PROSPECTUS

FOR TREASURY BILL ISSUES
FOR THE PERIOD
July 2008 – June 2009

BY THE GOVERNMENT OF
ST. VINCENT AND THE GRENADINES

Ministry of Finance
Administrative Centre
P.O. Box 608
Kingstown
ST. VINCENT AND THE GRENADINES

e-mail: office.finance@mail.gov.vc
Tel: (784) 456-1111 Ext368
Fax: (784) 457-2943

DATE OF PROSPECTUS: JUNE 2008

The Prospectus has been drawn up in accordance with the rules of the Regional Government Securities Market. The Regional Debt Co-ordinating Committee and Eastern Caribbean Central Bank accept no responsibility for the content of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss whatsoever arising from or reliance upon the whole or any part of the contents of this Prospectus. If you are in doubt about the contents of this document or need financial or investment advice you should consult a person licensed under the Securities Act or any other duly qualified person who specialises in advising on the acquisition of government instruments or other securities.

TABLE OF CONTENTS

I. GENERAL INFORMATION

Issuer: The Government of St. Vincent and the Grenadines

Address: The Ministry of Finance and Planning
Administrative Centre
P.O. Box 608
Bay Street
Kingstown
St. Vincent and the Grenadines

E-mail: office.finance@mail.gov.vc
Telephone No.: (784) 456-1111 Ext 368
Facsimile No.: (784) 457-2943

Contact Persons: Dr. The Hon. Ralph E. Gonsalves, Prime Minister
Mr. Maurice Edwards, Director General
Mrs. Ingrid Fitzpatrick, Accountant General
Ms. Deidre Anthony, Debt Manager

Date of Publication: June 2008

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

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

Amount of Issue: Monthly issue of XCD20.0 million

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 ISSUES

a. The Government of St. Vincent and the Grenadines (GOVSVG) proposes to auction XCD 20,000,000.00 91-day treasury bills each month during the period July 2008 to June 2009. The Treasury bills will be auctioned on the following dates:

25 July 2008 – Trading Symbol VCB271008

28 August 2008 - Trading Symbol VCB281108

29 September, 2008 - Trading Symbol VCB301208

28 October, 2008 - Trading Symbol VCB280109

1 December, 2008 -Trading Symbol VCB030309

5 January, 2009 - Trading Symbol VCB070409

29 January, 2009 - Trading Symbol VCB010509

4 March, 2009 - Trading Symbol VCB040609

8 April, 2009 - Trading SympolVCB090709

4 May, 2009 - Trading Symbol VCB050809

5 June, 2009 - Trading Symbol VCB 070909

b. The Treasury bills will be settled on the following dates:

28 July 2008 – Trading Symbol VCB271008

29August 2008 - Trading Symbol VCB281108

30 September, 2008 - Trading Symbol VCB301208

29 October, 2008 - Trading Symbol VCB280109

2 December, 2008 -Trading Symbol VCB030309

6 January, 2009 - Trading Symbol VCB070409

30 January, 2009 - Trading Symbol VCB010509

5 March, 2009 - Trading Symbol VCB040609

9 April, 2009 - Trading Symbol VCB090709

5 May, 2009 - Trading Symbol VCB050809

8 June, 2009 - Trading Symbol VCB070909

c. The Treasury Bills will mature on the following dates:

28 October 2008 – Trading Symbol VCB281008

28 November, 2008 - Trading Symbol VCB281108

30 December, 2008 - Trading Symbol VCB301208

29 January, 2009 - Trading Symbol VCB290109

03 March, 2009 -Trading Symbol VCB030309

7 April, 2009 - Trading Symbol VCB070409

1 May, 2009 - Trading Symbol VCB010509

5 June, 2009 - Trading Symbol VCB 050609

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

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

f. The bidding period(s) will start at 9:00 am and close at12:00 noon on auction day

g. Each investor is allowed one (1) bid with the option of increasing the amount being tendered until the close of the bidding period

h. The minimum bid quantity is $5,000.00

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

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

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

l. Investors can participate in the issue through the services of 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. Lucia Limited
- National Commercial Bank (SVG) Limited
- National Mortgage Finance Company of Dominica Limited
- St. Kitts Nevis Anguilla National Bank Limited
- Republic Finance and Merchant Bank Limited (FINCOR) – Grenada
- Caribbean Money Market Brokers Limited (CMMB) – Saint Lucia
- Caribbean Money Market Brokers Limited (CMMB) – Trinidad
- National Bank of Anguilla

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

III EXECUTIVE SUMMARY

The Government of St. Vincent and the Grenadines is proposing to raise EC$20 million monthly during the period July 2008 to June 2009 through the issuance of 91-day Treasury Bills to be auctioned on the Regional Government Securities Market. During the bidding periods, which will be open 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 licensed intermediaries who are members of the Eastern Caribbean Securities Exchange. The proceeds of this issue will be used to refinance maturing treasury bills and to provide for short term financing needs of Central Government.

The prospectus is framed against the back drop of continued fiscal consolidation and robust economic growth for the four year period 2004 – 2007, inclusive, during which time St. Vincent and the Grenadines experienced economic growth in excess of 5.3% on average.

The Public Sector Investment Programme is considered a key stimulant to economic activity and private sector-led growth. This Programme has sustained economic growth in 2007 due to the implementation of the following major projects: Canouan Airport Expansion, Basic Education Project II, Rehabilitation of the Windward Highway, National Library Complex, the Cross Country Road, Education Support Project, Correctional Facility and the New Customs Building.

Real GDP increased by 6.9% in 2007. This significant growth was due to improvement in activities in the construction, wholesale and retail trade, transportation and agricultural sectors. In general, all sectors exhibited positive growth

In 2007, the construction sector recorded growth of 14.4%, compared to 11.4% in 2006 as implementation of major public and private sector projects accelerated. Value-added in wholesale and retail trade increased by 5% compared to 6.8% in 2006. Meanwhile, the transport sector maintained positive growth of 11.5% compared with 18.0% in 2006 and after a decline of 0.7% in 2005. Output in agriculture exhibited a growth of 9.28% compared with 6.6% in 2006.

The impetus for this improved performance came from fishing, which grew by 26.6% in contrast to 11.7% in 2006.

In 2007 the government realized a current saving of EC$52.47 million (3.5% of GDP) up 38.9% from the EC$37.8 million (3.0% of GDP) realized in 2006. The primary balance was a deficit of EC$8.6 million (-0.6% of GDP) in 2007 compared to a deficit of EC$22.0 million (-1.7% of GDP) in 2006. The overall balance also improved, contracting to a deficit of EC$53.3 million (-3.6% of GDP) in 2007 from a deficit of EC$52.0 million (-4.9% of GDP) in 2006.

Public sector debt decreased by 7% between the years 2006 and 2007, falling to EC$989 million at the end of fiscal year 2007 (66.6% of GDP). This amount was comprised of EC$512 million in external debt and EC$477 million in domestic debt. The decrease in 2007 was primarily due to the settlement of the loan for the Ottley Hall Shipyard.

IV. HISTORY

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

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

Beginning in 1719, French settlers cultivated coffee, tobacco, indigo, cotton, and sugar on plantations worked by African slaves. In 1763, St. Vincent and the Grenadines was ceded to Britain. Restored to French rule in 1779, St. Vincent and the Grenadines was regained by the

British under the Treaty of Versailles in 1783. Conflict between the British and the black Caribs continued until 1796, when General Abercrombie crushed a revolt fomented by the French radical Victor Hugues. More than 5,000 black Caribs were eventually deported to Roatan, an island off the coast of Honduras.

The plantation economy, based on slave labor, flourished and St. Vincent and the Grenadines produced sugar, cotton, coffee and cocoa. The abolishment of slavery in 1834 resulted in labor shortages on the plantations and attracted Portuguese immigrants in the 1840s and east Indians in the 1860s. Conditions remained harsh for both former slaves and immigrant agricultural workers, as depressed world sugar prices kept the economy stagnant until the turn of the century.

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

V. DEMOGRAPHICS

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

The following table shows the percentage composition of different average groups of total population from 1991 to 2001.

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**

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

VI. FINANCIAL ADMINISTRATION AND MANAGEMENT

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

The Eastern Caribbean Central Bank (ECCB) conducts quarterly economic and financial reviews that are published across the region. *Article IV Country Reviews* conducted by the International Monetary Fund (IMF) are also published and available on the Fund's Website (www.imf.org)

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, competitiveness and enhanced productivity and enhanced economic diversification. 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 more jobs, especially 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

VII. MACRO ECONOMIC PERFORMANCE

Preliminary statistics for 2007 indicate that the St. Vincent and the Grenadine's real GDP grew by 6.97% in 2007 compared with 7.58% in 2006. During the periods 2003 through 2007, real GDP grew on average 5.4%.

The growth in 2007 is as a result of increased construction-related activities in the run up to the Cricket World Cup and increased activities in the agriculture sector, in particular, fishing.

Growth in manufacturing output was due to the opening of a cassava factory and increased demand for galvanized sheeting both on the domestic and external markets. Tourism has increased due to renewed regional marketing thrust and increased Cruise ship passenger arrivals. Rising energy cost is one of the principal economic challenges facing the country. This is why the Government continues to formulate and implement strategies to minimize its adverse impacts and has established an Energy Conservation and Development Unit in the Office of the Prime Minister. Furthermore, The Government has entered into the Petrocaribe Agreement with

Venezuela to provide concessional financing for energy imports (LPG cylinders and diesel). The parties have set up a joint venture company to purchase gasoline under this agreement.

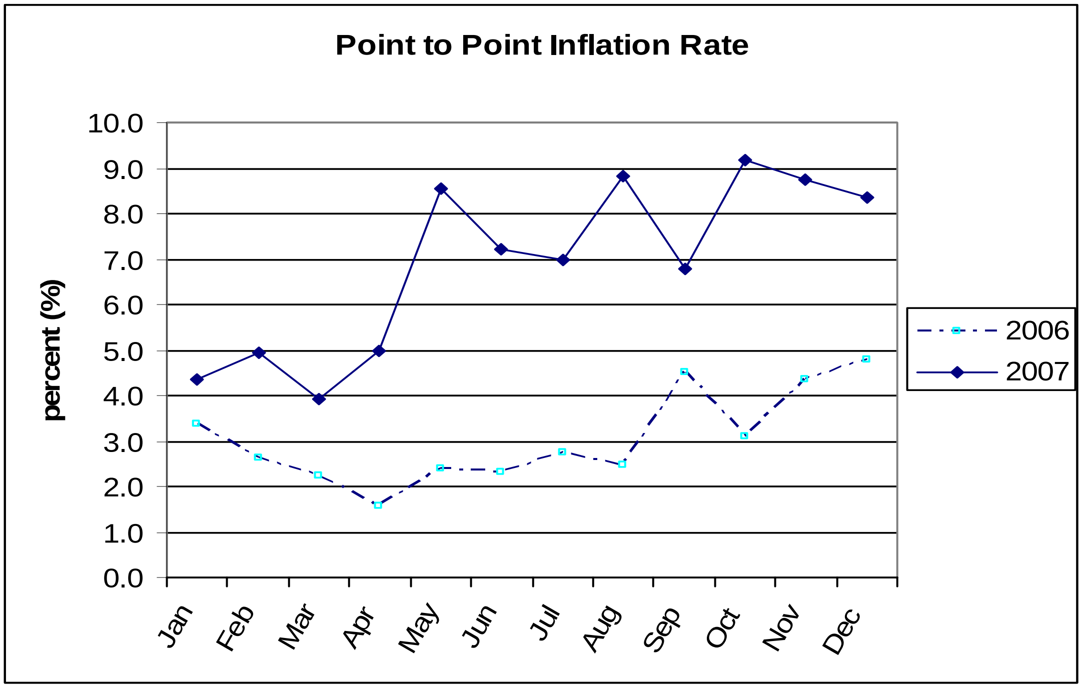
Inflation

An analysis of the 2007 Consumer Price Index revealed that the average annual "point to point" inflation for the year 2007 was 6.9 percent compared with 3.0 percent in 2006. The accumulated inflation for the year 2007 was recorded at 8.3 percent, in contrast to a 4.8 percent registered in 2006. The "All Items" index moved from 111.4 in January 2007 to 123.4 in December, 2007.

The monthly inflation rate fluctuated from a high of 4.4 percent in May 2007 to a low of -0.8 percent in June 2007. Additionally, the monthly "point-to-point" inflation rates were higher in 2007 compared to 2006 with the highest rate being recorded at 9.2 percent in October 2007. (*See chart 1*)

Most of the upward movement in 2007 occurred in the groups "Food" (9.4 percent), "Alcoholic Beverages and Tobacco" (13.0 percent), "Clothing and Footwear" (14.7 percent), "Transportation and Communication" (4.8 percent), "Fuel and Light" (8.4 percent) and "Housing" (2.3 percent). Increases were also recorded in the groups "Household Furniture & Supplies" (5.0 percent), "Medical Care and Expenses" (12.5 percent), "Education" (15.9 percent) and "Personal Services" (9.5 percent). The group "Miscellaneous" registered an 11.0 percent decline.

chart 1



VIII. SECTORIAL DEVELOPMENTS

Agriculture

Despite the reductions in its contribution to GDP relative to the growing sectors of tourism and other services, agriculture continues to play a significant role in the economy of St. Vincent and the Grenadines. Historically, agriculture was dominated by banana production with bananas being exported to Europe under preferential arrangements. Due to changes in the international trade milieu, globalization, trade liberalization, erosion of market preferences, and adverse weather conditions, the banana industry suffered a continuous decline during the period from 1993 to 2005. In January 2006, the EU quotas were converted into tariffs and banana production in St. Vincent and the Grenadines was largely switched from conventional exports to fair trade exports. Since free market banana prices are typically considerably below those available in protected EU markets, the country benefited from average export returns in 2006, comparable with pre-2006 levels. The trading agreement known as the Cotonou Convention between the EU and the ACP member states was terminated on December 31, 2007 and replaced by a less-generous European Generalized System of Preferences, where agreements are now reciprocal and general tariffs are being dismantled. In the Agreement signed between the EU and the CARIFORUM countries, the EU has offered duty-free, quota-free access to its market.

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

The agriculture sector employs approximately a quarter of the workforce and contributes 9.3% of GDP in 2007, compared to 9.1% in 2006. The marginal increase can be attributable to the diversification efforts which are continuing. Notwithstanding the declining contribution of bananas to GDP, the banana industry remains an important segment to the nation's economic development, contributing significantly to rural employment and the enhancement of the national food supply.

Fisheries

Fisheries development remains an integral part of the Government's economic diversification policy. In 2007 the industry contributed 1.8% to GDP compared with 1.5% in 2006. The Government also recognizes that interventions in the artisanal fisheries sector are critical to the enhancement of incomes in the rural coastal communities, especially those with a strong tradition in fishing. It is for this reason that the creation of a commercially viable fishing industry, while ensuring the sustainability of fisheries resources, remains a fundamental policy of the Government.

Requisite infrastructure is being developed for the stimulation of growth and economic activity in the sector. The Owia Fisheries Complex now under construction is anticipated to provide a critical link with the tourism sector as well as serving as a port for emergencies where sea travel is necessary.

Tourism

Tourism, as measured by the Hotels and Restaurants sub-sector, has emerged as the main service sector and has surpassed the banana trade as the single most important foreign exchange earner. The Grenadines have become a favorite of high-end tourism and the focus is on new development in the country. Tourism is a substantial employer of labor and contributes significantly to Government revenue.

Visitor arrivals during the period January to November 2007 increased by 16.8% to 291,541, over the comparative period in 2006. The performance however has been mixed with increases in yacht and cruise ship arrivals while stay over visitors declined. The buoyant cruise ship sector increased by 51% to 206,192 in 2007 compared to 155,838 during the same period in 2006. The other significant growth area was the yacht sector which increased by 11.4%. In contrast Stay-over visitor arrivals decreased by 9.1% to 85,349 in 2007 compared to 93,843 over the comparative period in 2006, and same day visitors by 23.8%.

Visitor Arrivals by Visitor Type January – November

VISITOR ARRIVALS BY VISITOR TYPE

VISITOR TYPE	NOV 2007	NOV 2006	JAN - NOV 2007	JAN - NOV 2006	ACTUAL CHANGE	% CHANG
BY AIR						
STAY-OVER	6,440	6,789	79,048	85,570	(6,522)	(7
SAME DAY	551	716	6,301	8,273	(1,972)	(23
SUB TOTAL	6,991	7,505	85,349	93,843	(8,494)	(9
BY SEA						
YACHT	3,399	7,841	82,019	73,621	8,398	1
CRUISE SHIP	11,053	16,701	124,173	82,217	41,956	5
SUB TOTAL	14,452	24,542	206,192	155,838	50,354	32
TOTAL	**21,443**	**32,047**	**291,541**	**249,681**	**41,860**	**16**

Source: Ministry of Tourism St. Vincent and the Grenadines

The majority of the country's tourists come from the U.S., Canada, Europe, South America and the Caribbean. In 2006, 39.2% of the stay-over visitors came from the Caribbean, followed by 29.4% from the U.S., 15.2% from the U.K., 6.7% from Canada and 9.5% from other countries.

The table below shows the number of the visitors and expenditure of the visitors broken down different categories for the five years ending December 31, 2006.

Visitor Number and Expenditures by Category

	2002	2003	2004	2005	2006
Stay-Over Visitor Arrivals Breakdown:					
U.S.	22,410	22,194	25,106	27,153	28,598
Canada	5,268	4,918	5,219	6,187	6,542
U.K.	11,629	11,547	12,610	13,941	14,837
Caribbean	30,223	32,779	36,011	39,944	38,219
Other Countries	8,092	7,097	7,775	8,279	9,236
Total Stay-Over Visitor Arrivals	**77,622**	**78,535**	**86,721**	**95,504**	**97,432**
Excursionists	13,062	13,696	12,936	8,928	9,034
Yacht Passengers	86,451	84,330	84,227	81,890	93,638
Cruise Ship Passengers	70,314	64,965	77,585	69,753	106,474
Total Visitor Arrivals	**247,449**	**241,526**	**261,469**	**256,075**	**306,578**
Number of Cruise Ship Calls	264	245	225	182	263
Total Visitor Expenditure (*in millions of EC$*)	**246**	**246**	**258**	**281**	**306**

The government continues to be cognizant of the importance of this sector to the overall economic performance and has thus continued to increase its allocation of public expenditure on tourism and physical infrastructure facilities, this will in turn provide a well needed boost to the tourism product. Among the activities likely to boost the sector are the development and upgrade of several recreational sites and the establishment of the operational framework for the National Parks and Beaches Authority. This project has a total project cost of $12.2 million to be financed largely by a Grant from the European Union. Another Grant from the European Union in the sum of $1.6 million is to be utilized in 2008 to develop a Tourism Master Plan.

Government has also placed increased emphasis on strengthening management of the sector, including environmental management and focused marketing of the destination, while at the same time fostering economic linkages between tourism and other sectors of the economy. In this regard, the Government recently piloted the National Tourism Authority Act which is expected to be fully established and operational in 2008 to provide the requisite leadership in transforming this vital sector.

Manufacturing

St. Vincent and the Grenadines has a small manufacturing sector, contributing 5.1% of the Nation's GDP in 2007 marginally decreasing from 5.4% in 2006. The Government is continuing its effort to make the sector internationally competitive. It is giving Vincentian companies fiscal incentives to increase their productivity. In this regard in 2007, the manufacturing sector grew by 3.0%, up from the 2.5% growth recorded in 2006. Galvanized sheeting production rose by 34% as a result of the increase in construction activity and a boost of domestic and external demand

Effective January, 2008, Company Income Tax has been reduced from 37.5% to 35%. The Government is also developing the Small and Medium Enterprise (**SME**) sector by increasing access to credit and improving business and entrepreneurial skills of the labor force.

Construction

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

In 2007, the construction sector recorded growth of 14.4%, compared with 11.4% in 2006. Over the last five years, growth was better only in 2004. This growth was fueled by increased investment in both the public and private sectors. Availability of commercial bank credit for home construction and renovations contributed to the growth in the residential construction.

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

IX. BALANCE OF PAYMENTS

The Nation's balance of payments is dependent on international economic developments as well as domestic economic policies and programs. In 2006, the overall balance of payments recorded a surplus of EC$33 million (2.4% of GDP), compared to a deficit of EC$8 million (0.7% of GDP) in 2005. The 2006 surplus is a result of an increase in the capital and financial account surplus which more than compensated for an increase in the current account deficit. In contrast, the 2005 deficit resulted primarily from a decrease in the capital and financial account surplus.

The increase in the current account deficit in 2006 was due primarily to an increased deficit in goods and services, which went from EC$246 million in 2005 to EC$314 million in 2006. An increase in import payments and a decrease in export earnings contributed to the deficit increase. The increase in the capital and financial account surplus in 2006 was mainly a result of an increased surplus in foreign direct and other investments.

Current Account

The chief components of the current account within the balance of payments consist of the goods balance, the services balance, the income account and current transfers. The current account recorded a deficit of EC$324 million (24.0% of GDP) in 2006, compared to a deficit of EC$270 (22.8% of GDP) in 2005.

The increase in the current account deficit was primarily a result of an increase in import payments and a decrease in export earnings. Import payments increased as a result of rising oil prices and a general economic expansion within the Country. In the mean time, export earnings suffered a decline in 2006 as banana production decreased as a result of drought and windstorms. Increases were recorded in export receipts from galvanized sheeting, flour, rice and feed. However, such increases were not enough to offset the decline in banana production. As a result, the merchandise trade deficit widened from EC$464 million in 2005 to EC$542 million in 2006.

The surplus in the services balance went up from EC$212 million in 2005 to EC$223 million in 2006 due to increased tourist activities. Tourism receipts represented 52% of exports and non-factor services in 2006, compared to banana revenues which contributed to only 6.9% of exports. See "The Vincentian Economy—Principal Economic Activities—Tourism".

The income account measures income flows into and out of the country, including the payment of interest on external indebtedness. Despite an increase in debt service payments, the net outflow improved by 8.3% in 2006.

Transfers are real resources or financial items provided at no cost, and they include money sent to people in St. Vincent and the Grenadines by Vincentians working abroad (which are commonly known as remittances) and grants made to the Government (both in cash and in kind). There was a net inflow of transfers of EC$54 million in 2006, an increase from the net inflow of transfers of EC$49 million in 2005. Among current transfers, general government transfers increased by EC$16.6 million from 2005 to 2006, while transfers in "Other Sectors" decreased by EC$11 million. For more details on the emigration of Vincentians to the member countries of OECD and the Government's plans to reduce the barrier of remittance flows to the Country, see "Government of St. Vincent and the Grenadines—Territory and Population".

The current account surplus increased from EC$40 million (3% of GDP) in 2006 to EC$52 million (3.5% of GDP) in 2007. The current account surplus for 2007 was achieved despite heavy expenditure outlays in excess of EC$25 million in back-pay, the reclassification exercise, bonuses for public employees and persons on public assistance and other transfers.

Capital and financial account

The chief components of the capital and financial account within the balance of payments consist of capital transfers (including debt relief and assets transferred to or from the country by persons migrating to or from the Country) and changes in financial assets and liabilities, which includes direct investment, portfolio investment, financial derivatives and other investment (primarily commercial bank loans and holdings of foreign currency).

The surplus on the capital and financial account improved to EC$326 million (24.5% of GDP) in 2006, compared with EC$208 million (17.6% of GDP) in 2005. Capital account surplus decreased from $38.4 million in 2005 to EC$22 million in 2006, which was more than compensated by an increase in the financial account surplus from EC$170 million in 2005 to EC$304 million in 2006. This performance was driven mainly by higher inflows from foreign direct investment and portfolio investment. Direct investments recorded a surplus of EC$295 million in 2006, an increase of EC$187 million over 2005. Other investments recorded a deficit of EC$24 million in 2006, compared to a surplus of EC$84 million in 2005. In the "Other Investments" category, short term investments from commercial banks recorded a surplus of EC$26 million in 2006, compared to a deficit of EC$18 million in 2005 when banks drew down on their assets abroad to meet increased demand for credit.

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

Exports grew from EC$106 million in 2004 to EC$115 million in 2005 but dropped to EC$111 million in 2006. Banana exports moved from EC$35 million in 2004 to EC$32 million in 2005 and back up to EC$34 million in 2006. Manufactured exports grew from EC$39 million in 2004 to EC$42 million in 2005 and EC$51 million in 2006.

Imports

Imports increased steadily between 2004 and 2006. moving from EC$537 million in 2004 to EC$573 million in 2005 and EC$647 million in 2006. Imports represented 48% of GDP in 2004, 49% of GDP in 2005 and 49% of GDP in 2006.

International Reserves

Because St. Vincent and the Grenadines is a member of the ECCU and is governed by the ECCB, there is a common pool of foreign exchange reserves which are available to all member states. Gross International reserves of the ECCB amounted to an estimated U.S.$696 million in 2006, compared with international reserves of U.S.$601 million in 2005. Gross imputed reserves pertaining to St. Vincent and the Grenadines stood at U.S.$78 million in 2006, compared with U.S.$69 million in 2005.

X. FICAL PERFORMANCE

Overview

In 2007 the government realized a current saving of EC$52.1 million (3.5% of GDP) up 29.6% from the EC$40.2 million (3.0% of GDP) realized in 2006. The primary balance was a deficit of EC$8.9 million (-0.6% of GDP) in 2007 compared to a deficit of EC$22.0 million (-1.7% of GDP) in 2006. The overall balance also improved, contracting to a deficit of EC$53.7 million (-3.6% of GDP) in 2007 from a deficit of EC$65.2 million (-4.9% of GDP) in 2006.

Revenue

Current Revenue as at December 31, 2007 totaled EC$430.4 million, an increase of 8.6% when compared to 2006. The growth in Revenue was due primarily to an increase in receipts from taxes on Domestic Transactions (37.6%), Licences (9.0%), Income Taxes (4.8%) and International Trade (1.1%). Indirect taxes which include taxes on International trade and transactions and domestic goods and service accounted for a majority portion of the government revenue base. These taxes accounted for 66% and 68.2% of current revenue in 2006 and 2007 respectively. The increase in revenue was in part due to the efforts taken by Government to boost revenue collection.

Some of the specific tax measures included a government-imposed 50% cap on tax concessions of Import Duties in 2006 and the implementation of the Value Added Tax (VAT) in May 2007. The VAT is charged at a rate of 15% with a reduced rate of 10% for hotel and holiday accommodations. The VAT replaced the general consumption tax which was levied on imported and domestic production of goods and some services as well as hotel taxes. This tax reform measure is expected to improve the equity and efficiency of the tax system. Since the VAT also has the potential to increase revenue yields, this will help increase public sector savings and maintain a higher level of public sector investments, thus promoting fiscal sustainability.

The current Property Tax regime is to be replaced by a Market Valuation Property Tax which is to be implemented from 2008. Currently Property Tax in St. Vincent and the Grenadines consists of a central government levy on the annual rental value. The rental value is determined administratively using a number of parameters such as size, location and the use of the property. The tax is levied at a rate of 5% of all property except rural land, which is charged at a reduced rate of 2.5%. Because of a number of flaws in this system, a decision has been taken to move to a market value assessment system,

The government also adjusted the prices of gasoline and diesel to reflect changes in international prices, consequently the retail prices gasoline and diesel were adjusted three times in 2007. The retail prices of gasoline and diesel were reduced in January 2007 from EC$11.50 and EC$9.50 per gallon respectively to EC$9.75 and EC$8.75 per gallon, respectively. The prices of gasoline and diesel were subsequently increased in April and December, with gasoline moving to EC$ 11.50 and EC$12.60 per gallon and diesel remaining at EC$ 8.75 per gallon in April before moving to EC$11.35 per gallon in December.

Direct taxes on Income and profits grew by 4.9% and accounted for approximately 24.1% of Current revenue (or 6.9% of GDP) in 2007, compared to 2006 when it registered growth of 10.0% and accounted for 25.1% of current revenue (or 6.6% of GDP). This is reflective of the government’s policy of reforming the tax system and was due primarily to the reduction of individual and corporate income tax rates from 40% to 37.5% in 2007. Non-Tax revenue declined by 7.7% and represented 7.2% of current revenue in 2007, compared to 8.5% in 2006.

Expenditure

Recurrent Expenditure amounted to EC$378.2 million (25.1% of GDP) and represented an increase of 6.2% when compared to 2006.All the major components of recurrent expenditure except spending on goods and services increased when compared to 2006. Expenditure on goods and services declined by 0.2% when compared to 2006 accounting for 19.8% of current expenditure in 2007 compared to 21.3% of current expenditure in 2006.

The largest increases are for spending on personal emoluments which increased by 9.9% and accounted for 44.3% of current expenditure. The personal emoluments and wages bill however accounted for 50% of current expenditure up from 48% in 2006. Transfer and subsidies grew by 7.2% to EC$69.86 million and accounted for 18.5% of current expenditure, up marginally from

18.3% in 2006. Expenditure increased in 2007 primarily because of increases in salaries (5%) and reclassification payments to public servants. The increase in transfers and subsidies was mainly due to increased expenditure on training and pension payments over the period.

Capital expenditure for implementing capital projects such as road works, bridges, government office repairs and projects falling under the public sector investment program. In 2007 actual capital expenditure amounted to EC$131.5million (or 8.8% of GDP). A considerable amount of this expenditure was spent on further development of the social sector such as education (EC$26.8 million), the improvement of the transport sector including the rehabilitation of the windward highway (EC$13.3 million) and the development of the Canouan airport (EC$21.6 Million). EC$16.5 million was spent on the upgrade of the Arnos Vale Playing field.

2008 Revenue and Expenditure Budget

The expenditure budget for 2008 amounts to EC$757 million, comprising of recurrent expenditure (including amortization) of EC$518 million and capital expenditure of EC$240 million. The total budget is some EC$127 million or 20.2% more than the 2007 approved estimates. The 2008 estimates of current expenditure (excluding amortization) is EC$448 million, which is some 13% more than the current estimates for 2007. The 10% salary increase for public servants for 2007 and 2008, coupled with the reclassification of the public service, have added EC$25 million (12.9%) to the allocation for wages and salaries in the budget for 2008.

In spite of this increase in the estimates of current expenditure, the budget includes a small current account surplus of EC$0.2 million, due to a 12.2% projected increase in the projections of current revenue. The projected growth in revenue for 2008 will come primarily from growth in GDP, a more efficient tax collection and from the full year impact of the VAT. Preliminary assessment of the VAT and Excise Tax indicate that the combined monthly revenues are approximately EC$2.5 million more than the taxes that they replaced.

The 2008 estimates of capital expenditure is marginally reduced from the 2007 estimate. This is in keeping with the Government's strategy to execute projects that are ready for implementation.

Many of the projects to be funded from the 2008 amount are ongoing and include the Windward Highway rehabilitation, Tourism Development, ICT Development and Education Support. The table shows the breakdown in Capital expenditure by Sector.

Capital Expenditure

Sector	EC$m	%
Administration	13.6	5.7
Agriculture	18	7.5
Education	54	22.5
Health and Sanitation	17.9	7.5
Security	18	7.5
Tourism	7.4	3.1
Transport & Commun.	73.8	30.8
Other	37.1	15.5
Total	239.8	100

Financing of the budget will come from current revenues of EC$448 million, capital grants of EC$116 million, capital revenue of EC$4.0 million, loans of EC$114 million and other capital receipts of EC$76 million. The Government is placing reliance on grants for financing of the Public Sector Investment Programme. For 2008, over 48% of the capital budget is to be financed from grants, compared to 44% in 2007.

Tax Reduction and Increases

The Government has implemented further reductions in income tax effective from the fiscal year beginning in January 2008. This is the second consecutive year that the Government is reducing income taxes. For individuals the threshold was increased from EC$15,000 to EC$17,000 and the top marginal rate was reduced from 37.5% to 35.0%. For companies, the standard rate of tax was also reduced from 37.5% to 35.0%.

In an attempt to provide an additional boost to the residential mortgage market, the Government has reduced the interest levy to 0.5% for those financial institutions whose sole business is that of granting residential mortgages. The Government has also proposed to impose a penalty of 1.5% of the outstanding balance for each month or part thereof that the tax remains outstanding by financial institutions.

In keeping with its position on promoting wellness, the Government has proposed to increase the excise tax on cigarettes and alcoholic beverages. Similarly, it has proposed an excise tax of 5.0% on carbonated beverages.

The Government believes that users of roads should be asked to bear a larger share of the increasing cost of road construction and repairs, as the number of motor vehicles has increased by 3.5 times since 1999. To that end, the Government has increased the annual charges for motor vehicle licenses and related matters by approximately 25.0%. As a concession to the providers of public transportation, the charges for hired cars and passenger buses (including minivans) was not increased.

Medium Term Projections (2008-2012)

Over the period, current revenue is expected to stabilize at 28.3% of GDP, while current expenditure is projected to stabilize at 25% for the period 2008-2012. The expected increase in current expenditure will be attributed mainly to a higher wage bill (which is expected to increase at an average of 12.6% of GDP over the period). Government spending on goods and services is also expected to contribute significantly to the expansion in current expenditure rising consistently from 5.0% of GDP in 2007 to peak at 5.7% of GDP in 2008 before reverting to 5.2% in 2012. Expenditure on Transfer and Subsidies is expected to average 4.4% of GDP over the period.

It is expected the level of debt will increase in order for the government to finance the high level of Capital Expenditure (8.9% of GDP) through the period. As a result interest payment is likely to increase to an average of 3.2% of GDP over the period.

VI PUBLIC DEBT

General

Public sector debt decreased by 7% between the years 2006 and 2007, falling to EC$991 million at the end of fiscal year 2007 (66.6% of GDP). This amount was comprised of EC$512 million in external debt and EC$479 million in domestic debt.

The Debt to GDP ratio decreased from 80.1% at the end of 2006 to 66.6% at the end of 2007, after accounting for liquidation of the loan for the Ottley Hall Shipyard project in October 2007.

Major developments during the year include the following:

(i) repayment of the 2006/2007 EC$30 million bond issue from the sinking fund established for that purpose;

(ii) disbursement of a loan of EC$25 million from the National Commercial Bank including an amount of approximately $2 million for the redundant traffic lights in Kingstown;

(iii) a loan of EC$30 million through a bond issue on the RGSM to partially finance the 2007 Public Sector Investment Programme;

(iv) disbursement of approximately EC$11 million by the CDB for the Windward Highway Rehabilitation, the Basic Education and the Lowmans Bay Power projects; and

(v) a loan of EC$30 million by the International Airport Development Company from First Caribbean International Bank to be used for bridging finance on the Argyle International Airport Project.

In 2008, the Government plans to borrow an additional EC$100 million, of which EC$30 million relates to the 2007 Public Sector Investment Programme and EC$25 million relate to the 2009 Public Sector Investment Programme.

Since 2005, the Government has formulated a debt management strategy, of which the most significant aspect was the setup of the Debt Management Unit (**DMU**) within the Ministry of Finance and Planning. DMU is responsible for debt policy and strategy formulation, debt analysis, debt-raising activities and debt recording and monitoring. DMU is also responsible for the planning of the Government's borrowing requirements.

In accordance with the General Loans Act, Parliamentary approval is required in the contraction of new loans whereas the legal limit on Treasury Bills is fifteen percent of current Revenue. The limit on overdraft is stipulated by Resolution of Parliament and currently stands at sixty million dollars.

Over the medium to long-term, the Government aims to restrict the increase of the public debt and to bring it as close as possible to the benchmark level, recommended by the Monetary Council of the ECCB. This will be achieved by containing the fiscal deficits and by increasing the growth potential of the economy.

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

i. A public sector debt to GDP ratio ceiling of 60 per cent;

ii. A public sector primary balance consistent with achieving and maintaining (i) above by 2020

Domestic Public Sector Debt

General

Domestic debt increased by 20% in 2006 and 17% in 2007. Approximately 49% of domestic debt was financed by National Commercial Bank (St. Vincent and the Grenadines) Ltd. (**NCB**) in 2007. Several statutory corporations and the Accountant General availed their institutions of overdraft facilities and general loans to fund roads, housing and other projects. Cost of funds for domestic debt for years 2002 to 2007 ranged from 4% to 11%, with overdrafts topping the interest ladder. Bonds and T-Bills, which were used to fund primarily the Public Sector Investment Programme, amounted to EC$174 million in 2007 with average interest rates of 6.76% for years 2002 to 2007.

Summary of Internal Public Debt by Creditors

As at December 31

	2002	2003	2004	2005	2006	2007
	(In millions of EC$)					
National Commercial Bank	118.8	106.2	117.1	168	186.5	234.3
Other Financial Institutions	79.3	73.9	103.8	112.1	139.1	157.2
Insurance Companies	18.8	18.7	22.7	22.7	36.6	37.0
National Insurance Scheme	14.5	21.5	23.5	26.2	25.3	43.3
ECCB	7.4	4.1	4.1	4.1	4.1	0.0
Others	12.8	17.4	16.5	5.8	6.2	7.6
Total	**251.6**	**241.8**	**287.6**	**338.9**	**397.8**	**479.4**

Source: Ministry of Finance

External Public Sector Debt

General

External debt declined from EC$656 million in 2006 to EC$511.8 million as at December 31, 2007. Of the total external debt in 2007, EC$413.8 million, or 81%, was attributable to the Government, while Public Corporations accounted for EC$98.0 million, or 19%. The reduction in external debt is primarily as a result of the write-off of EC$164 million (U.S.$74 million) on the loan for the Ottley Hall Shipyard Project. This project was a joint venture arrangement between the Government, which had a 49% stake, and a privately owned Italian firm, which was financed by a consortium of European bankers led by West

LB. The Government was the primary obligor of the loan, with SACE S.p.A., the Special Department for Export Credit Insurance of the government of Italy, as the second guarantor. The project entailed the construction of a shipyard at Ottley Hall, which remains incomplete but is operational.

It is expected that external financing will continue to contribute to gross capital formation over the medium term. It is also expected that the major sources of financing will be the RGSM, a regional market for the trading of debt instruments of the member states of the ECCU. As this Securities Market develops in the region, it is expected that the secondary market for bonds would be more greatly utilized.

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

Breakdown of External Debt by Creditor

	2003	**2004**	**2005**	**2006**	**2007**
			(In millions of EC$)		
CDB	140.9	142.4	152.7	178.7	204.5
Republic of China (Taiwan)	21.6	19.2	16.8	14.4	11.9
European Investment Bank	27.4	24.0	25.2	34.9	18.8
USAid	18.8	18.8	17.9	16.9	16.0
Agence Francaise de Development	20.7	22.7	20.4	25.9	25.4
Kuwait Fund	19.9	18.1	11.8	11.2	13.9
IDA/IBRD	32.3	36.2	44.0	52.7	55.6
Westdeutsche Landesbank	106.7	101.3	114.8	106.8	0.0
Citibank	1.3	1.0	0.3	0.0	0.0
Bondholders	75.4	152.2	173.6	162.7	135.0
Others	11.0	16.1	15.6	14.7	30.6
Subordinated Loan	49.6	44.6	41.3	38.0	0.0
Total	**525.5**	**596.6**	**634.4**	**656.9**	**511.8**

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

Breakdown of External Debt by Economic Sector

	2003	2004	2005	2006	2007
	(In millions of EC$ unless otherwise specified)				
Agriculture, Fishing and Forest	23.8	21.8	19.7	17.9	16.3
Air Transport	28.4	72.6	71.2	65.2	62.7
Education and Training	20.6	20.9	23.6	28.1	44.4
Health and Social Welfare	14.4	14.1	14.1	18.3	13.5
Housing and Urban Development	1.9	1.7	1.5	1.3	1.2
Industrial Development	14.4	13.5	11.5	9.7	7.8
Multi Sector	102.2	138.9	164.2	136.7	168.5
Roads and Bridges	45.3	44.3	48.0	59.3	66.0
Tourist and Hotel Industry	183.0	171.1	152.1	174.5	20.0
Utilities	62.0	56.2	70.4	65.8	64.8
Water Supply and Drainage	14.3	17.4	20.4	20.1	21.8
Other	15.4	24.1	37.7	60.0	24.8
Total	**525.6**	**596.6**	**634.4**	**656.9**	**511.8**

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

As an added measure to forestall the effects of rising international oil prices, the Government has entered into the “Petrocaribe Agreement” with Venezuela to provide concessional financing of energy imports such as LPG cylinders and diesel. As part of the agreement, the Government also set up a joint venture company with Venezuela to purchase fuel, allowing the Government to pay only 60% of invoices in cash. It has been proposed that the residual 40% will be used as a concessional loan at 1% p.a. repayable to the Venezuelan government in a lump sum at the end of 15 years after the initial delivery of the fuel. The residual 40% is to be invested in a sinking fund at a return which is in excess of the 1% cost of funds. The difference between the interests paid and earned on these loan funds will be used to finance the Government’s social spending. As of now, the Government had no outstanding debt under this arrangement, as the product has only been supplied to VINLEC which though a state enterprise, has it’s own commercial supply contracts. It is hoped that sometime in the near future the financial arrangements between Venezuela and the Government will be finalized.

External Debt Service Payments

Total external debt service payment amounted to EC$67.3 million in 2007 with EC$61.2million attributable to Central Government and EC$6.1 to Public Corporations. Of the Central Government EC$39.9 million represents principal repayments and other expenses while, EC$21.3 million represented interest payments .

Debt Service Indicator and Payments

Total debt servicing amounted to 23% of current revenue in 2007 and 26.6% of current revenue in 2006. External debt servicing amounted to 15.6% of current revenue in 2007 and 16.4% of current revenue in 2006.

Domestic debt service payment amounted to EC$41 million in 2007 with EC$32 million attributable to Central Government debt service and EC$9 million to the sinking fund. External debt payments increased to EC$67 million in 2007 from EC$65 million in 2006.

The following table shows the three-year principal and interest payment schedule for debt outstanding as of December 31, 2008 through December 31, 2010. The projections are based on the assumption that the interest rates as of the last interest payment dates will continue to be in effect until the respective maturity dates of the debt instruments, and are adjusted for funds committed and expected to be drawn over the period. These projections are subject to change, as exchange rates may fluctuate.

Estimated Principal and Interest Amortization

	2008	2009	2010
	(In millions of EC$ unless otherwise specified)		
Debt Service—Domestic Interest	26.5	27.8	29.2
Debt Service—External Interest	51.3	30.1	31.6
Sinking Fund—Contributions	5.2	5.5	5.7
Debt Service—Domestic Amortization	13.3	14	14.7
Debt Service—External Amortization	51.3	53.9	58.6

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

Debt Management Strategy

The main risks that the Government faces with respect to its public debt portfolio are interest rate risk, exchange rate risk, refinancing risk and liquidity risk. The Government aims to minimize these risks by adopting appropriate policies and most importantly by controlling the size of the debt itself and the cost of servicing the debt. The table below summarizes the main type of risk and the strategy for these risks.

Type of Risk	Risk Management
1. Liquidity and Refinancing Risk	• Prepare annual cash flow and borrowing plans and monitor on a monthly basis • Minimize the proportion of short-term debt • Smooth the maturity profile • Maintain fiscal reserves
2. Interest Rate Risk	• Avoid floating interest rate debt as much as possible • Minimize bunching of loan repayments through the use of sinking funds and reducing debt instruments.
3. Foreign Exchange Risk	• As much as possible, raise all debts in domestic currency or US dollars. • Limit non EC/U.S. dollars external debt to 20% of total external debt. • Use hedging where feasible. • The Government has enjoyed a stable exchange rate regime for the past twenty-seven years as member of the OECS. This exchange rate has remained at EC$2.70:$US1.00.

Additionally, the Government will pursue a policy of debt reduction and debt rescheduling aimed at reducing debt and debt servicing costs. To facilitate this, special attention was paid to the Ottley Hall Shipyard Project Loan, which was the single largest loan in the country's debt portfolio and accounted for approximately 24% of the External Debt. On March 28, 2007, the

Government signed an agreement with SACE S.p.A. to settle the debt of U.S.$46,305,749 outstanding as of June 30, 2006 by a payment of U.S.$6,000,000.

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

- All projects must be fully appraised in order to determine their potential to contribute to the Government's objectives of promoting economic growth and/or reducing poverty.

- Due diligence will be conducted on all private investors/financiers who are involved in partnership with the Government on any project.

- The Government will, as much as possible, avoid guarantee of private sector loans. Where such guarantees are deemed to be in the public interest, prior parliamentary approval would be sought.

- All borrowings must be first approved by parliament, or authorized by an existing act of Parliament.

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

- Establish strict limits on the contraction of new debts and ensure that the projects to be financed are feasible in terms of their contribution to economic development and poverty reduction.

- Reduce operational losses of public enterprise. In this regard, the Government has established a Monitoring Committee on Public Enterprises, headed by the Prime Minister, to monitor the performances of all public enterprises.

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

Sinking fund

The estimates of revenue and expenditure presented in the Parliament annually contains a budget of funds that are allotted to a Sinking Fund. This amount budgeted varies from year to year. The budget is divided into 12 monthly payments payable to the NCB. For years 2004, 2005 and 2006, sinking fund contributions approximated $EC11.8 million, EC$11.8 million and EC$9 million respectively. In 2007, sinking fund allocations were used, for example to repay the 2006/2007 EC$30 million bond issue.

XII. MONEY AND CREDIT

Monetary liabilities (M2) grew by 9.7 per cent to $1,030.7m during 2007, reflecting the expansion in economic activity. Increases of 10.8 per cent and 9.0 per cent in narrow money (M1) and quasi-money respectively contributed to growth in M2. The expansion in M1 reflected increases in both currency with the public and private sector demand deposits. The increase in quasi-money was fuelled by growth in private sector foreign currency deposits, and savings deposits, which more than offset a decline in private sector time deposits.

The source of the increase in M2 was growth of 16.0 per cent to $881.6m in domestic credit. The expansion in credit emanated from increased borrowing by the private sector and the central government. Credit to the private sector rose by 14.0 per cent, as loans extended to businesses and households increased by 27.1 per cent and 6.9 per cent respectively. The net indebtedness of the central government to the banking system rose by 27.9 per cent ($19.1m), largely reflecting an increase in credit extended as government borrowed to finance its capital programme. Credit to the non-financial public enterprises also increased, by 35.9 per cent ($15.7m). This expansion contributed to an 11.8 per cent decline to $53.2m in the net deposits of those enterprises. The net deposits of the non-bank financial institutions expanded by 58.3 per cent, largely resulting from growth in their deposits.

An analysis of the distribution of credit by economic activity indicates that credit for tourism and construction expanded by 42.6 per cent and 19.0 per cent respectively, consistent with the expansion in activity in those sectors. Outstanding loans for personal use rose by 7.4 per cent, mainly attributable to growth in credit for home construction and renovation. Other notable increases in credit were recorded for agriculture and fisheries (23.9 per cent), and manufacturing and quarrying (11.7 per cent).

The net foreign assets of the banking system fell by 15.2 per cent to $363.3m during 2007, following a decline of 0.3 per cent during the previous year. Commercial banks reduced their assets held with institutions outside of the currency union and borrowed abroad to finance the increase in domestic credit. St Vincent and the Grenadines' imputed share of the reserves held by the ECCB rose by 10.6 per cent to $232.7m.

Liquidity in the commercial banking system fell during 2007 but remained at a high level. This was evidenced by a 1.4 percentage point decline to 41.7 per cent in the ratio of liquid assets to total deposits plus liquid liabilities. The ratio of loans and advances to total deposits rose by 5.6 percentage points to 84.1 per cent, as the increase in loans and advances outpaced that of deposits. The weighted average interest rate on deposits fell by 0.3 percentage point to 2.85 per cent and that on credit declined by 0.25 percentage point to 9.65 per cent during 2007. As a result, the spread between the lending and deposit rates fell by 0.22 percentage point to 6.80 per cent.

XIII. MONEY TRANSFER COMPANIES

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

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

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

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

XIV. INSURANCE SECTOR

The insurance business in St. Vincent and the Grenadines is governed by the Insurance Act No. 45 of 2003, which came into operations on January 01, 2004 and the Motor Vehicle Insurance (Third Party Risk) Act No. 4 of 2003. The Supervisor of Insurance is responsible for the general administration of the Insurance Act and the general protection of policy-holders. There are 23 insurance companies, including 9 long-term insurance companies and 14 motor and general insurance companies. The names of these insurance companies are as follows:

Long-term Insurance companies

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

Motor and General Insurance Companies

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

The Insurance sub-sector is mainly made up of branches/agencies of CARICOM based insurance companies. There are also five locally incorporated companies. The Insurance laws and Regulations apply equally to both domestic and foreign companies.

Most current data confirmed to date shows that the total assets in the insurance market increased by 24.3% during 2005 to total EC$289.7 million, while liabilities amounting to EC$263.5 million moved in tandem. Gross premiums including annuities increased by 14.6% to EC$109.9 million. In the long-term insurance sub-sector, three companies controlled 89.1% of the market when ranked by their gross premium. On the other hand, nine companies in the motor and general market controlled 86.7% when ranked by gross premium.

Insurance penetration (premium as a percentage of GDP) moved from 4.4% in 2000 to 9.3% in 2005. Motor and general remained relatively flat at approximately 4.0% of GDP while long-term insurance continuously improved to 5.5% in 2005. During the year, reinsurance for short-term insurance business amounted to EC$26.2 million, up by 5.6%.

In the short-term insurance segment of the industry, the loss ratios (premiums paid to the company to claims settled by the company) declined from 27.3% in 2004 to 15.5% in 2005 with seven companies averaging above the market. The loss ratio for the long-term insurance sector improved during 2005 moving from 63.9 % in 2004 to 30% in 2005. Net claims in the industry amounted to EC$25.9 million, down by 17.5% from 2004. The industry's statutory deposits held by the supervisor of insurance during the year amounted to EC$14.9million.

XV. MONEY LAUNDERING AND ILLICIT ACTIVITIES

Over the last six years, the Government has made tremendous strides, largely through the Financial Intelligence Unit, in developing an anti-money laundering/combating terrorism finance regime. The Government has also made legislative changes in order to bring laws in line with International Standards. The Government has used the establishment of the Financial Intelligence Unit in 2002 as a means of monitoring money laundering and has made important legislative changes to bring the Anti Money laundering Laws in line with International standards.

XVI. RECENT DEVELOPMENTS

The Government recognizes that the need to develop an efficient money market and capital market in government securities is paramount, if it is to reduce its cost of capital. In this regard, work is in place to further develop the RGSM along with the ECCB and other OECS governments.

XVII. BANKING AND FINANCIAL INSTITUTIONS

Overview

The Government has been working with the ECCB and other ECCU governments in fostering the establishment of a modern, highly sophisticated and efficiently regulated financial system. The financial sector in St. Vincent and the Grenadines consists of four banks (two locally incorporated banks including the National Commercial Bank (SVG) ltd which is state-owned and RBTT, as well as branches of two foreign banks including FirstCaribbean International Bank and Bank of Nova Scotia), two non-bank financial institutions, several credit unions, a Building and Loan Society (**BLS**) insurance companies.

All of the above institutions are regulated either by the ECCB or the Ministry of Finance and Planning. The Money Services Business Act, which became operational in April 2006, has improved accounting and registration of money transfer institutions. Improving the regulatory framework of these institutions is a high priority for the Government of St Vincent and the Grenadines. The Ministry of Finance and Planning in collaboration with the ECCB has undertaken a project for the development of an Integrated Regulatory Framework for this sector, which will bring all the Non-Bank Financial Institutions under a single regulatory regime. A Supervisory and Regulatory Division has been established in the Ministry of Finance and Planning to oversee the regulation and supervision of the insurance companies, the BLS, the money transfer operations, and ultimately credit unions.

Offshore Banks

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

Following the passage of the International Bank Act in December 2004, there has been a strengthening of regulations and supervision of the offshore banking sector. Guidelines for prudential requirements for offshore banks, consistent with the Basel Core Principles, have been drafted and issued.

Foreign Exchange and International Reserves

St. Vincent and the Grenadines as part of the ECCB arrangement has adopted a fixed exchange rate regime. 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.

XVIII. CURRENT ISSUES OF GOVERNMENT SECURITIES.

1. **TREASURY BILLS**
   - **Issues Outstanding** Issue $48.0M
   - **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. 5.81%
- **Discount Price** $98.55 – $98.56

2. BONDS

VCB 100814

- **Amount Outstanding** $30.0 m
- **Type of Issue** St Vincent and The Grenadines Development Bonds
- **Original Maturity** **1**0 years
- **Remaining Maturity** 6 years
- **Date of subscription** August 2004,
- **Redemption Date** August 2014,
- **Coupon Rate** 7%
- **Amount offered for sale** $30.0 Million

VCB 100816

- **Amount Outstanding** $34.0 M
- **Type of Issue** St Vincent and The Grenadines Development Bonds
- **Original Maturity** 10 years
- **Remaining Maturity** 8.5 years
- **Date of subscription** August 2006
- **Redemption Date** August 2016
- **Coupon Rate** 7.5%
- **Amount offered for sale** $40.0M

VCB 160917

- **Amount Outstanding** $28.5M
- **Type of Issue** St Vincent and The Grenadines Development Bonds
- **Original Maturity** 10 years
- **Remaining Maturity** 9.5 Years
- **Date of subscription** September 2007
- **Redemption Date** September 2017
- **Coupon Rate** 7.5%
- **Amount offered for sale** $30.0M

XIX 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 INTERMEDIARIES WHO ARE MEMBERS OF THE EASTERN CARIBBEAN SECURITIES EXCHANGE

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
Anguilla		
National Bank of Anguilla Ltd	**P O Box 44** **The Valley** **Tel: 264-497-2101** Fax: 264-497-3310 Email: nbabankl@anguillanet.com	**Principal** Selwyn Horsford **Representative** Idona Reid
Antigua and Barbuda		
ABI Bank Ltd.	ABI Financial Centre Redcliffe Street St John's Tel: 268 480 2824 Fax: 268 480 2765 Email: abibsec@candw.ag	**Principals** Casroy James Carolyn Philip **Representative** Laura Abraham
Antigua Commercial Bank Ltd.	ACB Financial Centre P O Box 3089 St John's **Tel: 268 481 4200** **Fax: 268 481 4158** Email: acb@candw.ag	**Principal** Peter N Ashe **Representative** Sharon Nathaniel
Dominica		
National Mortgage Finance Company of Dominica Ltd.	64 Hillsborough Street **Roseau** **Tel: 767 448 4401/4405** Fax: 767 448 3982 Email: ncbdom@cwdom.dm	**Principal** Caryl Phillip-Williams **Representatives** Marilyn Edwards Debra Gordon

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
Grenada		
Republic Finance and Merchant Bank Ltd. (FINCOR)	NCB House Grand Anse St George's **Tel: 473 444 1875** **Fax: 473 444 1879** **Email: fincorec@caribsurf.com**	**Principal** Wilma Williams **Representative** Mark Salina
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	**Principal**s Winston Hutchinson Anthony Galloway **Representatives** Marlene Nisbett Desilu Smithen Petronella Edmeade-Crooke
The Bank of Nevis Ltd.	P O Box 450 Charlestown Nevis **Tel: 869 469 5564** Fax: 869 469 5798 E mail: bon@caribsurf.com	**Principal**s Hanzel Manners Kevin Huggins **Representatives** Lisa Jones Vernesia Walters
St Lucia		
Bank of St Lucia Ltd.	P O Box 1862 Bridge Street Castries **Tel: 758 456 6000** Fax: 758 456 6190 Email: bankofsaintlucia@candw.lc	**Principals** Donna Matthew Beverley Henry Carla Morton-Campbell **Representatives** Trevor Lamontagne Lawrence Jean Dianne Augustine

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

APPENDIX II – Central Government Fiscal Operations

Source: Ministry of

	2003	2004	2005	2006	2007	2008*
Current Revenue	**318.2**	**324.9**	**333.6**	**396.4**	**430.4**	**447.8**
Tax Revenue	272.5	290.9	304.8	363.0	399.6	417.2
Taxes on Income & Profits	77.0	80.4	89.8	98.8	103.6	94.5
Of Which:						
Individual	35.1	38.5	41.1	49.3	54.3	47.8
Company Tax	38.1	37.5	44.4	43.5	43.1	40.3
Taxes on Property	2.7	2.5	2.5	2.6	2.5	2.5
Taxes on Domestic Goods & Services	47.2	52.1	52.2	74.2	102.1	119.8
Of Which:						
Stamp Duty	19.9	20.9	21.0	38.2	28.0	30.7
Consumption Duties	6.0	7.5	6.4	7.2	3.6	0.0
Hotel Turnover Tax	4.2	5.1	6.8	7.5	6.1	0.0
VAT					31.5	66.0
Taxes on Int'l Trade & Transaction	132.9	138.1	141.9	163.2	165.0	172.5
Of Which:						
Import Duty	29.2	29.5	32.4	35.1	43.3	41.0
Consumption Tax	78.9	81.8	80.0	94.2	31.4	0.0
Customs Service Charge	19.3	20.8	22.3	26.1	28.3	29.5
VAT					55.4	78.0
Licences	12.7	17.8	18.4	24.2	26.4	27.9
Non-Tax Revenue	45.7	34.0	28.8	33.4	30.8	30.7
Current Expenditure	**275.5**	**294.6**	**325.0**	**356.2**	**378.2**	**447.5**
Personal Emoluments & Wages	139.1	145.9	158.9	171.3	188.9	217.9
Interest Payments	27.9	27.6	36.1	43.2	44.7	55.1
Domestic	*16.4*	*13.3*	*16.6*	*20.2*	*23.4*	*26.5*
External	*11.5*	*14.3*	*19.5*	*23.0*	*21.3*	*28.6*
Transfers & Subsidies	47.6	52.4	60.5	65.2	69.9	81.4
Other Goods & Services	60.9	68.7	69.5	76.5	74.7	93.1

* Projected figures

Finance

APPENDIX III

2003	2004	2005	2006	2007	2008*

Current Revenue	4.1	2.1	2.7	18.8	8.6	4.0
Tax Revenue	-0.1	6.8	4.8	19.1	10.1	4.4
Taxes on Income & Profits	-12.4	4.4	11.7	10.0	4.9	-8.8
Of Which:						
Individual	0.3	9.7	6.8	20.0	10.1	-12.0
Company Tax	-15.7	-1.6	18.4	-2.0	-0.9	-6.5
Taxes on Property	8.0	-7.4	0.0	4.0	-3.8	0.0
Taxes on Domestic Goods & Services	10.5	10.4	0.2	42.1	37.6	17.3
Of Which:						
Stamp Duty	15.7	5.0	0.5	81.9	-26.7	9.6
Consumption Duties	1.7	25.0	-14.7	12.5	-50.0	-100.0
Hotel Turnover Tax	-6.7	21.4	33.3	10.3	-18.7	-100.0
VAT						109.5
Taxes on Int'l Trade & Transaction	4.9	3.9	2.8	15.0	1.1	4.5
Of Which:						
Import Duty	14.1	1.0	9.8	8.3	23.4	-5.3
Consumption Tax	1.3	3.7	-2.2	17.8	-66.7	-100.0
Customs Service Charge	6.0	7.8	7.2	17.0	8.4	4.2
VAT						40.8
Licences	10.4	40.2	3.4	31.5	9.1	5.7
Non-Tax Revenue	39.3	-25.6	-15.3	16.0	-7.8	-0.3
Current Expenditure	-0.3	6.9	10.3	9.6	6.2	18.3
Personal Emoluments & Wages	0.4	4.9	8.9	7.8	10.3	15.4
Interest Payments	6.9	-1.1	30.8	19.7	3.5	23.3
Domestic	3.8	-18.9	24.8	21.7	15.8	13.2
External	11.7	24.3	36.4	17.9	-7.4	34.3
Transfers & Subsidies	-0.2	10.1	15.5	7.8	7.2	16.5
Other Goods & Services	-4.7	12.8	1.2	10.1	-2.4	24.6

* Projected Figures

APPENDIX IV – GDP Growth Rate by Sector

	2003	2004	2005	2006	2007

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

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

APPENDIX IV BALANCE OF PAYMENTS SUMMARY

	2002	2003	2004	2005	2006

	(In millions of EC$)				
Current Account					
Goods and Services					
Goods					
Merchandise	(318.1)	(373.1)	(436.6)	(463.8)	(542.2)
Repair on goods	0.0	-	0.0	0.00	0.00
Carrier goods procured in ports	3.4	4.0	5.4	5.3	6.2
Total	(314.6)	(369.1)	(431.2)	(458.5)	(535.9)
Services					
Transportation	(45.6)	(54.4)	(57.9)	(64.1)	(71.6)
Travel	218.2	212.1	219.4	240.3	263.4
Insurance Services	(11.2)	(12.3)	(13.9)	(15.2)	(16.2)
Other Business Services	58.6	43.7	52.1	64.7	62.6
Government Services	(3.9)	(5.0)	(5.3)	(13.3)	(15.7)
Total	216.1	184.1	194.4	212.4	222.5
Total Goods and Services	(98.6)	(185.1)	(236.8)	(246.1)	(313.5)
Income					
Employee Compensation	2.0	1.6	1.8	1.3	8.5
Investment Income	(49.5)	(66.0)	(78.8)	(73.5)	(73.8)
Total	(47.5)	(64.3)	(77.0)	(72.3)	(65.3)
Current Transfers					
General Government	(2.2)	(2.7)	(1.0)	(0.9)	15.7
Other Sectors	34.9	37.6	39.1	49.7	38.7
Total	32.8	34.8	38.1	48.7	54.4
Total Current Account	**(113.3)**	**(214.6)**	**(275.7)**	**(269.5)**	**(324.3)**
Capital and Financial Account					
Capital Account					
Capital Transfers	28.6	38.8	51.1	38.4	22.0
Financial Account					
Direct Investment	91.9	148.9	177.4	108.1	252.0
Portfolio Investment	2.7	55.9	89.6	(22.2)	14.0
Other Investments					
Public Sector Long Term	5.1	(7.0)	4.6	44.2	(23.5)
Other Public Sector Capital	0.6	3.7	2.3	25.7	23.1
Commercial Banks	(41.2)	(46.1)	(49.3)	(17.6)	26.2
Other Assets	(20.9)	(47.3)	(23.4)	14.9	(36.8)
Other Liabilities	3.2	24.1	19.5	16.7	16.8
Total	(53.3)	(72.6)	(46.3)	83.9	5.7
Total	41.3	132.3	224.6	169.8	271.7
Total Capital and Financial Account	**70.0**	**171.0**	**271.8**	**208.3**	**292.7**
Overall Balance	**(17.8)**	**(1.3)**	**68.6**	**(7.8)**	**32.7**
Financing	17.8	1.3	(68.6)	7.8	(32.7)
Change in Government Foreign Assets	(4.5)	(4.2)	(4.5)	(6.8)	(8.0)
Change in Imputed Reserves	22.3	5.5	(64.2)	14.6	(24.7)

APPENDIX V Selected Public Debt Indicators

	2002	2003	2004	2005	2006	2007
			(In millions of EC$)			
Public Debt						
External Debt						
Central Government	438.01	495.04	563.89	583.92	575.93	413.78
Public Corporations	20.45	30.57	32.64	50.5	80.96	98.05
Total	458.46	525.61	596.53	634.42	656.89	511.83
Domestic Debt						
Central Government	217.02	208.99	245.00	272.85	328.4	376.54
Public Corporations	32.56	33.02	42.59	65.9	79.4	102.93
Total	249.58	242.01	287.59	338.75	407.8	479.47
Total Public Debt	708.04	767.62	884.12	973.17	1064.69	991.30
Debt Servicing						
External						
Central Government	25.8	35.94	35.53	52.84	62.13	61.2
Public Corporations	2.11	1.71	2.33	1.57	2.51	6.1
Total	27.91	37.65	37.86	54.41	64.64	67.3
Domestic						
Central Government	24.65	30.58	25.01	32.59	40.1	31.9
(of which sinking fund)	4.5	6	6	11.83	11.8	9.0
GDP (at market price)	986	1032	1117	1182	1330	1484
Current Revenue	305.63	318.48	324.71	333.57	396.5	430.4
Total Debt as % of GDP	71.8%	74.4%	79.2%	82.3%	80.1%	66.8%

Source: Ministry of Finance