



**PROSPECTUS**  
**FOR A BOND ISSUE OF EC\$45 MILLION**  
**BY THE GOVERNMENT OF**  
**ST. VINCENT AND THE GRENADINES**

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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  
Mrs. Ingrid Fitzpatrick, Accountant General  
Ms. Deidre Anthony, Debt Manager

**Date of Publication:** March 2009

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

**Purpose of Issue:** To finance the Public Sector Investor Programme (PSIP) of the Government

**Amount of Issue:** XCD45.0 million

**Legislative Authority:** The Public Sector Investment Act No. 2 Act No 52 of 2007

*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 BOND ISSUE

The Government of St. Vincent and the Grenadines (GOVSVG) proposes to issue a seven year forty-five million Eastern Caribbean dollars (45,000,000.00) Bond . The Bond will be issued in three tranches of EC\$15,000,000.00 each. The proceeds of this issue will be used to finance the Public Sector Investor Programme (PSIP) of the government.

### Tranche 1

- a. The maximum coupon payable on the Bond will be 8% per annum
- b. The first tranche of EC\$15.0 million will be auctioned on March 11, 2009
- c. The Bond will be settled on March 12,
- d. The maturity date of the Bond will be March 10 , 2016 consistent with the maturity terms of the Bond issue
- e. No taxes are payable on the Bond
- f. Interest coupon and principal payments will be payable semi-annually on March 11 and September 11 starting September 11 2009. Principal will be repaid in fourteen (14) equal semi-annual. Interest will be calculated based on the reducing balance.
- g. The Bond is being issued under the authority of the Public Sector Investment Loan (No. 2) Act No 52 of 2007. Under the Constitution the interest and principal payments are direct charges on the Consolidated Fund of St. Vincent and the Grenadines
- h. The Government of St. Vincent and the Grenadines has been assigned a rating of B1 by Moody's Investor Services.
- i. The Bonds will be issued on the Regional Government Securities Market (RGSM) and traded on the Eastern Caribbean Securities Exchange (ECSE).
- j. The method of issue will be a fixed priced auction bond with closed bidding.
- k. The minimum bid quantity is \$5,000.00
- l. The bid multiplier will be set at \$1,000
- m. The Trading Symbol shall be VCG070316,
- n. Each investor will be allowed one bid with the option of increasing the amount being tendered for, up until the close of the bidding period
- o. The bidding period will be opened at 9:00 a.m. on March 11 and will close at 12:00 noon on March 11.
- p. Investors can participate in the issue through the services of any of the Licensed Intermediaries

## **Tranche 2**

- a. The maximum coupon payable on the Bond will be 8% per annum
- b. The Second tranche of EC\$15.0 million will be auctioned on April 15, 2009
- c. The Bond will be settled on April 16, 2009,
- d. The maturity date of the Bond will be March 10 , 2016 consistent with the maturity terms of the Bond issue
- e. No taxes are payable on the Bond
- f. Interest coupon and principal payments will be payable semi-annually on March 11 and September 11 starting September 11 2009. Principal will be repaid in fourteen (14) equal semi-annual payments. Interest will be calculated based on the reducing balance.
- g. The Bond is being issued under the authority of the Public Sector Investment Loan (No. 2) Act No 52 of 2007. Under the Constitution the interest and principal payments are direct charges on the Consolidated Fund of St. Vincent and the Grenadines
- h. The Government of St. Vincent and the Grenadines has been assigned a rating of B1 by Moody's Investor Services.
- i. The Bonds will be issued on the Regional Government Securities Market (RGSM) and traded on the Eastern Caribbean Securities Exchange (ECSE).
- j. The method of issue will be a fixed priced auction bond with closed bidding.
- k. The minimum bid quantity is \$5,000.00
- l. The bid multiplier will be set at \$1,000
- m. The Trading Symbol shall be VCG0316AA,
- n. Each investor will be allowed one bid with the option of increasing the amount being tendered for, up until the close of the bidding period
- o. The bidding period will be opened at 9:00 a.m. on April 15 and will close at 12:00 noon on April 15.
- p. Investors can participate in the issue through the services of any of the Licensed Intermediaries

### **Tranche 3**

- a.** The maximum coupon payable on the Bond will be 8% per annum
- b.** The third tranche of EC\$15.0 million will be auctioned on May 14, 2009
- c.** The Bond will be settled on May 15, 2009
- d.** The maturity date of the Bond will be March 10 , 2016 consistent with the maturity terms of the Bond issue
- e.** No taxes are payable on the Bond
- f.** Interest coupon and principal payments will be payable semi-annually on March 11 and September 11 starting September 11 2009. Principal will be repaid in fourteen (14) equal semi-annual payments. Interest will be calculated based on the reducing balance.
- g.** The Bond is being issued under the authority of the Public Sector Investment Loan (No. 2) Act No 52 of 2007. Under the Constitution the interest and principal payments are direct charges on the Consolidated Fund of St. Vincent and the Grenadines
- h.** The Government of St. Vincent and the Grenadines has been assigned a rating of B1 by Moody's Investor Services.
- i.** The Bonds will be issued on the Regional Government Securities Market (RGSM) and traded on the Eastern Caribbean Securities Exchange (ECSE).
- j.** The method of issue will be a fixed priced auction bond with closed bidding.
- k.** The minimum bid quantity is \$5,000.00
- l.** The bid multiplier will be set at \$1,000
- m.** The Trading Symbol shall be VCG0316AB,
- n.** Each investor will be allowed one bid with the option of increasing the amount being tendered for, up until the close of the bidding period
- o.** The bidding period will be opened at 9:00 a.m. on May 14 and will close at 12:00 noon on May 14.
- p.** Investors can participate in the issue through the services of any of the Licensed Intermediaries

**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
- 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\$45 million through the issuance of a seven-year Bond to be issued on the Regional Government Securities Market. The proceeds of this issue will be used to finance the Public Sector Investor Programme (PSIP) of the government. During the bidding period which will be during the period 9:00 am to 12:00 noon on March 11, April 15 and May 14, 2009, 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 prospectus is framed against the backdrop of continued fiscal consolidation and robust economic growth for the four year period 2004 – 2007, inclusive, during which time St. Vincent and the Grenadines experienced annual economic growth of 6.0% on average.

The Public Sector Investment Programme is considered a key stimulant to economic activity and private sector-led growth. Among the projects that led growth in 2007 and which continued in 2008 were the Canouan Airport Expansion, Basic Education Project II, Rehabilitation of the Windward Highway, National Library Complex, the Cross Country Road, Education Support Project, Correctional Facility and the New Customs Building.

In 2007, the construction sector recorded real growth of 14.4%, compared with 11.4% in 2006 as implementation of major public and private sector projects accelerated. Value-added in wholesale and retail trade increased by 5% compared with 6.8% in 2006. Meanwhile, the transport sector maintained positive growth of 11.5% compared with 17.5% in 2006 and after a decline of 0.7% in 2005. Output in agriculture exhibited a growth of 9.3% compared with 6.6% in 2006. The impetus for this improved performance came from fishing, which grew by 26.6% in contrast to 11.7% in 2006. Preliminary estimates indicate that the economy continued to grow in 2008 albeit at a slower pace.

Preliminary data show that the central government closed 2008 with a current saving of EC\$52.74 million a decline of 4.2 from the EC\$55.1 million in 2007. The primary balance recorded a surplus of EC\$19.0 million compared to a deficit of EC\$9.71 million in 2007. The overall balance also improved, contracting to EC\$-27.8 million in 2008 from EC\$-45.5 million in 2007.

Public sector debt decreased by 7% between the years 2006 and 2007, falling to EC\$1.004 billion at the end of fiscal year 2007 (67.7% of GDP). The decrease in 2007 was primarily due to the settlement of the loan for the Ottley Hall Shipyard. As at December 31, 2008, the Public Debt stood at EC\$1.05 Billion comprised of EC\$506.6 million in domestic debt and EC\$547.2 in external debt.

#### **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% of the population while females accounted for 49.1%, 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**

Age groups	2001 %	1991 %
<= 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>

St. Vincent and the Grenadines has a labor force of 41,000 currently. The results of the 2001 census, indicated an unemployment rate of 22%.

**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 across the region. *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; and
- 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
- viii) deepening regional integration and integrated production

## **VII MACRO ECONOMIC PERFORMANCE**

### **Economic Growth**

Economic activity in St. Vincent and the Grenadines continued to expand during the first nine months of 2008, albeit at a slower pace compared with the corresponding period of 2007.

The Construction sector remained the major driver of economic activity in 2007 with value-added increasing by 14.4 percent compared with an 11.4 percent growth in 2006. The sector's share of real GDP rose to 11.0 percent from 10.3 percent in 2006. Construction growth was fuelled by both public and private sector projects. Public sector projects included road rehabilitation, airport redevelopment and expansion, construction of several primary and secondary schools and the national library complex. Private sector activity focused on residential housing, hotels and resorts. The increase in residential housing activity was evidenced by an expansion of 18.6 percent in commercial bank credit for home construction and renovation, well above the 3.2 percent rate of increase recorded in 2006. Concomitant with increased activity in construction, real value-added from Mining and Quarrying, comparatively small in dollar value, increased by 14.1 percent.

Value-added in the manufacturing sector is estimated to have increased by 1.1 percent, compared with 3.0 percent in 2006. This growth was influenced by expansion of 4.8 and 3.6 percent in the production of feeds and flour respectively. The output of rice (17.2 percent) and brewery products (1.4 percent) declined as a result of a fall in domestic and external demand and increases in production and transportation costs.

Activity in the Transport sector which has contributed, on average, 16 percent to real GDP over the last three years, remained buoyant despite a slow-down in the rate of increase in value-added. In 2007, real value-added in this sector increased by 11.5 percent compared with 17.5 percent in 2006. This growth was propelled by a 13.9 percent increase in road transport and a 13.3 percent increase in sea transport. Meanwhile, there was a 13.3 percent decline in air transport.

Value-added in the Hotels and Restaurants sector, which is used as a proxy for Tourism, rose by 1.0 percent 2007 and its contribution to GDP fell marginally to 1.9 percent in 2007. Value-

added in the Communications sector increased by 8.2 percent compared with 10.3 percent in 2006. In the Government Services sector, value-added rose by 7.1 percent, reflecting salary increases and reclassification payments made in the latter part of 2007.

The Banking and Insurance sector grew by 5.4 percent while value-added in Wholesale and Retail Trade, Electricity and Water and Other Services increased by 5.0 percent, 4.9 percent and 5.0 percent, respectively

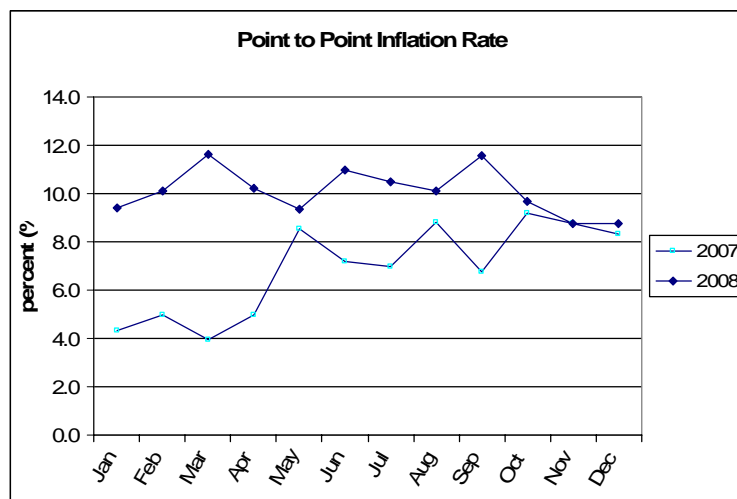
## **INFLATION**

A review of the Consumer Price Index for the year 2008 indicated that the average annual “point-to-point” inflation rate was 10.1 percent compared to 6.9 percent for the year 2007. The accumulated inflation for the year 2008 was recorded at 8.7 percent compared to 8.3 percent for the year 2007. The “All Items” index moved from 125.5 in January 2008 to 134.6 in December 2008.

The monthly inflation for 2008 fluctuated from a low of 3.7 percent in May to a high of 10.4 percent in November. The highest “point-to-point” inflation rate for the year 2008 was 11.6 percent which was recorded in the months of March and September. The lowest “point-to-point” inflation rate was 8.7 percent which was achieved in the months of November and December 2008. The “All Items” indices in 2008 were higher than those for 2007.

During the year, eight (8) groups recorded increases, one (1) group registered a decrease and two (2) groups remained unchanged. Increases were recorded for “Food (14.3 percent), “Household Furniture & Supplies” (5.6 percent), “Alcoholic Beverages & Tobacco” (4.7 percent), “Fuel & Light (2.7 percent), “Personal Services” (2.1 percent), “Clothing & Footwear” (1.3 percent), “Transport & Communication” (1.3 percent) and “Housing (0.1 percent). The group “Education” registered a decrease of 0.4 percent while the groups “Medical Care & Expenses” and “Miscellaneous” remained unchanged.

**Chart 1: Point to Point Inflation Rate**



## VIII. SECTORIAL DEVELOPMENTS

### Agriculture

Despite the reductions in its contribution to GDP relative to the growing sectors of tourism and other services, agriculture continues to play a significant role in the economy of St. Vincent and the Grenadines. 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 from 1993 to 2005. 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.

Realizing the limitation of continued dependence on a single crop, the Government has been focusing on diversifying the agricultural products mainly through Agricultural Diversification Unit and other agencies.

The agriculture sector employs approximately a quarter of the workforce and contributed 9.3% to GDP in 2007, compared to 9.1% in 2006. The marginal increase can be attributable to the diversification efforts which are continuing. Notwithstanding the declining contribution of bananas to GDP, 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.

### ***Fisheries***

Fisheries development remains an integral part of the Government's economic diversification policy. In 2007 the industry contributed 1.8% to GDP compared with 1.5% in 2006. The Government also recognizes that interventions in the artisanal 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 in the sector. The Ovia Fisheries Complex now under construction is anticipated 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 a substantial employer of labor and contributes significantly to Government revenue.

Visitor arrivals during the year 2007 increased by 6.8 % to 327,478, over the comparative period in 2006. The performance however has been mixed with an increase in cruise ship arrivals while stay-over, same-day and yacht visitors declined. Activity in the buoyant cruise ship sector increased by 36% to 144,455 in 2007 compared with 106,466 during the corresponding period in 2006. In contrast activity in the yachting sub-sector decreased by 7.4.4%, while the stay-over visitor arrivals decreased by 8.1% to 89,509 in 2007 compared to 97,432 over the comparative period in 2006.

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

<b>VISITOR TYPE</b>	<b>DEC 2007</b>	<b>DEC 2006</b>	<b>JAN - DEC 2007</b>	<b>JAN - DEC 2006</b>	<b>ACTUAL CHANGE</b>	<b>% CHANGE</b>
<b><u>BY AIR</u></b>						
STAY-OVER	10,461	11,862	89,509	97,432	(7,923)	(8.1)
SAME DAY	496	761	6,797	9,034	(2,237)	(24.8)
<b>SUB TOTAL</b>	<b>10,957</b>	<b>12,623</b>	<b>96,306</b>	<b>106,466</b>	<b>(10,160)</b>	<b>(9.5)</b>
<b><u>BY SEA</u></b>						
YACHT	4,699	20,017	86,718	93,638	(6,920)	(7.4)
CRUISE SHIP	20,282	24,257	144,455	106,474	37,981	35.7
<b>SUB TOTAL</b>	<b>24,981</b>	<b>44,274</b>	<b>231,173</b>	<b>200,112</b>	<b>31,061</b>	<b>15.5</b>
<b>TOTAL</b>	<b>35,938</b>	<b>56,897</b>	<b>327,479</b>	<b>306,578</b>	<b>20,901</b>	<b>6.8</b>

Source: Ministry of Tourism St. Vincent and the Grenadines

The majority of the country's tourists come from the U.S., Canada, Europe, South America and the Caribbean. In 2007, 33.4% of the stay-over visitors came from the Caribbean, followed by 29.7% from the U.S 18.7% from the U.K., 7.5% from Canada and 10.7% 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, 2007.

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

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Stay-Over Visitor Arrivals Breakdown:					
U.S.....	22,194	25,106	27,153	28,598	26,637
Canada.....	4,918	5,219	6,187	6,542	6724
U.K. ....	11,547	12,610	13,941	14,837	16,714
Caribbean .....	32,779	36,011	39,944	38,219	29,924
Other Countries .....	7,097	7,775	8,279	9,236	17,432
<b>Total Stay-Over Visitor Arrivals .....</b>	<b>78,535</b>	<b>86,721</b>	<b>95,504</b>	<b>97,432</b>	<b>89,509</b>
Excursionists .....	13,696	12,936	8,928	9,034	6,797
Yacht Passengers .....	84,330	84,227	81,890	93,638	86718
Cruise Ship Passengers .....	64,965	77,585	69,753	106,474	144,455
<b>Total Visitor Arrivals .....</b>	<b>241,526</b>	<b>261,469</b>	<b>256,075</b>	<b>306,578</b>	<b>327,479</b>
Number of Cruise Ship Calls.....	245	225	182	263	279
<b>Total Visitor Expenditure (in millions of EC\$)</b>	<b>246</b>	<b>258</b>	<b>281</b>	<b>306</b>	<b>300</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 provide well-needed boost to the tourism product. Among the activities likely to boost the sector are the development and upgrade of several recreational sites and the establishment of the operational framework for the National Parks and Beaches Authority. This project has a total project cost of \$12.2 million to be financed largely by a Grant from the European Union. In 2008 the project for the development of the Tourism Master Plan commenced utilizing the proceeds of another Grant from the European Union in the sum of \$1.6 million .

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 became fully established and operational in 2008 to provide the requisite leadership in transforming this vital sector.

### **Manufacturing**

St. Vincent and the Grenadines has a small manufacturing sector, contributing 5.1% of the economy's GDP in 2007 marginally decreasing from 5.4% in 2006. The Government is continuing its effort to make the sector internationally competitive by providing incentives to local companies to increase their productivity. Galvanized sheeting production rose by 34% as a result of the increase in construction activity and a boost of domestic and external demand

Effective January 2008, Company Income Tax was reduced from 37.5% to 35%. 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.

### **Construction**

The construction sector continued its growth in 2007 after rebounding in 2006 from slow growth in 2005. The sector's contribution to GDP in 2007 was 11.0%, which represents the highest contribution by this sector in the past five years.

In 2007, the construction sector recorded growth of 14.4%, only 0.3% below the best performance (14.4% in 2004) of the last five years.; fueled by increased investment in both the public and private sectors. Availability of commercial bank credit for home construction and renovations contributed to growth in the residential construction.

It is anticipated that growth in the construction sector will be sustained by the continued expansion in residential construction and the list of public and private sector projects to be continued or completed in 2008. Among these are the Canouan Airport, the Correctional Facility, the Windward Highway, the construction of several schools, the Buccament Resort Project, low-income housing development and Learning Resource Centers.

## **XI. 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 2007, moving from a surplus of EC\$32.7m ( 2.4 percent of GDP) in 2006 to a deficit of EC\$5.0m

representing 0.3 percent of GDP. This outcome was as a 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 balance, the services balance, the income account and current transfers. The current account deficit expanded from EC\$324.3m (24.1 percent of GDP) to EC\$518.4m (34.8 percent of GDP) in 2007, influenced by a 20.5 percent growth in merchandise imports, which outweighed the increase in the value of merchandise exports. The movement in merchandise imports was attributed to increase in economic activity coupled with high prices in the international market. Merchandise imports rose from EC\$645.1m (48.0 percent of GDP) in 2006 to EC\$776.5m (51.8 percent of GDP) in 2007. This increase was attributed to a 29.3 percent rise in imports of food and live animals, 33.1 percent increase in minerals fuels and related materials and a 32.5 percent increase in machinery and equipment.

The income account measures income flows into and out of the country, including the payment of interest on external indebtedness. Net inflows from the services account declined to EC\$128.2m (8.6 percent of GDP) in 2007 compared with EC\$222.5 m (16.6 percent GDP). This movement was largely due to larger outflows for transportation services and a decline in gross travel receipts. Gross travel receipts declined mainly due to an 8.1 percent fall in stay-over visitors, a 24.9 percent decline in same day visitors and a 7.4 percent decrease in yacht visitors. The income account recorded a decline in net inflows which was attributed to larger outflows of investment income.

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\$54.4 million in 2007. Among current transfers, general government transfers increased from EC\$15.7 million from 2006 to EC\$22.8 million in 2007, while transfers in “Other Sectors” decreased from EC\$38.7 million in 2006 to EC\$ 31,7 million in 2007

### ***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). The capital and financial account surplus increased in 2007 to EC\$ 481.4m representing 32.1 percent of GDP up from EC\$326.2m (24.3 percent of GDP). The capital account surplus increased to 13.6 percent of GDP, reflecting increase in capital grants received by central government. Net inflows on the financial account grew by 3.9 percent, recording EC\$277.4.1m (18.5 percent of GDP) in 2007 compared with EC\$304.2m (22.6 percent of GDP) in 2008. This increase was associated mainly with net 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 September 2008 showed exports remained flat at EC\$102 million. Banana exports fell from EC\$28 million in 2007 to EC\$13 million in 2008. Manufactured exports grew from EC\$36 million in 2007 to EC\$46 million in 2008.

### ***Imports***

Preliminary figures as at September recorded imports increasing steadily moving from EC\$636 million in 2007 to EC\$733 million in 2008. Imports represented 59% of GDP in 2007 and 61% of GDP in 2008.

## **X. GOVERNMENT FISCAL OPERATIONS**

For the fiscal year ending December 31, 2008 the government realized a current saving of EC\$52.7 million a decline of 4.2% from the EC\$55.1 million over the comparative period in 2007. The primary balance was a surplus of EC\$19.0 million compared to a deficit of EC\$0.71

million. The overall balance also improved, contracting to a deficit of EC\$27.8 million in 2008 from a deficit of EC\$45.5 million over the corresponding period in 2007.

### ***Revenue***

As at December 31, 2008 Current Revenue totalled EC\$483.6 million, an increase of 11.6% when compared to the same period in 2007. The growth in Revenue was due primarily to an increase in receipts from taxes on Domestic Transactions (16.4%), Income Taxes (6.6%) and International Trade (9.2%) and Non-Tax Receipts (34.6%). Indirect taxes which include taxes on International trade and transactions and domestic goods and service accounted for a major portion of the government revenue base. During the period these taxes accounted for 62.3% and 62.5% of current revenue in 2007 and 2008 respectively. The increase in revenue was in part due to the efforts taken by Government to boost revenue collection, including the introduction of the VAT.

The current Property Tax system is to be replaced by a Market Valuation Property Tax system which is to be implemented during 2009. 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 three times in 2007 and five times in 2008. The retail prices of gasoline and diesel were reduced in December 2008 from EC\$13.33 and EC\$13.00 per gallon respectively to EC\$11.73 and EC\$11.50 per gallon, respectively.

For the fiscal year ending December 31, 2008 direct taxes on income and profits grew by 6.6% and accounted for approximately 22.8% of current revenue, compared with the same period in 2007 when it registered growth of 4.8% and accounted for 23.9% of current revenue. This is in keeping with the government's policy of reforming the tax system and is reflected in the reduction of individual and corporate income tax rates from 37.5% to 35.0% in 2008. During the

period non-tax revenue increased by 34.6% and represented 8.6% of current revenue, compared with the same period in 2007 when it grew by 1.0% and represented 7.1% of current revenue.

### ***Expenditure***

Recurrent expenditure as at December 31, 2008 amounted to EC\$430.8 million and represented an increase of 13.9% when compared with the same period in 2007. All the major components of recurrent expenditure registered increases when compared to the same period in 2007. During the period expenditure on personal emoluments increased by 10.1%, while transfer and subsidies and goods and services registered increases of 23.3% and 21.8% respectively. The increase in personal emoluments was mainly due to the 5% increase in salaries and the reclassification exercise. The increase in transfer and subsidies was due largely to increased expenditure on training, grants & contributions and pension payments. Growth in expenditure on goods and services was as a result of increased spending on utilities, supplies & materials and maintenance.

As at December 31, 2008, capital expenditure amounted to EC\$121.9 million. This amount is down 16.0% from the amount spent during the same period in 2007 but reflect significant expenditure on the further development of the social sector such as education (EC\$30.0 million) and the improvement of the transport sector including the rehabilitation of the windward highway (EC\$11.4 million).

### **2009 Revenue and Expenditure Budget**

The expenditure budget for 2009 amounts to EC\$750 million, comprising of recurrent expenditure (including amortization) of EC\$554 million and capital expenditure of EC\$197 million. The total budget is EC\$6.5 million or 0.9% less than the 2008 approved estimates. The 2009 estimates of current expenditure (excluding amortization) is EC\$482 million, which is 7.7% more than the current estimates for 2008. The increase is reflective of the 3% salary increase for public servants and also the effects of the second phase of the reclassification exercise.

The projected growth in revenue for 2009 will come primarily from growth in GDP, and more efficient tax collection. The 2009 estimates of capital expenditure is significantly lower than the 2008 estimate. This is in keeping with the Government's strategy to only include projects that are

ready for implementation. Many of the projects to be funded from the 2009 amount are ongoing and include the Tourism Development Project, ICT Development and Education Support. 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>%</b>
Administration	22.7	11.5
Agriculture	15.0	7.6
Education	36.8	18.7
Health and Sanitation	13.9	7.0
Security	22.5	11.4
Tourism	6.3	3.2
Transport & Commun.	35.4	17.9
Other	44.7	22.7
<b>Total</b>	<b>197.3</b>	<b>100</b>

Financing of the budget will come from current revenues of EC\$485 million, capital grants of EC\$72 million, capital revenue of EC\$1.0 million, loans of EC\$121.7 million and other capital receipts of EC\$72 million.

### ***Tax Reductions***

The Government has implemented further reductions in income tax effective from the fiscal year beginning in January 2009. This is the third consecutive year that the Government is reducing income taxes. For individuals the threshold was increased from EC\$17,000 to EC\$18,000 and the top marginal rate was reduced from 35.0% to 32.5%. For companies, the standard rate of tax was also reduced from 35.0% to 32.5%. Additionally, there would be a refashioning of the tax system to bolster business competitiveness, fairness and equity.

### **Medium Term Projections (2009-2013)**

Current Revenue is expected to rise moderately, growing at an average of 5.6% over the period. However it is anticipated that it would stabilise at 26.6% of GDP during the period, down from its current 28.3% of GDP. Current Expenditure is projected to grow at an average of 5.0% over the same period and to stabilise at 22.7% 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 10.6% of GDP over the period as salary increases of 3%, 5% and 4% have been announced for the three-year period 2009-2011. Government spending on goods and services and transfers are expected to contribute significantly to the expansion in current expenditure rising at an average of 5% of GDP over the period..

It is expected the level of debt will increase in order for the government to finance the high level of Capital Expenditure (8.5% of GDP) through the period. As a result interest payment is likely to increase to an average of 2.9% of GDP over the period.

## **VI PUBLIC DEBT**

### **General**

Public sector debt decreased by 5.6% between the years 2006 and 2007, falling to EC\$1004.4 million at the end of fiscal year 2007. This amount comprised EC\$512 million in external debt and EC\$492.6 million in domestic debt.

The Debt to GDP ratio decreased from 80.1% at the end of 2006 to 67.7% at the end of 2007, after accounting for liquidation of the loan for the Ottley Hall Shipyard project in October 2007.

Preliminary indicators as at December 31, 2008, show the Public Debt increased to EC\$1.07 Billion, comprised of EC\$506.2 million in domestic debt and EC\$547.2 in external debt. Despite the increase in the total Public Debt, the debt to GDP decreased to 64.1% from 67.7% in 2007. The increase in public debt resulted from the following:

1. An additional loan of \$40 million for the International Airport Development Company (IADC) in respect of bridge financing for the Argyle International Airport. This loan will be repaid from the proceeds of the sale of state lands over the next five years.
2. A loan of \$14.6 million by the SVG Port Authority for the purchase of a crane.
3. The disbursement of approximately \$15.44 million for the Windward Highway Rehabilitation and the Basic Education II projects financed by loans from the Caribbean Development Bank (CDB).
4. A 10-year bond, at 8.5 percent interest, totalling \$43.20 million issued on the international market.

During the year the government continued its active participation on the Regional Government Securities Market. There were six issues of Treasury bills in the amount of EC\$16.0 million each and five issues in

the amount of EC\$20.0 million each. The average interest rate over the period on these instruments was 5.82%. Despite these activities outstanding Treasury bills remain within the limits stipulated by the Treasury Bill Act. Although there is no statutory limit on the amount of outstanding debt, Parliamentary approval must be obtained prior to the contraction of new debt.

The Government has formulated a debt management strategy, of which the most significant aspect was the establishment of the Debt Management Unit (**DMU**) within the Ministry of Finance and Planning. DMU is responsible for debt policy and strategy formulation, debt analysis, debt-raising activities and debt recording and monitoring. DMU is also responsible for the planning of the Government's borrowing requirements.

Over the medium to long-term, the Government aims to restrict 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. This will be achieved by containing the fiscal deficits and by increasing the growth potential of the economy.

In recognition of the need to coordinate fiscal and monetary policies the Monetary Council of the Eastern Caribbean Central Bank agreed to the establishment of fiscal benchmarks to guide the fiscal operations of member countries. At its 56<sup>th</sup> meeting on 21<sup>st</sup> July, 2006, the Monetary Council reviewed the fiscal benchmarks and agreed on the following revised benchmarks to be achieved over the medium term, that is, by 2020:

- i. A public sector debt to GDP ration ceiling of 60 per cent;
- ii. A public sector primary balance consistent with achieving and maintaining (i) above by 2020.

### **Domestic Public Sector Debt**

As at December 31, 2008 Domestic debt stood at EC\$506.6 million an increased of 2.9% over the corresponding period in 2007. Of the total domestic debt approximately 52% is financed by the National Commercial Bank (SVG) Ltd. Over the period several statutory corporations and the Accountant General availed their institutions to overdraft facilities and general loans to fund various projects. .

**Table 4: Summary of Internal Public Debt by Creditors**

	2004	2005	2006	2007	2008
	<i>as at December 31</i>				
National Commercial Bank	117.1	168	186.5	209.1	263.7
Other Financial Institutions	103.8	112.1	139.1	179.7	141.2
Insurance Companies	22.7	22.7	36.6	38.2	33.5
National Insurance Scheme	23.5	26.2	25.3	43.5	65.7
ECCB	4.1	4.1	4.1	0.0	0.0
Others	16.5	5.8	6.2	22.2	2.5
<b>Total</b>	<b>287.6</b>	<b>338.9</b>	<b>397.8</b>	<b>492.6</b>	<b>526.6</b>

*Source: Ministry of Finance*

### External Public Sector Debt

As at December 31 2008, External Debt increased to EC\$547.2 million following a decline in 2007 as a result of the write-off of EC\$164 million (U.S.\$74 million) on the loan for the Ottley Hall Shipyard Project. Of the total external debt 82%, was attributable to the Government, while Public Corporations accounted for 18%. The increase in central Government's debt was primarily due to ten-year bond issued on the International Financial Market.

The following tables provide a breakdown of the external debt by creditor and by economic sector, respectively.

**Table 5: Breakdown of External Debt by Creditor**

	2004	2005	2006	2007	2008
CDB	142.4	152.7	178.7	211.1	211.9
Republic of China (Taiwan)	19.2	16.8	14.4	11.9	13.9
European Investment Bank	24.0	25.2	34.9	37.5	36.4
USAid	18.8	17.9	16.9	16.1	15.9
Agence Francaise de Development	22.7	20.4	25.9	25.4	25.4
Kuwait Fund	18.1	11.8	11.2	13.9	14.2
IDA/IBRD	36.2	44.0	52.7	55.6	55.3
Westdeutsche Landesbank	101.3	114.8	106.8	0.0	0.0
Bondholders	152.2	173.6	162.7	163.2	162.1
Others	16.2	15.9	14.7	11.9	11.9
Subordinated Loan	44.6	41.3	38.0	0.0	0.0
<b>Total</b>	<b>596.6</b>	<b>634.4</b>	<b>656.9</b>	<b>546.6</b>	<b>547.2</b>

*Source: St. Vincent and the Grenadines Estimates of Revenue and Expenditure*

**Table 6: Breakdown of External Debt by Economic Sector**

	2004	2005	2006	2007	2008
	As at December 31				
Agriculture, Fishing and Forest	21.8	19.7	17.9	16.3	14.4
Air Transport	72.6	71.2	65.2	61.4	57.3
Education and Training	20.9	23.6	28.1	44.2	51.7
Health and Social Welfare	14.1	14.1	18.3	13.5	13.2
Housing and Urban Development	1.7	1.5	1.3	0.0	0.9
Industrial Development	13.5	11.5	9.7	7.7	5.9
Multi Sector	138.9	164.2	136.7	167.9	187.7
Roads and Bridges	44.3	48	59.3	67.2	71.3
Tourist and Hotel Industry	171.1	152.1	174.5	18.9	16.8
Utilities	56.2	70.4	65.8	64.8	62.2
Water Supply and Drainage	17.4	20.4	20.1	21.8	21.4
Other	24.1	37.7	60	62.8	44.4
<b>Total</b>	<b>596.6</b>	<b>634.4</b>	<b>656.9</b>	<b>546.6</b>	<b>547.2</b>

*Source: St. Vincent and the Grenadines Estimates of Revenue and Expenditure*

### **Debt Service**

Total Central Government external debt service payments for 2008 amounted to EC\$107.2 million compared with EC\$102.1 million in 2007. The increase in debt service is concomitant with the increase in the stock of public debt as principal repayment on loans increased to EC\$60.36 million in 2008 compared with EC\$57.3 million in 2007.

### **Debt Management Strategy**

The main risks that the Government faces with respect to its public debt portfolio are interest rate risk, exchange rate risk, refinancing risk and liquidity risk. The Government aims to minimize 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	Risk Management
1. Liquidity and Refinancing Risk	<ul style="list-style-type: none"> <li>• Prepare annual cash flow and borrowing plans and monitor on a monthly basis</li> <li>• Minimize the proportion of short-term debt</li> <li>• Smooth the maturity profile</li> <li>• Maintain fiscal reserves</li> </ul>
2. Interest Rate Risk	<ul style="list-style-type: none"> <li>• Avoid floating interest rate debt as much as possible</li> <li>• Minimize bunching of loan repayments through the use of sinking funds and reducing debt instruments.</li> </ul>
3. Foreign Exchange Risk	<ul style="list-style-type: none"> <li>• As much as possible, raise all debts in domestic currency or US dollars.</li> <li>• Limit non EC/U.S. dollars external debt to 20% of total external debt.</li> <li>• Use hedging where feasible.</li> <li>• The Government has enjoyed a stable exchange rate regime for the past twenty-seven years as member of the OECS. This exchange rate has remained at EC\$2.70:\$US1.00.</li> </ul>

Additionally, the Government will pursue a policy of debt reduction and debt rescheduling aimed at reducing debt and debt servicing costs.

The Ottley Hall Shipyard Project has highlighted the importance of government conducting proper investment appraisal before embarking on major public sector projects. The lessons learned from this project will be applied to future projects, i.e.:

- All projects must be fully appraised in order to determine their potential to contribute to the Government's objectives of promoting economic growth and/or reducing poverty.
- Due diligence will be conducted on all private investors/financiers who are involved in partnership with the Government on any project.
- The Government will, as much as possible, avoid guarantee of private sector loans. Where such guarantees are deemed to be in the public interest, prior parliamentary approval would be sought.
- All borrowings must be first approved by parliament, or authorized by an existing act of Parliament.

Over the medium-to-long term, the Government aims to restrict the public debt to no more than 60% of the GDP which is the level considered to be sustainable for St. Vincent and the Grenadines. In determining this debt level, several factors are considered, including cost of debt servicing and the ratio of revenue collection to GDP. In order to attain this target, the Government intends to:

- Establish strict limits on the contraction of new debts and ensure that the projects to be financed are feasible in terms of their contribution to economic development and poverty reduction.
- Reduce operational losses of public enterprise. In this regard, the Government has established a Monitoring Committee on Public Enterprises, headed by the Prime Minister, to monitor the performances of all public enterprises.

The above strategies and policies will be actively monitored by DMU of the Ministry of Finance and Planning. DMU works closely with the Accountant General's Department, the ECCB, the Regional Debt Coordination Committee, the Eastern Caribbean Securities Exchange and the CDB.

### **Sinking fund**

The estimates of revenue and expenditure presented in the Parliament annually contains allocations to a Sinking Fund. This amount budgeted are used to liquidate Bonds at maturity.

Recently, the Government has opted to amortise Bonds. Thus, provision is made annually for repayment from the Consolidated Fund. Currently, Sinking Fund provision is required for two Bonds maturing in 2013 and 2014.

## **XII. MONEY AND CREDIT**

Money supply (M2) fell by 1.4 per cent during the first nine months of 2008, as the pace of economic activity decelerated. The decline in M2 largely reflected a fall in the narrow money supply (M1) as quasi-money expanded by 3.3 per cent. All categories of the narrow money supply declined, led by currency with the public (19.4 per cent) and private sector demand deposits (6.0 per cent). Growth in quasi-money resulted from a 17.4 per cent expansion in time deposits and a 2.1 per cent increase in savings deposits.

The counterpart to the fall-off in the money supply was a 2.7 per cent decline to \$860.4m in domestic credit, reflecting in part a reduction in net borrowing by the central government. Private sector credit rose by 0.7 per cent to \$897.4m, associated with an increase in lending to households as credit extended to the business sector fell. Net claims on the central government declined to \$59.5m, representing a 20.0 per cent expansion in deposits which more than offset an increase of 0.6 per cent in credit. The net deposit position of non-financial public enterprises rose by 14.2 per cent, largely influenced by increases in deposits. There was a reduction in the net deposit position of non-bank financial institutions of 15.2 per cent as a result of an expansion in credit extended.

The distribution of credit by economic activity indicates that outstanding loans for personal use, which represent 48.7 per cent of total credit, rose by 4.5 per cent. Personal loans were primarily utilised to construct and renovate residential dwellings and other personal uses. Outstanding loans for construction rose by 37.1 per cent, indicative of continued robust activity in the sector. Lending for agriculture and fisheries rose by 11.6 per cent. Among the other sectors, credit for manufacturing and mining and quarrying rose by 9.4 per cent, while lending for the tourism industry decreased.

At the end of September 2007 the banking system was in a net foreign asset position of \$405.8m, an increase of 15.1 per cent on the level at the end of December 2007. The net foreign assets of the commercial banks rose by 52.2 per cent to \$182.3m, mainly representing a reduction in

liabilities held at banks and other financial institutions within the currency union. St Vincent and the Grenadines' imputed share of the Central Banks reserves rose by 3.9 per cent to \$223.5m.

Commercial bank liquidity remained high, despite a fall in the level. The ratio of liquid assets to total deposits plus liquid liabilities fell by 0.8 percentage point to 40.7 per cent. The loans and advances to total deposits ratio increased to 84.6 per cent at end September 2008 from 84.1 per cent at the end of December 2007.

The interest rate spread between deposit and loan rates fell 0.22 of a percentage point to 6.6 per cent during the first nine months of 2008. The weighted average interest rate on deposits was unchanged at end September 2008 from its value at end December 2007, while the weighted average lending rate declined by 0.22 of a percentage point.

### **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 operations 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 23 insurance companies, including 9 long-term insurance companies and 14 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
- N.E.M. (W.I) ltd.
- 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.

Most recent data shows that the total assets in the insurance market increased by 17.3% during 2006 to total EC\$339.9 million, while liabilities amounting to EC\$303.6 million moved in tandem. Gross premiums including annuities increased by 22.3% to EC\$134.4 million. In the long-term insurance sub-sector, three companies controlled 92.4% of the market when ranked by their gross premium. On the other hand, seven companies in the motor and general market controlled 77.3% when ranked by gross premium.

Insurance penetration (premium as a percentage of GDP) moved from 4.4% in 2000 to 10.2% in 2006. Motor and general remained relatively flat at approximately 4.0% of GDP while long-term insurance continuously improved to 6.3% in 2006. During the year, reinsurance for short-term insurance business amounted to EC\$30.1 million, up by 14.9%.

In the short-term insurance segment of the industry, the loss ratios (claims paid by the company to premiums received) increased to 16.6% in 2006 up from 15.5% in 2005 with seven companies averaging above the market. The loss ratio for the long-term insurance sector improved slightly during 2006 moving from 30.0% in 2005 to 29.2% in 2006. Net claims in the industry amounted to EC\$32.8 million, up by 26.6% from 2005. The industry's statutory deposits held by the supervisor of insurance during the year amounted to EC\$20.0million.

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

The Financial Intelligence Unit (FIU) was established in May 2002, in accordance with the Financial Intelligence Unit Act 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 2008 the Payment System Bill was enacted to ensure, among other things, that the infrastructure and market for payment services work smoothly, efficiently and fairly to all participants and users; and to minimize the risk of transmitting shocks across the economy such as a failure to settle payment obligations by individual participants. The new Act will also enhance the role of the Central Bank in the supervisor and regulator of the payment system.

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

### *Overview*

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

All of the above institutions are regulated either by the ECCB or the Ministry of Finance and Planning. The Money Services Business Act, which became operational in April 2006, has improved accounting and registration of money transfer institutions. Improving the regulatory framework of these institutions is a high priority for the Government of St Vincent and the Grenadines. The Ministry of Finance and Planning in collaboration with the ECCB has

undertaken a project for the development of an Integrated Regulatory Framework for this sector, which will bring all the Non-Bank Financial Institutions under a single regulatory regime. A Supervisory and Regulatory Division has been established 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. This Division will become fully operational during 2009.

### ***Offshore Banks***

The offshore sector is well diversified and consists of seven (7) offshore banks, 6,177 international business companies, 99 international trusts, 13 insurance companies and 29 mutual funds. These are all regulated by the International Finance Service Authority.

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 be made to continue to offer top quality products and services which are in compliance with best international practices.

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 experts from 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 December 31, 2008, the Government's outstanding securities traded on the Regional Government Securities Market are listed hereunder:

### **1. TREASURY BILLS**

- **Issues Outstanding** Issue \$40.0M
- **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. 5.82%
- **Discount Price** \$98.54 – \$98.54

### **2. BONDS**

#### ***VCB 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%
- **Amount offered for sale** \$30.0 Million

#### ***VCB 100816***

- **Amount Outstanding** \$30.0 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** 7.5%

- **Amount offered for sale** \$40.0M

***VCB 100917***

- **Amount Outstanding** \$27.0M
- **Type of Issue** St Vincent and The Grenadines Development Bonds
- **Original Maturity** 10 years
- **Remaining Maturity** 9. Years
- **Date of subscription** September 2007
- **Redemption Date** September 2017
- **Coupon Rate** 7.5%
- **Amount offered for sale** \$30.0M

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

The Bonds 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 fixed 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><i>P O Box 44</i></p> <p><i>The Valley</i></p> <p><b>Tel: 264-497-2101</b>  <b>Fax: 264-497-3310</b>  <b>Email: <a href="mailto:nbabankl@anguillanet.com">nbabankl@anguillanet.com</a></b></p>	<p><b>Principal</b> Selwyn Horsford</p> <p><b>Representative</b> Idona Reid</p>
<b>Antigua and Barbuda</b>		
ABI Bank Ltd.	<p><b>ABI FINANCIAL CENTRE</b></p> <p><b>REDCLIFFE STREET</b> St John's</p> <p><b>Tel: 268 480 2824</b>  <b>Fax: 268 480 2765</b>  <b>Email: <a href="mailto:abibsec@candw.ag">abibsec@candw.ag</a></b></p>	<p><b>Principals</b> Casroy James Carolyn Philip</p> <p><b>Representative</b> <b>Laura Abraham</b></p>
Antigua Commercial Bank Ltd.	<p>ACB Financial Centre P O Box 3089 St John's</p> <p><b>Tel: 268 481 4200</b></p> <p><b>FAX: 268 481 4158</b>  <b>Email: <a href="mailto:acb@candw.ag">acb@candw.ag</a></b></p>	<p><b>Principal</b> Peter N Ashe</p> <p><b>Representative</b> Sharon Nathaniel</p>
<b>Dominica</b>		
National Mortgage Finance Company of Dominica Ltd. (NMFC)	<p>64 Hillsborough Street</p> <p><b>ROSEAU</b></p> <p><b>Tel: 767 448 4401/4405</b>  <b>Fax: 767 448 3982</b>  <b>Email: <a href="mailto:ncbdom@cwdom.dm">ncbdom@cwdom.dm</a></b></p>	<p><b>Principal</b> <b>Caryl Phillip-Williams</b></p> <p><b>Representatives</b> Marilyn Edwards Debra Gordon-Peters Linda Toussaint-Peter Curtis Clarendon Joel Denis</p>

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
<b>Grenada</b>		
Republic Finance and Merchant Bank Ltd. (FINCOR)	<b>Melvin Street</b> <b>St George's</b>  Tel: 473 444 1875 <b>Fax: 473 444 1879</b> <b>Email: <a href="mailto:fincorec@spiceisle.com">fincorec@spiceisle.com</a></b>	<b>Principal</b> Wilma Williams  <b>Representatives</b> Mark Salina  <b>Sharlene Thomas</b>
<b>St Kitts and Nevis</b>		
St Kitts Nevis Anguilla National Bank Ltd.	P O Box 343 Central Street Basseterre  <b>Tel: 869 465 2204</b> <b>Fax: 869 465 1050</b> <b>Email: <a href="mailto:national_bank@sknanb.com">national_bank@sknanb.com</a></b>	<b>Principals</b> Winston Hutchinson Anthony Galloway  <b>Representatives</b> Marlene Nisbett Petronella Edmeade-Crooke
The Bank of Nevis Ltd.	P O Box 450 Charlestown  <b>Tel: 869 469 5564</b> <b>Fax: 869 469 5798</b> <b>E mail: <a href="mailto:bon@caribsurf.com">bon@caribsurf.com</a></b>	<b>Principals</b> Hanzel Manners Kevin Huggins  <b>Representatives</b> Lisa Jones Vernesia Walters
<b>St Lucia</b>		
ECFH Global Investment Solutions Limited	1 Bridge Street Castries  <b>Tel: 758 456 6826</b> <b>Fax: 758 456 6733</b>	<b>Principals</b> Donna Matthew  Beverley Henry  Carla Morton-Campbell  <b>Representative</b> Dianne Augustine

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
Caribbean Money Market Brokers Ltd. (CMMB St Lucia)	<b>9 BRAZIL STREET</b> Castries  Tel: 758 450 2662 Fax : 758 451 7984	<b>Principals</b> Carole Eleuthere-Jn Marie Sharmaine Rosemond  <b>Representative</b>  <b>Anderson Soomer</b>
<i>St Vincent and The Grenadines</i>		
National Commercial Bank (SVG) Ltd.	<b>P O Box 880</b> Cnr. Bedford and Grenville Streets Kingstown  Tel: 784 457 1844 Fax: 784 456 2612 Email: <a href="mailto:natbank@caribsurf.com">natbank@caribsurf.com</a>	<b>Principals</b> Keith Inniss Jeffrey Ledger  <b>Representatives</b> <b>Patricia John</b> Rashida Stephens
<i>Trinidad and Tobago</i>		
Caribbean Money Market Brokers Ltd. (CMMB)	<b>No. 1 Richmond Street, Ground Floor</b> Furness Court, Independence Square  <b>PORT OF SPAIN</b>  <b>TEL: 868 623 7815/5153</b>  <b>FAX: 868 624 4544/9833; 627 2930</b> Email: <a href="mailto:info@mycmmmb.com">info@mycmmmb.com</a>	<b>Principals</b> Brent Salvary Leslie St Louis  <b>Representative</b> Vishwatee Jagroop

## APPENDIX II – Central Government Fiscal Operations

	2004	2005	2006	2007	2008
	<i>EC\$ Millions</i>				
<b>Current Revenue</b>	324.9	333.6	396.4	433.34	483.6
<b>Tax Revenue</b>	290.9	304.8	363	402.4	442
<b>Taxes on Income &amp; Profits</b>	80.4	89.8	98.8	103.6	110.4
Of Which:					
Individual	38.5	41.1	49.3	54.3	55.9
Company Tax	37.5	44.4	43.5	43.1	46.7
<b>Taxes on Property</b>	2.5	2.5	2.6	2.5	2.2
<b>Taxes on Domestic Goods &amp; Services</b>	52.1	52.2	74.2	102.2	119
Of Which:					
Stamp Duty	20.9	21	38.2	28	29.2
Consumption Duties	7.5	6.4	7.2	3.6	0
Hotel Turnover Tax	5.1	6.8	7.5	6.1	0
VAT				31.5	67.3
<b>Taxes on Int'l Trade &amp; Transaction</b>	138.1	141.9	163.2	167.7	183.1
Of Which:					
Import Duty	29.5	32.4	35.1	43.3	43.9
Consumption Tax	81.8	80	94.2	32	0.5
Customs Service Charge	20.8	22.3	26.1	28.7	29.9
VAT				55.5	83.4
<b>Licences</b>	17.8	18.4	24.2	26.4	27.3
<b>Non-Tax Revenue</b>	34	28.8	33.4	30.9	41.6
<b>Current Expenditure</b>	294.6	325	356.2	378.2	430.8
<b>Personal Emoluments &amp; Wages</b>	145.9	158.9	171.3	188.9	206.8
<b>Interest Payments</b>	27.6	36.1	43.2	44.7	46.8
Domestic	13.3	16.6	20.2	23.4	23.8
External	14.3	19.5	23	21.3	23
<b>Transfers &amp; Subsidies</b>	52.4	60.5	65.2	69.9	86.2
<b>Other Goods &amp; Services</b>	68.7	69.5	76.5	74.7	91
<b>Current Balance</b>	30.3	8.6	40.2	55.1	52.8

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

	2004	2005	2006	2007	2008
	<i>in percentages</i>				
<b>Current Revenue</b>	2.1	2.7	18.8	9.3	11.6
<b>Tax Revenue</b>	6.8	4.8	19.1	10.9	9.8
<b>Taxes on Income &amp; Profits</b>	4.4	11.7	10.0	4.9	6.6
Of Which:					
Individual	9.7	6.8	20.0	10.1	2.9
Company Tax	-1.6	18.4	-2.0	-0.9	8.4
<b>Taxes on Property</b>	-7.4	0.0	4.0	-3.8	-12.0
<b>Taxes on Domestic Goods &amp; Services</b>	10.4	0.2	42.1	37.7	16.4
Of Which:					
Stamp Duty	5.0	0.5	81.9	-26.7	4.3
Consumption Duties	25.0	-14.7	12.5	-50.0	-100.0
Hotel Turnover Tax	21.4	33.3	10.3	-18.7	-100.0
VAT					113.7
<b>Taxes on Int'l Trade &amp; Transaction</b>	3.9	2.8	15.0	2.8	9.2
Of Which:					
Import Duty	1.0	9.8	8.3	23.4	1.4
Consumption Tax	3.7	-2.2	17.8	-66.0	-98.4
Customs Service Charge	7.8	7.2	17.0	10.0	4.2
VAT					50.3
<b>Licences</b>	40.2	3.4	31.5	9.1	3.4
<b>Non-Tax Revenue</b>	-25.6	-15.3	16.0	-7.5	34.6
<b>Current Expenditure</b>	6.9	10.3	9.6	6.2	13.9
<b>Personal Emoluments &amp; Wages</b>	4.9	8.9	7.8	10.3	9.5
<b>Interest Payments</b>	-1.1	30.8	19.7	3.5	4.7
Domestic	-18.9	24.8	21.7	15.8	1.7
External	24.3	36.4	17.9	-7.4	8.0
<b>Transfers &amp; Subsidies</b>	10.1	15.5	7.8	7.2	23.3
<b>Other Goods &amp; Services</b>	12.8	1.2	10.1	-2.4	21.8
<b>Current Balance</b>	-29.0	-71.6	367.4	37.2	-4.2

## APPENDIX IV– GDP Growth Rate by Sector

	2003	2004	2005	2006	2007
Agriculture	-2.2	-5.2	-3.9	6.6	9.3
Crops	-7.8	-7.2	-2.8	6.5	6.6
Bananas	-37.9	5.7	-14.4	-17.7	1.6
Other Crops	7.9	-11.1	1.4	13.8	7.7
Livestock	1.8	2.0	1.9	2.1	2.9
Forestry	1.1	1.1	1.1	1.0	1.0
Fishing	26.0	-2.0	-13.1	11.7	26.4
Mining & Quarrying	4.9	6.5	2.8	11.4	14.1
Manufacturing	0.7	3.3	1.6	3.0	1.1
Electricity & Water	7.5	7.1	8.5	1.8	4.9
Electricity	8.2	8.0	9.3	1.5	5.5
Water	1.6	-1.6	0.2	5.0	-0.7
Construction	8.2	14.7	0.4	11.4	14.4
Wholesale & Retail Trade	4.2	9.8	4.4	6.8	5.0
Hotels & Restaurants	-5.7	7.3	9.5	1.0	1.0
Transport	7.8	10.1	-0.7	17.5	11.5
Road	6.8	13.3	-0.9	17.9	13.7
Sea	13.5	-1.4	3.1	18.3	13.0
Air	3.1	12.4	-7.3	12.5	-13.3
Communications	-2.0	19.3	-1.1	10.3	8.2
Telecommunication	-2.0	18.5	-1.2	10.5	9.0
Postal & Courier Services	0.0	86.1	5.2	2.1	-36.8
Banks & Insurance	3.5	3.1	10.4	5.8	5.4
Banks	1.3	0.7	2.6	6.1	6.2
Insurance	16.9	15.3	45.1	5.0	2.8
Real Estate & Housing	1.5	1.5	1.5	2.0	3.0
Government Services	2.5	2.5	5.3	4.3	7.1
Central	2.7	2.5	5.4	4.3	7.4
Local	-5.5	0.0	-1.9	4.9	-11.7
NIS	0.0	23.6	4.4	1.4	8.3
Other Services	7.9	6.0	10.0	3.5	5.0
Less Imputed Service Charge	8.5	10.0	6.5	9.3	13.5
<b>TOTAL</b>	<b>2.8</b>	<b>6.8</b>	<b>2.6</b>	<b>7.6</b>	<b>7.0</b>

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

## APPENDIX V BALANCE OF PAYMENTS SUMMARY

	2003	2004	2005	2006	2007
	<i>EC\$ Millions</i>				
<b>Current Account</b>					
Goods and Services					
Goods					
Merchandise .....	(373.1)	(436.6)	(463.8)	(542.2)	(648.5)
Repair on goods.....	-	0.0	0.00	0.01	0.02
Carrier goods procured in ports.....	4.0	5.4	5.3	6.2	8.9
Total .....	(369.1)	(431.2)	(458.5)	(535.9)	(639.5)
Services					
Transportation .....	(54.4)	(57.9)	(64.1)	(71.6)	(91.2)
Travel .....	212.1	219.4	240.3	263.4	245.7
Insurance Services.....	(12.3)	(13.9)	(15.2)	(16.2)	(20.8)
Other Business Services .....	43.7	52.1	64.7	62.6	18.1
Government Services .....	(5.0)	(5.3)	(13.3)	(15.7)	(23.6)
Total .....	184.1	194.4	212.4	222.5	128.2
Total Goods and Services .....	(185.1)	(236.8)	(246.1)	(313.5)	(511.4)
Income					
Employee Compensation .....	1.6	1.8	1.3	8.5	15.8
Investment Income .....	(66.0)	(78.8)	(73.5)	(73.8)	(77.2)
Total .....	(64.3)	(77.0)	(72.3)	(65.3)	(61.4)
Current Transfers					
General Government .....	(2.7)	(1.0)	(0.9)	15.7	(22.8)
Other Sectors.....	37.6	39.1	49.7	38.7	31.7
Total .....	34.8	38.1	48.7	54.4	54.4
<b>Total Current Account</b>	<b>(214.6)</b>	<b>(275.7)</b>	<b>(269.5)</b>	<b>(324.3)</b>	<b>(518.4)</b>
<b>Capital and Financial Account</b>					
<i>Capital Account</i>					
Capital Transfers .....	38.8	51.1	38.4	22.0	204.0
<i>Financial Account</i>					
Direct Investment .....	148.9	177.4	108.1	294.7	316.5
Portfolio Investment.....	55.9	89.6	(22.2)	33.8	(21.7)
Other Investments					
Public Sector Long Term ...	(7.0)	4.6	44.2	(33.4)	(6.8)
Other Public Sector	3.7	2.3	25.7	23.1	11.2
Capital .....					
Commercial Banks.....	(46.1)	(49.3)	(17.6)	26.2	98.2
Other Assets .....	(47.3)	(23.4)	14.9	(56.9)	(38.4)
Other Liabilities .....	24.1	19.5	16.7	16.8	(81.6)
Total .....	(72.6)	(46.3)	83.9	-24.2	(17.4)
Total.....	132.3	224.6	169.8	304.2	277.4
<b>Total Capital and Financial Account</b>	<b>171.0</b>	<b>271.8</b>	<b>208.3</b>	<b>326.2</b>	<b>418.4</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>Financing.....</b>	<b>1.3</b>	<b>(68.6)</b>	<b>7.8</b>	<b>(32.7)</b>	<b>5.0</b>
Change in Government Foreign Assets.....	(4.2)	(4.5)	(6.8)	(8.0)	27.3
Change in Imputed Reserves .....	5.5	(64.2)	14.6	(24.7)	(22.3)

## APPENDIX VI Selected Public Debt Indicators

	2004	2005	2006	2007	2008
			<i>EC\$ Millions</i>		
<b>Public Debt</b>					
External Debt					
Central Government	563.9	583.9	575.9	413.8	448.7
Public Corporations	32.6	50.5	81	98.1	98.5
Total	596.5	634.4	656.9	511.8	547.2
<b>Domestic Debt</b>					
Central Government	245	272.9	328.4	352.5	339.0
Public Corporations	42.6	65.9	79.4	127.0	167.6
Total	287.6	338.8	407.8	479.5	526.6
<b>Total Public Debt</b>	<b>884.1</b>	<b>973.2</b>	<b>1064.7</b>	<b>1004.41</b>	<b>1053.8</b>
<b>Debt Servicing</b>					
External					
Central Government	35.5	52.8	62.1	61.2	66.21
Public Corporations	2.3	1.6	2.5	6.1	4.5
Total	37.9	54.4	64.6	67.3	70.71
Domestic					
Central Government	25.01	32.59	40.1	31.9	40.99
(of which sinking fund)	6	11.83	11.8	9	5.2
GDP (at market price)	1117	1182	1330	1484	1624
Current Revenue	324.71	333.57	393.46	430.4	483.6
Total Debt as % of GDP	79.20%	82.30%	80.10%	67.68%	64.06%
Central Government Debt Service/Current Revenue	18.6%	25.6%	26.0%	21.6%	22.2%

*Source: Ministry of Finance*