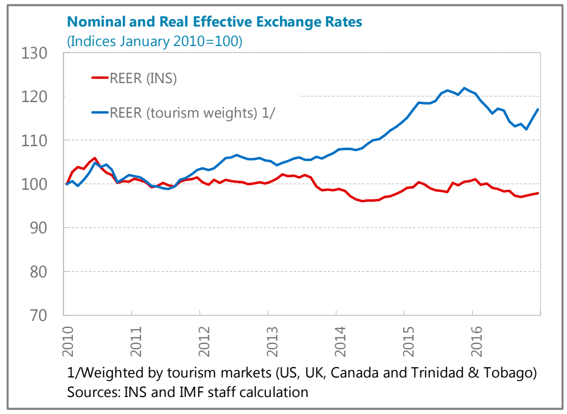


[1] Fiscal adjustment during the program has had a limited contractionary impact since the fiscal multiplier in the Caribbean is low and for Grenada it is not statistically different from zero; in this light the fiscal tightening could have generated a positive confidence-related impulse.

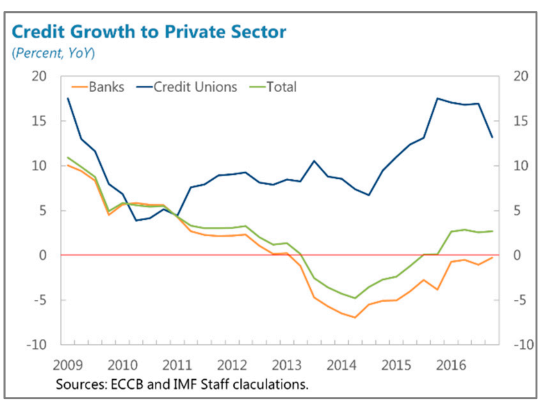
[2] The regional regulatory authorities approved the merger after determining that consumer welfare would not be adversely affected by anti-competitive behavior.

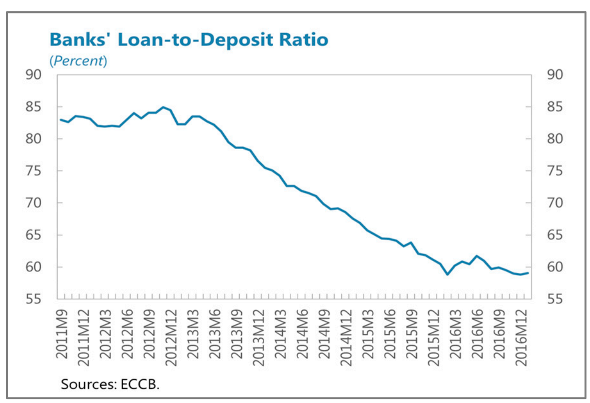
4. The pace of growth in tourism flows from key markets slowed, but the external position remained stable. The growth rate in stayover tourist and cruise-ship passenger arrivals for 2016 declined to 2.6 and 12.3 percent, respectively, from 5.1 and 19.3 percent in 2015. Tourists from Europe and Venezuela, whose length of stay and expenditures are above average, declined significantly. The current account deficit is estimated at 14.6 percent of GDP, slightly lower than in 2014 and 2015, financed mostly by non debt creating inflows.[3] The real effective exchange rate (tourism weighted) depreciated by 3.5 percent (y/y) in 2016.





5. Overall credit to the private sector grew by 2.7 percent in 2016, with lending activity continuing to shift from banks to credit unions. Credit union sector assets grew by 13 percent in 2016 and the share of the sector rose during the program from 17 percent to 24 percent of total credit. Having undergone significant balance sheet repair, banks remain fairly risk averse. That said, risk aversion is steadily diminishing as the banks' disintermediation rate has been decreasing since 2014 and banks' loan-to-deposit ratio has stabilized.[4]

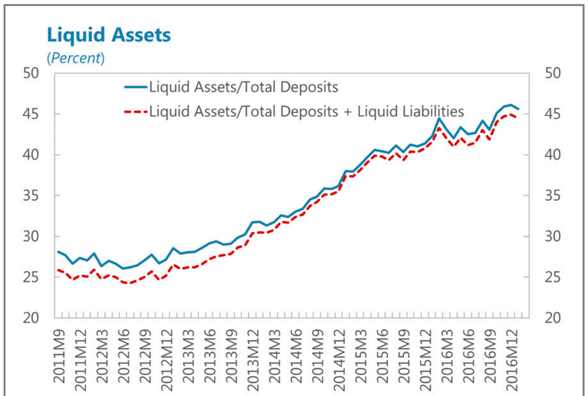




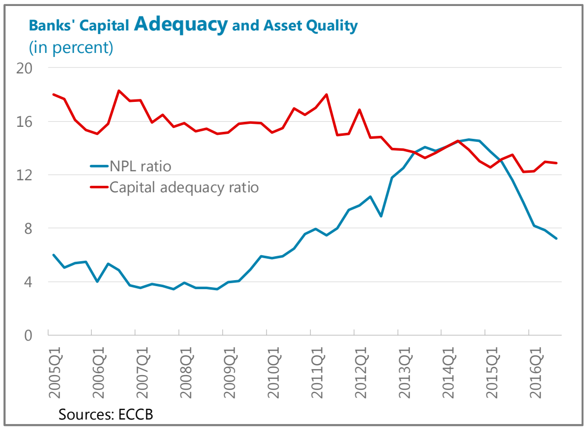
[3] The improvement reflects upward revisions to spending by tourists and international medical students at St. George's University (SGU). The ECCB will release new balance of payments (BoP) data in 2017 based on improved methodology (see Country Report 16/133) that is expected to show a much lower current account deficit.

[4] Overall credit growth includes an EC$49 million loan by a foreign bank to the utility company in 2016 to finance a dividend. It is included in credit growth in Table 7.

6. Banks' balance sheets continue to improve (Table 9). Ample liquidity conditions resulted in a comfortable liquidity coverage ratio of around 45 percent of deposits. At the same time, low demand for money balances has resulted in increased net foreign assets and a further accumulation of reserves at the ECCB. Lending rates fell by 34 basis points (y/y) in 2016, reflecting some pass through of the earlier reduction in the floor on deposit rates (Figure 3). Although ROAA (return on average assets) of 0.4 percent is low, banks remain profitable which has allowed provisions for impaired asset to increase; however, at 54 percent of non-performing loans (NPLs), they are relatively low. With NPLs decreasing from a peak of 13.8 percent of gross loans in 2013 to 6.7 percent (from 11.3 to 3.9 percent of GDP), asset quality has improved markedly. Finally, with an average CAR and T1R of about 14 and 12.5 percent, respectively, capital remains comfortably above the 8 percent regulatory minimum and is highly loss absorbing.



Sources: ECCB.



Sources: ECCB

7. Grenada has restructured 85 percent of the stock of restructurable debt. With the execution of agreements with Russia and the United Kingdom, the restructuring of all Paris Club debt was completed. Discussions with Algeria have also progressed (Tables 4-5). On the domestic front, debt to Petrocaribe Grenada, two domestic banks, and large portions of a bond have been restructured; the restructuring of government guaranteed debt was also completed. As a result, the remaining domestic debt consists of bond portions whose holders have not come forward.

8. Interest rates on public debt have fallen and deposits are rising. After negotiating lower interest rates on many private placements in 2016, the authorities are also taking a more strategic approach in the regional T-bill market, lowering the reservation yield for auctions from 6 to 4 percent. As a result, the first auction in January resulted in a record yield of 2.4 percent against 4.5 percent a year earlier. Even so, with deposits equivalent to 6.2 percent of GDP at end-January and earning an average interest rate of 0.9 percent, the pace of debt reduction could be speeded up, beginning with more costly privately placed T-bills.

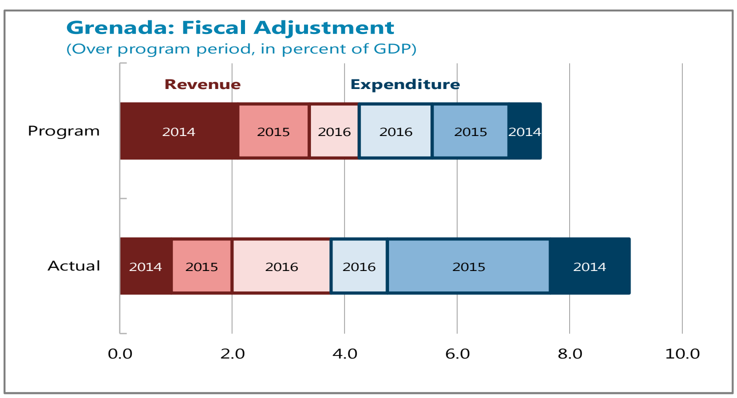
PROGRAM PERFORMANCE

All performance criteria (PC) for end-December were met and the structural reform agenda is advancing in line with programmed benchmarks.

A. Quantitative Targets

9. The fiscal position improved significantly in the last year of the program. Grenada achieved a primary surplus in 2016 of 5.4 percent of GDP, exceeding the adjusted quantitative PC by a significant margin owing to higher-than-projected revenues and continued expenditure restraint. Income and consumption tax revenues were boosted by stronger economic activity and improved tax administration (MEFP ¶13). The authorities utilized some of the revenue and higher-than-expected budget grants to offset the shortfall in capital grants (allowed under the program) and sustain growth-enhancing capital spending. Primary expenditure inclusive of retroactive increment payments (salary grade increases) of EC$1.8 million was below the associated end-December PC (after program adjusters). Comparability of expenditure in 2016 with some of the monitoring targets and previous years is affected by the reclassification of spending under the new Chart of Accounts (CoA), an earlier structural benchmark under the program that was implemented in 2016 (MEFP ¶7).[5] Under this exercise, 3.5 percent of GDP of spending was shifted from capital to non-interest current expenditure. Under the old CoA classification, however, the public wage bill and employment were lower than the monitoring targets for end-December due to continued implementation of the attrition policy (MEFP ¶5).

10. Fiscal adjustment during 2014-2016 exceeded program targets. Fiscal consolidation over the duration of the ECF-supported program was roughly evenly distributed between revenue enhancement and expenditure restraint. Boosted by growth that exceeded considerably projections in the 2014 program documents (Annex III), total fiscal adjustment during the program amounted to 9.6 percent of GDP (9.1 percent excluding grants), greater by 1.5 percent of GDP than the original program intentions (Annex III).



[5] The CoA was revised from the methodology in the 1986 Government Finance Statistics Manual (GFSM) to that of GFSM 2001.

Grenada: Program Monitoring – Quantitative Performance Criteria under the ECF
(In millions of EC dollars)

	End-December 2016, Sixth Review				
	Program	Program Adjusted 1/	Preliminary	Difference	Status
Performance criteria					
A. Cumulative floor on central government primary balance (EC$ mln) 2/	94	95	149	55	Met
B. Cumulative ceiling on central government primary spending (EC$ mln) 2/	526	596	595	-2	Met
C. Ceiling on stock of central government 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 government (continuous)	0	25	25	0	Met
Indicative targets					
F. Cumulative ceiling on net change in central government and central government guaranteed debt (EC$ mln) 2/	15	-5	-99	-94	Met
G. Floor on social spending by central government (EC$ mln)	14.0	14.0	13.6	-0.4	Not Met
Monitoring					
H. Wage bill target - excluding retroactive payments (EC$ mln) 3/	219	219	216	-3	Met
I. Public employment - excluding workers under the IMANI program (nominal)	7000	7000	6758	-242	Met

1/ Targets as defined in the Technical Memorandum of Understanding.
2/ From end-December 2015.
3/ Wages, salaries, and personnel allowances. For "Preliminary", Table 2a-b (2016) is $240 million, reflecting reclassification of wage spending under new CoA.

11. **All debt-related quantitative targets were met.** Contracting of new non-concessional external debt was limited to financing from the Caribbean Development Bank within the envelope permitted under the program (TMU ¶10). No new budget arrears or external arrears were accumulated (outside of debt under negotiation). At end-December, the public debt stock fell to US$866 million, or 83.4 percent of GDP, compared to 91.7 percent of GDP at end-2015, meeting the indicative target ceiling on net change in public debt.

12. **Social spending under the 'Support for Education, Employment and Development (SEED) program was slightly below the December indicative target.** The new beneficiary information system has been operational since the third quarter of 2016 and new participants are being added while those no longer eligible are being phased out. During the last quarter of 2016, the departure of most of the ineligible participants outpaced the rate of approval of new beneficiaries, so SEED disbursements fell just short of the December indicative target by EC$0.4 million (US$150,000). Nevertheless, the Ministry of Social Development reported that the program is working as targeting to those most in need has improved and the conditional cash transfer feature of the program has contributed already to improvements in education attainment. Spending on other social programs such as youth apprenticeship and needy assistance have been maintained.

B. Structural Benchmarks

13. **Fiscal structural reforms progressed in line with program commitments.** Parliament approved the 2017 budget consistent with the Fiscal Responsibility Act (FRA) and with the parameters agreed during the Fifth Review (structural benchmark). In particular, the budget was

prepared under the new CoA classification and contains realistic projections of CBI-related grants from the National Transformation Fund (NTF) of EC$32.4 million (Table 13).

14. The continuous structural benchmarks were also met. The quarterly debt statistics bulletin was published by end-December 2016 and again at end-March 2017 (with improvements), while the CBI statistics for 2016 and the first quarter of 2017 were also published. Budgetary receipts, including government fees and NTF transfers to the Treasury, and mandatory savings (40 percent) of funds received from CBI applications approved in 2016 were used as directed under NTF regulations and agreed under the ECF-supported program.

15. The remaining structural benchmarks (Table 13) were met—one with a delay—and the authorities are moving forward with implementation. These reforms were a significant undertaking by the government, in particular the Department of Public Administration (DPA), that involved ongoing effort and collaboration across ministries and with Fund staff.

- The human resource registry **(end-March structural benchmark)**, which includes a database on headcount, salaries and job descriptions by category and grade, was prepared by end-March and followed several successful pilots, including with the Ministry of Education—the largest. Processes were established to back up, archive and maintain the database as well as ensure its consistency with the payroll system.

- In preparing the strategy to manage the wage bill, the authorities have expanded the scope of the exercise in a bid to improve the strategic direction, operations, and efficiency of the public sector as well as develop a fair and rational system of compensation and incentives. The strategy was renamed the Public Sector Management Reform Strategy (end-March **structural benchmark)** and was finalized and approved by Cabinet in April—with a slight delay. It consists of four pillars: (i) re-engineering the public service to make it more efficient; (ii) strategic human resource management; (iii) wage bill reform with a focus on the wage setting process, job evaluation and grading/increment reform, and performance appraisal, and (iv) an integrated information technology platform. The strategy includes a timeline for consultation with stakeholders and implementation of reforms, with phased deadlines starting in 2017 and concluding by 2019.

C. 2017 Fiscal Outlook

16. The terms of the recent wage agreement with labor unions can be accommodated under the FRA. After protracted negotiations, unions agreed in March to wage increases of 3, 3, and 4 percent respectively for the triennium 2017-2019. The increase is estimated at EC$6.5m in 2017 and would yield a wage bill equivalent to 8.7 percent of GDP. However, the agreement also stated that, following the assessment of fiscal performance through June, additional discussions could occur if fiscal space permitted. The government has insisted on the need to stay under the ceiling in the FRA, while the Public Workers' Union has challenged that feature of the FRA saying it impedes their rights to free bargaining. Staff's baseline, which incorporates the wage settlement, breaks down as follows:

- a salary increment deferred from 2015 of EC$3.4 million and increments due in 2017 of EC$1.1million;
- wage increases of 3, 3, and 4 percent respectively from 2017-2019;
- maintenance of controls on hiring by the DPA; and
- wage and fringe benefits of EC$5.4 million (0.2 percent of GDP) covering the period 2014-2016, as a lump-sum payment.

Public Wage Bill Projection (2017, EC$m)

		2016	2017
	Baseline		
a.	Wages & Salaries	217.2	222.9
	o/w increments paid in December 2016 for 2014	*1.8*	
	o/w wage increase for 2017		6.5
	o/w increment for 2017		*1.1*
b.	Increment outstanding for 2015		3.4
c.	Personnel allowances	23.2	24.9
d.	Lump sum payment negotiated for 2014-16		5.4
	Total wage bill (a+b+c+d)	240.4	256.6
	% of GDP	8.6%	8.7%

17. The 2017 budget has ambitious capital spending plans, but safeguards have been put in place. The budget assumes capital grants of 4.3 percent of GDP, though staff have taken a more conservative estimate (3.4 percent of GDP). The authorities indicated that, consistent with the Public Financial Management Act (PFMA), they are strengthening their capacity for planning, allocating, and implementing the public sector investment program (PSIP) and that this will be reflected in investment efficiency in the medium term. As in 2015 and 2016, controls have been instituted so that capital expenditures will not be undertaken until full financing has been secured.

18. New tax policy measures announced in the budget are expected to have a marginal negative effect on revenues. The personal income tax (PIT) rate on annual income between EC$36,000 to EC$60,000 was reduced from 15 to 10 percent; income tax on pensions was removed; and the price of LPG gas was reduced by 5 percent. Staff estimated a combined loss of EC$3.8 million, or 0.13 percent of GDP, from the reduction and removal of the PIT rate on income and pensions, respectively. PIT receipts for the first two months (the latest available) were higher than projected, suggesting that recent wage increases in SOEs and the private sector could offset associated losses. The revenue loss from the LPG price reduction, assuming a constant import price, is expected to be marginal.

D. Regularization of Arrears

19. Negotiations are underway with three bilateral creditors and with commercial creditors to resolve remaining external arrears. Grenada has arrears to Algeria, Libya, and Trinidad and Tobago, which have all consented to Fund lending, notwithstanding these arrears. Staff stressed the importance of finalizing the debt restructuring by program-end and restoring the country's creditworthiness, and suggested using some deposits to reduce the stock of domestic debt.

20. Grenada still has overdue membership fees, primarily to regional organizations. As prior actions for the Sixth Review, the authorities have: (i) reached agreement with some organizations to restructure remaining obligations and/or (ii) established a time-bound repayment plan with others, with payments starting in 2017 and to be completed by 2022. As a sign of good faith and to meet a second prior action, they made payments this year to each of the seven organizations with the largest overdue amounts, representing approximately 80 percent of outstanding overdues (Tables 5, 14).

SUSTAINABILITY AND THE MEDIUM-TERM OUTLOOK

The government intends to transition to surveillance-only mode in 2017 and general elections are due by March 2018. Overall, the country recognizes the significant improvements in macroeconomic indicators and the need to preserve the gains made. At the same time, the population is seeking increases in real incomes and more employment opportunities.

21. Performance under the ECF-supported program has been strong and prospects for restoring long-term debt sustainability have improved (Annex III). By end-2017, debt to GDP is expected to decrease by 36 percentage points to around 72 percent. Nominal GDP growth contributed to about 50 percent of this decline while fiscal consolidation and debt restructuring contributed about 25 percent each. The country embarked on an impressive number of legislative reforms to strenghten the fiscal policy framework (Table 11) and reforms to strengthen financial sector resilience and raise potential growth. The high degree of collaboration with social partners and donors contributed significantly to the country's success. Public debt is on a firm downward trajectory and is expected to decline below 55 percent of GDP by 2020, assuming appropriate policies. During this period, staff recommends that the government limit itself to only concessional borrowing. While Grenada's debt sustainability prospects have improved, its external debt risk rating is assessed to remain "in distress" due to the existence of unresolved arrears to external creditors (Annex II).

22. Annual growth is projected at 2.5 percent over the medium term, around its estimated potential (Table 1). Under the baseline scenario, adherence to the new fiscal framework will produce higher public savings and restrain domestic demand, as will higher oil prices. External demand in 2017 is expected to slow further, as tourist arrivals from the United Kingdom moderate further. However, increases in the stock of hotel rooms and new flight connections to the U.S., together with a slowdown in construction related imports, will support a gradual contraction in the current account deficit. Structural reforms approved during the program should support growth and the output gap is expected to close towards the end of the forecast period.[6]

[6] The FRA is explained in Annex IV ("Grenada's Fiscal Responsibility Framework"), Country Report 15/193.

Grenada Fiscal Responsibility Act: Refresher			
	Phase 1	**Phase II**	**Phase III**
Period/Milestone	**2015-2016**	**2017 until debt/GDP reaches 55%**	**After debt/GDP reaches 55%**
Target	ECF-supported program targets	3.5% primary surplus.	Debt-stabilizing primary balance [1/]
Primary Expenditure rule [2/]	2% real expenditure growth cap	2% real expenditure growth cap	2% real expenditure growth cap
Wage bill/GDP rule	Wage bill not to exceed 9% of GDP	Wage bill not to exceed 9% of GDP	Wage bill not to exceed 9% of GDP
Corrective measures	- -	Revenue/expenditure measures if notional deficit exceeds 3% of GDP	Revenue/expenditure measures if debt exceeds 60% of GDP

1/ Estimated at 1 percent of GDP until the public debt-to-GDP target of 55 percent is reached.
2/ Excludes grant/NTF-funded capital spending. The expenditure rule of 2 percent was based on potential output growth estimated in 2014. Under the FRA, upon reaching phase III and every 5 years thereafter, potential growth and the debt stabilizing primary balance are to be re-estimated/recalibrated.

23. Mandatory repurchase by the government of its shares in Grenlec, the national energy company, could raise the debt-to-GDP outlook. Grenada Private Power (GPP), the majority commercial partner (50 percent), claims that the Energy Supply Act (ESA) enacted in 2016 breaches the terms of their 80-year contract as monopoly energy provider. Based on the contract terms, it recently demanded that the government repurchase its shares in Grenlec within 30 days at an estimated price of EC$177 million (6 percent of GDP).[7] Staff is uncertain about the estimated value or the government's legal recourse. However, if the aforementioned amount is debt financed, public debt would not fall below 55 percent of GDP by 2020 as projected under the present baseline outlook, unless the government drew down some of its deposits in the banking system or found a suitable strategic investment partner (Annex II).

24. Risks to the outlook have risen somewhat since the last review. The key factors that pose downside risks could also be a source of upside risks. Demand for tourism services could rise due to stronger US growth or if there is a hardening of the U.S. foreign policy stance towards other destinations like Cuba, and CBI and FDI related inflows could be higher as a consequence of increased investor confidence. On the other hand, uncertainty associated with U.S. immigration and trade policies and unforeseen forces in advanced economies could hurt demand for tourism services or revenues from the CBI program. Key downside risks are posed by hurricanes, possible fiscal policy slippages, or actions that could give rise to fiscal contingencies, including contractual issues with the current monopoly energy provider and a foreign tourism operator, or unforeseen costs related to reform of the public sector pension system and the introduction of a national health insurance scheme.[8]

25. The authorities indicated their plan to move to surveillance-only engagement with the Fund at the conclusion of the ECF arrangement. Grenada has had three Fund-supported programs in the past 12 years and, under the medium-term framework, the government's financing requirements appear manageable and balance of payments needs met. That said,

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[7] The terms and conditions are defined in the 1994 Share Purchase Agreement.

[8] The national insurance scheme (NIS) is due for reform. Recent actuarial reviews show that current revenues are not sufficient to pay for benefits going forward and assets will be depleted by 2035.

success will hinge on sustained implementation of the fiscal framework and continued efforts to raise productivity. Policy vigilance will be needed to safeguard hard-won gains, contain wage and election-related spending pressures, and also push through structural reforms to strengthen competitiveness. Staff recommends Grenada move to a 12-month Article IV consultation cycle.

MEDIUM-TERM POLICY PRIORITIES

Looking ahead, priorities should focus on: (i) completing the implementation of the governance and accountability framework for fiscal policy and public financial management, and (ii) addressing structural weaknesses in the economy to help deliver sustained productivity gains, broader based growth, and lower unemployment. These topics will be developed further during the 2017 Article IV consultation.

26. Further efforts and safeguards are needed to ensure adherence to the FRA. Budget implementation this year will present an important test of the rules-based policy framework. In the near term, priority should be given to establishing the Fiscal Responsibility Oversight Committee, as stipulated in the FRA, and providing it with the requisite support to fulfill its responsibilities—monitoring compliance with the FRA and raising the accountability of government.[9] While public debt management has improved, more effort and resources are needed to strengthen the recording and monitoring of financing and debt statistics.

27. The continued effort to strengthen customs administration and tax compliance is welcome. With assistance from the FAD peripatetic advisor, implementation of administrative reforms has begun to pay dividends, contributing to higher tax revenue collections at both the Inland Revenue and Customs and Excise Departments. Attention is being placed on implementing compliance strategies and enhancing risk management alongside efforts to improve taxpayer education and inter-agency co-ordination and collaboration (MEFP ¶12).

28. Phase II reforms of SOEs and Statutory Bodies (SBs) should be launched expeditiously to improve quality and efficiency and minimize fiscal risks.[10] The government made notable progress improving monitoring, compliance and financial reporting of SOEs. The restructuring of the Concrete & Emulsion Production Corporation (GCEPC) with private sector participation is expected to be completed by June. While strategic partners are still being sought to convert the Grenada Postal Corporation (GPC) into a financially independent entity, a small partner has been involved in providing commercialized services. However, these transactions have been under discussion for an extended period. Staff urges the government to conclude the negotiations and to provide greater transparency about the process to allay public concerns. On other SOEs, institution-specific improvements may be needed to strengthen productivity and effectiveness. The oversight committee should be re-activated as intended under the PFM law to

[9] Compliance should be monitored through the submission of quarterly reports to Cabinet on budget performance, a mid-year report to Parliament, an annual report to Parliament, and a fiscal risk report on compliance with FRA provisions appended to the annual budget.

[10] See Country Report 15/193, July 2015, Annex III.

provide general advice on operations and guidance on revenue growth and investment needs. Additionally, establishment of the Public Utilities Regulatory Commission (expected in May) and the National Telecommunications Regulatory Commission would provide a framework for competition and transparency, and should not be delayed.

29. Improving the quality of labor supply would reduce unemployment. Unemployment is still high, particularly youth unemployment, which is around 40 percent. The authorities have undertaken an independent review of the IMANI youth employment program and taken steps towards establishing a labor market information system. Staff urges the authorities to make the IMANI study available to the public and clarify an action plan going forward to raise its effectiveness. Staff also encourages implementation of the recommendations in the 2016 labor market Selected Issues Paper (SIP), including revising the education curriculum and developing new training and job search services in collaboration with the private sector.

30. Implementation of the Growth and Poverty Reduction Strategy (GPRS) should be strengthened. The GPRS (2014-2018) is in its third year and the long-term Development Plan 2030 is expected to be completed by end-2017. These strategic documents are the building blocks for prioritizing investment projects. Implementation and monitoring has been slower than anticipated, as have efforts to establish a project information management system to strengthen resource allocation and evaluation. The institutional arrangements for inter-agency coordination have been improved in accordance with the PFM regulations such that the capital budgeting process in 2017 was aligned with the medium term fiscal framework. Annual reports would help measure overall progress towards the attainment of the GPRS objectives and should provide specific, time-bound deliverables.

31. Bolder steps are needed to energize the agriculture sector towards its potential. The authorities are taking steps to boost private sector participation and capacity in agriculture, including commercializing remaining estates, addressing air cargo logistics to boost exports, and passing amendments to liberalize slightly the monopoly marketing boards for nutmeg and cocoa. Staff encourages the government to continue in that direction and, based on past production volumes, notes that deeper reforms are needed to promote investment and employment in this sector.

32. Targeted steps at improving the business climate are ongoing. Work is advancing to automate property records, establish and make operational E-Systems with payment facilities to streamline construction permit approvals and registration of businesses and property (MEFP ¶15). Efforts to address delays in the judicial system include promotion of the case management system, additional hiring, and development of a commercial division of the court. Other recommendations are proposed in staff's 2016 SIP on doing business.

33. The authorities continue to strengthen the regulatory and supervisory framework for the non-bank sector. A new Cooperative Societies Act expected to be passed in 2017 should strengthen the regulatory framework and GARFIN is also developing a risk supervision framework for the credit union sector and other non-bank financial institutions. Developing

relevant secondary regulation will be necessary to operationalize the new Act. The authorities remain committed to strengthening their regulatory frameworks on AML/CFT and international tax co-operation. Ongoing efforts to increase compliance on the automatic exchange of tax information include the approval of legislation in April and the implementation of reporting arrangements in accordance with FATCA and OECD's CRS requirements. Grenada's CBI program includes a due diligence process reinforced with backstopping by external auditors on background checks and established relationship with Interpol and the U.S. authorities. However, as some banks indicated aversion to lending to projects associated with the CBI program, it will be important for the authorities to continue strict enforcement of their due diligence and of AML/CFT measures.

STAFF APPRAISAL

34. Grenada has made impressive progress under the ECF arrangement and has achieved program objectives. 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. While progress is unambiguous, public debt is still relatively high, a function of Grenada's starting point in 2013, and unemployment remains elevated. Sustained efforts are needed to reach the medium-term debt target and to broaden the base of growth and employment.

35. Performance under the program for the Sixth Review has been strong. Quantitative performance criteria were met and the government exceeded the fiscal targets in 2016 by a wide margin. Expansion in revenues reflects both stronger activity and improvements in administration, while expenditures were contained. Structural benchmarks for the Sixth Review related to the 2017 budget, debt management, and development of a wage bill management strategy were met (the latter with a minor delay). In addition, the pace of debt restructuring picked up in recent months and the authorities are close to finalizing the process.

36. Adherence to the fiscal rule and follow-through on the accountability framework will be essential to keep Grenada on track to meet debt targets. With wage and spending pressures rising and an election on the horizon, commitment to the new rules-based fiscal framework is imperative. Continued spending discipline, prudent management of the CBI inflows, and ongoing efforts to strengthen revenue administration and compliance should remain the formula going forward. Implementation of recent reforms on fiscal governance and accountability—as foreseen in the letter and intent of new legislation—is the key priority in this area for 2017. In particular, the Fiscal Responsibility Oversight Committee should be fully functioning and the SOE Advisory Committee should be reconvened and possibly redesigned to ensure appropriate strategic guidance on SOE reforms. Also, the government should take care to continue implementing the systems and practices of sound public finance and debt management developed over the past three years to secure fiscal sustainability.

37. Grenada's domestic debt should be managed more actively. Government deposits and new concessional external disbursements, including from the Fund, should be used to reduce the stock of domestic short-term debt, particularly by withdrawing high-interest T-bills.

Moreover, the authorities should maintain their efforts to conclude discussions with bilateral creditors and regularize all remaining arrears to domestic and external creditors.

38. The process of wage bill management reform has just begun. The government has taken a major step toward establishing a rational and sustainable system to manage the wage bill. The strategy will reform the pay and grading systems, job functions and descriptions, performance assessments, and include systematic calendars and indicators to inform regular wage negotiations. This reform, which will take several years to complete, is critical to ensure that remuneration of the public service is sustainable and fair, and to improve the efficiency and productivity of the broader labor force. It is also essential to support adherence over time to Grenada's fiscal rule. Regarding pension reform, reform of the public sector pension system should be undertaken in a manner consistent with any planned reforms of the national insurance scheme.

39. Mixed performance during the program on the social spending target masks the authorities' achievements in social policies. While the indicative target floor on spending for the SEED program was missed for most reviews owing to delays implementing the new information system determining eligibility, social spending increased during the program. More importantly, the eligibility mechanism designed by the authorities and the World Bank significantly improved the targeting of social transfers to those who need them most and should be expanded to other areas of social assistance where eligibility criteria can be defined.

40. Policy vigilance is key because full debt sustainability is not yet secured and risks persist. The public debt ratio is still high and policy reversals would have a rapid adverse impact on the outlook, as illustrated clearly in the DSA. Grenada is a small open economy susceptible to shocks, including from natural disasters, swings in tourism markets, commodity price shifts, and potential volatility in CBI revenues. With these vulnerabilities, lower debt and higher reserve buffers would help the country mitigate the impact of shocks to avoid busts that cause setbacks in income and social progress. On the domestic front, risks are posed by fiscal contingencies on the horizon related to various contractual issues and uncertainty about the costs of reform of the pension system and national health insurance scheme.

41. The government can now focus more attention on policies to improve the supply response, foster private sector growth and lower unemployment. Ongoing steps to remove impediments to private business 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. Further consultations with the private sector in these areas could help identify pressure points to be addressed. Based on the natural endowments and market brand, the agriculture sector would be a more important source of growth and employment in Grenada. The authorities are moving toward some liberalization in the sector and staff urges them to continue in that direction.

42. Steady efforts to strengthen supervision of non-bank financial institutions should continue. Ongoing efforts to enforce AML/CFT measures and strengthen regulation and supervision of the non-bank financial sector are welcomed. Following technical assistance in 2016, the authorities should also develop a national crisis management plan for the financial sector.

43. 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.

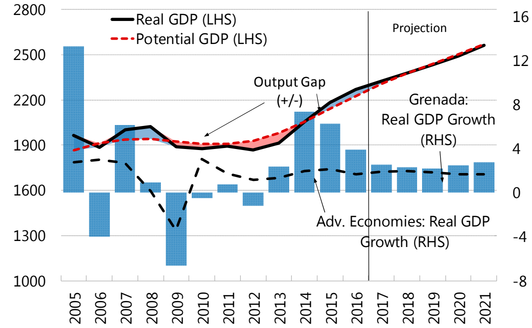
44. Staff supports the completion of the Sixth Review under the ECF-arrangement and the financing assurances review on the basis that adequate safeguards remain in place for the further use of the Fund's resources in Grenada's circumstances, and that Grenada's adjustment efforts have not been undermined by developments in debtor-creditor relations. Staff recommends Grenada move to a 12-month Article IV consultation cycle.

Figure 1. Grenada: Recent Economic Developments

The growth momentum moderated in 2016 but is still above its estimated potential….

Actual and Potential Real GDP

(levels in millions of 2006 EC$; growth in percent)

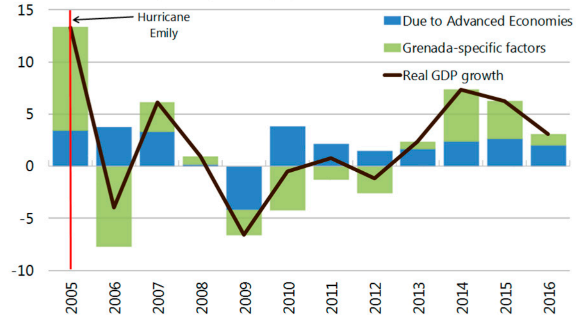


Sources: Grenada authorities and Fund staff estimates.

… sustained by positive external factors….

Economic Growth 1/

(contribution to growth, percentage points)

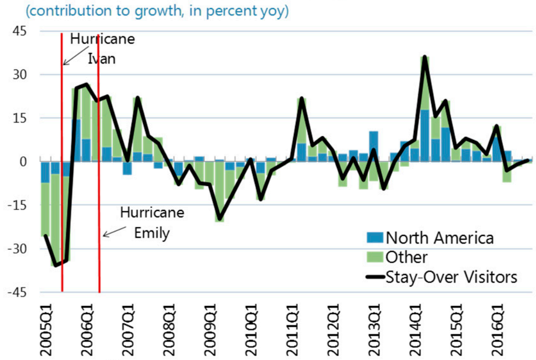


Source: Grenada authorities and Fund staff calculations.
1/ Contributions to growth estimated using OLS.

.. namely steady tourism demand and related activity in tourism construction …

Tourist Arrival Growth by Country

(contribution to growth, in percent yoy)

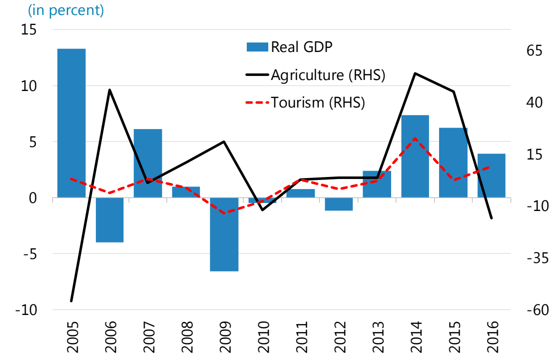


Source: Caribbean Tourism Organization.

… but offset by contraction in agricultural due to drought.

Economic Growth

(in percent)

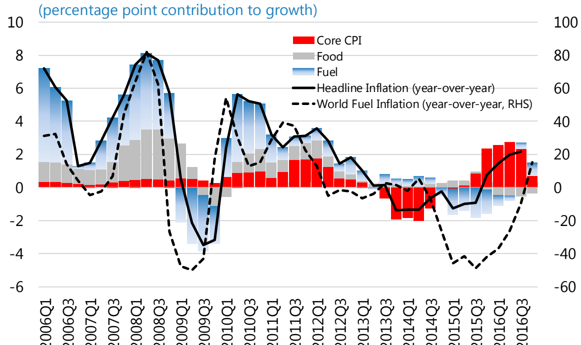


Sources: Grenada authorities and Fund staff estimates.

A jump in telecom prices pushed up headline inflation, amidst lower food prices, …

Inflation

(percentage point contribution to growth)

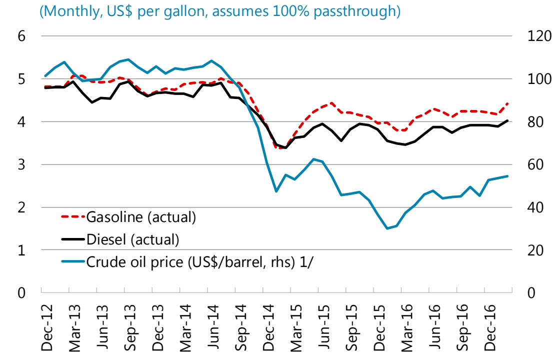


Sources: Grenada authorities, Fund staff estimates and WEO.

… while fuel price adjustments continue to reflect world oil price trends.

Retail Petroleum Product Prices

(Monthly, US$ per gallon, assumes 100% passthrough)

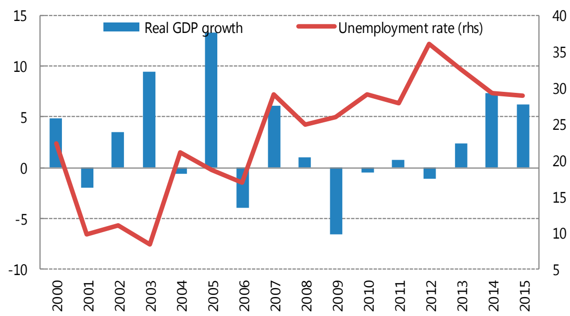


1/ From WEO, simple average of Brent, WTI and Dubai Fateh spot prices.

Figure 2. Grenada: Unemployment and the Labor Market

Unemployment is high and worsened with natural disasters and during the prolonged recession …

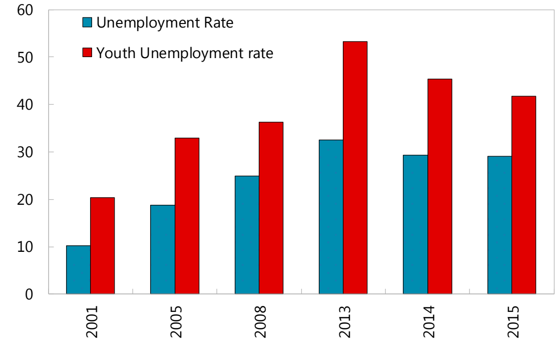
Unemployment Rate and Economic Growth
(percent)



Source: CSO and IMF staff estimates

…it is particularly high among the youth, but has fallen under the current program.

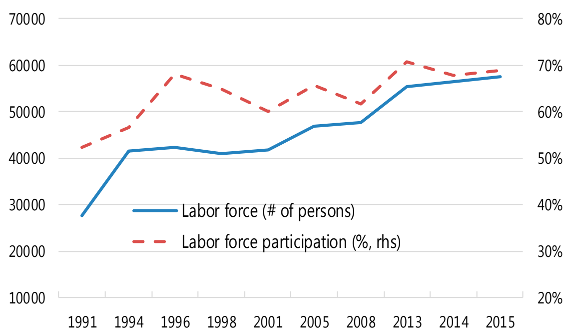
Unemployment Rate
(in percent)



Sources: Central Statistical Office

Labor force participation has increased more recently, …

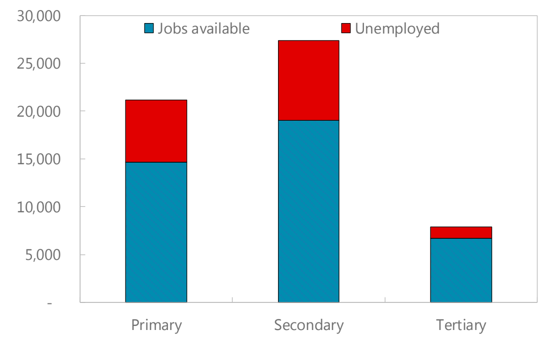
Labor Force



Source: Central Statistical Office, Various Surveys

… employment levels have risen, ….

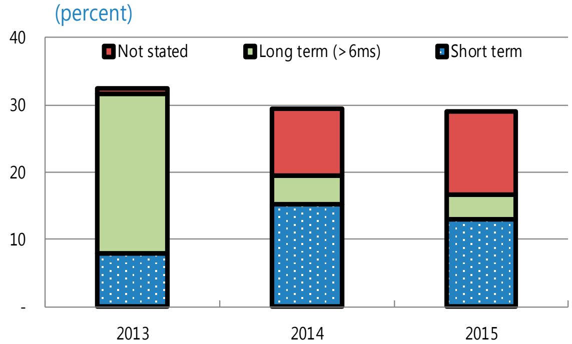
Job Supply vs Demand by Education
(2015, number of persons/jobs)



Sources: Central Statistical Office

…and the duration of unemployment has declined.

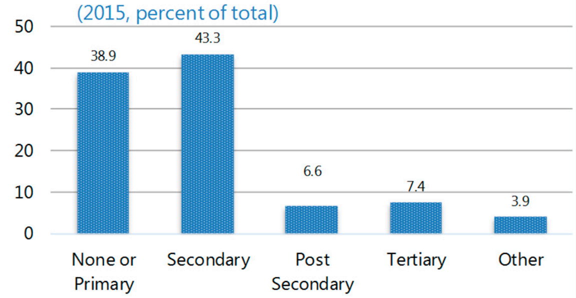
Unemployment Rate By Duration
(percent)



Source: Central Statistical Office, Labour Force Surveys

Higher unemployment among the less-educated suggests a skills mismatch.

Unemployed By Education Level
(2015, percent of total)



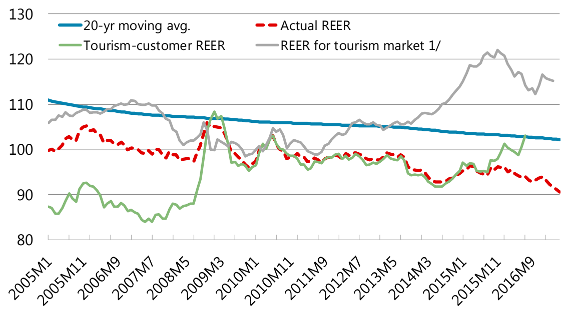
Source: Central Statistical Office, Labour Force Survey

Figure 3. Grenada: External Development

The real effective exchange rate is on a declining trend ….

Real Effective Exchange Rate

(Based on CPI, index, 2010=100)



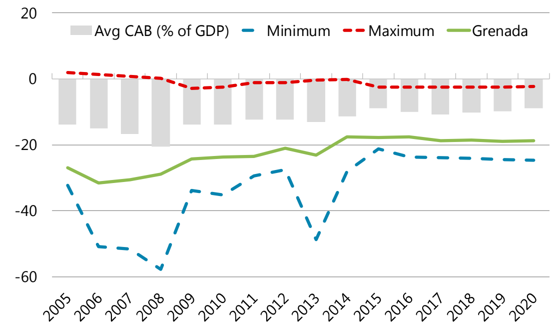
1/Tourism market destination include US, UK, Canada and Trinidad and Tobago, weighted by share of total tourism arrival

Sources: INS and IMF staff calculation

… while the current account deficit (current methodology) remains stable.

Current Account Balances of Small Tourism- Dependent Countries

(in percent of GDP)



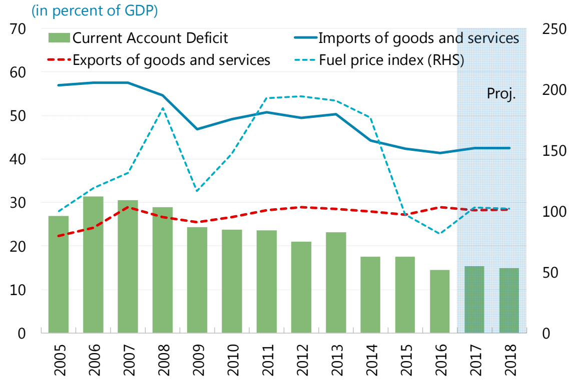
Sources: WEO

1/Countries include Anguilla, Antigua&Barbuda, Bahamas, Barbados, Belize, Cape Verdo, Cyprus, Dominica, Fiji, Grenada, Jamaica, Lebanen,Maldives, Mauritius, Montserrat, Samoa, Seycheles, St. Kitts & Nevis, St. Lucia, St. Vincent & Gren. Vanuatu

The external balance has benefited from lower oil prices.

Trade and Current Account Deficit

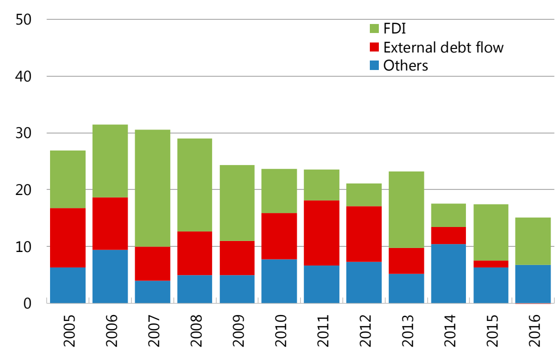
(in percent of GDP)



FDI continues to be the main source of BOP financing.

Current Account Financing

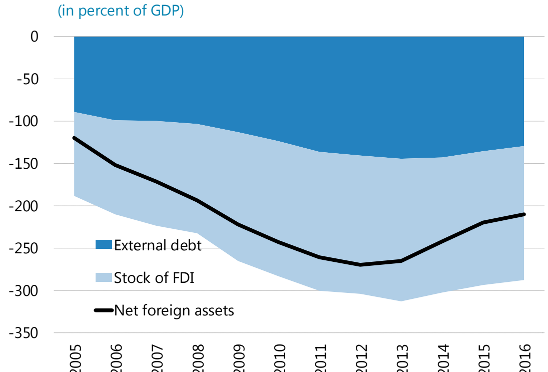
(in percent of GDP)



The net foreign asset position is improving…

Grenada: Net Foreign Assets

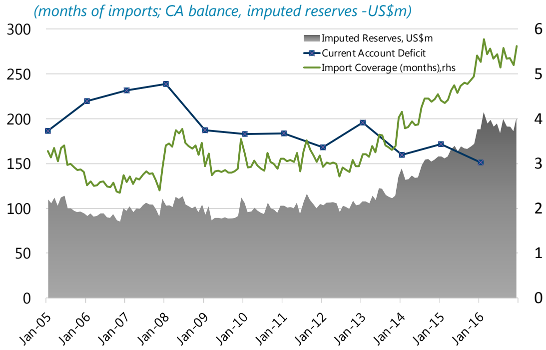
(in percent of GDP)



… and imputed reserves remain above 5 months of imports.

Imputed Reserves

(months of imports; CA balance, imputed reserves -US$m)



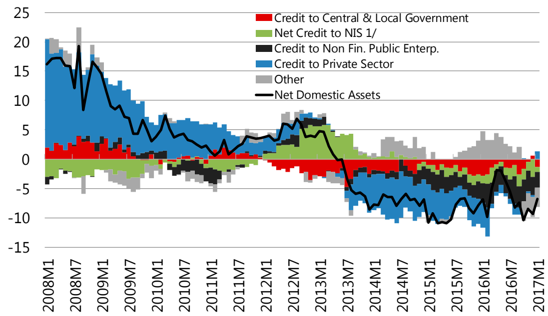
Sources: ECCB and IMF staff estimates.

Figure 4. Grenada: Monetary Development

Banks continue to deleverage domestically ...

Commercial Banks' Net Domestic Assets

(contribution to growth, y-o-y)



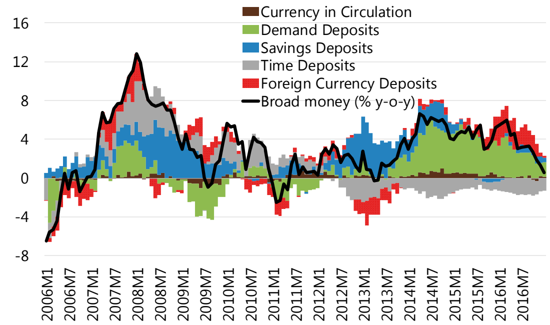
Sources: ECCB

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.

... in a context of ample liquidity conditions.

Components of Broad Money Growth (M2)

(contribution to growth, y-o-y)

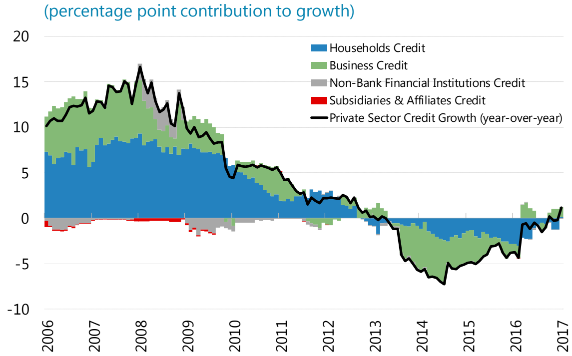


Sources: ECCB and Fund staff estimates.

Credit to the private sector is slowly recovering, though remains weak ....

Credit growth

(percentage point contribution to growth)

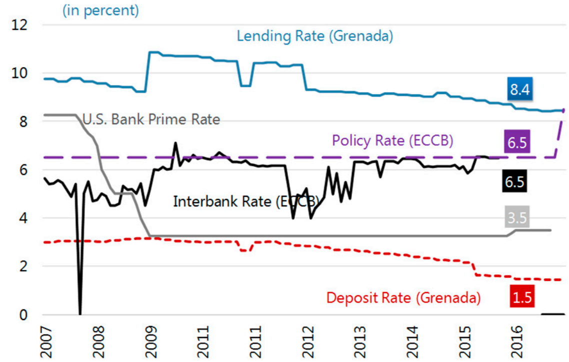


Sources: Grenada authorities and Fund staff estimates.

... as reflected in a steady decline in loan rates, in part driven by the reduction in the deposit rate floor.

Interest Rates

(in percent)

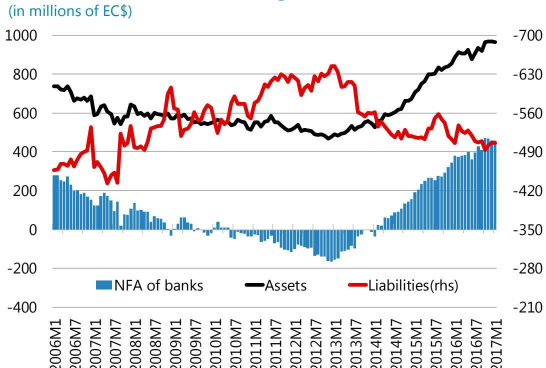


Sources: ECCB and Haver Analytics.

In the meantime, excess liquidity continues to be placed abroad...

Commerical Banks Net Foreign Assets

(in millions of EC$)



... and in unremunerated excess reserves at the central bank.

Deposits and Bank Excess Reserves

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

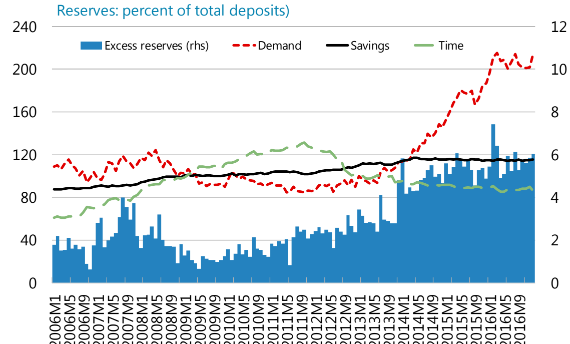
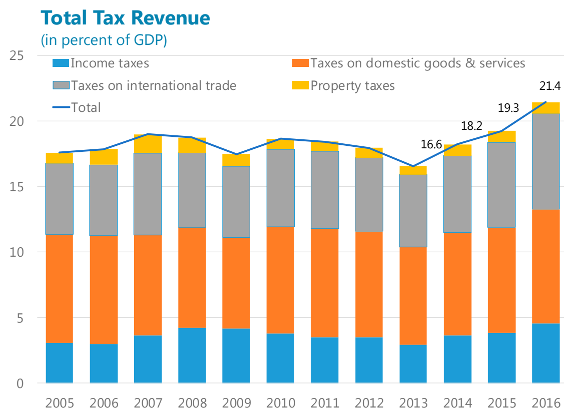
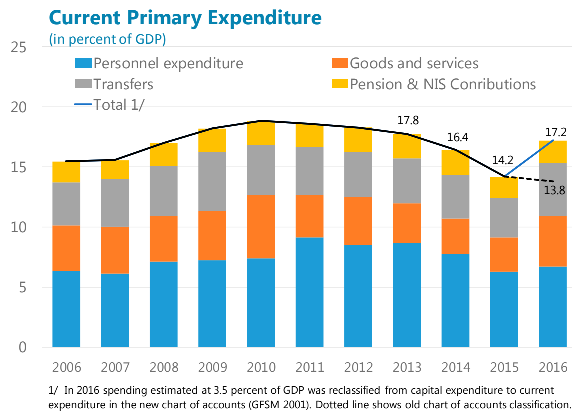


Figure 5. Grenada: Fiscal Developments

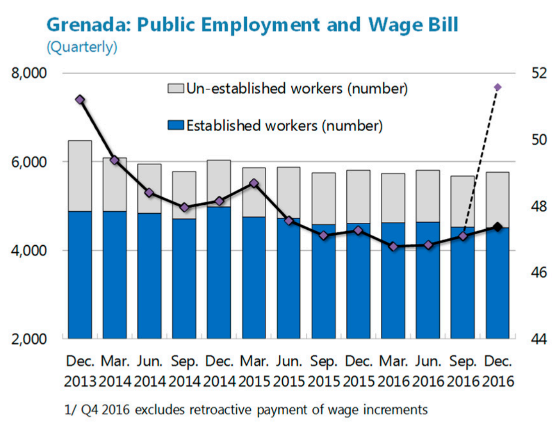
Tax revenue has recovered under the program …



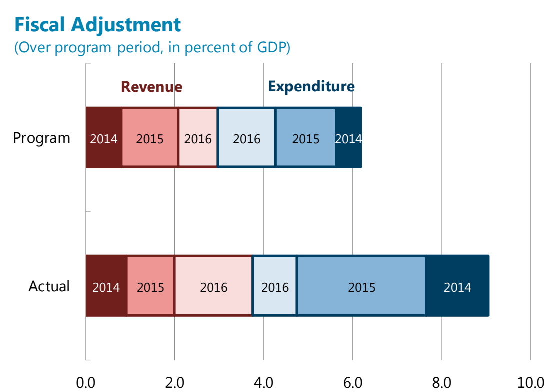
… and government spending kept under control, …



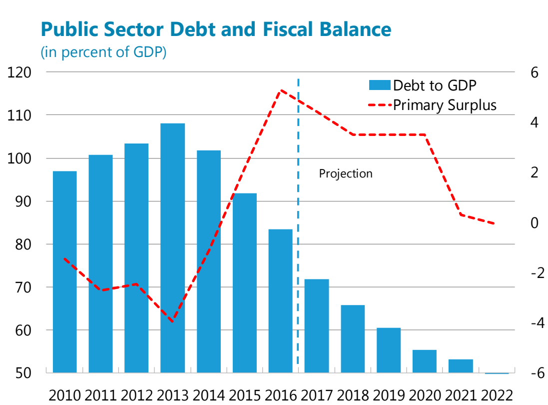
… in part due to the government's attrition policy that helped lower public employment and wage spending 1/.



Fiscal consolidation under the program was stronger and faster than originally envisaged …



… which helped improve the fiscal position …



… and, together with more favorable debt dynamics and debt restructuring, public debt has fallen steadily.

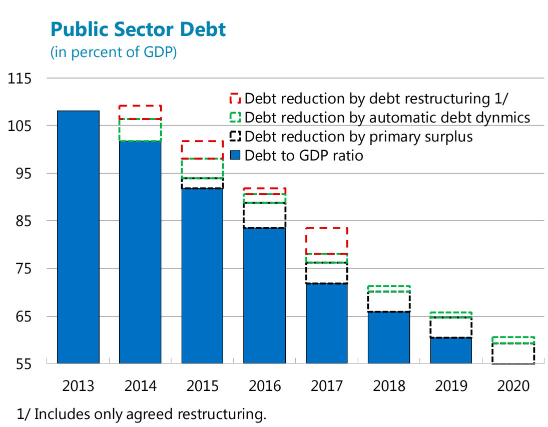
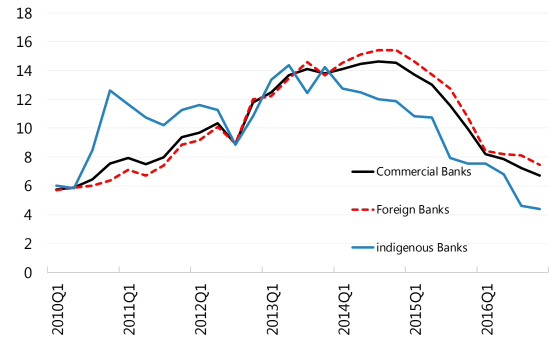


Figure 6. Grenada: Financial Sector Developments

Banks continue to strengthen balance sheets…

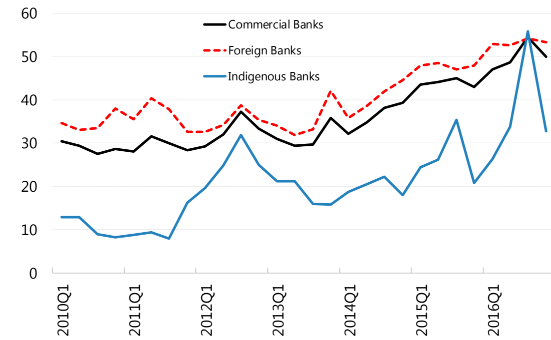
Nonperforming Loans
(in percent of total loans)



Sources: ECCB.

… and build up provisioning levels.

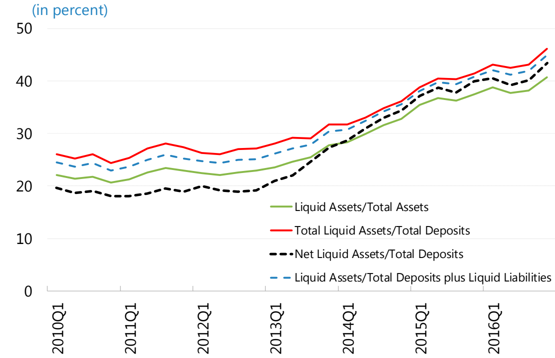
Provisions to Nonperforming Loans
(provisions for loan losses to non-performing loans, in percent)



Sources: ECCB.

Ample liquidity provides high coverage of short term liabilities …

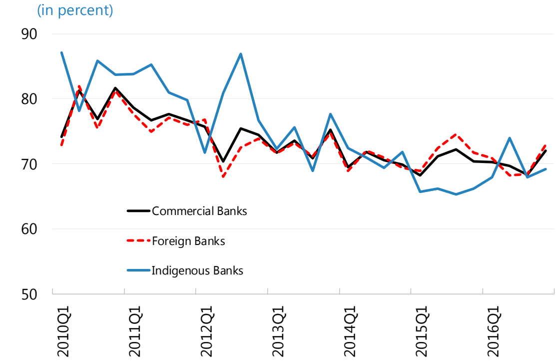
Commercial Banks' Liquidity
(in percent)



Sources: ECCB.

… but is being placed in low yielding assets.

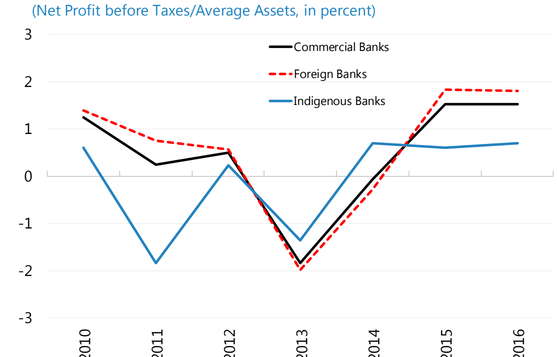
Interest Margin/Gross Income
(in percent)



Sources: ECCB.

ROAA is mainly supported by the shrinking asset base.

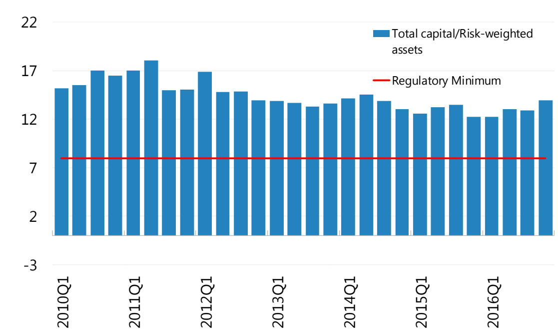
Return on Average Assets
(Net Profit before Taxes/Average Assets, in percent)



Sources: ECCB.

Capital remains well above the regulatory minimum.

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



Sources: ECCB.

Table 1. Grenada: Selected Economic and Financial Indicators, 2014–2022

	2014	2015	2016	2017	2018	2019	2020	2021	2022
				Projections					
	(Annual percentage change, unless otherwise specified)								
Output and prices									
Real GDP	7.3	6.2	3.9	2.5	2.3	2.2	2.5	2.7	2.7
Nominal GDP	8.2	8.0	5.5	5.2	4.5	4.4	4.6	4.9	4.9
Consumer prices, end of period	-0.6	1.1	0.9	3.0	1.8	1.9	1.9	1.9	1.9
Consumer prices, period average	-1.0	-0.6	1.7	2.6	2.0	1.8	1.9	1.9	1.9
Output gap (percent of potential GDP)	0.0	1.9	1.8	0.9	0.2	-0.3	-0.4	-0.2	-0.1
Real effective exchange rate	-3.5	2.4	-0.7	...	...	...	...	...	...
Central government balances (accrual)	(In percent of GDP, unless otherwise specified)								
Revenue	24.5	24.8	26.8	26.5	26.1	25.9	25.7	25.3	25.0
Taxes	18.2	19.3	21.4	20.5	20.6	20.6	20.6	20.6	20.6
Non-tax revenue 1/	2.2	2.2	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Grants	4.1	3.3	3.6	4.2	3.8	3.5	3.3	2.9	2.5
Expenditure 2/	29.2	26.0	24.5	24.3	23.7	23.3	22.8	22.8	23.8
Current primary expenditure	16.4	14.2	17.2	17.6	17.7	17.6	17.4	17.4	17.4
Interest payments	3.5	3.4	2.9	2.2	1.9	1.7	1.5	1.3	1.2
Capital expenditure	9.2	8.4	4.3	4.4	4.1	4.1	3.8	4.0	5.2
Primary balance 1/	-1.1	2.2	5.3	4.4	4.3	4.3	4.4	3.9	2.4
Overall balance	-4.7	-1.2	2.4	2.2	2.4	2.6	2.9	2.5	1.2
Public debt (incl. guaranteed) 3/	101.8	91.7	83.4	71.8	65.8	60.4	54.9	49.8	46.3
Domestic	34.1	29.1	25.6	23.5	21.0	18.3	16.0	15.0	13.7
External	67.7	62.6	57.9	48.3	44.8	42.2	38.9	34.8	32.6
Money and credit, end of period (annual percent change)									
Broad money (M2)	4.1	5.2	5.5	5.2	4.5	4.4	4.6	4.9	4.9
Credit to private sector	-5.1	-3.8	4.1	2.7	4.5	4.4	4.6	4.9	4.9
Balance of payments									
Current account balance, o/w:	-17.5	-17.5	-14.6	-15.4	-15.0	-15.0	-14.4	-14.4	-14.9
Exports of goods and services	27.9	27.2	29.0	28.2	28.4	28.7	29.0	29.1	29.3
Imports of goods and services	45.5	44.7	43.6	43.6	43.4	43.7	43.4	43.5	44.2
Capital and financial account balances	16.7	11.4	14.3	14.9	16.1	15.9	15.3	15.0	15.5
Overall balance	4.0	2.4	-0.3	-0.5	1.1	1.0	0.8	0.6	0.7
External debt (gross)	143.0	135.3	129.0	117.5	113.0	109.4	105.2	102.9	100.7
Savings-Investment balance	-17.5	-17.5	-14.6	-15.4	-15.0	-15.0	-14.4	-14.4	-14.9
Savings	0.7	0.5	-2.3	-2.8	-2.6	-2.1	-1.8	-1.5	-0.9
Investment	18.3	18.0	12.3	12.6	12.5	12.9	12.6	12.8	14.0
Memorandum items:									
Nominal GDP (EC$ million)	2,461	2,657	2,802	2,948	3,082	3,219	3,368	3,533	3,706
Net imputed international reserves									
Months of imports of goods and services	4.5	5.3	5.0	4.8	4.8	4.8	4.8	4.6	4.6

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

2/ The Chart of Accounts for expenditure classification was revised in 2016 from GFSM 1986 format to GFSM 2001 format.

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, 2014–2022

(In EC$ million)

	2014	2015	2016	2017		2018	2019	2020	2021	2022
			Prel.	Budget	Proj.	Projections				
Total revenue and grants	**602.8**	**658.2**	**751.5**	**809.1**	**780.0**	**805.6**	**833.6**	**864.9**	**894.1**	**925.9**
Revenue	502.3	571.0	651.5	657.2	656.7	690.0	720.9	755.3	792.4	831.4
Tax revenue	448.1	511.6	600.4	605.0	604.4	635.0	663.4	695.1	729.3	765.2
Taxes on income and profits	89.9	101.7	127.3	120.1	124.4	133.0	138.9	146.1	153.2	160.7
Taxes on property	21.3	23.3	23.9	22.4	22.4	23.4	24.4	25.5	26.8	28.1
Taxes on goods and services	193.4	213.8	244.8	250.0	249.9	261.4	273.2	286.1	300.3	315.3
Taxes on international trade	143.5	172.8	204.5	212.4	207.7	217.2	226.8	237.4	249.0	261.1
Nontax revenue	54.2	59.5	51.1	52.2	52.4	55.0	57.5	60.2	63.1	66.2
Grants	100.5	87.2	100.0	151.9	123.2	115.6	112.7	109.7	101.7	94.5
Total expenditure and net lending 1/	**717.6**	**690.6**	**685.6**	**753.3**	**715.6**	**731.6**	**751.5**	**766.7**	**804.5**	**882.4**
Current expenditure	490.9	467.0	565.5	599.0	586.4	603.8	620.5	637.6	662.0	689.7
Wages and salaries	242.4	215.3	240.4	249.6	256.6	269.1	283.6	297.1	311.4	326.4
Pensions and NIS contributions	51.6	48.5	52.6	53.7	53.3	56.0	59.1	62.0	65.2	68.5
Goods and services	72.2	75.9	117.6	123.8	123.7	129.4	135.1	141.4	148.3	155.5
Transfers	37.4	37.5	72.5	85.9	86.6	89.7	87.7	85.8	90.0	94.4
Interest payments	87.2	89.9	82.3	86.0	66.2	59.7	55.0	51.3	47.2	44.9
Capital expenditure and net lending	226.7	223.6	120.1	154.3	129.2	127.7	130.9	129.1	142.5	192.7
Grant-financed	90.6	87.2	74.0	126.0	100.8	97.8	99.7	96.4	88.2	80.7
Non-grant financed	136.1	136.5	46.1	28.3	28.4	29.9	31.2	32.7	54.3	112.0
Primary balance 2/	**-27.6**	**57.5**	**148.2**	**141.9**	**130.6**	**133.8**	**137.1**	**149.5**	**136.8**	**88.4**
Primary balance excl. one-off rev. and exp. 3/	**-28.5**	**45.9**	**159.2**							
Overall balance	**-114.8**	**-32.4**	**65.9**	**55.8**	**64.4**	**74.1**	**82.2**	**98.2**	**89.6**	**43.4**
Public Debt	**2,504**	**2,438**	**2,338**	**2,204**	**2,117**	**2,028**	**1,946**	**1,848**	**1,758**	**1,715**
Memo items:										
Nominal GDP (EC$ millions)	2,461	2,657	2,802	2,947	2,948	3,082	3,219	3,368	3,533	3,706
Primary balance, incl. CBI revenues (EC$ millions) 3/	-28.5	45.9	159.2							
Adjustment relative to the previous year (EC$ millions)	*74.7*	*74.4*	*113.4*		…	…	…	…	…	…

Sources: Country authorities and Fund staff estimates.

1/ The Chart of Accounts for expenditure classification was revised in 2016 from GFSM 1986 format to GFSM 2001 format.

2/ The primary surpluses for 2017-22 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, 2014–2022

(In percent of GDP)

	2014	2015	2016	2017		2018	2019	2020	2021	2022
			Prel.	Budget	Proj.	Projections				
Total revenue and grants	**24.5**	**24.8**	**26.8**	**27.4**	**26.5**	**26.1**	**25.9**	**25.7**	**25.3**	**25.0**
Revenue	20.4	21.5	23.2	22.3	22.3	22.4	22.4	22.4	22.4	22.4
Tax revenue	18.2	19.3	21.4	20.5	20.5	20.6	20.6	20.6	20.6	20.6
Taxes on income and profits	3.7	3.8	4.5	4.1	4.2	4.3	4.3	4.3	4.3	4.3
Taxes on property	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Taxes on goods and services	7.9	8.0	8.7	8.5	8.5	8.5	8.5	8.5	8.5	8.5
Taxes on international trade	5.8	6.5	7.3	7.2	7.0	7.0	7.0	7.0	7.0	7.0
Nontax revenue	2.2	2.2	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Grants	4.1	3.3	3.6	5.2	4.2	3.8	3.5	3.3	2.9	2.5
Total expenditure and net lending 1/	**29.2**	**26.0**	**24.5**	**25.6**	**24.3**	**23.7**	**23.3**	**22.8**	**22.8**	**23.8**
Current expenditure	19.9	17.6	20.2	20.3	19.9	19.6	19.3	18.9	18.7	18.6
Wages and salaries	9.9	8.1	8.6	8.5	8.7	8.7	8.8	8.8	8.8	8.8
Pensions and NIS contributions	2.1	1.8	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Goods and services	2.9	2.9	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Transfers	1.5	1.4	2.6	2.9	2.9	2.9	2.7	2.5	2.5	2.5
Interest payments	3.5	3.4	2.9	2.9	2.2	1.9	1.7	1.5	1.3	1.2
Capital expenditure and net lending	9.2	8.4	4.3	5.2	4.4	4.1	4.1	3.8	4.0	5.2
Grant-financed	3.7	3.3	2.6	4.3	3.4	3.2	3.1	2.9	2.5	2.2
Non-grant financed	5.5	5.1	1.6	1.0	1.0	1.0	1.0	1.0	1.5	3.0
Primary balance 2/	**-1.1**	**2.2**	**5.3**	**4.8**	**4.4**	**4.3**	**4.3**	**4.4**	**3.9**	**2.4**
Primary balance excl. one-off rev. and exp. 3/	**-1.2**	**1.7**	**5.7**							
Overall balance	**-4.7**	**-1.2**	**2.4**	**1.9**	**2.2**	**2.4**	**2.6**	**2.9**	**2.5**	**1.2**
Public Debt	**101.8**	**91.7**	**83.4**	**74.8**	**71.8**	**65.8**	**60.4**	**54.9**	**49.8**	**46.3**
Memo item:										
Nominal GDP (EC$ millions)	2,461	2,657	2,802	2,948	2,948	3,082	3,219	3,368	3,533	3,706
Primary balance incl. CBI revenues (% of GDP) 3/	-1.2	1.7	5.7							
Adjustment relative to the previous year (% of GDP)	*3.4*	*2.9*	*5.7*	…	…	…	…	…	…	…

Sources: Country authorities and Fund staff estimates.

1/ The Chart of Accounts for expenditure classification was revised in 2016 from GFSM 1986 format to GFSM 2001 format.

2/ The primary surpluses for 2017-22 would include 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, 2015–2022

(In millions of EC$)

	2015	2016	2017	2018	2019	2020	2021	2022
Stock of deposits at beginning of the period 4/	**82.9**	**134.7**	**131.5**	**131.2**	**130.9**	**130.6**	**130.4**	**130.2**
Inflows	**1386.3**	**528.3**	**746.0**	**382.9**	**309.3**	**262.3**	**209.9**	**208.4**
Primary surplus	57.5	148.0	130.6	133.8	137.1	149.5	136.8	88.4
Debt placement	373.4	284.3	321.2	234.0	172.2	112.8	73.1	120.0
External	134.9	76.2	130.3	78.2	65.9	46.4	6.7	65.3
o/w Exceptional financing	82.6	42.1	34.6					
Domestic	238.5	208.1	190.9	155.8	106.3	66.4	66.4	54.7
Arrears accumulation	55.9	38.1						
Debt stock reduction from restructuring 1/	140.4	31.5	156.6	15.1				
New debt issued under restructuring 2/	759.1	26.43	137.6					
Outflows	**1,334.5**	**531.6**	**746.2**	**383.2**	**309.6**	**262.5**	**210.2**	**208.4**
Primary deficit								
Interest bill	89.9	82.3	66.2	59.7	55.0	51.3	47.2	44.9
Scheduled Amortization	274.3	369.5	355.6	308.4	254.6	211.2	163.0	163.5
External	44.3	83.9	142.3	107.5	88.8	94.9	86.6	87.1
Domestic	229.9	285.5	213.3	200.9	165.8	116.3	76.4	76.4
Arrears clearance 3/	210.1	29.7	168.0					
Debt restructuring	749.4	21.4	156.5	15.1				
Acquisition of financial assets	5.4	12.2						
Other 5/	5.4	16.5	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow (+surplus/-deficit)	**51.8**	**-3.3**	**-0.3**	**-0.3**	**-0.3**	**-0.2**	**-0.3**	**0.0**
Stock of deposits at the end of the period 4/	**134.7**	**131.5**	**131.2**	**130.9**	**130.6**	**130.4**	**130.2**	**130.1**
Memorandum:								
Stock of deposits at the end of the period (in percent of GDP)	5.1	4.7	4.5	4.2	4.1	3.9	3.7	3.5
Overall fiscal balance	-32.4	65.7	64.4	74.1	82.1	98.2	89.6	43.5
Stock of arrears 3/	159.6	168.0	0.0	0.0	0.0	0.0	0.0	0.0
Public Debt	2437.6	2338.3	2117.3	2028.1	1945.9	1847.7	1758.1	1714.6
(in percent of GDP)	91.7	83.4	71.8	65.8	60.4	54.9	49.8	46.3
o.w.	1,545.8							
Domestic	773.4	716.1	693.1	648.0	588.6	538.6	528.6	506.9
External	1,664.2	1,622.2	1,424.1	1,380.0	1,357.3	1,309.1	1,229.5	1,207.8

1/ Includes debt stock reduction from the debt exhange 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 ourflows, 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 Provice of China, holders of Grenada's 2025 international bonds, Paris Club creditors, the National Insurance Scheme, and other domestic creditors.
3/ Remaining stock of arrears in 2016 is comprised of debts and overdue payments on which a restructuring agreement has not been reached, including overdue contributions to organizations. It is assumed that all arrears are regularized by end-2017.
4/ Net of advances in the ECCB government operations account
5/ Includes changes in unpaid invoices < 60 days, unpresented cheques, and in the stock of capital grants received but not spent.

Table 4. Grenada: Public Sector Debt

(Year end, in millions of U.S. dollars)

	2014			2015			2016 (prel.)		
		Percent of			Percent of			Percent of	
	Stock	Total Debt	GDP	Stock	Total Debt	GDP	Stock	Total Debt	GDP
Public Sector debt	927.6	100.0	101.8	902.8	100.0	91.7	866.3	100.0	83.5
Central government debt	881.6	95.0	96.7	862.4	95.5	87.6	837.1	96.6	80.7
Central-government guaranteed debt	45.9	5.0	5.0	40.4	4.5	4.1	29.1	3.4	2.8
External debt	616.8	66.5	67.7	616.4	68.3	62.6	600.8	69.4	57.9
A. Central Government	593.3	64.0	65.1	595.8	66.0	60.5	586.7	67.7	56.5
1. Multilateral	247.1	26.6	27.1	280.0	31.0	28.5	287.9	33.2	27.7
CDB	125.0	13.5	13.7	134.7	14.9	13.7	141.3	16.3	13.6
IDA	66.2	7.1	7.3	77.7	8.6	7.9	78.5	9.1	7.6
IBRD	10.5	1.1	1.1	14.9	1.7	1.5	13.8	1.6	1.3
IMF	29.5	3.2	3.2	29.3	3.2	3.0	28.9	3.3	2.8
Other Multilateral	15.9	1.7	1.7	23.4	2.6	2.4	25.4	2.9	2.4
2. Official bilateral	97.6	10.5	10.7	97.0	10.7	9.9	94.6	10.9	9.1
Paris Club 1/	10.5	1.1	1.1	10.8	1.2	1.1	9.2	1.1	0.9
France	4.4	0.5	0.5	4.5	0.5	0.5	4.0	0.5	0.4
Russian Federation	0.2	0.0	0.0	0.2	0.0	0.0	0.2	0.0	0.0
U.S.	2.9	0.3	0.3	3.0	0.3	0.3	2.7	0.3	0.3
U.K.	2.9	0.3	0.3	3.2	0.3	0.3	2.3	0.3	0.2
Other	87.2	9.4	9.6	86.2	9.6	8.8	85.4	9.9	8.2
Kuwait	18.0	1.9	2.0	17.0	1.9	1.7	16.2	1.9	1.6
Taiwan Province of China 2/	19.4	2.1	2.1	19.4	2.1	2.0	19.4	2.2	1.9
Trinidad and Tobago	32.9	3.5	3.6	32.9	3.6	3.3	32.9	3.8	3.2
Venezuela	10.0	1.1	1.1	10.0	1.1	1.0	10.0	1.2	1.0
Other Bilateral	6.9	0.7	0.8	6.9	0.8	0.7	6.9	0.8	0.7
3. Commercial debt	202.4	21.8	22.2	192.6	21.3	19.6	178.5	20.6	17.2
US$ 2040 Bonds 5/	193.5	20.9	21.2	183.7	20.3	18.7	170.2	19.6	16.4
Other Bonds	8.9	1.0	1.0	8.9	1.0	0.9	8.3	1.0	0.8
4. External arrears on interests	22.2	2.4	2.4	3.4	0.4	0.3	3.9	0.4	0.4
5. Overdue membership fees	23.9	2.6	2.6	22.8	2.5	2.3	21.8	2.5	2.1
B. Central-government guaranteed	23.5	2.5	2.6	20.6	2.3	2.1	14.1	1.6	1.4
Domestic debt	310.8	33.5	34.1	286.4	31.7	29.1	265.5	30.6	25.6
A. Central Government	288.4	31.1	31.6	266.6	29.5	27.1	250.4	28.9	24.1
1. Treasury bills	125.3	13.5	13.8	117.9	13.1	12.0	113.3	13.1	10.9
RGSM 3/	36.9	4.0	4.1	35.9	4.0	3.7	34.6	4.0	3.3
3 month initial maturity	14.8	1.6	1.6	13.0	1.4	1.3	13.0	1.5	1.2
1 year initial maturity	22.1	2.4	2.4	23.0	2.5	2.3	21.6	2.5	2.1
Private placements	88.4	9.5	9.7	82.0	9.1	8.3	78.7	9.1	7.6
National Insurance Scheme	22.1	2.4	2.4	14.8	1.6	1.5	14.8	1.7	1.4
Petrocaribe Grenada	34.8	3.8	3.8	34.8	3.9	3.5	34.8	4.0	3.4
Other private placements	31.5	3.4	3.5	32.4	3.6	3.3	29.0	3.4	2.8
2. Bonds	90.6	9.8	9.9	111.4	12.3	11.3	115.7	13.4	11.2
EC$ 2040 Bonds 5/	68.1	7.3	7.5	68.9	7.6	7.0	67.3	7.8	6.5
RGSM 3/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private Placements	17.9	1.9	2.0	37.9	4.2	3.9	43.5	5.0	4.2
Other Bonds	4.6	0.5	0.5	4.6	0.5	0.5	4.9	0.6	0.5
3. Domestic arrears on interests	10.9	1.2	1.2	4.4	0.5	0.4	1.6	0.2	0.2
4. Compensation claims	14.8	1.6	1.6	14.8	1.6	1.5	14.8	1.7	1.4
5. Commercial Bank Loans	8.5	0.9	0.9	7.0	0.8	0.7	5.0	0.6	0.5
6. Overdraft	3.3	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
7. Supplier arrears	29.2	3.2	3.2	0.0	0.0	0.0	0.0	0.0	0.0
8. Other 4/	5.7	0.6	0.6	11.1	1.2	1.1	0.0	0.0	0.0
B. Central-Government Guaranteed	22.4	2.4	2.5	19.8	2.2	2.0	15.1	1.7	1.5
Memorandum items:									
Nominal GDP	911.6			984.1			1037.9		

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

(In millions of U.S. Dollars, unless otherwise indicated)

	2014				2015				2016(prel.)				2017 Q1 (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
Total arrears	**83.1**	**33.1**	**116.2**	**12.7**	**51.3**	**7.8**	**59.1**	**6.0**	**55.7**	**5.4**	**61.1**	**6.2**	**45.5**	**4.5**	**49.9**	**5.1**
External arrears	**45.1**	**22.2**	**67.3**	**7.4**	**45.3**	**3.4**	**48.6**	**4.9**	**36.0**	**3.9**	**39.8**	**4.0**	**33.9**	**3.2**	**37.1**	**3.8**
Multilateral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	14.7	1.5	16.2	1.8	15.4	2.9	18.3	1.9	14.0	3.4	17.4	1.8	12.0	2.7	14.6	1.5
Paris Club	3.8	0.4	4.3	0.5	4.8	0.9	5.7	0.6	1.4	0.5	1.9	0.2	0.0	0.0	0.0	0.0
France	1.7	0.3	2.0	0.2	2.3	0.3	2.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russia	0.2	0.0	0.2	0.0	0.1	0.1	0.2	0.0	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.0
UK	1.1	0.1	1.2	0.1	1.3	0.5	1.8	0.2	1.3	0.5	1.8	0.2	0.0	0.0	0.0	0.0
US	0.8	0.1	0.9	0.1	1.1	0.1	1.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Paris Club	10.8	1.0	11.9	1.3	10.6	2.0	12.6	1.3	12.6	2.9	15.5	1.5	12.0	2.7	14.6	1.4
Algeria 3/	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	0.5	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	2.7	1.0	3.7	0.4	3.6	2.0	5.6	0.6	4.6	2.6	7.1	0.7	5.0	2.7	7.7	0.7
Venezuela	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.3	1.4	0.1	0.0	0.0	0.0	0.0
Commercial	6.5	20.7	27.2	3.0	7.0	0.5	7.5	0.8	6.9	0.5	7.4	0.7	6.9	0.5	7.4	0.7
Unpaid contribution to organizations	23.9	0.0	23.9	2.6	22.8	0.0	22.8	2.3	15.1	0.0	15.1	1.5	15.1	0.0	15.1	1.5
Budget expenditure arrears	**37.9**	**10.9**	**48.9**	**5.4**	**6.1**	**4.4**	**10.5**	**1.1**	**19.7**	**1.6**	**21.3**	**2.2**	**11.5**	**1.3**	**12.8**	**1.3**
Domestic debt 1/	8.7	10.9	19.6	2.2	6.1	4.4	10.5	1.1	19.7	1.6	21.3	2.2	11.5	1.3	12.8	1.3
Domestic debt under restructuring 2/	8.7	10.9	19.6	2.2	6.1	4.4	10.5	1.1	19.7	1.6	21.3	2.0	11.5	1.3	12.8	1.2
ECCB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplier arrears	29.2	0.0	29.2	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

3/ principal amount includes capitalized interest

Table 6. Grenada: Balance of Payments Summary, 2014–2022

	Est.			Projections					
	2014	2015	2016	2017	2018	2019	2020	2021	2022
				In millions of US dollars					
Current account	**-159.9**	**-171.9**	**-151.3**	**-168.6**	**-171.3**	**-178.5**	**-180.2**	**-188.2**	**-204.1**
Trade balance for goods and services	-148.6	-149.9	-128.7	-156.6	-160.7	-168.1	-171.0	-180.5	-197.7
Exports of goods and services	254.7	267.6	300.9	307.4	324.7	342.7	361.3	380.8	402.0
Nutmeg	6.1	4.9	3.9	3.8	3.9	4.0	4.1	4.2	4.3
Tourism	160.5	172.1	215.9	211.2	223.3	235.5	248.0	261.2	275.2
Student receipts 2/	26.3	26.8	60.0	62.1	63.8	65.5	67.2	69.0	70.9
Imports of goods and services	403.2	417.5	429.6	464.0	485.4	510.8	532.3	561.3	599.7
Mineral fuels	77.5	46.0	40.8	52.7	56.5	60.0	63.9	68.4	73.4
Foodstuffs	77.4	70.3	70.7	73.3	74.2	76.0	77.7	79.8	82.0
Other goods	143.9	191.0	202.0	215.9	227.0	241.5	251.2	266.7	290.8
Services	104.4	110.1	116.1	122.1	127.7	133.4	139.6	146.4	153.5
Net Income	-33.1	-39.6	-49.6	-38.1	-35.6	-35.4	-35.9	-36.2	-36.7
Current transfers	21.7	17.5	27.1	26.1	25.1	25.0	26.8	28.5	30.3
Capital and financial account	**152.4**	**111.9**	**148.1**	**162.7**	**184.3**	**189.9**	**190.4**	**196.7**	**212.7**
Capital transfers	111.9	110.5	74.6	137.3	91.5	94.6	95.9	95.5	95.5
o.w. debt forgiveness 1/	17.2	48.4	4.5	49.5	0.0	0.0	0.0	0.0	0.0
Foreign direct investment	37.7	97.4	86.5	93.8	98.8	109.1	114.2	119.8	125.6
Public sector borrowing (net)	40.1	-38.3	-31.0	-68.3	-13.3	-12.6	-19.6	-18.3	-22.4
NFA of Commercial banks	-62.2	-69.9	-32.9	-15.7	-8.0	-8.2	-8.9	-9.8	-10.3
Other private flows	25.0	12.2	50.9	15.7	15.4	6.9	8.8	9.6	24.3
o/w Petrocaribe	19.8	9.1	7.0	8.9	9.2	9.4	9.7	9.9	10.2
Errors and omissions	43.8	83.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	**36.2**	**23.5**	**-3.2**	**-5.9**	**13.0**	**11.4**	**10.2**	**8.5**	**8.9**
Overall financing	**-36.2**	**-54.1**	**-12.4**	**-6.7**	**-13.0**	**-11.4**	**-10.2**	**-8.5**	**-8.9**
Change in ECCB NFA	-22.9	-30.3	-3.8	-2.5	-8.4	-8.7	-8.4	-6.0	-6.4
Change in Reserve Position with the IMF	3.4	-4.5	-5.0	-4.3	-4.7	-2.7	-1.8	-2.4	-3.2
Change in existing external arrears	-16.8	-19.3	-3.6	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap:	**0.0**	**30.6**	**15.6**	**12.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Exceptional financing:	0.0	30.6	15.6	12.7	0.0	0.0	0.0	0.0	0.0
Net use of Fund resources	0.0	5.6	5.6	2.7	0.0	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	0.0
CDB	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
				In percent of GDP					
Current account	**-17.5**	**-17.5**	**-14.6**	**-15.4**	**-15.0**	**-15.0**	**-14.4**	**-14.4**	**-14.9**
Trade balance for goods and services	-16.3	-15.2	-12.4	-14.3	-14.1	-14.1	-13.7	-13.8	-14.4
Exports of goods and services	27.9	27.2	29.0	28.2	28.4	28.7	29.0	29.1	29.3
Tourism	17.6	17.5	20.8	19.3	19.6	19.8	19.9	20.0	20.1
o.w. Student receipts 2/	2.9	2.7	5.8	5.7	5.6	5.5	5.4	5.3	5.2
Imports of goods and services	44.2	42.4	41.4	42.5	42.5	42.8	42.7	42.9	43.7
o.w. Mineral fuels	8.5	4.7	3.9	4.8	5.0	5.0	5.1	5.2	5.3
Net income	-3.6	-4.0	-4.8	-3.5	-3.1	-3.0	-2.9	-2.8	-2.7
o.w. Public interest payment	-2.4	-2.3	-2.2	-1.7	-1.3	-1.1	-1.0	-0.9	-0.8
Net current transfers	2.4	1.8	2.6	2.4	2.2	2.1	2.1	2.2	2.2
Capital and financial account	**16.7**	**11.4**	**14.3**	**14.9**	**16.1**	**15.9**	**15.3**	**15.0**	**15.5**
Capital transfers	12.3	11.2	7.2	12.6	8.0	7.9	7.7	7.3	7.0
o.w. debt forgiveness 1/	1.9	4.9	0.4	4.5	0.0	0.0	0.0	0.0	0.0
Foreign direct investment	4.1	9.9	8.3	8.6	8.7	9.2	9.2	9.2	9.2
Public sector flows	4.4	-3.9	-3.0	-6.3	-1.2	-1.1	-1.6	-1.4	-1.6
NFA of Commercial banks	-6.8	-7.1	-3.2	-1.4	-0.7	-0.7	-0.7	-0.8	-0.8
Other private flows	2.7	1.2	4.9	1.4	1.3	0.6	0.7	0.7	1.8
Error and Omission	4.8	8.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	4.0	2.4	-0.3	-0.5	1.1	1.0	0.8	0.6	0.7
Overall financing	**-4.0**	**-5.5**	**-1.2**	**-0.6**	**-1.1**	**-1.0**	**-0.8**	**-0.6**	**-0.7**
Change in ECCB NFA	-2.5	-3.1	-0.4	-0.2	-0.7	-0.7	-0.7	-0.5	-0.5
Change in Reserve Position with the IMF	0.4	-0.5	-0.5	-0.4	-0.4	-0.2	-0.1	-0.2	-0.2
Change in existing external arrears	-1.8	-2.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap:	**0.0**	**3.1**	**1.5**	**1.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Exceptional financing:	0.0	3.1	1.5	1.2	0.0	0.0	0.0	0.0	0.0
Net use of Fund resources	0.0	0.6	0.5	0.2	0.0	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	0.0
CDB	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items:									
Gross external debt (in percent of GDP)	143.0	135.3	129.0	117.5	113.0	109.4	105.2	102.9	100.7
External public and publicly guaranteed debt	67.7	62.6	57.9	48.3	44.8	42.2	38.9	34.8	32.6
Foreign liabilities of private sector 3/	75.3	72.7	71.1	69.2	68.2	67.3	66.3	68.1	68.1
Nominal GDP	911.6	984.1	1037.9	1091.9	1141.5	1192.2	1247.6	1308.6	1372.5

Sources: Ministry of Finance and Planning; ECCB; and Fund staff estimates and projections.
1/ Debt forgiveness as a result of debt restructuring.
2/ Living expenses of international students at St Georges University. Increase in 2016 represents upward revision.
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 Monetary Sector, 2015–2022

	2015	2016	2017	2018	2019	2020	2021	2022
			Proj.					
	(In millions of EC$, unless otherwise specified)							
Net foreign assets	852.5	951.4	1,000.6	1,045.9	1,094.5	1,147.2	1,196.0	1,247.2
ECCB	509.0	519.1	525.8	549.5	576.1	604.7	627.0	650.4
Of which: Net imputed reserves	509.0	519.1	525.8	549.5	576.1	604.7	627.0	650.4
Commercial banks (net)	343.5	432.3	474.8	496.4	518.4	542.5	569.0	596.8
Assets	855.9	952.8	1,002.3	1,047.9	1,094.4	1,145.2	1,201.2	1,259.9
Liabilities	-512.4	-520.5	-527.5	-551.5	-576.0	-602.7	-632.2	-663.1
Net domestic assets	1,269.9	1,288.6	1,355.9	1,417.7	1,478.5	1,545.3	1,628.1	1,714.9
Public sector credit (net)	-232.3	-229.8	-242.4	-254.5	-266.8	-272.1	-277.9	-284.0
Central government	-65.9	-28.3	-35.8	-43.4	-50.9	-51.0	-51.1	-51.2
ECCB	17.0	17.0	17.0	17.0	17.0	17.0	17.2	17.4
Commercial banks	34.5	34.5	34.5	34.5	34.5	34.5	34.5	34.5
Net credit to rest of public sector	-166.4	-201.5	-206.5	-211.2	-215.9	-221.1	-226.8	-232.7
National Insurance Scheme	-92.0	-97.0	-102.1	-106.7	-111.4	-116.6	-122.3	-128.3
Credit to private sector	1,552.4	1,616.2	1,659.9	1,735.3	1,812.4	1,896.5	1,989.2	2,086.4
Other items (net)	-50.2	-97.8	-61.6	-63.0	-67.0	-79.1	-83.2	-87.5
Broad money	2,122.4	2,240.0	2,356.5	2,463.6	2,573.0	2,692.5	2,824.1	2,962.1
Money	543.0	612.9	644.8	674.1	704.0	736.7	772.7	810.5
Currency in circulation	131.5	138.8	146.0	152.6	159.4	166.8	174.9	183.5
Demand deposits	411.4	474.2	498.8	521.5	544.7	570.0	597.8	627.0
Quasi-money	1,579.4	1,627.1	1,711.7	1,789.5	1,869.0	1,955.7	2,051.3	2,151.6
Time deposits	271.4	259.1	272.6	285.0	297.7	311.5	326.7	342.7
Savings deposits	1,160.5	1,212.4	1,275.5	1,333.4	1,392.7	1,457.3	1,528.5	1,603.2
Foreign currency deposits	147.4	155.5	163.6	171.0	178.6	186.9	196.1	205.7
	(Annual percentage change, unless otherwise specified)							
Net foreign assets	46.4	11.6	5.2	4.5	4.6	4.8	4.3	4.3
Net domestic assets	-11.6	1.5	5.2	4.6	4.3	4.5	5.4	5.3
Public sector credit, net	167.2	-1.1	5.5	5.0	4.8	2.0	2.1	2.2
Credit to private sector	-3.8	4.1	2.7	4.5	4.4	4.6	4.9	4.9
Broad money	5.2	5.5	5.2	4.5	4.4	4.6	4.9	4.9
NFA contribution	13.4	4.7	2.2	1.9	2.0	2.0	1.8	1.8
NDA contribution	-8.2	0.9	3.0	2.6	2.5	2.6	3.1	3.1
Money	16.4	12.9	5.2	4.5	4.4	4.6	4.9	4.9
Quasi-money	1.8	3.0	5.2	4.5	4.4	4.6	4.9	4.9
	(In percent of GDP, unless otherwise specified)							
Net foreign assets	32.1	33.9	33.9	33.9	34.0	34.1	33.9	33.7
Net domestic assets, o.w.	47.8	46.0	46.0	46.0	45.9	45.9	46.1	46.3
Public sector credit, net	-8.7	-8.2	-8.2	-8.3	-8.3	-8.1	-7.9	-7.7
Private sector credit, net	58.4	57.7	56.3	56.3	56.3	56.3	56.3	56.3
Broad money (M2)	79.9	79.9	79.9	79.9	79.9	79.9	79.9	79.9
Money	20.4	21.9	21.9	21.9	21.9	21.9	21.9	21.9
Quasi-money	59.4	58.1	58.1	58.1	58.1	58.1	58.1	58.1
Interest rates (percent per year)								
ECCB policy rate	6.5	6.5	...	...	...	...	...	...
US policy rate	0.1	0.4	...	...	...	...	...	...
Interbank market rate	N.A.	N.A.	...	...	...	...	...	...
Time deposit rate	1.6	1.3	...	...	...	...	...	...
Demand deposit rate	0.3	0.1	...	...	...	...	...	...
Weighted average lending rate	8.7	8.4	...	...	...	...	...	...

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

Table 8. Grenada: Indicators of Capacity to Repay the Fund, 2014–2022

	Actual			Projections					
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Existing Fund credit (stock)									
In percent of quota	174.3	180.8	131.3	110.1	89.0	76.8	68.5	57.4	42.8
In millions of SDRs	20.4	21.2	21.5	18.1	14.6	12.6	11.2	9.4	7.0
In millions of US$	29.7	29.3	29.0	24.3	19.7	17.0	15.1	12.7	9.5
In percent of GDP	3.3	3.0	2.8	2.2	1.7	1.4	1.2	1.0	0.7
Proposed Extended Credit Facility (stock)									
In percent of quota	0.0	0.0	0.0	12.2	12.2	12.2	12.2	12.2	11.0
In millions of SDRs	0.0	0.0	0.0	2.0	2.0	2.0	2.0	2.0	1.8
In millions of US$	0.0	0.0	0.0	2.7	2.7	2.7	2.7	2.7	2.4
In percent of GDP	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.2	0.2
Outstanding Fund credit (end of period)									
In percent of quota	174.3	180.8	131.3	122.3	101.2	89.0	80.7	69.6	53.8
In millions of SDRs	20.4	21.2	21.5	20.1	16.6	14.6	13.2	11.4	8.8
In millions of US$	29.7	29.3	29.0	27.0	22.3	19.7	17.8	15.4	11.9
In percent of exports of goods and services	11.7	11.0	9.6	8.8	6.9	5.7	4.9	4.0	3.0
In percent of debt service	24.5	27.2	53.1	48.0	37.7	33.6	32.5	27.6	20.1
In percent of GDP	3.3	3.0	2.8	2.5	2.0	1.6	1.4	1.2	0.9
In percent of Imputed Net International Reserves	18.8	15.5	15.1	13.9	11.0	9.2	8.0	6.6	4.9
Fund obligations based on existing credit	1.8	3.2	3.6	3.2	3.5	2.0	1.4	1.8	2.4
Repurchases and repayments	1.8	3.2	3.6	3.2	3.5	2.0	1.4	1.8	2.4
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit	1.8	3.2	3.6	3.2	3.5	2.0	1.4	1.8	2.6
Repurchases and repayments	1.8	3.2	3.6	3.2	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
Fund obligations based on existing and prospective credit									
In millions of US$	2.7	4.5	5.0	4.3	4.7	2.7	1.9	2.5	3.6
In percent of exports of goods and services	1.1	1.7	1.7	1.4	1.5	0.8	0.5	0.7	0.9
In percent of debt service	2.2	4.2	9.2	7.7	8.0	4.7	3.4	4.5	6.0
In percent of GDP	0.3	0.5	0.5	0.4	0.4	0.2	0.1	0.2	0.3
In percent of Imputed Net International Reserves	1.7	2.4	2.6	2.2	2.3	1.3	0.8	1.1	1.5
In percent of quota	15.2	27.7	22.1	19.5	21.3	12.4	8.4	11.2	16.1
Net use of Fund credit	2.3	0.8	0.4	-1.2	-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	3.2	3.5	2.0	1.4	1.8	2.6
Memorandum items:									
Exports of goods and services (in millions of US$)	254.7	267.6	300.9	307.4	324.7	342.7	361.3	380.8	402.0
Debt service (in millions of US$)	121.3	107.7	54.6	56.3	59.2	58.5	54.8	55.8	59.1
GDP (in millions of US$)	911.6	984.1	1037.9	1091.9	1141.5	1192.2	1247.6	1308.6	1372.5
Imputed Net International Reserves (in millions of US$)	158.3	188.5	192.3	194.8	203.5	213.4	224.0	232.2	240.9
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

	2010	2011	2012	2013	2014	2015	2016
				(Percent of GDP)			
Balance Sheet							
Total Assets	136.0	137.2	128.8	122.4	114.8	113.2	112.2
Gross Loans	96.2	95.8	91.6	82.0	71.4	62.7	58.3
o/w NPLs	7.3	9.0	10.8	11.3	10.4	6.2	3.9
Provisions for NPLs	2.1	2.5	3.6	4.0	4.1	2.7	2.0
Total Liabilities	133.6	134.8	126.4	120.2	112.8	111.2	110.4
Deposits	115.1	114.9	108.5	107.1	104.1	102.5	99.2
Capital	2.4	2.4	2.4	2.2	2.1	1.9	1.8
				(Percent)			
Profitability							
Net Interest Income/Total Income	54.1	50.6	51.5	54.5	51.4	58.0	58.6
Net Non-Interest Income/Total Income /4	0.3	3.0	5.6	-12.9	-18.9	-10.8	-18.0
Operating Expenses/Total Income	45.6	46.4	43.0	58.5	67.4	52.8	59.3
Gross Profits/Total Income	7.2	16.8	-3.6	-15.1	-8.0	46.8	33.0
Interest Spread 1/	1.1	1.1	1.1	1.2	1.1	1.2	1.1
ROAE 5/	0.3	2.3	-2.3	0.8	-3.7	8.0	4.9
ROAA	0.1	0.3	-0.1	-0.3	-0.1	0.8	0.5
Capital Adequacy							
CAR 5/	16.5	15.1	13.9	13.6	13.0	12.2	13.9
T1R	15.0	13.6	13.2	12.2	11.7	10.2	11.4
RWA/Assets	66.2	67.5	70.8	70.2	68.4	69.2	65.9
Asset Quality							
NPL Ratio	7.6	9.4	11.8	13.8	14.6	10.0	6.7
Provisions/NPL	28.6	28.4	33.2	35.8	39.3	42.9	49.9
Past Due/Gross Loans	3.3	2.9	2.1	2.0	2.9	2.0	1.9
Net NPL/Capital	33.8	50.2	49.7	61.6	59.5	41.0	21.9
FX Risk							
FX Assets/Assets	8.0	7.4	7.7	7.7	8.6	9.7	10.1
FX Liabilities/Liabilities	8.8	9.1	8.7	7.1	7.4	8.9	8.7
NOP/Capital	34.7	24.6	37.7	65.2	102.7	172.2	209.7
Liquidity Risk							
Liquid Assets/Total Assets	20.7	22.9	22.9	27.7	32.8	37.5	40.8
Liquidity Coverage Ratio 2/	23.0	25.2	25.2	30.4	35.5	40.8	44.9
Liquid Assets/Total Deposits	24.4	27.4	27.2	31.7	36.2	41.4	46.1
Funding Risk							
Core/Non-Core Liabilities 6/	635.3	589.7	619.3	831.8	1,222.6	1,186.9	901.9
Core/Non-Core Liabilities (ECD) 6/	796.0	729.8	821.6	978.3	1,545.8	1,463.8	1,020.2
Core/Non-Core Liabilities (FX) 6/	153.9	153.7	115.2	229.7	275.5	352.1	372.4
Costs of Funds 3/	0.7	0.7	0.6	0.6	0.5	0.3	0.3
Leverage and Concentration Risk							
LD Ratio	83.6	83.4	84.5	76.6	68.6	61.2	58.8
LD Ratio (ECD)	83.7	83.7	83.6	77.3	69.4	62.4	60.4
LD Ratio (FX)	82.9	78.6	101.2	62.7	54.7	45.3	38.7
C1 Borrower Loan/Capital Ratio	15.8	17.4	18.4	22.4	21.4	19.2	17.0
C1 Sector Loan/Capital Ratio	399.2	435.6	459.1	453.5	439.8	409.2	337.4
Government Assets/Assets	9.5	9.2	5.6	6.5	7.7	9.7	11.6
Government Liabilities/Liabilities	9.7	9.4	5.7	6.6	7.9	9.8	11.8

Sources: ECCB and Staff Estimations.
1/ Yield on Average Earning Assets less Average Cost of Funds
2/ Liquid Assets/Current Liabilities (Short-term liabilities).
3/ Interest Expense/Average Interest Bearing Liabilities.
4/ Excluding provisions for loan losses.
5/ Data on foreign banks not available.
6/ Core = Deposits + Equity.

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

Availability date	Amount of Disbursement		Conditions
	SDR million	Percent of quota 1/	
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	85.61	

Source: Fund staff estimates

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

Table 11. Grenada: Financial, Fiscal and Business Oriented Legal Reforms

	Entered into force	Regs in force	Program-related
Fiscal Policy Framework and Public Financial Management Reforms			
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	✓		✓
Tax Administration and Tax Incentive Reforms			
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. 20	✓		✓
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	✓		✓
Business Environment; Energy and Labor Reforms			
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 201	✓		
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 Entreprise Order 20	✓	✓	
Electricity Supply Act 2016	✓		
Public Utilities Regulatory Commission (Amendment) Act 2016	✓		
Employment (Amendment) Act 2016	+		✓
Labor Relations (Amendment) Act 2016	+		✓
Financial Reforms			
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 Arrangment (BAICO and CLICO) Act 2015	+		
Uniform Insurance Act	**	**	
Governance and Security			
Electronic Crimes (Amendment) Act 2014; Proceeds of Crime (Amendment) Act 2014	✓		
Integrity in Public Life (Amendment) 2015 and 2016	✓		
Interception of Commmunications (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	Status	Act.	Status	Act.	Status	Prog.	Adj. Prog. 1/	Act.	Status
Performance criteria													
A. Cumulative floor on central govt. primary balance (EC$ mn) 2/	-28	Met	37	Met	Met	58	Met	84	Met	94	95	148	Met
B. Cumulative ceiling on central govt. primary spending (EC$ mn) 2/	630	Met	281	Met	Met	601	Met	285	Met	526	604	603	Met
C. Ceiling on stock of central govt. budget expenditure arrears (EC$ mn) 4/	79	Met	53	Met	Not met	0	Met	0	Met	0	0	0	Met
D. Ceiling on accumulation of external debt arrears (continuous)	0	Met	0	Met	Met	0	Met	0	Met	0	0	0	Met
E. Ceiling on contracting of non-concessional external debt by the central govt. (continuous, US$ mn) 5/	10	Not met	0	Met	Met	0	Met	15	Met	0	25	25	Met
Indicative targets													
F. Cumulative ceiling on net change in central govt. and central govt. guaranteed debt (EC$ mn) 2/	48	Met	-30	Met	Met	-67	Met	-85	Met	15	-5	-99	Met
G. Floor on social spending by central govt. (EC$ mn)	11.4	Not met	5.4	Not met	Not met	11.8	Not met	7.0	Met	14.0	14.0	13.6	Not met
Monitoring													
H. Wage bill target (EC$ mn)	219	Met	109	Met	Met	215	Met	105	Met	219	219	216	Met
I. Public employment target (nominal number)	7515	Met	7096	Met	Met	7003	Met	6810	Met	7000	7000	6758	Met
Memorandum item													
Projected new concessional external debt (US$ mn) 3/								8		10	10	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 Benchmarks

Measure	Timing	Implementation Status
Prior Actions for the Sixth Review		
1. Reach agreement with each organization to restructure overdue membership obligations, or present a time-bound plan to clear overdue obligations with payments starting in 2017 and being completed by 2022.		Met
2. Make at least one payment to each of the seven organizations with the largest overdue amounts.		Met
Structural Benchmarks		
Growth-Enhancing Reforms		
1. Parliamentary approval of the revised Investment Promotion Act	November 30, 2014	Met
Fiscal Adjustment Measures		
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	Met
Fiscal Structural Reforms		
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,	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, rephased and revised
17. Publication of the debt statistics bulletin on a quarterly basis	Quarterly, beginning December 31, 2016	Met
18. Cabinet approval of a comprehensive public sector wage bill management reform strategy.	March 31, 2017	Met in April
19. Complete and make functional the human resource registry for the public service	March 31, 2017	Met

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

Table 14. Grenada: Membership Contributions Outstanding and Payment Plan 1/
(In millions of EC Dollars)

	ORGANISATIONS	TOTAL	Payments Jan-April 2017	Payment terms
1	University of the West Indies	20.03	2.00	Agreed March 2017. Quarterly payments for 8 years commencing 2018.
2	Regional Security System (RSS)	9.35	1.87	Agreed March 2017. Quarterly payments for 10 years commencing 2018.
3	OECS Secretariat	9.12	2.00	Agreed March 2017. Monthly payments for 8 years commencing 2018.
4	Caribbean Community (CARICOM)	5.21	0.50	No agreement. Government will pay quarterly for 5 years commencing 2018.
5	Eastern Caribbean Supreme Court	3.38	0.25	Agreed March 2017. Quarterly payments for 7 years commencing 2018.
6	Caribbean Institute for Meteorology & Hydrology	2.20	0.31	Agreed April 2017. Annual payments for 5 years commencing 2017.
7	United Nations Development Programme (UNDP)	1.00	0.17	No agreement. Government will pay annually for 5 years commencing 2018.
8	International Civil Aviation Organization (ICAO)	0.68	0.18	Agreed March 2017. Annual payments for 10 years commencing 2018.
	Others 2/	7.88	1.14	Quarterly payments for 6 years commencing 2017.
	TOTAL	**58.85**	**8.41**	

Sources: Grenadian authorities

1/ The stock of contributions outstanding to 8 of the organizations are 86.6 percent of the total at end-2016.

2/ Consists of 53 organizations. Payments for 2017 will be made throughout the year.

Annex I. Risk Assessment Matrix[1]

Source of Risks	Relative Likelihood	Time Horizon	Recommended Policy
Retreat from cross-border integration. A fraying consensus about the benefits of globalization could lead to protectionism and economic isolationism, leading to reduced global and regional policy collaboration with negative consequences for trade, capital and labor flows, sentiment, and growth.	**High**	**Short to Medium Term**	Carry through with the programmed fiscal adjustment under the FRL and structural reforms to improve productivity and competitiveness.
Structurally weak growth in key advanced and emerging economies: Low productivity growth (U.S., the Euro Area, and Japan), a failure to fully address crisis legacies and undertake structural reforms, and persistently low inflation (the Euro Area, and Japan) undermine medium-term growth in advanced economies (high likelihood). Resource misallocation and policy missteps, including insufficient reforms, exacerbate declining productivity growth in emerging markets (medium likelihood).	**High/ Medium**	**Short to Medium Term**	Carry through with the programmed fiscal adjustment under the FRL and structural reforms to improve productivity and competitiveness.
Zika Virus, a virus transmitted by mosquitoes that causes flu-like symptoms but is suspected to be associated with microcephaly.	**High**	**Near Term**	Raise public awareness of the virus and related health issues and urge proactive prevention measures by tourism facilities (e.g. regular mosquito fogging).
Policy and geopolitical uncertainties. Two-sided risks to U.S. growth with difficult-to-predict policies and global spillovers. In Europe, uncertainty associated with negotiating post-Brexit arrangements and with upcoming major elections. Policy divergence could lead to rising global imbalances and exacerbate exchange rate and capital flow volatility.	**High**	**Short to Medium Term**	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.

[1] 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.

Source of Risks	Relative Likelihood	Time Horizon	Recommended Policy
Higher than expected public sector wage increase and delays in public sector wage bill reforms could push the wage bill above the 9 percent of GDP FRA-mandated ceiling.	**High**	**Short to Medium Term**	Agree on reform strategy as per structural bench-mark. Agree on wage contracts prior to budget completion. Carry through with the programmed fiscal adjustment and structural reforms.
Natural disasters, mainly hurricanes, could cause severe damage to infrastructure and disrupt tourism flows.	**Medium**	**Short to Medium Term**	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.

Annex II. Debt Sustainability Analysis Update

This annex provides an updated Debt Sustainability Analysis (DSA) of Grenada's public and publicly guaranteed (PPG) external and total debt. The macro-framework incorporates all agreed debt restructuring, including the second haircut on commercial debt in 2017 which is contingent on successful completion of the ECF-supported program. With unresolved arrears, including to official bilateral creditors, Grenada's external debt risk rating remains "in debt distress".[1]

1. **Grenada's DSA rating remains "in debt distress".** In 2016, Grenada started to amortize its restructured commercial bonds while limiting, as agreed under the ECF-supported program, the issuance of new external debt to small amounts of concessional financing from the CDB and World Bank. As a result, the present value of total PPG debt is expected to fall to 61.8 percent of GDP in 2017 from 69.8 percent in 2016, and the present value of public external debt is expected to fall below Grenada's country specific threshold for the first time in years (Figure A2.2). In addition, only one liquidity indicator (debt service to revenue) is breached for only one year (2017) as compared to three instances at the last review.[2] Nevertheless, due to the remaining unresolved arrears to official bilateral creditors, Grenada's DSA rating is unchanged from the December 2016 DSA assessment.

DSA Update: Macroeconomic Assumptions

(In percent of GDP, unless otherwise specified)

		Projections			
	Historical	2017-22		2023-36	
	Average	5th Review	6th Review	5th Review	6th Review
Non-interest current account balance	-18.7	-14.7	-13.1	-14.3	-13.7
Real GDP growth (in percent)	2.7	2.7	2.5	2.7	2.7
Growth of exports of G & S (USD terms, in perce	6.3	5.3	5.0	5.8	5.4
Current official transfer	-3.1	-2.6	-2.1	-2.1	-1.8
Net FDI	-8.3	-9.0	-9.0	-9.1	-9.1
Primary balance	-0.9	2.7	4.0	-1.0	-1.0
Revenue and grants	23.6	24.3	26.5	23.2	24.5
of which: grants	3.0	2.4	4.1	2.2	2.0
Primary (non-interest) expenditure	24.9	21.6	21.8	24.2	25.5
Inflation rate (GDP deflator, in percent)	1.6	2.4	2.2	2.3	2.1
Memorandum item		5th Review	6th Review		
2016 Nominal GDP (in million USD)		1,029.8	1,037.9		

Source: Grenadian authorities and IMF staff projections

[1] See Country Report No. 16/38. The CPIA ranks Grenada as a medium performer, with an average CPIA rating of 3.52 in 2013-2015.

[2] This does not include contingent liabilities related to the potential repurchase of shares in Grenlec. An independent valuation of the shares is required and government may choose non-debt financing options.

2. Sustained strong efforts are crucial for fully restoring the sustainability of Grenada's public debt. The debt restructuring achieved so far, along with stronger economic growth and sizeable fiscal adjustment, has put debt dynamics on a steady downward trajectory. Having completed the debt restructuring with Russia and the United Kingdom in early 2017, the remaining restructurable official debt consists of US$52 million in debt to non-Paris Club official bilateral creditors, for which the authorities are seeking treatment comparable with the agreements with commercial creditors. One external private creditor is seeking payment of its claims through the Grenadian court system. The government is servicing this debt according to: (i) the court judgment on one portion and (ii) the government's proposed repayment terms. On the domestic front, negotiations have been concluded with Petrocaribe Grenada, with two banks, and with the majority of holders of a domestic bond. The restructuring of government guaranteed debt has also been concluded.

3. The prospects for restoring Grenada's debt sustainability are subject to downside risks. In particular, the baseline scenario assumes strict adherence to the Fiscal Responsibility Act (FRA). Moreover, the historical scenario (Figure A2:2) illustrates how a return to lax fiscal policies would put Grenada's public debt quickly 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 risks. A customized shock scenario (Figure A2.I) analyzes the impact of the latter. Further risks to the outlook are posed by shocks to import prices, particularly fuel prices. The authorities reiterated their commitment to the fiscal responsibility law and to concluding the debt restructuring as soon as possible.

Table A2.1. Grenada: Public Sector Debt Sustainability Framework, Baseline Scenario, 2014 – 2037

(In percent of GDP, unless otherwise indicated)

	Actual					Estimate	Projections								
	2014	2015	2016	Average 5/	Standard Deviation 5/	2017	2018	2019	2020	2021	2022	2017-22 Average	2027	2037	2023-37 Average
Public sector debt 1/	101.8	91.7	83.4			71.8	65.8	60.4	54.9	49.8	46.3		46.3	44.2	
of which: foreign-currency denominated	67.7	62.6	57.9			48.3	44.8	42.2	38.9	34.8	32.6		30.6	26.8	
Change in public sector debt	-6.3	-10.0	-8.3			-11.6	-6.0	-5.4	-5.6	-5.1	-3.5		0.0	-2.4	
Identified debt-creating flows	-3.5	-12.1	-8.7			-11.4	-5.9	-5.3	-5.7	-5.0	-3.4		-0.1	0.8	
Primary deficit	1.1	-2.2	-5.3	0.9	3.1	-4.4	-4.3	-4.3	-4.4	-3.9	-2.4	-4.0	1.0	2.0	1.1
Revenue and grants	24.5	24.8	26.8			26.5	26.1	25.9	25.7	25.3	25.0		24.9	23.0	
of which: grants	4.1	3.3	3.6			4.2	3.8	3.5	3.3	2.9	2.5		2.5	1.5	
Primary (noninterest) expenditure	25.6	22.6	21.5			22.0	21.8	21.6	21.2	21.4	22.6		26.0	25.0	
Automatic debt dynamics	-4.6	-4.1	-1.8			-1.7	-1.1	-1.0	-1.2	-1.2	-1.0		-1.1	-1.2	
Contribution from interest rate/growth differential	-4.6	-4.1	-1.8			-2.0	-1.1	-1.0	-1.3	-1.2	-1.0		-1.0	-1.1	
of which: contribution from average real interest rate	2.8	1.9	1.6			0.0	0.5	0.4	0.2	0.2	0.3		0.3	0.1	
of which: contribution from real GDP growth	-7.4	-6.0	-3.5			-2.1	-1.6	-1.4	-1.5	-1.5	-1.3		-1.2	-1.2	
Contribution from real exchange rate depreciation	0.0	0.0	0.0			0.3	0.1	0.0	0.1	0.1	0.1		...	...	
Other identified debt-creating flows	0.0	-5.8	-1.6			-5.3	-0.5	0.0	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	-5.8	-1.0			-5.3	-0.5	0.0	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	-2.8	2.0	0.4			-0.2	-0.1	-0.1	0.1	-0.1	-0.1		0.1	-3.1	
Other Sustainability Indicators															
PV of public sector debt	...	...	69.8			61.8	56.4	51.3	46.3	42.1	38.8		37.7	37.7	
of which: foreign-currency denominated	...	...	44.2			38.3	35.4	33.0	30.4	27.1	25.2		22.0	20.3	
of which: external	...	...	44.2			38.3	35.4	33.0	30.4	27.1	25.2		22.0	20.3	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	22.3	17.3	15.8			13.7	11.7	11.2	10.2	10.0	10.9		11.7	9.0	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	260.2			233.7	215.7	198.1	180.5	166.4	155.5		151.2	163.6	
PV of public sector debt-to-revenue ratio (in percent)	...	...	300.2			277.6	251.9	229.1	206.7	187.7	173.2		167.9	175.4	
of which: external 3/	...	...	190.3			172.0	158.0	147.4	135.4	121.0	112.2		98.1	94.4	
Debt service-to-revenue and grants ratio (in percent) 4/	86.6	78.5	78.7			68.6	61.3	59.6	57.0	54.9	53.1		42.7	30.5	
Debt service-to-revenue ratio (in percent) 4/	103.9	90.5	90.7			81.4	71.5	68.9	65.2	62.0	59.1		47.4	32.7	
Primary deficit that stabilizes the debt-to-GDP ratio	7.4	7.9	3.0			7.2	1.7	1.1	1.2	1.2	1.1		1.0	4.3	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	7.3	6.2	3.9	2.7	3.3	2.5	2.3	2.2	2.5	2.7	2.7	2.5	2.7	2.7	2.7
Average nominal interest rate on forex debt (in percent)	3.0	3.7	3.6	2.7	0.7	3.2	2.9	2.7	2.2	2.5	2.7	2.7	2.1	1.9	2.0
Average real interest rate on domestic debt (in percent)	3.9	1.8	1.4	2.5	1.2	0.1	1.0	1.0	1.1	1.0	1.0	0.9	1.1	0.5	1.1
Real exchange rate depreciation (in percent, + indicates depreciation)	0.0	0.0	0.0	0.0	0.0	0.6	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	0.8	1.6	1.5	1.6	1.4	2.6	2.2	2.2	2.1	2.1	2.1	2.2	2.1	2.1	2.1
Growth of real primary spending (deflated by GDP deflator, in percent)	10.8	-6.2	-1.1	0.5	5.1	4.9	1.2	1.4	0.6	3.7	8.3	3.4	2.5	2.0	3.5
Grant element of new external borrowing (in percent)	...	...	...	...	...	39.1	33.3	32.7	33.1	29.7	29.7	32.9	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 A2.2. Grenada: External Debt Sustainability Framework, Baseline Scenario, 2014 – 2037[1]

(In percent of GDP, unless otherwise indicated)

	Actual											Historical 6/	Standard 6/	Projections									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Average	Deviation	2017	2018	2019	2020	2021	2022	2017-2022 Average	2027	2037	2023-2037 Average
External debt (nominal) 1/	...	...	...	113.5	123.4	136.3	141.0	144.7	144.8	137.1	130.2			118.9	114.6	111.2	107.1	102.0	98.8		92.1	79.7	
of which: public and publicly guaranteed (PPG)	...	...	...	63.9	68.9	69.0	67.6	70.8	67.7	62.6	57.9			48.3	44.8	42.2	38.9	34.8	32.6		30.6	26.8	
Change in external debt	...	...	...	...	9.9	12.9	4.6	3.7	0.1	-7.7	-6.9			-11.3	-4.3	-3.3	-4.1	-5.1	-3.2		-1.3	-2.2	
Identified net debt-creating flows	...	...	...	...	15.9	16.9	13.5	2.6	2.5	-3.1	-0.9			3.7	3.7	3.4	2.6	2.4	3.1		3.3	2.6	
Non-interest current account deficit	...	...	...	22.6	22.2	22.0	19.0	21.3	15.4	15.0	12.3	18.7	4.0	13.5	13.5	13.6	13.4	13.3	13.8		14.1	12.9	13.9
Deficit in balance of goods and services	...	...	...	21.3	22.7	22.6	20.6	21.9	16.3	15.2	12.4			14.3	14.1	14.1	13.7	13.8	14.4		14.1	12.3	
Exports	...	...	...	25.5	26.6	28.2	28.9	28.5	27.9	27.2	29.0			28.2	28.4	28.7	29.0	29.1	29.3		29.9	30.0	
Imports	...	...	...	46.8	49.2	50.8	49.5	50.4	44.2	42.4	41.4			42.5	42.5	42.8	42.7	42.9	43.7		44.1	42.3	
Net current transfers (negative = inflow)	...	...	...	-5.1	-4.1	-3.1	-3.8	-2.2	-2.4	-1.8	-2.6	-3.1	1.1	-2.4	-2.2	-2.1	-2.1	-2.2	-2.2	-2.2	-1.9	-1.4	-1.8
of which: official	...	...	...	-3.0	-1.9	-0.9	-1.4	-0.2	-0.7	-0.2	-1.1			-1.0	-0.8	-0.6	-0.6	-0.6	-0.5		-0.4	-0.2	
Other current account flows (negative = net inflow)	...	...	...	6.4	3.6	2.5	2.2	1.7	1.5	1.5	2.5			1.6	1.6	1.6	1.8	1.7	1.6		1.9	2.0	
Net FDI (negative = inflow)	...	...	...	-13.3	-7.8	-5.5	-3.9	-13.4	-4.1	-9.9	-8.3	-8.3	3.7	-8.6	-8.7	-9.2	-9.2	-9.2	-9.2	-9.0	-9.2	-8.7	-9.1
Endogenous debt dynamics 2/	...	...	...	...	1.6	0.4	-1.5	-5.3	-8.8	-8.2	-4.8			-1.2	-1.1	-1.1	-1.6	-1.7	-1.6		-1.7	-1.6	
Contribution from nominal interest rate	...	...	...	...	1.5	1.6	2.1	1.9	2.1	2.5	2.3			1.9	1.5	1.3	1.1	1.1	1.1		0.8	0.5	
Contribution from real GDP growth	...	...	...	...	0.6	-0.9	1.5	-3.1	-9.8	-8.4	-5.1			-3.2	-2.6	-2.4	-2.7	-2.8	-2.7		-2.4	-2.1	
Contribution from price and exchange rate changes	...	...	...	...	-0.5	-0.3	-5.2	-4.0	-1.1	-2.3	-2.0			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	...	...	...	...	-6.0	-3.9	-8.9	1.1	-2.4	-4.6	-6.0			-15.0	-8.0	-6.7	-6.8	-7.5	-6.2		-4.6	-4.8	
of which: exceptional financing	...	...	...	...	0.0	0.0	-0.2	-0.7	-3.4	-3.1	-1.5			-1.2	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
debt restructuring									0.0	-5.8	-4.7			-0.6	-4.3	0.0	0.0	0.0	0.0				
capital transfers														-12.0	-3.7	-7.9	-7.7	-7.3	-7.0		-6.8	0.0	
PV of external debt 4/	...	...	...	...	...	...	...	...	...	...	116.6			108.9	105.2	102.1	98.6	94.4	91.4		83.6	73.2	
In percent of exports	...	...	...	...	...	...	...	...	...	...	402.1			386.8	369.7	355.2	340.4	324.4	312.2		279.3	244.1	
PV of PPG external debt	...	...	...	...	...	...	...	...	...	...	44.2			38.3	35.4	33.0	30.4	27.1	25.2		22.0	20.3	
In percent of exports	...	...	...	...	...	...	...	...	...	...	152.6			136.1	124.3	114.9	104.8	93.3	86.0		73.7	67.6	
In percent of government revenues	...	...	...	...	...	...	...	...	...	...	190.3			172.0	158.0	147.4	135.4	121.0	112.2		98.1	94.4	
Debt service-to-exports ratio (in percent)	...	...	...	6.8	5.7	5.6	7.2	6.5	13.3	16.8	19.1			20.5	16.1	14.3	13.5	12.3	11.7		9.3	6.2	
PPG debt service-to-exports ratio (in percent)	...	...	...	4.9	4.3	4.4	6.4	5.9	12.6	16.1	18.5			19.8	15.4	13.7	12.9	11.7	11.1		8.9	6.2	
PPG debt service-to-revenue ratio (in percent)	...	...	...	6.4	5.6	6.1	9.4	8.6	17.2	20.3	23.0			25.0	19.6	17.5	16.6	15.1	14.5		11.8	8.7	
Total gross financing need (Millions of U.S. dollars)	...	...	...	...	122.4	140.8	137.0	82.4	136.7	94.9	98.4			116.6	107.3	102.5	101.4	100.8	110.9		134.9	170.8	
Non-interest current account deficit that stabilizes debt ratio	...	...	...	...	12.3	9.0	14.3	17.6	15.3	22.7	19.2			24.8	17.8	17.0	17.5	18.3	17.0		15.4	15.1	
Key macroeconomic assumptions																							
Real GDP growth (in percent)	...	...	...	...	-0.5	0.8	-1.2	2.4	7.3	6.2	3.9	2.7	3.3	2.5	2.3	2.2	2.5	2.7	2.7	2.5	2.7	2.7	2.7
GDP deflator in US dollar terms (change in percent)	...	...	...	...	0.5	0.2	3.9	2.9	0.8	1.6	1.5	1.6	1.4	2.6	2.2	2.2	2.1	2.1	2.1	2.2	2.1	2.1	2.1
Effective interest rate (percent) 5/	...	...	...	...	1.3	1.3	1.6	1.4	1.6	1.9	1.8	1.5	0.2	1.6	1.3	1.2	1.0	1.1	1.1	1.2	0.9	0.6	0.8
Growth of exports of G&S (US dollar terms, in percent)	...	...	...	...	3.9	7.3	5.2	3.8	6.1	5.1	12.4	6.3	3.0	2.2	5.6	5.5	5.4	5.4	5.6	5.0	5.3	0.0	5.1
Growth of imports of G&S (US dollar terms, in percent)	...	...	...	...	5.1	4.2	0.0	7.2	-5.0	3.5	2.9	2.6	4.0	8.0	4.6	5.2	4.2	5.4	6.8	5.7	5.1	-0.9	4.7
Grant element of new public sector borrowing (in percent)		...	...	...	...	...	...	...	...	...	...	...	...	39.1	33.3	32.7	33.1	29.7	29.7	32.9	29.7	29.7	29.7
Government revenues (excluding grants, in percent of GDP)	...	...	...	19.5	20.6	20.3	19.7	19.5	20.4	21.5	23.2			22.3	22.4	22.4	22.4	22.4	22.4	22.4	22.5	21.5	22.4
Aid flows (in Millions of US dollars) 7/	...	...	...	25.3	31.1	26.1	8.8	11.6	37.2	32.3	37.0			65.5	50.6	49.6	48.4	37.7	35.0		43.1	43.4	
of which: Grants	...	...	...	25.3	31.1	26.1	8.8	11.6	37.2	32.3	37.0			45.6	42.8	41.7	40.6	37.7	35.0		43.1	43.4	
of which: Concessional loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			19.8	7.8	7.8	7.8	0.0	0.0		0.0	0.0	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...	...	...	...	...	...	...	...	...			5.9	4.6	4.2	3.7	2.9	3.1	4.1	3.4	1.9	2.8
Grant-equivalent financing (in percent of external financing) 8/	...	...	...	...	...	...	...	...	...	...	...			68.7	73.0	75.0	79.8	95.0	71.2		60.9	67.5	60.3
Memorandum items:																							
Nominal GDP (Millions of US dollars)	...	...	...	771.3	771.0	778.7	799.9	842.6	911.6	984.1	1037.9			1091.9	1141.5	1192.2	1247.6	1308.6	1372.5		1740.3	2803.7	
Nominal dollar GDP growth	...	...	...	...	0.0	1.0	2.7	5.3	8.2	8.0	5.5			5.2	4.5	4.4	4.6	4.9	4.9	4.8	4.9	4.9	4.9
PV of PPG external debt (in Millions of US dollars)											459.2			418.4	403.7	393.7	378.7	355.2	345.5		383.7	568.4	
(PVt-PVt-1)/GDPt-1 (in percent)														-3.9	-1.3	-0.9	-1.3	-1.9	-0.7	-1.7	0.6	0.1	0.7
Gross workers' remittances (Millions of US dollars)	...	...	...	27.5	28.3	29.0	29.7	30.5	31.1	31.7	32.6			33.9	35.4	39.8	44.3	49.0	53.9		65.5	93.2	
PV of PPG external debt (in percent of GDP + remittances)									...	...	42.9			37.2	34.3	32.0	29.3	26.2	24.2		21.2	19.6	
PV of PPG external debt (in percent of exports + remittances)									...	...	137.7			122.6	112.1	102.9	93.4	82.6	75.8		65.5	60.9	
Debt service of PPG external debt (in percent of exports + remittances)									...	...	16.7			17.8	13.9	12.2	11.4	10.3	9.8		7.9	5.6	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = 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 rate changes.

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 A2.3. Grenada: Sensitivity Analysis for Key Indicators of Public Debt 2017 – 2037

	Projections							
	2017	2018	2019	2020	2021	2022	2027	2037
PV of Debt-to-GDP Ratio								
Baseline	62	56	51	46	42	39	38	38
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	62	60	59	57	57	55	53	48
A2. Primary balance is unchanged from 2017	62	56	51	46	41	37	16	-19
A3. Permanently lower GDP growth 1/	62	57	52	48	45	42	47	67
A4. Alternative Scenario: Natural Disaster	62	61	56	51	48	45	47	52
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	62	59	56	51	48	45	48	56
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	62	63	64	58	54	50	49	46
B3. Combination of B1-B2 using one half standard deviation shocks	62	63	63	58	54	50	51	52
B4. One-time 30 percent real depreciation in 2018	62	73	67	62	57	53	49	47
B5. 10 percent of GDP increase in other debt-creating flows in 2018	62	64	59	53	49	46	44	43
PV of Debt-to-Revenue Ratio 2/								
Baseline	234	216	198	180	166	155	151	164
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	234	231	227	224	224	222	212	209
A2. Primary balance is unchanged from 2017	234	215	197	180	164	147	65	-82
A3. Permanently lower GDP growth 1/	234	218	202	187	175	168	187	290
A4. Alternative Scenario: Natural Disaster	234	248	229	213	199	188	202	231
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	234	223	214	199	188	180	193	242
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	234	241	247	227	212	201	195	200
B3. Combination of B1-B2 using one half standard deviation shocks	234	239	243	224	211	201	203	224
B4. One-time 30 percent real depreciation in 2018	234	279	259	240	225	213	195	203
B5. 10 percent of GDP increase in other debt-creating flows in 2018	234	246	226	208	194	183	178	185
Debt Service-to-Revenue Ratio 2/								
Baseline	69	61	60	57	55	53	43	30
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	69	61	60	57	56	54	45	36
A2. Primary balance is unchanged from 2017	69	61	60	57	55	53	41	18
A3. Permanently lower GDP growth 1/	69	62	60	58	56	55	46	39
A4. Alternative Scenario: Natural Disaster	69	66	64	61	59	56	47	34
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	69	63	63	60	58	56	46	36
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	69	61	61	59	56	54	45	34
B3. Combination of B1-B2 using one half standard deviation shocks	69	62	62	60	57	55	46	36
B4. One-time 30 percent real depreciation in 2018	69	65	66	63	61	59	48	38
B5. 10 percent of GDP increase in other debt-creating flows in 2018	69	61	61	58	56	54	45	33

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 A2.4. Grenada: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt 2017 – 2037

(In percent)

	Projections							
	2017	2018	2019	2020	2021	2022	**2027**	2037
PV of debt-to GDP ratio								
Baseline	38	35	33	30	27	25	**22**	20
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	38	39	41	43	44	47	**63**	78
A2. New public sector loans on less favorable terms in 2017-2037 2	38	36	34	32	29	27	**28**	30
A3. Alternative Scenario: Natural Disaster	38	39	37	34	31	29	**25**	21
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	38	36	35	32	29	27	**23**	21
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	38	36	34	32	28	26	**23**	21
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	38	36	34	32	28	26	**23**	21
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	38	38	39	37	33	31	**27**	21
B5. Combination of B1-B4 using one-half standard deviation shocks	38	38	39	36	32	30	**27**	22
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	38	50	47	43	38	36	**31**	29
PV of debt-to-exports ratio								
Baseline	136	124	115	105	93	86	**74**	68
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	136	139	144	149	153	159	**209**	260
A2. New public sector loans on less favorable terms in 2017-2037 2	136	127	119	110	99	92	**92**	100
A3. Alternative Scenario: Natural Disaster	136	138	128	117	106	98	**83**	69
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	136	124	115	105	93	86	**74**	68
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	136	129	125	114	102	94	**81**	72
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	136	124	115	105	93	86	**74**	68
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	136	135	137	127	115	107	**92**	72
B5. Combination of B1-B4 using one-half standard deviation shocks	136	131	130	120	108	100	**86**	71
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	136	124	115	105	93	86	**74**	68
PV of debt-to-revenue ratio								
Baseline	172	158	147	135	121	112	**98**	94
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	172	176	184	192	198	208	**278**	363
A2. New public sector loans on less favorable terms in 2017-2037 2	172	161	153	142	128	121	**123**	139
A3. Alternative Scenario: Natural Disaster	172	175	164	151	137	128	**111**	97
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	172	163	156	143	128	119	**104**	100
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	172	160	153	141	127	118	**103**	96
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	172	161	153	141	126	116	**102**	98
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	172	172	176	164	149	140	**122**	100
B5. Combination of B1-B4 using one-half standard deviation shocks	172	169	173	160	145	135	**118**	103
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	172	224	209	192	171	159	**139**	134

Table A2.4. Grenada: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2017 – 2037 (concluded)

(In percent)

	Projections							
	2017	2018	2019	2020	2021	2022	**2027**	2037
Debt service-to-exports ratio								
Baseline	20	15	14	13	12	11	**9**	6
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	20	15	14	14	13	13	**14**	22
A2. New public sector loans on less favorable terms in 2017-2037 2	20	15	14	13	12	11	**9**	9
A3. Alternative Scenario: Natural Disaster	20	16	14	13	12	11	**10**	7
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	20	15	14	13	12	11	**9**	6
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	20	16	14	14	12	12	**10**	7
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	20	15	14	13	12	11	**9**	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	20	15	14	13	12	12	**11**	8
B5. Combination of B1-B4 using one-half standard deviation shocks	20	16	14	13	12	12	**10**	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	20	15	14	13	12	11	**9**	6
Debt service-to-revenue ratio								
Baseline	25	20	18	17	15	14	**12**	9
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	25	20	18	18	17	17	**19**	31
A2. New public sector loans on less favorable terms in 2017-2037 2	25	20	17	17	15	15	**12**	12
A3. Alternative Scenario: Natural Disaster	25	20	18	17	16	15	**13**	10
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	25	20	19	18	16	15	**12**	9
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	25	20	18	17	15	15	**12**	9
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	25	20	18	17	16	15	**12**	9
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	25	20	18	17	16	15	**14**	10
B5. Combination of B1-B4 using one-half standard deviation shocks	25	20	19	18	16	16	**14**	10
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	25	28	25	23	21	21	**17**	12
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	29	29	29	29	29	29	**29**	29

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.

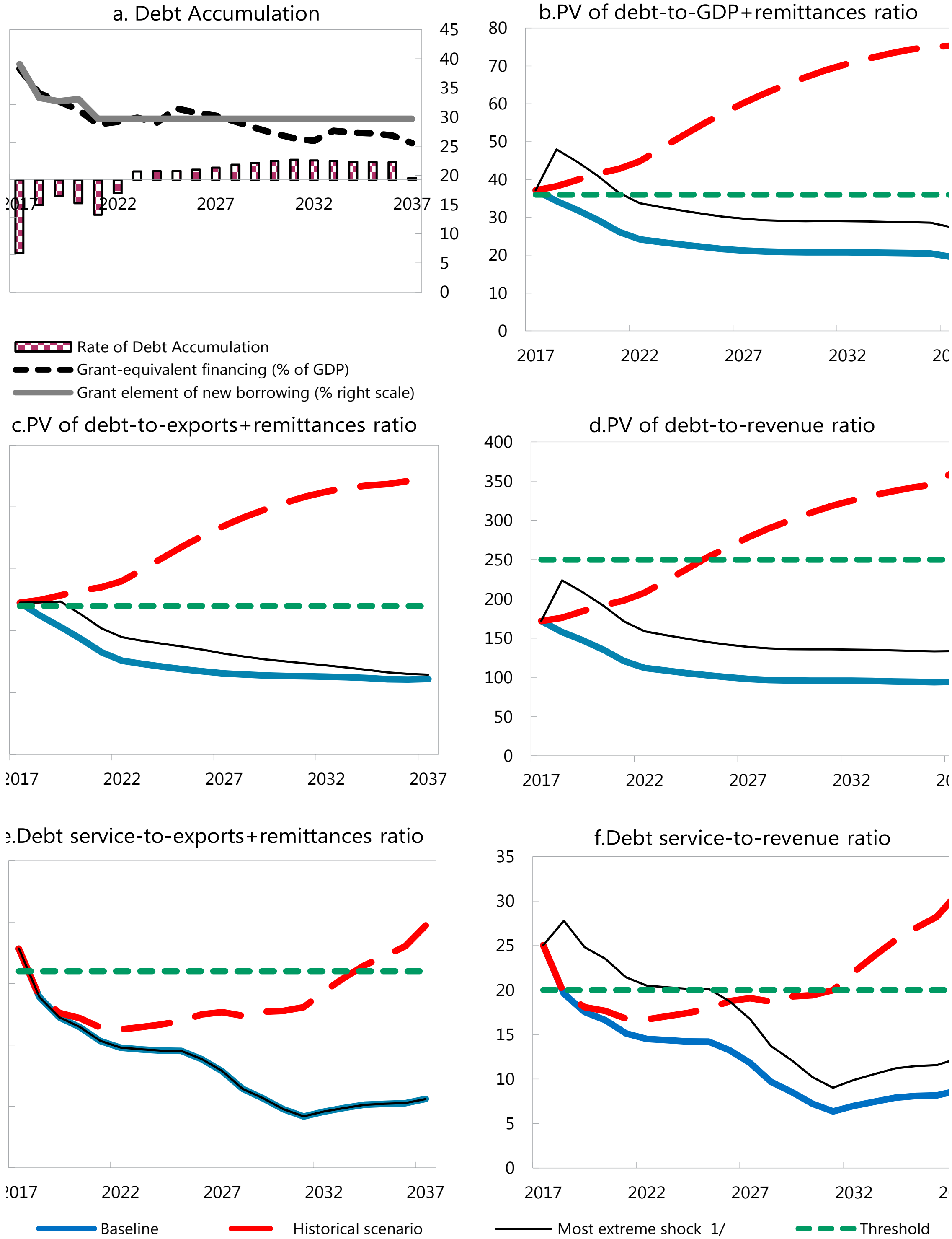
Figure A2.1. Grenada: Indicators of Public Debt Under Alternative Scenarios, 2017 – 2037[1]

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 2027.

2/ Revenues are defined inclusive of grants.

Figure A2.2. Grenada: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2017 – 2037[1]



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 2027. In figure b. it corresponds to a One-time depreciation shock; in c. to a Non-debt flows shock; in d. to a One-time depreciation shock; in e. to a Growth shock and in figure f. to a One-time depreciation shock

Annex III. The 2014-17 ECF-Supported Program—A Retrospective

A. Background

1. **Two earlier Fund-supported programs had been unsuccessful at restoring fiscal sustainability**. The 2006-10 Extended Credit Facility (ECF)-supported program was completed, but hurricanes, commodity price increases, and the global crisis led to sharp deterioration in fiscal balances and debt was not reduced. The second ECF arrangement went off-track soon after its first review in November 2010, when approaching elections and a faltering economy led to notable policy loosening (IMF 2014a). This poor performance was ascribed (IMF 2014b) to: (i) difficulties in forecasting the frequency and impact of major natural and economic shocks; (ii) overoptimistic growth projections; (iii) an excessive number of structural reforms that exceeded Grenada's implementation capacity; and (iv) weak program ownership.

B. The Macro Situation up to 2013

2. **By 2013, the country was in both internal and external disequilibrium, amplified by a deterioration in banks' net worth and financing constraints that forced the government to default on its debt, for the second time in 10 years**.

- **Internal disequilibrium**. In the period 2008-13, both stock and flow variables were rapidly deteriorating. Annual real GDP contracted on average by 0.7 percent, opening a negative output gap of about 3 percent of GDP, and unemployment had reached 33.5 percent (55 percent for youth). In an attempt to stimulate the economy, tax breaks in manufacturing and temporary employment schemes were introduced, but together with weak domestic demand, contributed to overall decline in tax revenues. The central government primary and overall deficits increased to 3.7 and 7.1 percent of GDP, respectively. Public debt increased from 84 to 108 percent of GDP due to low growth, decreasing grants and, with an interest rate – growth differential of 300-400p.p., adverse automatic debt dynamics.

- **The financial accelerator**. Many years of weak or negative growth amounted to a negative net worth shock for the private sector and reduced the market value of assets that could be used as collateral to obtain bank financing. This consequent decline in access to credit further constrained consumption and investment. This led to a negative feedback loop of falling asset prices, deteriorating balance sheets, tightening financing conditions, and declining economic activity. In the period 2008-13, bank credit growth all but ceased, amplifying the impact of decreasing demand on output.

- **External disequilibrium**. Large external current account deficits in Grenada prior to 2013 had been increasingly financed by debt inflows. Banks had been accumulating foreign liabilities through inflows of nonresident deposits and while foreign banks were borrowing from their headquarters. This increased Grenada's external debt from 104 to about 151 percent of GDP in 2013, and lowered net foreign assets from negative 200 to about 300 percent of GDP.

- **Financing constraints and restructuring**. The authorities attempted to address mounting domestic imbalances by cutting capital expenditure, through one offs such as privatization, and

by accumulating domestic arrears, which amounted to 10.7 percent of GDP in 2013. External financing constraints were also mounting as the current account deficit could only be financed by reserves drawdown and accumulation of external arrears, which rose to 15.3 percent of GDP in 2013. Unable to secure financing, the authorities defaulted on their external debt obligations and announced a comprehensive debt restructuring plan.

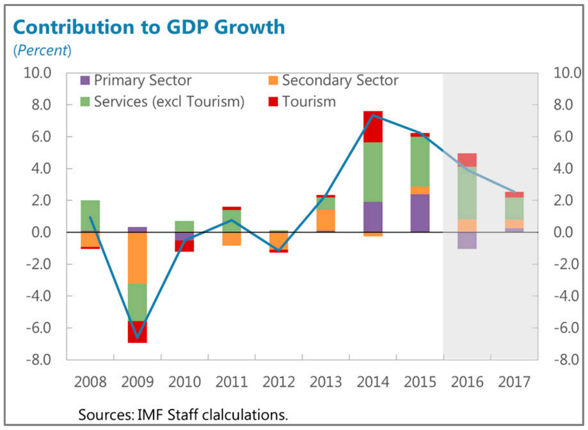
C. The 2014-17 Extended Credit Facility Arrangement

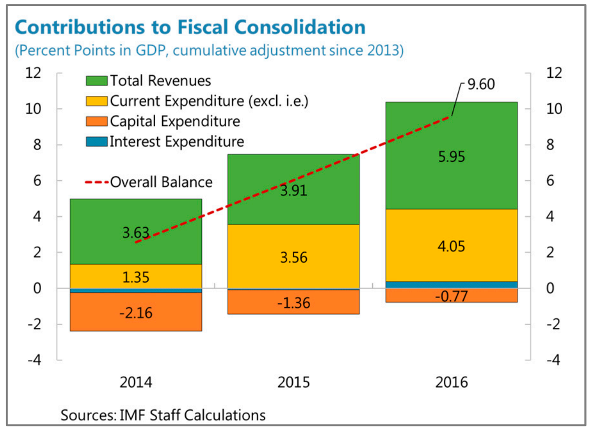
3. In 2014, the authorities requested another three-year ECF arrangement in an amount equivalent to SDR14.04 million (120 percent of quota, about US$21.9 million). This was approved by the IMF Executive Board on June 26, 2014. The equivalent of SDR 2.04 million was made available upon Board approval of the arrangement and the remainder was made available in six subsequent installments of the equivalent of SDR 2 million upon successful completion of semi-annual reviews.

4. The key objective of the 2014-17 ECF arrangement was to restore debt sustainability through a significant fiscal adjustment to address flow imbalances and a comprehensive debt restructuring to address stock imbalances. Other objectives included strengthening the financial sector and embarking on an ambitious structural reform program to ensure fiscal discipline, regain a medium term fiscal anchor, and sustain growth in the medium term.

5. Economic growth played an important role in improving debt dynamics. Growth under the program averaged about 5 percent, higher than anticipated due to strong external demand for tourism and in the first two years, and by exceptionally strong agriculture production.

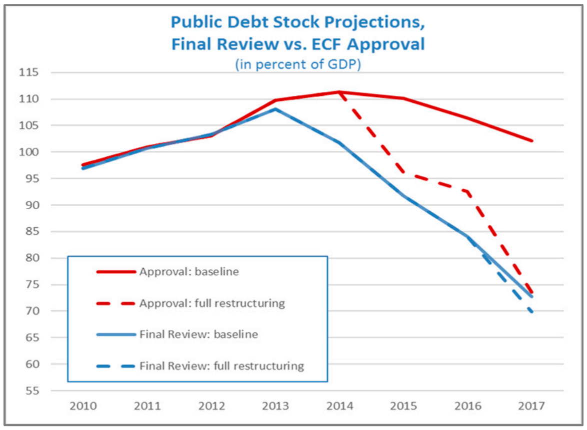
6. Fiscal adjustment was sizeable. In the period 2013-16, the central government primary balance improved by 9.6 percentage points of GDP. Two thirds of the adjustment were revenue driven, in turn aided by higher GDP growth and by several tax measures adopted at the outset of the program. Revenue measures included boosting the revenue base by reducing the personal income tax threshold (one of the highest in the region), increase in petrol tax rates, increasing property tax rates, increasing custom service charges, broadening the VAT base by eliminating exemptions, and improving tax administration and enforcement. Expenditure measures included a freeze of the nominal wage bill and a further reduction of personnel to historical trends via a strict attrition policy, reduction in spending on goods and services though savings on utility bills, and a freeze in other current spending. Lower interest expenditure also contributed to the adjustment, in turn explained by progress on debt restructuring and access to cheaper financing. Finally, capital expenditure did not contribute to fiscal adjustment. However, it should be noted that the 80 basis point cumulative increase reported in the text figure relates to an increase in social expenditure that was classified as capital expenditure under the old chart of accounts and that the program aimed at protecting.

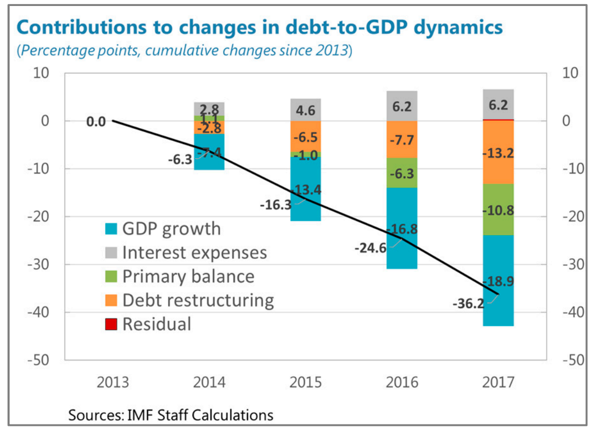




7. Debt restructuring is almost complete. By end 2014, domestic suppliers' arrears stood at 2.75 percent of GDP, below the program ceiling and no new external arrears had been accumulated on the portion of the debt not under restructuring negotiations. All budget expenditure arrears and supplier arrears were cleared by end-2015, including additional arrears to the NIS amounting to 0.4 percent of GDP that were previously unrecorded. By late 2015, Grenada had managed to reduce the net present value of its debt obligations by about 16 p.p. of GDP. The Export-Import Bank of Taiwan Province of China agreed to a 50 percent haircut on the principal outstanding on its loan which amounted to 1.0 percent of 2014 GDP. Private creditors agreed to a 50 percent haircut on their bond holding equivalent to 14 percent of 2014 GDP (to be applied in two steps of 25 percent each: upfront and in November 2017, after successful completion of the ECF-supported program). A restructuring with the Paris Club was agreed in late 2015 and arrears to Paris Club creditors were almost fully resolved in 2016. As Grenada had still not regularized arrears Trinidad & Tobago, Algeria, and Libya, its public debt in April 2017 was still categorized under the IMF-World Bank debt sustainability assessment as "in distress". Finally, Grenada paid some overdue obligations to regional and international organizations during the program and developed a full payment plan by the Sixth Review.

8. By 2017, public debt as a percentage of GDP will have fallen by 36 percentage points, close to what was originally expected. In June 2014, the public debt-to-GDP ratio was forecast to decrease by about 35 percentage points by 2017 (dotted red line in text chart). This target was reached thanks in part to robust GDP growth (solid blue line). Nominal debt targets were different than projected and some arrears remained unresolved. If remaining arrears to official bilateral creditors are also restructured on comparable terms, Grenada's debt ratio would further improve (dotted blue line in text chart). Of the 36-percentage point drop in public debt as a share of GDP, nominal GDP growth explains about 19 percentage points, fiscal adjustment explains about 11 percentage points, and debt restructuring another 13 percentage points, while interest expenditure added some 6 percentage points.





9. The country also implemented a vast number of structural reforms aimed at strengthening the fiscal framework to enshrine fiscal prudence and avoid the boom and busts of the past. Key fiscal reforms included: (i) new PFM and Public procurement legislation to strengthen budgetary discipline; (ii) a new Fiscal Responsibility Act (FRA) with a fiscal rule that provides operational guidance in budget formulation and a medium term debt anchor to guide fiscal policy; (iii) reform to deliver sustainable management of the public wage bill; (iv) reform of the tax incentive regime to level the playing field and remove discretion from elected officials; (v) stricter oversight of the operations of statutory bodies and SOEs, as well as reforms aimed at strengthening their financial position; and (viii) initial steps to undertake pension reform aimed at consolidating the public and private sector regimes and strengthening the financial viability of the NIS. Other structural reforms included a new Investment Law to streamline and simplify the investment regime and reforms to the energy sector to lower energy costs.

10. The balance sheet of the banking system has been largely repaired, but credit growth remains weak. Banks' NPLs have decreased to average 7 percent and the sector has returned to profitability after several years of losses. This allowed for provisions for remaining impaired assets to be increased to an average of 54 percent. However, bank credit contracted during the program and remains weak. Credit unions have moved to fill the gap and have captured an increasing market share from banks, pushing overall credit growth into line with present real GDP growth. Strengthening the regulatory framework of credit unions by passing the cooperative societies act, developing relevant secondary regulation, and strengthening non-bank supervision is paramount to monitor underwriting standards at the margin and reduce the probability of increased impaired assets going forward.

11. Program ownership and collaboration with domestic stakeholders were instrumental to program outcomes. Social partners were heavily involved in monitoring program performance, particularly the Committee of Social Partners and the Home Grown Monitoring Committee (HGMC). Among other things, their role contributed to garnering public support for reforms and ensuring that social spending to protect vulnerable groups was maintained. It is expected that the practice of consultation and collaboration will continue and the authorities are seeking examples of international best practice to take this forward post-program.

12. Technical assistance (TA) and support from Grenada's development partners were also essential components of program achievements. The IMF, CARTAC, the Caribbean Development

Bank, the World Bank, and others (like the Commonwealth Secretariat, bilateral donors) provided key technical assistance for capacity and institution building. TA focused on all key areas, including tax reform, tax administration, legal drafting of fiscal legislation, public finance management, the CBI and NTF Act, debt management, and financial sector reform, among others. With close collaboration with Fund staff and partners, the TA provided was effectively used by the authorities.

13. Given its micro-state size, capacity constraints in Grenada limited the pace of implementation of structural reforms. Capacity constraints were one of biggest obstacles to the pace of reform and caused delays implementing structural benchmarks and with debt restructuring during the program. Still, an impressive number of reforms were implemented (Table 11) despite this bottleneck. Now the authorities must focus on implementation of new laws and on structural reforms to raise potential output and improve private sector productivity.

14. Key takeaways from the Grenada program:

- Growth was an important factor for debt sustainability but fiscal consolidation and debt restructuring also played important roles.
- The new fiscal framework, if adhered to, should ensure fiscal discipline and anchor medium fiscal policy to reduce the probability of fiscal and balance of payments crises going forward.
- Collaboration with social partners encouraged public support for the program and safeguarded social spending.
- Coordination with donors and other partners provided needed capacity and institution building.
- Capacity constraints caused delays, especially in debt restructuring and structural reforms aimed at increasing potential output in the medium term.

References

IMF (2014a) "Staff report for the 2014 Article IV Consultation and Request for an Extended Credit Facility Arrangement" IMF Country Report 14/196.
https://www.imf.org/external/pubs/ft/scr/2014/cr14196.pdf

IMF (2014b) "Ex Post Assessment of Longer-Term Program Engagement". IMF Country Report No 14/19. https://www.imf.org/external/pubs/ft/scr/2014/cr1419.pdf

Appendix I. Letter of Intent

May 2, 2017

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

Dear Madame Lagarde,

We have completed the first three-year phase of our Homegrown Programme, supported by our regional and international partners, and have made significant progress boosting economic growth, restoring fiscal and debt sustainability and strengthening the financial sector. In so doing, we have achieved the core objectives of the ECF-supported programme, met all continuous and end-December 2016 quantitative performance criteria, and completed the structural reform agenda through end-March 2017. I would like to note at this juncture the critical role played by our social partners in Grenada in engaging with the government and supporting the extended reform effort, and to recognize the shared sacrifice of all Grenadians in the pursuit of a better future.

The primary surplus at end-December 2016 outperformed the programme target by a wide margin and is a significant achievement that demonstrated our commitment and discipline. 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.

The attached Memoranda of Economic and Financial Policies (Attachment I), together with the Technical Memorandum of Understanding (Attachment II) present performance under the programme thus far and update the specific policies aimed at fulfilling the medium-term objectives of the home-grown programme. Our key focus going forward will be to safeguard the progress thus far advance reforms to ensure a sustainable public sector wage bill and effective civil service, and implement policies to improve the economy's supply response, boost productivity and employment, and broaden the base of growth.

In view of this performance under the ECF-supported programme, our Government requests that the Executive Board of the IMF complete the sixth review under the ECF arrangement and the financing assurances review and approve the final disbursement under the arrangement of the equivalent of SDR 2 million. We consent to the publication of this letter, and its attachments as well as the related staff report.

In closing, we are grateful for the cooperation and assistance of IMF staff during the ECF-supported programme. We intend to continue our close consultation and policy dialogue with the IMF and look forward to continuing this very constructive and fruitful engagement in the coming months and years.

Yours truly,

/s/

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

Attachment:

I. Final Memorandum of Economic and Financial Policies under the ECF- Supported Programme

Attachment I. Final Memorandum of Economic and Financial Policies Under the ECF-Supported Programme

1. **Grenada has made significant progress over the last three years in restoring fiscal and debt sustainability and raising growth.** On December 14th, 2016, the IMF's Executive Board completed the Fifth Review of the three-year arrangement under the Extended Credit Facility (ECF) in support of Grenada's home-grown economic reform programme. Since then, we have met and exceeded all the continuous and end-December 2016 performance criteria and implemented the structural benchmarks for the Sixth and final Review. The indicative target on social spending under the SEED programme was missed by a very small margin (¶6). The quantitative targets that served as performance criteria and indicative targets are presented in Table 1; structural conditions achieved are presented in Table 2.

2. **The Government remains committed to its reform agenda during the post program period, anchored by the Fiscal Responsibility Act (FRA) and medium term debt target.** The policies outlined in the June 2014 MEFP and the December 2014, June 2015, November 2015, May 2016 and December 2016 Supplements reflect the government's ongoing policy objectives. We will continue to work on structural reform initiatives to foster inclusive growth and lower unemployment.

Fiscal Policy in 2016 and the 2017 Budget

3. **The Government has further strengthened public finances.** With a primary surplus of 5.3 percent of GDP, we surpassed the December programme target by a wide margin. Over the last three years, we have achieved a significant turnaround in the fiscal position amounting to an adjustment of 9.6 percent of GDP, above the 7.8 fiscal consolidation targeted in our home-grown adjustment programme.

4. **Revenue performance in 2016 reflects continued strong economic growth and improvements in tax administration.** Stronger-than-expected economic growth and imports caused a boost in VAT and corporate tax revenues. Implementation of the Inland Revenue Department's (IRD) compliance strategy in 2016, including more audits, enforcement, and taxpayer services, has resulted in increased compliance and filing of taxpayer returns, particularly among professionals. The average compliance rate is now 61%. Additionally, the IRD established an installment payment plan with taxpayers that smoothed payments over the year and facilitated cash flow regularization for the government.

5. **Primary spending remained within the programmed limits due to improved budget controls.** Implementation of the attrition policy resulted in a decline in public sector employment to 6,758 at end-2016 from 7,000 a year earlier. We have prevented reductions in the teaching service below optimal levels by improving redeployment. Improved budget monitoring and controls allowed us to utilize some of the fiscal savings to pay outstanding wage increments for 2014 ($1.8 million) and to get current on increments due in 2016 ($2.3 million). Nonetheless, the wage bill remained below the programme's indicative target for 2016. The government's cash position improved

significantly in 2016, facilitating the elimination of overdraft financing from the banking system and the timely payment of invoices, thus avoiding the accumulation of budgetary arrears.

6. **Social spending under the program missed the December indicative target by a small** margin**.** Phasing-out of ineligible persons under the World Bank-supported SEED program exceeded the rate of inclusion of new applicants, so disbursements fell slightly short of the December indicative target by EC$0.4 million (US$150,000).

7. **Comparability of expenditure in 2016 with some of the monitoring targets** and with previous years is affected by reclassification of expenditures under the new Chart of Accounts (CoA) which occurred in January of 2016, as directed under the ECF-supported programme.[1] Consequently, spending equivalent to 3.5 percent of GDP was shifted from capital expenditure in the old CoA to non-interest current expenditure in the new CoA.

8. **The fiscal targets in the 2017 budget are in line with the FRA and with our commitment to fiscal sustainability.** In 2017, and until the debt-to-GDP ratio reaches 55 percent as laid out in the FRA, fiscal and budget policy will be guided by the key parameters of the fiscal rule **(December 2016 structural benchmark)**:

- A primary surplus of at least 3.5 percent of GDP, including through continued close monitoring and prudent execution of the capital budget.

- A public sector wage bill of 8.8 percent of GDP, as agreed during the Fifth Review, below the 9 percent ceiling mandated in the FRA. The wage bill in 2017 includes payments for outstanding increments accrued in 2015 as well as the 3 percent wage increase agreed with public service unions.

- Real primary expenditure growth (excluding grant-funded capital spending) under 2 percent.

- An allocation for a reserve equivalent to 2 percent of recurrent revenue for any contingency expenditure needs that may arise, consistent with the PFM Act and FRA.

- Realistic projections of capital grants from the National Transformation Fund (NTF), which for 2017 are projected at $32.4 million from Citizenship by Investment (CBI) programme-related revenue, and consistent with our new PFM Act (**structural benchmark).** This approach helps to better manage CBI receipts by guarding against any potential shortfall in these grants that could undermine the implementation of the capital budget.

Debt Restructuring and Regularization of Arrears

9. **The government made significant progress during the first few months of 2017 to conclude the debt restructuring process and regularize remaining arrears.** Grenada's public debt

[1] The COA was revised from the methodology in the 1986 Government Finance Statistics Manual (GFSM) to that of GFSM 2001.

declined from 91.7 percent of GDP at end-2015 to 83.4 percent of GDP at end-2016. External debt arrears fell to 2.7 percent of GDP at end-April 2017 from a high of 10.3 percent of GDP in 2013. Arrears to domestic creditors were reduced to 1.6 percent of GDP by end-2016 and further to 0.5 percent of GDP by end-March 2017 from 5.5 percent of GDP at the start of the programme. To summarize, Grenada has restructured debts equivalent to 85 percent of the total that was considered restructurable at the start of the programme and intends to conclude negotiations with all creditors and regularize remaining arrears as soon as possible.

Debt Restructuring

10. External Debt

- **Private Creditors**. The servicing of the restructured 2025 bonds is current in accordance with the agreed terms. Claims presented by hold-out creditors are being restructured on similar terms as the 2025 bonds. We are committed to reaching an agreement with FICS and will continue to show good faith by making regular payments under both the court adjudicated amounts and a separate-payment stream while negotiations and court proceedings are ongoing.
- **Official Bilateral Creditors**. With the execution of a bilateral agreement with Russia in March 2017, the restructuring of all debt to Paris Club creditors is completed. We have also made progress in discussions with non-Paris Club bilateral creditors. In particular, we are in discussions with Algeria on a restructuring and principal reduction in the context of a bi-lateral co-operation agreement. While negotiations are ongoing, we are current on our obligations to Venezuela. The government is making concerted efforts to conclude restructuring of debts will all remaining bilateral creditors.

11. Domestic Debt. in early 2017 the debt exchange agreements with Petrocaribe Grenada and two domestic banks were signed and we cleared a debt owed to another bank. Restructuring negotiations with remaining domestic creditors are approaching conclusion. For the 2014/16 serial bonds, after restructuring the portions held by Petrocaribe, Guyana and Trinidad Mutual (GTM) Insurance and Grenada Development Bank (GDB), we are seeking to restructure the remaining holdings on similar terms. The restructuring agreement on government guaranteed debt owed by the Marketing and National Importing Board (MNIB) was signed in December 2016.

Regularization of Financial Arrangements with Regional and International Organizations

12. Unpaid membership contributions. Recognizing the many benefits that Grenada receives from international organizations, we are committed to meeting our obligations in that regard. As of April, the government has reached agreements with six organizations (representing 76 percent of total contributions outstanding at end-2016) on phased repayment terms to clear unpaid contributions. For unpaid contributions to the remaining organizations, we have developed a payment plan that ensures full payment by 2022 **(prior action).** We have begun to execute these payment plans this year by paying a total of EC$ 8.41 million so far, including to the seven organizations to which the largest amounts are due **(prior action).**

Fiscal Structural Reforms

13. We reaffirm our commitment to continue implementing our new fiscal policy framework. In that regard, we have:

a) **Strengthened debt management.** We have enhanced our capacity in the Debt Management Unit (DMU) with comprehensive training for newly recruited staff with assistance from the regional Debt Management Advisory Service (DMAS). The DMU has also upgraded its software to the latest version 1.3 of CS-DRMS with enhanced analytical and reporting capabilities. With further assistance from DMAS, the DMU has embarked on fully reconciling and updating its database to include coverage of all T-bills and has commenced data uploads for government-guaranteed debt and debt restructuring information into the Commonwealth Secretariat-Debt Recording Management System (CS_DRMS). In keeping with the Public Debt Management regulations and program commitment, we published the second quarterly public debt statistics bulletin with data up to December 2016 (recurring **structural benchmark.** The Public Debt Coordinating Committee (PDCC), chaired by the Permanent Secretary of the Ministry of Finance, has been meeting to monitor the DMU's work plan and operations.

b) **Strengthened tax administration.** With technical assistance from FAD's peripatetic advisor, we have made further improvements to achieving the modernization program across Revenue Administration with middle managers now more fully embracing the reform agenda. IRD has rolled out its Corporate Strategic Business Plan to staff and is progressing with its operational plans. In addition, IRD has commenced the implementation of the approved Taxpayer Compliance Strategy in tandem with the registration amnesty. This is to be followed by a filing amnesty for select tax types and a cleaning up of the taxpayer register. We have embarked on a taxpayer education drive to promote compliance, including the LMTU's large business engagement. In addition, the Tax Advisory Committee, which has been re-established by Cabinet to provide guidance/input and feedback on various tax administration and policy matters, is expected to convene soon.

c) **Improved Customs (CED) administration.** We have executed a contract with UNCTAD for the upgrade of the ASYCUDA system which will include: the expansion of the ASYCUDA World Licenses and Permits module to incorporate three additional trade-related governmental agencies into the automated electronic clearance processing of import and export consignments (Single Window system); and the implementation of an exemption module to assist in the processing of conditional duty relief, exemptions, concessions and waivers and Implementation of e-payment services with financial institutions. and modules for managing arrears and exemptions. Field work for the ASYCUDA upgrade began in April 2017. Risk management has improved in some areas such as revenue leakage at duty free shops/bonded warehouses. Discussions with the Attorney General's Chambers on the Customs regulations are ongoing. Inter-agency co-operation continued with commencement of meetings of the Joint Risk Management Committee. Customs has commenced industry stakeholder engagement at HQ level with brokers, warehouses and shipping agents and developed a compliance plan. We

remain committed to providing additional resources and filling key vacant posts at both IRD and Customs, to strengthen weak areas such as IRD's HQ reporting function.

d) CBI program. For transparency and in keeping with our programme commitments, we have continued to publish all CBI statistics on the Ministry of Finance's website on a quarterly basis (recurring **structural benchmark**).

e) Strengthened public finance management. The approved 2017 Budget was prepared in keeping with the requirements of the 2015 PFM Act, accompanied by a medium-term fiscal framework (2017-2019,) and which fully reflects the new Chart of Accounts (CoA). Efforts are ongoing to strengthen: (i) the Government's Public Sector Investment Programme (PSIP), particularly the IT infrastructure, and (ii) cash forecasting and commitment controls.

14. The government has approved a comprehensive reform strategy to strengthen the management of the public sector wage bill. The Public Service Management Reform strategy was finalized and approved by Cabinet in April (end-March **structural benchmark).** We believe this reform is critical for supporting fiscal sustainability going forward and ensure that the wage bill is managed in a fair, prudent and sustainable manner (¶11). The strategy, based on engagement with internal stake-holders and discussions with labor during recent wage negotiations, includes a clear time-table for the development of all aspects of the reform, including time for further consultations with labor and other social partners, as well as a schedule of implementation of all elements of the reform (¶11) over the period 2017-2019. In March, we completed and made functional the human resource registry (**structural benchmark**). We will be saving and archiving the registry at the end of each review period in order to ensure it is available for later reference and review. Also, in the coming six months we will work to fill any incomplete employee data fields and to align the registry with our payroll process.

15. The Strategy covers the key components needed to manage the public service. Led by the Department of Public Administration (DPA) with input from the Ministry of Finance and in consultation with stakeholders and labour, it is centered around four pillars: (i) strategic human resource management, (ii) re-engineering of the public service, (iii) strategic compensation management, and (iv) ICT development, with each outlining responsibilities, expected outcomes and outputs, as well as an accountability and governance framework. While some components of the Reform Strategy will be fully specified over the coming months after consultation with labour and data gathering and analysis, the Strategy commits to action plans in the following areas**:**

- A wage setting framework that includes a process that is forward-looking and data driven, based on parameters to be agreed with labour organizations (including inflation and cost of living adjustments, market comparators, and common macro assumptions), and developed over a time line consistent with the annual budget process.

- A functional review and job analysis to identify the appropriate size and balance of the public service in keeping with its defined businesses, as well as the determination of employee

engagement modalities inclusive of the modality of contracting. The job analysis will also align job descriptions with function and contribute to enhanced performance.

- Reform of the pay and grading system through a comprehensive job evaluation to ensure adequacy of pay relativities across grades and in comparison, with the private sector, and from this to establish a rational system of increments, possibly linked to performance.

- Reform and implementation/enforcement of the performance appraisal system.

- Review and improvement in IT to identify IT solutions to support business delivery and efficiency gains.

Structural Reforms to Support Competitiveness and Growth

16. Since our last review, we have made additional progress on our structural reform agenda in the following areas:

a. **Addressing weaknesses to improve our ranking in the World Bank Doing Business index.** To improve the accuracy of reporting, we have created awareness of already streamlined/simplified processes among the World Bank survey respondents. Similarly, we have embarked on public education to encourage the use of available online facilities.

b. **Investment.** The new tax incentives regime, GIDC's restructuring and its new Act has led to expedited processes for better investment facilitation, more proactive and strategic search for investors, including to suit our "blue" and "green" growth agendas with a focus of identified priority areas such as marinas/yachting - and promoting youth entrepreneurship.

17. Looking ahead in the near to medium-term, plans to further enhance our competitiveness, growth prospects and job creation as well as reduce macro-risks include:

a. **Advancing to the second phase of the approved SOE reform.** In the context of public private partnerships to improve financials and reduce fiscal risks, discussions with strategic partners for Grenada Postal Corporation and Grenada Concrete and Emulsion Production Corporation are ongoing. The Ministry of Finance has strengthened its monitoring operations with the revision of the quarterly reporting template to include more details on specific areas such as the composition of assets, expenditure and debt. During 2017 both NAWASA and the Grenada Solid Waste Management Authority will undertake reviews of their tariff structures in the context of the current and projected capital needs of both entities.

b. **Further improving the doing business environment.** We are working on completing the streamlining of processes for granting of construction permits, registering property and starting a business by digitizing databases/automating records and making fully functional online facilities with payment mechanisms. Implementation of the Single Window Module of the ASYCUDA World System is expected by mid-2017. Efforts to lower the cost of energy through exploring potential renewable energy sources—geothermal, wind and solar—are

ongoing**.** With respect to the tax incentives legislation, we will closely monitor the revenue impact of the recent Cabinet approved amendments including those related to the GIDC Act), using the Exemptions Module of the ASYCUDA World System to identify the qualifying list of exempted imports with a view to further review or implement any necessary compensatory revenue measures.

c. **Exploring agriculture's potential for diversification and higher employment.** Several initiatives, with a focus on climate smart agriculture, are underway to increase production, particularly targeted at promising export opportunities. More immediately, efforts will be concentrated on resolving issues with air cargo logistics and storage, which has adversely affected exports recently. Finalizing amendments to legislation governing the nutmeg and cocoa industries is advancing to allow for a more supportive regime for producing and exporting both commodities. In addition, attention will be placed on supporting private sector investments in agro-processing. Work on organic shrimp production has commenced as well as increasing emphasis on poultry and resuscitating the coconut industry. Efforts will continue to overcome other obstacles to the sector's growth, including pest control, improved infrastructure, technology and research, access to financing, developing a land bank and finalizing a land use policy.

d. **Addressing labor market inefficiencies and lowering unemployment.** To tackle the skills mismatch problem, we will focus on skills development by reviewing our education curriculum to better meet the needs of the labour market. The National Training Agency has set out to establish advisory committees to guide workforce development and training on a sectoral basis. We are also aiming to undertake an independent review our flagship New IMANI programme to assess its effectiveness and maximize its potential in better equipping young persons for the job market. We will also continue to strengthen labor statistics to better guide policy decisions.

e. **We remain focused on pursuing the objectives of the GPRS and National Sustainable Development Plan 2030.** Implementation of GPRS remains a priority. In this regard, a committee will be appointed to monitor and evaluate the implementation of the GPRS and to periodically report findings to stakeholders and Cabinet. Delayed by various challenges, public consultations on the draft National Sustainable Development Plan 2030 are now scheduled for May to July and the finalization of the plan 2030 is expected by October 2017.

f. **Maintaining financial stability including in the non-bank sector.** With additional technical assistance from CARTAC, continued institutional strengthening of the Grenada Authority for the Regulation of Financial Institutions (GARFIN) is earmarked for 2017 in several areas, including finalizing the national crisis management plan and strengthening implementation of risk-based supervision for credit unions and insurers. The legislative agenda includes amendments to the Cooperative Societies Act to standardize capital adequacy requirements and provide guidance for investments for credit unions. We remain supportive of regional efforts to formally establish single regulatory frameworks also comprising uniform bills and regulations for credit unions, insurers and pension plans.

Table 1. Grenada : Quantitative Programme Targets

	2014		2015					2016					
	Dec.		Jun.			Dec.		Jun.		Dec.			
	Act.	Status	Act.	Status	Status	Act.	Status	Act.	Status	Prog.	Adj. Prog. 1/	Act.	Status
Performance criteria													
A. Cumulative floor on central govt. primary balance (EC$ mn) 2/	-28	Met	37	Met	Met	58	Met	84	Met	94	95	148	Met
B. Cumulative ceiling on central govt. primary spending (EC$ mn) 2/	630	Met	281	Met	Met	601	Met	285	Met	526	604	603	Met
C. Ceiling on stock of central govt. budget expenditure arrears (EC$ mn) 4/	79	Met	53	Met	Not met	0	Met	0	Met	0	0	0	Met
D. Ceiling on accumulation of external debt arrears (continuous)	0	Met	0	Met	Met	0	Met	0	Met	0	0	0	Met
E. Ceiling on contracting of non-concessional external debt by the central govt. (continuous, US$ mn) 5/	10	Not met	0	Met	Met	0	Met	15	Met	0	25	25	Met
Indicative targets													
F. Cumulative ceiling on net change in central govt. and central govt. guaranteed debt (EC$ mn) 2/	48	Met	-30	Met	Met	-67	Met	-85	Met	15	-5	-99	Met
G. Floor on social spending by central govt. (EC$ mn)	11.4	Not met	5.4	Not met	Not met	11.8	Not met	7.0	Met	14.0	14.0	13.6	Not met
Monitoring													
H. Wage bill target (EC$ mn)	219	Met	109	Met	Met	215	Met	105	Met	219	219	216	Met
I. Public employment target (nominal number)	7515	Met	7096	Met	Met	7003	Met	6810	Met	7000	7000	6758	Met
Memorandum item													
Projected new concessional external debt (US$ mn) 3/								8		10	10	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 2. Grenada: Structural Programme Conditionality

Measure	Timing	Implementation Status
Prior Actions for the Sixth Review		
1. Reach agreement with each organization to restructure overdue membership obligations, or present a time-bound plan to clear overdue obligations with payments starting in 2017 and being completed by 2022.		Met
2. Make at least one payment to each of the seven organizations with the largest overdue amounts.		Met
Structural Benchmarks		
Growth-Enhancing Reforms		
1. Parliamentary approval of the revised Investment Promotion Act	November 30, 2014	Met
Fiscal Adjustment Measures		
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	Met
Fiscal Structural Reforms		
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,	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, rephased and revised
17. Publication of the debt statistics bulletin on a quarterly basis	Quarterly, beginning December 31, 2016	Met
18. Cabinet approval of a comprehensive public sector wage bill management reform strategy.	March 31, 2017	Met in April
19. Complete and make functional the human resource registry for the public service	March 31, 2017	Met

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