# GOVERNMENT OF GRENADA

## PROSPECTUS FOR GOVERNMENT SECURITIES FOR THE PERIOD FEBRUARY 2015- NOVEMBER 2015

## EC$90MILLION 91-DAY TREASURY BILLS

## EC$62 MILLION 365-DAY TREASURY BILLS

MINISTRY OF FINANCE
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**DATE OF PROSPECTUS: JANUARY 2015**

# NOTICE TO INVESTORS

*The Government of Grenada is issuing this prospectus for the purpose of providing information to the public. The Government accepts full responsibility for the accuracy of the information given and confirms having made all reasonable inquiries to ensure the accuracy of this that to the best of its knowledge and belief there are no other facts, the omission of which would make any statement in this Prospectus misleading.*

*The Prospectus has been drawn up in accordance with the rules of the Regional Government Securities Market. The Regional Debt Co-ordinating Committee and Eastern Caribbean Central Bank accept no responsibility for the content of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss whatsoever arising from or reliance upon the whole or any part of the contents of this Prospectus.*

*This Prospectus and its content are issued to cover the series of government securities to be issued over the period February 2015 to November 2015. If in need of financial or investment advice please consult a person licensed under the Securities Act or any other duly qualified person who specializes in advising on the acquisition of government instruments or other securities.*

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# 1. ABSTRACT

During the period February 2015 to November 2015, the Government of Grenada is seeking to issue the following government securities on the Regional Government Securities Market to refinance its existing treasury bills currently on the market as follows:

91 Day Treasury Bills

**Series A: Ten (EC$10.0) Million in each of 3 issues**

**Series B: Fifteen (EC$$15.0) Million in each of 4 issues**

365 Day Treasury Bills

- Thirty (EC$30.0) million in 365 day treasury bills on July 17, 2015.

- Twelve (EC$12.0) million in 365 day treasury bills on October 9, 2015.

- Twenty (EC$20.0) million in 365 day treasury bills on November 27th 2015

***The maximum coupon rate of the new bills being 6% per annum.***

In this Prospectus, references to “Grenada” are to the State of Grenada: references to the “Government” are to the Government of Grenada, and references to the “Managers” are to the Eastern Caribbean Securities Exchange. The Treasury bill issues are being raised under the authority of the Revised Treasury Bills Act 2003 of Grenada. The Constitution of Grenada stipulates that principal and interest payments are direct charges on the Consolidated Fund.

All Government of Grenada treasury bills will be opened for bidding at 9:00 a.m. and close at 12:00 noon on the respective auction dates.

A competitive uniform price auction will be used.

## 2. INFORMATION ABOUT THE ISSUES

| SYMBOL | AUCTION DATES 2015 | ISSUE/SETTLEMENT DATE | MATURITY DATE | ISSUE AMOUNT EC$M | OVERSUBSCRIPTION AMOUNT ALLOWED EC$M | TENOR (DAYS) | INTEREST RATE CEILING |
|---|---|---|---|---|---|---|---|
| **SERIES A** | | | | | | | |
| GDB170715 | 16 APRIL 2015 | 17 APRIL 2015 | 17 JULY 2015 | 10 | 5 | 91 | 6% |
| GDB161015 | 16 JULY 2015 | 17 JULY 2015 | 16 OCTOBER 2015 | 10 | 5 | 91 | 6% |
| GDB150116 | 15 OCTOBER 2015 | 16 OCTOBER 2015 | 15 JANUARY 2016 | 10 | 5 | 91 | 6% |
| **SERIES B** | | | | | | | |
| GDB150515 | 12 FEBRUARY 2015 | 13 FEBRUARY 2015 | 15 MAY 2015 | 15 | 5 | 91 | 6% |
| GDB140815 | 14 MAY 2015 | 15 MAY 2015 | 14 AUGUST 2015 | 15 | 5 | 91 | 6% |
| GDB131115 | 13 AUGUST 2015 | 14 AUGUST 2015 | 13 NOVEMBER 2015 | 15 | 5 | 91 | 6% |
| GDB120216 | 12 NOVEMBER 2015 | 13 NOVEMBER 2015 | 12 FEBRUARY 2016 | 15 | 5 | 91 | 6% |
| GDB170716 | 16 JULY 2015 | 17 JULY 2015 | 17 JULY 2016 | 30 | | 365 | 6% |
| GDB091016 | 8 OCTOBER, 2015 | 9 OCTOBER 2015 | 8 OCTOBER 2016 | 12 | | 365 | 6% |
| GDB271116 | 26 NOVEMBER 2015 | 27 NOVEMBER 2015 | 27 NOVEMBER 2016 | 20 | | 365 | 6% |

- **All ISSUES ON THE MARKET ARE IN EC DOLLARS**

## 3. GENERAL INFORMATION

| | |
|---|---|
| **Issuer:** | Government of Grenada |
| **Address:** | Ministry of Finance<br>Financial Complex<br>Carenage<br>St. George's<br>Grenada |
| **Email:** | finance@gov.gd |
| **Telephone No.:** | 473-440-2731 / 440-2928 |
| **Facsimile No.:** | 473-440-4115 |
| **Contact Persons:** | Dr. The Right Honorable Keith Mitchell, Minister for Finance, finance@gov.gd<br>Mr. Timothy Antoine, Permanent Secretary<br>Timothy.antoine@gov.gd<br>Mr. Mike Sylvester, Deputy Permanent Secretary<br>Mike.sylvester@gov.gd<br>Mr. Ambrose Obike, Accountant General<br>anl.obike@gmail.com |
| **Date of Issue:** | February 2015 – November 2015 |
| **Type of Security:** | Treasury Bills |
| **Amount of Issue:** | EC$152 million |
| **Purpose Security Issue**: | The Treasury bills are being issued as part of government's debt management strategy to reduce the cost of government borrowing by reducing reliance on the overdraft facility. |
| **Legislative Authority:** | Revised Treasury bill Act 2003, Laws of Grenada. |
| **Bidding Period:** | 9:00 am to 12:00 noon on auction day |

**Method of Issue**: The price of the issue will be determined by a Competitive Uniform Price Auction with open bidding.

**Listing:** The Treasury Bills will be issued on the Regional Government Securities Market (RGSM) and traded on the Secondary Market trading platform of the Eastern Caribbean Securities Exchange (ECSE).

**Placement of Bids:** Investors will participate in the auction through the services of licensed intermediaries who are members of the Eastern Caribbean Securities Exchange

**Maximum Bid Price:** $94.00 (6.00%).

**Minimum Bid:** EC$5,000

**Bid Multiplier:** EC$1,000

**Bids Per Investor:** Each investor is allowed one (1) bid with the option of Increasing the amount being tendered for until the close of the bidding period

**Taxation:** Yields will not be subject to any tax, duty or levy by the Participating Governments of the Eastern Caribbean Currency Union (ECCU). The countries are Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Lucia, St. Kitts and Nevis and St. Vincent and the Grenadines.

**Licensed Intermediaries:** Investors will participate in the auction through the services of licensed intermediaries who are members of the Eastern Caribbean Securities Exchange.

- Bank of Nevis Limited
- ECFH Global Investment Solutions Limited
- Bank of St Vincent and the Grenadines Ltd
- St. Kitts Nevis Anguilla National Bank Limited
- First Citizens Investment Services Ltd (Saint Lucia)

**Currency:** All currency references will be the Eastern Caribbean dollar unless otherwise stated.

## 4. EXECUTIVE SUMMARY

The Government of Grenada is proposing to issue 91-day and 365-day treasury bills on the Regional Government Securities Market during the period February to November 2015.

Grenada has one of the most diversified economies in the OECS region, as such its growth prospects are not dependent on a single major sector, but on several sectors. Preliminary data indicated that the Grenadian economy, as measured by the change in real GDP is projected to have expanded by 2.6 percent in 2014, following a revised estimated growth of 3.1 percent in 2013. The continued recovery, albeit at a slower rate is buoyed mainly by expansions in Agriculture, Tourism and Education. In 2011, the growth rate improved slightly to 0.14 per cent but declined again in 2012 to -1.22 per cent. In 2009 primarily due to the current global economic crisis Grenada experienced some setbacks and experienced a decline of -5.7% in GDP. The crisis continued in 2010 resulting in a further decline of 1.99 per cent. Since the passage of Hurricane Ivan in 2004, the economy continued to grow as reconstruction and rebuilding programmes resulted in increased economic activity. Growth averaged 3.8 per cent for the period 2005 to 2008. For the ten years prior to Hurricane Ivan in 2004, Grenada growth averaged 4.8 per cent, higher than the ECCU average.

Grenada had a remarkable recovery following the devastating impact of Hurricanes Ivan and Emily in 2004 and 2005 respectively. The damage of Hurricane Ivan was estimated at US$900 million, more than 200% of Gross Domestic Product.

As a consequence of this economic catastrophe, Grenada was forced to restructure its commercial debt in 2005. This exercise was highly successful with

91% participation and resulted in a re-profiling of the debt from 2012 to 2025 with step up coupons. It should be noted that the Government of Grenada securities on the Regional Government Securities Market were not included in the debt restructuring exercise.

Following the commercial debt restructuring, Grenada approached the Paris Club for debt relief in 2006. The request was approved resulting in a rescheduling of its obligations to some of its bilateral creditors such as the Belgium, United Kingdom, United States and France. These programs stipulate that Government should not default on any of its obligations and as such Government to date has ensured that all its creditors are serviced in full and on time. On June 15, 2010, the Paris Club granted further relief in the form of an extension on the repayment of medium and long term debt to Paris Club members.

On the road to recovery in 2006, Grenada engaged the IMF and entered into the Poverty Reduction and Growth Facility (PRGF). The PRGF is a comprehensive medium-term economic reform programme with the objectives of promoting sustained high economic growth, restoring fiscal and debt sustainability, reducing vulnerabilities, and alleviating poverty. The programme was reviewed by an IMF team every six months against certain performance criteria and benchmarks. The programme ended in February 2010 and on April 2, 2010, the Executive Board of the International Monetary Fund (IMF) approved Grenada's request for a new three-year arrangement under the Extended Credit Facility (ECF), [1] totaling SDR 8.775 million (about US$13.3 million). To date two disbursements have been made under this program to the Government of Grenada. However, since the second review was conducted in September 2011, the ECF has officially been placed on hold pending an evaluation by both parties (IMF and Government).

On March 8th 2013, the Government of Grenada announced **"that circumstances have forced it to undertake a comprehensive and collaborative restructuring of its public debt, including its United States (U.S.) and Eastern Caribbean (EC) Dollar Bonds due in 2025." In the release, Grenada's Prime Minister and Minister of Finance, Dr. The Right Hon Keith Mitchell alluded that "The global financial crisis has taken a heavy toll on the country, and aggravated the severe debt overhang that continues to weigh down our economy."**

As a result of Government's announcement on March 8, 2013, Standard and Poors on March 12, 2013, lowered its foreign and local currency sovereign credit ratings on Grenada to 'SD' (selective default) from 'CCC+/C'. The Standard and Poors report stated that "the downgrade to 'SD' follows the Government of Grenada's announcement that it will not pay the coupon due March 15, 2013, on its U.S. dollar and Eastern Caribbean dollar bonds due in 2025. The government also announced that it does not expect to have the funds to pay the coupon during the relevant grace periods. As part of the release the government also confirmed that "Grenada's Treasury Bills registered on the Regional Government Securities Market (RGSM) will not be affected by the restructuring exercise."

On June 27 2014, the International Monetary Fund pledged its support for Grenada's Home Grown Structural Adjustment Programme. The **International Monetary Fund** (IMF) approved an Extended **Credit** Facility for Grenada in the sum of US$ 21.7 million over a three year period.

In January 2009, Government restructured the Ministry of Finance and established a Debt Management Unit whose functions entail the re-organization of central government's public debt to enable greater efficiencies and reduce the cost of debt servicing. In line with this mandate, Government is exercising greater planning in relation to its financing. The reconstituted Debt

Coordinating Committee within the Ministry of Finance has been charged with the responsibility of overseeing the debt management function as well as cash flow management and planning.

Although creditor risk is inevitable when purchasing securities, there are several positive signals which would help to mitigate any serious risks associated with Grenada's issues on the Regional Government Securities Market. ***Grenada has an exemplary record to date on the Regional Government Securities market, all issues of treasury bills have been repaid upon maturity since Government's entry into the market. In this regard we would seek to maintain our record of credit worthiness in any and all securities issued on the market.***

The Government has made considerable progress in their discussions with Taiwan on the disputed outstanding loans with the EXIM Bank of Taiwan. Grenada had contracted four loans with the EXIM Bank of Taiwan and at present the sum outstanding inclusive of interest is approximately US$36.6 million.

On January 5th 2015, Ministry of Finance announced that "**GRENADA CONCLUDES 50% HAIRCUT DEBT DEAL WITH THE EXPORT-IMPORT BANK OF THE REPUBLIC OF CHINA (TAIWAN). The release stated that Grenada and Taiwan reached** a comprehensive agreement to restructure its US$36.6 million (EC$98.8 million) debt to the Export-Import Bank (EXIM) of the Republic of China (Taiwan). The terms of the agreement involved a reduction of the principal outstanding by 50%, resolving Grenada's decade-long dispute with EXIM and puts an end to EXIM's legal proceedings in the New York Courts.

"Under the terms of the Agreement, the post-haircut balance on the loan will be repayable over 15 years–including a grace period of three and a half years–at an interest rate of 7%. The Agreement also includes a 'hurricane clause', which will allow Grenada to defer payments for a predetermined period should a natural disaster compromise the Government's ability to service debt in a timely manner in the future."

Inflation at September 2014 was estimated at 0.13 per cent. Annual data for 2013 showed that the rate of inflation declined by 1.6 per cent compared to an increase of 2.0 per cent in 2012.

## 5. 0 FINANCIAL ADMINISTRATION & MANAGEMENT

The Constitution and the Public Finance Management Act 2007 establish the legal framework for Government's budget process. The Minister of Finance is responsible for presenting the Estimates of Revenue and Expenditure (Budget) to the House of Representatives each year. Both houses of Parliament must approve the budget within four months after commencement of each fiscal year on January 1. The estimates of revenue are based on existing tax rates and projections of non-tax revenue by the various ministries. Changes to the tax regime or expenditures require Parliamentary approval. Generally, though not invariably, the Government implements new fiscal measures at the commencement of each fiscal year.

The Government's revenues and expenditures do not incorporate the revenues and expenditures of state-owned enterprises. Its accounts capture only its current and capital transfers to specified state-owned enterprises; dividends from state-owned enterprises, if any, are recorded as non-tax revenue. The budget constitutes the published central government fiscal accounts.

In the latter half of 2014, a new Public Finance Management Act was passed by parliament. This should be in effect in 2015.

### 5.1 *Transparency and Accountability*

The Government has adopted a system for strengthening the institutional framework for accountability and monitoring of fiscal matters. The fiscal position of the Government is reported monthly to the Cabinet. Additionally the fiscal and debt position are reported annually in the Government Estimates of Revenue and Expenditure, which is available to the public from the Government Printery and also posted on government's website (www.gov.gd). The ECCB conducts quarterly economic and financial reviews, which are published across the region annually. Article IV Country Reviews conducted by the IMF are also published and are available on the fund's external website.

### 5.2 *Audit and Review*

Under the Constitution, Grenada's public finances must be audited annually by the Director of Audit (who heads the independent audit department of the Government). In addition, the International Monetary Fund, the Eastern Caribbean Central Bank and the Caribbean Development Bank review the Government's public finances annually. The Minister of Finance is required by the Constitution to lay the Audit Report and Statement of Accounts before Parliament.

The last Audit Report and Statement of Accounts which were tabled in Parliament gave an account of the period ended December 2010. The Accountant General will soon submit the 2011, 2012 and 2013 Statement of Accounts to the Director of Audit.

The Government of Grenada places much emphasis on economic management, especially in areas of fiscal policy and financing and debt management. The Ministry of Finance is the organ within the Government of Grenada which administers, regulates and monitors programs and activities relating to fiscal policy and debt management.

Within the Ministry of Finance, the Accountant General's Department and the Economic Management & Planning Department in which the Debt Unit is situated are mainly responsible for the management of Government finances and the public debt.

## *5.3 The Department of the Accountant General*

The main responsibilities and duties of this department are: to ensure the establishment and maintenance of proper accounting systems in every department of the Government of Grenada and to exercise supervision over public revenue and expenditure.

In order to properly perform these functions in an efficient, effective and timely manner, this department is divided into four operational units; Accounts, Treasury, Information Technology and Internal Audit.

## *5.4 The Budget Management Unit*

This Unit discharges its functions by the following:

- The preparation of annual estimates of revenue and expenditure according to the macroeconomic and fiscal goals
- The facilitation and monitoring of the implementation of the annual budget
- The preparation of monthly, quarterly and annual reports on central government fiscal operations

### 5.5 *The Debt Management Unit*

This unit was reconstituted in January 2009 with its functions now focused on

- The recording, updating and management of Grenada's public debt
- Preparation of Debt Sustainability Analysis Framework for Grenada
- Risk assessment for new borrowing and devising innovative ways to reduce government's debt service costs
- Utilization of the Government Securities Market to access low cost financing to meet government's financing needs.
- Preparation of a formal Debt Management Strategy for Grenada

During the last year the unit has managed to accomplish several of its objectives including;

- Development of a Debt Management Strategy for the General administration and management of Grenada's Public Debt
- Development of a Debt sustainability Analysis Framework for Grenada
- Increased Grenada's utilization of the Regional Government Securities Market

As part of its mandate the Debt Management Unit is therefore committed to continue striving towards actively managing Grenada's debt portfolio by adopting debt management objectives aimed at:

- Reducing the cost of debt servicing by borrowing primarily on concessional terms.
- Reorganizing the structure of the debt portfolio to increase efficiency, avoid bunching and ensure effective utilization of the proceeds
- Supporting the development of the Regional Government Securities Market

- ❖ Managing the risk and financial cost associated with borrowing choices by refinancing higher cost debt and in so doing adjusting the maturity profile of the portfolio which will ultimately lead to lower debt service costs.

### *5.6 Risk Management Framework*

The Government, in an effort to minimize its risk, has adopted an integrated approach to the management of Government finances and debt management. Some of these measures include:

- ❖ The requirement for Parliament to approve new debt contracted by Government save and except Treasury Bills;
- ❖ The legal authority for the issuance of Treasury Bills is the Revised Treasury Bill Act which limits new Treasury Bills issuance to no more than 40% of estimated current revenues in a given fiscal year.
- ❖ The 2007 Public Finance Management Act which authorizes only the Minister of Finance to contract debt on the country's behalf;
- ❖ In –house monitoring of macroeconomic variables;
- ❖ An ex-ante analysis of new public debt by the Debt management Unit Ministry of Finance

Additionally there is a Debt Co-ordinating Committee at the Ministry of Finance which monitors the cash flow and assists with the planning and execution of debt payments and debt contraction decisions.

## 6. HISTORICAL BACKGROUND

Grenada was granted full Independence on 7 February 1974. After independence Grenada adopted the Westminster Parliamentary System. A Governor General (Grenada's Head of State), is appointed by and represents the British Monarch and a Prime Minister is both leader of the majority party and the head of government.

Sir Eric Gairy was Grenada's first Prime Minister. On 13 March 1979, the New Jewel Movement (NJM) ousted Gairy in a bloodless coup and established the People's Revolutionary Government headed by Maurice Bishop as Prime Minister. Maurice Bishop established close ties with Cuba, the Soviet Union and other eastern bloc countries, and suspended Grenada's Constitution.

In October 1983, a power struggle within the Government resulted in the murder of Bishop and several members of his Cabinet by elements of a faction of the NJM with the backing of sections of the People's Revolutionary Army.

Following a breakdown in civil order, U.S. President Ronald Reagan dispatched a U.S. military force to Grenada on 25 October 1983, who took control of the island. The Governor General named an interim advisory council to administer the Country until general elections were held in December 1984. The New National Party led by Herbert Blaize won 14 out of 15 seats in that election and formed the government and restored Grenada's Constitution.

## 7. GRENADA'S POLITICAL, JUDICIAL SYSTEM, DEMOGRAPHICS & SOCIAL CLIMATE

The State of Grenada consists of three islands situated between the Caribbean Sea and the Atlantic Ocean, 12.7 degrees north latitude and 61.4 degrees west longitude.

Grenada is the largest island, with a width of 12 miles and a length of 21 miles. Its topography is rugged, with a narrow coastal plain and volcanic mountain, the highest of which is Mount Saint Catherine, at 2,756 feet. It is divided into seven parishes: St. George, St. Mark, St. Patrick, St. Andrew, St. John, St. David and Carriacou and Petite Martinique. Carriacou has an area of 13 square miles and is much less mountainous than Grenada. Petite Martinique is about 586 acres and is dominated by a 750-foot high mountain in the middle of the island.

### *7.1 Political System*

Grenada is a parliamentary democracy closely modeled on the British Westminster model. The Grenada Constitutional Order of 1973, which established the Constitution of Grenada, granted Grenada independence from the United Kingdom on 07 February 1974. The Constitution prescribes Grenada's form of government and guarantees fundamental rights and individual freedoms. Constitutional amendments require the affirmative vote of a two-thirds majority of each House of Parliament and passage of bills by referendum. Legislation requires passage by both Houses of Parliament and royal assent by the Governor General.

Queen Elizabeth II of the United Kingdom is the head of state, which, as sovereign of Grenada, has adopted the title Queen of Grenada. A Governor General, whom she appoints on the recommendation of the Prime Minister of

Grenada, represents her in Grenada. The Governor General's constitutional functions are largely of a formal or ceremonial nature.

The Parliament is a bicameral legislature, consisting of an elected House of Representatives and an appointed Senate. The House of Representatives has 15 members elected in accordance with the provisions of the Constitution. The Governor General appoints the Senate's 13 members, ten on the advice of the Prime Minister and three on the advice of the Leader of the Opposition. The Grenadian Parliament, unless dissolved earlier, continues for five years from the date of the most recent general election.

The last general election was held in February 2013 and the New National Party (NNP) who was in opposition over the last five years contested and won 15 out of the 15 seats contested.

### *7.2 Judicial System*

Grenada's judicial system is based on the English system, including the principles and practice of English common law. The member states of the Organisation of Eastern Caribbean States (OECS) share a single supreme court, the Eastern Caribbean Supreme Court. In Grenada, this court is known as the Supreme Court of Grenada and the West Indies Associated States. The Supreme Court is headed by the Chief Justice, and administers the laws of each member of the Organisation of Eastern Caribbean States. It has two divisions, the High Court of Justice and the Court of Appeal. Two High Court judges are based in Grenada, but the judges of the Court of Appeal are resident in St. Lucia, and travel to Grenada to hear appeals from the High Court. Appeals from the Court of Appeal go to the Judicial Committee of the Privy Council in London, England, which is the final court of appeal.

## 7.3 *Demographics*

The preliminary count of the 2011 Housing and Population Census puts Grenada's population at 103,328 persons; an increase of 696 persons over the 2001 Census. In contrast to the 2001 Census, the male population has now surpassed the female population revealing 52,651 males and 50,677 females. Most of Grenada's population is of African descent, though there are some descendants of the early Arawak and Carib Indians. A few East Indians and a small community of descendants of early European settlers reside in Grenada. Approximately 65% of Grenada's population is under the age of 30. Grenada's official language is English, and its principal religions are Roman Catholic and Anglican.

## 7.4 *Social Indicators*

The following table sets out selected social indicators for Grenada.

***Grenada: Selected Social Development Indicators***

| | |
|---|---|
| Human development rank out of 187 countries (2013) | 79.0 |
| Life expectancy at birth in years (2012) | 72.8 |
| Adult literacy rate in percent (2007) | 96.0% |
| GDP per capita (PPP) in U.S.$ (2013) | 10,339 |
| Population rate of growth (%)(2014 Est) | 0.5% |
| Infant mortality per 1,000 live births (2010) | 9 |
| Access to improved water source (2010)(% of population) | 97% |

**Source: 2014 United Nations Human Development Report and Ministry of Finance**

# 8.0 MACRO-ECONOMIC PERFORMANCE

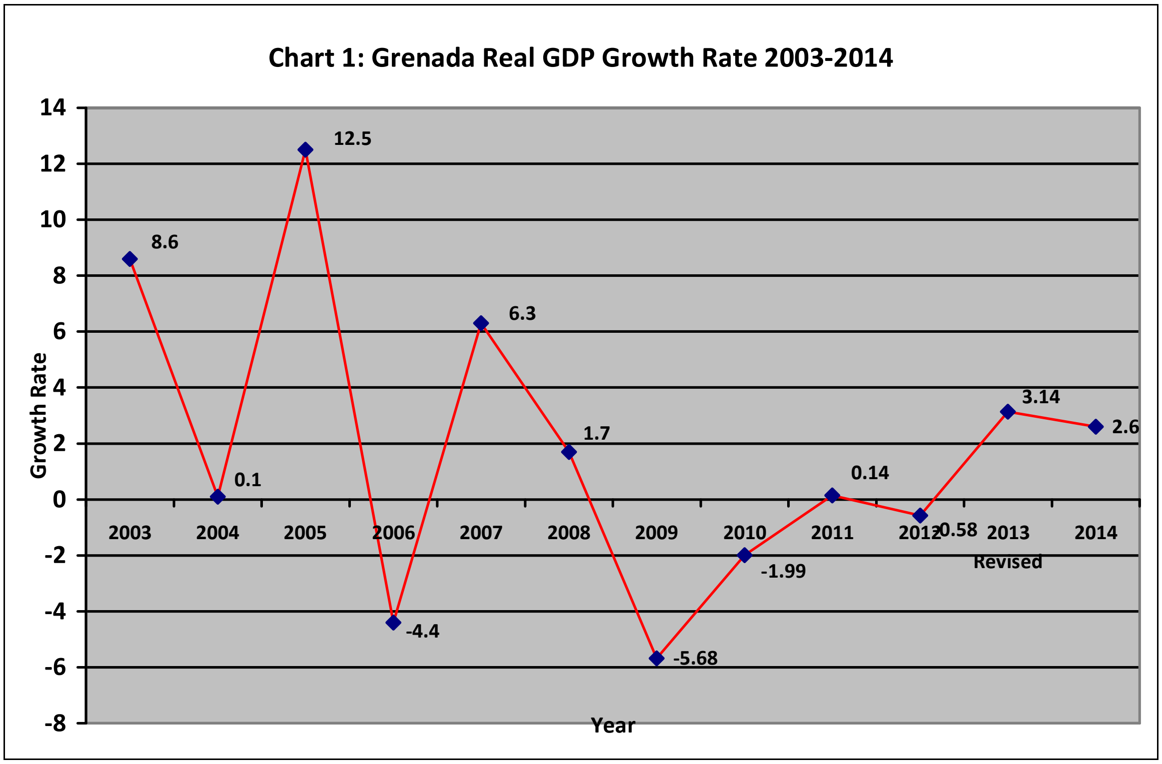
## *8.1 Economic Growth*

Preliminary data indicated that the Grenadian economy, as measured by the change in real GDP is projected to have expanded by 2.6 percent in 2014, following a revised estimated growth of 3.1 percent in 2013. The continued recovery, albeit at a slower rate is buoyed mainly by expansions in Agriculture, Tourism and Education. The completion of construction work on the Sandals La Source project has slowed down construction activity in 2014, but this was compensated by an increase in tourist arrivals and an increase in total agricultural output.[1]

Grenada has one of the most diversified economies in the OECS with its main sectors tourism, agriculture, construction and other services all making similar contributions to income, employment and output. Private enterprise dominates the economy accounting for approximately 80% of output with Government, Services accounting for the remaining 20%, primarily through the provision of physical infrastructure and social services.

Chart 1 below shows Grenada's real GDP growth for the period 2003 to 2013 and preliminary data for 2014.

[1] Extract from the Fiscal and Economic Review 2014, published in Government of Grenada 2015 Budget Statement, page 46




Source: ECCB & CSO

The revised data for 2013 suggests that economy grew largely on account of the construction sector. In 2012, the real growth rate declined by approximately 0.58 per cent. Economic growth in real terms for 2011 was 0.14 percent compared to negative growth rates of 1.99 percent in 2010 and 5.7 percent in 2009, as the global financial and economic crisis took its toll. Economic growth had slowed to 1.7 % in 2008 as the economic slowdown and the financial crisis in the United States resulted in less than favorable performance in some sectors (see chart 1). This contrasted with the 2007 outturn, when the economy rebounded slightly primarily on account of CWC World Cup cricket events hosted in Grenada.

The passage of Hurricane Ivan in 2004 resulted in a decline in economic activity by 0.12% with damages exceeding 200% of GDP (US$900 million). Prior to the hurricane, Grenada's economy was projected to grow by 4.7 per cent in that year.

In July of 2005 Grenada was hit by Hurricane Emily, with the cost of the destruction estimated at 12.5 per cent of GDP.

Following the hurricanes the emphasis was on reconstruction and cruise tourism which enabled the economy to rebound in 2005 to record real positive growth of 12.49 per cent, mainly on account of a 90.8 per cent rise in construction activity, and a 27.6 per cent increase in value added in the road transportation sector. In 2006, the economy contracted by 4.4 per cent as activity in the construction sector declined by 32.4 per cent. The decline was due to ongoing projects, those related to reconstruction and those linked to preparation for CWC 2007, being negatively affected by a shortage of cement in the first half of the year. However, hotels and restaurants, agriculture, and manufacturing all recorded growth with higher levels of contributions to income, employment and output.

## *8.2 Agriculture*

During the first nine months of 2014, output among the traditional crops was favorable. Nutmeg production increased by 50.7 percent (355.4 m lbs) as a result of the maturing of some of the trees that were planted in the aftermath of Hurricane Ivan and direct incentives provided to local nutmeg farmers. Additionally, Cocoa increased marginally by 3.8 percent (53.8 m lbs). Output of other crops mainly ground provision, fruits and vegetables, expanded by 81.5 percent. However, Banana production declined by 23.4 percent (2,720.90 m lbs).[2]

The Fishing industry continues to be a striving sub sector in the Grenadian economy. During the period under review fishing production increased by 6.1 percent (304,700 lbs), while fish export increased by 21.0 percent (367,600 lbs).

[2] Extract from the Fiscal and Economic Review 2014, published in Government of Grenada 2015 Budget Statement, page 46

This continued improvement in the sub sector can be attributed to increases in the number and size of boats especially from Carriacou and Petit Martinique. Additionally, efforts have been made to improve the communication network between fishermen out at sea which provided a greater level of confidence to allow them to go out into deeper waters.

Total agriculture production accounted for 4.0 percent of total GDP in 2013, with an overall increase in the sector of 3.6 percent. Gains were estimated in nutmeg production and other crops of 11.30 percent and 3.28 percent respectively, driven mainly by improved planting conditions and higher domestic demand.

The good performance of the agricultural sector in 2012, showed increases in the production of bananas, other crops, livestock and forestry. The rate of growth in the agricultural sector in 2012 was approximately 3.34 %, an t increase from 2.61 % for 2011, which was an improvement on the 12.1 % contraction experienced in 2010. The performance in 2010 was the result of the severe drought experienced in the first half of 2010." The agriculture sector as a whole increased its contribution to GDP in 2010 to 3.7 %.

The agriculture sector grew by 21.0 per cent in 2009 over the 2008 output and increased its contribution to GDP to 4.14 per cent. The growth of Agriculture in the crop sub sector demonstrates the renewed focus on Agriculture by the Government. Areas of support included the farm labour, planting material and fertilizer programmes. In 2009, nutmeg production was 739,000 pounds an increase of 22.3 per cent, cocoa production was 996,000 pounds, an increase of 33 per cent. However, fish production of 4.15 million pounds showed little change from the previous year. In 2008, the agricultural sector grew by approximately 10.8 per cent over the 2007 output and increased its contribution to GDP to 3.23 per cent; due to Government's continued efforts to revitalize the sector in 2007, by expanding the agricultural enterprise project. The project enabled the sector to grow by a further 1.1 per cent in 2007

In 2005, the agricultural sector contributed 2.0 per cent to the country's GDP, as compared to 5.2 per cent in the previous year. The fall in performance in 2005 followed the destruction of the sector with the passage of Hurricane Ivan, which resulted in lower output from the main crops.The Fishing industry continues to be a striving sub sector in the Grenadian economy. In 2012, the industry grew by 6.33 percent compared to negative growth of 11.42 percent in 2011. The sector is estimated to achieve overall growth of 21.27 percent at the end of 2013, since better fishing methods are being practiced and more boats were put out to sea.

## *8.3 Manufacturing*

The manufacturing sector has traditionally been small in Grenada. However, with the establishment of the Grenada Industrial Development Corporation in the 1980s and, inflows of foreign direct investment into the sector aided by the creation of factory space for small and medium sized business, the sector has been increasing its contribution to GDP.

Output in the manufacturing sector is estimated to have declined for the first nine months of 2014. The outturn was influenced by contractions in the production of a number of manufactured items, which resulted in lower levels of production in key sub industries. Accordingly, Beverages and Tobacco production fell by 10.5 percent, Chemicals and Paints which grew by 7.8 percent in 2013, declined by 1.5 percent for the period January to September 2014.

Additionally, declines in output were observed in Grain Mill Products & Bakery Products. This category reduced marginally by 1.1 percent compared to a 7.6 percent increase the previous period. However, increases were realized for

Prepared Animal Feed of 4.4 percent attributed to increased demand which was necessary to facilitate increase output in the poultry industry.

Available data for 2013 indicated that the sector is expected to contract further by 2.26 percent as a result of lower domestic demand for locally produced goods which are forced to compete with cheaper alternatives from abroad. Data for 2012 show further contraction of 0.22 % in this sector as industrial action and reduced economic activity took its toll on production of some goods. In 2011 there was some contraction in the sector of 0.14 percent as there were decreases in the production of certain manufactured goods.

During 2010, there was some growth in the manufacturing sector, which grew by 3.9 per cent as the production of most commodities recorded increases. The increase in the sector was largely attributed to increased production from the coca cola plant which was re-opened in the second quarter of 2009.

In 2009, Output in the manufacturing industry declined by 5.3 percent. This performance was a result of declines recorded in the production of most commodities with the exception of oxygen, feeds, flour and wheat bran. Soft drinks, which has the largest weight in the manufacturing index, declined by 21.4 percent, resulting mainly from the temporary closure of the Coca Cola bottling plant which reopened in April 2009. Signs of recovery have been registered since the re-opening of the plant with increases of more than six fold during the third quarter of 2009. Declines were also recorded for the production of paint (30.7 percent), macaroni (30.1 percent), rum (29.0 per cent), malt (20.8 percent), stout (17.6 percent), and beer (5.7 percent).

In the wake of the 2008 global economic slowdown and financial crisis, particularly in the United States our largest trading partner, this sector's contribution to GDP fell to approximately 3.5 per cent. In 2007, the sector's contribution to GDP had increased to 3.8 per cent reflecting growth of 1.8 per cent, having declined slightly in 2006 by 2.6 per cent.

With the passage of Hurricane Ivan in 2004 value added in the sector had declined by 16.2 per cent from a 2003 level of 4.4 per cent of GDP. However, in 2005 the sector showed signs of good recovery when economic activity in the sector grew by 18.9 per cent.

### *8.4 Tourism*

This sector continues to be one of the largest single generators of foreign exchange in Grenada's economy. In addition, efforts have been concentrated on improvements in the tourism sites with the implementation of the Tourism Enhancement Project, increasing airlift to Grenada and support to accommodation providers.

The industry began to play a leading economic role at the start of the 1990s, with the operations of a number of new hotel plants. The Government decided then to target tourism as an engine of growth in order to reduce unemployment, increase foreign currency earnings and to strengthen the linkages with the agricultural and manufacturing sectors. Substantial foreign direct investment in new hotel facilities, mainly in Grenada's southern tourism belt, together with increased government outlays on promotion and human resources development, especially in hospitality management, resulted in the tourism sector increasing its contribution to GDP.

For the period January to September 2014, activity in the tourism industry expanded as evidenced by a strong growth in both stay-over and cruise ship arrivals. Total visitor arrivals for the period grew by 16.4 percent or 36,018 compared to a reduction of 14.8 percent or 38,759 in the corresponding period of

2013. This rewarding improvement facilitated partly through an aggressive marketing campaign by the Grenada Tourism Authority (GTA) and the opening of Sandals La Source Grenada, can be attributable to increased airlift from the major source markets namely, the USA, Canada and the UK.

In the cruise-visitors category, the number of passengers increased by 16.6 percent to 155,199, in contrast to a contraction of 22.0 percent in the first nine months of 2013. The expansion in the number of cruise ship passengers was associated with an increase in the number of cruise ship calls during the year thus far.

The tourism industry is very sensitive to external shocks and events. Data for 2012 suggested that the tourism sector grew by 7.02 %. In 2011, the sector grew by 13.9%, as output of hotels increased significantly, influenced mainly by an over 10% increase of visitors staying in paid accommodations. In 2010, Government supported the industry by assigning a special VAT rate of 10%, spending $10 million in support for airlift and granting tax concessions including a 50% reduction in VAT for September, October and November. These measures all helped to cushion the effect of the recession on the industry. As a result value added in tourism contracted by 13.6% in 2010, compared to a decline of 12.3% in the previous year, when the full impact of the global and financial crisis had a devastating impact on Grenada's tourism sector.

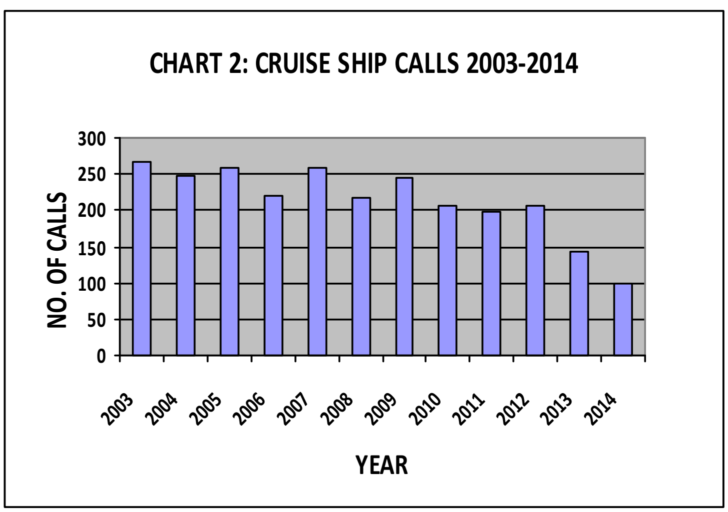
**Table 1 Key Tourism Indicators: 2009 to 2014**

| Key Indicators | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 Jan-Sept |
|---|---|---|---|---|---|---|
| Stay-Over Arrivals | 113,914 | 110,419 | 116,398 | 112,335 | 1116,456 | 36,018 |
| Cruise Ship Passengers | 342,852 | 333, 291 | 309,574 | 242,757 | 197,308 | 155,199 |
| Number of Cruise ship calls | 246 | 206 | 198 | 206 | 144 | 100 |
| Average length of stay | 8.5 | 8.3 | 8.2 | 8.2 | 9.12 | 8.4 |
| No. of rooms available | NA | NA | NA | NA | NA | NA |
| No. of beds available | | | NA | NA | NA | NA |
| Total Recorded Visitor Expenditure (EC$M) | 267.22 | 259.8 | 315,3 | 328.3 | 220.82 | 163.0* |

*Sources: Ministry of Finance, Eastern Caribbean Central Bank and the Grenada Board of Tourism.*

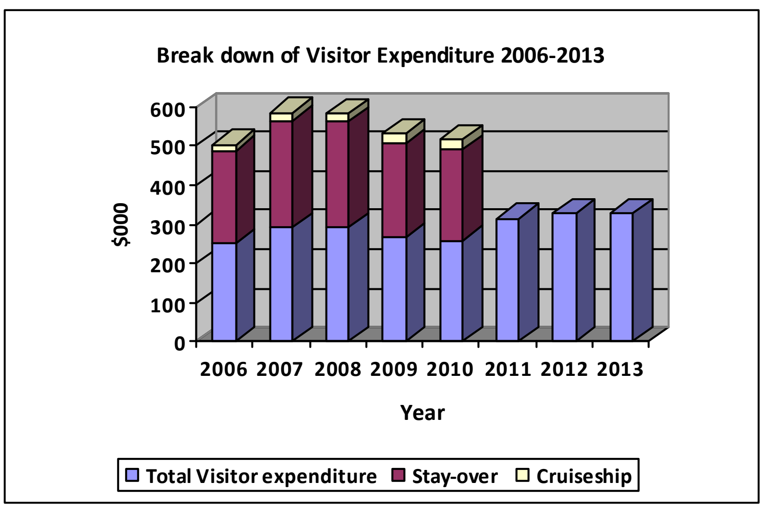
**Data as at June 2014*

Table 1 indicates an improvement in the performance of the industry from 2009. In 2009, stay-over arrivals fell further to 113, 914 as the global crisis made it more difficult for persons to have long vacations. Data for 2010 indicate that stay-over arrivals is expected to decline though at a slower rate increases to 110,419 as a result of efforts made to boost the industry. In 2011, the sector was boosted by a 5.4 percent increase in the number of stay-over arrivals. In 2012, despite lower overall visitor numbers, there was increased tourist expenditure.




Cruise calls in 2014 stood at 100 calls. At the end of 2013 there were 144 cruise ship calls compared to 206 calls in 2012. Total cruise ship calls in 2012 were 3 percent higher than the 2011 calls of 198, which was a decline from 206 in 2010. 2010 declined from 246 calls in 2009 to 206 calls. In 2008, cruise calls had fallen to 217 calls from the elevated levels in 2007 as a result of World Cup cricket. In 2007, cruise ship calls had risen to 259 calls from 221 calls in 2006. In December 2004, the increased capacity of the Melville Street Cruise Terminal, to accommodate mega ships, would have accounted in part for the rise in the number of cruise ship passengers. The number of cruise ship calls, moved from 249 ships in 2004, to 260 ships in 2005, an increase of 4.4 per cent.

During 2010, the impact of the global crisis still overshadowed the level of economic activity in tourism sector, as evidenced by the larger decline of 13.6 % compared to a decline of 12.3% in 2009 when the global crisis was still in its early stages. The sector's contribution to GDP in 2010 was slightly lower at 3.9 per cent compared to 2009 when the sector contributed 4.4 per cent to GDP.




Over the last five years (2006-2010) as shown in chart 3, the level of expenditure has fluctuated annually. The greatest contributor to visitor expenditure continues to be the stay-over visitors as on average they spend 90 percent of the tourist expenditures every year. In 2010, actual data indicate that there was a 0.2 % increase in tourist expenditure compared to the 8.9 % decline in expenditure in 2009. This indicates that although still sluggish, the sector was showing signs of recovery. In 2011, improvement in the sector resulted in an increase of 4.5% to EC$315.34 million in visitor expenditure when compared to 2010. Data for 2013 showed that tourist expenditure stood at EC$327.47 million, up from EC$329.11 million in 2012.

## *8.5 Development*

Grenada's development over the last five years has been focused to a large extent on a critical area- Infrastructure development. In addition to the benefits this has provided for the citizen's, it also provides strong positive externalities for the active participation of the private sector in the economy.

For this reason, Government has invested heavily in this area through the construction of roads, bridges, the rehabilitation of the country's seaport and airport, and the construction of schools and hospitals. This programme was intensified and accelerated with the reconstruction of the economy and meeting deliverables related to the preparation of CWC.

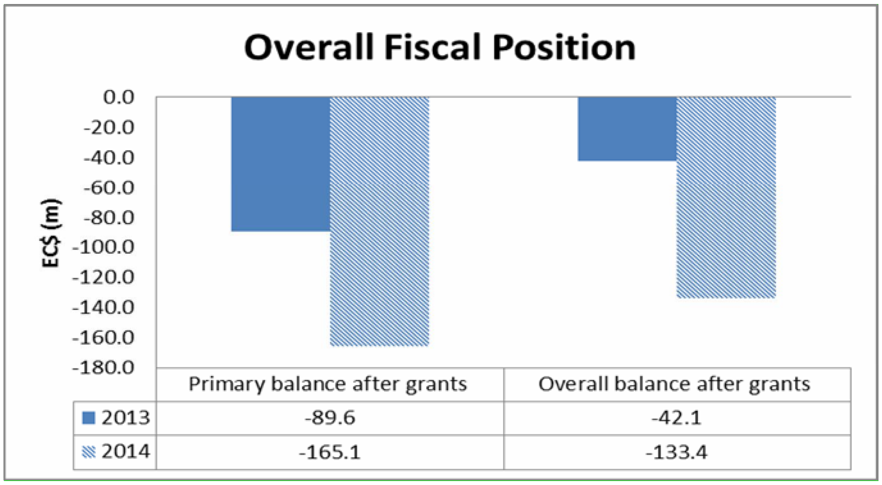
Today, Grenada boasts one of the best road infrastructures in the ECCU sub-region. Other recent infrastructural developments include: a newly constructed hospital, the expansion and modernization of the Maurice Bishop International Airport, the provision of adequate water supply even in the dry season with the construction of additional dams and the implementation of a metering programme, reliable electricity services throughout the country and modern telecommunications services. Most of the schools have been or are being rehabilitated through major projects.

In 2005, with the rehabilitation of the economy following Hurricane Ivan, value added in the construction sector grew by 90.8 per cent; however, with many rehabilitation projects nearing completion activity declined by 32.4 per cent in 2006 and has declined by a further 5.4 per cent in 2007, despite the implementation of major private sector projects, especially in the hotel industry. In 2006, the sector contributed 13.78 per cent to the country's GDP, but this contribution fell slightly to 12.27 per cent in 2007. The downward trend in the sector continued in 2008, contributing 11.22 per cent to GDP on account of the slowdown in the world economy and the scarcity of financing for many private sector projects. In 2009, the percentage contribution of construction dipped further to 8.14per cent as the global crisis intensified and financing for several major projects became even scarcer. Data for 2010 also indicate that the sector's contribution to GDP has declined further to 8.21 per cent as the commencement of several major projects was delayed. In 2011 there was a reduction in the sector by 11.8 percent and a further reduction in the sector of 18.1 per cent for 2012. In 2013, the construction sector is expected to increase by 20.00 per cent fueled primarily by the construction of the new five star Sandals- Grenada hotel which was completed in time for its grand opening on December 21st 2013.

## 9.0 GOVERNMENT FISCAL PERFORMANCE

In June 2014, Grenada implemented its Home Grown structural adjustment programme which seeks to: boost job creation, improve fiscal sustainability and improve debt sustainability.

Grenada's fiscal position showed a marked improvement in 2014 over the 2013 performance. The primary balance (after grants) moved from a huge deficit of $89.6 m or 4.0 percent of GDP in 2013 to a much smaller deficit of $42.1 m or 1.8 percent of GDP in 2014. This outturn compares very favourably with the primary balance target under the Home Grown Structural Adjustment (HSAP) Programme (a deficit of $57.0 m or 2.4 percent).[3]




The overall balance also showed considerable improvement from around $165.1 m or 7.3percent of GDP in 2013 to $133.4 m or 5.6percent of GDP in 2014. The strong fiscal performance can be directly attributed to: (i) reforms undertaken by Government as part of the HSAP; and, (ii) continued expansion in the local economy.[4]

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[3] Extract from the Fiscal and Economic Review 2014, published in Government of Grenada 2015 Budget Statement, page 46

[4] Extract from the Fiscal and Economic Review 2014, published in Government of Grenada 2015 Budget Statement, page 46

**Table 2 Recent Fiscal Performance 2009-2014 (EC$M)**

| | 2009 | 2010 | 2011 | 2012 | 2013 Revised | Actual Out turn 2014 |
|---|---|---|---|---|---|---|
| Current Revenue | 405.3 | 429.0 | 424.6 | 459.3 | 474.7 | 579.4 |
| Current Expenditure | 415.3 | 421.0 | 435.3 | 457.8 | 479.4 | 491.6 |
| Current Account Balance | -10.0 | 24.0 | -10.7 | 1.5 | (35.9) | ((3.0) |
| Capital Revenue | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Capital Expenditure | 157.8 | 164.4 | 163.2 | 235.2 | 160.5 | 221.2 |
| Grants | 68.3 | 95.2 | 70.4 | 66.5 | 30.8 | 90.8 |
| Overall Balance | -99.3 | -61.2 | -103.5 | -167.2 | (165.1) | (133.4) |

**Source: Ministry of Finance**

Grenada's fiscal performance for the year 2011 improved slightly when compared to 2010 as the recovery continued from the effects of the global economic and financial crisis after the Government implemented the value added tax and attempted to curtail certain expenditures. The estimated out turn for 2011 indicates a current surplus of $4.2 million and an overall deficit of $67.1 million. The overall deficit is much smaller than the $148 million that was budgeted for 2011. The out turn for 2010 indicate there was a current account surplus of $13.9 million, which was approximately 0.7 percent of GDP and an increase of 2.3 % over 2009. In 2009, the current account balance was negative roughly -0.5 % of GDP as the full impact of the global financial crisis put further pressure on Government's fiscal position.

In the years immediately following the devastation caused by Hurricane Ivan in 2004, significant outlays were made in the areas of housing, agriculture, school rehabilitation, and in the replacement or repair of lost or damaged infrastructure. In 2009, the capital budget had to be revised downwards as financing sources for projects were diverted to alleviating the effects of the crisis in other countries.

The capital budget in 2010 was $164.4 million, approximately 4.2 per cent higher than 2009 as there continued to be some delays in the start of projects on account of the global crisis. Capital expenditures amounted to EC$131.5 million in 2011 equating to 6% of GDP. This was below the EC$203.7 million or 9.1% of GDP estimated in the 2011 budget. Capital expenditure in 2012 was EC$235.2 million above both the 2013 and 2014 levels of EC$160.5 million and EC$221.2 million respectively.

In 2009, there was a slight increase in Grants by approximately 0.2% to $68.2m. There was a further increase in the level of grants in 2010 by approximately
39.4 % to $95.2 m. Grants amounted to EC$60 million in 2011, surpassing the budgeted estimate by 26.3%. This was mainly due to inflows in the second half of 2011 to fund several projects. This was however below the EC$95.2 million received in 2010 and the EC$66.5 recorded for 2012. In 2014 there was an increase in the amount of grants to EC$90.8 million from EC$30.8 million in 2013.

## 10.0 PUBLIC DEBT ANALYSIS

At December 31st 2014, public sector debt is projected at 2.56 billion or 107 % of GDP, consisting of:

- Central Government debt - $2.11 billion
- Government Guarantees - $132.3 million
- Other public sector debt - EC$313.9 million

During that period there were no new guarantees granted and as such the level of guaranteed debt continues to decline. The reduction of 52.7% in government guaranteed debt from EC$279.5 million in 2004 to EC$132.3 million in 2014.

Central government debt in 2014 was estimated to have increased by about 2.9 % over 2013 which was approximately EC$1,986 billion, an increase of 3 % over the EC$1,925 billion stock of debt recorded at the end of 2012. The level of Central government debt in 2011 represented 83.2% of GDP at EC$1,845.8 million, an increase of approximately 3.7 per cent above EC$1,779.5million in 2010.

During the period 2004-2009 increased significantly as government was faced with the spiral effects of the global slowdown in economic activity as a result of the financial crisis after having experienced some difficulties and a very vigorous rebuilding process after the passage of Hurricane Ivan to revitalize the revenue earning sectors in the economy which was necessary in order to service its debt obligations.

**Table 3 Central Government Debt (EC$ Millions) 2008-2014**

| | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** |
|---|---|---|---|---|---|---|---|
| **Total Domestic** | 227.1 | 262.4 | 282.2 | 360.7 | 427.5 | 477.9 | 474.5 |
| Treasury bills | 78.1 | 99.7 | 133.5 | 220.3 | 259.4 | 324.4 | 331.1 |
| Bonds | 11.7 | 11.7 | 9.9 | 20.9 | 58.1 | 60.7 | 60.7 |
| Loans | 58.9 | 64.9 | 53.4 | 55.5 | 37.5 | 28.8 | 23.4 |
| Others | 78.4 | 86.1 | 85.4 | 64.0 | 72.5 | 63.9 | 59.3 |
| | | | | | | | |
| **Total External** | 1,369.9 | 1,463.4 | 1,497.3 | 1,485.1 | 1,498.03 | 1580.3 | 1639.5 |
| Bilateral | 212.2 | 207.2 | 173.1 | 168.7 | 95.6 | 199.8 | 199.6 |
| Multilateral | 398.4 | 530.4 | 572.0 | 568.7 | 585.5 | 596.5 | 657.7 |
| Bonds | 721.6 | 721.6 | 721.6 | 721.6 | 721.6 | 721.6 | 721.6 |
| Others | 4.2 | 4.2 | 30.6 | 26.1 | 95.3 | 62.4 | 60.4 |
| Grand Total | 1,607.3 | 1,725.8 | 1,779.5 | 1,845.8 | 1,925.03 | 2,058.2 | 2,113.9 |

***Source: Debt Management Unit, Ministry of Finance***

Preliminary date for 2014 indicates that domestic debt fell by 0.7 per cent to EC$474.5 million from the previous year mainly on account of a reduction in the loans from commercial banks and other domestic liabilities. Domestic debt had increased by 11.8 per cent at the end of 2013, to EC$477.9 million primarily due to an increase in the stock of treasury bills.

In 2012, domestic debt was EC$427.5 million after it would have risen in 2011 to EC$360.7 million on account of a 65 percent increase in new Treasury Bills issuance. Domestic debt in 2010 increased by 7.8 per cent to EC$282.2 million after having risen by approximately 35.3 per cent in 2009 to EC$262.4 million as government attempted to utilize the regional government securities market to meet some of its short term financing needs by issuing more treasury bills. In 2008, domestic debt had fallen to EC$227.1 million from EC$229.15 million in 2007 (see Table 3), as Central Government continued with its capital projects in the aftermath of the hurricanes of 2004 and 2005.

External debt for 2013 increased marginally to EC$1543.5 billion, as Government sought to close the financing gap. In 2012, the stock of external debt was EC$1498.03 billion. Although external debt increased further in 2009, growing by approximately 67.3 per cent from 2004 to 2009, the rate of growth of external debt has slowed from previous years. Government continues to seek cheaper sources of financing, mainly from multilateral and bilateral creditors to fund its capital programme. Grenada's external debt rose significantly in 2004, from its lower levels in 2001-2003, when shortly after the passage of Hurricane Ivan; Government announced its intention to seek the cooperation of its creditors to restructure its commercial debt. On November 15, 2005, EC$ 708.0 million of Grenada's commercial debts or approximately 47.2% of the total public debt was restructured. This resulted in the substantial lowering of debt service payments. Grenada will save approximately EC$365.0 million in interest payments over the period 2005 to 2015. The debt restructuring of commercial loans was completed in November 2005. Interest was capitalized and three of the loans guaranteed became part of the Central Government's debt stock. The maturity period was extended to 2025.

In addition, on May 12th 2006 the Paris Club agreed to reschedule EC$43.2m of Grenada's debt thereby reducing by over 90 per cent the debt service to the Paris Club creditors. This agreement follows the International Monetary Fund's (IMF) approval of Grenada's arrangement under the Poverty Reduction and Growth Facility (PRGF) on 17th April 2006.

Grenada's agreement with the Paris Club reduces over 90% of the debt service due to the Paris Club creditors during the Fund-supported programme under the PRGF. The agreement defers a very substantial part of the moratorium interest due under this rescheduling and defers, for the period 2009 through 2013, the repayment of arrears accumulated on short-term debt.

As part of the agreement, the Government of Grenada also agreed to seek comparable treatment from its other creditors. Additionally, the Paris Club agreed in principle to consider, if need be, a new treatment of Grenada's debt after December 31 2008, if Grenada fulfils the commitments under the present rescheduling.

On June 15, 2009, the Co-chairman of the Paris club issued a letter granting further debt relief to the Government of Grenada. The Paris Club creditors agreed to extend the consolidation period of the 2006 Paris Club Agreed Minutes from 1 January to 31 December 2009.

Notwithstanding the savings on interest payments, expenditure on goods and services grew strongly (31.1%) as arrears accumulated after Hurricane Ivan were liquidated in addition to the cost of replacement of lost or damaged material and supplies.

In 2008, Grenada's external debt only grew by 1.2 per cent reflecting mainly the proceeds of previously disbursed loans at EC$1.39 billion. In 2007, external debt grew by 4.4 per cent and reached EC$1.35 billion reflecting the expansion of the public sector investment programme (PSIP), which included the renovation of schools, the construction of bridges and road development in accelerating the preparations for the hosting of Cricket World Cup 2007.

The cost of servicing Grenada's public debt over the last four years has fluctuated ranging from approximately EC$34.9 million in 2008 to as high as EC$48.1 million in 2009. In 2010, total interest paid on public debt fell by approximately 3.6 percent to EC$46.4 million. In 2011, total interest paid on public debt increased by 11.2 percent to EC$51.6 million. In 2012, the interest cost on public debt rose even further to EC$73.6 million as the coupon rate on Grenada's international bond went up to 4.0%. The interest cost on public debt for 2013 is expected to be lower than 2012 as after announcing debt restructuring in March 2013, Government did not pay the coupons on the 2025 bonds due in March and September of that year.

### ***Credit Rating***

In 2002, Grenada received an international credit rating from Standard and Poors of BB-/Stable. This rating was re-affirmed by Standard and Poors in June of 2004. After the passage of Hurricane Ivan on September 7, 2004, the rating was lowered and was further downgraded to Selective Default (SD) in December 2004 when Grenada was unable to pay interest on its two largest bond issues. After the successful debt restructuring exercise in 2005 Grenada's credit rating was raised to B-/Stable/C in 2006. On April 2, 2007 the rating was downgraded to CCC+/Stable/C due to the apparent late fulfillment of financial commitments with a local commercial bank and fiscal pressures in the first quarter of the year. However on August 2, 2007 Standard & Poor's raised its long-term sovereign credit rating to 'B-' from 'CCC+', reflecting steps taken by the government to improve debt management.

In 2009 Standard and Poor's again reaffirmed Grenada's long term credit rating of B-. The agency also mentioned that the outlook on Grenada remains stable with robust economic growth expected over the next several years. The recovery rating was lowered from 3 to 4 which is a probability of recovery in the event of default.

On June 2, 2010, Standard & Poor's Ratings Services reaffirmed its 'B-' long-term and 'C' short-term foreign and local currency sovereign ratings on the Government of Grenada. The outlook remained stable balancing the risk of fiscal underperformance with the relatively favorable amortization profile of Grenada's debt.

On October 9th 2012, Standard & Poor's has lowered its foreign currency sovereign credit ratings on S&P have lowered its foreign currency sovereign credit ratings to "SD," or selective default, from "B-/B," while also lowering its local currency sovereign credit ratings to "CCC+/C" from "B-/B." Its outlook on Grenada's long-term local currency ratings is negative." The report alluded that "The downgrade to "SD" follows the government's failure to pay the coupon due Sept.15, 2012 on its $193 million bond due in 2025."

"According to our criteria, we consider an obligation in default unless payment is made within five business days of the due date, regardless of any grace period," "Once the government cures its foreign currency debt default, we will assign forward looking foreign currency ratings," stated Richard Francis, a credit analyst for Standard and Poors.

Grenada's responded by issuing a release which stated that the action by Standard & Poor's was " premature considering the terms of the agreement for the 2025 Notes which provide a grace period of thirty (30) days after the due date and the notice was duly issued by Government to note-holders before the due date. This 30-day grace period had not yet expired. On October 16th 2012, Standard and Poors partially reversed the rating action as the bondholders were paid on October 15th with the paying agent receiving the funds on October 12, 2012.

To ensure no adverse impact on the banking system, Government also announced as it had done in 2005 after the passage of hurricane Ivan in 2004 that it would ***continue to service its domestic debt obligations including Treasury Bills on the Regional Government Securities Market (RGSM) as they fall due.*** Government has continued to honour this commitment by ensuring that its obligations on the RGSM are met and continues to access the market for its short-term liquidity needs.

As a result of Government's announcement on March 8, 2013, Standard and Poors on March 12, 2013, lowered its foreign and local currency sovereign credit ratings on Grenada to 'SD' (selective default) from 'CCC+/C'. The Standard and Poors report stated that "the downgrade to 'SD' follows the government of Grenada's announcement that it will not pay the coupon due March 15, 2013, on its U.S. dollar and Eastern Caribbean dollar bonds due in 2025.

**PUBLIC DEBT RATIOS**

At the end of December 2013, Public sector debt to GDP was approximately 107%, a slight decline from the level of Public sector debt to GDP of 108% in 2012. Central Government debt was approximately 88.6% of GDP in 2013, down from 89.0 % in 2012. The following table outlines the movement in the debt ratios over the period 2008 to 2014.

**TABLE 5: Public Debt Ratios**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|
| Public Sector Debt Stock to GDP (including Government Guarantees) (%) | 78.4 | 88.9 | 90.0 | 88.6 | 108.0 | 107.0 | 107.0 |
| Debt Stock to GDP (excluding Government Guarantees) (%) | 71.8 | 82.9 | 84.1 | 83.2 | 89.0 | 90.0 | 89.0 |
| Interest payments to Current Revenue (%) | 10.8 | 11.9 | 10.9 | 12.1 | 17.3 | 9.2 | |

**Source: Ministry of Finance**

In 2013, the interest payments to current revenue ratio fell to 9.2 % as Government announced in March of that year that it was going to pursue "a comprehensive and collaborative debt restructuring" which included the bonds due in 2025 whose payment accounted for a significant portion of the budgeted interest for the year. In 2012, the interest rate on these bonds had also increased but were paid hence the ratio was up to 17.3% in that year. Grenada's interest payment to current revenue increased to 12.1 percent on account of the step up interest rates in 2011. Interest payments to current revenues in 2010 fell slightly to 10.9 percent compared to 11.9 per cent in 2009 on account of payments on some Paris Club restructured loans which came due. The ratio has however remained within the international benchmark of 15.0 per cent. While the debt to GDP ratio remains high government has indicated in its 2006-2008 Reform

Programme, it is our intention to bring this ratio on a downward trajectory towards the target of 60 per cent of GDP by the year 2020.

Currently, Government has already commenced implementing several measures under its debt management strategy by:

- Ceasing to incur any new external commercial debt
- Conducting debt analysis of any new debt to be incurred
- Not incurring any new government guarantees
- Adopting a risk management framework in the management of its debt portfolio

The Government re-established the Debt Management unit in January 2010, which produced a debt management strategy for the medium term which expires in 2013. The announcement of debt restructuring by the Government of Grenada in March 2013 has called for the review and revision of the new medium term debt management strategy currently being prepared for the period 2014 to 2017.

## 11.0 BALANCE OF PAYMENTS

**Table 7: Grenada Summary of Balance of Payments (In million of EC dollars)**

| | 2008 | 2009 | .2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|
| Current Account Balance | -781.1 | -578.1 | -622.2 | -594.62 | -521.65 | -533.35 |
| Exports (FOB) | 74.2 | 95.3 | 81.7 | 86.86 | 93.43 | 98.52 |
| Imports (CIF) | 1,035.2 | 709.8 | 1,021.3 | 768.69 | 810.83 | 823.01 |
| Services (net) | 92.1 | 112.7 | 116.8 | 130.31 | 184.43 | 171.04 |
| Of which Travel (net) | 249.2 | 261.0 | 231.5 | 247.11 | 299.25 | 292.62 |
| Income (net) | -98.0 | -178.2 | -138.9 | -128.58 | -92.56 | -74.67 |
| Of which Public sector interest payments (gross) | 0.7 | 0.7 | 0.5 | 0.5 | 0.75 | 0.75 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Transfers (net) | 68.6 | 70.2 | 86.1 | 85.48 | 81.74 | 71.40 |
| Capital and Financial Account | 764.0 | 579.8 | 535.5 | 539.87 | 466.74 | 556.36 |
| Capital Account (transfers) | 127.3 | 104.4 | 160.2 | 161.77 | 158.31 | 159.43 |
| Financial account | 636.7 | 475.4 | 375.3 | 378.10 | 308.43 | 396.94 |
| Of which: Public sector borrowing | 46.8 | 59.8 | 178.7 | 183.4 | 25.08 | 134.95 |
| Of which: public sector amortization | 72.3 | 23.5 | 29.4 | 28.6 | 15.9 | 26.9 |
| Direct Investment (net) | 435.4 | 276.9 | 162.6 | 101.75 | 85.02 | 167.77 |
| Portfolio investment (net) | -12.3 | 37.9 | -2.1 | -2.8 | -8.34 | 12.86 |
| Other investment | 213.6 | 160.6 | 214.8 | 279.1 | 231.75 | 216.31 |
| Overall balance | -17.2 | 69.8 | -26.0 | 10.7 | -5.40 | 50.19 |
| **In per cent of GDP** | | | | | | |
| Current account balance | 34.8 | 27.6 | 29.4 | 26.8 | 24.10 | 23.78 |
| Capital and financial account | 34.0 | 27.7 | 25.3 | 24.3 | 21.57 | 24.81 |

*Source: Ministry of Finance/ECCB 2013*

Balance of payments data reflect the value of the transactions carried out between a country's residents and the rest of the world. Grenada has incurred an overall balance of payments surplus in each of the six years from 1997 through 2002. In 2004, the country's overall balance of payments position improved significantly and recorded a large overall surplus of $125.1 million because of budgetary support and the insurance receipts in the aftermath of Hurricane Ivan. In 2004 exports continued to decline and travel receipts also fell reflecting the damage to the country's hotel infrastructure with the passage of Hurricane Ivan.

In 2005 an overall balance of payments deficit of $74.0 million was realized reflecting deterioration from the surplus position achieved in 2004. This turnaround was partly attributable to diminishing donor support and high capital imports related to reconstruction needs. Data for 2006 indicate a small overall surplus of $15.2 million, mainly due to increased foreign direct investment in the hotel industry and larger capital transfers.

In 2007, the overall balance of the balance of payments increased to $29.0m due to significant increases in the capital and financial account which more than offset the deterioration in the current account.

There was an overall balance of payments surplus of EC$69.8 million in 2009 largely on account of increases in the capital and financial account. In 2010, the overall balance on the balance of payments was in deficit mainly on account of a reduction in direct investment.

Preliminary estimates for 2013 suggest that, the overall balance of payment position is expected to show a deficit of EC$50.19 million, compared to a surplus of EC$5.40 million in the previous year.

### *11.1 Remittances*

According to Government estimates, between 50,000 and 100,000 Grenadians now live abroad. Countries with significant numbers of Grenadians include the United States of America, Canada and the United Kingdom. Remittances consist of funds sent to persons and entities in Grenada by Grenadians residing and working abroad. Approximately 75% of total remittances come from the United States. Remittances have been relatively stable prior to Hurricane Ivan and have been a key contributor to Grenada's balance of payments surplus in recent years. However, in 2004 there was a significant increase of 90.5 per cent to $129.8m. In 2005 remittances declined by 38.4 per cent to $68.5m, but still remained at a higher level than the years prior to Hurricane Ivan. In the years that followed, remittance grew marginally but steadily with $70.6m recorded in 2006, $72.3m in 2007 and $73.1m in 2008. During the period 2009--2010, worker's remittances fell marginally to EC$70.2 and EC$71.1 respectively as the impact of the global crisis resulted in nationals remitting less funds to Grenada.

### *11.2 Capital and Financial Accounts*

The capital and financial account reflects direct investments and monetary flows into and out of a nation. Grenada attracted significant inward capital transfers and direct foreign investment from 1997 through 2005. During this period, Grenada's capital and financial account registered annual surpluses.

Between 2001 and 2005, the capital and financial account of the balance of payments for Grenada moved from a surplus position of $242.4 million in 2001 to approximately $452.1m in 2005. This was due to a fall in other liability payments. The growth continued in the subsequent years. In 2006 the capital and financial account net increased to $550.8m and grew further to $732.9m in 2007. In 2008 the account recorded a net surplus of $764.0m. During 2009, the position on the Capital and financial account was in surplus at EC579.8 million lower than the 2008 surplus. However in 2010, there was some improvement on this account as the surplus improved to EC$613.8 million.

Similarly in 2013, as was seen in 2012, there is an expected surplus on the Capital and Financial Account. The surplus in 2013 is expected to increase by 19.2 percent, from EC$466.74 million in 2012 to EC$556.36 million. This is primarily due to increases on the Financial Account by 10.1 percent and the capital account by 0.71 percent.

### *11.3 Foreign Direct Investment*

Foreign direct investment in Grenada has played an important role in the development of the secondary and services sectors of the Grenadian economy. The principal sectors to receive foreign direct investment in recent years have been the tourism, manufacturing, construction and tele-communications sectors.

Foreign direct investment in Grenada has principally originated from the United States, followed by the United Kingdom, Canada and other Caribbean countries.

During the period 2002 to 2005, net foreign direct investment increased every year and totaled $189.4m in 2005. The performance in 2005 reflected higher level of economic activities attributed to the reconstruction of the economy after the passage of Hurricanes Ivan and Emily. Subsequently, in 2006, direct foreign investment is estimated at $242.4m, an increase of 28.0 per cent compared to 2005. In 2007, foreign direct investment almost doubled from the 2006 outturn to $470.5m as private investment activity in the tourism sector increased. The 2008 earnings declined slightly to $435.4m due to credit becoming increasingly difficult in the United States from which the vast majority of the investments originate.

Net foreign direct investment for 2009 was EC$276.9 million, which reflects the delay in investment on several large projects on account of the global financial crisis. In 2010, there was a further decline in direct investment to EC$162.6 million. There hasn't been much of an improvement in 2011 as direct investment is estimated to decline further to EC$101.8 million.

Direct Investments is expected to increase by 97.33 percent in 2013. Portfolio Investments is expected to move from its deficit position in 2012 of EC$8.34 million to a surplus position in 2013 of EC$12.86 million. Other Investments is anticipated to decline by 6.66 percent.

## 12.0 FINANCIAL SECTOR ANALYSIS

Notwithstanding the passage of Hurricanes Ivan and Emily, the financial sector in Grenada has remained relatively stable. Shortly after Ivan the Government of Grenada requested the ECCB to conduct an on-site inspection of all commercial banks in Grenada. The report as presented to the Monetary Council of the ECCB indicated that all banks remained sound and have taken corrective measures to cushion the negative effects of the fall in economic activity and any default in debt servicing, would have had on their performance. In addition, the insurance companies remained stable with only a few not being able to meet their financial commitments with customers on time.

Nevertheless, given the need to maintain financial stability at all times the Government of Grenada has enacted the GARFIN[5] Act. The Act gives GARFIN, the authority to regulate and supervise all non-bank financial institutions. Through GARFIN, The Government will ensure that the insurance sector follows sound practices and does not pose risks to the financial system and insurance holders.

Furthermore in order to reduce vulnerabilities to natural disasters government is considering giving the Building Code force of law. As a step forward in mandating the Code and associated Guidelines, government plans to bring into force new planning regulations in the not too distant future. Government will endorse a Voluntary Construction Quality Assurance Mechanism which would see contractors, engineers, architects and financial institutions working together to ensure that all buildings are constructed to the required standards.

The Government has also signed up for the World Bankôs Caribbean Catastrophe Risk Insurance Facility (CCRIF). As a participant in this facility, government will purchase

[5] Grenada Authority for the Regulation of Financial Institutions

parametric insurance on an annual basis that pays the government a predetermined amount in case of hurricane or earthquake. CIDA had generously agreed to pay Grenadaôs insurance premium for the first three years and since then government has been making provision for its payments.

## 13.0 MONEY AND CREDIT CONDITIONS

Data as at the end of 2013 shows that broad money M2 has expanded further by 3.56% to EC$ 1,938.72 million compared to December 2012. During the 2013, M1 rose slightly to EC$,381.04 million compared to EC$333.99 recorded at the end of 2012, while quasi money increased by 1.28% to EC$1,557.68

**Table 8: MONEY AND CREDIT CONDITIONS IN EC$ million**

| | 2009 | 2010 | 2011 | 2012 | 2013 | January – Jun 2014 |
|---|---|---|---|---|---|---|
| **1. NET FOREIGN ASSETS** | **283.67** | **242.30** | **169.60** | **113.78** | **352.39** | **434.91** |
| 1.1 Central Bank (Imputed Reserves) | 303.45 | 277.46 | 282.87 | 280.81 | 365.60 | 364.02 |
| 1.2 Commercial Banks (net) | 166.31 | (35.16) | (201.94) | (167.03) | (13.21) | 70.90 |
| **2. NET DOMESTIC ASSETS** | **1536.36** | **1595.09** | **1662.37** | **1,748.47** | **1586.33** | **1566.53** |
| 2.1 Domestic Credit | 1641.81 | 1699.04 | 1787.08 | 1857.44 | 1695.39 | 1635.91 |
| 2.2 Other Items (Net) | (105.44) | (103.95) | (202.09) | (108.97) | (109.06) | (69.39) |
| **3.MONETARY LIABILITIES (M2)** | **1,820.03** | **1,837.39** | **1857.98** | **1872.02** | **1938.72** | **2001.44** |
| 3.1 MONEY SUPPLY (M1) | 332.27 | 342.29 | 333.04 | 333.99 | 381.04 | 429.56 |
| 3.2 QUASI MONEY | 1,487.77 | 1,495.11 | 1524.94 | 1538.03 | 1557.68 | 1571.88 |

Source: Eastern Caribbean Central Bank

During 2013, domestic credit declined by 8.72% to EC$1695.39 million reflecting reductions in net credit to the private sector by 5.7% net credit to central government by 51.40% to EC$ 52.25 million when compared to December 2012.

Preliminary data for January to June 2014 shows an increase in Net Foreign Assets and Monetary Liabilities of 23.42% and 3.24% respectively and a decrease of 1.25% in net domestic assets

In 2011, domestic credit grew by 5.3 per cent to EC$1.79 billion. Net credit to the private sector grew by approximately 2.2 percent on account of a 4.0 percent increase to EC$1,176.17million in household credit. Net credit to the central government also contributed to the increase, as it rose by 37.0 per cent to EC$150.8 million.

During 2013, a look at the distribution of credit by sector indicated that 57.4 per cent of the credit given by banks was for personal use, mainly for the acquisition of property. Credit to the tourism sector was approximately 8.31 per cent of total credit while credit for distributive trade, construction and land development and professional and other services was 8.45 percent, 5.55 per cent and 3.38 per cent respectively.

In 2010, the net foreign assets position fell by roughly 14.6 percent from EC$283.7 million in 2009 to EC$242.3 million. In 2008, the net foreign assets position moved to a net foreign liability position of 32.6 million on account of activity on the interbank market after having recovered in 2007 from the sharp reductions in 2005 and 2006. In 2004 the net foreign assets of the commercial banking system had experienced substantial growth mostly affiliated with the inflow of funds following the passage of Hurricane Ivan.

Liquidity in the commercial banking system remained stable over the period 2004 to 2008. The loans to deposit ratio increased from 57.6 per cent in 2004 to 66.0 per cent in 2005, to 73.2 per cent in 2006, reflecting the increased economic activity in the country. In 2007 the ratio was 75.9 per cent, and this ratio rose even further to 80.0 per cent in 2008. In 2009 the ratio increased further to 83.3 per cent and was up slightly in 2010 to 83.61 per cent. In 2012, this ratio was slightly higher at 84.92 per cent when compared to December 2011 which was

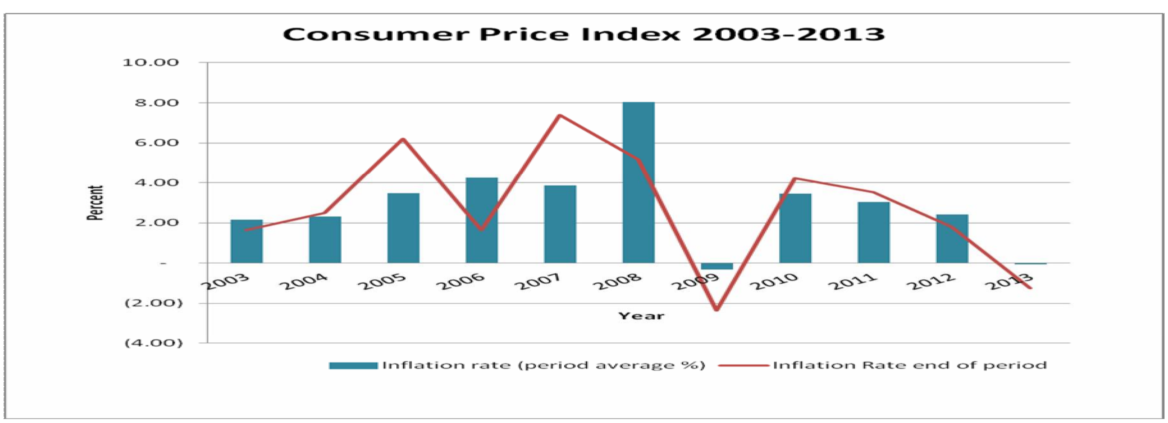
83.41 per cent. data for 2013 revealed that the loans to deposit ratio fell from 84.46 per cent in 2012 to 76.56 per cent at end of 2013.

Since 2002 interest rates on savings have remained at 3.0 per cent. Prime lending rate fell from 9.5 per cent in 2003 to average 8.5 per cent for the period 2004-2009 and remains unchanged in 2010. Since 2006 other lending rates has steadily ranged from 7.5 per cent to 17.0 per cent.

## 14.0 INFLATION

Inflation, as measured by the change in consumer price index has remained relatively stable in Grenada during the first nine months of 2014. The Consumer Price Index moved from 108.03 index points in September 2013 to 108.17 index points in September 2014 representing an increase of 0.13 percent. The major groups recorded the following increases:- "Food and Non-alcoholic Beverages" 1.25 percent, "Alcohol Beverages, Tobacco & Narcotics" 3.51 percent, "Clothing and Footwear" 0.22 percent, "Housing, Water, Electricity, Gas and other fuels" 0.03 percent, "Health" 1.55 percent, "Recreation and Culture" 3.12 percent, "Education" 2.67 percent and "Restaurants and Hotels" 0.01 percent.

All the other groups recorded decreases between 0.11 percent and 1.90 percent. Accordingly, the inflation rate for the period September 2014 is 0.13 percent. This can be compared to a decrease of 1.43 percent for the same period in 2013.




Source: CSO

The above figure shows the changes in the CPI as at December 2002 to December 2013.

Annual data available for 2013 indicated that the rate of inflation declined by 0.05 per cent compared to an increase of 2.4 per cent in 2012. At December 2009, inflation was -0.3 primarily on account of lower oil and gas prices. The spike in oil and food prices in 2008 resulted in higher than average levels of inflation of approximately 8.0% while in 2007, inflation much lower at 3.9 percent.

Inflation averaged 1.7% annually from 1997 through 2001. In 2002, the annual inflation rate, declined by 0.4 per cent (on a period average basis) compared with growth of 3.2 per cent. Inflation averaged 2.2 per cent in 2003 and 2004. However, in 2005 the average rate of inflation increased to 3.5 per cent mainly due to increases in fuel prices.

## 15.0 PROSPECTS

### PROSPECTS FOR 2015[6]

Looking forward to 2015, the Grenadian economy is still on the road to recovery. With a full year of implementation of the Home Grown Structural Adjustment Program in place, economic growth in 2015 is anticipated to be moderate, as the economy continues to face significant challenges in terms of high unemployment, a large debt overhang, and weak competitiveness.

[6] Adopted from the Macroeconomic & Fiscal Review 2014, published in the Government of Grenada 2015 Budget Statement, page 46

Real GDP growth is expected to be 1.1 percent in 2015 and to accelerate thereafter, at an average rate of 1.5 – 2.0 percent in the medium term. It is anticipated that growth will be driven by expansion in the construction sector with the development of new hotel projects and public sector investment programmes such as; the Agriculture Feeder Road Project, the New Parliament Building, school rehabilitation among others.

Agricultural production is expected to increase further, relative to the outturn of 2014. The commercialization of the government estates is expected to contribute significantly to the overall output of the sector. This is anticipated to be translated into an increase in the volume of exports, as some of our major trading partners are beginning to see signs of economic growth in their economies.

Tourism activity is expected to strengthen, mirroring modest recoveries in the major source markets and as a result of the continued presence of the Sandals brand, increased marketing effort by the Grenada Tourism Authority and expected increases in airlift and cruise calls to Grenada.

The Current Account balance is expected to worsen slightly with the deficit increasing by approximately 3.0 percent. This is largely due to predicted increases in imports as additional hotel projects come on stream in 2015. These developments in the tourism sector, however, are expected to bring additional direct investment to the Financial Account. The increase in travel receipts is expected to continue as the amount of stay-over visitors increase as a result of the marketing and establishment of the Pure Grenada brand.

On the central government's fiscal accounts, the overall deficit is projected to narrow in 2015 on account of revenue gains from tax reforms being undertaken as part of the Home Grown Structural Adjustment Programme. Additionally, a decline in expenditure mainly associated with reduced outlays for goods and services within the context of expressed policy reforms such as; the Attrition policy, Treasury Single Account, and Capital spending controls being pursued by the government will also contribute to the smaller overall deficit.

## 16.0 SECURITY ISSUANCE PROCEDURES AND SETTLEMENT AND SECONDARY MARKET ACTIVITIES

The treasury bills will be issued on the Regional Government Securities Market using the Eastern Caribbean Securities Exchange trading platform for both primary issuance and secondary trading. The pricing methodology to be used for selling the securities will be that of a competitive uniform price auction with open bidding. The ECSE and its subsidiaries are responsible for processing, clearance and settlement of securities and providing the intermediaries with access to their settlement projections report, which indicates the obligations of the intermediary. Intermediaries are responsible for interfacing with prospective creditors, collecting applications for subscription and processing bids on the ECSE platform. A list of licensed intermediaries is provided in **Appendix II.**

Successful investors will be informed of their payment obligations and funds deducted from their respective accounts with the intermediaries. As an issuer on the RGSM the Government of Grenada will be subject to the rules and procedures established by the Regional Debt Co-ordinating Committee for the operation of the market including ongoing reporting and disclosure requirements.

## 17.0 CURRENT ISSUES OF GOVERNMENT SECURITIES ON THE REGIONAL AND INTERNATIONAL MARKETS

**RGSM TREASURY BILLS**

| | |
|---|---|
| Issues Outstanding | EC$92.34M |
| Type of Issue | Government of Grenada Treasury Bills |
| Maturity in Days | 91 and 365 Days |
| Date of Issues | January 2014 to December 2014 |
| Yields | 6.0%, |
| Discount Price | EC$94.005 |

**BOND ISSUE**

| | |
|---|---|
| Issues Outstanding | US $193.54M |
| Type of Issue | Government of Grenada International Bonds 2005-2025 |
| Maturity | 20 Years |
| Date of Issue | Nov. 15, 2005 |
| Yields | 1.00%, 2.5%, 4.50%, 6.00%, 8.00%, 8.50%, 9.00% |

**BOND ISSUE**

| | |
|---|---|
| Issue Outstanding | EC$183.95M |
| Type of Issue | Government of Grenada International Bonds 2005-2025 |
| Maturity | 20 Years |
| Date of Issue | Nov. 15, 2005 |
| Yields | 1.00%, 2.5%, 4.50%, 6.00%, 8.00%, 8.5%,9.00% |

## 18.0 UPCOMING ISSUES OF GOVERNMENT SECURITIES ON REGIONAL MARKET 2015

| SYMBOL | AUCTION DATES 2015 | ISSUE/SETTLEMENT DATE | MATURITY DATE | ISSUE AMOUNT EC$M | OVERSUBSCRIPTION AMOUNT ALLOWED EC$M | TENOR (DAYS) | INTEREST RATE CEILING |
|---|---|---|---|---|---|---|---|
| **SERIES A** | | | | | | | |
| GDB170715 | 16 APRIL 2015 | 17 APRIL 2015 | 17 JULY 2015 | 10 | 5 | 91 | 6% |
| GDB161015 | 16 JULY 2015 | 17 JULY 2015 | 16 OCTOBER 2015 | 10 | 5 | 91 | 6% |
| GDB150116 | 15 OCTOBER 2015 | 16 OCTOBER 2015 | 15 JANUARY 2016 | 10 | 5 | 91 | 6% |
| **SERIES B** | | | | | | | |
| GDB150515 | 12 FEBRUARY 2015 | 13 FEBRUARY 2015 | 15 MAY 2015 | 15 | 5 | 91 | 6% |
| GDB140815 | 14 MAY 2015 | 15 MAY 2015 | 14 AUGUST 2015 | 15 | 5 | 91 | 6% |
| GDB131115 | 13 AUGUST 2015 | 14 AUGUST 2015 | 13 NOVEMBER 2015 | 15 | 5 | 91 | 6% |
| GDB120216 | 12 NOVEMBER 2015 | 13 NOVEMBER 2015 | 12 FEBRUARY 2016 | 15 | 5 | 91 | 6% |
| GDB170716 | 16 JULY 2015 | 17 JULY 2015 | 17 JULY 2016 | 30 | | 365 | 6% |
| GDB091016 | 8 OCTOBER, 2015 | 9 OCTOBER 2015 | 8 OCTOBER 2016 | 12 | | 365 | 6% |
| GDB271116 | 26 NOVEMBER 2015 | 27 NOVEMBER 2015 | 27 NOVEMBER 2016 | 20 | | 365 | 6% |

## APPENDIX I: SUMMARY ECONOMIC DATA 2008 - 2013

This summary highlights some key economic data contained in this prospectus.

| **Domestic Economy ($million)** | **2008 Rev.** | **2009 Rev.** | **2010 Rev** | **2011 Rev** | **2012 Est** | **2013 Prelim** |
|---|---|---|---|---|---|---|
| Nominal GDP at market prices | 2,247.35 | 2,098.81 | 2,093.05 | 2,122.65 | 2189.52 | 2,288.89 |
| Real GDP at factor cost | 1,752.71 | 1,653.16 | 1,622.46 | 1,623.43 | 1,603.65 | 1,642.76 |
| Per cent change in real GDP at factor cost | 1.69 | -5.68 | -1.86 | 0.14 | -1.2 | 2.74 |
| Consumer Price Index (Period Average) | 8.0 % | -0.3% | 3.4 % | 3.0% | 2.0% | -1.6% |
| Unemployment rate (annual average) | 24.9% | N/A | 29% | 31% | N/A | N/A |
| **External Economy ($ million)** | | | | | | |
| Exports (fob) | 81.7 | 78.8 | 65.2 | 86.86 | 93.43 | 98.52 |
| Imports (fob) | 914.66 | 709.77 | 767.92 | 768.69 | 810.83 | 823.01 |
| Current Account Balance | -741.02 | -508.7 | -596.81 | -594.62 | -521.65 | -533.35 |
| Direct Investment (net) | 384.1 | 276.9 | 162.6 | 101.75 | 85.02 | 167.77 |
| Capital and Financial Account Balance | 711.45 | 590.50 | 509.41 | 539.87 | 466.74 | 556.36 |
| Overall Balance of Payments | -21.3 | 69.8 | -26.0 | 10.7 | -5.40 | 50.19 |
| **Tourism** | | | | | | |
| Stay-Over Arrivals | 130,363 | 113,914 | 110,419 | 113,947 | 112,335 | 89,070* |
| Total visitor expenditures (EC $M) | 267.6 | 242.2 | 301.9 | 428.6 | 361.7 | N/A** |

**Sources: Ministry of Finance, Eastern Caribbean Central Bank and Grenada Board of Tourism.**

(1) All currency references will be the Eastern Caribbean dollar unless otherwise stated.

(2) For purposes of this table (and to facilitate comparisons with GDP figures of other sovereign issuers), certain nominal GDP amounts as specified are presented using market prices (including net indirect taxes) rather than factor cost (which excludes net indirect taxes).

*** Data represents the period January to September 2013**

****Data not yet available**

## APPENDIX II: LIST OF LICENSED ECSE MEMBER BROKER DEALERS

| INSTITUTION | CONTACT INFORMATION | ASSOCIATED PERSONS |
|---|---|---|
| **St Kitts and Nevis** | | |
| St Kitts Nevis Anguilla National Bank Ltd. | P O Box 343<br>Central Street<br>Basseterre<br><br>Tel: 869 465 2204<br>Fax: 869 465 1050<br>Email: national_bank@sknanb.com | **Principals**<br>Winston Hutchinson<br>Anthony Galloway<br><br>**Representatives**<br>Marlene Nisbett<br>Angelica Lewis<br>Petronella Edmeade-Crooke |
| The Bank of Nevis Ltd. | P O Box 450<br>Charlestown<br>Nevis<br><br>Tel: 869 469 5564<br>Fax: 869 469 5798<br>E mail: bon@caribsurf.com | **Principal**<br>Kevin Huggins<br>Bryan Carey<br><br>**Representatives**<br>Lisa Jones<br>Vernesia Walters<br>Judy Claxton |
| **St Lucia** | | |
| ECFH Global Investment Solutions Limited | 5th Floor Financial Center Building<br>1 Bridge Street<br>Castries<br><br>**Tel: 758 456 6826**<br>Fax: 758 456 6733<br>E-Mail:capitalmarkets@ecfhglobalinvestments.com | **Principals:**<br>Dianne Augustin<br><br>**Representative**:<br>Deesha Lewis<br>Lawrence Jean |
| First Citizens Investment Services Limited - St Lucia | 9 Brazil Street<br>Castries<br>**Tel: 758 450 2662**<br>Fax: 758 451 7984<br>Website: www.firstcitizensslu.com<br>Email:stlucia@ firstcitizenslu.com | **Principals**<br>Carole Eleuthere-Jn Marie<br>**Representative**<br>Samuel Agiste<br>Shaka St Ange |

| INSTITUTION | CONTACT INFORMATION | ASSOCIATED PERSONS |
|---|---|---|
| **St Vincent and The Grenadines** | | |
| Bank of St Vincent and the Grenadines Ltd | P O Box 880<br>Cnr. Bedford and Grenville Streets<br>Kingstown<br><br>Tel: 784 457 1844<br>Fax: 784 456 2612<br>Email: info@bosvg.com | **Principals**<br>Keith Inniss<br>Monifa Latham<br><br>**Representatives**<br>Patricia John<br>Laurent Hadley |