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Grenada's Home-Grown Structural Adjustment Programme, 2014-2016:
Reflections and Key Takeaways

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Abstract:

This paper examines Grenada's experience with its IMF-supported Home-Grown Structural Adjustment Programme over the period 2014-2016. The Programme was preceded by five other formal IMF engagements over the past four decades, the results of which can be described as broadly unsatisfactory. However, this time was different and the reasons for this are highlighted in this paper. In reflecting on the Grenada experience, key lessons are distilled with respect to Programme design, country ownership, leadership, and partnerships. The paper evinces useful insights for other small developing economies in terms of good practices in fiscal consolidation; fiscal governance; structural reforms; and engagement of a wide cross section of stakeholders in policymaking.

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Keywords: Grenada, Structural Adjustment, International Monetary Fund

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*At the time of this publication some of the authors were no longer in the Macroeconomic Policy Unit.

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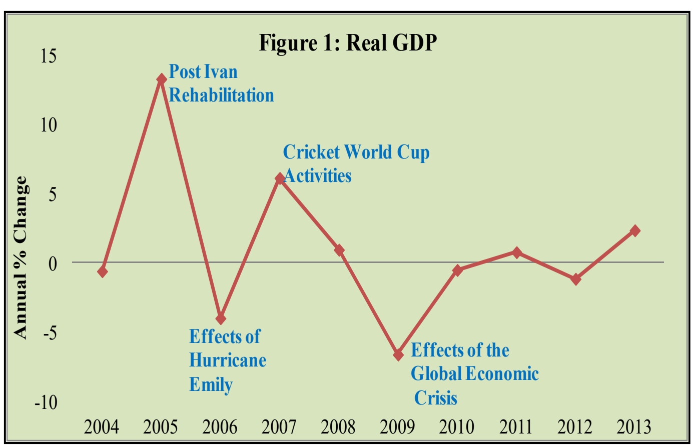
1. Introduction

Grenada implemented a Home-Grown Structural Adjustment Programme (HGSAP) over the period 2014-2016, which was supported by a formal Extended Credit Facility (ECF) arrangement with the International Monetary Fund (IMF). The 2014-2016 ECF Programme was the sixth IMF engagement for Grenada since its independence in 1974. According to the IMF (2017a), **"***Grenada's progress under the IMF Programme has been impressive, particularly compared to its previous Fund-supported Programmes"* (p. 2). Indeed, the results of the preceding two IMF engagements (2006-2010 and 2010-2013) can be described as broadly unsatisfactory. Targets and structural benchmarks of the 2006–2010 Poverty Reduction and Growth Facility (PGRF) were revised several times to deal with unanticipated shocks related to hurricanes, commodity price increases, and the global crisis. The 2010-2013 ECF Programme went off-track soon after its first review in November 2010 because of notable policy loosening (IMF, 2014).

The 2014-2016 adjustment experience for Grenada was different. It evinces useful insights for other small developing economies for good practices in fiscal consolidation, fiscal governance, structural reforms, and engagement of a wide cross section of stakeholders in policymaking. Section 2 of this paper reviews the socioeconomic situation prior to the HGSAP, which sets the stage for the discussion on the rationale for the Programme. Section 3 discusses the design, key features and objectives of the Programme, while Section 4 examines the salient socioeconomic results achieved. Key lessons distilled from the experience are discussed in Section 5 and Section 6 concludes with a look at the way forward.

2. Background and Context: The Need for a Home-Grown Structural Adjustment Programme

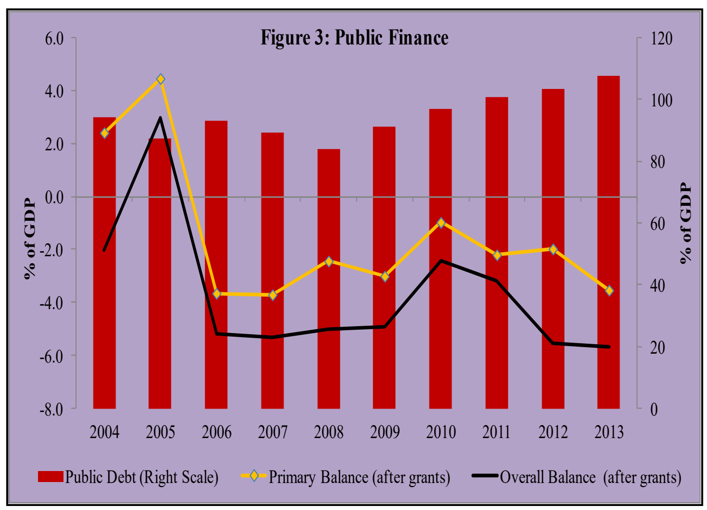
The decade 2004-2013 was a challenging one for Grenada. The productive sectors were significantly affected by the passage of the devastating Hurricane Ivan in 2004 and a less impactful hurricane, Emily, in 2005. Grenada's fragile economic recovery was interrupted in 2008, as the economy was buffeted by the global economic and financial crisis.



As can be seen in Figure 1, the economy became progressively weaker during the 10 years ending 2013. For the first half of the decade, the economy grew at an annual average rate of 3.1%, with growth being positive in 3 of the 5 years. The volatility of growth, as measured by its standard deviation was extremely high at 6.7%. Over the second half of the decade, the economy contracted at an annual average pace of 1.0%, with declines in 3 of the 5 years. The standard deviation of output growth was 3.4%, implying a moderation in economic fluctuations; in other words, there were no booms and bursts, the economy was on a steady decline.

The acute economic weakness contributed to the jump in the unemployment rate from 18.8% in 2005 to 26.2% in 2011 and the further increase to 32.2% in 2013. The unemployed labour force doubled during the period, expanding from 8,797 in 2005 to
17,666 in 2013. The employed labour force contracted by 975, moving from 38,172 in 2005 to 37,197 in 2013.

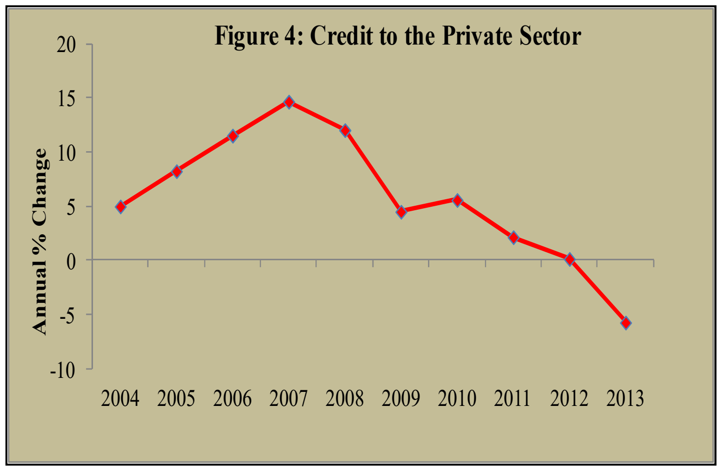
Public finances became increasingly strained, not only because of the economic downturn, but also due to a sharp cutback in grants from traditional development partners after an IMF Programme was derailed in 2010. Furthermore, tax reductions to the manufacturing sector and increased spending on short-term employment Programmes during 2011, contributed to an acute fiscal deterioration over the period 2011-2013, in the context of severely weak revenue. The primary balance moved from a surplus of 4.5% of GDP in 2005 to a deficit of 3.5% of GDP in 2013. In fact, Grenada ran persistent primary deficits over the period 2006-2013, which averaged 2.7% of GDP. Overall deficits were also sustained over the same period, averaging 4.7% of GDP, worsening progressively during the period 2010-2013. Wages and salaries as a percent of current expenditure increased from 44.7% in 2010 to 50.8% in 2013, while interest payments as a percent of current revenue expanded from 12.3% to 17.1% over the same period.



The Government's financing constraints intensified, and its cash flows came under intense pressure as its fiscal situation worsened. There were large monthly deficits, high unpaid claims, and seven out of every ten dollars collected in revenues went to pay salaries and pensions. IMF (2014) noted that "*during 2011–12, most of the financing needs were met through nonmarket placement of government paper with the* *national insurance scheme and PetroCaribe, borrowing from the Eastern Caribbean Central Bank (ECCB), sale of assets, and accumulation of arrears"* (p. 5).

As a consequence of the fiscal deterioration, public debt escalated from 94.2% in 2004 to 107.8% in 2013, increasing persistently over the period 2009 to 2013, at an annual average rate of 4.7 percentage points.

Furthermore, financial sector challenges became more acute. The rate of growth in credit to the private sector was on a downward trend from 2007, becoming negative in 2013. As a consequence, profitability of the banking sector as a whole waned. Moreover, impaired assets rose. The non-performing loans ratio reached 13.8% at end-2013, a 7.6 percentage points increase relative to the ratio at-end December 2004.



Increases in loan loss provisioning and declines in profitability weakened capital adequacy. As a percent of risk-weighted assets, the capital adequacy ratio, though remaining above the regulatory minimum of 8.0%, fell from 14.9% at-end December 2004 to 13.6% at-end December 2013. IMF (2014) reported that "*the erosion of capital over the past few years also reflects provisioning against financial institutions' exposures to the failed regional insurance company, the CL Financial Group, which was fully written off by end-2012 by banks, credit unions and insurance*" (p. 9).

On the external front, imbalances widened. *"Weak domestic demand narrowed the current account deficit to 19.2 percent of GDP in 2012, from an average of about 25 percent of GDP over the previous five years"* (IMF, 2014: p. 6). Consequently, the external current account deficit, which was financed increasingly by debt inflows, underpinned the expansion in external debt to 144.5% of GDP in 2012 from around 40.0% of GDP in 2007.

The confluence of all these events precipitated an acute economic and fiscal crisis during the period 2011-2013, resulting in a sovereign debt default in May 2013. Grenada's economic and fiscal situation created grave economic instability and as such, was unsustainable, necessitating urgent and potent policy correction.

3. Objectives and Key Features of Grenada's Home-Grown Structural Adjustment Programme, 2014-2016

3.1 Programme Objectives

A comprehensive structural adjustment Programme was designed by the Grenadian authorities in the latter part of 2013, with the following three explicit objectives:

1) Strengthening competitiveness to ultimately generate higher growth in the medium term. This objective was to be achieved by tightening income policies and eliminating some of the constraints to growth through reforms in energy, agriculture, tourism, and other sectors. There was also a strong emphasis on improving the investment climate, and the institutional arrangements for public private partnerships.

2) Restoring fiscal and debt sustainability via a comprehensive Programme inclusive of:
   - A significant and frontloaded fiscal adjustment to tackle flow imbalances;
   - A comprehensive debt restructuring to deal with stock imbalances; and
   - Ambitious fiscal-structural reforms to sustain fiscal gains.

3) Strengthening the financial sector through ongoing participation in ongoing initiatives and strategies by the ECCB.

Amid these major objectives, the Government also sought to protect poor and vulnerable groups from the planned fiscal adjustments, as well as enhance the overall efficiency of its social spending. Therefore, the HGSAP aimed to ensure that the Government's flagship social protection Programme-Support for Education, Empowerment and Development (SEED) better targeted poor and vulnerable households and that a targeting instrument was utilised to objectively identify beneficiaries.

3.2 Key Features of the Programme

Similar to other IMF-supported adjustment Programmes, Grenada's Programme was closely monitored on the basis of both qualitative and quantitative targets that were agreed up front with the Government. The quantitative targets comprised of the following:

- Establishing a floor on the Central Government's primary balance. In order to reach the primary balance target, it was agreed that Government would manage the growth of primary expenditure and of arrears to domestic creditors. The aim was to contain expenditure growth and to eliminate the practice of late payment to domestic suppliers of the Government.

- Restricting the accumulation of external debt arrears and controlling growth of non-concessional external debt.
- Controlling growth in Central Government and Central Government-guaranteed debts.
- Instituting a floor on social spending in order to minimize any adverse socio-economic fallout caused by fiscal consolidation.
- Controlling the wage bill and the level of public employment in order to reallocate resources from current to capital investments.

3.2.1 Quantitative Benchmarks

The quantitative performance criteria of the ECF Programme were designed to reach a targeted fiscal consolidation of 7.8% of GDP that was required to reverse fiscal and debt unsustainability. Fiscal consolidation efforts included measures designed to simultaneously widen the revenue base and streamline expenditure. Major considerations in the design of the adjustment measures were the priorities to preserve social spending and undertake growth-enhancing capital investments. Consolidation was designed to be frontloaded with three quarters of the adjustment to be implemented during 2014 to 2015.

The revenue measures were aimed at an increase in the tax effort from 17.0% to 20.0% of GDP. The key revenue enhancement measure was the reduction of the minimum income tax threshold to $36,000 from $60,000 annually, and the introduction of a three-tiered marginal rate structure featuring:

- A zero% for persons with annual incomes of less than $36,000;
- A 15.0% rate for persons with annual incomes between $36,001 and $60,000;[2] and
- A 30.0% for income earners above $60,000.

Other revenue measures comprised:

- Increase in the Petrol Tax (2015)
- Increase in Annual Stamp Tax (2015)
- 10.0% VAT on on-campus housing at the St. George's University (2015)

Furthermore, the Inland Revenue Department was restructured, with a view to enhancing revenue administration, taxpayer compliance and collections.

With regard to expenditure, the Programme was expected to significantly contain current outlays that were almost a quarter of the total fiscal adjustment originally envisaged. The main focus was to contain the wage bill at a sustainable level since it was estimated that almost 70 cents of every dollar collected

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[2]In light of the strong performance of tax measures, Government lowered the rate for persons in the lowest tax bracket to 10 percent, effective 2017.

by the Central Government were spent on salaries and pensions. The Government committed to contain the wage bill at the 2013 level through an agreement with the public sector trade unions to defer salary negotiations for the duration of the HGSAP and the reduction of the size of the public sector through the implementation of a "3 for 10" attrition policy[3]. There were also commitments to reduce waste in the use of goods and services in the Public Service, and streamline non-grant financed capital expenditure.

3.2.2 Structural Reform Agenda

The intent of the qualitative targets (also called structural benchmarks) was to protect the gains from the Programme over the long run. The comprehensive reform agenda comprised measures aimed at improving: (i) tax administration; (ii) the investment incentive system; (iii) laws governing fiscal responsibility, debt, public finance, the electricity supply, bankruptcy; and (iv) oversight of state-owned enterprises and statutory bodies. More than 50 pieces of legislation were either amended or passed during the 3-year period (2014-2016).

Some of the new finance-related legislations passed included:

- Public Finance Management Act, No 17, 2015
- Public Debt Management Act, No. 28, 2015
- Fiscal Responsibility Act, No 29, 2015

Tax Acts amended included:

- Annual Stamp Tax (Amendment) Act 2015
- Customs (Duties Exemptions) Order 2016 *(Approved by Cabinet)*
- Customs (Service Charge) (Amendment) Act 2016
- Excise Tax (Amendment) Act 2016
- Income Tax (Amendment) Act 2015
- Income Tax (Amendment) Act 2016
- Investment Act 2014
- Investment (Amendment) Act 2016
- Property Transfer Tax (Amendment) Act 2015
- Property Transfer Tax (Amendment) Act 2016
- Value-Added Tax (Amendment) Act 2015
- Value-Added Tax (Amendment) Act 2016

[3] Three new hires for every ten exits from the Public Service.

3.2.3 Debt Restructuring

A comprehensive and collaborative debt restructuring initiative was developed to reinforce the fiscal consolidation efforts. The objective was to reduce public sector debt to less than 60.0% by the end of 2020, from 108.0% of GDP at the start of the Programme. It was estimated that the fiscal consolidation effort would single-handedly contain the debt stock to 89.0% by 2020. Accordingly, it was decided that a comprehensive debt restructuring strategy would be pursued with technical support from international debt advisors. The major debt restructuring initiatives were as follows:

- Negotiations of a 50.0% haircut on the external commercial bonds and on the long-outstanding Taiwanese debt.
- Negotiations of rescheduling of the debt service payable to bilateral Paris Club governments.
- Negotiations of less burdensome terms on debt outstanding to a range of domestic creditors, including the National Insurance Scheme, some commercial banks and the Grenada Ports Authority.

3.2.4 Governance Framework

From the initial phases of the Programme, the Government established and maintained very strong ownership of its elements. Internal support systems were established to monitor Programme implementation and to provide timely reporting to Cabinet. The monitoring and reporting mechanisms were reinforced by good communication between the Ministry of Finance and other public sector agencies. Active communication arrangements were maintained with the Ministry of Finance and staff of the IMF, the ECCB, the CDB, the EU and the World Bank. Furthermore, coordination arrangements were maintained among the key Government agencies involved in the delivery of the major reform Programme, particularly, Ministry of Finance, Ministry of Legal Affairs, Ministry of Social Development, the Department of Public Administration and the Parliament.

3.2.5 Stakeholders' Involvement

A well-designed and executed stakeholder engagement framework played a major role in the Programme's ownership, management and reporting structure.

The framework involved:

1) The Committee of Social Partners (CSP), instituted in March 2013, was chaired by the Prime Minister and comprised representatives from the Labour Unions, Conference of Churches in Grenada, Civil Society, Private Sector Organizations and Government. The CSP met monthly throughout the life of the Programme, and it was a critical forum for discussion and consensus on the design and implementation of the structural adjustment measures. The Committee's mandate extended beyond the scope of the adjustment Programme. Its main objectives were

to promote consensus on major national development issues between Government and the social partners, through the development and implementation of a National Social Protocol to ensure nation-wide problem solving on national issues.

2) A Programme monitoring committee was formed in 2014, comprising representatives of the Government (Chair), Private Sector, Labour Unions, Civil society, Churches and the ECCB. In addition to monitoring the implementation of the Programme, the intended objectives of the Committee were to: assist Government to achieve agreed targets and benchmarks; recommend corrective actions as deemed necessary; and issue a communiqué after each meeting on its findings and recommendations.

3) Dissemination of information to the public on electronic media, including social media. Moreover, there was publication of monthly reports on the performance of Central Government's fiscal operations.

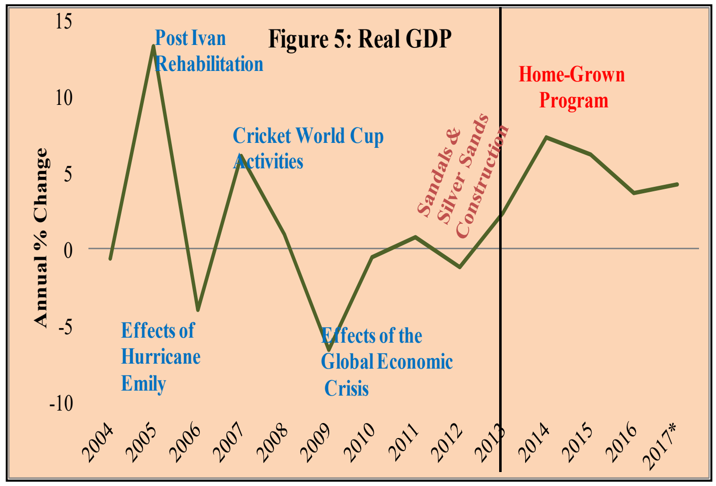
3.2.6 Financial and Technical Support

Grenada received multi-partner donor support for its HGSAP. The IMF approved a three-year ECF Programme in June 2014 in the amount of SDR 14.04 million (approximately US$21.7 million). The HGSAP was also supported by other development partners, including the World Bank and the Caribbean Development Bank (CDB), each approving a three-series Programmatic operation that comprised three policy-based loans that were disbursed in tranches of US$10.0 million over the duration of the ECF Programme. The CDB and the World Bank coordinated on a common policy matrix that outlined shared conditionalities between the institutions. In total, Grenada received US$60.0 million from the World Bank and CDB combined. Grenada also received assistance from the EU and the Commonwealth Secretariat.

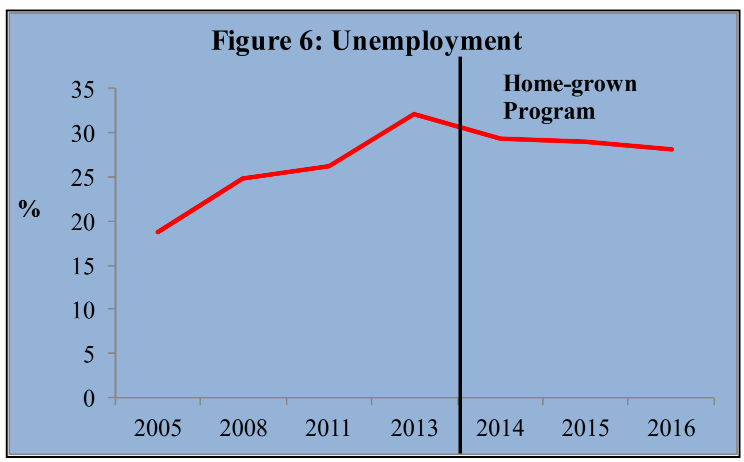
At the technical level, the HGSAP benefitted from extensive external technical support from multilateral regional and international agencies, in areas such as public finance management, debt restructuring negotiations, tax policy design, tax administration, macroeconomic planning and monitoring, management of state-owned enterprises, legal drafting, and human resource management.

4. Programme Results and Outcomes

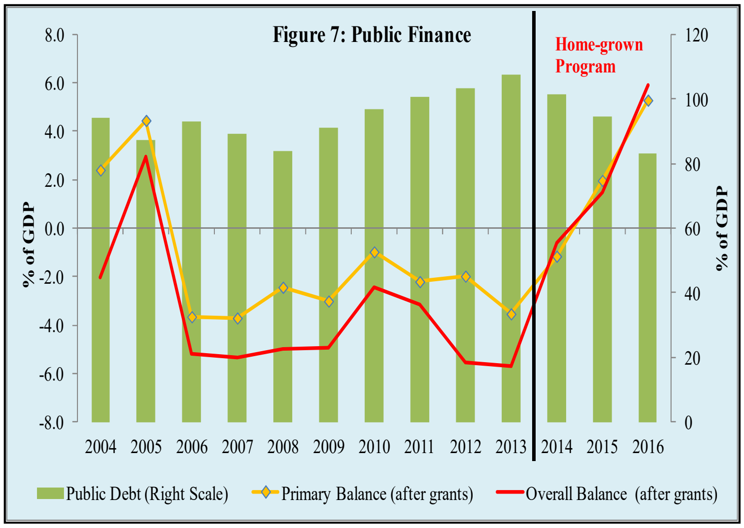
Grenada completed six successful reviews of the ECF Programme over the period December 2014 to March 2017. By the official end of the ECF Programme, Grenada had achieved remarkable results. Not only were there marked improvements in key economic, fiscal and social indicators, but also in the institutional arrangements and systems that support public financial management. Regarding key economic indicators, economic growth accelerated at a brisk pace averaging 5.7% over the period 2014-2016, which was the highest average in CARICOM. Economic growth was underpinned by strong performances of the key economic sectors, especially tourism, construction, private education and agriculture. The construction sector in particular benefitted from the 2015 start of the Silver Sands - a major luxury resort, and the extensive refurbishment (which included the addition of rooms) of an existing hotel that was purchased by the world – renowned Sandals. In 2015, the tourism sector benefitted from the first full year of operations of the Sandals Resort, as well as the hosting of the CARIFTA Games and the English cricket test match. Growth decelerated in 2016, largely because of a decline in the agriculture sector, which was negatively affected by drought conditions in the first half of the year. The short-term economic outlook is positive. Based on mid-year performance, growth is estimated at 4.5% in 2017 and projected at 3.3% in 2018.



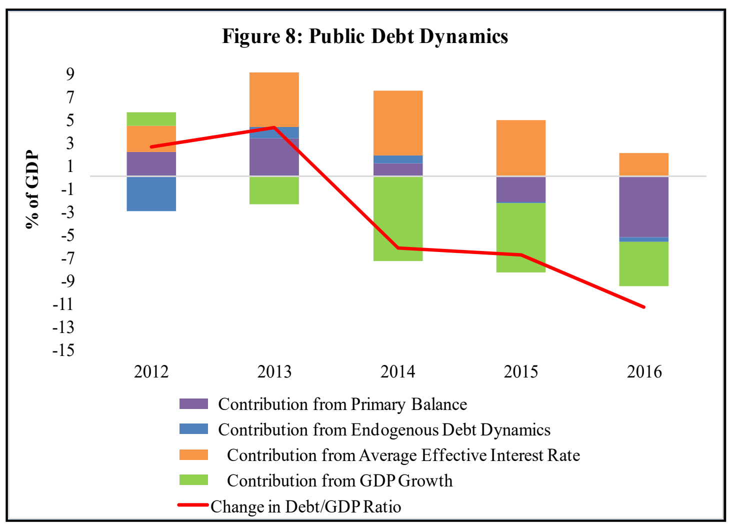
Consistent with the economic upturn, the unemployment rate (though still in the high double digits) fell steadily from its peak of 32.2% in 2013, reaching 28.2% in 2016. The number of persons in the labor force expanded from 54,863 in 2013 to 56,998 in 2016. The number of employed persons grew by 3,722 to 40,919, while the number of unemployed fell by 1,587 to 16,079. Furthermore, the labor force participation rate increased from 66.7% in 2013 to 68.2% in 2016, indicating that persons returned to the ranks of active jobseekers, presumably because of increased confidence in finding a job.



Public finances improved markedly. The improvement was underpinned by measures that were implemented to expand the revenue base and to control expenditures, as well as debt restructuring and robust economic activity in general. In 2015, Grenada recorded its first primary surplus in a decade; the 2.2% of GDP primary surplus (after grants) was a welcome departure from the persistent deficits that averaged 1.9% of GDP during the period 2006-2014. Meanwhile, the overall fiscal deficit (after grants) narrowed to 1.2% of GDP in 2015 and turned to a surplus of 2.3% of GDP in 2016, compared with the decade (2004-2014) average deficit of 4.5% of GDP. Arrears were regularized, and at the end of 2015, unpaid claims over 60 days were zero. As at the end of 2016, the fiscal consolidation effort was estimated at about 9.0% of GDP, as compared with the original target of 7.8% – among the strongest recorded consolidation effort in IMF-supported Programmes.



Aided by the upturn in economic activity, fiscal correction and debt restructuring, the ratio of public debt-to-GDP fell from its peak of 107.8% in 2013 to 83.6% in 2016. Cumulatively, GDP growth contributed 17.2 percentage points to the reduction in the debt-to-GDP ratio over the period 2014-2016, while debt restructuring and the primary surpluses contributed 7.1 and 6.3 percentage points respectively. By the end of 2017, public debt is estimated to fall further to 79.0% of GDP. The second phase of the haircut, which is the 25.0% applied to the stock of external commercial bonds, as well as an additional 3.0% haircut will be applied on the stock of the Ex-Im Bank of Taiwan loan at the end of 2017.



Amid the debt restructuring, the hurricane clause emerged in negotiations. Grenada secured three such clauses with Taiwan, the private bondholders and the Paris Club. The inclusion of the clauses[4]

[4] The description of the clauses refers to the debt from Taiwan and private bondholders. The clause for the Paris Club debt is not explicit.

allow for a specified moratorium (up to 12 months or two payment dates) in debt service (principal deferred; interest payments deferred and capitalised on the balance of the loan) following a qualifying natural disaster (pay-out by the Caribbean Catastrophe Risk Insurance Facility for modelled losses from mainly a hurricane which exceed US$15m).

Financial sector performance improved over the life of the HGSAP. Asset quality and profitability improved, thereby strengthening banks' balance sheets. The ratio of non-performing loans to total loans fell from 13.9% in 2013 to 6.7% in 2016, while Returns on Assets rose from negative 0.3% to positive 0.5%, and the Capital Adequacy Ratio increased from 13.6% to 13.9% during the same period. Credit to the private sector recovered slowly; the rate of decline decelerated in 2015, with a contraction of 3.8%, compared with the 5.7% decrease in 2014. In 2016 the reduction in credit slowed to 0.2%. With respect to regulations and supervision, efforts to strengthen financial sector supervision and anti-money laundering (AML)/counter-terrorism financing (CTF) frameworks, which were led by the ECCB, intensified in 2015 and 2016.

External sector performance also improved. The external current account deficit narrowed from -23.2% of GDP in 2013 to -14.6% of GDP in 2016, while the stock of external debt fell from 144.7% of GDP to 129.0% of GDP over the same period. Notwithstanding Grenada's improved debt sustainability prospects, its external debt risk rating is still assessed as "in distress", the reason according to IMF (2017a) is "*due to the existence of unresolved arrears to external creditors" (p. 12)*.

As a result of the success of the Programme, Grenada is currently emerging as a model in the Caribbean for good practices in fiscal consolidation, fiscal governance, structural reforms, and engagement of a wide cross section of stakeholders in policymaking.

At the time of writing, Grenada was the only independent country in the Eastern Caribbean Currency Union, and the second in CARICOM after Jamaica, which had a Fiscal Responsibility Law with explicit rules enshrined. Furthermore, it is now the only country in the English-speaking Caribbean with a Fiscal Council. Grenada's Fiscal Responsibility Oversight Committee was officially launched in August 2017, with a mandate to monitor and report (to Parliament) on Government's compliance with the fiscal rules, targets and legislative requirements that are stipulated in the Fiscal Responsibility Law.

Grenada's Fiscal Responsibility Framework

Fiscal Rules and Targets:
- ✓ Primary balance: 3.5% of GDP
- ✓ Real growth in primary expenditure: 2.0%
- ✓ Wage bill: 9.0% of GDP
- ✓ PPP-related contingent liabilities: 5.0% of GDP
- ✓ Public debt:
  - 60.0% of GDP (policy target)
  - 55.0% of GDP (operational target)

Institutional Arrangements:
- ✓ Five-member independent Fiscal Responsibility Committee established to monitor compliance with fiscal rules, targets and legislative requirements and report to Parliament

Escape Clauses:
- ✓ Natural disasters
- ✓ Severe economic contractions
- ✓ Financial crisis

Public financial management systems have been strengthened. The public financial management legislation has been modernized through the incorporation of provisions for increased transparency, a requirement for medium-term budgeting and explicit expenditure controls. The monitoring of fiscal risks has improved through new reporting requirements by State-owned enterprises and Statutory Boards. Furthermore, a new system of granting investment incentives has been put in place. No longer are requests processed on an ad hoc basis. The new system removes the discretion in granting incentives. Priority sectors are identified and the Law specifies the incentives to which all investors in these sectors qualify for.

Furthermore, a public sector modernization strategy was developed, which rests on the following four pillars: (i) Re-engineering the Public Service to strengthen the machinery of Government towards greater effectiveness and efficiencies; (ii) Strategic Human Resource Management to ensure optimal deployment and utilisation of human resources; (iii) Strategic Compensation Management; and (iv) Integrated Information and Communication Technology to enhance service delivery and to create efficiencies in various Government operations.

With respect to social protection, important strides were made in the migration to a consolidated cash transfer mechanism to replace the previous fragmented system. A new Management Information System and a beneficiary targeting instrument have been in use since the third quarter of 2016. The systematic means-testing approach has allowed for the addition of new participants to the SEED Programme (Grenada's flagship social protection Programme), while those assessed as being ineligible are being phased out. The means-testing approach has not only increased the efficiency of Government's social spending, but also enhanced its social protection and social safety net framework more broadly.

5. Reflections and Lessons

5.1 Reflections

Grenada undertook a sizeable fiscal adjustment by international standards. The complete adjustment was 9.6% of GDP (9.1% without grants) at the end of the Programme, which was above the original target of 7.8% of GDP (IMF, 2017a: p. 59). This is in comparison to historical evidence from a sample of 91 adjustment episodes of countries during 1945–2012, where the largest adjustments in the actual primary balances reached were 8.2% and 6.9% for advanced and developing economies respectively (Escolano, Jaramillo, Mulas-Granados, & Terrier, 2014).

Important progress was made with the migration to a medium-term budgeting framework, as mandated by the PFM Act, with the introduction of new procedures and practices including: (i) the preparation of a medium-term fiscal framework to guide the annual budgeting process; (ii) the publication of a budget framework paper along with the budget documents; (iii) the preparation and annual updating of a medium-term debt management strategy and debt sustainability analysis (with support from the ECCB).

The Programme benefitted from robust governance arrangements, the key features of which were: the pre-Programme engagement with social partners on the key parameters of the adjustment measures; participatory monitoring methods, which promoted credibility; tight internal coordination arrangements; and the maintenance of fluid relationships with international development partners. Moreover, there was media outreach and rebranding efforts to drive ownership and public buy in. The Ministry of Finance and the Government continuously published information/data on its official websites. A weekly radio Programme was launched called Inside Finance. A meeting with development partners was convened at the end of each IMF Review, which entailed a presentation from the IMF on the Review's findings and suggested areas of technical assistance. In addition, a media briefing was held after each IMF Review. The Ministry of Finance staff developed a STAR (Shared sacrifice, Teamwork, Accountability and Results) mantra to ultimately drive macro-economic results.

There were institutional efforts at promoting stakeholder engagements. The Committee of Social Partners and the Home-grown Programme Monitoring Committee, which each held monthly meetings helped to ensure Programme ownership from a cross-section of stakeholders. There were also engagements with other partners, including the Churches on debt relief, and the Trades Unions on wage restraint.

The country utilised available technical assistance from key organizations including that from the World Bank, IMF, CARTAC, ECCB, and CDB. This contributed to building capacity in the implementation of reforms. Technical assistance encompassed, but was not limited to, public finance, macro-economic management, debt management, legal drafting, and tax reform and administration.

Critical mechanisms were instituted to protect the gains of the Programme after its completion. Those included the fiscal responsibility legislation; debt management regulations; strategy for oversight of state-owned enterprises and statutory bodies; the attrition policy; and approval of the Public Sector Modernization Strategy.

While there were successes with fiscal adjustment and economic growth, the scorecard for socio-economic issues such as equality, standard of living, poverty, and productivity was unknown because of a lack of relevant data. This signalled that growth-enhancing structural reforms were designed and implemented based on limited or outdated development indicators, thus making it more difficult to target and assess their impact in the future.

Certain structural benchmarks of the Programme could have been more clearly defined and their yardstick for attainment better specified. While fiscal adjustment measures were easier identified, quantified and evaluated, the converse was true for certain structural reforms. A few conditionalities (e.g. public sector modernization, implementation of the new chart of accounts, the World Bank-related SEED conditionality) had to be either, revised, rephrased or clarified, leaving less time for consultation before the commencement of the implementation of reforms.

The country had an ambitious and comprehensive structural reform agenda, for which it lacked the capacity and time to implement as originally intended. Of the total of nineteen (19) fiscal structural reforms envisaged for the Programme, five (5) were met on time; eleven (11) were met late; one (1) was not met with action taken; and two (2) were not met, which were rephrased and revised (IMF, 2017a: p.67).

5.2 Lessons

Key lessons can be distilled with respect to Programme design, Programme ownership, leadership, and partnerships.

In relation to Programme design, it is important that structural reforms are results based, with clearly defined and measurable objectives. They should also be guided by evidence-based research. Structural benchmarks for Programmes need objectively verifiable indicators that must be clearly communicated between the development partners and the authorities.

Regarding ownership, the Grenada experience has shown that "country ownership" of reforms transcends "government ownership" of reforms. Support for reforms from social partners and the buy-in from a cross section of the public made policies and measures easier to implement. The Trade Unions exercised restraint and Civil Society and Faith-based Organizations were all part of the consultative process and engagements.

With respect to leadership, the Grenada case underscores how crucial it is in bringing about macroeconomic change. Under the Programme, the incumbent Government had an overwhelming political majority on the basis of being voted in the elections of February 2013 with a landslide victory and without any elected Opposition in Parliament. In addition, the Government also ensured proper timing and planning of the Programme in the electoral cycle – the Programme started almost one year in the cycle. Furthermore, the fiscal measures were frontloaded allowing their macroeconomic impact to be maximized throughout the cycle. Moreover, there were strong and bold leaders not only at the political level, but in critical positions at the technical levels, which enabled effective implementation and management of the Programme.

Finally, solid and genuine partnerships are important. While Grenada's Programme was home grown (conceptualized by the technicians in the Ministry of Finance), the authorities could not do everything themselves. Grenada received crucial technical assistance from development partners, which was instrumental to the successful implementation of the Programme and sustainability of its reforms.

6. Conclusion and Post-Programme Priorities

This paper reflected on Grenada's experience with its IMF-supported HGSAP that was implemented over the period 2014 -2016. It examined the macroeconomic situation in the lead-up to the Programme to set the stage for the discussion on its objectives and key design features. At the end of the Programme, there was a marked improvement in Grenada's macroeconomic fundamentals, as well as in the institutional arrangements supporting public financial management. Strong country ownership, genuine stakeholder engagement, potent leadership and solid partnership are some of key factors that contributed to the success of the HGSAP. Grenada's experience has evinced useful insights for other small developing economies for good practices in fiscal consolidation, fiscal governance, structural reforms, and engagement of a wide cross section of stakeholders in policymaking.

It is therefore imperative that the authorities build on the gains that have been attained so that additional development dividends can accrue over the medium-to-long term. Accordingly, going forward, key policy priorities include:

- Maintaining fiscal discipline, staying the course of fiscal prudence and fulfilling the requirements of the Fiscal Responsibility Law. Operationally, successful pursuit of this objective translates to the need to accelerate the implementation of structural reforms required to contain potential pressures on primary expenditure growth.
- Entrenching the new culture of fiscal discipline, transparency, accountability that is emerging.
- Building fiscal buffers to strengthen economic resilience and to be better positioned to respond to competing demands on public expenditure.
- Managing fiscal risks, continuous focus on strengthening the oversight and monitoring of state-owned enterprise, as well as on managing contingent liabilities.
- Strengthening of public investment management systems to enhance the efficiency of public investment.
- Advancing reforms to:
  - promote inclusive growth, expand employment opportunities and advance social development
  - increase competitiveness and productivity and expand private investment
  - enhance public sector efficiency and strengthen institutional capacities
  - Reduce vulnerabilities and strengthen resilience to economic and environmental shocks
- Continuing public-private dialogue and engagement within the context of the social partnership. Consolidating consensus through the establishment of structures to nurture participatory approaches that were so critical to the implementation success of the Programme.

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