ADDENDUM I – 07 JANUARY, 2015

GOVERNMENT OF GRENADA

PROSPECTUS FOR GOVERNMENT SECURITIES FOR THE PERIOD FEBRUARY 2015- JANUARY 2016

EC$100 MILLION 91-DAY TREASURY BILLS

EC$62 MILLION 365-DAY TREASURY BILLS

MINISTRY OF FINANCE
FINANCIAL COMPLEX
CARENAGE
ST.GEORGE'S
TEL: 473-440-2731
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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 January 2016. 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.

TABLE OF CONTENTS

REASON FOR ADDENDUM

The purpose of the Addendum is to include an additional auction (GDB190416) of Series A- 91 Day Treasury Bills on January 18, 2016 for EC$10 million with the option to take up an additional 5 million.

1. ABSTRACT

During the period February 2015 to January 2016, 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 4 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 6per cent per annum.

In this Prospectus, references to "Grenada" are to the State of Grenada and references to the "Government" are to the Government of Grenada. 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

Table 1.0

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~~	~~6per cent~~
~~GDB161015~~	~~16 JULY 2015~~	~~17 JULY 2015~~	~~16 OCTOBER 2015~~	~~10~~	~~5~~	~~91~~	~~6per cent~~
~~GDB150116~~	~~15 OCTOBER 2015~~	~~16 OCTOBER 2015~~	~~15 JANUARY 2016~~	~~10~~	~~5~~	~~91~~	~~6per cent~~
GDB190416	18 JANUARY 2016	19 JANUARY 2016	19 APRIL 2016	10	5	91	6per cent
~~**SERIES B**~~							
~~GDB150515~~	~~12 FEBRUARY 2015~~	~~13 FEBRUARY 2015~~	~~15 MAY 2015~~	~~15~~	~~5~~	~~91~~	~~6per cent~~
~~GDB140815~~	~~14 MAY 2015~~	~~15 MAY 2015~~	~~14 AUGUST 2015~~	~~15~~	~~5~~	~~91~~	~~6per cent~~
~~GDB131115~~	~~13 AUGUST 2015~~	~~14 AUGUST 2015~~	~~13 NOVEMBER 2015~~	~~15~~	~~5~~	~~91~~	~~6per cent~~
~~GDB120216~~	~~12 NOVEMBER 2015~~	~~13 NOVEMBER 2015~~	~~12 FEBRUARY 2016~~	~~15~~	~~5~~	~~91~~	~~6per cent~~
~~GDB170716~~	~~16 JULY 2015~~	~~17 JULY 2015~~	~~17 JULY 2016~~	~~30~~		~~365~~	~~6per cent~~
~~GDB091016~~	~~8 OCTOBER, 2015~~	~~9 OCTOBER 2015~~	~~8 OCTOBER 2016~~	~~12~~		~~365~~	~~6per cent~~
~~GDB271116~~	~~26 NOVEMBER 2015~~	~~27 NOVEMBER 2015~~	~~27 NOVEMBER 2016~~	~~20~~		~~365~~	~~6per cent~~

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

3. GENERAL INFORMATION

Issuer:	Government of Grenada
Address:	Ministry of Finance Financial Complex Carenage St. George's 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 Mr. Timothy Antoine, Permanent Secretary Timothy.antoine@gov.gd Mr. Mike Sylvester, Deputy Permanent Secretary Mike.sylvester@gov.gd Mr. Ambrose Obike, Accountant General anl.obike@gmail.com
Date of Issue:	February 2015 – January 2016
Type of Security:	Treasury Bills
Amount of Issue:	EC$172 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 per cent).
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 January 2016.

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 to 4.9 per cent in 2014, following a revised estimated growth of 3.1 per cent 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 -5.7per cent 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 200per cent 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

91per cent 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 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), totaling SDR 8.775 million (about US$13.3 million). Two disbursements were made under this program to the Government of Grenada. However, since the second review conducted in September 2011, the ECF was officially 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.***

In relation to the international bonds, a formal exchange agreement with commercial creditors of the 2025 Government of Grenada bond was closed on November 12, 2015. This is expected to reduce Grenada's debt and places Grenada on a path to achieve a debt to GDP ratio of 60 per cent by 2020. For the international bonds, the first half of the haircut (25 per cent) was implemented immediately. The creditors will await the final IMF review before providing the second haircut of 25per cent in 2017. Agreement was also reached with the Paris Club in November 2015 to restructure bilateral debt with Paris Club creditors. As a result of these multiple restructurings, the debt on a per capita basis has been reduced by $3,200 for every citizen.

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 the sum outstanding inclusive of interest was approximately US$36.6 million.

On January 5th 2015, Ministry of Finance announced that "**GRENADA CONCLUDES 50per cent 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 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 50per cent, resolving Grenada's decade-long dispute with EXIM and puts an end to EXIM's legal proceedings in the New York Courts. Currently Grenada's outstanding debt to Taiwan is approximately USD$19.39 million.

"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 7per cent. 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 Debt Management Unit are the main entities 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
- ❖ Completion of Debt Sustainability Analysis 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 40per cent 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 65per cent 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**.

Table 2: 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 per cent (2007)	96.0per cent
GDP per capita (PPP) in U.S.$ (2013)	10,339
Population rate of growth (per cent)(2014 Est)	0.5per cent
Infant mortality per 1,000 live births (2010)	9
Access to improved water source (2010)(per cent of population)	97per cent

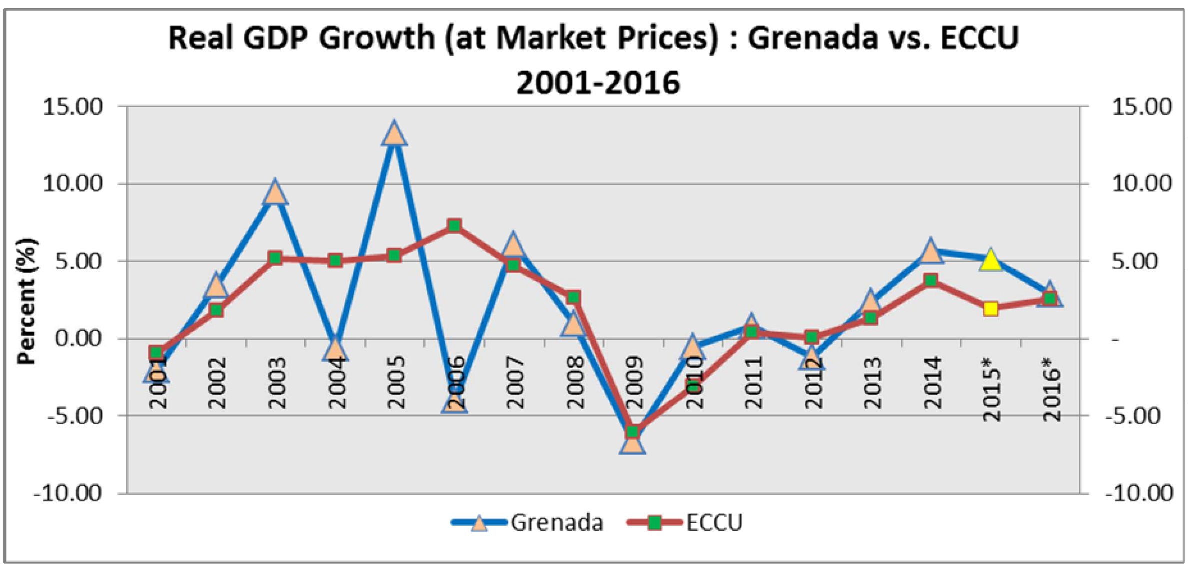
Source: 2014 United Nations Human Development Report and Ministry of Finance

8.0 MACRO-ECONOMIC PERFORMANCE

PERFORMANCE OF THE DOMESTIC ECONOMY[1]

Based on preliminary data, a real GDP growth rate at market prices of 5.1 per cent is projected for 2015, following a revised growth rate of 5.1 per cent in 2014. At this rate, the Grenadian economy is expected to exceed the average rate of the ECCU countries for the third consecutive year. Continued strong performances in agriculture and tourism are the main drivers of this growth, accompanied by a fairly strong recovery of the construction sector and moderate expansion in private education. Growth is becoming more broad-based, with positive projections for sectors accounting for more than 80 per cent of total output.

Figure 1



Source: ECCB, CSO, Ministry of Finance *Projected

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[1] Extract from the Fiscal and Economic Review 2015, published in Government of Grenada 2016 Budget Statement

8.1 Agriculture and Fishing

Available indicators suggest that the agriculture sector has been playing a major role as a macroeconomic shock absorber during the adjustment period. Agricultural production accounted for roughly 5 per cent of GDP in 2014 with growth in the sector vastly exceeding expectations at 53.8 per cent in that year. Continued strong performance is expected in 2015 and, on the basis of indicators for the first three quarters, a growth rate of 49.4 per cent is projected. Growth in Agriculture is being buoyed mainly by increased production of Other Crops[2] as a result of renewed efforts by the Marketing and National Importing Board (MNIB) in the promotion of Grenadian produce on the domestic and international markets.

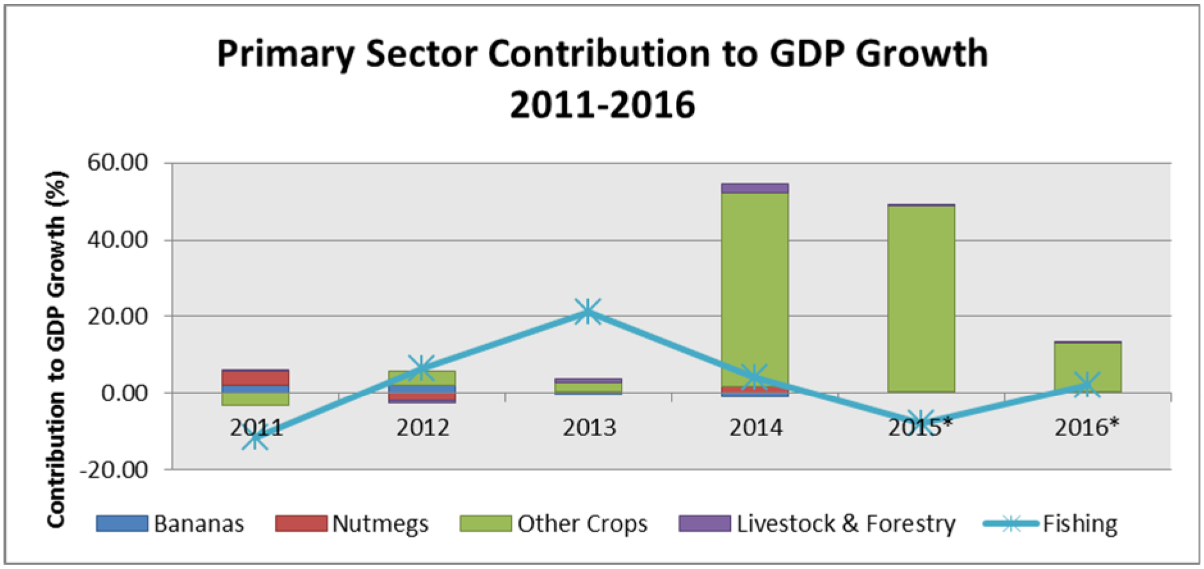
MNIB's continued success in penetrating export markets has proven to be an important incentive to farmers who have responded enthusiastically. In the first three quarters of 2015, MNIB purchases of other crops exceeded purchases made in the comparable 2014 period by 58.5 per cent. In an effort to ensure that the quality of produce meets international standards, MNIB is also providing technical support to the farming community, thus increasing prospects for continued export market access and long term growth in the sector.

Additionally, the cocoa industry is showing signs of recovery from a 12 per cent decline in 2014. Data for the first nine months of 2015 show an increase of 7.5 per cent over the same period in 2014. The industry is projected to register a 4.1 per cent growth rate in 2015. Production of nutmeg and mace, however, is expected to decline in 2015 with data showing negative growth of 2.4 per cent and 20.3 per cent respectively compared to the first 3 quarters in 2014. This decline in spice production should be more than offset by the strong performances in other

[2] Other Crops are all produce excluding Banana and Nutmegs (Grenadaôs historical export crops). Other Crops include fruits, vegetables, ground provisions, cocoa, mace and other spices.

crops. Overall, growth in agriculture is expected to maintain its buoyancy with a projected expansion of 13.5 per cent in 2016.

Figure 2



Source: ECCB, CSO, Ministry of Finance

*Projected

The fishing industry is expected to decline by 7.9 per cent in 2015 following growth of 4.2 per cent recorded in 2014. Data as at the end of September 2015 show a 9.0 per cent decline in fish production in relation to the same period in the previous year. Productivity levels were adversely affected by the influx of the sargassum seaweed which affected fishermen's ability to operate normally. On the demand side, export operations encountered price competitiveness pressures on the major markets as a result of the appreciation of the US dollar which resulted in price advantages for some of the country's major competitors. As a result of both supply and demand side challenges, fish exports also declined by 22.2 per cent in the period under review relative to the same period in 2014.

8.2 *Tourism*

Growth in the tourism sector in 2014 was robust at 30.4 per cent, significantly above the projection for that year. This strong performance was mainly attributed to the continued recovery of the US economy and household incomes as well as the first full year of operations of a new resort on the island. Performance in 2015 is expected to continue on the same upward trajectory, albeit at a slower rate. The sector performed fairly better in the first nine months of 2015 when compared to the same period in 2014 as evidenced by a 4.1 per cent expansion in total Visitor Arrivals. Stay-Over arrivals increased by 7.9 per cent from 100,784 to approximately 107,839 visitors for the January to September period. This growth is partly the result of increased capacity from the addition of two new airlines commencing service to Grenada in June 2015. Additionally, the Grenada Tourism Authority continues with its aggressive marketing campaign, especially in the targeting of niche markets. Cruise Ship arrivals also increased marginally for the first nine months of the year, from 155,199 in 2014 to 158,537 in 2015, an expansion of 2.2 per cent. The hosting of the English cricket test match in April also contributed to the sector's strong performance in the first half of the year. It is estimated that this event attracted 1,805 visitors over a two week period with event-related visitor expenditure estimated at $16.3 million.

Notwithstanding these positive developments, the sector has not yet fully recovered from the effects of the global economic crisis. Visitor stay-over arrivals are still marginally below pre-crisis levels averaging 123,167 visitors over the last two (2) years compared to 126,429 visitors over the 2007/2008 period. The sector also has to position itself to deal with new competitive pressures that could result from the opening up of the Cuban market.

Figure 3

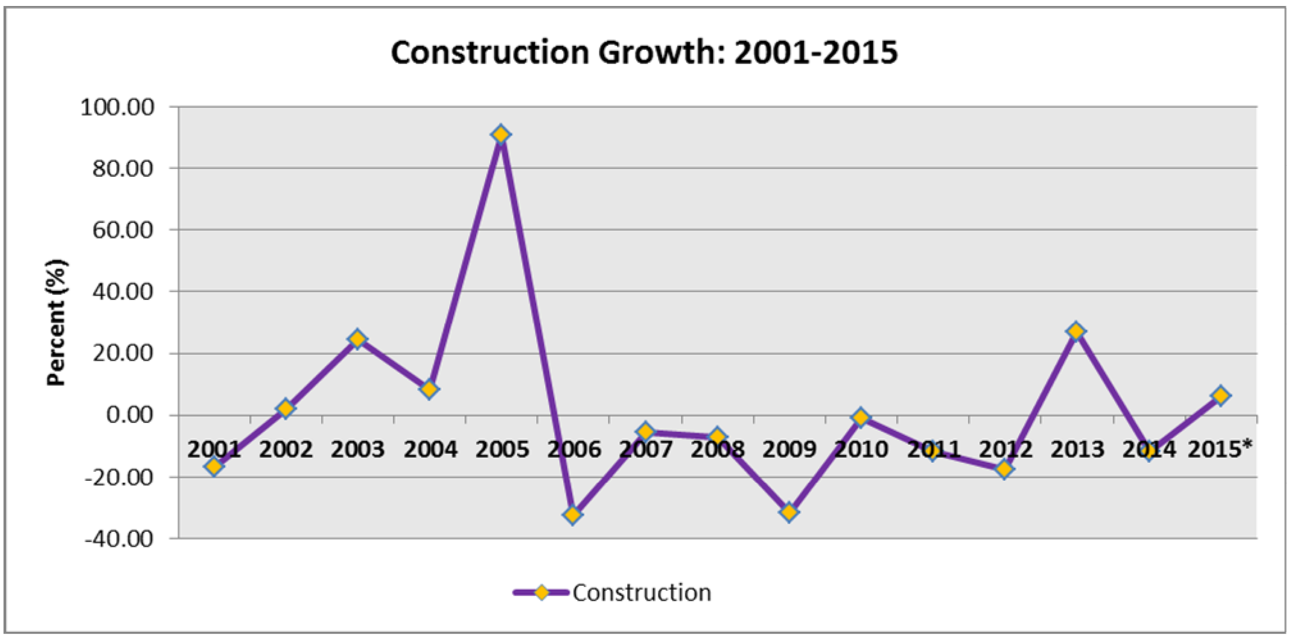
Source: ECCB, CSO, Ministry of Finance
*Projected

In 2015 and continuing into the medium term, the sector is expected to benefit from the start-up of operations by a new boatyard and marina facility which recently installed one of the largest boat lifts in the region, capable of lifting vessels up 242 tons. Phase I of this project is now complete with boat lifting services currently being offered. Phase II and Phase III are expected to be completed by 2017. The sector is also expected to be positively impacted by increased airlift, a planned upgrade of visitor attraction sites, the on-going expansion of room stock and the 2017 scheduled completion of a major resort development which started construction in 2015. Overall, the Tourism sector is projected to expand by 4.8 per cent in 2015.

8.3 Construction

Preliminary data points to a relatively strong recovery of the construction sector in 2015 after experiencing a contraction of 11.6 per cent in 2014. For the first nine months of 2015, imports of construction materials, the main indicator for performance in the sector; increased by 21.5 per cent over the same period in the previous year. Notably in the private sector, construction continues on a major resort development and a marina complex. Various public sector projects are also ongoing, including several in the area of infrastructure development. Conversely, issuance of building permits fell by 34.1 per cent in the first nine month of 2015. Despite the decline in this secondary indicator, the sector is expected to register positive growth of 6.2 per cent in 2015 and continue along this trajectory in 2016 as more private and public sector projects come on stream.

Figure 4



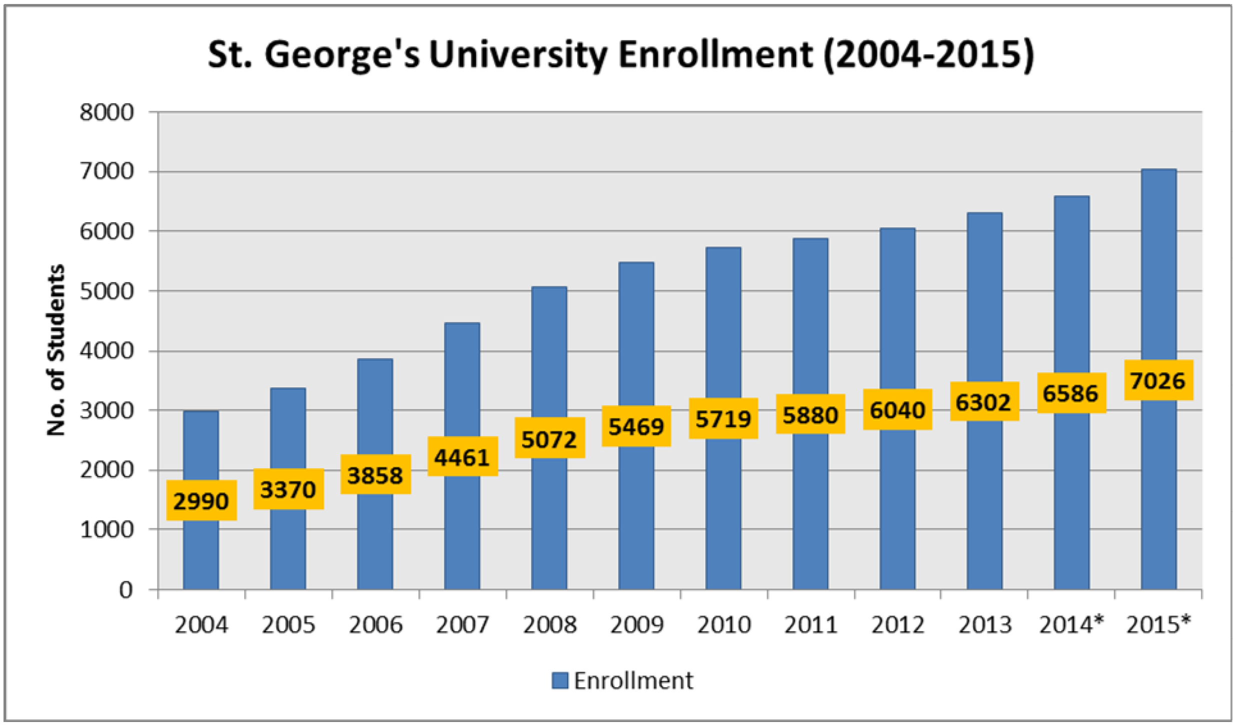
Source: ECCB, CSO, Ministry of Finance

*Projection

8.4 Education

The education sector accounted for 19.7 per cent of GDP in 2014 of which private education was 15.6 per cent. Growth in 2014 was moderate at 4.5 per cent with positive growth continuing in 2015 at approximately 1.9 per cent. Student enrollment increased from 6,586 in 2014 to 7,026 as at March 2015, that is, positive growth of 6.7 per cent. Private Education continues to be a major contributor to GDP with spillover effects in other sectors such as Tourism, Real Estate and Wholesale & Retail Trade.

Figure 5

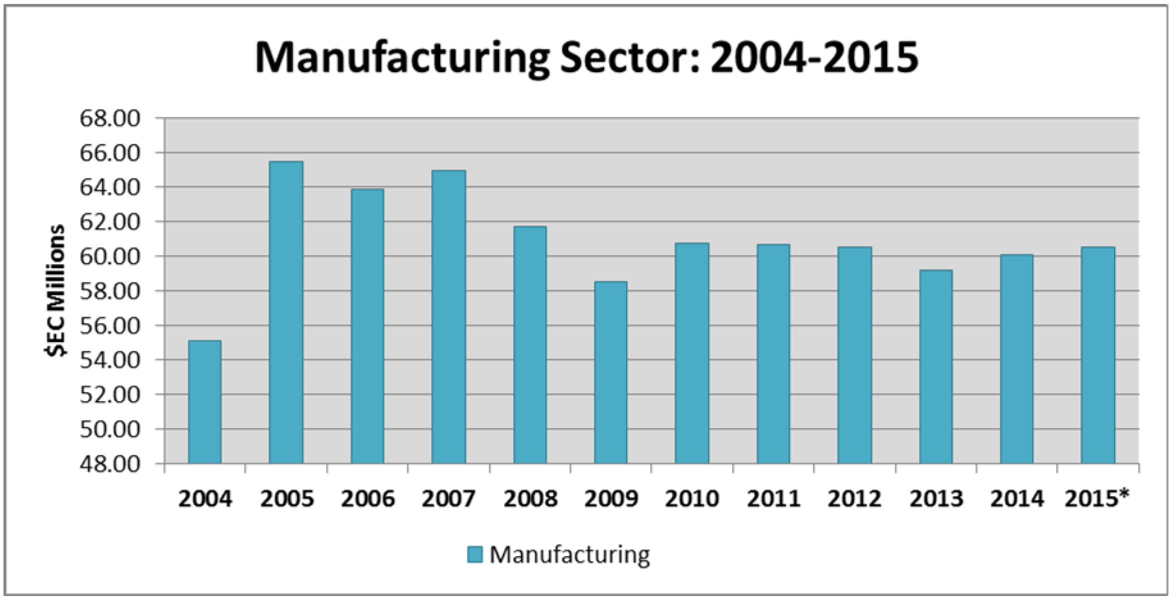


8.5 Industrial Production

Performance in the manufacturing sector remains subdued with a marginal expansion of 0.7 per cent projected for 2015 after recording growth of 1.6 per cent in the previous year. In terms of the subcomponents of the sector, data as at September 2015 shows a 9.0 per cent decline in the production of Grain Mill and Bakery Products, reportedly due to some issues with the production of flour. This decline, added to a 2.4 per cent drop in the production of animal feed, did not overwhelm expansion in other subsectors during the same period. Beverages and tobacco rose by 9.2 per cent while Chemicals & Paints increased by 4.3 per cent. Growth in the other smaller subsectors was 5.7 per cent for the period under review.

There was also a 4.6 per cent reduction in industrial consumption of electricity for the first nine months of 2015 compared to the same period in 2014 which also indicates a slowing down of growth in manufacturing in 2015.

Figure 6



Source: ECCB, CSO, Ministry of Finance

*Projection

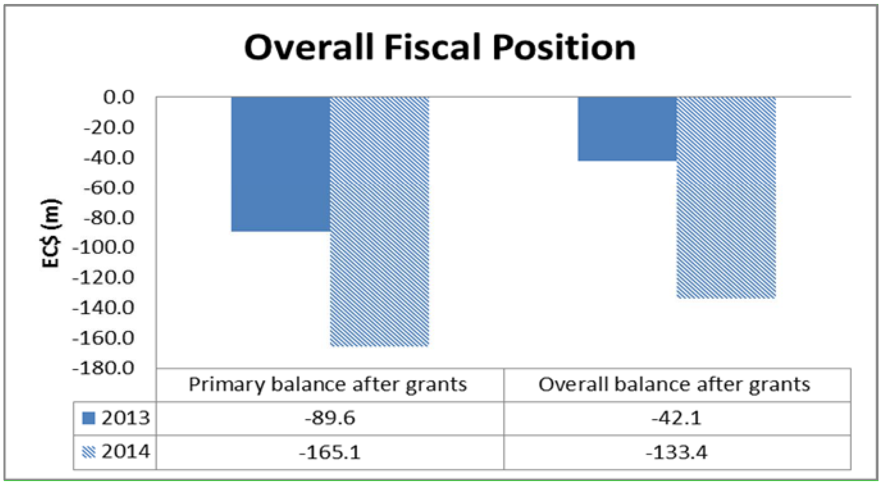
9.0 GOVERNMENT FISCAL PERFORMANCE

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 per cent of GDP in 2013 to a much smaller deficit of $42.1 million or 1.8 per cent 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 per cent).[3]

Figure 7



The overall balance also showed considerable improvement from around $165.1 m or 7.3per cent of GDP in 2013 to $133.4 million or 5.6per cent 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 3: Grenada 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.

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 6per cent of GDP. This was below the EC$203.7 million or 9.1per cent 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 0.2per cent to $68.2 million. There was a further increase in the level of grants in 2010 by approximately
39.4 per cent to $95.2 million. Grants amounted to EC$60 million in 2011, surpassing the budgeted estimate by 26.3per cent. 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 million 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 31, 2015, the total Public Sector Debt is projected to be $2.7 billion broken down as follows:

Central Government debt – $2,192.0 million ($2.2 billion)

Government Guarantees – $126.9 million ($0.1 billion)

Other Public Sector Debt – $378.4 million ($0.4 billion)

Total Public Sector Debt – $2.702 billion

Revised data showed public sector debt was 2.6 billion or 109.1 per cent of GDP, consisting of: Central Government debt - $2.19 billion, Government Guarantees - $128.9 million and Other public sector debt - EC$362.11 million.

During that period there were no new guarantees granted and as such the level of guaranteed debt continues to decline. The reduction of 52.7per cent 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 per cent over 2013 which was approximately EC$1,986 billion, an increase of 3 per cent over the EC$1,925 billion stock of debt recorded at the end of 2012. The level of Central government debt in 2011 represented 83.2per cent of GDP at EC$1,845.8 million, an increase of approximately 3.7 per cent above EC$1,779.5 million 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 4: Grenada 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 per cent 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 per cent 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 12^{th} 2006 the Paris Club agreed to reschedule EC$43.2 million 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 17^{th} April 2006.

Grenada's agreement with the Paris Club reduces over 90 per cent 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 (31.1per cent) 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 per cent to EC$46.4 million. In 2011, total interest paid on public debt increased by 11.2 per cent 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 4.0per cent. 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

The Public Debt to GDP ratio is expected to fall from 109.1 per cent in 2014 to 103.6per cent in 2015 reflecting in part the effect of the restructuring on the commercial debt. At the completion of the Debt Restructuring (2017), the Debt/GDP ratio is projected to fall to 89.5 per cent.

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

TABLE 5: Grenada Public Debt Ratios

	2008	2009	2010	2011	2012	2013	2014
Public Sector Debt Stock to GDP (including Government Guarantees) (per cent)	78.4	88.9	90.0	88.6	108.0	107.0	107.0
Debt Stock to GDP (excluding Government Guarantees) (per cent)	71.8	82.9	84.1	83.2	89.0	90.0	89.0
Interest payments to Current Revenue (per cent)	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 per cent 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 17.3per cent in that year. Grenada's interest payment to current revenue increased to 12.1 per cent on account of the step up interest rates in 2011. Interest payments to current revenues in 2010 fell slightly to 10.9 per cent 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

The gap between exports and imports has been steadily widening since 2009 with the rate of growth of imports outpacing that of exports. However, the trade balance closed slightly in 2014 by approximately 9 per cent, a much welcomed improvement from previous years.

Table 6: 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 75per cent 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, $72.3 million in 2007 and $73.1 million 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 per cent, 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 per cent and the capital account by 0.71 per cent.

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 per cent 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 per cent.

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 Bank's Caribbean Catastrophe Risk Insurance Facility (CCRIF). As a participant in this facility, government will purchase 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 Grenada's insurance premium for the first three years and since then government has been making provision for its payments.

13.0 MONEY AND CREDIT CONDITIONS UPDATE

Developments in the banking system continued to be characterized by excess liquidity and declining credit flows while the level of non-performing loans remained elevated. In this environment, the focus of the commercial banking

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[5] Grenada Authority for the Regulation of Financial Institutions

system was on rationalization of their operations and the mitigation of asset quality risks to the balance sheets of individual banks.

Reflecting deleveraging operations by the private and public sectors, loan deposit ratios remained below the Central Bank's recommended threshold of 85.0 per cent and continued to trend downwards – moving from 72.0 per cent in June 2014 to 64.0 per cent in June 2015. Other indicators reflecting this trend of rising liquidity over the same period were:

i. The ratio of net liquid assets to total deposits which moved from 31.0 to 38.8 per cent;
ii. The ratio of liquid assets to total assets which moved from 30.0 to 36.7 per cent and
iii. The ratio of liquid assets to total deposits which moved from 33.0 to 40.4 per cent. .

Alongside the liquidity challenges, a major ongoing focus of monetary policy is on asset quality and the containment of associated systemic risks. This concern is driven in part by the level of non-performing loans (NPLs) which currently exceeds the central bank's 5.0 per cent prudential threshold. These concerns are currently relevant to all member countries of the Eastern Caribbean Currency Union (ECCU) and, in this context; a regional asset quality review was completed during 2015, the results of which are being used as inputs into the design of a regional strategy to be coordinated by the Eastern Caribbean Central Bank (ECCB).

Monetary liabilities (M2) increased by 4 per cent over the period June 2014 to June 2015. This increase was mainly associated with changes in the money supply (M1) as the level of quasi money remained relatively flat. A 19.0 per cent growth in the money supply (M1) was driven by a 22.0 per cent increase in private sector demand deposits, its largest sub-component. The flatness of quasi money growth levels was largely influenced by trends in private sector savings deposits which grew by only 0.5 per cent over the period June 2014 to June 2015 and contracted by 0.9 per cent during the first half of 2015, a period in which the Central Bank implemented a 1 per cent reduction in the mandatory interest rate on savings deposits. Among the other components of quasi money, private sector time deposits contracted by 6.5 per cent over the June 2014-2015 and by 1.1 per cent over the January-June period while private sector foreign currency deposits increased by 12.5 and 22.3 per cent respectively.

Net foreign assets expanded significantly - moving by 63.0 per cent from $434.8 million in June 2014 to $710.0 million in June 2015 and by 14.7 per cent in the January to June period. Commercial bank transactions were largely responsible for this significant increase which partly reflects the lack of financial market investment opportunities in the domestic market. Over the one year period ending June 2015, commercial banks increased their net foreign asset holdings by 277.4 per cent with fairly significant growth being recorded in asset holdings both within and outside of the currency union. Also contributing to the increase in net foreign assets was the 21.6 per cent increase in Grenada's imputed share of the Central Bank's reserves which was as a result of a 19.5 per cent increase in assets and a 15.4 per cent decrease in liabilities.

Net domestic assets contracted by 12.4 per cent over the June 2014-June 2015 period, largely reflecting subdued credit market conditions. All categories of private sector credit declined over the period reflecting reductions in outstanding loans to both households (2.6 per cent) and businesses (7.0 per cent). Over the January-June 2015 period, this decline was marginally offset by a slight uptick in business credit which grew by 1.4 per cent.

Net credit to General Government declined by 72.5 per cent over the June 2014-June 2015 period and by 19.0 per cent during the first half of 2015. Credit to Central Government declined by 42.9 per cent over the June 2014-June 2015 period while deposits increased by 53.5 per cent, largely reflecting the impact of inflows associated with the adjustment program and the strengthening of Central Government's cash position which resulted from fiscal consolidation operations.

Total disbursed outstanding loans decreased by 5.0 per cent over the June 2014-2015 period with declines being recorded in all sectors except fisheries, construction and professional and other services. Over the January-June 2015 period, the value of outstanding loans increased by 1.5 per cent growth rate with positive growth rates being registered by construction and land development (13.2 per cent) and transport (2.2 per cent). The distribution of credit among sectors remained broadly unchanged over both periods with households accounting for 65.0 per cent of loans, tourism accounting for 8.2 per cent, professional and other services accounting for 7.5 per cent and the distributive trades accounting for 6.1 per cent. The foreign-owned banks account for 76.0 per cent of outstanding loans in the system.

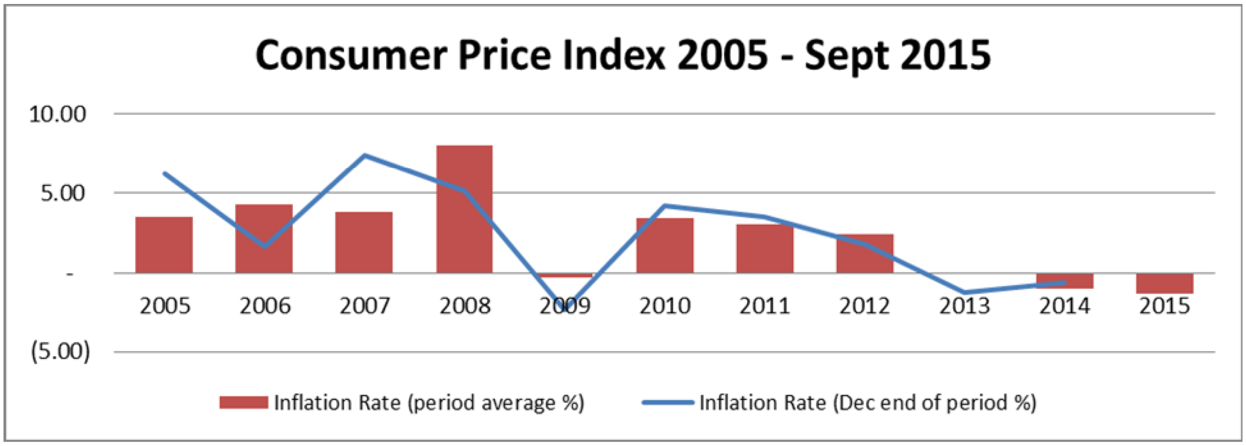
14.0 INFLATION

UPDATE

Prices remained subdued in the first three quarters of 2015. The average consumer price index (CPI) from January to September fell by 1.3 per cent as compared to the same period last year. The decline in prices was mainly driven by the pass-through effect of depressed global fuel prices on key components of the basket of goods on which the CPI is calculated. The appreciation of the US dollar has also exerted some downward pressure on the price of imports.

There were reductions in the sub-indices for housing, water, electricity, gas, and other fuels (2.8 per cent) and transport (4.0 per cent) attributable to the lower international oil prices. There was also a fall in the sub-indices clothing and footwear (1.6 per cent) and communications (0.3 per cent). Together, these items account for more than 60.0 per cent of the typical consumer basket. Growth in the sub-indices education (3.1 per cent), health (3.0 per cent), alcoholic beverages, tobacco and narcotics (1.1 per cent) and food and non-alcoholic beverages (1.3 per cent) helped to temper the overall decline in the CPI.

Figure 8

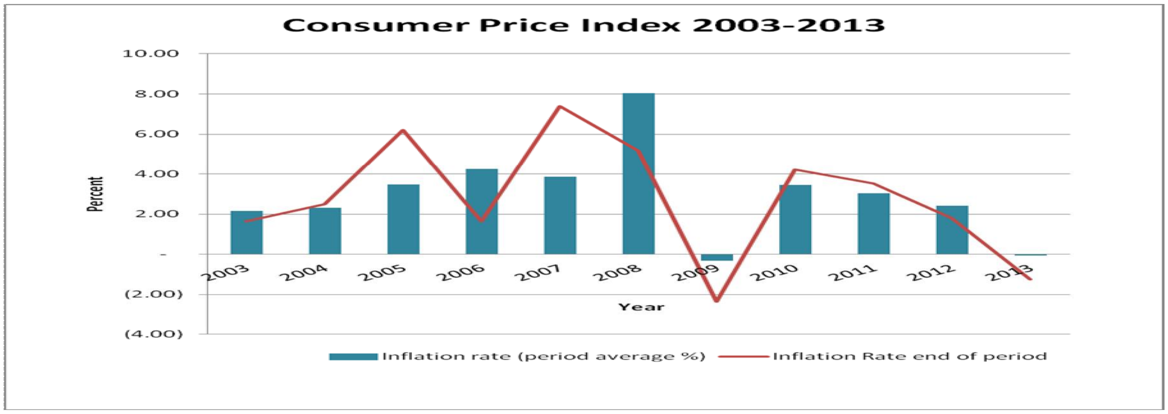


Source: CSO

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 per cent. The major groups recorded the following increases:- “Food and Non-alcoholic Beverages” 1.25 per cent, “Alcohol Beverages, Tobacco & Narcotics” 3.51 per cent, “Clothing and Footwear” 0.22 per cent, “Housing, Water, Electricity, Gas and other fuels” 0.03 per cent, “Health” 1.55 per cent, “Recreation and Culture” 3.12 per cent, “Education” 2.67 per cent and “Restaurants and Hotels” 0.01 per cent.

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

Figure 9



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 8.0per cent while in 2007, inflation much lower at 3.9 per cent.

Inflation averaged 1.7per cent 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.

Real GDP growth is expected to be 1.1 per cent in 2015 and to accelerate thereafter, at an average rate of 1.5 – 2.0 per cent 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.

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

The Current Account balance is expected to worsen slightly with the deficit increasing by approximately 3.0 per cent. 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	6.0per cent,
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	1.00per cent, 2.5per cent, 4.50per cent, 6.00per cent, 8.00per cent, 8.50per cent, 9.00per cent

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	1.00per cent, 2.5per cent, 4.50per cent, 6.00per cent, 8.00per cent, 8.5per cent, 9.00 per cent

18.0 UPCOMING ISSUES OF GOVERNMENT SECURITIES ON REGIONAL MARKET 2016

Table 7

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~~	~~6per cent~~
~~GDB161015~~	~~16 JULY 2015~~	~~17 JULY 2015~~	~~16 OCTOBER 2015~~	~~10~~	~~5~~	~~91~~	~~6per cent~~
~~GDB150116~~	~~15 OCTOBER 2015~~	~~16 OCTOBER 2015~~	~~15 JANUARY 2016~~	~~10~~	~~5~~	~~91~~	~~6per cent~~
GDB190416	18 JANUARY 2016	19 JANUARY 2016	19 APRIL 2016	10	5	91	6per cent
~~SERIES B~~							
~~GDB150515~~	~~12 FEBRUARY 2015~~	~~13 FEBRUARY 2015~~	~~15 MAY 2015~~	~~15~~	~~5~~	~~91~~	~~6per cent~~
~~GDB140815~~	~~14 MAY 2015~~	~~15 MAY 2015~~	~~14 AUGUST 2015~~	~~15~~	~~5~~	~~91~~	~~6per cent~~
~~GDB131115~~	~~13 AUGUST 2015~~	~~14 AUGUST 2015~~	~~13 NOVEMBER 2015~~	~~15~~	~~5~~	~~91~~	~~6per cent~~
~~GDB120216~~	~~12 NOVEMBER 2015~~	~~13 NOVEMBER 2015~~	~~12 FEBRUARY 2016~~	~~15~~	~~5~~	~~91~~	~~6per cent~~
~~GDB170716~~	~~16 JULY 2015~~	~~17 JULY 2015~~	~~17 JULY 2016~~	~~30~~		~~365~~	~~6per cent~~
~~GDB091016~~	~~8 OCTOBER, 2015~~	~~9 OCTOBER 2015~~	~~8 OCTOBER 2016~~	~~12~~		~~365~~	~~6per cent~~
~~GDB271116~~	~~26 NOVEMBER 2015~~	~~27 NOVEMBER 2015~~	~~27 NOVEMBER 2016~~	~~20~~		~~365~~	~~6per cent~~

APPENDIX II[7]: LIST OF LICENSED ECSE MEMBER BROKER DEALERS

Territory	Institution	Name of Licencee	Type of Licence
ST KITTS AND NEVIS	St Kitts-Nevis-Anguilla National Bank Ltd	Winston Hutchinson	Principal
		Anthony Galloway	Principal
		Angelica Lewis	Representative
		Marlene Nisbett	Representative
		Petronella Crooke	Representative
	The Bank of Nevis Ltd	Kelva Merchant	Principal
		Brian Carey	Principal
		Lisa Jones-Herbert	Representative
		Judy Claxton	Representative
SAINT LUCIA	ECFH Global Investment Solutions Ltd	Medford Francis	Principal
		Lawrence Jean	Principal
		Deesha Lewis	Representative
	First Citizens Investment Services Ltd	Carole Eleuthere-JnMarie	Principal
		Samuel Agiste	Representative
		Shaka St Ange	Representative
ST VINCENT AND THE GRENADINES	Bank of St Vincent and the Grenadines Ltd	Monifa Latham	Principal
		Patricia John	Representative
		Laurent Hadley	Representative
		Chez Quow	Representative

[7] Revised