ADDENDUM 5– 23 December, 2013

GOVERNMENT OF GRENADA

PROSPECTUS FOR GOVERNMENT SECURITIES FOR THE PERIOD NOVEMBER 2012- OCTOBER 2013

EC$133MILLION 91-DAY TREASURY BILLS

EC$69 MILLION 365-DAY TREASURY BILLS

MINISTRY OF FINANCE
FINANCIAL COMPLEX
CARENAGE
ST.GEORGE'S
TEL: 473-440-2731
FAX: 473-440-4115
EMAIL: finance@gov.gd

DATE OF PROSPECTUS: NOVEMBER 2012

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 are issued to cover the series of government securities to be issued over the period November 2012 to October 2013. 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.

1. ABSTRACT

During November 2012 to October 2013, 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: Fifteen (EC$15.0) Million in each of 3 issues,

Eight (EC$8.0) Million in 1 issue

Series B: Fifteen (EC$$15.0) Million in each of 5 issues

365 Day Treasury Bills

- Twelve (EC$12.0) million in 365 day treasury bills on November 29th 2012
- Twenty-five (EC$25.0) million in 365 day treasury bills on July 18, 2013.
- Ten (EC$10.0) million with the option to take an additional two (2.0) million if oversubscribed in 365 day treasury bills on October 10, 2013.
- Twelve (EC$12.0) million in 365 day treasury bills on November 29th 2013

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

The purpose of this addendum is to enable Government of Grenada to include in the existing prospectus one additional Treasury bill issue while the new prospectus for 2014 is being reviewed.. This is a 91 day Treasury bill on January 15th 2014 as part of Series A. This bill will be used to refinance an existing bill on the market. This addendum also includes updated information on the economy in relation to Gross Domestic Product, fiscal and public debt.

In this Prospectus, references to “Grenada” are to the State of Grenada: references to the “Government” are to the Government of Grenada, and references to the “Managers” are to the Eastern Caribbean Securities Exchange. The Treasury bill issues are being raised under the authority of the Revised Treasury Bills Act 2003. 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 respective auction dates.

A competitive uniform price auction will be used.

2. 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 Hon., Dr Keith Mitchell, Minister for Finance, finance@gov.gd Mr. Timothy Antoine, Permanent Secretary Timothy.antoine@gov.gd Mr. Mike Sylvester, Deputy Permanent Secretary Mike.sylvester@gov.gd Mr. Ambrose Obike, Accountant General anl.obike@gmail.com
Date of Issue:	November 2012 – October 2013
Type of Security:	Treasury Bill
Amount of Issue:	EC$212 million
Purpose Security Issue:	These are being issued as part of government's debt management strategy to refinance existing securities.
Arranger:	First Citizens Investment Services Ltd, St. Lucia
Legislative Authority:	Revised Treasury bill Act 2003, Laws of Grenada.

3. INFORMATION ABOUT THE ISSUES

91 Day Treasury Bills
SERIES A: EC$-68 Million 91-Day Treasury Bills in 5Issues

The Government of Grenada proposes to issue an EC $15, 000,000 Treasury bill on 18th January, 23rd April, 25h July, 28th October 2013 and January 15th 2014. If the issue is oversubscribed the Government is willing to take up to an additional EC$5 million in bills (up to EC$20 million) for each issue.

Amount of Issues:	First issue - EC$8 .0 million Eastern Caribbean Dollars Three issues - EC$15.0 million Eastern Caribbean Dollars each
Tenor:	91 Day Treasury Bills
Security Trading Symbol:	GDB180413 GDB180713 GDB171013 GDB160114 GDB170414
Auction Date:	January 16th 2013 April 17th 2013 July 17th h 2013 October 16th 2013 January 15th , 2014
Settlement Date:	January17th 2013 April 18th 2013 July 18th 2013 October 17th 2013 January 16th , 2014
Maturity Date:	**April 18th 2013** July 18th 2013 October 17th 2013 January 16th 2014 April 17th, 2014
Bidding Period:	9:00 to 12:00 noon on auction day

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

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

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

Maximum Bid Price: $94.00 (6.00%).

Minimum Bid: EC$5,000

Bid Multiplier: EC$1,000

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

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

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

- ABI Bank Limited Antigua and Barbuda
- 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.

SERIES B: EC$75 Million 91-Day Treasury Bills in 5Issues

The Government of Grenada proposes to issue an EC $15, 000,000 Treasury bill on November 16th 2012, February 19th 2013, May 23rd 2013, August 26th 2013. If any of the issues are oversubscribed the Government is willing to take an additional EC$5 million in bills (up to EC$20 million for each issue).

Amount Of Each Issue:	EC$15.0 million Eastern Caribbean Dollars
Tenor:	91 Day Treasury Bills
Security Trading Symbol:	GDB180213 GDB200513 GDB160813 GDB151113 GDB130214
Auction Date:	November 16th 2012 February 15th 2013 May 16th 2013 August 15th 2013 November 14th 2013
Settlement Date:	November 19th 2012 February 18th 2013 May 17th 2013 August 16th 2013 November 15th 2013
Maturity Date:	February 18th 2013 May 20th 2013 August 16th 2013 November 15th 2013 February 13th 2014
Bidding Period:	9:00 to 12:00 noon on auction day
Method of Issue:	The price of the issue will be determined by a Competitive Uniform Price Auction with open bidding.
Listing:	The Treasury Bills will be issued on the Regional Government Securities Market (RGSM) and traded on

	the Secondary Market trading platform of the Eastern Caribbean Securities Exchange (ECSE).
Placement of Bids:	Investors will participate in the auction through the services of licensed intermediaries who are members of the Eastern Caribbean Securities Exchange
Maximum Bid Price:	$94.00 (6.00%).
Minimum Bid:	EC$5,000
Bid Multiplier:	EC$1,000
Bids Per Investor:	Each investor is allowed one (1) bid with the option of Increasing the amount being tendered for until the close of the bidding period
Taxation:	Yields will not be subject to any tax, duty or levy by the Participating Governments of the Eastern Caribbean Currency Union (ECCU).
Licensed Intermediaries:	Investors will participate in the auction through the Services of licensed intermediaries who are members of the Eastern Caribbean Securities Exchange. • ABI Bank Limited Antigua and Barbuda • 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

365 Day Treasury Bills

ISSUE 1: EC$12.0 Million 365 Day Treasury Bills

The Government of Grenada proposes to issue an EC $12,000,000 Treasury bill on November 29th, 2012.

Amount Of The Issue:	EC$12.0 million Eastern Caribbean Dollars
Tenor:	365 Day Treasury Bills
Security Trading Symbol:	GDB301113
Auction Date:	NOVEMBER 29, 2012
Settlement Date:	NOVEMBER 30, 2012
Maturity Date:	NOVEMBER 30, 2013
Bidding Period:	9:00 to 12:00 noon on auction day
Method of Issue:	The price of the issue will be determined by a Competitive Uniform Price Auction with open bidding.
Listing:	The Treasury Bills will be issued on the Regional Government Securities Market (RGSM) and traded on the Secondary Market trading platform of the Eastern Caribbean Securities Exchange (ECSE).
Placement of Bids:	Investors will participate in the auction through the services of licensed intermediaries who are members of the Eastern Caribbean Securities Exchange
Maximum Bid Price:	$94.00 (6.00%).
Minimum Bid:	EC$5,000
Bid Multiplier:	EC$1,000

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

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

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

ISSUE 2: EC$35.0 Million 365 Day Treasury Bills

The Government of Grenada proposes to issue an EC $25, 000,000 Treasury bill on 18th July 2013. If the issue is oversubscribed the Government is willing to take up to an additional EC$5 million in bills (up to EC$30 million) for each issue.

Amount Of The Issue:	EC$25.0 million Eastern Caribbean Dollars
Tenor:	365 Day Treasury Bills
Security Trading Symbol:	GDB190714
Auction Date:	JULY 18, 2013
Settlement Date:	**JULY 19, 2013**
Maturity Date:	JULY 19 2014
Bidding Period:	9:00 to 12:00 noon on auction day
Method of Issue:	The price of the issue will be determined by a Competitive Uniform Price Auction with open bidding.
Listing:	The Treasury Bills will be issued on the Regional Government Securities Market (RGSM) and traded on the Secondary Market trading platform of the Eastern Caribbean Securities Exchange (ECSE).
Placement of Bids:	Investors will participate in the auction through the services of licensed intermediaries who are members of the Eastern Caribbean Securities Exchange
Maximum Bid Price:	$94.00 (6.00%).
Minimum Bid:	EC$5,000
Bid Multiplier:	EC$1,000
Bids Per Investor:	**Each investor is allowed one (1) bid with the option of increasing the amount being tendered for until the close of the bidding period**

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

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

ISSUE 3: EC$10.0 Million 365 Day Treasury Bills

The Government of Grenada proposes to issue an EC $10,000,000 Treasury bill with the option to take an additional 2 million should the issue be oversubscribed on October 10, 2013.

Amount Of The Issue: EC$10.0 million Eastern Caribbean Dollars with the option to take an additional 2 million should the issue be oversubscribed

Tenor:	365 Day Treasury Bills
Security Trading Symbol:	GDB111014
Auction Date:	OCTOBER 10, 2013
Settlement Date:	OCTOBER 11, 2013
Maturity Date:	OCTOBER 11, 2014
Bidding Period:	9:00 to 12:00 noon on auction day
Method of Issue:	The price of the issue will be determined by a Competitive Uniform Price Auction with open bidding.
Listing:	The Treasury Bills will be issued on the Regional Government Securities Market (RGSM) and traded on the Secondary Market trading platform of the Eastern Caribbean Securities Exchange (ECSE).
Placement of Bids:	Investors will participate in the auction through the services of licensed intermediaries who are members of the Eastern Caribbean Securities Exchange
Maximum Bid Price:	$94.00 (6.00%).
Minimum Bid:	EC$5,000
Bid Multiplier:	EC$1,000

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

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

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

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- First Citizens Investment Services Ltd (Saint Lucia)

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

365 Day Treasury Bills

ISSUE 4: EC$12.0 Million 365 Day Treasury Bills

The Government of Grenada proposes to issue an EC $12,000,000 Treasury bill on November 28th, 2013.

Amount Of The Issue:	EC$12.0 million Eastern Caribbean Dollars
Tenor:	365 Day Treasury Bills
Security Trading Symbol:	GDB291114
Auction Date:	NOVEMBER 28, 2013
Settlement Date:	NOVEMBER 329, 2013
Maturity Date:	NOVEMBER 29, 2014
Bidding Period:	9:00 to 12:00 noon on auction day
Method of Issue:	The price of the issue will be determined by a Competitive Uniform Price Auction with open bidding.
Listing:	The Treasury Bills will be issued on the Regional Government Securities Market (RGSM) and traded on the Secondary Market trading platform of the Eastern Caribbean Securities Exchange (ECSE).
Placement of Bids:	Investors will participate in the auction through the services of licensed intermediaries who are members of the Eastern Caribbean Securities Exchange
Maximum Bid Price:	$94.00 (6.00%).
Minimum Bid:	EC$5,000
Bid Multiplier:	EC$1,000
Bids Per Investor:	**Each investor is allowed one (1) bid with the option of increasing the amount being tendered for until the close of the bidding period**

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

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

4. EXECUTIVE SUMMARY

The Government of Grenada is proposing to issue 91-day treasury bills on the Regional Government Securities Market on January 15th, 2014.

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."

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. The Government has honored its commitment to ensure that all investors in securities issued on the RGSM are repaid in full and on time. *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 issues on the market.*

The Government has made considerable progress in their discussions with Taiwan on the disputed outstanding loans with the EXIM Bank of Taiwan. Grenada had contracted four loans with the EXIM Bank of Taiwan and at present the sum outstanding inclusive of interest is approximately $32.5 million.

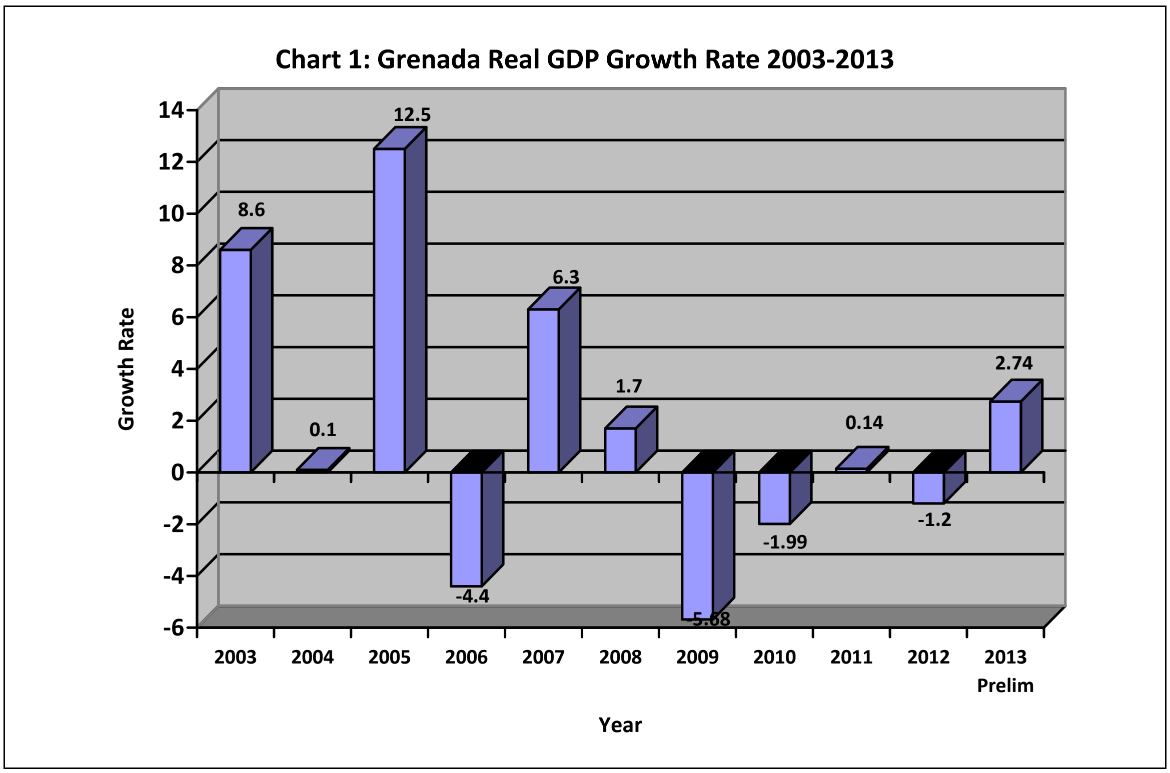
Overall Grenada's economy is projected to have grown by approximately 2.74 per cent for 2013, largely on account of the construction sector. The construction sector in 2013 got a large boost from the foreign direct investment for the construction of the Five star hotel, Sandals Grenada.

Preliminary data for 2013 shows that the rate of inflation declined by 1.6 per cent compared to an increase of 2.0 per cent in 2012 Data for 2011 suggest that the rate of inflation was lower than 2010 at 3.5%, moving from 4.2% in 2010 as the value added tax (VAT) introduced in February 2010, began to settle down. Although in 2009, the rate of inflation was **-2.3**%, the 2010 inflation did not reach the relatively high level of inflation experienced in 2008 when the rate had reached 5.2 %.

8.0 MACRO-ECONOMIC PERFORMANCE

8.1 Economic Growth

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



services accounting for the remaining 20%, primarily through the provision of physical infrastructure and social services.

Chart 1 shows Grenada's real GDP growth for the period 2001 to 2011 and preliminary data for 2012.

Preliminary data for 2013 suggests that economy grew by 2.74 per cent largely on account of the construction sector. In 2012, the real growth rate declined by approximately 1.22 per cent. Economic growth in real terms for 2011 was 0.14 percent compared to negative growth rates of 1.99 percent in 2010 and 5.7 percent in 2009, as the global financial and economic crisis took its toll. Economic growth had slowed to 1.7 % in 2008 as the economic slowdown and the financial crisis in the United States resulted in less than favorable performance in some sectors (see chart 1). This contrasted with the 2007 outturn, when the economy rebounded slightly primarily on account of CWC World Cup cricket events hosted in Grenada.

Preliminary data for 2013 indicates that the agriculture sector is expected to have negative growth of 0.43 percent, despite the gains in banana and nutmeg production of 18.00 percent and 30.00 percent respectively. The increases are not expected to be sufficient to offset the decline in the overall agriculture sector on account of other crops including cocoa which fell by 6.0 %.

In 2011 there was some contraction in the sector of 0.14 percent as there were decreases in the production of certain manufactured goods. Data for 2012 show further contraction of 0.22 % in this sector as industrial action and reduced economic activity took its toll on production of some goods. Preliminary data for 2013 shows that the sector is expected to rebound with growth of approximately 3.5 per cent as significant increases in manufactured goods such as bakery products and grain, animal feed, beverages and tobacco and chemicals and paints are expected.

8.4 Tourism

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

The hotel and restaurant sector which is used as a proxy for value added in tourism contracted by 13.6% in 2010, compared to a decline of 12.3% in the previous year, when the full impact of the global and financial crisis had a devastating impact on Grenada's tourism sector.

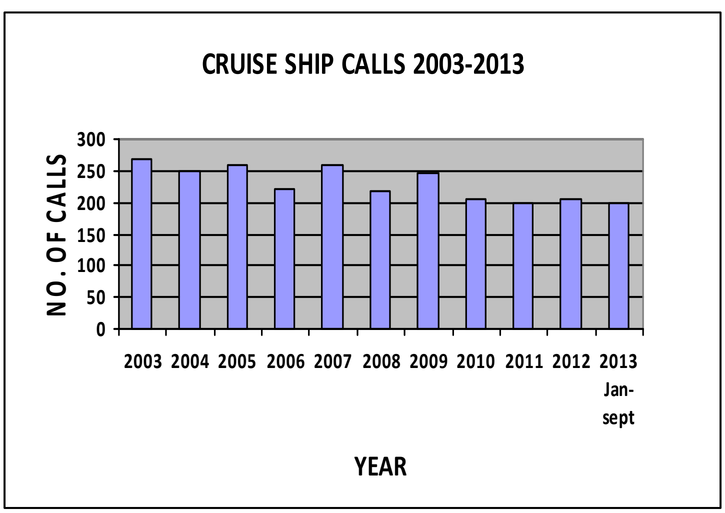
The tourism industry is very sensitive to external shocks and events. Preliminary Estimates for 2012 suggests that the tourism sector grew by 5.89 %. In 2011, the sector grew by 13.9%, as output of hotels increased significantly, influenced mainly by an over 10% increase of visitors staying in paid accommodations. In 2010, Government supported the industry by assigning a special VAT rate of 10%, spending $10 million in support for airlift and granting tax concessions including a 50% reduction in VAT for September, October and November. These measures all helped to cushion the effect of the recession on the industry.

Table 1 Key Tourism Indicators: 2004 to 2013

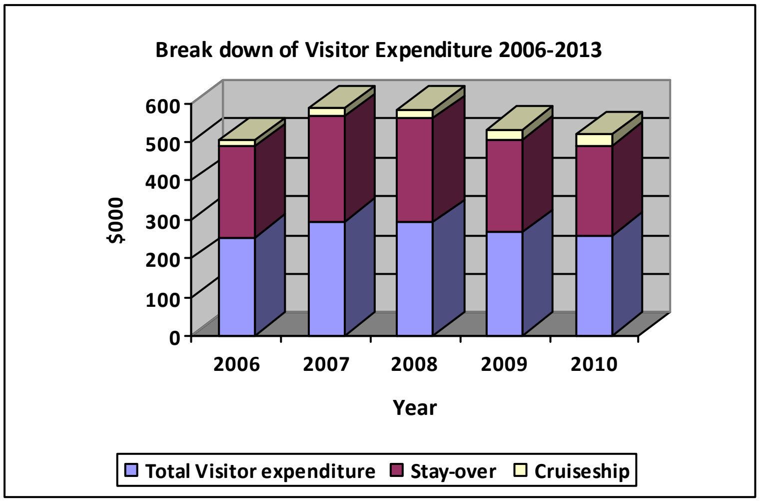
Key Indicators	2006	2007	2008	2009	2010	2011	2012	Jan-Sept 2013
Stay-Over Arrivals	118,654	130,096	130,363	113,914	110,419	116,398	112,335	89,070
Cruise Ship Passengers	218,684	270,259	292,712	342,852	333, 291	309,574	242,757	133,163
Number of Cruise ship calls	221	259	217	246	206	198	206	198
Average length of stay	7.6	8.7	8.44	8.5	8.3	8.2	8.2	8.3
No. of rooms available	1537	NA	NA	NA	NA	NA	NA	NA
No. of beds available	NA	NA	NA			NA	NA	NA
Total Recorded Visitor Expenditure (EC$M)	309.7	290.78	293.2	267.22	259.8	315,3	328.3	NA

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

Table 1 indicates an improvement in the performance of the industry since the passage of Hurricane Ivan in 2004. Following a 26.4 per cent fall in 2005, stay-over arrivals increased by 20.4 per cent in 2006 with improvements in the hotel plant and a corresponding increase in the number of rooms and beds available. In 2007, stay over arrivals increased by 9.6 per cent primarily on account of the CWC World Cup Cricket part-hosted in Grenada in that year. In 2012, despite lower overall visitor numbers, there was increased tourist expenditure.



Total cruise ship calls in 2012 were 135 lower than the 2011 calls of 198, which was a decline from 206 in 2010.



In 2012, visitor expenditure was higher at EC$328.3 million, an increase of 3.8 % over 2011 visitor expenditure.

The overall tourism sector experienced minimal growth of 0.8 percent. This trend is expected to continue throughout the remainder of the year.

Total visitor arrivals for the period January to September 2013 were 223,588. This represented a decrease of 38,759 or 14.77 percent compared to the corresponding period in 2012. Cruise passenger arrivals declined by 37,536 or 22.0 percent due primarily to a reduction experienced in the total number of cruise ship calls from 206 in 2012 to 198 in 2013. Additionally, a reduction was also realized in the number of stay over visitors from 89,752 in 2012 to 89,070 in 2013 or a percentage reduction of 0.8 percent.

9.0 GOVERNMENT FISCAL PERFORMANCE

In 2014, Grenada is expected to implement its Home Grown structural adjustment programme which seeks to: boost job creation, improve fiscal sustainability and improve debt sustainability. There was a current account surplus of EC$32.9 million in 2013 compared to the even smaller surplus of EC$1.5 million recorded for 2012.

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

Table 2 Recent Fiscal Performance 2009-2013 & Budget 2014 (EC$M)

	2009	**2010**	**2011**	**2012**	**Actual Prov. 2013**	**Budget 2014**
Current Revenue	405.3	429.0	424.6	459.3	437.7	471.1
Current Expenditure	415.3	421.0	435.3	457.8	426.2	487.0
Current Account Balance	-10.0	24.0	-10.7	1.5	32.9	-16.0
Capital Revenue	0.1	0.2	0.0	0.0	0.01	0.0
Capital Expenditure	157.8	164.4	163.2	235.2	151.2	262.0
Grants	68.3	95.2	70.4	66.5	11.5	138.5
Overall Balance	-99.3	-61.2	-103.5	-167.2	-108.8	-139.4

Source: Ministry of Finance

The actual outturn for 2013 showed a small current account surplus of 11.5 million as revenue collected of EC$437.7 million was a bit higher than current expenditure of EC$426.2 million . This surplus was eliminated by the capital expenditure of EC$151.2 million, resulting in an overall deficit after grants of EC$108.8 million.

The 2014 budget which was presented on December 10th 2013, indicated an estimated current revenue intake for 2014 of EC$471.1 million while current expenditure was estimated at EC$487.0 million resulting in a current deficit of EC$15.9 million. Capital expenditure was projected at EC$262.0 million for 2014. The primary deficit is projected at EC$99.5 million and after grants at EC$44.0 million.

10.0 PUBLIC DEBT ANALYSIS

At December 31st 2013, public sector debt is projected at 2.41 billion or 107 % of GDP, consisting of:

- Central Government debt - $1.99 billion
- Government Guarantees - $127.6 million
- Other public sector debt - EC$292.5 million

During that period there were no new guarantees granted and as such the level of guaranteed debt continues to decline. The reduction of 54.3% in government guaranteed debt from EC$279.5 million in 2004 to EC$127.6 million in 2013.

Central government debt in 2013 is expected to be approximately EC$1,986 billion an increase of 3 % over the EC$1,925 billion stock of debt recorded at the end of 2012. The level of Central government debt in 2011 represented 83.2% of GDP at EC$1,845.8 million, an increase of approximately 3.7 per cent above EC$1,779.5million in 2010. During the period 2004-2009 increased significantly as government was faced with the spiral effects of the global slowdown in economic activity as a result of the financial crisis after having experienced some difficulties and a very vigorous rebuilding process after the passage of Hurricane Ivan to revitalize the revenue earning sectors in the economy which was necessary in order to service its debt obligations.

Table 3 Central Government Debt (EC$ Millions) 2003-2012

	2008	2009	2010	2011	2012	2013 Projected
Total Domestic	227.1	262.4	282.2	360.7	427.5	442.9
Treasury bills	78.1	99.7	133.5	220.3	259.4	280.0
Bonds	11.7	11.7	9.9	20.9	58.13	60.7
Loans	58.9	64.9	53.4	55.5	37.5	30.5
Others	78.4	86.1	85.4	64.0	72.5	71.7
Total External	1,369.9	1,463.4	1,497.3	1,485.1	1,498.03	1543.5
Bilateral	212.2	207.2	173.1	168.7	95.6	136.1
Multilateral	398.4	530.4	572.0	568.7	585.5	590.5
Bonds	721.6	721.6	721.6	721.6	721.6	721.6
Others	4.2	4.2	30.6	26.1	95.3	95.3
Grand Total	1,607.3	1,725.8	1,779.5	1,845.8	1,925.03	1986.4

Source: Debt Management Unit, Ministry of Finance

Domestic debt is expected to increase by 3.6 per cent at the end of 2013, to EC$442.9 million primarily due to an increase in the stock of treasury bills.

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

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

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

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

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

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

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

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

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

Credit Rating

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 honor this commitment by ensuring that its obligations on the RGSM are met and continues to access the market for its short-term liquidity needs.

In a press release dated October 10th 2012, a release from the Government of Grenada stated that "Government fully understands the importance of the RGSM for Grenada and other member Governments of the Eastern Caribbean Currency Union and is deeply committed to the RGSM. Further the Government confirmed **"to all investors that it will continue to meet its obligations as and when they fall due on the Regional Government Securities Market."**

PUBLIC DEBT RATIOS

At the end of December 2013, Public sector debt to GDP was approximately 107%, a slight decline from the level of Public sector debt to GDP of 108% in 2012. Central Government debt was approximately 88.6% of GDP in 2013, down from 89.0 % in 2012. The following table outlines the movement in the debt ratios over the period 2004 to 2011.

TABLE 5: Public Debt Ratios

	2006	2007	2008	2009	2010	2011	2012	2013
Public Sector Debt Stock to GDP (including Government Guarantees)(%)	86.5	83.8	78.4	88.9	90.0	88.6	108.0	107.0
Debt Stock to GDP (excluding Government Guarantees) (%)	78.5	76.8	71.8	82.9	84.1	83.2	89.0	88.6
Interest payments to Current Revenue (%)	13.7	10.6	10.8	11.9	10.9	12.1	17.3	9.2

Source: Ministry of Finance

In 2013, the interest payments to current revenue ratio fell to 9.2 % as Government announced in March of that year that it was going to pursue " a comprehensive and collaborative debt restructuring" which included the bonds due in 2025 whose payment accounted for a significant portion of the budgeted interest for the year. In 2012, the interest rate on these bonds had also increased but were paid hence the ratio was up to 17.3% in that year. Grenada's interest payment to current revenue increased to 12.1 percent on account of the step up interest rates in 2011. Interest payments to current revenues in 2010 fell slightly to 10.9 percent compared to 11.9 per cent in 2009 on account of payments on some Paris Club restructured loans which came due. The ratio has however remained within the international benchmark of 15.0 per cent. While the debt to GDP ratio remains high government has indicated in its 2006-2008 Reform Programme, it is our intention to bring this ratio on a downward trajectory towards the target of 60 per cent of GDP by the year 2020.

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

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

Currently the Government has re-established the Debt Management unit which is in the process of updating Grenada's official debt management strategy.

ALL OTHER INFORMATION IN THIS PROSPECTUS REMAINS THE SAME