PROSPECTUS

**FOR TREASURY BILL ISSUES
FOR THE PERIOD
NOVEMBER 2012 – OCTOBER 2013**

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

Ministry of Finance
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September 2012

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I. GENERAL INFORMATION

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

Date of Publication: September 2012

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 November 2012 to October 2013. The treasury bills will be auctioned on the following dates:

9 November 2012	- Trading Symbol VCB110213
7 December 2012	- Trading Symbol VCB110313
16 January 2013	- Trading Symbol VCB180413
12 February 2013	- Trading Symbol VCB150513
12 March 2013	- Trading Symbol VCB120613
19 April 2013	- Trading Symbol VCB220713
-16 May2013	- Trading Symbol VCB160813
13 June 2013	- Trading Symbol VCB130913
23 July 2013	- Trading Symbol VCB231013
19 August 2013	- Trading Symbol VCB191113
17 September 2013	- Trading Symbol VCB181213
24 October 2013	- Trading Symbol VCB240114

The Treasury bills will be settled on the following dates:

12 November 2012	- Trading Symbol VCB110213
10 December 2012	- Trading Symbol VCB110313
17 January 2013	- Trading Symbol VCB180413
13 February 2013	- Trading Symbol VCB150513
13 March 2013	- Trading Symbol VCB120613
22 April 2013	- Trading Symbol VCB220713
17 May 2013	- Trading Symbol VCB160813
14 June 2013	- Trading Symbol VCB130913
24 July 2013	- Trading Symbol VCB231013
20 August 2013	- Trading Symbol VCB191113
18 September 2013	- Trading Symbol VCB181213
25 October 2013	- Trading Symbol VCB240114

The Treasury Bills will mature on the following dates:

11 February 2013	- Trading Symbol VCB110213
11March 2013	- Trading Symbol VCB110313
18 April 2013	- Trading Symbol VCB180413
15 May 2013	- Trading Symbol VCB150513
12 June 2013	- Trading Symbol VCB120613
22July 2013	- Trading Symbol VCB220713
16 August 2013	- Trading Symbol VCB160813
13 September 2013	- Trading Symbol VCB130912
23 October 2013	- Trading Symbol VCB231013
19 November 2013	- Trading Symbol VCB191113
18 December 2013	- Trading Symbol VCB181213
24 January 2014	- Trading Symbol VCB240114

b. The Treasury bills be issued with tenors of 91 (ninety one) days.

c. The price of the issue will be determined by a competitive Uniform Price Auction with open bidding

d. The bidding period(s) will start at 9:00 am and end at 12:00 noon on auction days

e. Each investor is allowed one (1) bid with the option of increasing the amount being tendered for until the close of the bidding period or reducing the interest rate

f. The minimum bid quantity is $5,000.00

g. The bid multiplier will be set at $1,000

h. The maximum bid price is $98.55 or 5.82 per cent

i. Yields will not be subject to any tax, duty or levy of the participating Government of the Eastern Caribbean Currency Union (ECCU)

j. Investors can participate in the issue through the services of any of the Licensed Intermediaries who are members of the Eastern Caribbean Securities Exchange.

The Current List of Licensed Intermediaries are:

- ABI Bank Limited
- Antigua Commercial Bank Limited
- Bank of Nevis Limited
- 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
- 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$25 million monthly during the period November 2012 to October 2013 through the issuance of 91-day Treasury Bills to be auctioned on the Regional Government Securities Market. During the bidding periods, which will be opened at 9:00 a.m. on the auction days and closed at 12:00 noon on the same days, bids of amounts of not less than EC$5,000 and in multiples of EC$1,000 will be processed through 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 estimates indicate a slight increase in economic activity in 2011 and suggest a turn around following three consecutive years of negative growth. This increase in economic activity was influenced mainly by developments in the Manufacturing, Transportation & Communication and Real Estate & Business Services sectors. The Tourism sector also contributed (to a lesser extent) to the enhanced value added in 2011.

For the fiscal year ending December 31, 2011 the central government fiscal position deteriorated when compared to 2010. Current revenue which totalled $462.48 million declined by 5.6 percent, while current expenditure fell by 5.0 percent to $495.19 million during the period. Consequently the central government current balance worsened, moving from a deficit of $31.45 million in 2010 to a deficit of $32.71 million in 2011. The overall balance also declined, moving from a deficit of $15.76 million in 2010 to a deficit of $58.67 million in 2011.

Preliminary indicators show that the total public sector debt as at December 30th, 2011 stood at EC$1.24 billion representing a 2.6 percent increase over December 30th 2010. Notwithstanding the increase in the stock of debt, debt service payments decreased as Central Government total debt service including sinking fund contributions amounted to $121.58 million in 2011, this represented a decline of 11 percent over the 2010 amount of $136.54.

Even as the international financial crisis has began to ease in some countries, its impact will continue to threaten growth potential during the medium term. The tourism sector is likely to be affected as the main tourism source countries battle with recovery. Consequently, the government is continuing a series of measures designed to bring relief to the tourism sector in an effort to cushion the impact of the global slowdown.

IV. HISTORY

Known by the Caribs as “Hairoun” (Land of the Blessed), St. Vincent and the Grenadines was first inhabited by the Ciboney, a group of Meso-Indians. The economy of these hunter-gatherers depended heavily on marine resources as well as the land. Another indigenous group, the 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

[1] The 2011 census has been delayed as a result of a fire in the Census Office.

Planning. The Debt Management Unit performs all debt management activities and provides policy advice on the overall debt management strategy of St. Vincent and the Grenadines.

The Eastern Caribbean Central Bank (ECCB) conducts quarterly economic and financial reviews that are published on the Bank's website (www.eccb-centralbank.org). *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

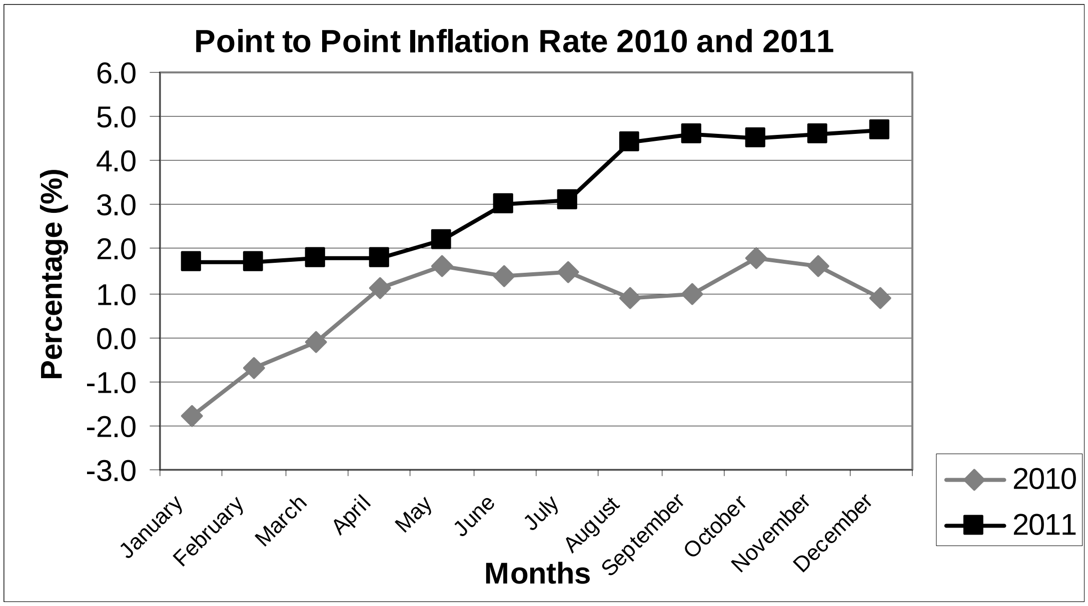
Economic Growth

Preliminary estimates indicate that economic activity in St. Vincent and the Grenadines increased modestly in 2011 and marking a break from three consecutive years of negative growth. Real GDP is estimated to have grown marginally by 0.41 percent in 2011 compared with the -2.32 percent decline experienced in 2010. This modest increase in economic activity was largely influenced by developments in the Manufacturing, Transportation & Communication and Real Estate & Business Services sectors. The tourism sector also contributed slightly to the enhanced value added in 2011.

Inflation

A review of the Consumer Price Index for the year 2011 indicated that the average annual "point-to-point" inflation rate was 3.2 percent compared to 0.8 percent for the year 2010. The accumulated inflation rate for the year 2011 was recorded at 4.6 percent compared to 0.9 percent for the year 2010. Further analysis of the index revealed that the "All Items" index increased continuously throughout the year (see chart 1).

Chart 1: Point to Point Inflation Rate 2010 and 2011



The monthly inflation fluctuated throughout the year 2011 with the lowest recorded as 0.1 percent for the month of February and the highest as 1.1 percent for the month of September. The "point-to-point" inflation rates depicted an upward movement throughout the year.

VIII. SECTORAL DEVELOPMENTS

Agriculture

In 2011 the agriculture sector registered its second consecutive year of negative growth. Preliminary estimates suggest that the sector incurred a marginal decline in real output of 0.58 percent. There were two sources that were mainly responsible for this unfavourable outturn; firstly, a significant fall (of 82.7 percent) in value added in banana production which resulted mainly from the impact of hurricane Tomas in late 2010, flash floods in early 2011 and the black sigatoka disease. Secondly, the sector was also negatively impacted by an 11.5 percent reduction in value added in the fishing subsector. This was mainly due to the impact of climate change on the distribution and abundance of fish and the occurrence of Sargasso weed in the Caribbean sea.

Notwithstanding the banana fall-out the production of other crops and livestock realised healthy growths of 7.7 percent and 6.1 percent respectively during 2011 (see table 2).

Table 2: Agricultural Products (volume & value) 2010-2011

Product			2010	2011
Banana	Quantity	Lbs '000	22,051	3,850
Banana	Value	EC$'000	9,299	1,346
Other Crops	Quantity	Lbs '000	63,398,788	67,334,574
Other Crops	Value	EC$'000	97,096	109,065
Fish	Quantity	Lbs '000	1,801	1,726
Fish	Value	EC$'000	9,749	9,479

The government has responded swiftly to the setbacks in the agriculture sector, particularly in the banana subsector by putting together a recovery and rehabilitation programme. The programme involves continued assistance to banana farmers, with income and input support aimed at facilitating the replanting of over 2000 acres of banana and 1800 acres of plantain. Assistance to vegetable and fruit crops farmers with planting materials, seedlings and fertilizers. Technical assistance was also given to livestock farmers for refurbishment of their animal homes and the replacement of livestock and the provision of feeds.

Manufacturing

St. Vincent and the Grenadines has a small manufacturing sector which is dominated by the production of brewery products, rice, flour and feeds. Following two consecutive years of decline the real value added from manufacturing was estimated to have expanded by 8.3 percent in 2011. The sector's contribution to the economy's GDP in 2011 remained relatively small but increased marginally to 4.8 percent compared with 4.5 percent in 2010. The increase in manufacturing output in 2011 was mainly on account of a 22.0 percent increase in brewery production and a 4.4 percent increase in the combined production of rice, flour and feeds (see table 3).

Table 3: Manufactured Products (volume & value) 2010-2011

Product			**2010**	**2011**
Flour	Quantity	Kg	17,699,273	18,778,955
	Value	EC$000	27,533	34,736
Mill Feed	Quantity	Kg	5,968,182	6,460,864
	Value	EC$000	1,339	1,450
Rice	Quantity	Kg	4,806,000	5,467,000
	Value	EC$000	12,380	12,956
Packaging	Quantity	Each	1,231,974	1,149,722
	Value	EC$000	740	794
Brewed Products	Quantity	Hectarlitres	74,349	91,156
	Value	EC$000	16,434	18,409

Tourism

Following four consecutive years of contraction real activity in the tourism sector, as proxied by the hotel and restaurant subsectors recovered mildly registering a marginal growth of 0.35 percent. This represents a contribution to real GDP of 2.24 percent , the same as in 2010. The modest growth was mainly attributed to a 1.9 percent increase in stay-over visitors.

Total visitor arrivals however decreased by 10.0 percent to 207,997 compared with 231,121 in 2010. The sector recorded declines in yacht visitors, same day and cruise ship passengers. Yacht arrivals fell by 3.1 percent to 41,266 while cruise ship passengers dropped by 19.9 percent to 88,924 (see table 4).

Table 4: Visitor Arrivals By Visitor Type

Table 1. Visitor Arrivals By Visitor Type

VISITOR TYPE	DEC 2011	DEC 2010	JAN - DEC 2011	JAN - DEC 2010	ACTUAL CHANGE	% CHANGE
BY AIR						
STAY-OVER	8,869	9,034	73,866	72,478	1,388	1.9
SAME DAY	267	434	3,941	5,086	-1,145	-22.5
SUB TOTAL	9,136	9,468	77,807	77,564	243	0.3
BY SEA						
YACHT	3,232	6,334	41,266	42,603	-1,337	-3.1
CRUISE SHIP	17,896	17569,	88,924	110,954	-22,030	-19.9
SUB TOTAL	21,128	23903,	130,190	153,557	-23,367	-15.2
TOTAL	**30,264**	**33,371**	**207,997**	**231,121**	**-23,124**	**-10**

Source: St. Vincent and the Grenadines Tourism Authority

The majority of the country's tourists come from the Caribbean, U.S.A, UK, Europe and Canada In 2011, 31.5 percent of the stay-over visitors came from the Caribbean, followed by 28.7 per cent from the U.S.A, 20.2 percent from the U.K., and 9.1 per cent from Canada

Tourism remains a key employment sector and contributes significantly to government revenue. The government recognizes the importance of this sector to the overall economic performance including foreign exchange earning and employment generation. 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 (55 rooms), expansion of the resort in Canouan and further development of Palm Island and Petit St.Vincent Resort.

Construction

The construction sector declined by 3.39 percent in 2011 contributing $121.18 million (or 8.7 percent) to gross value added compared to $125.43 million (or 9.1 percent) in 2010. The continued contraction of the sector in 2011 is as a result of the completion of most of the large public sector projects and a delay or postponement of some major private sector tourism related investments based chiefly on the prevailing slow international economic climate.

IX. BALANCE OF PAYMENTS

The overall Balance of Payments position deteriorated in 2011when compared to 2010, moving from a surplus of EC$68.10 million (3.7 percent of GDP) in 2010 to a deficit of EC$62.16 million (3.3 percent of GDP) in 2011. This outcome resulted mainly from a significant decline in capital inflows during the period.

The Current Account

The current account deficit narrowed from EC$562.45 million (30.6 percent of GDP) in 2010 to EC$536.08 million (28.7 percent of GDP) in 2011, influenced by a 1.8 percent decline in merchandise imports. Merchandise imports fell from EC$803.1 million (43.7 percent of GDP) in 2010 to EC$788.18 million (42.2 percent of GDP) in 2011. The modest decline in merchandise imports was attributed mainly to a lower import bill associated with a decrease in value of imports of food and live animals, machinery and transport equipment, crude materials and manufactured goods. During the period, the value of exports also decreased from EC$110.94 million in 2010 to EC$103.51 million in 2011.

The surplus on the service account increased by 18.5 percent to EC$149.47 million in 2011 from EC$126.15 million in 2010. This surplus represented 8.0 percent of GDP in 2011 compared to 6.9 percent of GDP in 2010. Preliminary data indicates that this movement was influenced mainly by an 6.0 percent increase in gross travel receipts to EC$248.44 million in 2011.

The income account measures income flows in and out of the country, including the payment of interest on external indebtedness. Net outflows on the income account increased by 5.4 percent of GDP in 2011 mainly on account of increased outflow of portfolio and other investments during the period. There was a net inflow of current transfers of EC$21.30 million in 2011 representing a 20.8 percent drop from the EC$26.89 million received in 2010.

The Capital and financial account

In 2011, the surplus on the Capital and Financial Account declined significantly by 21.2 percent to EC$ 473.49 million (25.4 percent of GDP), down from EC$616.81 million (33.6 percent of GDP) in 2010. The Capital Account surplus declined by EC$43.8 million (or 2.4 percent of GDP) in 2011, reflecting the significant fall in capital grants received by central government. Net inflows on the financial account fell significantly by 21.2 percent to EC$369.18 million (19.8 percent of GDP) in 2011 compared with EC$468.78 million (25.5 percent of GDP) in 2010. This reduced inflow was associated mainly with an 11.9 percent decrease in inflows from direct investment.

FOREIGN TRADE

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

Exports

In 2011 total exports declined to $103.5 million from $110.9 million in 2010. Banana exports fell from EC$13.8 million in 2010 to EC$2.1million in 2011. Manufactured exports however increased from EC$60.3 million in 2010 to EC$69.5 million in 2011.

Imports

Total imports declined in 2011 moving from EC$912.5 million in 2010 to EC$895.4 million in 2011. Total imports represented 48 per cent of GDP in 2011 compared to 49.6 percent of GDP in 2010.

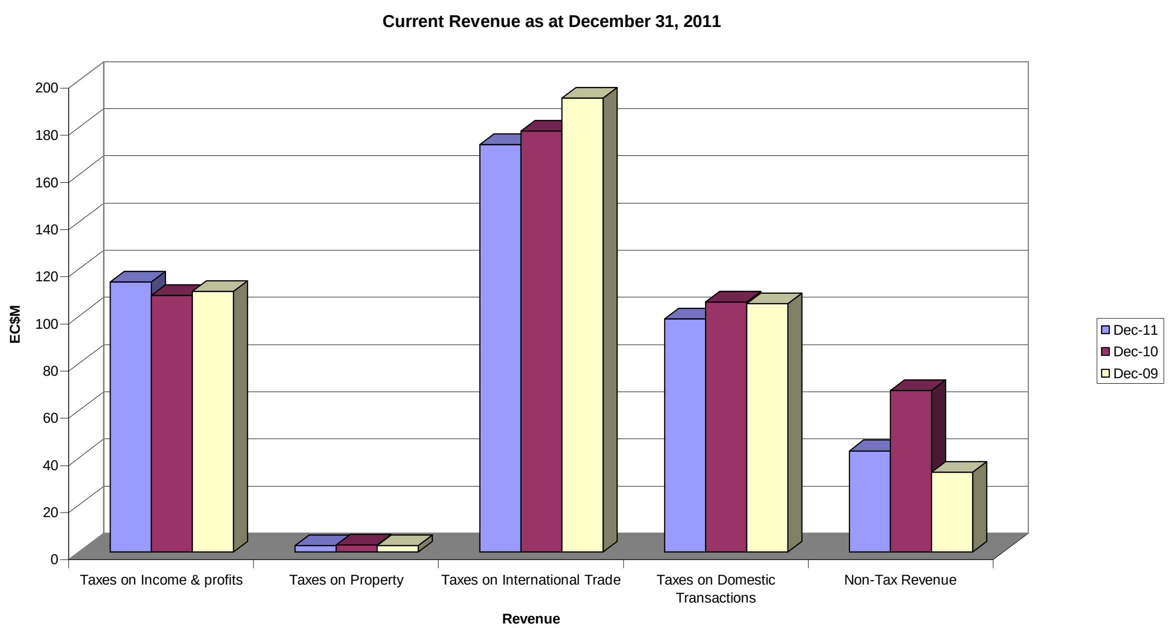
X. GOVERNMENT FISCAL OPERATIONS

For the fiscal year ending December 31, 2011 the central government fiscal position deteriorated with the current balance moving from a deficit of EC$31.45 million in 2010 to a deficit of EC$32.51 million in 2011.The primary balance realised a deficit of EC$12.63 million in contrast to a surplus of EC$39.55 million in 2010. The overall balance also worsened moving from a deficit of EC$15.76 million in 2010 to a deficit of EC$58.67 million in 2011 (see Appendix II).

Revenue

As at December 31, 2011 Current Revenue totalled EC$462.48 million, this was 5.6 percent lower than the amount collected during the period in 2010. This reduced revenue performance was due primarily to lower receipts from tax revenue and non-tax revenue of 2.2 percent and 26.5 percent respectively. Of the tax revenue, receipt from taxes on international trade, taxes on domestic transactions and licences were mainly responsible the lower takings, as they declined by 3.3 percent, 6.6 percent and 7.7 percent respectively. Reduced receipt from Import Duty, Excise Duty and VAT due to a 1.9 percent drop in the value of merchandise imports were mainly responsible for the lower collection of International Trade taxes. Revenue from Domestic Trade Taxes also fell as a consequence of significantly lower collection of Stamp Duty (down 30.7 percent) based on lower land sales during the period. Lower VAT and Excise Duty receipts attributed to the slow down in economic activity during the period also contributed to the reduction in revenue from domestic trade taxes. Licences also contributed to the overall decline in tax revenue as the reduced land sales impacted the collection of Alien Land Holding Licences. Telecommunication Broadcast Licence also fell mainly due to timing issues related to the collection of this charge.

Chart 2: Summary of Current Revenue for 2011 with comparisons for 2010 &2009

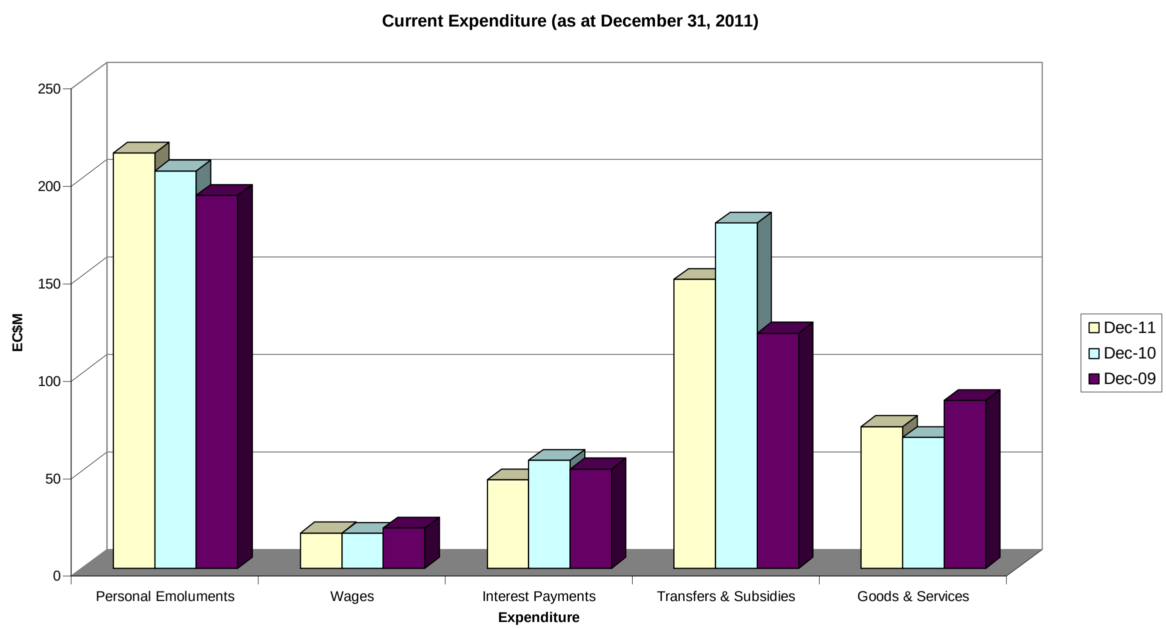


The significant drop in revenue from non-tax source was mainly attributable to the lower receipt from all subcomponents including Fees, Fines and Permits (down 17.4 percent), Interest, Rents and Dividends (down 17.3 percent) and Other Revenue (down 36.0 percent). The significant fall in receipts from Other Revenue was mainly on account of monies received for budget support in 2010 with no such receipt in 2011.

Expenditure

Recurrent expenditure as at December 31, 2011 amounted to EC$495.19 million and represented a 5.5 percent reduction when compared with the same period in 2010. During the period, expenditure on personal emoluments and wages amount to $212.99 million and 18.19 million respectively. Personal Emoluments and wages increased by 4.5 percent and 1.4 percent respectively mainly due to the increments and increased allowances during the period.

Chart 3: Summary of Current Expenditure for 2011 with comparisons for 2010 &2009



Outlays on Transfers and Subsidies contracted by 18.9 percent to $143.63 million. This reduced expenditure was mainly the result of significantly lower spending on grants and contributions due to a substantial reduction in payment of subventions to a number of statutory bodies. The lower amount spent on Interest Payments was on account of a 32.4 percent reduction in the domestic component as a result of the pay down of $100 million of domestic debt utilising lower cost funds from a CDB loan. Spending on Goods and Services however increased by 10.7 percent to $74.35 million because of increased spending on supplies and materials, Maintenance Services and utilities.

As at December 31 2011, Capital Expenditure amounted to EC$72.52 million. This amount was down 13.2 per cent from the amount spent during the same period in 2010 and is reflective of a scaling down or omission of a number of the larger projects that were budgeted for in 2011.

Financing

Below is a summary of the central government financing for the year ended December 31, 2011 with comparative figure for the same period in 2010.

Table 5: Financing Summary for 2011

	2011	**2010**
	$M	$M
Overall Deficit	**(58.67)**	**(15.76)**
Financed by:		
External:		
Loan Disbursement	73.45	194.81
Less: Amortisation	51.99	50.27
Net External	**21.46**	**144.54**
Domestic:		
Loan Disbursements	2.50	0.50
Less: Amortisation	17.83	18.96
	(15.33)	**(18.46)**
Increase/ (Decrease) in Cash	23.13	(108.63)
Other	29.41	(1.69)
Net Domestic	**37.21**	**(128.78)**
	58.67	**15.76**

2012 Revenue and Expenditure Budget

The expenditure budget for 2012 amounts to EC$793.91 million, comprising recurrent expenditure (including amortization) of EC$608.99 million and capital expenditure of EC$184.92 million. The total budget is EC$7.42 million or 1.0 percent more than the 2011 approved estimates. The 2012 estimates of current expenditure (excluding amortization) is EC$528.67 million, which is 0.6 percent less than the estimates for 2011.

The projected growth in revenue for 2012 will come primarily from more efficient tax collection along with some new revenue measures. The 2012 estimate of capital expenditure is not significantly higher than the 2011 estimates. This is in keeping with the Government's effort to spend only on vital items of expenditure of undoubted merit. Table 3 shows the breakdown in Capital Expenditure by Sector.

Table 6: Capital Expenditure by Sector 2012

Sector	EC$m	Percent
Economic Affairs	73.2	39.6
Education	28.5	15.4
Health	17.5	9.5
Public Order and Safety	13.2	7.1
Housing & Community Ame	13.0	7.0
General Public Service	11.8	6.4
Environmental Protection	23.0	12.4
Others	4.7	2.6
Total	184.9	100

Financing of the budget will come from current revenues of EC$507.3 million, capital grants of EC$61.3 million, capital revenue of EC$20.2 million, loans of EC$104.4 million and other capital receipts of EC$100.7 million.

Fiscal Outturn as at June 30, 2012

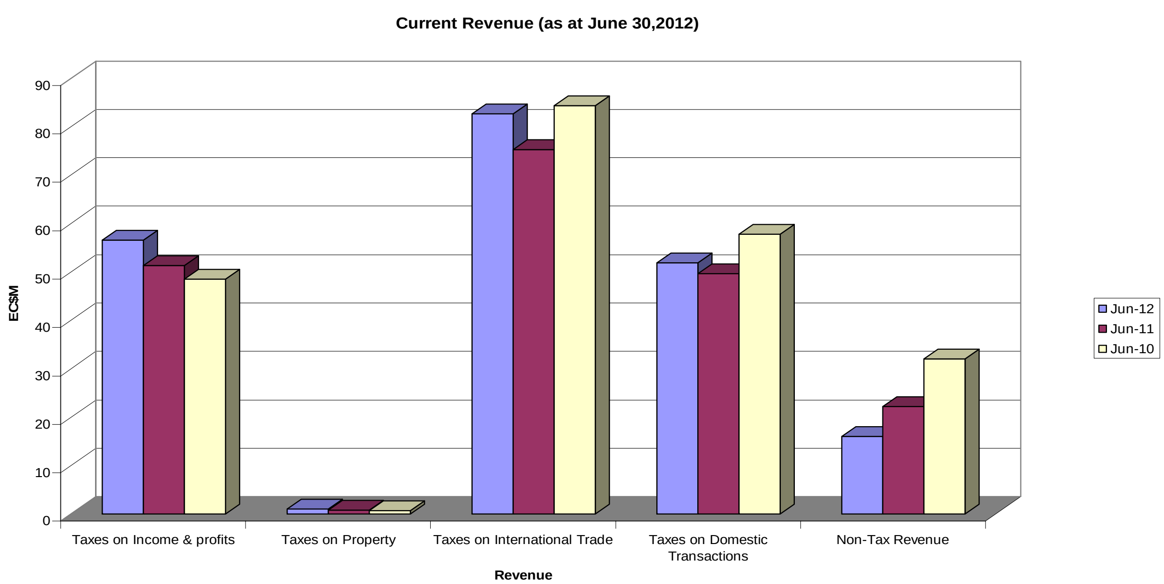
The central government fiscal operations for the first six months of 2012 improved when compared to the same period in 2011. Current revenue increased by 4.4 percent to $219.10 million while current expenditure declined by 4.8 percent to $235.57 million. Consequently the central government recurrent account strengthened, moving from a deficit of $37.63 million in 2011 to a deficit of $16.47 million in 2012. The Overall Balance also improved , as it moved from a deficit of $45.86 million in 2011 to a deficit of $26.29 million in 2012.

<u>Table 7:Summary of Fiscal Operations as at June 30, 2102</u>

	Budget 2012 $m	2012 $m	2011 $m	Change %
Current Revenue	238.00	219.10	209.94	4.4
Current Expenditure	253.84	235.57	247.57	-4.9
Surplus/(Deficit)	-15.84	-16.47	-37.63	-56.2
Capital Revenue	6.74	4.44	5.81	-23.5
Of which Grants	*6.25*	*3.90*	*4.95*	*0.0*
Capital Expenditure	53.89	14.26	14.04	1.5
Overall Balance	-63.00	-26.29	-45.86	-42.7

Tax Revenue grew by 8.1 percent to $203.11 million while Non-Tax Revenue fell by 27.8 percent to $15.99 million. During the first six months of 2012 all the major categories of Tax Revenue turned in improved performances while all subcomponents of Non-Tax Revenue recorded reduced receipts.

<u>Chart 4: Current Revenue as at June 30, 2012 with comparisons for 2011 &2010</u>



Revenue from taxes on Income and Profits grew by 10.2 percent to $56.53 million. This was due to higher collections from Individuals, Corporation and Withholding taxes of 6.8 percent, 13.5 percent and 31.3 percent respectively. Corporation Tax receipt benefited from the payment of arrears by some business entity, collection from withholding taxes was also aided, albeit to a lesser extent by the payment of arrears during the period.

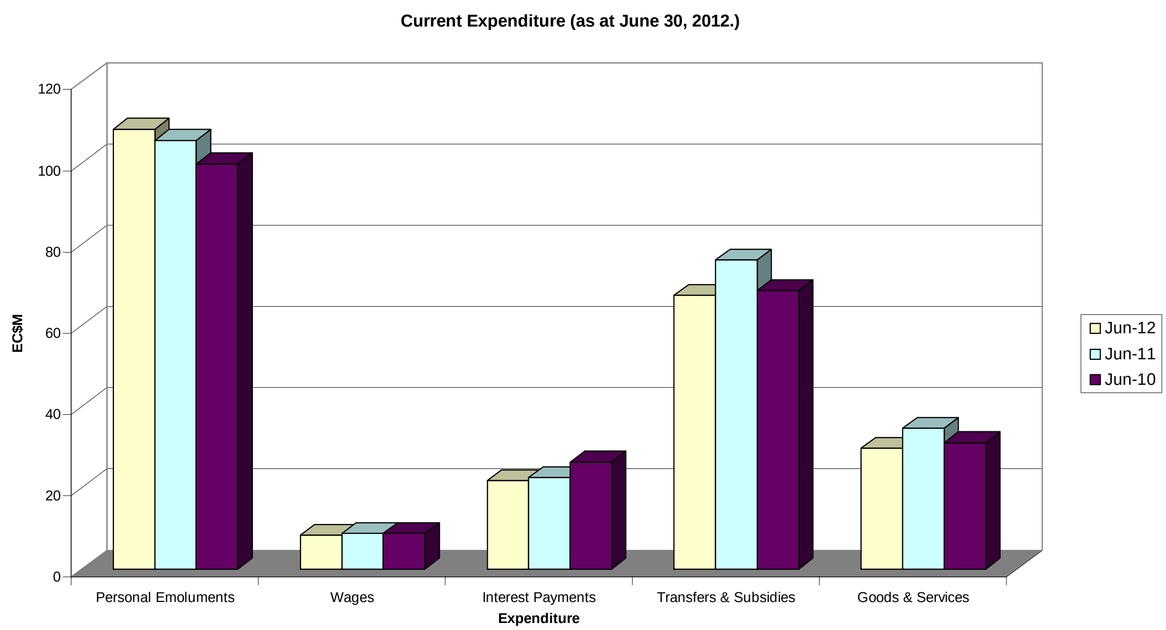
Revenue from International trade amounted to $82.65 million, an increase of 9.8 percent when compared to the first half of 2011. Import Duty, Excise Duty and VAT turned in improved performances growing by 14.9 percent, 14.0 percent and 6.3 percent respectively. These performances were occasioned by a 7.8 percent increase in the value of merchandise imports during the period. Customs Service Charge and Vehicle Surtax which grew by 7.5 percent and 17.9 percent respectively also benefited from the stronger imports

Taxes on Domestic Trade which totaled $51.86 million grew by 4.6 percent mainly on account of a significant (52.8 percent) increase in receipt from stamp duty resulting from improved land sales during the period. Excise duty and Insurance Premium Tax collection also contributed to the growth in Domestic Trade Taxes growing by 16.0 percent and 3.8 percent respectively reflecting the modest improvement in domestic economic activity during the period. Licences yielded $11.12 million, 2.0 percent more than the amount collected in 2011. 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 27.8 percent to $15.99 million during the period and was due to lower receipt from Fees, Fines and Permits (down 3.3 percent), Interest Rents and Dividends (down 26.1 percent) and Other Revenue (down 55.4 percent). Lower collections of Offshore Financial Services fees and Merchant Shipping (international) Fees were mainly responsible for the drop in revenue from Fees, Fines and Permits. The significant fall in Other Revenue was mainly on account of the unusually large amount of funds received during the corresponding period in 2011 for disaster relief and budget support (approximately $4.3 million) with no receipt of funds for those purposes in 2012.

As at June 30 2012, Current Expenditure amounted to $235.57 million representing a decline of 4.8 percent when compared to the amount spent in the first half of 2011. Payment of Personal Emolument and Wages amounted to $108.26 million and 8.38 million respectively. Personal Emoluments increased by 2.6 percent, while wages fell by 5.0 percent.

Chart 5: Current Expenditure as at June 30, 2012 with comparison for 2011 &2010



Expenditure on Transfer & Subsidies fell by 11.3 percent to $67.4 million on account of reduced spending on all of its major components including; social welfare payments (45.5 percent), Grants and Contributions (5.8 percent) and Pension (1.0 percent). Similarly, spending on Goods and services declined by 14.1 percent to $29.77 million as a result of reduced outlays on a number of its components including Utilities (23.7 percent), Supplies & materials (12.4 percent) and Maintenance services (9.9 percent).

Capital inflows as at June 30 2012 amounted to $4.44 million, 23.5 percent lower than the amount collected for the same period in 2011 and due mainly to reduced grant receipts. Capital spending for the first six months of 2012 totaled $14.26 million, this amount is 1.5 percent higher than the amount spent during the same period in 2011.

Medium Term Projections (2013-15)

The central government fiscal position is projected to improve over the medium term. The current balance is expected to improve consistently over the period from a deficit of 0.5 percent of GDP in 2013 to a surplus of 1.0 percent in 2015. The primary and overall balances are also projected to improve consistently over the period moving from 0.1 percent of GDP and -2.6 percent of GDP in 2013 to 0.7 percent of GDP and -1.3 percent of GDP in 2015.

Current Revenue is expected to increase over the period stabilizing at 25.1% of GDP while current expenditure is projected to stabilize at 24.8% of GDP over the period. The expected increase in current expenditure will be attributed to all subcomponents except interest payments which is expected to decline consistently over the period from 2.7% of GDP in 2013 to 2.0% of GDP in 2015. Government spending on Transfers & Subsidies and Goods & Services are expected to contribute significantly to the expansion in current expenditure averaging 6.8% of GDP and 3.7% of GDP respectively over the period. Capital spending is projected to increase moderately over the period.

XI PUBLIC DEBT

As at 31 December, 2011, total disbursed outstanding debt stood at $1.25 billion or 66.8% GDP, this represented a 3.5% increase when compared with $1.20 billion at the end of December 2010. During the year, external debt and domestic debt grew by 3.7 percent and 3.2 percent respectively. At the end of 2011 the amount of public debt held externally accounted for 62.4 percent ($776.0 million) of total public debt with the remaining 37.6 percent ($468.3 million) being held domestically.

Central government external and domestic debt totalled $1.05 billion an increase of 3.5 percent when compared to the 2010 level of $1.02 billion. In addition, Public Corporations' debt increased by 3.4 percent from $185.3 million in 2010 to $191.5 million in 2011. As a result, the proportion of the total public debt remained unchanged with central government accounting for 84.6% and public corporation the remaining 15.4%.

External Debt

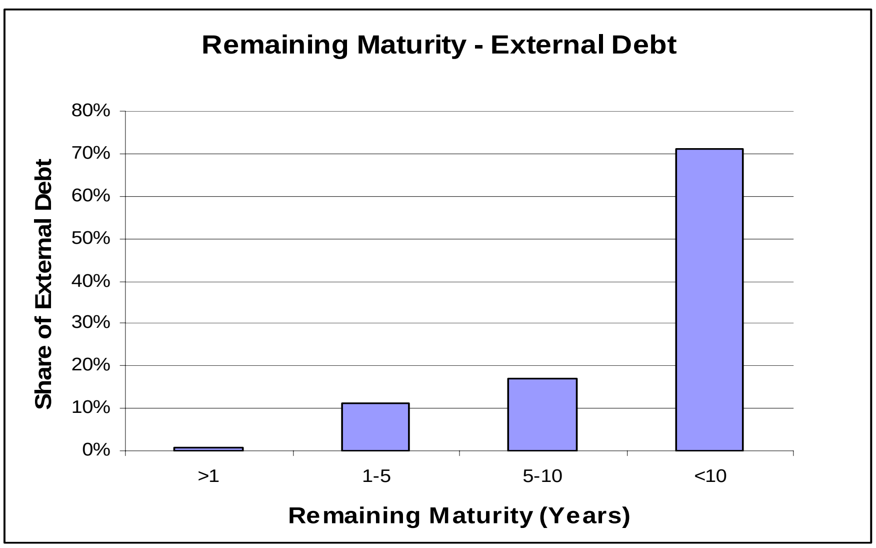
In 2011 the total external debt, increased by 3.7 percent when compared with the 2010 level of $750.1 million. The increase in the debt is primarily due to disbursements totalling $ 62.1 million from the ALBA Bank, $14.3 million from the IMF and $10.1 million from various other creditors including the Caribbean Development Bank. The amount disbursed from the ALBA and other creditors was used to finance various multi sector projects and programmes under the public sector investment programmes while the amount from the IMF was drawn from the rapid credit facility to facilitate reconstruction efforts following two natural disasters namely hurricane Tomas in the latter part of 2010 and torrential rains in April 2011.

Of the total external debt, $681.8 million or 87.7 percent was attributable to the Central Government and $95.9 million (12.32 percent) to Public Corporations. 87.4 percent of external debt is categorized as loans while the remaining 12.6 percent is categorized as bonds.

The majority of external public sector debt, (47.9 percent) was held with the Caribbean Development Bank (CDB). This was followed by ALBA Bank (16.9 percent) and bonds held with external creditors, (12.6 percent). With respect to currency composition, 78.9 percent of the total external debt was denominated in United States Dollars, 12.0 percent in Special Drawing Rights and the remaining 9.1 percent in a combination of other currencies.

The majority of the current external debt stock was contracted on concessionary terms with 71.0 percent maturing in over ten years. Loans with remaining maturity between 5-10 years accounted for 17.1 percent of the debt while loans with remaining maturies between 1-5 years accounted for 11.3 percent. The balance of 0.6 percent matures in less than one year.

Chart 6: Maturity Structure of External Debt as at end Dec 2011

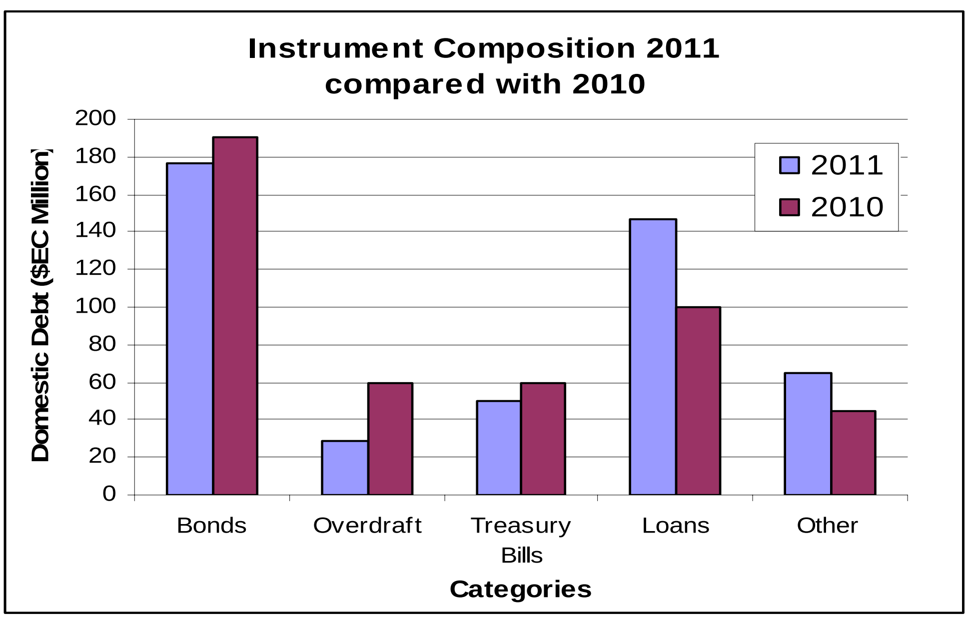


Domestic Debt

Domestic debt is characterised by a more diversified portfolio comprising loans, long-term bonds, 91-day treasury bills, overdrafts, and an “other” category consisting of insurance deposits and accounts payable . Domestic debt stood at $468.3 million increasing by 3.2 percent over the 2010 amount of $453.7 million. Of the total domestic debt, central government accounted for $372.7 million or 80.2 percent, the balance 19.8 percent was attributable to public enterprises.

Total loans increased by 46.5 % from $100.4 million in 2010 to $147.0 million in 2011 while accounts payable increased by 47.6 percent. In contrast, the overdraft balance declined by 50.8 percent from $59.3 million in 2010 to $29.2 million in 2011. The reduction in the overdraft balance was as a result of the conversion of a portion of the Accountant Generals Overdraft facility to a new Accountant General Overdraft loan in June of 2011and the liquidation of the accounts held by some Public Corporations. The Central Government overdraft limit was reduced to $35.0 million. Amortized bonds fell by 7.1 percent from $190.4 million to $176.9 million as a result of payments made on these bonds. Additionally, Ninety-One day Treasury Bills decreased by 15.7 percent..

Chart 7: Instrument Composition 2011 compared with 2010



Debt Servicing

During 2011, the amount expended on debt servicing declined to $121.0 million compared to $136.5 million in 2010, mainly as a result of reduced outlays on interest payments which fell by 32.4 percent over the period. Sinking Fund Contributions decreased by 50.0 percent while amortization rose by 0.5 percent. Consequently the ratio of debt service to revenue dropped to 26.6% down from the 27.9% recorded in 2010.

Amortization

Amortization on debt accounted for 57.9 percent of total debt servicing costs. The level rose slightly by 0.5 percent in 2011, from $69.2 million in 2010 to $69.5 million in 2011. The decline of 7.4 percent in domestic principal repayment (from $19.0 million in 2010 to $17.6 million in 2011), was offset by the increase in amortization of external debt which rose by 3.4 percent from 50.3 million in 2010 to 52.0 million in 2011.

Sinking Fund

Sinking fund contributions in 2011 amounted to $6.0 million, this fell by 50 percent from $12 million in 2010.

Interest Payments

In 2011, total interest payments accounted for 37.6 percent of total debt servicing; the level of interest payments stood at $55.3 million in 2010 and fell to $45.5 million in 2011. The main contributor to this decrease was the fall in domestic interest payments of 32.4 percent from $33.9 million in 2010 to $22.9 million in 2011. This was as a result of the reducing balance effect on bonds, loans and the overdraft account and also reflects the policy decision to shift from more costly domestic debt to external debt with relatively low interest rates. Concomitant with the increase in external debt outstanding, external interest payments rose by 5.4 percent, however the decline in the domestic interest payments was more than enough to offset the increase in external interest payments.

The interest rate structure of the external debt portfolio shows that 74.7 percent of the external loans were contracted based on fixed interest rates with the remaining 24.3 percent of the loans contracted based on variable interest rates. Additionally, the average interest rate on external debt was maintained at 3.13 percent. On the domestic front, the existing stock of debt held no variable interest rate loans.

Summary of Public Debt June 2012

Preliminary data at the end of June, 2012 indicates an increase in Total Public Debt Outstanding of 11.9 percent when compared with the mid-year data in 2011. As at 30th June, 2012 public debt increased from $1,159.0 million 2011 to $1,297.0 million. Of this amount 57.80 percent or $749.7 million was held externally with the remaining 42.2 percent or $547.4 million being held domestically. There were increases in external debt and domestic debt of 1.7 percent and 29.8 percent respectively.

External Debt

The increase in external debt resulted from disbursements on a new facility from El Fondo de Desarrollo Nacional (ALBA) of $54.0 million\and on existing loans with ALBA for the Lowmans Bay Power Project, CDB and World Bank for several on-going public sector projects and programs, and from the IMF on the Rapid Credit Facility following natural disasters.

Domestic Debt

All the major components in the Domestic Debt portfolio showed increases. Loans increased by $54.9 million over the period mainly attributable to the acquisition of new loans by the International Airport Development Company, National Properties Ltd. and the Accountant General. Additionally, in April 2012 a 10 year Bond VCB100422, of $40 million was issued, while Treasury bills issued increased by $15 Million, Accounts payable increased by $27 million and the overdraft balance increased by $6.6 million.

Debt Servicing (June 2011/June 2012)

During the first half of 2012, Central Government Debt Service increased by 6.3 percent from $57.5 million in 2011 to $61.1 million. This increase was due mainly to the rise in amortization on the domestic side of 17.8 percent from $8.0 million in June 2011 to $9.8 million in 2012. The increase in amortization came about as a result of the commencement of repayment of new domestic debt. Domestic interest payments however, declined by 7.1 percent from $11.3 in 2011 to $10.5 million in 2012, but this was insufficient to offset the increase in amortisation. The decline in domestic interest payments can be attributed to the restructuring of the portfolio which included the reduction of the overdraft limit from $75.0 million to $35.0 million and favourable rates for Treasury Bills issued on the RGSM.

Sinking fund contributions totalled $4.0 million, at the end of June 2012 compared with $1.0 million for the same period in 2011.

External debt servicing remained relatively stable with a meagre 0.2 percent increase in amortization. There was no change recorded on payments of interest on external debt.

Table 8: Summary of Public Debt as at June 30, 2012

SUMMARY PUBLIC DEBT TABLE	Jun 2012 $ M	Jun 2011 $ M	Change 2012/2011 %
Total Public Debt	**1,297.0**	**1,159.0**	**11.9**
External Debt	**749.7**	**737.2**	**1.7**
Central Government	658.9	644.6	2.2
Public Corporations	90.8	92.5	-1.9
Domestic Debt	**547.4**	**421.8**	**29.8**
Central Government	450.9	331.8	35.9
Public Corporations	96.4	90.0	7.1
Central Government Debt Service	**61.1**	**57.5**	**6.3**
Interest Payment	**21.8**	**22.6**	**-3.5**
Amortisation	**35.4**	**33.9**	**4.3**
Sinking Fund Contribution	**4.0**	**1.0**	**300.0**
Revenue	**219.1**	**209.9**	**4.4**
Debt Service/Revenue (%)	**27.9**	**27.4**	**1.8**

Legislative Authority

The primary legislation which governs and explicitly authorises the Government to borrow is the Finance Administration Act (FAA) 2004 (Act No 28 of 2004). 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$35.0m.

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

In relation to the authority to borrow from multilateral 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.

DEBT STRATEGY 2012 -2015

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

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

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

Type of Risk	Management of Risk
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 reducing debt instruments. • 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 Government aims to restrict the public debt to no more than 75% of GDP which is the level which we consider to be sustainable for St. Vincent and the Grenadines. Over the long-term the aim is to limit debt to 60% of GDP. In determining this debt level we considered several factors including cost of debt servicing and the ratio of revenue collection to GDP. In order to attain this target the following strategies will be adopted:-

1. Establishing strict limits on the contraction of new debts and ensuring that the projects to be financed are feasible in terms of their contribution to economic development and poverty reduction.
2. Reducing operational losses of 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) fell by 0.3 per cent during 2011, compared with growth of 2.6 percent during 2010. Quasi money expanded by 1.3 percent, as a result of an increase in private sector savings deposits and time deposits Narrow money (M1) fell by 4.0 percent, largely on account of a decline of 8.1 percent ($4.10 million) in currency with the public.

Domestic credit expanded by 1.7 per cent to $906.7 million, influenced by increased borrowing by central government. Net credit to the central government expanded by 99.2 percent, while lending to the non-financial public enterprises fell by 58.8 percent as government refinanced a large proportion of their debt in the commercial banking system with lower interest rate external borrowing. 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..

An analysis of the distribution of credit by economic activity indicates that outstanding loans decreased by 0.3 percent, compared with a fall of 7.6 percent during 2010. The main source of the contraction was a decline of 30.5 percent ($17.76 million) in borrowing for manufacturing. Credit for utilities, transportation and professional & other services also fell, consistent with the weak economic activity.

The net foreign assets of the banking system declined by 17.1 percent to $393.2 million during 2011, in contrast to a growth of 31.4 percent growth during the prior year. This outcome was partially influenced by fall of 10.9 percent in the net foreign assets of commercial banks. Likewise, St Vincent and the Grenadines' imputed share of the reserves held by the ECCB fell by 20.8 percent to $236.9 million.

Liquidity in the commercial banking system decreased during 2011. This was evidenced by a 8.4 percentage point decrease to 39.6 percent in the ratio of liquid assets to total deposits plus liquid liabilities. The loans to deposits ratio declined by 1.5 percentage points to 74.2 percent.

Commercial banks' weighted average interest rate on deposits grew by 14 basis points to 2.90 percent and that on loans fell by 14 basis points to 9.00 per cent.

XIII. MONEY TRANSFER COMPANIES

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

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

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

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

XIV. INSURANCE SECTOR

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

Long-term Insurance companies

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

Motor and General Insurance Companies

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

- West Indian Insurances Ltd.

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. Available data shows that the total assets in the insurance market decreased by 40.6 percent during 2010 to total EC$253.3million.

Gross premiums including annuities decreased by 39.6 percent to EC$76.8 million in 2010 compared with $127.2 million in 2009. The motor and general sub-sector registered an increase of 3.6 percent while the long-term sub-sector decreased by 70.1 percent. It should be noted that the 2010 statutory returns for CLICO International Life and Colonial are still outstanding and the 2009 figures were used instead[2]. In the motor and general insurance sub-sector, seven companies controlled 74.0 percent of the market when ranked by their gross premium. Property class of business both increased by 3.0 percent while the Motor class decreased by 3.0 percent.

Insurance penetration (premium as a percentage of GDP) moved from 7.9 per cent in 2008 to 6.9 per cent in 2009. Motor and general remained relatively flat over the last five years at approximately 3.5per cent of GDP while long-term insurance continuously fluctuated to 3.9 per cent of GDP in 2009.

During the year 2010, reinsurance amounted to EC$30.5 million for short-term insurance business and $1.5 million for long-term insurance business.

The industry's statutory deposits held by the supervisor of insurance during the year amounted to EC$28.8 million which comprised of $7.3 million in Government Securities and $21.5 million in cash .

XV. MONEY LAUNDERING AND ILLICIT ACTIVITIES

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

[2] Note also that figures for British American Insurance are excluded.

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.

XVI. 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, formerly the National Commercial 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.

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.

With respect to BIACO the company remains under judicial management throughout the Eastern Caribbean and the judicial managers are accountable to the Court and have the powers and obligations as provided under the respective Insurance Acts. In St. Vincent and the Grenadines as well as the other

ECCU member territories, the judicial managers have presented their findings and recommendations to their respective Courts and the reports have been accepted by the High Court. During 2010, the judicial managers completed the sale of the property portfolio of BAICO to Caribbean Alliance Insurance Company. Additionally, ECCU governments have finalised arrangements for the settlement of health insurance claims, particularly those claims for urgent medical treatment within certain defined parameters.

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.

XVII. CURRENT ISSUES OF GOVERNMENT SECURITIES.

As at June 30 2012, 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** **2 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 $16.0 M**
- **Type of Issue St Vincent and The Grenadines Development Bonds**
- **Original Maturity 10 years**
- **Remaining Maturity 4 years**
- **Date of subscription August 2006**
- **Redemption Date August 2016**
- **Coupon Rate 7.5per cent**
- **Amount offered for sale $40.0M**

VCG 100917

- **Amount Outstanding $16.5M**
- **Type of Issue St Vincent and The Grenadines Development Bonds**
- **Original Maturity 10 years**
- **Remaining Maturity 5 Years**
- **Date of subscription September 2007**
- **Redemption Date September 2017**
- **Coupon Rate 7.5per cent**
- **Amount offered for sale $30.0M**

VCG 070316

- **Amount Outstanding $7.6M**
- **Type of Issue St Vincent and The Grenadines Development Bonds**

- **Original Maturity** **7 years**
- **Remaining Maturity** **4 years**
- **Date of subscription** **March 2009**
- **Redemption Date** **March 2016**
- **Coupon Rate** **8.0 percent**
- **Amount offered for sale** **$13.3M**

VCG 0316AA

- **Amount Outstanding** **$8.6M**
- **Type of Issue** **St Vincent and The Grenadines Development Bonds**
- **Original Maturity** **7 years**
- **Remaining Maturity** **4 years**
- **Date of subscription** **April 2009**
- **Redemption Date** **March 2016**
- **Coupon Rate** **8.0 percent**
- **Amount offered for sale** **$15.0M**

VCG 0316AB

- **Amount Outstanding** **$9.5M**
- **Type of Issue** **St Vincent and The Grenadines Development Bonds**
- **Original Maturity** **7 years**
- **Remaining Maturity** **4 years**
- **Date of subscription** **May 2009**
- **Redemption Date** **March 2016**
- **Coupon Rate** **8.0 percent**
- **Amount offered for sale** **16.6M**

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

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

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

The ECSE, through the Eastern Caribbean Central Securities Depository (ECCSD), is responsible for facilitating clearance and settlement for securities allotted. The ECCSD ensures that funds are deposited to the issuing government's account. The ECSE, through the Eastern Caribbean Central Securities Registry (ECCSR), records and maintains ownership of government securities in electronic book-entry form. The ECCSR mails confirmation of proof of ownership letters to all investors who were successful in the auction. The ECCSR will also process corporate action on behalf of issuing governments.

Intermediaries are responsible for interfacing with prospective investors, collecting applications for subscription and processing the same for bidding on the ECSE platform. Investors must provide the intermediaries with funds to cover the cost of the transaction. For this particular offering, the government will pay the intermediaries for costs related to the issue. A list of licensed intermediaries is provided in Appendix 1. Clients that are successful will be informed of their payment obligations and funds deducted from their respective accounts with the intermediary.

As an issuer in the RGSM, the Government of St Vincent and the Grenadines will be subject to the rules, guidelines and procedures developed by the Regional Debt 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

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
Anguilla		
National Bank of Anguilla Ltd	P O Box 44 The Valley Tel: 264-497 2101 Fax: 264-497 3870 / 3310 Email: nbabankl@anguillanet.com	Principal Selwyn Horsford **Representative** Idona Reid Shernika P. Connor
Antigua and Barbuda		
ABI Bank Ltd.	Abi Financial Centre Redcliffe Street St John's Tel: 268 480 2837 / 2824 Fax: 268 480 2765 Email: abibsec@candw.ag	Principals Casroy James Carolyn Philip
Antigua Commercial Bank Ltd.	ACB Financial Centre P O Box 95 St John's Tel: 268 481 4200 FAX: 268 481 4158/ 4313 Email: acb@candw.ag	Principal Peter N Ashe **Representative** Sharon Nathaniel
St Kitts and Nevis		
St Kitts Nevis Anguilla National Bank Ltd.	P O Box 343 Central Street Basseterre Tel: 869 465 2204 Fax: 869 465 1050 Email: national_bank@sknanb.com	**Principals** Winston Hutchinson Anthony Galloway **Representatives** Marlene Nisbett Petronella Edmeade-Crooke

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
The Bank of Nevis Ltd.	P O Box 450 Main Street Charlestown Tel: 869 469 5564 / 5796 Fax: 869 469 5798 E mail: info@thebankofnevis.com	**Principal** Kevin Huggins Brian Carey **Representatives** Vernesia Walters Kelva Merchant Lisa Jones
St Lucia		
ECFH Global Investment Solutions Limited	5th Floor, Financial Centre Building 1 Bridge Street Castries Tel: 758 456 6826 / 457 7233 Fax: 758 456 6733 E-mail : capitalmarkets@ecfhglobalinvestments.com	**Principals** Beverley Henry Donna Matthew **Representatives** Dianne Augustin Lawrence Jean
First Citizens Investment Services Limited	9 Brazil Street Castries Tel: 758 450 2662 Fax: 758 451 7984	**Principals** Carole Eleuthere-Jn Marie **Representative** Samual Agiste
St Vincent and The Grenadines		
Bank of St Vincent and the Grenadines Ltd	***P O Box 880*** Cnr. Bedford and Grenville Streets Kingstown Tel: 784 457 1844 Fax: 784 456 2612/ 451 2589 Email: info@bosvg.com	**Principals** Monifa Latham Keith Inniss **Representatives** Patricia John

APPENDIX II – Central Government Fiscal Operations

	2007	2008	2009	2010	2011
		EC$Million			
Current Revenue	**433.36**	**489.47**	**466.51**	**489.95**	**462.48**
Tax Revenue	**402.43**	**447.88**	**432.61**	**421.47**	**412.14**
Taxes on Income & Profits	**103.57**	**110.39**	**110.35**	**108.81**	**114.40**
Of Which:					
Individual	54.24	55.99	57.64	61.69	67.38
Corporation	43.11	46.69	44.86	40.03	37.86
Taxes on Property	**2.50**	**2.20**	**2.72**	**2.90**	**2.81**
Taxes on Domestic Transcation	**102.24**	**119.32**	**105.14**	**105.93**	**98.91**
Of Which:					
Stamp Duty	28.03	29.16	18.74	22.68	15.71
Interest Levy	10.00	10.32	10.44	9.06	10.62
Excise Duty	13.79	4.18	3.73	4.15	4.11
VAT	31.51	67.54	64.83	62.53	61.11
Taxes on International Trade	**167.69**	**188.62**	**192.39**	**178.43**	**172.58**
Of Which:					
Import Duty	43.91	45.59	46.15	48.16	47.12
Excise Duty	0.00	20.74	29.27	22.52	20.18
Customs Service Charge	28.66	30.81	31.56	29.30	30.68
VAT	56.54	86.00	80.36	74.11	71.20
Licences	**26.43**	**27.34**	**22.02**	**25.40**	**23.44**
Non-Tax Revenue	**30.94**	**41.59**	**33.90**	**68.48**	**50.34**
Current Expenditure	**378.29**	**432.29**	**469.75**	**521.40**	**495.19**
Personal Emolument & Wages	188.97	206.88	211.99	221.81	231.18
Interest Payments	44.75	47.48	51.02	55.31	46.04
Domestic	23.42	24.47	28.44	33.85	23.42
External	21.33	23.01	22.58	21.46	22.62
Transfers & Subsidies	69.86	86.17	120.68	177.10	143.63
Goods & Services	74.71	91.77	86.07	67.19	74.35
Current Balance	**55.07**	**57.18**	**-3.24**	**-31.45**	**-32.71**

APPENDIX III – Central Government Fiscal Operations (% growth)

	2007	2008	2009	2010	2011
		Percentage Change			
Current Revenue	**9.3**	**12.9**	**-4.7**	**5.0**	**-5.6**
Tax Revenue	**10.8**	**11.3**	**-3.4**	**-2.6**	**-2.2**
Taxes on Income & Profits	**4.8**	**6.6**	**0.0**	**-1.4**	**5.1**
Of Which:					
Individual	9.9	3.2	2.9	7.0	9.2
Corporation	-0.8	8.3	-3.9	-10.8	-5.4
Taxes on Property	**-5.1**	**-11.7**	**23.2**	**6.9**	**-3.1**
Taxes on Domestic Transcation	**37.8**	**16.7**	**-11.9**	**0.8**	**-6.6**
Of Which:					
Stamp Duty	-26.6	4.0	-35.7	21.0	-30.7
Interest Levy	6.2	3.2	0.0	0.0	0.0
Excise Duty	666.1	-69.7	-10.8	0.0	0.0
VAT	0.0	114.4	-4.0	-3.5	-2.3
Taxes on International Trade	**2.7**	**12.5**	**2.0**	**-7.3**	**-3.3**
Of Which:					
Import Duty	25.2	3.8	1.2	4.3	-2.1
Excise Duty	0.0	207300.0	41.1	0.0	1.0
Customs Service Charge	10.0	7.5	2.4	-7.1	4.7
VAT	0.0	52.1	-6.6	-7.8	-3.9
Licences	**9.0**	**3.4**	**-19.5**	**15.4**	**-7.7**
Non-Tax Revenue	**-7.3**	**34.5**	**-18.5**	**102.0**	**-26.5**
Current Expenditure	**6.2**	**14.3**	**8.7**	**11.0**	**-5.0**
Personal Emolument & Wages	10.3	9.5	2.5	4.6	4.2
Interest Payments	3.6	6.1	7.5	8.4	-16.8
Domestic	15.9	4.5	16.2	19.0	-30.8
External	-7.3	7.9	-1.9	-5.0	5.4
Transfers & Subsidies	7.0	23.3	40.1	46.8	-18.9
Goods & Services	-2.4	22.8	-6.2	-21.9	10.7
Current Balance	**37.0**	**3.8**	**-105.7**	**870.9**	**4.0**

APPENDIX IV– GDP in constant 2006 prices

SECTOR	2006	2007	2008R	2009 Prel	2010	2011 Proj
Agriculture	**86.92**	**96.46**	**92.52**	**106.56**	**87.12**	**86.61**
Crops	62.79	69.58	66.88	67.05	63.14	62.31
Bananas	12.98	13.99	12.61	10.77	6.31	1.09
Other Crops	49.81	55.59	54.27	56.28	56.83	61.22
Livestock	16.84	17.96	19.94	31.17	17.06	18.10
Forestry	0.91	0.93	0.91	0.89	0.86	0.84
Fishing	6.38	7.99	4.78	7.45	6.06	5.36
Mining & Quarrying	4.18	4.76	5.00	5.13	3.99	3.17
Manufacturing	72.17	67.82	69.60	63.94	62.22	67.41
Electricity & Water	**56.78**	**59.03**	**58.10**	**59.98**	**57.25**	**56.00**
Electricity	41.38	43.71	42.70	43.18	42.65	42.73
Water	15.40	15.31	15.39	16.80	14.60	13.27
Construction	137.99	155.98	139.89	128.27	125.43	121.18
Wholesale & Retail Trade	215.42	234.84	243.94	223.76	223.40	219.26
Hotels & Restaurants	**49.45**	**49.33**	**46.62**	**36.31**	**30.95**	**31.06**
Hotels	36.70	37.70	35.08	27.50	22.49	23.77
Restaurants	12.75	11.63	11.53	8.81	8.47	7.29
Transport, Storage & Communication	**218.00**	**214.19**	**217.05**	**213.28**	**209.92**	**211.82**
Transport, Storage	145.82	153.05	154.81	154.96	156.23	156.01
Road	100.37	106.00	109.67	111.68	113.22	114.16
Sea	15.96	18.00	16.51	16.92	16.50	16.02
Air	2.40	2.08	2.07	1.86	1.82	1.75
Supporting and auxiliary transport activities	27.09	26.97	26.56	24.51	24.69	*24.08*
Communications	**72.19**	**61.14**	**62.24**	**58.32**	**53.69**	**55.81**
Telecommunication	70.66	59.62	61.57	56.73	51.24	53.31
Postal & Courier Services	1.53	1.51	0.67	1.59	2.45	2.50
Financial Intermediation	**110.04**	**105.76**	**104.36**	**101.93**	**91.36**	**90.48**
Banks & Other Financial Institutions	79.16	76.18	74.02	73.83	72.11	71.09
Insurance and pension funding	28.10	26.63	27.30	25.00	16.34	16.66
Activities auxiliary to financial intermediation	2.78	2.94	3.04	3.10	2.91	2.73
Real Estate, Renting & Business Services	**227.52**	**229.16**	**233.98**	**230.15**	**229.51**	**231.67**
Owner Occupied Dwellings	159.54	161.82	163.86	165.71	165.86	167.25
Real estate activities	27.21	27.55	27.86	28.13	28.16	28.36
Renting of machinery and equipment	7.52	8.89	8.99	7.95	7.77	7.83
Computer and related activities	6.75	6.12	8.49	5.76	4.44	3.42
Business services	26.50	24.79	24.78	22.59	23.29	24.81
Public Administration, Defence and Compulsory Social Security	**107.20**	**112.19**	**121.48**	**132.73**	**144.49**	**145.69**
Central	100.23	105.04	113.55	124.95	136.90	137.91
Local	3.42	3.32	3.19	3.12	2.92	3.00
NIS	3.55	3.83	4.74	4.67	4.67	4.78
Education	**78.18**	**76.06**	**60.58**	**62.33**	**61.47**	**62.90**
Public	55.23	55.64	57.94	59.75	58.88	60.29
Private	22.95	20.42	2.64	2.58	2.59	2.61
Health and Social Work	**36.68**	**38.49**	**40.58**	**39.54**	**40.26**	**41.73**
Public	31.02	32.92	34.26	32.42	31.99	33.13
Private	5.66	5.56	6.32	7.12	8.27	8.60
Other community, social & personal services	26.11	24.88	29.42	27.92	30.71	34.10
Private Households with Employed Persons	3.35	3.06	3.35	3.11	3.16	3.21
Less FISIM	**15.64**	**16.62**	**18.42**	**18.02**	**18.10**	17.44
Gross Value Added at Basic Prices	**1,414.36**	**1,455.37**	**1,448.03**	**1,416.91**	**1,383.16**	**1,388.85**
GROWTH RATE	6.07	2.90	-0.50	-2.15	-2.38	0.41

APPENDIX V– GDP growth rates by sector

	2006	2007	2008R	2009	2010	2011
Agriculture	**3.51**	**10.97**	**-4.08**	**15.17**	**-18.24**	**-0.58**
Crops	0.72	10.81	-3.87	0.25	-5.84	-1.32
Bananas	-19.44	7.80	-9.86	-14.60	-41.42	-82.73
Other Crops	7.75	11.60	-2.37	3.71	0.97	7.72
Livestock	17.23	6.65	11.05	56.29	-45.26	6.09
Forestry	2.00	2.00	-2.00	-3.00	-3.00	-2.26
Fishing	0.08	25.28	-40.16	55.80	-18.66	-11.51
Mining & Quarrying	5.00	13.77	5.06	2.73	-22.17	-20.64
Manufacturing	1.63	-6.03	2.62	-8.13	-2.69	8.33
Electricity & Water	**2.33**	**3.96**	**-1.58**	**3.24**	**-4.54**	**-2.19**
Electricity	1.38	5.64	-2.31	1.11	-1.21	0.18
Water	5.00	-0.57	0.51	9.17	-13.09	-9.13
Construction	8.58	13.04	-10.32	-8.30	-2.21	-3.39
Wholesale & Retail Trade	4.89	9.01	3.87	-8.27	-0.16	-1.85
Hotels & Restaurants	**25.01**	**-0.25**	**-5.50**	**-22.11**	**-14.75**	**0.35**
Hotels	31.06	2.71	-6.94	-21.60	-18.24	5.71
Restaurants	10.35	-8.79	-0.81	-23.65	-3.85	-13.89
Transport, Storage & Communications	**10.34**	**-1.75**	**1.33**	**-1.74**	**-1.58**	**0.90**
Transport & Storage	**8.85**	**4.96**	**1.15**	**0.10**	**0.82**	**-0.14**
Road	6.14	5.61	3.46	1.84	1.38	0.83
Sea	19.14	12.81	-8.27	2.46	-2.49	-2.90
Air	12.46	-13.27	-0.53	-10.27	-2.07	-3.88
Auxiliary transport activities and storage	13.53	-0.45	-1.52	-7.73	0.75	-2.48
Communications	**13.47**	**-15.31**	**1.80**	**-6.30**	**-7.93**	**3.95**
Financial Intermediation	**4.82**	**-3.90**	**-1.32**	**-2.33**	**-10.37**	**-0.96**
Banks & Other Financial Institutions	4.02	-3.77	-2.83	-0.26	-2.33	-1.41
Insurance and pension funding	5.84	-5.20	2.48	-8.41	-34.64	1.96
Activities auxiliary to financial intermediation	19.29	5.68	3.23	2.00	-6.03	-6.19
Real Estate, Renting & Business Services	**5.42**	**0.72**	**2.10**	**-1.64**	**-0.28**	**0.94**
Owner Occupied Dwellings	1.30	1.43	1.27	1.13	0.09	0.84
Real estate activities	1.14	1.25	1.11	0.99	0.08	0.74
Renting of machinery and equipment	8.99	18.17	1.13	-11.57	-2.32	0.86
Computer & Related services	47.52	-9.34	38.85	-32.17	-22.95	-22.95
Business Services	32.92	-6.44	-0.04	-8.85	3.11	6.51
Public Administration, Defence and Compulsory Social Security	**6.44**	**4.66**	**8.28**	**9.26**	**8.86**	**0.83**
Central	6.67	4.80	8.10	10.03	9.57	0.74
Local	4.79	-3.00	-3.79	-2.32	-6.25	2.50
NIS	2.00	7.84	23.64	-1.47	0.00	2.50
Education	**-2.65**	**-2.71**	**-20.35**	**2.88**	**-1.38**	**2.33**
Public	-1.19	0.74	4.13	3.12	-1.45	2.38
Private	-5.97	-11.02	-87.05	-2.34	0.20	1.00
Health & Social Work	**1.16**	**4.92**	**5.43**	**-2.55**	**1.82**	**3.65**
Public	3.14	6.13	4.04	-5.36	-1.31	3.56
Private	-8.46	-1.74	13.66	12.65	16.09	4.00
Other Community , Social & Personal services	15.44	-4.71	18.26	-5.10	10.00	11.03
Private Households with Employed Persons	2.35	-8.61	9.42	-7.17	1.55	1.55
Less FISM	6.89	6.27	10.85	-2.19	0.44	-3.65
TOTAL	**6.07**	**2.90**	**-0.50**	**-2.15**	**-2.38**	**0.41**

APPENDIX VI BALANCE OF PAYMENTS

	2007	2008	2009	2010	2011
			In millions of EC$		
1. CURRENT ACCOUNT	**(517.71)**	**(621.89)**	**(532.78)**	**(562.45)**	**(536.08)**
A. GOODS AND SERVICES	**(512.72)**	**(595.75)**	**(528.49)**	**(556.18)**	**(522.44)**
1. Goods	(638.71)	(733.02)	(649.21)	(682.32)	(671.91)
Merchandise	(647.66)	(745.52)	(657.34)	(692.07)	(648.68)
Repair on goods	0.02	0.02	0.02	0.02	0.02
Goods procured in ports by carriers	8.94	12.48	8.11	9.72	12.75
2. Services	125.99	137.27	120.73	126.15	149.47
Transportation	(90.32)	(109.15)	(100.70)	(94.17)	(93.06)
Travel	242.59	211.75	197.44	192.82	213.01
Insurance Services	(20.76)	(22.36)	(19.09)	(19.31)	(18.17)
Other Business Services	18.09	61.30	57.40	57.14	53.68
Government Services	(23.61)	(4.28)	(14.23)	(10.34)	(5.99)
B. INCOME	**(59.42)**	**(61.67)**	**(35.13)**	**(33.15)**	**(34.94)**
1. Compensation of Employees	15.81	11.00	19.08	16.60	16.14
2. Investment Income	(75.23)	(72.68)	(54.21)	(49.75)	(51.09)
Direct Investment	(52.96)	(48.89)	(33.46)	(29.79)	(20.04)
Portfolio Investment	1.40	6.23	6.63	4.07	(1.74)
Other Investment	(23.68)	(30.02)	(27.38)	(24.03)	(29.30)
C. CURRENT TRANSFERS	**54.42**	**35.54**	**30.84**	**26.89**	**21.30**
1. General Government	22.76	(0.83)	0.08	(1.92)	(5.60)
2. Other Sectors	31.66	36.36	30.76	28.81	26.90
2. CAPITAL AND FINANCIAL ACCOUNT	**514.01**	**570.94**	**550.08**	**616.81**	**473.49**
A. CAPITAL ACCOUNT	**198.76**	**131.88**	**146.44**	**148.04**	**104.31**
1. Capital Transfers	198.76	131.88	146.44	148.04	104.31
General Government	191.94	125.13	140.07	141.64	100.54
Other Sectors	6.82	6.75	6.37	6.39	3.77
2. Acquisition & Disposal of Non-Produced, Non-Financial Assets	-	-	-	-	-
B. FINANCIAL ACCOUNT	**315.25**	**439.06**	**403.64**	**468.78**	**369.18**
1. Direct Investment	322.40	429.96	297.60	262.49	231.18
Abroad (outward)	-	-	-	-	-
In Reporting Economy (inward)	322.40	429.96	297.60	262.49	231.18
2. Portfolio Investment	(9.17)	(8.41)	49.11	(1.42)	(8.57)
3. Other Investment	2.02	17.52	56.93	207.71	146.56
Public Sector Long Term Loans	31.38	14.93	25.48	141.62	26.43
Other Public Sector Capital	-	-	-	-	-
Commercial Banks	98.18	(41.29)	2.90	(17.16)	19.14
Other Assets	(53.72)	(29.41)	(31.05)	38.08	77.99
Other Liabilities	(73.83)	73.28	59.59	45.18	23.00
3. NET ERRORS AND OMISSIONS	**(1.29)**	**42.14**	**(4.66)**	**13.74**	**0.43**
4. OVERALL BALANCE	**(4.99)**	**(8.80)**	**12.64**	**68.10**	**(62.16)**
5. FINANCING	**4.99**	**8.80**	**(12.64)**	**(68.10)**	**62.16**
Change in SDR Holdings	-	-	-	-	-
Change in Reserve Position with the IMF	-	-	-	-	-
Change in Government Foreign Assets	27.25	-	-	-	-
Change in Imputed Reserves	(22.26)	8.80	20.85	(96.10)	62.16

APPENDIX VII - Selected Public Debt Indicators

	2006	2007	2008	2009	2010 R	2011 P
			EC$ Millions			
Public Debt External Debt						
Central Government	575.9	413.8	464.0	480.5	655.0	681.8
Public Corporations	81.0	98.1	102.0	101.1	95.1	95.9
Total	656.9	511.9	566.0	581.6	750.1	777.6
Domestic Debt						
Central Government	338.6	352.6	339	408.9	363.5	372.7
Public Corporations	59.2	126.9	167.6	165.6	90.2	95.6
Total	397.8	479.5	506.6	574.5	453.7	468.3
Total Public Debt	**1054.7**	**991.4**	**1072.6**	**1156.1**	**1203.8**	**1245.9**
Debt Servicing External						
Central Government	62.1	61.2	66.2	70.7	71.7	74.6
Public Corporations	2.5	6.1	8.5	10.4	9.6	7.9
Total	64.6	67.3	74.7	81.1	81.3	82.5
Domestic Debt						
Central Government	40.1	31.9	46.2	54.2	52.8	40.4
(of which sinking fund)	11.8	9.0	5.2	6.0	12.0	6.0
GDP (at market price)	1330	1484	1570	1887.7	1838.6	1848.6
Current Revenue	393.5	430.4	489.5	544.8	454.6	490
Exports of Goods and Services	-322.4	-517.7	-621.9	-532.8	-575.2	-575.2
Total Debt/GDP	79.3%	66.8%	68.3%	61.2%	65.5%	66.8%
External Debt/GDP	49.4%	34.5%	36.1%	30.8%	40.8%	41.7%
Domestic Debt/GDP	29.9%	32.3%	32.3%	30.4%	24.7%	25.2%
Central Government Debt Service/Current Revenue	26.0%	21.6%	23.0%	22.9%	27.4%	23.5%
External Debt Service/ Current Revenue	16.4%	15.6%	15.3%	14.9%	17.9%	16.8%
Domestic Debt Service/ Current Revenue	9.6%	6.0%	7.7%	8.0%	9.5%	6.6%
Central Government Domestic Debt Service/Exports of Goods and Services	-12.4%	-6.2%	-7.4%	-10.2%	-9.2%	-7.0%
Total External Debt Service/ Exports of Goods and Services	-20.0%	-13.0%	-12.0%	-15.2%	-14.1%	-14.3%

R – revised, **P - preliminary**