MINISTRY OF FINANCE
GOVERNMENT OF GRENADA

2026-
2028

MEDIUM TERM DEBT MANAGEMENT STRATEGY

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GOVERNMENT OF GRENADA

Medium-Term Debt Management Strategy 2026 - 2028

Medium-Term Debt Management Strategy (MTDS) 2026-2028

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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 & ABBREVIATIONS

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
CTF	Clean Technology Fund
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.

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.

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.

EXECUTIVE SUMMARY

The Medium-Term Debt Management Strategy (MTDS[1]) is a borrowing plan designed to assist Government in achieving its debt management objectives. It is done by assessing the trade-offs between Government's costs and risks among other considerations, and under three alternative scenarios, the one proven to be most aligned with Government's goals over the medium term is selected. The selected strategy meets the strategic benchmarks set forth by Government and is most cost effective. The MTDS is prepared in accordance with the requirements of Part II, Section 5(1) of Grenada's Public Debt Management (PDM) Act, No. 28, of June 2015, amended by Act 13 in November 2023. The PDM Act outlines the standards by which effective debt management is achieved.

Grenada's economy rebounded strongly in 2025, with real GDP projected to grow by 6.2%, driven by post-Hurricane Beryl reconstruction, robust construction and related sectors. However, sectoral performance remains uneven, with agriculture facing climate-related challenges and tourism showing mixed recovery. While the medium-term outlook remains positive, significant risks persist from global economic volatility, commodity price fluctuations, hostilities in the middle east, heightened geopolitical tensions between the United States and Venezuela in the region, and climate vulnerabilities. Continued export diversification and regional integration are critical for long-term resilience.

Central Government's debt at the end of 2025, is estimated to be $2.2 billion of which $ 1.6 billion is external debt and $0.6 billion domestic debt. Total debt service for the year 2025 is projected to be $377.4 million or 29.2 percent of revenue which includes all reissuances of Treasury Bills (T-Bills) and Treasury Notes (T-Notes).

When it comes to risk, the existing portfolio is subject to moderate interest rate risk primarily due to the high percentage (20.6 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 10.0 years, which meets the set target of 10.0 years or higher. In 2025, debt contracted at variable interest rates poses minimal risk accounting for only 5.8 percent of the total portfolio. The refinancing risk profile of the existing portfolio has an Average Time to Maturity (ATM) of 10.4 years, which also meets the set target

[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.

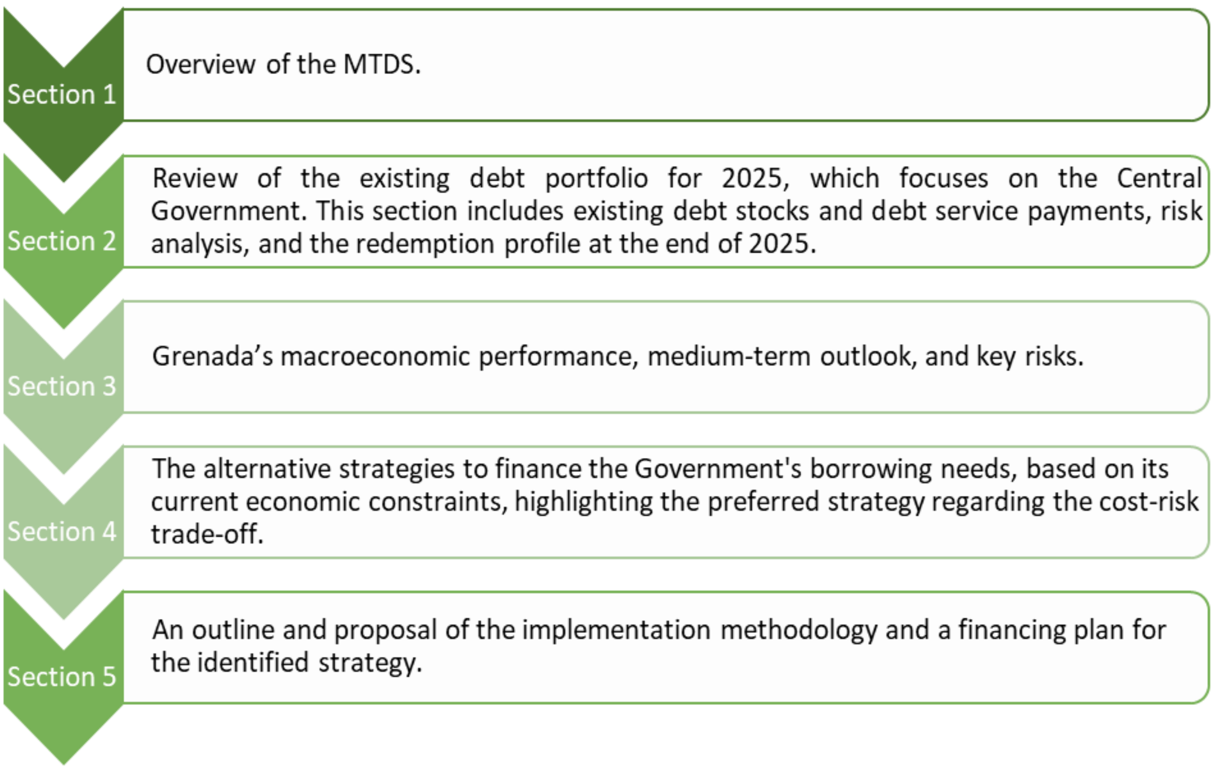
which is 8.0 years or above. The portfolio's exposure to foreign exchange risk is also minimal as foreign debt is 75.0 percent of the portfolio, but 72.1 percent of it is denominated in USD to which the XCD is pegged.

Three strategies were analysed under various stress scenarios, 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 (2026-2028), as it best aligns with Grenada's debt management targets and objectives. It assumes that Government's financing needs will be met through a mix of domestic and external debt. Financing will be received 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 at their face values, including all RGSM oversubscriptions that were taken up during 2025, and to a small extent new domestic borrowing.

1 OVERVIEW

The MTDS spans three years (2026-2028) and covers Central Government's external and domestic debt. For the purpose of this report, projected total Central Government debt is classified by currency and T-Bills are recorded at their face values. 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:



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 2026- 2028. 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 by Act 13 in 2023. These objectives are aimed at:

- 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 consistent with an acceptable and prudent degree of risk.
- Providing a framework for the management of public debt in a manner that achieves and maintains sustainable debt
- Ensuring that public debt management operations support the establishment of a well-developed domestic debt market in the medium-to-long term.

1.2 Implementation of Debt Management Strategy (2025-2027)

The 2025- 2027 MTDS necessitated effective use and greater reliance on external borrowing from both multilateral and bilateral creditors on concessional terms, to meet financing needs. It also emphasized the continued utilization of CUB primarily in USD. On the domestic side, the 2025-2027 MTDS recommended that domestic financing be contracted from reissuances on the domestic and regional markets with the option to take up additional funding on the RGSM. The suggested ratio of external to domestic borrowing over the medium term was 78:22. The actual position at the end of October 2025, however, shows a financing mix of external to domestic borrowing of 70:30. Six (6) new multilateral loans were contracted but not yet disbursed.

On the external side, the actual position at the end of October 2025 indicates that new facilities contracted during the year accounted for 88.9 percent of external borrowing, while disbursements from existing multilateral and bilateral creditors accounted for 11.1 percent. New facilities contracted during 2025 include:

- International Development Association's (IDA's) Clean Technology Fund (CTF)- Caribbean Resilient Renewable Energy Infrastructure Investment Facility

- IDA’s Caribbean Resilient Renewable Energy Infrastructure Investment Facility
- IDA’s CTF- Caribbean Efficient and Green-Energy Buildings Project
- IDA’s Caribbean Efficient and Green-Energy Buildings Project
- Caribbean Development Bank’s (CDB’s) Sauteurs Coastal Protection Project
- CDB’s Natural Disaster Management Immediate Response to Hurricane Beryl

At the end of 2025, the ATM of the total portfolio is estimated to be 10.4 years which is 0.2 years lower than it was the previous year. It met the established target of greater than or equal to 8.0 years. Also, the benchmark for Average Time to Refixing (ATR) of the total portfolio was right on target as it was 10.0 years and the target is 10.0 years or above. The ATR was also 0.2 years lower than it was in 2024.

The weighted average interest rate of the total portfolio is projected to be 3.6 percent at end-2025.

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 is projected to be 27.9 percent of the foreign currency debt portfolio by end-2025, which is 0.5 percent higher than end-2024.

2 EXISTING DEBT PORTFOLIO 2025

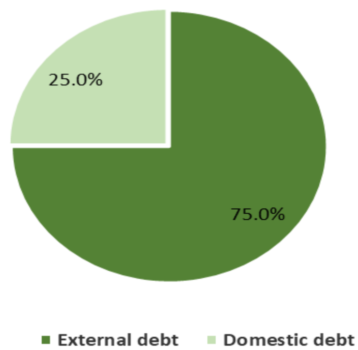
This section gives a detailed review of the composition of **Central Government’s** outstanding debt.

2.1 Composition of Central Government's Debt Portfolio

2.1.1 Total Central Government Debt

Central Government's debt at the end of 2025 is estimated to be XCD 2,199.5 million, which consists of XCD 1,649.6 million (75.0 percent) external debt and $549.9 million (25.0 percent) domestic debt (Figure 1).

Figure 1: Composition of Central Government Debt

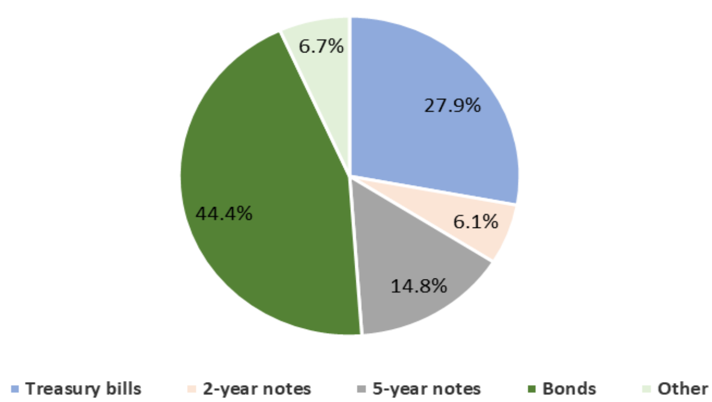


2.1.1.1 Domestic Debt (Figure 2)

The composition of Central Government's domestic debt (Figure 2) at the end of 2025 is as follows:

- Bonds (44.5%)
- T-Bills (27.9%)
- T-Notes (20.9%)
- other liabilities (6.7%)

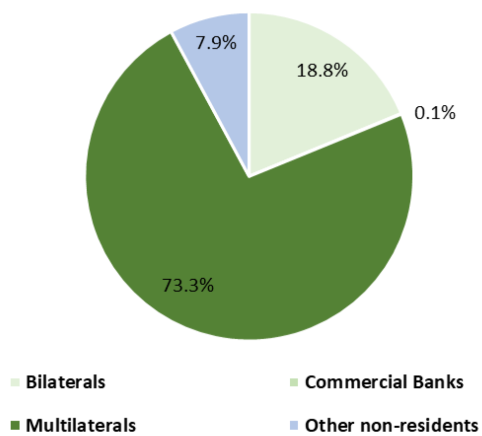
Figure 2: Domestic Debt by Instrument Type



2.1.1.2 External Debt (Figure 3)

At the end of 2025, the composition of Central Government's external debt is estimated to be as follows: multilateral creditors 73.3 percent; bilateral creditors 18.7 percent; other non-residents 7.9 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.

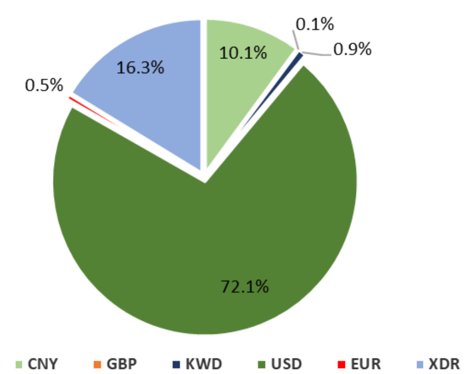
Figure 3: External Debt by Creditor Category



2.1.1.3 External debt by currency composition (Figure 4)

At end-2025, the currency composition of external debt is estimated to be as follows: USD $1,189.4 million (72.1 percent), Special Drawing Rights (XDR) $265.0 million (16.3 percent), China Yuan Renminbi (CNY) $164.7 million (10.1 percent), Kuwaiti Dinar (KWD) $13.7 million (0.9 percent), Euro (EUR) $7.9 million (0.5 percent) and Great Britain Pound (GBP) $1.9 million (0.1 percent).

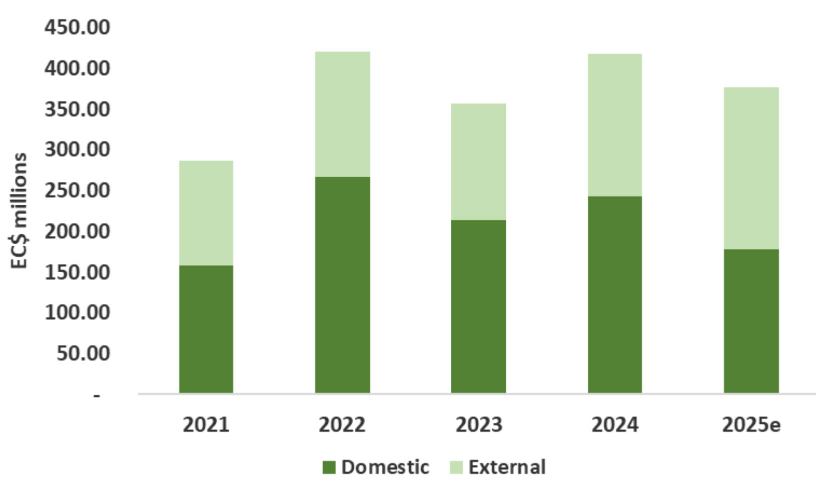
Figure 4: External Debt by Currency Composition



Debt Service Payments (Figure 5)

Figure 5 shows debt service payments during the period 2021 to 2025. Debt service payments fluctuated throughout the period. The spike in domestic debt service in 2022 resulted because an analysis of the debt numbers revealed that a portion of reissuances was omitted in error. The spike in 2024 was a result of the significant increase in bonus interest payment to the 2030 bondholders based on the extraordinary performance of the CBI Programme in 2023.

Figure 5: Debt Service (2021-2025)



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 2025 are covered in this Section.

2.2.1 Interest Rate Risk

Rising interest rates may result in financial losses and, consequently, expose the portfolio to risk. One indicator of interest rate risk is ATR. Grenada's set benchmark for the ATR of its total debt portfolio is 10.0 years or above. At end-2025, ATR is projected to be approximately 10.0 years which meets target, 20.6 percent of ATR is subject to a change in one year (Table 1). The portfolio is exposed to interest rate risk primarily due to the short lifespan of domestic instruments, which resulted in an ATR of 4.4 years, 41.5 percent of which is subject to re-fixing in one year. The ATR of the external debt portfolio is projected to be 11.8 years with 13.6 percent of re-fixing in one year. However, a significant amount (92.3 percent) of external debt is contracted at fixed interest rates. The remaining 7.7 percent consists of floating-rate debt from both multilateral and bilateral creditors.

2.2.2 Refinancing /Rollover Risk

Refinancing or rollover risk refers to the possibility of having to refinance debt at higher costs or, in some cases, being unable to reissue instruments at all. Grenada's overall operational target to refinance debt is 8.0 years or above, measured by Average Time to Maturity (ATM). The ATM of Grenada's total debt portfolio at end-2025 is estimated to be 10.4 years, which is above target. This is largely due to external debt with an ATM of 12.3 years, 6.6 percent of which will mature in one year. On the other hand, domestic debt has higher exposure to refinancing risk because of its short lifespan. At end-2025, the ATM of domestic debt is estimated to be 4.4 years, of which 41.5 percent will mature in one year.

2.2.3 Foreign Exchange Risk

Changes in currency exchange rates expose the portfolio to exchange rate risk. Grenada's debt portfolio has minimal exposure to foreign exchange risk. By end-2025, foreign debt is estimated to be 75.0 percent of the portfolio, which is within the set benchmark of maximum 80.0 percent. It should be noted that 72.1 percent of external debt is denominated in USD, to which the XCD is pegged, minimizing the portfolio's exposure to exchange rate risk. 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- 2025

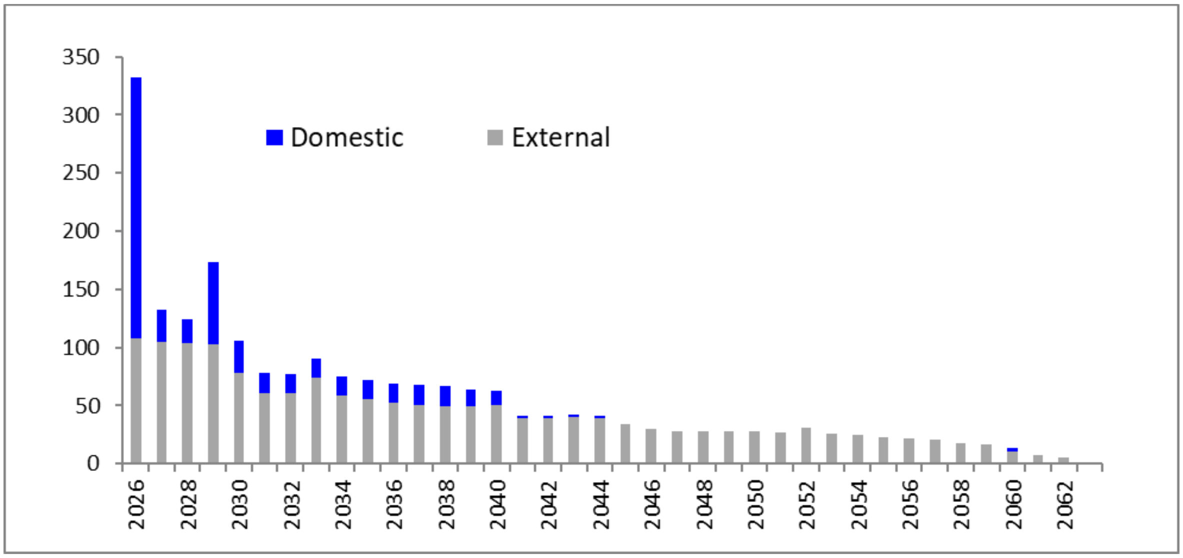
Risk Indicators	External Debt	Domestic Debt	Total Debt
Amount (in millions of XCD)	1,649.6	549.9	2,199.5
Amount (in millions of USD)	611.0	203.7	814.6
Debt as % GDP	40.7	13.6	54.3

PV as % of GDP		30.3	14.3	44.6
Cost of debt	Interest payment as % GDP	1.2	0.7	1.9
	Weighted Av. IR (%)	3.1	5.1	3.6
Refinancing risk	ATM (years)	12.3	4.4	10.4
	Debt maturing in 1yr (% of total)	6.6	41.5	15.4
	Debt maturing in 1yr (% of GDP)	2.7	5.6	8.2
Interest rate risk	ATR (years)	11.8	4.4	10.0
	Debt refixing in 1yr (% of total)	13.6	41.5	20.6
	Fixed rate debt (% of total)	92.3	100.0	94.2
FX risk	FX debt (% of total debt)			75.0
	ST FX debt (% of reserves)			9.1

2.2.4 Redemption Profile (Figure 6)

The risks inherent in Grenada's debt portfolio can be seen in the redemption profile. The profile shows the scheduled amortization of all outstanding debt (Figure 6). A significant portion of domestic debt, namely T-Bills, one (1) 2-year T-note, and two (2) 5-year T-notes will mature in 2026. In 2027, one (1) 2-year T-note will mature. The spike in 2029 is due to the maturity of one (1) 2-year T-note scheduled to be reissued in 2027 and two (2) 5-year T-notes. In contrast, because external debt has longer maturity and concessional terms, it shows a more even and extended redemption profile than domestic debt.

Figure 6: Redemption profile (based on Currency) as at the end-2025 (XCD Million)


350
300
250
200
150
100
50
0
Domestic
External
2026
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2032
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2038
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2042
2044
2046
2048
2050
2052
2054
2056
2058
2060
2062

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

3.1 Public Finance

Grenada's fiscal performance in 2025 is expected to show a moderate improvement compared to the budget. It reflects stronger non-tax revenue collections and prudent expenditure management. Total revenue and grants are projected at XCD 1,273.3 million, surpassing the budgeted amount by 0.7 percent. This is largely due to higher non-tax revenue, particularly from IMA receipts and additional grant inflows.

Tax revenue is estimated at XCD 931.9 million, below target by 0.5 percent. This shortfall reflects reduced collections on income, property, and domestic goods and services taxes, influenced by the continuation of Hurricane Beryl-related fiscal incentives. Taxes on international trade and transactions are expected to outperform the budget by XCD 7.5 million, partially offsetting the decline in other tax categories.

Non-tax revenue, driven by IMA collections, will exceed expectations by XCD 14.9 million. Despite this strong performance, IMA receipts represent 4.1 percent of nominal GDP, signalling a return to normal levels compared to the 2021–2022 average of 4.6 percent.

Total expenditure is estimated at XCD 1,552.5 million, about 3.1 percent below estimates. Savings were recorded in current expenditure, particularly employee compensation and goods and services, which fell by 21.0 percent and 18.8 percent respectively. Interest payments, however, are expected to be higher by 18.6 percent due to higher than expected bonus payments to the 2030 bondholders on account of the extra ordinary performance of the CBI programme in 2024. Capital expenditure is likely to exceed its allocation by 4.8 percent, reflecting the pace of project implementation.

As a result of these dynamics, the overall fiscal deficit is projected at XCD 279.1 million—an improvement of 17.3 percent relative to the Budget forecast. The primary balance, including grants, is also expected to close moderately better than anticipated, with a deficit of XCD 126.4 million. These outcomes underscore the impact of stronger non-tax revenue performance and disciplined expenditure management, even amid higher interest costs and increased capital spending.

Table 2. shows the Medium-Term Fiscal Framework. This outlines the projections for the medium term assuming no change in current policies. It emphasizes fiscal discipline while supporting

continued recovery efforts and advancing medium-term growth objectives. Total revenue and grants are projected to rise steadily, with tax revenue serving as the primary driver of this growth throughout the period

Table 2: Fiscal Projections for 2026-2028 (MTEFSR)

In millions of Eastern Caribbean Dollars, unless stated otherwise

	2026		2027		2028	
	Projected	% GDP	Projected	% GDP	Projected	% GDP
Total Revenue & Grants	**1,359.2**	**32.0%**	**1,414.7**	**31.5%**	**1,508.3**	**31.7%**
Total Revenue	**1,321.5**	**31.1%**	**1,394.2**	**31.1%**	**1,475.8**	**31.0%**
Tax Revenue	1,037.4	24.4%	1,096.5	24.4%	1,162.7	24.4%
Non - Tax Revenue	284.1	6.7%	297.7	6.6%	313.1	6.6%
Grants	**37.6**	**0.9%**	**20.5**	**0.5%**	**32.6**	**0.7%**
Total Expenditure	**1,668.9**	**39.3%**	**1,410.0**	**31.4%**	**1,496.9**	**31.5%**
Primary Expenditure	**1,588.4**	**37.4%**	**1,334.7**	**29.8%**	**1,428.6**	**30.0%**
Current Expenditure	**1,091.8**	**25.7%**	**1,040.5**	**23.2%**	**1,107.9**	**23.3%**
Employee compensation	**410.2**	**9.7%**	**413.0**	**9.2%**	**446.0**	**9.4%**
Wages, salaries & allowances	387.2	9.1%	389.7	8.7%	421.7	8.9%
Social Contribution to employees	23.0	0.5%	23.2	0.5%	24.3	0.5%
Goods and Services	254.5	6.0%	206.5	4.6%	251.5	5.3%
Interest Payments	80.6	1.9%	75.3	1.7%	68.3	1.4%
Transfers	346.6	8.2%	345.8	7.7%	342.1	7.2%
Capital Expenditure (Cumulative)	**577.2**	**13.6%**	**369.5**	**8.2%**	**389.0**	**8.2%**
o/w: Capital Expenditure	370.4	8.7%	182.1	4.1%	190.2	4.0%
o/w: Initiatives	206.7	4.9%	187.4	4.2%	198.8	4.2%
o/w: Grant financed	37.6	0.9%	20.5	0.5%	32.6	0.7%
Overall balance	**-309.8**	**-7.3%**	**4.7**	**0.1%**	**11.4**	**0.2%**
Primary balance (excluding grants)	**.266.9**	**-6.3%**	**59.4**	**1.3%**	**47.1**	**1.0%**
Primary balance (including grants)	**-229.2**	**-5.4%**	**80.0**	**1.8%**	**79.7**	**1.7%**
Memo Item						
GDP (Nominal market Prices)		**4,244.5**		**4,486.2**		**4,757.1**
Real GDP growth (%)		**4.1%**		**4.9%**		**5.3%**

Source: Ministry of Finance

3.2 Monetary Sector

Over the twelve months to June 2025, Grenada's monetary system recorded steady expansion, with broad money (M2) rising by 7.0 percent to XCD 3.4 billion. This performance was primarily supported by a 9.8 percent increase in Net Foreign Assets (NFA) to XCD 2.8 billion, reflecting stronger external sector balances and reinforcing the economy's capacity to withstand external shocks.

Net Domestic Assets (NDA) contracted by 4.2 percent to XCD 622.8 million, driven mainly by higher government deposits in the banking system, which helped absorb excess domestic liquidity. Domestic credit expanded by 4.9 percent, supported by a solid 7.9 percent increase in private-sector lending to XCD 2.2 billion, signalling continued confidence and sustained access to financing for households and businesses.

Narrow money (M1) grew by 10.9 percent to XCD 1.7 billion, underpinned by increases in both transferable deposits (up 10.4 percent) and currency in circulation (up 11.4 percent). Currency held by the public rose by 13.6 percent, indicating strong transactional demand and continued preference for cash. Quasi-money increased by 3.4 percent to XCD 1.7 billion, pointing to stable savings behaviour and a balanced approach by depositors to short-term spending and longer-term financial planning.

Looking ahead, Grenada's monetary environment is projected to remain broadly stable over the medium term, supported by continued foreign asset inflows and resilient private-sector credit demand. Nonetheless, emerging risks may stem from credit growth outpacing deposit mobilization, particularly in high-activity sectors such as construction and real estate. Proactive monitoring of liquidity conditions, credit concentration, and external sector developments will therefore be essential to maintain financial stability and ensure that monetary expansion remains consistent with overall macroeconomic performance through 2026–2028.

3.3 Real Sector

Grenada entered 2025 in a period of post-disaster recovery following Hurricane Beryl, which inflicted damage and losses estimated at 16.7 percent of GDP. Real GDP growth is projected at 6.2 percent for the year, supported by accelerated reconstruction activity and sustained investment across key productive sectors.

Growth momentum is being led by the construction sector, driven by ongoing recovery works alongside new hotel developments, commercial facilities, and manufacturing expansions. These activities have provided positive spillovers to mining and quarrying, wholesale and retail trade, transport and storage, and manufacturing. Performance across sectors, however, remains uneven. Agriculture continues to contend with climatic pressures, labour shortages, and elevated input costs, while tourism remains mixed. Cruise arrivals have rebounded strongly, and stay-over arrivals are gradually returning to pre-shock levels. Private education activity is stable, anchored by the presence of St. George's University, though tighter external financing conditions have tempered growth.

Broader macroeconomic conditions remain supportive. Inflation has eased modestly amid slowing import price growth and stable energy conditions. Labour-market performance improved further, and the banking system remains sound, liquid, and well-capitalized. Fiscal policy continues to play a catalytic role in facilitating reconstruction and infrastructure investment, stimulating activity while Government remains committed to medium-term debt reduction under the Fiscal Resilience Act. Externally, the current account deficit widened moderately, reflecting increased import demand associated with rebuilding and investment.

Overall, real-sector developments in 2025 point to continued resilience and recovery, supported by firm domestic demand, active public-sector investment, and progress across core productive activities. Nonetheless, the outlook remains subject to downside risks arising from heightened global geopolitical tensions, commodity-price volatility, and Grenada's structural exposure to climate-related shocks.

3.4 External Sector

The first half of 2025 unfolded amid elevated global uncertainty driven by intensifying geopolitical tensions, shifting trade policy dynamics, and uneven economic performance across major economies. The World Trade Policy Uncertainty Index reached a historic high in the first quarter of 2025, highlighting persistent volatility in global trade, supply chains, and investment flows.

Within this challenging external environment, Grenada's external sector registered moderate but steady gains. Export performance improved, supported by enhanced domestic productivity and renewed momentum in the fisheries sector. Merchandise imports also expanded, reflecting increased reconstruction activity following recent disasters and firm domestic consumption demand. The rise in imports underscores both the scale of rebuilding efforts and continued requirements for construction inputs and consumer goods. Remittance inflows strengthened, while net foreign assets and capital inflows rose on account of stable project financing and the gradual normalisation of private investment commitments.

Taken together, these developments point to an external position that remains broadly resilient, though still susceptible to global shocks. Ongoing trade policy shifts, supply-chain realignments, and geopolitical risks continue to pose downside risks to price stability, freight costs, and investor sentiment. Looking ahead, sustained export diversification, deeper regional integration, and continued competitiveness improvements will be essential to mitigating external vulnerabilities and supporting durable, inclusive growth.

3.5 Outlook for Debt Management

GoG continues to mobilize debt financing efficiently through a well-functioning Regional Government Securities Market (RGSM), complemented by over-the-counters and private placements and access to multilateral and bilateral credit facilities. The Government's debt strategy—anchored in prioritizing concessional financing, lengthening the maturity profile, resolving legacy bilateral arrears, and enhancing transparency and risk management—continues to support prudent and sustainable public-sector borrowing while safeguarding debt sustainability.

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

Strategic benchmarks set forth for the 2026-2028 MTDS were achieved for all three (3) strategies over the medium term, 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 favourable structure for Central Government's debt over the medium term. Under strategy 2 (S2) however, ATR fell slightly below target but this is sometimes the outcome as S2 usually consists of a higher degree of domestic short-term instruments than the other strategies.

Table 4: Risk indicators

Risk Indicators	2025	
	Current	Target Range
*Central Government Debt as % of GDP	54.3%	<=60.0%
Interest payment as % of GDP	1.9%	<=2.5%
Debt maturing in 1yr (% of total)	15.4%	<=20.0%
Debt maturing in 1yr (% of GDP)	8.2%	<=10.0%
ATM Total Portfolio (years)	10.4 years	>=8.0 years
ATR (years)	10.0 years	>=10.0 years
FX debt as % of total	75.0%	<=80.0%

**Central Government's debt only*

Debt-to-GDP Ratios

For the 2026-2028 MTDS, the target Public Debt[2] - to -GDP ratio is informed by the Fiscal Resilience Act 2023, which stipulates that the ratio must not exceed 60.0 percent by 2035. The Public Debt-to-GDP ratio is projected to continue on a downward trajectory, reducing by 4 percentage points from 71.3 percent at the end of 2024 to 67.3 percent by the end of 2025. Similarly, Central Government Debt-to-GDP is expected to fall from 57.5 percent at the end of 2024 to 54.3 percent

[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.

at the end of 2025, despite financing pressures from the reconstruction efforts post-Hurricane Beryl. Robust GDP performance in the first half of 2024, coupled with the economic boost from post-disaster activities, proved sufficient to keep the ratios on a downward path during the period.

Interest as a Percent of GDP

In recent years, interest payments as a percentage of GDP averaged 1.7 percent, due to borrowing on highly concessional terms, including low interest rates. The GoG also benefitted from declining yields on the RGSM. However, in 2024, interest payments were unusually high due to the payments made to holders of the 2030 bond being captured in this category. Therefore, the ratio of interest payments to GDP was 4.6 in 2024 and 3.8. This ratio is projected to decline by end-2026 to 1.9 percent.

Debt Maturing in One Year

The benchmark for debt maturing within one year, as a share of Central Government debt, is set at a maximum of 20 percent of the portfolio. Although this may appear to indicate a high concentration of short-term repayments, the issuance of Treasury Bills remains essential for developing the domestic market and meeting statutory requirements within the financial sector. In 2025, this indicator remained within target, projected at 15.4 percent. This represents an increase from 10.9 percent in the previous year, reflecting the uptake of oversubscriptions on RGSM T-Bills throughout 2025 and the issuance of a new private placement T-Bill valued at XCD 16.9 million. As a share of GDP, the target is to maintain this risk below 10 percent, which was achieved, as debt maturing within one year amounted to 8.2 percent of GDP.

Average Time to Maturity (ATM) and Average Time to Re-fixing (ATR) of the Portfolio

To reduce refinancing risk and the need for Government to secure new sources of funding, the target ATM and ATR of the total portfolio are set at minimum 8.0 years and 10.0 years respectively. In terms of the existing debt portfolio, instruments are primarily on concessional terms with long maturities from development partners. The policy of the Government, as is reflected in this MTDS, emphasizes the implementation of existing Public Sector Investment Projects and drawdowns on CUB from external creditors on concessional terms. For 2025, both ATM and ATR are on target.

Foreign Debt as a Percentage of Total Debt

The benchmark for foreign currency debt as a percentage of total Central Government debt, is set at a maximum of 80.0 percent. While this indicates a high exposure to foreign currency risk, this remains manageable since the USD, to which the XCD is pegged, constitutes the largest share of the portfolio. Additionally, valuation risks arising from exchange rate movements are limited, as fluctuations in the XCD–XDR exchange rate, the second most significant currency in the portfolio, tend to be minimal.

4.2 Assumptions and Potential Financing Sources

It was recommended that new external funding over the medium term (2026- 2028) be considered in a mix of currencies; namely USD, KWD and SAR; on concessional terms and at fixed interest rates. On the domestic side, financing will be sourced from the reissuance of all maturing domestic instruments, along with the option to take up additional funding from T-bills on the RGSM, as was done in 2025. In addition, two (2) new T-notes will be introduced during the period. Table 5 presents the proposed financial terms and indicative sources of financing for the medium term.

Table 5: Proposed Terms of new Financial Instruments

Creditor/Instrument	Maturity (Years)	Grace (Years)	Interest Type	Currency
Multilateral- International Institutions	36 - 40	10	Fixed	USD
Bilateral-Government Agency	25 - 27	4 - 5	Fixed	USD, KWD & SAR
Domestic & Regional investors	1-5	0	Fixed	XCD

4.3 Alternative Strategies

Three (3) alternative debt management strategies were considered. Each strategy differed based on the mix of domestic and external borrowing, the use of fixed or variable interest rates, and the associated maturities and grace periods.

Strategy 1 (S1)

S1 is the status quo as it mirrors GoG's current borrowing practices. It recommends that funding be obtained from GoG's multilateral creditors, namely IDA and OPEC, on concessional terms, and drawdowns of CUB from bilateral creditors such as the Kuwait Fund for Arab Economic Development and the Saudi Fund for Development, to finance the start of Project Polaris - Grenada's new hospital project. The strategy also includes the drawdown of CUB in smaller amounts on existing loans to meet residual financing needs.

S1 recommends disbursements over the medium term in the amount of USD$60.0 million (XCD 162.0 million), of which XCD 50.0 million will be disbursed in 2028 from a single financing source. It also proposes partial disbursement of another loan valued at USD25.0 million (XCD 67.5 million), of which approximately XCD 40.0 million is expected to be disbursed over the medium term. In addition, the loan from the Saudi Fund for Development valued at USD$ 100.0 million (XCD 270.0

million) is expected to be fully disbursed over the period. These loans will be contracted on concessional terms.

Of the new IDA loans contracted in 2025, S1 recommends disbursements totalling XCD 41.7 million during 2026 and 2027. Disbursement would be made under IDA's Caribbean Resilient Renewable Energy Infrastructure Investment Facility and IDA's Caribbean Efficient and Green-Energy Buildings Project.

On the domestic side, all instruments will be reissued at face value upon maturity. This includes T-Bills on the RGSM which will be reissued at the oversubscribed amounts accepted in 2025, and this approach will continue across all three years. Additionally, two new 5-year private placement T-Notes will be introduced: one valued at XCD 4.3 million in 2027 and another valued at XCD 24.9 million in 2028.

Strategy 2 (S2)

This strategy places significant emphasis on using domestic and regional markets to meet financing needs, reflecting stronger confidence in borrowing within the region. On the external side, the same external loans will be contracted and disbursed as with S1, but utilizing a different disbursement profile. The hospital-related loans are expected to disburse a total of XCD 229.6 million over the medium term, while IDA will disburse a total of XCD 48.0 million over the 3-year period. There will also be drawdowns on CUB from external multilateral and bilateral creditors; however, none of the new or existing loans will be fully disbursed.

On the domestic side, all maturing instruments on the RGSM will be reissued with the same options to continue with the additional financing taken up in 2025. This will hold for all three years (2026-2028). In 2026, one (1) new 2-year private placement T-note in the amount of XCD 10.0 million will be introduced and reissued in 2028 with all other maturing domestic instruments. Additionally, one (1) new homeowners' bond valued at XCD 5.0 million will be issued in 2028. To secure the necessary financing for Project Polaris, S2 also suggests the issuance of three (3) new domestic bonds; one (1) at XCD 52.0 million in 2026, one (1) at XCD 50.0 million in 2027 and one (1) at XCD 50.0 million in 2028.

Strategy 3 (S3)

This strategy recommends concentration on external borrowing to meet financing needs as they arise. All external funding will be contracted from the same multilateral and bilateral creditors on concessional terms as with the other strategies. The same external instruments will be contracted. The strategy includes disbursements totalling XCD 24.3 million from IDA in 2026 and 2027. Full disbursement of the hospital loans of XCD 395.3 million over the 3-year period is also expected. Finally, on the external side, there will be a drawdown on CUB, primarily in USD, from both multilateral and bilateral sources.

Under S3, all domestic instruments would be reissued. The option to reissue RGSM T-bills at their oversubscribed amounts from 2025 will hold. A new "household (retail) bond" will also be issued in 2027 in the amount of XCD 5.0 million.

Table 6: Strategy Considerations

Strategy	Average Financing Mix (%) (Ext: Dom)	Objectives
S1	41:58	Status quo- reflects a combination of domestic and external borrowing that is in line with Government's current borrowing practices.
S2	31:69	Domestic Market Development- Stronger reliance on funding from domestic and regional creditors as opposed to external creditors, with the inclusion of households and acceptance of oversubscriptions on the RGSM.
S3	43:57	Externally focused financing options- targets funding chiefly from external multilateral and bilateral creditors on concessional terms.

To assess the robustness of the strategies, three stress scenarios with differing impacts were used for interest and exchange rates: moderate and extreme. The scenarios 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 2026-2028. 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 0.9 percent of the portfolio at the end of 2025.

Scenario 1: Exchange Rate Shock

a) Moderate: A 15.0 percent depreciation of the domestic currency against the XDR, SAR and CNY in 2026, which is sustained thereafter.

b) Extreme: A 30.0 percent depreciation of the domestic currency against the XDR, SAR and CNY in 2026, 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 2026 and sustained thereafter.

4.3.1 Cost Risk Analysis under Different Strategies

The results of the 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. Interest payments as a percentage of GDP, along with the implied interest rate, declined across all strategies relative to the current period, which is also a favourable outcome.

Based on the established benchmarks, the risks associated with each of the strategies were assessed (Table 7). Refinancing risk was elevated across all three strategies; however, the ATM also increased. This is due to the recommendation that new external instruments have long maturity periods, and that no new T-bills be issued. With respect to interest rate risk, ATR was favourable for S1 and S3 since they met the target. However, ATR for S2 was 0.2 years lower than the current year. This outcome was expected, given that S2 relies more heavily on borrowing from domestic and regional investors, whose instruments typically have shorter maturities compared to external loans.

With respect to foreign currency risk, the ratio of foreign debt to total debt increased for S1 and S3, while S2 recorded a decrease as most of the new funding received under that strategy will be denominated in XCD. 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 (72.1 percent at end-2025) has been contracted in USD to which the XCD is pegged. This minimizes the level of foreign currency risk in the portfolio. The target for foreign debt of maximum 80.0 percent was met for all strategies.

Table 7: Cost Risk Indicators of Alternative Strategies

Risk Indicators		2025	As at end 2028			Target
		Current	S1	S2	S3	
Debt as % of GDP		54.3	50.11	50.23	50.11	Max 60%
Present value debt as % of GDP		44.6	39.43	40.47	39.79	
Interest payment as % of GDP		1.9	1.55	1.64	1.56	Max 2.5%
Implied interest rate (%)		3.6	3.17	3.36	3.21	
Refinancing risk	Debt maturing in 1yr (% of total)	15.4	17.48	18.24	17.53	Max 20 %
	Debt maturing in 1yr (% of GDP)	8.2	8.76	9.16	8.78	Max 10 %
	ATM External Portfolio (years)	12.3	12.78	12.83	12.53	
	ATM Domestic Portfolio (years)	4.4	3.10	3.25	2.99	
	ATM Total Portfolio (years)	10.4	10.47	10.06	10.36	Min 8 yrs
Interest rate risk	ATR (years)	10.0	10.19	9.78	10.07	Min 10 yrs
	Debt refixing in 1yr (% of total)	20.6	21.70	22.45	21.75	
	Fixed rate debt (% of total)	94.2	95.29	95.31	95.29	
FX risk	FX debt as % of total	75.0	76.17	71.17	77.23	Max 80%
	ST FX debt as % of reserves	9.1	8.06	8.00	8.22	

4.4 Selected Strategy

Based on the analysis, the strategy selected was S1. S1 outperformed the other strategies in terms of both cost and risk; and met all strategic benchmarks. S1 recommends that Government maintains its current borrowing approach over the medium term which translates to continued reliance on external funding to meet financing needs while maintaining a presence in the domestic market. Under S1, the ratios of Debt to GDP and interest payment to GDP were most favourable. S1 also had the least amount of debt maturing in one (1) year, the highest ATM of 10.5 years by the end of 2028 and the highest ATR of 10.2 years by end-2028, both improvements relative to the current period. Although the share of foreign debt under S1 is higher than the present level, this is expected given the volume of planned external borrowing. Importantly, the ratio remains below the benchmark ceiling of 80 percent.

4.4.1 Market Risks – Exchange Rate

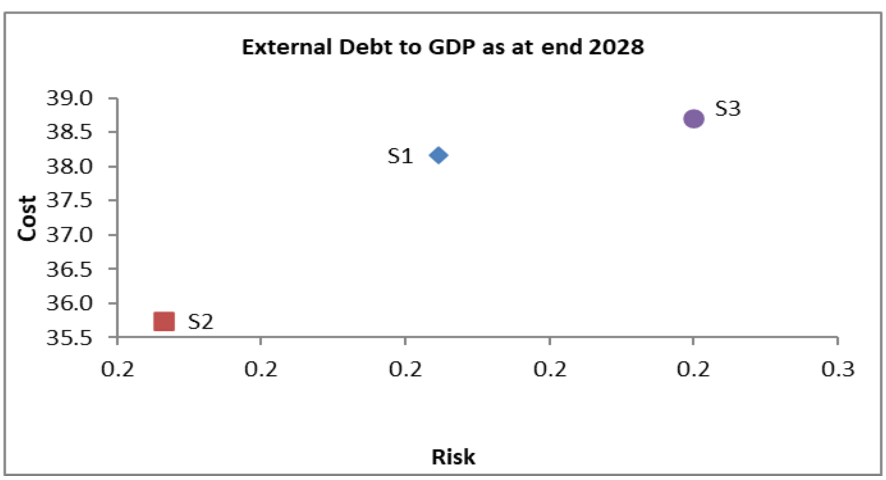
S1 recommends that all borrowing to meet financing needs be contracted primarily from multilateral and bilateral creditors on concessional terms, coupled with drawdowns of CUB from existing loans. New funding would be received in SAR, KWD and USD. S1 also recommends the reissuance of all domestic instruments, including RGSM T-bills, at their oversubscribed amounts accepted in 2025. In addition, two (2) new 5-year T notes will be introduced in 2027 and 2028. Forecasted non-USD debt at end-2025 represents approximately 27.9 percent of the foreign currency debt portfolio.

Under S1, the planned financing option includes one (1) new multilateral loan from OPEC totalling approximately XCD 162.0 million. It also recommends one (1) new loan from Kuwait in the amount of XCD 67.5 million. These will be partially disbursed throughout the period. The drawdown of CUB on new loans from IDA and a loan from Saudi Arabia for Project Polaris will also be received. Overall, a total of XCD 527.1 million in disbursements will be received over the 3-year period, XCD 358.9 million of which comprises disbursements on new loans.

Projected XDR and CNY principal repayments are equivalent to XCD 62.4 million and XCD 32.9 million respectively over the 3-year period. Loans denominated in GBP and EUR represent approximately 0.6 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 0.2 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 38.4 percent at the end of 2028 (Figure 7).

Foreign debt as a percentage of total debt is estimated to increase to 76.2 percent over the medium term from the 2025 proportion of 75.0 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.

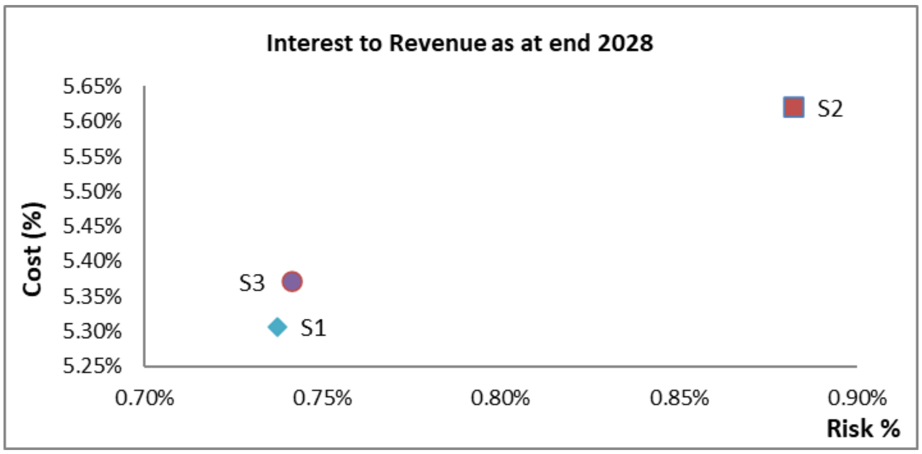
Figure 7: External Debt to GDP



4.4.2 Market Risks – Interest Rate

Under S1, by end-2028, variable-rate debt will increase to 4.7 percent of total Central Government debt. The interest payments-to-revenue ratio is projected to fluctuate from the baseline by 0.0567 percentage points under a moderate shock (2 percent) scenario and 0.0604 percentage points under an extreme shock (4 percent) scenario. At end-2028, under adverse interest rate movements, the ratio of interest payments to revenue would reflect a maximum of 0.0074 percent (Figure 8). Hence, exposure to interest rate risk is marginal under S1.

Figure 8: Interest to Revenue



4.4.3 Refinancing Risk

By end-2027, the ratios of debt maturing in one year-to-total debt, and debt maturing in one year-to-GDP will increase marginally by 2.1 percent and 0.6 percent respectively, relative to end-2025. The ATM of the total portfolio will also increase by 0.1 percentage points. Notwithstanding the increase in both ratios, the redemption profile shows a spike in 2026, indicative of the high level of short-term securities in the portfolio maturing in that year and implying 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 be reissued upon maturity under S1 at the same face values as 2025. Only two (2) new 5-year domestic instruments will be introduced, one (1) at XCD 4.3 million in 2027 and one (1) at XCD24.9 million in 2028.

5 ANNUAL BORROWING PLAN

The annual Borrowing Plan (ABP) for 2026 outlines Government's expected borrowing for the fiscal year 2026 for any fiscal purpose, particularly for the financing of the 2026 Budget and for developmental projects, consistent with the Medium-Term Debt Management Strategy.

The ABP provides details on planned sources and amounts of new borrowings.

The ABP aims to promote predictability, transparency and cost-risk optimisation in public borrowing.

In 2026, estimated external borrowing is projected to be $158.8 million or 35.3 percent of total borrowing whereas estimated domestic borrowing is projected to be $291.2 million or 64.7 percent of total borrowing. Methods of funding are listed in table 8 below.

Table 8: Annual Borrowing Plan

	Projected Amt. (XCD Million)
External Financing	**158.80**
Multilateral	78.25
Bilateral	80.55
Domestic Financing	**291.20**
Treasury Bills	206.3
o/w RGSM (including option for additional funding)	140.00
o/w Non-RGSM	66.30
Treasury Notes	53.21
Other	31.69
TOTAL	**450.00**