

2024 *Fiscal Resilience (Suspension of the Public Debt
Target and Primary Balance Rule) Order* SRO. 25

GRENADA

STATUTORY RULES AND ORDERS NO. 25 OF 2024

WHEREAS SECTION 9(1) OF THE FISCAL RESILIENCE ACT, No. 11 OF 2023 (THE “ACT”) PROVIDES THAT THE MINISTER MAY, SUBJECT TO NEGATIVE RESOLUTION, SUSPEND THE PUBLIC DEBT TARGET AND PRIMARY BALANCE RULE UNDER SECTION 8 OF THE ACT, AT ANY TIME DURING A FISCAL YEAR WHERE ANY ONE OR MORE OF THE EVENTS SPECIFIED IN SECTION 9(1)(A)(B) OR (C) OCCURS, IF THE MINISTER DETERMINES THAT IMPLEMENTATION OF THE PUBLIC DEBT TARGET AND PRIMARY BALANCE RULE IN THE FISCAL YEAR WOULD BE UNDULY HARMFUL TO THE PUBLIC FINANCES AND MACROECONOMIC OR FINANCIAL STABILITY;

AND WHEREAS ON THE 1ST DAY OF JULY 2024, HURRICANE BERYL DEVASTATED PARTS OF THE STATE OF GRENADA;

AND WHEREAS ON THE 1ST DAY OF JULY 2024, THE PRIME MINISTER DECLARED A DISASTER BY STATUTORY RULES AND ORDER No. 21 OF 2024 MADE PURSUANT TO SECTION 55(1) OF THE DISASTER MANAGEMENT ACT, No. 2 OF 2023;

AND WHEREAS THAT DECLARATION CONSTITUTES A MAJOR ECONOMIC SHOCK WITHIN THE MEANING OF SECTION 9(1) OF THE ACT;

AND WHEREAS IT IS PRUDENT THAT THE MINISTER EXERCISE HIS POWER UNDER SECTION 9(1) TO SUSPEND BY ORDER THE PUBLIC DEBT TARGET AND PRIMARY BALANCE RULE UNDER SECTION 8 OF THE ACT;

AND WHEREAS THE ORDER IS ACCOMPANIED BY THE MEMORANDUM REQUIRED PURSUANT TO SECTION 9(2) OF THE ACT;

NOW THEREFORE THE MINISTER IN EXERCISE OF THE POWERS CONFERRED ON HIM PURSUANT TO SECTION 9(1) OF THE FISCAL RESILIENCE ACT, No. 11 OF 2023 HEREBY MAKES THE FOLLOWING ORDER—

(Gazetted 9th September, 2024).

1. Citation. This Order maybe cited as the

FISCAL RESILIENCE (SUSPENSION OF THE PUBLIC DEBT TARGET
AND PRIMARY BALANCE RULE) ORDER, 2024.

2. Definition. In this Order “Act” means the Fiscal Resilience Act, No. 11 of 2023.

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3. Suspension of requirements under section 8 of the Act. The requirements referred to in section 8 of the Act are hereby suspended for the fiscal year ending on the 31st day of December 2024.

Made by the Minister this 6th day of September, 2024.

DENNIS CORNWALL
Minister responsible for Finance.

GRENADA

Suspension Order Memorandum



September 2024

1.0 Introduction

This Memorandum is prepared in accordance with Section 9(2) of the Fiscal Resilience Act (FRA) 2023, to activate the suspension of fiscal rules and targets under Section 8 of the FRA for the fiscal year 2024. The conditions outlined in Section 9(1)(ii) have been satisfied, justifying the invocation of the Suspension Clause. Specifically, the occurrence of a natural disaster, as declared by a national, regional, or international agency, or any other disaster under Section 55 of the Disaster Management Act, 2023, necessitates the suspension of these fiscal rules and targets if their application is deemed harmful to the economy.

2.0 Macroeconomic and Fiscal Context

On July 1, 2024, Hurricane Beryl swept through the southern Caribbean, causing widespread devastation to northern mainland Grenada and the sister isles of Carriacou and Petite Martinique. This natural disaster led to significant declines in key sectors, with the agricultural sector particularly hard hit due to the destruction of crops, livestock, and farmlands. Many citizens also faced the loss of homes and economic livelihoods. In response, the Government swiftly implemented targeted policy measures, primarily focusing on increased spending aimed at restoring livelihoods and rebuilding critical infrastructure.

As a result, the fiscal outlook for 2024 reflects a substantial deterioration, driven by the necessity for significant post-hurricane expenditure. This increased spending, though essential for recovery efforts, has led to a severe worsening of both the overall and primary fiscal balances.

The medium-term fiscal outlook remains uncertain, with risks tilted to the downside. These risks include ongoing global challenges such as geopolitical tensions, slow recovery in key markets, high inflation, fiscal tightening in advanced economies, and stricter immigration regulations, which threaten vital revenue streams like the Citizenship by Investment Programme. Additionally, Grenada's inherent vulnerability to climate-related disasters compounds these macro-fiscal risks.

Table 1 outlines baseline fiscal projections for 2024-2026, suggesting some improvement by 2026, contingent on two key assumptions: (i) sustained GDP growth, driven by strong performance in tourism, construction and retail sectors, and (ii) the implementation of deliberate measures to control discretionary spending and improve expenditure prioritization, in line with efforts to restore compliance with fiscal rules and safeguard medium-term fiscal and debt sustainability.

Table 2 indicates that one of the two fiscal rules (the primary balance rule) is projected to be breached in 2024. Despite this, the public sector debt-to-GDP ratio is expected to continue on its downward trajectory, reaching the 60% target by 2035. The breach is directly attributed to the economic impact of Hurricane Beryl, which significantly disrupted key macroeconomic variables such as GDP, government revenue, and expenditure. Given these extraordinary circumstances, the activation of the suspension clause is warranted to facilitate necessary recovery efforts.

Table 1: Grenada Medium-Term Projections


In millions of Eastern Caribbean Dollars, unless stated otherwise						
	2024		2025		2026	
	Projected	% GDP	Projected	% GDP	Projected	% GDP
Total Revenue & Grants	1,404.1	37.0%	1246.1	30.8%	1,301.2	30.1%
Total Revenue	1,331.4	35.0%	1,163.0	28.8%	1,218.9	28.2%
Tax Revenue	864.8	22.8%	878.4	21.7%	938.5	21.7%
Non - Tax Revenue	466.6	12.3%	284.6	7.0%	280.3	6.5%
Grants	72.7	1.9%	83.1	2.1%	82.7	1.9%
Total Expenditure	1,548.2	40.7%	1,536.8	38.0%	1,274.2	29.5%
Primary Expenditure	1492.5	39.3%	1,480.2	36.6%	1,222.8	28.3%
Current Expenditure	940.3	24.7%	890.0	22.0%	894.3	20.7%
Employee compensation	346.8	9.1%	350.7	8.7%	354.3	8.2%
wages, salaries & allowances	0.0	0.0%	-	0.0%	-	0.0%
Social Contribution to employees	17.9	0.5%	350.7	8.7%	354.3	8.2%
Goods and Services	195.5	5.1%	197.6	4.9%	199.6	4.6%
Interest Payments	55.7	1.5%	56.6	1.4%	51.5	1.2%
Transfers	247.6	6.5%	253.2	6.3%	255.8	5.9%
IMA Expenses	64.6	1.7%	31.8	0.8%	33.1	0.8%
Capital Expenditure	608.0	16.0%	646.8	16.0%	379.9	8.8%
o/w: Grant financed	78.1	2.1%	83.1	2.1%	82.7	1.9%
Overall balance	-144.0	-3.8%	-290.8	-7.2%	27.3	0.6%
Primary balance (excluding grants)	-161.0	-4.2%	(317.2)	-7.8%	(3.9)	-0.1%
Primary balance (including grants)	-88.4	-2.3%	(234.1)	-5.8%	78.8	1.8%
Memo Item						
GDP (Nominal market Prices)		3,799.6		4,042.4		4,319.1

Table 2: Compliance Matrix

<i>Fiscal Variable</i>	<i>Fiscal Rules</i>	<i>2024 Projected</i>	<i>Compliance</i>	<i>2025 Projected</i>	<i>Compliance</i>	<i>2026 Projected</i>	<i>Compliance</i>
Primary Balance, After Grants (percent of GDP)	1.5% (not less than)	-2.3%	No	-5.8%	No	1.8%	Yes
Wage Bill (percent of GDP)	13.0% (not exceeding)	9.1%	Yes	8.7%	Yes	8.2%	Yes
Public Sector Debt (percent of GDP)	60.0% by 2035	70.9%	On target	68.9%	On target	67.0%	On target

Source: Ministry of Finance

3.0 Suspension of Fiscal Rules and Targets for the Fiscal Year 2024

Section 9 (1) of the FRA, which focuses on the Suspension Clause states, *The Minister may, by Order subject to negative resolution, suspend the public debt target and primary balance rule under section 8 at any time during a fiscal year where any of the following occurs— (a) a major economic shock resulting from— (i) a global economic recession or crisis as declared by the International Monetary Fund; or (ii) a disaster arising from a natural hazard as declared by an authorised national, regional or international agency, or any other disaster declared pursuant to section 55 of the Disaster Management Act, 2023; or (iii) a public health epidemic, as declared by an authorised national, regional or international agency; or (iv) war, or any other event whether national, regional or international resulting in the declaration of a state of emergency by the Governor-General pursuant to section 17 (1) of the Constitution; (b) a cumulative decline in real GDP equal to or greater than three percent over the two consecutive preceding 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 State of Grenada after all possible private sector solutions have been explored, is likely to equate or exceed four percent of nominal GDP, if the Minister determines that implementation of the public debt target and primary balance rule in the fiscal year would be unduly harmful to the public finances and macroeconomic or financial stability*

Hurricane Beryl struck the state of Grenada, causing widespread devastation across the northern mainland and the sister isles of Carriacou and Petite Martinique. On July 5, 2024, in accordance with Section 55(1) of the Disaster Management Act, No. 2 of 2023, the Prime Minister declared that a disaster had occurred in the state of Grenada, particularly affecting the parish of St. Patrick and the islands of Carriacou and Petite Martinique, via Statutory Rules and Order No. 21 of 2024. These events collectively satisfy the criteria of a major economic shock as defined under Section 9(1) of the Fiscal Resilience Act (FRA).

Given the substantial resources required to restore economic and social stability in the aftermath of Hurricane Beryl, enforcing the fiscal rules and targets set out in Section 8 of the FRA would place undue strain on public finances and the broader macroeconomy. Therefore, it is necessary to suspend these fiscal rules and targets for the fiscal year 2024, in accordance with Section 9 of the FRA, to enable the Government to implement fiscal measures critical for supporting the ongoing economic recovery.