

ADDENDUM I



**PROSPECTUS
FOR TREASURY BILLS AND NOTE
FOR THE PERIOD
DECEMBER 2019 – NOVEMBER 2020**

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

Ministry of Finance and Economic Planning
Administrative Centre
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ST. VINCENT AND THE GRENADINES

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November 2019

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
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Kingstown
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- 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
- Date of Publication:** November 2019
- Purpose of Issue:** To raise XCD \$30.0 million to finance the Public Sector Investment
Programme via the Regional Government Securities Market (RGSM)
- Amount of Issue:** Treasury Bond –7year issue of XCD \$30.0 million
- Legislative Authority:** The Public Sector Investment Loan Act, No. 23 of 2019

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 December 2019 to November 2020; a Treasury Bond in the amount of \$30.0 million to be auctioned on the 16th December 2019.

2.0. INFORMATION ON THE SECURITIES

The Government of St. Vincent and the Grenadines (GOSVG) proposes to auction a Treasury Bond in the amount of \$30.0 million on the 16th December, 2019 as follows:

Table 1: SVG's Prospectus Treasury Bill Schedule 2019-2020 with Proposed Treasury Bond

Trading Symbol	Instrument ID	Issue	Amount	Interest Rate Ceiling	Tenor	Auction Date	Settlement Date	Maturity date
VCG071226	VCB071226	Treasury Bond	\$30.0M	6.75%	7 Years	December 16, 2019	December 17, 2019	December 17, 2026
VCB200320	VCB200320	Treasury Bill	\$28.0 M	4.82%	91 Days	December 19, 2019	December 20, 2019	March 20, 2020
VCB220420	VCB220420	Treasury Bill	\$28.0 M	4.82%	91 Days	January 21, 2020	January 22, 2020	April 22, 2020
VCB190520	VCB190520	Treasury Bill	\$28.0 M	4.82%	91 Days	February 17, 2020	February 18, 2020	May 19, 2020
VCB230620	VCB230620	Treasury Bill	\$28.0 M	4.82%	91 Days	March 23, 2020	March 24, 2020	June 23, 2020
VCB240720	VCB240720	Treasury Bill	\$28.0 M	4.82%	91 Days	April 23, 2020	April 24, 2020	July 24, 2020
VCB210820	VCB210820	Treasury Bill	\$28.0 M	4.82%	91 Days	May 21, 2020	May 22, 2020	August 21, 2020
VCB240920	VCB240920	Treasury Bill	\$28.0 M	4.82%	91 Days	June 24, 2020	June 25, 2020	September 24, 2020
VCB191020	VCB191020	Treasury Bill	\$28.0 M	4.82%	91 Days	July 17, 2020	July 20, 2020	October 19, 2020
VCB241120	VCB241120	Treasury Bill	\$28.0 M	4.82%	91 Days	August 24, 2020	August 25, 2020	November 24, 2020
VCB291220	VCB291220	Treasury Bill	\$28.0 M	4.82%	91 Days	September 28, 2020	September 29, 2020	December 29, 2020
VCB190121	VCB190121	Treasury Bill	\$28.0 M	4.82%	91 Days	October 19, 2020	October 20, 2020	January 19, 2021
VCB250221	VCB250221	Treasury Bill	\$28.0 M	4.82%	91 Days	November 25, 2020	November 26, 2020	February 25, 2021

- 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 VCG071226 being auctioned will yield 6.75 percent.
- g. The price of the issue will be determined by a Uniform Competitive Price Auction.
- h. Payment of principal and interest on Treasury Bond VCG071226 will be made semi-annually on June 17 and December 17 respectively, with the first principal and interest payment due starting on June 17, 2020 until maturity.
- i. Yields will not be subject to any tax, duty or levy of the participating Governments of the Eastern Caribbean Currency Union (ECCU).
- j. Investors can participate in the issue through the services of any of the Licensed Intermediaries who are members of the Eastern Caribbean Securities Exchange.
- k. In 2019 Moody's Investor Services maintained the Government of St. Vincent and the Grenadines outlook at stable and affirmed the rating of B3.
- l. The Treasury Bond 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

3.0 MACROECONOMIC PERFORMANCE

3.0.1 Overview of Economic Growth Prospects for 2018

Preliminary data for 2018 indicates a moderate growth in real output of 2.0 percent. The improvement in economic activity was influenced mainly by developments in the tourism, manufacturing, wholesale & retail and fishing sectors. The second largest contributor to gross value added (of 15.2 percent) was the wholesale & retail trade sector. The sector grew by 5.7

percent on account of expansion in domestic activity evidenced by the 7.2 percent increase in merchandise imports during the period.

The agriculture sector recorded a 0.6 percent increase in gross value added. The marginal improvement resulted from increased production of other crops which benefited from improved weather conditions and greater support from the Ministry of Agriculture. The manufacturing sector recorded a 6.9 percent increase in gross value added. The improvement resulted from increased production of galvanise reflecting greater demand for building supplies in hurricane-affected islands. The contribution of the real estate renting and business services sector increased marginally in 2018 to 16.5 percent indicative of the limited activity in the sector.

The hotels and restaurants sector, proxied by visitor arrivals, saw buoyant growth at 8.1 percent following a decline of 6.9 percent in 2018. The 2018 performance reflected the increase in international flights to the country. Meanwhile, continued spending on construction related activities such as the Regional Disaster Vulnerability Recovery Project, Geothermal Project and various private sector projects accounted for the increase in growth in the construction sector. The fishing sector also improved significantly partly on account of new markets for fish as a result of the opening of the Argyle International Airport.

4.0 GOVERNMENT FISCAL OPERATIONS

The Central Government fiscal operations for the year ending December 31, 2018 improved when compared to the previous year. Primary balance moved from a surplus of \$5.16 million in 2017 to \$17.30 million in 2018. This was supported by a 19.3 percent decline in capital expenditure mainly reflecting the repurchase of shares in the Bank of St. Vincent and the Grenadines in 2017 and an increase in current revenue of 0.7 percent. As a consequence, an overall deficit of \$34.80 million was realised in 2018 compared to a deficit of \$44.60 million in 2017.

Total revenue including grants amounted to \$637.05 million in 2018. Revenue collected from direct taxes decreased by 2.2 percent to \$147.81 million while indirect taxes rose by 0.6 percent to \$366.42 million.¹ Non-tax revenue also grew, moving from \$79.49 million to \$85.11 million,

¹ Direct taxes comprised of taxes on income & profits and indirect tax is made up of taxes on property, taxes on goods & services and taxes on international trade.

largely as a result of greater collections from customs service charges in 2018 which increased by 10.0 percent to \$40.40 million. Capital revenue and grants accounted for \$40.65 million of total revenue in 2018, compared with \$50.46 million in 2017, lower grant receipts in 2018 and substantial proceeds from land sales in 2017 accounted for the majority of the difference. Spending on recurrent expenditure items went up by 1.5 percent in 2018 mainly on account of a 2.6 percent increase in compensation of employees, while capital expenditure contracted by 19.3 percent. The net effect is a 2.2 percent decline in total expenditure.

Table 2: Summary of fiscal operations for the year ended December 31, 2018

Details	Budget	Actual	Actual	percent
	2018	Dec 31 2018	Dec 31 2017	Change '18
	\$m	\$m	\$m	
CURRENT REVENUE	621.7	596.4	592.2	0.7
Taxes on Income & Profits	155.8	147.8	151.1	(2.2)
Taxes on Property	50.0	37.4	56.1	(33.3)
Taxes on Goods & Services	170.1	163.9	158.3	3.6
Taxes on Int'l Trade	151.9	162.1	147.3	10.1
Sale of Good & Services	67.0	66.9	62.2	7.6
Property Income	11.7	7.1	7.9	(10.0)
Other Revenue	15.3	11.0	9.3	18.5
TOTAL EXPENDITURE	834.1	671.8	687.3	(2.2)
RECURRENT EXPENDITURE	617.4	573.0	564.7	1.5
Compensation of Employees	302.7	288.1	280.8	2.6
Use of Goods & Services	82.6	76.7	78.1	(1.9)
Interest Payments	60.2	52.1	49.8	4.7
Transfers	172.0	156.1	156.0	0.0
CAPITAL EXPENDITURE	216.7	98.9	122.6	(19.3)

CAPITAL REVENUE AND GRANTS	63.5	40.6	50.5	(19.4)
CURRENT BALANCE	4.3	23.4	27.5	(14.8)
PRIMARY BALANCE	(88.7)	17.3	5.2	235.5
OVERALL BALANCE	(148.9)	(34.8)	(44.6)	22.0

Source: Ministry of Finance, ERPU

Current revenue which is generated from a mix of direct and indirect taxes amounted to \$596.40 million in 2018, representing a 0.7 percent increase when compared with the previous year. Tax receipts from the various categories turned in mixed performances when compared to the previous year. In 2018 revenue from taxes on income and profits decreased by 2.2 percent to \$147.81 million due to lower collections from individuals (4.0 percent) and corporation (3.2 percent). These performances partly reflect the impact of some of the 2018 revenue measures which resulted in a reduction in the standard corporate tax rate and the top marginal rate of personal income tax from 32.5 percent to 30 percent and an increase in the tax threshold from \$18,000 to \$20,000 (effective January 2018).

Revenue from taxes on goods and services, which totalled \$163.92 million, increased by 3.6 percent during the period. This was mainly as a result of a 5.5 percent increase in revenue from VAT, on account of the 1.0 percentage point increase in rate (effective May, 2017) and an uptick in domestic business activities. Higher receipts from excise duty on imports (1.6 percent), insurance premium tax (14.0 percent), motor vehicle licence (3.5 percent) and yacht licence (30.4 percent) also contributed to the increase in revenue from this tax type. Meanwhile, receipts from excise duty on domestic transactions and merchant shipping international fees fell by 11.1 percent and 6.6 percent, respectively.

Revenue from taxes on international trade increased by 10.1 percent to \$162.14 million. This was occasioned by higher receipts from import duty, vehicle surtax and VAT, these increased by 10.8 percent, 46.6 percent and 6.9 percent respectively. These performances were mainly impacted by

the 6.6 percent increase in the value of merchandise imports during the period along with the 1.0 percent percentage point increase in rate (effective May 1, 2017).

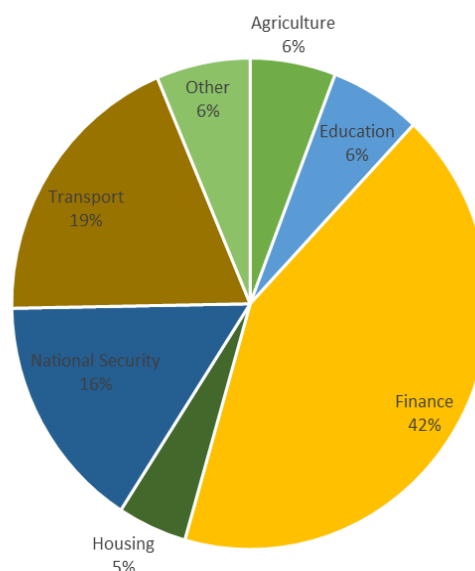
Revenue from sale of goods and services grossed \$66.94 million; this represents a 7.6 percent improvement over the amount collected in 2017. This was mainly due to increased takings from customs service charge which rose by 10.0 percent largely as a result of the above-mentioned growth in merchandise imports. Additionally, receipts from drivers licence increased by 9.4 percent. These performances were however moderated by the lower receipt of business registration fees, as this item decreased by 41.7 percent during the period.

Capital inflows as at December 31, 2018, amounted to \$40.65 million, down 19.4 percent from the amount collected during the corresponding period in 2017. This was due to a fall in revenue from capital grants (11.1 percent) and lower land sales (83.5 percent).

As at December 31, 2018 recurrent expenditure amounted to \$572.96 million compared to \$564.73 million for the previous year, representing a 1.5 percent increase over 2017. Spending on the Central Government Wage Bill was 2.6 percent greater than for the same period in 2017 mainly reflecting the changes in increments and allowances during the period. Expenditure on transfers remained flat at \$156.10 million due to mixed outcomes in subcategories. Current grants to other agencies increased by 9.7 percent from \$50.25 million to \$55.13 million. Outlays on employment related social benefits (3.2 percent) and social assistance benefit (5.2 percent) declined. Spending on goods & services decreased by 1.9 percent to \$76.67 million as government expended lower amounts on loan charges. Capital expenditure fell by 19.3 percent to \$98.89 million (or 4.5 percent of GDP) in 2018 from \$122.56 million (or 5.7 percent of GDP) in 2017. Chart 3 below reflects Capital Expenditure by Ministry.

A significant share of capital spending was directed towards the capitalization of the Contingency Fund which accounted for the majority (36.0 percent) of expenditure in the Finance Ministry. Considerable amounts (30.4 percent) were also spent on the Regional Disaster and Vulnerability Reduction Project and much of the spending on the transportation sector was associated with the construction and rehabilitation of various roads. The 16.0 percent expenditure in the National Security Ministry was largely related to the Geothermal Development Project.

Chart 1: Public Sector Capital Expenditure 2018



Source: Ministry of Finance, ERPU

5.0 PUBLIC DEBT

Total public debt² as at the end of 2018 stood at \$1.656 billion or 75.6 percent of GDP³. Central Government total debt amounted to \$1.404 billion or 64.1 percent of GDP while Government Guaranteed debt amounted to 252.2 million or 11.5 percent of GDP. Central Government debt comprised 84.8 percent of total debt while the remaining 15.2 percent was debt owed by Public Corporations and guaranteed by the government (Government Guaranteed debt). All categories of debt increased with the exception of domestic government guaranteed debt. Data of the total public debt outstanding as at December 31st, 2018 stood at \$1.654 billion, a 5.4 percent increase over same period 2017. Of this amount, total domestic debt accounted for \$576.5 million while external debt accounted for \$1.078 billion, these two components represented 34.8 percent and 65.2 percent of the total debt stock respectively. Total Central Government debt for 2018 constituted 84.8 percent of the total debt stock outstanding, the remaining 15.2 percent was owed by public corporations. During the year \$105.3 million were issued in bonds and notes of varying tenors while \$33.9 million in bullet bonds and notes matured and were fully repaid using contributions from the sinking fund.

² Total Public Debt includes central government, government guarantee and private debt.

³ Preliminary Gross Domestic Product (GDP) for 2019 is 2190.5

December 31st 2018 saw significant movements in the domestic accounts payable from \$30.7 percent to \$72.7 million when compared to same period 2017, an increase of 137.0 percent as central government subsumed the accounts payables of the International Airport Development Company which was formed to oversee the construction of the Argyle International Airport and ceased operations on the Airport's completion. External bond holdings also had significant movements in its 2018 year end outstanding balance by 47.5 percent which increase through the purchasing of securities by non-residents.

5.1 Public Debt as at June 30 2019

Total public debt as at June 2019 stood at \$1.701 billion or 77.7 percent of GDP⁴. Of this, total external debt accounted for \$1.064 billion or 48.6 percent of GDP while total domestic debt amounted to \$637.2 million or 29.1 percent of GDP. Central Government total debt amounted to \$1,455.6 billion or 66.4 percent of GDP while Government Guaranteed debt amounted to 257.7 million or 11.2 percent of GDP. Central Government debt comprised 85.5 percent of total debt while the remaining 14.5 percent was debt owed by Public Corporations and guaranteed by the government (Government Guaranteed debt).

The increase in the total public debt by 2.8 percent from December to June was driven by its domestic central government component mainly through the contracting of new loans; the issuance of new bonds and notes and increases in the overdraft facility and accounts payables. Government guaranteed debt registered a 2.5 percent decrease due to the continuous amortization of debt which was more significant than the disbursements recorded for that quarter, see table 3.

Table 3: Total Public Debt Dec 2018 compared to June 2019

	June 2019	Dec 2018	Change
	EC\$M	EC\$M	%
Total Public Debt	1,701.70	1,654.90	2.8%
Central Government Debt	1,455.60	1,402.50	3.8%
External	889.5	897.6	-0.9%
Domestic	566.1	504.9	12.1%
Gov't Guaranteed Debt	246.2	252.4	-2.5%
External	175	180.5	-3.0%
Domestic	71.2	71.9	-1.0%

⁴ Revised Preliminary Gross Domestic Product (GDP) for 2019 is 2190.5

5.2 Debt Servicing as at June 30, 2019

Total debt service for the first half of the year ended June 2019 amounted to \$86.0 million, representing an increase of 9.5 percent over same period 2018. Of this amount, external debt service totalled \$37.0 million, representing an increase of 3.1 percent over the corresponding figure in June 2018 and 43.0 percent of the total debt servicing for June 2019.

Total domestic debt service for the period under review amounted to \$49.0 million, representing an increase of 14.9 percent over the corresponding figure recorded in June 2018 of \$42.6 million. Increases were recorded in both amortization and interest payments in the amount of 22.3 percent and 2.9 percent respectively.

Contributions to the Sinking Fund increased by 10.4 percent to \$12.4 million as the government continues to make provision for the timely servicing of its future debt obligations during the fiscal year 2019.

Table 4: Comparative Summary of Central Government Debt Servicing

	Jun-19	Jun-18	Dec-18	Dec-17	Jun-18/ Jun-17	Dec-18/ Dec-17
	\$M	\$M	\$M	\$M	% Change	% Change
Central Government Debt Servicing	86.0	78.5	179.6	166.0	9.5	8.2
External	37.0	35.9	82.5	83.3	3.1	-1.0
Interest	9.1	9.3	18.9	18.6	-2.3	1.3
Amortization	27.9	26.6	63.6	64.6	4.9	-1.6
Domestic	49.0	42.6	97.2	82.7	14.9	17.4
Interest	16.8	16.3	31.0	31.1	2.9	-0.3
Amortization	32.2	26.3	66.1	51.6	22.3	28.1
Sinking Fund Contributions	12.4	11.2	22.0	14.0	10.4	57.1
Current Revenue	283.2	268.9	594.1	592.2	5.3	0.3
Total Central Govt Debt Servicing/Revenue (%)	30.4	29.2	30.2	28.0	1.1	2.2

Source: CDIMU, Ministry of Finance

APPENDIX 1: TOTAL PUBLIC DEBT

	Jun-19	Jun-18	Dec-18	Dec-17	Jun-18/Jun-19	Dec-17/Dec-18
Domestic Debt	\$M	\$M	\$M	\$M	% Change	% Change
Central Government						
Bonds& Notes	289.6	241.6	255.8	242.6	19.9	5.4
Loans	98.3	105.9	104.2	112.9	-7.2	-7.6
Overdraft	56.0	47.9	39.6	27.7	16.8	42.8
Accounts Payable	88.9	45.1	72.7	30.7	97.2	137
Insurance Deposits	22.6	22.7	22.3	22.5	-0.4	-1.0
Treasury Bills	10.7	9.1	10.2	11.1	16.9	-8.8
Total Dom Central Govt	<u>566.1</u>	<u>472.4</u>	<u>504.9</u>	<u>447.5</u>	<u>19.8</u>	<u>12.8</u>
Public Corporations						
Loans	69.8	73.0	70.3	75	-4.5	-6.3
Overdraft	1.4	1.0	1.3	1.3	43.4	4.8
Total Dom Public Corps	<u>71.2</u>	<u>74.0</u>	<u>71.7</u>	<u>76.3</u>	<u>-3.8</u>	<u>-6.1</u>
Total Domestic Debt	<u>637.2</u>	<u>546.4</u>	<u>576.5</u>	<u>523.8</u>	<u>16.6</u>	<u>10.1</u>
External Debt						
Central Government						
Bonds and Notes	121.7	77.3	106.4	72.1	57.4	47.5
Treasury Bills	72.8	71.2	73.9	72.9	2.3	1.3
Loans	695.0	774.6	717.4	726.8	-10.3	-1.3
Total Ext Central Govt	<u>889.5</u>	<u>923.1</u>	<u>897.6</u>	<u>871.8</u>	<u>-3.6</u>	<u>3.0</u>
Public Corporations						
Loans	175.0	181.0	180.5	173.5	-3.3	4.1
Total Ext Public Corps	<u>175.0</u>	<u>181.0</u>	<u>180.5</u>	<u>173.5</u>	<u>-3.3</u>	<u>4.1</u>
Total External Debt	<u>1064.5</u>	<u>1104.1</u>	<u>1,078.2</u>	<u>1,045.3</u>	<u>-3.6</u>	<u>3.1</u>
Total Public Debt	<u>1701.7</u>	<u>1650.4</u>	<u>1,654.7</u>	<u>1,569.1</u>	3.1	<u>5.5</u>
Total Central Government	<u>1455.6</u>	<u>1395.5</u>	<u>1402.5</u>	<u>1319.4</u>	4.3	<u>6.3</u>
Total Public Corporation	<u>246.2</u>	<u>255.0</u>	<u>252.2</u>	<u>249.8</u>	<u>-3.5</u>	<u>1.0</u>

Source: CIDMU, Ministry of Finance

APPENDIX 2: 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	Principals Aaron Logie Allana Joseph Representatives 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	Principal Anthony Galloway Petronella Edmeade-Crooke Representatives 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 Nikesia Pemberton
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 Cedric Charles Representatives Deesha Lewis
First Citizens Investment Services Limited	P.O. Box 1294 John Compton Highway Sans Souci Castries Tel: 758 450 2662 Fax: 758 451 7984	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	PO 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 Chew Quow

ALL OTHER INFORMATION IN THE PROSPECTUS 2019/20 REMAINS THE SAME