



## **GOVERNMENT OF SAINT LUCIA**

### **P R O S P E C T U S**

#### **FOR EC\$27 MILLION TREASURY BILL ISSUE**

**Ministry of Finance, International Financial Services & Economic Affairs  
Financial Center  
Bridge Street  
Castries  
SAINT LUCIA**

**Telephone: 1 758 468 5500/1**

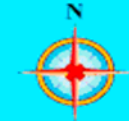
**Fax: 1 758 453 1648**

**Email: [minfin@gosl.gov.lc](mailto:minfin@gosl.gov.lc)**

**PROSPECTUS DATE: May 2006**

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# Saint Lucia



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## NOTICE TO INVESTORS

This Prospectus is issued for the purpose of giving information to the public. The Government of Saint Lucia accepts full responsibility for the accuracy of the information given and confirms having made all reasonable inquiries 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.

This prospectus contains excerpts from the St. Lucia Economic Review 2004 and the Budget Address 2005-2006 by The Honourable Dr. Kenny D. Anthony, Prime Minister and Minister for Finance, Economic Affairs, International Financial Services and Information. Statements contained in this Prospectus describing documents are provided in summary form only, and such documents are qualified in their entirety by reference to such documents. The ultimate decision and responsibility to proceed with any transaction with respect to this offering rests solely with you. Therefore, prior to entering into the proposed investment, you should determine the economic risks and merits, as well as the legal, tax and accounting characteristics and consequences of these treasury bill offerings, and that you are able to assume those risks.

This Prospectus and its content are issued for the specific treasury bill issue described herein. Should you need advice, 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.

## ABSTRACT

The Government of Saint Lucia (hereafter referred to as GOSL) proposes to raise twenty seven million Eastern Caribbean dollars (EC\$27.0m) through the issue of a 365-day treasury bill. The treasury bill is being issued to refinance a maturing treasury bill.

The treasury bill is being raised under the authority of the Revised Treasury Bills (Amendment) Act, 2003 under the Constitution of Saint Lucia, the interest and principal repayments are a direct charge on the Consolidated Fund.

The GOSL has not been rated by any Regional or International Rating Agency. However, GOSL assigns very high priority to honouring its debt commitments. It has an unblemished track record in meeting debt service obligations in a timely manner, and in complying with the terms and conditions of debentures and loan agreements. GOSL has also established a Debt and Investment Unit in the Ministry of Finance to facilitate its debt and investment management.

The 365-day treasury bill will be issued on the Regional Government Securities Market (RGSM) and will be traded on the Eastern Caribbean Securities Exchange Ltd (ECSE) under the trading symbol LCB190507.

The treasury bill will be opened for bidding commencing at 9:00 a.m. on 18 May 2006 and close at 12:00 noon. on the same day.

A competitive uniform price *auction* will be run at 12:00 noon on 18 May 2006. Settlement for successful bids will take place on 19 May 2006.

## **I. GENERAL INFORMATION OF TREASURY NOTE AND BOND ISSUES**

**Issuer:** The Government of the Saint Lucia (GOSL)

**Address:** The Ministry of Finance, International Financial  
Services & Economics Affairs  
Financial Center  
Bridge Street  
Castries  
Saint Lucia (WI)

**Email:** [minfin@gosl.gov.lc](mailto:minfin@gosl.gov.lc)

**Telephone No.:** 1-758-468-5500/1

**Facsimile No.:** 1-758-453-1648

**Contact persons:**

Mr. Philip Dalsou, Permanent Secretary (Ag)

Mr. Isaac Anthony, Director of Finance

Mr. Francis Fontenelle, Deputy Director of Finance

**Date of Publication:** May 2006

**Purpose of Issues:** The treasury bill will be issued to refinance a maturing treasury bill.

**Amount of Issue:** Twenty seven million Eastern Caribbean Dollars  
(\$27,000,000.00)

**Legislative Authority:** Revised Treasury Bills (Amendment) Act, 2003

## II. INFORMATION ABOUT THE TREASURY NOTE AND BOND ISSUES

- a. GOSL proposes to auction a twenty-seven million (EC\$27.0m) 365-day treasury bill.
- b. Maximum bid price for the 365-day treasury bill is 5.50% .
- c. Treasury bill will be opened for competitive bidding commencing at 9:00 a.m. on 18 May 2006 and close at 12:00 noon on the same day.
- d. The treasury bill issue will be settled on 19 May 2006.
- e. The maturity date of the treasury bill will be 19 May 2007.
- f. The treasury bill will be issued in the Regional Government Securities Market (RGSM) and will be traded on the Eastern Caribbean Securities Exchange Ltd (ECSE).
- g. A Competitive Uniform Price Auction with open bidding will determine the price of the issue.
- h. The treasury bill will be identified by the trading symbol LCB190507.
- i. Each investor is allowed one (1) bid with the option of increasing the amount being tendered until the close of the bidding period.
- j. The minimum bid amount is \$5,000.
- k. The Bid Multiplier will be set at \$1,000.
- l. Investors will participate in the auction through the services of any of the licensed intermediaries.
- m. The current list of licensed intermediaries is as follows:
  - ABI Bank Limited
  - Antigua Commercial Bank Limited
  - Bank of Nevis
  - Bank of Saint Lucia Limited
  - National Commercial Bank (SVG) Limited
  - National Mortgage Finance Company of Dominica Limited
  - National Bank of Anguilla Ltd.
  - St. Kitts Nevis Anguilla National Bank Limited
  - Republic Finance and Merchant Bank Ltd.(FINCOR) – Grenada
  - Caribbean Money Market Brokers Ltd (CMMB St. Lucia)
  - Caribbean Money Market Brokers Ltd (CMMB) – Trinidad and Tobago

n. All currency references will be the Eastern Caribbean Dollar unless stated otherwise.

### **III. FINANCIAL ADMINISTRATION AND MANAGEMENT**

#### **1. Debt Management Objectives**

The objective of the GOSL is to ensure that the proceeds of debt are used in the most effective manner and that the terms and conditions of debt, including maturity and interest rate, result in the most efficient repayment schedules that are compatible with the periodic cash flows of the Government.

#### **2. Debt Management Strategy**

The debt management strategy of the Government is an integral part of its programme of fiscal consolidation. The key elements of the GOSL's debt management strategy include:

- Maintaining a satisfactory and prudent debt structure;
- Refinancing high cost loans and facilities to reduce debt servicing and to adjust the maturity profile of Central Government Debt in a way that balances lower financing cost and risk;
- To support the development of a well functioning market to provide funds for the government at the lowest possible cost.

#### **3. Transparency and Accountability**

The GOSL is continuously seeking ways of improving its systems of accountability and transparency. With a view to adopting more prudent and transparent fiscal management practices as well as enhancing the functioning of the Regional Government Securities Market (RGSM), the GOSL intends to borrow using a variety of instruments. As a consequence, disclosure of information on the cash flow and debt stock will be made available frequently to all investors, consistent with the rules of the Regional Debt Coordinating Committee (RDCC). The Government intends to use the services of BOSL in facilitating timely disclosure of information to the market on an ongoing basis.

#### **4. Institutional Framework**

The Debt & Investment Unit (DIU) of the Ministry of Finance (MOF) of the GOSL is charged with the responsibility of administering the Government's debt portfolio on a day-to-day basis and implementing the Government's borrowing strategy. The unit is directly accountable to the Director of Finance.

#### **5. Risk Management Framework**

The establishment of an effective and efficient debt management system as a major element of economic management is of paramount importance to the Government of Saint Lucia (GOSL). Accordingly, attempts have been made to strengthen the capacity of the Debt & Investment Unit (DIU). Consequently, the DIU's functions have been broadened to include:

- Assisting in the formulation of debt management policies and strategies;
- Managing the debt portfolio to minimize cost with an acceptable risk profile;
- Conducting risk analysis and developing risk management policies; and
- Conducting debt sustainability analysis to assess optimal borrowing levels.

### **IV. ECONOMIC PERFORMANCE AND BOND ISSUE EVALUATION**

#### **1. MACRO-ECONOMIC OVERVIEW**



As indicated in the following graph, Real Gross Domestic Product (GDP) growth in Saint Lucia continued in 2004. The economy registered an increase of 3.6 per cent following a 3.7 per cent growth in 2003. The economy now shows a growth level similar to what was experienced in the late 1990s. Responsible for this

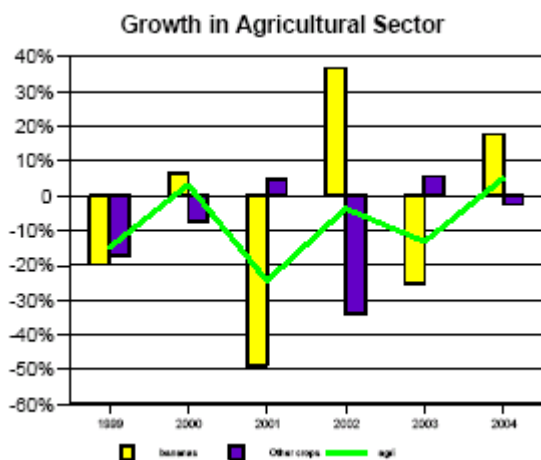
growth were expansions in hotels and restaurant services (5.9 per cent), government services (4 per cent), wholesale and retail trade (7.8 per cent), communications (4.6 per cent), banking and insurance (4.7 per cent) and construction (0.4 per cent), which together accounted for

almost 67 per cent of total value-added. Also contributing was the agriculture sector with growth in output of 5 per cent. This turn-around was due to a 17.7 percent increase in value added in the banana sub-sector amounting to a 2.1 percent contribution to GDP, bringing agriculture’s contribution to 4.5 per cent in 2004. Notwithstanding the growth in GDP, reductions in value added were recorded in manufacturing (2.5 per cent), and electricity and water (3.9 per cent).

The increased revenue in the agriculture sector brought about by increased production and revenue in bananas led to a narrowing of the merchandise trade deficit showing an inverse trend to that of the previous year. Increased arrivals boosted performance of the tourism industry. Although manufacturing production expanded on the strength of increased output in food and beverages value added decreased because of increases in prices of inputs. There were mixed results in construction activity as private sector construction increased substantially while expenditure from the public sector declined. The general price level in the economy increased marginally due to higher imported prices of consumer goods. Although revenue increased more than budgeted, the Government’s expansionary fiscal policies caused the overall deficit to widen. There was a surge in net imputed reserves, despite an increase in domestic credit from the banking system, owing to the narrowing of the current account deficit of the Balance of Payment (BOP) along with increased capital inflows.

## 2. SECTORAL DEVELOPMENTS

### a. Agriculture



Following three consecutive years of negative performance, the agriculture sector experienced a reversal in the year 2004, as reflected in the following graph. Value-added in this sector is estimated to have increased by 4.5 per cent. This was due to a 17.7 per cent increase in value-added in the banana sub-sector, which accounted

for 47 per cent of total value added in the agriculture sector. Despite heavy infestation of leaf spot disease and damage by Hurricane Ivan in September, the banana industry experienced a 24.6 per cent growth in exports to 42,326 tonnes, increasing St. Lucia' share of the Windward Islands' output to 54 per cent from 51 percent. Contributing to this increase was the absence of a marked dry season with above average rainfall, recovery from the impact of tropical storm Lily as well as significant investments in the areas of irrigation, drainage and tissue culture plants. In the 2005-2006 budget address the prime minister has allocated \$3.6 million for banana commercialization, which is principally for continuing irrigation and drainage works and \$3.9 million for the banana emergency recovery project.

Despite the high level of price volatility, revenue from the banana industry increased by 24.7 per cent in 2004 to \$54.3 million. This was attributable to the appreciation of the Pound Sterling against the US dollar.

Available data indicate that production of non-traditional crops, as measured by purchases for domestic consumption and exports fell by 15.2 per cent. This is as a result of a movement of a number of farmers out of the industry as employment opportunities arise in other sectors. There were reductions in the level of purchases by both hotels and supermarkets; the former as a result of supply factors and unfavorable payment arrangements, and the latter as the merger of two major supermarkets allowed the new entity to source cheaper produce from overseas. Exports declined in line with restricted supply. In an effort to improve the performance of this sub-sector the prime minister in the 2005-2006 budget address has allocated \$11.8 million for the Agriculture Diversification Projects. An Agriculture Diversification agency has been established and will be charged with the responsibility for the implementation of projects.

Analysis of the level of activity of the livestock sub-sector is limited because of the unavailability of data. However, from available data the major factor seen to be impeding growth in this sector is the cost of feed. In addition, the continued absence of clearinghouse/abattoir facilities inhibits the development of the sector by preventing the systematic enforcement of standards and therefore hinders the development of linkages with the tourism industry.

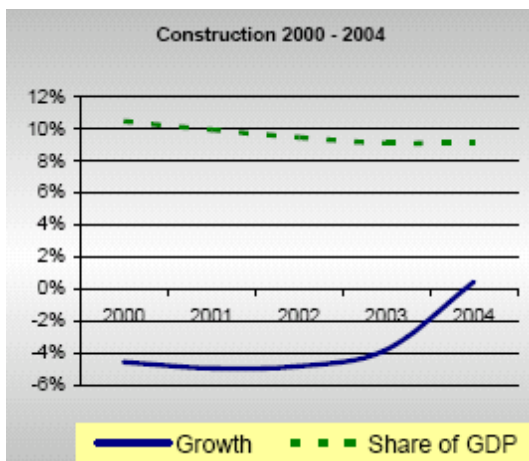
After two consecutive years of contraction in the fisheries sub sector fish landings increased by 5 per cent generating revenue of \$16.4 million. While there are updated/modern landing facilities the lack of mid-water fishing technologies inhibit consistent growth in this sector.

**b. Manufacturing**

The value of manufacturing output is estimated to have increased in 2004 by 6.0 per cent to \$146.3 million owing to increased domestic demand, as growth in the local economy continued in 2004. Government continues to support this sector through fiscal incentives in order to meet the challenges of international competitiveness. Growth in this sector continues to be constrained by both internal and external factors such as diseconomies of scale, the cost of energy and the cost of shipping to external markets.

Accounting for 48.2 per cent of manufacturing was the production of food and beverage items. This continued to expand for the fourth-consecutive year despite a 9.3 per cent decrease in food products caused by a decline in local milk production. The non-alcoholic beverage sub-sector grew substantially owing to the increase in production of carbonated drinks. This growth was as a result of an increase in local demand arising in part from increased activity in the tourism industry. Production of paper and paperboard increased by 6.5 per cent to 21.4 million. There was an increase in the production of banana boxes mirroring the growth in banana export. Production of electrical items increased, by 32.6 per cent to \$24.5 million, as well as other items such as rubber products, metal products, printed material and plastics.

**c. Construction**



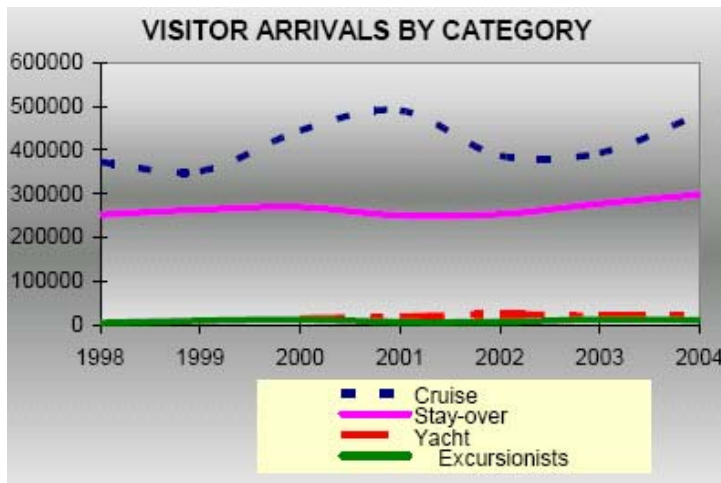
In 2004, the construction sector showed a slight improvement in its performance, growing by 0.4 per cent following four consecutive years of contraction. This followed growth of approximately 4 per cent in the previous year. The sector’s share of GDP increased marginally to 9.2 per cent, halting the four-year declining trend. Accounting for this was a notable increase in private sector expenditure on

housing and construction, which was partly offset by a reduction in the level of construction activity by the public sector. Public sector expenditure decreased by just under 10 per cent to an estimated \$62.2 million. The central government's share of total construction expenditure fell by 8.5 per cent to \$54.5 million while that of statutory bodies declined from \$9.5 million to \$7.7 million. This outcome was brought about by the near completion of many major projects in 2004. Of the total spent by the central government \$44.3 million went to economic infrastructure, that is, the basic physical facilities that foster or enable growth. The major areas of expenditure were on roads and agriculture with expenditure on roads amounting to \$36 million although falling by nearly 16 per cent from previous year. The other \$10.2 million was spent on social infrastructure, which involves physical structures that are necessary to develop and maintain the human resource base of the country. This amount was expended mainly on housing with expenditure increasing by nearly 25 per cent over that of last year.

For the third consecutive year indicators of private sector construction suggest a measure of buoyancy with an increase of 15 per cent to \$75.9 million in the value of imports of construction materials, as well as increases in the number of applications received by the Development Control Authority (DCA). Approvals for residential applications decreased by 0.7 per cent to 600 while approvals for commercial applications increased to 31 from 9 in the previous year. Credit disbursed by financial institutions to the private sector more than doubled to \$180.4 million as the housing market was stimulated by increased liquidity and lower interest rates. Lending for residential housing and commercial housing was \$108.9 million and \$71.5 million respectively.

This sector is poised to continue the growth pattern in this fiscal year 2005-2006. In the 2005-2006 budget address the Prime Minister has increased the allocated to capital expenditure by \$65.3 million to \$216.1 million. Accounting for this increase was the allocation of \$34.2 million for the upgrading and expansion of the Beausejour Cricket Ground for Cricket World Cup 2007. The allocation to the Ministry of Communication, Works, transport and Public Utilities also increased to \$60.8 million. There will also be a substantial increase in the expenditure for construction by the tourism industry. Thirteen projects, some already started and some to commence during the year, will contribute a total of EC\$1.8 billion to this sector.

#### d. Tourism



The tourism industry enjoyed its second consecutive year of robust growth. Real value-added expanded by an estimated 5.9 per cent hence contributing 13.6 per cent to GDP. This continues to be the main contributor to the country's GDP. In 2004 visitor arrivals totaled 813,681, a growth of 15.5 per cent over the

previous year's figure. While this reflects the growth in most types of visitors, it was the double digit increase in cruise ship arrivals which mainly contributed to this figure. Cruise ship arrivals increased by an appreciable 22.4 per cent to 481,279, accounting for 59 per cent of total arrivals. There was an increased number of cruise calls from 262 to 328.

The stay over segment registered an increase of 7.8 per cent over the previous year's figure. Contributing factors were the strengthening of major European currencies against the US dollar, making the Eastern Caribbean a more competitive market; the perception of the Caribbean as being a relatively safe haven from terrorism and an upswing in the global economy. In this segment there was broad based growth in all generating markets with the exception of Germany. Stay-over arrivals from the United States increased considerably by 9.2 per cent and accounted for 35.9 per cent of all stay-overs. This was attributable to an expansion in airlift, improved performance of the US economy, travel confidence in the region and the promotional campaign '*Great Deals in Paradise*'. St. Lucia benefited from new direct flights of Delta Airlines and the resumption of American Airlines flights. Hopefully, these and other new flights will pick up the slack left by Air Jamaica's suspension of flights to the island. The European arrivals increased by 8.5 per cent on the account of an increase in airlift and the appreciation of the Pound Sterling against the US dollar. The German market declined because of lack of marketing visibility and airlift. However, French arrivals increased by 27.7 per cent. The Canadian market appears to be on an expansionary path returning to 1998 levels. For the third consecutive year arrivals in this market soared and posted an increase of 13.5 per cent to 15,315. This was due to the improved economic conditions in Canada, the stronger

Canadian dollar and the ease of air travel. Intra-regional travel was also buoyed by events such as the Jazz festival and sports (cricket). Regional traffic increased by 5.2 per cent mainly from visitors from the French West Indies particularly Martinique who come to the island because of the opportunity of cheaper shopping brought about by the appreciation of the euro.

Mirroring the improved performance in total tourist arrivals, the average hotel occupancy rate improved by 2.1 per cent to 64.8 per cent. Yacht arrivals rebounded by 6.2 per cent to 22,530 while the number of excursions fell to 11,441.

According to the Prime Minister in his budget address for fiscal year 2005-2006, Saint Lucia is well positioned to continue on a path of growth as the island expects a significant inflow of foreign direct investments never before seen in St. Lucia. Listed below are a number of these investments in the industry:

1. A new upscale product, **The landing at Rodney Bay**, with an estimated investment of US\$120 million, is due to commence soon. This property will comprise 50 villas and 144 condominiums and will include an impressive array of marine facilities. According to developers, 500 persons will be employed during construction and 500 will be employed upon completion.
2. **Beaches: A new Sandals Product:** This hotel has been labeled a premier family all-inclusive. The value of the development is estimated at US\$80 million and will consist of 300 upscale rooms. According to Sandals, some 250 persons will be employed during construction. On completion the Sandals chain says 600 persons will be employed.
3. **Discovery at Marigot Bay:** Valued at US\$18 million, this property comprises eight 3-bedroom apartments and forty-four 2 bedroom apartments. This property is currently under construction and should be operational by December 2005. Currently 150 persons are employed. On opening, the developers expect to employ over 200 persons on a full-time basis.
4. **Praslin Bay:** This property will serve as a nucleus for development in the south-east coast. This investment is estimated at US\$90 million. Phase 1 of the project will consist of five executive suites, 110 two bedroom condominiums, 60 signature high-end

branded building plots, conference facilities, a health spa and fitness centre, and the showpiece of this phase – an 18 hole signature golf course spread out over 135 acres. Construction is expected to commence later this year. In the first phase, the developers have advised that 500 persons will be employed. On completion, 200 full-time jobs will be available.

5. **St James' Club:** The existing St. James' Club will now come under new ownership under the Almond chain of hotels. It is expected that an additional 100 rooms will be added to this property in time for the Cricket World Cup in 2007.
6. **Jalousie Hilton:** This property has been purchased and will be managed by Sun-Swept Resorts. The new owners plan to build an additional 50 units to complement the existing hotel plant.
7. **Coconut Bay:** This hotel has been refurbished, renovated and expanded and now boasts 256 rooms. These developments were undertaken at a cost of US\$19 million. The hotel opened in April and additional development works are continuing. It is expected that an additional 200 rooms will expand this hotel later this year.
8. **Bay Gardens:** This hotel chain is set to expand with an attractive, up-market resort, at a cost of over EC\$35 million.
9. **Lagoon Park:** This development is a condominium complex, with café, yacht mooring and pool. Construction of twenty condos at a cost of EC\$20 million stated in January.
10. **Coco Resorts:** This resort boasts 72 rooms and 12 suites to be constructed in two phases, at a cost of EC\$44 million. Further expansion is expected with a third phase of 51 rooms. Presently there are 161 persons employed in construction activities. On completion, an additional 80 persons will be employed. The resort is expected to open in July 2005.
11. **Beau Estates:** This new time share resort complex boasts 30 homes which are currently under construction. Four of these homes have been completed.
12. **Anse Chastanet:** This resort is currently undergoing an expansion of 24 new villas, at an estimated cost of US\$18 million.
13. **Choc Bay Marina and Condominium Development:** This will be the construction of a world class marina and a 200 luxury condominiums to cater for up-market tourism. This project is at an advanced planning stage, could generate employment for over 600

during the construction phase and create 200 jobs upon completion. The project represents a potential investment of EC\$320 million, of which EC\$125 million will be in the first eighteen months.

**14. Sapphire Cove Resorts and spa:** This five star resort will provide a luxurious holiday experience with 3,000 beds and a 4,000 delegate conference centre among its many amenities. The first phase will comprise 447 units, with the second and third phases accounting for 450 and 280 units respectively. Approval in principle has been granted to this development.

With this much investment the tourism industry will undoubtedly experience unprecedented growth.

The hosting of World Cup Cricket matches in 2007 is also expected to impact positively on the Tourism industry.

### **3. BALANCE OF PAYMENTS**

The balance of payments account continues to be influenced by the level of export earnings, tourism receipts, remittances, current transfers and other capital inflows. Saint Lucia experienced a contraction of the merchandise trade deficit by 2.2 per cent to \$773.3 million, fuelled by a 6.8 per cent surge in spending on imports to \$1,023.5 million while exports doubled to \$250.2 million. The increase in imports can be attributed primarily to the increased aggregate demand that was stimulated by the expanding economy and increased fuel prices, while increased banana revenue resulted in higher export earnings. A healthy surplus of \$564.3 million on the services account, influenced by a 16.6 per cent growth in travel receipts helped narrowed the current account deficit to \$294.7 million. Inflows on the capital and financial account declined to \$350.7 million resulting from lower capital grants and portfolio and direct investment. The overall surplus more than doubled to \$70.4 million or 3.4 per cent of GDP.

Direct tax receipts rose appreciably by 20.3 per cent to \$132.2 million or 6.4 per cent of GDP owing to better than expected performances of arrears, corporate and income taxes. Improved legislation regarding compliance measures also contributed to this positive outturn.

International taxes grew by 15.9 per cent in 2004/05, trending upward after contracting in 2000/01. The increase was due to increase in import demand as the economy expanded.

There were notable increases in the collection of arrears and corporate taxes of 27.1 per cent and 22 per cent respectively, owing to the ongoing drive to collect outstanding taxes. Corporate taxes expanded despite the scheduled reduction in the rate due to better performance in the commercial sector as manifested in higher corporate profits.

In 2004 capital expenditure grew by 20 per cent to \$163.4 million reflecting increases in the implementation rate of 73 per cent. Debt financing as a share of capital expenditure declined from 81.5 per cent to 76.8 per cent, although increasing in nominal terms from \$111 million to \$125.5 million. Grants, which were received in the previous fiscal year, financed 21.8 per cent of capital expenditure in the fiscal year.

The widening overall deficit led to a 22.7 per cent increase in the disbursed outstanding debt of Central Government to \$1,181.5 million. Although government guaranteed debt and non-guaranteed debt declined by 3.4 per cent to \$180 million and 1.7 per cent to \$56.2 million, respectively, the total outstanding liabilities of the public sector increased by 16.7 per cent to \$1,437.9 million or approximately 69.6 per cent of GDP at the end of December 2004. External debt increased by 5.9 per cent to \$965.2 million while domestic debt surged by 53.4 per cent to \$452.6 million, as Government continued to refinance some of its domestic debt on the RGSM in order to reduce servicing costs.

In keeping with the policy of debt restructuring to take advantage of lower interest rates, there was a reduction in Central Government debt service by 9.7 per cent to \$106.1 million, notwithstanding a 15 per cent increase in interest payments to \$64.3 million. As a result, the central government debt service to current revenue ratio improved by 5.3 percentage points to 19.8 per cent, but outside the prudential benchmark of 15 per cent.

#### **4. FINANCIAL INDICATORS**

Developments in the financial sector for 2004 mirrored the level of activity in the real economy. Liquidity, as measured by the loans to deposit ratio, improved by 1.2 percentage

points from the year-end 2003 to 80.7 at year end 2004, as the growth in deposits outpaced that of loans and advances. Total deposits increased at a faster rate of 10.7 per cent to \$2,239.8 million.

The pick-up in economic activity in the review period was fuelled by increased financing from the banking system. As a result, the level of domestic credit rebounded by 11.1 per cent to \$1,470.7 million. Credit to the private sector increased by 10.1 per cent to \$1,650.1 million. Of this sector, which received the bulk of domestic credit, both household credit and business credit expanded by 10 per cent. The behaviour of credit by economic activity was mixed. Financing for personal use, which comprised mainly acquisition of property and durable consumer goods, accounted for the largest share of total credit (48 per cent) and increased by 7.5 per cent to \$860.3 million. This was partly as a result of a slight reduction in mortgage lending rates. Credit to the distributive trades increased by 2.2 per cent to \$202.2 million, while that to the agriculture sector contracted for the third consecutive year reflecting attrition that has occurred within the sector and cautiousness by banks because of non-performing loans. The manufacturing sector by contrast, saw a doubling of credit to \$103.2 million while lending to tourism contracted for the second successive year reflecting the sector's ability to access cheaper foreign borrowing.

From the perspective of the monetary aggregates, there were increases in both the narrow measure of the money supply (M1), due to increases in private sector demand deposits, and quasi-money, on the strength of increases in savings deposits. There were varied movements in the level of interest rates over the period, with savings deposits and prime lending rates remaining unchanged.

The rate of inflation, as measured by the percentage change in the 12-month moving average of Domestic Consumer Price Index to December 2004, increased slightly to 1.4 per cent on account of a 0.8 per cent increase in the food index; the most heavily weighted category.

## **5. DEMOGRAPHY**

Saint Lucia's population grew by 1.0 per cent to 162,311 in 2004. This reflects the decreasing population growth rate since 1992. Women continue to be in the slight majority, accounting for 51 per cent of the population. The natural increase of the population (the difference between the number of live births and the number of deaths) was 1,471 or 100 more than 2003. Although on average population growth continues to decline the birth rate increased slightly from 14.7 per thousand to 15.3 per thousand, while the death rate decreased by 6.2. Male live births exceeded female live births.

The growth of the population over the same land area resulted in population density (the number of residents per square mile) increasing to 781 from 773 in 2003. All administrative districts, except Laborie, recorded increases in their respective populations. The most populous being Castries (41 per cent of the total), Gros Islet (13 per cent) and Micoud (10 per cent)<sup>1</sup>. The share of economically active adults (individuals aged 15-64) in St Lucia's population increased in 2004 to 63.9 per cent from 63.2 in 2003, while the share of dependent children (aged below 15 years) and dependent adults (aged over 64) fell to 28.9 per cent and 7.1 per cent respectively. This resulted in a dependency ratio (the ratio of dependent adults and children to economically active individuals) of 1:1.8, a slight improvement over 2003's ratio of 1:1.7, and indicates that there are marginally more economically active adults to each dependent member of the population.

It has been estimated that the population will grow at an average of 0.9 per cent per year for the next two years. Future demand for and production of goods and services are poised to increase if this trend continues.

While the demographic situation presents some short term challenges to GOSL, particularly in meeting the social needs of the population, GOSL in the context of the evolving single economic space in the CARICOM region, is confident that over the medium to long term the population figures are within manageable proportions.

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<sup>1</sup> 2003 figures

## **V. CENTRAL GOVERNMENT FISCAL OPERATIONS**

### **Overview and Policy Strategy**

The measures introduced for the fiscal year 2005/2006 are aimed at adapting to a changing world through restructuring and repositioning Saint Lucia's economy. The budget outlined reforms focused on reducing the corporate tax rate, making investments that are essential for enhancing the long-term economic growth, improvement of social services and facilitating growth of sectors considered to be of strategic importance to the future of the economy. It was expected that those measures would accelerate the growth momentum.

In the fiscal consolidation process, the government continues to make reforming the tax system a priority by broadening the tax base and strengthening the tax administration to enhance collection. The government projected tax revenues of \$482.7 million for 2005/2006, an increase of 10.4 per cent over the previous fiscal year.

Capital expenditure of \$56 million for Cricket World Cup 2007, which includes upgrading and expanding the Beausejour Cricket Grounds will provide economic stimulus for the Saint Lucian economy. In addition, the planned investments in the tourism industry will also increase economic activity both in terms of direct investments and increased employment. The higher level of economic activity has the potential of increasing government tax receipts.

On the expenditure side, the rising cost of health resulted in the government increasing the budget of the Ministry of Health by \$16.7 million for fiscal year 2005/2006. In its continuing drive to improve the quality of Saint Lucia's work force the government increased the budget of the Ministry of Education by \$30 million to \$162.7 million.

The Government of Saint Lucia continues to receive assistance from the Caribbean Technical Assistance Centre (CARTAC) and ECCB in conducting a financial programming exercise, which would inform the government's fiscal policy strategy for the period 2004 to 2007.

### **Overall Developments**

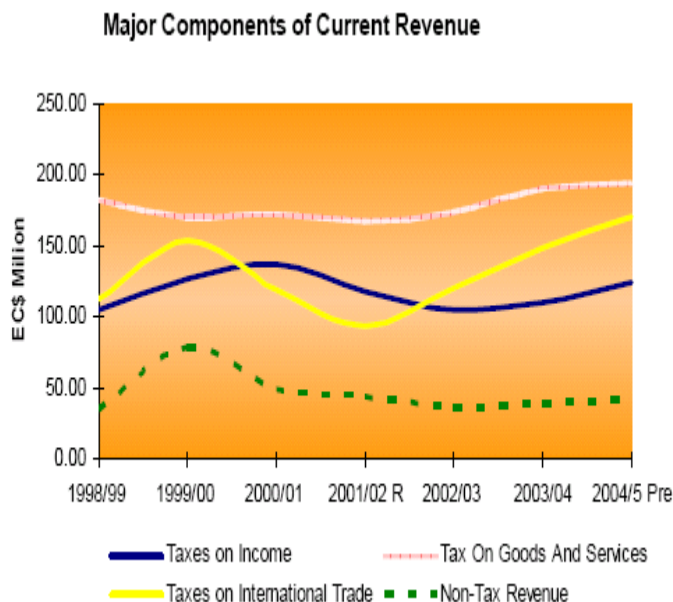
In fiscal year 2004/05, the Central Government enjoyed an appreciable improvement in its current revenue, equivalent to 26.5 per cent of GDP. This resulted in an increase in Government's savings as current expenditures remained relatively constant. The current balance was improved to a surplus of \$69.4 million or 3.3 per cent of GDP. However, Central Government's efforts at addressing the pressing developmental needs of St. Lucia through its capital investments caused a further worsening of the overall fiscal deficit to \$93.2million. The overall result reflects a 20 per cent increase in capital expenditure to 4.5 per cent of GDP in 2004/05 coupled with fall-off in grant receipts.

### Revenue Performance

Central Government's current revenue for fiscal year 2004/2005 rose to \$552 million, a 12.3 per cent increase over that of the previous year and equivalent to 26.5 per cent of GDP. Notwithstanding, total revenue and grants increased by 3.7 per cent to \$552.89 million, income from this source contracted to 26.6 per cent as a percentage to GDP from 27.1 per cent in the year before. Owing to this is non-receipt of grant funds and negligible capital revenue. This was due to new regulations implemented in the EU disbursement mechanism.

Accounting for the increase in revenue collection for the year 2004/2005 were the:

- Increase in departure tax for CARICOM nationals from \$35 to \$54;
- Increase in marriage fees;
- Increase in bank license fees;
- Increase in work permit fees from \$5,000 to \$7,500 annually;
- Increase in excise tax and consumption tax on imported alcoholic beverages and cigarettes
- Increase in the retail price of gasoline and diesel by 75 cents per gallon.



As seen in the diagram on the left, taxes on income and property rose by 20.3 per cent to \$132.2 million or 6.4 per cent of GDP. Accounting for this increase was the better than expected performances of arrears, corporate and income taxes. Collection of tax arrears increased by 27.1 per cent owing to the continuation of the Tax Arrears Payment Plan (TAPP). Despite a reduction in corporate taxes by one third of a percentage point implemented in year 2004/2005 revenue received increased by 22 per cent. In contrast withholding and property taxes continued to decline with the latter falling by 4.6 per cent to \$3.7 per cent. The former was caused by high rates of evasion while the latter was due to ongoing issues with the administration of this tax. Reform of this regime is underway.

Taxes on goods and services, the highest contributor to revenue grew by 5.5 per cent to \$200.8 million as seen in the above diagram but fell to 9.6 per cent from 9.7 per cent of GDP. Hotel accommodation tax collections grew by 18.5 per cent as occupancy rates increased in 2004/2005. However, unresolved compliance issues are still hindering the full collection of this tax. The increase in number and value of transactions, mainly land sales brought about by decrease in lending rates, has increased the revenue collected from stamp duty. Driver's license revenue increased more than two fold while communication licenses declined by \$2.1 million to \$14.5 million. There was also an increase in cellular tax to \$6 million owing to growing usage of mobile phones.

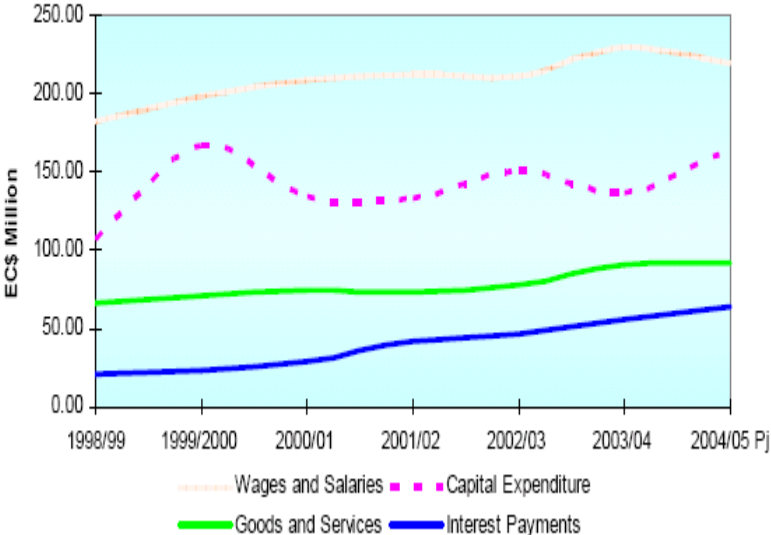
Taxes on international trade increased by 15.9 per cent due to the growth in imports brought about from growth in the economy. Import duty rose by 8.4 per cent to \$75.3 million while service charge collections grew by 17.9 per cent to \$46.4 million reflecting the increase in rate of 5 per cent which was implemented in May 2003. Also increasing are excise tax and environmental levy increasing to \$24.7 million and \$13.5 million or by 33.3 per cent and 14.6 per cent respectively. These were partly due to increased imports of vehicles. Increase in departure taxes coupled with the rise in outbound passenger traffic was attributable for the growth in airport taxes.

Non tax revenue amounted to \$42.7 million, up by 11.1 per cent or 2.1 per cent of GDP. Accounting for this was the more than doubling of other non-tax revenue to \$7.8 million largely from user charges.

For fiscal year 2004/05 recurrent revenue was projected at a very conservative figure of \$500.1 million with the hope of comfortably achieving and surpassing that target. Actual revenue collected in that period was \$566.1 million, \$66 million or 13.2 per cent above approved estimates hence giving excess revenue to be used for the fiscal year 2005/06. For this fiscal year while real economic growth is conservatively projected at 2.8 per cent and would normally expect revenues to increase in line with the nominal increase in GDP (4.8 per cent), revenue projection is still cautious. Recurrent revenue is projected at \$546.2 million, \$19.9 million below last year’s collections. This is due to the worrying trend of increasing oil prices and the concomitant erosion in the revenue base as a result of the government decision to absorb sustained high prices.

In year 2004/05 tax revenue was forecasted to be at \$437.4 million or 87.5 per cent of total recurrent revenue while this year it is projected at \$482.7 million, 88.4 per cent of total recurrent revenue. While this represents a substantial increase of 10.4 per cent over previous year it is important to note that tax revenue actually collected was \$502.7 million, owing to excess collection by Inland Revenue Department and Customs and Excise Department by \$41 million and \$23.7 million respectively.

**Main Expenditure Items**



**Expenditure Performance**

Government’s efforts at addressing pressing development needs and the recurrent components of capital programmes drove the growth of

total expenditure by 4 per cent to \$646.10 million. Capital expenditure rose by 20 per cent to \$163.4 million while current expenditures increased by 1.7 per cent to \$482.7 million due to increases in interest payments and retirement benefits.

### **Current Expenditure**

Higher interest payments and retirement benefits were the principal contributors to the increase in current expenditure while the wage bill was reduced. Wages and salaries which accounted for 45.5 per cent of current expenditure fell to \$219.8 million and to 10.6 per cent of GDP from 11.7 per cent in the previous year. Wages and salaries fell by 4.4 per cent in comparison to 2003/04 when retroactive payments of \$15 million were paid following the conclusion of the last round of salary negotiations for the triennium 2001/02-2003/04. Despite the decrease in the wages and salaries category salaries increased by 3 per cent owing to an increase awarded to civil servants in January 2004 as a result of collective agreement with the public service unions.

Government's consumption of goods and services, which accounts for the second largest share of current expenditure, increased by 1.9 per cent to \$92.1 million following an increase of 16 per cent brought about by lease payments for the construction of police and fire stations island-wide. Higher utility bills and rental expenses associated with use of the new facilities also caused an increase in expenditure.

For the year 2004/05 there was a substantial increase in number of pensioners causing retirement benefits to rise by 11.5 per cent to \$38.8 million. Also interest payments rose to \$61.3 million, an increase of 15 per cent. This was due to an increase in domestic interest payments of 14.1 per cent brought about by policy of cheaper borrowing on the RGSM for new and for restructuring of debt. Interest on foreign debt also rose by 15.4 per cent.

Expenditure control measures were used to reduce calls to mobile phones hence decreasing communication expenses. However, owing to increases in grants to Sir Arthur Lewis Community College and to St. Judes Hospital current transfers increased by 5.3 per cent to \$63.3 million.

For the fiscal year 2005/06 an amount of \$557.2 million or 58.4 per cent of the total budget has been planned for recurrent expenditure. This figure is exclusive of debt amortization and is 9.7 per cent higher than that of the previous fiscal year. Amortization payments are forecasted at \$61.3 million or 6.4 per cent of total planned expenditure, compared to 5.1 per cent in 2004/05. From this amount the provision for sinking fund contributions must be increased due to a decrease in returns to the sinking funds brought about by the decline in interest rates.

### **Capital Expenditure**

In the review period, capital expenditure is estimated to have increased by 20 per cent to \$163.4 million. The actual expenditure on capital projects was much closer to the budgeted figure because of the high implementation rate of 73 per cent. In previous years the implementation rate averaged less than 50 per cent due to:

- Delays in receipt of grant funds;
- Inadequate project preparation and planning; and
- Poor institutional capacity.

For year 2004/05 Government shifted its priorities with a substantial portion of its capital investments being directed towards physical economic infrastructure. Accounting for 45 per cent of capital expenditure was road development with an expenditure of \$67.8 million. Expenditure on tourism marketing accounted for 12.8 per cent of capital outlay while 22 per cent was spent on education, health and social sectors. Banana commercialization and agriculture development projects, rural enterprise credit facility, housing projects, low income housing facility and land acquisition accounted for other capital expenditure.

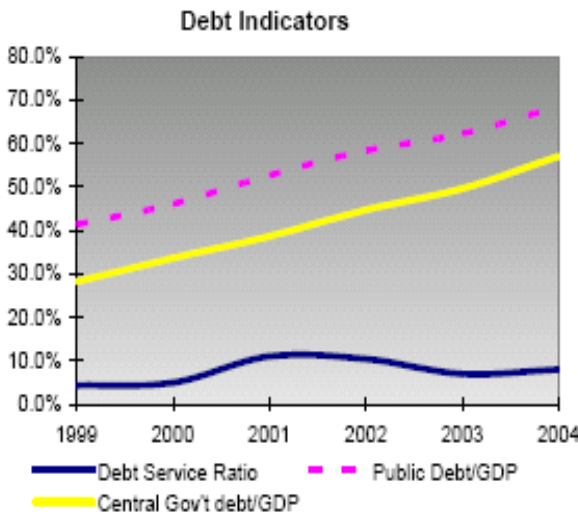
Capital expenditure was financed 76.8 per cent by debt, down from 81.5 per cent although increasing in nominal terms to \$125.5 million from \$111 million. In 2004/05, \$21.8 per cent of capital expenditure was financed by grants received in the previous fiscal year. Government saving's as a proportion of capital expenditure decreased to \$2.2 million or 1.4 per cent of capital expenditure.

For the fiscal year 2005/06, in keeping largely with the decision to host Cricket World Cup 2007, the planned level of capital expenditure projected to increase appreciably by 51.5 per cent to \$335.7 million or 35.2 per cent of total planned expenditure. With the exclusion of the provision for Cricket World Cup 2007, the planned level of increase in capital expenditure is just over 26 per cent.

**VI. PUBLIC FINANCES/DEBT**

The GOSL adopted an expansionary fiscal stance that led to acceleration in the growth of public debt levels in 2004. Public sector debt increased by 16.7 per cent to \$1,437.6 million mainly from the growth in Central Government’s debt and to a lesser extent non-guaranteed debt. Central Government debt increased by 22.6 per cent to \$1,181.4 million and government guaranteed debt fell by 3.4 per cent to \$180.1 million. Non-guaranteed public debt recorded a decrease of 1.7 per cent to \$56.2 million.

**Debt Indicators**



Public debt as a per cent of GDP grew at the end of 2004, to 69.6 per cent from 63.8 per cent at the end of 2003. The ratio of Central Government debt to GDP was 57.2 per cent slightly below ECCB’s 60 per cent prudential threshold. The external debt service ratio increased by 1.1 percentage points to 8.1 per cent, while the Central Government debt service to current revenue ratio improved from

25.1 per cent to 19.8 per cent mainly due to improved revenue performance.

**Domestic Debt**

For year ended December 2004 there was a 53.4 per cent increase in the stock of domestic debt held by the public sector to \$453 million, which mirrored Government's movement towards increased financing on the RGSM. This led to:

- Lower interest payment by Government, since the Government was able to raise financing at lower interest rates on the RGSM; and
- A reduction in the future stream of debt servicing.

Central government debt increased by 67.5 per cent, while government guaranteed debt grew by 14.5 per cent. The share of central government domestic debt increased from 76.3 per cent to 83.5, while the non-guaranteed component fell by 5.2 per cent.

Central Government debt increased by 67.5 per cent as the government raised \$157 million on the RGSM through four bond issues with medium to long term maturities. Consequently, medium to long-term financing in the form of bonds constituted 66.5 per cent of central government domestic debt while short-term financing such as treasury bills comprised 25 per cent. The increase in domestic debt was also due to the re-financing of a \$16.2 million external commercial bank bond with a local commercial bank

### **External Debt**

The stock of external debt grew by 5.9 per cent to \$965.2 million as at December 2004, reflecting the expansion of the public sector's capital programme, mainly road development.

The stock of debt guaranteed by the Government of Saint Lucia fell by 9.1 per cent to \$128.6 million, which accounted for 13.3 per cent of external debt held by the public sector. Non-guaranteed debt also fell 0.9 per cent to \$33 million.

It should be noted that as at 31 September 2004, for GOSL contracted debts, where there are conditions for the establishment of *Sinking Funds* all such funds are current and are administered in accordance with the contractual obligations. See appendix III.

Proposed in the 2005/2006 budget was bond funding of \$188.4 million and additional loan funds of \$68.3 million. EC\$56 million has since been raised for Cricket World Cup 2007 by

the issue of a 5-year bond to FirstCaribbean International Bank with a coupon of 5.25%. This current EC\$100.0 million issue also forms part of the above budgeted amount of \$188.4 million. It is anticipated that the countries debt as a percentage of GDP will increase to approximately 73%.

From an international perspective, in its recent statement following its 2005 staff mission to the ECCU, the IMF indicated that the St Lucia government and the other ECCU authorities have already expressed their intention to reduce their public debt levels through a “combination of fiscal consolidation, growth, asset sales, and debt management, and many are already working towards achieving this goal”. The St Lucian Government is now in the process of discussing and implementing some of these measures.

## **VII. CURRENT ISSUES OF GOVERNMENT SECURITIES**

### **1. Treasury Bills**

- **Issues Outstanding** EC\$87,796,900
- **Maturity in days** 30, 91 and 365 days
  
- **Bills issued on RGSM** EC\$26,500,00 and EC\$25,000,000
- **Maturity in days** 91 and 365 days
- **Maturity dates** 16 May and 22 July, 2006 respectively

### **2. Bonds**

- **Issues Outstanding** EC\$745,318,521
- **Type of Issue** Saint Lucia Government Treasury Bills
- **Maturity in days** 5,6 and 10-years
  
- **Bonds issued on RGSM** 8 issues totaling EC\$257,000,000
- **Maturity in Years** 5,6 and 10-years
- **Redemption Date** 2009, 2010, 2014, 2015 and 2016

### **3. Debt Rating**

The GOSL has not been rated by any International or Regional rating agency. The GOSL has never defaulted on its repayment of contracted debt. It has maintained a strong relationship with its creditors and has been consistent in its debt servicing both domestically and internationally.

## **VIII. SECURITY ISSUANCE PROCEDURES, CLEARANCE AND SETTLEMENT AND SECONDARY MARKET ACTIVITIES**

The treasury bill will be issued and listed on the Regional Government Securities Market (RGSM). This market will operate on the Eastern Caribbean Securities Exchange (ECSE) trading platform for both primary issuance and secondary trading. The pricing methodology to be used for selling the securities will be a competitive uniform price auction with open bidding. The ECSE is responsible for dissemination of market information, providing intermediaries with market access, administering the auction process and monitoring and surveillance of the auction.

The ECSE, through the Eastern Caribbean Central Securities Depository (ECCSD), will be responsible for facilitating clearance and settlement for the securities allotted. The ECCSD will ensure that funds are deposited to the account of the Government of Saint Lucia. The ECSE, through the Eastern Caribbean Central Securities Registry (ECCSR), will record and maintain ownership of the government securities in electronic book-entry form. The ECCSR will mail confirmation of proof of ownership letters to all investors who were successful in the auction. The ECCSR will also process corporate action on behalf of issuing governments.

Intermediaries will be responsible for interfacing with prospective investors, collecting applications for subscription and processing the same for bidding on the ECSE platform.

A list of licensed intermediaries is provided in Appendix III. Successful clients will be informed of their payment obligations and have funds deducted from their respective accounts with the intermediary.

As an issuer in the RGSM, the Government of Saint Lucia will be subject to the rules, guidelines and procedures developed by the Regional Debt Coordinating Committee (RDCC) for the operation of the market including ongoing reporting and disclosure requirements.

**APPENDIX I – KEY ECONOMIC INDICATORS**

	<b>2004 PJ</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b><u>GDP at factor cost<sup>2</sup> (in millions EC\$)</u></b>	<b>1264</b>	<b>1215</b>	<b>1181</b>	<b>1180</b>
<b><u>Real GDP growth rate (in per cent)</u></b>	<b>4.04</b>	<b>2.88</b>	<b>0.10</b>	<b>-4.05</b>
<b><u>Nominal GDP by Sector</u></b>	<b>In percentage of contribution to GDP</b>			
Agriculture	4.48	4.44	5.26	5.47
Manufacturing	5.80	5.78	5.91	5.63
Construction	7.20	7.46	7.98	8.39
Mining	0.45	0.48	0.49	0.48
Wholesale and retail	11.62	11.21	10.70	10.58
Transport	10.28	10.16	10.22	10.64
Communications	11.20	11.15	10.97	10.21
Government services	11.85	11.84	12.44	12.66
Banking & Insurance	10.89	10.82	10.95	10.82
Hotel and Restaurant	13.51	13.28	11.71	11.80
Electricity & Water	4.82	5.22	5.27	5.41
Real Estate & Owner Dwellings	12.63	12.72	12.67	12.39
Other	4.32	4.47	4.60	4.52
<b><u>Central Government Finances</u></b>	<b>In percent of GDP at market prices</b>			
Current Revenue	25.41	24.33	22.49	26.49
Current Expenditure	24.86	24.24	22.59	21.10
Current Account Balance	0.55	0.09	10.63	5.39
Overall Balance	-5.11	-5.08	-4.21	-1.39
<b><u>Debt Ratios (%)</u></b>				
Public Debt as a % GDP	66.0	60.0	55.0	47.0
Debt Service as a % of GDP	4.0	5.0	6.0	3.0
Debt Service as a % of Current Revenue	16.2	20.9	22.4	11.20

**Source: Ministry of Finance, GOSL**

<sup>2</sup> Constant Prices - 1990

## APPENDIX II – SUMMARY MEDIUM TERM PROJECTIONS

	2005	2006	2007	2008
<b>GDP and Prices:</b>				
Real GDP Growth (at factor cost)	7.42	8.92	-2.02	-0.67
Inflation	2.5	3.0	3.0	3.0
<b><u>PASSIVE SCENARIO</u></b>				
<b>Central Government finances:</b>				
Total revenue and grants	25.6	25.8	26.0	26.2
Current revenue	24.1	24.3	24.6	24.8
Capital revenue	0.1	0.1	0.1	0.1
Foreign Grants	1.4	1.4	1.3	1.3
Total expenditure	31.8	32.1	32.6	33.2
Current expenditure	23.9	24.3	24.8	25.4
<i>Of which</i>				
interest payments	3.4	3.7	4.1	4.5
Capital expenditure	7.9	7.8	7.8	7.8
Current balance	0.1	0.0	-0.2	-0.6
Primary balance	-2.7	-2.6	-2.5	-2.5
Overall balance	-6.2	-6.3	-6.6	-7.0
<b>Debt and debt service:</b>				
Total public sector debt	68.9	72.6	75.9	81.0
Central government total debt	57.5	61.6	66.6	72.0
Central government external debt	43.1	44.9	46.8	48.9
Total public sector interest payments	4.0	4.0	4.3	4.7
Total public sector debt service	7.0	7.5	9.0	9.3
Central government debt service as ratio of current revenue	21.9	26.8	33.1	34.1
Central government interest payments as ratio of current revenue	14.3	15.2	16.5	18.1
Central government external debt service as ratio of exports	9.6	9.5	10.2	10.1
<b><u>ACTIVE SCENARIO</u></b>				
<b>Central government finances</b>				
Total revenue and grants	27.0	27.6	28.0	28.1
Current revenue	25.5	26.2	26.5	26.7
Capital revenue	0.1	0.1	0.1	0.1
Foreign grants	1.4	1.3	1.3	1.3
Total expenditure	30.0	29.7	29.6	29.6
Current expenditure	23.0	22.8	22.7	22.7
<i>of which</i>				
interest payments	3.3	3.2	3.3	3.3
Capital expenditure	7.0	6.9	6.9	6.9
Current balance	2.5	3.4	3.8	4.0

Primary balance	0.3	1.1	1.6	1.8
Overall balance (after grants)	-3.0	-2.1	-1.7	-1.5
<b>Debt and debt service:</b>				
Total public sector (including government guaranteed debt)	64.8	64.3	63.0	63.0
Central government total debt (excluding guaranteed debt)	53.6	53.5	53.9	54.1
Central government external debt	40.9	40.8	41.0	41.0
Total public sector interest payments	4.0	4.0	4.3	4.7
Total public sector debt service	6.7	6.9	8.1	8.1
Central government debt service as ratio of current revenue	19.9	22.9	27.3	26.9
Central government interest payments as ratio of current revenue	12.8	12.4	12.3	12.3
Central government external debt service as ratio of exports	9.5	9.1	9.7	9.3
<b>External Sector:</b>				
Current account of BOP	-246.5	-271.8	-235.3	-222.7
In per cent of GDP	-11.4	-12.1	-10.2	-9.4
Official net imputed int'l reserves (end of period)	300.9	308.5	317.5	
<b>Memorandum item:</b>				
GDP at market prices GDP (EC\$M)	2156.2	2247.7	2306.6	2359.7
Source: Ministry of Finance, GOSL				

### APPENDIX III – SINKING FUND PORTFOLIO

Description	Redemption Amount	Balances as at August 31, 2005	Balance Needed To Maturity	Maturity
St. Lucia Govt Nat. Sav & Dev Bond 1996/2006	13,264,800.00	12,336,026.31	928,773.69	August 1, 2006
St. Lucia Govt Nat. Sav & Dev Bond 1997/2007	44,980,000.00	32,994,526.53	11,985,473.47	November 1, 2007
St. Lucia Govt Nat. Sav & Dev Bond 2002/2012	60,000,000.00	12,618,822.80	47,381,177.20	August 1, 2012
Re-draining of Cul-De-Sac River	7,500,000.00	5,645,053.09	1,854,946.91	April 1, 2007
Construction of Bodelais Correction	50,00,000.00	29,300,395.69	20,699,604.31	January 1, 2008
Refinanced 16.2 million bond issue 2	8,100,000.00	363,409.00	7,736,591.00	December 1, 2009
GOSL Fixed Rate Bond*	63,500,000.00	23,200,000.00		June 27, 2015
<b>TOTAL</b>	<b>247,344,800</b>	<b>116,458,233.42</b>	<b>90,586,566.58</b>	

\* This represents \$23.2M of funds retained by original investor at the commencement of the period and will be used to redeem bond at maturity. Government need not make further contributions to this fund.

**Source: Ministry of Finance**

### APPENDIX IV - LIST OF LICENSED INTERMEDIARIES

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
<b>Anguilla</b>		
National Bank of Anguilla Ltd	P O Box 44 The Valley  <i>Tel: 264-497-2101</i>  Fax: 264-497-3310 Email: nbabankl@anguillanet.com	<b>Principal:</b> Selwyn Horsford  <b>Representative:</b> Idona Reid
<b>Antigua and Barbuda</b>		
ABI Bank Ltd.	ABI Financial Centre Redcliffe Street St John's  <i>Tel: 268 480 2824</i>  Fax: 268 480 2765 Email: abibsec@candw.ag	<b>Principal:</b> Casroy James  <b>Representative:</b> Laura Abraham
Antigua Commercial Bank Ltd.	ACB Financial Centre P O Box 3089 St John's  <i>Tel: 268 481 4200</i>  Fax: 268 481 4158 Email: acb@candw.ag	<b>Principal:</b> Peter N Ashe  <b>Representatives:</b> Sharon Nathaniel Barbara Martin
<b>Dominica</b>		
National Mortgage Finance Company of Dominica Ltd.	64 Hillsborough Street Roseau  Tel: 767 448 4401/4405  Fax: 767 448 3982 Email: ncbdom@cwdom.dm	<b>Principal:</b>  <b>Representatives:</b> Dawn Yankey Marilyn Edwards
<b>Grenada</b>		
Republic Finance and Merchant Bank Ltd. (FINCOR)	NCB House Grand Anse St George's  Tel: 473 444 1875 Fax: 473 444 1879 Email: fincorec@caribsurf.com	<b>Principals:</b> Heather Titus Wilma Williams  <b>Representatives:</b> Tarlie Francis Heather Titus Wilma Williams
<b>St Kitts and Nevis</b>		

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
St Kitts Nevis Anguilla National Bank Ltd.	P O Box 343 Central Street Basseterre  <i>Tel: 869 465 2204</i> Fax: 869 465 1050 Email: national_bank@sknanb.com	<b>Principals:</b> Winston Hutchinson Anthony Galloway  <b>Representatives:</b> Marlene Nisbett Desilu Smithen Petronella Edmeade-Crooke
The Bank of Nevis Ltd.	P O Box 450 Charlestown Nevis  <i>Tel: 869 469 5564</i> Fax: 869 469 5798 E mail: bon@caribsurf.com	<b>Principals:</b> Rawlinson Isaac Hanzel Manners  <b>Representatives:</b> Lisa Jones Vernesia Douglas
<b>St Lucia</b>		
Bank of St Lucia Ltd.	P O Box 1862 Bridge Street Castries  <i>Tel: 758 456 6000</i> Fax: 758 456 6190 Email: <a href="mailto:bankofsaintlucia@candw.lc">bankofsaintlucia@candw.lc</a>	<b>Principals:</b> Donna Matthew Beverley Henry  <b>Representatives:</b> Trevor Lamontagne Lawrence Jean
Caribbean Money Market Brokers Ltd. ( <i>CMMB St Lucia</i> )	9 Brazil Street Castries  <i>Tel: 758 450 2662</i> Fax: 758 451 7984 Email: info@mycmmmb.com	<b>Principals:</b> Leslie St Louis Brent Salvary Sharmaine Rosemond  <b>Representatives:</b> Sharmaine Rosemond Leslie St Louis Vishwatee Jagroop
<b>St Vincent and the Grenadines</b>		
National Commercial Bank (SVG) Ltd.	P O Box 880 Cnr. Bedford and Grenville Streets Kingstown  <b>Tel: 784 457 1844</b> Fax: 784 456 2612 Email: natbank@caribsurf.com	Principal: Keith Inniss  <b>Representative:</b> Patricia John

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
<b>Trinidad and Tobago</b>		
Caribbean Money Market Brokers Ltd. (CMMB)	No. 1 Richmond Street, Ground Floor Furness Court, Independence Square Port of Spain  Tel: 868 623 7815/5153 Fax: 868 624 4544/9833 ; 627 2930 Email: info@mycmmmb.com	<b>Principals:</b> Brent Salvary Leslie St Louis Sharmaine Rosemond  <b>Representatives:</b> Leslie St Louis Vishwatee Jagroop Sharmaine Rosemond

## St. Lucia Fiscal Operation Data

	2000	2001	2002	2003	2004
<b>CURRENT REVENUE</b>	484.83	440.72	447.23	468.63	537.76
Tax Revenue	428.42	396	404.95	433.35	495.71
Taxes on Income and Profits	136.66	133.74	107.6	111.91	116.45
of which:					
Personal	48.24	49.19	47.41	43.9	47.06
Company Tax (Business Tax)	62.66	62.6	45.76	44.84	44.22
Taxes on Property	1.63	1.26	6.92	4.26	4.95
Taxes on Domestic Goods & Services	58.44	54.25	68.48	60.81	93.33
of which:					
Accommodation Tax	21.21	20.9	19.74	21.11	25.06
Licenses	7.15	6.78	10.07	6.2	25.07
Sales Tax					
Consumption Tax	10.95	5.26	4.94	6.28	6.43
Taxes on International Trade & Transactions	231.69	206.75	221.95	256.37	280.98
of which:					
Import Duties	65.51	53.73	53.01	69.78	72.66
Foreign Exchange Tax	-	-	-	-	-
Consumption Tax	90.91	93.77	110.01	110.85	116.59
Customs Service Charge	34.38	28.77	28.48	37.2	44.16
Non-Tax Revenue	56.41	44.72	42.28	35.29	42.05
<b>CURRENT EXPENDITURE</b>	370.52	406.22	405.49	461.96	490.45
Personal Emoluments	203.82	215.29	211.15	213.45	227.06
Goods and Services	72.16	73.78	64.67	89.47	95.51
Interest Payments	27.04	46.2	43.77	53.59	61.96
Domestic	18.35	24.87	22.25	20.48	18.32
External	8.69	21.33	21.52	33.11	43.64
Transfers and Subsidies	67.49	70.95	85.91	105.44	105.92
Pensions	33.03	31.18	33.02	31.63	35.27
Current Account Balance	114.31	34.5	41.73	6.68	47.3
Capital Revenue	10.67	1.3	21.26	8.64	0.87
Grants	10.67	17.51	29	43.04	6.02
Capital Expenditure and Net Lending	151.04	122.86	138.11	181.45	117.33
Of which: Capital Expenditure	151.01	122.86	138.11	181.45	117.33
Primary Balance before grants	0.99	-40.86	-31.34	-112.54	-7.2
Primary Balance after grants	11.66	-23.35	-2.34	-69.49	-1.18
Overall Balance before grants	-26.05	-87.06	-75.11	-166.13	-69.16
Overall Balance after grants	-15.38	-69.55	-46.11	-123.09	-63.14
Financing	15.38	69.55	46.11	123.09	63.14
Domestic	-46.89	27.78	-56.52	-64.69	12.74
ECCB(net)	-4.43	7.4	-7.78	-3.69	-13.15
Commercial Banks(net)	-17.58	-34.7	24.51	-4.36	-12.66
Other	-24.88	55.07	-73.24	-56.63	38.55
External	62.27	41.77	102.62	187.78	50.4
Net Amortisation	86.33	48.47	105.33	202.67	48.89
Disbursement	100.31	100.08	152.58	220.07	82.03
Amortisation	-13.98	-51.6	-47.26	-17.4	-33.14
Change in Govt. Foreign Assets	-24.06	-6.7	-2.7	-14.89	1.51
Other Foreign Financing	-	-	-	-	NA()
Arrears	-	-	-	-	-
Domestic	-	-	-	-	-
External	-	-	-	-	-
Other Financing (residual)	-	-	-	-	-