

ADDENDUM II



**PROSPECTUS
FOR TREASURY BILLS
FOR THE PERIOD
NOVEMBER 2017 – OCTOBER 2018**

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

Ministry of Finance and Economic Planning
Administrative Centre
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October 2018

1.0 GENERAL INFORMATION

- Issuer:** The Government of St. Vincent and the Grenadines
- Address:** The Ministry of Finance, Economic Planning, Sustainable
Development and Information Technology
Administrative Centre
P.O. Box 608
Bay Street
Kingstown
St. Vincent and the Grenadines
- E-mail:** office.finance@mail.gov.vc
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- Facsimile No.:** (784) 457-2943
- Contact Persons:** Hon. Camillo Gonsalves, Minister of Finance & Economic Planning etc
Mr. Edmond Jackson, Director General, Ministry of Finance & Economic
Planning
Ms Debbie Antoine, Accountant General
Mr. Harold Lewis, Debt Manager (ag)
- Date of Publication:** October 2018
- Purpose of Issue:** To raise XCD \$29 million to finance the Public Sector Investment
Programme via the Regional Government Securities Market (RGSM)
- Amount of Issue:** Treasury Bonds – 8 year issue of XCD10 (5) million
Treasury Bonds – 10 year issue of XCD14.0 million
- Legislative Authority:** The Public Sector Investment Loan Act, No. 3 of 2018

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 confirms 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. All references made to currency, unless otherwise stated, refer to the Eastern Caribbean Dollar.

ABSTRACT

The purpose of this Addendum is to add to the Schedule of issues listed in the Government of St. Vincent and the Grenadines Prospectus dated October 2017; Two Treasury Bonds in the amount of \$10 million with option for an additional \$5 million to be auctioned on the 08th November and \$14.0 million to be auctioned on the 26th November respectively.

2.0. INFORMATION ON THE SECURITIES

The Government of St. Vincent and the Grenadines (GOSVG) proposes to auction \$10,000,000 million with the option for an additional \$5,000,000 million in a Bullet Treasury Bond and \$14,000,000 in Amortizing Treasury Bonds in November as follows:

Trading Symbol	Type of Security	Amount	Interest		Auction Date	Settlement Date	Maturity Date
			Rate	Tenor			
VCG081126	Treasury Bond	\$10(5) M	7.25 percent	08 Years	November 08, 2018	November 09, 2018	November 09, 2026
VCG101128	Treasury Bonds	\$14.0 M	7.50 percent	10 Years	November 26, 2018	November 27, 2018	November 27, 2028

- a. The bidding period(s) will start at 9:00 am and end at 12:00 noon on auction days.
- b. 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.
- c. The minimum bid quantity is \$5,000.00.
- d. The bid multiplier will be set at \$1,000.00.
- e. The date of issue for each auction is equivalent to the stated settlement date of that auction.
- f. The maximum bid price on Treasury Bond VCG081126 and VCG101128 being auctioned will yield 7.25 and 7.50 percent respectively.
- g. The price of the issue will be determined by a Competitive Price Auction.
- h. Payment of Interest and Principal on Treasury Bond VCG081126 will be made semi-annually on November 08 and May 08 respectively, with the first interest payment due starting on May 08, 2019 until maturity. Principal would be repaid in full at maturity.

- i. Payment of Interest on Treasury Bond VCG101128 will be made semi-annually on November 27 and May 27, with the first interest and principal payment due starting on May 27, 2019 until maturity
- j. Yields will not be subject to any tax, duty or levy of the participating Governments of the Eastern Caribbean Currency Union (ECCU).
- k. Investors can participate in the issue through the services of any of the Licensed Intermediaries who are members of the Eastern Caribbean Securities Exchange.
- l. In 2018 Moody's Investor Services maintained the Government of St. Vincent and the Grenadines outlook at stable and affirmed the rating of B3.
- m. The Treasury Bonds will be issued on the Regional Government Securities Market (RGSM) and listed on the Eastern Caribbean Securities Exchange (ECSE).

The Current List of Licensed Intermediaries are:

- Bank of Nevis Limited
- Bank of St. Vincent and the Grenadines Ltd.
- Bank of St. Lucia Ltd.
- St. Kitts Nevis Anguilla National Bank Limited
- First Citizens Investment Services Ltd. – Located in Saint Lucia
- Grenada Co-operative Bank Limited

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

3.0 MACROECONOMIC PERFORMANCE

3.0.1 Overview of Economic Growth Prospects for 2018

Based on preliminary data, a marginal increase in real economic activity is projected for St. Vincent and the Grenadines in 2018 with real GDP growth expected at 2.3 percent. The improvement in economic activity is expected to be driven by positive developments in the construction, manufacturing, fishing, transportation, wholesale & retail trade and tourism sectors. Growth in the construction sector is expected in 2018 at a rate of 5.0 percent. The upswing is forecasted as a result of continuing construction on a number of projects including the Regional Disaster Vulnerability Reduction Projects; on-going road rehabilitation programmes and the

Geothermal project. Economic activity in the manufacturing sector is expected to increase, with growth projected at 4.4 percent in 2018 mainly driven by a substantial increase in production of galvanize and roofing products and beers for the export markets.

Value added in the tourism sector as proxied by hotels and restaurants, is projected to rise by 2.0 percent in 2018. Continued growth is expected in cruise tourism in 2018 as scheduled port calls are projected to surpass the number recorded for 2017. Growth is also anticipated in the stay-over visitor category supported by increasing international flights

The agriculture sector is projected to grow by 1.7 percent more than the level of output produced in 2017, driven by increased output in crops and livestock. The crops sub-sector is expected to benefit from export initiatives within the Ministry of Agriculture focused on dasheen and other root crops. It is expected that a 15.0 percent increase in output is forecasted in the fishing sector based on increased fish landings during the first quarter.

Historically, the wholesale & retail trade sector has been the second largest contributor to gross value added. In 2018 the sector is expected to contribute 14.3 percent to gross value added. This represents a decline of 1.0 percent from 2017 and reflects the downward trend in merchandise imports.

4.0 GOVERNMENT FISCAL OPERATIONS

The Central Government fiscal operations for the first half of 2018 improved when compared to the same period in 2017. Current Revenue decreased by 0.6 percent to \$268.9 million, while Current Expenditure which increased by 1.9 percent settled at \$276.6 million. Consequently, the fiscal current account recorded a deficit of \$7.7 million. Capital Expenditure turned in a less than favorable performance when compared to the same period in 2017 declining to \$12.0 million in 2018 from \$17.1 million in 2017. During the period under review, the overall deficit contracted moving from \$10.7 million in 2017 to \$4.3 million in 2018.

Table 1: Summary of fiscal operations for the period ended June 30, 2018

	Budget to	Actual	Actual	%
	June '18	June '18	June '17	Change
Details	\$ m	\$ m	\$ m	
Current Revenue	291.8	268.9	270.5	(0.6)
Taxes on Income & Profits	72.3	64.7	72.5	(10.8)
Taxes on property	22.6	9.3	17.5	(46.7)
Taxes on Goods & Services	87.2	81.0	79.3	2.1
Taxes on International Trade	71.1	76.1	66.8	14.0
Property Income	1.7	1.3	1.7	(25.8)
Sale of Goods & Services	30.9	32.3	28.8	12.3
Other Revenue	6.0	4.2	3.9	7.9
Capital Revenue & Grants	15.4	15.4	7.4	106.5
Current Expenditure	296.6	276.6	271.5	1.9
Compensation Employees	148.7	142.8	138.7	2.9
Use of Goods & Services	34.2	29.6	30.1	(1.5)
Interest Payments	29.5	25.6	22.7	12.7
Transfers	84.2	78.6	80.0	(1.7)
Capital Expenditure	66.8	12.0	17.1	(30.2)
Current Balance	(4.8)	(7.7)	(1.0)	(645.6)
Primary Balance	(26.6)	21.3	12.0	77.8
Overall Balance	(56.1)	(4.3)	(10.7)	60.1

Source: ERPU, Ministry of Finance

The major categories of tax revenue turned in mixed performances during the first half of 2018. Revenue from Taxes on Income and Profits fell by 10.8 percent to \$64.7 million. Under this rubric, receipts from Individual and Corporate taxes fell by 3.7 percent and 13.9 percent respectively as a result of the 2018 revenue measures which saw an increase in the individual tax threshold and a reduction in the top marginal rate of individual and corporate tax. Revenue from Taxes on Property fell by 46.8 percent to \$9.3 million, mainly due to lower receipts from Alien land-holding licenses

and Stamp Duty caused by a fall-off in land sales during the period. Collections from Taxes on Goods and Services were 2.1 percent higher than the amount collected in 2017. This was mainly as a result of a 5.6 percent increase in receipts from value added tax, mainly on account of the 1.0 percent increase in the rate effective May 1, 2017. Higher receipts from excise duty on imports (6.7) percent, insurance premium tax (9.2 percent), motor vehicle licences (10.4 percent), and yacht licence (36.9 percent) also contributed to the increase in revenue from this tax type.

Revenue from international trade taxes which amounted to \$76.1 million was 14.0 percent higher than the amount collected for the corresponding period in 2017. Under this rubric, revenue collection from all major sub-components increased, including: - VAT revenue (5.5 percent), import duty (18.7 percent) and vehicle surtax (93.9 percent). VAT revenue benefitted from the 1.0 percent increase in rate. Vehicle Surtax benefitted from a 1.2 percent increase in the importation of used vehicles and also from increases in rates of used vehicles as a result of fiscal measures contained in the 2018 Budget Address. Growth in merchandise imports of 10.0 percent also contributed to the overall performance in this category. Capital Revenue and Grants as at June 30, 2018 amounted to \$15.4 million, significantly higher than the \$7.4 million collected in 2017 due to an increase in other capital receipts during the period.

For the first six-month of 2018, current expenditure grew by 1.9 percent to \$276.6 million. Payment of wages and salaries increased by 3.0 percent to \$136.5 million and interest payments grew by 12.7 percent contributing to an increase in current expenditure. The 3.0 percent increase in spending on wages and salaries was mainly due to increased increments and allowances during the period. The increase in interest payments is mostly reflective of increases in the CDB variable interest rates (CDBOR) on external borrowing. Outlays on transfers declined by 1.7 percent to \$78.6 million based on lower amounts expended on pensions' benefits and social assistance benefits. These went down, by 0.7 percent and 6.0 percent respectively. Capital expenditure as at June 30, 2018 stood at \$12.0 million, down from the \$17.1 million recorded in 2017. The lower capital spending is partly due to the slow implementation rate on some on-going projects and the untimely processing of journals to bring into account direct payment made to various contractors by funding agencies.

5.0 PUBLIC DEBT

Preliminary data of the total public debt outstanding as at June 30, 2018 stood at \$1.64 billion. Of this amount, central government debt accounted for \$1.38 billion or 84.5 percent. The remaining \$254.8 million is attributable to the public corporations which accounted for 15.5 percent of the total debt stock. The increase in the total public debt was driven by its domestic central government component mainly through the contraction of new loans; increases in treasury bills held by residents and accounts payables. The revised figures as at June 2017 for some of the debt statistics figures contained in this Addendum reflect the re-classification of previously held central government domestic debt to central government external debt based on the residency criterion of bondholders and greater coverage of public corporations debt as a result of the governments' majority shareholding in the Bank of St. Vincent and the Grenadines (see table 2. Overleaf for details).

Table 2: Comparative Summary of Total Public Debt

	Jun-18	Jun-17	Jun-18/ Jun-17	Dec-17	Jun-18/ Dec-17
	\$M	\$M	% Change	\$M	% Change
Domestic Debt					
Central Government					
Bonds	230.9	234.1	(1.4)	243.2	(5.1)
Loans	105.6	54.6	93.4	113	(6.5)
Overdraft	48.9	69.1	(29.2)	27.7	76.5
Accounts Payable	45.1	27.8	62.2	30.7	46.9
Insurance Deposits	22.7	22.7	0.0	22.5	0.9
Treasury Bills	12.8	9.1	40.7	11.1	15.3
Total Central Government	466.0	417.4	11.6	448.2	4.0
Domestic Public Corporation	73.8	77.9	(5.3)	76.2	(3.1)
Total Domestic Debt	539.9	495.4	9.0	524.4	3.0
External Debt					
Central Government					
Bonds	77.3	79.3	(2.5)	74.6	3.6
Treasury Bills	71.2	74.9	(4.9)	72.9	(2.3)
Loans	774.6	823.4	(5.9)	726.8	6.6
Total Central Government	923.1	977.6	(5.6)	874.3	5.6
External Public Corporation	181.0	271.1	(33.2)	188.2	(3.8)
Total External Debt	1104.1	1248.7	(11.6)	1062.5	3.9

Source: CDIMU, Ministry of Finance

6.0 Debt Servicing as at June 30, 2018

Total debt service for the first half of the year ended June 2018 amounted to \$78.5 million. Of this amount, external debt service totalled \$35.9 million, representing a decrease of 6.8 percent over the corresponding figure in June 2017 of \$38.5 million. The decrease was driven mainly by amortization which decreased by 11.9 percent. This was due to the timing of January 2018 debt

servicing obligations which was paid in December 2017. Conversely, interest payments increased by 11.9 percent due mostly to increases in the floating rates of CDBOR, Libor and exchange rate movements in the XDR which caused a higher outlay in debt servicing obligations.

Total domestic debt service for the period under review amounted to \$42.6 million, representing an increase of 9.9 percent over the corresponding figure recorded in June 2017 of \$38.8 million. Increases were recorded in both amortization and interest payments which were positively correlated with the issuance of new bonds and notes totalling \$90.0 million in 2017 and increased loan borrowings from our major domestic creditors including:- Bank of St. Vincent and the Grenadines, Eastern Caribbean Central Bank and the National Insurance Services. Contributions to the Sinking Fund increased by 86.7 percent to \$11.2 million as the government continues to make provision for the timely servicing of its future debt obligations during the fiscal year 2018.

Table 3: Comparative Summary of Central Government Debt Servicing June 2018/2017

	Jun-18	Jun-17	Jun-18/ Jun-17	Dec-17	Jun-18/ Dec-17
	\$M	\$M	% Change	\$M	% Change
Central Government Debt Servicing	78.5	77.3	1.6	166.0	(52.7)
External	35.9	38.5	(6.8)	83.3	(56.9)
Interest	9.3	8.3	12.0	18.6	(50.0)
Amortization	26.6	30.2	(11.9)	64.7	(58.9)
Domestic	42.6	38.8	9.8	82.7	(48.5)
Interest	16.3	14.4	13.2	31.1	(47.6)
Amortization	26.3	24.4	7.8	51.6	(49.0)
Sinking Fund Contributions	11.2	6.0	86.7	14.0	(20.0)
Current Revenue	268.9	270.5	(0.6)	592.2	(54.6)
Total Debt Servicing/Revenue(%)	29.2	28.6	2.2	28.0	4.1

Source: CDIMU, Ministry of Finance

APPENDIX

TABLE 4: LIST OF LICENSED ECSE MEMBER BROKER DEALERS

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
Grenada		
Grenada Co-operative Bank Limited	No. 8 Church Street St. George's Tel: 473 440 2111 Fax: 473 440 6600 Email: info@grenadaco-opbank.com	Principal Aaron Logie Allana Joseph Representatives Carla Sylvester Keisha Greenidge Kishel Francis
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 Anthony Galloway Representatives Petronella Edmeade-Crooke Angelica Lewis Marlene Nisbett
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	Principals Brian Carey Monique Williams Representatives Judy Claxton Denicia Small
St Lucia		
Bank of Saint Lucia	5 th Floor, Financial Centre Building 1 Bridge Street Castries Tel: 758 456 6826 / 457 7233 Fax: 758 456 6733	Principals Medford Francis Lawrence Jean Representatives Deesha Lewis Cedric Charles

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
First Citizens Investment Services Limited	P.O. Box 1294 John Compton Highway Sans Souci Castries Tel: 758 450 2662 Fax: 758 451 7984 Website: www.firstcitizenstt.com/fcis E-mail : invest@firstcitizensslu.com	Principals Omar Burch-Smith Temelia Providence Representative Samuel Agiste Shaka St Ange
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	Principal Monifa Latham Laurent Hadley Representatives Patricia John Chez Quow

ALL OTHER INFORMATION IN THE PROSPECTUS REMAINS THE SAME