FISCAL RESPONSIBILITY OVERSIGHT COMMITTEE

(FROC)

ANNEX TO 2022 ANNUAL REPORT

31st March 2023

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ANNEX TO 2022 FROC ANNUAL REPORT

This Annex provides details and informs the FROC 2022 Annual Report

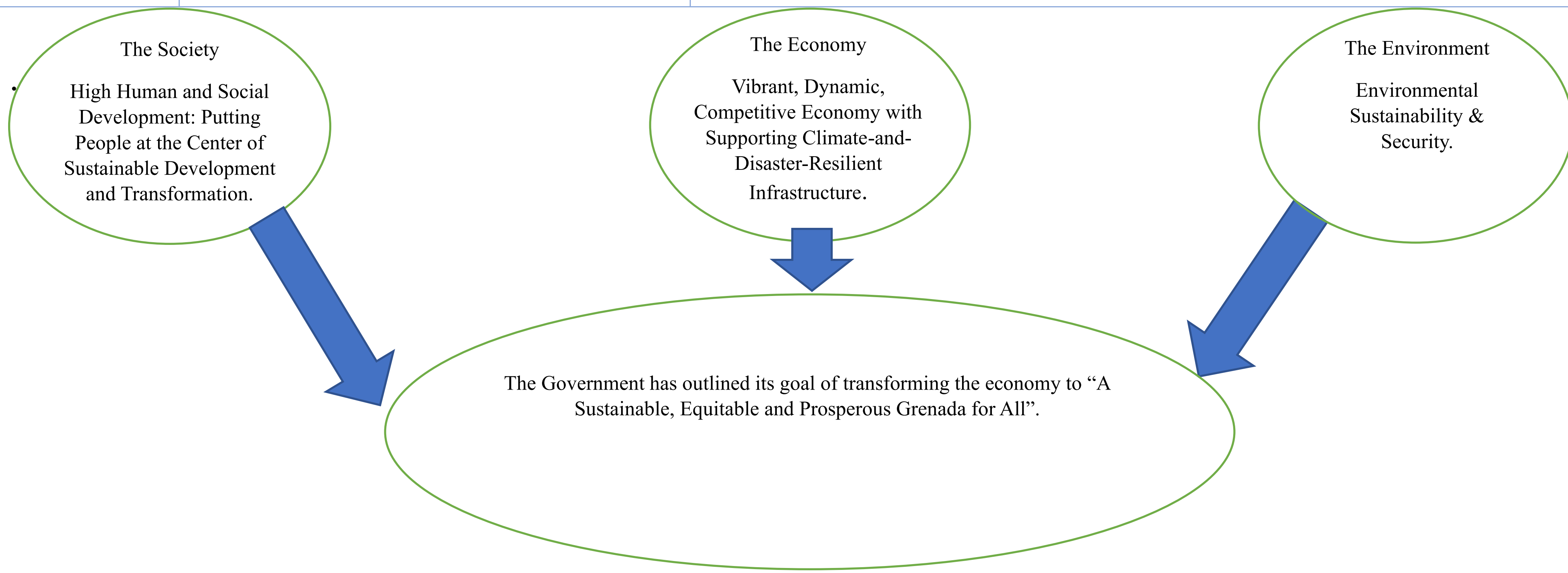
ANNEX 1: GOVERNMENT MEDIUM-TERM PROGAMMES AND PROJECTS

Government Overarching Pillars	Focus areas of the Government	Major Programmes and Projects of the Government
Empowerment of our citizens	Health and Wellness	• Strengthening human resource capacity; regularisation of nurses and the training of more nurses. • Upgrading health facilities; new hospital project and upgrading facilities across tri-island state. • Embracing Technology • Promoting mental wellness; Carlton House Project. • Health financing; Introducing National Health Insurance.
	Education and Training	• Access to Education; Free education up to the tertiary level. • Addressing the skills gap; Strengthening capacity TAMCC and develop high-quality academic programmes tailored to the Caribbean reality. • Implementation of the OECS Regional Skills and Innovation Project. • Strengthening capacity at New Life Organisation (NEWLO), the National Training Agency (NTA), the Small Business Development Unit, and other agencies to deliver the skills that are needed to transform our economy. • Training youths in coding. • Resilient School Infrastructure; Rehabilitation and repairs of schools Bishop's College and the Grenada Seventh Day Adventist Comprehensive School. e Convent Grenville Secondary School, the J. W. Fletcher, the Anglican Primary, the Christian Academy, and the St. David's Catholic Secondary School. • Restoring public library; Public Library Modernisation Project • Food and Nutrition; launching the Healthy Start School Nutrition Programme.
	Youth, sports, culture, gender affairs and other social services	• Re-imagining the IMANI Programmme; upskill and transition the current IMANIs into sustainable jobs and opportunities. • Refurbishment of the National Stadium.

Government Overarching Pillars	Focus areas of the Government	Major Programmes and Projects of the Government
		• Grenada Spotlight Initiative; ending family violence and all forms of violence against women. • Affordable Housing; i. The Stony Gut Climate-Resilient Housing Development Pilot Project: construction of climate-resilient, Grenadian-styled homes and retrofitting, and ii. upgrading the affordable houses that have been donated by the People's Republic of China. • Empowering Beneficiaries of the SEED Programme; introduction of a cashless system of payment of the SEED benefits to eligible beneficiaries.
Economic Transformation	Agriculture and the Marine industry	• Agriculture: The Food Security Enhancement Project or FSEP will support farmers and fisherfolk. • Strengthening of the Grenada Bureau of Standards Project. • Agri Food Sector Development and Strengthening of the National Food Safety System Project; To strengthen capacities in Hazard Analysis and Critical Control Points or HACCP compliance.
	Physical and Digital Infrastructure	• Reimagining the Grenada Investment Development Corporation which involves the reconstruction of Building 10 within the Frequente Industrial Park. • Access to Financing; direct financial support to MSMEs • Digital Transformation Programme through the strengthening of legislation, digitalisation of records and improving tax administration.
	Culture and the Creative Sector	• Establishment of Grenada's first-ever Creative Industries Development Fund: to support registered creative industries. • Granting 100% concessions on CET and VAT for selected equipment for 12 months. • Establishment of the Grenada Office of Creative Affairs (GOCA) • A Research Project to map the Creative Economy, Launch of the Creative Industries Registry and Business Networking Platform, A Cultural Industry Symposium.
	Tourism	• Increased airlift through negotiation with international and regional carriers. • Cultural development, the declaration of heritage sites, and the development of tourism products. • Nautical development through collaboration with the public and private sectors in the execution of yachting/sailing, cruise, dive and sportfishing events and activities.

Government Overarching Pillars	Focus areas of the Government	Major Programmes and Projects of the Government
		• OECS Regional Tourism Competitiveness Project; rehabilitation work on Fort George. • Rejuvenation of the Underwater Sculpture Park and the Enhancement of the Grand Etang Shoreline Trail.
Governance and Institutional Rebuilding	Institutional Strengthening, transforming the public sector and pension reform	• Public Service Transformation and Pension Reform; regularisation of Government employees. • Modernising Labour Relations to improve the Labour Relation System. • Occupational Safety and Health; rehabilitation and modernisation of Government buildings, including the incorporation of climate smart and renewable energy technologies. Development of a comprehensive registry of Government assets. • Prioritising the Judiciary; construction of a state-of-the-art Halls of Justice. • National Security and Safety; increasing the human resources and capacity of the RGPF and Prison Service, acquiring fire tenders, computerisation of the Police Force, and the implementation of a public CCTV system, and regional CariSECURE 2.0 project which seeks to reduce youth involvement in crime and violence. • Strengthening Economic Management; improving tax administration, increasing the transparency of the CBI receipts, procurement reform, and increase expenditure efficiency. • Reinvigorating the Economy of Carriacou and Petite Martinique; construction of Climate Smart Carriacou Ministerial Complex, Construction of the Windward Fish Centre; Road Rehabilitation and Maintenance Programmes, Night Lighting Facilities (Lauriston Airport). Implementation of the lighting of the jetty facilities as well as implementation of a Petite Martinique Enhancement Project. • More Effective Government; establishment of a technical Project Oversight Committee, comprising of specialised project officers.
Building Resilience and Environmental Management	Energy Transition and the Environment.	• Prioritising Climate Resilience and Disaster Management, the Environment and Renewable Energy; Climate Resilience and Disaster Management, Renewable energy (Geothermal Project, Off-shore wind farm, 800 kWh Solar PV plant with battery storage in Carriacou, Energy Efficiency Project for Public Buildings, which will see the installation of solar panels, energy efficient air condition units, and other amenities in major Government buildings, and OECS Renewable Energy Project).

Government Overarching Pillars	Focus areas of the Government	Major Programmes and Projects of the Government
		• Transformative Physical Infrastructure; Grenada Climate Resilience Water Sector Project (G-Crews), The Cliff Rehabilitation Project, Beautification, Empowerment, Sustainability and Transformation (BEST) Programme, Grenada Resilience Improvement Project (GRIP), Grenville Flood Reduction Project, The St. John's River Flood Mitigation Project, Sauteurs Breakwater Project, Moliniere Landslip Rehabilitation, and Agricultural Feeder Roads Phase 3.
Strengthening Regional and International cooperation	Rationalisation of Diplomatic missions, maintain diaspora	• Rationalisation of Diplomatic Missions; strengthening of relations with existing foreign partners and seeking to forge new strategic international relationships that align with the national transformation agenda. • Maintaining Diaspora Relations; establishment of the Grenada Diaspora Advisory Council (GDAC), comprised of Grenadian professionals with expertise in their respective fields, to forge strategic links between the Grenadian community abroad to advance Government's transformational priorities.



ANNEX 2: IMPROVING FISCAL TRANSPARENCY

The following are the major fiscal reports with recommendations for strengthening fiscal transparency, based on the requirement for: '*Full and timely disclosure and wide publication of all transactions and decisions involving public revenues and expenditure.*

Report	Strength	Recommendation
The Monthly Fiscal Summary Report	Provides information on the outturn of Central Government operations for the month of the published report.	*The objective of publishing a fiscal report is to provide information on the status of the public finances, and therefore the report should provide comprehensive information on Government operations. The following are therefore recommended:* i. Include the current (year to date) fiscal position of the Central Government. ii. Include the analysis for the targeted revenue and outturn for major taxes such as the personal income tax, corporate tax, the value added tax, import duty and the customs service charge. iii. With the reclassification of the inflows from the Citizenship by Investment Programme to non-tax revenue, the proportion of inflows from the Citizenship by Investment Programme should be identifiable in the non-tax revenue. iv. To ascertain the timeliness of the reports, publish a calendar with the dates for the release of the reports.
Quarterly Debt Bulletin	The information is detailed, and the report is informative.	The need for clarity on the total stock of the public sector debt. A glossary of terms should include the definition of the total stock of public sector debt and the data in the report should be aligned with the definition. The report is detailed so an Executive Summary would provide clarity on the total stock of public sector debt and its composition at a glance, particularly to non-technical readers. Also, to ascertain the timeliness of the Quarterly Debt reports, publish a calendar with the dates for the release of the reports.

Report	Strength	Recommendation
Annual Debt Report	A comprehensive report.	Similar to the Quarterly Debt Bulletin, there is the need for clarity on the definition of the total stock of public sector debt, and for the information provided to be clearly aligned with the definition. The Annual Debt Report, presented to Parliament at the time of the budget, should include preliminary developments in the fiscal year that the budget is being presented. This would provide up-to -date information on the status of the public debt. Currently, the Annual Debt Report is presented with a lag which does not seem to be the intent of the Debt Management Act. During the budget for 2023, The Annual Debt Report for 2021 was presented to Parliament. The Debt Management Act states: *"The Minister shall, simultaneously with the submission of the annual budget, furnish Parliament with– (a) an annual report on public debt management activities, Government guarantees and Government lending, which shall include a statement on the extent to which the Government's debt management activities in the fiscal year conformed with the approved debt management strategy and debt management objectives, and reasons for any deviations;"*
Mid-Year Fiscal Policy Review	The report is integrated with the Half-year Economic Review, so it provides information on both the economic development and the fiscal performance.	The report in 2022 was dominated by an analysis of economic developments. The fiscal section of the report should be in accordance with the Public Finance Management Act Article 25 which outlines the process and content for the Mid-year Fiscal Policy Review as follows: *25.—(1) The Minister shall, no later than two months after the end of the first six-months of the fiscal year, prepare and submit to Cabinet a mid-year fiscal policy review which shall contain–* *(a) an overview of recent macroeconomic developments and updated macroeconomic forecasts.* *(b) an analysis of the total revenue collections and expenditure performances in the first six months of the fiscal year, and presentation of a revised budget outlook for the rest of the current fiscal year, and its implications for the medium-term fiscal and budget framework if necessary, and if necessary, plans for submitting a proposed supplementary budget for approval by the House of Representatives.* *(c) a discussion of the risks of non-compliance with the budget and fiscal strategy statement;*

Report	Strength	Recommendation
		(d) an overview of the execution of the Budget and of the budgets of other entities in the Government; *(e) an assessment of fiscal policies adopted in the budget and fiscal strategy statement and, if necessary, recommendations on changes in the fiscal policy.* *(3) The Mid-year review report together with any opinion obtained by Cabinet under sub-section (2) shall be laid by the Minister before Parliament together with the next Supplementary Budget in accordance with section 23.*
The financing component of the fiscal accounts should be included in the report.		
A report analyzing the rationale, cost and benefits of existing tax incentives and recommendations for retaining or removing such incentives.	A report is not published.	Publish report as stipulated in the Public Finance Management Act-29.—(*1) The Minister shall cause to be maintained a public record of any waiver, exemptions, or revisions granted by the government.* *(2) Within six months after the coming into force of this Act and every 3 years thereafter, the Minister shall cause to be prepared and submitted to Parliament, a report analyzing the rationale, cost and benefits of existing tax incentives and recommendations for retaining or removing such incentives.*
Budget Documents	• All the documents required by the Fiscal Responsibility Act, the Public Finance Management Act, and the Debt Management Act were submitted to Parliament at the time of the presentation of the national Budget for 2023.	The reclassification of the inflows from the National Transformation Fund from capital grants to non-tax revenue resulted in a lack of consistency in the data series. Therefore, amend the data, for at least 2022, to allow for comparison of consistent information. See Appendix on Data Challenges and opportunities.
End of Year Fiscal Report	A report is not required by legislation.	Publish an 'End-of-Year Fiscal Report'. The Public Finance Management Act does not stipulate the preparation of an 'End-of-year Fiscal Report'. The data in the Estimates of Revenue and Expenditure for the following fiscal year contains estimates for the current fiscal year. For example, the Estimates of Revenue and Expenditure for 2023 contains estimates of the fiscal outturn for 2022. The actual end of year position of the Government for 2022 may only be available in the Mid-year Fiscal Policy Review which is scheduled to be published in September of 2023. There is usually a disparity between

Report	Strength	Recommendation
		the estimated and the actual fiscal outturn which can be significant at times. An 'end-of-year Fiscal Report should be published.
Audited Public Sector Accounts	These are not submitted to Parliament	Audited Public Sector Accounts should be submitted to Parliament in accordance with the legislation.

ANNEX 3: RATIONALE AND PROPOSALS FOR REFORMING THE FISCAL RESPONSIBILITY ACT

Fiscal rules and targets provide for discipline in the pursuit of fiscal policy while maintaining fiscal and debt sustainability. Equally important is the design of the fiscal rules and targets. The Fiscal Responsibility Act should be reformed to clarify the many ambiguities in its provisions and a re-examination of the fiscal rules and targets and other requirements of the Act.

Section	Rationale for Amendment	Recommended Amendment
Section 2		
Interpretation	The definition and explanation of key terms in the Act need to be reviewed for accuracy, clarity, and consistency across the various legislation in particular the Public Finance Management Act and the Public Debt Management Act. For example, the definition of the public debt in the FRA is wider than that in the Public Debt Management Act.	Review legislation for clarity, consistency and the extent of the reporting burden on the administration.
Section 3		
3. This Act governs matters related to the management of public finances and fiscal matters relating to the Central Government and covered public entities.	The Act refers to Central Government and covered entities. This requires the monitoring of statutory bodies and state-owned enterprises and the accurate reporting on the operations of these entities. There has not been comprehensive reporting on statutory bodies and state-owned enterprises. Therefore, the FRA is not being implemented as intended.	The fiscal rules and targets relating to covered entities should be restricted to the stock of public sector debt. Emphasis should be placed on developing the consolidated public sector accounts and monitoring the operations of the statutory bodies and state-owned enterprises, and their presentation of audited accounts to Parliament. The Director of Audit also has a role in the oversight and accountability of the statutory bodies and state-owned enterprises.

Section	Rationale for Amendment	Recommended Amendment
	The rules for primary expenditure and the wage bill include that of the covered entities, some of which, due to the type of operation, may not be able to adjust to the binding fiscal rules. In Grenada, all statutory bodies and state-owned enterprises are required to report to a line Minister, and sections 68 to 82 of the Public Finance Management Act provide for the monitoring of these public entities. Therefore, debt data should be readily available, and this is an appropriate indicator for assessing debt sustainability. (The fiscal rules and targets would be addressed under Sections 7 and 8 which specify the fiscal rules and targets.)	These provisions should provide adequate checks and balances and would be consistent with Sections 68-82 of the Public Finance Management Act (2015). The focus should be on the total public sector debt as the important indicator for fiscal and debt sustainability.
Section 4		
This Act shall be read and construed together with the Public Finance Management Act (2015) and the Public Debt Management Act (2015).	Although covered in the Public Finance Management Act, the Audit Act is not cited in the FRA. The Audit Act should be included, particularly as the public sector accounts have not been presented to Parliament since 2016.	Include the Audit Act as one of the legislation to be read in conjunction with the FRA.
Section 5		
The objects of this Act are– ***(a) to ensure that fiscal and financial affairs are conducted in a transparent manner;***	The completion of the budget process requires oversight and accountability. The public sector accounts have not been presented to	Include in ‘objects” a requirement for effective oversight and accountability

Section	Rationale for Amendment	Recommended Amendment
(b) to ensure full and timely disclosure and wide publication of all transactions and decisions involving public revenues and expenditures and their implications; ***(c) to ensure that debt is reduced to, and then maintained at, a prudent and sustainable level by maintaining primary surpluses that are consistent with this object; and*** ***(d) to ensure prudent management of fiscal risks.***	Parliament since 2017. There is not the required checks and balances for the integrity of the public accounts.	
Section 6		
The Minister shall take appropriate measures to ensure compliance with this Act, including taking appropriate measures to ensure the following– ***(a) that the fiscal and financial affairs of the Government are conducted in a transparent manner with full and timely disclosure and wide publication of all transactions and decisions involving public revenues and expenditures and the implications for finances;*** ***(b) that there is observation of the principle of fiscal sustainability by ensuring that debt is reduced to, and then maintained at, a prudent and sustainable level as prescribed pursuant to section 8 (1), by maintaining primary surpluses that are consistent with this objective;*** ***(c) that there are no announcements or implementation of any new policy initiative, unless measures that offset the impact of the policy***	A determination will have to be made on what should be included in the Act and what should be included in the accompanying regulations.	The scope of the Minister's responsibility will be determined by the Executive and approved by Parliament. Consideration would need to be given as to what details would be included in the Act and what would be included in accompanying regulations.

Section	Rationale for Amendment	Recommended Amendment
initiative on the primary balance or overall level of spending have been identified; ***(d) that management of fiscal risks is in accordance with regulations and guidelines to be issued by the Minister; and*** ***(e) that documented public investment procedures are prepared and made available for the submission and approval of all projects submitted for inclusion in the capital expenditure programmes of the Central Government and covered public entities.***		
Section 7		
(1) The Minister shall take appropriate measures to ensure that– ***(a) the rate of growth of the primary expenditure of the Central Government, and of every covered public entity, shall not exceed two percent in real terms in any fiscal year, when adjusted by the preceding year's inflation rate;*** ***(b) policy on negotiation of rates of pay and related conditions of employment for persons employed in the Central Government and covered public entities shall be consistent with the targets under section 8 (1) and the policies and plans set out in the Medium- Term Fiscal Framework under section 12 (2) of the Public Finance Management Act; and*** ***(c) no multi-year commitment shall be entered***	There is no technical note explaining the rationale for these expenditure limits, *ie*. real growth in primary expenditure of 2 percent and the wage bill of 9 percent of GDP. The primary expenditure rule sets limit on expenditure growth independently of GDP or revenue growth. The current construct does not allow the Authorities to benefit from revenue windfalls and undrawn loan commitments where the real rate of growth of primary expenditure exceeds the statutory target of two percent. The primary expenditure rule is defined in relation to the prior year's inflation rate. The act fails to state which inflation rate is to be used. In periods of no or declining inflation, the rule restricts Government expenditure, even if capital projects require higher current expenditure for operation, and it allows for higher expenditure during	Eliminate the fiscal rule requiring real growth of 2 percent in primary expenditure. If an expenditure rule is considered a necessity, amend the rule to conform with best practice which is based on a technical rationale for an appropriate numerical value for the growth in primary expenditure and for the variable that should be used to adjust the growth in primary expenditure, and the elimination of capital expenditure from the primary expenditure rule. Such an expenditure rule should be applied to Central Government and exclude statutory bodies and state-owned enterprises, which should be closely monitored under the provisions of the Public Finance Management Act. Alternatively, the fiscal rule should be replaced with a target for the current account balance to ensure that the Government generates adequate savings to finance capital projects. This would be an

Section	Rationale for Amendment	Recommended Amendment
	inflationary periods, at a time when the Government should be reducing expenditure to curb inflation. This rule restricts the Government's use of fiscal policy to manage the economy. The flexibility to use fiscal policy is important in the ECCU as monetary policy is regional, requiring consensus by the Monetary Council. Monetary policy impacts on the economy with a lag due to the lack of a money market. The rule exempts capital expenditure financed from grants and the National Transformation Fund. Capital expenditure financed from other sources may be negatively impacted because these may be easier to cut or postpone than current expenditure. To address this, some rules apply only to primary current expenditure and exclude gross investment. There are few countries with such fiscal rules which set an absolute limit on the growth of expenditure independently of the movements in GDP and/or revenue. In the case of Jamaica, The Bahamas and Barbados expenditure limit is set as a percentage of GDP. These rules constrain expenditure to grow at the rate of GDP. Some rules constrain nominal current expenditure to grow at the rate of nominal GDP adjusted for the level of debt.	intermediate target, as the overall balance impacts on fiscal and debt sustainability.
(2) For the purposes of subsection (1) (b), the Minister shall, by order subject to negative resolution, establish compensation negotiating cycles that allow for compensation settlement for	This is prudent as it avoids the accumulation of arrears of salaries of public officers requiring lump sum payment in a year.	This is at the discretion of the Executive. The provision is good as it avoids the accumulation of arrears of salaries to public officers. Consideration should be given to what should be included in the

Section	Rationale for Amendment	Recommended Amendment
persons employed by the Government to be incorporated into the Estimates of Revenue and Expenditure for the financial year to which such settlement relates.		legislation and what should be covered in the accompanying regulations.
(3) The Minister shall take appropriate measures to ensure that the ratio of expenditure on the wage bill shall not exceed nine percent to GDP.	It is difficult to assess the rule for the wage bill as no technical note was provided, and with the deficiencies of the data on statutory bodies and state-owned enterprises it is unknown how the 9 percent was determined. The restriction on the wage bill gives priority to containing the wage bill over the manpower needed to deliver effective and quality publicly provided services. In these circumstances, the government has to resort to creative ways in order to ensure that the public service is adequately staffed, with the unintended consequence of making working conditions more tenuous and precarious for workers. In the long term, such a rule can have an adverse effect on the quality of professional staff the public service is able to attract and retain.	Eliminate the fiscal rule for the wage bill. If an expenditure rule is considered necessary, institute an amended expenditure rule as previously outlined or a target for the current account balance.
(4) For purposes of determining the maximum wage bill and expenditure in nominal terms for any fiscal year, the consumer price index for the immediately preceding fiscal year shall be used to adjust the real growth rate of primary expenditure for inflation as specified in subsection (1) (a), Provided that if it appears that the real expenditure or wage bill for a fiscal year actually exceeds two percent in real terms, as a result of a lower inflation rate than anticipated at the beginning of the fiscal year, the fiscal rules in subsection (1) (a) shall not be deemed to have been breached.	The rate of inflation is not a good indicator to align the growth in government expenditure. There are practical difficulties associated with the use of the inflation rate, particularly if this is low or declining.	Eliminate the fiscal rules that align government expenditure with the rate of inflation. See previous recommendation on the expenditure rule.

Section	Rationale for Amendment	Recommended Amendment
Section 8		
	The provisions in this section need to be clarified as there are ambiguities and inconsistencies relating to the debt target and the policy actions related to the adjustment of the primary balance in order to attain the target as provided for in this section. 8(3) (a -f) sets out policy actions required, including generating a minimum primary surplus of 3.5 per cent of GDP and bringing the debt level back to target over three years if the "notional compensatory balance" exceeds three per cent of GDP**, only when the debt target of 55 per cent of GDP is achieved.** The section is inconsistent with Sections 8(4) and 8(5). Section 8(4) requires the maintenance of a debt-stabilising primary balance of "one percent of GDP which shall be computed in accordance with the First Schedule" **upon achievement of the debt target.** Section 8(5) provides for the debt to GDP ratio to be reduced to the target level over three years when this ratio exceeds sixty per cent. It fails to state how the primary balance should be adjusted to achieve this. The Act does not speak explicitly to the measures the Minister is required to implement when the ratio of the public debt to GDP is over fifty-five per cent but less than sixty per cent.	Simplify and clarify ambiguities and inconsistencies relating to the debt target and the required policy actions.

Section	Rationale for Amendment	Recommended Amendment
(1) The Minister shall take appropriate measures to ensure that the ratio of the total of – ***(a) the total stock of public sector debt from domestic or external sources for any purpose, including the total sum of debt guaranteed by the Government including contingent liabilities assumed by the Government, but excluding contingent liabilities arising from, as a result of, or in connection with public-private partnerships;*** ***(b) the debt and contingent liabilities of statutory bodies and state-owned enterprises; and*** ***(c) such sums as may be necessary to defray expenses in connection with such liabilities, to the GDP shall not exceed fifty-five percent of GDP.***	The government reports on Central Government and government guarantee debt in its compliance assessments. This debt is placed at $2.1 billion or 64 percent of GDP for 2022. However, based on the Quarterly Debt Report for the period ending December 2022 and data from the Ministry of Finance, the total stock of public sector debt, excluding that of Petro Caribe is $2.2billion or 69.1 percent of GDP. This comprised the Central Government and Government guaranteed debt of $2.1 billion (63.7 percent of GDP) and the rest of the public sector of $0.1 billion or 5.4 percent of GDP. The published Quarterly Debt Bulletin incorporates the Petro Caribe debt in the rest of the public sector and placed the debt at $0.4 billion or 11.4 percent of GDP. The inclusion of the Petro Caribe debt with the rest of the public sector, pushes the stock of public sector debt to $2.6 billion or 80.5 percent of GDP. The definition of the public sector debt as defined in various legislation and the reporting on the public debt by the government need to be reconciled. The provision states that the debt to GDP ratio shall be maintained at 55 percent. The use of the term “shall” implies that this is an obligation, but no timeframe for attaining the target is provided for in the FRA. Also, the policy actions legislated for attaining this target are ambiguous and inconsistent.	Comprehensive reporting on the total public sector debt, inclusive of Central Government and government guaranteed debt and the debt of statutory bodies and state-owned enterprises, as required by the FRA. The targeted debt to GDP ratio should be re-examined.

Section	Rationale for Amendment	Recommended Amendment
(2) The Minister shall ensure that contingent liabilities arising from, as a result of, or in connection with public private partnerships shall not exceed five percent of GDP.	Clarity of the definition of Public-Private Partnerships.	Clear definition of Public Private Partnership.
(3) Where the ratio of public debt to GDP for the preceding year reaches fifty-five percent, the Minister shall take appropriate steps to ensure that– (a) the targeted primary balance shall be a minimum of three point five percent of GDP; ***(b) upon achievement of the target specified in paragraph (a), the target shall be maintained over the medium term by ensuring compliance with the expenditure growth rule established in section 7 (1) (a);*** ***(c) as a transitional arrangement, the targeted primary balance shall be at a minimum one point three percent of GDP in the fiscal year ending in December 2015;*** ***(d) a notional compensatory primary balance shall be calculated to reflect the cumulated difference between the actual primary balance and the target primary balance realised in any fiscal year from the first full fiscal year after commencement of this Act;*** ***(e) if at any time the notional compensatory balance shows a value greater than three percent of gross domestic product, revenue and/or expenditure corrective policies will be introduced to reduce the notional compensatory primary balance to zero over a period of***	As previously stated, these provisions are ambiguous and inconsistent and need to be revised. The provisions are not easy to implement nor to monitor due to their ambiguities and complexities. In the revision, consideration should be given to develop, simplified rules and targets such as legislating a target for the overall balance which determines the growth of the public debt which ultimately affects debt sustainability. On achievement of the targeted debt to GDP ratio, an overall balance should be maintained that keeps the debt at or below the targeted debt to GDP ratio. While the primary balance provides an indicator of the government's ability to service the public debt, it is the overall balance that affects the sustainability of the government debt.	Repeal, reform and simplify. A target related to the overall fiscal balance should be introduced.

Section	Rationale for Amendment	Recommended Amendment
three fiscal years to achieve compliance with the target, with at least one third of the adjustment in the first year; ***(f) where the programme established under the Citizenship by Investment Act, 2013 is in effect–*** ***(i) forty percent of the monthly inflows into the National Transformation Fund shall be saved for general budget financing purposes, including contingency spending, natural disasters and debt reduction;*** ***(ii) at the end of every month, the inflow under subparagraph (i) shall be transferred from the National Transformation Fund account to the Consolidated Fund; and*** ***(iii) upon achievement of the debt levels pursuant to subsections (1) and (2), the total sum of receipts from the programme, which are used for meeting the primary balance targets shall not exceed the equivalent of one point five percent of GDP.***		
(4) Upon achievement of the debt levels pursuant to subsections (1) and (2), the Minister shall take appropriate steps to maintain, in compliance with the expenditure growth rule established in section 7 (1) (a), a debt-stabilising primary balance of one percent of GDP which shall be computed in accordance with the First Schedule.	See previous rationale relating to the simplification of the FRA.	
(5) If in a fiscal year the debt level exceeds sixty percent of GDP, the Minister shall undertake appropriate corrective revenue and	The three years fiscal adjustment that will be required to bring the debt to GDP ratio to 55 percent within three years would be significant.	With a change in the fiscal rules and targets, this clause would have to be revised. Mechanisms should be established to ensure that the

Section	Rationale for Amendment	Recommended Amendment
expenditure measures to reduce the public debt to fifty-five percent of GDP over a period of three fiscal years, with at least one-third of the adjustment in the first year.		country is on a path to achieving the targeted debt to GDP ratio by a specified time through debt sensitivity and sustainability analysis and adjustment measures pronounced in the national budgets and the medium-term fiscal framework.
Section 9		
The following are exempted from the fiscal rules and targets established under this Part– ***(a) grants made to the Government for the financing of capital expenditures in Grenada and the associated expenditures; and*** ***(b) any capital expenditures made from or under the National Transformation Fund.***	This implies that capital expenditure financed from domestic resources and loans is not exempt from the binding expenditure rule. Capital expenditure, due to its nature, should not be subjected to a binding expenditure rule. The elimination of the expenditure rule would correct this inconsistency.	The binding expenditure rule should be eliminated. If an expenditure rule is maintained in some form, all capital expenditure should be exempt.
Section 10		
(1) The Minister may by Order suspend, for a period not exceeding one fiscal year, fiscal rules, targets and corrective measures under sections 7 and 8, where– ***(a) a natural disaster, public health epidemic, or war as a result of which a state of emergency has been declared by the Governor-General pursuant to section 17 (1) of the Constitution;*** ***(b) real GDP experiences a decline of two percent in a given fiscal year or a cumulative decline equal to or***	The Escape Cause is relevant. However, there is need for clarity on consecutive suspensions after two years. The reporting requirements accompanying the use of the Escape clause could be administratively burdensome requiring a Suspension Order and a Recovery Plan Memorandum. The Recovery Plan Memorandum entails the preparation of a mini budget at the time of a crisis. This could be administratively burdensome during a crisis. The clauses related to the Recovery Plan Memorandum should be eliminated and the necessary adjustments to adhere to the fiscal rules and targets accounted for in the presentation of the Mid-year Fiscal	Revisit the Escape Clause to give clarity and better guidance on its use to respond to shocks outside of government's control. Eliminate the need for the Recovery Plan Memorandum and stipulate that measures should be included in the next national budget and the updated medium term fiscal framework. The preparation and execution of a public sector

Section	Rationale for Amendment	Recommended Amendment
greater than three percent over two consecutive fiscal years; ***(c) the Eastern Caribbean Central Bank has certified in writing that a financial sector crisis has occurred, or is imminent, and the Minister estimates that the fiscal costs of such crisis, including the costs of any related recapitalisation of banks by the Government after all possible private sector solutions have been explored, is likely to equate or exceed four percent of GDP, if the Minister determines that implementation of the fiscal rules, targets or corrective measures would be unduly harmful to the public finances and macroeconomic or financial stability.*** ***(2) An Order made pursuant to subsection (1) shall, being accompanied by a memorandum pursuant to subsection (3), be subject to approval by Cabinet and laid before Parliament, which shall be subject to negative resolution of Parliament.*** ***(3) A memorandum accompanying a draft order under subsection (2) shall set out–*** ***(a) the manner in which implementation of the fiscal rule or target would be harmful to the public finances, macroeconomic or financial stability; and*** ***(b) the estimated levels of expenditure or wages for the period as a result of the relevant circumstances under subsection (1) and the***	Policy Review or in the next budget cycle. It is administratively demanding to prepare a Recovery Plan Memorandum, a Mid-year Fiscal Policy Review and then the national budget which requires the preparation of a Medium-term Fiscal Framework, a Medium-term Debt Management Strategy, Fiscal Risk Statement, and a Compliance Matrix.	communication strategy for any future invoking of the Escape Clause and any significant developments relating to the implementation of the act.

Section	Rationale for Amendment	Recommended Amendment
implications for the current fiscal year and the subsequent fiscal year. ***(4) Where the Minister has suspended any fiscal rule, target or corrective measure established under section 7 or 8, the Minister shall immediately prepare and lay before the Houses of Parliament for approval a recovery plan memorandum pursuant to subsection (5).*** ***(5) The recovery plan memorandum under subsection (4) shall set out the measures proposed to secure compliance with the fiscal rule, target or corrective measure at the expiration of the period for which Parliament approves the suspension of a fiscal rule, target or corrective measure established under section 7 or 8, including the size and nature of the revenue and expenditure measures.*** ***(6) Subject to subsection (7), in the fiscal year immediately following the period for which fiscal rules and targets are suspended pursuant to this section, the Minister shall implement the measures approved by Parliament under the recovery plan memorandum to ensure full compliance with the fiscal rules and targets under sections 7 and 8.*** ***(7) Where the Minister determines that resumption of the application of fiscal rules, targets or corrective measures at the expiration of the period stipulated in an Order made pursuant to subsection (1) would be unduly harmful to the public finances and macroeconomic or financial stability, the Minister may make a***		

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second Order to extend the period for which such fiscal rules and targets are suspended under this section by a period not exceeding one fiscal year. ***(8) An Order made pursuant to subsection (7) shall, being accompanied by a memorandum pursuant to subsection (3), be subject to approval by Cabinet and subject to affirmative resolution of Parliament.***		
Section 11		
(1) Upon achievement of the public debt target prescribed in section 8 (1), the debt-stabilising primary balance shall be recalibrated and every five fiscal years thereafter to ensure that the debt-stabilising primary balance is consistent with a sustainable level of public debt.	This is not needed in a simplified version of the Fiscal Responsibility Act. It places an administrative burden which is not necessary to monitor debt sustainability. A simple fiscal framework would eliminate the need for these to be incorporated in the FRA.	Simplify the FRA and eliminate the complex clause.
(2) As part of the annual budget and any supplementary budget, the Minister shall propose appropriate revenue or expenditure policies to achieve the recalibrated debt stabilising primary balance to Parliament for approval and implementation over a period of three fiscal years.	This would be reflected in the annual national budget as a Medium-Term Fiscal Framework must accompany the budget.	This may not be needed in the amended FRA.
(3) The recalibration shall account for– ***(a) the average real GDP growth rate since the fiscal year ended in December 2000 as a proxy for potential output; and***	A simplified fiscal framework would eliminate the need for this clause. It complicates implementation and monitoring. It is increased administrative demands for the technical officers in the Ministry and the members of the FROC (requiring the monitoring of inflation rate,	Simplify the fiscal framework and eliminate the administrative demanding clause.

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(b) the average real effective interest rate for the preceding five years or the real effective interest rate for the next five years, as estimated by the Division of Economic Management and Planning, whichever is higher, in accordance with the First Schedule.	the determination of the appropriate inflation rate and the monitoring of interest rates).	
(4) Where, at the time of the recalibration, the average real GDP growth rate at constant market prices since the fiscal year ended December 2000 is greater or less than two percent by more than half of a percent, the estimated real GDP growtrate used in the expenditure rule, in the wage rule, and in calculation of the debt-stabilising primary balance shall be recalibrated to reflect the expenditure and wage growth rates specified in paragraphs (a) and (b) respectively of section 7.	This should be eliminated in a simplified version of the FRA.	Simplification of the FRA.
(5) During a period of transition to the lower primary balance as a result of– ***(a) recalibration of the debt-stabilising primary balance pursuant to section 11; or*** ***(b) achievement of the public debt target specified in section 8 (1) in the preceding fiscal year for the first time since the commencement of this Act and where a lower primary balance is needed to stabilise debt at the public debt target, the Minister may adjust expenditures and revenues consistent with the new targeted primary balance in accordance with the First Schedule, with the expenditure rule***	A simplified fiscal framework would eliminate the need for this clause.	Simplification of the FRA.

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suspended during this transition and only by the amount necessary to reach the new primary balance.		
Section 12		
(1) The Minister– ***(a) shall take appropriate measures to ensure transparency in the Government's fiscal operations at every stage of the budget preparation and execution cycle, unless it is reasonably required to withhold publication of information in the interest of national security, or of financial or economic stability;*** ***(b) may request information from any legal person or legal entity and may request that any legal person or legal entity comply with any relevant provision of this Act;*** ***(c) shall prepare and submit to Parliament, along with the presentation of the annual and any supplementary budget, a statement showing the progress made towards compliance with the fiscal rules and targets under sections 7 and 8, in the relevant financial year;*** ***(d) shall, at the first sitting of every new Parliament, prepare and submit to Parliament, along with the presentation of the relevant budget and any supplementary thereof, a statement showing the progress made towards compliance with the fiscal rules and targets under sections 7 and 8; and***	This section should be reviewed, along with the other legislation, with a view to rationalising the reporting requirements to avoid duplication and reduce the administrative demands and technical requirements. It would need to be amended based on the revised simplified fiscal responsibility framework.	

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(e) shall prepare and submit to Parliament, with the annual Budget Bill, a fiscal risk statement that shall reflect all decisions by Cabinet and the Minister and circumstances that may have a material effect on the economic and fiscal outlook.		
(2) A report statement pursuant to subsection (1) (c) shall include– *(a) a review of performance over the preceding two years in comparison with the fiscal rules and targets under sections 7 and 8;* *(b) the notional compensation primary balance;* *(c) explanations for every instance of underperformance or overperformance and implications for future years; and* *(d) the manner in which the annual budget or supplementary budget laid before Parliament complies with the fiscal rules and targets, and reflects improvement required for full compliance.*		
(3) A fiscal risk statement pursuant to subsection (1) (e) shall include– *(a) the sensitivity of economic and fiscal forecasts to changes in the economic outlook and economic shocks;* *(b) the exposure of the Government to contingent liabilities, including guarantees and obligations arising from judicial proceedings in progress;*		

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(c) fiscal risks arising from the financial sector, statutory bodies, state-owned enterprises, public-private partnerships, and any other institutions; *(d) any commitment unaccounted for in the economic and fiscal forecasts; (e) any other circumstance that may have a material effect on economic and fiscal forecasts and is unaccounted for in the economic and fiscal forecasts; and* *(f) any measures implemented by Cabinet, or the Minister, to manage fiscal risks.*		
(4) The Minister may, for the purpose of fulfilling his or her responsibilities under subsection (1)– *(a) request any financial statement, data, or information associated with fiscal risks from any economic entity, any entity in the public sector or any entity receiving guarantees and loans from the Government; and* *(b) request information from any domestic or regional authority, including the Eastern Caribbean Central Bank, Eastern Caribbean Securities Exchange, the Grenada Authority for the Regulation of Financial Institutions and any other supervisory entity responsible for the supervision of financial institutions or other business undertakings, about fiscal risks associated with any entity in Grenada under supervision by the domestic or regional authority.*		

Section	Rationale for Amendment	Recommended Amendment
Section 13		
(1) The Division of Economic Management and Planning shall produce all fiscal data necessary for compliance with the provisions of this Act on a timely and regular basis as may be prescribed by the Minister pursuant to section 16. ***(2) The Statistical Office shall produce macroeconomic data that will be needed to meet the requirements of this Act on a timely and regular basis in accordance with the schedule to be specified in the Regulations to this Act.*** ***(3) Where the Statistical Office is unable to produce the macroeconomic data in a timely manner, the Minister may rely on available estimates which in the professional opinion of the Minister are most credible and accurate in the circumstances.*** ***(4) Where the Minister relies upon any estimate provided pursuant to subsection (2), the Minister shall disclose the source of the estimate in any communication or report that reflects the estimate.***	This provision was amended to indicate that the Macro Policy Unit is responsible for all data. The available data from the Macro Policy Unit may not be comprehensive to assess government's compliance with the FRA and to undertake in depth research and analysis. The FROC should be able to use data and information from other credible sources such as the IMF, World Bank, CDB, ECCB, OECS and other sources that are deemed credible.	Include the use of data and information from sources that are deemed credible such as the IMF, World Bank, CDB, ECCB, OECS and other sources.
Section 14		
1) There is hereby established the Fiscal Responsibility Oversight Committee. ***(2) The composition of the Fiscal Responsibility Oversight Committee and related matters are set out in the Second Schedule.***	The details on the composition and operation of the FROC are provided for in the schedule to the Act. There has been a decided shift towards the establishment of well- resourced independent oversight bodies to monitor compliance with fiscal responsibility frameworks and to more effective enforcement mechanisms.	Examine the operations of other oversights bodies to determine the most appropriate mode of operation for Grenada.

Section	Rationale for Amendment	Recommended Amendment
(3) The Fiscal Responsibility Oversight Committee shall– *(a) monitor compliance with the fiscal rules and targets under sections 7 and 8;* *(b) lay before the House of Representatives for consideration, an annual report on the status of implementation of this Act; and* *(c) upon request by the House of Representatives, lay before the House of Representatives an assessment report on the degree to which economic forecasts set out in the annual budget or supplementary budget, and supporting documents, comply with the provisions of this Act.* *Amendment* *Notwithstanding subsection (1) of this Act, for the purposes of the fiscal year immediately preceding the appointment of the members of the Fiscal Responsibility Oversight Committee in the first instance, an annual report pursuant to section 14 (3) (b) of the principal Act in respect of that fiscal year may be laid before Parliament, no later than three months after the Committee is duly constituted.* *(4) An annual report pursuant to subsection (3) (b) shall include–* *(a) the progress made towards compliance with the fiscal rules and targets established under sections 7 and 8 with respect to the*		

Section	Rationale for Amendment	Recommended Amendment
relevant financial year including where applicable a statement on compliance with a fiscal rule or target within the fiscal year; *(b) outcomes and implications of implementation of this Act;* *(c) advice on measures that ensure compliance in accordance with provisions of this Act;* *(d) the occurrence of circumstances leading to the activation of the automatic correction mechanism for cases of significant observed deviations from the targets included in this Act or the adjustment path towards it in accordance with section 11, and any occurrence or cessation of such circumstances;* *(e) progress made in the period of adjustment towards ensuring that compliance with fiscal rules and targets is being made in accordance with the automatic correction mechanism, and shall be laid before the House of Representatives no later than three months after the end of the fiscal year.* *(4A) Notwithstanding subsection (4), in the event of exigent circumstances and upon the request of the Fiscal Responsibility Oversight Committee, the Speaker of the House of Representatives may grant an extension of time for the annual report pursuant to subsection (3) (b) to be laid before the House of Representatives, which shall in no case exceed thirty days.*		

Section	Rationale for Amendment	Recommended Amendment
(5) The Fiscal Responsibility Oversight Committee may request any additional information or documents for the purposes of carrying out its responsibilities under this section. *(6) Where the Fiscal Responsibility Oversight Committee lays before the House of Representatives a report pursuant to paragraph (b) or (c) of subsection (3)–* *(a) the House of Representatives shall cause a copy of the report of the Fiscal Responsibility Oversight Committee to be served on the Minister within seven days of receipt of the report and cause a copy to be published in the Gazette within seven days of receipt of the report;* *(b) the Minister shall make representations in the House of Representatives in response to the contents of the report, including any areas of non-compliance referred to in the report; and* *(c) the Public Accounts Committee, the Standing Orders Committee and the Standing Committee on Finance of Parliament shall proceed to examine the report together and the representations made by the Minister, and shall make recommendations to the House of Representatives on the implementation of measures to ensure compliance with the relevant provisions of this Act.*		

Section	Rationale for Amendment	Recommended Amendment
Section 15		
(1) In furtherance of this Act, the Minister may reserve any information which, in the opinion of the Minister– ***(a) is confidential commercial information; or*** ***(b) if disclosed, could prejudice national security or defence or have a substantial adverse effect on the Grenadian economy or the Government's ability to manage the Grenadian economy.*** ***(2) A person with responsibility for or involved in management of public debt who discloses any information to any unauthorised person shall be subject to disciplinary action by the Public Service Commission including dismissal, and prosecution where appropriate, demotion, suspension, or other sanctions applicable to breach of any public financial management requirements under the Public Finance Management Act or other relevant law or administrative code of conduct.***	This clause should be consistent with other legislation.	
Section 16		
(1) The Minister may make regulations for the purpose of giving effect to the provisions of this Act. (2) Without prejudice to the generality of subsection (1), the Minister may make regulations– ***(a) relating to the methodologies and procedures for the computation of the fiscal and other ratios to be used in the***		

Section	Rationale for Amendment	Recommended Amendment
preparation of the reports required for measuring compliance with the provisions of sections 7 and 8 of this Act; ***(b) relating to the discharge of the responsibilities of accountable officers; and*** ***(c) prescribing the operational guidelines for the preparation, submission and approval of public investment projects.***		

Source: The Fiscal Responsibility Act No. 29 of 2015 and amendment by Act No. 1 of 2016; Act No. 11 of 2017 and Act No. 9 of 2019.