

**PROSPECTUS**

**FOR TREASURY BILL ISSUES**  
**FOR THE PERIOD**  
**JULY 2010– JUNE 2011**

**BY THE GOVERNMENT OF**  
**ST. VINCENT AND THE GRENADINES**

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July 2010

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## **I. GENERAL INFORMATION**

**Issuer:** The Government of St. Vincent and the Grenadines

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Mr. Maurice Edwards, Director General, Ministry of Finance  
Mrs. Ingrid Fitzpatrick, Accountant General  
Ms. Deidre Anthony, Debt Manager

**Date of Publication:** July 2010

**Registration:** This prospectus will be registered with the Regional Debt Coordinating Committee (RDCC).

**Purpose of Issue:** To refinance the existing issues of Treasury Bills issued on the Primary Market via the Regional Government Securities Market (RGSM) and to provide for liquidity in these instruments by virtue of being traded on the Secondary Market via the Eastern Caribbean Securities Exchange (ECSE) platform.

**Amount of Issue:** Monthly issues of XCD20.0 million each

**Legislative Authority:** The Treasury Bills Act Chapter 320 as amended

*This Prospectus is issued for the purpose of giving information to the public. The Government of St. Vincent and the Grenadines accepts full responsibility for the accuracy of the information given, and confirm having made all reasonable enquiries, 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.*

## II. INFORMATION ON THE TREASURY BILL ISSUE

- a. The Government of St. Vincent and the Grenadines (GOVSVG) proposes to auction XCD 20,000,000.00 91-day treasury bills each month during the period July 2010 to June 2011. The Treasury bills will be auctioned on the following dates:

<b>21 July 2010</b>	<b>-Trading Symbol VCB211010</b>
<b>17 August 2010</b>	<b>- Trading Symbol VCB171110</b>
<b>21 September 2010</b>	<b>- Trading Symbol VCB221210</b>
<b>22 October 2010</b>	<b>- Trading Symbol VCB240111</b>
<b>18 November 2010</b>	<b>- Trading Symbol VCB180211</b>
<b>22 December 2010</b>	<b>-Trading Symbol VCB240311</b>
<b>25 January 2011</b>	<b>- Trading Symbol VCB270411</b>
<b>21 February 2011</b>	<b>- Trading Symbol VCB240511</b>
<b>28 March 2011</b>	<b>- Trading Symbol VCB280611</b>
<b>28 April 2011</b>	<b>-Trading Symbol VCB290711</b>
<b>25 May 2011</b>	<b>- Trading Symbol VCB250811</b>
<b>29 June 2011</b>	<b>- Trading Symbol VCB290911</b>

The Treasury bills will be settled on the following dates:

<b>22 July 2010</b>	<b>- Trading Symbol VCB211010</b>
<b>18 Aug 2010</b>	<b>- Trading Symbol VCB171110</b>
<b>22 September 2010</b>	<b>- Trading Symbol VCB221210</b>
<b>25 October 2010</b>	<b>- Trading Symbol VCB240111</b>
<b>19 November 2010</b>	<b>- Trading Symbol VCB180211</b>
<b>21 December 2010</b>	<b>- Trading Symbol VCB240311</b>
<b>26 January 2011</b>	<b>- Trading Symbol VCB270411</b>
<b>22 February 2011</b>	<b>- Trading Symbol VCB240511</b>

<b>29 March 2011</b>	<b>- Trading Symbol VCB280611</b>
<b>29 April 2011</b>	<b>- Trading Symbol VCB290711</b>
<b>26 May 2011</b>	<b>- Trading Symbol VCB250811</b>
<b>30 June 2011</b>	<b>- Trading Symbol VCB290911</b>

The Treasury Bills will mature on the Following dates:

<b>21 October 2010</b>	<b>- Trading Symbol VCB20102010</b>
<b>17 November 2010</b>	<b>- Trading Symbol VCB16112010</b>
<b>22 December 2010</b>	<b>- Trading Symbol VCB19122010</b>
<b>24 January 2011</b>	<b>- Trading Symbol VCB20012011</b>
<b>18 February 2011</b>	<b>- Trading Symbol VCB180211</b>
<b>25 March 2011</b>	<b>- Trading Symbol VCB240311</b>
<b>27 April 2011</b>	<b>- Trading Symbol VCB270411</b>
<b>24 May 2011</b>	<b>- Trading Symbol VCB240511</b>
<b>28 June 2011</b>	<b>- Trading Symbol VCB280611</b>
<b>29 July 2011</b>	<b>- Trading Symbol VCB290711</b>
<b>25 August 2011</b>	<b>- Trading Symbol VCB250811</b>
<b>29 September 2011</b>	<b>- Trading Symbol VCB290911</b>

- b.** The Treasury bills be issued with tenors of 91 (ninety one) days.
- c.** The price of the issue will be determined by a competitive Uniform Price Auction with open bidding
- d.** The bidding period(s) will start at 9:00 am and end at 12:00 noon on auction days
- e.** Each investor is allowed one (1) bid with the option of increasing the amount being tendered for until the close of the bidding period or reducing the interest rate

- f. The minimum bid quantity is \$5,000.00
- g. The bid multiplier will be set at \$1,000
- h. The maximum bid price is \$98.55 or 5.82 per cent
- i. Yields will not be subject to any tax, duty or levy of the participating Government of the Eastern Caribbean Currency Union (ECCU)
- j. Investors can participate in the issue through the services of any of the Licensed Intermediaries who are members of the Eastern Caribbean Securities Exchange.

**The Current List of Licensed Intermediaries are:**

- ABI Bank Limited
- Antigua Commercial Bank Limited
- Bank of Nevis Limited
- ECFH Global Investment Solutions Limited
- National Commercial Bank (SVG) Limited
- National Mortgage Finance Company of Dominica Limited
- St. Kitts Nevis Anguilla National Bank Limited
- Republic Finance and Merchant Bank Limited (FINCOR) – Grenada
- Caribbean Money Market Brokers Limited (CMMB) – Saint Lucia
- Caribbean Money Market Brokers Limited (CMMB) – Trinidad and Tobago
- National Bank of Anguilla

Contact information for the Intermediaries is presented in **Appendix I**.

### **III EXECUTIVE SUMMARY**

The Government of St. Vincent and the Grenadines is proposing to raise EC\$20 million monthly during the period July 2010 to June 2011 through the issuance of 91-day Treasury Bills to be auctioned on the Regional Government Securities Market. During the bidding periods, which will be opened at 9:00 a.m. on the auction days and closed at 12:00 noon on the same days, bids of amounts of not less than EC\$5,000 and in multiples of EC\$1,000 will be processed through intermediaries licensed by the Eastern Caribbean Securities Regulatory Commission. The proceeds of these issues will be used to refinance maturing treasury bills.

The global economic downturn and financial crisis over the past months has negatively impacted on the progress made towards fiscal consolidation. Preliminary estimates indicate that economic activity contracted in 2008 and in 2009, following robust economic growth for the four year period 2004 – 2007. Growth in the agricultural sector was off-set by declines in construction, manufacturing and tourism sectors.

For the fiscal year ending December 31, 2009 the central government fiscal position deteriorated moving from a current surplus of EC\$58.65 million in 2008 to a deficit of EC\$4.18 million in 2009. The primary balance was a deficit of EC\$2.23 million in contrast to a surplus of EC\$21.23 million in 2008. The overall balance also deteriorated, contracting to a deficit of EC\$50.38 million in 2009 from a deficit of EC\$25.58 million over the corresponding period in 2008.

Preliminary indicators are that the total public sector debt as at December 30<sup>th</sup>, 2009 stood at EC\$1.15 billion representing a 6.5% increase over the same period in 2008. Concomitant with the increase in the stock of debt was an increase in debt service. Central Government total debt service including sinking fund contributions amounted to \$118.88 million in 2009 an increase of 1% over the 2008 amount of \$117.70. The Government remains current in its debt service obligations and has not defaulted in any of its debt service payments.

The impact of the global financial crisis and economic downturn is likely to threaten growth potential during the medium term. The tourism sector is likely to be affected as the main tourism source countries battle with recovery. Consequently, the government is continuing a series of

measures designed to bring relief to the tourism sector in an effort to cushion the impact of the global slowdown.

#### **IV. HISTORY**

Known by the Caribs as “Hairoun” (Land of the Blessed), St. Vincent and the Grenadines was first inhabited by the Ciboney, a group of Meso-Indians. The economy of these hunter-gatherers depended heavily on marine resources as well as the land. Another indigenous group, the Arawak, who entered the West Indies from Venezuela, gradually displaced the Ciboney. Then less than 100 years before the European settlers, the Caribs arrived in the islands and conquered the Arawak.

The first permanent settlers arrived on the shores of the islands in 1635. These new inhabitants were African slaves who escaped the sinking of the Dutch slave ship on which they were being transported. The escaped Africans intermarried with the Caribs and became known as “black Caribs”. After several skirmishes, the black Caribs and the original Carib Indians agreed in 1700 to subdivide the islands between themselves; the original Carib Indians occupying the Leeward and the Black Caribs, the Windward.

In 1763, St. Vincent and the Grenadines was ceded to Britain. Restored to French rule in 1779, St. Vincent and the Grenadines was regained by the British under the Treaty of Versailles in 1783. Conflict between the British and the black Caribs continued until 1796, when General Abercrombie crushed a revolt fomented by the French radical Victor Hugues. More than 5,000 black Caribs were eventually deported to Roatan, an island off the coast of Honduras.

From 1763 until independence, St. Vincent and the Grenadines passed through various stages of colonial status under the British. A representative assembly was authorized in 1776, Crown Colony government installed in 1877, a legislative council created in 1925, and universal adult suffrage granted in 1951. During this period, the British made several unsuccessful attempts to affiliate St. Vincent and the Grenadines with other Windward Islands in order to govern the region through a unified administration. The most notable was the West Indies Federation, which collapsed in 1962. St. Vincent and the Grenadines was granted associate statehood status in 1969, giving it complete control over its internal affairs. Following a referendum in 1979, St. Vincent and the Grenadines became the last of the Windward Islands to gain independence and became a member of the Commonwealth of Nations.

## V. DEMOGRAPHICS

The last population census for St. Vincent and the Grenadines which was conducted in 2001 estimated the population at one hundred and twelve thousand (112,000) with GDP per capita of US\$3,116 compared with a 2000 GDP per capita of US\$3,055. In 2001, males accounted for 50.9 per cent of the population while females accounted for 49.1 per cent, indicating that at the last census the sex ratio of the population was almost equal. This is consistent with the findings of the 1991 census. St. Vincent and the Grenadines has an area of 388 sq. km and population density per sq. km of 288. Life expectancy at birth is 68.8 years and infant mortality rate, per thousand live births is 16.3.

Table 1 shows the percentage composition of different average groups of total population from 1991 to 2001.

**Table 1: Percentage of Age Group of Total Population**

<b>Age groups</b>	<b>2001</b>	<b>1991</b>
	<b>%</b>	<b>%</b>
<= 15.....	30.7	37.2
15-29.....	27.8	29.5
30-44.....	21.1	16.1
45-64.....	13.2	10.7
>=65 .....	7.3	6.5
<b>Total.....</b>	<b>100</b>	<b>100</b>

## VI. FINANCIAL ADMINISTRATION AND MANAGEMENT

The Ministry of Finance is headed by the Minister of Finance and comprises several departments over which the Director General has administrative control. Debt management functions have been centralized in the Debt Management Unit of the Ministry of Finance and Economic Planning. The Debt Management Unit performs all debt management activities and provides policy advice on the overall debt management strategy of St. Vincent and the Grenadines.

The Eastern Caribbean Central Bank (ECCB) conducts quarterly economic and financial reviews that are published on the Bank's website ([www.eccb-centralbank.org](http://www.eccb-centralbank.org)). *Article IV Country Reviews* conducted by the International Monetary Fund (IMF) are also published and available on the Fund's Website ([www.imf.org](http://www.imf.org))

The Ministry of Finance and Economic Planning seeks to establish a client-oriented environment conducive to the attainment of sustainable economic development and improvement of the quality of life of all citizens of St. Vincent and the Grenadines through sound economic management and the promotion of good governance. The main objective of the Government is to maintain a stable and productive economy, with a focus on education and training, sharpened business competitiveness, further tax reductions, sensible debt management and fiscal consolidation. The Government aims to build a modern, competitive, post-colonial economy with the following central elements:

- i) maintaining macro-economic fundamentals of a stable currency, low inflation, fiscal prudence, enhanced competitiveness, and increased productivity;
- ii) placing social equity at the center of the considerations in the fashioning of economic policy;
- iii) pursuing a policy of balanced economic growth which is sustainable and which generates quality employment;
- iv) establishing partnerships with the Private Sector for creating wealth and to boost economic activity;
- v) implementing a Public Sector Investment Programme to create, among other things, a fiscal stimulus to the economy;
- vi) providing an appropriate balance between the conflicting objectives of injecting a fiscal stimulus and maintaining a sustainable debt path ;
- vii) education and training for living and production; and
- viii) deepening regional integration and integrated production.

### **Transparency and Accountability**

The Government has adopted a system for strengthening the institutional framework for democratic accountability and monitoring of fiscal matters. As a result, the fiscal position of the

Government is reported monthly to the Cabinet. These reports are subsequently made available to the local media. Additionally the fiscal and debt position are reported annually in the Government Estimates of Revenue and expenditure, which is available to the public from the Ministry of Finance. Information on the government's fiscal and debt operations is also published quarterly via the local media and the government's website. The ECCB also conducts quarterly economic and financial reviews, which are published across the region annually. Article IV Country Reviews conducted by the IMF are also published and are available on the fund's external website. Further, efforts are being made to have the Audited Reports of the government available on a more timely basis. The latest Audited Report of the government for the fiscal year 2007 was laid before the Parliament on March 4<sup>th</sup> 2010.

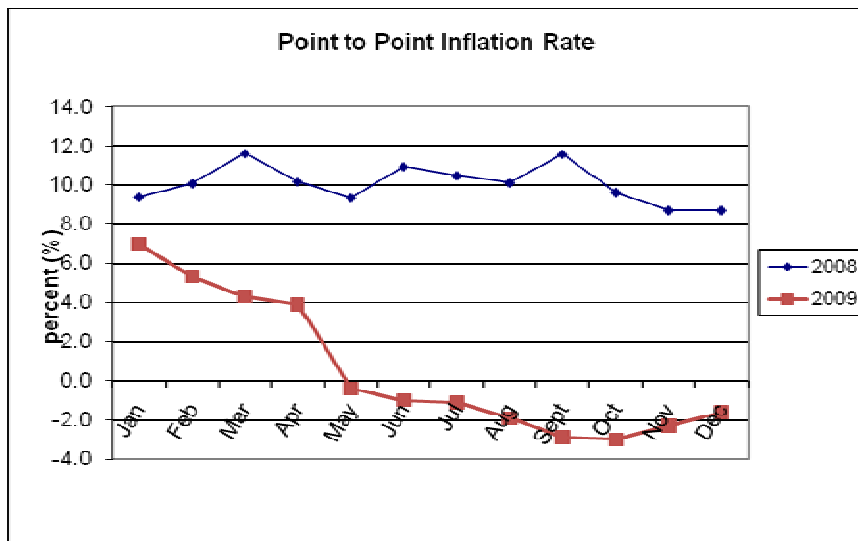
## **VII. MACRO ECONOMIC PERFORMANCE**

### **Economic Growth**

Preliminary estimates indicate that economic activity in St. Vincent and the Grenadines contracted in 2009. Real GDP is estimated to have declined by 1.1 percent in 2009 compared to 0.6 in 2008. This performance was largely attributed to decline in the construction, tourism manufacturing and wholesale and retail sectors.

### **Inflation**

A review of the Consumer Price Index for the year 2009 indicated that the average annual "point-to-point" inflation rate was 0.5 percent compared with 10.01 percent for the year 2008. The accumulated inflation for the year 2009 was recorded as negative 1.6 percent in contrast to 8.7 percent for the year 2008. The "All Items" index moved from 134.2 in January 2009 to 132.5 in December 2009.



**Chart 1: Point to Point Inflation**

The monthly rate of inflation recorded fluctuating movements during the year. The “point-to-point” inflation rates were recorded as negative for most of the months in the year. The “point-to-point” inflation rates were lower in 2009 in contrast to high levels in 2008 with the highest inflation rate recorded at 7.0 in January 2009 and the lowest inflation rate recorded as negative 3.0 for the month of November 2009.

## VIII. SECTORAL DEVELOPMENTS

### *Agriculture*

Notwithstanding the many challenges that continue to affect agriculture and the slowdown in the economy, this sector continues to play a significant role in the economy of St. Vincent and the Grenadines. Agricultural output increased from EC74.1 million in 2008 to EC\$78.3 million in 2009 resulting in 9.6 percent contribution to GDP a slight increase over 2008 of 9 percent.

Historically, agriculture was dominated by banana production with bananas being exported to Europe under preferential arrangements. Due to changes in the international trade milieu, globalization, trade liberalization, erosion of market preferences, and adverse weather conditions, the banana industry suffered a continuous decline during the period 1993 to 2006. In January 2006, the EU quotas were converted into tariffs and banana production in St. Vincent and the Grenadines was largely switched from conventional exports to fair trade exports. Since free market banana prices are typically considerably below those available in protected EU markets, the country benefited from average export returns in 2006, comparable with pre-2006 levels.

The Cotonou Convention between the EU and the ACP member states was terminated on December 31, 2007 and replaced by a less-generous European Generalized System of Preferences, where agreements are now reciprocal and general tariffs are being dismantled. In the Agreement signed between the EU and the CARIFORUM countries, the EU has offered duty-free, quota-free access to its market.

The banana industry remains an important segment to the nation's economic development, contributing significantly to rural employment and the enhancement of the national food supply. To further facilitate activities in the industry, the government has established the Banana Services Unit within the Ministry of Agriculture. Specifically, attention will be placed on treating farms affected by Moko, Leaf Spot and Black Sigatoka diseases.

Realizing the limitation of continued dependence on a single crop, the Government has been focusing on diversifying the agricultural products mainly through the Agricultural Diversification Unit and other agencies. As a consequence, non-banana agriculture increased from EC\$31.2 million in 2001 to EC\$55.1 million in 2009.

### ***Fisheries***

Fisheries development remains an integral part of the Government's economic diversification policy. In 2009 the industry contributed 1.2 percent to GDP compared with 0.8 per cent in 2008. The Government also recognizes that interventions in the artisan fisheries sector are critical to the enhancement of incomes in the rural coastal communities, especially those with a strong tradition in fishing. It is for this reason that the creation of a commercially viable fishing industry, while ensuring the sustainability of fisheries resources, remains a fundamental policy of the Government.

Requisite infrastructure is being developed for the stimulation of growth and economic activity including the recently completed Owia Fisheries Complex, which is expected to provide a critical link with the tourism sector as well as serving as a port for emergencies where sea travel is necessary.

### ***Tourism***

Tourism, as measured by the Hotels and Restaurants sub-sector, has emerged as the main service sector and has surpassed the banana trade as the single most important foreign exchange earner. The Grenadines have become a preferred destination for high-end tourism and the focus is on

new development in the country. Tourism is key employment sector and contributes significantly to Government revenue.

Visitor arrivals during the year 2009 increased by 8.4 per cent to 270,952, compared with 249,868 for the period 2008. The sector recorded a significant growth in cruise ship passengers while stay-over, same-day and yacht visitors declined. Activity in the cruise ship sector increased by 28.1per cent to 149,462 in 2009 compared with 116,709 during the corresponding period in 2008. In contrast, activity in the yachting sub-sector decreased by 5.6per cent, while the stay-over visitor arrivals decreased by 10.3per cent with 75,446 in 2009 compared to 84,101 over the comparative period in 2008.

**Table 1: Visitor Arrivals By Visitor Type**

VISITOR TYPE	JAN - DEC	JAN – DEC	ACTUAL	%
	2009	2008	CHANGE	CHANGE
<b><u>BY AIR</u></b>				
STAY-OVER	75,446	84,101	(8,655)	(10.3)
SAME DAY	5,185	5,781	(596)	(10.3)
SUB TOTAL	80,631	89,882	(9,251)	(10.3)
<b><u>BY SEA</u></b>				
YACHT	40,859	43,277	(2,418)	(5.6)
CRUISE SHIP	149,462	116,709	32,753	28.1
SUB TOTAL	190,321	159,986	30,335	19.0
<b>TOTAL</b>	<b>270,952</b>	<b>249,868</b>	<b>21,084</b>	<b>8.4</b>

*Source: Ministry of Tourism St. Vincent and the Grenadines*

The majority of the country's tourists come from the U.S.A, Canada, Europe, South America and the Caribbean. In 2009, 35.6per cent of the stay-over visitors came from the Caribbean, followed by 26.7per cent from the U.S.A, 17.7per cent from the U.K., 9.0per cent from Canada and 11.0per cent from other countries.

Table 2 shows the number and expenditure of the visitors broken down by different categories for the five years ending December 31, 2009.

**Table 2: Visitor Number and Expenditures by Category**

	2005	2006	2007	2008	2009
Stay-Over Visitor Arrivals					
Breakdown:					
U.S.	27,153	28,598	26,642	24,042	20,159
Canada	6,187	6,542	6,745	6,882	6,820
U.K.	13,941	14,837	16,742	15,442	13,347
Caribbean	39,944	38,219	29,959	28,475	26,835
Other Countries	8,279	9,236	9,549	9,260	8,285
<b>Total Stay-Over Visitor Arrivals</b>	<b>95,504</b>	<b>97,432</b>	<b>89,637</b>	<b>84,101</b>	<b>75,446</b>
Excursionists	8,928	9,034	6,799	5,781	5,185
Yacht Passengers	81,890	93,638	42,277	43,277	40,859
Cruise Ship Passengers	69,753	106,474	144,455	116,709	149,462
<b>Total Visitor Arrivals</b>	<b>256,075</b>	<b>306,578</b>	<b>283,268</b>	<b>249,868</b>	<b>270,952</b>
Number of Cruise Ship Calls	182	263	281	172	164
<b>Total Visitor Expenditure</b> ( <i>in millions of EC\$</i> )	<b>281</b>	<b>306</b>	<b>297</b>	<b>259</b>	<b>229(P)</b>

The government continues to be cognizant of the importance of this sector to the overall economic performance and has thus continued to increase its allocation of public expenditure on tourism and physical infrastructure facilities, which in turn would provide a well-needed boost to the tourism product. Among the activities that will boost the sector are the development and upgrade of several recreational sites in 2009 and the establishment of the operational framework for the National Parks and Beaches Authority. Government also placed increased emphasis on strengthening management of the sector, including environmental management and focused marketing of the destination, while at the same time fostering economic linkages between tourism and other sectors of the economy. In this regard, the National Tourism Authority which became fully established and operational in 2008 will provide the requisite leadership in transforming this vital sector.

### ***Manufacturing***

St. Vincent and the Grenadines has a small manufacturing sector which contributed 4.3 per cent of the economy's GDP in 2009, a marginal decrease from 4.5 per cent in 2008. The Government is continuing its effort to make the sector internationally competitive by providing incentives to local companies to increase their productivity.

Effective January 2009, Company Income Tax was reduced from 35 per cent to 32.5 per cent. The Government is also developing the Small and Medium Enterprise (**SME**) sector by

increasing access to credit and improving business and entrepreneurial skills of the labor force. Additionally, exporters to CARICOM and extra regional markets have taxation rates as low as 15 percent.

### ***Construction***

The construction sector declined in 2009 contributing 10.3 percent to GDP compared with 11.0 percent in 2008. The decline in construction sector was influenced by lower levels of investment in both the public and private sectors.

## **IX. BALANCE OF PAYMENTS**

The Nation's Balance of Payments is dependent on international economic developments as well as domestic economic policies and programs. The overall Balance of Payments position worsened in 2008, moving to a deficit of EC\$8.8m (0.6 percent of GDP) from one of EC\$5.0m in 2007 representing 0.3 per cent of GDP. This outcome was the result of a large increase in net outflows on the current account

### ***The Current Account***

The chief components of the current account within the Balance of Payments consist of the goods, the services, the income and current transfers accounts. The current account deficit expanded from EC\$515.6m (34.5 percent of GDP) to EC\$615.3m (39.2 percent of GDP) in 2008, influenced by a 14.2 per cent growth in merchandise imports, which outweighed the increase in the value of merchandise exports. Merchandise imports rose from EC\$776.5m (51.8 percent of GDP) in 2007 to EC\$886.48m (56.4 percent of GDP) in 2008. The movement in merchandise imports was attributed in part to a higher import bill associated with increased imports of food and live animals, increased payments for imports of oil related products which was influenced by the increase in international commodity prices and imports of machinery and transport equipment.

The income account measures income flows in and out of the country, including the payment of interest on external indebtedness. Net inflows from the services account declined to EC\$113.0m, 9.7 per cent lower than the amount in 2007. This movement was largely due to a decline in gross travel receipts, consistent with the decline in visitor arrivals.

Transfers (commonly known as remittances) are real resources or financial items provided at no cost, and they include money sent to people in St. Vincent and the Grenadines by Vincentians working abroad and grants made to the Government (both in cash and in kind). There was a net inflow of transfers of EC\$65.7m in 2008, an increase of 20.7 percent. Among current transfers, general government transfers increased from EC\$22.8m in 2007 to EC\$29.4m in 2008, while transfers in “Other Sectors” increased from EC\$31.7m in 2007 to EC\$ 36.3m in 2008.

### ***The Capital and financial account***

The chief components of the Capital and Financial Account within the Balance of Payments consist of capital transfers (including debt relief and assets transferred to or from the country by persons migrating to or from the country) and changes in financial assets and liabilities, which includes direct investment, portfolio investment, financial derivatives and other investment (primarily commercial bank loans and holdings of foreign currency). In 2008, the surplus on the Capital and Financial Account grew marginally by 2% to EC\$ 555.2m (35.4 per cent of GDP), up from EC\$544.4m (36.4 percent of GDP) in 2007. The Capital Account surplus decreased to 8.5 per cent of GDP, reflecting a decrease in capital grants received by central government. Net inflows on the financial account grew by 23.7 per cent to EC\$421.0m (26.8 per cent of GDP) in 2008 compared with EC\$340.4m (22.7 per cent of GDP) in 2007. This increase was associated mainly with a 22.0 per cent increase in inflows from direct investment.

### ***Foreign Trade***

Merchandise Trade in St. Vincent and the Grenadines consists of a mix of exports and imports, with a heavier weighting on imports. Exports are made to countries such as the U.K., the U.S., Canada and countries within the CARICOM region and consist primarily of domestic exports of agricultural and banana products and manufactured items such as flour and rice. Items such as food, beverages, machinery and transport equipment, manufactured goods, chemicals, oils and fuels, are imported from countries such as the U.K., the U.S., CARICOM member countries and Japan.

### ***Exports***

Preliminary estimates as at December 2008 showed that total exports increased to \$141.0m from \$128.0m in 2007. Banana exports fell from EC\$19.7m in 2007 to EC\$11.4m in 2008. Manufactured exports grew from EC\$25.2m in 2007 to EC\$42.0m in 2008.

## **Imports**

Preliminary figures as at December 2008 recorded imports increasing steadily moving from EC\$882.4m in 2007 to EC\$1,007.0m in 2008. Imports represented 58.9per cent of GDP in 2007 and 64.1per cent of GDP in 2008.

## **X. GOVERNMENT FISCAL OPERATIONS**

For the fiscal year ending December 31, 2009 the central government fiscal position deteriorated moving from a current surplus of EC\$58.65 million in 2008 to a deficit of EC\$4.18 million in 2009. The primary balance was a deficit of EC\$2.23 million in contrast to a surplus of EC\$21.23 million in 2008. The overall balance also deteriorated, contracting to a deficit of EC\$50.38 million in 2009 from a deficit of EC\$25.58 million over the corresponding period in 2008 (see Appendix II).

### ***Revenue***

As at December 31, 2009 Current Revenue totalled EC\$461.3 million, a decline of 5.8 percent when compared with the same period in 2008. The decline in revenue was due primarily to a fall in receipts from; taxes on Domestic Transactions (12.2 per cent), International Trade Taxes (0.4per cent) and Non-Tax Receipts (20.0per cent). Indirect taxes accounted for a major portion of the government revenue base. These taxes accounted for 62.9 percent and 63.4 percent of current revenue in 2008 and 2009, respectively. The decline in revenue was in part due to an 11.0 percent reduction in the value of imports and a consequent slow-down in business activity during the period.

Revenue from property taxes increased by 23.1 percent over its 2008 level but remained 1.3 percent below the amount budgeted. Currently, Property Tax in St. Vincent and the Grenadines consists of a central government levy on the annual rental value. The rental value is determined administratively using a number of parameters such as size, location and the use of the property. Because of a number of flaws in this system, a decision was taken to move to a market value assessment system.

The government also adjusted the prices of gasoline and diesel to reflect changes in international prices. Consequently the retail prices of gasoline and diesel were adjusted six times in 2009. As at December 31, 2009 the retail prices of gasoline and diesel stood at EC\$10.61 and EC\$9.03 per

gallon respectively, compared to EC\$11.73 and EC\$11.50 per gallon respectively as at December 2008.

For the fiscal year ending December 31, 2009 direct taxes on income and profits grew marginally by 0.2 percent and accounted for approximately 24.0 percent of current revenue, compared with the same period in 2008 when it registered growth of 6.6 percent and accounted for 22.6 percent of current revenue. The government has embarked on a policy of reforming the tax system and to this end over the last four years the individual and corporate income tax rates have been reduced from 40 percent in 2006 to 32.5 percent in 2009. In 2009 non-tax revenue declined by 20.0 percent and represented 7.2 percent of current revenue, compared with the corresponding period in 2008 when it grew by 34.5 percent and represented 8.5 percent of current revenue.

### ***Expenditure***

Recurrent expenditure as at December 31, 2009 amounted to EC\$465.45 million and represented an increase of 8.0per cent when compared with the same period in 2008. During the period expenditure on personal emoluments and transfers increased by 3.0per cent and 39.0 percent respectively, while goods and services and wages declined by 5.9per cent and 1.8per cent respectively. The increase in personal emoluments was partly due to a 3 per cent increase in salaries. The increase in transfer and subsidies was due largely to increased expenditure on training, grants & contributions and pension payments. The reduced expenditure on goods and services and wages was as a result of lower spending on utilities, supplies & materials and maintenance as a result of the formation of two new statutory bodies.

As at December 31 2009, Capital Expenditure amounted to EC\$106.02 million. This amount is down 19.1 per cent from the amount spent during the same period in 2008 but reflects a concentration of expenditure on the further development of the social sector such as education (EC\$12.8 million) and the improvement of the transport sector including the rehabilitation of the windward highway (EC\$20.1 million).

### ***2010 Revenue and Expenditure Budget***

The expenditure budget for 2010 amounts to EC\$913.5 million, comprising recurrent expenditure (including amortization) of EC\$610.2 million and capital expenditure of EC\$303.3

million. The total budget is EC\$160.7 million or 21.3per cent more than the 2009 approved estimates. The 2010 estimates of current expenditure (excluding amortization) is EC\$522.9 million, which is 8.0per cent more than the estimates for 2009. The increase includes a provision for a 3per cent salary increase for public servants.

The projected growth in revenue for 2010 will come primarily from more efficient tax collection. The 2010 estimate of capital expenditure is significantly higher than the 2009 estimates. This is in keeping with the Government’s effort to increase spending but only on vital items of expenditure of undoubted merit. Table 3 shows the breakdown in Capital Expenditure by Sector.

**Table 3: Capital Expenditure by Sector 2009**

<b>Sector</b>	<b>EC\$m</b>	<b>per cent</b>
General Public Service	15.7	5.2
Public Order and Safety	34.5	11.4
Economic Affairs	173.4	57.2
Environmental Protection	2.9	0.9
Housing & Community Ame	22.2	7.3
Health	19.1	6.3
Recreation,Culture & Relig	3.7	1.2
Education	26.1	8.6
Social Protection	5.7	1.9
<b>Total</b>	<b>303.3</b>	<b>100</b>

Financing of the budget will come from current revenues of EC\$502.4 million, capital grants of EC\$64.8 million, capital revenue of EC\$1.0 million, loans of EC\$230.9 million and other capital receipts of EC\$115.4 million.

### **Medium Term Projections (2010-2013)**

Current Revenue is expected to rise moderately, growing at an average of 3.3per cent over the period. However it is anticipated that it would stabilise at 30.4per cent of GDP during the period, the same as it was in 2009. Current Expenditure is projected to grow at an average of 4.4per cent over the same period and to stabilise at 31.9per cent of GDP over the period. The

expected increase in current expenditure will be attributed mainly to a higher wage bill which is expected to increase at an average of 14.4 per cent of GDP over the period. Government spending on goods and services and transfers & subsidies are expected to contribute significantly to the expansion in current expenditure rising at an average of 7.8 per cent of GDP and 5.7 per cent of GDP respectively over the period.

It is expected that the level of debt will increase in order to finance capital spending, as a result interest payments are likely to increase to an average of 4.1 per cent of GDP over the period. To this end, the Government aims to restrict the level of capital expenditure to 7 per cent of GDP in the medium term. This strategy is expected to limit the increase of the public debt and to bring it as close as possible to the benchmark level, recommended by the Monetary Council of the ECCB.

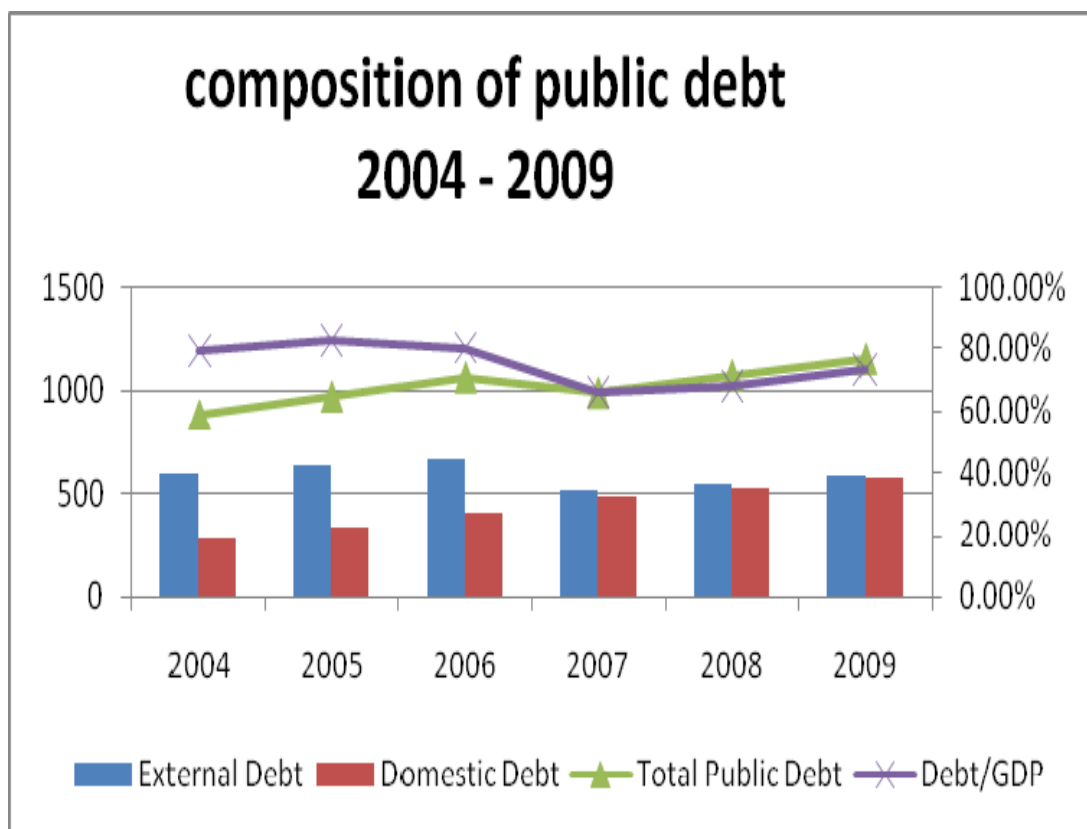
The impact of the global financial crisis and economic downturn is likely to threaten growth potential during the medium term. The tourism sector is likely to be affected as the main tourism source countries battle with recovery. Consequently, the government is continuing a series of measures designed to bring some relief to the tourism sector in an effort to cushion the impact of the global slowdown. Additionally, Foreign Direct Investment (FDI) and remittances mainly from the United States of America and Europe are likely to hinge on the recovery process in these countries.

## **XI PUBLIC DEBT**

Preliminary indicators are that the total public sector debt as at December 30<sup>th</sup>, 2009 stood at EC\$1.15 billion representing a 7.0% increase over the same period in 2008. This amount comprises EC\$580.8 million in external debt and EC\$574.4 million in domestic debt.

Of the total debt the largest portion \$635.4 or 55% is represented by loans, followed by bonds \$356.5 (30.9%), Overdrafts \$84.1 (7.3%), Treasury Bills \$60.0 (5.2%) and other \$19.19 (1.6%)

Central government accounts for EC\$885.02 million (77%) while the balance EC\$270.13(23%) is held by public enterprises.



**Chart 2**

### External Debt

The total External Debt increased by 1 percent when compared with the 2008 figure of EC\$569.58. The increase in the debt is primarily due to disbursements on the exogenous shocks facility from the International Monetary Fund and the first tranche of the Policy Based Loan from the Caribbean Development Bank (CDB) to cushion the impact of the global financial crisis on the economy.

Of the External debt EC\$480.12 million or 82.7% is attributable to Central Government and EC\$100.63 (17.3%) to Public Enterprises, and 74 % is categorized as loans and the other 26 % is categorized as bonds.

The CDB is the largest creditor with EC\$261.5 million (45.0%) owed. This was followed by bondholders \$152.7 million (26.3%) and IDA/IBRD EC\$56.2 million (9.7%). The bulk of the debt was allocated across sectors 28.5%. The major sectors were utilities 20.8% and roads and bridges 11.6%.

With respect to currency composition 66.3% of the debt is denominated in United States Dollars, 12.1% in Eastern Caribbean currency and 12.5% in Special Drawing Rights.

### Domestic Debt

Domestic debt which stood at \$574.4 million increased by 13.4% over the 2008 amount of \$506.6 million. Of this amount Central Government accounts for \$408.9 or 71.2% and the balance is attributable to public enterprises. The increase in domestic debt in 2009 is largely on account of the issue of a seven year \$45.0 million bond. A portion of loans and overdraft was refinanced by the issue of a private placement bond in the amount of \$50.0 million. As a result the composition of the debt by instrument was modified when compared to 2008. Loans now account for 36.1% down from 42.6% in 2008 while the category bonds increased at 35.5% compared to 23.5% in 2008. Overdraft decreased to 14.6% from 22.5% in 2008 and the category other changed slightly from 3.5% in 2008 to 3.4% in 2009.

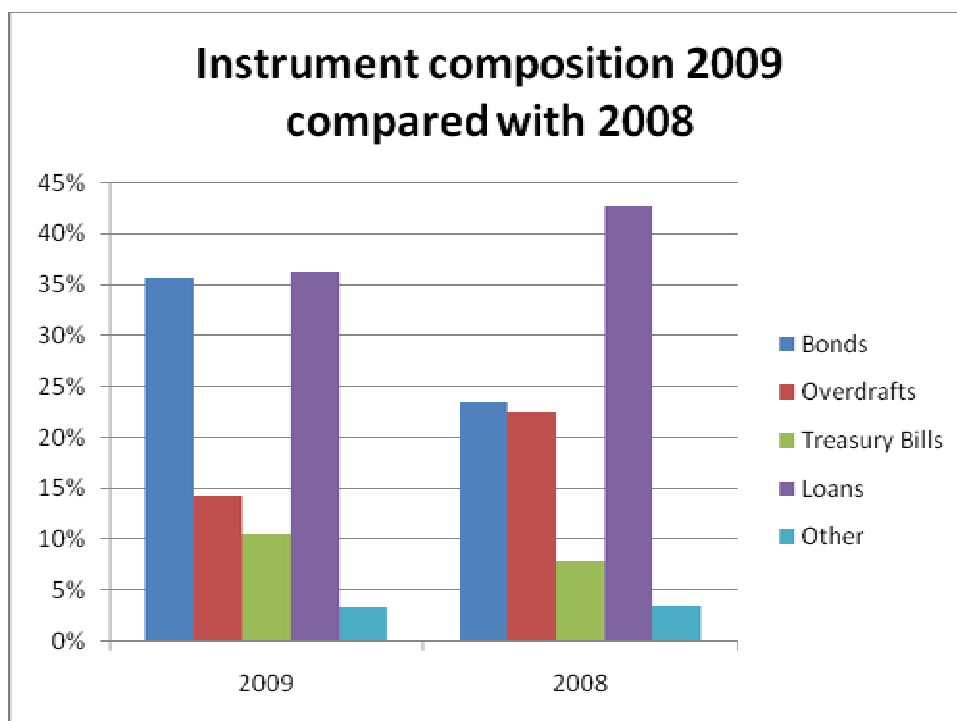


Chart 3

## **Debt Service**

Central Government total debt service including sinking fund contributions amounted to \$118.88 million in 2009 an increase of 9.8% over the 2008 amount of \$107.17. The increase in debt service payments is concomitant with the increase in the stock of debt and is also attributable to the commencement of principal repayment of some instruments. Amortisation of external debt increased to \$46.91 million in 2009 from \$43.18 in 2008 whereas interest payment decreased to \$22.38 million in 2009 from \$23.01 in 2008. Amortization of domestic debt also increased moving to \$17.82 in 2009 from \$11.99 in 2008 while interest payment moved to \$25.57 from \$23.80 and sinking fund contributions moved to \$6.0 million in 2009 from \$5.2 million in 2008. Debt service as a percentage of current revenue increased to 25.8% in 2009 from 21.9% in 2008.

## **Legislative Authority**

The primary legislation which governs and explicitly authorises the Government to borrow is the Finance Administration Act (FAA) 2004(No 28 of 2004). The Act authorises the Minister of Finance when authorised by resolution of the House of Assembly to borrow money in a financial year “to meet current requirements from a bank or other financial institution by means of advances to an amount not exceeding in the aggregate the sum specified in the resolution.” The current limit on short term<sup>1</sup> borrowing is EC\$75.0m.

*The Treasury Bills Act Cap 320* governs the issuance of the T-bills within St. Vincent and the Grenadines. The Act authorizes the Minister of Finance to borrow money by the issue of treasury bills. Further the Minister may direct that the treasury bills be issued by the Accountant General or by a financial institution outside St. Vincent and the Grenadines. Section 3 (4) of the Treasury Bills Act provides that the principal sum of T-bills outstanding at any one time, shall not exceed 15.0 per cent of the estimated annual revenue of St. Vincent and the Grenadines for the current financial year.

In relation to the authority to borrow from multilateral the Caribbean Development Bank Loans Act covers all loans from the CDB and the International Financial Organisations Act (1980) authorises the Minister of Finance to sign agreements with the World Bank and the International Monetary Fund. Similar acts authorising borrowing from other multilaterals also exist including OPEC Fund for International Development. There is no

Act that limits the amount that can be borrowed by the government

The Government Guarantee of Loans Act 1984 gives government the authority to guarantee loans by lending agencies to corporations. The current limit specified for all guarantees issued by government is EC\$300.0m.

### **Debt Projections**

Total Public Debt is projected to increase in 2010 to around 76% of GDP from 73% of GDP in 2009. The increase is projected to be driven by new borrowings in the external market for the 2010 Public Sector Investment Programme. Additionally, disbursements from the second tranche of the Policy Based Loan and ongoing projects including the education sector projects are expected to increase the debt. By 2013 the total public debt as a percentage of GDP is projected to decrease as prospects for growth increases.

### **DEBT STRATEGY 2010 -2013**

The main risks that the government faces with respect to the public debt portfolio are interest rate risk, exchange rate risk, refinancing risk and liquidity risk.

Interest rate risk refers to the risk that developments in interest rate will lead to higher borrowing costs. The concept also covers refinancing risk, which is the risk that existing debt will have to be refinanced at a time when market conditions are unfavourable. Exchange rate risk is the risk that the value of the debt will increase as a consequence of development in the international markets for foreign currency.

The government aims to minimize all of these risks by adopting appropriate policies and most importantly by controlling the size of the debt itself and the cost of servicing the debt. The table below summarizes the main type of risk and the strategy for these risks.

#### **Type of Risk**

#### **Management of Risk**

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1. Liquidity and Refinancing Risk

- Prepare annual cash flow and borrowing plans and monitor on a

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<sup>1</sup> The limit for short term borrowing excludes Treasury Bills

- 
- monthly basis
  - Minimize the proportion of short-term debt
  - Smooth the maturity profile
  - Maintain fiscal reserves
2. Interest Rate Risk
- Avoid floating interest rate debt as far as possible
  - Minimize bunching of loan repayments through the use of sinking funds and reducing debt instruments.
3. Foreign Exchange Risk
- As far as possible raise all debts in domestic currency or US dollars. Limit non EC/US dollars external debt to 20 percent of total external debt
  - Use hedging where feasible.

### **Medium Term Strategy**

Over the medium-to-long-term Government aims to restrict the public debt to no more than 75% of GDP which is the level which we consider to be sustainable for St. Vincent and the Grenadines. In determining this debt level we considered several factors including cost of debt servicing and the ratio of revenue collection to GDP. In order to attain this target the following strategies will be adopted:-

1. Establishing strict limits on the contraction of new debts and ensuring that the projects to be financed are feasible in terms of their contribution to economic development and poverty reduction.
2. Reducing operational losses of public enterprise. In this regard, Government has established a Monitoring Committee on Public Enterprises, headed by the Prime Minister, to monitor the performances of all public enterprises. The Ministry of Finance and Economic Planning has delegated an officer for direct liaison and monitoring of public enterprises. Additionally the Government has restructured its Consolidated Overdraft loan to accommodate the assumption of a portion of non-performing loans by Public Enterprises.
3. Issue all Government Securities on the Regional Government Securities Market (RGSM)

4. Contraction of new debt would be concessionary from multinational and bilateral creditors.

## **XII. MONEY AND CREDIT**

Monetary liabilities (M2) expanded by 0.4 percent to \$1,075 during 2009 compared with growth of 1.4, largely reflecting an increase in quasi money. Quasi money grew by 4.3 percent (\$30.0m), associated with increases in private sector time deposits (6.6 percent) and savings deposits (30.2 percent). Those increases more than offset an 18.5 percent decline in private sector foreign currency deposits. The narrow measure of the money supply fell by 7.0 percent (\$26.2m), primarily on account of a 21.2 percent decline in currency with the public.

The counterpart to the expansion in M2 was a 4.4 percent increase to \$1029.2m in domestic credit, reflecting growth in net credit to the central government and in private sector credit. The net indebtedness of the central government to the banking system rose by 17.8 percent to \$127.6m. Private sector credit increased by 1.8 percent, as growth in household credit more than offset a 6.1 percent decline in loans to businesses. The net foreign assets of the banking system decreased by 6.2 percent to \$361.3m during 2009 in contrast to growth of 9.2 percent during 2008.

The composition of credit by economic activity shows a general decrease in outstanding loans by 3.1 percent. The increase in lending for manufacturing was offset by decreases for construction, tourism and personal activities which was consistent with the contraction in the economy.

The net foreign assets of the banking system increased by 9.2 percent to \$384.9m during 2008, in contrast to a fall of 17.7 percent one year earlier. The increase largely reflected growth in the commercial banks' net foreign assets (34.5 percent), mainly those held with banks and institutions in the other ECCB territories. St Vincent and the Grenadines imputed share of the Central Bank's reserves fell by 3.8 percent to \$223.9m.

Liquidity in the commercial banking system remained at a high level during 2008. The ratio of liquid assets to total deposits plus liquid liabilities was virtually unchanged at 41.5 percent. The ratio of loans and advances to total deposits was 87.2 percent, approximately 3.2 percentage points above the level at the end of 2007.

The interest rate spread between deposit and lending rates widened marginally to 6.84 percent from 6.83 percent at the end of 2007. The weighted average interest rate on deposits was 2.76 percent, representing a decline of 3.0 basis points, and that on loans fell by 2.0 basis points to 9.60 percent.

### **XIII. MONEY TRANSFER COMPANIES**

Money Transfer business is governed by the Money Services Business Act No. 27 of 2005. The Ministry of Finance/Supervisory and Regulatory Division is responsible for the general administration of this Act and the supervision of these operations.

“Money services business” includes (a) the business of providing (i) transmission of money or monetary value in any form, (ii) check cashing, (iii) currency exchange, (iv) issuance or sale of money orders or traveler’s checks; and (v) any other services that may be specified by notice published in the Gazette; or (b) the business of operating as agents for money transfer business and their principals.

The following companies currently act as agents for money transfer businesses and their principals:

- Grace Kennedy Money Transfer—Western Union
- Going Places Money Transfer—MoneyGram
- RBTT Bank Caribbean Limited Money Transfer Business—MoneyGram
- St Vincent Building and Loan Association Money Transfer—Jamaica National Money Transfer Services
- Postal Corporation - MoneyGram

### **XIV. INSURANCE SECTOR**

The insurance business in St. Vincent and the Grenadines is governed by the Insurance Act No. 45 of 2003, which came into operation on January 01, 2004 and the Motor Vehicle Insurance (Third Party Risk) Act No. 4 of 2003. The Supervisor of Insurance is responsible for the general administration of the Insurance Act and the general protection of policy-holders. There are 22 insurance companies, including 9 long-term insurance companies and 13 motor and general

insurance companies. The names of these insurance companies are as follows:

#### Long-term Insurance companies

- American Life Insurance Co. (ALICO)
- British American
- CLICO International Life
- Colonial Life
- Demerara Mutual Life Assurance Society Ltd.
- Guyana and Trinidad Mutual Life
- Guardian Life of the Caribbean
- Sagicor Capital Life
- Sagicor Life

#### Motor and General Insurance Companies

- The Beacon Insurance Company
- Caribbean Alliance
- Guardian General Insurance
- CLICO International General
- Great Northern Insurances
- Gulf Insurance
- Guyana and Trinidad Fire & General
- Island Heritage
- Metrocint General
- St Hill Insurance Co.Ltd.
- St. Vincent Insurances
- United Insurance
- West Indian Insurance

The Insurance sub-sector is mainly made up of branches/agencies of CARICOM based insurance companies. There are also five locally incorporated companies. The Insurance laws and Regulations apply equally to both domestic and foreign companies. The government in collaboration with the ECCB and other regional leaders is coordinating information sharing and

Most recent estimates show that the total assets in the insurance market increased by 20.6 per cent during 2008 to total EC\$405.6million, while liabilities amounting to EC\$379.6 million moved in tandem.

Gross premiums including annuities increased by 7.6 per cent to EC\$146.5 million. In the long-term insurance sub-sector, three companies controlled 92.7per cent of the market when ranked by their gross premium. On the other hand, seven companies in the motor and general market controlled 74.2per cent when ranked by gross premium.

Insurance penetration (premium as a percentage of GDP) moved from 6.7per cent in 2002 to 9.1per cent in 2008. Motor and general remained relatively flat at approximately 4.0per cent of GDP while long-term insurance continuously fluctuated to 5.7 per cent of GDP in 2008. During the year, reinsurance for short-term insurance business amounted to EC\$28.6 million.

In the short-term insurance segment of the industry, the loss ratios (claims paid by the company to premiums received) increased from18.0per cent in 2007 to 21.6per cent in 2008 with seven companies averaging above the market. The loss ratio for the long-term insurance sector improved during 2008 moving from 63.4per cent in 2007 to 53.0per cent in 2007. Net claims in the industry amounted to EC\$60.6 million, down by 2.5per cent from 2007. The industry's statutory deposits held by the supervisor of insurance during the year amounted to EC\$26.4million.

## **XV. MONEY LAUNDERING AND ILLICIT ACTIVITIES**

The Financial Intelligence Unit (FIU) was established in May 2002, in accordance with the Financial Intelligence Unit Act of 2001. The functions of the FIU include:

1. receipt and analysis of suspicious transaction reports that are required to be made under the Proceeds of Crime and Money Laundering (Prevention) Act, Act No. 39 of 2001;
2. collection of information from financial institutions and other relevant bodies for the purpose of investigating relevant offences;

3. investigation of relevant offences;
4. dissemination of information;
5. international cooperation in the exchange of financial information;
6. awareness raising and education of financial and business institutions on their obligations to detect, prevent and deter money laundering and associated offences.

The FIU works in close partnership with other national agencies to ensure that the country has a comprehensive anti-money laundering system that identifies and effectively addresses suspected illegal activity. The Government has used the establishment of the FIU as a means of monitoring money laundering and has made important legislative changes to bring the anti money laundering laws in line with international best practices. In 2009 the IMF conducted an extensive evaluation of the anti-money laundering and counter financing of terrorism regime for St. Vincent and the Grenadines. The assessors reviewed the institutional frameworks, the relevant laws, regulations, guidelines and other requirements and systems in place to deter and punish money laundering.

## **XVI. BANKING AND FINANCIAL INSTITUTIONS**

### **Overview**

The financial sector in St. Vincent and the Grenadines consists of four banks (one locally incorporated bank, the National Commercial Bank (SVG) Ltd which is state-owned, as well as branches of three foreign banks including First Caribbean International, RBTT Bank and Bank of Nova Scotia), two non-bank financial institutions, several credit unions, a Building and Loan Society (**BLS**) and insurance companies.

All of the above institutions are regulated either by the ECCB, the Ministry of Finance and Planning and in the case of the credit unions the Corporative Division. The Money Services Business Act, which became operational in April 2006, has improved accounting and registration of money transfer institutions.

The Government is currently undertaking a financial sector reform programme that is designed to enhance the regulation and supervision of its financial sector with the ultimate objective of bringing the regulatory and supervisory functions in line with international best practices. This was largely prompted by the financial sector turbulence within the ECCU including the collapse

of the CL Financial Group and a run on deposits of the Bank of Antigua. In this regard the government has been working with the ECCB and other ECCU governments in fostering the establishment of a modern, highly sophisticated and efficiently regulated financial system.

The experiences of CL Financial Group and the British American Insurance Company (BAICO) highlighted the need for continuous upgrade of our regulatory framework, especially with respect to non-bank financial institutions (NBFIs). The new framework will include a shift from a solvency approach for insurance regulation to a risk-based approach. Accordingly, the Supervisory and Regulatory Division established in 2009 in the Ministry of Finance and Planning to oversee the regulation and supervision of the insurance companies, the BLS, the money transfer operations, and ultimately credit unions will enhance its surveillance of NBFIs.

Judicial Managers were appointed in all BAICO branches in the ECCU to exercise full control of management of branches and to report to the High Court. The Report of the Judicial Manager has been accepted by the High Court in St. Vincent and the Grenadines as well as the other ECCU member territories and funding has already been mobilized for a new entity to replace BAICO.

### **Offshore Banks**

Government remains committed to the further development of the International Financial Services Sector as a viable component of its economic diversification thrust. Accordingly, efforts will continue to offer top quality products and services which are in compliance with best international practices and plans are apace to strengthen the regulatory and supervisory capacity of IFSA to promote soundness and integrity of the sector.

To achieve this goal, measures will be adopted to ensure that IFSA promotes efficiency in its licensing and processing of applications, and that IFSA's technological capacity is modernized. IFSA will also forge relationships with international agencies and regulatory authorities to capitalize on opportunities for sharing of expertise and for institutional development. Accordingly, IFSA is preparing for the upcoming mutual evaluation of the entire Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) regime to be conducted by the International Monetary Fund and would assess St. Vincent and the Grenadines' regime against the Financial Action Task Force "Forty Plus Nine Recommendations" on AML/CFT.

## Foreign Exchange and International Reserves

St. Vincent and the Grenadines and the ECCB have adopted a fixed exchange rate regime whereby exchange rates for the sale of EC dollars into other currencies are determined by the ECCB. Since 1976, the EC dollar has been pegged to the U.S. dollar at a rate of EC\$2.70 to U.S.\$1.00.

## XVII. CURRENT ISSUES OF GOVERNMENT SECURITIES.

As at March 31, 2010, the Government's outstanding securities traded on the Regional Government Securities Market are listed hereunder:

### 1. TREASURY BILLS

- **Issues Outstanding** Issue \$60.0M
- **Type of Issue** Government of St Vincent and The Grenadines Treasury Bills
- **Maturity in days** 91 days
- **Date of Issues** Every 91 days
- **Discount rate** N/A
- **Yields** Weighted Avg. 5.82per cent
- **Discount Price** \$98.54 – \$98.54

### 2. BONDS

#### *VCG 100814*

- **Amount Outstanding** \$30.0 m
- **Type of Issue** St Vincent and The Grenadines Development Bonds
- **Original Maturity** 10 years
- **Remaining Maturity** 6 years
- **Date of subscription** August 2004,
- **Redemption Date** August 2014,
- **Coupon Rate** 7.0 per cent
- **Amount offered for sale** \$30.0 Million

#### *VCG 100816*

- **Amount Outstanding** \$26.0 M

- **Type of Issue** St Vincent and The Grenadines Development Bonds
- **Original Maturity** 10 years
- **Remaining Maturity** 8 years
- **Date of subscription** August 2006
- **Redemption Date** August 2016
- **Coupon Rate** 7.5per cent
- **Amount offered for sale** \$40.0M

***VCG 100917***

- **Amount Outstanding** \$22.5M
- **Type of Issue** St Vincent and The Grenadines Development Bonds
- **Original Maturity** 10 years
- **Remaining Maturity** 8. 5Years
- **Date of subscription** September 2007
- **Redemption Date** September 2017
- **Coupon Rate** 7.5per cent
- **Amount offered for sale** \$30.0M

***VCG 070316***

- **Amount Outstanding** \$11.4M
- **Type of Issue** St Vincent and The Grenadines Development Bonds
- **Original Maturity** 7 years
- **Remaining Maturity** 6 years
- **Date of subscription** March 2009
- **Redemption Date** March 2016
- **Coupon Rate** 8.0 percent
- **Amount offered for sale** \$15.0M

***VCG 0316AA***

- **Amount Outstanding** \$12.9M
- **Type of Issue** St Vincent and The Grenadines Development Bonds
- **Original Maturity** 7 years
- **Remaining Maturity** 6 years
- **Date of subscription** April 2009

- **Redemption Date** April 2016
- **Coupon Rate** 8.0 percent
- **Amount offered for sale** \$15.0M

***VCG 0316AB***

- **Amount Outstanding** \$14.3M
- **Type of Issue** St Vincent and The Grenadines Development Bonds
- **Original Maturity** 7 years
- **Remaining Maturity** 6 years
- **Date of subscription** May 2009
- **Redemption Date** May 2016
- **Coupon Rate** 8.0 percent
- **Amount offered for sale** \$16.7M

**XVIII SECURITY ISSUANCE PROCEDURES, CLEARING AND SETTLEMENT, REGISTRATION OF OWNERSHIP AND SECONDARY MARKET ACTIVITY**

The Treasury bills will be issued and listed on the Regional Government Securities Market (RGSM). This market operates 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 auctions.

The ECSE, through the Eastern Caribbean Central Securities Depository (ECCSD), is responsible for facilitating clearance and settlement for securities allotted. The ECCSD ensures that funds are deposited to the issuing government's account. The ECSE, through the Eastern Caribbean Central Securities Registry (ECCSR), records and maintains ownership of government securities in electronic book-entry form. The ECCSR mails 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 are responsible for interfacing with prospective investors, collecting applications for subscription and processing the same for bidding on the ECSE platform. Investors must provide the intermediaries with funds to cover the cost of the transaction. For this particular offering, the government will pay the intermediaries for costs related to the issue. A list of licensed intermediaries is provided in Appendix 1. Clients that are successful will be informed of their payment obligations and funds deducted from their respective accounts with the intermediary.

As an issuer in the RGSM, the Government of St Vincent and the Grenadines 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 – LIST OF LICENSED INTERMEDIARIES**

<b>INSTITUTION</b>	<b>CONTACT INFORMATION</b>	<b>ASSOCIATED PERSONS</b>
<b>Anguilla</b>		
<i>National Bank of Anguilla Ltd</i>	P O Box 44 The Valley  <b>Tel: 264-497 2101</b> Fax: 264-497 3870 / 3310 Email: <a href="mailto:nbabankl@anguillanet.com">nbabankl@anguillanet.com</a>	<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  Tel: 268 480 2837 / 2824 Fax: 268 480 2765 Email: <a href="mailto:abibsec@candw.ag">abibsec@candw.ag</a>	<b>PRINCIPALS</b> Casroy James Carolyn Philip  <b>Representative</b> Laura Abraham
Antigua Commercial Bank Ltd.	ACB Financial Centre P O Box 95 St John's  Tel: 268 481 4200 Fax: 268 481 4158/ 4313 Email: <a href="mailto:acb@candw.ag">acb@candw.ag</a>	<b>PRINCIPAL</b> Peter N Ashe  <b>Representative</b> Sharon Nathaniel
<b>Dominica</b>		
National Mortgage Finance Company of Dominica Ltd. (NMFC)	64 Hillsborough Street  ROSEAU  Tel: 767 448 4401 / 4405 Fax: 767 448 3982 Email: <a href="mailto:customersupport@nbd.dm">customersupport@nbd.dm</a>	<b>Principal</b>  Caryl Phillip-Williams Linda Toussaint-Peter Curtis Clarendon  <b>Representatives</b> Joel Denis

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
<b>Grenada</b>		
Republic Finance and Merchant Bank Ltd. (FINCOR)	2 <sup>nd</sup> Floor, Republic Bnak Grenada Ltd Bldg Melvin Street St George's  Tel: 473 444 1875 Fax: 473 444 1879 Email: <a href="mailto:fincorec@spiceisle.com">fincorec@spiceisle.com</a>	<b>Principal</b> Wilma Williams  <b>Representative</b> Sharlene Thomas Helena Oliver-Scott
<b>St Kitts and Nevis</b>		
St Kitts Nevis Anguilla National Bank Ltd.	P O Box 343 Central Street Basseterre  Tel: 869 465 2204 Fax: 869 465 1050 Email: <a href="mailto:national_bank@sknab.com">national_bank@sknab.com</a>	<b>Principals</b> Winston Hutchinson Anthony Galloway  <b>Representatives</b> Marlene Nisbett Petronella Edmeade-Crooke
The Bank of Nevis Ltd.	P O Box 450 Main Street Charlestown  Tel: 869 469 5564 / 5796 Fax: 869 469 5798 E mail: <a href="mailto:info@thebankofnevis.com">info@thebankofnevis.com</a>	<b>Principal</b> Kevin Huggins  <b>Representatives</b> Lisa Jones Vernesia Walters Kelva Merchant
<b>St Lucia</b>		
ECFH Global Investment Solutions Limited	5 <sup>th</sup> Floor, Financial Centre Building 1 Bridge Street Castries  Tel: 758 456 6826 / 457 7233 Fax: 758 456 6733 E-mail : <a href="mailto:capitalmarkets@ecfglobalinvestments.com">capitalmarkets@ecfglobalinvestments.com</a>	<b>Principals</b> Carla Morton-Campbell Beverley Henry Donna Matthew  <b>Representatives</b> Dianne Augustin Lawrence Jean

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
Caribbean Money Market Brokers Ltd. (CMMB St Lucia)	9 Brazil Street Castries  Tel: 758 450 2662 Fax: 758 451 7984 Email: <a href="mailto:stlucia@mycmmb.com">stlucia@mycmmb.com</a>	<b>Principals</b> Carole Eleuthere-Jn Marie Sharmaine Rosemond  <b>Representative</b> Anderson Soomer
<i>St Vincent and The Grenadines</i>		
National Commercial Bank (SVG) Ltd.	P O Box 880 Cnr. Bedford and Grenville Streets Kingstown  Tel: 784 457 1844 Fax: 784 456 2612/ 451 2589 Email: <a href="mailto:natbank@svgnb.com">natbank@svgnb.com</a>	<b>Principals</b> Keith Inniss Jeffrey Ledger  <b>Representatives</b> Patricia John Rashida Stephens
<i>Trinidad and Tobago</i>		
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: <a href="mailto:info@mycmmb.com">info@mycmmb.com</a>	<b>Representative</b> Vishwatee Jagroop

## APPENDIX II – Central Government Fiscal Operations

	2005	2006	2007	2008	2009
	<i>EC\$ Millions</i>				
<b>Current Revenue</b>	333.6	396.4	433.3	489.5	461.3
<b>Tax Revenue</b>	304.8	363.0	402.4	447.9	428.0
<b>Taxes on Income &amp; Profits</b>	89.8	98.8	103.6	110.4	110.6
Of Which:					
Individual	41.1	49.3	54.3	55.9	57.9
Company Tax	44.4	43.5	43.1	46.7	44.8
<b>Taxes on Property</b>	2.5	2.6	2.5	2.2	2.7
<b>Taxes on Domestic Goods &amp; Services</b>	52.2	74.2	102.2	119.0	104.8
Of Which:					
Stamp Duty	21.0	38.2	28.0	29.2	18.9
Consumption Duties	6.4	7.2	3.6	0.0	0.0
Hotel Turnover Tax	6.8	7.5	6.1	0.0	0.0
VAT			31.5	67.3	64.3
<b>Taxes on Int'l Trade &amp; Transaction</b>	141.9	163.2	167.7	188.6	187.9
Of Which:					
Import Duty	32.4	35.1	43.3	45.6	44.8
Consumption Tax	80.0	94.2	32.0	0.5	0.0
Customs Service Charge	22.3	26.1	28.7	30.8	31.0
VAT			55.5	86.0	78.2
<b>Licences</b>	18.4	24.2	26.4	27.3	22.0
<b>Non-Tax Revenue</b>	28.8	33.4	30.9	41.6	33.3
<b>Current Expenditure</b>	325.0	356.2	378.2	430.8	465.5
<b>Personal Emoluments &amp; Wages</b>	158.9	171.3	188.9	206.8	212.0
<b>Interest Payments</b>	36.1	43.2	44.7	46.8	48.2
Domestic	16.6	20.2	23.4	23.8	25.7
External	19.5	23.0	21.3	23.0	22.6
<b>Transfers &amp; Subsidies</b>	60.5	65.2	69.9	86.2	119.8
<b>Other Goods &amp; Services</b>	69.5	76.5	74.7	91.0	85.6
<b>Current Balance</b>	8.6	40.2	55.1	58.6	-4.2

### APPENDIX III – Central Government Fiscal Operations (% growth)

	2005	2006	2007	2008	2009
	<i>in percentages</i>				
<b>Current Revenue</b>	2.7	18.8	9.3	11.6	-5.8
<b>Tax Revenue</b>	4.8	19.1	10.9	9.8	-4.6
<b>Taxes on Income &amp; Profits</b>	11.7	10	4.9	6.6	0
Of Which:					
Individual	6.8	20	10.1	2.9	3.5
Company Tax	18.4	-2	-0.9	8.4	-4
<b>Taxes on Property</b>	0	4	-3.8	-12	23.1
<b>Taxes on Domestic Goods &amp; Services</b>	0.2	42.1	37.7	16.4	-12.2
Of Which:					
Stamp Duty	0.5	81.9	-26.7	4.3	-35
Consumption Duties	-14.7	12.5	-50	-100	
Hotel Turnover Tax	33.3	10.3	-18.7	-100	
VAT				113.7	-4.9
<b>Taxes on Int'l Trade &amp; Transaction</b>	2.8	15	2.8	9.2	-0.4
Of Which:					
Import Duty	9.8	8.3	23.4	1.4	-1.6
Consumption Tax	-2.2	17.8	-66	-98.4	-100
Customs Service Charge	7.2	17	10	4.2	0.6
VAT				50.3	-9.1
<b>Licences</b>	3.4	31.5	9.1	3.4	-19.5
<b>Non-Tax Revenue</b>	-15.3	16	-7.5	34.6	-19.9
<b>Current Expenditure</b>	10.3	9.6	6.2	13.9	8
<b>Personal Emoluments &amp; Wages</b>	8.9	7.8	10.3	9.5	2.5
<b>Interest Payments</b>	30.8	19.7	3.5	4.7	2.9
Domestic	24.8	21.7	15.8	1.7	7.4
External	36.4	17.9	-7.4	8	-1.9
<b>Transfers &amp; Subsidies</b>	15.5	7.8	7.2	23.3	39
<b>Other Goods &amp; Services</b>	1.2	10.1	-2.4	21.8	-5.9
<b>Current Balance</b>	-71.6	367.4	37.2	-4.2	-107.1

**APPENDIX IV– GDP Growth Rate by Sector**

<b>SECTOR</b>	2005	2006	2007	2008	2009
Agriculture	<b>-3.95</b>	<b>7.23</b>	<b>12.72</b>	<b>-6.53</b>	<b>5.69</b>
Crops	-2.75	7.41	11.59	-0.53	1.35
Bananas	-14.44	-13.84	5.83	-11.12	-7.50
Other	1.42	13.79	12.90	1.73	3.00
Livestock	1.90	2.07	2.87	2.00	2.00
Forestry	1.00	1.05	1.03	1.02	1.00
Fishing	-13.11	11.68	26.59	-34.78	35.00
Mining & Quarrying	2.78	11.35	14.08	1.70	-8.50
Manufacturing	1.56	2.97	1.08	-9.70	-6.00
Electricity & Water	8.45	1.82	4.94	-0.87	3.40
Electricity	9.25	1.54	5.45	-1.00	3.00
Water	0.23	5.00	-0.65	0.65	8.00
Construction	0.41	11.41	14.40	1.43	-8.50
Wholesale & Retail Trade	4.44	6.79	4.75	-1.52	-6.50
Hotels & Restaurants	9.49	1.32	1.70	-2.70	-8.00
Transport	-0.71	17.51	11.47	-8.15	3.30
Road Transport	-0.85	17.89	13.86	-8.14	4.50
Sea Transport	3.05	18.27	13.03	-8.12	1.50
Air Transport	-7.30	12.53	-13.30	-8.41	-5.00
Communications	-1.11	10.34	12.42	5.08	-2.00
Banks & Insurance	10.36	5.82	6.80	-2.97	2.73
Banks	2.62	6.09	6.19	-4.61	4.00
Insurance	45.09	4.98	8.77	2.18	-1.00
Real Estate & Housing	1.50	1.98	3.04	1.48	1.27
Government Services	5.27	4.26	3.67	8.98	3.00
Other Services	10.00	3.47	5.03	5.00	2.00
Less Imputed Service Charge	6.53	9.26	6.14	-4.66	4.00
<b>TOTAL</b>	<b>2.58</b>	<b>7.64</b>	<b>8.02</b>	<b>-0.59</b>	<b>-1.11</b>

**2008 – revised; 2009 - estimated**

*Source: St. Vincent and the Grenadines Statistical Office/ECCB*

## APPENDIX V BALANCE OF PAYMENTS

	2003	2004	2005	2006	2007	2008
	<i>EC\$ Millions</i>					
<b>Current Account</b>						
Goods and Services						
Goods						
Merchandise	-373.1	-436.6	-463.8	-542.2	-647.7	-682.7
Repair on goods	-	0.0	0.0	0.0	0.0	0.0
Carrier goods procured in ports	4.0	5.4	5.3	6.2	8.9	9.2
Total	-369.1	-431.2	-458.5	-535.9	-638.7	-673.5
Services						
Transportation	-54.4	-57.9	-64.1	-71.6	-91.2	-91.9
Travel	212.1	219.4	240.3	263.4	245.7	191.0
Insurance Services	-12.3	-13.9	-15.2	-16.2	-20.8	-21.9
Other Business Services	43.7	52.1	64.7	62.6	18.1	35.9
Government Services	-5.0	-5.3	-13.3	-15.7	-23.6	-23.5
Total	184.1	194.4	212.4	222.5	128.2	89.6
Total Goods and Services	-185.1	-236.8	-246.1	-313.5	-510.5	-583.9
Income						
Employee Compensation	1.6	1.8	1.3	8.5	15.8	16.2
Investment Income	-66.0	-78.8	-73.5	-73.8	-72.2	-71.9
Total	-64.3	-77.0	-72.3	-65.3	-56.4	-55.7
Current Transfers						
General Government	-2.7	-1.0	-0.9	15.7	22.8	22.3
Other Sectors	37.6	39.1	49.7	38.7	31.7	32.6
Total	34.8	38.1	48.7	54.4	54.4	54.9
<b>Total Current Account</b>	<b>-214.6</b>	<b>-275.7</b>	<b>-269.5</b>	<b>-324.3</b>	<b>-512.4</b>	<b>-584.7</b>
<b>Capital and Financial Account</b>						
<i>Capital Account</i>						
Capital Transfers	38.8	51.1	38.4	22.0	204.0	109.9
<i>Financial Account</i>						
Direct Investment	148.9	177.4	108.1	294.7	296.5	326.6
Portfolio Investment	55.9	89.6	-22.2	33.8	-21.7	-10.3
Other Investments						
Public Sector Long Term	-7.0	4.6	44.2	-33.4	-6.8	
Other Public Sector Capital	3.7	2.3	25.7	23.1	11.2	
Commercial Banks	-46.1	-49.3	-17.6	26.2	98.2	-41.3
Other Assets	-47.3	-23.4	14.9	-56.9	-38.4	-8.9
Other Liabilities	24.1	19.5	16.7	16.8	-81.6	67.6
Total	-72.6	-46.3	83.9	-24.2	-17.4	
Total	132.3	224.6	169.8	304.2	303.4	465.4
<b>Total Capital and Financial Account</b>	<b>171.0</b>	<b>271.8</b>	<b>208.3</b>	<b>326.2</b>	<b>507.4</b>	<b>575.3</b>
<b>Overall Balance</b>	<b>-1.3</b>	<b>68.6</b>	<b>-7.8</b>	<b>32.7</b>	<b>-5.0</b>	<b>-9.4</b>
<b>Financing</b>	1.3	-68.6	7.8	-32.7	5.0	9.4
Change in Government Foreign Assets	-4.2	-4.5	-6.8	-8.0	27.2	0.6
<b>SUMMARY</b> Change in Imputed Reserves	5.5	-64.2	14.6	-24.7	-22.3	8.8

APPENDIX VI - Selected Public Debt Indicators

	2005	2006	2007	2008 <sup>R</sup>	2009 <sup>P</sup>
	<i>EC\$ Millions</i>				
<b>Public Debt</b>					
External Debt					
Central Government	583.9	575.9	413.8	464.0	484.32
Public Corporations	50.5	81.0	98.1	102.0	94.87
Total	634.4	656.9	511.9	566.0	579.19
<b>Domestic Debt</b>					
Central Government	272.9	338.61	352.56	339.00	408.87
Public Corporations	65.90	59.19	126.9	167.60	165.55
Total	338.8	397.8	479.46	506.60	574.42
<b>Total Public Debt</b>	<b>973.2</b>	<b>1064.7</b>	<b>991.4</b>	<b>1073.8</b>	<b>1153.61</b>
<b>Debt Servicing</b>					
External					
Central Government	52.8	62.1	61.2	66.21	70.73
Public Corporations	1.6	2.5	6.1	8.5	10.4
Total	54.4	64.6	67.3	70.71	81.13
Domestic					
Central Government	32.59	40.1	31.9	41.0	48.15
(of which sinking fund)	11.83	11.8	9.0	5.2	6.0
GDP (at market price)	1182	1330	1484	1570	1565
Current Revenue	333.57	393.46	430.4	489.468	461.275
Total Debt as% of GDP	82.3	80.1	66.81	68.4	73.8
Central Government Debt Service/Current Revenue	25.6	26	21.6	21.9	25.7

Source: Ministry of Finance

**R – revised**

**P - preliminary**