FROC
Fiscal Resilience Oversight Committee

STATEMENT OF COMPLIANCE

As of 31st March 2024

The conduct of fiscal policy in Grenada, as outlined in the national budget, is guided by the Fiscal Resilience Act No 11 of 2023, which replaced the repealed Fiscal Responsibility Act No. 29 of 2015 as amended. The purpose of the Fiscal Resilience Act, similar to the repealed Fiscal Responsibility Act, is outlined in Section 5, under the objects of the Act as follows:

(a) to ensure that fiscal and financial affairs of the public sector are conducted transparently and in a manner that bolsters fiscal resilience.

(b) to ensure full and timely disclosure and wide publication of all documents and decisions involving public revenues and expenditures and their implications.

(c) to ensure that public debt is reduced to, and then maintained at, a prudent and sustainable level by maintaining primary balances that are consistent with this object; and

(d) to ensure prudent management of fiscal risks.

To facilitate this, the Fiscal Resilience Act establishes a rules-based framework to guide the operations of the Central Government and that of statutory bodies and state-owned enterprises. Under the Fiscal Resilience Act, the Government is required to maintain the wage bill at less than 13 per cent of GDP and generate a minimum primary surplus of 1.5 per cent of GDP. The debt to GDP ratio of 60 per cent is targeted to be achieved by 2035.

As part of its monitoring function, the Fiscal Resilience Oversight Committee (FROC) examined the fiscal reports of the Central Government for the first quarter of 2024. Based on the monthly Fiscal Summary Report for March 2024, the primary and overall surpluses of the Central Government were higher than what was targeted for the first quarter of 2024. The Government recorded a primary surplus of $115.6M, compared with the targeted $36.7M; and an overall surplus of $104.7M, compared with the targeted $25.6M. This performance was influenced by higher than targeted revenue and lower than targeted expenditure. The FROC examined the components of expenditure that were less than targeted and noted that it included compensation to employees. The FROC, therefore, concluded that based on the data as of 31st March 2024, the Government is operating within the budgeted wage bill of 9.7 per cent of GDP and the primary surplus of 1.5 per cent of GDP, in the context of the projected economic growth of 3.6 per cent.

The FROC continues to monitor the operations of the Government for compliance with the Fiscal Resilience Act. The FROC noted that the categories of expenditure that were less than targeted during the first quarter of 2024 could accelerate during the year, and in particular, expenditure on compensation to employees, goods and services, and capital spending. The implementation of the public service regularisation programme and the usually higher capital spending after the first quarter could push expenditure upward, although remaining within the budgeted amounts. The FROC also noted the higher than targeted revenue performance and the significant contribution of the inflows from the Investment Migration Agency to the higher than targeted revenue. Importantly, in relation to debt sustainability, the Government generated adequate domestic revenue to pay interest and principal on the Central Government debt. The Fiscal Resilience Oversight Committee will continue to monitor the fiscal performance for compliance of the Government with the Fiscal Resilience Act for which the next report will be based on data as of 30th June 2024.

In relation to fiscal transparency, the FROC noted that the information provided to the public was dominated by developments in sector areas, and in particular, education, health, agriculture, infrastructure, public utilities, social services and public administration, which ultimately impact on government finances. The matters impacting on the public finances, through the direct actions of the Ministry of Finance, were pronounced in the 2024 national budget. These included, among others, the regularisation of public officers, payment of the employer portion of the social security contribution for contract workers and for the Imanis, the higher legislated minimum wage, elimination of the required payment for the school feeding programme and increased subvention to schools, granting of a constituency allowance to Parliamentarians and the increase in the salary of parliamentarians. Financial transactions related to the acquisition of assets were incorporated in the 2024 Budget Statement.

The publication of the monthly fiscal reports, which have been a regular source of information, was delayed during the quarter and the monthly fiscal reports for January, February and March were all published in May. The published reports had more comprehensive information on the Government operations, in particular, the disaggregation of the current revenue and current expenditure. In accordance with the principles of fiscal transparency, the Government is urged to maintain the timely publication of the monthly fiscal reports.

In this regard, the following recommendation of the Fiscal Resilience Oversight Committee in the 2023 Annual Report is applicable:

"The reports for which there are no legislated dates for publication could not be assessed for timeliness due to the lack of publicly available dates for the release of the reports, and the inability to discern a consistent timeline for the publication of the reports. To assess the timeliness and predictability of the reports, and to facilitate greater utilisation of the reports by the public, a release calendar or announcement of the release of the reports is necessary". (FROC 2023 Annual Report pg.103)

The Fiscal Resilience Oversight Committee is now operating with a simpler Act which removed the ambiguities and complexities that hindered effective implementation and monitoring. The Act also provides greater flexibility for the Government to manage the economy as manifested by the higher cap on the wage bill and the lower minimum primary surplus. The Government is encouraged to continue to generate primary surpluses that are above the legislated minimum primary surplus, and to keep the Act under constant review for precision and coverage as recommended in the FROC 2023 Annual Report.

Laurel Bain

Chairwoman, Fiscal Resilience Oversight Committee

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