





STATEMENT OF COMPLIANCE

As of 31st May 2025

The Context

The conduct of fiscal policy in Grenada, as outlined in the national budget, is guided by the Fiscal Resilience Act No 11 of 2023. The purpose of the Fiscal Resilience Act is outlined in Section 5, under the objects of the Act as follows:

- (a) To ensure that the 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, as well as those 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 to generate a minimum primary balance surplus of 1.5 per cent of GDP. The targeted debt-to-GDP ratio of 60 percent is set to be achieved by 2035. The Fiscal Resilience Act makes provision for the suspension of the primary balance rule and the debt target under specific circumstances.

With the passage of Hurricane Beryl on 1st July 2024, Section 9 of the Fiscal Resilience Act was activated, and the primary balance rule and the debt target were suspended for 2024. With a forecasted primary balance deficit of 5.1 per cent of GDP (\$208.6M and an overall deficit of 8.3 per cent of GDP (\$337.4M for 2025, the suspension of Section 9 of the FRA was extended to 2025.

As part of its monitoring function, the Fiscal Resilience Oversight Committee (FROC), included in its programme of activities, the preparation of a ‘Statement of Compliance’ based on an examination of the fiscal reports of the Central Government for the first quarter of 2025 and the extent of the disclosure of information impacting on the public finances. With the publication of the monthly fiscal reports for January to April on 11th June 2025, the ‘Statement of Compliance’ is based on developments as of 31st May 2025 with the fiscal data as of 30th April 2025.

Compliance under the Fiscal Rules and Target

Given the suspension of the primary balance rule and the debt target for 2025, in light of the projected fiscal deficit, the FROC focused on the fiscal outturn relative to what was targeted for the first four months of 2025. The FROC noted that the primary balance deficit of \$2.6M was more favorable than the targeted \$21.8M, and the overall deficit of \$16.8M was better than the targeted \$ 36.3M, influenced primarily by the lower-than-planned expenditure for the first four months of 2025. The FROC examined the components of expenditure that were less than planned and noted that it included compensation to employees. Specifically, compensation to employees of \$109.1M was less than the \$ 136.7M that was planned for the first four months of 2025.

The FROC observed the receipt of lower than targeted current revenue during the first four months of 2025, due to the less than targeted intake from non-tax revenue. The FROC further examined the yield from the components of non-tax revenue and noted that revenue from the Investment Migration Agency (IMA), which was targeted at \$61.7M or 60 per cent of the total targeted non-tax revenue for the first four months of 2025, surpassed the target by \$7.7M to yield \$69.4M. Therefore, the shortfall of \$16M in other non-tax revenue accounted for the less than targeted receipt from non-tax revenue. Based on the information, as provided by the Ministry of Finance, the shortfall was due to less than targeted revenue from licenses and other non-tax items such as administration fees and service charges, property income and contribution and reimbursements, the FROC would continue to review the revenue yield from these sources as some of these revenue items could recover in the latter part of the year.

The FROC recognizes that a higher proportion of expenditure generally occurs during the latter part of the year. However, based on the developments during the first four months of 2025, The FROC concludes that the wage bill is likely to be within the budgeted amount of 10.1 per cent of GDP and in compliance with the 13 per cent of GDP cap on the wage bill. The primary balance rule is suspended and hence the primary balance is not assessed for compliance. However, the primary balance deficit for the first four months is significantly below the targeted. Consequently, the primary balance deficit is likely to be in line with the budget. The 60 per cent debt to GDP ratio is to be achieved by 2035. The FROC will therefore continue to monitor the public debt in relation to the ratio of 71.4 per cent of GDP for 2025 as approved by Parliament in the Medium-term Economic and Fiscal Strategy Report (2025 - 2027).

The trend in GDP is important in assessing fiscal and debt sustainability and the compliance of Government with the fiscal rules and targets. The FROC therefore examined comparative data (January to April 2025 compared with the same period in 2024) which could provide indications of the trend in economic activity.

Economic activity would have been driven mainly by developments in the construction sector as manifested by the capital expenditure of the Central Government. During the first four months of 2025, capital expenditure of the Central Government of \$132.2M

doubled the \$66.2M achieved in 2024 and surpass the target for the first four months of 2025 by \$4.4M.

Further, the FROC noted the higher revenue intake from the expenditure-related taxes, namely, taxes on goods and services of \$76.1M which was \$ 2.7M higher than the same period in 2024; and taxes on international transactions of \$156.7M, an increase of 7.5 M. In the financial system, money in circulation during the first quarter of 2025 was \$308.7M or 14.7 per cent higher than the first quarter in 2024, an indication of sustained economic growth during the first quarter of 2025. (Currency in circulation, Eastern Caribbean Central Bank website, retrieved on 12th June 2025). The indicators suggest that economic growth continued into 2025.

Compliance with other Provisions of the Fiscal Resilience Act

In relation to the monitoring of statutory bodies and state-owned enterprises, the FROC, in its 2024 Annual Report, referred to the gap in the submission of audited reports to Parliament. During the first five months of 2025, there were no submissions of audited accounts by statutory bodies and state-owned enterprises to the House of Representatives. Given the outstanding audited accounts, there is the need to improve compliance with the provisions of the legislation related to the submission of audited accounts of statutory bodies and state-owned enterprises to Parliament.

The existing compensation agreements for employees of the Government will conclude in 2025, requiring the establishment of a wage negotiating framework for the period 2026 to 2028 in accordance with the Fiscal Resilience Act.

Compliance with Fiscal Transparency

In relation to fiscal transparency, the FROC noted the continued use of social media platforms to disseminate information. The main activities during the first five months of 2025 were the presentation of the national budget to the House of Representatives on 7th March 2025, and the subsequent debate in Parliament on the national budget. This was followed by public discussions, through ‘town hall’ meetings, on programmes and projects which have implications for the public finances. The discussions in the town hall meetings included the report by the technical working group on the activities related to the assessment of Grenada’s hydrocarbon potential; Report from the technical working group which was established to assist the government with the creation of a Public-Private Partnership for the management of the Marketing and National Importing Board; Report Under Project Polaris for the construction of a teaching hospital; and reports on programmes and projects in Carriacou (Windward Fishing Market, the medical facilities, schools and road development and maintenance) for Carriacou and Petit Martinique. The pursuit of public discussions on programmes and projects that have a significant impact on the public finances strengthens fiscal transparency.

The monthly Fiscal Summary Report, although not legislated, provides comprehensive information on the public finances. The reports for each of the months, January to April, were all published on 11th June 2025, resulting in gaps in the publication of these reports, which is a regular source of comprehensive information on the public finances. In support of the principles of fiscal transparency, there is the need for the timely publication of the monthly fiscal reports.

Conclusion

With the passage of Hurricane Beryl on 1st July 2024, Section 9 of the Fiscal Resilience Act was activated, and the primary balance rule and the debt target were suspended for 2024; and with a forecasted primary balance deficit for 2025, the suspension was extended to 2025. Based on the fiscal performance for the first four months of 2025, the wage bill is expected to be within the budget and below the cap established in the Fiscal Resilience Act. The primary balance rule is

suspended. However, the primary balance for the first four months was more favourable than targeted and is likely to be in line with the budget.

The statutory bodies and state-owned enterprises, with outstanding audited accounts, need to submit the audited accounts for onward transmission to Parliament.

The challenges with the publication of the monthly Fiscal Summary Report should be addressed, and these reports should be published as a regular and timely source of information on the public finances. The continued sharing of information on social platforms and through consultations and town hall meetings would support fiscal transparency.

In accordance with the Fiscal Resilience Act, the FROC would continue to monitor the compliance of the Government with the provisions of the Act. The annual report on the compliance of the Government with the Fiscal Resilience Act during 2025 is legislated to be submitted to the House of Representatives by 31st March 2026.



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