PROSPECTUS

FOR TREASURY BILL ISSUES
FOR THE PERIOD
JANUARY 2014 – OCTOBER 2014

BY THE GOVERNMENT OF
ST. VINCENT AND THE GRENADINES

Ministry of Finance
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January 2014

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I. GENERAL INFORMATION

Issuer: The Government of St. Vincent and the Grenadines

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Ms. Deidre Anthony, Debt Manager

Date of Publication: January 2014

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)

Amount of Issue: Monthly issues of XCD25.0 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 (GOSVG) proposes to auction XCD 25,000,000.00 91-day treasury bills each month during the period January 2014 to October 2014. The treasury bills will be auctioned on the Regional Government Securities Market under the following symbols on the dates shown:

Trading Symbol	Auction Date	Settlement Date	Maturity Date
VCB290414	January 27, 2014	January 28, 2014	April 29, 2014
VCB260514	February 21, 2014	February 24, 2014	May 26, 2014
VCB240614	March 24, 2014	March 25, 2014	June 24, 2014
VCB300714	April 29, 2014	30 April, 2014	July 30, 2014
VCB270814	May 27, 2014	May 28, 2014	August 27, 2014
VCB250914	June 25, 2014	June26, 2014	September 25, 2014
VCB301014	30 July, 2014	31 July, 2014	October 30, 2014
VCB281114	August 28, 2014	August 29, 2014	November 28, 2014
VCB291214	September 26, 2014	September 29, 2014	December 29, 2014
VCB020215	October 31, 2014	November 03, 2014	February 02, 2015

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.

k. The Government of St. Vincent and the Grenadines has been assigned a rating of B2 by Moody's Investor Services in October 2012

l. The Treasury Bills will be issued on the Regional Government Securities Market (RGSM) and traded on the Eastern Caribbean Securities Exchange (ECSE).

m. 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
- Bank of Nevis Limited
- Bank of St. Vincent and the Grenadines Ltd.
- ECFH Global Investment Solutions Limited
- St. Kitts Nevis Anguilla National Bank Limited
- First Citizens Investment Services Ltd. – Saint Lucia

III EXECUTIVE SUMMARY

The Government of St. Vincent and the Grenadines is proposing to raise $25 million monthly during the period January to October 2014 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 $5,000 and in multiples of $1,000 will be processed through ECSE member intermediaries licensed by the Eastern Caribbean Securities Regulatory Commission. The proceeds of these issues will be used to refinance maturing treasury bills.

Preliminary data for 2012 indicates that St. Vincent and the Grenadines recorded a 1.5 percent growth in real output building on the slight recovery in 2011 after three consecutive years of negative growth. The increase in economic activity was influenced mainly by developments in the Agriculture, Wholesale & Retail Trade, Financial Intermediation and Public Administration sectors. The Real Estate Renting & Business Services sector remained the largest contributor to Gross Value Added in 2012 accounting for 16.4 percent of real output.

For the fiscal year ending December 31, 2012 the Central Government fiscal position improved when compared to 2011. Current revenue increased modestly by 2.2 percent to $472.62 million while current spending declined by 1.3 percent to $488.92 million. Consequently, the Central Government current account deficit contracted by 3.5 percent to $16.29 million (or 0.9 percent of GDP) from $32.71 million (1.8 percent of GDP) in 2011. The overall account also improved moving from a deficit of $58.67 million (3.2 percent of GDP) in 2011 to a deficit of $38.48 million (2.1 percent of GDP).

Total outstanding public debt for 2012 stood at $1.353 billion or 72.1 percent of GDP, an increase of 8.6 percent when compared with 2011 when the figure stood at $1.246 billion or 67.0 percent of GDP. Central Government borrowings accounted for 84.6 percent of total debt ($1.144 billion) with the remaining 15.4 percent ($207.9 million) attributable to Public Corporations.

Real economic activity is expected to remain positive, growing by an estimated 1.7 percent in 2013 as most of the productive sectors are expected to register gains of varying degrees.

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 Arawaks, 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 Arawaks.

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 Hughes. 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[1]. 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
Total.............................	**100**	**100**

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.

[1] Preliminary data for 2012 census has been delayed as a result of a fire in the Census Office.

The Eastern Caribbean Central Bank (ECCB) conducts quarterly economic and financial reviews that are published on the Bank's website (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)

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. 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 2008 was laid before the Parliament on April 5th 2011.

IV. OVERVIEW OF MACRO ECONOMIC PERFORMANCE

Economic Growth

Preliminary data for 2012 indicates that St. Vincent and the Grenadines recorded a 1.52 percent growth in real output building on the slight recovery in 2011 after three consecutive years of negative growth**.** The increase in economic activity was influenced mainly by developments in the Agriculture, Wholesale & Retail Trade, Financial Intermediation and Public Administration sectors. The Real Estate Renting & Business Services sector remained the largest contributor to Gross Value Added in 2012, accounting for 16.4 percent of real output.

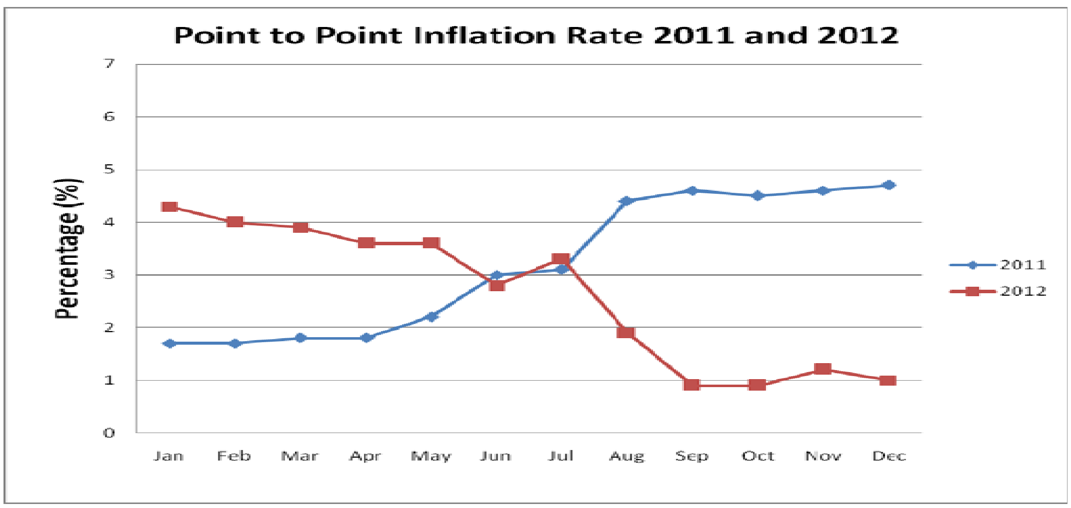
Following three consecutive years of negative growth the Wholesale & Retail Trade sector improved in 2012 growing by 1.53 percent, indicative of a mild recovery in domestic business activities. The Financial Intermediation sector grew by 8.38 per cent in 2012 and was led by movements in the pension and insurance sub-sectors. Notwithstanding the slower growth in the Real Estate Renting & Business Services sectors for 2012 the sector remained the largest contributor to Gross Value Added accounting for 16.4 percent of real output.

Inflation

A review of the Consumer Price Index for the year 2012 indicated that the average annual "point-to-point" inflation rate was 2.6 percent compared to 3.2 percent for the year 2011. The accumulated inflation rate for 2012 was recorded at 1.0 percent compared to 4.7 percent for 2011. Further analysis revealed that the monthly "All Items" indices were higher for all the months of

2012 compared to 2011. The biggest increase came for the group “Alcoholic Beverages, Tobacco & Narcotics”, which gained 5.5 percent on account of higher prices for cigarettes (20.9 percent), whiskey (6.3 percent), and rum (5.7 percent). The group index “Food & Non – Alcoholic Beverages” also rose by 1.1 percent during 2012. Point-to-point inflation rates trended downward throughout 2012. The first half of the year showed higher rates compared with the first half of 2011. In contrast, in the second half of the year, the inflation rates were lower than in 2011. The highest inflation rate for 2012 was 4.3 percent for the month of January and the lowest rate was 0.9 percent for the months of September and October.

Chart 1: Point to Point Inflation Rate 2011 and 2012



VIII. SECTORAL DEVELOPMENTS

Agriculture

The agricultural sector continues to be an essential component of the Vincentian economy. In 2012 the sector grew by 2.1 percent compared with 0.05 percent in 2011. The rebound in the Agriculture sector was mainly driven by a 31.9 percent increase in banana production and a 3.2 percent increase in other crops.

Table 3: Agricultural Products (volume & value) 2011-2012

Product			2011	2012
Banana	Quantity	Lbs '000	1,750	1,996
Banana	Value	EC$'000	1,346	2,744
Other Crops	Quantity	Lbs '000	67,334	70,494
Other Crops	Value	EC$'000	109,065	110,402
Fish	Quantity	Lbs '000	1,726	1,473
Fish	Value	EC$'000	9,479	8,935

Forestry continued to decline, exhibiting negative growth of 4.9 percent in 2012. Environmental challenges including deforestation and more recently the impact of hurricane Tomas (2010) and the torrential rains of 2011 are among the factors which contributed to the negative performance of the sector. In addition, the Fishing sub-sector also recorded declines in 2012. Unfavorable weather and environmental conditions in the earlier part of the year are among the reasons identified for the 14.9 percent reduction in the volume of fish landings.

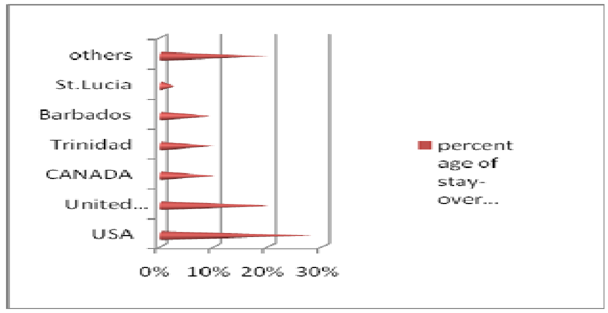
Manufacturing

St. Vincent and the Grenadines has a small manufacturing sector which is dominated by the production of brewery products, rice, flour and feeds. The value of manufacturing output is estimated to have contracted by 2.3 percent in 2012 compared with a 5.8 percent increase in 2011. The contraction of the sector was in part attributable to a 6.3 percent fall in total production of brewery products largely on account of the termination of the production of Coca Cola which according to sales volumes was the largest selling non-alcoholic beverage on the domestic market. In contrast, the output of feeds and flour increased by 11.7 percent and 3.7 percent respectively driven by an upsurge in Eastern Caribbean Group of Companies (ECGCs) export of feeds and flour to St Lucia.

Tourism

The Tourism Sector continued to face challenges in 2012. Activity in the sector declined by 3.1 percent indicating that it has not yet recovered from the effects of the global crisis. The fall-off in stay-over visitors in paid accommodation (1.0 percent) as well as cruise ship passengers (13.0 percent) were the main reasons for the decline in the tourism sector.

Chart 1: Percent of Stay-over Visitors by Source for 2012



The main source markets for the country's tourists are the U.S.A, UK, Europe, Canada, and the Caribbean. Visitor arrivals in the stay-over sub category rose marginally by 0.7 percent. The USA remains the main source market, with 28 percent of stay over visitors from that region. This was followed by the United Kingdom, Canada and the Caribbean. Same day visitors fell by 22.6 percent partly due to high airfares.

Yacht arrivals went up by 9.6 percent in 2012 reflecting growth in both charter cruises and bare boating. The yachting sub-category is a small, but growing segment that creates local business opportunities in a variety of areas.

The cruise sub-sector is a vital component of the country's tourism product. In this regard, the Tourism Authority continues to augment the efforts of the cruise liners in the marketing of the cruise tourism product. It remains committed to implementing strategies to support and develop new cruise tourism products by focusing on those attributes of the country that match the passions of potential travelers. Cruise calls in 2012 increased by 24.5 percent however, actual passengers arrival decline by 13.2 percent as the majority of the cruise vessels were smaller cruise liners.

Table 4: Visitor Arrivals By Visitor Type

VISTORS TYPE	Jan-Dec 2012	Jan-Dec 2011	Actual change	% change
BY AIR				
STAY-OVER	74,364	73,866	498	0.7
SAME DAY	3,051	3,941	(809)	(22.6)
SUB TOTAL	77, 415	77,807	(392)	(0.5)
BY SEA				
YACHT	45,246	41,266	3,980	9.6
CRUISE SHIP	77,179	88,924	(11,745)	(13.2)
SUBTOTAL	122,425	130,190	7,765	(6.0)
TOTAL	199,840	207,997	8,157	(3.9)

Source: St Vincent and the Grenadines Tourism Authority

The government recognizes the importance of tourism to the overall economic performance of the economy of St. Vincent and the Grenadines. Consequently it continues to play an active role in facilitating private sector tourism development initiatives including the ongoing development of the Buccament Bay Resort, Mayreau Resort Development, expansion of the resort in Canouan and further development of Palm Island and Petit St. Vincent Resort. It is anticipated that with the opening of the Argyle International Airport the performance of the Tourism sector would improve.

Construction

The construction sector which has been contracting for the last four years, declined further in 2012 by 3.5 percent. Improvements in the sector are anticipated in 2013 as activity on a number of public and private sector projects including the implementation of the Disaster Reduction Vulnerability Project, the completion of the international airport at Argyle, rehabilitation of the South Leeward Highway, tourism and hospitality facilities and other residential and commercial projects take traction.

IX. BALANCE OF PAYMENTS

Preliminary data suggests that the overall Balance of Payments (BOP) position for St Vincent and the Grenadines deteriorated in 2012. In 2012, BOP registered a deficit of EC$56.55 million compared to a surplus of EC$62.16 million in 2011. The deterioration stemmed from an increase in the merchandise trade deficit.

The Current Account

The current account deficit narrowed from EC$536.97 million (29.4 percent of GDP) in 2011 to EC$521.70 million (27.8 percent of GDP) in 2012, influenced by the 2.4 percent growth in travel receipts and larger net receipts on current transfers account of EC$60.3 million in 2012 up from EC$21.3 million in 2011 and a reduction in the net payments on the income account from EC$34.94 million in 2011 down to EC$10.95 million in 2012.

The surplus on the services account increased by 1.3 percent to EC$150.47 million (8.03 percent of GDP) in 2012 from EC$148.58 million in 2011, mainly due to higher travel receipts. The deficit on the income account fell significantly to $10.95 million primarily due to lower interest payments on Central Government external debt. There was a net inflow of current transfer of $60.26 million in 2012, a significant improvement from the $21.30 million recorded in 2011. This increase in transfers were mainly associated with technical assistance received from Cuba in relation to the Argyle airport project.

The Capital and financial account

In 2012, the surplus on the Capital and Financial Account increased significantly by 15.8 percent to EC$554.78 million, up from EC$478.94 million in 2011. Inflows on the capital and financial account increased on account of higher levels of foreign direct investment and Government borrowing. Net inflows on the financial account grew significantly by 28.9 percent to EC$482.75 million compared with EC$374.63 million in 2011. This increase inflow was associated mainly with 34.8 percent greater inflows from direct investment and to a lesser extent land sales, and portfolio investment. The capital account contracted further in 2012 to EC$72.02 million, reflecting the significant fall in capital grants received by Central Government.

FOREIGN TRADE

Merchandise trade in St. Vincent and the Grenadines consists of a mix of exports and imports, with a heavier weighting on imports. The main exports markets are the United Kingdom, the United States, 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 United Kingdom, the United States, CARICOM member countries and Japan.

Exports

Total exports increased in 2012 to $115.1 million from $103.5 million in 2011 mainly due to higher exports of manufactured goods. Manufactured exports grew from $69.4 million in 2011 to $78.9 million in 2012. Banana exports increased from $2.1 million in 2011 to $2.7 million in 2012.

Imports

Total imports increased to $964.4 million in 2012 from $895.6 million in 2011. Total imports represented 64.4 per cent of GDP in 2011 compared to 68.3 percent of GDP in 2012.

X. GOVERNMENT FISCAL OPERATIONS

In 2012 Central Government fiscal operations improved when compared with 2011. Current revenue increased slightly by 2.2% to $472.62 million, while current expenditure decreased by 1.3% to $488.92 million. Consequently, the Central Government current account improved, moving from a deficit of $32.71 million (1.8 percent of GDP) in 2011 to a deficit $16.29 million (0.9 percent of GDP) in 2012. The overall balance improved by 34.4 percent to $38.48 million on account of lower capital expenditure and improvement in current balance.

Table 5: Summary of fiscal operations for the year ended December 31, 2012 compared with 2011

	BUDGET 2012 $ M	**ACTUAL 2012 $ M**	**ACTUAL 2011 $ M**	*% CHANGE*
Current Revenue	**507.34**	**472.62**	**462.48**	*2.2*
of which:				
Taxes on Income & Profits	123.00	122.41	114.40	*7.0*
Taxes on International Trade	196.44	172.96	172.58	*0.2*
Taxes on Domestic Trade	115.78	106.38	98.91	*7.6*
Current Expenditure	**528.67**	**488.92**	**495.19**	*(1.3)*
of which:				
Personal Emoluments	232.70	224.05	212.99	*5.2*
Interest Payments	51.46	44.39	46.04	*(3.6)*
Transfers & Subsidies	150.52	131.17	143.63	*(8.7)*
Current Balance	**(21.33)**	**(16.29)**	**(32.71)**	***(50.2)***
Capital Expenditure	**184.92**	**54.16**	**72.52**	***(25.3)***
Capital Revenue	**81.54**	**31.98**	**46.56**	***(31.3)***
Overall Balance	**(124.71)**	**(38.48)**	**(58.67)**	***(34.4)***

Source: Ministry of Finance and Economic Planning

Revenue

Current Revenue increased by 2.2 percent to $472.62 million during fiscal year 2012 when compared to the $462.48 million collected in the preceding year. This improvement was driven by greater collections from all the major sources of Tax Revenue, including Taxes on Income and profits, Taxes on Domestic Transactions and Taxes on International Trade. In contrast, Non-Tax revenue declined by 16.5 percent during the period.

Taxes on Income and Profits grew by 7.0 percent to $122.41 million due to higher collections from Individual, Corporate and Withholding Taxes as the Inland Revenue Department intensified their collection effort. Taxes collected on domestic transactions for 2012 increased by 7.6 percent to $106.38 million when compared to 2011 when $98.91 million was collected. This performance was attributed mainly to increases in collections from Stamp Duty (10.8 percent) on account of land sales, Excise Duty (17.2 percent), Interest Levy (12.2 percent) and VAT (6.3

percent). The improvement recorded in the above mentioned sources of revenue is reflective of an increase in domestic economic activity during the year.

Taxes on international trade grew marginally by 0.2 percent to $172.96 million when compared with the corresponding period last year. Excise duty was the major contributor to this performance, recording a 12.6 percent increase partly due to the effects of new measures introduced. The short fall in receipts in the other subcategories was mainly due to revenue loss associated with the extent of concessions and exemptions granted during the period. Licences yielded $26.13 million, 11.5 percent more than the amount collected in 2011. This was mainly due to larger inflows from Alien Land Holding Licence as a result of increased land sales.

The 16.5 percent drop in non-tax revenue was mainly attributable to lower receipts from the sub-components of Interest, Rents and Dividends (2.1 percent) and Other Revenue (38.1 percent) including Fees, Fines and Permits whose marginally increase of 0.8 percent was insufficient to offset the decline in the other sub-components. Capital revenue declined significantly by 31.3 percent because of lower grant receipts and a significant contraction in inflows from the sale of shares from the divestment of the BOSVG.

Expenditure

For the period January to December 2012, current expenditure amounted to approximately EC$488.92 million. This was 1.3 percent lower than the amount spent for the same period in 2011. Of the Government's current expenditures, approximately 70% comprised of nondiscretionary expenses, such as wages and salaries, interest payments and transfers. Personal emoluments and wages were the only items of expenditure that increased during the period. The growth was primarily on account of increments and a 1.5 percent salary increase paid to public servants in December 2012 retroactive to January 2011

Expenditure on Transfers and Subsidies declined by 8.7 percent to $131.2 million, reflective of reduced outlays on grants and contributions and social welfare payments. Social welfare spending contracted by $9.5 million in contrast to the extraordinary payments made in 2011 due to the effects of hurricane Tomas and the torrential rains in April 2011.

Financing

Table 6 presents a summary of the Central Government financing for the year ended December 31, 2012 with comparative figure for the same period in 2011.

Table 6: Financing Summary for 2012

	2012	**2011**
Overall Deficit	**38.48**	**(58.67)**
Financed by:		
Net External:	**(35.43)**	**21.46**
Loan Disbursement	16.20	73.45
Less: Amortization	(51.63)	(51.99)
Net Domestic:	**73.88**	**37.18**
Loan Disbursements	59.63	2.50
Less: Amortization	(21.41)	(17.83)
Increase/(Decrease) in cash	10.90	23.13
Other	24.76	29.38

2013 Revenue and Expenditure Budget

The expenditure budget for 2013 amounts to EC$799.12 million, comprising recurrent expenditure (including amortization) of EC$622.22 million and capital expenditure of EC$176.90 million. The total budget is EC$5.21 million or 0.66 percent more than the 2012 approved estimates. The 2013 estimates of current expenditure (excluding amortization) is EC$533.92 million, which is 0.99 percent less than the estimates for 2012.

The projected growth in revenue for 2013 will come primarily from more efficient tax collection along with some new revenue measures. The 2013 estimate of capital expenditure is significantly lower than the 2012 estimates. This is in keeping with the Government's effort to spend only on vital items of expenditure of undoubted merit. Table 7 shows the breakdown in capital expenditure by Sector.

Table 7 Capital Expenditure by Sector 2013

Sector	EC$m	Percent
Economic Affairs	65.0	36.7
Education	30.0	17.0
Health	20.6	11.6
Public Order and Safety	9.0	5.1
Housing & Community Ame	12.8	7.2
General Public Service	14.1	8.0
Environmental Protection	21.3	12.0
Others	4.13	2.3
Total	176.9	100

Financing of the budget will come from current revenues of EC$508.5 million, capital grants of EC$50.1 million, capital revenue of EC$15.1 million, loans of EC$111.7 million and other capital receipts of EC$113.7 million.

Fiscal Outturn as at June 30, 2013

The Central Government fiscal operations for the first six months of 2013 turned in a mixed performance when compared to the same period in 2012. Current revenue increased by 1.3 percent to $221.87 million while current expenditure declined by 0.7 percent to $233.88 million. Consequently the Central Government recurrent account strengthened, moving from a deficit of $16.47 million in 2012 to a deficit of $12.01 million in 2013. Meanwhile, the overall balance deteriorated, as it moved from a deficit of $26.29 million in 2012 to a deficit of $27.90 million in 2013.

During the first six months of 2013 all the major categories of Tax Revenue recorded declines except for Taxes on Domestic Transactions and Licences. Receipts from taxes on Income & Profits amounted to $53.32 million, a decrease of 5.7 percent in comparison to the 2012 amount of $56.53 million. The lower collection from Corporation Tax was based on the fact that the significant arrears collected in 2012 did not recur to date in 2013 coupled with the persistent sluggish business activity reported by some private sector entities. Revenue from International trade amounted to $79.83 million, a decrease of 3.4 percent when compared to the first half of

2012. Receipts in all sub-components of this tax fell. Import Duty, Excise Duty and VAT fell by 5.1 percent, 7.1 percent and 1.4 percent respectively.

Table 8 : Summary of Fiscal Operations as at June 30, 2013

	Budget 2013 $m	June 2013 $m	June 2012 $m	Change %
Current Revenue	243.51	221.87	219.10	1.3
Current Expenditure	255.49	233.88	235.57	0.7
Surplus/(Deficit)	-11.98	-12.01	-16.47	-27.08
Capital Revenue	19.65	24.87	4.44	460
Of which Grants	*9.06*	*8.19*	*3.90*	*109.7*
Capital Expenditure	54.96	40.75	14.26	185.8
Overall Balance	-47.29	-27.90	-26.29	6.1

Source: Ministry of Finance and Economic Planning

Taxes on Domestic Trade which totaled $55.8 million grew by 7.7 percent mainly on account of a significant (54.8 percent) increase in receipts from stamp duty resulting from improved land sales during the period. Excise duty and Insurance Premium Tax collection, which grew by 11.8 percent and 1.5 percent respectively also contributed to the growth in Domestic Trade Taxes in accordance with the modest improvement in economic activity. Licences yielded $13.87 million, 24.7 percent more than the amount collected in 2012. This was mainly due to larger inflows from Alien Land Holding Licences based on the improved land sales during the period.

Revenue from Non-Tax sources fell by 1.4 percent to $9.9 million during the period and was due to lower receipts from Fees, Fines and Permits (1.4 percent), in particular a 4.1 percent falloff in Offshore Financial Services fees. Increased earnings were recorded in Merchant Shipping -international-(14.2 percent), Interest Rents and Dividends (26.1 percent) and Other Revenue (60.0 percent).

As at June 30 2013, current expenditure amounted to $233.9 million representing a decline of 0.7 percent when compared to the amount spent in the first half of 2011. Payment of Personal Emolument and Wages amounted to $111.5 million and 9.0 million, respectively. Personal Emoluments increased by 3 percent, while wages increased by 7.5 percent.

Expenditure on Transfer & Subsidies fell by 5.3 percent to $63.8 million on account of reduced spending on most of its major components including; social welfare payments (down by 12.4 percent), Grants and Contributions (down by 5.8 percent), however Pension payments went (up by 16.1 percent). Similarly, spending on Goods and services declined by 4.3 percent to $28.47 million as a result of reduced outlays on a number of its components including Utilities (19.9) percent), Communication expenses (15.6) and Maintenance services (0.50 percent).

Capital inflows as at June 30 2013 amounted to $24.87 million, 459.7 percent higher than the amount collected for the same period in 2012 and due to greater receipt from Crown Land sales ($13.28 million), Grant receipt ($4.29 million) and Other Receipt ($2.86 million). Capital spending for the first six months of 2013 totaled $40.75 million, this amount is significantly higher than the $14.29 million spent during the same period in 2012.

Medium Term Outlook

Real economic activity is expected to remain positive, growing by an estimated 1.7 percent in 2013 as most of the productive sectors are expected to register gains of varying degrees. Growth is expected to come chiefly from an expansion of activity in Agriculture, Construction and Wholesale and Retail Trade.

A growth trajectory is projected for the Agriculture sector as a result of the banana replanting drive, supported by activities under The Banana Accompanying Measures (BAM) which are expected to positively impact yield from Banana and Other Crops . The Construction sector is expected to grow mainly as a result of a number of on-going public sector projects such as the completion of the International Airport, the Maritime and Hospitality Institute and the rehabilitation of the South Leeward highway. This will be enhanced by private sector projects including tourism projects such as the ongoing development of the Buccament Bay Resort, Mayreau Resort Development, expansion of the resort in Canouan and further development of Palm Island and Petit St. Vincent Resort, residential home construction and commercial projects. Consistent with the expectation of a modest expansion in domestic economic activity, the real estate sector is also projected to expand steadily over the medium term.

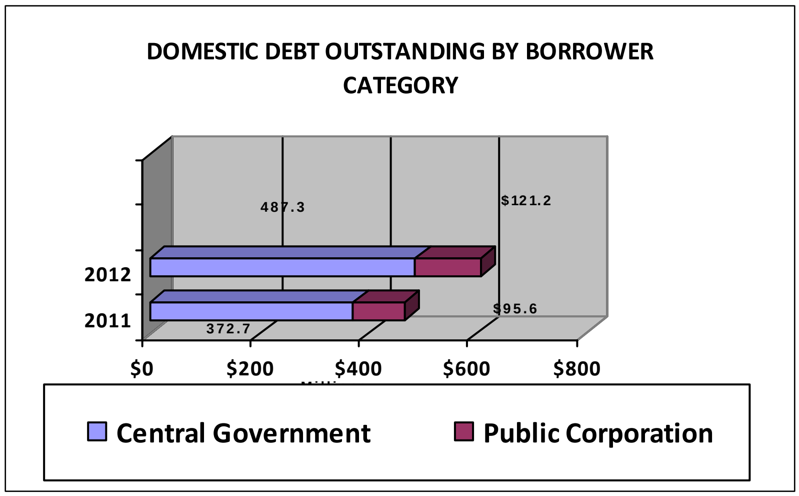
XI PUBLIC DEBT ANALYSIS

Total outstanding public debt as at December, 2012 stood at EC$1,353 million or 72.1 percent of GDP, compared with $1,246 million (68.2.0 percent of GDP) for 2011. Of the total debt Central Government accounted for 84.6 percent (EC$1,147.7 million) ,with the remaining 15.4 percent ($207.9 million) attributable to Public Corporations.

Domestic

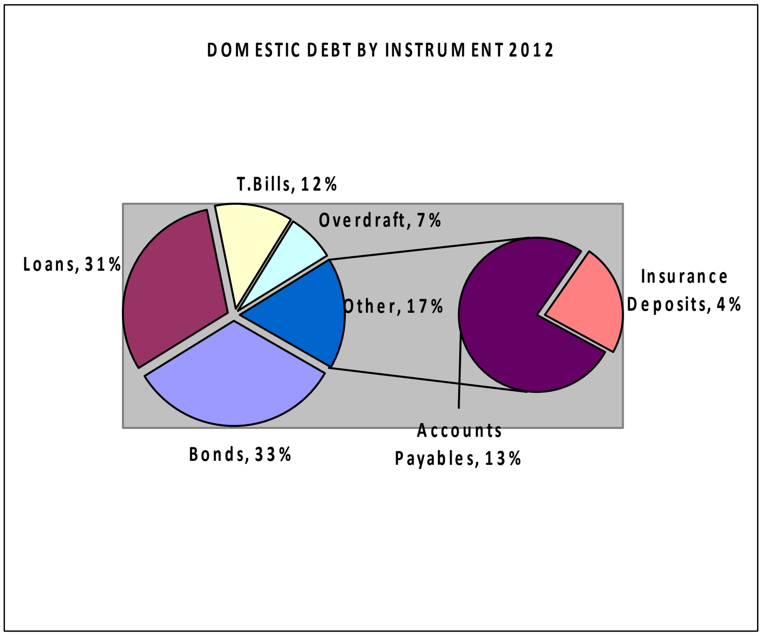
The domestic debt of the Central Government rose by 30.7 percent to $487.3 million at the end of 2012, while Public Corporation debt increased by 26.8 percent to EC$121.2 million from $95.6 million over the same period. The increase in the Central Government's debt was primarily due to the issuance of a new EC$40 million Government bond, the restructuring of some facilities and the smoothing out of the Treasury bill cycle reverting back to $75 million at the end of 2012 up from $50 million in 2011. In addition, government guaranteed debt held domestically grew by 12.6 percent to $121.2 million in 2012 from EC$95.6 million in 2011. This increase in mainly due to bridging loans for the construction of the International Airport at Argyle.

Chart 2



With respect to the composition of the domestic debt portfolio, Government bonds constituted the largest share of domestic stock accounting for 33.1 percent, while loans accounted for 30.9 percent. Treasury bills and overdrafts jointly accounted for 19.7 percent. The category “Other” accounted for the remaining 17.0 percent.

Chart 3 Domestic Debt by Instrument Type



The Government continued to be an active participant on the Regional Government Securities Market (RGSM) in 2012. During 2012, twelve (12) Treasury Bills of $25.0 million each were auctioned monthly in addition to a 10-year Bond valued at $40.0 million. The chart below shows the value of the Treasury Bills issued during 2012 compared with the bids received and the settlement rate.

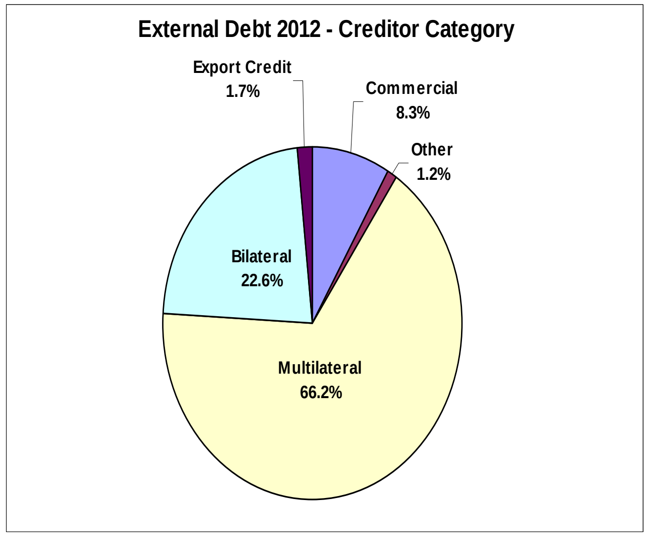
External

Public external debt declined by 4.6 percent from $777.6 million at year end 2011 to $744.1 million in 2012. Of the total external debt, $657.4 million or 88.3 percent was attributable to the Central Government and $86.7 million (11.7 percent) to Public Corporations. Both Central Government and government guaranteed debt registered declines of 3.6 percent and 9.6 percent respectively. The decrease in the stock of debt is due to the net effect of scheduled amortization on loan balances.

The majority of the external public sector debt was contracted on concessional terms from multilateral and bilateral sources, 66.2 percent and 22.6 percent respectively. Consequently, the maturity profile of the debt continues to be dominated by long-term loans with 79.2 percent maturing over ten years. Loans with remaining maturity between 5-10 years account for 8 percent of the debt while loans with remaining maturity between 1-5 years account for 11.6 percent. The balance of 1.2 percent matures in less than one year.

The External debt remained within acceptable limits as indicated by the debt to GDP ratio of 39.7 per cent and debt service to revenue ratio of 18.0 per cent.

Chart 4 External Debt by Creditor Category



External Debt by Currency

The Government continued its policy of limiting its exposure to adverse currency movements. At the end of 2012, 84.8 percent of Central Government external debt faced limited exchange rate risks as 80.4 percent of its debt was denominated in US dollars, 4.2 percent in EC dollars and 0.2 percent in Barbados dollars. The risk exposure was largely denominated in SDRs (12.9 percent), followed by Euros (1.7 percent) , Kuwaiti dinars (0.5 percent) and Trinidad and Tobago dollars 0.1 percent.

Debt Servicing as at December 2012

In 2012, Central Government debt service payments decreased marginally by 0.3 percent to $121.4 million, from $121.8 million in 2011. . Of this amount, amortization accounted for 60.2 percent, increasing by 5.0 percent from $69.5 million in 2011 to $73.0 million in 2012. The marginal increase in amortisation was offset by declines in interest payments of 3.4 percent and sinking fund contributions of 33.3 percent. Debt service as a percentage of revenue declined marginally by 0.1 percentage point from 25.0 percent in 2011 to 24.9 percent in 2012.

Summary of Public Debt as at June 30, 2013

As at 30th June, 2013 public debt increased by 1.6 percent to $1,322.5 million from $1,301.5 million over the corresponding period in 2012. Of this amount, 56.2 percent or $742.6 million was held externally with the remaining 43.8 percent or $579.9 million being held domestically. External debt declined by 0.9 percent while domestic debt increased by 5.1 percent. The increase in domestic debt was mainly due to the acquisition of new debt for the completion of the Argyle International Airport.

Debt Servicing

During the first half of 2013, Central Government debt service increased by 11.2 percent from $61.1 million in 2012 to $68.0 million, concomitant with the increase in its public debt. While External debt servicing declined the decrease was insufficient to off-set the increase in the domestic debt service on account of the commencement of amortisation and interest payments on loans and bonds. Sinking fund contributions increased by 25 percent over the corresponding period in 2012.

Table 8: Summary of Public Debt as at June 30, 2013 compared with corresponding period 2012

	Jan - Jun 2013 $ M	Jan - Jun 2012 $ M	Change 2013/2012 %
Total Public Debt	**1,322.5**	**1,301.5**	**1.6**
External Debt	**742.6**	**749.7**	**-0.9**
Central Government	659.8	658.9	0.1
Public Corporations	82.8	90.8	-8.8
Domestic Debt	**579.9**	**551.8**	**5.1**
Central Government	453.8	450.9	0.6
Public Corporations	126.1	100.9	25.0
Central Government Debt Service	**68.0**	**61.1**	**11.2**
Interest Payment	**21.1**	**21.8**	**-3.0**
External	*9.4*	*11.3*	*-16.5*
Domestic	*11.7*	*10.5*	*11.6*
Amortisation	**41.9**	**35.4**	**18.5**
External	*25.6*	*26.0*	*-1.6*
Domestic	*16.3*	*9.4*	*74.1*
Sinking Fund Contribution	**5.0**	**4.0**	**25.0**
Revenue	**221.9**	**219.1**	**1.3**
Debt Service/Revenue (%)	**30.7**	**27.9**	**2.7**

Source: Ministry of Finance and Economic Planning

Legislative Authority

The primary legislation which governs and explicitly authorises the Government to borrow is the Finance Administration Act Cap 252. The Act enables 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 the advance is EC$50.0 million.

The Treasury Bills Act Cap 444 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 institutions such as the Caribbean Development Bank there are various Acts which authorises the Ministry of Finance to sign loan agreements. 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. There is no legislation authority for the limit on the total amount of outstanding debt.

DEBT STRATEGY 2013 -2016

Among 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. Table 9below summarizes the main type of risk and the strategy for these risks.

Table 9: Risk Management Strategy

Type of Risk	**Management of Risk**
1. Liquidity and Refinancing Risk	• Prepare annual cash flow and borrowing plans and monitor on a monthly basis • Minimize the proportion of short-term debt • Smooth out the maturity profile to minimise the bunching of loan repayments through the use of sinking funds and amortised Bonds. • Maintain an adequate level of fiscal reserves
2. Interest Rate Risk	• Minimise floating interest rate debt as far as possible
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 short-to-medium-term the total public debt is expected to increase to about 80 percent of GDP as the government continues the construction of the Argyle International Airport. It is expected that much of the borrowings for this project would be repaid from the sale of lands already identified for that purpose. Following this period the aim is to restrict the debt to no more than 75 percent 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. Over the long-term the aim is to limit debt to 60 percent of 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 the public enterprises. 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 designated an officer for direct liaison and monitoring of public enterprises.
3. Issue all Government Securities on the Regional Government Securities Market (RGSM)
4. Contraction of new debt would be mostly concessionary from multinational and bilateral creditors.

XII. MONEY AND CREDIT

Monetary liabilities (M2) grew by 6.6 per cent during 2012, compared with a decline of 0.4 percent during 2011. Both narrow money and quasi money expanded, by 8.9 and 5.6 percent respectively as a result of an increase in private sector demand deposits which offset a contraction of 5.7 per cent in currency with the public and on account of expansions in private sector saving deposits (6.5 per cent) and private sector time deposits (9.3 per cent).

Domestic credit expanded by 6.0 per cent to $960.8m million, influenced by increased borrowing by the private sector. Private sector borrowing grew by 3.9 percent mainly on account of growth in credit to households and businesses. Net credit to the Central Government expanded by 11.4 percent, while net deposits of non-financial public enterprises fell by 7.6 percent attributable largely to a drawdown on deposits. Private sector credit rose by 4.1 percent, as loans extended to households increased by 6.7 percent while business credit fell by 7.3 percent.

The distribution of credit by economic activity indicated less buoyancy in lending for personal use, the largest component of total credit. Growth in outstanding loans for personal use rose by 5.7 per cent compared with 6.5 per cent in 2011, as credit outstanding for acquisition of property grew at a slower rate of 2.3 per cent. Credit for the purchase of durable consumer goods and other personal uses inched up 3.3 per cent and 10.5 per cent respectively. Credit extended for professional and other services and public administration rose by 22.6 per cent and 21.8 per cent respectively. Increases were also recorded in credit extended for agriculture and fisheries (9.7 per cent) and distributive trades (5.7 per cent) to support initiatives in these sectors. In contrast, lending for construction, tourism, and manufacturing, mining and quarry declined for the second consecutive year by 27.7 per cent, 19.1 per cent and 10.8 per cent respectively, due to lower investments and the slow pace of tourism related construction activity.

The net foreign assets of the banking system grew by 3.3 per cent to $406.2m at the end of 2012, in contrast to a contraction of 17.1 percent during 2011. This increase was mainly fuelled by a 23.7 per cent rise in central bank imputed reserves to $293.2m. By contrast, the net foreign assets of commercial banks fell by 27.7 per cent to $113.0m, primarily associated with a reduction of assets held with banks and other institutions within the currency union, partly to meet the increased demand for credit by both the public and private sectors.

Liquidity in the commercial banking system fell during the review period but remained at an elevated level. This was evidenced by a decline in the ratio of liquid assets to total deposits plus liquid liabilities by 0.64 percentage points to 39.0 per cent. In addition the ratio of loans and advances to deposits rose by 1.0 percentage point to 75.2 per cent.

Commercial banks weighted average interest rate spread between loans and deposits widened by 44.0 basis points to 6.62 per cent at the end of December 2012. The weighted average interest rate on deposits fell by 11.0 basis points to 2.79 per cent while the weighted average lending rate increased by 34.0 basis points to 9.42 per cent.

XIII. BANKING AND FINANCIAL INSTITUTIONS

Overview

The financial sector in St. Vincent and the Grenadines consists of four banks The Bank of St. Vincent and the Grenadines, 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. The banks are regulated by the ECCB while the non-banking institutions, including the credit unions, BLS, the insurance companies and Money Services Business are regulated by the Financial Services Authority.

St. Vincent and the Grenadines like the rest of the ECCU has suffered immense economic dislocation, loss and damage as a result of the collapse of the CL Financial, and the demise of the subsidiary insurance entities of CLICO (Trinidad), CLICO International Limited (CIL) and British American Insurance Company (BAICO. During 2012 two important initiatives have borne fruit for policyholders of BAICO:

1. The Fund established to pay BAICO's health insurance claims has paid 189 persons a total of EC$144,000 in claims.
2. Sagicor Life Inc agreed to purchase BAICO's traditional life insurance business.

St. Vincent Building and Loan Association

St. Vincent Building and the Loan Association (BLA) was established under the Building and Loan Society Act. The institution has been in operation for over fifty years. Following an examination of the Association, which revealed several deficiencies including poor asset quality and weak corporate governance the Financial Services Authority (FSA) on February 1, 2013, assumed management and control of the BLA. The action was undertaken to protect the interest of shareholders, members and depositors and to ensure that the BLA remained operational and financially sound. The FSA commenced implementation of measures geared towards addressing liquidity, solvency and operational management. Significant strides in addressing some of the deficiencies resulting in better financial management and reporting, and effective NPL recoveries have been reported by the FSA since its intervention in the BLA.

Foreign Exchange and International Reserves

The ECCB of which St Vincent and the Grenadines is a member, has 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.

XIV. MONEY TRANSFER COMPANIES

The Money Transfer business is governed by the Money Services Business Act No. 27 of 2005. The Financial Services Authority (FSA) 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;

(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

XV. INSURANCE SECTOR

In St. Vincent and the Grenadines the Insurance sector is mainly made up of branches/agencies of CARICOM based insurance companies. The sector is governed by the Insurance Act No. 45 of 2003 (CAP 306 of the 2009 Revised Laws of St. Vincent and the Grenadines) and the Motor Vehicle Insurance (Third Party Risk) Act No. 4 of 2003. The Financial Services Authority (FSA) established by Act #33 of 2011 is responsible for the regulatory and supervisory frameworks of the sector. The Insurance Laws and Regulations apply equally to both domestic and foreign companies. As at year ending 2011, there were 28 registered companies. Twenty-two (22) are active, including nine (9) long-term insurance companies and thirteen (13) motor and general insurance companies. The list of active insurers by license class is as follows:-

Long- Term insurance	Short-Term insurance **<u>Motor and General Insurance Companies</u>**
• 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	**Locally Incorporated** • Great Northern Insurances • Metrocint General Insurance Co. Ltd • St Hill Insurance Co. Ltd. • St. Vincent Insurances Ltd. • West Indian Insurances Ltd. **Foreign incorporated** • The Beacon Insurance Company • Caribbean Alliance • Guardian General Insurance • CLICO International General • Gulf Insurance • Guyana and Trinidad Fire & General • Island Heritage Insurance • United Insurance

British American Insurance Company and Clico International Life Insurance Company are still under judicial management. Additionally, CLICO was in the process of being sold to a new company namely Sun General Insurance. The Great Northern Company is in the process of winding up.

The insurance business continues to struggle with the consequences of the collapse of the CL Financial Group (CLF). Available data shows that the total assets in the insurance market as at year end 2011 amounted to $154.3m, a decrease of 39.08 percent when compared to EC$253.3million accrued in 2010.

Gross premium income in the insurance industry totalled $66.6 million. This represented 3.6 percent of the Gross Domestic Product at market prices and a decrease of 15. 3 percent over the gross premium income of $76.8 million in 2010. In the motor and general insurance sub-sector, eight companies controlled 80.1 percent of the market when ranked by their gross premium. Property class of business and motor class of business increased by 8.0 percent and 1.5 percent respectively.

Insurance penetration (premium as a percentage of GDP) moved from 4.2 per cent in 2010 to 3.6 per cent in 2011. Both the long term segments and short term segments of the industry recorded decline of 0.3 percentage point and 0.4 percentage point respectively. Overall the industry ratio decrease by 0.6 percentage

Claims continue to be a significant component of the insurance companies' expenditure. Policy holder benefits (which includes claims, annuity payments, policy surrenders in the long-term sub-sector for the period amounted to $11.7m, which represented 59.0 percent of total expenses. Meanwhile, short-term claims amounted to $8.5 million. The loss ratio (ratio of net claims to gross premium) showed decreases in both short-term and long-term insurance 3.0 and 65.9 percentage points respectively.

During the year 2011, reinsurance amounted to EC$30.6 million for short-term insurance business and $1.2 million for long-term insurance business. The industry's statutory deposits held by the supervisor of insurance during the year amounted to EC$30.9 million which comprised of $9.5 million in Government Securities and $21.5 million in cash.

XVI. 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.

XVII. CURRENT ISSUES OF GOVERNMENT SECURITIES.

As at June 30 2013, the Government’s outstanding securities traded on the Regional Government Securities Market are listed hereunder**:**

1. **TREASURY BILLS**

- **Issues Outstanding** **Issue $75.0M**
- **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** **1 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** **$12.0 M**
- **Type of Issue** **St Vincent and The Grenadines Development Bonds**
- **Original Maturity** **10 years**
- **Remaining Maturity** **3 years**
- **Date of subscription** **August 2006**
- **Final Redemption Date** **August 2016**
- **Coupon Rate** **7.5per cent**
- **Amount offered for sale** **$40.0M**

VCG 100917

- **Amount Outstanding** **$13.5M**
- **Type of Issue** **St Vincent and The Grenadines Development Bonds**
- **Original Maturity** **10 years**
- **Remaining Maturity** **4 Years**

- **Date of subscription** **September 2007**
- **Final Redemption Date** **September 2017**
- **Coupon Rate** **7.5per cent**
- **Amount offered for sale** **$30.0M**

VCG 070316

- **Amount Outstanding** **$4.7M**
- **Type of Issue** **St Vincent and The Grenadines Development Bonds**
- **Original Maturity** **7 years**
- **Remaining Maturity** **3 years**
- **Date of subscription** **March 2009**
- **Final Redemption Date** **March 2016**
- **Coupon Rate** **8.0 percent**
- **Amount offered for sale** **$13.3M**

VCG 0316AA

- **Amount Outstanding** **$5.4M**
- **Type of Issue** **St Vincent and The Grenadines Development Bonds**
- **Original Maturity** **7 years**
- **Remaining Maturity** **3 years**
- **Date of subscription** **April 2009**
- **Final Redemption Date** **April 2016**
- **Coupon Rate** **8.0 percent**
- **Amount offered for sale** **$15.0M**

VCG 0316AB

- **Amount Outstanding** **$5.9M**
- **Type of Issue** **St Vincent and The Grenadines Development Bonds**
- **Original Maturity** **7 years**
- **Remaining Maturity** **4.5 years**
- **Date of subscription** **May 2009**
- **Final Redemption Date** **May 2016**
- **Coupon Rate** **8.0 percent**
- **Amount offered for sale** **16.7M**

VCG 100422

- **Amount Outstanding** **$34M**

- **Type of Issue** **St Vincent and The Grenadines Development Bonds**
- **Original Maturity** **10 years**
- **Remaining Maturity** **9 years**
- **Date of subscription** **April 2012**
- **Final Redemption Date** **April 2022**
- **Coupon Rate** **7.5 percent**
- **Amount offered for sale** **$40.0M**

VCG 100323

- **Amount Outstanding** **$24.6M**
- **Type of Issue** **St Vincent and The Grenadines Development Bonds**
- **Original Maturity** **10 years**
- **Remaining Maturity** **10 years**
- **Date of subscription** **March 2013**
- **Final Redemption Date** **March 2023**
- **Coupon Rate** **7.0 percent**
- **Amount offered for sale** **$40.0M**

Most of the Bonds are amortised with allocations for payments provided annually from the Consolidated Fund. Where the Bonds are not amortised a Sinking Fund is established for redemption at maturity . Equal, monthly contributions are allotted and committed to the sinking fund to achieve the yearly targeted level. Presently, $458,333 per month for an end of year total of $5.5million is allocated for this purpose.

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. 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 Co-ordinating Committee (RDCC) for the operation of the market including ongoing reporting and disclosure requirements.

APPENDIX I – LIST OF LICENSED ECSE MEMBER BROKER DEALERS

Territory	Institution	Name of Licencee	Type of Licence
ANTIGUA AND BARBUDA	ABI Bank Ltd	Carolyn Philip	Principal
		Heather Williams	Representative
ST KITTS AND NEVIS	St Kitts-Nevis-Anguilla National Bank Ltd	Winston Hutchinson	Principal
		Anthony Galloway	Principal
		Angelica Lewis	Representative
		Marlene Nisbett	Representative
		Petronella Crooke	Representative
	The Bank of Nevis Ltd	Kelva Merchant	Principal
		Brian Carey	Principal
		Lisa Jones-Herbert	Representative
		Vernesia Walters	Representative
SAINT LUCIA	ECFH Global Investment Solutions Ltd	Beverly Ann Henry	Principal
		Donna Matthew	Principal
		Dianne Augustin	Principal
		Deesha Lewis	Representative
		Lawrence Jean	Representative
	First Citizens Investment Services Ltd	Carole Eleuthere-JnMarie	Principal
		Samuel Agiste	Representative
		Shaka St Ange	Representative

Territory	Institution	Name of Licencee	Type of Licence
ST VINCENT AND THE GRENADINES	Bank of St Vincent and the Grenadines Ltd	Keith Inniss	Principal
		Monifa Latham	Principal
		Patricia John	Representative
		Laurent Hadley	Representative

APPENDIX II – Central Government Fiscal Operations

	2008	2009	2010 EC$M	2011	2012
Current Revenue	**489.47**	**466.51**	**489.95**	**462.48**	**472.63**
Tax Revenue	**447.88**	**432.61**	**421.47**	**412.14**	**430.58**
Taxes on Income & Profits	**110.39**	**110.35**	**108.81**	**114.40**	**122.41**
Of Which:					
Individual	55.99	57.64	61.69	67.38	71.81
Corporation	46.69	44.86	40.03	37.36	40.90
Taxes on Property	**2.20**	**2.72**	**2.90**	**2.81**	**2.70**
Taxes on Domestic Transcation	**119.32**	**105.14**	**105.93**	**98.91**	**106.38**
Of Which:					
Stamp Duty	29.16	18.74	22.68	15.71	17.41
Interest Levy	10.32	10.44	9.06	10.62	11.91
Excise Duty	4.18	3.73	4.15	4.11	4.82
VAT	67.54	64.83	62.53	61.11	64.95
Taxes on International Trade	**188.62**	**192.39**	**178.43**	**172.58**	**172.96**
Of Which:					
Import Duty	45.59	46.15	48.16	47.12	47.60
Excise Duty	20.74	29.27	22.52	20.18	22.73
Customs Service Charge	30.81	31.56	29.30	30.68	30.23
VAT	86.00	80.36	74.11	71.20	69.11
Licences	**27.34**	**22.02**	**25.40**	**23.44**	**26.13**
Non-Tax Revenue	**41.59**	**33.90**	**68.48**	**50.34**	**42.05**
Capital Revenue & Grants	**46.74**	**78.40**	**99.20**	**46.56**	**31.98**
Current Expenditure	**432.29**	**469.75**	**521.41**	**495.18**	**488.92**
Personal Emolument & Wages	206.88	211.99	221.82	231.17	242.90
Interest Payments	47.48	51.02	55.31	46.04	44.39
Domestic	24.47	28.44	33.85	23.42	23.29
External	23.01	22.58	21.46	22.62	21.10
Transfers & Subsidies	86.17	120.68	177.09	143.63	131.17
Goods & Services	91.77	86.07	67.19	74.34	70.46
Capital Expenditure	130.97	130.01	83.52	72.52	54.15711
Current Balance	**57.18**	**-3.24**	**-31.46**	**-32.70**	**-16.29**
Overall Balance	**-27.05**	**-54.84**	**-15.77**	**-58.66**	**-38.47**

APPENDIX III – Central Government Fiscal Operations (% growth)

	2008	2009	2010	2011	2012
			% change		
Current Revenue	**12.95**	**(4.69)**	**5.02**	**(5.61)**	**2.19**
Tax Revenue	**11.29**	**(3.41)**	**(2.57)**	**(2.21)**	**4.47**
Taxes on Income & Profits	**6.58**	**(0.03)**	**(1.40)**	**5.14**	**7.00**
Of Which:					
Individual	**3.23**	**2.93**	**7.03**	**9.23**	**6.57**
Corporation	**8.30**	**(3.92)**	**(10.77)**	**(6.66)**	**9.48**
Taxes on Property	**(11.66)**	**23.19**	**6.92**	**(3.20)**	**(3.91)**
Taxes on Domestic Transcation	**16.70**	**(11.88)**	**0.75**	**(6.63)**	**7.55**
Of Which:					
Stamp Duty	4.03	(35.74)	21.03	(30.72)	10.82
Interest Levy	3.20	1.16	(13.22)	17.22	12.15
Excise Duty	(69.69)	(10.77)	11.26	(0.96)	17.27
VAT	114.37	(4.01)	(3.55)	(2.28)	6.28
Taxes on International Trade	**12.48**	**1.99**	**(7.26)**	**(3.28)**	**0.22**
Of Which:					
Import Duty	3.83	1.24	4.34	(2.15)	1.02
Excise Duty	0.00	41.13	(23.06)	(10.39)	12.64
Customs Service Charge	7.50	2.40	(7.15)	4.71	(1.47)
VAT	52.10	(6.56)	(7.78)	(3.93)	(2.94)
Licences	**3.44**	**(19.47)**	**15.37**	**(7.72)**	**11.48**
Non-Tax Revenue	**34.45**	**(18.49)**	**101.99**	**(26.49)**	**(16.47)**
Capital Revenue & Grants	**50.89**	**67.74**	**26.53**	**(53.06)**	**(31.33)**
Current Expenditure	**14.27**	**8.67**	**11.00**	**(5.03)**	**(1.26)**
Personal Emolument & Wages	9.48	2.47	4.64	4.22	5.07
Interest Payments	6.09	7.46	8.41	(16.76)	(3.58)
Domestic	4.47	16.23	19.04	(30.81)	(0.56)
External	7.88	(1.86)	(4.97)	5.41	(6.72)
Transfers & Subsidies	23.33	40.05	46.75	(18.89)	(8.68)
Goods & Services	22.83	(6.21)	(21.93)	10.64	(5.22)
Capital Expenditure	**(9.78)**	**(0.73)**	**(35.76)**	**(13.16)**	**(25.32)**
Current Balance	**3.83**	**(105.66)**	**871.29**	**3.94**	**(50.18)**
Overall Balance	**(54.26)**	**102.77**	**(71.24)**	**271.94**	**(34.41)**

Source: Ministry of Finance and Economic Planning

APPENDIX IV– GDP in constant 2006 prices

SECTOR	2007	2008R	2009 Prel	2010	2011	2012 Prel
Agriculture	**88.47**	**87.74**	**99.11**	**81.06**	**81.09**	**82.80**
Crops	69.58	66.88	67.05	63.14	62.15	64.40
Bananas	13.99	12.61	10.77	6.31	0.93	1.23
Other Crops	55.59	54.27	56.28	56.83	61.22	63.16
Livestock	17.96	19.94	31.17	17.06	18.10	17.61
Forestry	0.93	0.91	0.89	0.86	0.84	0.80
Fishing	**8.13**	**5.31**	**7.47**	**6.34**	**6.15**	**5.23**
Mining & Quarrying	4.76	5.00	5.13	4.01	3.02	2.13
Manufacturing	67.82	69.60	63.94	62.22	65.84	64.34
Electricity & Water	**59.03**	**58.10**	**59.98**	**57.25**	**56.00**	**58.72**
Electricity	43.71	42.70	43.18	42.65	42.73	44.34
Water	15.31	15.39	16.80	14.60	13.27	14.38
Construction	155.98	139.89	128.27	124.27	120.08	115.84
Wholesale & Retail Trade	234.84	243.94	224.10	222.09	212.50	215.75
Hotels & Restaurants	**49.33**	**46.62**	**38.23**	**32.81**	**33.94**	**32.90**
Hotels	37.70	35.08	27.50	22.49	23.77	22.82
Restaurants	11.63	11.53	10.73	10.32	10.18	10.08
Transport, Storage & Communication	**214.18**	**217.04**	**213.27**	**209.91**	**209.24**	**210.77**
Transport, Storage	153.05	154.80	154.96	156.22	156.00	157.06
Road	106.00	109.67	111.68	113.22	114.16	114.85
Sea	18.00	16.51	16.92	16.50	16.02	16.25
Air	2.08	2.07	1.86	1.82	1.75	1.71
Supporting and auxiliary transport activities	26.97	26.56	24.50	24.69	***24.07***	***24.26***
Communications	**61.14**	**62.24**	**58.32**	**53.69**	**53.24**	**53.71**
Telecommunication	59.62	61.57	56.73	51.65	50.52	51.23
Postal & Courier Services	1.51	0.67	1.59	2.04	2.72	2.48
Financial Intermediation	**105.76**	**104.36**	**101.93**	**95.68**	**99.20**	**107.51**
Banks & Other Financial Institutions	76.18	74.02	73.83	72.26	69.64	71.84
Insurance and pension funding	26.63	27.30	25.00	20.51	26.88	32.95
Activities auxiliary to financial intermediation	2.94	3.04	3.10	2.91	2.69	2.72
Real Estate, Renting & Business Services	**229.16**	**233.98**	**230.15**	**229.51**	**230.85**	**231.79**
Owner Occupied Dwellings	161.82	163.86	165.71	165.86	167.25	168.58
Real estate activities	27.55	27.86	28.13	28.16	28.36	28.56
Renting of machinery and equipment	8.89	8.99	7.95	7.77	7.83	7.83
Computer and related activities	6.12	8.49	5.76	4.44	4.61	4.78
Business services	24.79	24.78	22.59	23.29	22.80	22.04
Public Administration, Defence and Compulsory Social Security	**112.19**	**121.48**	**132.73**	**144.49**	**150.59**	**156.01**
Central	105.05	113.55	124.95	136.55	142.68	148.22
Local	3.32	3.19	3.12	2.92	2.89	2.77
NIS	3.83	4.74	4.67	5.02	5.02	5.02
Education	**76.06**	**60.58**	**62.33**	**61.47**	**62.90**	**66.16**
Public	55.64	57.94	58.46	57.98	58.16	61.21
Private	20.42	2.64	3.87	3.49	4.74	4.96
Health and Social Work	**38.49**	**40.58**	**39.54**	**40.26**	**42.13**	**43.53**
Public	32.92	34.26	32.42	31.99	32.62	33.91
Private	5.56	6.32	7.12	8.27	9.51	9.61
Other community, social & personal services	24.88	29.42	27.92	30.71	31.72	33.80
Private Households with Employed Persons	3.06	3.35	3.11	3.16	3.21	3.41
Less FISIM	**16.62**	**18.41**	**18.02**	**18.10**	17.44	18.48
Gross Value Added at Basic Prices	**1,455.52**	**1,448.56**	**1,419.20**	**1,387.15**	**1,391.02**	**1,412.21**
GROWTH RATE	**3.02**	**-0.48**	**-2.03**	**-2.26**	**0.28**	**1.52**

APPENDIX V– GDP growth rates by sector

	2006	2007	2008R	2009	2010	2011 Proj	2012 Proj
Agriculture	**3.79**	**9.84**	**-0.83**	**12.96**	**-18.21**	**0.05**	**2.11**
Crops	0.72	10.81	-3.87	0.25	-5.84	-1.56	3.61
Bananas	-19.44	7.80	-9.86	-14.60	-41.44	-85.20	31.90
Other Crops	7.75	11.60	-2.37	3.71	0.97	7.72	3.18
Livestock	17.23	6.65	11.05	56.29	-45.26	6.09	-2.72
Forestry	2.00	2.00	-2.00	-3.00	-3.00	-2.00	-4.94
Fishing	**0.08**	**27.51**	**-34.67**	**40.68**	**-15.15**	**-3.01**	**-14.93**
Mining & Quarrying	5.00	13.77	5.06	2.73	-21.83	-24.73	-29.60
Manufacturing	-0.36	-6.03	2.62	-8.13	-2.69	5.82	-2.27
Electricity & Water	**2.33**	**3.96**	**-1.58**	**3.24**	**-4.54**	**-2.19**	**4.86**
Electricity	1.38	5.64	-2.31	1.11	-1.21	0.19	3.76
Water	5.00	-0.57	0.51	9.17	-13.09	-9.14	8.40
Construction	8.58	13.04	-10.32	-8.30	-3.12	-3.37	-3.53
Wholesale & Retail Trade	4.96	9.02	3.87	-8.13	-0.90	-4.32	1.53
Hotels & Restaurants	**25.01**	**-0.25**	**-5.50**	**-17.98**	**-14.19**	**3.46**	**-3.08**
Hotels	31.06	2.71	-6.94	-21.60	-18.24	5.69	-3.97
Restaurants	10.35	-8.79	-0.81	-6.98	-3.79	-1.39	-1.00
Transport, Storage & Communications	**10.34**	**-1.75**	**1.33**	**-1.74**	**-1.58**	**-0.32**	**0.73**
Transport & Storage	**8.85**	**4.96**	**1.15**	**0.10**	**0.82**	**-0.14**	**0.68**
Road	6.14	5.61	3.46	1.84	1.38	0.83	0.61
Sea	19.14	12.81	-8.27	2.46	-2.49	-2.90	1.42
Air	12.46	-13.27	-0.53	-10.27	-2.07	-3.88	-2.42
Auxiliary transport activities and storage	13.53	-0.45	-1.52	-7.73	0.75	-2.48	0.77
Communications	**13.47**	**-15.31**	**1.80**	**-6.30**	**-7.94**	**-0.83**	**0.87**
Telecommunication	13.92	-15.61	3.26	-7.86	-8.95	-2.19	1.41
Postal & Courier Services	-3.83	-1.24	-55.66	136.92	28.20	33.71	-9.08
Financial Intermediation	**4.82**	**-3.90**	**-1.32**	**-2.33**	**-6.13**	**3.68**	**8.38**
Banks & Other Financial Institutions	4.02	-3.77	-2.83	-0.26	-2.13	-3.63	3.16
Insurance and pension funding	5.84	-5.20	2.48	-8.42	-17.96	31.05	22.60
Activities auxiliary to financial intermediation	19.29	5.68	3.23	2.00	-6.05	-7.61	1.18
Real Estate, Renting & Business Services	**5.42**	**0.72**	**2.10**	**-1.64**	**-0.28**	**0.58**	**0.41**
Owner Occupied Dwellings	1.30	1.43	1.27	1.13	0.09	0.84	0.79
Real estate activities	1.14	1.25	1.11	0.99	0.08	0.74	0.70
Renting of machinery and equipment	8.99	18.17	1.13	-11.57	-2.32	0.86	0.00
Computer & Related services	47.52	-9.34	38.85	-32.17	-22.95	3.82	3.82
Business Services	32.92	-6.44	-0.04	-8.85	3.11	-2.13	-3.34
Public Administration, Defence and Compulsory Social Security	**6.92**	**6.20**	**8.27**	**9.27**	**8.86**	**4.22**	**3.60**
Central	7.19	6.46	8.09	10.04	9.29	4.49	3.88
Local	4.79	-3.00	-3.79	-2.32	-6.25	-1.22	-3.99
NIS	2.00	7.84	23.64	-1.47	7.46	0.00	0.00
Education	**-2.65**	**-2.71**	**-20.35**	**2.89**	**-1.39**	**2.33**	**5.19**
Public	-1.19	0.74	4.13	0.90	-0.82	0.32	5.23
Private	-5.97	-11.02	-87.05	46.48	-9.88	35.69	4.70
Health & Social Work	**1.16**	**4.92**	**5.43**	**-2.56**	**1.82**	**4.65**	**3.32**
Public	3.14	6.13	4.04	-5.36	-1.32	1.95	3.98
Private	-8.46	-1.74	13.66	12.65	16.09	15.08	1.07
Other Community , Social & Personal services	15.44	-4.71	18.26	-5.10	10.00	3.28	6.55
Private Households with Employed Persons	2.35	-8.61	9.42	-7.17	1.55	1.55	6.27
Less FISM	6.89	6.25	10.80	-2.14	0.43	-3.62	5.95
TOTAL	**6.01**	**3.02**	**-0.48**	**-2.03**	**-2.26**	**0.28**	**1.52**

APPENDIX VI BALANCE OF PAYMENTS

	2008	2009	2010	2011	2012
	In Millions of EC$				
CURRENT ACCOUNT	**(621.89)**	**(532.78)**	**(562.45)**	**(536.97)**	**(521.70)**
GOODS AND SERVICES	**(595.75)**	**(528.49)**	**(556.18)**	**(523.33)**	**(571.04)**
A GOODS	**(733.02)**	**(649.21)**	**(682.32)**	**(671.91)**	**(721.51)**
MERCHANDISE (f.o.b.)	(745.52)	(657.34)	(692.07)	(684.68)	(733.56)
REPAIR ON GOODS	0.02	0.02	0.02	0.02	0.02
GOODS PROCURED IN PORTS BY CARRIERS	12.48	8.11	9.72	12.75	12.04
B. SERVICES	**137.27**	**120.73**	**126.15**	**148.58**	**150.47**
TRANSPORTATION	(109.15)	(100.70)	(94.17)	(93.06)	(105.63)
TRAVEL	211.75	197.44	192.82	212.12	217.17
INSURANCE SERVICES	(22.36)	(19.09)	(19.31)	(18.17)	(21.20)
OTHER BUSINESS SERVICES	61.30	57.40	57.14	53.68	63.76
GOVERNMENT SERVICES	(4.28)	(14.32)	(10.34)	(5.99)	(3.64)
C. INCOME	**(61.67)**	**(35.13)**	**(33.15)**	**(34.94)**	**(10.95)**
1. COMPENSATION OF EMPLOYEES	11.00	19.08	16.60	16.14	19.69
2. INVESTMENT INCOME	(72.68)	(54.21)	(49.75)	(51.09)	(30.64)
Direct Investment	(48.89)	(33.46)	(29.79)	(20.04)	(15.65)
Portfolio Investment	6.23	6.63	4.07	(1.74)	7.39
Other Investment	(30.02)	(27.38)	(24.03)	(29.30)	(22.39)
D. CURRENT TRANSFERS	**35.54**	**30.84**	**26.89**	**21.30**	**60.29**
1. GENERAL GOVERNMENT	(0.83)	0.08	(1.92)	(5.60)	27.47
2. OTHER SECTORS	36.36	30.76	28.81	26.90	32.82
CAPITAL AND FINANCIAL ACCOUNT	**570.94**	**550.08**	**616.65**	**478.94**	**554.78**
A. CAPITAL ACCOUNT	**131.88**	**146.44**	**148.04**	**104.31**	**72.02**
1. CAPITAL TRANSFERS	131.88	146.44	148.04	104.31	72.02
General Government	125.13	140.07	141.64	100.54	68.28
Other Sectors	6.75	6.37	6.39	3.77	3.75
2. ACQUISITION / DISPOSAL OF NONPRODUCED NONFINANCIAL ASSETS	-	-	-	-	-
B. FINANCIAL ACCOUNT	**439.06**	**403.64**	**468.61**	**374.63**	**482.75**
1. DIRECT INVESTMENT	429.96	297.60	262.49	231.18	311.59
Abroad (outward)	-	-	-	-	-
In Reporting Economy (inward)	429.96	297.60	262.49	231.18	311.59
2. PORTFOLIO INVESTMENT	(8.41)	49.11	(1.42)	(8.57)	14.85
3. OTHER INVESTMENTS	17.52	56.93	207.55	152.01	156.32
Loans	14.93	25.48	141.45	31.88	(35.63)
Central Government	13.15	22.18	146.15	31.76	(26.94)
Government Guaranteed	1.78	3.30	(4.69)	0.12	(8.69)
Commercial Banks	(41.29)	2.90	(17.16)	19.14	42.07
Other Assets	(29.41)	(31.05)	38.08	77.99	107.45
Other Liabilities	73.28	59.59	45.18	23.00	42.42
NET ERRORS AND OMISSIONS	42.14	(4.66)	13.90	(4.12)	23.48
OVERALL BALANCE	(8.80)	12.64	68.10	(62.16)	56.55
FINANCING	8.80	(12.64)	(68.10)	62.16	(56.55)
Change in SDR Holdings	-	(33.49)	27.99	-	-
Change in Reserve Position with the IMF	-	-	-	-	-
Change in Government Foreign Assets	-	-	-	-	-
Change in Imputed Reserves	8.80	20.85	(96.10)	62.16	(56.55)

APPENDIX VII Selected Public Debt Indicators

		2007	2008	2009	2010	2011	2012
					($m)		
Public Debt							
External Debt							
Central Government	$m	413.8	464.0	480.5	655.0	686.1	657.4
Public Corporations	$m	98.1	102.0	101.1	95.1	95.6	86.7
Total		511.9	566.0	581.6	750.1	777.6	744.1
Domestic Debt							
Central Government	$m	352.6	339	408.9	363.5	372.7	487.3
Public Corporations	$m	126.9	167.6	165.6	90.2	95.6	121.2
Total		479.5	506.6	574.5	453.7	468.3	608.44
Total Public Debt	**$m**	**991.4**	**1072.6**	**1156.1**	**1203.8**	**1245.9**	**1352.6**
Debt Servicing							
External							
Central Government	$m	61.2	66.2	70.7	71.7	74.6	72.7
Public Corporations	$m	6.1	8.5	10.4	9.6	7.9	11.9
Total		67.3	74.7	81.1	81.3	82.5	84.6
Domestic							
Central Government		40.9	41.7	52.8	64.8	47.2	48.7
(of which sinking fund)		9.0	5.2	6.0	12.0	6.0	4.0
GDP (at market price)		1,846.93	1,877.66	1,820.50	1,838.59	1,827.92	1874.83
Current Revenue		430.4	489.5	544.8	490.0	462.5	471.40
Exports of Goods and Services		-512.72	-595.75	-528.49	-556.18	-523.33	-571.08
Current Account Balance (Trade)		-517.71	-621.89	-532.78	-562.45	-536.97	-582.80
Total Debt/GDP (%)		53.7	57.1	63.5	65.5	68.2	72.1
External Debt/GDP (%)		27.7	30.1	31.9	40.8	42.5	39.7
Domestic Debt/GDP (%)		26.0	27.0	31.6	24.7	25.6	32.5
Central Government Debt Service/Current Revenue (%)		21.6	23.0	22.9	25.4	25.0	24.9
External Debt Service/ Current Revenue (%)		15.6	15.3	14.9	16.6	17.8	18.0
Domestic Debt Service/ Current Revenue (%)		6.0	7.7	8.0	8.8	7.2	7.0
Central Government Domestic Debt Service/Exports of Goods and Services (%)		-6.2	-7.8	-10.3	-9.5	-7.9	-7.8
Total External Debt Service/ Exports of Goods and Services (%)		-13.1	-12.5	-15.3	-14.6	-15.8	-14.8

Source: Ministry of Finance and Economic Planning