ADDENDUM III – 1st February 2016

GOVERNMENT OF GRENADA

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

EC$115 MILLION 91-DAY TREASURY BILLS

EC$62 MILLION 365-DAY TREASURY BILLS

MINISTRY OF FINANCE
FINANCIAL COMPLEX
CARENAGE
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DATE OF PROSPECTUS: February 2016

<u>NOTICE TO INVESTORS</u>

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 February 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 (GDB160516) of Series B- 91 Day Treasury Bills on February 12, 2016 for EC$ 15 million with the option to take up an additional EC$ 5 million, in the event of an oversubscription.

1.0 ABSTRACT

During the period February 2015 to February 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 5 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 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.

2.0 INFORMATION ABOUT THE ISSUES

Table 1.0

SYMBOL	AUCTION DATES 2015/2016	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 per cent~~
~~GDB161015~~	~~16 JULY 2015~~	~~17 JULY 2015~~	~~16 OCTOBER 2015~~	~~10~~	~~5~~	~~91~~	~~6 per cent~~
~~GDB150116~~	~~15 OCTOBER 2015~~	~~16 OCTOBER 2015~~	~~15 JANUARY 2016~~	~~10~~	~~5~~	~~91~~	~~6 per cent~~
~~GDB190416~~	~~18 JANUARY 2016~~	~~19 JANUARY 2016~~	~~19 APRIL 2016~~	~~10~~	~~5~~	~~91~~	~~6 per cent~~
SERIES B							
~~GDB160515~~	~~12 FEBRUARY 2015~~	~~15 FEBRUARY 2015~~	~~16 MAY 2015~~	~~15~~	~~5~~	~~91~~	~~6 per cent~~
~~GDB140815~~	~~14 MAY 2015~~	~~15 MAY 2015~~	~~14 AUGUST 2015~~	~~15~~	~~5~~	~~91~~	~~6 per cent~~
~~GDB131115~~	~~13 AUGUST 2015~~	~~14 AUGUST 2015~~	~~13 NOVEMBER 2015~~	~~15~~	~~5~~	~~91~~	~~6 per cent~~
~~GDB120216~~	~~12 NOVEMBER 2015~~	~~13 NOVEMBER 2015~~	~~12 FEBRUARY 2016~~	~~15~~	~~5~~	~~91~~	~~6 per cent~~
GDB160516	12 FEBRUARY 2016	15 FEBRUARY 2016	16 May 2016	15	5	91	6 Per cent
~~GDB170716~~	~~16 JULY 2015~~	~~17 JULY 2015~~	~~17 JULY 2016~~	~~30~~		~~365~~	~~6 per cent~~
~~GDB091016~~	~~8 OCTOBER, 2015~~	~~9 OCTOBER 2015~~	~~8 OCTOBER 2016~~	~~12~~		~~365~~	~~6 per cent~~
~~GDB271116~~	~~26 NOVEMBER 2015~~	~~27 NOVEMBER 2015~~	~~27 NOVEMBER 2016~~	~~20~~		~~365~~	~~6 per cent~~

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

3.0 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. Mike Sylvester, Permanent Secretary (Ag) Mike.Sylvester@gov.gd Ms. Kim Frederick, Deputy Permanent Secretary (Ag) Kim.Frederick@gov.gd Mr. Ambrose Obike, Accountant General anl.obike@gmail.com
Date of Issue:	February 2015 – February 2016
Type of Security:	Treasury Bills
Amount of Issue:	EC$ 177 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.

4.0 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 2015 to February 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 grow by 5.1 per cent in 2015, following a revised growth of 5.7 per cent in 2014. 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 0.8 per cent but declined again in 2012 to -1.2 per cent before picking up again in 2013 at a rate of 2.4 per cent. In 2009 primarily due to the current global economic crisis Grenada experienced some setbacks and experienced a decline of -6.6 per cent in GDP. The crisis continued in 2010 resulting in a further decline of -0.5 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 per 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 91 per 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 8.8 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 62.9 per cent by 2020[1]. 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 25 per 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.

[1] Source: IMF third Review 2015

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 50 per cent Haircut Debt Deal with the Import-Export Bank of 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 50 per cent[2], 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 7 per 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."

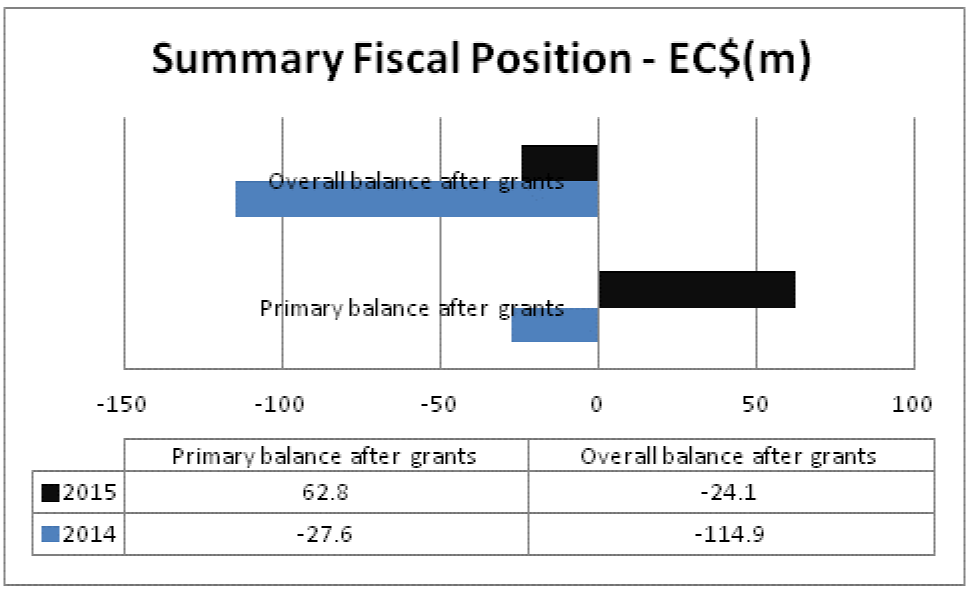
[2] The 50 per cent haircut will be applied as follows: 47 per cent upfront and 3 per cent to be received in 2017.

5.0 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 significant turnaround in 2015 over the 2014 performance. The primary balance (after grants) moved from a large deficit of $27.6 million or 1.2 per cent of GDP in 2014 to a surplus of $62.8 million or 2.4 per cent of GDP in 2015. This outturn compares very favorably with the primary balance target under the Home Grown Structural Adjustment (HGSAP) Programme (a surplus of $31 million or 1.3 per cent).[3]

Figure 1



[3] Extract from the IMF 2nd Review under the Extended Credit Facility, published July 20 2015 and Ministry of Finance Revenue Expenditure and Financial Projections for the Public Sector

The overall balance also showed considerable improvement from around a deficit of $114.9 million or 4.9 per cent of GDP in 2014 to $24.1 million or 0.94 per cent of GDP in 2015. The strong fiscal performance can be directly attributed to: (i) reforms undertaken by Government as part of the HGSAP; and, (ii) continued expansion in the local economy.

Table 2: Grenada Recent Fiscal Performance 2010-2015 (EC$M)

	2010	2011	2012	2013	2014	Estimated 2015
Current Revenue	428.9	425.9	425.6	443.4	502.3	569.6
Current Expenditure	436.8	442.0	468.0	479.2	491.0	462.6
Primary balance	-30.3	-57.2	-53.4	-89.6	-27.6	62.8
Capital Expenditure	151.3	163.2	108.4	160.5	226.7	203.3
Grants	83.9	70.5	23.7	31.3	100.5	72.0
Overall balance	-75.3	-108.8	-127.0	-164.9	-114.9	-24.1

Source: International Monetary Fund and Ministry of Finance

Grenada's fiscal performance has improved significantly over the period 2010 to 2015 as is evident from the trajectory of the primary balance over the period. The primary deficit of $30.3 million, which was -1.5 per cent of GDP in 2010 deteriorated over the period 2011 to 2013 but recovered from 2014 and is projected to be a surplus in 2015 amounting to $62.8 million, 2.4 per cent of GDP. This is due to the strong recovery of current revenues over the 2010 to 2015 period coupled with the efficient management of current expenditure. The overall balance peaked in 2013 at $164.9 million, -7.3 per cent of GDP and is being projected to amount to $24.1 million, -0.94 per cent of GDP in 2015.

Revenues from grants proved to be inconsistent over the 2010 to 2015 period. In 2010 grant receipts totaled $83.9 million, 4.0 per cent of GDP dipped to a period low of $23.7 million, 1.1 per cent of GDP rose to $100.5 million, 4.3 per cent of GDP in 2014 but is projected to amount to $72.0 million, 2.8 per cent of GDP in 2015.

Current expenditures amounted to $436.8 million, 21 per cent of GDP in 2010 grew annually over the period 2011 to 2014 but the trajectory is projected to be reversed in 2015 due to expenditure control measures and kept under control going forward as a result of mandatory expenditure rules introduced in the fiscal responsibility legislation that comes into effect from 2016. Current expenditures are projected to be $462.6 million in 2015, 18 per cent of GDP.

Capital expenditure has improved over the 2010 to 2015 period, moving from $151.3 million, 7.3 per cent of GDP in 2010 to a projected $203.3 million, 7.9 per cent of GDP in 2015.

6.0 PUBLIC DEBT ANALYSIS

At December 31, 2015, the total Public Sector Debt was estimated to be $2.7 billion or 102.6 per cent of 2015 GDP broken down as follows:

Central Government debt – $2,185.0 million ($2.2 billion)

Government Guarantees – $114.3 million ($0.1 billion)

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

Total Public Sector Debt – $2.7 billion

During 2015 there were no new guarantees granted and as such the level of guaranteed debt continued to decline. Over the ten year period 2004 – 2014, there has been a 52.7 per cent reduction in government guaranteed debt from EC $279.5 million in 2004 to EC$ 132.3 million in 2014.

During the period 2004-2009, government liabilities increased significantly as it was faced with the spiral effects of the global meltdown which resulted in a slowdown in economic activity. The financial crisis coupled with the vigorous rebuilding process after the passage of Hurricane Ivan placed a strain on the revenue earning sectors in the economy which was necessary in order to service its debt obligations.

Table 3: Grenada Central Government Debt (EC$ Millions) 2009-2015

	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**Estimated 2015**
Total Domestic	262.4	282.2	360.7	427.5	477.9	474.5	594.37
Treasury bills	99.7	133.5	220.3	259.4	324.4	331.1	318.25

Bonds	11.7	9.9	20.9	58.1	60.7	60.7	184.51
Loans	64.9	53.4	55.5	37.5	28.8	23.4	50.09
Others	86.1	85.4	64.0	72.5	63.9	59.3	41.52
Total External	1,463.4	1,497.3	1,485.1	1,498.03	1,580.3	1,639.5	1,590.7
Bilateral	207.2	173.1	168.7	95.6	199.8	199.6	251.8
Multilateral	530.4	572.0	568.7	585.5	596.5	657.7	742.9
Bonds	721.6	721.6	721.6	721.6	721.6	721.6	596.0
Others	4.2	30.6	26.1	95.3	62.4	60.4	0[4]
Grand Total	1,725.8	1,779.5	1,845.8	1,925.03	2,058.2	2,113.9	2,185.07

Source: Debt Management Unit, Ministry of Finance

Central government debt has been steadily rising over the reported period. Estimates from 2015 indicated that domestic debt increased by 25.3 per cent to EC$ 594.4 million from the previous year. This increase in domestic debt was mainly attributed to be significant increase in value of bonds. The figure includes EC$ 92.2 million added on to existing domestic bonds due to the NIS restructuring. Also stemming from the restructuring EC$ 31.0 million of contributions owed to NIS was converted to a new loan adding to the existing loan portfolio.

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

[4] Some of the debt was re-categorized hence the zero balance in the other category.

debt had fallen to EC$ 227.1 million from EC$ 229.2 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 2015 declined by 3.0 per cent and moved from EC$ 1,639.5 in 2014 to EC$ 1,590.7 million mainly as a result of the 50 per cent haircut received on the US dollar bond which reduced the face value amounts outstanding on the bond.

External debt for 2013 increased marginally to EC$ 1,580.3 million, as Government sought to close the financing gap. In 2012, the stock of external debt was EC$ 1,498.0 million. 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. The damage of Hurricane Ivan was estimated at US$900 million, more than 200 per cent of Gross Domestic Product.

As a consequence of this economic catastrophe, Grenada was forced to restructure its commercial debt in 2005. Following the commercial debt restructuring, Grenada approached the Paris Club for debt relief in 2006. The restructuring over that period 2005-2006 was largely successful as it resulted in a substantial lowering of debt service payments for the government. However, securities on the Regional Government Securities Market were omitted from the restructuring exercise and government continued to honor its obligations on the RGSM.

In 2008, Grenada's external debt only grew by 1.2 per cent reflecting mainly the proceeds of previously disbursed loans at EC$ 1.4 billion. In 2007, external debt grew by 4.4 per cent and reached EC$ 1.4 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 4.0 per cent. However by 2013 the interest paid on public debt was lower than expected given that the government failed to make the coupon payment on the international bond as a consequence of the tough fiscal position the government faced at that time.

The adverse effects of the global financial crisis imposed negative shocks on the local economy and once again Grenada found itself in a difficult fiscal situation which resulted in significant shortfalls in revenues and grants collections for the period. Left without an alternative the government was forced to defer its September 2012 coupon payment on the international bond.

On March 8th 2013, the Government of Grenada announced "that circumstances have forced it to undertake another 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."

The International Monetary Fund on June 27 2014, 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.

On January 5th 2015, Ministry of Finance announced that "Grenada Concludes 50 per cent haircut deal with the Export-Import Bank of the Republic of China (Taiwan). The terms of the agreement involved a reduction of the principal outstanding by 50 per cent; 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 per cent. Currently Grenada's outstanding debt to Taiwan is approximately USD$19.4 million

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."

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. The agreement reached includes a reduction in the outstanding principal of 50.0 per cent. The restructured bond would be issued in US and EC dollars and will carry an interest rate of 7.0 percent and is set to mature in 2030. The bond will be amortised over the 15 year maturity period with payments beginning in March 2016. The outstanding amount for the international bond as at end September 2015 was EC$ 733.1 million (includes interest arrears). The restructuring of the international bond is expected to be completed in two stages; half of the agreed haircut would be applied up-front while the remaining amount would be applied after the successful completion of the sixth review of Grenada's existing Extended Credit Facility (ECF) arrangement with the IMF which is scheduled for 2017.

In addition, on November 19th 2015 the Paris Club agreed to reschedule EC$ 21.6 million of Grenada's debt thereby reducing the debt service to the Paris Club creditors during the Fund-supported programme under the PRGF. The agreement rescheduled US$ 8 million consisting of arrears (US$ 6 million) due as of October 31st 2015 half of which is to be repaid upfront in two installments, as well as maturities falling due from 1st November 2015 to 30 June 2017 (US$ 2 million).

As part of the agreement, the Government of Grenada also agreed to seek comparable treatment from its other creditors. Additionally, the Paris Club creditors undertook to consider specific weather events that may impact Grenada's ability to service its debt by embedding into the agreement the first ever "hurricane clause".

A total of EC$ 857.8 million dollars or approximately 32.0 per cent of total public debt was restructured in 2015. Estimates have shown that the restructuring exercise has resulted in considerable lowering of debt service payments from EC$ 2,813.0 million to EC$ 2,374.2 million over the period 2016 – 2030. This represents savings of approximately EC$ 293.1 million over 15 years.

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 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 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 107.0 per cent in 2014 to 102.6 per 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 107.0 per cent, a slight decline from the level of Public sector debt to GDP of 108.0 per cent in 2012. Central Government debt was approximately 90.0 per cent of GDP in 2013, up from 89.0 per cent in 2012. The following table outlines the movement in the debt ratios over the period 2009 to 2015.

TABLE 4: Grenada Public Debt Ratios

	2009	2010	2011	2012	2013	2014	2015
Public Sector Debt Stock to GDP (including Government Guarantees) (per cent)	88.9	90.0	88.6	108.0	107.0	107.0	102.6
Debt Stock to GDP (excluding Government Guarantees) (per cent)	82.9	84.1	83.2	89.0	90.0	89.0	98.2
Interest payments to Current Revenue (per cent)	11.9	10.9	12.1	17.3	9.2	16.5	18.5

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 17.3 per 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.

7.0 PROSPECTS

PROSPECTS FOR 2016[5]

Looking forward to 2016, the Grenadian economy is still on the road to recovery. With over a year of implementation of the Home Grown Structural Adjustment Program in place, economic growth in 2016 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 5.1 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 supported by expansion in the traditional sectors namely Agriculture and Tourism with moderate growth in private education and fairly strong recovery in the construction sector with the development of new hotel projects and public sector investment programmes such as; the Agriculture Feeder Road Project, Disaster Vulnerability Reduction 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

[5] Adopted from the Macroeconomic & Fiscal Review 2015, published in the Government of Grenada 2016 Budget Statement, page 89

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 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.

8.0 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 I.**

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.

9.0 CURRENT ISSUES OF GOVERNMENT SECURITIES ON THE REGIONAL AND INTERNATIONAL MARKETS

RGSM TREASURY BILLS

Issues Outstanding	EC$ 117million
Type of Issue	Government of Grenada Treasury Bills
Maturity in Days	91 and 365 Days
Date of Issues	April 2016 to November 2016
Yields	Max 6.0 per cent,
Discount Price	EC$ 94.0

BOND ISSUE

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

BOND ISSUE

Issue Outstanding	EC$ 184.0 million
Type of Issue	Government of Grenada International Bonds 2005-2025
Maturity	20 Years
Date of Issue	Nov. 15, 2005
Yields	1.00 per cent, 2.5 per cent, 4.50 per cent, 6.00 per cent, 8.00 per cent, 8.5 per cent, 9.00 per cent

10.0 UPCOMING ISSUES OF GOVERNMENT SECURITIES ON REGIONAL MARKET 2016

Table 5.0

SYMBOL	AUCTION DATES 2015/2016	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 per cent~~
~~GDB161015~~	~~16 JULY 2015~~	~~17 JULY 2015~~	~~16 OCTOBER 2015~~	~~10~~	~~5~~	~~91~~	~~6 per cent~~
~~GDB150116~~	~~15 OCTOBER 2015~~	~~16 OCTOBER 2015~~	~~15 JANUARY 2016~~	~~10~~	~~5~~	~~91~~	~~6 per cent~~
~~GDB190416~~	~~18 JANUARY 2016~~	~~19 JANUARY 2016~~	~~19 APRIL 2016~~	~~10~~	~~5~~	~~91~~	~~6 per cent~~
SERIES B							
~~GDB160515~~	~~12 FEBRUARY 2015~~	~~15 FEBRUARY 2015~~	~~16 MAY 2015~~	~~15~~	~~5~~	~~91~~	~~6 per cent~~
~~GDB140815~~	~~14 MAY 2015~~	~~15 MAY 2015~~	~~14 AUGUST 2015~~	~~15~~	~~5~~	~~91~~	~~6 per cent~~
~~GDB131115~~	~~13 AUGUST 2015~~	~~14 AUGUST 2015~~	~~13 NOVEMBER 2015~~	~~15~~	~~5~~	~~91~~	~~6 per cent~~
~~GDB120216~~	~~12 NOVEMBER 2015~~	~~13 NOVEMBER 2015~~	~~12 FEBRUARY 2016~~	~~15~~	~~5~~	~~91~~	~~6 per cent~~
GDB160516	12 FEBRUARY 2016	15 FEBRUARY 2016	16 May 2016	15	5	91	6 Per cent
~~GDB170716~~	~~16 JULY 2015~~	~~17 JULY 2015~~	~~17 JULY 2016~~	~~30~~		~~365~~	~~6 per cent~~
~~GDB091016~~	~~8 OCTOBER, 2015~~	~~9 OCTOBER 2015~~	~~8 OCTOBER 2016~~	~~12~~		~~365~~	~~6 per cent~~
~~GDB271116~~	~~26 NOVEMBER 2015~~	~~27 NOVEMBER 2015~~	~~27 NOVEMBER 2016~~	~~20~~		~~365~~	~~6 per cent~~

APPENDIX I[6]: 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

[6] Revised