



GRENADA

2025 ARTICLE IV CONSULTATION—PRESS RELEASE AND STAFF REPORT

January 2026

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Grenada, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on October 29, 2025, with the officials of Grenada on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 17, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.



IMF Executive Board Concludes 2025 Article IV Consultation with Grenada

FOR IMMEDIATE RELEASE

Washington, DC – January 21, 2026: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV Consultation with Grenada¹, and considered and endorsed the staff appraisal without a meeting.²

Grenada's economy has proven resilient in the aftermath of Hurricane Beryl, despite elevated global uncertainties. Growth in 2025 is estimated to have accelerated to 4.4 percent, driven by strong investment and construction activity. Inflation has continued to moderate, reflecting easing global food and fuel prices. The fiscal position remains comfortable notwithstanding a temporary suspension of fiscal rules and an estimated 2025 primary deficit of 3.2 percent of GDP. Effectiveness of Grenada's post-disaster financing framework and prudent savings of recent citizenship-by-investment (CBI) revenues have provided space for continued investment in key development priorities. The financial sector remains stable, with a modest post-hurricane impact.

Over the medium term, GDP growth is projected to gradually moderate to a more modest estimated potential rate of 2.7 percent by 2029 even as large public investment projects sustain high construction activity. Anticipated return to the 1.5 percent of GDP central government primary balance floor from 2027 would support keeping public debt on a sustainable trajectory, with the 60 percent of GDP target projected to be achieved by 2033. Key downside risks stem from Grenada's high susceptibility to shocks associated with its tourism and import dependency as well as vulnerability to natural disasters. Faster-than-projected tourism resort developments represent the main upside risk.

Executive Board Assessment

In concluding the 2025 Article IV consultation with Grenada, Executive Directors endorsed staff's appraisal, as follows:

Grenada's economy continues to navigate elevated global uncertainties effectively in the aftermath of Hurricane Beryl. Economic activity remains robust, with strong investment and construction more than offsetting a moderation in tourism inflows. Major public infrastructure projects will sustain buoyant construction over the medium-term, extending the gradual

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

moderation in overall growth toward its long-term potential. Current low inflation is expected to gradually normalize by 2028. Grenada's external position in 2024 is assessed as weaker than the level implied by medium-term fundamentals and desirable policies and the large current account deficit will remain elevated over the medium-term until construction import pressures subside. Notwithstanding near-term fiscal deficits amid reconstruction and other priority spending, the underlying fiscal position remains sound.

Downside risks to the outlook persist amid heightened global economic and geopolitical uncertainties. These stem from Grenada's high vulnerability to natural disasters and reliance on tourism and imports, even as moderate shocks to key tourism source countries or global commodity and shipping prices are assessed to have only modest impact. Risks could be amplified by disruptions to CBI and FDI inflows, materialization of risks in the domestic non-bank financial system or delays, or cost overruns in large investment projects. Faster-than-expected expansion in tourism capacity represents a key upside risk. A robust disaster resilience framework and government deposits provide important buffers against shocks.

The temporary suspension of the primary balance rule provided fiscal space for post-disaster reconstruction without disrupting other priority spending. Returning to the fiscal rules in 2027 is important to safeguard fiscal discipline and keep debt on a sustainable path. Continued expenditure prudence alongside revenue-enhancing measures would help preserve budget space for development priority investments.

The perimeter of the primary balance rule could be better aligned with the general government debt anchor. Capturing government off-budget and public on-lending-financed investments would help ensure the rule effectively restrains debt-creating spending. In the interim, such investments should be included in central government budget planning and adhere to equivalent reporting and auditing standards. Recent progress in strengthening SOE and statutory body oversight should continue with a view to eventually integrating these into the Medium-Term Fiscal Framework.

While the ambitious public investment projects address important development needs, the associated fiscal risks require careful management. This includes continuing recent strengthening of project management to minimize delays or cost overruns, and a careful assessment of future operating and maintenance costs to avoid unfunded liabilities. Plans to catalyze private investment, including around Project Polaris, underscore the need to operationalize the PPP framework. Strengthening management of CBI resources, continuing improvements to MTFF projections and clearing the backlog of audited government statements remain also important.

Accelerating system-wide credit growth and non-bank vulnerabilities call for careful monitoring. Higher bank lending reflects a still-nascent reversal from long-subdued credit conditions, supported by ample liquidity and relatively strong asset quality in the region. While credit unions show some encouraging asset quality improvements, ensuring loan loss provisions are sufficient and stepping up forbearance monitoring remain critical to safeguard against risks. Enhancing monitoring of reinsurance conditions and local market pricing in the general insurance sector remains important. The authorities are encouraged to maintain recent momentum in strengthening the AML/CFT framework.

The limited potential growth impact from Grenada's FDI-driven tourism expansion highlights the need to strengthen the domestic foundations of growth. This includes more closely coordinated efforts to facilitate local investment and business development, enhancing locally offered tourism services and intersectoral linkages, reducing goods trade frictions, and strengthening the economy's human capital and productivity underpinnings. Infrastructure project decisions should continue to pay close attention to disaster resilience in alignment with the updated National Adaptation plan.

Improving quality of economic data and institutional capacity is critical to support informed policymaking. Data deficiencies contribute to uncertainty in policy analysis and economic forecasts. These include common gaps in the region in balance of payments coverage, monitoring of large investment projects, outdated CPI weights, and missing GDP expenditure data. Capacity constraints from persistent staffing shortages and turnover warrant prioritized attention in alignment with the ongoing public sector functional review and staff regularization process.

Grenada: Selected Economic and Financial Indicators, 2020–30 1/

Rank in UNDP Human Development Index out of 189 countries (2023)	73	Infant mortality rate per '000 births (2021)	14.4
Life expectancy at birth in years (2021)	75	Adult illiteracy rate in percent (2014)	1
GDP per capita in US\$ (2023)	10,449	Poverty rate in percent of population (2019)	25
Population in millions (2023)	0.13	Unemployment rate (2025 Q2)	10.8

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
						Est.	Proj.				
Output and prices											
Real GDP	-13.8	4.7	7.3	4.5	3.3	4.4	3.2	3.0	2.9	2.7	2.7
Nominal GDP	-14.0	7.6	9.1	9.2	4.4	5.1	4.3	4.7	4.9	4.8	4.8
Consumer prices, end of period	-0.8	1.9	2.9	2.2	0.8	0.3	1.3	1.6	2.0	2.0	2.0
Consumer prices, period average	-0.7	1.2	2.6	2.7	1.1	0.7	1.1	1.6	2.0	2.0	2.0
Output gap (percent of potential GDP)	-9.6	-7.4	-3.1	-1.4	-1.4	0.0	-0.1	0.0	0.0	0.0	0.0
Real effective exchange rate (+: appreciation)	-0.6	-2.9	-1.2	-1.9	-2.1	...	...	...	...	...	...
Central government balances (accrual)											
Revenue and Grants	28.1	31.6	32.9	36.6	43.8	32.1	30.9	30.5	30.6	30.4	30.4
Taxes	22.1	20.6	21.6	23.5	23.6	23.5	23.9	23.9	23.9	23.9	23.9
Non-tax revenue 1/	2.4	3.4	4.5	12.6	19.6	6.8	6.1	6.0	5.9	5.7	5.7
Grants 1/	3.7	7.6	6.8	0.5	0.5	1.8	0.9	0.5	0.7	0.7	0.7
Expenditure	32.7	31.3	32.0	28.7	37.1	39.2	36.2	30.5	30.5	30.4	30.1
Current primary expenditure	21.1	20.9	20.1	18.0	21.8	22.2	21.9	21.5	21.4	21.4	21.5
Interest payments	2.0	1.8	1.6	1.5	3.3	3.9	1.8	1.5	1.5	1.5	1.2
Capital expenditure	9.6	8.6	10.3	9.2	12.0	13.1	12.6	7.4	7.6	7.5	7.4
Primary balance	-2.6	2.1	2.6	9.4	10.0	-3.2	-3.5	1.5	1.5	1.5	1.5
Overall balance	-4.5	0.3	0.9	7.9	6.7	-7.1	-5.3	0.0	0.0	0.0	0.3
Central government debt (incl. guaranteed)	71.4	70.0	63.2	60.0	58.7	54.9	52.8	54.2	55.2	56.0	56.1
Domestic	16.2	15.3	12.8	11.2	10.3	9.9	9.5	9.3	9.1	9.0	8.4
External	55.2	54.7	50.3	48.8	48.4	45.0	43.3	44.9	46.1	47.0	47.7
Public debt (incl. debt of SOEs and SBs)	89.5	86.6	79.3	74.5	72.7	68.3	65.8	66.8	67.4	67.8	67.5
Money and credit, end of period (annual percent change)											
Broad money (M2)	9.1	8.5	9.9	1.4	8.4	5.1	4.3	4.7	4.9	4.8	4.7
Credit to private sector	3.1	3.8	2.1	3.8	10.4	8.4	-5.3	5.4	5.4	5.2	5.1
Balance of payments											
Current account balance, o/w:	-16.1	-14.4	-12.1	-20.3	-21.1	-17.5	-16.3	-14.9	-14.4	-14.2	-14.0
Exports of goods and services	41.1	47.9	57.7	62.0	58.9	59.3	61.0	62.5	62.9	62.9	62.7
Imports of goods and services	52.2	55.4	64.1	69.2	70.1	67.2	67.2	67.4	67.4	67.3	66.9
Capital account balance	7.5	5.0	3.9	9.5	18.0	4.2	3.0	2.6	2.7	2.6	2.6
Financial account balance	-7.2	-10.4	-7.2	-14.1	-1.7	-13.2	-13.3	-12.3	-11.7	-11.6	-11.4
Errors and omissions	1.4	-1.0	1.0	-4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External debt (gross)	92.5	94.9	93.2	89.0	83.8	79.0	76.6	77.6	77.8	77.7	77.5
Savings-Investment balance	-16.1	-14.4	-12.1	-20.3	-20.8	-17.5	-16.3	-14.9	-14.4	-14.2	-14.0
Savings	16.3	15.7	17.8	12.6	10.4	15.6	16.2	12.3	12.4	12.3	12.2
Investment	32.4	30.1	29.9	32.8	31.2	33.0	32.5	27.2	26.8	26.5	26.2
<i>Memorandum items:</i>											
Nominal GDP (millions of EC\$)	2,817	3,030	3,305	3,608	3,768	3,961	4,133	4,327	4,541	4,759	4,987
Citizenship-by-Investment (CBI) inflows (percent of GDP)	9.0	9.3	10.9	31.3	29.6	10.2	7.8	7.7	7.4	7.1	7.0
Government CBI revenue (Percent of GDP)	3.6	4.0	4.1	12.7	14.7	4.4	3.5	3.5	3.3	3.2	3.2
Government deposits (Percent of GDP)	9.8	12.7	9.4	17.1	24.6	15.4	8.6	8.2	7.8	7.5	7.1
Net imputed international reserves											
Months of imports of goods and services	5.6	5.0	4.6	4.8	5.0	4.6	4.2	4.1	4.0	4.0	3.9

Sources: Country authorities; ECCB; United Nations, Human Development Report; World Bank WDI; and IMF staff estimates and projections.

1/ Investor donations to the National Transformation Fund (NTF) under the Citizenship-by-Investment (CBI) program that were used to finance public investment projects are recorded under grants until 2022 and subsequently under non-tax revenue starting from 2023.



GRENADA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

December 17, 2025

KEY ISSUES

Context. Grenada's economy continues to navigate elevated global uncertainties well in the aftermath of damages caused by the 2024 Hurricane Beryl. The resilience of the tourism sector, ongoing reconstruction and, increasingly, other development priority investments helped sustain robust GDP growth. Despite significant public expenditure outlays and the extended primary balance rule suspension, the Government's fiscal position remains comfortable on the back of substantial savings from the now-normalized Citizenship-by-Investment (CBI) revenues and post-disaster contingent financing receipts. Inflation remains moderate while large FDI inflows continue to finance high current account deficits. The financial system remains stable with only a modest post-disaster impact.

Outlook and risks. Continued reconstruction and planned public investments are projected to boost real GDP growth from 2025 before gradually reverting to historical potential over the medium term. The associated waning of import pressures is also projected to narrow the high current account deficit. Notwithstanding increasing Government investments and near-term fiscal deficits, public debt remains on track to meet the regional debt target by 2033. Downside risks to the outlook stem primarily from high tourism and import dependency, CBI inflow uncertainty and perpetual susceptibility to natural disasters, although the immediate spillovers from the currently elevated global uncertainties are assessed as modest. The authorities' disaster resilience framework and large fiscal buffers provide policy space to manage the risk of more pronounced external shocks.

Policy priorities. The planned large public investment outlays should be carefully managed in alignment with Grenada's public debt reduction objectives. This can be supported by additional policy space from continued efforts to strengthen revenue and prioritize expenditure, as well as further steps to improve public investment and financial management. Risks in the non-bank financial system warrant enhanced data collection and supervisory scrutiny. The long-term growth impact of Grenada's FDI-driven tourism expansion has been muted, highlighting the need to bolster the domestic foundations of growth. This includes facilitating domestic investment, fostering local tourism services and intersectoral linkages, reducing trade frictions and strengthening human capital, productivity and resilience. Improving economic statistics is critical to support evidence-based policymaking.

Approved By
Ashvin Ahuja (WHD)
and Jarkko Turunen
(SPR)

Discussions took place in St. George during October 20-29, 2025. A follow-up written consultation was conducted on December 11-12, 2025, to align the near-term fiscal outlook with the authorities' 2026 budget released after the mission. The team comprised of Janne Hukka (head), Jaebin Ahn, Peter Nagle, and Josefine Quast, supported by Yishun Cao and Brett Smith (all WHD). Ms. Wickham (OED) attended the concluding meetings. The mission held discussions with Prime Minister Mitchell, Minister of Finance Cornwall, and other senior public sector officials, as well as representatives from the private sector, labor unions and civil society. Zanna Barnard (Caribbean Development Bank), Leon Bullen (Eastern Caribbean Central Bank) and Vasilis Tsiropoulos (World Bank) joined the mission meetings.

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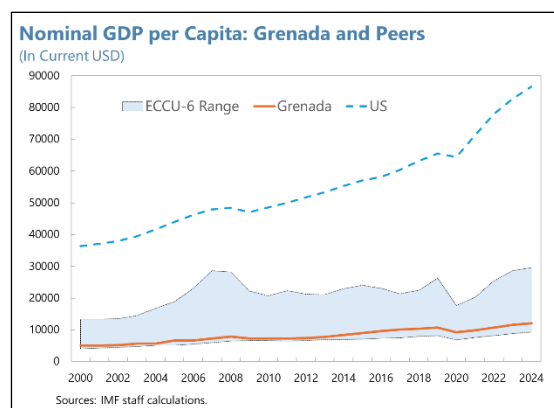
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CONTEXT

1. Grenada, a low-income small island developing state, has shown significant economic resilience amid structural challenges and recurring external shocks. This partially reflects a comparatively stronger fiscal foundation relative to many regional peers, underpinned by an early operationalization of a fiscal rules framework since 2015. The authorities have also made strides in strengthening natural disaster resilience, with the effectiveness of the post-disaster financing framework demonstrated after the 2024 Hurricane Beryl.

2. Grenada's growth model depends heavily on tourism and construction. As a highly import dependent economy, both sectors rely heavily on foreign inputs, moderating their domestic growth contribution. Similar to the rest of the region, average growth over the long run has been subdued, precluding sustained catch-up to advanced economies in per capita GDP terms. Tourism FDI has financed Grenada's persistently elevated trade deficits, while the quasi-currency board under the Eastern Caribbean Currency Union (ECCU) has long been an anchor for monetary stability.

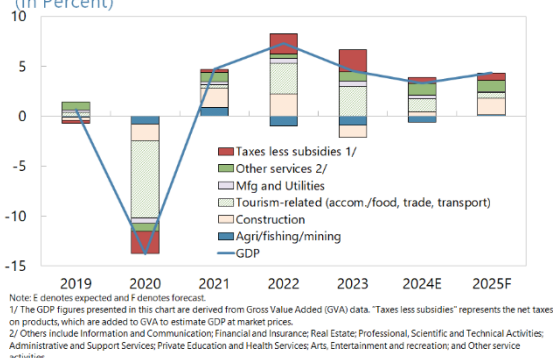


RECENT DEVELOPMENTS

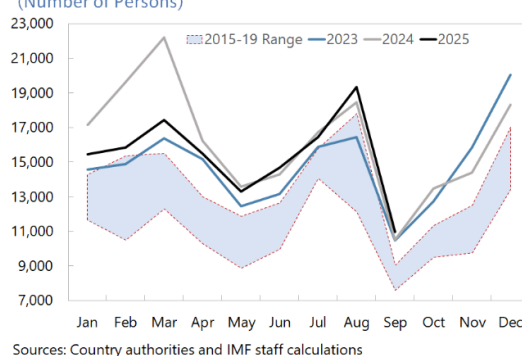
3. The economy grew by 3.3 percent in 2024 despite sizeable damages from Hurricane Beryl. This was supported by record-high tourism arrivals following an exceptionally strong 2023-24 winter season. The hurricane's impact was largely limited to agriculture and fisheries. High-frequency indicators suggest growth remained robust in the first half of 2025, driven by (re)construction and public investment even as tourism inflows moderated. Headline and core inflation have continued to moderate, reflecting trends in global food and fuel prices and their second-round effects, as well as temporary post-hurricane tax-waivers on selected essential goods and large household appliance and furnishing items through June 2025.

Grenada: Selected Economic Indicators

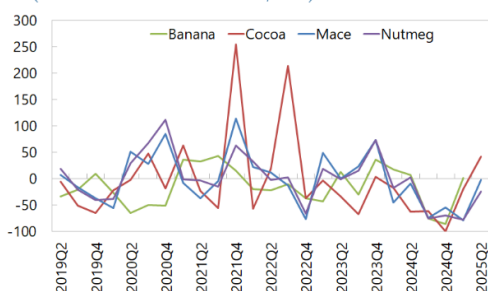
Contribution to Growth by Sector
(In Percent)



Monthly Stayover Tourist Arrivals
(Number of Persons)

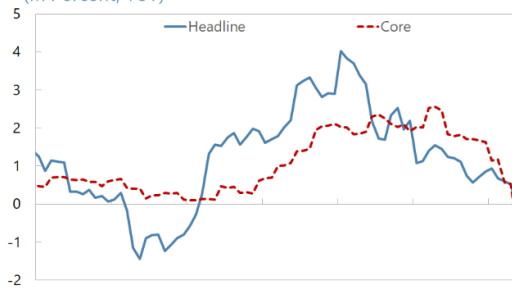


Agricultural Crop Production
(Volume Growth in Percent, YoY)



Sources: Country authorities and IMF staff calculations.

Grenada Consumer Price Index
(In Percent, YoY)



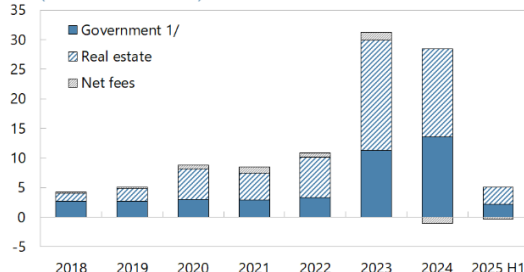
Sources: Country authorities and IMF staff calculations.

Note: The core index excludes Fuel and Food & Non-Alcoholic Beverages.

- 4. CBI inflows have normalized to historical levels following the 2022-24 demand surge and clearance of the application backlog.** Building on the recent common minimum pricing scheme and strengthened investor screening, the ECCU is enacting a common legislation to establish a new regional CBI regulator. The Eastern Caribbean Citizenship by Investment Regulatory Authority (ECCIRA) will have powers to set and enforce uniform standards for the regional CBI programs and licensed agents.

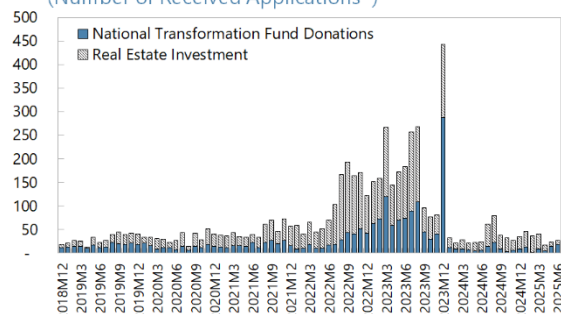
Grenada: CBI Developments

CBI Investment 2018-2025
(In Percent of GDP)



1/ Donations to National Transformation Fund and Government Contributions
Sources: Country authorities and IMF staff calculations.

CBI Program Demand 2018-2025Q2
(Number of Received Applications ^{1/})

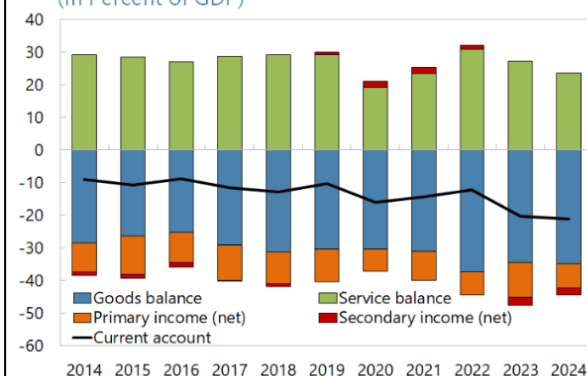


Sources: Country Authorities and IMF staff calculations.

1/ Submitted applications are recorded as received with some delay after completion of initial due diligence processes

5. The current account deficit widened to estimated 21.1 percent of GDP in 2024.¹ A continued deterioration in the service trade balance, due to commission payments associated with the 2023-24 CBI surge, more than offset an improvement in the income balance. Goods trade balance on aggregate remained broadly unchanged, notwithstanding the post-hurricane increase in food and reconstruction imports and disruptions to agriculture and fishery exports. The deficit was financed by FDI, (CBI) capital transfers, and post-Beryl financing inflows. Grenada's external position is weaker than the level implied by medium-term fundamentals and desirable policies (Annex II).

Current Account Balance
(In Percent of GDP)



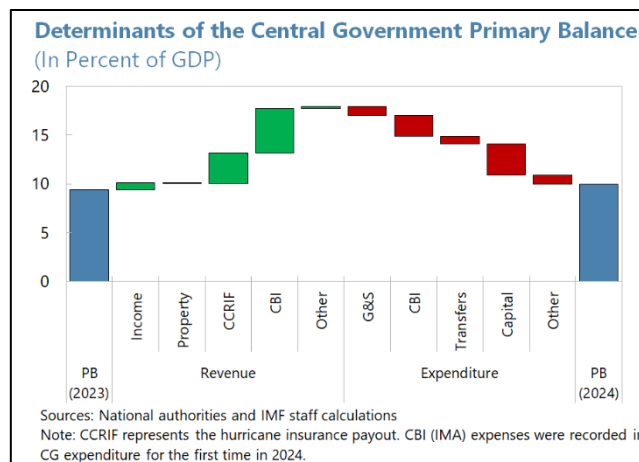
Source: ECCB, country authorities and IMF Staff calculations.

¹ The estimate is based on preliminary information ahead of release of actual 2024 balance of payments data in early 2026. Data released in 2025 revised up the 2023 current account deficit by nearly 10 percentage points and preliminary information points to a further potential revision to around 20 percent of GDP. The sizeable revisions reflect primarily inclusion of estimates of agent commission outflows associated with the high CBI inflows in the 2023-24 period, weaker than previously estimated tourism receipts and incorporation of new survey information on scholarship and other service outflows from the St. George's University.

6. The primary fiscal surplus improved to 10 percent of GDP in 2024

notwithstanding the temporary suspension of the 1.5 percent of GDP primary balance rule.

A surge in CBI revenue and the payout of disaster insurance policies more than offset the impact of immediate recovery and reconstruction spending (Box 1). Government deposits rose to 24.6 percent of GDP by end-2024, and public debt fell to 72.5 percent of GDP. Over 2025, budget deficits from higher reconstruction and other capital expenditure, amidst reduction of non-tax (CBI) revenue to historical levels, have eroded government deposits to 21.7 percent of GDP by end-September.



Box 1. Grenada's Financial Resilience Framework in the Context of Hurricane Beryl

Hurricane Beryl made landfall as Category 4 storm on the Grenadian islands of Carriacou and Petite Martinique on July 1, 2024. The [Post Disaster Needs Assessment](#) estimated the total loss and damages at 17 percent of GDP (US\$220m), primarily arising from housing (74 percent) and agriculture (11 percent).

The speedy mobilization of post-disaster financing demonstrated the effectiveness of Grenada's multi-layered financial resilience framework. A historically large parametric insurance payment from the Caribbean Catastrophe Risk Insurance Facility (CCRIF) provided near-immediate post-disaster liquidity support. Grenada also utilized a Catastrophe Drawdown Option from the World Bank and deferred two near-term international commercial bond payments under a disaster clause – the first time such a clause has been invoked. The availability of external financing allowed for continued accumulation of the dedicated domestic contingency fund (1.6 percent of GDP at end-September 2025) against future shocks.

The funds enabled a swift support and recovery response, with reconstruction spending expected to continue into 2026. Through July 2025, recorded support measures totaled about 4½ percent of GDP. Based on the authorities' estimates, this total is expected to increase to about 6 percent of GDP by end-2025, driven by further reconstruction spending.

Grenada: Summary of Triggered Disaster-Contingent Instruments			
Instrument	US\$ millions	Percent of GDP (2024)	
Parametric insurance			
Caribbean Catastrophe Risk Insurance Facility (CCRIF)	55.5	4.0	4.0
Central government	44	3.2	3.2
State-owned water and electricity companies	11.5	0.8	0.8
Contingent debt instruments			
World Bank Catastrophe Drawdown Option	20	1.4	1.4
Disaster clause in restructured international bonds 1/	12	0.8	0.8
Source: IMF staff calculations			
1/ The bond's two scheduled payments due on November 2024 and May 2025 have been deferred and added to the bond's lump sum "principal" payments due pro rata at the bond's maturity in 2030.			

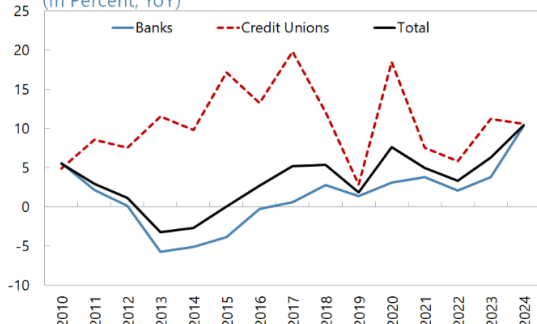
Grenada: Post-Beryl Government Support (percent of GDP)		
	2024	2025 (Jan-Jul)
Tax relief	0.2	0.1
Goods and services	0.4	0.0
Transfers	1.2	0.0
Capital expenditure	1.5	1.3
Total	3.2	1.3
Source: Country authorities and IMF staff calculations		

7. Financial sector conditions remained stable. Bank credit growth picked up in 2024 (10.4 percent yoy) from a modest base following long-sluggish growth. This was spurred particularly by real estate and construction lending. Bank asset quality remains strong with modest Beryl impact. Increased foreign investment has supported earnings. Credit union lending growth remained rapid amidst elevated yet declining NPLs (6.5 percent of total loans). Anecdotally, property insurance premium pressures have eased alongside improved global reinsurance capacity in 2025 renewals. Post-Beryl uptick in claims had manageable impact on general insurers' financial performance, given broad-based underinsurance and limited locally retained liability.

Grenada: Recent Financial Sector Developments

Private Credit Growth

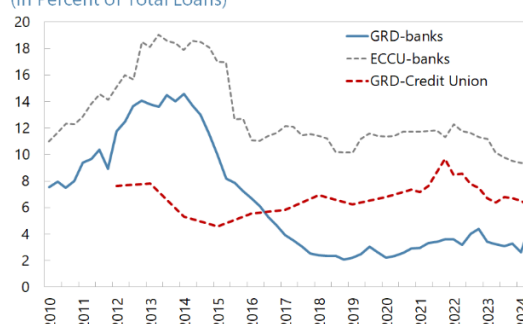
(In Percent, YoY)



Sources: Country authorities and IMF staff calculations.

Commercial Banks and Credit Unions' Nonperforming Loans

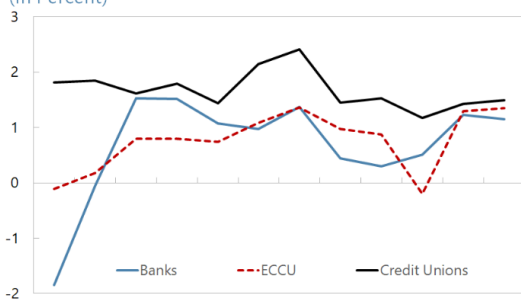
(In Percent of Total Loans)



Sources: Country authorities and IMF staff calculations.

Profitability, Return on Average Assets

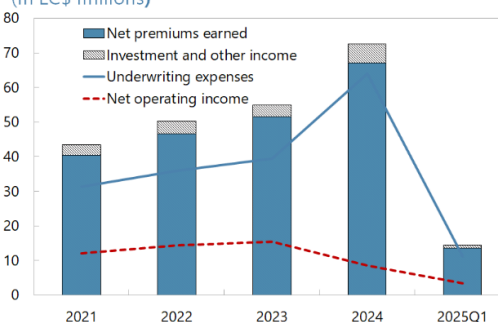
(In Percent)



Sources: Country authorities and IMF staff calculations.

General Insurance Financial Performance

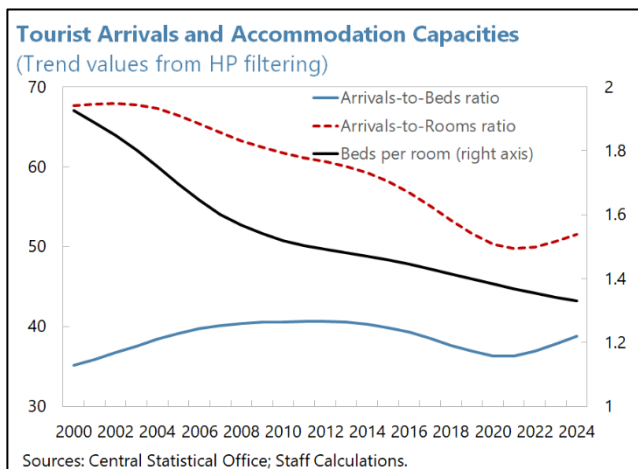
(In EC\$ millions)



Sources: Country authorities and IMF staff calculations.

OUTLOOK AND RISKS

8. Near-term growth is projected to remain robust on the back of reconstruction and other development priority investments. GDP growth is expected to accelerate to 4.4 percent in 2025, with strong investment and construction activity more than offsetting moderating tourism inflows.² While construction activity is expected to remain robust over the medium term—including from a new government flagship infrastructure scheme, Project Polaris (Box 2)—its growth contribution will gradually moderate from 2026, and the economy will revert to its long-term potential growth rate in 2029. The projection assumes an increase in tourism accommodation capacity from ongoing near-to-completion projects (the record 2024 stayover arrivals approached peak historical bed capacity). It also reflects tourism’s modest assessed impact on long-term growth (Section C and Annex III). Inflation is projected to pick up gradually, reaching 2 percent from 2028, in line with trading partners’ price dynamics. The current account deficit is projected to decline to 17½ percent of GDP in 2025, reflecting an end to the exceptional CBI commission outflows associated with the 2023-24 investment surge. It will gradually narrow further over the medium-term, albeit is projected to remain elevated until completion of import-intensive infrastructure projects.



Box 2. Project Polaris

Project Polaris is Grenada's flagship healthcare transformation project centered on a 250-bed, climate-resilient research hospital. The hospital is expected to cost about US\$250 million (17 percent of 2024 GDP) with construction starting in 2026. Staff projections assume construction to take about five years based on historical capital project execution rates. The investment is to be executed off-budget, financed by government concessional borrowing from bilateral partners (including repurposing the previously agreed US\$100 million loan from the Saudi Fund for Development). Upon completion, the hospital is envisaged to be operated by a new statutory agency, Grenada Hospital Authority.

The hospital is envisioned to catalyze the development of an 84-acre “Medical City” via supplementary private sector investment in adjacent services such as health tourism, biotechnology, and elder care. Aligned with the priorities of Grenada's National Sustainable Development Plan 2020–2035, it also seeks to strengthen the quality of health services through a recently agreed partnership with the US-based Mount Sinai health care network, reduce reliance on overseas specialized care, exploit synergies with the St. George's University medical programs and address capacity-expansion constraints of the existing 198-bed General Hospital.

9. The near-term fiscal stance is projected to remain expansionary with a projected return to the central government primary balance floor in 2027. The 2025 primary balance is

² The projections on the construction sector's growth contribution are subject to notable uncertainty given data limitations to measuring the sector's gross value added amidst high import content of large projects.

projected to reach a deficit of 3.2 percent of GDP, reflecting higher capital expenditure and lower non-tax revenues. To support continued reconstruction amid other large priority investments, the authorities' 2026 budget extends the suspension of the 1.5 percent of GDP primary balance by another year. Based on historical spending execution rates and construction sector capacity constraints to implement the sizeable capital projects, the 2026 primary deficit is projected at 3.5 percent of GDP.³ The deficit is financed by further drawdowns of government deposits, projected to decline to 8.6 percent of GDP by end-year. Over the medium-term, primary balances are expected to return to the floor from 2027 in line with the authorities' commitment. The adjustment mostly derives from a smaller capital investment envelope, reflecting in part ceasing of the exceptional post-Beryl expenditures.

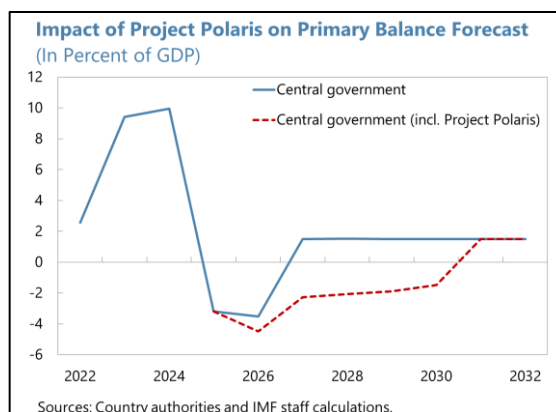
Grenada: Central Government Budgets and Outturns 2023-26									
(In percent of GDP, unless otherwise indicated)									
	2026		2023		2024		2025		Execution
	Budget	IMF proj.	Budget 1/	Outturn	Budget 1/	Outturn	Budget	Outturn (est.)	Rate 2/
Total revenue and grants	32.0	30.9	31.0	36.6	34.9	43.5	31.3	31.5	114
Tax revenue	24.4	23.9	20.5	23.5	22.5	23.5	23.1	23.0	106
Non-tax revenue	6.7	6.1	8.6	12.6	9.6	19.5	6.3	6.7	152
Grants	0.9	0.9	1.9	0.5	2.8	0.5	1.8	1.7	46
Total expenditure	39.3	36.2	33.4	28.8	42.0	36.9	39.6	38.4	90
Current expenditure	25.7	23.7	20.6	19.5	23.8	24.9	27.3	25.5	98
<i>o/w Wages and salaries</i>	9.1	8.7	8.6	7.6	9.4	7.9	9.3	7.5	84
<i>o/w Goods and services</i>	6.0	4.5	4.5	3.9	6.3	4.6	5.7	4.6	80
<i>o/w Transfers</i>	8.2	8.1	5.8	6.0	7.0	6.5	8.3	9.1	102
<i>o/w Interest payments 3/</i>	1.9	1.8	1.7	1.5	1.5	3.3	3.2	3.8	142
Capital expenditure	13.6	12.6	12.4	9.3	17.4	12.0	12.3	12.9	83
Primary balance	-5.4	-3.5	-0.7	9.3	-5.6	9.9	-5.2	-3.1	
Overall balance	-7.3	-5.3	-2.4	7.8	-7.1	6.6	-8.3	-6.9	
Memo: nominal GDP (EC\$ million) 4/	4245	4133	3608		3789		4048		
Source: Ministry of Finance and IMF staff estimates									
1/ Inclusive of supplementary budgets issued each year increasing (mostly capital) spending allocations following revenue overperformance and recovery and reconstruction needs after the 2024 Hurricane Beryl.									
2/ Execution rate is calculated as the ratio of the outturn of fiscal operations compared to the budget. Average of 2023-25.									
3/ Temporarily higher interest payments in 2024-25 reflect inclusion of contractual CBI revenue performance-based payments on restructured international bonds to total debt service, which decline in 2026 in alignment with CBI revenue moderation.									
4/ Authorities' estimate and projection for the 2025 outcome and the 2026 budget, respectively. IMF staff projection for 2026.									

10. Accounting for the off-budget Polaris investments would result in more persistent primary deficits. The Polaris investment is to be managed through a special purpose statutory entity financed by concessional central government borrowing and a ten percent government equity contribution. The additional borrowing would temporarily halt the decline in general government debt, but Grenada's debt dynamics would remain sustainable. The 60 percent of GDP target is projected to be achieved by 2033 and, net of the government's deposits, debt is already projected

³ Other differences in the projection relative to the authorities' 2026 budget include effects of lower projected nominal GDP growth in 2026, more conservative expected CBI revenues and efficiency gains in tax revenue collection, and an estimated shift in spending composition (from goods and services to wages) from the anticipated completion of the ongoing regularization of public sector workers.

to remain around 60 percent of GDP over the medium term.⁴ However, Grenada is assessed to remain in debt distress on account of unresolved official arrears (DSA).

11. Risks remain tilted to the downside. Key risks stem from Grenada's high natural disaster vulnerability as well as import and tourism dependency. However, comparatively modest goods exports largely shield Grenada from direct tariff policy effects, and the impact of moderate shocks to main tourism source market incomes or higher import costs from elevated trade uncertainty or geopolitical tensions are assessed as modest (Annex III). Nonetheless, these transmission channels highlight the outlook's sensitivity to the risk of more pronounced global shocks, particularly if amplified by disruptions to CBI and FDI inflows or to the stability of the local non-bank financial system.⁵ Implementation delays or cost overruns from large public investments could add to fiscal risks. Faster-than-projected tourism resort developments represent the key upside risk, particularly if Project Polaris proves a successful catalyst.



12. Grenada has important risk-mitigating buffers. The tested resilience framework for natural disasters and government deposit savings provide a significant buffer against a range of potential shocks. The Government has also prudently avoided current expenditure dependence on the uncertain CBI inflows.

Authorities' Views

13. The authorities broadly agreed with staff's assessment of the economic outlook and risks but are more optimistic about growth prospects. While acknowledging data gaps in assessing the construction sector's domestic value added and its high reliance on imports, they maintain a more positive assessment of the sector's growth contribution, including through spillovers to other sectors. They were also slightly more optimistic on near-term tourism outlook while sharing a conservative assessment of the medium-term growth trajectory. Notwithstanding heightened global trade policy uncertainties and the heavy reliance on U.S. re-export hubs, the prevalence of direct transit arrangements and the Caribbean carve-out from recently introduced U.S. port fees were seen to help limit any immediate indirect import cost spillovers.

POLICY DISCUSSIONS

A. Strengthening Public Finances and Fiscal Institutions

14. The temporary suspension of the primary balance rule has allowed budget space for reconstruction spending without disrupting development priority investments. Timely return

⁴ The additional borrowing associated with Project Polaris delays the projected reduction of public debt to the 60 percent of GDP target by three years but still ahead of the target date of 2035 under the 2023 Fiscal Resilience Act.

⁵ With limited international market integration, transmission channels from volatility in global financial conditions are largely limited to weaker returns to banks' overseas investments and potential disruptions to FDI financing.

to the fiscal rules in 2027 is important to support fiscal discipline, and ensure debt remains on a downward trajectory.

15. Upon resumption of the primary balance rule, further measures could be undertaken to protect and expand budget space for public investment priorities.

Targeting future surpluses above the primary balance floor from 2027 would also help mitigate fiscal risks from any public investment project delays or cost-overruns and support timely achievement of the debt target.⁶ Revenue measure options include reforming the income tax system, broadening the tax base, and continued strengthening of tax administration through digitalization and auditing improvements.⁷ Environmental taxes, such as a feebate system on vehicles, could be considered as an alternative to costly tax reductions to incentivize low-emission vehicles, while a more rules-based cost-price pass-through formula could be considered for gasoline.⁸ Ongoing efforts to improve targeting and coverage of government transfers under the Support for Education, Empowerment and Development (SEED) program should continue, which could over time pave the way to eliminating untargeted price controls (e.g., on cooking gas).⁹

Grenada: Key Rules Under the Fiscal Resilience Act 2023

Debt Target	Public debt (including SOEs) must not exceed 60% of nominal GDP by 2035 .
Primary Balance	A central government primary balance of at least 1.5% of nominal GDP is required until the debt target is met.
Wage Bill	The annual wage bill must not exceed 13% of nominal GDP .
Medium-Term Fiscal Framework (MTFF)	Required to set out fiscal targets and projections for at least three years.
Role of FROC	Monitors compliance with FRA rules and reports annually to the House of Representatives.
Escape Clauses	Allows for the suspension of fiscal targets during natural disasters and financial crises.
Sources: National authorities and IMF staff.	

16. A more comprehensive primary balance floor would better align it with the authorities' 60 percent of GDP general government debt anchor. Increasing state-owned enterprise investments financed by central government on-lending, and the plans for off-budget investment for Project Polaris, fall outside the perimeter of the primary balance rule. Expanding the perimeter of this rule would ensure that the fiscal rules framework adequately controls debt-creating general government expenditure and avoids potential blind spots in debt dynamics. In the interim, the on-lending and off-budget investments should be included in the central government's budget planning and accounts and adhere to equivalent reporting, oversight, and auditing requirements to ensure transparency of fiscal operations.

⁶ For example, 2 percent of GDP primary surpluses from 2027 would reduce debt to the target by 2032.

⁷ The authorities are exploring introducing VAT on digital services with support from the World Bank and building on recent IMF and World Bank tax administration technical assistance.

⁸ See the 2024 Grenada Article IV for more details ([IMF Country Report No. 25/39](#)).

⁹ The SEED program is the flagship social safety net program of Grenada, which makes monthly cash payments to the poorest and most vulnerable households.

Grenada: Disbursements and Balances of Central Government On-lent Loans by Creditor
(Year end, in millions of EC dollars unless otherwise indicated)

	Creditor	Comitted Amount	Amount outstanding at end-year					
			2019	2020	2021	2022	2023	2024
Grenada Development Bank	<i>Multilateral</i>	35.1	30.7	32	34.4	25.8	22.9	20.1
<i>o/w loan 1</i>	<i>Multilateral</i>	8.1	8.1	8.1	8.1	3.2	2.3	1.4
<i>o/w loan 2</i>	<i>Multilateral</i>	27	22.6	23.9	26.3	22.6	20.6	18.7
Grenada Solid Waste	Multilateral	28.9	1.6	5.5	10.9	17.2	19.3	21.5
Gravel and Concrete	Commercial	4.4	4.4	4.4	4.4	2.7	2.7	2.1
Grenada Airport Authority	Bilateral	189	0	0	62	67.3	139	158.1
Total			36.7	41.9	111.7	113	183.9	201.8
Total (percent of GDP)			1.1	1.5	3.7	3.4	5.1	5.4

Source: National authorities and IMF staff calculations

17. The recent progress in strengthening oversight and reporting of statutory entities should continue. The authorities are expanding monitoring of Grenada's 29 state owned enterprises and statutory bodies to address gaps in financial performance and risk oversight.¹⁰ In the near-term, supported by ongoing Fund technical assistance, priority should be given to improving the quality of standardized data reporting and integration with government fiscal data. This would allow transition toward more comprehensive general government accounts in the Medium-Term Fiscal Framework, enhancing fiscal planning and transparency. SOEs should also be subject to strengthened governance and accountability measures, including conditioning budgetary support to compliance with reporting requirements.

18. Strengthening public financial management should proceed in pace with the scaled-up public investment and borrowing plans. Post-completion operating and maintenance costs of ongoing and planned large public investment projects, including Project Polaris, require careful assessment to manage long-term fiscal risks. Plans for greater catalyzation of private investment, including around Project Polaris, underscore the need to operationalize the public-private partnership framework. Recent encouraging progress in project management and execution through the dedicated Ministry of Mobilisation, Implementation and Transformation should continue. Integrating management of the sizeable government (CBI) savings, mostly in low-yielding local bank deposits, with the debt management strategy and the fiscal rules framework would help optimize government funding costs and shield the available budget envelope from potential CBI revenue volatility.¹¹ Continued improvements to the MTFP projections would support a firmer shift to multi-year budget planning. Building on the publication of government audited accounts through 2019, the remaining backlog should be cleared swiftly.

Authorities' Views

19. The authorities broadly concurred with staff's assessment and remain firmly committed to reaching the 60 percent of GDP public debt target before 2035. They reaffirmed the plan to return to the primary balance rule from 2027 and shared the view on scope to enhance

¹⁰ The non-guaranteed debt of these entities is estimated to be 14.2 percent of GDP at end-2024.

¹¹ See the 2024 Grenada Article IV ([IMF Country Report No. 25/39](#)).

fiscal revenues, with one example including plans to expand VAT to digital services. Recognizing the ambitious scale of Project Polaris, the authorities viewed the Special Purpose vehicle (SPV) arrangement as necessary to facilitate effective execution while protecting other investment priorities. They also emphasized that the 2035 general government debt target was inclusive of the Project Polaris borrowing, thereby safeguarding continued fiscal discipline. There was consensus on the importance of enhancing oversight of SOEs and statutory bodies, building on the risk-mitigating progress in reporting, auditing and governance. It was nonetheless considered important to align expected progress here and in other public financial management areas to the available staffing capacity.

B. Addressing Non-Bank Vulnerabilities

20. **Near-term financial system risks remain modest, although accelerating credit growth and non-bank vulnerabilities call for enhanced monitoring.**

While recent bank credit growth has been rapid, it takes place in the context of post-disaster recovery and in part reflects normalization of credit conditions following long-subdued lending growth.¹² Recovered lending appetite is also underpinned by the Grenadian banks' strong asset quality compared to regional peers and high system liquidity. Building on gradual progress to reduce credit union NPLs and strengthen loan-loss provisioning, GARFIN is further enhancing its risk-based supervision of credit processes with Fund technical assistance. Notwithstanding the limited claims from Hurricane Beryl – reflecting low insurance penetration – and recent softening in the reinsurance market conditions, the general insurance sector's risk-bearing capacity and reinsurance conditions warrant strengthened monitoring, enhanced data reporting and regional supervisory cooperation.¹³

21. Notwithstanding some encouraging progress, addressing supervisory gaps in the rapidly growing credit union sector remains a high priority.¹⁴ To support tracking of asset quality, reporting templates should be expanded to include more granular information on forbearance exposures, ensuring restructured and refinanced loans are prudently classified, as well as breakdowns of past due dates and accumulated impairments by stages. To support closer alignment of impaired asset treatment with the ECCU banks, the model-based provisioning requirements under IFRS9 should be complemented by calendar-based backstops, ensuring provisioning adequacy for long-overdue loans is not eroded by netting out of loan collateral in context of limited property market liquidity. Continued development of stress testing capacity would support early identification of risks.

22. Maintaining a strong AML/CFT regime is critical for preserving corresponding banking relationships. The authorities have made encouraging progress in addressing the remaining technical compliance gaps identified in the 2022 CFATF Mutual Evaluation Report and expect these advances to be reflected in the follow-up process ahead of the next re-rating opportunity in 2026.

¹² See the 2025 ECCU Regional Consultations staff report ([IMF Country report No. 25/104](#)).

¹³ See the selected issues on "Property Insurance Challenges in the ECCU" ([IMF Country Report No. 25/105](#)), and Annex V of the 2024 Grenada Article IV (IMF Country Report No. 25/39).

¹⁴ This would support early and consistent adoption of corrective measures, where needed to mitigate financial stability risks, and prepare the sector for the planned adoption of common regional minimum standards for non-banks under the Eastern Caribbean Financial Stability Board, targeted to become operational in late 2026.

The authorities are also preparing an updated National Risk Assessment to strengthen their performance against the effectiveness outcomes.

Grenada: Selected Financial Stability Indicators for Banks and Credit Unions												
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Credit Growth (year-on-year change)												
Banks	-5.7	-5.1	-3.8	-0.2	0.6	2.8	1.4	1.4	3.8	2.1	3.8	10.4
Credit Unions	11.3	9.8	16.5	13.8	19.8	11.6	12.1	8.5	7.9	5.8	11.2	10.6
Balance Sheet Structural Risk												
Deposit-to-loan ratio, Banks	130.6	145.8	163.5	170.0	167.8	170.5	177.0	181.6	182.1	182.6	186.9	186.9
Deposit-to-loan ratio, Credit Unions	104.1	114.9	115.9	116.0	112.5	112.2	114.6	114.0	114.9	120.1	114.8	112.1
FX liabilities / Total liabilities, Banks	7.0	7.2	8.8	8.7	11.1	12.4	14.2	13.7	15.6	16.4	17.2	20.2
FX loans / Total loans, Banks	4.2	4.4	5.3	4.8	4.9	8.8	10.9	11.5	11.3	14.5	16.1	15.2
Profitability, Return on Assets												
Banks	-1.9	-0.1	1.5	1.5	1.1	1.0	1.4	0.4	0.3	0.5	1.2	1.2
Credit Unions	1.8	1.8	1.6	1.8	1.4	2.1	2.4	1.4	1.5	1.2	1.4	1.5
Asset quality, Non-performing Loan Ratio												
Banks	13.8	14.6	10.0	6.7	3.9	2.4	2.2	2.2	2.9	3.6	3.4	2.9
Credit Unions	7.8	5.3	4.6	5.5	5.8	5.2	5.2	5.2	7.2	8.4	6.9	6.5
Provisions for Loan Losses to NPLs												
Banks	35.8	39.3	42.9	49.9	63.9	77.0	82.8	112.5	67.8	84.1	77.9	87.7
Credit Unions 1/	34.5	25.0	34.0	25.0	26.5	16.0	23.5	28.5	27.4	36.5	48.2	48.7
Liquidity Assets												
Banks	27.6	32.7	37.8	41.4	42.1	44.9	43.5	46.8	44.9	49.1	49.8	52.3
Credit Unions	10.3	14.2	16.6	14.2	13.2	16.5	19.3	18.1	17.5	16.9	22.3	21.2
Capital Adequacy Ratio 2/												
Banks	14.1	13.7	12.6	14.2	13.8	13.2	11.9	15.1	15.8	14.1	15.7	14.5
Credit Unions	11.4	10.8	11.0	11.3	11.5	11.6	11.6	12.3	12.9	12.0	13.0	13.5

1/ Credit unions set provisioning according to IFRS 9 since 2018.

2/ For banks, capital adequacy ratio = regulatory capital / risk-weighted assets; for credit unions, regulatory capital / total assets.

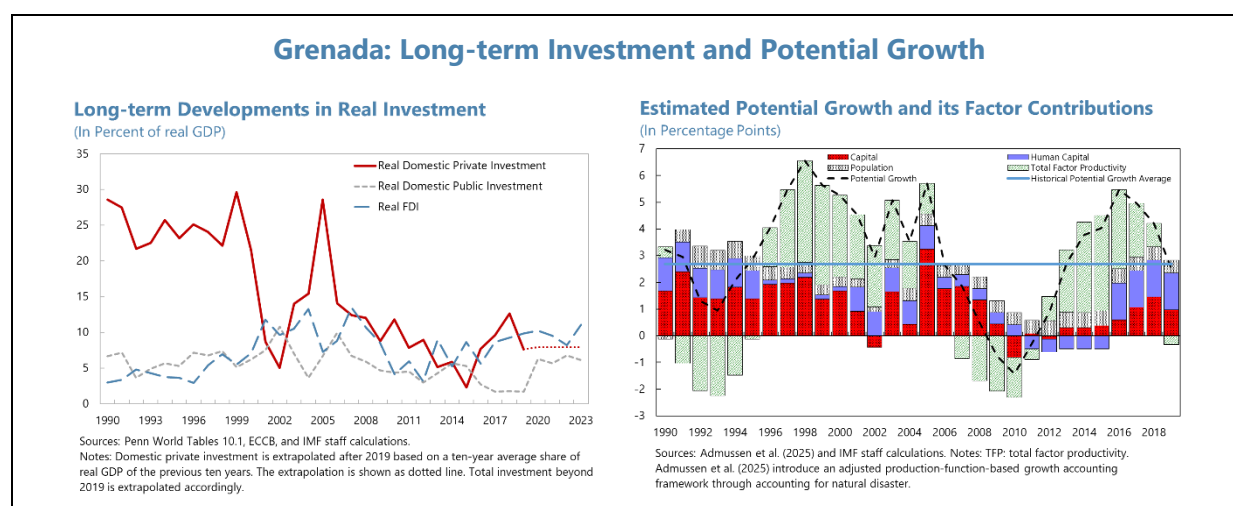
Authorities' Views

23. The authorities concur with the need for continued close scrutiny of financial sector developments and vulnerabilities. There are currently no planned changes to the IFRS9 based provisioning approach for credit unions, but the authorities emphasized increased attention to provisioning adequacy, including through recently issued guidelines on more prudent collateral treatment. They also noted effectiveness of on-site inspections in supporting monitoring of forbearance measures. The authorities acknowledged so far limited systematic monitoring of reinsurance conditions, noting ongoing focus on increasing awareness of underinsurance risks in the aftermath of Hurricane Beryl. While recognizing the importance of monitoring increased bank credit growth, they also noted cases of continued credit access challenges in the local private sector.

C. Supporting Long-term Growth Potential and Resilience

24. Grenada's growth potential has remained muted over the past decades, despite the substantial development of its tourism industry and relative resilience to a series of shocks (Annex IV). While the FDI-driven development of the tourism sector has had a growing footprint on economic activity and employment, high reliance on foreign inputs and ownership limit its domestic

growth contribution while labor gains also tend toward low-skilled services.¹⁵ Moreover, FDI's increased contribution to capital deepening has been insufficient to offset weaker domestic capital accumulation.¹⁶ This reflects natural disaster-related depreciation, past fiscal constraints on public investment, and weaker domestic private investment associated with the shift toward a less capital-intensive service-based economy and constraints on local business and funding opportunities. Structural barriers typical to the region—including labor market rigidities, energy and import dependence, and remoteness-related connectivity constraints—have further weighed on Grenada's growth potential.



25. Higher and sustained long-term growth calls for strengthening its structural underpinnings along four dimensions, which would also reinforce the economy's shock resilience and reduction of external imbalances:

- Facilitating local private investment:** Notwithstanding the recent revival in bank lending, firm-level surveys indicate access to finance as a core operational obstacle.¹⁷ Leveraging regional initiatives such as the Eastern Caribbean Partial Credit Guarantee Scheme and the credit reporting bureau, and developing a movable collateral framework can help ease MSME lending rigidities. More centralized small business outreach and capacity building services, including in record keeping and business plan development, can support the creation of growth-enhancing investment opportunities. Over time, deepening of the still-nascent regional capital markets can create alternative funding sources, while enhancements in digital banking, payment systems,

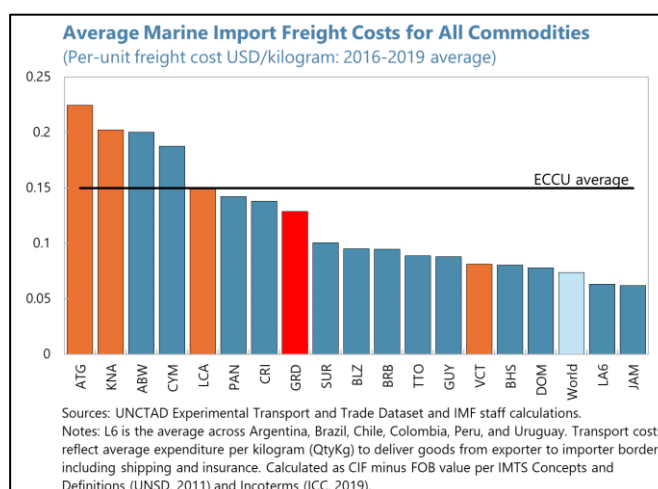
¹⁵ Assessing the precise extent of the domestic valued added from tourism (investment) activity is impeded by data limitations (Annex VI). The analysis in Annex IV builds on insights from a region-wide growth accounting exercise (see [IMF Country report No. 25/104](#)).

¹⁶ Data on domestic private investment is not readily available but extracted from Penn World Tables 10.1 as the difference between real domestic absorption and consumption of households and government at current PPPs. PPPs rely on ICP benchmark surveys and price data for non-benchmark years are inter- or extrapolated.

¹⁷ See [Amundsen et al. \(2025\). Potential Growth and Productivity in the Caribbean. IMF Working Paper 2025/157](#) and Annex VII in the 2025 ECCU Regional Consultations staff report ([IMF Country report No. 25/104](#)). These also highlight complementary steps to strengthen administrative and regulatory processes to improve the business environment.

and e-commerce adoption can improve financial inclusion, boost efficiency, and reduce transaction costs.

- **Strengthening tourism's domestic value-added:** This involves fostering continued development of locally offered tourism services and strengthening integration with the rest of the local economy. Leveraging opportunities in event- and eco-tourism to support off-season arrivals and broadening flight-connectivity beyond traditional markets could help improve arrival volumes and resilience. Infrastructure investment, such as Project Polaris, could also support economic diversification into growing niche markets like health tourism and elder care.
- **Reducing goods trade frictions:** Reducing Grenada's high shipping costs¹⁸, reflecting its limited accessibility and weak maritime connectivity, could broaden economic opportunities, alleviate impediments from limited market scale, and reduce persistent trade deficits.¹⁹ This could be facilitated by improving port infrastructure capacity, streamlining administrative processes, and reducing intra-regional trade barriers through, for instance, harmonization of customs procedures. Exploring cost-effective opportunities to diversify import source countries could increase resilience to external shocks.



- **Strengthening the economy's human capital and productivity foundations and shock resilience:** Youth-focused technical and vocational training programs, enhancing digital job-matching platforms and ongoing education modernization initiatives can help address skills shortages and better align Grenada's workforce to evolving needs of the economy. Enhancing the quality of domestic health services can limit costly reliance on overseas specialized care and encourage human capital development and retainment. Continued digitalization efforts through initiatives like the Caribbean Digital Transformation Project funded by the World Bank could raise economic diversification prospects beyond tourism. Development-partner supported efforts to diversify the energy base toward solar and geothermal energy are proceeding and should be complemented with prioritizing limited fiscal resources toward upgrading grid infrastructure expansion and aligning local regulations with the National Energy Policy. In alignment with the [Disaster Resilience Strategy](#) and the recently updated National Adaptation

¹⁸ UNCTAD's Experimental Transport and Trade Dataset relies on UN Comtrade data. Import values based on both CIF and FOB largely remain estimates rather than reported values.

¹⁹ Ahn et al. (2025). Mind the Gaps: Caribbean Trade Patterns and the Connectivity Constraint, forthcoming. In firm-level surveys (Amundsen et al. (2025)), about 70 percent of Grenadian firms also reported customs and trade regulations to be a major obstacle to firm operations in 2020.

Plan, public infrastructure investments should continue to pay close attention to disaster resilience.²⁰

Authorities' Views

26. The authorities emphasized their commitment to an ambitious growth and development agenda. They highlighted the ambitious modernization of the health sector, as well as ongoing efforts to promote locally-owned tourism services and to deepen linkages between tourism and other sectors of the economy. The authorities also noted untapped trade opportunities with Latin America and Africa that could support trade diversification. In addition, they are pursuing initiatives to strengthen skills development across all education levels—from school enrollment programs to post-secondary training and curriculum reforms—to better align the workforce with labor market needs. On the energy transition, progress was highlighted on multiple solar projects and soon-to-commence geothermal test wells, though challenges remain in modernizing the power grid. The authorities highlighted the updated National Adaptation Plan to strengthen climate resilience and guide future adaptation investments.

D. Institutional Strengthening

27. Data provided to the IMF has some shortcomings that somewhat hamper surveillance (Annex VI). Data deficiencies, including dissemination delays, gaps in current account and FDI recording, outdated CPI weights, and the absence of GDP expenditure data, challenge a timely monitoring of real sector developments, impede accurate assessment of external imbalances, and increase uncertainty over projections. Strengthening staffing capacity, improving Balance of Payments compilation, and the timeliness and coverage of public data dissemination remain priorities and are being addressed in close coordination with CARTAC.

28. Persistent capacity constraints underscore the need for close development partner support. Staffing shortages and turnover are major constraints across government, constraining also local absorption capacity. Fund engagement priorities remain in areas of strengthening public financial management, revenue administration, financial system supervision, and data adequacy (Annex VII).

29. The ECCB has taken steps to address most of the recommendations from the previous safeguards assessment. The remaining recommendation concerns further strengthening the ECCB's operational autonomy and aligning its Agreement Act with leading practices. The next periodic safeguards assessment of the ECCB is scheduled for early 2027.

Authorities' Views

30. The authorities concurred with the importance of strengthening economic data to support evidence-based policy analysis. To address these issues, they noted that ongoing public sector regularization efforts could support retention and help alleviate resource constraints. Looking

²⁰ The updated National Adaptation Plan is centered around enhancing data-driven monitoring and developing response strategies for vulnerable groups.

ahead, they indicated continued efforts, partly with support from partner organizations, to return to regular updates of the quarterly labor force survey and to publish a revised CPI basket in the coming months.

STAFF APPRAISAL

31. Grenada's economy continues to navigate elevated global uncertainties effectively in the aftermath of Hurricane Beryl. Economic activity remains robust, with strong investment and construction more than offsetting a moderation in tourism inflows. Major public infrastructure projects will sustain buoyant construction over the medium-term, extending the gradual moderation in overall growth toward its long-term potential. Current low inflation is expected to gradually normalize by 2028. Grenada's external position in 2024 is assessed as weaker than the level implied by medium-term fundamentals and desirable policies and the large current account deficit will remain elevated over the medium-term until construction import pressures subside. Notwithstanding near-term fiscal deficits amid reconstruction and other priority spending, the underlying fiscal position remains sound.

32. Downside risks to the outlook persist amid heightened global economic and geopolitical uncertainties. These stem from Grenada's high vulnerability to natural disasters and reliance on tourism and imports, even as moderate shocks to key tourism source countries or global commodity and shipping prices are assessed to have only modest impact. Risks could be amplified by disruptions to CBI and FDI inflows, materialization of risks in the domestic non-bank financial system or delays, or cost overruns in large investment projects. Faster-than-expected expansion in tourism capacity represents a key upside risk. A robust disaster resilience framework and government deposits provide important buffers against shocks.

33. The temporary suspension of the primary balance rule provided fiscal space for post-disaster reconstruction without disrupting other priority spending. Returning to the fiscal rules in 2027 is important to safeguard fiscal discipline and keep debt on a sustainable path. Continued expenditure prudence alongside revenue-enhancing measures would help preserve budget space for development priority investments.

34. The perimeter of the primary balance rule could be better aligned with the general government debt anchor. Capturing government off-budget and public on-lending-financed investments would help ensure the rule effectively restrains debt-creating spending. In the interim, such investments should be included in central government budget planning and adhere to equivalent reporting and auditing standards. Recent progress in strengthening SOE and statutory body oversight should continue with a view to eventually integrating these into the Medium-Term Fiscal Framework.

35. While the ambitious public investment projects address important development needs, the associated fiscal risks require careful management. This includes continuing recent strengthening of project management to minimize delays or cost overruns, and a careful assessment of future operating and maintenance costs to avoid unfunded liabilities. Plans to catalyze private investment, including around Project Polaris, underscore the need to operationalize the PPP

framework. Strengthening management of CBI resources, continuing improvements to MTFF projections and clearing the backlog of audited government statements remain also important.

36. Accelerating system-wide credit growth and non-bank vulnerabilities call for careful monitoring. Higher bank lending reflects a still-nascent reversal from long-subdued credit conditions, supported by ample liquidity and relatively strong asset quality in the region. While credit unions show some encouraging asset quality improvements, ensuring loan loss provisions are sufficient and stepping up forbearance monitoring remain critical to safeguard against risks. Enhancing monitoring of reinsurance conditions and local market pricing in the general insurance sector remains important. The authorities are encouraged to maintain recent momentum in strengthening the AML/CFT framework.

37. The limited potential growth impact from Grenada's FDI-driven tourism expansion highlights the need to strengthen the domestic foundations of growth. This includes more closely coordinated efforts to facilitate local investment and business development, enhancing locally offered tourism services and intersectoral linkages, reducing goods trade frictions, and strengthening the economy's human capital and productivity underpinnings. Infrastructure project decisions should continue to pay close attention to disaster resilience in alignment with the updated National Adaptation plan.

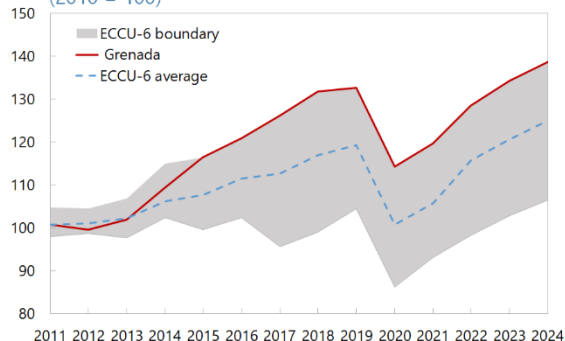
38. Improving quality of economic data and institutional capacity is critical to support informed policymaking. Data deficiencies contribute to uncertainty in policy analysis and economic forecasts. These include common gaps in the region in balance of payments coverage, monitoring of large investment projects, outdated CPI weights, and missing GDP expenditure data. Capacity constraints from persistent staffing shortages and turnover warrant prioritized attention in alignment with the ongoing public sector functional review and staff regularization process.

39. It is recommended that the next Article IV consultation with Grenada takes place on the standard 12-month cycle.

Figure 1. Grenada Key Macroeconomic Indicators

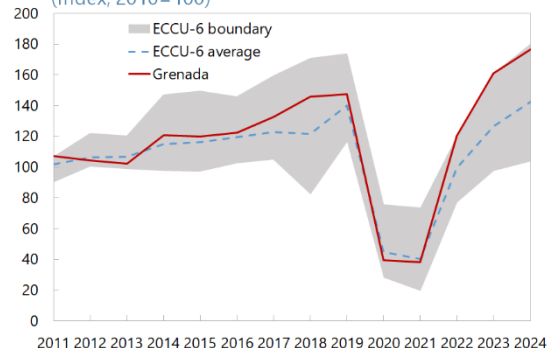
GDP growth has been among the strongest in the ECCU in the past decade.

Real GDP
(2010 = 100)



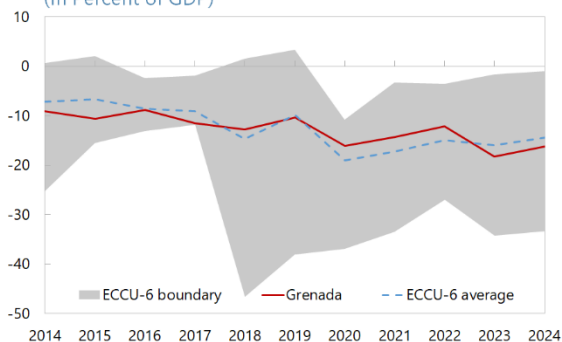
Tourism has moderated in 2025H1 after an exceptional 2024 and is in-line with ECCU peers.

Stay-over Tourists Arrivals
(Index, 2010=100)



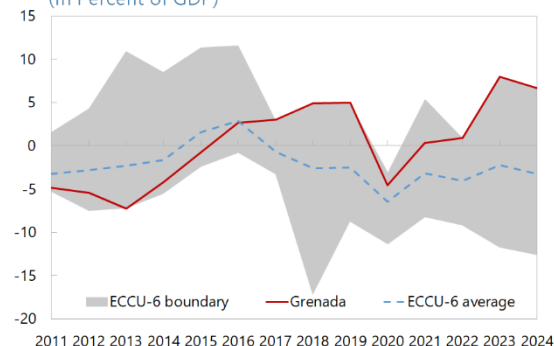
The current account deficit is large but has narrowed modestly, supported by strong H1 tourism inflows.

Current Account
(In Percent of GDP)



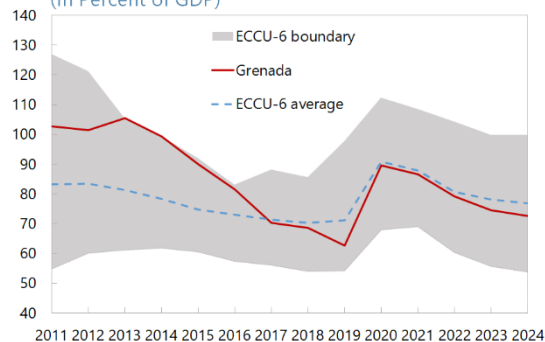
Fiscal surpluses have been large over the past three years, in contrast to the ECCU average...

Fiscal Overall Balance
(In Percent of GDP)



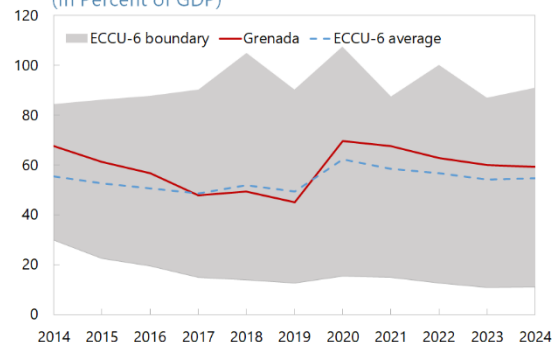
... which supported a more rapid debt reduction.

Public Debt
(In Percent of GDP)



The external debt is stable, reflecting concessional access.

Public External Debt
(In Percent of GDP)



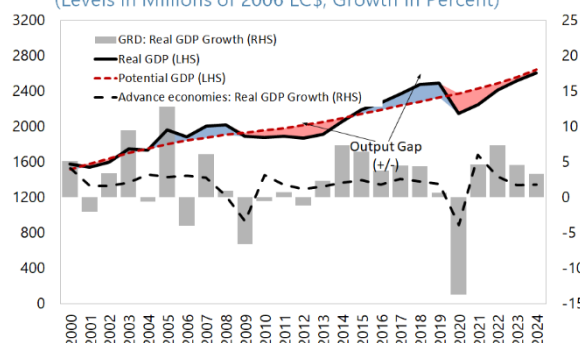
Sources: ECCB, country authorities and IMF staff calculations.

Figure 2. Grenada: Real Sector Developments

Grenada has grown rapidly since 2022 following steep Covid-19 impact in 2020.

Actual and Potential Real GDP

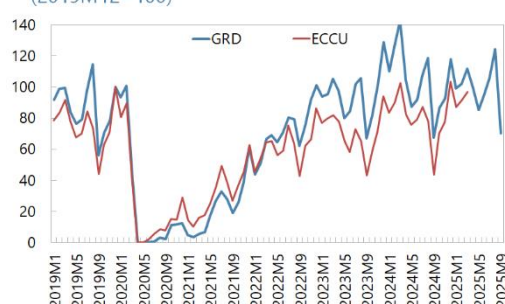
(Levels in Millions of 2006 EC\$; Growth in Percent)



Tourist arrivals moderated in 2025H1 after a very strong 2024.

Tourist Arrival Index

(2019M12=100)



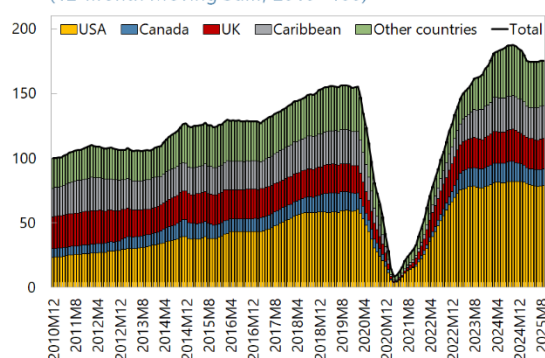
Sources: Country authorities and IMF staff calculations.

Note: ECCU excludes Anguilla and St. Kitts & Nevis owing to data unavailability

The majority of tourists came from the U.S. and U.K.

Stay-over Arrival Index by Source Country

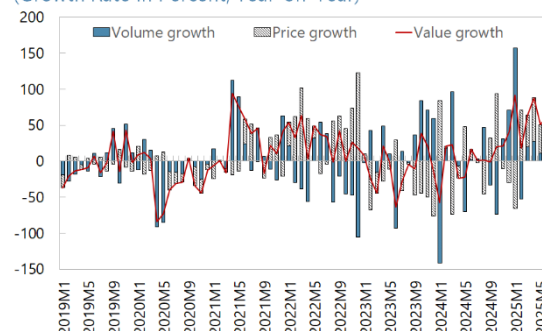
(12-month Moving Sum, 2010=100)



Post-hurricane reconstruction and public investment projects are increasing construction material imports.

Construction Material Import

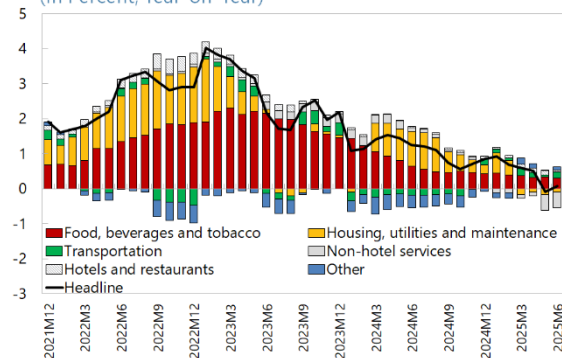
(Growth Rate in Percent, Year-on-Year)



Inflation has continued to moderate as fuel and food prices eased...

Contributions to Headline Inflation

(In Percent, Year-on-Year)

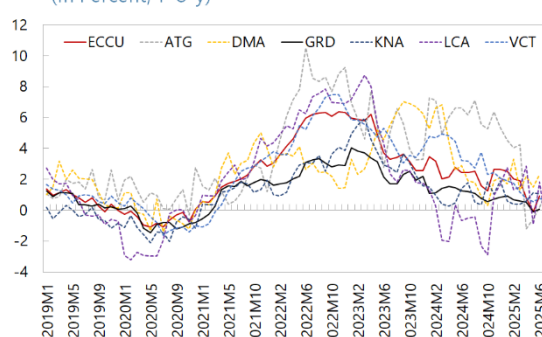


Sources: ECCB, country authorities and IMF staff calculations.

... and has been among the lowest in the ECCU.

ECCU Inflation

(In Percent, Y-o-y)

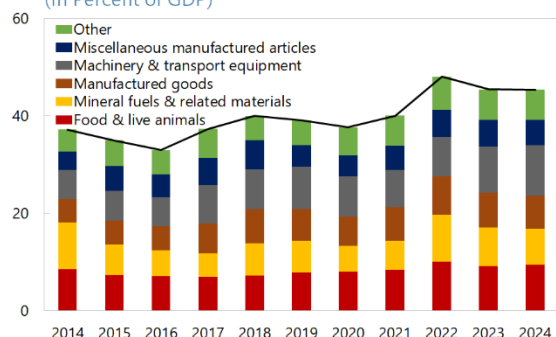


Source: ECCB.

Figure 3. Grenada: External Sector Developments

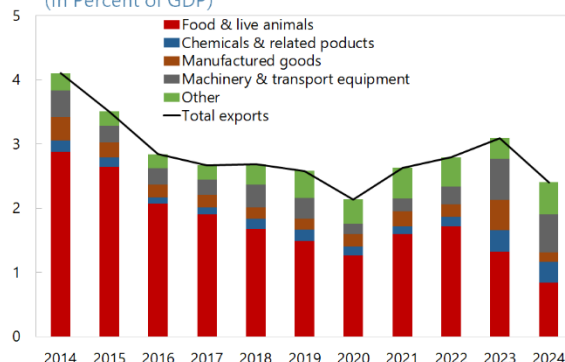
There was a modest increase in recovery-related imports, notably food and some manufactured goods.

Imports by Major Components (In Percent of GDP)



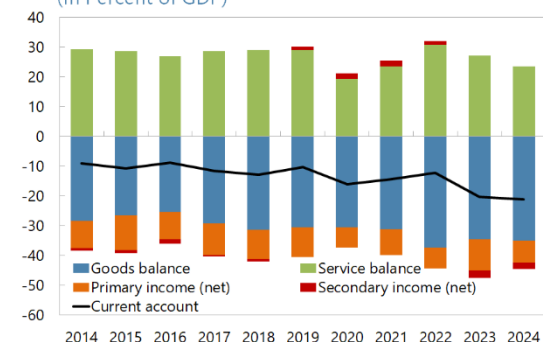
Goods exports fell in 2024 as food exports were negatively impacted by Hurricane Beryl.

Exports by Major Components (In Percent of GDP)



The current account improved slightly in 2024 as services exports rose...

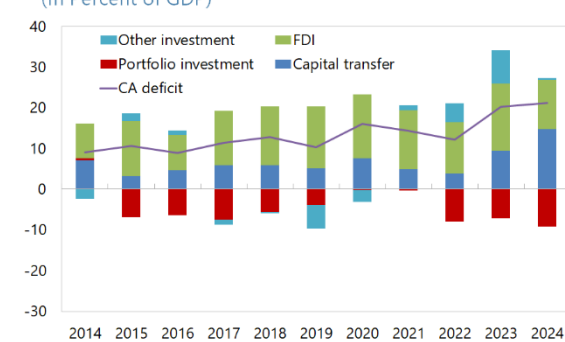
Current Account Balance (In Percent of GDP)



Source: ECCB, country authorities and IMF Staff calculations.

...and was financed with FDI and capital transfers which remained high due to CBI inflows.

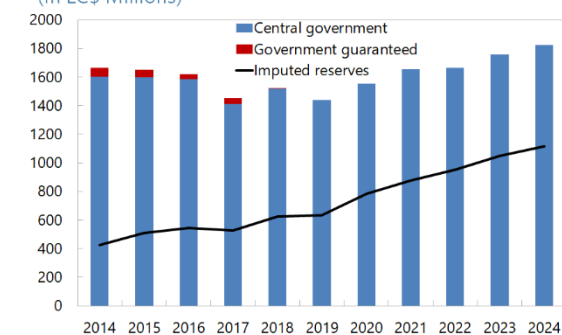
Current Account Financing (In Percent of GDP)



Source: ECCB and IMF staff calculations.

Over-financing from external private inflows, largely in the form of FDI, has contributed to rising reserves.

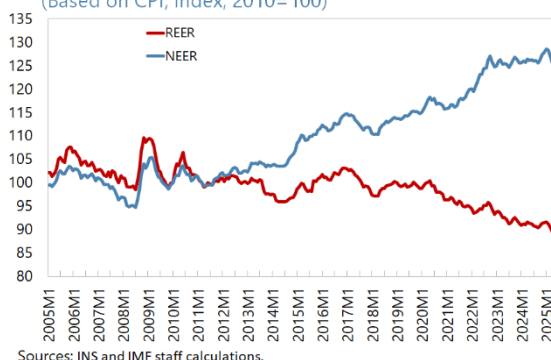
External Debt and Imputed Reserves (In EC\$ Millions)



Sources: ECCB, country authorities and IMF staff calculations.

The real effective exchange rate continued to depreciate....

Effective Exchange Rate (Based on CPI, index, 2010=100)



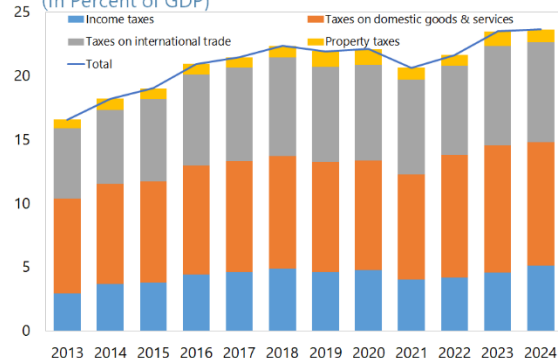
Sources: INS and IMF staff calculations.

Figure 4. Grenada: Fiscal Sector Developments

Tax revenues remained constant in 2024 despite tax-relief after the hurricane...

Total Tax Revenue

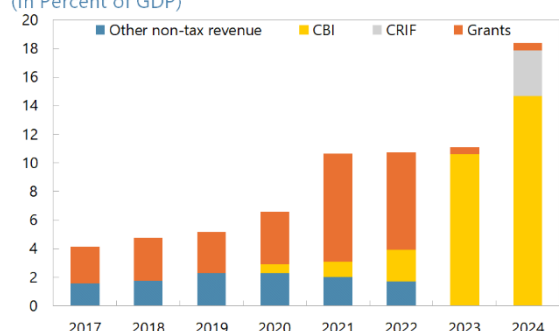
(In Percent of GDP)



While non-tax revenues rose, driven by increased CBI revenue and a CCRIF insurance payout.

Non-tax revenue and grants

(In Percent of GDP)

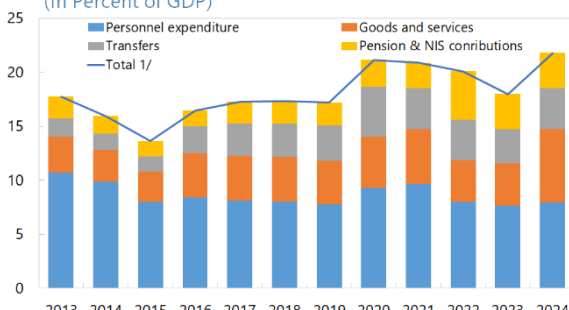


Note: Prior to 2023, the NTF contribution of CBI revenue was recorded under grants.

Primary spending rose in 2024 due to higher outlays on transfers and goods and services.

Current Primary Expenditure

(In Percent of GDP)

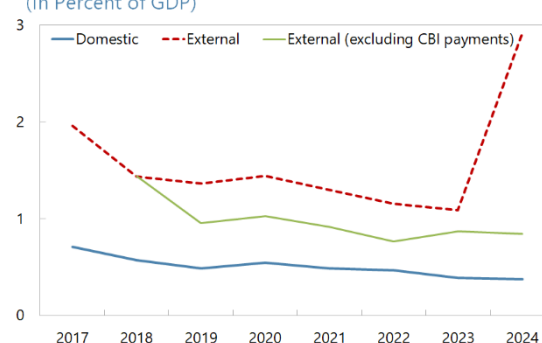


1/ In 2016 spending estimated at 3.5 percent of GDP was reclassified from capital expenditure to current expenditure in the new chart of accounts (GFSM 2014). Dotted line shows old chart of accounts classification.

External interest payments surged due to temporary CBI-related payments on restructured international bonds.

Interest Payments on General Government Debt

(In Percent of GDP)

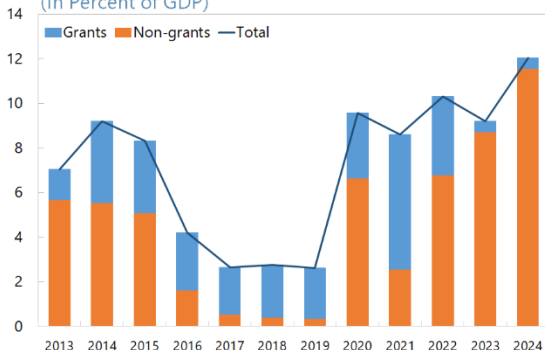


Note: Green line is calculated using staff estimates of the CBI bondholder payments.

Capital spending for reconstruction surged in 2024 after the hurricane...

Capital Expenditure

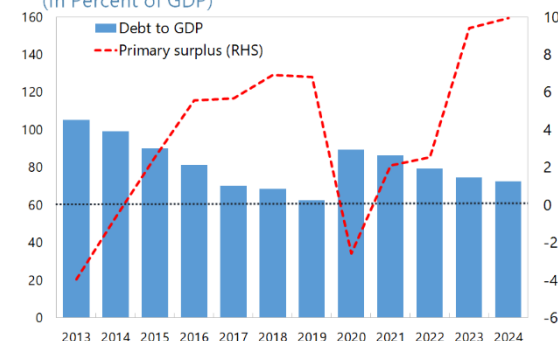
(In Percent of GDP)



... however, the primary surplus increased due to the large non-tax revenues.

Public Sector Debt and Fiscal Balance

(In Percent of GDP)

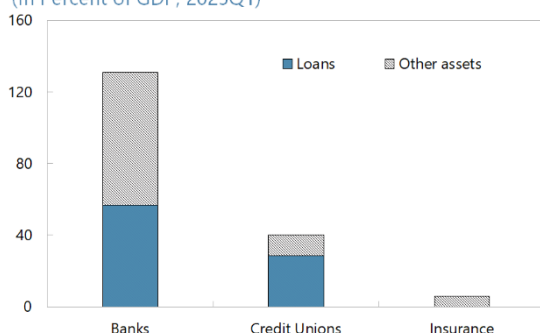


Sources: ECCB, country authorities and IMF staff calculations.

Figure 5. Grenada: Monetary Sector Developments

Credit unions, though smaller than banks, ...

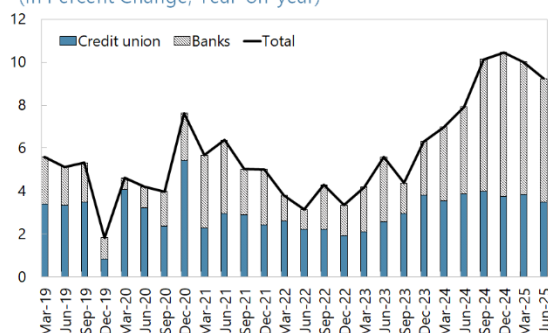
Financial Sector (In Percent of GDP, 2025Q1)



Sources: Country authorities, ECCB and IMF staff calculations.

... significantly broadened credit for households and small businesses, while bank credit growth has also recovered.

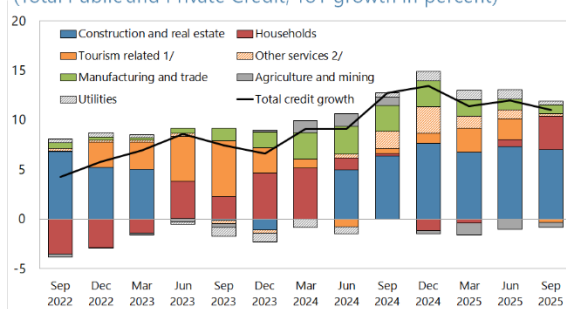
Contribution to Private Sector Credit Growth (In Percent Change, Year-on-year)



Sources: Country authorities and IMF staff calculations.

Recent bank credit growth was mostly driven by construction and real estate activities.

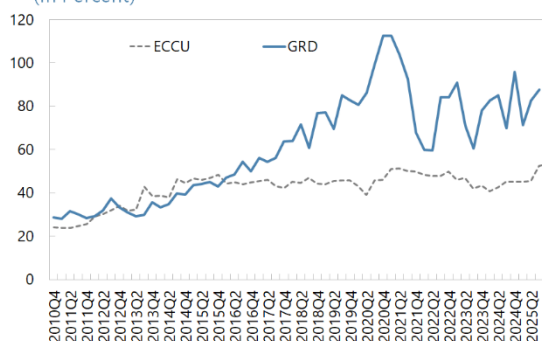
Bank Credit Growth Sectoral Contributions (Total Public and Private Credit, YoY growth in percent)



Note: 1/ Accommodation and food services, transport and storage, arts, entertainment and recreation services.
2/ Professional, administrative, education, health and other services.

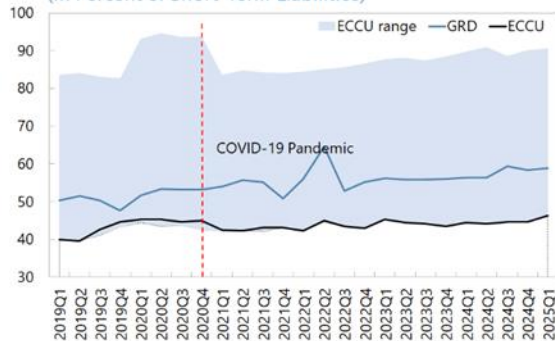
Banks have prudently kept a high level of provisioning...

Commercial Banks' Provisions to Nonperforming Loans (In Percent)



... and the financial system maintained ample liquidity.

Liquid Assets (In Percent of Short-Term Liabilities)



Sources: ECCB, country authorities and IMF staff calculations.

Banks remain adequately capitalized broadly in line with the regional average.

Capital Adequacy Ratios (In Percent of Risk-Weighted Assets)

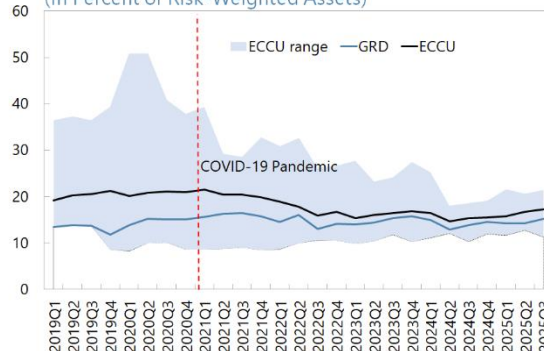


Table 1. Grenada: Selected Economic and Financial Indicators, 2020–30

Rank in UNDP Human Development Index out of 189 countries (2023)	73											
Life expectancy at birth in years (2021)	75											
GDP per capita in US\$ (2023)	10,449											
Population in millions (2023)	0.13											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
						Est.			Proj.			
(Annual percentage change, unless otherwise specified)												
Output and prices												
Real GDP	-13.8	4.7	7.3	4.5	3.3	4.4	3.2	3.0	2.9	2.7	2.7	
Nominal GDP	-14.0	7.6	9.1	9.2	4.4	5.1	4.3	4.7	4.9	4.8	4.8	
Consumer prices, end of period	-0.8	1.9	2.9	2.2	0.8	0.3	1.3	1.6	2.0	2.0	2.0	
Consumer prices, period average	-0.7	1.2	2.6	2.7	1.1	0.7	1.1	1.6	2.0	2.0	2.0	
Output gap (percent of potential GDP)	-9.6	-7.4	-3.1	-1.4	-1.4	0.0	-0.1	0.0	0.0	0.0	0.0	
Real effective exchange rate (+: appreciation)	-0.6	-2.9	-1.2	-1.9	-2.1	...	...	...	...	...	...
Central government balances (accrual)												
(In percent of GDP, unless otherwise specified)												
Revenue and Grants	28.1	31.6	32.9	36.6	43.8	32.1	30.9	30.5	30.6	30.4	30.4	
Taxes	22.1	20.6	21.6	23.5	23.6	23.5	23.9	23.9	23.9	23.9	23.9	
Non-tax revenue 1/	2.4	3.4	4.5	12.6	19.6	6.8	6.1	6.0	5.9	5.7	5.7	
Grants 1/	3.7	7.6	6.8	0.5	0.5	1.8	0.9	0.5	0.7	0.7	0.7	
Expenditure	32.7	31.3	32.0	28.7	37.1	39.2	36.2	30.5	30.5	30.4	30.1	
Current primary expenditure	21.1	20.9	20.1	18.0	21.8	22.2	21.9	21.5	21.4	21.4	21.5	
Interest payments	2.0	1.8	1.6	1.5	3.3	3.9	1.8	1.5	1.5	1.5	1.2	
Capital expenditure	9.6	8.6	10.3	9.2	12.0	13.1	12.6	7.4	7.6	7.5	7.4	
Primary balance	-2.6	2.1	2.6	9.4	10.0	-3.2	-3.5	1.5	1.5	1.5	1.5	
Overall balance	-4.5	0.3	0.9	7.9	6.7	-7.1	-5.3	0.0	0.0	0.0	0.3	
Central government debt (incl. guaranteed)	71.4	70.0	63.2	60.0	58.7	54.9	52.8	54.2	55.2	56.0	56.1	
Domestic	16.2	15.3	12.8	11.2	10.3	9.9	9.5	9.3	9.1	9.0	8.4	
External	55.2	54.7	50.3	48.8	48.4	45.0	43.3	44.9	46.1	47.0	47.7	
Public debt (incl. debt of SOEs and SBs)	89.5	86.6	79.3	74.5	72.7	68.3	65.8	66.8	67.4	67.8	67.5	
Money and credit, end of period (annual percent change)												
Broad money (M2)	9.1	8.5	9.9	1.4	8.4	5.1	4.3	4.7	4.9	4.8	4.7	
Credit to private sector	3.1	3.8	2.1	3.8	10.4	8.4	-5.3	5.4	5.4	5.2	5.1	
Balance of payments												
Current account balance, o/w:	-16.1	-14.4	-12.1	-20.3	-21.1	-17.5	-16.3	-14.9	-14.4	-14.2	-14.0	
Exports of goods and services	41.1	47.9	57.7	62.0	58.9	59.3	61.0	62.5	62.9	62.9	62.7	
Imports of goods and services	52.2	55.4	64.1	69.2	70.1	67.2	67.2	67.4	67.4	67.3	66.9	
Capital account balance	7.5	5.0	3.9	9.5	18.0	4.2	3.0	2.6	2.7	2.6	2.6	
Financial account balance	-7.2	-10.4	-7.2	-14.1	-1.7	-13.2	-13.3	-12.3	-11.7	-11.6	-11.4	
Errors and omissions	1.4	-1.0	1.0	-4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
External debt (gross)	92.5	94.9	93.2	89.0	83.8	79.0	76.6	77.6	77.8	77.7	77.5	
Savings-Investment balance	-16.1	-14.4	-12.1	-20.3	-20.8	-17.5	-16.3	-14.9	-14.4	-14.2	-14.0	
Savings	16.3	15.7	17.8	12.6	10.4	15.6	16.2	12.3	12.4	12.3	12.2	
Investment	32.4	30.1	29.9	32.8	31.2	33.0	32.5	27.2	26.8	26.5	26.2	
Memorandum items:												
Nominal GDP (millions of EC\$)	2,817	3,030	3,305	3,608	3,768	3,961	4,133	4,327	4,541	4,759	4,987	
Citizenship-by-Investment (CBI) inflows (percent of GDP)	9.0	9.3	10.9	31.3	29.6	10.2	7.8	7.7	7.4	7.1	7.0	
Government CBI revenue (Percent of GDP)	3.6	4.0	4.1	12.7	14.7	4.4	3.5	3.5	3.3	3.2	3.2	
Government deposits (Percent of GDP)	9.8	12.7	9.4	17.1	24.6	15.4	8.6	8.2	7.8	7.5	7.1	
Net imputed international reserves												
Months of imports of goods and services	5.6	5.0	4.6	4.8	5.0	4.6	4.2	4.1	4.0	4.0	3.9	
Sources: Country authorities; ECCB; United Nations, Human Development Report; World Bank WDI; and IMF staff estimates and projections.												
1/ Investor donations to the National Transformation Fund (NTF) under the Citizenship-by-Investment (CBI) program that were used to finance public investment projects are recorded under grants until 2022 and subsequently under non-tax revenue starting from 2023.												

Table 2. Grenada: Balance of Payments Summary, 2020-30

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
						Est.				Proj.	
(In millions of US dollars)											
Current account	-168.1	-161.4	-148.4	-270.7	-294.9	-256.4	-249.5	-238.5	-242.3	-250.2	-259.1
Trade balance for goods and services	-116.1	-84.0	-78.8	-96.3	-157.4	-115.0	-94.3	-79.5	-76.0	-77.3	-76.6
Exports of goods and services	428.6	537.9	706.2	828.9	821.5	870.4	934.6	1001.0	1058.0	1109.1	1158.5
o/w Tourism	185.5	232.4	448.6	639.2	664.1	681.4	735.4	793.0	840.8	882.6	921.4
Imports of goods and services	544.7	621.9	785.0	925.2	978.9	985.4	1028.9	1080.5	1134.0	1186.4	1235.1
(percentage change)	-19.5	14.2	26.2	17.9	5.8	0.7	4.4	5.0	5.0	4.6	4.1
o/w Mineral fuels	49.3	59.6	104.6	92.4	94.7	88.3	88.4	91.9	96.6	101.7	104.7
Foodstuffs	85.2	93.5	126.1	126.1	149.3	157.0	145.4	152.3	159.8	167.4	175.5
Other goods	211.3	239.7	287.5	315.9	314.5	363.8	421.1	436.8	458.3	477.9	494.4
Services	198.9	229.1	266.9	390.7	420.4	376.2	374.0	399.6	419.3	439.4	460.5
Net Income	-71.5	-98.7	-85.4	-140.4	-108.1	-127.6	-136.4	-142.1	-147.9	-153.0	-160.8
Current transfers	19.5	21.3	15.8	-34.1	-29.4	-13.8	-18.8	-16.9	-18.4	-20.0	-21.8
Capital account	78.7	55.7	47.6	127.1	251.4	62.1	45.2	40.9	45.9	46.7	48.9
Financial account	-74.8	-116.6	-88.3	-188.9	-23.7	-194.3	-204.3	-197.5	-196.4	-203.6	-210.3
Foreign direct investment	-163.9	-161.6	-153.2	-220.4	-168.1	-187.6	-195.1	-202.9	-202.7	-208.3	-215.3
Portfolio investment (net)	1.9	3.9	98.0	96.7	128.9	116.7	103.2	89.3	74.9	59.6	62.3
Other investment (net)	30.4	-14.3	-58.6	-108.1	-5.6	-108.4	-94.2	-98.3	-72.7	-73.9	-64.7
Change in imputed reserves	56.9	55.3	25.4	33.8	21.1	-15.0	-18.2	14.4	4.1	19.0	7.4
Errors and omissions	14.6	-11.0	12.6	-53.7	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	0.0	0.0	0.0	-8.4	-19.4	0.0	0.0	0.0	0.0	0.0	0.0
(In percent of GDP, unless otherwise specified)											
Current account	-16.1	-14.4	-12.1	-20.3	-21.1	-17.5	-16.3	-14.9	-14.4	-14.2	-14.0
Trade balance for goods and services	-11.1	-7.5	-6.4	-7.2	-11.3	-7.8	-6.2	-5.0	-4.5	-4.4	-4.1
Exports of goods and services	41.1	47.9	57.7	62.0	58.9	59.3	61.0	62.5	62.9	62.9	62.7
Tourism	17.8	20.7	36.6	47.8	47.6	46.4	48.0	49.5	50.0	50.1	49.9
Imports of goods and services	52.2	55.4	64.1	69.2	70.1	67.2	67.2	67.4	67.4	67.3	66.9
o/w Mineral fuels	4.7	5.3	8.5	6.9	6.8	6.0	5.8	5.7	5.7	5.8	5.7
Food	8.2	8.3	10.3	9.4	10.7	10.7	9.5	9.5	9.5	9.5	9.5
Other goods	20.3	21.4	23.5	23.6	22.5	24.8	27.5	27.3	27.2	27.1	26.8
Services	19.1	20.4	21.8	29.2	30.1	25.6	24.4	24.9	24.9	24.9	24.9
Net income	-6.8	-8.8	-7.0	-10.5	-7.7	-8.7	-8.9	-8.9	-8.8	-8.7	-8.7
Net current transfers	1.9	1.9	1.3	-2.5	-2.1	-0.9	-1.2	-1.1	-1.1	-1.1	-1.2
Capital account	7.5	5.0	3.9	9.5	18.0	4.2	3.0	2.6	2.7	2.6	2.6
Financial account	-7.2	-10.4	-7.2	-14.1	-1.7	-13.2	-13.3	-12.3	-11.7	-11.6	-11.4
Foreign direct investment	-15.7	-14.4	-12.5	-16.5	-12.0	-12.8	-12.7	-12.7	-12.1	-11.8	-11.7
Portfolio investment (net)	0.2	0.4	8.0	7.2	9.2	8.0	6.7	5.6	4.5	3.4	3.4
Other investment (net)	2.9	-1.3	-4.8	-8.1	-0.4	-7.4	-6.2	-6.1	-4.3	-4.2	-3.5
Change in imputed reserves	5.5	4.9	2.1	2.5	1.5	-1.0	-1.2	0.9	0.2	1.1	0.4
Errors and omissions	1.4	-1.0	1.0	-4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	0.0	0.0	0.0	-0.6	-1.4	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items:											
Government CBI revenue (percent of GDP)	3.6	4.0	4.1	12.7	14.7	4.4	3.5	3.5	3.3	3.2	3.2
CBI inflows (percent of GDP)	9.0	9.3	10.9	31.3	29.6	10.2	7.8	7.7	7.4	7.1	7.0
Gross external debt	92.5	94.9	93.2	89.0	83.8	79.0	76.6	77.6	77.8	77.7	77.5
External public and publicly guaranteed debt	69.7	67.6	62.8	60.1	59.4	55.4	53.4	54.5	55.3	55.9	56.2
Foreign liabilities of private sector 1/	22.8	27.3	30.5	28.9	24.5	23.6	23.2	23.1	22.5	21.8	21.3
ECCB imputed reserves (millions of USD)	290.9	324.2	352.6	389.1	410.2	395.2	377.0	391.4	395.5	414.5	421.9
ECCB imputed reserves (in months of imports of goods)	5.6	5.0	4.6	4.8	5.0	4.6	4.2	4.1	4.0	4.0	3.9
Nominal GDP (millions of USD)	1043.4	1122.2	1224.0	1336.4	1395.5	1467.1	1530.8	1602.7	1682.0	1762.6	1847.0

Sources: Ministry of Finance; ECCB; and IMF staff estimates and projections.

1/ Comprises foreign liabilities of commercial banks and other liabilities under the "Other investment" item of financial account.

Table 3a. Grenada: Operations of the Central Government, 2020-30
(In millions of EC dollars)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
						Est.			Proj.		
Total revenue and grants	792.7	957.1	1,088.4	1,320.9	1,648.5	1,273.3	1,278.3	1,317.8	1,387.6	1,446.9	1,516.2
Revenue	689.6	727.2	863.9	1,302.8	1,628.3	1,202.8	1,241.1	1,296.2	1,354.0	1,411.7	1,479.3
Tax revenue	622.8	625.5	715.0	848.0	890.6	932.2	988.7	1,036.1	1,086.9	1,138.9	1,193.5
Taxes on income and profits	135.0	121.5	138.0	165.2	192.5	200.1	210.9	220.9	231.8	242.9	254.5
Taxes on property	34.8	29.1	27.2	41.5	38.6	34.2	41.9	43.8	46.0	48.2	50.5
Taxes on goods and services	241.5	250.3	318.8	358.8	364.1	386.7	408.0	427.6	448.3	469.8	492.3
Taxes on international trade	211.5	224.6	231.0	282.6	295.3	311.1	327.9	343.8	360.8	378.1	396.2
Nontax revenue 1/	66.8	101.7	149.0	454.7	737.8	270.6	252.5	260.2	267.1	272.8	285.8
Citizenship by Investment Program	...	...	...	382.2	553.7	165.6	143.8	149.9	151.4	151.5	158.7
CCRIF payment	0.0	0.0	0.0	0.0	118.8	0.0	0.0	0.0	0.0	0.0	0.0
Capital revenue (land sales etc)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grants 1/	103.1	230.0	224.4	18.2	20.1	70.5	37.2	21.6	33.6	35.2	36.9
Total expenditure and net lending	920.7	947.2	1,057.6	1,034.4	1,397.6	1,554.7	1,497.7	1,318.1	1,387.0	1,445.3	1,498.8
Current expenditure	650.8	686.8	717.4	702.2	944.4	1,034.5	977.7	996.1	1,041.8	1,087.9	1,129.2
Wages and salaries	261.6	291.7	263.5	274.8	299.0	303.4	360.0	376.9	395.5	414.5	434.3
NIS contributions	14.8	16.0	16.2	16.8	20.3	21.4	22.3	23.4	24.5	25.7	26.9
Goods and services	132.9	154.0	128.0	141.7	255.1	187.6	186.7	195.5	205.1	215.0	225.2
Transfers	185.6	171.0	256.1	215.6	245.7	367.0	334.6	335.1	348.5	362.6	385.0
Interest payments	55.9	54.2	53.7	53.3	124.3	155.1	74.1	65.3	68.1	70.1	57.7
Bondholder CBI-related payments	11.7	11.7	13.0	7.8	78.4	99.6	15.7	9.2	10.3	10.5	0.0
Capital expenditure and net lending	269.9	260.4	340.2	332.2	453.1	520.2	520.0	322.1	345.2	357.4	369.6
Primary balance	-72.2	64.1	84.5	339.9	375.2	-126.3	-145.2	65.0	68.7	71.8	75.1
Overall balance	-128.1	9.9	30.8	286.6	250.9	-281.4	-219.3	-0.3	0.5	1.6	17.4
Gross Financing Need	128.1	-9.9	-30.8	-286.6	-250.9	284.0	266.2	171.3	170.0	168.2	140.2
Central Government	128.1	-9.9	-30.8	-286.6	-250.9	281.4	219.3	0.3	-0.5	-1.6	-17.4
Other public sector (incl. SOEs and SBs) 2/	n.a.	n.a.	n.a.	n.a.	n.a.	2.6	46.9	171.0	170.5	169.9	157.6
Identified Financing	89.1	-4.5	70.7	-236.2	-261.8	284.0	266.2	171.3	170.0	168.2	140.2
Net external financing	114.3	102.4	6.3	95.7	66.1	-43.1	7.3	151.9	150.0	145.8	139.8
Net domestic financing	-20.8	6.6	-39.2	-19.9	-17.8	6.8	-1.7	11.4	11.6	13.5	-7.6
Net SOE financing	1.4	-5.2	28.6	-6.5	0.9	2.6	6.9	7.7	8.5	8.7	9.1
Change in government assets 3/	-5.8	-108.2	75.0	-305.5	-310.9	317.7	253.7	0.3	-0.2	0.2	-1.0
Residual 4/	39.0	-5.5	-101.4	-50.4	10.9	0.0	0.0	0.0	0.0	0.0	0.0
Public Debt 5/	2,521	2,625	2,621	2,690	2,739	2,705	2,718	2,889	3,059	3,227	3,368
Central government	2,011.8	2,120.8	2,087.9	2,163.7	2,212.0	2,175.7	2,181.3	2,344.6	2,506.2	2,665.6	2,797.7
External	1,554.7	1,657.1	1,663.4	1,759.1	1,825.2	1,782.1	1,789.5	1,941.4	2,091.4	2,237.2	2,377.0
Domestic	457.1	463.7	424.5	404.6	386.8	393.5	391.8	403.2	414.9	428.4	420.8
State-owned enterprises	509.4	504.2	532.8	526.3	527.2	529.8	536.7	544.4	552.9	561.6	570.6
<i>Memorandum items:</i>											
Primary balance including Project Polaris	-72.2	64.1	84.5	339.9	375.2	-126.3	-185.2	-98.3	-93.3	-89.4	-73.4
Overall balance including Project Polaris	-128.1	9.9	30.8	286.6	250.9	-281.4	-259.3	-163.6	-161.5	-159.6	-131.1
Government CBI revenue (millions of EC\$)	101.5	120.3	135.4	457.3	553.7	175.6	143.8	149.9	151.4	151.5	158.7
Government deposits	276.7	385.0	310.0	615.5	926.4	608.8	355.1	354.8	355.0	354.7	355.7
Nominal GDP (millions of EC\$)	2,817	3,030	3,305	3,608	3,768	3,961	4,133	4,327	4,541	4,759	4,987

Sources: Ministry of Finance and IMF staff estimates.

1/ Nonrefundable contributions under the Citizenship-by-Investment (CBI) program that were used to finance investment projects are recorded under grants before 2023 but recorded under non-tax revenue starting 2023.

2/ Included in projections only as historical data on SOE spending are unavailable. Estimates include Project Polaris spending.

3/ (-) implies accumulation of government assets, including deposits, sinking fund, and contingency fund.

4/ Residual primarily reflects flows arising from SOE transactions not currently captured, such as capital expenditure.

5/ Includes the impact of the debt restructuring agreement for the 2025

Table 3b. Grenada: Operations of the Central Government, 2020-30
(In percent of GDP)

	2020	2021	2022	2023	2024	2025 Est.	2026	2027	2028 Proj.	2029	2030
Total revenue and grants	28.1	31.6	32.9	36.6	43.8	32.1	30.9	30.5	30.6	30.4	30.4
Revenue	24.5	24.0	26.1	36.1	43.2	30.4	30.0	30.0	29.8	29.7	29.7
Tax revenue	22.1	20.6	21.6	23.5	23.6	23.5	23.9	23.9	23.9	23.9	23.9
Taxes on income and profits	4.8	4.0	4.2	4.6	5.1	5.1	5.1	5.1	5.1	5.1	5.1
Taxes on property	1.2	1.0	0.8	1.1	1.0	0.9	1.0	1.0	1.0	1.0	1.0
Taxes on goods and services	8.6	8.3	9.6	9.9	9.7	9.8	9.9	9.9	9.9	9.9	9.9
Taxes on international trade	7.5	7.4	7.0	7.8	7.8	7.9	7.9	7.9	7.9	7.9	7.9
Nontax revenue 1/	2.4	3.4	4.5	12.6	19.6	6.8	6.1	6.0	5.9	5.7	5.7
Citizenship by Investment Program	...	...	...	10.6	14.7	4.2	3.5	3.5	3.3	3.2	3.2
CCRIF payment	0.0	0.0	0.0	0.0	3.2	0.0	0.0	0.0	0.0	0.0	0.0
Grants 1/	3.7	7.6	6.8	0.5	0.5	1.8	0.9	0.5	0.7	0.7	0.7
Total expenditure and net lending	32.7	31.3	32.0	28.7	37.1	39.2	36.2	30.5	30.5	30.4	30.1
Current expenditure	23.1	22.7	21.7	19.5	25.1	26.1	23.7	23.0	22.9	22.9	22.6
Wages and salaries	9.3	9.6	8.0	7.6	7.9	7.7	8.7	8.7	8.7	8.7	8.7
NIS contributions	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Goods and services	4.7	5.1	3.9	3.9	6.8	4.7	4.5	4.5	4.5	4.5	4.5
Transfers	6.6	5.6	7.7	6.0	6.5	9.3	8.1	7.7	7.7	7.6	7.7
Interest payments	2.0	1.8	1.6	1.5	3.3	3.9	1.8	1.5	1.5	1.5	1.2
Bondholder CBI-related payments	0.4	0.4	0.4	0.2	2.1	2.5	0.4	0.2	0.2	0.2	0.0
Capital expenditure and net lending	9.6	8.6	10.3	9.2	12.0	13.1	12.6	7.4	7.6	7.5	7.4
Primary balance	-2.6	2.1	2.6	9.4	10.0	-3.2	-3.5	1.5	1.5	1.5	1.5
Overall balance	-4.5	0.3	0.9	7.9	6.7	-7.1	-5.3	0.0	0.0	0.0	0.3
Gross Financing Need	4.5	-0.3	-0.9	-7.9	-6.7	7.2	6.4	4.0	3.7	3.5	2.8
Central Government	4.5	-0.3	-0.9	-7.9	-6.7	7.1	5.3	0.0	0.0	0.0	-0.3
Other public sector (incl. SOEs and SBs) 2/	n.a	n.a	n.a	n.a	n.a	0.1	1.1	4.0	3.8	3.6	3.2
Identified Financing	3.2	-0.1	2.1	-6.5	-6.9	7.2	6.4	4.0	3.7	3.5	2.8
Net external financing	4.1	3.4	0.2	2.7	1.8	-1.1	0.2	3.5	3.3	3.1	2.8
Net domestic financing	-0.7	0.2	-1.2	-0.6	-0.5	0.2	0.0	0.3	0.3	0.3	-0.2
Net SOE financing	0.0	-0.2	0.9	-0.2	0.0	0.1	0.2	0.2	0.2	0.2	0.2
Change in government assets 3/	-0.2	-3.6	2.3	-8.5	-8.3	8.0	6.1	0.0	0.0	0.0	0.0
Residual 4/	1.4	-0.2	-3.1	-1.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Public Debt 5/	89.5	86.6	79.3	74.5	72.7	68.3	65.8	66.8	67.4	67.8	67.5
Central government	71.4	70.0	63.2	60.0	58.7	54.9	52.8	54.2	55.2	56.0	56.1
External	55.2	54.7	50.3	48.8	48.4	45.0	43.3	44.9	46.1	47.0	47.7
Domestic	16.2	15.3	12.8	11.2	10.3	9.9	9.5	9.3	9.1	9.0	8.4
State owned enterprises	18.1	16.6	16.1	14.6	14.0	13.4	13.0	12.6	12.2	11.8	11.4
<i>Memorandum items:</i>											
Primary balance including Project Polaris	-2.6	2.1	2.6	9.4	10.0	-3.2	-4.5	-2.3	-2.1	-1.9	-1.5
Overall balance including Project Polaris	-4.5	0.3	0.9	7.9	6.7	-7.1	-6.3	-3.8	-3.6	-3.4	-2.6
Government CBI revenue (Percent of GDP)	3.6	4.0	4.1	12.7	14.7	4.4	3.5	3.5	3.3	3.2	3.2
Government Deposits	9.8	12.7	9.4	17.1	24.6	15.4	8.6	8.2	7.8	7.5	7.1
Nominal GDP (millions of EC\$)	2,817	3,030	3,305	3,608	3,768	3,961	4,133	4,327	4,541	4,759	4,987

Sources: Ministry of Finance and IMF staff estimates.

1/ Nonrefundable contributions under the Citizenship-by-Investment (CBI) program that were used to finance investment projects are recorded under grants before 2023 but recorded under non-tax revenue starting 2023.

2/ Included in projections only as historical data on SOE spending are unavailable. Estimates include Project Polaris spending.

3/ (-) implies accumulation of government assets, including deposits, sinking fund, and contingency fund.

4/ Residual primarily reflects flows arising from SOE transactions not currently captured, such as capital expenditure.

5/ Includes the impact of the debt restructuring agreement for the 2025 bonds.

Table 4. Grenada: Summary Accounts of the Monetary Sector, 2020-30

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
						Est.					
	(In millions of EC dollars; end of period)										
Net foreign assets	1,720.7	1,919.1	2,212.0	2,405.0	2,892.2	2,631.2	2,647.0	2,729.8	2,799.1	2,914.3	3,033.2
ECCB	785.5	875.3	952.0	1,050.6	1,115.6	1,067.1	1,018.0	1,056.8	1,067.9	1,119.3	1,172.9
Commercial banks (net)	935.2	1,043.8	1,260.0	1,354.4	1,776.6	1,564.2	1,629.0	1,673.0	1,731.2	1,795.0	1,860.3
Assets	1,302.4	1,492.4	1,815.0	1,946.3	1,901.4	2,004.3	2,072.7	2,130.8	2,186.0	2,239.6	2,299.0
Liabilities	367.2	448.5	555.0	591.8	451.8	440.1	443.6	457.8	454.8	444.6	438.7
Net domestic assets	938.1	965.5	958.0	808.0	592.0	1,031.8	1,175.2	1,271.9	1,400.5	1,486.5	1,576.7
Public sector credit (net)	-430.6	-389.5	-318.0	-535.8	-842.1	-530.7	-273.8	-269.8	-265.9	-261.4	-258.3
Central government	-219.6	-308.2	-249.0	-561.1	-849.9	-547.1	-294.2	-293.9	-294.1	-293.9	-294.9
ECCB	-36.7	-93.8	-42.0	-68.0	-121.4	-105.5	-68.5	-68.5	-68.5	-68.5	-68.6
Commercial banks	-183.0	-214.3	-207.0	-493.1	-738.4	-441.6	-225.7	-225.4	-225.6	-225.4	-226.3
Net credit to rest of public sector	-211.0	-81.3	-69.0	25.3	7.7	16.4	20.4	24.1	28.2	32.5	36.6
Credit to private sector	1,674.5	1,738.2	1,775.0	1,842.3	2,033.5	2,205.2	2,322.9	2,447.7	2,579.6	2,713.3	2,851.8
Other items (net)	-305.9	-383.1	-506.0	-498.4	-587.6	-642.8	-640.0	-659.9	-654.1	-693.4	-730.9
Broad money	2,658.8	2,884.7	3,170.0	3,213.0	3,484.1	3,663.0	3,822.2	4,001.7	4,199.6	4,400.8	4,609.9
Money	825.3	1,026.0	1,436.0	1,564.5	1,725.2	1,813.3	1,893.8	1,984.3	2,081.8	2,179.5	2,283.0
Currency in circulation	160.8	188.1	207.0	211.6	238.4	249.1	260.1	272.6	286.0	299.4	313.6
Cash in commercial banks	664.5	837.9	1,230.0	1,352.9	1,488.0	1,564.3	1,633.6	1,711.8	1,795.8	1,880.1	1,969.4
Quasi-money	1,833.5	1,858.6	1,734.0	1,648.5	1,759.0	1,849.6	1,928.4	2,017.4	2,117.9	2,221.3	2,326.9
Time deposits	171.2	162.4	137.0	105.6	114.1	372.5	388.3	406.3	426.5	447.3	468.6
Savings deposits	1,371.0	1,378.1	1,169.0	1,223.8	1,296.1	1,154.4	1,203.6	1,259.1	1,321.8	1,386.4	1,452.3
Foreign currency deposits	291.2	318.1	428.0	319.1	348.8	322.7	336.5	352.0	369.6	387.6	406.0
	(Annual percentage change, unless otherwise specified)										
Net foreign assets	22.9	11.5	15.3	8.7	20.3	-9.0	0.6	3.1	2.5	4.1	4.1
Net domestic assets	-9.5	2.9	-0.8	-15.7	-26.7	74.3	13.9	8.2	10.1	6.1	6.1
Public sector credit, net	-22.0	-9.5	-18.4	68.5	57.2	-37.0	-48.4	-1.4	-1.4	-1.7	-1.2
Credit to private sector	3.1	3.8	2.1	3.8	10.4	8.4	5.3	5.4	5.4	5.2	5.1
Broad money	9.1	8.5	9.9	1.4	8.4	5.1	4.3	4.7	4.9	4.8	4.7
NFA contribution	70.5	7.5	10.2	6.1	15.2	-7.5	0.4	2.2	1.7	2.7	2.7
NDA contribution	38.4	1.0	-0.3	-4.7	-6.7	12.6	3.9	2.5	3.2	2.0	2.0
Money	8.2	24.3	40.0	9.0	10.3	5.1	4.4	4.8	4.9	4.7	4.7
Quasi-money	9.5	1.4	-6.7	-4.9	6.7	5.2	4.3	4.6	5.0	4.9	4.8
	(In percent of GDP, unless otherwise specified)										
Net foreign assets	61.1	63.3	66.9	66.7	76.8	66.4	64.0	63.1	61.6	61.2	60.8
Net domestic assets, o/w	33.3	31.9	29.0	22.4	15.7	26.0	28.4	29.4	30.8	31.2	31.6
Public sector credit, net	-15.3	-12.9	-9.6	-14.8	-22.4	-13.4	-6.6	-6.2	-5.9	-5.5	-5.2
Private sector credit	59.4	57.4	53.7	51.1	54.0	55.7	56.2	56.6	56.8	57.0	57.2
Broad money (M2)	94.4	95.2	95.9	89.0	92.5	92.5	92.5	92.5	92.5	92.5	92.4
Money	29.3	33.9	43.5	43.4	45.8	45.8	45.8	45.9	45.8	45.8	45.8
Quasi-money	65.1	61.3	52.5	45.7	46.7	46.7	46.7	46.6	46.6	46.7	46.7

Sources: ECCB; Ministry of Finance; and IMF staff estimates.

Annex I. Risk Assessment Matrix

Source/Nature of risk (Likelihood / Time horizon)	Expected Impact and Recommended Response
Conjunctural Risks	
Geopolitical Tensions. Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chains. (High / ST, MT)	Medium. Higher inflation, eroding income, and dampening demand. Markets for energy, food, tourism, and financial markets might see unexpected volatility. Provide targeted transfers to the vulnerable. Gradually increase value-added of the tourism and diversify source markets over time. Vigilantly monitor the financial sector development in coordination with ECCB.
Escalating Trade Measures and Prolonged Uncertainty. Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge—especially in countries imposing tariffs. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang. (High / ST)	Medium. Higher inflation, eroding income, and widening trade deficits. Import prices from the U.S. may surge while goods and (tourism) services exports are adversely affected by higher tariffs and weaker global growth. Provide targeted support to the vulnerable. Explore cost-effective opportunities to diversify trading partner countries for both exports and imports as well as source markets for tourism, while reducing the contribution of local port and administrative frictions to trade-costs.
Commodity price volatility. Shifts in supply and demand—driven by geopolitical tensions and conflicts, OPEC+ actions, or the green transition—may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability. (High / ST)	Medium. Eroding income, dampening demand, and widening fiscal and trade deficits. Provide targeted support to the vulnerable. Accelerate shift to renewables and improve the pass-through of price signals. Introduce a more symmetric, rules-based local gasoline price mechanism to smooth the fiscal impact.
Financial Market Volatility and Correction. Stretched asset valuations, easy financial conditions, and subdued volatility in key markets could be significantly affected by a sudden and disruptive shift in investor sentiment or policy stance, triggering market corrections, exchange rate turbulence, spikes in sovereign bond yields, and capital flow volatility. Elevated leverage among Non-Bank Financial Intermediaries further amplifies these risks, as forced deleveraging during periods of stress could exacerbate asset price swings and propagate shocks. Rapid growth of unregulated crypto markets could add to these vulnerabilities by increasing the risk of redemption runs and market dislocations. (High / ST)	Medium. Adverse financial conditions may weaken bank balance sheets through overseas investment exposures and weigh on investment through indirect impact on local financing conditions and/or disruptions to FDI inflows. Ensure continued adequacy of loss-absorbing financial system buffers in conjunction with continued enhancement of financial system supervision in coordination with the ECCB. Support creation of local investment opportunities to reduce the economy's investment-reliance on external FDI.
Decline in International Aid. A further sharp reduction in international financial assistance, including development aid and humanitarian support, could severely affect low-income and fragile countries. Such an additional aid withdrawal would strain public finances, worsen current accounts, increase debt vulnerabilities, and lead to a further deterioration in living conditions and food security. (High / ST)	Low. Worsening fiscal and external positions. Although the economy's dependence on international aid flows is limited, reduced availability could heighten fiscal and external financing risks in the event of extreme climate events. Provide targeted support to the vulnerable. Continue implementing the Disaster Resilience Strategy, improve infrastructure and post-disaster response, and maintain fiscal and external buffers.
Rising Social discontent. High living costs, weak growth, and inequality may fuel social unrest, hinder necessary reforms, and weaken countries' capacity to address domestic and external shocks. (Medium / ST, MT).	Medium. Exacerbate imbalances, slow growth, and trigger market repricing. Social policies need to continue supporting the most vulnerable population.

Structural Risks	
Climate Change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability. (Medium / ST)	High. Reduce capital stock, create scarring effects, and diminish financial sector's capital base. Continue implementing the Disaster Resilience Strategy, improve infrastructure and post-disaster response, maintain adequate fiscal buffers and strengthen oversight and data collection to support assessment of systemic financial implications from the insurance sector.
Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability. (High / ST, MT).	Low. Payment and financial system may be disrupted. Enhance digital security in public and private platforms, raise the public awareness, and prepare a contingency plan.
Domestic Risks	
Fiscal underperformance, lower than expected/mismanaged CBI revenues, and reputational risks could threaten the completion of transformational capital projects, compromise the realization of economic benefits, and entail protective steps from concerned jurisdictions that compromise growth prospects and, in turn, exacerbate debt vulnerabilities. (Medium / ST, MT).	Medium. Lower investor confidence and growth performance and raised financing costs. Improve the CBI management framework to minimize the impact of CBI flow uncertainty on budget planning. Rationalize spending and broaden the revenue base from non-CBI sources. Strengthen governance frameworks to enhance the transparency and integrity of the CBI program, including via the management of resources.
A deterioration in CU asset quality and/or disruption of correspondent bank relationships could reduce growth. (Low / ST, MT).	Medium. Weaker growth and lower financial inclusiveness. Enhance CU balance sheets by accelerating reforms to resolve NPLs and improve credit access for households and firms. Monitor asset quality and ensure adequate loan loss provisioning.
An efficient implementation of major investment projects such as the Project Polaris hospital could boost growth. (Medium / MT).	Medium. Higher growth. Stronger investment and expansion into new niche markets like health tourism exports would support improved and more sustained growth outcomes.

Annex II. External Sector Assessment

Overall Assessment: Grenada's estimated external position in 2024 was weaker than the level implied by medium-term fundamentals and desirable policies. The current account deficit is estimated to have modestly widened from the previous year, remaining at a historically high level following revisions to historical 2023 data. However, the assessment is subject to considerable uncertainty given the pending release of final 2024 BoP data in early 2026, history of material data revisions, and persistent data adequacy gaps. The latter includes incomplete reconciliation of FDI and current account flows with CBI investment data, pending verifications of some service and secondary income account outflows, discrepancies in domestic import statistics and partner-country mirror data, and gaps in tourism visitor expenditure surveys.

Potential Policy Responses: Fiscal policies should remain solidly anchored in longer-term sustainability, carefully managing increasing public investments and maintaining buffers against unexpected shocks. Structural reform measures, such as fostering domestic enterprise development and investment, increasing value added of the tourism sector, addressing labor market rigidities, accelerating renewable energy generation, and building resilience to natural disasters can support external rebalancing.

Foreign Assets and Liabilities: Position and Trajectory

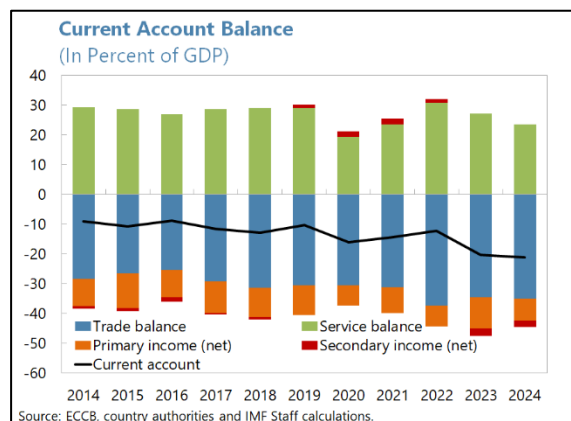
Background. The net international investment position (IIP) has decreased from -143 percent of GDP in 2022 to -146 percent of GDP in 2023 (as of data revised at end-2024, the 2024 IIP data will be released in early 2026).¹ Gross assets decreased by 4.4 percentage points, while gross liabilities saw a smaller decline of 1.8 percentage points. In 2023, most assets comprised commercial banks' overseas portfolio investment (38 percent of total assets), or currency and deposits (17 percent of total assets). Reserve assets constitute 26 percent of total assets. On the liability side, liabilities were chiefly accounted for by FDI (64 percent of liabilities) and other investment (33 percent of liabilities, mostly government loans).

Assessment. The level of the NIIP in 2023 does not constitute a significant concern for external debt sustainability. The projected narrowing of the current account deficit in the medium term will help improve the NIIP over time. The large share of FDI and general government loans in total liabilities mitigates potential risks and is expected to persist.

	NIIP:	Gross Assets:	Debt Assets:	Gross Liabilities	Debt Liabilities:
2023 (% GDP)	-145.5	114.0	69.5	259.5	100.6

Current Account

Background. The current account deficit is estimated to have widened modestly to 21.1 percent of GDP in 2024 from 20.3 percent of GDP in 2023, after widening sharply by 8.2 percent of GDP in 2023 from the previous year. The deterioration in 2023 was largely driven by the increase in agent fee outflows related to the 2023-24 surge in CBI investment inflows as well as increases in both primary and secondary income payments. In 2024, the temporary impact of Hurricane Beryl, including higher import needs for food, relief supplies and construction materials, and lower agricultural exports contributed to the wider deficit, despite an improvement in the income balance, including foreign aid transfers in kind following the hurricane. In 2025, the current account deficit is projected to narrow to 17½ percent of GDP, as the improvement in the services trade balance from the normalization of CBI investment inflows and the associated commission payments more than offsets the construction import driven deterioration in the goods trade balance.



Assessment. Grenada's cyclically adjusted 2024 CA is estimated at -14.6 percent of GDP after accounting for cyclical contributions as well as the temporary impact of Hurricane Beryl and the temporary 2023-24 surge in CBI agent commission outflows. The 2024 EBA-lite estimates a CA norm of -10.8 percent of GDP, which, when compared to the cyclically adjusted CA, results in an estimated CA gap of -3.9 percent of GDP. Accordingly, Grenada's external position is assessed as weaker than the level implied by medium-term fundamentals and desirable policies. The large negative current account norm chiefly reflects Grenada's ratio of the stock of outward migrants relative to the domestic population, as well as its level of GDP per capita relative to the world average. The sizeable relative policy gap in the EBA-lite model is largely explained by the significant primary fiscal surplus in 2024. There were no exchange rate movements or significant changes in the structural fundamentals. The external position is expected to gradually improve over the medium term with normalization of CBI related outflows from 2025 and supported by the robust tourism sector. Further improvement is expected beyond the medium-term horizon once the import pressures from high public investment outlays abate.

Grenada: EBA-lite Model Results, 2024 (in percent of GDP)

	CA model 1/ (in percent of GDP)	REER model 1/ (in percent of GDP)
CA-Actual (est.)	-21.1	
Cyclical contributions (from model) (-)	0.0	
Additional temporary/statistical factors (-) 2/ 3/	-7.4	
Natural disasters and conflicts (-)	0.9	
Adjusted CA	-14.6	
CA Norm (from model) 4/	-10.8	
Adjusted CA Norm	-10.8	
CA Gap	-3.9	2.0
o/w Relative policy gap	5.7	
Elasticity	-0.4	
REER Gap (in percent)	9.8	-5.1

Source: IMF Staff calculations

1/ Based on the EBA-lite 3.0 methodology.

2/ Additional adjustment to account for the temporary estimated impact of Hurricane on tourism (-0.5), agricultural exports (-0.5), and imports of construction materials (-1.0). The adjustment also offsets the model-based positive impact of natural disasters deriving from the capital account openness interaction term (-0.9), given that Grenada had no constraints in access to post-disaster financing.

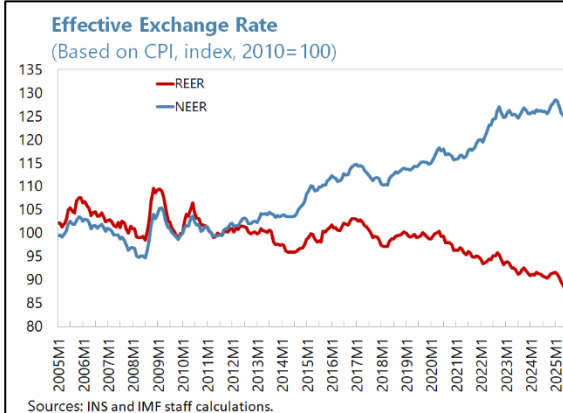
3/ Additional adjustment to account for the temporary (2023-24) surge in the service account outflows from estimated agent commission outflows associated with high CBI inflows (-4.5).

4/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. In 2024, the real effective exchange rate (REER) depreciated by 2.1 percent, continuing the trend since 2019; in contrast, the nominal effective exchange rate (NEER) appreciated by 0.5 percent over the same period.² This divergence largely reflects the continued lower level of inflation in Grenada compared to its main trading partners. As of July, both the REER and NEER depreciated by around 3 percent since end-2024.

Assessment. The REER gap was 9.8 percent, derived from the EBA-Lite CA model with an elasticity of -0.4. This points to a moderate overvaluation of the EC\$ for Grenada, broadly consistent with the assessment on the external position. The results of EBA-Lite REER model point to an undervaluation of 5.1 percent. Considering all the estimates and their uncertainties, consistent with the CA gap, the IMF staff assesses the 2024 midpoint REER overvaluation to be 9.1 percent of GDP.



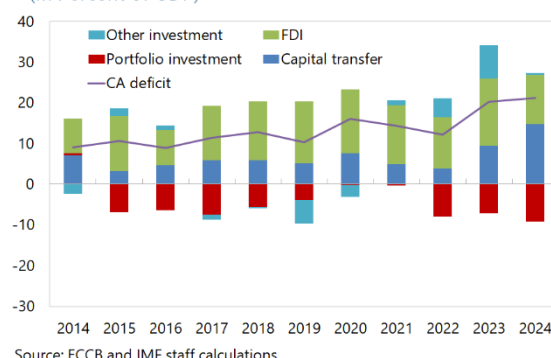
Capital and Financial Accounts: Flows and Policy Measures

Background. Grenada has historically relied on FDI to finance the saving-investment imbalance, with net FDI averaging -15.8 percent of GDP between 2018-23, while the capital account has averaged about 6 percent over the same period. In 2023-24, Grenada's capital and financial accounts have been heavily impacted by CBI inflows. Inflows to the capital account are estimated at 18 percent of GDP in 2024, largely due to direct CBI investment to the government (capital transfers).

FDI inflows in 2024 are estimated at 11.8 percent of GDP following a 16.5 percent of GDP surge in 2023. The surge in CBI inflows was offset by a sharp increase in other investment outflows, reflecting higher bank overseas investments in part due to increased liquidity from government CBI deposits.

Assessment. The financing of Grenada's elevated current accounts remains heavily dependent on FDI and CBI inflows. While CBI inflows have materially tapered in 2025, their use for public and private investment (which has a large import component) would also result in lower import financing needs. Key downside risks include a tightening of global financial conditions (which could incentivize further outward investment of banking system liquidity or disrupt tourism FDI inflows) and natural disasters (which could deter private capital inflows). On the upside, continued strengthening of Grenada's tourism product and potential for new niche tourism markets, including in the longer-term medical tourism around the Project Polaris teaching hospital, have potential to attract more FDI.

Current Account Financing
(In Percent of GDP)

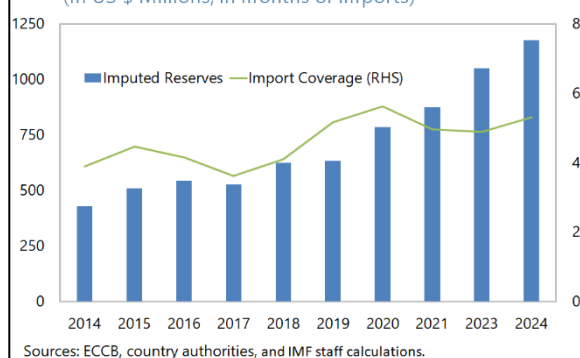


FX Intervention and Reserves Level

Background. As a member of the Eastern Caribbean Currency Union, the imputed reserves method is used as a proxy for net foreign assets held at the ECCB.^{3,4} Estimated imputed reserves increased by 10 percent from 2022 to 2023, covering 4.8 months of imports. Estimated imputed reserves are estimated to have increased temporarily by 5.5 percent in 2024, reflecting strong CBI inflows and post-disaster external financing, including a drawdown from Catastrophe Deferred Drawdown Option (CAT DDO) with the World Bank and an insurance payout from the Caribbean Catastrophe Risk Insurance Facility (CCRIF).

Assessment. Imputed reserves exceed the typical benchmark of three months of imports and are above the 20 percent of broad money benchmark.

Imputed Reserves
(In US \$ Millions; in months of imports)



¹ Based on the latest available historical data by the ECCB. Staff does not project the international investment position.

² The Eastern Caribbean dollar, the currency of Grenada, is pegged to the U.S. dollar.

³ Grenada is under a quasi-currency board arrangement and foreign assets and liabilities of the Eastern Caribbean Central Bank (ECCB) cannot be directly assigned to an individual country. According to the ECCB by-laws, the imputed reserves of each ECCB member are calculated as the difference between the member's reserve money and net domestic assets. The ECCB has the mandate to maintain a foreign exchange cover of 60 percent of total demand liabilities. The reserve backing ratio as of April 2024 was 95.7 percent.

⁴ IMF 2015, *Assessing Reserve Adequacy—Specific Proposals*. Reserve adequacy assessments for currency unions should consider the reserve needs of the consolidated union level. This should be supplemented by a discussion of factors that have a bearing on the size of reserves, such as the union's financial architecture and supportive institutions, and the correlation of shocks faced by union members.

Annex III. Sensitivity Analysis of External Shocks

This annex provides a sensitivity analysis of the potential impact of external shocks tailored to the currently elevated global economic uncertainties arising primarily from evolving trade policies and global geopolitical tensions. Given Grenada's lack of access to international debt markets, a relatively insulated financial system and modest local production and goods export capacity, the assessment focuses on key risk transmission channels of (i) a tourism arrival shock from global (source market) economic slowdown; and (ii) external cost-push shocks from higher global commodity prices and U.S. tariff measures, feeding into inflation through higher import prices. The analysis suggests that, while Grenada's high export and import dependency makes it vulnerable to pronounced external shocks, the impact under more moderate scenarios corresponding to current levels of global uncertainty are likely to be modest.

1. Source market GDP risks through the tourism transmission channel. Tourism is the major sector of Grenada's economy, contributing significantly to GDP and foreign exchange earnings (Annex IV). A weaker-than-expected global growth would reduce foreign travel demand, particularly from advanced economies that account for a large share of tourist arrivals (the US, UK and Canada account for 41, 12 and 7 percent of recent stayover arrivals).

Annex III. Figure 1. Grenada: Estimating the tourism elasticity

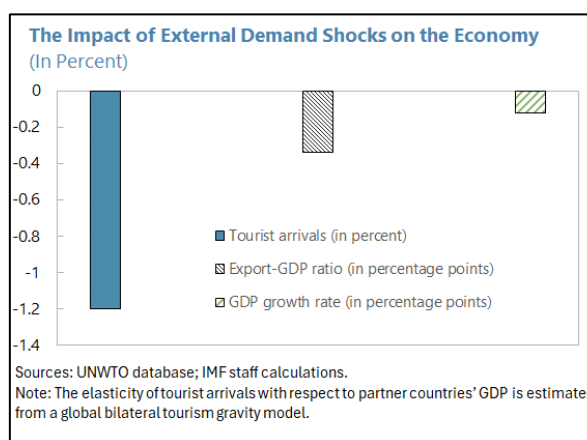
Dependent variable: bilateral tourist arrivals	(1)	(2)	(3)	(4)
Bilateral distance (log)	-1.43 *** (0.05)	-1.44 *** (0.05)	-1.43 *** (0.05)	-1.43 *** (0.05)
Common border	0.65 *** (0.10)	0.63 *** (0.11)	0.65 *** (0.11)	0.62 *** (0.11)
Common language	0.67 *** (0.12)	0.67 *** (0.12)	0.64 *** (0.12)	0.72 *** (0.11)
Colonial dependence	0.45 *** (0.16)	0.46 *** (0.17)	0.49 *** (0.17)	0.47 *** (0.11)
Bilateral REER (log)		-0.27 *** (0.08)	-0.27 *** (0.08)	-0.28 *** (0.09)
Source Country Real GDP (log)		0.81 *** (0.12)	0.81 *** (0.12)	0.82 *** (0.12)
Source Country Real GDP (log) X Caricom destination dummy			-0.10 ** (0.04)	-0.10 *** (0.03)
Source Country Real GDP (log) X US source dummy				1.04 * (0.58)
Destination-year fixed effects	O	O	O	O
Source-year fixed effects	O	X	X	X
Source country fixed effects	X	O	O	O
Observations	124,083	119,872	119,872	119,872
Pseudo R-squared	0.94	0.94	0.94	0.94

Sources: UNWTO database; IMF staff calculations

Note: This table reports the PPML estimation results from the bilateral country panel regression of tourist arrivals on gravity-type variables. A complete set of interaction terms are included in the regression (columns (3) and (4)) but not reported in the table. Robust standard errors clustered at source-destination country pair level are reported in parenthesis. Significance: *** 1 percent; ** 5 percent; * 10 percent.

2. This assessment considers the impact of one percent decline in GDP across Grenada's source tourism markets.¹ The elasticity of tourist arrivals to source-country GDP growth is estimated using global bilateral panel tourism data from UNWTO. The specification follows a gravity-type model in which source-country time-varying GDP is the explanatory variable of interest, while destination-year fixed effects control for Grenada-specific pull factors. Consistent with the previous literature (Rossello, J., and Santana-Gallego, M. (2022)), which generally finds income elasticities of tourism demand below one, the estimated elasticity for the average sample countries is 0.81. An interaction term with an indicator for CARICOM countries as the destination allows identification of Caribbean country-specific elasticity, which is estimated at 0.71. This aligns with the prior that small Caribbean islands are not typically as reliant on more income-sensitive mass-segments of the global tourism market. In a similar manner, the US-specific elasticity is estimated at 1.8, suggesting that US tourists are particularly more sensitive to income fluctuations than other source countries. Further applying the US share of tourists, an elasticity of 1.2 is set as a benchmark.

3. The estimated elasticity suggests modest sensitivity to moderate source market GDP declines. In response to an one percent decline in source countries' GDP, a 1.2 percent decline in stayover arrivals translates into an estimated loss of EC\$21 million in tourism receipts, equivalent to 0.34 percentage points of GDP decline in exports and current account balance. This, in turn, is estimated to reduce real GDP growth by a modest 0.12 percentage points relative to the baseline projection, reflecting the large share of tourism in economic activity.



While this suggests resilience to moderate external shocks through the tourism channel, the transmission channel could be non-linearly amplified by other factors in a more severe global crisis scenario, such as wealth and employment effects on tourism demand in source markets.

Inflation Risks Through the Import Channel

4. Imported commodities, particularly fuel and food, play a key role in Grenada's consumption basket, making domestic prices sensitive to global commodity price fluctuations. The inflation sensitivity to potential commodity price volatility is estimated based on the weights of food and fuel-related items in Grenada's CPI basket, drawing on historically observed pass-through rates to retail prices.² Based on this approach, a moderate 10 percent positive shock to

¹ The scenario is calibrated to correspond to shocks that could more plausibly arise from the current elevated global economic uncertainties and is not intended to serve as a more severe stress test. The recent experience during the Covid-19 pandemic demonstrates the potential impact of an extreme tourism inflows shock, where the impact on tourism-dependent economies was among the steepest globally.

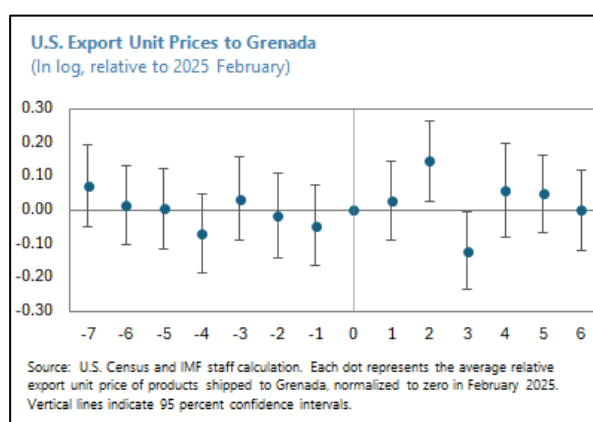
² Although the pass-through rates are generally anticipated to be high given high import dependence and local importers' and retailers' limited absorption capacity, historical pass-through is also attenuated by Government

(continued)

global food and fuel prices is expected to raise headline CPI inflation by 0.15 and 0.18 percentage points, respectively.

5. The elevated trade policy uncertainties can increase imported inflationary pressures through several indirect channels. The US is a significant source of imports to the Eastern Caribbean, as well as a key re-export hub for imports from the rest of the world. Staff's baseline projections incorporate the impact of announced US tariff policies through the US inflation channel, drawing on the latest WEO projections. However, these policies may also have indirect inflationary effects to re-exported goods to the Caribbean through the US ports, depending on the specific re-export arrangements.³ The forthcoming application of port entry fees on Chinese operated or built vessels from October 14, 2025 may result in similar indirect inflationary channels, even as the policy includes carve-outs for its direct application on shipping services between the US domestic ports and the Caribbean islands.

6. The precise quantification of the importance of these indirect risk transmission channels is hindered by data challenges. So far, based on US export data through end-August 2025, there is no evidence of statistically significant export price inflation to Grenada, although the impact of tariff policies may in part have been attenuated by reliance on inventories. The available data on Grenada's import source countries does not provide a clean delineation of re-exported goods.⁴ Furthermore, the relative prevalence of different logistical arrangements at the US re-export hubs, relevant to the degree to which the US import tariffs may be passed through to re-exports to Grenada, is not known. Finally, the outdated CPI weights of Grenada's CPI basket precludes a precise estimation of its import content.



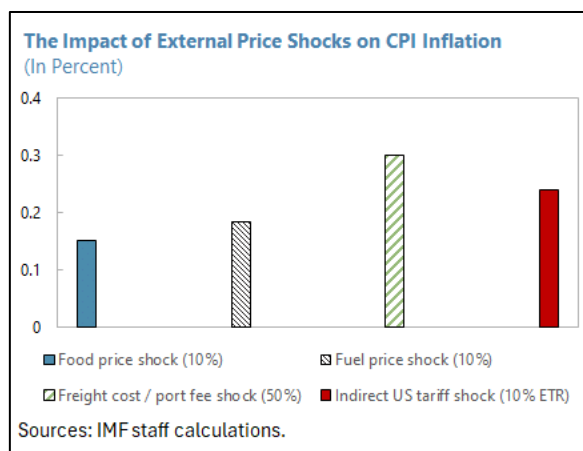
response measures to sudden large increases. For instance, gasoline retail prices are currently set monthly on a full-pass-through basis up to a discretionary cap of EC\$17/gallon. Following the 2022 sharp global fuel price increases, the Government temporarily suspended the EC\$5.5/gallon petrol tax in late 2022 followed by its reinstatement at a lower EC\$3.5 /gallon level in early 2023.

³ While US customs would not be applied to transshipments via bonded arrangements, re-exports flowing through US wholesalers that land the goods through US customs would be subject to increased tariffs. The extent to which the re-exports to the Eastern Caribbean subsequently rely on specialized distributors (purchasing the goods from such wholesalers for repackaged shipments tailored to the Caribbean feeder routes) may limit the potential applicability of customs drawback provisions, thereby potentially giving rise to tariff-inflated re-export prices.

⁴ For instance, Cayman Islands is reported as a prominent import source country at roughly 10 percent share, yet nearly half of the total imports are reported as sourced from outside Grenada's key re-export hubs despite limited direct shipping routes.

7. Notwithstanding the estimation caveats, the impact of current trade policy uncertainties may be estimated to have relatively modest impact to domestic inflation. For example:

- A hypothetical 50 percent increase in shipping costs from higher port fees, calibrated to be comparable to the supply-chain shock observed during the COVID-19 pandemic, is estimated to raise the average CIF import price by around 2 percent. Based on staff's assessment that imports account for 15 percent of Grenada's core (non-food and fuel) CPI basket, this translates into a 0.3 percentage point increase in core CPI inflation.
- Assuming that half of Grenada's imports from the U.S, reportedly around 40 percent of total imports, are insulated from tariffs through re-exports, an effective tariff increase of 8 percentage points would under similar CPI-basket's import content assumptions affect roughly 3 percent of the core CPI basket, potentially leading to a maximum 0.24 percentage point increase in core CPI inflation.⁵



8. Although the impact of the different inflationary risk transmission channels could involve compound effects from joint materialization of risks, their individual impact is to Grenada's near-term inflation outcomes is assessed as modest. The inflationary effects from policy changes would also be transitory, and historically external price shocks have had limited second-round impact on Grenada's core inflation (e.g. the 2022 commodity price increases did not have a material impact on Grenada's core inflation). At the current juncture, the risks of elevated prices to the broader economy are also mitigated by the currently low level of headline inflation.

⁵ Since February 2025, the weighted average effective tariff rate in the U.S. has increased by around 8 percentage points.

References

Rossello, J., and Santana-Gallego, M. (2022). Gravity Models for Tourism Demand Modeling: Empirical Review and Outlook. *Journal of Economic Surveys*

Annex IV. Tourism and FDI as Engines for Resilient Growth: Grenada's Experience to Date

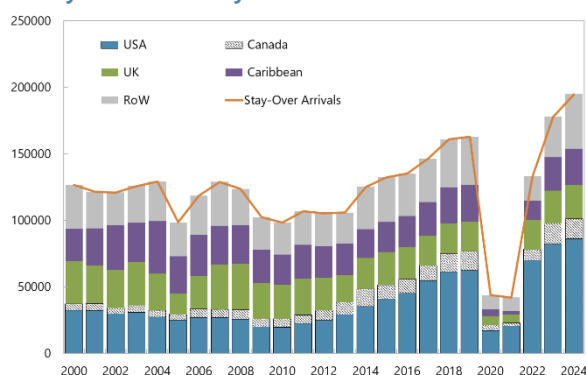
Over the past couple of decades, Grenada has successfully developed a growing and competitive tourism sector, also positioning itself among the leading tourism FDI destinations in the ECCU. While these inflows have emerged as a stabilizing factor to otherwise muted potential growth, helping to offset weak domestic investment, the tourism-led growth model has so far not materially lifted Grenada's longer-term growth prospects. At the same time, both FDI inflows and the tourism sector showed remarkable resilience coming out of the pandemic and the tourism sector has demonstrated its capacity to serve as a robust recovery mechanism after crises. Continued efforts to harness positive spillovers from tourism to non-tourism sectors and strengthen the can lay the foundation for more robust and inclusive growth.

Grenada's Tourism and Investment Transformation

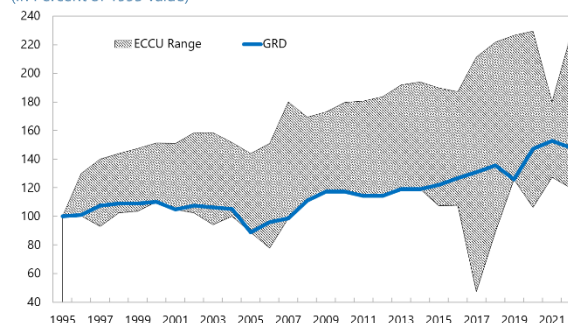
1. Grenada's tourism sector has experienced a significant transformation over the past two decades, on the back of resilient FDI inflows. While stay-over arrivals were long stagnant in the 2000-2015 period, set back in part by frequent tourism shocks of the 2001 9/11 terrorist attack, Hurricanes Ivan and Emily in mid-2000s, and the 2008-10 Global Financial Crisis (GFC), they have markedly picked up since. The severe stress of the Covid-19 pandemic also proved only a temporary disruption to this upward trend. The growth of the sector has been spurred by increased investment in tourism capacity, which until mid-2010s was long lagging most ECCU peers but has since largely outpaced them, as well as success in attracting arrivals from North America, particularly the US that has been the key growth market in the Caribbean. The development of Grenada's tourism sector is also reflected in higher visitor expenditures, where coming out of the pandemic Grenada ranked third among the ECCU-6 in 2023-24.

Annex IV. Figure 1. Grenada: Tourism and FDI Transformation

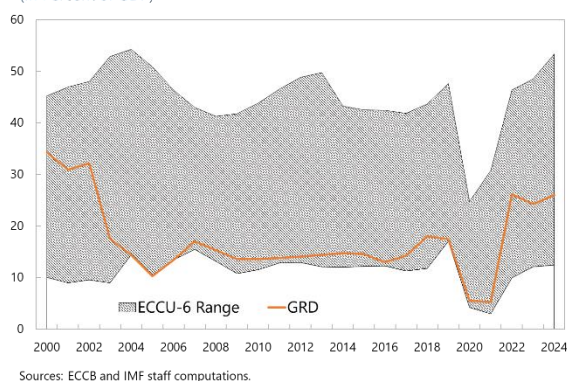
Stay-Over Arrivals by Market: Grenada



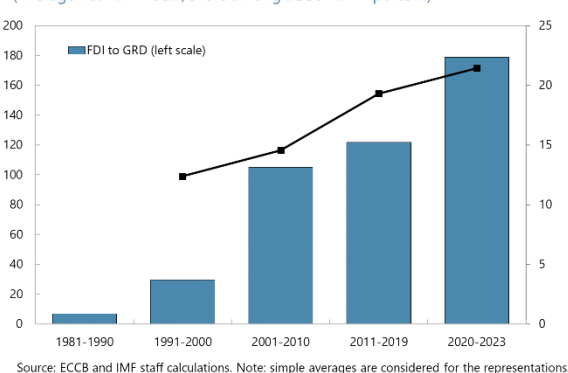
Evolution of Hotel Room Capacity (In Percent of 1995 value)



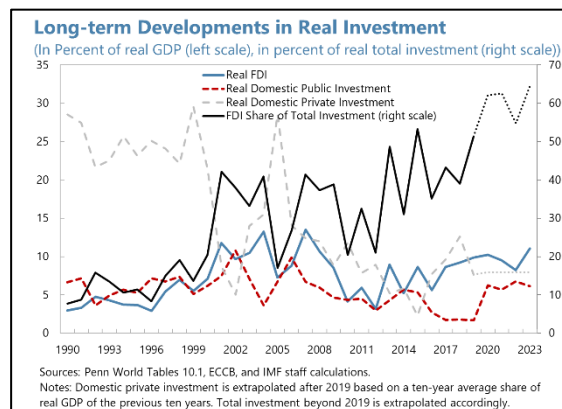
Visitor Expenditure: Grenada and ECCU-6 Comparison (In Percent of GDP)



Grenada: Net Foreign Direct Investment (Average net FDI in USD, share among ECCU FDI in percent)



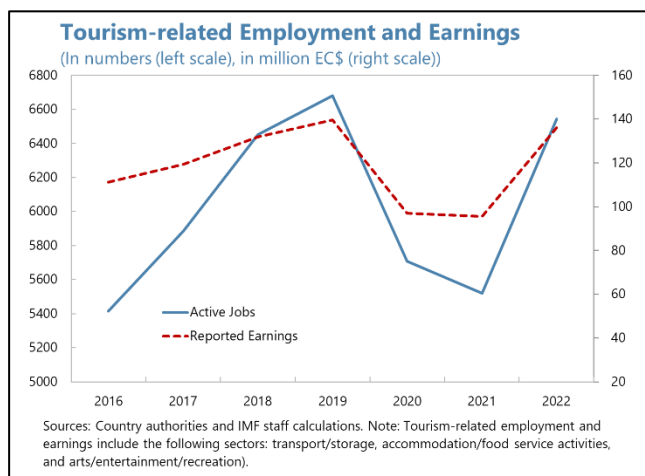
2. Grenada's investment landscape has undergone a parallel fundamental shift in composition over the past two decades. Until 2000, the domestic private sector was the main driver of economy-wide investment. This changed in the 2000s, following a series of external shocks and macroeconomic instability that culminated in a sovereign default in 2013 and a collapse in domestic investment. Since then, foreign direct (tourism) investment became increasingly important for building and maintaining Grenada's capital stock. Since the pandemic, public investment—on the back of recovered fiscal space—has played a bigger role as well. Growth of private domestic investment, on the other hand, has remained more sluggish.¹



¹ With data on domestic private investment not being readily available but extracted from Penn World Tables 10.1 as the difference between real domestic absorption and consumptions of households and government at current PPPs, uncertainties around the data remain.

Tourism's Contribution to Long-Term Growth Prospects

3. Tourism's expanding footprint shows across output and employment metrics, indicating that the sector has become an increasingly important engine for economic activity and growth in Grenada. Recently compiled Tourism Satellite Accounts (TSA), a project supported by the World Bank, estimate tourism's direct gross value added to total GDP as 31 percent in 2018.² Tourism-related sectors have seen strong increases in job creation before the pandemic, where post-pandemic recovery both in employment numbers and earnings was also swift. Over 2016–22, the share of tourism-related employment increased from 10 to 13 percent of total employment.

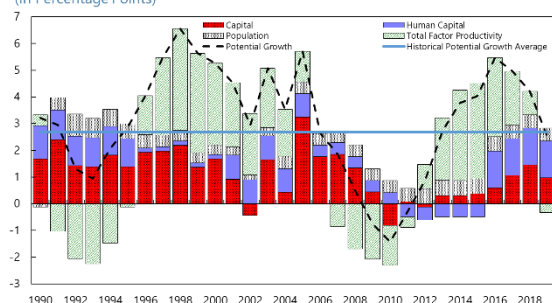


4. A growth accounting assessment suggests that Grenada's tourism transformation has so far nonetheless had limited impact on its long-term growth prospects. For 2018 with available TSA data, staff estimates tourism to have accounted for roughly a quarter of Grenada's growth potential, with a particularly high share of 85 percent in the contribution of total gross fixed capital formation (aligning with FDI's prominence in driving total economy-wide investment). Nonetheless, Grenada's tourism sector development has not translated into gains in its total growth potential, which has shown long-term decline broadly similar to its ECCU peers and other economies (IMF 2024). This is in part explained by a notable decline in the total capital contribution to potential growth, which has been more prominent relative to Grenada's ECCU peers.³

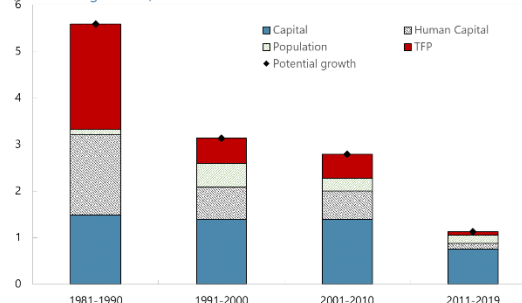
² The TSA estimates are only available for 2018 without comparison estimates for other years.

³ While TFP growth has been estimated to have been rather strong between 2013–17, recovering from negative contributions to potential growth during the GFC, human capital contributed more to potential growth during the lead-up to the pandemic compared to negative contributions between 2011 and 2015.

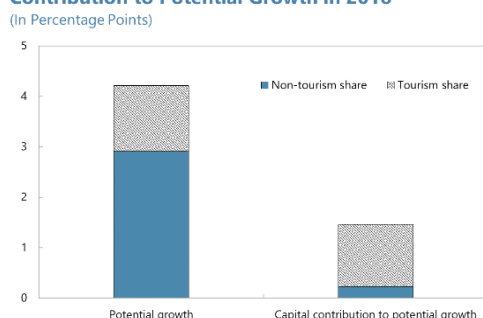
Annex IV. Figure 2. Grenada: Factor Contributions to Potential Growth

Potential Growth and its Factor Contributions
(In Percentage Points)

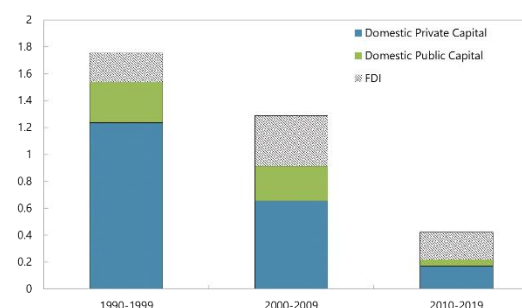
Sources: Admussen et al. (2025) and IMF staff calculations. Notes: TFP: total factor productivity. Admussen et al. (2025) introduce an adjusted production-function-based growth accounting framework through accounting for natural disaster.

ECCU-6 without GRD
(In Percentage Points)

Source: Admussen et al. (2025). Note: ECCU average without Grenada is a simple average of five ECCU countries: ATG, DMA, KNA, LCA, and VCT.

Tourism Shares to Potential Growth and the Capital Contribution to Potential Growth in 2018
(In Percentage Points)

Sources: Admussen et al. (2025), Blokland 2024, and IMF staff calculations.

Contribution from Domestic and FDI Capital to Potential Growth
(In Percentage Points)

Sources: Admussen et al. (2025), Penn World Tables 10.1, ECCB, and IMF staff calculations.

5. The reduced capital contribution reflects limitations of a tourism-led growth model.

While a weaker capital contribution in part reflects depreciation impacts of natural disasters and past fiscal constraints to public investment, the shift to a less-capital intensive service-based economy has increased reliance on TFP for sustained growth. However, the concentration of human capital in often low-skill tourism services may have also limited productivity gains from the economy's modernization. In addition, the transformation may have crowded out local enterprise opportunities for capital deepening in other sectors, which are already constrained by the limited market size and economies of scale in a small island economy, as well as credit access constraints to fund local investment (see Annex VII, IMF 2025). At the same time, the expected growth boost from the shift to a tourism-led growth model may have been further limited by its high reliance on foreign inputs, which are associated with limited knowledge transfers and repatriated profits.⁴ These dynamics suggest that while Grenada's comparative advantage lies in tourism, foreign inputs and ownership can impose important constraints for its model to generate broad-based and sustained economic growth.

⁴ Data to quantify the extent of the domestic valued added from tourism (investment) activity or FDI profit repatriation by sector remains scarce or absent.

6. While increased tourism-dependency has increased Grenada's susceptibility to global shocks, speedier and more robust recoveries may have supported its long-term growth resilience. With a full halt to tourism inflows, Grenada's economy underwent an extreme stress period during the Covid-19 pandemic. However, along with other tourism-dependent small economies, the recovery was also exceptionally swift. Grenada's experience aligns with Cunha et al. (2025) whose cross-country study shows that tourism-dependent small developing states' (SDS) GDP and trend GDP growth tend to be steadier relative to larger EMEs and align more closely with advanced, tourism source market business cycles (more temporary recessions with fewer permanent scars on investment, employment, and potential growth). While investment contractions and sluggish FDI recovery typically drive recession impacts in tourism-dependent SDS, Grenada's FDI inflows have proven remarkably resilient. Such FDI resilience may however weaken over time as Grenada's continued tourism transformation matures. Recovery patterns may also be highly dependent on the type of economic shocks and the degree to which they can have a more lasting impact on the global tourism industry. The tourism infrastructure's resilience to the ever-present risk of natural disasters is also a key factor to Grenada's longer-term growth resilience.

7. Leveraging potentially positive spillovers from tourism to non-tourism sectors can lay the foundation for more robust and inclusive growth. Spillovers from tourism to other sectors of the economy tend to remain limited in tourism-dependent SDS. While hotel supply tends to rebound quickly after recessions, broader capital accumulation outside the tourism sector tends to contract more severely in these economies (Cunha et al. (2025)). Hence, fostering local tourism services, closer tourism integration with other economic sectors, further diversification of the sector, and local small enterprise development and capital deepening should be the focal policy areas to support Grenada's longer-term growth prospects.

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Annex V. Progress on 2024 Article IV Policy Recommendations

Recommendations	Policy Actions
Fiscal Sector	
Return to the fiscal rules in a timely manner following their temporary suspension in July 2024 in response to the hurricane.	Pending. The suspension of the primary balance floor under the Fiscal Resilience Act is likely to extend into 2026 due to post-disaster spending plans.
Improve targeting of social spending and adhere to the announced time limits on the government's tax incentives.	Mixed. The 2024 budget retains some cost-of-living relief measures, and the gasoline tax remains below its pre-2022 level. Better targeting of social assistance programs is in part held back by the yet-to-be released 2022 census. Meanwhile, the post-disaster fiscal incentives package, which was largely targeted at the most vulnerable, has been discontinued as scheduled.
Improve efficiency of the tax system and improve public investment management.	Mixed. The "Grenada Tax" digital platform for filing and payment of selected taxes was launched in 2024, and the IRD has made some progress in working through a stock of tax arrears. A TADAT planned for late 2024 has been delayed in part due to local staffing constraints. Grenada is in process of amending its public procurement legislation, but several PIMA/C-PIMA recommendations remain pending.
Undertake NIS pension reforms to restore its actuarial balance.	Mixed. The phased increases in retirement age and contribution rates are being implemented from 2023 following their approval in Summer 2023. Steps toward further possible parametric reforms are pending a further review of the system's actuarial imbalances.
Financial Sector	
Strengthen regulation and supervision of credit union, as well as supervisory data collection and risk monitoring of insurance companies.	Work in progress. GARFIN has intensified asset quality monitoring and taken targeted measures to reduce credit union NPLs and increase provisioning. Implementation of risk-based supervision is proceeding with support of ongoing CARTAC technical assistance.
Strengthen the CBI program integrity and the AML/CFT framework.	Work in progress. The CBI program due diligence processes and engagement with key international counterparts are being enhanced. Along with other ECCU countries, a Memorandum of Agreement was signed to undertake CBI reforms. These include

Recommendations	Policy Actions
	implementing common minimum pricing; strengthening investor screening; establishing a regional CBI regulator; collectively treating application denials; conducting applicant interviews and external program audits; retrieving revoked passports; and rejecting new Russian and Belarusian applications.
Structural Reforms	
Strengthen tourism promotion and improve value added.	Work in progress. Tourism promotion efforts, notably increased airlift, supported strong tourism performance in 2024. The recently launched Project Polaris is expected to boost medical tourism.
Improve labor market outcomes through active labor market policies and enhanced labor market flexibility.	Work in progress. The 2024 minimum wage increases took a step toward reducing gender pay gaps by equalizing the minimum wage across genders. The introduction of unemployment insurance in 2023 is expected to help shorten notice periods, thereby enhancing labor market flexibility. Enhanced training and job matching remain work in progress. The authorities have recently partnered with ILO to set up a Public Employment Services Agency to provide comprehensive employment services, including by maintaining a register of employers seeking workers and workers seeking employment.
Accelerate transition to renewable energy.	Work in progress. The authorities have introduced incentives for adoption of electric vehicles and are working to expand solar energy production, but the share of electricity from renewables remains very low. Meanwhile, the authorities are exploring an initiative to transform Sargassum seaweed into renewable energy and fertilizer in collaboration with the European Union.
Improve data collection	Mixed. The labor force survey was resumed, but the 2022 census and updated CPI weights are yet to be released. Work on improving external sector statistics is supported by ongoing CARTAC technical assistance. Capacity constraints delay progress in enhancing frequency, quality, and timeliness of data.

Annex VI. Data Issues

Annex VI. Table 1. Grenada: Data Adequacy Assessment for Surveillance							
Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	C	B	C	B	B	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	C	B	C	C		
Granularity 3/	C		B	D	A		
			B		B		
Consistency			A	C		B	
Frequency and Timeliness	C	B	B	C	B		
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see <i>IMF Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>							
A	The data provided to the Fund are adequate for surveillance.						
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.						
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.						
<p>Rationale for Staff Assessment. Data has some shortcomings that somewhat hamper surveillance. Gaps are mainly in the areas of national accounts, prices, and external sector statistics. These shortcomings are partly mitigated by additional supporting data available for surveillance. These include the labor force survey and detailed CBI revenue data (which are notable among peers in the ECCU), as well as high frequency indicators of economic activity and the Survey of Living Conditions and Household Budget Survey.</p> <p>Real. GDP output data are available at a granular level at annual frequency, although they are subject to significant delays, and the weights were last updated in 2006. GDP expenditure data is not available. Staff receive high-frequency indicators which help provide a timelier assessment of economic activity. The labor force survey has been resumed which enables a more comprehensive analysis of potential growth and the output gap. Monthly CPI data is published via the ECCB in a timely manner, however, the basket/weights are outdated. Grenada published a Survey of Living Conditions and Household Budget Survey in 2018/19. The lack of systematic supply-use tables and Tourism Satellite Accounts (TSA) somewhat hamper the assessment of the domestic value added, especially from tourism (investment) activity,</p> <p>External. Data are available only on an annual basis with a one-year delay (with interim estimates based on administrative information that are often subject to substantial revisions). This impairs the team's ability to assess the external sector and forecast the Balance of Payments. Errors and omissions are periodically sizeable. Incomplete reconciliation of FDI inflows with CBI investment data gives rise to potential inaccuracies obscuring the current account deficit financing dynamics and hampering assessment of external sustainability</p>							

risks. The recording of travel exports is based on a small survey of tourists which may not be fully representative of the sector and involves gaps in the cruise and the growing yachting sectors. Issues remain with sizeable discrepancies in domestic import statistics and partner-country mirror data, particularly in the area of fuel imports, and pending verifications of some service and secondary income account outflows.

Fiscal and monetary/banking. Coverage of fiscal and monetary and banking sector data is broadly adequate. Public debt coverage has been expanded to include non-guaranteed SOE liabilities and PPPs, while ongoing CD is strengthening the timeliness and quality of SOE financial reporting. During the first half of 2025, fiscal data was disseminated with delay. The publication of detailed CBI revenue and application data is notable among Grenada's ECCU peers. Monetary surveys do not include non-bank depository institutions, but data necessary for surveillance is received from the local supervisor (GARFIN). Granularity of non-bank financial soundness data is an area for improvement given these institutions' significance to the financial system.

Changes since the last Article IV consultation. Fiscal data was disseminated in a less timely manner during 2025. External sector statistics for 2023 were subject to large revisions and net errors and omissions, while the 2024 data remains subject to high uncertainty due to the year-long delay in the dissemination of final data. Further, compared to the last Article IV consultations, uncertainty around newly incorporated CBI commission estimates affect service debits under the CA. CARTAC continues to assist ECCU countries in strengthening their compilation framework, including technical assistance to improve the accuracy of the business and visitor expenditure surveys. Improvements have been made in establishing TSAs in a project supported by the World Bank. Adding to the available assessment for 2018 would be very valuable.

Corrective actions and capacity development priorities. Releasing the Census and updated CPI weights should be a priority, as should the dissemination of statistics via the CSO's website. Continued CARTAC TA support on the ESS is needed to address issues regarding trade, tourism, FDI, and CBI data highlighted in previous missions. Other CD priorities include strengthening non-banking system data collection in line with recommendations of recent CARTAC technical assistance on implementing risk-based supervision. Addressing staffing constraints and staff turnover at the CSO remains a priority to support the implementation of corrective actions and further TA absorption capacity to improve the quality, timeliness, and frequency of existing statistics.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics.

Other data gaps. Data on the capital stock, particularly real estate market data, would help in the assessment of natural disaster-related risks. The quality of high-frequency agricultural production indicators could be improved. Enhanced supervisory data on reinsurance and other soundness indicators would strengthen assessment of risks (including from disasters) in the private insurance sector.

Annex VI. Table 2. Grenada: Data Standards Initiatives

Grenada participates in the Enhanced General Data Dissemination System (e-GDDS) and first posted its metadata in March 2001 but is yet to disseminate the data recommended under the e-GDDS.

Annex VI. Table 3. Grenada: Table of Common Indicators Required for Surveillance
As of December 5, 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Grenada ⁸	Expected Timeliness ^{6,7}	Grenada ⁸
Exchange Rates	Fixed Rate	NA	NA	NA	D	D	...	1D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Sep-25	Dec-25	M	M	M	...	1M	...
Reserve/Base Money	Sep-25	Dec-25	M	M	M	M	2M	6W
Broad Money	Sep-25	Dec-25	M	M	M	M	1Q	6W
Central Bank Balance Sheet	Sep-25	Dec-25	M	M	M	M	2M	6W
Consolidated Balance Sheet of the Banking System	Sep-25	Dec-25	M	M	M	M	1Q	6W
Interest Rates ²	Sep-25	Dec-25	M	M	M	M	...	6W
Consumer Price Index	Jun-25	Oct-25	M	M	M	M	2M	15D
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	NA	NA	NA	NA	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	Aug-25	Oct-25	M	M	Q	Q	1Q	1Q
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Mar-25	Sep-25	Q	Q	Q	A	2Q	10M
External Current Account Balance	2023	Dec-24	A	A	Q	A	1Q	11M
Exports and Imports of Goods and Services ⁹	2023	Dec-24	A	Q	M	M	12W	4W
GDP/GNP	2023	Sep-25	A	A	Q	A	1Q	4M
Gross External Debt	Sep-25	Oct-25	M	Q	Q	A	2Q	10M
International Investment Position	2023	Dec-24	A	A	A	...	3Q	...

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

⁹ Good trade data are available on a monthly basis, while services trade data are reported on an annual basis with the Balance of Payments.

Annex VII. Small State Engagement and Capacity Development Strategies for Grenada

The Small State Engagement Strategy (SSES) outlines a three-year plan for 2026-28 to help Grenada boost economic growth, achieve fiscal sustainability goals, and improve disaster resilience and energy security. In addition to IMF surveillance and research, the SSES is supported by the Capacity Development (CD) Strategy outlining broad themes and priorities for the provision of Fund CD. Given Grenada's extensive CD use and needs, close coordination of assistance with other development partners remains essential. Ensuring adequate local staffing resources and strategic prioritization can support CD absorptive capacity.

1. Grenada has established comprehensive medium-term policy goals through various development and risk management frameworks. The Government's "Vision 75" introduced in 2024, building on the National Sustainable Development Plan (NSDP) 2020-2035, outlines the Government's strategic roadmap for sustainable economic, social, and environmental progress. It entails five key pillars of (i) achieving energy independence and resilience; (ii) modernizing agriculture and enhancing food security; (iii) strengthening the healthcare system; (iv) empowering citizens through better education and skills training; and (v) safeguarding the environment.¹ Supporting frameworks include the National Climate Change Policy (2017-2021) promoting climate adaptation and mitigation, the Growth and Poverty Reduction Strategy addressing socioeconomic challenges, and sector-specific strategies spanning agriculture, tourism, education, and health. These objectives are supported by the Fiscal Resilience Act and the associated oversight committee which provide fiscal discipline mechanisms, while the Public Service Management Reform Strategy aims to modernize government operations for 21st century challenges. Finally, the Disaster Resilience Strategy promotes financial and physical resilience and disaster preparedness – the benefits of which were demonstrated by the country's effective response to Hurricane Beryl.

2. These strategic policy priorities demonstrate ambitious scope but face implementation challenges due to coordination gaps and institutional capacity constraints. The NSDP proposes establishing a Sustainable Development Institute (SDI) to coordinate implementation through five Medium-term Action Plans, yet achieving the plan's 217 strategic actions across eight national outcomes requires overcoming significant resource and capacity limitations. Weaknesses in statistical systems, project management capabilities, and cross-ministerial coordination—common among small island developing states—complicate the translation of high-level strategic objectives into concrete results. The plan acknowledges these constraints by emphasizing the "Five C's" of implementation (Coordination, Clarity, Capacity, Cash, and Commitment) and proposing extensive capacity building initiatives, though success will depend on sustained political will and effective institutional reforms to bridge the gap between ambitious planning and operational execution.

¹ These NSDP is similarly structured around three national goals: high human and social development, a vibrant competitive economy with climate-resilient infrastructure, and environmental sustainability and security.

3. **The SSES will leverage the IMF's core instruments, prioritizing surveillance and capacity building.**

Surveillance remains the primary channel to assess macroeconomic risks and discuss policies to promote resilient economic growth while avoiding imbalances. *Capacity development* (CD) will be tailored to enhance institutional capacity, notably in statistics, PFM processes, and risk management, prioritizing fiscal, statistical, and financial sector needs. Coordination with CARTAC, the key Fund CD provider, and other development partners will help ensure targeted assistance. Grenada has currently no financing needs calling for Fund financing engagement, but the IMF stands ready as needed in the event of a major natural disaster or other external shocks.

4. **Historically, Grenada has received extensive CD, with a good implementation record notwithstanding delays in some areas (Annex Table 1).**

IMF TA has covered a wide range of fiscal issues, including tax policy and administration, tax and customs reform, public financial management (PFM) legislation, a public investment management assessment (with a climate module), fiscal rule frameworks, enhancing SOE performance and oversight, and pension reform. Numerous past and ongoing projects aim to strengthen capacity in national accounts, price statistics, and external sector statistics. CARTAC has also provided TA to strengthen medium-term macroeconomic projections to enhance the effectiveness of the medium-term fiscal framework. Further 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 and to support off-site monitoring of the insurance sectors.

5. **The Fund's ongoing engagement will focus on:**

- **Fiscal and debt sustainability.** The priority is a timely post-disaster return to the fiscal rules to support achievement of the 60 percent of GDP debt target under Grenada's fiscal rules framework, while preserving space for planned investment projects. The growing importance of state-owned enterprises and statutory bodies calls for further CD to improve oversight, monitoring, and reporting. Over time, expanding the primary balance rule to cover government off-budget and public on-lending-financed investments would better align the fiscal framework with the general government debt anchor and enhance credibility. Key supporting policy measures include boosting domestic revenue by broadening the tax base and rationalizing environmental taxation, enhancing PFM operations, and completing ongoing public sector reforms. Developing a transparent framework for the use of CBI funds and closer integration with the debt management strategy would help optimize government funding costs and resource use within the fiscal rules framework. Strengthening public investment management and operational capacity will help ensure future major investment projects are a success. These improvements can be supported both by ongoing surveillance and targeted CD in coordination with Grenada's other development partners.
- **Financial stability and intermediation.** Surveillance is focused on the non-financial sector, particularly credit unions and the insurance sector, with priority areas assessed in close alignment with supporting CD by CARTAC. The Fund is engaging at the regional level with the ECCB to strengthen supervision and regulation of the banking sector as well as regional

institutional reforms to enhance regulation and oversight of systemic risks in the broader ECCU financial system.

- **Strong and inclusive growth.** Surveillance will continue to examine the constraints to structural growth and suggest policy tools to boost potential growth. Recent Fund contributions include its assessment of labor markets and Grenada's renewable energy transition (2024), as well as assessments of growth accounting and the role of FDI in capital development (2025). Other ongoing and possible future focus areas include enhancing economic benefits of tourism, measures to support local investment and MSME development, harnessing potential productivity gains from digitalization and examining trade networks and barriers to efficient trade, leveraging also regional Fund analytical work in these areas.
 - **Natural disaster resilience and energy security.** The policy priority is continued DRS implementation, including maintaining and enhancing the existing post-disaster financing framework and continued investment in disaster resilient infrastructure, while reducing dependence on imported energy. The Fund has already assisted in these areas with its contributions to the DRS (2021) and recent assessment of pathways to the energy transition (2024). The SSES will prioritize disaster risk management and climate financing in surveillance, while supporting Grenada's climate resilience activities by leveraging policy expertise in environmental taxation, as well as PPP frameworks to encourage private investment in renewable energy while managing risks.
- 6. The IMF will maintain close collaboration with development partners to promote the SSES objectives as well as efficient and targeted CD delivery.** Staff will continue their joint work with the World Bank on debt sustainability and tax policies and provide input where appropriate to other areas such as social spending reforms. Staff will also pursue broader partnership with the Caribbean Development Bank (CDB) and other multilaterals to ensure CD needs are met by the best-suited partner. The current World Bank and CDB CD priorities are well aligned and complement the SSES:
- The World Bank's capacity building initiatives are structured around the following strategic pillars: energy, domestic revenue mobilization, the financial sector, disaster resilience, health, and digital transformation. Current and recent CD efforts encompass support for investment in renewable energy infrastructure, enhancement of domestic revenue generation, strengthened supervision and regulation of the banking sector, facilitation of regional institutional financial reforms, increased access to financing for MSMEs, promotion of efficient and environmentally sustainable buildings, advancement of digital transformation and governmental digital resilience, and improved preparedness of health systems for public health emergencies.
 - The CDB's capacity building initiatives are structured around three strategic pillars: human and social development, economic competitiveness with climate-resilient infrastructure, and environmental sustainability and security. Recent and ongoing CD initiatives include supporting project execution through capacity building support to the Ministry of Mobilization, Implementation and Transformation (MIT), conducting project feasibility studies, supporting

environmental and social impact assessment for geothermal test drilling, providing online procurement training, preparing a transport and trade logistics study, and supporting the Central Statistics Office's enhanced country poverty assessment project.

Annex VII. Table 1. Grenada: IMF CD and TA Support		
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
4/1/2019	4/12/2019	Improving Source Data and Compilation Methodologies Used for GDP Estimates
2/17/2020	2/28/2020	Compilation of Supply and Use Tables

Annex VII. Table 1. Grenada: IMF CD and TA Support (continued)

2/24/2020	2/28/2020	Strengthening Risk Management in Customs
3/30/2020	4/24/2020	Strengthening Annual Balance of Payments Statistics (Remote Mission)
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 (Remote Mission)
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
1/31/2022	2/15/2022	Developing Performance Targets and KPI
2/7/2022	2/11/2022	Developing Quarterly Balance of Payments Data (Remote Mission)
4/6/2022	4/15/2022	Risk-based Supervision (Follow-up)
2/21/2022	3/4/2022	Rebasing Annual and Quarterly GDP by Economic Activity to 2018 Prices
4/1/2022	4/29/2022	Enhancing Compliance Risk Management
4/18/2022	4/29/2022	Public Investment Management – PIMA and Climate PIMA
5/17/2022	5/31/2022	Public Sector Pensions
9/26/2022	10/7/2022	Review of Workload and Resource Allocation
10/3/2022	10/7/2022	Improving Balance of Payments Source Data
2/13/2023	2/17/2023	Risk-based Supervision (Follow-up) - LTX
3/15/2023	3/19/2023	Risk-based Supervision and Credit Risk Management
4/10/2023	4/25/2023	Fiscal Responsibility Law
4/17/2023	4/28/2023	Strengthening Customs Control of Petroleum Imports
5/2/2023	5/5/2023	CARTAC Systemic Risk Monitoring
6/3/2023	6/14/2023	SIGTAS Data Diagnostic – Informing Data Migration Strategy
6/14/2023	6/15/2023	Scoping Mission on Building Capacity in Macro-fiscal Forecasting
9/4/2023	9/8/2023	External Sector Statistics
10/2/2023	10/13/2023	Enhancing Data Integrity – Data Cleansing and Migration process
1/15/2024	1/26/2024	Strengthen Oversight of State-owned Enterprises (SOEs)

Annex VII. Table 1. Grenada: IMF CD and TA Support (concluded)		
3/4/2024	3/8/2024	First Mission on Building Capacity in Macro-Fiscal Forecasting
4/1/2024	4/15/2024	Support Measuring the VAT gap
6/16/2024	8/31/2024	Strengthening Management / Governance Arrangements - SIGTAS
8/26/2024	9/06/2024	Income Tax and Environmental Excise Reform
9/23/2024	9/27/2024	Enhancing BOP/IIP Source Data
1/27/25	1/31/2025	CARTAC GDP Rebasing
3/17/2025	3/21/2025	National Accounts
3/31/2025	4/11/2025	CARTAC Customs Administration
5/26/2025	5/26/2025	Macro-Fiscal Policies (Climate Policy Assessment)
5/26/2025	6/13/2025	CARTAC Tax Administration
6/9/2025	6/13/2025	Macroeconomic Programming and Analysis
9/29/2025	10/3/2025	External Sector Statistics
10/6/2025	10/13/2025	Fiscal Risk Management of State-Owned Enterprises and Statutory Bodies
10/27/2025	10/31/2025	Risk-based Non-Banking Supervision
11/10/2025	11/14/2025	Macroeconomic Programming and Analysis
Source: Based on available TA reports and consultations with CARTAC.		



GRENADA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION— DEBT SUSTAINABILITY ANALYSIS

December 17, 2025

Approved By
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(IDA)**

Prepared by the Staffs of the International Monetary Fund
and the International Development Association.

Grenada: Joint Bank-Fund Debt Sustainability Analysis ^{1,2}	
Risk of external debt distress	<i>In debt distress</i>
Overall risk of debt distress	<i>In debt distress</i>
Granularity in the risk rating	<i>Sustainable</i>
Application of judgement	<i>No</i>

Grenada remains in public debt distress solely on account of large and longstanding unresolved arrears to an official bilateral creditor of about US\$38 million (2.7 percent of GDP) as of end-2024. External and public debt are assessed as sustainable, and Grenada has the capacity to meet current and future debt service obligations without requiring debt relief or accumulating additional arrears. There is a one-off near-term breach of the debt-service-to-revenue threshold, reflecting temporarily elevated payments to holders of restructured international bonds. The additional planned borrowing for a new flagship government infrastructure project Polaris, close to 16 percent of 2024 GDP, would delay achievement of the Government's 60 percent of GDP public debt target by four years, but would not result in breaches of the debt burden thresholds. Anchored in Grenada's fiscal rules framework, external and public debt are expected to return to a downward path, supported by continued GDP growth and a declining debt service burden underpinned by a high degree of concessional financing. While gross public debt could rise significantly and persistently in more than one shock scenario, government deposits from the recent Citizenship-by-Investment (CBI) revenue surge and tested contingency financing mechanisms would mitigate the risks.

¹ The last published DSA for Grenada can be accessed [here](#).

² The composite index (CI), estimated at 3.00 and based on the October 2025 World Economic Outlook (WEO) and 2024 World Bank Country Policy and Institutional Assessment (CPIA) data, indicate a medium debt carrying capacity for Grenada.

PUBLIC DEBT COVERAGE

1. Grenada's public debt comprises central government debt (including on-lent debt to state-owned enterprises (SOEs) and external debt arrears), government-guaranteed debt, and non-guaranteed debt of SOEs.³ This broad perimeter of public sector debt in the DSA is consistent with the authorities' fiscal rules framework outlined by the 2023 Fiscal Resilience Act (FRA). The non-guaranteed debt is estimated to be 14.2 percent of GDP at end-2024, of which 9.9 percent of GDP is an unresolved legacy liability from the PetroCaribe arrangement which ceased in 2019.⁴ The authorities should continue with ongoing efforts to improve the comprehensiveness and timeliness of SOE debt data to improve the quality of debt statistics at the granular level.⁵

Text Table 1. Grenada: Coverage of Public Sector Debt

Subsectors of the public sector	Check box
1 Central government	X
2 State and local government	X
3 Other elements in the general government	
4 o/w: Social security fund	
5 o/w: Extra budgetary funds (EBFs)	
6 Guarantees (to other entities in the public and private sector, including to SOEs)	X
7 Central bank (borrowed on behalf of the government)	X
8 Non-guaranteed SOE debt	X

Text Table 2. Grenada: Contingency Liability Calibration

1 The country's coverage of public debt	The central, state, and local governments, central bank, government-guaranteed debt, non-guaranteed SOE debt		
	Default	Used for the analysis	Reasons for deviations from the default settings
2 Other elements of the general government not captured in 1.	0 percent of GDP	0	
3 SOE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2	
4 PPP	35 percent of PPP stock	0	PPP capital stock is zero
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
Total (2+3+4+5) (in percent of GDP)		7.0	

2. The contingent liability stress test accounts for risks from potential contingent liabilities from the domestic financial system. The current stock of PPP capital and central bank

³ The stock of guaranteed SOE debt at end-2024 remains zero since the clearance of last outstanding amounts in the November 2023 restructuring of the Marketing and National Importing Board (MNIB).

⁴ The 2005-19 PetroCaribe arrangement allowed Grenada to buy oil at a discounted rate with limited upfront cost, with the balance paid through a 17–25 year financing agreement. A bullet repayment structure with zero debt servicing is used in the DSA analysis to project the PetroCaribe debt, given the following considerations: (i) the authorities have in recent years kept the nominal debt constant, without amortization or interest payments; (ii) PetroCaribe has no ongoing business operations or employees and its assets comprise physical assets leased to local companies and liquid financial assets; and (iii) the authorities remain in discussions with Venezuela on a mechanism for resolving the outstanding debt stock following past debt treatment concessions elsewhere in the ECCU to their PetroCaribe liabilities.

⁵ The authorities' medium-term fiscal reports have significantly expanded the discussion of SOE's financial situation and balance sheets, but comprehensive coverage of debt schedules remains pending. Work is underway to improve oversight and monitoring, supported by IMF Technical Assistance. Based on available reporting, on a consolidated basis the currently reporting SOEs run a net surplus and have a strong equity position. Entities with debts are reported as being timely in their debt service. This does not include Project Polaris which is due to start from 2026.

debt borrowed on behalf of the government is zero and so the related contingent liability shock is set to zero. Contingent liabilities from the domestic financial system are set at the minimum value of 5 percent of GDP, which is the average cost to the government of a financial crisis in low-income countries since 1980.⁶

BACKGROUND ON DEBT

Text Table 3. Grenada: Public Sector Debt, 2021 - 2024
(Year end, in millions of U.S. dollars, unless otherwise indicated)

	2021			2022			2023			2024		
	Percent of		GDP	Percent of		GDP	Percent of		GDP	Percent of		GDP
	Stock	Total Debt		Stock	Total Debt		Stock	Total Debt		Stock	Total Debt	
Total Public Sector debt (incl. non-guaranteed SOE debt, A + B)	972.2	100.0	86.6	970.6	100.0	79.3	996.3	100.0	74.5	1014.5	100.0	72.7
A. Public sector debt (excl. non-guaranteed SOE debt)	785.8	80.8	70.0	773.6	79.7	63.2	801.4	80.4	60.0	819.2	80.8	58.7
1. Central government debt	785.5	80.8	70.0	773.3	79.7	63.2	801.4	80.4	60.0	819.2	80.8	58.7
2. Central-government guaranteed debt	0.4	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. SOE non-guaranteed debt	186.4	19.2	16.6	197.0	20.3	16.1	194.9	19.6	14.6	195.3	19.2	14.0
1. PetroCaribe Grenada	137.8	14.2	12.3	137.8	14.2	11.3	137.8	13.8	10.3	137.8	13.6	9.9
2. Other SOE non-guaranteed debt	48.6	5.0	4.3	59.2	6.1	4.8	57.1	5.7	4.3	57.4	5.7	4.1
External debt (A+B+C)	758.2	78.0	67.6	768.1	79.1	62.8	802.8	80.6	60.1	828.4	81.7	59.4
A. Central Government	613.7	63.1	54.7	616.1	63.5	50.3	651.5	65.4	48.8	676.0	66.6	48.4
1. Multilateral	392.9	40.4	35.0	411.6	42.4	33.6	436.9	43.9	32.7	449.8	44.3	32.2
2. Official bilateral	91.5	9.4	8.1	87.5	9.0	7.1	108.9	10.9	8.1	116.2	11.5	8.3
of which Paris Club	6.1	0.6	0.5	5.5	0.6	0.4	4.9	0.5	0.4	3.8	0.4	0.3
3. Commercial debt	123.0	12.7	11.0	112.0	11.5	9.2	102.7	10.3	7.7	107.0	10.5	7.7
4. Overdue membership fees	6.4	0.7	0.6	4.9	0.5	0.4	3.0	0.3	0.2	3.0	0.3	0.2
B. Central-government guaranteed	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. SOE non-guaranteed debt	144.5	14.9	12.9	152.1	15.7	12.4	151.3	15.2	11.3	152.4	15.0	10.9
1. PetroCaribe Grenada	137.8	14.2	12.3	137.8	14.2	11.3	137.8	13.8	10.3	137.8	13.6	9.9
2. Other SOE non-guaranteed debt	6.7	0.7	0.6	14.3	1.5	1.2	13.5	1.4	1.0	14.6	1.4	1.0
Domestic debt (A+B+C)	214.0	22.0	19.1	202.5	20.9	16.5	193.5	19.4	14.5	186.1	18.3	13.3
A. Central Government	171.7	17.7	15.3	157.2	16.2	12.8	149.9	15.0	11.2	143.2	14.1	10.3
B. Central-Government Guaranteed	0.4	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. SOE non-guaranteed debt	41.9	4.3	3.7	45.0	4.6	3.7	43.6	4.4	3.3	42.9	4.2	3.1
Memorandum items:												
On-Lent Loans to Public Bodies 1/												
External	38.0		3.4	40.9		3.3	67.1		5.0	74.0		5.3
Domestic	1.1		0.1	1.0		0.1	1.0		0.1	0.8		0.1
Nominal GDP	1122.2			1224.0		100.0	1336.4		100.0	1395.5		100.0

Sources: Grenadian authorities and Fund staff estimates.

1/ On-lent loans to public bodies are not counted as SOE debt since they are part of central government debt.

3. External and total public debt have continued to decline following the muted impact of the 2024 Hurricane Beryl on Grenada's debt dynamics.⁷ Grenada's central government debt declined significantly in the 2014-19 period from 94.3 to 58.5 percent of GDP, on the back of the debt restructuring completed in 2015, solid growth averaging 4.5 percent, and high primary surpluses averaging 4.7 percent of GDP in the same period. Notwithstanding a temporary rise during the Covid-19 pandemic, by end-2024 it reached 58.7 percent of GDP. Despite Hurricane

⁶ Current contingent liability risks from the banking system are assessed as low due to low NPLs (2.9 percent of total loans and 1.8 percent of GDP at end-2024) and high system liquidity. The assumed 5 percent of GDP contingent state liabilities provides coverage against risks in the more vulnerable credit union sector (although the sector's NPL ratio has also declined to 6.5 percent at end-2024).

⁷ The external debt is defined based on a residency criterion. Local currency bonds held by nonresidents are included as external debt. The share of external debt using currency criteria is about 7.9 percentage points lower, as a portion of the debt held by nonresidents is in Eastern Caribbean Dollars.

Beryl's substantial economic damages (estimated to exceed 16 percent of GDP), the coinciding sizeable revenues from Grenada's CBI program and large payouts under the authorities' post-disaster financing framework mitigated the disaster's impact on Grenada's debt trajectory. The composition of debt shifted further toward external concessional sources reflecting continued support from multilaterals and the authorities' debt management strategy. The (non-guaranteed) debt of SOEs and statutory bodies (SBs), mostly domestic apart from the PetroCaribe liabilities, has also modestly declined to 14 percent in 2024 (from 15.5 percent in 2019).

4. Central government on-lending has increased in recent years. The central government can borrow and on-lend funds to SOEs and SBs for specific public-policy purposes. While the on-lent loans are included under central government debt, the use of funds (typically development-partner financed project investment) is not recorded as central government spending. This can give rise to changes in central government debt outside its budget financing needs. The debt servicing terms of on-lent loans are not readily available in existing debt data.⁸ The size of on-lent debt has risen from 1.1 percent of GDP in 2019 to 5.4 percent of GDP in 2024.

Text Table 4. Grenada: Disbursements and Balances of On-lent Loans by Creditor
(Year end, in millions of E.C. dollars, unless otherwise indicated)

	Creditor	Comitted Amount	Amount outstanding at end-year					
			2019	2020	2021	2022	2023	2024
Grenada Development Bank	<i>Multilateral</i>	35.1	30.7	32	34.4	25.8	22.9	20.1
<i>o/w loan 1</i>	<i>Multilateral</i>	8.1	8.1	8.1	8.1	3.2	2.3	1.4
<i>o/w loan 2</i>	<i>Multilateral</i>	27	22.6	23.9	26.3	22.6	20.6	18.7
Grenada Solid Waste	Multilateral	28.9	1.6	5.5	10.9	17.2	19.3	21.5
Gravel and Concrete	Commercial	4.4	4.4	4.4	4.4	2.7	2.7	2.1
Grenada Airport Authority	Bilateral	189	0	0	62	67.3	139	158.1
Total			36.7	41.9	111.7	113	183.9	201.8
Total (percent of GDP)			1.1	1.5	3.7	3.4	5.1	5.4

Source: National authorities and IMF staff calculations

5. Grenada had unresolved arrears to Trinidad and Tobago of about US\$38 million (2.7 percent of GDP) at end-2024. These are a long-standing legacy from the 2015 debt restructuring. The authorities continue to make efforts toward their resolution.⁹

6. Most portfolio characteristics of general government debt continued to improve. Consistent with the government's debt strategy and in line with commitments from development partners, borrowing in 2024 comprised committed undisbursed balances and concessional funding from external official creditors, including the post-Beryl disbursement of a US\$20 million loan with a

⁸ This reporting gap represents an upside risk to Grenada's future debt servicing capacity given the uncaptured interest and principal payments of statutory entities to central government would support its ability to service the underlying debt. Enhancements in monitoring of SOE/SB finances, supported by ongoing Fund technical assistance, can help better capture these flows in future DSA reports.

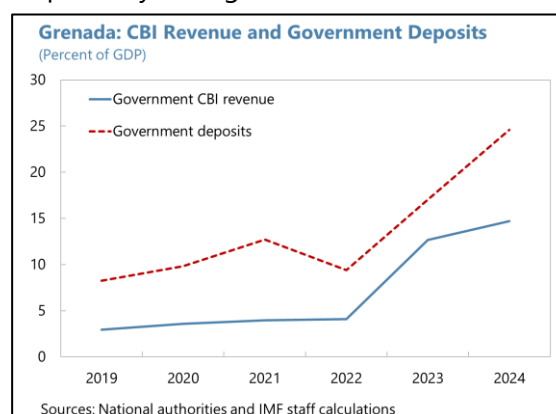
⁹ Based on the 2024 Supplement of the LIC DSF Guidance Note, the DSA baseline will include the clearance of arrears after the bilateral agreements with the official bilateral creditors are concluded. Resolved arrears of 0.5 percent of GDP to Libya and Algeria remains pending due to technical payment settlement issues.

Catastrophe Deferred Drawdown option from the World Bank. The second 2024 debt service payment to holders of the international bonds restructured in 2015 (with outstanding amounts of US\$70.2 million or 5 percent of GDP at end-2024) was also deferred.¹⁰ The share of external debt rose to 81.7 percent in 2024 (from 80.6 percent the year before), while the domestic (commercial) debt stock continued to decline. The average time to maturity (ATM) for the total portfolio remained broadly unchanged at 10.6 years in 2024. The average effective interest rate on government debt rose sharply from 2.7 percent to 8 percent, although reflecting temporary contractual payments to international bondholders linked to the previous year's exceptional surge in the government's CBI revenues. These payments are expected to persist broadly at their current level in 2025 before normalizing in 2026 following the current year's more modest CBI revenues.

7. Portfolio risks are modest and declining. Some 94 percent of the debt portfolio was contracted at fixed interest rates at end-2024. The average time to re-fixing for the entire portfolio increased by 0.3 years to 10.2 years. Only about 16 percent of the portfolio is subject to a change in interest rates in one year, primarily reflecting the short life of domestically issued instruments (mostly T-bills). Any re-fixing risk is further mitigated by the ECCU region's relatively stable and insulated interest rate environment and the authorities' strategy to rely mostly on concessional external sources for new financing, with domestic issuances largely limited to rollovers of maturing instruments.¹¹ Foreign exchange risk exposures are modest as about two-thirds of foreign currency debt is denominated in U.S. dollars to which the EC dollar is pegged.

BACKGROUND ON MACRO FORECASTS

8. 2024 GDP growth is estimated to have remained robust at 3.3 percent. While the tourism sector recorded a record year on the back of exceptionally strong 2024 winter season, the post-hurricane drop in agricultural production was slightly more severe than previously expected. Inflation remained moderate in the post-hurricane environment, broadly in line with global commodity price trends. The 2024 current account deficit is estimated to remain elevated as higher imports and service outflows offset the strong tourism exports. A surge in citizenship-by-investment (CBI) revenues and a hurricane insurance payout resulted in a sizeable primary surplus of over 10 percent of GDP,



¹⁰ The contingent disaster clause in the restructured bonds, triggered following the post-Beryl parametric insurance payout by the Caribbean Catastrophe Risk Insurance Facility and modeled losses exceeding a set US\$30 million threshold, allowed for deferral of the next two consecutive debt service payment dates of November 12, 2024, and May 12, 2025. The principal amounts and capitalized interest were added pro-rata to subsequent semi-annual principal payments through the bonds' maturity in 2030. The deferral is estimated to have provided temporary post-disaster liquidity of about US\$12½ million, or about 1 percent of GDP.

¹¹ The Regional Government Securities Market (RGSM) has limited secondary trading and the interest rates for issuances in the recent past have been relatively insensitive to global interest rate cycles.

despite hurricane-related fiscal expenditures. This contributed to a rise in government deposits to nearly 25 percent of GDP.¹²

Text Table 5. Grenada: Macroeconomic Assumptions
(In percent of GDP, unless otherwise specified)

	Historical			Projections				
	avg. 2014-22	2023	2024*	2025	2026	2027	2028	avg. 2029-44
Real GDP growth (in percent)								
2025 AIV	2.8	4.7	3.3	4.4	3.2	3.0	2.9	2.7
2024 AIV				3.9	3.3	2.7	2.7	2.7
Inflation rate, period average (GDP deflator, in percent)								
2025 AIV	1.7	2.7	1.1	0.7	1.1	1.7	2.0	2.0
2024 AIV				1.4	2.0	2.0	2.0	2.0
Non-interest current account deficit								
2025 AIV	12.1	20.3	21.1	17.5	16.3	14.9	14.4	14.2
2024 AIV				14.0	10.8	9.8	9.1	9.2
Growth of exports of G & S (USD terms, in percent)								
2025 AIV	6.9	17.4	-0.9	6.0	7.4	7.1	5.7	4.4
2024 AIV				3.2	6.0	5.1	4.2	4.4
Capital expenditure								
2025 AIV	6.5	9.2	12.0	13.1	12.6	7.4	7.6	7.3
2024 AIV				12.2	8.7	6.2	5.8	6.0
Primary balance								
2025 AIV	3.2	9.4	10.0	-3.2	-3.5	1.5	1.5	1.2
2024 AIV				-5.1	-1.2	1.5	1.5	0.6

Source: Grenadian authorities and IMF staff projections

Note: Data for 2024 are preliminary

9. Post-hurricane reconstruction and large public construction investments are projected to support near-term GDP growth, projected at 4.4 percent in 2025. Notwithstanding another robust tourism year by historical standards, moderation in the winter-season inflows weighs on the sector's projected growth contribution. Beyond ongoing public projects, the expected 2026 ground-breaking of Project Polaris, a major US\$250 million teaching hospital, is projected to support gradually moderating growth through its projected 5-year construction phase.¹³ Growth is projected to converge to its estimated long-term potential of 2.7 percent toward the end of the medium-term, although pending completion of FDI-financed projects to expand tourism sector capacity represents some upside risk. Inflation is projected to remain low in 2025-26 before recovering to 2 percent from 2028 onward. The high current account deficit is projected to narrow gradually, slowed by continued import pressures from the ongoing and planned construction projects.

10. The fiscal outlook remains benign notwithstanding near-term spending pressures. The normalization of non-tax revenues amid large reconstruction spending and other priority investments are projected to result in temporary primary deficits in 2025-26 of -3.2 percent and -3.5

¹² The government's deposits include a Contingency Fund account held at the ECCB which can be used for disaster financing. 10 percent of the NTF CBI receipts are transferred to the fund, which totaled \$61.1m at October-2025.

¹³ While the authorities target operationalization of the new hospital in 2029, staff's baseline projection incorporates risk of implementation delays reflecting historical under-execution of public capital projects.

percent of GDP, respectively, with the suspension of the fiscal rule extended into 2026.¹⁴ The medium-term fiscal outlook is underpinned by a return to the primary balance rule from 2027, in line with the authorities' commitment, and mostly driven by lower central government capital expenditure. However, the large Project Polaris investments are planned to be executed off-budget through a public special purpose entity and, on a consolidated basis, the Government is projected to run fiscal deficits through 2030. The associated additional Government borrowing linked to Project Polaris is projected to postpone reaching the 60 percent public debt target until 2033.

11. Financing assumptions draw on the authorities' 2025-27 medium-term debt strategy and incorporate planned financing for Project Polaris (included in public debt). New financing relies on external official concessional sources and utilization of undrawn commitments, incorporating the latest financing projections from the World Bank's International Development Association (IDA) program and existing Caribbean Development Bank (CDB) projects. The financing of Project Polaris includes a repurposing of an undrawn US\$100 million concessional loan from the Saudi Fund for Development (originally agreed in 2023 for climate-smart resilient infrastructure projects), as well as US\$125 million of additional bilateral borrowing from other official development partners (US\$25 million of the project is financed through government equity). The debt strategy includes minimal new domestic or regional commercial borrowing in the near-term, while rolling over maturing short-term instruments.

12. In the long run, government financing is assumed to continue to rely on external official loans, with no plan to return to external bond markets in the projection period. Domestic and Regional Governments' Securities Market (RGSM) financing sources fill the financing needs not covered by external funding, in line with the authorities' strategy to support development of these markets.¹⁵ The DSA assumes that domestic and RGSM borrowing gradually turn to longer-term maturities in the outer projection period.

Box 1. Grenada: Macroeconomic Assumptions for 2025–43

Real GDP growth is projected at 4.4 percent in 2025 supported by scaled-up construction investment as recent strong tourism inflow growth ebbs. The commencement of the 5-year, US\$250 million hospital investment, Project Polaris, supports gradually moderating growth from 2026. Over the medium-term, growth is projected to converge toward the pre-pandemic average of 2.7 percent, reflecting tourism capacity constraints until new development projects come on stream.

Inflation has moderated, reflecting both continued weakness in global prices and low domestically generated inflation. The period average inflation is projected to be around 0.7 and 1.1 percent in 2025 and 2026, respectively, amid lower global food and fuel prices. Inflation is expected to converge to 2 percent over the long term, reflecting long-term inflation expectations in key trading partners and anchored by the currency board arrangement under the Eastern Caribbean Central Bank (ECCB).

¹⁴ CBI revenues have declined from the recent temporary 2023-24 surge levels following normalization of investor demand and the late-2024 clearing of a backlog of unprocessed applications.

¹⁵ Grenada recently issued a EC\$5 million retail investor bond as part of a joint regional initiative to encourage broadening of the RGSM investor base and development of the regional capital markets.

Box 1. Grenada: Macroeconomic Assumptions for 2025–43 (concluded)

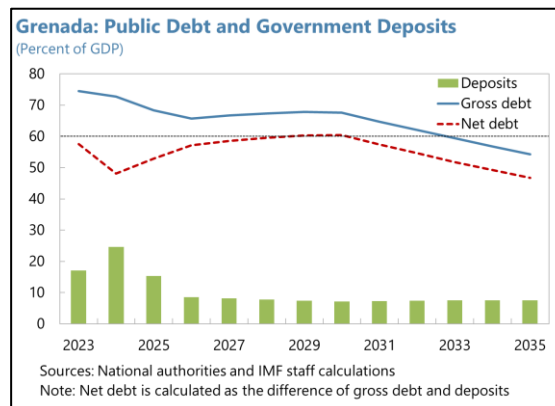
Fiscal policy. Exceptional non-tax revenues in 2024 resulted in a substantial primary surplus of 10 percent of GDP despite large reconstruction spending. Normalization of these revenues, alongside continued major capital expenditure for reconstruction and other priority investments, leads to primary deficits in 2025 and 2026. A return to the fiscal rule of a 1.5 percent of GDP primary surplus is projected from 2027 as reconstruction spending ends, with CBI revenue stabilizing at just over 3 percent of GDP. The envelope of central government capital spending is determined by adherence to the primary balance rule until the new debt target of 60 percent of GDP is met. This excludes the large off-budget capital expenditures for Project Polaris, which, if incorporated with central government spending, would result in primary deficits until 2030.

The non-interest current account deficit is projected to narrow modestly to 17.5 percent in 2025 and 16.3 percent in 2026 as temporary factors pushing up imports wane. Nonetheless, imports remain higher than their pre-pandemic average, in part due to the construction imports associated with Project Polaris. Gross (imputed) reserves (in months of imports) are expected to see modest declines in 2025–28 as the current account deficit remains large, while CBI inflows are projected to remain moderate at pre-surge historical levels. Nonetheless, reserves are projected to remain around 4 months of imports over the medium term.

Risks are tilted to the downside. Grenada remains highly exposed to further risks of natural disasters. Although the potential spillovers from the currently elevated global economic uncertainty, including the direct effects of trade policies, are assessed as modest, Grenada's high tourism and import dependence exposes it to a material slowdown in tourism source markets and the risk of global commodity price volatility. The uncertain outlook for CBI inflows amidst increased international scrutiny of such programs can weigh on future government revenue and tourism investment. These shocks could be amplified by materialization of risks in the non-bank financial sector (notably credit unions). The stock of government deposits, however, provides an important buffer against such unanticipated shocks.

13. The authorities' debt strategy assumes no new borrowing beyond existing loan commitments and financing for Project Polaris.

The additional gross financing needs arising from overall deficits in 2025–26 are thus assumed to be met by a drawdown in government deposits, which are projected to decline to 8.6 percent of GDP by end-2026 from 25 percent in 2024. Net of these deposits, public debt will remain close to or below the 60 percent threshold enshrined in the fiscal rules over the medium term. Notwithstanding the large Project Polaris borrowing and the associated off-budget investments in the near-term, the expected resumption of the fiscal rules in 2027 would anchor a decline in gross government debt to below 60 percent of GDP by 2033, alongside a stabilization of deposits at about 7½ percent of GDP.



14. Realism tools indicate that short-term growth is conservatively forecasted (Figure 3). The deterioration of the primary balance is large compared to the historical distribution but reflects the normalization of the recent surge in CBI revenues and the large reconstruction outlays. The implied low multiplier on government investment reflects the large import content of (construction) investment in Grenada, and the broader need for structural reforms to boost potential growth. The drivers of debt dynamics (Figure 2) include residuals that reflect the expansion of the baseline debt

coverage to include SOE debt (consistent with the 2023 FRA); these are expected to decline over the next five years. Publication of full SOE accounts, including financing, and/or a move to reporting consolidated general government accounts would further reduce these residuals. High residuals in Table 2 are due to the substantial accumulation of government deposits from the 2023-24 CBI revenue surge, which are projected to partially unwind in 2025-26. The financing of Project Polaris is expected to result in positive real interest rate debt-creating flows over the projection period.

COUNTRY CLASSIFICATION AND DETERMINANTS OF SCENARIO STRESS TESTS

15. Grenada continues to be assessed at medium debt-carrying capacity. The rating is based on the CI score, which captures the impact of the different factors through a weighted sum of the 2024 World Bank's CPIA score, the country's real GDP growth, remittances, international reserves, and world growth. Under the CI, Grenada continues to be rated as a medium performer.

Text Table 6. Grenada: Composite Indicator

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.703	1.43	47%
Real growth rate (in percent)	2.719	2.916	0.08	3%
Import coverage of reserves (in percent)	4.052	39.850	1.61	54%
Import coverage of reserves^2 (in percent)	-3.990	15.880	-0.63	-21%
Remittances (in percent)	2.022	5.248	0.11	4%
World economic growth (in percent)	13.520	3.035	0.41	14%
CI Score			3.003	100%
CI rating	Medium			
EXTERNAL debt burden thresholds	Weak	Medium	Strong	
PV of debt in % of				
Exports	140	180	240	
GDP	30	40	55	
Debt service in % of				
Exports	10	15	21	
Revenue	14	18	23	
Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage	
Medium	Medium 3.00	Medium 2.99	Medium 3.00	

16. Both external and public debt analyses consider standard-DSA alternative scenarios to this baseline as well as a "natural disaster" tailored scenario. Specifically, the "natural disaster"

scenario is tailored by a 5 percent of GDP, or 2.5 percentage points (whichever is higher), rise in debt in the first two years following a hurricane. This tailored scenario is calibrated based on the estimated growth impact that the 2017 hurricane Maria had on Dominica (the total damage from Maria for Dominica is similar to that of hurricane Ivan for Grenada in 2004).

EXTERNAL DSA

17. The external public and publicly guaranteed PPG debt-to-GDP ratio is projected to rise slightly until 2030 before declining in the baseline scenario.

The increase in external public debt is due to other debt-creating flows arising from Project Polaris spending that falls outside the central government perimeter (Table 2). The present value of debt-to-GDP remains below the debt burden threshold under the baseline scenario (Figure 1). Beyond the medium-term, the debt ratio is projected to continue to decline, anchored by the fiscal rules framework and reflecting gradually increasing reliance on domestic and regional market borrowing in the long-term. The only breach of the debt burden thresholds is a transitory one-off breach of the debt-service-to-revenue ratio in 2025, which reflects the temporarily high CBI-related payments to holders of the restructured international bonds. The associated medium-term risks to debt service are mitigated by the structure of these payments being directly tied to the performance of the CBI program, and the bonds mature in 2030.

18. PV debt-to-GDP and debt-service-to-revenue thresholds are breached under stress tests. Grenada's dependence on tourism implies that across all solvency and liquidity indicators, "exports" is one of the most severe shocks (Table 3).¹⁶ A large natural disaster and a contingent liability shock also have significant potential effects on the debt path. A natural disaster tailored shock has a protracted effect on the debt path in part due to its interaction with the growth shock (e.g., due to a high likelihood of infrastructure damage). While the debt-service-to-revenue ratio saw the most extreme shock from a one-time depreciation, this scenario only breached the threshold in 2025-26 and the risk is mitigated by the peg to the U.S. dollar and the strength of the ECCU's quasi-currency board (in addition to the high near-term payments being linked to the CBI revenue).

19. Notwithstanding vulnerability to risks, external debt is assessed as sustainable given capacity to meet current and future debt service obligations without requiring debt relief or accumulating additional arrears. While exports is one of the most severe shocks for all indicators, the recent experience with the Covid-19 pandemic demonstrated external debt resilience to a sharp contraction in services exports. This in part reflects the high share of official creditors in government external debt, absence of international market borrowing and the shortage of alternative regional investment options, which underpins the resilience of the regional sovereign debt market.¹⁷ Hurricane Beryl also demonstrated the benefits of Grenada's multi-layered disaster resilience

¹⁶ The export shock results in a decline in export of goods and services by 16 percent of GDP in 2025 and another 12.5 percent of GDP in 2026.

¹⁷ The support of the official creditors may even be strengthened during an economic downturn.

framework, which provided substantial quasi-automatic relief in the immediate aftermath of the disaster. The authorities prudently maintain these contingent financing mechanisms while also continuing to build up a dedicated contingency fund. The government deposits from past CBI inflows continue to provide a further buffer against external shocks, despite their expected reduction in 2025-26. The replenishment capacity of these buffers is nonetheless linked to the uncertain outlook for future CBI revenue.

20. Private external debt presents limited risks to the government. This debt comprises mostly of non-resident deposits of Grenadian nationals abroad, intra-group liabilities of banks and international hotels, and FDI debt. The stability and nature of these exposures limits any contingent liability risks. The local Grenadian companies do not have international market access, and the regional capital markets are underdeveloped with no securitized private debt financing.

OVERALL RISK OF PUBLIC DEBT DISTRESS

21. Public debt is assessed to be “in debt distress” solely on account of unresolved official arrears. The external debt-service-to-revenue ratio breaches the threshold for just one year before remaining below it under the baseline scenario (Figure 1b). Assuming constant PetroCaribe debt and stable non-guaranteed SOE debt as a share of GDP, total public debt is projected to stay largely flat through 2030 due to the additional borrowing for Project Polaris.¹⁸ Excluding this borrowing, government debt is projected to decline, underpinned by the 2027 return to the primary balance rule. The medium-term public debt target of 60 percent of GDP is projected to be reached in 2033. While close to the target of 2035 specified in the Fiscal Resilience Act (FRA) 2023, the stock of government deposits provide confidence in Grenada’s ability to meet the target. Public debt is projected to continue declining thereafter, providing a cushion against natural disasters or other external shocks.

22. The underlying public debt dynamics are assessed as sustainable notwithstanding shock-sensitivity of the gross debt path. Under the most extreme growth-shock scenario, the benchmark threshold for the PV of debt-to-GDP ratio is breached for more than a decade (Table 4). Again, Grenada’s debt resilience during the Covid-19 pandemic which led to a sharp drop in tourism (a key source of economic activity), its now-tested disaster resilience framework, as well as the sizeable government savings from past CBI revenues substantially mitigate such shocks’ debt sustainability risks. The resiliency of public debt is also underpinned by Grenada’s track record of fiscal prudence, anchored in adherence to well-established fiscal rules. Enhancing the coverage of the rules’ operational annual targets to better capture the fiscal operations of statutory entities would further strengthen Grenada’s commitment to continued fiscal discipline.

23. Domestic debt-to-GDP has been falling in recent years and is projected to further decline over the forecast (Figure 4). The domestic debt service-to-revenue ratio is projected to

¹⁸ Stable non-guaranteed SOE debt as a share of GDP may be viewed as a conservative assumption given the absence of known new borrowing plans over the medium-term.

rise in future years but remains below peers' level, with the increase reflecting the normalization of CBI-related revenue, rollover of longer-dated domestic debt, and a conservative assumption that interest rates rise from their current low levels. Domestic debt issuance is expected to be driven primarily by rollover of existing debt in the near-term, with new borrowing projected to moderately increase over time to meet residual gross financing needs.

RISK RATING, VULNERABILITY AND RECOMMENDATIONS

24. Grenada remains in debt distress, but its public and external debt is assessed as sustainable. The sustainability assessment is predicated on the authorities' commitment to the FRA, well-established track-record of fiscal prudence, and continued efforts to undertake fiscal structural reforms and strengthen debt management, and with only a transitory one-off breach of the debt-service ratio threshold.

25. Sizeable savings from past CBI revenues provide a buffer against external shocks. Grenada's debt sustainability is subject to downside risks, including susceptibility to global shocks on tourism and commodity prices, highly uncertain CBI inflows amidst intensified international scrutiny, and the ever-present risk of natural disasters. Fiscal policy prudence underpinned by the fiscal rules, a stronger CBI management framework, and structural reforms to improve competitiveness and support domestic investment opportunities are key to managing these risks. The climate-related natural disaster risks can also be mitigated by continued implementation of the Disaster Resilience Strategy (DRS), as supported by the IMF, World Bank, and other development partners.¹⁹ Savings accumulated from the recent CBI revenue surge, in addition to the now-tested parametric insurance facilities (CCRIF), other disaster contingent debt instruments, such as the WB's Catastrophe Deferred Drawdown Option, and the availability of other liquid financial assets (SDR allocation) provide a substantial buffer against external shocks.

26. To cushion the fiscal position from disaster-related risks, Grenada is advancing climate resilience building. Grenada has received continued strong support from development partners in building climate resilience, including the World Bank and the Caribbean Development Bank. The process of mainstreaming resilience building is on-going, where the Project Polaris would also support strengthening the disaster-resilience of Grenada's healthcare system. Nonetheless, continued compliance with the fiscal rules framework calls for further improvements to planning to coordinate public investment projects. Furthermore, timely publication of climate fiscal risk statements could help the authorities to better prepare for climate events. Continued efforts are also needed to improve efficiency of public investment and address persistent capacity constraints in

¹⁹ The illustrative DGSE-based simulations in the [2022 Grenada Disaster Resilience Strategy \(IMF Country report No. 22/80\)](#) suggest that, based on Grenada's historical costs of natural disasters, achieving a public capital stock that is 80 percent resilient would imply a steady state level of potential output that is 3 percent higher than without the investment in resilient infrastructure. In staff's baseline projections the growth benefits from DRS implementation are treated as an upside risk. The DRS implementation also involves a financial resilience pillar under which the dedicated financial protection against natural disasters amounted to 7¼ percent of GDP in 2020.

public administration that also hamper public project implementation. Development partners have been providing important technical and capacity assistance to Grenada to further advance this area.

27. Strengthening public financial management would further support long-term debt sustainability. This includes strengthening investment planning, monitoring and execution capacity in line with the 2022 PIMA/C-PIMA priority recommendations. Continued efforts to strengthen the Medium-Term Fiscal Framework (MTFF) would strengthen its role in the budget process, especially as top-down guidance for the macro-fiscal path. Monitoring of SOEs should also be enhanced with the development of relevant frameworks and regulations.

28. Debt management and debt data coverage need to be further enhanced to build on earlier reforms. Grenada has adhered to a ceiling on non-concessional borrowing under the World Bank's Sustainable Development Finance Policy since 2023 and has implemented reforms to improve the publication of debt data including the annual debt management report and quarterly debt statistical bulletins, and coverage of data including SOE debt and publication of a medium-term fiscal framework (MTFF). The authorities can improve debt management by enhancing data management, upgrading IT systems, revising the debt management procedure manual, and renewing the 2018 Debt Management Performance Assessment (DeMPA), which was undertaken with the World Bank. Coordinating the debt management strategy and the CBI revenue management framework would help optimize the costs from the Government's net debt position. All CBI resources should be managed under a unified framework, and an asset management system should also be established for NTF assets. A timely publication of Central Government and expanded SOE financial statements, as well as publishing the NTF stock, all are important for transparency of the government's fiscal position and operations.

Authorities' Views

29. The authorities agreed with staff's debt sustainability assessment. They indicated the process of resolving the legacy arrears to Trinidad & Tobago is highly advanced. The authorities also emphasized their commitment to return to the fiscal rules from 2027 once expenditures for reconstruction activities are completed, as well as to meeting the 60 percent of GDP debt target by 2035 notwithstanding the additional Project Polaris borrowing. They indicated that the near-term reconstruction financing needs would be covered by already contracted external funding, as well as drawdown of deposits, and that staff's financing assumptions are broadly in line with the government's Medium Term Debt Management Strategy.

Table 1. Grenada: External Debt Sustainability Framework Baseline Scenario 2022–45

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/ Historical Projections	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/	93.2	89.0	83.8	79.1	76.7	77.7	77.9	77.8	77.5	63.3	44.1	84.7	73.8
of which: public and publicly guaranteed (PPG)	62.8	60.1	59.4	55.5	53.4	54.6	55.4	56.0	56.2	44.1	27.5	60.3	52.4
Change in external debt	-1.6	-4.3	-5.1	-4.7	-2.5	1.0	0.2	-0.1	-0.2	-3.0	-1.4		
Identified net debt-creating flows	-8.3	-4.1	5.3	1.2	1.1	0.0	0.2	0.3	0.3	3.8	5.3	-3.6	1.9
Non-interest current account deficit	10.3	19.0	19.5	13.9	14.9	13.7	13.3	13.1	13.2	15.1	15.3	12.1	14.3
Deficit in balance of goods and services	6.4	7.2	11.3	7.8	6.2	5.0	4.5	4.4	4.1	3.8	3.4	4.4	4.7
Exports	57.7	62.0	58.9	59.3	61.0	62.5	62.9	62.9	62.7	61.5	59.4		
Imports	64.1	69.2	70.1	67.2	67.2	67.4	67.4	67.3	66.9	65.2	62.7		
Net current transfers (negative = inflow)	-1.3	2.5	2.1	0.9	1.2	1.1	1.1	1.1	1.2	1.4	1.8	0.2	1.2
of which: official	-0.3	0.5	-0.1	-0.1	0.5	0.5	0.5	0.5	0.5	0.6	0.6		
Other current account flows (negative = net inflow)	5.2	9.3	6.2	5.1	7.5	7.7	7.6	7.6	7.9	9.9	10.1	7.5	8.4
Net FDI (negative = inflow)	-12.5	-16.5	-12.0	-12.8	-12.7	-12.7	-12.1	-11.8	-11.7	-10.1	-9.2	-13.6	-11.4
Endogenous debt dynamics 2/	-6.1	-6.6	-2.2	0.1	-1.0	-1.0	-1.0	-0.9	-1.2	-1.1	-0.8		
Contribution from nominal interest rate	1.8	1.2	1.6	3.6	1.4	1.2	1.2	1.1	0.8	0.6	0.4		
Contribution from real GDP growth	-6.4	-3.9	-2.8	-3.5	-2.5	-2.2	-2.1	-2.0	-2.0	-1.7	-1.2		
Contribution from price and exchange rate changes	-1.5	-4.0	-1.0	...	...	...	...	...	...	...	...
Residual 3/	6.6	-0.2	-10.4	-5.9	-3.6	1.0	0.0	-0.4	-0.6	-6.8	-6.6	2.4	-3.7
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG External Debt-to-GDP Ratio	...	...	41.0	35.6	33.0	32.8	32.7	32.2	32.0	24.5	14.0		
PV of PPG External Debt-to-Exports Ratio	...	...	69.6	60.0	54.0	52.5	51.9	51.1	51.1	39.8	23.7		
PPG Debt Service-to-Exports Ratio	11.6	9.0	10.0	13.9	7.1	6.6	6.2	5.9	4.6	4.1	2.5		
PPG Debt Service-to-Revenue Ratio	25.5	15.4	13.6	27.2	14.5	13.7	13.1	12.5	9.7	8.6	5.0		
Gross external financing need (Million of U.S. dollars)	54.8	108.5	186.7	137.7	99.1	82.5	85.8	87.7	81.9	174.4	282.6		
Key macroeconomic assumptions													
Real GDP growth (in percent)	7.3	4.5	3.3	4.4	3.2	3.0	2.9	2.7	2.7	2.7	2.7	2.6	3.0
GDP deflator in US dollar terms (change in percent)	1.6	4.5	1.1	0.7	1.1	1.7	2.0	2.0	2.0	2.0	2.0	1.9	1.8
Effective interest rate (percent) 4/	2.1	1.4	1.9	4.5	1.9	1.6	1.6	1.5	1.1	1.0	0.9	2.1	1.6
Growth of exports of G&S (US dollar terms, in percent)	31.3	17.4	-0.9	6.0	7.4	7.1	5.7	4.8	4.4	4.4	4.3	7.2	5.2
Growth of imports of G&S (US dollar terms, in percent)	26.2	17.9	5.8	0.7	4.4	5.0	4.6	4.1	4.4	4.3	4.3	8.3	4.1
Grant element of new public sector borrowing (in percent)	...	...	...	20.8	52.9	41.3	39.0	44.8	45.2	43.2	38.0	...	42.9
Government revenues (excluding grants, in percent of GDP)	26.1	36.1	43.2	30.4	30.0	30.0	29.8	29.7	29.7	29.7	29.7	26.9	29.8
Aid flows (in Million of US dollars) 5/	83.1	6.7	7.5	34.0	53.1	97.6	101.4	110.6	103.3	41.1	52.1		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.6	2.6	3.2	3.1	3.3	3.0	1.4	1.2	...	2.3
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	46.2	63.4	45.5	45.6	51.1	52.4	61.0	61.0	...	55.8
Nominal GDP (Million of US dollars)	1,224	1,336	1,395	...	...	...	...	...	...	...	...
Nominal dollar GDP growth	9.1	9.2	4.4	5.1	4.3	4.7	4.9	4.8	4.8	4.8	4.8	4.6	4.8
Memorandum items:													
PV of external debt 7/	...	...	65.4	59.2	56.2	55.9	55.2	54.0	53.3	43.7	30.7		
In percent of exports	...	...	111.2	99.8	92.1	89.5	87.7	85.8	85.0	71.0	51.7		
Total External Debt Service-to-Exports Ratio	11.6	9.0	10.0	13.9	7.1	6.6	6.2	5.9	4.6	4.1	2.5		
PV of PPG external debt (in Million of US dollars)	...	...	571.5	522.2	505.0	525.7	549.2	567.0	591.7	571.0	523.5		
(PVT-PVT-1)/GDP-1 (in percent)	...	...	...	-3.5	-1.2	1.4	1.5	1.1	1.4	-0.4	0.0		
Non-interest current account deficit that stabilizes debt ratio	12.0	23.3	24.7	18.6	17.3	12.7	13.0	13.2	13.5	18.1	16.7		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - p(1+g) + E\alpha(1+r)/(1+g+p+g\alpha)]$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate; p = growth rate of GDP deflator in U.S. dollar terms; E = nominal appreciation of the local currency; and α = share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes

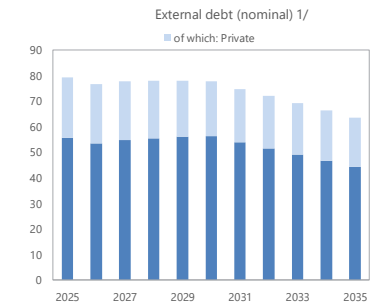
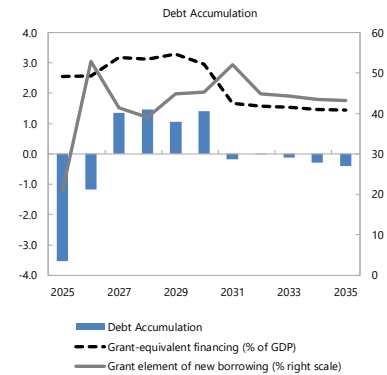


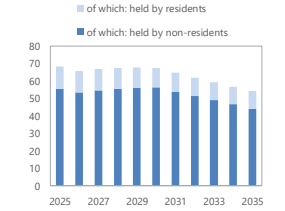
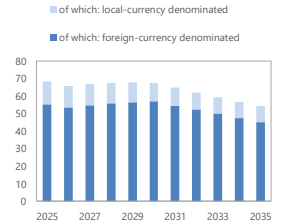
Table 2. Grenada: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022–45

(In percent of GDP, unless otherwise indicated)

	Actual			Projections												Average 7/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2045	Historical	Projections
Public sector debt 1/	79.3	74.5	72.7	68.3	65.8	66.8	67.4	67.8	67.5	64.7	62.0	59.3	56.7	54.3	37.2	79.9	63.7
of which: external debt	62.8	60.1	59.4	55.5	53.4	54.6	55.4	56.0	56.2	53.7	51.4	49.0	46.6	44.1	27.5	60.3	52.4
Change in public sector debt	-7.3	-4.7	-1.8	-4.4	-2.6	1.0	0.6	0.4	-0.3	-2.8	-2.7	-2.7	-2.6	-2.5	-1.2		
Identified debt-creating flows	-7.7	-14.6	-11.3	2.3	3.0	0.9	0.6	0.5	-0.3	-3.2	-3.2	-3.1	-2.9	-2.8	-1.5	-6.2	-0.7
Primary deficit	-2.6	-9.4	-10.0	3.2	3.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.4	-1.4	-0.8	-4.9	-0.6
Revenue and grants	32.9	36.6	43.8	32.1	30.9	30.5	30.6	30.4	30.4	30.4	30.4	30.4	30.4	30.4	30.4	30.3	30.6
of which: grants	6.8	0.5	0.5	1.8	0.9	0.5	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7		
Primary (noninterest) expenditure	30.4	27.2	33.8	35.3	34.4	29.0	29.0	28.9	28.9	28.9	28.9	28.9	29.0	29.0	29.6	25.4	30.0
Automatic debt dynamics	-5.1	-5.2	-1.2	-0.9	-1.6	-1.5	-1.6	-1.6	-1.9	-1.9	-1.9	-1.8	-1.7	-1.6	-1.0		
Contribution from interest rate/growth differential	-8.4	-4.7	-2.1	-0.9	-1.6	-1.5	-1.6	-1.6	-1.9	-1.9	-1.9	-1.8	-1.7	-1.6	-1.0		
of which: contribution from average real interest rate	-2.5	-1.3	0.3	2.1	0.5	0.4	0.3	0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.1		
of which: contribution from real GDP growth	-5.9	-3.4	-2.4	-3.0	-2.1	-1.9	-1.9	-1.8	-1.8	-1.8	-1.7	-1.6	-1.6	-1.5	-1.0		
Contribution from real exchange rate depreciation	3.3	-0.5	0.7	—	—	—	—	—	—	—	—	—	—	—	—		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	1.1	3.9	3.8	3.6	3.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0	1.5
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	1.1	3.9	3.8	3.6	3.2	0.2	0.2	0.2	0.2	0.2	0.2		
Residual 2/	0.3	9.9	9.4	-6.6	-5.6	0.1	0.0	-0.1	0.0	0.4	0.4	0.4	0.3	0.3	0.4	3.6	-0.9
Sustainability indicators																	
PV of public debt-to-GDP ratio 3/	—	—	54.3	48.4	45.3	45.0	44.6	44.0	43.3	41.4	39.6	37.9	36.2	34.6	23.7		
PV of public debt-to-revenue and grants ratio	—	—	124.1	150.6	146.6	147.7	146.1	144.8	142.4	136.2	130.3	124.6	119.0	113.8	77.9		
Debt service-to-revenue and grants ratio 4/	37.8	25.0	21.7	32.6	27.7	27.6	28.0	30.5	28.7	27.2	27.5	27.7	28.3	29.0	28.3		
Gross financing need 5/	9.9	-0.3	-0.5	13.7	13.2	10.9	10.8	11.3	10.4	6.9	7.0	7.1	7.4	7.6	8.0		
Key macroeconomic and fiscal assumptions																	
Real GDP growth (in percent)	7.3	4.5	3.3	4.4	3.2	3.0	2.9	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.6	3.0
Average nominal interest rate on external debt (in percent)	2.9	2.1	2.8	6.3	2.7	2.3	2.2	2.1	1.5	1.5	1.4	1.4	1.4	1.4	1.4	2.9	2.2
Average real interest rate on domestic debt (in percent)	0.0	-2.6	0.7	1.2	1.8	1.1	0.9	1.0	0.9	1.1	1.2	1.2	1.6	1.7	2.3	0.5	1.2
Real exchange rate depreciation (in percent, + indicates depreciation)	5.4	-0.8	1.3	—	—	—	—	—	—	—	—	—	—	—	—	0.8	—
Inflation rate (GDP deflator, in percent)	1.6	4.5	1.1	0.7	1.1	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.8
Growth of real primary spending (deflated by GDP deflator, in percent)	10.6	-6.4	28.4	9.1	0.6	-13.4	3.2	2.2	2.7	2.7	2.7	2.7	3.0	2.9	2.9	6.3	1.7
Primary deficit that stabilizes the debt-to-GDP ratio 6/	4.8	-4.7	-8.1	7.6	6.1	-2.5	-2.1	-1.9	-1.2	1.3	1.2	1.2	1.2	1.1	0.4	-2.7	1.1
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes

Public sector debt 1/



Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central, state, and local governments, central bank, government-guaranteed debt, non-guaranteed SOE debt. Definition of external debt is Residency-based.

2/ Residual largely reflects substantial fluctuations in government deposits due to CBI revenues, with deposit accumulation (2023–24) and drawdown (2025–26).

3/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

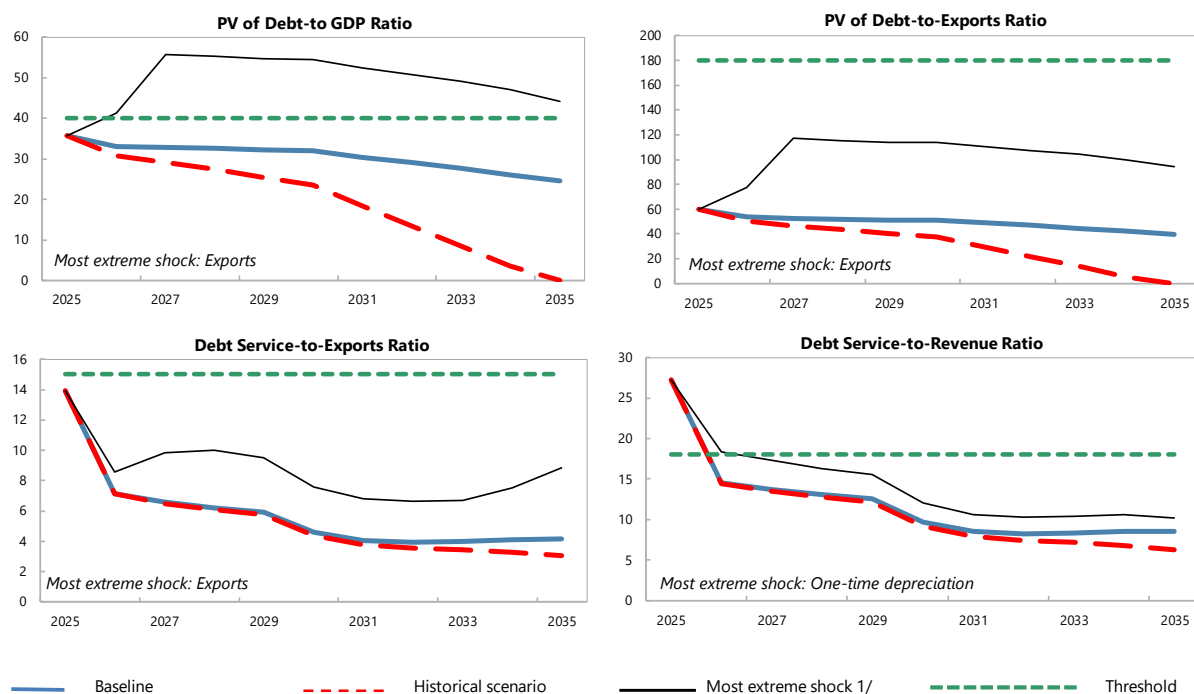
4/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

5/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

6/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (1-): a primary surplus, which would stabilize the debt ratio only in the year in question.

7/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 1a. Grenada: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2025–35



Customization of Default Settings			Borrowing assumptions on additional financing needs resulting from the stress tests*	
Tailored Stress	Size	Interactions	Default	User defined
Combined CL	Yes		Shares of marginal debt	
Natural disaster	No	No	External PPG MLT debt	100%
Commodity price	n.a.	n.a.	Terms of marginal debt	
Market financing	n.a.	n.a.	Avg. nominal interest rate on new borrowing in USD	1.6%
			USD Discount rate	5.0%
			Avg. maturity (incl. grace period)	30
			Avg. grace period	7

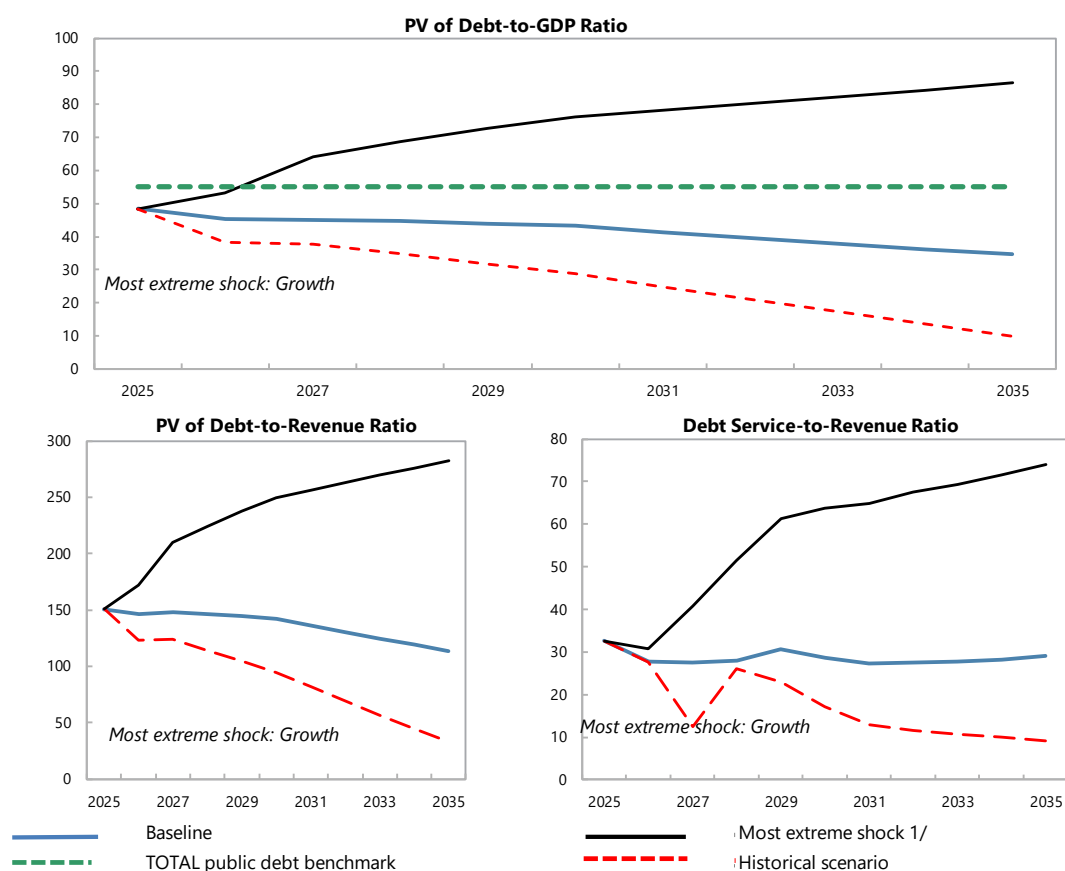
Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 1b. Grenada: Indicators of Public Sector Debt Under Alternative Scenarios 2025–35

Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	40%	40%
Domestic medium and long-term	12%	12%
Domestic short-term	48%	48%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.6%	1.6%
Avg. maturity (incl. grace period)	30	30
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	2.7%	2.7%
Avg. maturity (incl. grace period)	2	2
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	2.7%	2.7%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Grenada: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2025–35
(In Percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to GDP Ratio											
Baseline	36	33	33	33	32	32	30	29	28	26	24
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	36	31	29	27	25	23	18	13	8	3	0
B. Bound Tests											
B1. Real GDP growth	36	37	40	40	40	40	38	36	34	32	30
B2. Primary balance	36	34	35	36	36	36	34	33	32	30	29
B3. Exports	36	41	56	55	55	54	52	51	49	47	44
B4. Other flows 3/	36	35	37	37	37	37	35	33	32	30	28
B5. Depreciation	36	42	39	39	38	38	36	34	32	30	28
B6. Combination of B1-B5	36	42	45	44	44	44	42	40	38	36	34
C. Tailored Tests											
C1. Combined contingent liabilities	36	35	35	36	36	36	34	33	31	30	28
C2. Natural disaster	36	36	37	38	38	39	37	36	35	34	32
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of Debt-to-Exports Ratio											
Baseline	60	54	53	52	51	51	49	47	45	42	40
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	60	50	47	44	40	37	30	22	14	6	0
B. Bound Tests											
B1. Real GDP growth	60	54	53	52	51	51	49	47	45	42	40
B2. Primary balance	60	56	56	57	57	57	55	53	51	49	46
B3. Exports	60	77	117	116	114	114	110	107	104	100	94
B4. Other flows 3/	60	58	60	59	58	58	56	54	52	49	46
B5. Depreciation	60	54	49	49	48	48	45	43	41	39	37
B6. Combination of B1-B5	60	68	61	72	71	71	68	66	63	60	56
C. Tailored Tests											
C1. Combined contingent liabilities	60	57	57	57	57	57	55	53	51	48	46
C2. Natural disaster	60	60	61	62	62	63	61	59	58	56	53
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt Service-to-Exports Ratio											
Baseline	14	7	7	6	6	5	4	4	4	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	14	7	6	6	6	4	4	4	3	3	3
B. Bound Tests											
B1. Real GDP growth	14	7	7	6	6	5	4	4	4	4	4
B2. Primary balance	14	7	7	6	6	5	4	4	4	4	4
B3. Exports	14	9	10	10	10	8	7	7	7	8	9
B4. Other flows 3/	14	7	7	6	6	5	4	4	4	4	5
B5. Depreciation	14	7	7	6	6	5	4	4	4	4	4
B6. Combination of B1-B5	14	8	8	8	7	6	5	5	5	6	6
C. Tailored Tests											
C1. Combined contingent liabilities	14	7	7	6	6	5	4	4	4	4	4
C2. Natural disaster	14	7	7	7	6	5	4	4	4	5	5
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt Service-to-Revenue Ratio											
Baseline	27	15	14	13	13	10	9	8	8	9	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	27	14	14	13	12	9	8	7	7	7	6
B. Bound Tests											
B1. Real GDP growth	27	16	17	16	15	12	11	10	10	11	11
B2. Primary balance	27	15	14	13	13	10	9	9	9	9	9
B3. Exports	27	15	16	16	15	12	11	11	11	12	14
B4. Other flows 3/	27	15	14	13	13	10	9	9	9	9	10
B5. Depreciation	27	18	17	16	16	12	11	10	10	11	10
B6. Combination of B1-B5	27	16	17	16	15	12	10	10	10	11	11
C. Tailored Tests											
C1. Combined contingent liabilities	27	15	14	13	13	10	9	9	9	9	9
C2. Natural disaster	27	15	14	14	13	10	9	9	9	10	10
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Grenada: Sensitivity Analysis for Key Indicators of Public Debt 2025–35
(In Percent)

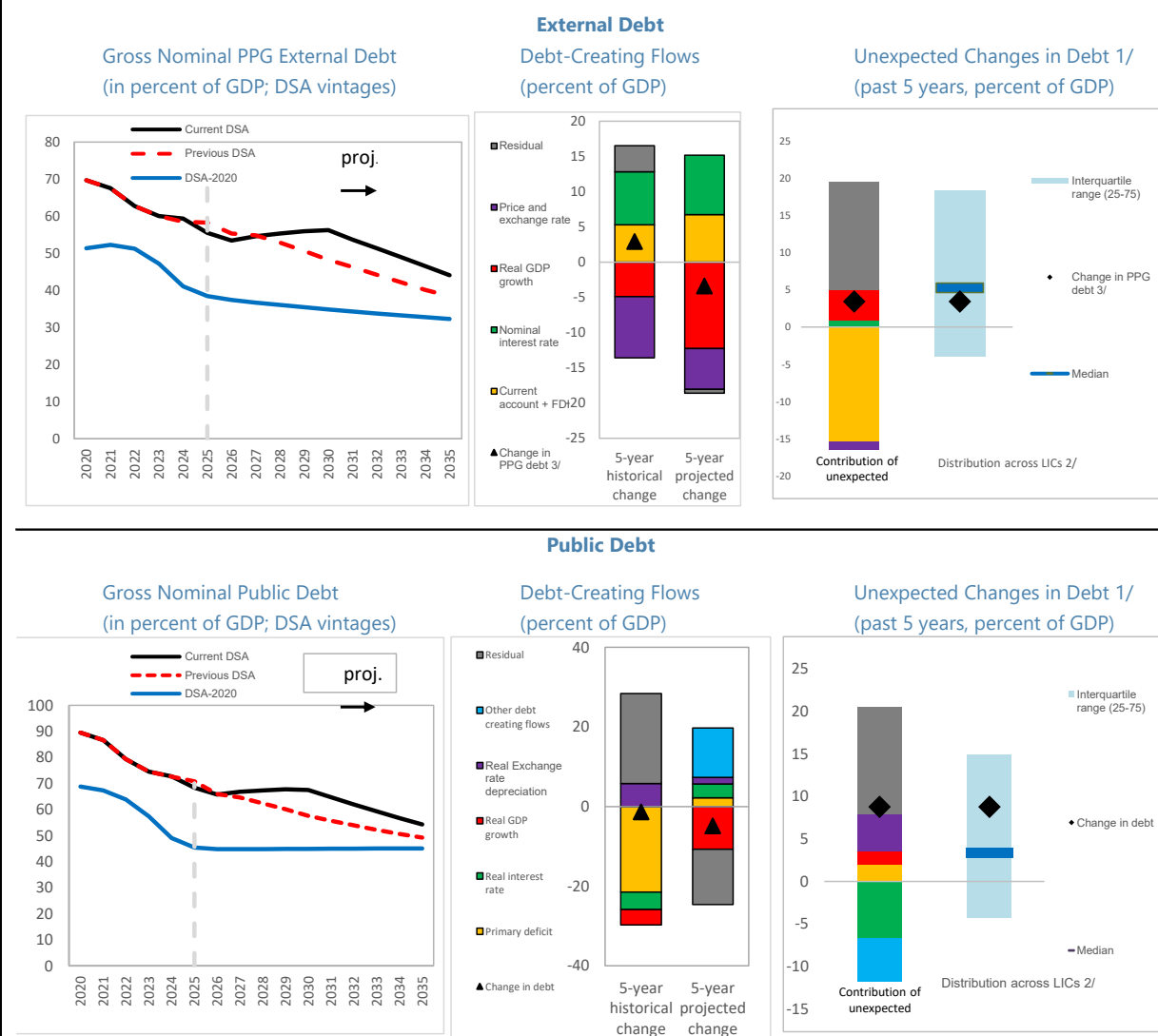
	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to-GDP Ratio											
Baseline	48	45	45	45	44	43	41	40	38	36	35
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	48	38	38	35	32	29	25	21	17	14	10
B. Bound Tests											
B1. Real GDP growth	48	53	64	69	73	76	78	80	82	84	86
B2. Primary balance	48	49	51	50	49	48	46	44	42	41	39
B3. Exports	48	52	63	62	61	61	59	57	55	53	50
B4. Other flows 3/	48	48	50	49	49	48	46	44	42	40	39
B5. Depreciation	48	54	50	48	44	41	38	35	32	29	26
B6. Combination of B1-B5	48	47	48	48	47	46	45	43	41	39	38
C. Tailored Tests											
C1. Combined contingent liabilities	48	51	50	49	49	48	46	44	42	40	39
C2. Natural disaster	48	55	54	53	53	52	50	48	47	45	44
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	151	147	148	146	145	142	136	130	125	119	114
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	151	123	124	114	104	95	82	69	57	45	33
B. Bound Tests											
B1. Real GDP growth	151	172	210	224	238	250	256	263	269	276	283
B2. Primary balance	151	157	168	164	162	159	152	146	140	134	129
B3. Exports	151	167	206	204	202	199	193	186	180	173	165
B4. Other flows 3/	151	154	163	161	160	157	151	145	139	133	127
B5. Depreciation	151	175	165	156	146	137	126	115	105	95	85
B6. Combination of B1-B5	151	152	158	155	155	153	146	140	135	129	124
C. Tailored Tests											
C1. Combined contingent liabilities	151	166	165	162	160	157	150	144	138	133	127
C2. Natural disaster	151	177	177	174	173	170	165	159	154	149	144
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	33	28	28	28	31	29	27	28	28	28	29
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	33	28	12	26	23	17	13	12	11	10	9
B. Bound Tests											
B1. Real GDP growth	33	31	41	51	61	64	65	68	69	72	74
B2. Primary balance	33	28	35	40	38	34	31	30	30	30	31
B3. Exports	33	28	28	29	32	30	29	29	29	30	33
B4. Other flows 3/	33	28	28	28	31	29	28	28	28	29	30
B5. Depreciation	33	28	31	29	33	30	28	28	28	28	29
B6. Combination of B1-B5	33	27	28	31	35	33	32	32	32	33	34
C. Tailored Tests											
C1. Combined contingent liabilities	33	28	40	36	36	33	30	29	29	30	31
C2. Natural disaster	33	28	47	42	41	36	33	33	33	33	34
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Figure 2. Grenada: Drivers of Debt Dynamics—Baseline Scenario

1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 3. Grenada: Realism Tools

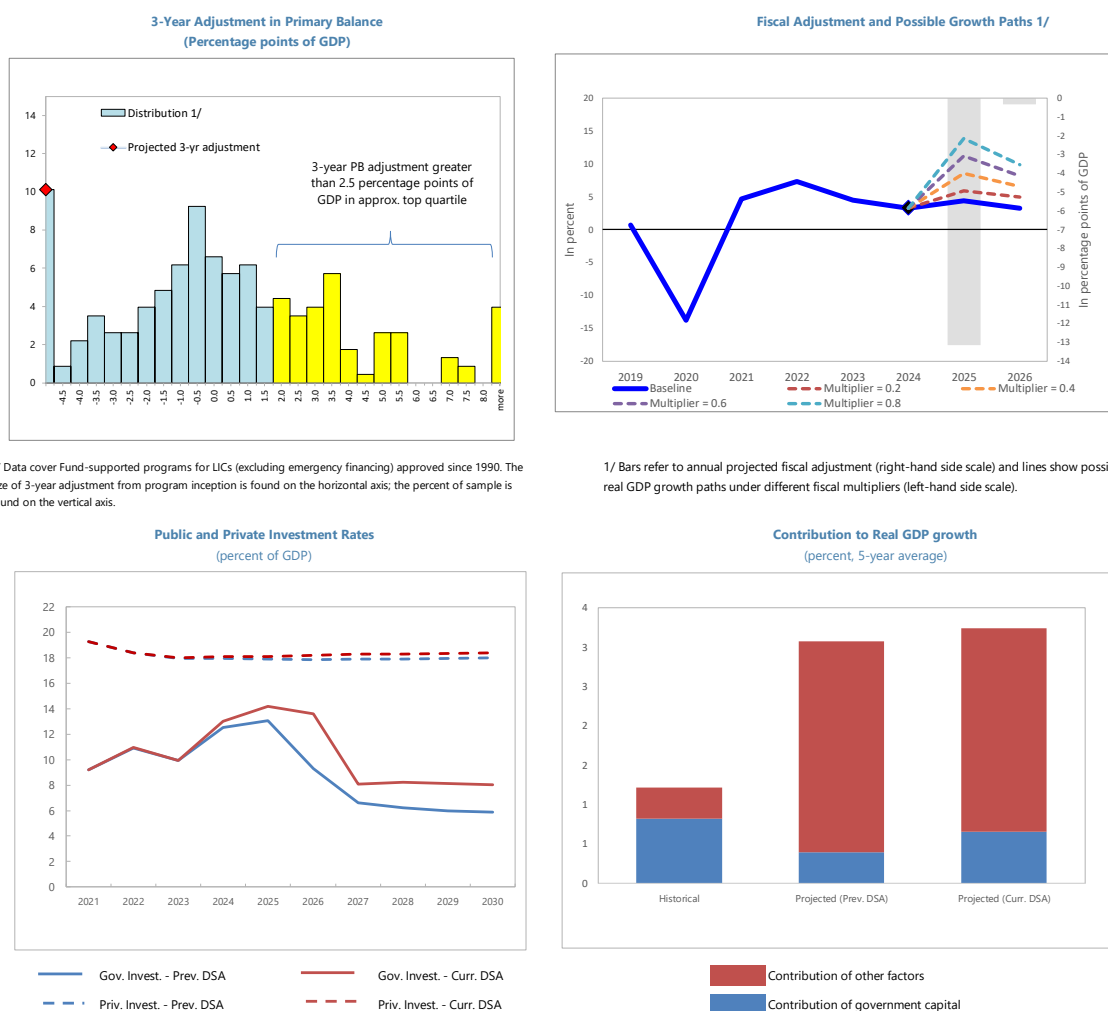
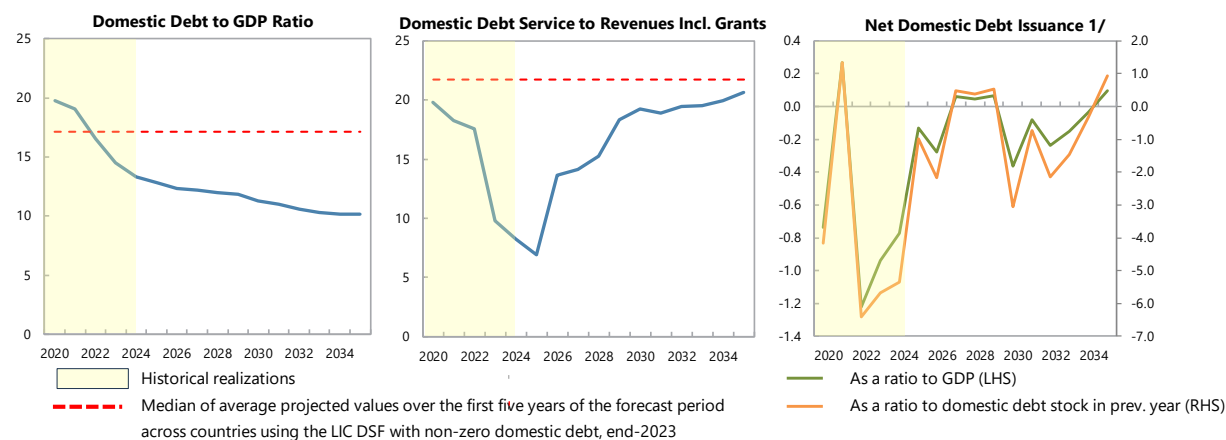


Figure 4. Grenada: Indicators of Public Domestic Debt 2020-34
(In Percent)



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	20%
Short-term	80%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	2.7%
Avg. maturity (incl. grace period)	2
Avg. grace period	0
Domestic short-term debt	
Avg. real interest rate	2.7%

Sources: Country authorities; and staff estimates and projections.

Note: 1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.



GRENADA

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION— INFORMATIONAL ANNEX

December 17, 2025

Prepared By

Western Hemisphere Department (in consultation with other
departments)

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FUND RELATIONS

(As of November 30, 2025)

Membership Status			Joined August 27, 1975; 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		2.63		9.77	
Outstanding Purchases and Loans:		SDR Million		Percent of Quota	
RCF Loans		14.76		90.00	
ECF Arrangements		1.60		9.76	
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	
Overdue Obligations and Projected Payments to the Fund (SDR Million): ²					
		Forthcoming			
	2025	2026	2027	2028	2029
Principal	0.40	4.28	3.48	3.28	3.28
Charges/Interest		0.67	0.67	0.67	0.67
Total	0.40	4.95	4.15	3.95	3.95
Implementation of HIPC Initiatives: Not Applicable					
Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable					
Implementation of Catastrophe Containment and Relief (CCR): Not Applicable					
¹ Formerly PRFG.					
² Based on existing use of resources and present holdings of SDRs.					

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 periodic safeguards assessments. 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. The ECCB has taken steps to address most of the 2021 assessment's recommendations. The pending recommendation is on further strengthening the ECCB's operational autonomy and aligning its Agreement Act with leading practices. The next periodic safeguards assessment of the ECCB is scheduled for early 2027.

Article IV Consultation: The last Article IV consultation was concluded by the Executive Board on January 24, 2025. Grenada is on a 12-month cycle.

Technical Assistance: Grenada has received significant technical assistance from the 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 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. In April 2022, the Fiscal Affairs Department (FAD) provided a Public Investment Management Assessment (with a climate module) to identify strengths and weaknesses in public investment management practice and procedures and provide recommendations for further enhancement. In May 2022, a TA mission from the FAD provided guidance on the fiscal consequences of the March 2022 high court ruling reinstating pension entitlements to public sector employees and discussed options for improving the pension

system's long-term sustainability, with a special focus on public sector pensions. In April 2023, a TA mission from the Fiscal Affairs Department provided advice on revising the Fiscal Responsibility Act to enhance its rules-based fiscal framework. In October 2025, a mission was conducted to strengthen fiscal risk management of State-Owned Enterprises and Statutory Bodies.

- 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, while in 2022 and 2023 TA was provided to help strengthen the customs control of petroleum imports. In August 2024, the Fiscal Affairs Department provided capacity development to assist *in the evaluation of the current income tax regime and environmental taxation of vehicles*. In 2025, TA was provided on migrating to GTAX, supporting efforts on public sector modernization, and on leadership and management skills for the Grenada Customs and Excise Division.
- 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 2021–24 (GARFIN) received TA to enhance its stress testing and risk-based supervision framework for credit union. In October 2025, CARTAC provided support to enhance risk-based supervision processes for credit unions focusing on credit risk management.
- 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, 2022, and 2025, 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 2014–24 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. In 2025, TA was provided to enhance staff capacity in compiling, disseminating, and interpreting annual GDP statistics, strengthening short-term macroeconomic forecasting capacity, and addressing data compilation

issues on direct investment and the recording of nonresident transactions related to the Citizenship by Investment program, goods trade data, especially on fuel imports, and travel exports estimates in the external sector statistics.

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 strengthen 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. In 2025, FAD provided training on the Climate Policy Assessment Tool.

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

Start Date	End Date	Mission Description
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
4/1/2019	4/12/2019	Improving 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
3/30/2020	4/24/2020	Strengthening Annual Balance of Payments Statistics (Remote Mission)
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 (Remote Mission)
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
1/31/2022	2/15/2022	Developing Performance Targets and KPI
2/7/2022	2/11/2022	Developing Quarterly Balance of Payments Data (Remote Mission)
4/6/2022	4/15/2022	Risk-based Supervision (Follow-up)
2/21/2022	3/4/2022	Rebasing Annual and Quarterly GDP by Economic Activity to 2018 Prices
4/1/2022	4/29/2022	Enhancing Compliance Risk Management
4/18/2022	4/29/2022	Public Investment Management – PIMA and Climate PIMA
5/17/2022	5/31/2022	Public Sector Pensions
9/26/2022	10/7/2022	Review of Workload and Resource Allocation
10/3/2022	10/7/2022	Improving Balance of Payments Source Data
2/13/2023	2/17/2023	Risk-based Supervision (Follow-up) - LTX
3/15/2023	3/19/2023	Risk-based Supervision and Credit Risk Management
4/10/2023	4/25/2023	Fiscal Responsibility Law

Start Date	End Date	Mission Description
4/17/2023	4/28/2023	Strengthening Customs Control of Petroleum Imports
5/2/2023	5/5/2023	CARTAC Systemic Risk Monitoring
6/3/2023	6/14/2023	SIGTAS Data Diagnostic – Informing Data Migration Strategy
6/14/2023	6/15/2023	Scoping Mission on Building Capacity in Macro-fiscal Forecasting
9/4/2023	9/8/2023	External Sector Statistics
10/2/2023	10/13/2023	Enhancing Data Integrity – Data Cleansing and Migration process
1/15/2024	1/26/2024	Strengthen Oversight of State-owned Enterprises (SOEs)
3/4/2024	3/8/2024	First Mission on Building Capacity in Macro-Fiscal Forecasting
4/1/2024	4/15/2024	Support Measuring the VAT gap
6/16/2024	8/31/2024	Strengthening Management / Governance Arrangements - SIGTAS
8/26/2024	9/06/2024	Income Tax and Environmental Excise Reform
9/23/2024	9/27/2024	Enhancing BOP/IIP Source Data
1/27/25	1/31/2025	CARTAC GDP Rebasing
3/17/2025	3/21/2025	National Accounts
3/31/2025	4/11/2025	CARTAC Customs Administration
5/26/2025	5/26/2025	Macro-Fiscal Policies (Climate Policy Assessment)
5/26/2025	6/13/2025	CARTAC Tax Administration
6/9/2025	6/13/2025	Macroeconomic Programming and Analysis
9/29/2025	10/3/2025	External Sector Statistics
10/6/2025	10/13/2025	Fiscal Risk Management of State-Owned Enterprises and Statutory Bodies
10/27/2025	10/31/2025	Risk-based Non-Banking Supervision
11/10/2025	11/14/2025	Macroeconomic Programming and Analysis
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 INTERNATIONAL FINANCIAL INSTITUTIONS

(As of December 2, 2025)

- **World Bank (WB)**

[WBG Finances - Country Details - Grenada \(worldbank.org\)](https://www.worldbank.org/en/country/grenada/finances)

- **Caribbean Development Bank (CDB)**

[Grenada | Caribbean Development Bank \(caribank.org\)](https://www.caribank.org/grenada)