International Monetary Fund

Grenada and the IMF

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April 2, 2010

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Grenada: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

March 23, 2010

The following item is a Letter of Intent of the government of Grenada, which describes the policies that Grenada intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Grenada, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

Letter of Intent

St. George's, Grenada
March 23, 2010

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Strauss-Kahn:

The global financial crisis has hit us hard and derailed our efforts to achieve high and sustained growth, and fiscal and debt sustainability. The two mainstays of our economy—tourism and FDI, principally from the U.S. and U.K.—have been particularly hit in the last two years, given the sharp slowdown in these economies. When we came into government, following the elections in mid-2008, the country was already mired in high debt levels that resulted from large fiscal deficits of previous years. As a result, unlike some countries in the region, we had little fiscal space to address the fallout from the global economic crisis that was affecting Grenada. Against this background, IMF support under the current Extended Credit Facility (ECF) arrangement, together with the grants and concessional resources that it helped to mobilize from our development partners, including the Caribbean Development Bank, the World Bank and the European Union, has been a mitigating factor and helped dampen the negative impact on our economy.

However, while the global economy is showing signs of improvement, we continue to face weak external demand because unemployment in advanced countries remains high and the propensity to spend on tourism and travel is likely to remain low as consumers and corporations in these countries rebuild their battered balance sheets. Therefore, we continue to face a challenging period ahead and expect to see a slow recovery in our tourism and FDI-financed construction sectors, with improvement expected only later in the year. Most importantly, and notwithstanding our concerted efforts to protect the poor and the vulnerable, the Country Poverty Assessment completed last year showed that poverty rate was 38 percent even before the crisis hit, and it has likely risen since. Unemployment rate has been on the rise and is estimated at some 30 percent currently.

In our 2010 Budget Statement, presented to Parliament in mid-January, we laid out our strategy, in line with the ECCB's eight point stabilization and growth program, focusing on resuming sustainable growth, reducing high unemployment and poverty, and restoring fiscal and debt sustainability.

To support our strategy, the government of Grenada hereby requests IMF financial support under a successor ECF arrangement in an amount equivalent to SDR 8.775 million (75 percent of quota) following the expiration of our current ECF on April 16, 2010. This will complement the continued support we are receiving from other development partners. We anticipate that the first review would take place in November 2010 and the second review in May 2011.

We met all but two end-November 2009 quantitative performance criteria. The performance criterion on the primary balance excluding grants was missed by a margin of 3.3 percent of GDP owing to higher-than-programmed project financing from external sources, enabling us to dampen the effect of the global crisis on the economy. We also ran up unpaid invoices due to spending overruns on goods and services and transfers and subsidies, the latter to cushion the impact on the vulnerable groups. Nevertheless, we met the target for domestic arrears over 60 days. We are taking corrective actions to ensure that spending stays within program targets and avoid arrears. In particular, we will issue a finance circular capping capital spending to programmed amounts, and we are working with CARTAC to enhance expenditure commitment controls at line ministries. We are also introducing quarterly budget reviews and taking steps to move to a Single Treasury Account system to closely monitor developments in revenues and expenditure to ensure better fiscal management. We also missed the continuous performance criterion on nonaccumulation of external arrears, due to several factors, including tight liquidity, administrative weaknesses and an upgrade in the electronic funds transfers to the ECCB which caused processing delays. These arrears have now been cleared, and we have put mechanisms in place to avoid such slippages in the future as described in the accompanying memorandum. On this basis, the government of Grenada hereby requests waivers of both the missed performance criteria and completion of the fifth review under the current ECF arrangement.

On the structural benchmarks, we successfully introduced a Value Added Tax (VAT) on February 1, 2010 as scheduled, despite strong rallying by the opposition and the business community to delay the implementation. Establishing a Public Procurement Department has been delayed as we are working with the OECD to revise the Public Procurement Act in line with international best practices. We expect to submit the revised Act to Parliament by June 2010 and to set up the Public Procurement Department by September 2010.

We have been considering a concessional loan from the Export-Import Bank of China to build a luxury hotel in partnership with private investors. In light of our limited financial resources and the need to reinvigorate the tourism sector, which has significant backward linkages to the economy, we believe that this project could generate significant economic benefits not only in the short run by boosting the construction sector and creating employment but also in the medium and long-term by raising the tourism potential of the country. We will seek an objective assessment of the economic and financial returns from this project from an internationally reputed third party and proceed only if prospective benefits outweigh the associated additional debt servicing burden, concessional financing is available, and the private sector has a majority share.

The attached Memorandum of Economic and Financial Policies (MEFP) discusses progress in implementing our current ECF-supported program, and outline our objectives and policies under the successor arrangement that we are requesting. We believe that these proposed policies are sufficient to achieve our program objectives. Nevertheless, we are committed to taking any further measures that may become necessary for achieving the program’s objectives. We will consult with the Fund on the adoption of these measures and revisions to the policies contained in the MEFP, in accordance with the Fund’s policies on such consultations. In this context, once the expected contribution of Grenada to the resolution of BAICO becomes clear, we would consult with Fund staff. We will also continue to provide the Fund any information it may request to monitor and assess the implementation of the economic and financial policies.

In line with our objective of transparency, we intend to make public the contents of this letter, the attached MEFP and Technical Memorandum of Understanding, as well as the accompanying staff report, so that everyone in Grenada as well as the international community have access to our intentions and policies. Therefore, we authorize the Fund to publish these documents on its website once the Executive Board of the Fund approves the successor arrangement.

Yours faithfully,

__________/s/_____________

Honorable V. Nazim Burke
Minister for Finance

MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

1. **This Memorandum marks the continuation of our program relationship with the IMF and describes the economic and financial policies as well as the structural reforms that the government intends to implement in the next few years under a successor Extended Credit Facility (ECF).** We have made important progress in several areas under the current ECF arrangement, especially since the current government came into office in mid-2008. The program with the Fund has complemented our efforts to withstand the impact of the international food and fuel prices in 2007–08 and the global economic and financial crisis in 2008–09 that has hit all countries, both developed and developing countries. The Fund program has helped to catalyze donor support from other International Financial Institutions and reduce our debt service payments through debt restructuring. Despite our concerted efforts, reaching our goals of generating sustainable growth and reducing vulnerabilities has remained elusive given the effect of these adverse exogenous shocks. We would like to continue our program relationship with the IMF under a successor ECF arrangement to help us mitigate the impact of the global economic slowdown, ensure fiscal and debt sustainability, address the fallout from the stresses in the regional financial sector, and pursue our structural reform agenda to lay the groundwork for broad-based economic growth and poverty reduction.

I. Recent Developments and Outlook

2. **Economic activity slowed significantly in 2009 as a result of the drag of the global crisis.** Real GDP is estimated to have declined by 7.7 percent in 2009, after 2.2 percent growth in 2008, reflecting falling tourism receipts and FDI. The construction sector, which has been one of the key drivers for economic growth in recent years, is estimated to have declined by about 50 percent for the year, although the pace of decline slowed in the last quarter of 2009, reflecting higher-than-expected FDI inflows. Prices fell by 2.4 percent in the 12 months to December 2009, reflecting weak domestic demand and lower international food and fuel prices.

3. **External conditions have severely restricted balance of payments inflows.** Stayover arrivals declined by about 13 percent in 2009, and FDI, which peaked at 25 percent of GDP in 2007, is estimated to have fallen to 11 percent of GDP in 2009, with several FDI-financed tourism projects delayed due to financing difficulties. This forced a sharp reduction in imports, narrowing the external current account deficit by more than 10 percentage points of GDP in 2009.

4. **The overall fiscal deficit in 2009 was larger-than-expected, financed by external flows.** Total revenue for 2009 was in line with the program projection at the time of the fourth review, but expenditures were much higher than we anticipated, especially on capital projects. This largely reflected expediting spending on some donor-financed projects. In addition, spending on goods and services was somewhat higher and on transfers and subsidies. In addition, in response to the deteriorating economic environment, we provided temporary tax relief to hotels and guest houses by halving the General Consumption Tax (GCT) from May to December 2009 to support the tourism sector and limit job losses (at an estimated fiscal cost of about EC$3 million, 0.2 percent of GDP). Owing to a lack of resources, we spent only EC$4 million in additional support to airlines and marketing (less than the EC$10 million originally envisaged). We have received increased budgetary

support from multilateral donors. In December 2009, we received a US$6.4 million Policy Based Loan (PBL) from the Caribbean Development Bank (CDB) and €10 million grants from the European Union, part of which was under the Vulnerability Flex facility. However, most of the additional external inflows came in December, leading to an increase in unpaid invoices which jumped from EC$9.2 million at end 2008 to EC$47.6 million at end 2009. Nevertheless, domestic arrears (over 60 days) were kept below the program target of EC$25 million.

5. **Although commercial banks have generally remained resilient, the quality of the commercial bank loan portfolio is deteriorating.** Growth of private sector credit and broad money slowed to 4.5 percent and 3.3 percent, respectively, at end-December 2009, reflecting weak economic activity. The ratio of nonperforming loans (NPLs) to total loans reached 5.9 percent at end-December 2009, and the ratio of provisions to NPLs declined to 28.4 percent. However, the capital adequacy ratio of the banking sector, at 15 percent at end-December 2009, remains well above the prudential norm of 8 percent.

6. **The collapse of the Trinidad and Tobago-based CL Financial Group in January 2009 represents a major risk to financial system stability and fiscal performance**. Two insurance subsidiaries of the CL Financial Group—CLICO International Life Insurance Limited (CLICO) and British American Insurance Company (BAICO)—had been selling deposit-like investment instruments throughout the ECCU in addition to traditional insurance products. CLICO is not current with principal or interest payments on the instruments, and its head office in Barbados, working through a government-appointed committee, has been seeking to divest assets to address its liquidity problems and to then divest CLICO. To address the more serious financial difficulties of BAICO, ECCU governments requested in July–August 2009 that High Courts in each jurisdiction appoint judicial managers to assume control of BAICO's ECCU operations and to conduct a financial review. This review, completed in October, determined that BAICO is insolvent and recommended the creation of a new company to take over its ECCU operations.

7. **Unemployment has trended upward, while poverty remains widespread.** The recently completed Country Poverty Assessment (CPA) reveals that 38 percent of the population lived below the poverty line in June 2008, higher than the 32 percent in 1998 when the previous survey was conducted. The unemployment rate was estimated at 25 percent in June 2009 and we believe that it has increased further to about 30 percent reflecting softening in labor market conditions due to the economic slowdown.

II. Program Performance

8. **We met all but two end-November 2009 quantitative program targets:**

- The target on **the primary balance excluding grants** was missed by a margin of 3.3 percent of GDP. This was, in large part, due to higher-than-programmed project financing from external sources, which enabled us to accelerate some capital projects and thus dampen the effect of the global crisis on the economy. We also accumulated some expenditure arrears due to spending overruns on goods and services and transfers and subsidies, the latter to cushion the impact on the vulnerable groups. We are taking corrective actions to ensure that spending stays within program targets and avoid arrears. In particular, we will issue a finance circular (prior action) capping capital spending to programmed amounts, and we are working with CARTAC to enhance expenditure commitment controls at line ministries. We are also introducing quarterly budget reviews and taking steps to move to a Single Treasury Account System to closely monitor developments in revenues and expenditure to ensure better fiscal management.

- The continuous performance criterion on nonaccumulation of external arrears was missed due to payment delays to some creditors. Late arrival of external budgetary support, procedural weaknesses, and a software upgrade at the Ministry of Finance together with a move to an electronic funds transfer system with the ECCB contributed to the delays. These arrears have now been cleared. While some of these factors were one-off and have subsequently been resolved, to address the administrative weaknesses the Debt Management Unit, in addition to preparing a monthly report of upcoming debt service obligations for the Accountant General's office, will ensure that payments are made by their due dates.

The government of Grenada hereby requests waivers for both of the missed performance criteria.

9. **We continued to make progress on structural reforms.** The introduction of a VAT on February 1, 2010 proceeded smoothly, reflecting our extensive preparations including a public education campaign and meetings with VAT registrants and consumers. Establishing a Public Procurement Department has been delayed as we are working with the OECD to revise the Public Procurement Act in line with international best practice. We expect to submit the revised Act to Parliament by June 2010 and to set up the Public Procurement Department soon thereafter.

III. Objectives and Policies of the Economic Program

10. **The key objectives of our economic program for 2010–2012 are:**

- Ensuring fiscal and debt sustainability by placing the public debt-to-GDP ratio on a firm downward trajectory,

- Reducing vulnerabilities in the financial system by addressing the problems at BAICO and strengthening the supervision of both the banking and the nonbanking financial sector, and

- Generating high and sustainable growth through structural reforms that will encourage private sector-led growth, and reducing poverty by creating a more effective social safety net.

These objectives are essential for addressing the impact of the adverse external shock in the short run while laying the ground work for broad-based economic growth in the medium and long term.

IV. ENSURING FISCAL AND DEBT SUSTAINABILITY

11. **The medium-term fiscal program is underpinned by the need to achieve fiscal and debt sustainability**. Toward this end, we plan to reduce the public debt-to-GDP ratio to the ECCB recommended ratio of 60 percent of GDP by 2020. After declining in 2007 and 2008, this ratio jumped up by more than 20 percentage points of GDP in 2009, reflecting the contraction in GDP and higher domestic and external borrowing. Debt service absorbs some 18 percent of our total revenues and remains a drag on our economy. We therefore plan to adopt a three-year rolling budget from 2011 with explicit annual targets for the debt-to-GDP ratio to ensure that it remains on a downward path.

12. **In light of the difficult economic environment, the fiscal adjustment will be phased in.** In particular, in 2010, external financing is expected to decline, which will limit capital spending. At the same time, we plan to adopt a number of revenue and expenditure measures which will allow the fiscal accounts to swing gradually from an underlying primary deficit excluding grants of 3.6 percent of GDP in 2010 to a primary surplus of 2-2½ percent of GDP by 2015. Providing the surplus is kept at this level thereafter, our public debt will decline sharply to our target of 60 percent of GDP by 2020.

13. **On the revenue side**, **we will focus on improving compliance and simplifying collections**. We successfully introduced the VAT on February 1, 2010. The VAT is being levied at a standard rate of 15 percent, with the exception of mobile and tourism services which are taxed at 20 percent and 10 percent, respectively, and some zero-rated items. The VAT is expected to enhance the coverage and buoyancy of the tax system and will replace the current GCT with rates varying between 0 and 55 percent, the airline ticket tax of 10 percent, and the motor vehicle purchase tax with rates between 5 and 15 percent. We expect that because of the broadening of the tax base due to the VAT, additional revenues of about ½ percent of GDP will be generated, similar to those experienced by other countries in the region. We plan to take the following additional measures to improve revenue performance: (i) continue the taxpayer education and service program to facilitate voluntary compliance in accordance with filing and payment requirements, (ii) integrate all VAT functions with mainstream internal revenue operations, (iii) develop rulings and interpretations capacity to resolve tax matters, (iv) enforce compliance, including by implementing enforcement programs to deal promptly with non-filers and stop-filers, (v) develop audit capacity and conduct audits of VAT refunds, and (vi) establish a single unique Tax Identification Number.

14. **On the expenditure side, sharp cuts will be needed in light of the limited financing available.** To achieve the needed reduction in expenditure, the government is undertaking the following measures: (i) growth in the wage bill will be sharply limited, in part by not filling all positions authorized under the 2010 budget, (ii) goods and services spending will be brought back down, through more favorable government-wide contracts with service providers and improved procurement procedures, (iii) transfers and subsidies spending will also be cut back, including transfers to public enterprises, while protecting transfers to vulnerable groups, and (iv) capital spending will be limited to EC$133 million according to a list of priority projects that has been set forth in a finance circular.

15. **Furthermore, we are also undertaking several reforms to enhance customs collections.** The new Customs Act will be submitted to Parliament by end-March 2010. We are preparing the associated regulations so that we can start implementing the new law as soon as it is passed. We are upgrading our customs technology platform (to ASYCUDA World) and are planning to implement a pilot project at the main port by early 2011. We will also introduce risk-based inspections to improve the efficiency of customs collections. In addition, we plan to go ahead with the market-based property tax as scheduled in January 2011.

16. **We are committed to implementing a prudent medium-term expenditure policy.** Toward this end, we plan to contain current expenditures while making room for capital spending over the medium term to improve the productive capacity of the economy and place growth on a sustained upward trajectory. In particular, we are committed to: (i) containing the wage bill by limiting the growth in wages to less than the growth rate of nominal GDP growth, (ii) reducing the spending on goods and services by improving procurement procedures and reducing waste, and (iii) improving the efficiency of social spending. We continue to work with the World Bank to establish bulk procurement procedures with other OECS countries, and to extend the existing arrangement for pharmaceuticals to other products. The Waste Reduction Unit set up last year is designing plans to rationalize the spending on government vehicles, on travel, telecommunications, and utilities. We will continue to maintain the existing automatic fuel price adjustment mechanism.

17. **We are also taking steps to improve public financial management** by implementing several pieces of public financial management legislation enacted in 2007–08, including the Integrity in Public Life, Prevention of Corruption, Public Finance Management, and Audit Acts. Following the recently completed PEFA assessment, and with technical assistance from our development partners, we plan to develop the PFM Action Plan, which will include: (i) instituting a comprehensive commitment control system using the government's financial management system that captures legal liabilities at the time the commitment is made so that we can avoid overruns in spending and reduce expenditure arrears, (ii) conducting quarterly budget reviews and issuing a finance circular revising spending targets for any shortfalls in revenues and/or financing to prevent overruns and an accumulation of expenditure arrears; (iii) improving the cash management model by enumerating all government bank accounts and define a schedule for consolidating them and establishing a Single Treasury Account System, with technical assistance from donors. We also plan to introduce multi-year budgeting from 2011.

18. **We expect to receive increased budgetary support from multilateral donors in 2010.** We expect to receive total grants amounting to some EC$68 million including €9 million from the EU. The second tranche of US$6.4 million on the PBL from the CDB and US$8 million of the Development Policy Loan (DPL) from the World Bank are also expected to be disbursed in 2010. This support, together with the requested disbursements under the current and successor ECF arrangements, will help ease the adjustment to the current crisis.

19. **The completion of the current ECF arrangement and approval of the successor arrangement could pave the way for additional debt relief by the Paris Club.** Based on our strong

performance under the current ECF arrangement and commitment to the successor arrangement, we will request a stock treatment of our debt from the Paris Club (2.4 percent of total debt). We will also ask non-Paris Club official bilateral creditors for similar treatment (8.6 percent of total debt).

20. **We are continuing best efforts to extend or conclude bilateral agreements with Paris Club creditors and to seek comparable treatment from non-Paris Club creditors**. The Paris Club granted us an extension of debt relief for 2009, broadly in line with the debt relief that it extended in 2006–08. We are continuing to seek an out-of-court settlement, through a new legal counsel in New York, with the Export-Import Bank of Taiwan Province of China, and pursue good faith efforts to reach a collaborative agreement with Grenada's external commercial creditors that did not participate in the 2005 debt exchange, which has had a 94 percent participation rate so far.

21. **We are accelerating our efforts to manage existing debt and better select future liabilities.** In 2009, we established the Debt Management Unit which is in charge of designing and monitoring our overall debt strategy. In addition, we reconstituted the Debt Coordinating Committee within the Ministry of Finance which has been charged with the responsibility of cash flow management and planning. In 2010, we will work with the ECCB and other partners to access support through the Debt Management Program (DEMAS) financed by Canada. In addition, we will also: (i) prepare rolling three-month future debt service payments on a monthly basis, (ii) formulate and pursue an active debt management strategy with clear debt management objectives (e.g. debt sustainability, risk, cost/benefit analysis, and weight of domestic/external instruments), (iii) prepare creditor profiles to assist Government in negotiating new terms of borrowing, (iv) develop a yearly borrowing plan, for both domestic and external borrowing, (v) develop policies and procedures for the approval and issuance of government guarantees and on-lending, and (vi) prepare and publish an annual debt statistical bulletin that covers all debt (including central government and statutory bodies) and all guarantees provided by the government.

22. **The government believes that the policies and measures set forth above will be sufficient to achieve our fiscal and debt targets.** In case of further revenue shortfalls, we would undertake additional measures as needed to meet our fiscal targets, such as reducing spending on goods and services and further rationalizing capital spending. If additional grants and concessional financing are available, we will raise capital expenditure to provide fiscal stimulus.

23. **We have been considering a concessional loan from the Export-Import Bank of China to build a luxury hotel in partnership with private investors**. In light of our limited financial resources and the need to reinvigorate the tourism sector which has significant backward linkages to the economy, we believe that this project could generate large economic benefits not only in the short run by boosting the construction sector and creating employment but also in the medium and long term by raising the tourism potential of the country. We will seek an objective assessment of the economic and financial returns from this project from an internationally reputed third party and embark on this project only if we can secure concessional financing and majority private sector participation and there are clear prospective benefits that can more than offset the associated additional debt servicing burden.

V. Reducing vulnerabilities in the financial system

24. **We are moving forward with addressing the problems created by the collapse of the Trinidad and Tobago-based CL Financial Group.** The Grenadian Authority for the Regulation of Financial Institutions (GARFIN) is in close contact with CLICO-Grenada and has instructed it to halt the sale of investment instruments. Two associated subsidiaries of CL Financial Group in Barbados have been divested and it is expected that the proceeds from this will be used to ease the cash flow problems at CLICO-Grenada.

25. **With regard to BAICO, ECCU governments are discussing plans for a new company with strategic investors to take over BAICO's ECCU operations.** It is expected that the new company will be established within the next few months. While it is almost certain that ECCU governments will need to inject capital, we, together with our regional partners, will try to limit the fiscal costs through revision of existing terms, including lowering of interest rates, extending tenors, and converting some liabilities into equity.

26. **The government is continuing to improve the supervision of the nonbank financial sector through GARFIN**. We intend to proclaim by March 25 the new Insurance Act (prior action), and issue associated regulations in the second quarter. The Money Services Act will also take effect shortly. By September 2010, we will enforce our supervisory powers to ensure that insurance companies representing at least 50 percent of industry assets (including the largest five companies) pledge assets in their statutory funds sufficient to cover their insurance liabilities in Grenada and place these assets under trusteeship so that they are available to cover local liabilities should the need arise. We will complete the onsite supervision of at least two insurance companies by October, and begin onsite supervision of money service businesses in the second half of this year. We will submit the new Cooperative Society Act to Parliament by June 2010 to enhance our ability to supervise credit unions and are planning to update the current law to allow us to better supervise building societies. We also plan to intensify supervision of pension funds this year.

27. **We are continuing our efforts to comply with the internationally-agreed standard for the exchange of tax information.** Even though the offshore financial sector in Grenada is small, we have concluded negotiations on the Tax Information Exchange Agreement (TIEAs) with three countries so far and aim to sign at least 12 TIEAs by end-March 2010 so that we are removed from the OECD's "grey" list. We have recently completed an external assessment of our legal framework for the offshore financial sector, and are cautiously considering whether to reinvigorate this sector in light of the challenges of effective supervision. We will also continue our efforts to strengthen the framework for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT).

28. **Liquidation of Capital Bank has been delayed because of legal challenges by the bank's owner**. However, the liquidation of Capital Bank will proceed as soon as the Court permits, and we do not expect to take on any associated fiscal costs.

VI. Generating High and Sustainable Growth and Reducing Poverty

29. **While we are now coping with near-term economic challenges, we are also considering developing five key economic sectors in the medium term which we believe will lead our long-term economic growth**: (i) health and education services, (ii) tourism and hospitality services, (iii) energy development, (iv) agri-business, and (v) information and communication technology. We have already started ground work to develop these areas and stand ready to receive all credible investors in these key areas. Our new Investment Promotion Act, enacted in 2009, offers attractive incentives for all local and foreign investors in these areas.

30. **Toward this end, we are giving high priority to improving the business and investment climate for private sector-led growth.** The Investment Promotions Act guarantees the security of investments and creates a level playing field for domestic and foreign investors, allowing both to qualify for fiscal incentives. The Corporate Affairs and Intellectual Property Act, also passed last year, allows for a separate Registrar of Companies. This change and other measures will help to reduce by end-2010 the time to register and incorporate a company from 10 days to 4 days and the time to start a business from 20 days to 10 days. We have established a Private Sector Development Office to implement and oversee our private sector strategy and a Special Business and Facilitation Committee to help investors overcome administrative and other obstacles. We are also promoting the development of the small and medium enterprise sector. In addition, the technology upgrade at customs will reduce the clearance time by half to one day and help facilitate trade. We have also established a Lands and Deeds Registry in line with the recently approved Property Deeds Act and plan to streamline the procedures to expedite the transfer of property in business transactions. In order to reduce the delays at courts and enhance contract enforcement, we have created an additional Civil Court.

31. **The government has taken several measures to mitigate the negative impact of the global economic crisis to vulnerable groups.** We implemented labor intensive programs, such as a de-bushing initiative and a road maintenance program, to provide income support to vulnerable groups as well as increased the benefit amount for cash assistance programs. We also re-introduced a duty free barrel program in December 2009, which lifted the duties on traditional barrels of gifts received from family members abroad.

32. **We are strengthening and rationalizing our social safety net.** The assessment, completed in 2009, indicates that, although the elements of an appropriate safety net are present, there are multiple programs and the objectives are often not clearly defined. Following the recommendations of this assessment, we are appointing a Social Safety Net Committee (SSNC) to spearhead reform efforts and elaborate an action plan for reforms, which will include the establishment of a central registry of beneficiaries, consolidation of major cash transfer programs, establishment of a cash grant unit, development of selection criteria for beneficiaries, and effective functional targeting mechanisms. We are receiving technical assistance from the World Bank on these issues.

33. **The difficult economic developments of the past few years have set us back with respect to achieving our goals on poverty reduction and social development**. The two hurricanes, the food

and fuel price crisis, and the global financial crisis derailed our efforts to achieve the Caribbean-specific Millennium Development Goals (CMDGs) such as halving the proportion of people living below the poverty line and the proportion of persons without access to basic services, ensuring that every child complete primary and secondary schooling up to grade 12, reducing by two-thirds the mortality rate of children under five years of age, and beginning to reverse the spread of HIV/AIDS.

34. **To reinvigorate our efforts at poverty reduction, we are preparing a full Poverty Reduction Strategy Paper (PRSP)**, with the assistance of our development partners, including the IMF, World Bank, and the CDB. The recently completed Country Poverty Assessment together with our earlier National Development Strategy will provide essential information to improve targeting of social programs and develop a comprehensive strategy to improve the lives of our citizens. In particular, we plan to cost the programs and establish clear monitorable targets. We plan to have a draft of the PRSP by September 2010.

35. **In particular, we will focus on five key areas.** These are: (i) building a knowledge-based economy, (ii) macroeconomic management, (iii) mobilization of financial resources, (iv) promotion of domestic entrepreneurship, and (v) enhancement of institutions, in particular in the areas of education, health and social service delivery and social safety net. We will also develop a measure of social spending which will help monitor our efforts to protect the most vulnerable groups and promote social stability, human development and gender equality. The PRSP will incorporate quantitative objectives for social spending, as well as for achieving CMDGs.

36. **The successor ECF and resources it will mobilize from development partners will be instrumental to the achievement of the goals of the PRSP.** By bringing down the public debt-to-GDP ratio, reducing financial vulnerabilities, and stimulating economic growth with the help of our proposed program, we hope to create a stable macroeconomic environment in which to pursue our PRSP objectives and accelerating the achievement of the CMDGs. In particular, fiscal reforms are aimed at ensuring that resources are available to address pressing social needs, and that the budget is formulated and executed in line with our poverty reduction priorities. Furthermore, financial sector reforms would seek to protect the public from further losses due to the failure of financial institutions.

VII. Other Issues

A. Program Monitoring

37. **We will continue to improve our capacity to monitor economic developments and program performance.** We have designated two Ministry of Finance officials as the ECF program coordinators who willd continue to oversee the monitoring of quantitative and structural program targets. We will continue to conduct monthly monitoring of domestic expenditure arrears and below-the-line financing of the primary balance excluding grants. We will also work closely with the ECCB and commercial banks to reconcile data on bank lending to the government on a monthly basis. The proposed performance criteria for end-June and end-December 2010 are specified in Table 1 and further elaborated in the Technical Memorandum of Understanding. Proposed structural benchmarks for the first and second reviews specified in Table 2.

B. Reducing Natural Disaster Vulnerabilities

38. **We will continue to actively participate in regional initiatives to pool climate risks.** Since 2007, we have participated in the World Bank's Caribbean Catastrophic Risk Insurance Facility (CCRIF), the world's first ever multi-country catastrophe insurance pool. The World Bank and CDB financed the premium payments for the year beginning June 2009, and we have budgeted to pay the premium ourselves beginning June 2010.

C. Fiscal Transparency

39. **We are continuing our efforts to improve fiscal transparency**. We will begin disseminating to the public quarterly information (with a one-quarter lag) on the overall fiscal situation and gross financing needs from the second quarter of 2010. In line with the new Public Finance Management Act of 2007, audited financial statements of public enterprises are being shared with Parliament, and we expect to start publication on our website to make them accessible to the public by the second half of 2010. We will also enforce the requirement that public enterprises submit annual business plans within four months of the start of the next financial year. We will continue to publish newly granted or extended tax concessions pursuant to the Investment Promotion Act on a quarterly basis.

Table 1. Grenada: Quantitative Performance Criteria and Indicative Targets, 2009-10

	2009 1/			2010 1/			
	End-Nov.			End-Mar.	End-June	End-Sept.	End-Dec.
	Prog.	Adjusted	Actual	Prop. 2/	Prop.	Prop. 2/	Prop.
Performance Criteria:	(In millions of Eastern Caribbean dollars)						
Central government primary balance excluding grants (floor) 3/ 4/	-77.9	-80.5	-135.7	-11.7	-34.8	-50.7	-62.4
Stock of central government domestic arrears (ceiling)	25.0	25.0	22.5	20.0	15.0	12.5	12.5
	(In millions of U.S. dollars)						
Contracting and guaranteeing of nonconcessional external debt by the central government with maturity of at least one year (ceiling) 3/	4.0	4.0	0.0	0.0	0.0	0.0	0.0
Contracting and guaranteeing of bilateral concessional external debt by the central government with maturity of at least one year (ceiling) 3/ 5/	0.0	0.0	0.0	11.9	11.9	11.9	11.9
Stock of external short term debt (ceiling) 6/	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central government or guaranteed external arrears accumulation (ceiling) 6/ 7/	0.0	0.0	12.2	0.0	0.0	0.0	0.0
Indicative Target:	(In millions of Eastern Caribbean dollars)						
Change in net credit of the banking system to the public sector (ceiling) 3/ 4/	35.2	57.4	-0.2	6.8	13.5	20.3	27.0

1/ Targets for 2009 are under the existing PRGF arrangement, while targets for 2010 are under a possible successor arrangement. Targets are performance criteria unless otherwise indicated.
2/ Indicative target.
3/ Cumulative within each calendar year.
4/ See the TMU and supplementary TMU for a description of adjustors.
5/ Excludes PetroCaribe.
6/ To be monitored on a continuous basis.
7/ All arrears have since been cleared.

Table 2. Grenada: Proposed Structural Measures for the Successor Arrangement

	Comment	Target Date	Macroeconomic Criticality
Prior Actions			
Proclaim the new Insurance Act	Prior Action	End-March 2010	To safeguard the stability of the financial sector
Issue a finance circular limiting capital spending to EC$133 million	Prior Action	End-March 2010	To avoid overruns in spending
First Review			
Initiate quarterly budget reviews and revise spending targets for any shortfalls in revenues and/or financing, and institute regular meetings with line ministries (at least quarterly) to establish expenditure commitment controls	Structural Benchmark	End-April 2010	To avoid overruns in spending and reduce expenditure arrears
Establish an audit division for VAT audits	Structural Benchmark	End-June 2010	To enhance efficiency of revenue collection
Enumerate all government bank accounts and define a schedule for consolidating them and establishing a Single Treasury Account System	Structural Benchmark	End-September 2010	To avoid overruns in spending and reduce expenditure arrears
Complete onsite supervision of at least two insurance companies, and establish statutory funds at insurance companies to cover at least 50 percent of their assets (including the largest five companies) and pledge these assets in a Trusteeship to support their local insurance liabilities	Structural Benchmark	End-October 2010	To safeguard the stability of the financial sector
Second Review			
Prepare debt management strategy outlining clear debt management objectives, and develop yearly borrowing plan	Structural Benchmark	End-December 2010	To improve debt management
Complete onsite inspection of two major money service businesses	Structural Benchmark	End-December 2010	To safeguard the stability of the financial sector
Institute a comprehensive commitment control system that will restrict spending units from undertaking commitments without authorization	Structural Benchmark	End-February 2011	To avoid overruns in spending and reduce expenditure arrears
Integrate all VAT functions with mainstream revenue operations, except audits which will be integrated later	Structural Benchmark	End-February 2011	To enhance efficiency of revenue collection
Implement ASYCUDA World pilot at the main port, and establish a risk management unit in customs and excise department and start training staff	Structural Benchmark	End-March 2011	To modernize customs and improve revenue collection

GRENADA: TECHNICAL MEMORANDUM OF UNDERSTANDING

1. This Technical Memorandum of Understanding (TMU) sets out (i) the definitions of quantitative performance criteria and indicative targets as specified in Table 1 of the Memorandum of Economic and Financial Policies that will be used to assess Grenada's performance under the Extended Credit Facility (ECF), and (ii) related reporting requirements to the Fund's Western Hemisphere Department (Table 3).

I. QUANTITATIVE PERFORMANCE CRITERIA

2. Quantitative performance criteria are proposed for June 30, 2010 and December 31, 2010 with indicative targets for March 31, 2010 and September 30, 2010 with respect to:

   a. the primary balance excluding grants of the central government;

   b. stock of central government domestic arrears older than 60 days;

   c. nonconcessional medium- and long-term[1] external debt[2] contracted or guaranteed by the central government; and

   d. official bilateral concessional medium- and long-term external debt contracted or guaranteed by the central government, excluding PetroCaribe-related debt.

3. The following quantitative performance criteria are proposed for monitoring on a continuous basis:

   a. stock of short-term external debt[3] contracted or guaranteed by the central government;

   b. stock of central government and guaranteed external payment arrears to official creditors.

4. Indicative targets are proposed for March 31, June 30, September 30, and December 31, 2010 with respect to net credit of the banking system to the public sector.

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[1] Medium- and long-term debt indicates debt with an original maturity of at least one year.

[2] External debt is defined as all debt owed to creditors residing outside of Grenada, while domestic debt covers all debt owed to residents of Grenada. For ease of monitoring, all debt issued at the Regional Government Securities Market (RGSM), *irrespective of who holds it,* will be regarded as domestic debt.

[3] Short-term debt indicates debt with an original maturity of less than one year.

II. Performance Criterion on the Primary Balance Excluding Grants of the Central Government

5. The **central government primary balance excluding grants** covers the activities specified in the budget using above-the-line items. Expenditure will include out-of-budget transfers to nonfinancial public enterprises.

6. However, for program purposes, the primary balance excluding grants will be measured from the financing side as the sum of the (i) net domestic financing (ii) net external financing and (iii) domestic and external interest payments on a due basis less (iv) grants (see Table 2 for the detailed list), where:

- **Net domestic financing** of the central government is the sum of (a) net domestic bank financing, (b) net nonbank financing, (c) change in the stock of domestic arrears of the central government, (d) gross receipts from divestment and (e) any exceptional financing, where:

    a. **net domestic bank financing** will be measured by the change in the domestic banking system credit to the central government minus government deposits in the banking system, as reported by the consolidated balance sheet of the monetary authorities[4] and commercial banks. Domestic banking system credit to the central government is defined as the sum of ECCB and commercial banks' financing to the central government. ECCB financing is comprised of treasury bills, debentures, temporary advances and other claims while commercial banks' financing is in the form of loans and advances, treasury bills, and other securities.

    b. **net nonbank financing** will be measured by the net changes in holdings of government securities by nonbanks, and net borrowing from nonbank institutions;[5]

    c. **the change in the stock of domestic expenditure arrears** of the central government will be measured as net changes in unpaid checks issued, unprocessed claims, pending invoices, plus accrued interest payments, arrears to the oil companies resulting from the fuel price subsidization arrangement, and other forms of expenditures recorded above the line but not paid;

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[4] Consolidating the ECCB's balance sheet (excluding the government's IMF operating account) and the government's transactions with the IMF.

[5] Treasury bills will be recorded at face value, except for those held by the banking system which will be recorded on a purchase price basis.

d. **gross receipts from divestment** are defined as proceeds received from any privatization/divestment; and

e. **any exceptional financing** (including rescheduled principal and interest).

- **Net external financing** of the central government is defined as the sum of:

a. net disbursements of project and budget support loans, including securitization;

b. net proceeds from issuance of external debt, other than the Treasury bills and bonds issued on the RGSM;

c. any exceptional financing (including rescheduled principal and interest),

d. net changes in the stock of short-term external debt;

e. any change in arrears on external interest payments and other forms of external expenditures recorded above the line but not paid; and

f. decrease in cash deposits held outside the domestic banking system.

7. The following **adjustors** will apply to the target for the primary balance excluding grants of the central government:

a. If grants exceed the programmed amounts, as specified in Table 1, the target will be adjusted downward[6] accordingly to accommodate the additional grants;

b. If grants fall short of programmed amounts, as specified in Table 1, the target will be adjusted upward by the difference up to a limit of EC$16 million through end-June or after;

c. If concessional financing from external creditors, excluding the IMF and PetroCaribe, exceeds programmed amounts, as specified in Table 1, the target will be adjusted downward accordingly to accommodate the additional concessional financing, with a maximum adjustment of up to EC$32 million; and

d. If project-related external financing exceeds the programmed amounts, as specified in Table 1, the target will be adjusted downward accordingly to accommodate the additional financing.

[6] Downward adjustment means a higher deficit; upward implies a lower deficit.

Table 1: Programmed Disbursements of Grants and Concessional Loans in 2010 (EC$ millions)

Quarter	Q1	Q2	Q3	Q4
Grants	3.8	14.6	45.0	67.9
Concessional loans	0.0	24.0	26.5	46.2
Disbursements of already contracted loans	0.0	14.1	15.7	22.7

Source: Grenadian authorities; Fund staff estimates.
Note: Values presented are cumulative.

III. Performance Criterion on the Stock of Central Government Arrears to Domestic Private Parties and Public Enterprises Older than 60 Days

8. **Net changes in central government arrears to domestic private parties and public enterprises** is defined as the sum of all pending payments by the central government for goods and services purchased from these parties, as well as pending interest and amortization payments on domestic debt, that have been outstanding for 60 days or longer. It also includes changes in arrears to the oil companies, which have resulted from the fuel price subsidization arrangement. The definition of domestic payment arrears excludes (i) debt claims that were irrevocably tendered in the debt exchange closed on November 15, 2005 ("the debt exchange"), and (ii) debt claims that were eligible to participate in the debt exchange but have not been tendered.[7]

IV. Performance Criterion on Nonconcessional Medium- and Long-Term External Debt Contracted or Guaranteed by the Central Government

9. The ceiling on nonconcessional medium- and long-term external debt will be applied to contracting or guaranteeing of debt by the central government. The contracting and guaranteeing of debt will be monitored and reported to the Fund staff by the Debt Management Unit and the Accountant General's office on a monthly basis.

10. This performance criterion applies not only to debt as defined in point No. 9 of the "Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements" adopted by the Decision No. 6230-(79/140) of the Executive Board of the IMF, as amended effective December 1, 2009 but also to commitments contracted or guaranteed for which value has not been received:

(a) For the purpose of this guideline, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some

[7] These include pre-2005 debt held by the Ports Authority and National Insurance Scheme.

future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

(i) loans, i.e., advances of money to obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

(ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

(iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

(b) Under the definition of debt set out in point 10(a) above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt."

11. Excluded from the ceiling are credits extended by the IMF, PetroCaribe and credits on concessional terms.

12. Concessional terms are defined as terms implying a grant element (in net present value relative to face value) of more than 35 percent, based on the currency- and maturity-specific Commercial Interest Reference Rates (CIRR), published monthly by the OECD.[8] For

[8] For loans with a maturity of at least 15 years, the 10-year average commercial interest reference rates and for loans with shorter maturities, the six-month average CIRRs published by the OECD will be used as the discount rates. To both the 10-year and 6-month averages, the following margins for differing repayment periods will be added: 0.75 percent for repayment periods of less than 15 years; 1 percent for 15–19 years; 1.15 percent for 20-29 years; and 1.25 percent for 30 years or more.

the purposes of the program the most recent CIRRs published by the OECD will be used to assess the concessionality of loans.

V. Performance Criterion On Official Bilateral Concessional Medium- and Long-Term External Debt Contracted or Guaranteed by the Central Government

13. With the definitions given in Section IV, there will be a ceiling on the contracting or guaranteeing of official bilateral medium- and long-term debt, excluding PetroCaribe-related debt.

VI. Performance Criterion on the Stock of Short-Term External Debt Contracted or Guaranteed by the Central Government

14. The **short-term external debt** is defined in point No. 9 of the “Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements” adopted by the Decision No. 6230-(79/140) of the Executive Board of the IMF, as amended effective December 1, 2009 (see paragraph 10 above).

15. Import-related credit and pre-export financing secured on export contracts of less than one year maturity, are excluded from the performance criterion on short-term external debt.

16. The ceiling on short-term external debt will be applied on a continuous basis to the stock of short-term external debt contracted or guaranteed by the central government.

VII. Performance Criterion on the stock of Central Government and Central Government Guaranteed External Payment Arrears to Official Creditors

17. **Central government and central government guaranteed external payment arrears** to official creditors are defined as overdue payments (principal or interest) after the expiration of the applicable grace period on debt contracted or guaranteed by the central government. The definition of external payment arrears under the program excludes: (i) debt claims that were irrevocably tendered in the debt exchange, (ii) debt claims that were eligible to participate in the debt exchange but have not been tendered, and (ii) debt claims of official bilateral creditors, including Paris Club creditors, which are under rescheduling or refinancing negotiation.

18. No external payment arrears of the central government and central government guaranteed debt will be allowed in the program. This ceiling will be monitored on a continuous basis.

VIII. Indicative Target on the Net Credit of the Banking System to the Public Sector

19. The **public sector** is defined as the total of the central government and all public enterprises.[9]

20. **Net credit of the banking system** is measured as the change in credit of the domestic banking system to the public sector net of deposits, as reported by the consolidated balance sheet of the monetary authorities and commercial banks.

21. The change in the net credit of the banking system to the public sector as of the date for the quantitative performance criterion or benchmark is defined as the difference between the stock on the date indicated and the stock on December 31, 2009.

22. The ceiling on net credit of the banking system will be adjusted upward[10]to the extent that grants fall short of programmed amounts up to a limit of EC$16 million through end-June or after, as specified in Table 1.

IX. Periodic Reporting

23. The following data must be reported to the Fund's Western Hemisphere Department on a **monthly basis** for monitoring the program's performance criteria and indicative targets within the end of the third week of the following month:

Fiscal sector

a. Central government budgetary accounts;

b. Central government domestic debt;

c. Current grant inflows;

d. Stock of domestic arrears as on the last day of the month, including unpaid checks issued, stock of unprocessed claims due and invoices pending, arrears to the oil companies, and interest and amortization on domestic debt;

e. Capital expenditure, including revised projections for the remainder of the fiscal year; and

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[9] Excluded are the Banana, Cocoa, and Nutmeg Associations and the Minor Spices Co-operative Society as these are cooperative entities owned largely by private sector shareholders.

[10] Upward adjustment means higher net domestic credit to the government.

f. Complementing to this monthly report, a detailed overview of expenditures on a project by project basis and the composition of financing will be provided on a quarterly basis within six weeks following the end of the quarter.

Financial sector

a. Monetary survey for Grenada as prepared by the Eastern Caribbean Central Bank.

External and real sectors

b. Detailed (creditor by creditor) external debt report from the Debt Management Unit in the Ministry of Finance, showing fiscal year-to-date disbursements, amortization, interest payments, and outstanding stocks, for the central government and public enterprises;

c. Total disbursements/grant receipts, disaggregated into: (a) budgetary support (by type—either loans or external "bonds" and/or other securities); (b) project loans; (c) budgetary grants; and (d) project grants;

d. Copies of loan agreements for any new loans contracted or guaranteed, including financing involving the issue of government paper, and of any renegotiated agreements on existing loans;

e. Stock of external arrears (creditor-by-creditor); and

f. Consumer price index.

All such information will be provided to Fund staff, to the extent possible, within three weeks of the end of each month, except monetary survey which will be delivered by the ECCB to Fund staff within two months.

24. The following data will be reported on an **annual basis** within three months following the end of the year:

Fiscal sector

Financial statements of the public enterprises.

External and real sectors

a. National accounts; and

b. Balance of payments accounts.

25. **Other reporting**: Reports of legislative changes pertaining to economic matters.

Table 2. The Primary Balance excluding Grants
(calculated from below the line)

Domestic Financing	a = b + e + f + g + h + i
Net domestic bank financing (excluding securities)	b = c + d
ECCB	c = c1 + c2 + c3 - c4
Debentures	c1
Temporary advances	c2
Other claims	c3
Government deposits	c4
Commercial Banks	d = d1 - d2
Loans and advances	d1
Government deposits	d2
Securities 1/	e
Net borrowing from nonbank institutions	f
Change in the stock of domestic arrears	g = g1 + g2 + g3 + g4 + g5
Fuel importers 2/	g1
Unprocessed claims and unpaid invoices	g2
Interest arrears to domestic creditors 3/	g3
National Insurance Scheme	g4
Utilities	g5
Gross receipts from divestment (including land sales)	h
Any exceptional financing	i
External financing	j = k + l + m + n + o + p
External loans	k = k1 + k2
Disbursements	k1
Amortization	k2
Net proceeds from issuance of external debt	l
Exceptional financing	m
Decrease in deposits outside the domestic banking system 4/	n
Net changes in short-term external debt	o
External arrears	p = p1 + p2
Interest arrears to external creditors 3/	p1
Other forms of external expenditure arrears	p2
Overall balance including grants	q = a + j
Interest payments	r
Primary balance including grants	s = q + r
Grants	t
Primary balance excluding grants	**u = s - t**

1/ Net changes in holdings of government securities by the ECCB and commercial banks.

2/ Once the government and fuel importers agreed on amount.

3/ Interest arrears to nonparticipating creditors in the debt exchange.

4/ Sinking fund deposits.

Table 3. Summary of Data To Be Reported

Information	Frequency	Reporting Deadline	Responsible Entity
Primary balance of central government excluding grants:			
Net domestic bank financing (ECCB and commercial banks	Monthly	Six weeks after the end of the month	ECCB
ECCB special tranches	Monthly	Same as above	ECCB
Securities	Monthly	15 days after end of the month	Debt Management Unit (DMU)
Net borrowing from nonbank institutions	Monthly	Same as above	DMU
Change in stock of domestic arrears	Monthly		
Unpaid claims	Monthly	Last day of the month	Account General's Office (AG)
Interest arrears to domestic creditors	Monthly	Same as above	AG
Gross receipts from divestment (including land sales)	Monthly	15 days after end of the month	Budget Office (BO)
Exceptional domestic financing	Monthly	Same as above	DMU
External disbursements	Monthly	Same as above	DMU
External Amortization	Monthly	Same as above	DMU
Proceeds from bonds issued abroad	Monthly	Same as above	DMU
Exceptional external financing	Monthly	Same as above	DMU
Deposits outside the domestic banking system	Monthly	Same as above	DMU
Net changes in short-term external debt	Monthly	Same as above	DMU
Arrears on external interest	Monthly	Same as above	DMU
Interest payments	Monthly	Same as above	DMU
Grants	Monthly	Same as above	BO
Net credit of the banking system to the public sector:			
Net claims on government (ECCB net credit to central government, commercial banks net credit to central government	Monthly	Six weeks after the end of the month	ECCB
Net credit to NIS	Monthly	Same as above	ECCB
Net credit to other public sector	Monthly	Same as above	ECCB
Central government arrears accumulation to domestic private parties and public enterprises outstanding for 60 days or longer:			
Unpaid claims	Monthly	Last day of the month	AG
Principal arrears	Monthly	Same as above	AG
External Arrears	Monthly	Same as above	DMU

Table 3. Summary of Data To Be Reported (Cont'd.)

Information	Frequency	Reporting Deadline	Responsible Entity
Creditor by creditor disbursements	Quarterly	15 days after end of the quarter	DMU
Creditor by creditor amortization	Quarterly	Same as above	DMU
Creditor by creditor interest payments	Quarterly	Same as above	DMU
Creditor by creditor outstanding debt stocks	Quarterly	Same as above	DMU
Net changes in the outstanding stock of short-term external debt with original maturity of less than one year contracted or guaranteed by the central governments:			
Creditor by creditor disbursements	Quarterly	Same as above	DMU
Creditor by creditor amortization	Quarterly	Same as above	DMU
Creditor by creditor interest payments	Quarterly	Same as above	DMU
Creditor by creditor outstanding debt stocks	Quarterly	Same as above	DMU
Bilateral concessional debt with an original maturity of at least one year contracted or guaranteed by the central government:			
Creditor by creditor disbursements	Quarterly	15 days after end of the quarter	DMU
Creditor by creditor amortization	Quarterly	Same as above	DMU
Creditor by creditor interest payments	Quarterly	Same as above	DMU
Creditor by creditor outstanding debt stocks	Quarterly	Same as above	DMU
VIII. Nonaccumulation of central government and central government guaranteed external payment arrears:			
Creditor by creditor stock of arrears	Quarterly	Same as above	DMU