



GRENADA

April 13, 2022

STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

Western Hemisphere Department
(In consultation with other departments)

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FUND RELATIONS

(As of March 31, 2022)

Membership Status Joined 8/27/75; Article VIII

General Resources Account	SDR Million	Percent of Quota
Quota	16.40	100.00
Fund holdings of currency	15.23	92.84
Reserve Tranche Position	1.18	7.16

SDR Department	SDR Million	Percent of Allocation
Net cumulative allocation	26.88	100.00
Holdings	15.59	57.97

Outstanding Purchases and Loans:	SDR Million	Percent of Quota
RCF Loans	16.40	100.00
ECF Arrangements	11.02	67.2

Latest Financial Arrangements:

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	06/26/14	05/26/17	14.04	14.04
ECF	04/18/10	04/17/13	8.78	2.53
ECF ¹	04/17/06	04/13/10	16.38	16.38

Outright Loans:

Type	Date of Commitment	Date Approved	Amount Drawn/Expired (SDR Million)	Amount Drawn (SDR Million)
RCF	04/28/20	04/30/20	16.40	16.40

¹ Formerly PRFG.

Overdue Obligations and Projected Payments to the Fund (SDR Million; based on existing use of resources and present holdings of SDRs):²

	Forthcoming				
	2022	2023	2024	2025	2026
Principal	2.20	2.81	2.81	3.64	4.28
Charges/Interest	0.03	0.04	0.04	0.04	0.04
Total	2.23	2.84	2.84	3.68	4.32

Implementation of HIPC Initiatives: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Exchange Rate Arrangement: The exchange rate arrangement is a currency board. Grenada participates in a currency union with seven other members of the Eastern Caribbean Currency Union (ECCU) and has no separate legal tender. The common currency, the Eastern Caribbean dollar has been pegged to the U.S. dollar at the rate of EC\$2.70 per U.S. dollar since July 1976. Grenada has accepted the obligations of Article VIII, Sections 2, 3, and 4, and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions and multiple currency practices.

Safeguards Assessment: Under the Fund's safeguards policy, the Eastern Caribbean Central Bank (ECCB) is subject to a full safeguards assessment on a four-year cycle. An update assessment was completed in August 2021 and found that the ECCB has maintained strong external audit and financial reporting practices that continue to be aligned with international standards, and further improvements in the capacity of the internal audit function. Legal reforms were recommended to further strengthen operational autonomy of the ECCB and align its Agreement Act with leading practices. The issuance of digital currency (DCash) introduces new risks that require additional controls and oversight, and the assessment made recommendations to enhance the related project-governance framework.

Article IV Consultation: The last Article IV consultation was concluded by the Executive Board on June 12, 2019. Grenada is on a 12-month cycle.

Technical Assistance: Grenada has received significant technical assistance from Caribbean Regional Technical Assistance Center (CARTAC) and the IMF. Technical assistance missions focused on:

- **Public Financial Management (PFM).** CARTAC TA in PFM has focused on reform of SOEs and statutory bodies (SBs), cash forecasting and commitment control, development and transition to a new chart of accounts consistent with the *Government Finance Statistics Manual 2014 (GFSM 2014)*, and the Public Expenditure and Financial Accountability (PEFA) assessment. Assistance was also provided on strategic budget reform to modernize the budget preparation process. Regarding the SOE/SB reforms, the 2016 CARTAC mission provided some limited assistance on

² Based on existing use of resources and present holdings of SDRs.

Public Service Pension Reform. In 2017, CARTAC provided assistance with a one-week training mission for the Grenada Fiscal Responsibility Committee and conducted a risk assessment on the SOEs. In April 2018, a mission was completed on assisting with moving to International Public Sector Accounting Standards (IPSAS) cash-based accounting and to bring their public accounts up to date. A roadmap on reforms to move Grenada to IPSAS Accruals was provided. Later in the year, Grenada participated in regional workshops geared at improving capacities for Internal Audit, Cash Management and SOE Oversight as well as assessing Fiscal Risks. In February 2019, a TA mission from Fiscal Affairs Department reviewed the Fiscal Responsibility Law with the aim of strengthening it by removing inconsistencies and ambiguities and reframing the expenditure rule.

- **Tax Administration.** TA was provided to strengthen tax administration at both the Inland Revenue and Customs Departments. For IRD, the support included establishing a Large and Medium Taxpayer Unit and a Design, Planning and Monitoring Section. In 2020, they received TA to prepare a new business model with processes enabled by a new information technology (IT) system. A follow up mission on the advancement of the basic compliance risk management strategy for the Large and Medium Taxpayer unit took place in 2021. For Customs, TA was provided in 2020 to strengthen analytical capacity and risk management.
- **Financial Stability Supervision and Regulation.** Significant TA has been provided to the Grenada Authority for the Regulation of Financial Institutions (GARFIN) to implement risk-based supervision across the non-banking sector, including capacity building to review reinsurance contracts, contingency planning for crisis preparedness and management, and conduct review of retail lending portfolios at credit unions. TA was also provided, as part of the broader ECCU-wide initiative, to develop financial health and stability indicators for the insurance sectors. In 2021 (GARFIN) received TA to enhance its stress testing framework for credit union.
- **Macroeconomic framework and statistics.** To support the authorities' efforts to establish an annual medium-term economic framework and promote informed policy making, CARTAC provided TA to strengthen medium-term macroeconomic projections and improve macroeconomic statistics. TA was provided during 2013 to 2015 to assist with compiling GDP by expenditure estimates; and during 2016, 2017, and 2019 to develop quarterly GDP by economic activity at current and constant prices and improve them further. In 2020, CARTAC provided TA for rebasing annual and quarterly estimates of GDP by economic activity to 2018 prices and assisted with the compilation of supply and use tables. In addition, CARTAC conducted TA in 2017 to develop the Producer Price Index and in 2021 to update the CPI basket. TA was also provided in 2014–21 to produce balance of payments (BOP) statistics according to the *Balance of Payments and International Investment Position Manual (BPM6)* and to initiate the production of international investment position (IIP) statistics, and review and improve upon the BPM6-compliant BOP and IIP statistics first released in July 2017.

Other Technical Assistance (Since 2016)

FAD and LEG have provided extensive assistance on tax policy and administration, public financial management, and public expenditure rationalization. In particular, TA was provided in the design and drafting of the PFM legislation and the Tax Administration legislation, reforms of the tax incentives system, and reform of the following Acts: income tax, property, VAT, excise tax. FAD provided TA on the public wage bill reform. FAD/LEG also provided comprehensive TA to draft the Fiscal Responsibility Act of 2015. FAD also provided TA in 2019 to further strengthening the Fiscal Responsibility Act. MCM provided TA on formulating a medium-term debt management strategy and implementing institutional changes to strengthen debt management and, together with LEG, provided TA to draft the Public Debt Management Act of 2015.

Start Date	End Date	Mission Description
01/11/2016	01/15/2016	Public Financial Management
03/21/2016	03/25/2016	Improving Balance of Payments Statistics
04/18/2016	04/22/2016	Tax Administration
06/09/2016	06/17/2016	Improving External Sector Statistics
06/09/2016	06/17/2016	Medium-Term Debt Management Strategy
07/06/2016	07/19/2016	Managing the Public Wage Bill
08/15/2016	08/26/2016	Improving GDP estimates by expenditure
4/24/2017	4/28/2017	Developing Methodology for new Producer Price Index
7/24/2017	7/28/2017	Balance of Payments Statistics
9/18/2017	9/22/2017	Review and Assessment of the Adequacy of Reinsurance Contracts/Treaties
10/23/2017	10/27/2017	Developing a Stress Testing Framework for Credit Union Sector
11/13/2017	11/24/2017	Improving Annual & Quarterly GDP Methodology
11/27/2017	12/1/2017	Risk-focused Examinations of Retail Lending Portfolios at Credit Union
4/16/2018	4/20/2018	Strengthening BOP & New IIP
4/23/2018	4/27/2018	Developing Financial Health and Stability Indicators for the Insurance Sector
4/24/2018	5/2/2018	Revenue Administration Diagnostic Mission
5/29/2018	5/30/2018	Review of Tax Administration Reform Priorities and FAD Recommendations
10/8/2018	10/12/2018	Contingency Planning for Crisis Preparedness and Management
1/30/2019	2/11/2019	Strengthening the Fiscal Responsibility Law
2/11/2019	2/15/2019	Improving External Sector Statistics

Start Date	End Date	Mission Description
4/1/2019	4/12/2019	Improving the Source Data and Compilation Methodologies Used for GDP Estimates
2/17/2020	2/28/2020	Compilation of Supply and Use Tables
2/24/2020	2/28/2020	Strengthening Risk Management in Customs
4/20/2020	4/24/2020	Strengthening Annual Balance of Payments Statistics
6/22/2020	6/26/2020	Strengthening Program Development and Compliance Risk Management Framework
2/8/2021	2/12/2021	Strengthening Balance of Payments/IIP data
3/22/2021	4/1/2021	Price Statistics (Consumer prices)
4/11/2021	4/24/2021	Compliance Risk Management Strategy for the Inland Revenue Division
6/14/2021	6/18/2021	Developing Performance Targets and KPI
7/19/2021	7/23/2021	Follow up on Stress Test for Credit Unions
2/7/2022	2/11/2022	Developing Quarterly Balance of Payments Data
2/21/2022	3/4/2022	Rebasing annual and quarterly GDP by economic activity to 2018 prices

Source: Based on available TA reports and consultations with CARTAC.

FSAP Participation: Grenada participated in the regional Eastern Caribbean Currency Union FSAP conducted in September and October 2003. The Financial System Stability Assessment is IMF Country Report No. 04/293.

RELATIONS WITH OTHER FINANCIAL INSTITUTIONS

(As of March 31, 2022)

- World Bank <https://financesapp.worldbank.org/en/countries/Grenada/>
- Caribbean Development Bank <https://www.caribank.org/countries-and-members/borrowing-members/grenada>

STATISTICAL ISSUES

I. Assessment of Data Adequacy for Surveillance

General: Data provision has some shortcomings, but is adequate for surveillance.

National Accounts: There are significant delays related to both receiving and processing survey data for GDP compilation. Supported by the CARTAC mission, estimates of quarterly GDP by production approach have been developed but compiled with a lag. The CSO is working to rebase the annual and quarterly GDP by economic activity to 2018 prices, and plans to release the series in the second half of 2022. There are currently no GDP estimates by expenditure.

Prices and high frequency statistics: The authorities compile regular data on consumer prices, retail sales; agricultural production and purchases; motor vehicle registrations; total cargo handled; fish production and exports; industrial production; imports of construction material; and water and electricity production. The 2010 update of the CPI brought methodology in line with international standards. The CPI basket is being updated based on the 2018/19 Household Budget Survey HBS, and a new CPI calculation system called CPI+ will be implemented, to replace the Price Index Processor System (PIPS) which is obsolete and not supported. A producer price index (PPI) and export and import price indices are not yet available, but the CSO intends to develop a PPI for certain sectors.

Labor statistics: Labor statistics are improving. The authorities introduced an annual Labor Force Survey in 2013, which was completed again in 2014 and 2015. They started a quarterly Labor Force Survey in 2018. A population census is being conducted and will be finished in 2022. Regular wage data are not available with the exception of partial data available from the National Insurance Scheme. The CSO conducted a Country Poverty Assessment in 2008, with assistance from the Caribbean Development Bank, and is working with the International Labor Organization (ILO) to improve the coverage of labor market statistics.

Government finance statistics: The reporting of central government data has improved in recent years, with monthly data being provided to the ECCB, IMF, and other users in Fund economic classification format with lags of about 4–6 weeks. However, some challenges remain with the availability of fiscal data. Some donor-financed capital spending data are often not available until the end of the year, as they are not reported to or do not pass through the accounts of the central government. The new Chart of Accounts introduced in 2016 has improved the classification of public expenditure. The coverage of the rest of the public sector has improved, but remains limited, and there are no consolidated public-sector accounts. This is consistent with the requirement in the PFM Act of 2015 that the Minister of Finance present a statement of the overall performance of all enterprises to Parliament alongside the budget proposals. The PFM Act also requires public

enterprises to submit annual financial statements no later than three months from the end of the fiscal year to the Director of Audit and the Minister of Finance.

Monetary statistics: Monthly monetary statistics are compiled and reported to the Fund by the ECCB, based on standardized report forms (SRF) for the central bank (SRF 1SR) and for other depository corporations (SRF 2SR), since July 2006. In April 2007, a data ROSC mission assessed the monetary statistics with reference to the GDDS and the Data Quality Assessment Framework (DQAF, July 2003). It indicated that the institutional coverage of other depository corporations is incomplete, as data for mortgage companies, finance companies, building societies, and credit unions—all of which accept deposits—are excluded. Also, accrued interest is not incorporated in the value of the interest-bearing assets and liabilities, and valuation adjustments are included in other liabilities. In addition, source data for the commercial banks do not provide the disaggregation recommended by the Monetary and Financial Statistics Manual and Compilation Guide. The ECCB is currently working on implementing a new reporting system for commercial banks that is envisaged to address the recommendations made by the April 2007 data ROSC mission. Grenada reports some data and indicators of the Financial Access Survey (FAS), including the two indicators adopted by the UN to monitor Target 8.10.1 of the Sustainable Development Goals (SDGs).

Financial Sector Surveillance: The ECCB reports quarterly all Grenada's core and additional FSIs for deposit takers, covering commercial banks only.

External Sector Statistics: BOP statistics are improving, but there is uncertainty on the stability of the data series. BPM6-compliant BOP and IIP were released in July 2017 for 2014–16 and 2013–16, respectively for the first time, as part of the ECCU-wide initiative. Subsequent data releases in September 2018 and April 2019 added preliminary and estimated data for 2017 and 2018, and also reviewed and revised the entire data series by improving data sources. Ongoing work continues to improve estimates of tourism expenditure, including using alternative estimates for the pandemic year. The CSO is working to release consistent historical data series for 2000–13 BPM6 compliant, improve data timeliness, and produce comprehensive public and private sector external debt statistics in line with international standards. Actions are undertaken in collaboration with the ECCB, which coordinates the compilation of external sector statistics of the ECCU economies.

External and domestic debt statistics: The database for central government external debt is comprehensive and can be used to provide detailed and reasonably up-to-date breakdowns of disbursements and debt service, including future projections. Capacity upgrades are however needed to improve reliability of the data and fully eliminate the possibility of errors. There is also a detailed database on domestic government securities maintained by the Regional Governments Securities Market (RGSM) that provides data on auction results, and outstanding securities of the central government. Although the stock information on privately placed domestic T-bills, loans, bonds, and overdraft facilities are available on a monthly basis, there is no reliable data on future projections. Data availability on government-guaranteed debt and debt of public enterprises has

been improved, and there is data on private sector external debt, other than from the monetary survey, in the case of the commercial banks.

II. Data Standards and Quality

While Grenada has participated in the Fund's General Data Dissemination System since March 2001, most of the metadata have not been updated since late 2002. Grenada has not fully implemented the e-GDDS as it does not yet have a National Summary Data Page (NSDP).

III. Reporting to STA

The International Financial Statistics page includes data on exchange rates, international liquidity, monetary statistics, prices, balance of payments, national accounts, and population. The authorities do not report fiscal data for publication in *International Financial Statistics (IFS)*. The ECCB provides data to the IMF for publication in the *Balance of Payments Yearbook*. Grenada has not provided any fiscal data, either on a GFSM 2001 basis, or a cash basis, for presentation in the *GFS Yearbook*. The ECCB disseminates Grenada's quarterly GFS data in its Economic and Financial Review.

Grenada: Table of Common Indicators Required for Surveillance (As of February 28, 2022)					
	Data of latest observation	Date Received⁶	Frequency of Data⁶	Frequency of Reporting⁶	Frequency of Publication⁶
Exchange Rates ¹	Fixed Rate	NA	NA	NA	NA
International Reserve Assets and Reserve liabilities of the Monetary Authorities ^{1,2}	09/2021	11/2021	M	M	M
Reserve/Base Money	09/2021	11/2021	M	M	M
Broad Money	09/2021	11/2021	M	M	M
Central Bank Balance Sheet	09/2021	11/2021	M	M	M
Consolidated Balance Sheet of the Banking System	09/2021	11/2021	M	M	M
Interest Rates ³	09/2021	11/2021	M	M	M
Consumer Price Index	1/2022	3/2022	M	M	M
Revenue, Expenditure, Balance, and Composition of Financing – Central Government ⁴	12/2021	2/2022	M	M	Q
Stocks of Central Government and Central Government- Guaranteed Debt ⁵	10/2021	11/2021	A	A	A
External Current Account Balance	2020	11/2021	A	A	A
Exports and Imports of Goods and Services	2020	11/2021	M	A	A

Grenada: Table of Common Indicators Required for Surveillance (Concluded)
(As of February 28, 2022)

GDP/GNP	2020	08/2021	A	A	A
Gross External Debt	10/2021	11/2021	M	Q	A
International Investment Position	2020	11/2021	A	A	A
<p>1 Grenada is a member of the Eastern Caribbean Currency Union, in which the common currency of all member states (E.C. dollar) is pegged to the U.S. dollar at US\$1 = EC\$2.70.</p> <p>2 Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.</p> <p>3 Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.</p> <p>4 Foreign, domestic banks, and domestic nonbank financing.</p> <p>5 Currency and maturity composition are provided annually.</p> <p>6 Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); Not Available (NA); Not Applicable (n.a.).</p>					