



GOVERNMENT OF GRENADA

PROSPECTUS FOR GOVERNMENT SECURITIES

FOR THE PERIOD

APRIL 2017 – NOVEMBER 2017

EC\$75 MILLION 91-DAY TREASURY BILLS

EC\$60 MILLION 365-DAY TREASURY BILLS

MINISTRY OF FINANCE
FINANCIAL COMPLEX
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DATE OF PROSPECTUS: FEBRUARY 2017

Grenada Carriacou and Petite Martinique



ABOUT THE STATE OF GRENADA

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

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.

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 Parliament is a bicameral legislature, consisting of an elected House of Representatives and an appointed Senate. The last general election was held in February 2013 and the New National Party (NNP) who was in opposition in the preceding five years contested and won 15 out of the 15 seats in the House of Assembly. Grenada's judicial system is based on the English system, including the principles and practice of English common law. The following table sets out **selected social indicators for Grenada**.

Table 1: Grenada Selected Social Development Indicators

<i>Human development rank out of 187 countries (2014)</i>	79.0
<i>Life expectancy at birth in years (2014)</i>	73.4
<i>Adult literacy rate in per cent (2007)</i>	96.0 per cent
<i>GDP per capita (PPP) in U.S.\$ (2013)</i>	11,272
<i>Population rate of growth (per cent)(2010/2015 Est)</i>	0.4 per cent
<i>Infant mortality per 1,000 live births (2013)</i>	10.7
<i>Access to improved water source (2010) (per cent of population)</i>	97 per cent

Source: 2015 United Nations Human Development Report and Ministry of Finance

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 April 2017 to November 2017. 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

1.	ABSTRACT	6
2.	INFORMATION ABOUT THE ISSUES	7
3.	GENERAL INFORMATION	8
4.	EXECUTIVE SUMMARY	10
5.	FINANCIAL ADMINISTRATION AND MANAGEMENT	13
6.	MACRO-ECONOMIC PERFORMANCE	13
7.	GOVERNMENT FISCAL PERFORMANCE	21
8.	PUBLIC DEBT ANALYSIS	22
9.	BALANCE OF PAYMENTS	29
10.	FINANCIAL SECTOR ANALYSIS	30
11	INFLATION	31
12	PROSPECTS FOR 2017	32
13	SECURITY ISSUANCE PROCEDURES AND SETTLEMENT AND SECONDARY MARKET ACTIVITIES	34
14.	CURRENT ISSUES OF GOVERNMENT SECURITIES ON THE REGIONAL AND INTERNATIONAL MARKETS	35
15	UPCOMING ISSUES OF GOVERNMENT SECURITIES ON REGIONAL MARKET 2016	36
	APPENDIX I: LIST OF LICENSED ECSE MEMBER BROKER DEALERS	37

1.0 ABSTRACT

During the period April 2017 to November 2017, the Government of Grenada is seeking to issue the following government securities on the Regional Government Securities Market to refinance its existing treasury bills currently on the market as follows:

91 Day Treasury Bills

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

Series B: Fifteen (EC\$15.0) Million in each of 3 issues

The maximum coupon rate of the new bills being 4 per cent per annum.

365 Day Treasury Bills

- Thirty (EC\$30.0) million in 365 day treasury bills on July 14, 2017.
- Twelve (EC\$10.0) million in 365 day treasury bills on October 10, 2017.
- Twenty (EC\$20.0) million in 365 day treasury bills on November 29, 2017.

The maximum coupon rate of the new bills being 5 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 Public Debt Management Act 2015, Part 3 section 13, Laws 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 2017 SECURTY ISSUANCE

<i>SYMBOL</i>	<i>AUCTION DATES</i>	<i>ISSUE/SETTLEMENT DATE</i>	<i>MATURITY DATE</i>	<i>ISSUE AMT. EC\$M</i>	<i>OVER SUBSCRIPTION AMOUNT ALLOWED EC\$M</i>	<i>TENOR (DAYS)</i>	<i>INTEREST RATE CEILING %</i>
SERIES A							
GDB190717	18 APRIL 2017	19 APRIL 2017	19 JULY 2017	10	5	91	4%
GDB201017	20 JULY 2017	21 JULY 2017	20 OCTOBER 2017	10	5	91	4%
GDB170118	17 OCTOBER 2017	18 OCTOBER 2017	17 JANUARY 2018	10	5	91	4%
SERIES B							
GDB110817	11 MAY 2017	12 MAY 2017	11 AUGUST 2017	15	5	91	4%
GDB101117	10 AUGUST 2017	11 AUGUST 2017	10 NOVEMBER 2017	15	5	91	4%
GDB090218	9 NOVEMBER 2017	10 NOVEMBER 2017	9 FEBRUARY 2018	15	5	91	4%
GDB250718	24 JULY 2017	25 JULY 2017	25 JULY 2018	30	0	365	5%
GDB111018	10 OCTOBER 2017	11 OCTOBER 2017	11 OCTOBER 2018	10	0	365	5%
GDB301118	29 NOVEMBER 2017	30 NOVEMBER 2017	30 NOVEMBER 2018	20	0	365	5%

ALL ISSUES ON THE MARKET ARE IN EC DOLLARS

SUBJECT TO REVISION BASED ON FINANCING METHOD EMPLOYED

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 Ms. Kim Frederick, Permanent Secretary Ag. psfinancegrenada@gmail.com Ms. Ophelia Wells-Cornwall, Deputy Permanent Secretary Ag. psfinancegrenada@gmail.com Mr. Ambrose Obike, Accountant General anl.obike@gmail.com
Date of Issue:	April 2017 – November 2017
Type of Security:	Treasury Bills
Amount of Issue:	EC\$135 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:	Public Debt Management Act 2015, Part 3 section 13, 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:	\$95.00 (5.00 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. <ul style="list-style-type: none"> • Bank of Nevis Limited • Bank of St. Lucia Ltd • Bank of St Vincent and the Grenadines Ltd • St. Kitts Nevis Anguilla National Bank Limited • First Citizens Investment Services Ltd (Saint Lucia) • Grenada Co-operative Bank Ltd.
Currency:	All currency references will be the Eastern Caribbean dollar unless otherwise stated.

4.0 EXECUTIVE SUMMARY

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. The economy, as measured by the change in GDP, is projected to grow by 3.4 per cent slightly above the mid-year growth of 3.1 per cent in 2016. The continued recovery, albeit at a slower rate is buoyed mainly by expansions in Tourism, Transportation and Communication and Construction sectors. Inflation moved into positive territory, primarily on account of a notable increase in the communication index.

Reflecting the results of the range of adjustment measures implemented since 2014 and the rebound in economic activity, fiscal outturns continued to strengthen. After decades of deficits, preliminary estimates as at September 2016 indicate that the country is on track to record its second consecutive primary surplus of 5.1 per cent against a target of 3.5 per cent and the overall balance is projected to become positive.

The current account has also displayed signs of improvement as the deficit continued to narrow attributed to low fuel prices on the international market which contained import values. Financial markets have remained relatively stable as the banking system maintained its focus on strengthening its balance sheets.

At the onset of 2016, the Government of Grenada continued to take steps to reorganize its outstanding liabilities to external and domestic creditors. To date, agreements were finalized and payments have commenced on debts owed to its commercial creditors, its Paris Club bilateral creditors including USA, France and UK and Export-Import Bank of Taiwan.

Further, the authorities have established contact with its non-Paris Club bilateral creditors and continue to work towards concluding negotiations on this portion of the debt.

On the domestic market, government continues to engage its investors in an effort to restructure existing debt. To date, agreements were successfully negotiated with several domestic investors including institutional and commercial investors.

Despite the restructuring, Grenada maintains an exemplary record on the Regional Government Securities Market. All issues of treasury bills have been repaid upon maturity since Government's entry into the market in 2013. In this regard, we would seek to maintain our record of credit worthiness in any and all securities issued on the market.

The Debt Management Unit which resides in the Ministry of Finance has responsibility for the re-organization of central government's public debt to enable greater efficiencies and reduce the cost of debt servicing. In June 2015, Government further strengthened the framework for debt management by introducing the Public Debt Management Act which placed the responsibility for all Public Debt within the Ministry of Finance and the Debt Management Unit. The reconstituted Debt Coordinating Committee within the Ministry of Finance was also defined in this act and given specific responsibility for overseeing the debt management function as well as cash flow management and planning.

5.0 FINANCIAL ADMINISTRATION & MANAGEMENT

In the latter half of 2014, a new Public Finance Management Act was passed by parliament. This took effect in 2015. In June 2015, the Public Debt Management Act was passed by Parliament as well as a Fiscal Responsibility Act which sets the public debt target at 55% of GDP by 2020.

The 2015 Public Debt management Act which was enacted in August 2016 outlines in some detail the functions of the DMU and the deliverables of the DMU through the Minister of Finance to the parliament and people of Grenada. The act also puts into law requirements such as the preparation and implementation of a Medium Term Debt Management Strategy, Debt Sustainability Analysis and Annual Borrowing Plan. Further it statutorizes the Public Debt Co-ordinating Committee which is expected to be a technical committee which monitors the cash flow and assists with the planning and execution of debt payments and debt contraction decisions.

Debt Management Objectives

Part I section (4) of the 2015 Public Debt Management Act outlines Grenada's debt management objectives as follows;

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

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.

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 with the exception of Treasury Bills;
- ❖ The legal authority for borrowing in any one year is the loan authorization Bill for that year.
- ❖ The legal authority for the issuance of Treasury Bills is the Public Debt Management Act 2015, Part 3 section 13, Laws of Grenada.
- ❖ The 2015 Public Finance Management Act and the 2015 Financial Responsibility Legislation, which authorizes only the Minister of Finance to contract debt on the country's behalf and sets a public debt to Gross Domestic Product target.
- ❖ In-house monitoring of macroeconomic variables and contraction of any new debt
- ❖ An ex-ante analysis of new public debt by the Debt management Unit in the Ministry of Finance

6.0 MACRO-ECONOMIC PERFORMANCE

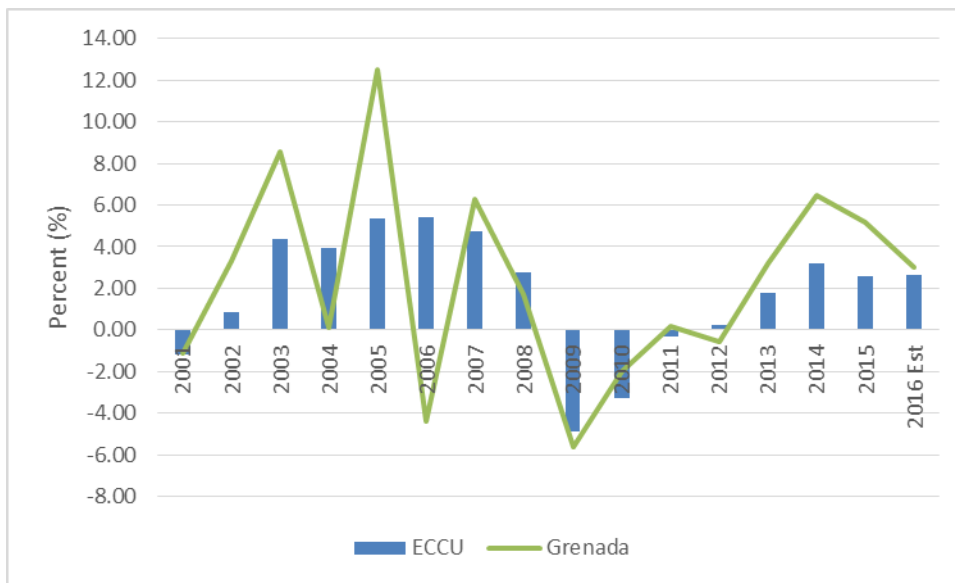
PERFORMANCE OF THE DOMESTIC ECONOMY¹

Preliminary data for 2016 shows that Grenada's economy maintained positive growth during the period attributed mainly to strong performances in tourism, transport, communication and construction sectors. There were contractions in some sectors like

¹ Excerpts from the Government of Grenada 2016 Economic Review & Medium Term Outlook published with the National Budget Address

agricultural production and export mainly due to adverse weather patterns which posed challenges which limited the output from this sector. Real GDP growth rate at market prices for the period 2013-2016 is projected to average 4.5 percent which is higher than the ECCU average of 2.5 percent. Overall, a growth rate of 3.4 percent is projected for 2016 surpassing the mid-year projection of 3.1 percent.

Figure 1: Real GDP Growth Rate (at Market Prices) - Grenada vs. ECCU 2001-2016



Source: ECCB, Ministry of Finance, Est- Estimates

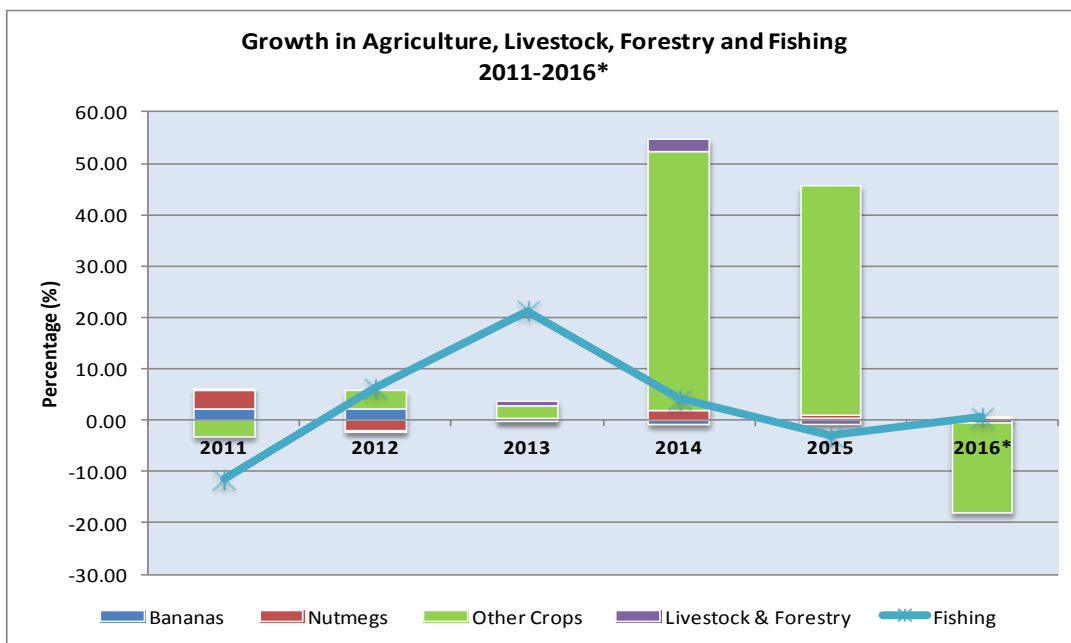
Agriculture and Fishing

The agriculture sector accounted for about 5.7 percent and 7.5 percent of GDP in 2014 and 2015 respectively with corresponding sectoral growth rates of 53.7 percent and 44.8 percent for each consecutive year. Following consecutive periods of positive growth in 2014 and 2015, preliminary data suggest that the agriculture sector contracted by 17.5 percent in 2016, primarily due to adverse weather conditions that affected crop yields during the first half of the year. Data for the first three quarters of 2016 reveal that cocoa production fell by 26.7 percent when compared to the same period in 2015. Nutmeg and mace production by end of third quarter of 2016 also declined by 21.4 percent and 33.9

percent respectively. In relation to exports, the volume of nutmeg exported during the first three quarters of 2016 increased by 21.5 percent compared to the corresponding period in 2015. Mace and cocoa exports decreased by 38.5 and 26.7 percent respectively, compared to the same period in 2015.

Fish production recorded growth of 4.3 percent in 2014 followed by a 3.1 percent decline in 2015 owing to the adverse effects of sargassum seaweed and price competition from major competitors in export markets. Notwithstanding this decline however, the sector is expected to grow marginally at 0.5 percent in 2016 based on preliminary data.

Figure 2: Growth in Agriculture, Livestock, Forestry and Fishing 2011-2016*



Source: CSO, ECCB Ministry of Finance

*Projected

Tourism

In the tourism sector, 40.3 percent growth was recorded in 2014 mainly attributed to increased hotel stock as a direct result of operations of a new resort in Grenada as well as favorable improvements in the US economy. Conversely, in 2015 the sector recorded negative growth of 0.9 percent. Overall growth of 7.5 percent is recorded for the sector in

2016 with hotels and restaurants showing growth of 10.1 and 2.0 percent respectively. Stay-over arrivals for the first three quarters of 2016 exceeded that for the same period in 2015 by 3.2 percent. Cruise visitor arrivals increased by 34.0 percent whilst yachting arrivals declined by 4.8 percent between January and September of this year (See Table)

Table 3: Tourist Arrivals (2012-2016*)

Tourist Arrivals	2012	2013	2014	2015	2015	2016
					As at September	
Total Stay Over Arrivals	112,335	112,812	133,526	140,735	107,183	110,569
% Change		0.4	18.4	5.4		3.2
of which: US Arrivals	26,367	42,707	50,291	57,629	43,557	50,329
		62.0	17.8	14.6		15.5
Cruise Passengers	242,757	197,308	235,140	280,518	157,921	211,649
% Change		-18.7	19.2	19.3		34.0

Source: CSO, Ministry of Finance

The addition of Delta and Jet Blue in June 2015 contributed to growth in US stay-over arrivals representing a 15.5 percent increase over 2015 in which growth of 14.3 percent was recorded. This increased airlift in the US market was supported by an 18.5 percent increase in flights. Arrivals from other Caribbean countries increased by 4.7 percent compared to the 2.4 percent growth experienced in the first three quarters of 2015. In 2016 Canadian arrivals grew by a mere 0.3 percent but there was a notable decline in UK arrivals of 2.7 percent. Both were partly attributed to the weakening of the US dollar thus increasing the cost of travel.

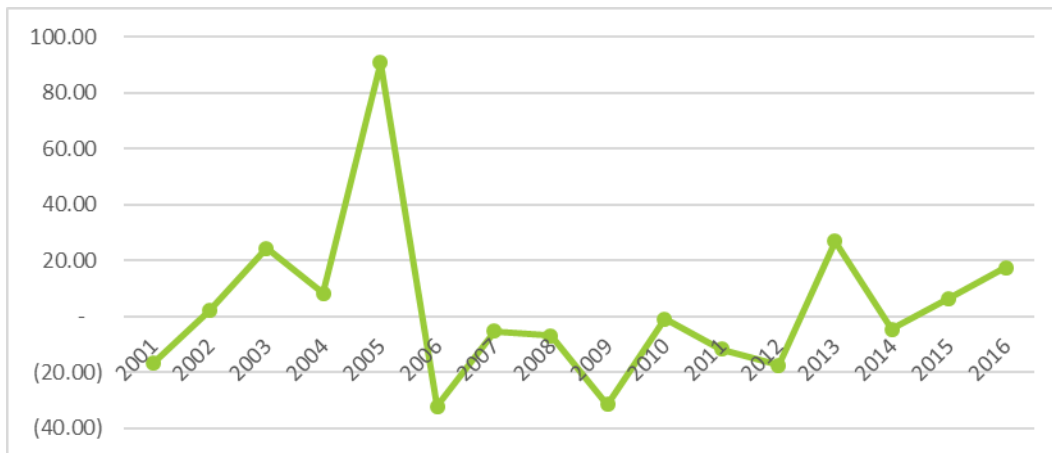
Grenada hosted several major regional and international events including CONCACAF Under 17 Women's Football, CARIFTA Games and the inaugural Pure Grenada Music Festival that contributed to a boost in stay-over arrivals during the first half of 2016. Meanwhile, the cruise sub-sector grew by way of passenger arrivals and ship calls. For the first nine months of 2016, there were 211,649 passengers arriving at the ports compared to 157,921 passengers for the same period in 2015. This represented a 34.0 percent increase

whilst the number of cruise ship calls for the same period increased by 44.6 percent from 121 in 2015 to 175 in 2016.

Construction

The construction sector continues with its strong performance following growth of 6.4 percent in 2015. Preliminary data suggest growth of 17.5 percent in 2016 with both private and public sector development projects on stream. Some of these public sector investment projects include; commencement of work on the Parliament building, continuing work on Phase II of the St. George’s Hospital expansion project, the Disaster Vulnerability Reduction Project and various road developments works.

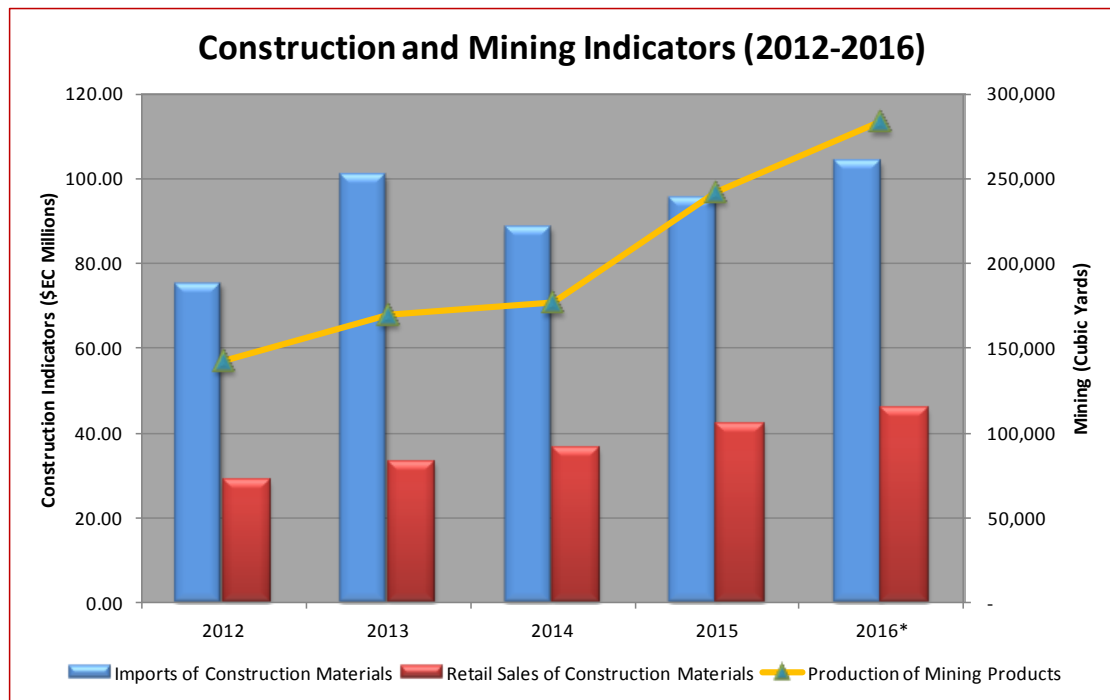
Figure 3: Growth Rate Construction 2001-2016*



Source: ECCB, Ministry of Finance

*Projection

Figure 4: Growth in Construction and Mining & Quarrying (2012-2016*)²



Source: CSO, ECCB, Ministry of Finance
*Projected

The value of imports of construction materials for the first nine months of 2016 increased by 8.5 percent over the corresponding period in 2015 while retail sales of building materials increased by 10.5 percent. The production of mining materials also increased by 45.5 percent in volume and 41.9 percent in value during the period January to September 2016, a further indication of increased activity in the construction sector (See Figure 4). This uptick in activity also induced growth in the transport sector, particularly road transport, which is projected to expand by approximately 6.7 percent in 2016

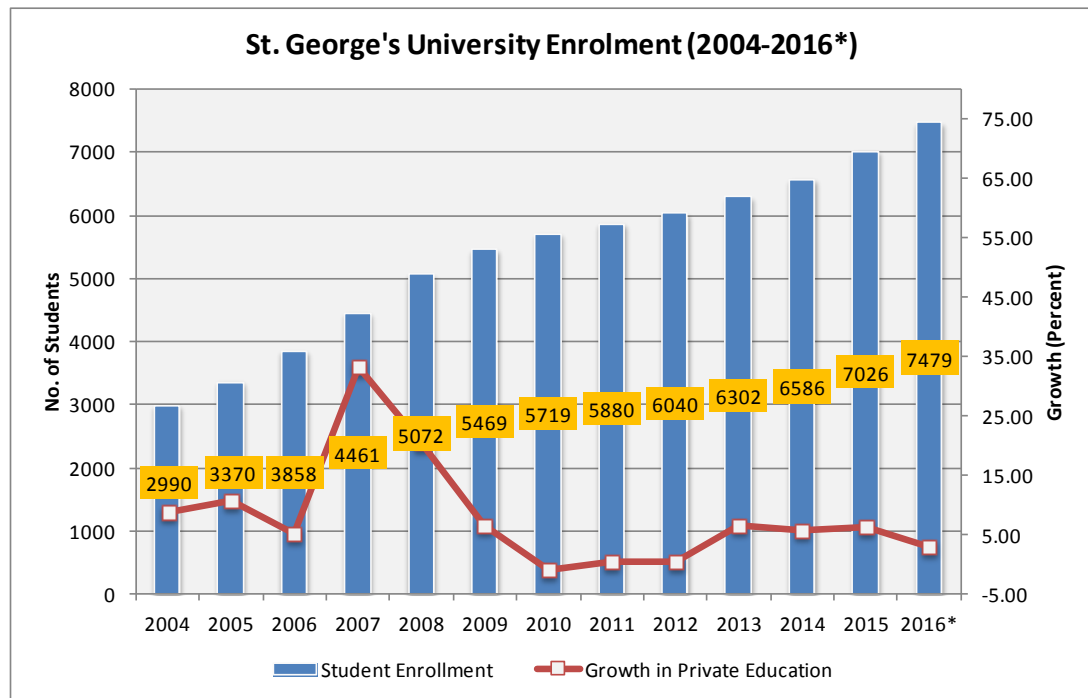
Education

In 2015 the education sector experienced growth of 5.1 percent with Private Education expanding by 6.4 following a 4.5 percent growth in the sector the previous year. The sector

²Extract from 2016 Economic Review and Medium Term Outlook, published in Government of Grenada 2017 Budget Statement

accounted for 18.4 percent of GDP in 2015 of which Private Education commanded 14.4 percent and continues to account for the largest share of GDP with estimates of 22.9 percent in 2016. Enrolment at St. George’s University increased by 6.4 percent in 2016 to 7,479 students from 7,026 students in 2015. Growth is expected to moderate to about 2.5 percent in 2016.

Figure 5: St. George’s University Enrolment (2004-2016)



Source: SGU

Industrial Production and Other Sectors³

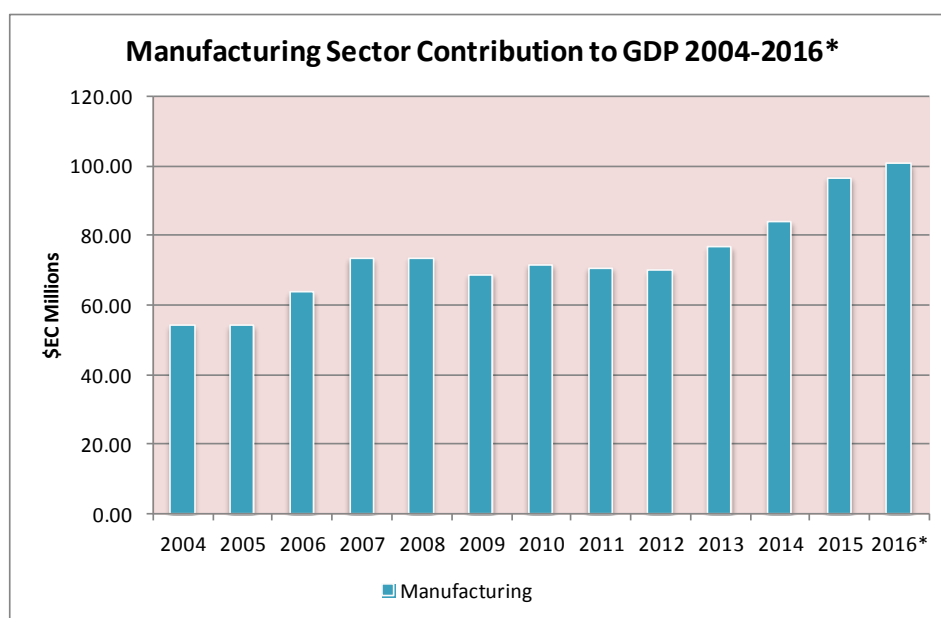
Data for January to September of 2016 show a 5.5 percent increase in overall electricity production while domestic and commercial consumption increased by 10.4 and 5.6 percent respectively. Industrial consumption also rose by 2.6 percent. Largely reflecting the impact of fuel price declines, the unit cost of electricity (cost per kilowatt hour) fell by about 17.1 percent. As a reflection of increased confidence in the economic conditions, domestic demand is expected to strengthen. Accordingly, positive growth is projected for

³ Extract from 2016 Economic Review and Medium Term Outlook, published in Government of Grenada 2017 Budget Statement

the wholesale and retail sector, the transport and storage sector along with marginal expansion in the communications sector. Expansion is also projected in the other service sectors.

Growth in the manufacturing sector is expected to continue with 2.5 percent growth projected in 2016 (See Figure 3.7). Increased beverage production is expected to be the main driver of this growth. Production of alcoholic beverages increased by 10.0 percent in the first three quarters of 2016 compared to the same period in the previous year, while production of non-alcoholic beverages declined by 6.6 percent during the same period.

Figure 6: Manufacturing Sector Contribution to GDP (2004-2016*)



Source: CSO, ECCB, Ministry of Finance
*Projected

However, it is projected that this decline will be offset by a pick-up in activity in the fourth quarter consistent with seasonal trends. Production of flour and wheat increased by 2.3 percent in the period under review while production of animal feed declined by 12.3 percent. On the export side, flour and animal feed exports decreased during the January to September period in 2016 compared to the same period in 2015 by 1.9 percent and 26.4 percent respectively. This decline is attributed to extra-regional competition which resulted in the loss of market share in some OECS islands.

7.0 GOVERNMENT FISCAL PERFORMANCE

In June 2014, Grenada implemented its Home Grown structural adjustment programme 2014-2016, which sought to: boost job creation, improve fiscal sustainability and improve debt sustainability.

Reflecting the results of the range of adjustment measures implemented since 2014 and the strong rebound in economic activity, fiscal outturns continued to strengthen. Highlights of the fiscal results achieved over the 2014 -2016 period are summarized in Table 4.⁴

Table 4: Grenada Fiscal Performance (2014-2016)

Grenada: Fiscal Performance 2014 - 2016			
<i>(in millions of EC\$)</i>			
	2014	2015	2016*
Total Revenue & Grants	602.9	649.7	736.0
Tax Revenue	448.1	511.8	591.9
Non-tax revenue	54.2	59.4	49.3
of which: CBI-related revenue	0.3	16.3	3.1
Grants	100.5	78.3	94.8
Total Expenditure	718.1	688.9	682.3
Current Primary expenditure	404.6	377.2	374.3
of which: Wage bill	242.4	215.3	215.5
Non-grant financed	136.1	141.8	124.5
Current Account Balance	11.0	102.4	178.1
Overall Balance (excluding grants)	-215.7	-117.6	-41.1
Overall Balance (including grants)	-115.2	-39.3	53.6
Primary Balance (excluding grants)	-128.9	-25.9	47.6
Primary Balance (including grants)	-28.4	52.4	142.4
Primary Balance (as a percent of GDP)	-1.2	2.0	5.1
Memo Item			
GDP	2461.2	2657.0	2786.0

* Projected

Source: Ministry of Finance

⁴ Extract from 2016 Economic Review and Medium Term Outlook, published in Government of Grenada 2017 Budget Statement

The fiscal consolidation effort continued to yield positive results in 2016. Preliminary data shows the 2016 primary balance (after grants) at \$142.4 million (5.1 percent of GDP), exceeding both the budgetary target of 3.5 per cent of GDP and the 2015 outturn for the same period by 171.8 per cent. The overall balance moved from a deficit of \$39.3 million (1.5 percent of GDP) in 2015 to an estimated surplus of \$53.6 million (1.9 percent of GDP) in 2016.

8.0 PUBLIC DEBT ANALYSIS

As at end December 31, 2016, the total Public Sector Debt was estimated to be \$2,648.0 million or 95.0 per cent of 2016 GDP broken down as follows:

Central Government debt - \$2,199.54 million

Government Guarantees - \$93.77 million

Other Public Sector Debt - \$355.35 million

Total Public Sector Debt - \$2,648.0 million

During that period the level of guaranteed debt continued to decline. Over the five year period 2012 - 2016, there has been a 37.7 per cent reduction in government guaranteed debt from EC\$149.4 million in 2012 to EC\$93.11 million in 2016.

Table 5: Grenada Central Government Debt (EC\$ Millions) 2012-2016

	2012	2013	2014	2015	2016
Total Domestic	427.5	477.9	474.5	594.37	595.58
Treasury bills	259.4	324.4	331.1	318.25	308.70
Bonds	58.1	60.7	60.7	184.51	206.85
Loans	37.5	28.8	23.4	50.09	38.51
⁵ Others	72.5	63.9	59.3	41.52	41.52

⁵ Other includes category of debt that cannot be classified in the categories listed above.

Total External	1,498.03	1,580.3	1,639.5	1,590.7	1,603.96
Bilateral	95.6	199.8	199.6	193.7	250.67
Multilateral	585.5	596.5	657.7	742.9	793.49
Bonds	721.6	721.6	721.6	596.0	553.8
Others	95.3	62.4	60.4	58.1	6.0
Grand Total	1,925.03	2,058.2	2,113.9	2,185.1	2,199.54

Source: Debt Management Unit, Ministry of Finance

Based on table 5 above domestic debt stood at EC\$ 595.58 million equivalent to 21.4 per cent of 2016 GDP. While external debt accounted for the 57.6 per cent of GDP. Over the reported period domestic debt steadily increased moving from EC\$427.5 million to EC\$595.58 million a 39.3 percent increase. The continuous on-going restructuring of the domestic liabilities has resulted in a re-profiling of the portfolio to longer dated instruments reflective in the 204 per cent increase in the stock of bonds in 2015 when compared to 2014. And overall by end 2016, the domestic debt stock increased marginally by 0.2 per cent over 2015.

External debt fluctuated over the reported period however have remained relatively stable as government continues to meet its commitment to its external creditors. In 2013, external debt increased marginally to EC\$ 1,580.3 million from EC\$ 1498.03 in 2012 as the authorities sought to close the financing gap. However, by end 2015 a decline of 3.0 per cent was recorded attributed in part to 25 per cent haircut received on the US dollar bond which reduced the face value amounts outstanding on the bond and contributed to an overall reduction in the debt stock in 2015. By the end of 2016, external debt increased marginally by 0.8 per cent over 2015 as new loans were contracted from multilateral creditors as a complement to the adjustment program and positive net disbursements from bilateral creditors to fund on-going infrastructural projects.

*Debt Restructuring*⁶

The adverse effects of the 2008/2009 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. In light of the economic reality, Grenada entered into an Extended Credit Facility arrangement with the International Monetary Fund in order to restore debt sustainability, boost growth prospects and strengthen financial stability.

At the start of the adjustment program in 2014, external arrears averaged 2.1 percent of GDP while domestic arrears averaged 0.4 percent of GDP. However, in line with the performance targets, the stock of domestic and external arrears has been eliminated as at November 2016. Interest payments fell to 3.2 percent of GDP in 2016 from 3.7 percent of GDP at the end of 2013. Following the conclusion of negotiations with Paris Club creditors in November 2015, bilateral restructuring agreements were executed in 2016 with the Government of the United States in May and the Republic of France in October. The finalization of formal restructuring agreements with the United Kingdom and Russia should be completed by the first quarter of 2017.

Similar to the arrangement with the Commercial bond restructuring, 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".

Table 2.3 summarizes the debt restructuring arrangements that were concluded over the period January 2015 to December 2016.

⁶ Extract from the Fiscal and Economic Review 2016, published in Government of Grenada 2017 Budget Statement

Summary of Debt Restructuring (2015)

Table 6 : Summary of external debt restructuring operations

Date	Creditor	Type of Instrument	Debt Outstanding as % of GDP	
			Pre-restructuring	Post-restructuring
Jan-15	Republic of China (Taiwan)	Bilateral Loan	3.7%	1.9%
Apr-15	International Commercial Bond Holders	Commercial Bond	27.2%	20.4%
Nov-15	Paris Club	Bilateral Loan	0.9%	0.9%

Source: Ministry of Finance

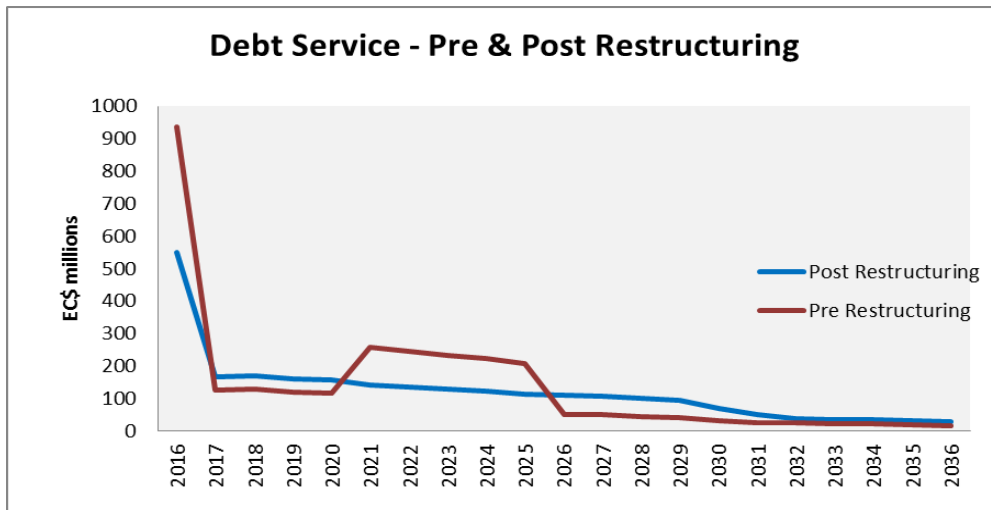
Government has established contact with the non-Paris Club bilateral creditors and is working towards concluding negotiations on that portion of the debt.

Restructuring of domestic debt is also on-going. Government has continued to engage local investors in its efforts to restructure its debt. To date the Government has successfully renegotiated its obligations with a number of local investors including institutional and commercial investors.

All domestic budgetary arrears were cleared by the end of 2015 and Government has continued to remain current with domestic suppliers. Finally, Government has reached agreement on a payment plan for the settlement of arrears with regional and international agencies.

As a result of the progress of the restructuring agenda, coupled with improved fiscal management systems and the continuation of strong economic growth, public debt is now on a much more sustainable trajectory.

Figure 7: Debt Service Pre and Post Restructuring (2016-2030)



A total of EC\$ 857.79 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 (as illustrated in the Figure above). This represents potential savings of approximately EC\$ 293.06 million over 15 years.

Credit Rating

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'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.

With the restructuring of the bonds completed the government commenced payments on the 2030 US and Eastern Caribbean dollar bond and is schedule to make its third payment on these instruments in the second quarter of 2017.

PUBLIC DEBT RATIOS

The Public Debt to GDP ratio fell from 104.0 per cent in 2015 to 95.0 per cent in 2016 reflecting in part the effects of the on-going restructuring of domestic and external debt. At

the completion of the Debt Restructuring (2017), the Debt/GDP ratio is projected to further decline. The following table outlines the movement in the debt ratios over the period 2012 to 2016.

TABLE 7: Grenada Public Debt Ratios

	2012	2013	2014	2015	2016
Public Sector Debt Stock to GDP (including Government Guarantees & other public sector) (per cent)	108.0	107.0	107.1	104.0	95.0
Debt Stock to GDP (excluding Government Guarantees) (per cent)	89.0	90.0	89.0	85.1	82.3
Interest payments to Current Revenue (per cent)	17.3	9.2	16.5	18.5	13.8

Source: Ministry of Finance

The interest rate on the 2025 International bonds was at a rate of 4.5 per cent in 2012 and was paid hence the ratio was up to 17.3 per cent in that year. However, 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.

Grenada’s interest payment to current revenue increased to 18.5 per cent in 2015 as government resumed payments on its external restructured debt. However by end 2016, interest payments to current revenues fell to 13.8 per cent primarily due to a 12.2 per cent increase in current revenues in 2016 over 2015.

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 draft debt management strategy for the medium term which expires in 2018. With the on-going restructuring this strategy is being continuously updated to capture the changes in the debt portfolio.

9.0 BALANCE OF PAYMENTS

The gap between exports and imports has been steadily widening since 2012 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 8: Grenada Summary of Balance of Payments (In million of EC dollars)

	2012	2013	2014	2015	2016
Current Account Balance	-521.6	-597.6	-489.51	-533.62	-548.25
Exports (FOB)	115.6	122.7	118.83	101.94	104.78
Imports (CIF)	810.9	875.4	806.8	829.93	846.52
Services (net	184.4	185.5	229.17	241.59	243.90
Of which Travel (net)	299.3	297.8	345.12	356.23	369.40
Income (net)	-92.6	-79.9	-89.39	-91.15	-95.80

Of which Public Sector interest payments (gross)	0.75	0.96	0.96	0.96	0.96
Transfers (net)	81.7	49.4	58.7	43.9	45.4
Capital and Financial Account	466.7	625.3	492.9	558.8	548.3
Capital Account (transfers)	158.3	118.6	255.8	321.2	170.3
Financial Account	308.4	506.7	237.2	237.7	377.9
Direct Investment (net)	85.0	305.3	101.8	162.3	169.9
Portfolio Investment (net)	-8.3	46.8	32.3	-2.4	20.9
Other Investment	231.7	154.6	103.1	77.7	187.1
Overall balance	-5.1	84.8	61.7	81.7	26.4

Source: Ministry of Finance/ECCB 2016

Positive an improving overall balance of payments position were recorded for 2013 through 2016 due to improvements in the current account as a result of low prices of oil on the international market , as well as increased capital transfers.

10.0 FINANCIAL SECTOR ANALYSIS

Given the need to maintain financial stability at all times the Government of Grenada has enacted the GARFIN⁷ 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 has passed in its parliament the Building Code and the associated Guidelines. In addition, government has also brought into force new planning regulations in 2015.

⁷ Grenada Authority for the Regulation of Financial Institutions

The Government has also signed up for the World Bank's Caribbean Catastrophe Risk Insurance Facility (CCRIF). As a participant in this facility, government has purchase parametric insurance on an annual basis that pays the government a predetermined amount in case of hurricane or earthquake.

11.0 MONEY AND CREDIT CONDITIONS

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 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 61.2 per cent in December 2015 to 58.8 per cent in December 2016. 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 39.8 to 43.4 per cent;
- ii. The ratio of liquid assets to total assets which moved from 37.5 to 40.8 per cent and
- iii. The ratio of liquid assets to total deposits which moved from 41.4 to 46.1 per cent.

12.0 INFLATION⁸

At an estimated value of -0.51 percent, the average rate of inflation in 2015, as measured by the Consumer Price Index, was negative for the third consecutive year. Unlike 2013 and 2014 however, where decreases in the price of communication services contributed to the

⁸ Adopted from 2016 Economic Review and Medium Term Outlook, 2017 Budget Statement Grenada

decline in overall prices, plummeting oil prices fuelled the negative value in 2015. The fuel price index decreased by 3.26 percent on average in 2015, whereas the food price index rose by 1.03 percent. Average core inflation⁹ stood at 1.7 percent with an increase in telecommunication rates causing the communication index to rise by 8.24 percent in 2015.

As at September 2016, average inflation was estimated at 1.9 percent, underpinned by a 25.4 percent increase in the communications index compared to the same period in 2015. Telecommunication providers increased the rates for mobile calls in September 2015 by 25.7 percent and again in June 2016 by 5.7 percent. As the communication index carries a 10.03 percent weighting in the consumption basket, these price adjustments would have had a major impact on the overall index and are largely responsible for the positive inflation recorded thus far in 2016. Conversely, the indices for “food” and “housing, water, gas, electricity & other fuels” both declined during the period under review by 2.5 and 1.7 percent respectively. In the case of food, reductions in the cost of poultry, milk and cheese were, for the most part, responsible for the decline in that index. Similarly, decreases in the prices for gas and electricity by 7.8 and 6.6 percent respectively, weighed down the housing, water, gas, electricity & other fuels index.

As world oil prices are expected to increase and food prices stabilize over the medium term, inflation is projected to increase moderately in 2016 to an average value of 2.1 percent, with a similar medium term trajectory.

⁹ Core Inflation represents the overall change in prices of all items excluding food and fuel.

13.0 PROSPECTS FOR 2017¹⁰

Baseline projections suggest that the medium term outlook is positive as the recovery effort is consolidated and growth gains momentum, partly in response to the structural reform measures that are being implemented. Over the 3-year period 2017-2019, real economic growth is projected to average 2.4 percent. The growth projections are premised on the following assumptions:

- a. In the short term, recovery of the agriculture sector will be based on the timely resolution of the challenges encountered in 2016 through the implementation of measures to mitigate the adverse impact of drought-like weather conditions on production and to address the logistical constraints that affected the export of fish and fresh produce (airlift, equipment, etc.).
- b. The agriculture, communications, wholesale and retail, transport and storage and manufacturing (beverage production) sectors should benefit from increased domestic consumption levels associated with public sector wage settlements and increased confidence in economic prospects.
- c. The construction sector will maintain its momentum over the medium term, initially through the continuation of ongoing private sector projects and, beyond 2017, through the implementation of the strong pipeline of foreign investment projects and the start-up of major infrastructure projects including the UK funded road development works.
- d. Beyond 2017, the tourism sector will benefit from the expansion of room stock as ongoing hotel development projects come on stream.
- e. Moderate expansion will continue in the private education, tourism, financial intermediation and other service sectors.

¹⁰ Adopted from the Budget Framework Paper 2017-2019, published in the Government of Grenada 2017 Budget Statement, page 69

- f. Successful implementation of the range of demand and supply side reforms that are currently being implemented – in particular, those designed to contain fiscal risks, improve the investment climate and support job creation.

On the central government’s fiscal accounts, the overall deficit is projected to narrow in 2017 on account of revenue gains from tax reforms being undertaken as part of the Home Grown Structural Adjustment Programme. Beyond 2017, the capital expenditure projections reflect some conservatism in the context of the risks of declining grant flows. Expenditure is held at the equivalent of 5.3 percent of GDP, of which funding from non-grant sources (revenue and/or loans) will not exceed the equivalent of 1.0 percent of GDP in 2017, 1.2 percent in 2018 and 0.9 percent in 2019– reflecting consistency with the focus of the Medium Term Debt Management Strategy on containing the debt build up. Commencing 2017, a provision of 2 percent of current revenue is made for a contingency fund. This is in line with the requirements of the Public Finance Management Act.

14.0 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.

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

RGSM TREASURY BILLS

Issues Outstanding	EC\$97.00M
Type of Issue	Government of Grenada Treasury Bills
Maturity in Days	91 and 365 Days
Date of Issues	July 2016 to February 2017
Yields	Max 5.0per cent,
Discount Price	EC\$95.00

16.0 UPCOMING ISSUES OF GOVERNMENT SECURITIES ON REGIONAL MARKET 2017

SYMBOL	AUCTION DATES	ISSUE/SETTLEMENT DATE	MATURITY DATE	ISSUE AMT. EC\$M	OVER SUBSCRIPTION AMOUNT ALLOWED EC\$M	TENOR (DAYS)	INTEREST RATE CEILING %
SERIES A							
GDB190717	18 APRIL 2017	19 APRIL 2017	19 JULY 2017	10	5	91	4%
GDB231017	20 JULY 2017	21 JULY 2017	23 OCTOBER 2017	10	5	91	4%
GDB170118	17 OCTOBER 2017	18 OCTOBER 2017	17 JANUARY 2018	10	5	91	4%
SERIES B							
GDB110817	11 MAY 2017	12 MAY 2017	11 AUGUST 2017	15	5	91	4%
GDB101117	10 AUGUST 2017	11 AUGUST 2017	10 NOVEMBER 2017	15	5	91	4%
GDB090218	9 NOVEMBER 2017	10 NOVEMBER 2017	9 FEBRUARY 2018	15	5	91	4%
GDB230718	24 JULY 2017	25 JULY 2017	25 JULY 2018	30	0	365	5%
GDB111018	10 OCTOBER 2017	11 OCTOBER 2017	11 OCTOBER 2018	10	0	365	5%
GDB301118	29 NOVEMBER 2017	30 NOVEMBER 2017	30 NOVEMBER 2018	20	0	365	5%

ALL ISSUES ON THE MARKET ARE IN EC DOLLARS

SUBJECT TO REVISION BASED ON FINANCING METHOD EMPLOYED

APPENDIX I¹¹: 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	Anthony Galloway	Principal	
		Angelica Lewis	Representative	
		Marlene Nisbett	Representative	
		Petronella Crooke	Representative	
	The Bank of Nevis Ltd	Brian Carey	Principal	
		Judy Claxton	Representative	
SAINT LUCIA	Bank of St. Lucia Ltd	Medford Francis	Principal	
		Lawrence Jean	Principal	
		Deesha Lewis	Representative	
	First Citizens Investment Services Ltd	Norlann Gabriel	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	
GRENADA	Grenada Co-operative Bank	Mr. Aron Logie	Principal	
		Mr. Carla Sylvester	Representative	

¹¹ Revised