MEDIUM TERM DEBT STRATEGY

2025-2027

PRODUCT OF THE MINISTRY OF FINANCE
GRENADA

GOVERNMENT OF GRENADA

Medium-Term Debt Management Strategy

2025 - 2027

Medium-Term Debt Management Strategy (MTDS) 2025-2027

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Lastly, heartfelt thanks to the Debt Management Unit (DMU) team. Their contributions ensured its prompt completion.

NOTES

Fiscal Year The Government of Grenada's fiscal year runs from January 01 to December 31.

Local Currency The domestic currency is the Eastern Caribbean Dollar (XCD) ($). The XCD is pegged to the United States dollar (USD) under the current fixed exchange rate regime (XCD$2.7 = USD$1); a system that has been in place since 1976.

Unless otherwise stated, all values are in XCD ($)

Coverage The Medium-term Debt Management Strategy includes ONLY Central Government's existing debt and projected borrowing. The Government-guaranteed debt of public entities is not included in the analysis.

Classification Debt is classified by currency for this analysis only.

Source The source of all tables and figures is the Ministry of Finance.

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ACRONYMS

ABP	Annual Borrowing Plan
ATM	Average Time to Maturity
ATR	Average Time to Re-fixing
BoP	Balance of Payments
CBI	Citizenship by Investment
CCRIF	Caribbean Catastrophic Risk Insurance Facility
CDB	Caribbean Development Bank
CDF	CARICOM Development Fund
CNY	China Yuan Renminbi
CUB	Committed Undisbursed Balances
DMU	Debt Management Unit
ECCB	Eastern Caribbean Central Bank
EUR	Euro
FDI	Foreign Direct Investment
FRL	Fiscal Resilience Legislation
FX	Foreign Exchange
GBP	Great Britain Pounds
GDP	Gross Domestic Product
GoG	Government of Grenada
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMA	Investment Migration Agency
IMF	International Monetary Fund
IRP	Investor Relations Programme
JPY	Japanese Yen
KWD	Kuwaiti Dinars
MoF	Ministry of Finance
MTDS	Medium-Term Debt Management Strategy
MTFF	Medium-Term Fiscal Framework
NDA	Net Domestic Assets
NFA	Net Foreign Assets
OPEC	Organization of Petroleum Exporting Countries
PDM	Public Debt Management
PV	Present Value

RGSM	Regional Governments Securities Market
S1	Strategy 1
S2	Strategy 2
S3	Strategy 3
SAR	Saudi Riyal
ST FX	Short-Term Foreign Exchange
T-Bill	Treasury Bill
T-Note	Treasury Note
USD	United States Dollar
XCD	Eastern Caribbean Dollar
XDR	Special Drawing Rights

DEFINITIONS

Average Time to Maturity (ATM) is a measure that focuses on the timing of repayment. It shows the share of debt falling due within a specific period – i.e., the shape of the redemption profile.

Average Time to Re-fixing (ATR) is a measure of the weighted average time until all the principal payments in the debt portfolio become subject to a new interest rate.

Bilateral Creditor is a donor government or its agency that provides loans to borrowers in other countries.

Bullet Repayment is the repayment of principal in a single payment at the maturity of the debt.

Debt Outstanding is the amount that has been disbursed from a loan but has not yet been repaid or forgiven.

Debt Restructuring is an action officially agreed upon between a creditor and borrower to alter the terms previously established for repayment. In Grenada's context, this has included haircuts/ debt service and debt service reduction exchanges, forgiveness, and refinancing.

Multilateral Creditor is an international institution with governmental membership that conducts all or a significant part of its activities in favour of development and aid recipient countries.

Domestic Debt is the gross outstanding amount, at any given time, of actual liabilities that require payment(s) of interest and/or principal by the debtor at some point(s) and that are denominated in XCD.

External Debt is the gross outstanding amount, at any given time, of actual liabilities that require payment(s) of interest and/or principal by the debtor at some point(s) and that are not denominated in XCD.

EXECUTIVE SUMMARY

The Medium-Term Debt Management Strategy (MTDS[1]) is a borrowing plan aimed at developing the best debt portfolio for Government, consistent with its debt management objectives. It is done by carrying out an assessment of the trade-offs between Government's costs and risks, among other considerations, and is prepared in fulfilment of the Requirements of Section 5(1) of Grenada's Public Debt Management (PDM) Act, No. 28, enacted in June 2015 which was further amended in November 2023 (Act 13). The PDM Act established the standards by which effective debt management is achieved. Through the MTDS, a preferred debt management strategy is chosen, that can be used over the medium term (2025-2027).

Despite ongoing global and regional disruptions, Grenada's macroeconomic outlook remains generally positive. The economy has shown impressive resilience against challenges like Hurricane Beryl, the COVID-19 pandemic, the war in Ukraine, and the Israeli-Palestinian conflict, with real GDP growth of 3.7 % in 2024, fueled by strong performances in Tourism, Construction, Wholesale & Retail Trade, Manufacturing, and Transport. Growth is projected to accelerate to 4.1 percent in 2025 and average 4% during the period 2026-2027. Inflationary pressures eased in 2024, and prices are expected to decline further over the medium-term. Unprecedented CBI inflows and a huge insurance payout bolstered Government's fiscal position in 2024. However, significant ongoing recovery and reconstruction needs will necessitate a suspension of the FRA and a temporary weakening of the fiscal position. The fiscal position is expected to strengthen considerably, while debt to GDP continues its downward trajectory on target to reach 60.0% before 2035, with a return to the fiscal rules and targets of the FRA, which is currently anticipated for 2027. Grenada's financial sector remains robust, serving as a crucial pillar of economic stability.

While the medium-term outlook remains positive, significant risks persist, including external shocks, climate vulnerabilities, and global economic uncertainties. These factors could challenge public finances and hinder the successful implementation of strategic programs. The report outlines targeted risk mitigation strategies to safeguard fiscal stability, ensuring Grenada remains on a sustainable path to long-term resilience and growth.

At the end of 2024, Central Government's debt is estimated to be $2.2 billion of which $ 1.7 billion is external debt and $0.5 billion domestic debt. Total debt service for the year 2024 is $418.1 million or 25.2 percent of revenue which includes all Treasury Bills (T-Bills) and Treasury Notes (T-Notes) reissued.

When it comes to risk, the existing portfolio is subject to moderate interest rate risk primarily due to the high percentage (26.0 percent) of domestic debt, namely T-Bills, re-fixing by the following year. The Average Time to Re-Fixing (ATR) of the total portfolio is 10.2 years, which meets the set target of 10.0 years or higher, 16.2 percent of which is subject to a change in interest rates in one year. Debt contracted

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[1] IMF and World Bank (2009). "*Developing a Medium-Term Debt Management Strategy —Guidance Note for Country Authorities*" http://www.imf.org/external/np/pp/eng/2009/030309a.pdf.

at variable interest rates poses minimal risk in 2024 as it only accounts for 5.9 percent of the total portfolio. The refinancing risk profile of the existing portfolio has an Average Time to Maturity (ATM) of 10.6 years, which also meets the set target which is 8.0 years or above. The portfolio's exposure to foreign exchange risk is also minimal as foreign debt is 76.9 percent of the portfolio but 71.6 percent of it is denominated in USD to which the XCD is pegged.

Under various stress scenarios, three strategies were analyzed which include interest rate and exchange rate shocks of moderate and extreme degrees. Based on the analysis, Strategy 1 (S1) represents the best financing mix for Government over the medium term (2025-2027), as it best aligns with Grenada's debt management targets and objectives. It assumes that Government's financing needs will be met through borrowing from multilateral and bilateral creditors on concessional terms, the drawdown of committed undisbursed balances (CUB), the re-issuance of all existing Government securities on the domestic and regional markets, and new domestic borrowing.

1 OVERVIEW

The debt data utilized for the MTDS encapsulates Central Government's external and domestic debt. This MTDS spans three years (2025-2027). For this Strategy, T-Bills are recorded at their face values. For the purpose of this report, projected total Central Government debt is classified by currency. External debt consists of all debt denominated in foreign currencies and domestic debt refers to all debt denominated in XCD.

The report is divided into five sections.

- Section 1 provides an overview of the MTDS.
- Section 2 provides a review of the existing debt portfolio for 2024, which focuses on the Central Government. This section includes existing debt stocks and debt service payments, risk analysis, and the redemption profile at the end of 2024.
- Section 3 examines Grenada's macroeconomic performance, medium-term outlook, and key risks.
- Section 4 presents the alternative strategies to finance the Government's borrowing needs, based on its current economic constraints, and highlights the preferred strategy regarding the cost-risk trade-off. Finally,
- Section 5 gives an outline and proposal of the implementation methodology and a financing plan for the identified strategy.

1.1 Debt Management Objectives

Consistent with the Medium-Term Fiscal Framework (MTFF), the MTDS sets out the Government of Grenada's (GoG's) objectives and strategy for the management of its domestic and foreign debt for the period 2025- 2027. The Ministry of Finance (MoF), through its Debt Management Unit (DMU), is committed to implementing the debt management objectives as outlined by the PDM Act of 2015, amended in 2023 (Act 13). These objectives are aimed at:

i. Ensuring that the financing needs of the Government are met on a timely basis and that its debt service obligations are met at the lowest cost over the medium-to-long term, in a manner that is consistent with an acceptable and prudent degree of risk;
ii. Providing a framework for the management of public debt in a manner that achieves and maintains sustainable debt; and
iii. Ensuring that public debt management operations support the establishment of a well-developed domestic debt market in the medium-to-long term.

1.2 Debt Management Strategy (2024-2026)

The MTDS implemented for the financial year (FY 2024) advocated for a balanced and strategic use of all of the financing sources which was achieved. It recommended that identified external financing be obtained on concessional terms from GoG's traditional multilateral creditors, namely Caribbean Development Bank (CDB) and International Development Association (IDA), from a new bilateral creditor, Saudi Arabia, and from the drawdown of CUB from existing loans primarily denominated in USD. It also recommended that domestic financing be contracted from reissuances and new instruments on the domestic and regional markets. The suggested ratio of external to domestic borrowing for 2024 was 36:63. The actual position at the end of 2024, however, shows a variance as the financing mix of external and domestic borrowing was 44.3 and 55.7 percent respectively. This is because external disbursements were higher than forecasted.

On the external side, the actual position at the end of 2024 indicates that new facilities contracted during the year accounted for 36.1 percent of external financing, disbursements from existing multilateral facilities accounted for 51.6 percent and the remaining 12.3 percent accounted for bilateral facilities, namely The People's Republic of China. Two (2) new loans were contracted during 2024, IDA's Additional Financing for the Unleashing of the Blue Economy of the Caribbean Project loan, which has not yet been disbursed, and IDA's OECS Skills and Innovation Project loan, for which one (1) disbursement was received. Both new instruments were contracted on concessional terms. To date, disbursements have not yet been received from Saudi Arabia's Climate Smart Infrastructure Project which was contracted end-2023.

The ATM of the total portfolio was 10.6 years at the end of 2024 which was a tad higher than the previous year by 0.2 years. It met the established target of equal to or greater than 8.0 years. Similarly, the benchmark for ATR of the total portfolio, which is 10.0 years or above, was achieved as ATR increased by 0.3 years above 2023 to 10.2 years in 2024.

The weighted average interest rate of the total portfolio is estimated at 8.0 percent at end-2024 as opposed to 2.7 percent in 2023. This is due to the sharp increase in interest in bonus/payments to bondholders associated with the extraordinary performance of the CBI Programme.

The ECCB, which is the monetary authority, maintains sufficient foreign exchange reserves to support the XCD that is pegged to the USD. Non-USD debt currently represents approximately 28.4 percent of the foreign currency debt portfolio. Both new loans contracted in 2024 are denominated in USD.

2 EXISTING DEBT PORTFOLIO –2024

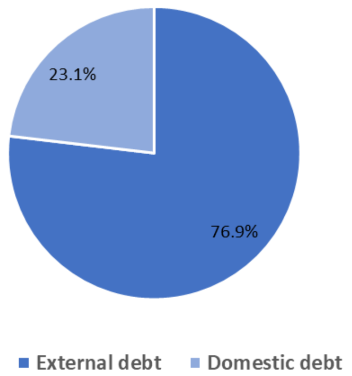
This section gives a detailed review of the composition of **Central Government's** outstanding debt.

2.1 Composition of Central Government's Debt Portfolio

2.1.1 Total Central Government Debt (Figure 1)

Total Central Government debt at the end of 2024 is estimated to be XCD$2,200.1 million. It comprises XCD$1,690.9 million (76.9 percent) external debt and $509.2 million (23.1 percent) domestic debt (Figure 1).

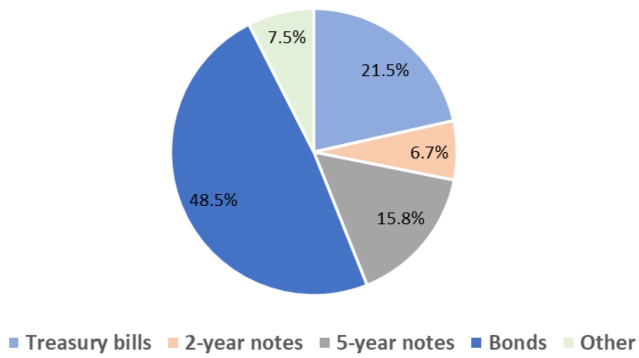
Figure 1: Composition of Central Government Debt



2.1.1.1 Domestic Debt (Figure 2)

At the end of 2024, the composition of Central Government's domestic debt is estimated to be 48.5 percent bonds, 21.5 percent T-Bills, 22.5 percent T-Notes and 7.5 percent other liabilities.

Figure 2: Domestic Debt by Instrument Type

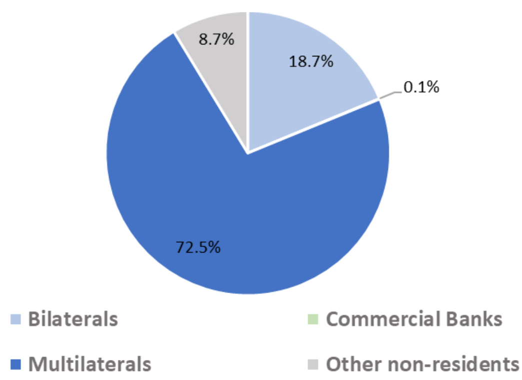


2.1.1.2 External Debt (Figure 3)

At the end of 2024, the composition of Central Government's external debt is estimated to be as follows: multilateral creditors 72.5 percent; bilateral creditors 18.7 percent; other non-residents 8.7 percent; and commercial loans 0.1 percent. Multilaterals include IDA, CDB, International Monetary Fund (IMF), Organization for Petroleum Exporting Countries (OPEC), International Bank for Reconstruction and Development (IBRD), International Fund for Agricultural Development (IFAD) and CARICOM

Development Fund (CDF). Bilateral creditors include The People's Republic of China, Kuwait, Trinidad, EXIM Bank of China, EXIM Bank of the US, and Bank of Alba.

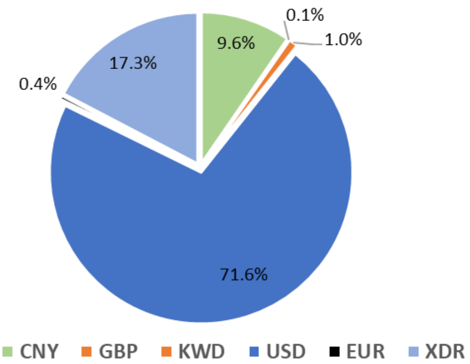
Figure 3: External Debt by Creditor Category



2.1.1.3 External debt by currency composition (Figure 4)

The currency composition of external debt at the end of 2024, is estimated to be as follows: USD $1,210.7 million (71.6 percent), Special Drawing Rights (XDR) $293.0 million (17.3 percent), China Yuan Renminbi (CNY) $162.2 million (9.6 percent), Kuwaiti Dinar (KWD) $16.4 million (1.0 percent), Euro (EUR) $6.7 million (0.4 percent) and Great Britain Pound (GBP) $1.9 million (0.1 percent).

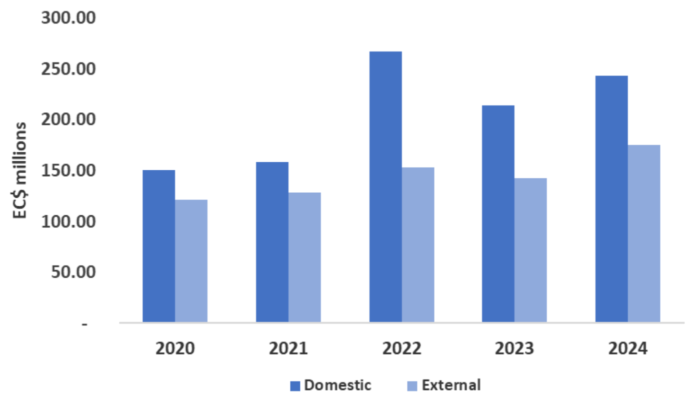
Figure 4: External Debt by Currency Composition



Debt Service Payments (Figure 5)

Figure 5 shows debt service payments during the period 2020 to 2024. Total debt service increased between 2020 and 2022. There was a spike in domestic debt service in 2022 because an analysis of the debt numbers revealed that a portion of reissuances was not captured. Debt service then fell in 2023 below 2022 but increased sharply in the year 2024 due to extraordinary CBI bonus (interest) payments linked to the 2030 International Bonds. CBI bonus (interest) payments to bondholders totaled XCD$78.1 million in 2024.

Figure 5: Debt Service (2020-2024)



2.2 Risk Analysis of the Debt Portfolio

An analysis was done on the basic cost and risk indicators in the debt portfolio. The debt portfolio has inherent risks related to market conditions. The main portfolio risks in 2024 are covered in this Section.

2.2.1 Interest Rate Risk

Interest rate risk is the risk associated with an increase in interest rates. ATR is calculated to measure interest rate risk. Grenada's set benchmark for the ATR of its total debt portfolio is 10.0 years or above. At end-2024, the target will be met as it is projected to be approximately 10.2 years, of which 16.2 percent is subject to a change in interest rate in one year (Table 1). Interest rate risk is primarily due to the short lifespan of the instruments in the domestic portfolio, which resulted in an ATR of 5.3 years, 26.0 percent of which is subject to re-fixing in one year. The ATR of the external debt portfolio is 11.7 years with 13.2 percent of external debt re-fixing in one year. Furthermore, 92.3 percent of external debt is contracted at fixed interest rates and the remaining 7.7 percent consists of floating-rate debt from both multilateral and bilateral creditors.

2.2.2 Refinancing /Rollover Risk

Refinancing/rollover risk is the vulnerability of the portfolio to higher costs for refinancing maturing debt within a period or in extreme cases if the debt cannot be reissued at all. Grenada's overall operational target to refinance debt is 8.0 years or above. The ATM of Grenada's total debt portfolio in 2024 is estimated to be 10.6 years which is above target. This is primarily due to external debt with an ATM of 12.2 years, 6.3 percent of which will mature in one year. On the other hand, domestic debt has higher exposure to refinancing risk because it is short termed. The ATM of domestic debt is 5.3 years, of which 26.0 percent will mature in one year.

2.2.3 Foreign Exchange Risk

Foreign exchange risk measures the exposure of the portfolio to changes in exchange rates. Grenada's debt portfolio has minimal exposure to foreign exchange risk. At end-2024, it is forecasted that the set benchmark of 80.0 percent maximum will be achieved. Furthermore, despite the fact that a high portion of approximately 76.9 percent of the total portfolio is denominated in foreign currencies, 71.6 percent of foreign debt comprises debt denominated in USD to which the XCD is pegged. The pegging of the XCD to the USD provides a level of stability, mitigating the impact of exchange rate fluctuations on the foreign currency-denominated debt.

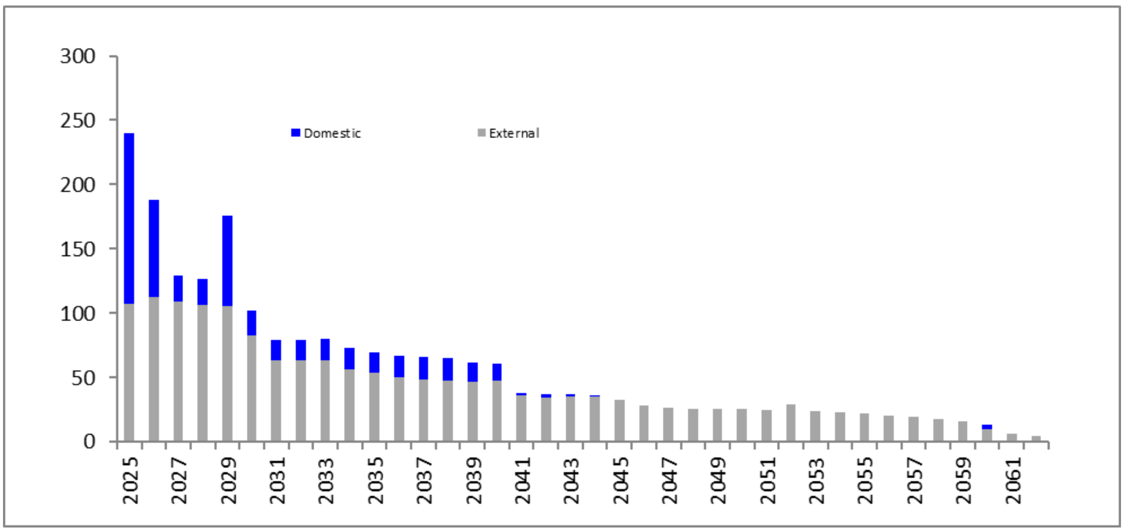
Table 1: Cost and Risk Indicators for Grenada's Existing Debt Portfolio as at end- 2024

Risk Indicators		External debt	Domestic debt	Total debt
Amount (in millions of XCD)		1,690.9	509.2	2,200.1
Amount (in millions of USD)		626.3	188.6	814.9
Debt as % GDP		44.1	13.3	57.4
PV as % of GDP		33.2	17.3	50.5
Cost of debt	Interest payment as % GDP	1.5	3.1	4.6
	Weighted Av. IR (%)	3.4	23.5	8.0
Refinancing risk	ATM (years)	12.2	5.3	10.6
	Debt maturing in 1yr (% of total)	6.3	26.0	10.9
	Debt maturing in 1yr (% of GDP)	2.8	3.5	6.3
Interest rate risk	ATR (years)	11.7	5.3	10.2
	Debt refixing in 1yr (% of total)	13.2	26.0	16.2
	Fixed rate debt (% of total)	92.3	100.0	94.1
FX risk	FX debt (% of total debt)			76.9
	ST FX debt (% of reserves)			9.1

2.2.4 Redemption Profile

The Redemption Profile depicts the risks inherent in the portfolio and the scheduled amortization of outstanding debt (Figure 6). A significant portion of domestic debt, namely T-Bills, along with one (1) 2-year T-note and one (1) 5-year T-note, will mature in 2025. Additionally, in 2026, four (4) T-notes will mature, two (2) 2-year and two (2) 5-year T-notes. The spike in 2029 is due to the maturity of two (2) 5-year T-notes issued in 2024. In contrast, external debt has a more even and extended redemption profile because of the longer maturity and concessional terms of external loans from multilateral and bilateral creditors.

Figure 6: Redemption profile (based on Currency) as at the end-2024 (XCD Million)



3 MACROECONOMIC PERFORMANCE, MEDIUM-TERM OUTLOOK, AND KEY RISKS

3.1 Public Finance

Despite the devastating impact of Hurricane Beryl in July 2024, the Grenadian economy demonstrated impressive resilience. The year ended with GDP (market prices) estimated at $3,830.1 million and real GDP growth of 3.7 percent year-on-year.

Consumer prices (period average) declined further in 2024 to 2.4 percent, supported by Government's policies, including the removal of VAT on basic food and other essential items and the electricity and transport price subsidies introduced.

Unprecedented Citizenship-by-Investment inflows and the CCRIF insurance payout bolstered Government's fiscal position in 2024. An overall balance surplus of $310.4 million (8.1 percent of GDP) was recorded as of December 2024, with a primary balance surplus (after grants) of $432.9 million (11.3 percent of GDP). These provisional balances were greater than budgeted and surpassed the fiscal performance on record for 2023.

Financial sector conditions remained stable and sound, and external stability was well anchored in 2024.

The near-term economic outlook is favourable, with real GDP expected to accelerate in 2025 reaching 4.1 percent, driven by continued strong tourism demand and recovery and reconstruction activities.

Notwithstanding the high risk of reversals of inflation gains, consumer prices are projected to moderate further over the medium term.

An expansionary fiscal stance is needed to support the resilient recovery post Hurricane Beryl. This will require a temporary weakening of the fiscal position, with a primary balance deficit of $208.6 million or 5.1 percent of GDP forecasted. This fiscal stance represents a deviation from the Primary Balance Rule of a surplus of 1.5 percent of GDP under the Fiscal Resilience Act of 2023. Accordingly, the Fiscal Resilience Act will be further suspended in 2025.

Financial sector conditions are expected to remain robust and the external sector improve as the economy expands.

Table 2: Fiscal Projections for 2025-2027 (MTFF)

In millions of Eastern Caribbean Dollars, unless stated otherwise						
	2025		**2026**		**2027**	
	Projected	% GDP	Projected	% GDP	Projected	% GDP

Total Revenue & Grants	**1265.0**	**31.1**	**1,316.2**	**30.4**	**1,370.8**	**29.9**
Total Revenue	**1,192.5**	**29.4**	**1,273.8**	**29.4**	**1,350.2**	**29.5**
Tax Revenue	936.4	23.1	998.0	23.1	1056.9	23.1
Non - Tax Revenue	256.0	6.3	275.8	6.4	293.4	6.4
Grants	**72.5**	**1.8**	**42.4**	**1.0**	**20.6**	**0.4**
Total Expenditure	**1,602.4**	**39.5**	**1,403.1**	**32.4**	**1,249.9**	**27.3**
Primary Expenditure	1,473.6	36.3	1,341.9	31.0	1192.8	26.0
Current Expenditure	**1,105.9**	**27.2**	**1,047.3**	**24.2**	**1041.7**	**22.7**
Employee compensation	411.0	10.1	417.4	9.6	419.7	9.2
Wages, salaries & allowances	377.6	9.3	394.2	9.1	395.4	8.6
Social Contribution to employees	33.4	0.8	23.2	0.5	24.3	0.5
Goods and Services	231.1	5.7	231.1	5.3	226.1	4.9
Interest Payments	128.8	3.2	61.2	1.4	57.1	1.2
Transfers	335.0	8.2	337.7	7.8	338.7	7.4
IMA Expenses	44.2	1.1	34.2	0.8	37.0	0.8
Capital Expenditure	**496.5**	**12.2**	**355.8**	**8.2**	**208.2**	**4.5**
o/w: Grant financed	59.2	1.5	42.4	1.0	20.6	0.4
Overall balance	**-337.4**	**-8.3**	**(86.9)**	**-2.0**	**121.0**	**2.6**
Primary balance (excluding grants)	**(281.1)**	**-6.9**	**(68.1)**	**-1.6**	**157.5**	**3.4**
Primary balance (including grants)	**(208.6)**	**-5.1**	**(25.7)**	**-0.6%**	**178.1**	**3.9**
Memo Item						
GDP (Nominal market Prices)	**4,061.8**		**4,329.0**		**4,584.1**	
Real GDP growth (%)	**4.1%**		**4.5%**		**4.0%**	

Source: Ministry of Finance

3.2 Monetary Sector

Between January and June 2024, Grenada's financial sector demonstrated resilience, with moderate growth in liquidity and profitability in commercial banking, and positive membership and asset trends in credit unions.

Net Foreign Assets (NFA) increased by 17.0% ($411.8 million) from November 2023 to November 2024, indicating stronger external reserves and enhanced external stability. Conversely, Net Domestic Assets (NDA) decreased by 25.5%, with a significant contraction in domestic credit by 10.5% ($129.8 million). Despite this, private sector credit increased by 9.7% ($177.7 million), suggesting business recovery and expansion following Hurricane Beryl.

Grenada's monetary aggregates showed notable changes between August 2023 and August 2024, with monetary liabilities (M2) increasing by 8.9%, suggesting higher liquidity in the economy, which could support economic growth by encouraging spending and investment. However, increased liquidity may also contribute to inflationary pressures, requiring careful monitoring by policymakers.

The money supply (M1) grew by 6.2%, with increases in currency circulation and cash at commercial banks, indicating a stronger banking sector and higher cash transactions. At the same time, quasi-money declined by 14.0%, indicating a shift away from long-term savings. While private sector savings deposits increased by 7.7%, time deposits dropped by 9.0%, suggesting that individuals may be opting for more liquid financial instruments rather than long-term commitments. Private sector foreign currency deposits increased by 12.0%, pointing to a growing preference for holding foreign currency, which could be influenced by factors such as trade expansion or investment opportunities abroad.

The XCD remains pegged to the USD and this reduces the margin to maneuver monetary policy by the Eastern Caribbean Central Bank (ECCB). However, this peg provides stability for the portfolio because USD-denominated debt dominates the external portfolio so there is minimal exchange rate risk on Government’s overall debt portfolio.

3.3 Real Sector

The resilience of Grenada's economy is significantly bolstered by the contributions of key stakeholders across various sectors. By focusing on boosting production, enhancing tourism offerings, exploring new export markets, and implementing fiscal policies designed to withstand external shocks, Grenada is well-positioned for sustained economic growth and development.

The tourism industry remains the fastest-growing sector, driving economic expansion in 2024. Its growth creates significant ripple effects across other sectors, including transportation (air, sea, and land), wholesale and retail, construction—particularly through major hotel projects with substantial economic impacts—and manufacturing. This interconnected growth underscores tourism’s central role in the broader economic landscape.

Private education also plays a significant role in the Grenadian economy, with the influx of students from St. George’s University contributing significantly to the sectors mentioned above, as well as the real estate sector. The government's fiscal position also plays a key role in economic growth, as evidenced by its contribution to 2024 real GDP.

While the economy shows promising growth prospects, challenges remain that could affect its overall performance. Limited data availability hinders precise evaluations of sectoral performance, potentially slowing the development of targeted policies. Additionally, climate-related hazards pose severe risks, causing widespread damage to livelihoods, prolonged recovery periods, and significant strain on public finances. External shocks further compound these vulnerabilities by disrupting supply chains, delaying goods and services, and impacting business operations.

Despite these challenges, government-led resilience initiatives and recovery efforts following Hurricane Beryl, combined with meaningful and timely fiscal policies, have significantly improved economic prospects. As a result, real GDP is estimated to have grown by 3.7 percent in 2024, clearly reflecting the positive impacts of recovery processes and relief measures. A detailed analysis of these economic sectors follows.

3.4 External Sector

Grenada's economic interactions with the rest of the world involve the import and export of goods and services, as well as financial transactions related to asset acquisition and liability management. These activities are systematically recorded in the Balance of Payments (BoP) account, which is compiled by the Eastern Caribbean Central Bank.

An analysis of the current account in 2024 indicates that Grenada continues to experience a trade deficit, as imports consistently exceed exports. This persistent trade imbalance reflects structural challenges in the country's external trade relations. As of March 2024, Grenada's trade balance stood at EC$ (-370.1 million). Total exports for the period amounted to EC$ 22.0 million, representing a 4.8% decline compared to the previous period. Of this, domestic exports accounted for EC$ 19.6 million, while re-exports totaled EC$ 2.4 million.

Meanwhile, total imports in the first quarter of 2024 remained significantly higher than exports, reaching EC$ 392.1 million. While this marks a reduction from the same period in 2023, imports continue to drive the trade deficit.

The overall trend underscores the need for targeted strategies to enhance export performance, diversify trade, and improve external sector stability.

3.5 Outlook for Debt Management

The Government of Grenada (GoG) continues to efficiently secure debt financing through a well-functioning Regional Government Securities Market (RGSM), over-the-counter instruments, and multilateral and bilateral credit arrangements. The Government's strategy—centered on concessional borrowing, extending its debt maturity profile, restructuring old bilateral arrears, and enhancing transparency and risk management—positions it favorably for sustainable financing.

3.6 Risk Sources and Potential Impact Factors

Table 3 details sources of potential risk on the existing debt portfolio and the related impact on debt management.

Table 3: Risk Sources and Potential Impact

RISK SOURCE	IMPACT ON	DEBT-RELATED RISK
GDP decline	Taxes and revenues	Weak debt repayment capacity
Deterioration in the fiscal position	Primary balance	High financing needs
Current Account Deficit & reduction in foreign direct investment (FDI)	Balance of Payments	Need for external financing (private/public)
Currency depreciation	Debt Portfolio	High FX debt service
Terms of Trade	Commodities prices Exchange rate	High FX debt service
Low appetite for long-dated securities	ATM	Roll-over risk
Reducing stock of concessional external debt	Interest Rates and maturity	Potential drain on reserves/ pressure on the balance of payments

4 Medium-term Debt Management Strategy

4.1 Targets and Ranges for Key Risk Indicators

The strategic benchmarks set forth for all three (3) MTDS strategies over the period 2025-2027 were met, noting that the debt to GDP target refers to public sector debt while the MTDS deals specifically with Central Government's debt. This resulted in a favorable structure for Central Government's debt over the medium term. Under strategy 2 (S2), ATM and ATR fell below target but this outcome was expected as S2 consisted of a higher degree of domestic short-term financing than the other strategies.

In 2024, the ratio of interest payments to GDP was significantly higher than the set benchmark (Table 4). This was due to XCD$78.1 million of CBI bonus (interest) payments related to the 2015 Debt Restructuring. With the projected decline in NTF receipts over the medium term, the CBI bonus is expected to decrease by the following year, 2025, hence interest payments to GDP will once again fall within target.

Table 4: Risk indicators

Risk Indicators	**2024**	**2027**
	Current	**Target Range**
*Central Government Debt as % of GDP	57.4%	<=60.0%
Interest payment as % of GDP	4.6%	<=2.5%
Debt maturing in 1yr (% of total)	10.9%	<=20.0%
Debt maturing in 1yr (% of GDP)	6.3%	<=10.0%
ATM Total Portfolio (years)	10.6 years	>=8.0 years
ATR (years)	10.2 years	>=10.0 years
FX debt as % of total	76.9%	<=80.0%

**Central Government's debt only*

For the 2025-2027 MTDS, the target Public Debt[2]-to-GDP ratio is guided by the FRL 2015 amended 2023, which states that it must not exceed 60.0 percent to be achieved by 2035. In 2020, public sector debt was 70.4 percent, which was above target. At the time, debt increased due to new borrowing to combat the effects of the COVID-19 pandemic in Grenada. The ratio increased slightly the following year (2021) to 70.7 percent but has been on a downward trajectory since. In 2023, CG Debt to GDP was 59.7 percent and fell to 57.4 percent by end of 2024. This decrease was recorded even with the impact of Hurricane

[2] Public Debt according to the FRL includes:

(a) the total stock of public sector debt from domestic or external sources for any purpose including the total sum of debt guaranteed by the government including contingent liabilities assumed by the government, but excluding contingent arising from, as a result of, or in connection with public-private partnership;

(b) the debt and contingent liabilities of statutory bodies and state-owned enterprises; and

(c) such sums as may be necessary to defray expenses in connection with such liabilities.

Beryl due to the robust GDP performance in the first half and the economic response to the hurricane which supported GDP growth, keeping the debt-to-GDP ratio on a downward path.

Interest payments as a percentage of GDP declined between 2020 and 2023 but have increased in 2024. The ratio declined from 2.0 percent in 2020 to 1.8 percent in 2021. In 2022, the ratio was at 1.6 percent and decreased marginally in 2023 to 1.5 percent. The downward trend is a result of borrowing on highly concessional terms for which the loans were contracted at low interest rates. The GoG has also benefitted from declining yields on the RGSM. In 2024, due to the unusually high IMA/CBI related interest payments the ratio of interest payments to GDP is projected to be 4.6 percent.

The benchmark for debt maturing in 1.0 year, as a share of Central Government's debt is set to be less than or equal to 20.0 percent of the portfolio. Though this seems like a high concentration of repayments in the short term, the issuance of T–Bills is necessary for the development of the domestic market and in meeting statutory requirements for the financial sector. This indicator remained in line with its target in 2024 as it was projected to be 10.9 percent. The indicator is lower than the previous year when it was 13.8 percent as XCD$40.0 million of over-the-counter T-bills were redeemed during 2024. As a share of GDP, the target is to keep the risk below 10.0 percent which was achieved as it was 6.3 percent.

To reduce refinancing risk and reduce the need for Government to secure new sources of funding, the target ATM and ATR of the total portfolio are set at 8.0 years or more and 10.0 years or more respectively. The existing debt is primarily on concessional terms from development partners with long maturities. The policy of the Government, as is reflected in this MTDS, emphasizes the implementation of existing Public Sector Investment Projects and draws down on CUB from external creditors on concessional terms.

The benchmark for foreign currency debt as a percentage of total Central Government debt is set at 80.0 percent maximum. It suggests high exposure to foreign currency risk, but this is manageable since the most dominant foreign currency in Grenada's portfolio is USD, to which the XCD is pegged. Also, risks of valuation changes due to exchange rate movements and market expectations suggest that changes in the exchange rate of XCD to XDR, which is the second most dominant currency, are minor. All other non-USD denominated debt comprise approximately 10.0 percent of the external portfolio at the end of 2024.

4.2 Assumptions and Potential Financing Sources

Concessional borrowing is always preferred. It was suggested that all new external funding over the medium term (2025 -2027) be contracted in USD, at fixed interest rates, and with long maturity periods. The MTDS also recommended that Grenada's traditional multilateral and bilateral creditors be targeted to meet financing needs. On the domestic side, funding will be received from the reissuance of all maturing domestic instruments, with the option to take up additional funding on T-bills on the RGSM. Also, the issuance of new T-notes and a homeowners' bonds was factored. Table 5 displays proposed financial terms and indicative sources of financing over the medium term.

Table 5: Proposed Terms of new Financial Instruments

Creditor/Instrument	Maturity (Years)	Grace (Years)	Interest Type	Currency
Multilateral- Regional Development Bank	20 - 25	10	Fixed	USD
Multilateral- International Institutions	36 - 40	10	Fixed	USD
Bilateral-Government Agency	25-30	5	Fixed	USD
Domestic & Regional investors- Homeowners' bonds	1-5	0	Fixed	XCD

4.3 Alternative Strategies

Each strategy chosen varies by the mix of borrowing, whether it be from domestic and/or external sources, interest rates whether they be fixed and/or variable, as well as maturity and grace periods.

Three (3) alternative debt management strategies were considered.

Strategy 1 (S1): This strategy mirrors Government's current borrowing practices. With the status quo external financing is contracted from Government's traditional multilateral creditors on concessional terms and the drawdown of CUB from both multilateral and bilateral creditors, and RGSM operations to meet financing needs. S1 factors in three (3) new multilateral loans in 2025: The Caribbean Efficient & Green-Energy Building Project of XCD$81.0 million (USD30.0 million), Caribbean Regional Investment Facility of XCD$27.0 million (USD$10.0 million), and an SDF allocation of XCD$33.4 million (USD$12.4 million). It also incorporates new facilities in 2025 to finance the New Hospital Project, in the amount of XCD$ 405.0 million (USD$150.0 million). Both the Caribbean Efficient & Green-Energy Building Project and the Caribbean Regional Investment Facility will be fully disbursed throughout the period 2025-2027, unlike the other loans that will begin disbursing in 2025 but have longer spreads.

To meet residual financing needs, S1 recommended that all domestic T-Bills and T-Notes on the local and regional markets be reissued when they fall due. S1 also recommended that in 2025, there should be the option to take up additional funding on the RGSM. The option to take up will be activated when the sole 91-day T-Bill valued at XCD$15.0 million is reissued. There will also be the option to take up additional on the 365-day RGSM T-bills. Furthermore, a new 2-year homeowners' bond is being piloted. The strategy considered that a 5-year bond will be issued for budget support in 2025. Total new domestic issuances are recommended at XCD$60.0 million.

In 2026, all maturing domestic instruments will be reissued under this strategy and the same options to take up additional funding on the RGSM will continue. In 2027, as in 2026, all maturing domestic instruments will be reissued. The option to take up additional funding on the RGSM will cease however, but there will be the introduction of a new 2-year private placement T-note in the amount of XCD$5.0 million and two

(2) additional 5-year bonds at XCD$20.0 million each.

Strategy 2 (S2): This strategy suggests stronger reliance on the domestic and regional markets to meet financing needs. On the external side, the same external loans will be contracted as with S1, however, three (3) will be contracted in 2025 and one (1), Caribbean Regional Investment Facility, will be contracted in 2026. Disbursements on all loans will be of lesser amounts each year. The only loan fully disbursed over the medium term will be the SDF allocation of XCD$33.4 million (USD$12.4 million). There will also be drawdowns on CUB from external multilateral and bilateral creditors.

On the domestic side, all maturing instruments will be reissued. On the RGSM there will be the same options to take up additional financing as with S1 but this will hold for all three years (2025-2027). In 2025, a new private placement T-bill in the amount of XCD$10.0 million will be issued. One (1) new 2-year T-note in the amount of XCD$18.4 million and three (3) new 5-year bonds in the amount of XCD$25.0 million each will also be issued. In 2026, there will be the issuance of a new private placement 2-year T-note in the amount of XCD$10.0 million and private investors will be approached to increase the amounts of their investments when they mature. Bank of St. Lucia's (BOSL's) private placement T-note in the amount of XCD$21.0 million will mature and the goal is to increase it to XCD$31.0 million and two (2) 5-year T-notes held by Grenada Cooperative Bank of XCD$10.1 million and XCD$12.1 million will also mature and the goal is to increase them to XCD$25.0 million each. In 2027, all 1-year and 2-year instruments maturing will be reissued. There will be the introduction of a new 2-year private placement T-note in the amount of XCD$27.0 million and three (3) 5-year bonds in the amount of XCD$20.0 million each.

Strategy 3 (S3): This strategy gives preference to external borrowing to meet financing needs as they arise, post hurricane Beryl. All external funding will be contracted from both multilateral and bilateral creditors on concessional terms as with the other strategies. The same external instruments will be contracted but in this case all three (3) multilateral loans will be fully disbursed by end-2027 and the bilateral loan will be partially disbursed (68.9 percent). There will be a drawdown on CUB primarily in USD from both multilateral and bilateral sources as well.

S3 advocates for the lengthening of the domestic debt profile where possible to reduce refinancing risk. There will not be the option to take up any additional funding on the RGSM as with the other strategies, however, all maturing instruments will be reissued. In 2025, one (1) new 2-year T-note will be introduced in the amount of XCD$3.1 million and two (2) new 7-year homeowners' bonds will be introduced of XCD$ 25.0 million each. In 2026, First Citizens Investment Services will be approached to increase their maturing XCD$10.0 million T-bill to XCD$15.0 million. Also, there will be the introduction of a 2-year note in the amount of XCD$5.0 million and Grenada Cooperative Bank will be approached to increase both of their 5-year T-notes by XCD$7.5 million each in this case. In the year 2027, all maturing instruments on the domestic market will be reissued and three (3) new 5-year bonds will be issued at XCD$20.0 million each.

Table 6: Strategy Considerations

Strategy	Average Financing Mix (%) (Ext: Dom)	Objectives
S1	78: 22	Status quo- reflects a combination of domestic and external borrowing that is in line with Government's current borrowing practices.
S2	71: 29	Confidence in the Region- Stronger reliance on funding from domestic and regional creditors as opposed to external creditors, with the inclusion of households for the introduction of homeowners' bonds.
S3	76: 24	Post Hurricane Beryl Recovery: Targets funding chiefly from external multilateral and bilateral creditors on concessional terms, and advocates for the lengthening of the domestic debt profile.

Three stress scenarios with differing impacts were used to assess the robustness of the alternative debt management strategies for interest and exchange rates: moderate and extreme. The shocks help to identify the vulnerabilities of the strategies to external shocks. The magnitude of the shocks was determined by the historical experiences of the interest rates in external markets and in Grenada. Possible macroeconomic risks facing Grenada's economy are also considered. For the shocks, it is assumed that the market variables (interest rates and exchange rates) will increase over the medium term. Also, the model assumes consistent growth in nominal GDP for the respective years in the period under consideration.

Baseline Scenario: In the baseline scenario the reference rates for 6-month re-fixed instruments are forecasted to increase marginally over the period 2025-2027. In addition, there are no expected exchange rate changes in the USD. However, the XDR and CNY are expected to appreciate slightly against the local currency over the projection horizon. Loans denominated in KWD were converted into USD as they only constitute 0.8 percent of the portfolio at the end of 2024 and new funding has not been contracted in KWD for quite some time.

Scenario 1: Exchange Rate Shock

a) Moderate: A 15.0 percent depreciation of the domestic currency against the XDR, SAR and CNY in 2025, which is sustained thereafter.
b) Extreme: A 30.0 percent depreciation of the domestic currency against the XDR, SAR and CNY in 2025, which is sustained thereafter.

Scenario 2: Interest Rate Shock

a) Moderate: A 100 basis points rise in the domestic T-Bill cap rate, and 200.0 basis points rise in the 6-month reference interest rate and any other floating rate instruments. The shock was applied to the projected baseline interest rate for each year of the Strategy period.

b) Extreme: A 200 basis points rise in the domestic T-Bill cap rate, and 400.0 basis points rise in the 6-month reference interest rate and any other floating rate instruments. The shock was applied to the projected baseline interest rate for each year of the Strategy period.

Scenario 3: Combination Shock- is the moderate interest rate scenario (200.0 basis points on floating rate debt) combined with a moderate exchange rate scenario (15.0 percent depreciation of the domestic currency vis-a-vis the XDR, SAR and CNY) in 2025 and sustained thereafter.

4.3.1 Cost Risk Analysis under Different Strategies

The outcomes under the baseline and shock scenarios for each strategy were assessed and discussed. Table 7 highlights the cost and risk indicators. Both the debt-to-GDP ratio and the present value of debt in each of the strategies improved relative to the current period. Likewise, interest payment as a percentage of GDP and the implied interest rate declined significantly across all strategies relative to the current period, but this is because IMA is forecasted to decrease by a significant amount.

Based on the established benchmarks, the associated risks with each of the strategies were assessed (Table 7). Refinancing risk was higher across all strategies when compared to the current year. This was expected with the increases in domestic debt through the issuance of new instruments and the option to take up additional funding on the RGSM in some instances. Domestic instruments that will mature include: one (1) 2-year T-note of XCD$2.1 million maturing in both 2025 and 2027, as it will be reissued upon maturity, one (1) 5-year T-note of XCD$8.2 million also maturing in 2025, two (2) 2-year T-notes totaling XCD$31.0 million maturing in 2026 and two (2) 5-year T-notes totaling XCD$22.2 million also maturing in 2026. According to each strategy all maturing instruments will be reissued. The indicator of refinancing risk that showed improvement is the ATM of the external portfolio as it was higher across all three (3) strategies due to new borrowing with lengthy maturity periods.

With respect to interest rate risk, the ATR was favorable for S1 and S3 although S3 was 0.2 years lower than the current ATR. This is because they met the target of 10.0 years or above. ATR for S1 was 0.1 years higher than the current year. S2, on the other hand, had an ATR of 9.6 years which fell below target because of the high concentration of short-term debt suggested by this strategy.

When it comes to foreign currency risk, the foreign debt as a percentage of total debt ratio recorded an increase for S1 only relative to 2024. This was expected given the varying financing combinations considered under each strategy over the period (2025 - 2027). A high level of foreign debt in the portfolio reflects heightened risk as the share of debt denominated in foreign currency (non-USD) is subject to exchange rate risk. However, a large portion of foreign debt (71.6 percent at end-2024) has been contracted in USD to which the XCD is pegged. This minimizes the level of foreign currency risk in the portfolio. The established benchmark was met for all strategies however.

Table 7: Cost Risk Indicators of Alternative Strategies

Risk Indicators		2024	As at end 2027			Target
		Current	S1	S2	S3	
Debt as % of GDP		57.4	55.19	55.36	55.24	Max 60%
Present value debt as % of GDP		50.5	43.61	44.73	44.04	
Interest payment as % of GDP		4.6	1.52	1.62	1.55	Max 2.5%
Implied interest rate (%)		8.0	2.83	3.01	2.89	
Refinancing risk	Debt maturing in 1yr (% of total)	10.9	13.24	15.63	13.28	Max 20 %
	Debt maturing in 1yr (% of GDP)	6.3	7.31	8.66	7.34	Max 10 %
	ATM External Portfolio (years)	12.2	12.46	12.53	12.36	
	ATM Domestic Portfolio (years)	5.3	3.79	3.55	3.92	
	ATM Total Portfolio (years)	10.6	10.54	9.90	10.32	Min 8 yrs
Interest rate risk	ATR (years)	10.2	10.25	9.61	10.03	Min 10 yrs
	Debt refixing in 1yr (% of total)	16.2	17.31	19.70	17.35	
	Fixed rate debt (% of total)	94.1	95.50	95.52	95.51	
FX risk	FX debt as % of total	76.9	77.83	70.84	75.86	Max 80%
	ST FX debt as % of reserves	9.1	11.96	11.21	11.92	

4.4 Selected Strategy

The preferred strategy was S1 which recommends that the Government of Grenada maintains its current borrowing practices over the medium term, which means committing to heavy reliance on external funding to meet financing needs, as well as a strong domestic market presence for the 3-year period 2025-2027. When it comes to cost and risk, S1 outperformed the alternative strategies and was therefore seen as the most suitable over the medium term. Under S1, the ratios of Debt to GDP and interest payment to GDP were most favorable. S1 also had the highest ATM of 10.5 years by the end of 2027, a negligible decrease of 0.1 years when compared to the current period and recorded the highest ATR as well of 10.3 years, which is actually higher than that of the present period. The share of foreign debt is highest under S1 which was expected due to the amount of external funding to be contracted and disbursed. However, the ratio still meets the set benchmark of 80.0 percent. Under the chosen strategy, with the exception of debt to GDP, which was only 0.2 percent higher than the established benchmark, all other indicators met their relevant targets.

4.4.1 Market Risks – Exchange Rate

S1 recommended that all borrowing to meet financing needs be contracted primarily from GoG's multilateral and bilateral creditors on concessional terms, such as CDB and IDA, and the drawdown of CUB from existing loans. It also recommended that all new funding be contracted in USD, at fixed interest rates and with long maturity periods. Domestic debt will be contracted from reissuances and new instruments on the domestic and regional markets in 2025 through 2027. Grenada will exercise the option to take up limited oversubscription on some of its auctions. The ECCB, which is the monetary authority, maintains sufficient foreign exchange reserves to support the XCD that is pegged to the USD. Forecasted non-USD debt at end-2024 represents approximately 28.4 percent of the foreign currency debt portfolio.

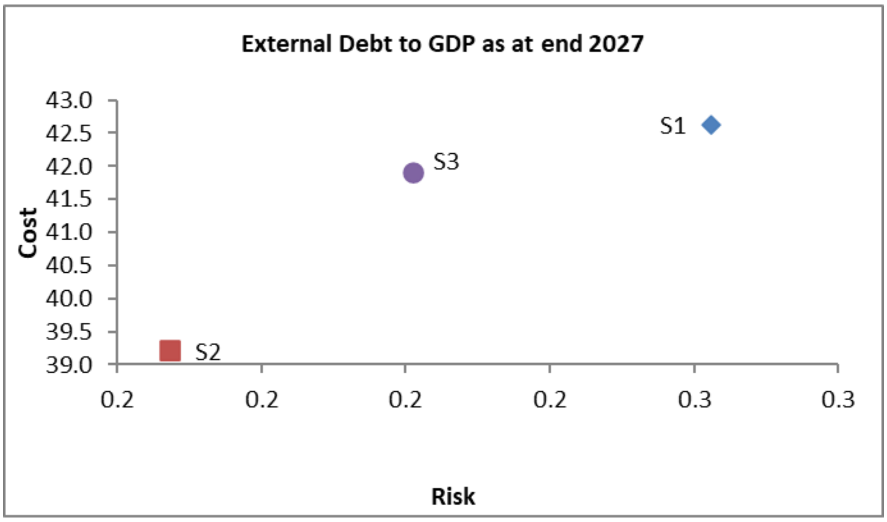
Under S1, the planned financing option includes three (3) new multilateral loans totaling approximately

XCD$141.4 million. These include CDB's Caribbean Efficient & Green-Energy Building Project of XCD$81.0 million (USD30.0 million), an SDF allocation from CDB as well of XCD$33.4 million (USD$12.4 million), and IDA's Caribbean Regional Investment Facility of XCD$27.0 million (USD$10.0 million). It also recommends one new loan in 2025 which is the New Hospital Project loan for which bilateral funding was suggested in the amount of XCD$ 405.0 million (USD$150.0 million). A total of XCD$633.0 million in disbursements will be received over the 3-year period, XCD$423.9 million of which will be disbursements on new loans. Additionally, as recommended, there will be a drawdown of CUB from multilateral and bilateral creditors.

Projected XDR and CNY principal repayments are equivalent to XCD$64.5 million and XCD$30.5 million respectively. Loans denominated in GBP and EUR represent approximately 0.5 percent of the foreign currency debt portfolio; despite the volatility of these two currencies, the impacts on the portfolio and debt servicing are considered negligible. The External Debt-to-GDP ratio fluctuated by a maximum of 0.3 percentage points after the application of 15.0 percent depreciation (moderate) and 30.0 percent depreciation (extreme) shock scenarios to the baseline; resulting in a ratio of 43.2 percent at the end of 2027 (Figure 7).

Foreign debt as a percentage of total debt is estimated to increase to 77.8 percent over the medium term from the current proportion of 76.9 percent, remaining below the established maximum limit of 80.0 percent. The peg between the XCD and USD mitigates the risk this high share of foreign debt poses as it comprises chiefly of the USD. The chosen strategy thus continues to limit the debt portfolio's exposure to foreign currency risk in the medium term.

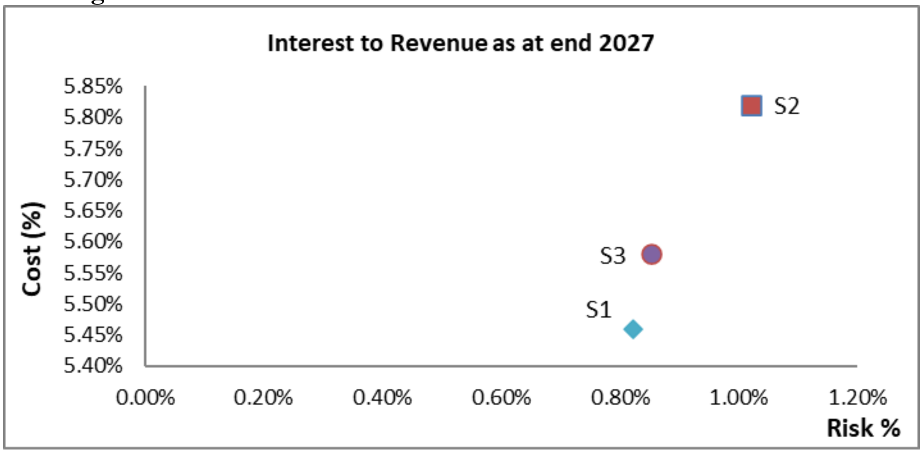
Figure 7



4.4.2 Market Risks – Interest Rate

Under S1 there will be an increase in variable-rate debt to 4.5 percent of the total Central Government debt portfolio by end-2027. The interest payments-to-revenue ratio is projected to fluctuate from the baseline by 0.004 percentage points under a moderate shock (2 percent) scenario and 0.008 percentage points under an extreme shock (4 percent) scenario. As at the end of 2027, under adverse interest rate movements, the ratio of interest payments to revenue would reflect a maximum of 0.008 percent (Figure 8). Exposure to interest rate risk is hence marginal under S1.

Figure 8



4.4.3 Refinancing Risk

Debt maturing in one year as a percentage of total debt and debt maturing in one year as a percentage of GDP will increase marginally by 2.3 percent and 1.1 percent respectively by the end of 2027. The ATM of the total portfolio will decrease negligibly by 0.1 percentage points. Notwithstanding the increase in the ratio of debt maturing in one year as a percentage of GDP or total debt, the redemption profile is reflecting a spike in 2025. This is indicative of the high level of short-term securities in the portfolio that will mature. This implies exposure to refinancing risk. The chosen strategy, however, mitigates this risk as it ensures that all maturing domestic instruments are reissued and that benchmarks are still established over the medium term.

4.4.4 Development of the Domestic Market

All RGSM, over-the-counter and private placement T-Bills and T-Notes will all be reissued upon maturity under S1. Additionally, there will be the option to take up additional funding in 2025 on the RGSM totaling XCD$60.0 million that will roll over in 2026 and six (6) new domestic instruments will be introduced, a 2-year T-note, a 5-year T-note and the new homeowners' bonds.

5. ANNUAL BORROWING PLAN

The Annual Borrowing Plan (ABP) for 2025 outlines the Government's borrowing strategy for the fiscal year. The ABP ensures alignment with Government macroeconomic and fiscal policies and objectives and the MTDS, ensuring that borrowing is conducted in a sustainable and cost-effective manner. It provides a structured approach to financing budgetary needs, managing debt obligations, and supporting key development initiatives.

While the financing needs for the 2025 Budget is large, this will be primarily met from a draw down of Government deposits held in the Consolidated Fund.

To this end, the 2025 ABP is largely driven by borrowings to support key transformative projects, such as the new Hospital Project and two major renewable energy projects funded by the World Bank. These loans will be drawn down over time, while the economy expands and therefore, ensure compliance with the FRA.

The strategy selected (S1) recommends that Government borrow from both multilateral and bilateral creditors on concessional terms in 2025 and that domestic financing should be raised from the re-issuance of all maturing instruments on the domestic and regional markets (Table 8). It also recommends the introduction of new instruments during the year, including the new homeowners' bond and that the option to take up additional funding on the RGSM is made available. The ABP suggests that all external funding be contracted primarily in USD, to which the XCD is pegged, to minimize foreign currency and interest rate risks.

In 2025, estimated external borrowing is projected to be $560 million or 67.9 percent of total borrowing whereas estimated domestic borrowing is projected to be $265 million or 32.1 percent of total borrowing. Of the domestic borrowing, close to 60 percent represents re-issues of existing Treasury Bills and Notes and will not add to the debt stock.

Methods of funding are listed in table 8 below.

Table 8: Annual Borrowing Plan

	Projected Amt. (XCD Million)
External Financing	**560**
Multilateral	131
Bilateral	429
Domestic Financing	**265**
Treasury Bills	230
o/w RGSM (including option for additional funding)	181
o/w Non-RGSM	49
Treasury Notes	15
Homeowners' bonds	20
TOTAL	**825**