PROSPECTUS

FOR TREASURY BILL ISSUES
FOR THE PERIOD
NOVEMBER 2015– OCTOBER 2016

BY THE GOVERNMENT OF
ST. VINCENT AND THE GRENADINES

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November 2015

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ABSTRACT

During December 2015 to October 2016, the Government of St. Vincent and the Grenadines is seeking to issue the following government securities on the Regional Government Securities Market.

91 Day Treasury Bills

Twenty Five Million dollars(XCD25.0m) in each of eleven(11) issues

I. GENERAL INFORMATION

Issuer:	The Government of St. Vincent and the Grenadines
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Date of Publication:	October2015
Registration:	This prospectus will be registered with the Regional Debt Coordinating Committee (RDCC).
Purpose of Issue:	To refinance the existing issues of Treasury Bills issued on the Primary Market via the Regional Government Securities Market (RGSM)
Amount of Issue:	Monthly issues of XCD25.0 M each

Legislative Authority: The Treasury Bills Act Cap 444

This Prospectus is issued for the purpose of giving information to the public. The Government of St. Vincent and the Grenadines accepts full responsibility for the accuracy of the information given, and confirm having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts, the omission of which would make any statement in this prospectus misleading.

II. INFORMATION ON THE TREASURY BILL ISSUE

a. The Government of St. Vincent and the Grenadines (GOSVG) proposes to auction XCD 25,000,000.00 91-day treasury bills each month during the period December2015 to October 2016. The treasury bills will be issued on the Regional Government Securities Market and made available for trading as they will be listed on the ECSE:

Table 1: Calendar of Treasury Bill for the Period November 2015 – October 2016

Trading Symbol	Issue	Amount	Interest Rate Ceiling	Tenor	Auction Date	Settlement Date	Maturity Date
VCB110316	Treasury Bill	$25 M	4.82%	91 Day	December 10, 2015	December 11, 2015	March 11, 2016
VCB070416	Treasury Bill	$25 M	4.82%	91 Day	January 6, 2016	January 7, 2016	April 7, 2016
VCB130516	Treasury Bill	$25 M	4.82%	91 Day	February 11, 2016	February 12, 2016	May 13, 2016
VCB130616	Treasury Bill	$25 M	4.82%	91 Day	March 11, 2016	March 14,2016	June 13, 2016
VCB110716	Treasury Bill	$25 M	4.82%	91 Day	April 8,2016	April 11,2016	July 11,2016
VCB170816	Treasury Bill	$25 M	4.82%	91 Day	May 17, 2016	May 18, 2016	August 17, 2016
VCB140916	Treasury Bill	$25 M	4.82%	91 Day	June 14, 2016	June 15, 2016	September 14, 2016
VCB121016	Treasury Bill	$25 M	4.82%	91 Day	July 12, 2016	July 13, 2016	October 12, 2016
VCB171116	Treasury Bill	$25 M	4.82%	91 Day	August 17, 2016	August 18, 2016	November 17, 2016
VCB141216	Treasury Bill	$25 M	4.82%	91 Day	September 14, 2016	September 15, 2016	December 15, 2016
VCB130117	Treasury Bill	$25 M	4.82%	91 Day	October 13, 2016	October 14, 2016	January 13, 2017

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

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

d. 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.

e. The minimum bid quantity is $5,000.00.

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

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

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

i. The Government of St. Vincent and the Grenadines Bond issues have been assigned a rating of B3 by Moody's Investor Services on November 21st, 2014

j. The Treasury Bills will be issued on the Regional Government Securities Market (RGSM) and traded 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.
- ECFH Global Investment Solutions Limited
- St. Kitts Nevis Anguilla National Bank Limited
- First Citizens Investment Services Ltd. – Saint Lucia

III. EXECUTIVE SUMMARY

The Government of St. Vincent and the Grenadines is proposing to raise $25.0 M monthly during the period December 2015 to October 2016 through the issuance of 91-day Treasury Bills to be auctioned on the Regional Government Securities Market. During the bidding periods, which will be opened at 9:00 a.m. on the auction days and closed at 12:00 noon on the same days, bids of amounts not less than $5,000 and in multiples of $1,000 will be processed through ECSE member intermediaries licensed by the Eastern Caribbean Securities Regulatory Commission. The proceeds of these issues will be used to refinance maturing Treasury Bills.

The Central Government fiscal operations for the year ending December 31, 2014 improved significantly when compared to the same period in 2013. Current revenue totalled $535.19 M, 15.7 percent more than the amount collected in 2013while current expenditure increased by 3.6 percent to $508.92 M. The increase in revenue outpaced the increase in current expenditure. Consequently, the Central Government current account improved, moving from a deficit of $28.68M in 2013 to a surplus of $26.27 M in 2014.

Total outstanding public debt at the end of 2014 stood at XCD1,544.9m or 78.5 percent of GDP, compared with XCD1,445.7m (73.8 percent of GDP) at the end of 2013. Central Government accounted for 86.2 percent ($1,340.8m) of the total debt, with the remaining 13.8 percent ($204.1m) was attributable to Public Corporations.

Preliminary data for 2014 indicates a 0.24 percent negative growth in real output. The decline in economic activity was influenced mainly by activities in the Construction, Wholesale & Retail Trade and Tourism sectors.Over the medium term, 2015-2018, real economic activity is projected to grow at an average of 2.1percent per annum. Low growth in the Wholesale and Retail Trade and Real Estate Renting and Business Services are expected to be offset by stronger growth in Agriculture, Construction, Tourism and Financial Intermediation resulting in enhanced growth in value added over the medium term

IV. HISTORY

Known by the Caribs as “Hairoun” (Land of the Blessed), St. Vincent and the Grenadines was first inhabited by the Ciboney, a group of Meso-Indians. The economy of these hunter-gatherers depended heavily on marine resources as well as the land. Another indigenous group, the Arawaks, who entered the West Indies from Venezuela, gradually displaced the Ciboney. Then less than 100 years before the European settlers, the Caribs arrived in the islands and conquered the Arawaks.
The first permanent settlers arrived on the shores of the islands in 1635. These new inhabitants were African slaves who escaped the sinking of the Dutch slave ship on which they were being transported. The escaped Africans intermarried with the Caribs and became known as “black Caribs”. After several skirmishes, the black Caribs and the original Carib Indians agreed in 1700 to subdivide the islands between themselves; the original Carib Indians occupying the Leeward and the Black Caribs, the Windward.

In 1763, St. Vincent and the Grenadines was ceded to Britain. Restored to French rule in 1779, St. Vincent and the Grenadines was regained by the British under the Treaty of Versailles in 1783. Conflict between the British and the black Caribs continued until 1796, when General Abercrombie crushed a revolt fomented by the French radical Victor Hughes. More than 5,000 black Caribs were eventually deported to Roatan, an island off the coast of Honduras.

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

V. DEMOGRAPHICS

Preliminary results of the population census for St. Vincent and the Grenadines which was conducted in 2012 estimates the population at one hundred and nine thousand nine hundred and ninety one (109,991). Males account for 51.3 percent of the population while females account for 48.7 percent. This represents a change from the 2001 census when the sex ratio of the population was 50.9 percent males and 49.1 percent females. St. Vincent and the Grenadines has an area of 388 sq. km and population density per sq. km of 732. Life expectancy at birth is 72.3 years for males and 76.1 for females. The infant mortality rate, per thousand live births is 21.8.Table 1 shows the population size and growth over the period 1871-2012.

Table 2: Population Size and Growth, 1871 - 2012

Date of Census	Male	Female	Population	Sex Ratio	Average Annual Increase
1871	16,865	18,823	35,688	0.9	-
1881	19,047	21,501	40,548	0.89	486
1891	18,780	22,274	41,054	0.84	51
2-Apr-11	18,345	23,532	41,877	0.78	82
24-Apr-21	19,155	25,292	44,447	0.76	257
24-Apr-31	21,208	26,753	47,961	0.79	351
9-Apr-46	27,901	33,746	61,647	0.83	912
7-Apr-60	37,561	42,387	79,948	0.89	1307
7-Apr-70	41,150	45,794	86,944	0.9	700
12-May-80	47,409	50,436	97,845	0.94	1090
12-May-91	53,165	53,334	106,499	1	787
12-Jun-01	55,456	53,566	109,022	1.04	252
12-Jun-12	56,419	53,572	109,991	1.05	88

Source: Statistical Office, Ministry of Finance and Economic Planning

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 Ministry of Finance and Economic Planning seeks to establish a client-oriented environment conducive to the attainment of sustainable economic development and improvement of the quality of life of all citizens of St. Vincent and the Grenadines through sound economic management and the promotion of good governance.The main objective of the Government is to maintain a stable and productive economy, with a focus on education and training, sharpened business competitiveness, further tax reductions, sensible debt management and fiscal consolidation. The Government aims to build a modern, competitive, post-colonial economy with the following central elements:

i) maintaining macro-economic fundamentals of a stable currency: low inflation, fiscal prudence, enhanced competitiveness, and increased productivity;
ii) placing social equity at the center of the considerations in the fashioning of economic policy;
iii) pursuing a policy of balanced economic growth which is sustainable and which generates quality employment;
iv) establishing partnerships with the Private Sector for creating wealth and to boost economic activity;
v) implementing a Public Sector Investment Programme to create, among other things, a fiscal stimulus to the economy;
vi) providing an appropriate balance between the conflicting objectives of injecting a fiscal stimulus and maintaining a sustainable debt path ;

Transparency and Accountability

The Government has adopted a system for strengthening the institutional framework for democratic accountability and monitoring of fiscal matters.As a result, the fiscal position of the Government is reported monthly to the Cabinet. Additionally the fiscal and debt position are reported annually in the Government Estimates of Revenue and expenditure, which is available to the public from the Ministry of Finance. Information on the government's fiscal and debt operations is also published quarterly via the local media and the government's website. The Eastern Caribbean Central Bank (ECCB) conducts Annual and Quarterly Economic and Financial Reviews that are published on the Bank's website (www.eccb-centralbank.org). *Article IV Country Reviews* conducted by the International Monetary Fund (IMF) are also published and available on the Fund's Website (www.imf.org). Further, efforts are being made to have the Audited Reports of the government available on a more timely basis.[1]

[1] The latest Audited Report was for fiscal year 2010and was laid before the Parliament on April 2, 2014.

VII. MACRO-ECONOMIC PERFORMANCE

A. Overview of Economic Growth

Preliminary data for 2014 indicates a 0.24 percent negative growth in real output. The decline in economic activity was influenced mainly by activities in the Construction, Wholesale & Retail Trade and Tourism sectors. The second largest contributor to gross value added (of 15.6 percent) was the Wholesale & Retail Trade Sector. The sector declined marginally by 0.1 percent mainly on account of a 3.2 percent fall in merchandise imports during the period.

The Agriculture sector remains a significant contributor to real output in 2014, achieving real growth of 2.9 percent. Although the subsectors of Banana, Livestock and Forestry experienced falls in production the Other Crops excluding bananas performed creditably. The slow-down in activity in the construction sector contributed significantly to the negative growth recorded in 2014. Construction declined by 11.8 percent on account of a deceleration in construction related activity on the Argyle Airport Project along with the halting of construction activity on a major tourism project in the Grenadines. Similarly The Wholesale & Retail Trade sector another important one in the economic landscape also experienced a decline in activity over the period.

B. Sectoral Developments

Agriculture

Economic activity in the agricultural sector continued to add considerable value to the Vincentian economy. In 2014 Real Output in the Agriculture sector strengthened, growing at a rate of 2.9 percent. The improvement in the Agriculture sector’s performance resulted mainly from a 4.8 percent increase in the production of Other Crops as farmers continued to diversify away from banana production. Consequently in 2014 Banana, Livestock and Forestry all turned in negative contribution to growth in the sector.

Table 3: Agricultural Products (volume & value) 2012-2014

Product			2012	2013	2014
Banana	Quantity	Lbs '000	4,064	4637	3416
Banana	Value	XCD'000	**1,371**	1,772	1,230
Other Crops	Quantity	Lbs '000	70,402,887	73,533,158	77,643,470
Other Crops	Value	XCD'000	105,183	115575	120,628
Fish	Quantity	Lbs '000	1,473	1,575	1,613
Fish	Value	XCD'000	8,935	10,107	10,202

Manufacturing

The Manufacturing sector in St. Vincent and the Grenadines is relatively small with production concentrated in brewery products, rice, flour and feeds.The sectors' contribution to value added increased marginally from 4.1 percent in 2013 to 4.4 percent in 2014. Economic activity in the Manufacturing sector increased by 6.3 percent as all product except rice experienced enhanced output. The higher output was partially attributed to a rise in local production of Brewery products which increased by 6 percent over their 2013 levels of production. Additionally the production of Flour, Feeds and Packaging materials increased by 6 percent, 9.6 percent and 11.1 percent respectively. Rice production declined by 14.9 percent in 2014 and is expected to decrease in the future as the East Caribbean Group of Companies scales down its rice milling activity.

Tourism

Growth in the Tourism sector, as proxied by hotels and restaurants, declined by 2.4 percent in 2014, following the marginal decrease of 0.8 percent in 2013, as the sector was adversely impacted by the slow and uneven recovery in its main source markets and increased competition from neighbouring countries.This performance was due to a 1.4 percent fall-off in stay-over visitors and a 19.2 percent drop in same-day visitors. However, the yachting and cruise ship visitor categories improved by 3.0 percent and 6.2 percent, respectively. The yachting sub-category is a small, but growing segment that creates local business opportunities in a variety of areas. The improvement in cruise passenger arrivals, which is a vital component of the country's tourism product was due to calls from larger cruise liners. The Tourism Authority continues to augment the efforts of the cruise liners in the marketing of the cruise tourism product. It remains committed to implementing strategies to support and develop new cruise tourism products by focusing on those attributes of the country that match the passions of potential travelers.

Table 4: Visitor Arrivals by Visitor Type

VISITOR TYPE	JAN - DEC 2014	JAN - DEC 2013	ACTUAL CHANGE	% CHANGE
BY AIR				
STAY-OVER	70,713	71,725	(1,012)	(1.4)
SAME DAY	2,152	2,663	(511)	(19.2)
SUB TOTAL	72,865	74,388	(1,523)	(2.0)
BY SEA				
YACHT	46,899	45,548	1,351	3.0
CRUISE SHIP	85,170	80,185	4,985	6.2
SUB TOTAL	132,069	125,733	6,336	5.0
TOTAL	**204,934**	**200,121**	**4,813**	**2.4**

The majority of the country's tourists came from the Caribbean, the USA and the UK. The Caribbean was the main source market, with 28.1 percent of stay over visitors coming from the region; this was closely followed by the USA with 28.0 percent and then the UK with 22.6 percent.
The government recognizes the importance of tourism to the overall economic performance of the economy of St. Vincent and the Grenadines. Consequently it continues to play an active role in facilitating private sector tourism development initiatives including the ongoing development of the Buccament Bay Resort, Canash Beach Apartments, Marma's Castle in Belvedere, the Blue Tropic Resort and Spring House in Bequia, the Tribu-Faya Resort in Mayreau, the development ofthe Pink Sands Hotel in Canouan and the Union Island Development Project. It is anticipated that with the opening of the Argyle International Airport the performance of the Tourism sector would improve.

Construction

Activities in the construction sector which rebounded in 2013 following five years of negative growth declined again in 2014 by 11.8 percent. The slowdown in activity was mainly driven by a fall-off in construction related activities at the international airport project and the cessation of activities on some major tourism projects. The conclusion of other public sector construction project also affected activity in the sector. Mining and quarrying influenced by the slow-down in construction activity declined by 3.0 percent in 2014.

Medium Term Growth Outlook

Over the medium term, 2015-2018, real economic activity is projected to grow at an average of 2.1percent per annum. As a result the growth outlook is forecasted to remain flat throughout the medium term. Low growth in the important sectors of Wholesale and Retail Trade and Real Estate Renting and Business Services are expected to contribute to dampening growth prospects while stronger growth in a number of other key sectors including Agriculture, Construction, Tourism and Financial Intermediation are projected to enhance growth in value added over the medium term.

Growth in the agricultural sector is expected to be driven by activity in the livestock and other crops sub-sectors. Banana production is expected to recover with growth averaging 4.1 percent over the period in anticipation of a resumption of shipments to the UK. A moderate recovery is anticipated in the tourism sector, based on plans to augment current marketing efforts to coincide with the expected completion and operationalization of the Argyle International Airport. In line with the projected increase in visitor arrivals, the sector is expected to grow consistently at 3.0 percent per annum over the period.

The manufacturing sector is expected to grow moderately at an average rate of 2.6 percent as Brewery production is projected to grow on average at 2.1 percent per annum. The Brewery projects an expansion in its production as it seeks to exploit opportunities on the regional market. The Real Estate, Renting and Business Services sector is projected to grow at a modest 1.0 percent per annum over the medium term. Value added in the construction sector is forecasted to increase throughout the medium term at an average rate of 3.0 percent per annum. Although the anticipated completion of the Argyle International Airport is expected to dampen activity in the construction sector, a number of new and ongoing infrastructural projects, including the South Leeward Highway, the

National Disaster Rehabilitation and Reconstruction Project, the Geothermal project as well as other private sector tourism projects are expected to mitigate the projected decline over the period.

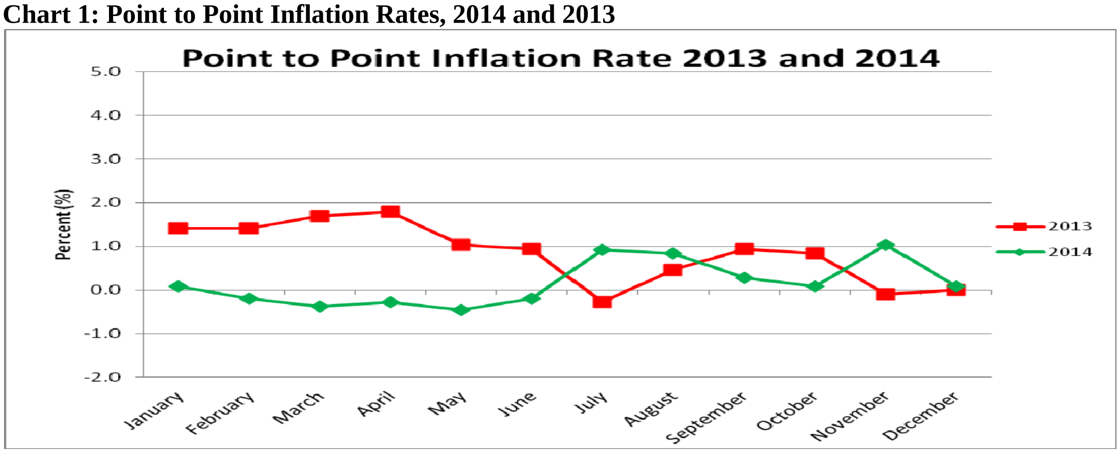
C. INFLATION

An analysis of the Consumer Price Index for the year 2014 indicates that the annual average "point-to-point" inflation rate was 0.2 percent compared to 0.8 percent for the year 2013. The accumulated inflation rate for the year 2014 was recorded at 0.1 percent in contrast to 0.0 percent for the year 2013. The "All Items" index moved from 107.7 in January 2014 to 107.3 in December 2014.

Further analysis of the index shows that the monthly "All Items" indices were higher for most of the months of 2014 compared to 2013. The "Communications" sub index recorded the largest increase of 3.9 percent attributed to the increase in price for domestic cellular phone calls.
The monthly inflation rates fluctuated throughout 2014 with the lowest recorded as negative 0.8 percent for the month of December and the highest as 0.6 percent for the months of April, July and November.

In addition, the "point-to-point" inflation rates remained moderately constant throughout the first half of the year before rising for the month of July and trending downwards thereafter, rising again during the month of November.

Chart 1: Point to Point Inflation Rates, 2014 and 2013



D. BALANCE OF PAYMENTS

The Government of St. Vincent in collaboration with the ECCB is revising the methodology for its Balance of Payments (BOP) compilation. As such the provisional data for 2014 is still undergoing analysis and is not yet available at this time. Consequently the latest BOP available is for 2013 which suggests that the overall BOP position for St Vincent and the Grenadines improved in 2013. The overall surplus improved from $56.55m at the end of 2012 to $64.76m at the end of 2013. The improvement resulted from a 12.7 percent increase in the surplus on the financial account.

The Current Account

The current account deficit widened from $520.77m (27.8 percent of GDP) in 2012 to $566.88m (29.5 percent of GDP) in 2013, influenced by a 4.8 percent increase in the merchandise trade deficit from $733.56m to $768.63m in 2013. A 64.8 percent reduction in receipts from services also contributed to the weakened current account position. The surplus on the service account fell from $245.46m (13.1 percent of GDP) in 2012 to $133.19m (6.9 percent of GDP) in 2013, largely due to lower travel receipts. The deficit on the income account fell marginally to XCD10.04m due to slightly lower interest payments on Central Government external debt. The net inflow of current transfers of $66.25m in 2013 was a touch lower than the $66.86m received in 2012.

The Capital and Financial Account

In 2013, the surplus on the Capital and Financial Account increased by 1.2 percent to $602.44m, from $595.61m in 2012. Inflows on the capital and financial account increased on the strength of direct investment as capital transfers declined. The capital account contracted further in 2013 to $34.78m, reflecting the significant fall in capital grants received by Central Government. Net inflows on the financial account grew significantly by 12.7 percent to $567.66m compared with $503.80m in 2012. This increased inflow was associated mainly with a 9.8 percent rise in receipt from direct investment including land sales, portfolio investment and other investment.

Foreign Trade

Merchandise Trade in St. Vincent and the Grenadines consists of a mix of exports and imports, with a heavier weighting on imports. Exports are made to countries such as the U.K., the U.S., Canada and countries within the CARICOM region and consist primarily of exports of agricultural and manufactured products. 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.

Total exports declined in 2014 to $130.0m from $131.6m in 2013. Banana exports moved from $3.1m in 2013 to $1.8m in 2014. Manufactured exports grew from $83.2m in 2013 to $88.3m in 2014. Total imports showed a decline moving from $999.0m in 2013 to $977.4m in 2014.

E. GOVERNMENT FISCAL OPERATIONS

The Central Government fiscal operations for the year ending December 31, 2014 improved significantly when compared to the same period in 2013. Current revenue totalled $535.19M, 15.7 percent more than the amount collected in 2013, while current expenditure increased by 3.6 percent to $508.92M. Consequently, the Central Government current account improved, moving from a deficit of $28.68M in 2013 to a surplus of $26.27M in 2014.

Table 5: Summary of fiscal operations for the year ended December 31, 2014 compared with 2013

Details	Budget 2014 $m	Actual Dec 31 2014 $m	Actual Dec 31 2013 $m	% Change '14
CURRENT REVENUE	**520.503**	**535.191**	**462.583**	**15.7**
Taxes on Income & Profits	124.5	140.032	111.441	25.7
Taxes On International Trade	189.675	186.655	170.605	9.4
Taxes on Domestic Transactions	115.341	112.097	109.515	2.4
RECURRENT EXPENDITURE	**548.682**	**508.919**	**491.258**	**3.6**
Personal Emoluments	254.303	228.874	231.495	-1.1
Interest	51.556	45.669	47.91	-4.7
Transfers & Subsidies (Of which:)	153.453	140.816	126.297	11.5
Goods & Services	72.256	74.546	66.102	12.8
CAPITAL EXPENDITURE	**257.246**	**125.214**	**151.798**	**-17.5**
CAPITAL REVENUE AND GRANTS	**65.231**	**40.223**	**60.352**	**-33.4**
CURRENT BALANCE	**-28.179**	**26.272**	**-28.675**	**-191.6**
OVERALL BALANCE	**-220.194**	**-58.719**	**-120.121**	**-51.1**

Source: Ministry of Finance and Economic Planning

Revenue

Receipts from Taxes on Income and Profits grew from $111.44m to $140.03m (25.7 percent); this was mainly due to increase collection from Withholding Tax. This subcategory recorded a sizable percent increase, moving from $11.56m in 2013 to $28.21m in 2014. This was caused by the increase in foreigners working in the island and categorized in a high tax bracket. Income Tax collected from individuals moved from $69.28m to $71.65m, this was due mainly to a more effective tax collection by the tax administration body. Finally, Company Tax collected from $30.49m to $40.18m all aided in the positive performance of this category.

Furthermore, revenue from Taxes on International Trade amounted to $186.66m representing an increase of 9.4 percent when compared with 2013. All subcategories experienced higher collections with the most significant percent change being that of Travel tax which increased to $1.4m. Taxes on domestic transactions totalled $112.10m, representing a 2.4 percent increase when compared to $109.52m in 2013. This performance was mainly attributed to increased collections from VAT (4.5 percent) on account of the greater efficiency in tax administration. Revenue from this subcategory moved from $62.35m in 2013 to $65.14m in 2014.

Licenses totalled $28.36m representing an increase of 12.6 percent from the previous year's total of $25.18m. This improvement in receipts came mainly from Telecom and Broadcasting (81.85 percent) accounting for $4.17m, motor vehicles (2.9 percent) 10.19m and Alien Land holdings (9.1 percent) accounting for $7.23m of the total. Increase in Alien Land holding was as a result of increased land sales and transfer of ownership of properties.

Capital Revenue decreased significantly, by 33.4 percent, from $60.35m in 2013 to $40.22m in 2014. Proceeds from the Sale of Crown Lands amounting to $0.68m accounted in the decline of Capital Revenue. The impact of the decline in Capital revenue was lessened due to increase revenue from Grants moving from $26.02m in 2013 to $39.48m in 2014.

Expenditure

As at December 31st 2014, Current Expenditure amounted to $508.92m compared to $491.26m for the previous year, representing a marginal increase over 2013. The increase in Current Expenditure was largely due to the increase in Transfers and subsidies during the period. Personal Emoluments and Wages amounted to $228.87m and $19.01m respectively in 2014 compared to $231.50m and $19.45m in 2013 representing a 1.1 percent and 2.3 percent decline.

Spending on Transfers and Subsidies increased by 11.5 percent to $140.82m from $126.30m in 2013. This movement is attributable to growth in expenditure on social welfare payments which increased by 2.8 percent, Training and scholarships which grew by 8.3 percent as the government continues to support higher education. Pensions increased by 7.8 percent due in part to more individuals retiring and health claims. Spending on Goods and Services moved from $66.01m in 2013 to $74.55m in 2014, an increase of 12.8 percent. This was driven mainly by a 56 percent increase in Sundry expenses and a 46 percent increase in refunds.

Capital Expenditure decreased significantly moving from $151.80m in 2013 to $125.21m in 2014. The change in the spending on the Argyle airport development accounted for the decrease in expenditure. In 2014 spending on the airport accounted for $47.70m (38.10 percent) of this amount while in 2013 it accounted for $101.68m (66.98 percent). Additionally, Central Government undertook large capital spending in the area of human development such as: Improving of education through Information communication technology, the Modern Medical Complex, Housing Rehabilitation Project and the National Disaster Management Rehabilitation Project.

Financing

Below is a summary of the Central Government financing for the year ended December 31, 2014 with comparative figure for the same period in 2013.

Table 6: Central Government Financing 2014 compared with 2013

	Actual 2014	Actual 2013
OVERALL BALANCE	**(58.72)**	**(120.12)**
FINANCING		
NET EXTERNAL	**79.00**	**57.59**
Loan Disbursement	121.47	107.30
Loan Amortisation	(42.47)	(49.71)
NET DOMESTIC	**(20.28)**	**62.53**

Fiscal Outturn as at June 30, 2015

The Central Government fiscal operations for the first half of the year 2015 declined marginally when compared to the same period in 2014. Current revenue totalled $242.39m, 4.0 percent lower than the amount collected in 2014, while current expenditure increased by 2.1 percent to $247.51m. Consequently, the Central Government current account worsened, moving from a surplus of $9.94m in 2014 to a deficit of $5.12m in 2015.

All the major categories of tax revenue increased during the first half of 2015. Revenue from taxes on income and profits grew by 9.0 percent to $55.16m. This was mainly due to higher collections from Individual and Withholding taxes of 5.4 percent and 48.3 percent, respectively. Property tax receipts grew by 66.8 percent to $1.12m, reflecting the effects of the broadening of the tax base via the market value system.

Table 7: summary of Fiscal Outturn June 2015 compared with June 2014

Details	Budget to June '15	Actual June '15	Actual June '14	% Change
	$m	$m	$m	
CURRENT REVENUE	256.57	242.39	252.41	-4.0
Taxes on Income & Profits	57.27	60.12	55.16	9.0
Taxes On International Trade	97.25	90.14	83.31	8.2
Taxes on Domestic Transactions	60.92	60.39	58.75	2.8
RECURRENT EXPENDITURE	266.69	247.51	242.47	2.1
Personal Emoluments	124.16	116.15	114.29	1.6
Interest	23.97	23.40	21.42	9.3
Transfers & Subsidies	78.09	69.46	66.58	4.3
Goods & Services	31.34	29.03	31.05	-6.5
CAPITAL EXPENDITURE	71.41	32.98	25.09	31.4
CURRENT BALANCE	-10.13	-5.12	9.94	-151.5
REVENUE AND GRANT	20.39	13.93	4.37	218.7
OVERALL BALANCE	-61.14	-24.17	-10.78	124.1

Revenue from international trade amounted to $90.14m, an increase of 8.2 percent when compared to the first six months of 2014. Under this rubric Import Duty, Customs Service Charge and VAT increased by 5.1 percent, 11.1 percent and 6.2 percent, respectively. These performances were supported by an initiative at the Customs & Excise Department to collect outstanding amounts from defaulting business entities along with an 11.8 percent fall in revenue loss as a result of concessions.

Taxes on domestic transactions increased by 2.8 percent to $60.39M, when compared to the corresponding period in 2014. Receipts from Excise Duty were mainly responsible for the better performance as it increased by 8.4 percent. Stamp duty declined from a fall in land sales during the period while Excise Duty and VAT reflected a modest improvement in domestic economic activity over the period. Licenses yielded $16.23m, 13.1percent less than the amount collected in 2014 mainly due to a fall in collections from Alien land holdings by 1.5m

Revenue from non-tax sources reduced significantly from $35.41m in 2014 to $14.78m in 2015 as all subcomponents decreased during the period. Revenue from Interest, Rents and Dividends decreased significantly moving from $13.12m in 2014to $1.86m in 2015. A large one off payment by Mustique Company in 2014 was mainly responsible for the large change of this item during the period. Receipts from other revenue also fell by 69.8percent to $3.49 M mainly on account monies received for budget support and disaster relief.

As at June 30 2015, current expenditure amounted to $247.51m. This figure represented an increase of 2.1percent when compared to the amount spent in 2014. Payment of personal emoluments and wages amounted to $116.15m and $9.49m respectively, reflecting increases of 1.6 percent, and 3.8 percent, respectively. Expenditure on transfers & subsidies increased by 4.3 percent to $69.46m on account of higher spending on all of its major components including; social welfare payments (1.3 percent), grants and contributions (9.8 percent) and pensions (2.0 percent). Similarly, spending on goods and services decreased by 6.5 percent to $29.03m as a result of greater outlays on utilities and sundry expense.

Capital inflows as at June 30, 2015amounted to $13.93m. This represented a significant increase of 218 percent due mainly to increased receipts from Crown land sales for the six month period.

F. MONEY AND CREDIT

Monetary liabilities (M2) grew by 9.6 percent during 2014, compared with 8.5 percent 2013. The expansion in M2 largely reflected developments in quasi money which accounted for approximately 70.0 per cent of M2. Quasi money rose by 7.9 percent primarily on account of expansions in private sector saving deposits (8.7 per cent) and private sector foreign currency deposits (27.4 per cent). Narrow money the other component of M2, increased by 13.9 per cent reflecting the continued preference for more liquid deposits. The expansion was driven by private sector demand deposits and currency with the public which rose by 13.8 and 11.4 per cent respectively.

Domestic credit expanded at a slower rate of 2.1 per cent to $1,020.2m during 2014, following an increase of 4.1 per cent during 2013. This deceleration reflected lower demand for credit by the private sector and growth in the net deposit position of non-financial public enterprises (NFPE's)

Private sector credit fell by 0.3 per cent ($2.6m) in contrast to growth of 1.3 per cent ($13.5m) during 2013. The decline in private sector credit was driven by a deceleration in credit to households and a contraction in business credit. Household credit, which accounts for most private sector credit, grew at a lower rate of 1.6 per cent compared with 15.9 per cent over the previous year. Conversely, loans extended to businesses declined by 5.9 per cent. In the public sector, the net indebtedness of the central government expanded by 38.3 per cent to $88.6m during 2014 compared with a 29.4 per cent increase in the previous year. The expansion was associated with increased short-term borrowing from the Commercial Banks and the Central Bank to finance current fiscal operations and an expansion in commercial bank borrowing

The analysis of the distribution of bank credit by economic activity revealed that outstanding loans contracted by 0.2 per cent to $1,182.0m during 2014, in contrast to a marginal expansion of 0.4 per cent recorded during 2013. The contraction in credit was primarily due to declines in outstanding loans extended to the manufacturing (24.2 percent), professional and other services (15.8 percent), tourism (7.4 percent), agriculture and fisheries (0.3 percent) and other miscellaneous (5.1 percent) sectors. Those contractions were partially countered by expansions in credit for construction (12.3 percent), public administration (2.0 percent), personal use (1.7 percent) and distributive trades (0.8 percent).

Net foreign assets of the banking system grew by 3.1 percent to $508.2m at the end of 2014, relative to growth of 20.6 percent during 2013. This expansion was mainly fuelled by a rise of 17.3 percent to $421.4m in St Vincent and the Grenadines' imputed share of the reserves held at the Central Bank

Liquidity in the commercial banking system increased during the review period. This was evidenced by the 2.0 percent rise in the ratio of liquid assets to total deposits plus liquid liabilities.
In addition, the ratio of loans and advances to total deposits fell by 4.6 percentage points to 68.1 percent.

VIII. PUBLIC DEBT ANALYSIS

Total outstanding public debt at the end of 2014 stood at XCD1,544.9m or 78.5 percent of GDP, compared with $1,445.7m (73.8 percent of GDP) at the end of 2013. Central Government accounted for 86.2 percent (XCD1,340.8m) of the total debt, with the remaining 13.8 percent ($204.1m) attributable to Public Corporations.

Domestic Debt

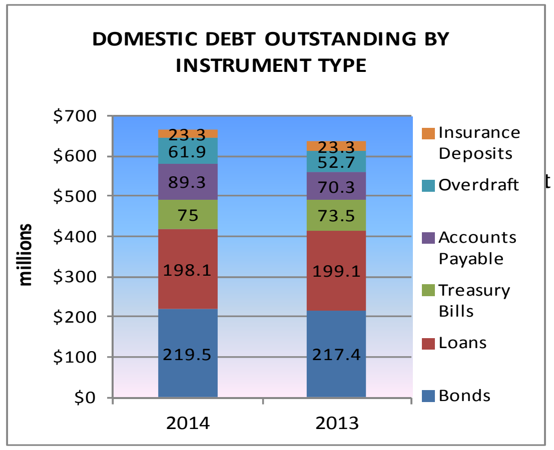
Total domestic debt stock stood at $667.1m as at the 31st December, 2014, an increase of 4.8 percent over the corresponding period of 2013. Of this amount $530.1m or 79.5 percent was held by the Central Government while $137.0m or 20.5 percent was held by the Public Corporations. The increase in the Central Government debt was mainly on account of a 27.0 percent increase in the accounts payables which moved from $70.3m as at the end of 2013 to $89.3m as at the end of 2014. The overdraft increased by 15.3 percent from $53.7 percent as at the end of 2013 to $61.9 as at the end of 2014. New bonds and notes amounting to $54.5m were issued in 2014 while a $30.0m bond was redeemed. The net effect was a modest increase of 1.0 percent in this category of Securities.

Table 8Total Domestic Debt Stock by Borrower Category

Domestic Debt	2014		2013		Change
	EC$ M	% of Total	EC$ M	% of Total	%
Central Government	530.1	79.5	501.0	78.7	5.8
Public Corporations	137.0	20.5	135.3	21.3	1.3
TOTAL	**667.1**	**100.0**	**636.2**	**100.0**	**4.8**

The marginal increase in the Public Corporation's debt was mostly driven by an 8.4 percent increase in new loans to the International Airport Development Company by Petro Caribe.

With respect to the composition of the portfolio, Government bonds constituted the largest share of domestic stock accounting for 32.9 percent, while loans accounted for 29.7 percent. Treasury bills and overdrafts jointly accounted for 20.5 percent While the category "Other" accounted for the remaining 16.9 percent.

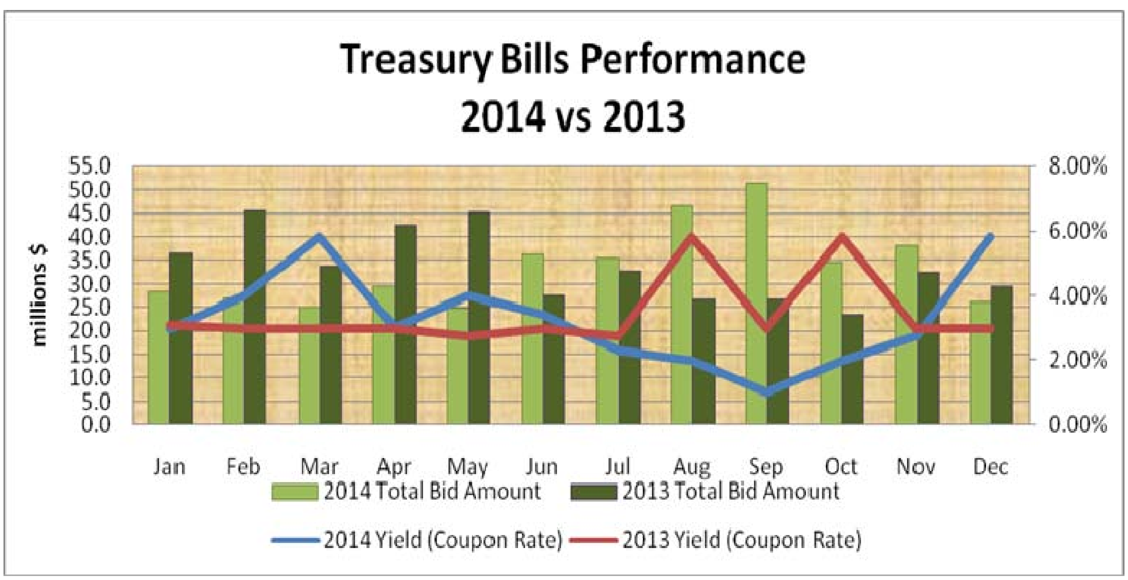


Domestic Debt Maturity Profile

Debt instruments with remaining maturity of less than one year accounted for 39.6 percent of the total domestic debt .Debt with remaining maturities between 1 and 5 years accounted of 6.7 percent, while debt with maturities between 6 and 10 years accounted for 34.7 percent.

The Government continued to be an active participant on the Regional Government Securities Market (RGSM) in 2014. All issues of Treasury Bills of $25.0m each issue were auctioned as scheduled on the RGSM. The average coupon rate for 2014 was 3.26 percent compared with 3.44 in 2013.

Chart 3 Total Bids and Coupon Rate for T-Bills 2014 compared with 2013



In addition a three (3) year note and a seven (7) year bond for a combined value of $21.2m were also issued on the RGSM.

External Debt

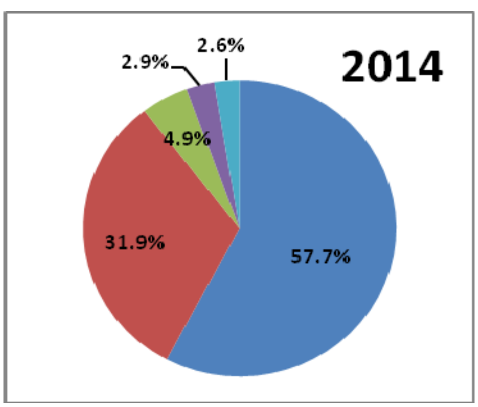
As at 31st December, 2014, total public external debt stock stood at $877.8m compared with $809.5m in 2013, representing an increase of 8.4 percent. Of the total external debt, $810.7m or 92.4 percent was attributable to the Central Government and $67.1m (7.6 percent) to Public Corporations. Central Government debt increased by 11.3 percent primarily on account of draw downs by the Central Government on a number of loans for funding various public sector projects and programs and to cover the widened balance of payment gap that resulted from the floods of December, 2013. While government guaranteed debt decreased by 17.0 percent on account of the amortization of loans.

Table 9 Total External Debt Stock by Borrower Category

External Debt	2014		2013		%
	EC$ M	% of Total	EC$ M	of Total	Change (2014)
Central Government	810.7	92.4	728.7	90.0	11.3
Public Corporations	67.1	7.6	80.8	10.0	-17.0
TOTAL	**877.8**	**100.0**	**809.5**	**100.0**	**8.4**

External Debt by Creditor Category and Maturity Profile

The majority of the external public sector debt was contracted on concessional terms from multilateral and bilateral sources,57.7 percent and 31.9 percent respectively. The remaining 10.4 percent was shared between commercial creditors, export credit facility and bondholders. As a consequence, the maturity profile of the debt continues to be dominated by long-term loans with 76.6 percent maturing in over ten years. Loans with remaining maturity between 5-10 years account for 14.6 percent while loans with remaining maturity between 1-5 years account for 8.3 percent. The balance of 0.5 percent matures in less than one year.



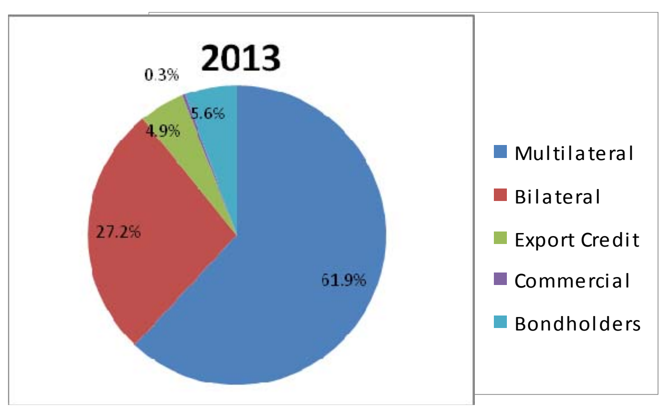


Chart 4 External Debt by Creditor Category 2014 Compared with 2013

External Debt by Currency

The currency composition continued to weigh heavily in favour of the United States Dollar (USD) which accounted for $735.8 (83.8 percent) of the external debt at the end of 2014. The second largest in the currency category was the XDR with a share of 14.2 perof 2014. The Euro, Eastern Caribbean Dollars and currencies grouped as "Other[2]" collectively accounted for the remaining 2.0 percent of the external debt portfolio, as reflected in chart 5

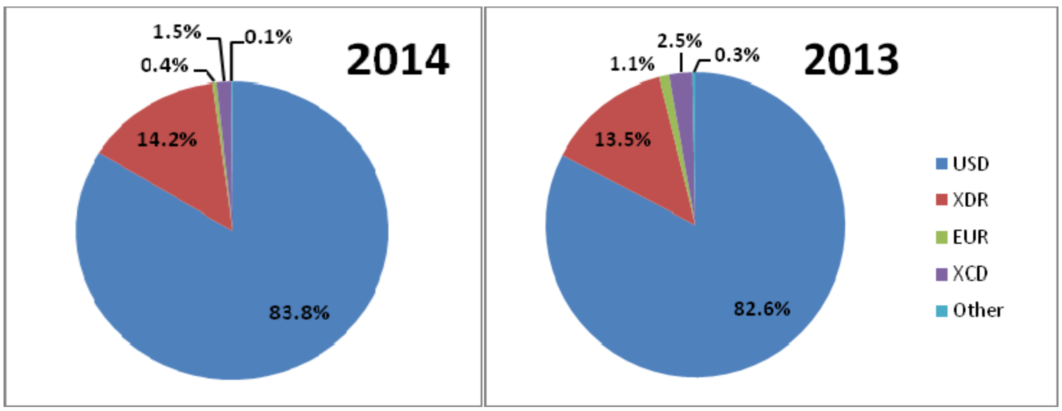


Chart **5: External Debt Outstanding by Currency Composition 2014 Compared with 2013.**

Debt Servicing as at December 2014

In 2014, Central Government debt service payments increased by 2.3 percent to $140.5m representing 26.2 percent of current revenue; Of this amount, amortization accounted for 62.1 percent or $87.2m, a3.9 percent increase from the amount paid in 2013. Sinking Fund contributions increased by 39.0 percent to $7.6m from $5.5m while interest payments decreased by 4.8 percent.

Summary of Public Debt as at June 30, 2015

As at June 30, 2015 public sector debt increased by 2.6 percent to $1,520.09m from $1,481.80m over the corresponding period in 2014. Of this amount, 58.6 percent or $890.5m was held externally with the remaining 41.4 percent or $629.6m being held domestically. External debt increased by 4.2 percent while domestic debt increased by 0.3 percent. The marginal increase in domestic debt was on account of the acquisition of new loans by Public Corporations; mainly the International Airport Development Company (IADC) from Petro Caribe. The National Student Loan Company and the National Lotteries Authority both received disbursements from the National Insurance Service (NIS). The increase in external debt was driven by disbursements on existing loans from the CDB

[2] "Other" consists of Kuwait Dinars and Trinidad, Tobago Dollars and Barbados Dollars

and the World Bank Group to fund various projects in the PSIP excluding the construction of the international airport project.

Debt Servicing as at June 2015

During the first half of 2015, Central Government debt service increased by 6.8 percent to $70.4 M, relative to the amount paidin the corresponding period in 2013. The increase in debt servicing was mainly due to External debt servicing which increasedby16.8 percent on account of increased interest payment concomitant with the increase in the disbursed outstanding amounts and the end of the grace period on some loans. Domestic debt on the other hand decreased by 2.9 percent. Domestic interest payments increased slightly by 1.0 percent on account of the issuance of new securities however these new securities have bullet repayment of principal on maturity. which contributed to thedecrease of 7.5 percent in amortization when compared with the same period in 2014

Table 10: Summary of Public Debt as at June 30, 2015 compared with corresponding period 2014

PUBLIC DEBT SITUATION	2015 $ M	2014 $ M	2015/2014 %
Total Public Debt	**1,520.09**	**1,481.80**	**2.6**
External Debt	**890.5**	**854.4**	**4.2**
Central Government	827.1	778.3	6.3
Public Corporations	63.4	76.1	-16.7
Domestic Debt	**629.6**	**627.4**	**0.3**
Central Government	493.4	496.4	-0.6
Public Corporations	136.2	131.1	3.9
Central Government Debt Service	**70.4**	**66.5**	**5.9**
External	**34.6**	**29.6**	**16.9**
Interest	*10.7*	*8.8*	*21.6*
Amortisation	*23.9*	*20.8*	*14.9*
Domestic	**35.8**	**36.9**	**-2.9**
Interest	*12.7*	*12.6*	*0.8*
Amortisation	*22.5*	*24.3*	*-7.5*
Sinking Fund Contribution	**0.6**	**0.0**	**100.0**
Revenue	**242.4**	**252.4**	**-4.0**
Debt Service/Revenue (%)	**29.4**	**26.4**	**3.0**

Source: Ministry of Finance and Economic Planning DMU

IX. MEDIUM TERM DEBT STRATEGY 2014 - 2018

In 2015 the DMU prepared a MTDS that covers the period 2014 – 2018. This MTDS which is an improvement on the 2010 MTDS is supported by quantitative analysis using the cost-risk analytical toolkit designed by the IMF and World Bank. The toolkit generated outputs which facilitated the evaluation of the costs and risks of four (4) alternative strategies proposed. The analysis smooth the process for selecting a plan with regard to cost-risk trade-offs between the alternative instruments that the government can implement over the medium term in order to achieve the desired composition of its debt portfolio. The updating of the MTDS represents a commitment to carrying out the debt management objectives by implementing best practices aimed at achieving medium to long term debt sustainability. Based on the analysis of the portfolio, the main risks that the government faces are interest rate risks and rollover/refinancing risks. The average time for re-fixing the interest rate in 2013 as measured by the ATR was 4.4 years which is low. In an effort to increase the ATR, the government will as far as possible avoid floating rate debt, and minimize bunching of loan payments through the use of reducing debt instruments and the sinking fund. The sinking fund will also be used as a means of managing refinancing risk by setting aside funds over time to repay bullet bonds. Efforts will be made to minimize the proportion of short term debt by as far as possible, remaining within the established limits as set out in Table 10 below. In addition in collaboration with the broker efforts will be made to maintain contact with the investors while broadening the base to increase the pool of investors. New strategies for marketing securities including direct contact and Road shows where applicable would be initiated.

Table 11: Established limits for short term instruments 2015

Instrument	Limit
Treasury Bills	15% of current revenue[3]
Overdraft	\$50,0m[4]

In addition to the MTDS a Debt Sustainability Analysis (DSA) was carried out. The results indicate that the expected debt path in the long term is at a moderate level of debt distress.

Debt Management Objectives

The main debt management objectives of the government are:-

[3] Treasury Bills Act Cap 444 Section 3(4)
[4] Resolution of Parliament, 22 December 2014

- To satisfy the financing needs of the public Sector at minimum cost over the medium to long term, in a prudent and sustainable manner;
- To limit the exchange rate risk by minimizing the non – US dollar denominated foreign debt.
- To promote the development of an efficient functioning money and capital markets within the ECCU.

One of the main concerns in applying the debt management objectives involves the trade-off between minimizing cost and reducing risks. This is why emphasis is placed on long term cost, thus preventing the Government from seeking short-term gains by for example issuing low interest rate non – US dollar debt.

Another important aspect of cost minimization is maintenance of the relatively “risk-free” status of government securities. This will be accomplished through prudent fiscal discipline and the establishment of reasonable limit on the public debt.

In addition the government will continue with its core principles of managing its debt by:

1. 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.
2. Reduce operational losses of public enterprises. In this regard, Government has established a Monitoring Committee on Public Enterprises, headed by the Prime Minister, to monitor the performances of all public enterprises. The Ministry of Finance and Economic Planning has designated an officer for direct liaison and monitoring of public enterprises.
3. Issue all Government Securities on the Regional Government Securities Market (RGSM)
4. Contraction of new debt would be mostly concessionary from multinational and bilateral creditors.

X. LEGISLATIVE AUTHORITY

The primary legislation which governs and explicitly authorizes the Government to borrow is the *Finance Administration Act (FAA) Cap 252.* The Act stipulates that no money shall be raised on the credit of the Government except under the authority of the Finance Administration Act or another Act of Parliament or a resolution of the House of Assembly[5]. The Minister of Finance when authorized by resolution of the House of Assembly may borrow money in a financial year "to meet current requirements from a bank or other financial institution by means of advances to an amount not exceeding in the aggregate the sum specified in the resolution." The current limit on the advance is $50.0M[6].

The Treasury Bills Act Cap 444 governs the issuance of the T-bills within St. Vincent and the Grenadines. The Act authorizes the Minister of Finance to borrow money by the issue of Treasury Bills. Further the Minister may direct that the Treasury Bills be issued by the Accountant General or by a financial institution outside St. Vincent and the Grenadines. Section 3 (4) of the Treasury Bills Act provides that the principal sum of T-bills outstanding at any one time, shall not exceed 15.0 percent of the estimated annual current revenue of St. Vincent and the Grenadines for the current financial year.

In relation to the authority to borrow from multilateral institutions, the Caribbean Development Bank Loans Act Cap 89 covers all loans from the CDB and the International Financial Organizations Act Cap 100 authorizes the Minister of Finance to sign agreements with the World Bank and the International Monetary Fund. Similar acts authorizing borrowing from other multilaterals also exist including OPEC Fund for International Development. There is no Act that limits the amount that can be borrowed by the government.

The Government Guarantee of Loans Act Cap 255 gives government the authority to guarantee loans by lending agencies to corporations. The current limit specified for all guarantees issued by government is $300.0M.

XI. BANKING AND FINANCIAL INSTITUTIONS

Overview

The financial sector in St. Vincent and the Grenadines consists of four banks:the Bank of St. Vincent and the Grenadines, as well as branches of three foreign banks including First Caribbean

[5] Sec 44, Finance Administration Act Cap 252
[6] Resolution of Parliament 2013`

International, RBTT Bank and Bank of Nova Scotia; two non-bank financial institutions, several credit unions, a Building and Loan Society (**BLS**) and insurance companies. The banks are regulated by the ECCB while the non-banking institutions, including the credit unions, BLS, the insurance companies and Money Services Business are regulated by the Financial Services Authority.

Foreign Exchange and International Reserves

The ECCU of which St Vincent and the Grenadines is a member, has adopted a fixed exchange rate regime whereby exchange rates for the sale of EC dollars into other currencies are determined by the ECCB. Since 1976, the EC dollar has been pegged to the U.S. dollar at a rate of XCD2.70 to U.S.$1.00.

Money Transfer Companies

The Money Transfer business is governed by the Money Services Business Act No. 27 of 2005. The Financial Services Authority (FSA) is responsible for the general administration of this Act and the supervision of these operations.

“Money services business” includes (a) the business of providing (i) transmission of money or monetary value in any form, (ii) check cashing, (iii) currency exchange, (iv) issuance or sale of money orders or traveler’s checks; and (v) any other services that may be specified by notice published in the Gazette; 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 VincentBuilding and Loan Association Money Transfer—Jamaica National Money Transfer Services
- Postal Corporation - MoneyGram

XII. INSURANCE SECTOR

In St. Vincent and the Grenadines the Insurance sector is mainly made up of branches/agencies of CARICOM based insurance companies. The sector is governed by the Insurance Act No. 45 of 2003 (CAP 306 of the 2009 Revised Laws of St. Vincent and the Grenadines) and the Motor Vehicle Insurance (Third Party Risk) Act No. 4 of 2003. The Financial Services Authority (FSA) established by Act #33 of 2011 is responsible for the regulatory and supervisory frameworks of the sector. The Insurance laws and Regulations apply equally to both domestic and foreign companies.

As at December 31 2014, twenty-eight (28) companies were registered under Section 8 of the Act, to conduct insurance business in St. Vincent and the Grenadines of which twenty-three (23) were active. Of these American Life Insurance Company has exited the market having completed the transfer of their business to Pan American Life of the Eastern Caribbean during the year, while British American and Clico International Life remained under Judicial Management. In addition Sagicor Capital Life Insurance Company Limited was amalgamated with Sagicor Life Inc while Scotia Insurance of the Eastern Caribbean entered the market. There were thirteen (13) insurance companies registered to undertake short-term insurance business. Four (4) of these companies were locally incorporated while the other nine (9) were branches of CARICOM based/ foreign owned companies. Ten (10) companies were registered to undertake long-term insurance business. Of these ten (10), one (1) was registered to write life business only, while the other nine (9) were registered to conduct business in both segments of the market. Five companies were inactive and one has been liquidated.

Table 12: **Insurers by License Class 2014**

Short –Term(only)	**Long-Term(only)**	**Long & Short-Term/ Composite**
Locally Incorporated Metrocint General St. Hill Insurance Co. Ltd. St. Vincent Insurances West Indian Insurance Ltd. ***Foreign Incorporated*** Beacon Insurances Caribbean Alliance Sun General Insurance G.T.M Fire & General Guardian General Insurance Gulf Insurance Island Heritage Insurance Massy United Insurance M & C General Insurance	Demerara Mutual Life	British American Colonial Life CLICO Int'l Life Sagicor Life Sagicor Capital Life Guardian Life Pan American Life of the Eastern Caribbean G.T.M Life Scotia Insurance Eastern Caribbean Ltd

The insurance business continues to struggle with the consequences of the collapse of the CL Financial Group (CLF). Available data shows that the total assets in the insurance market as at year end 2014 amounted to $203.4m, an increase of $7.1m or 3.6 percent when compared to $196.3m accrued in 2013.

Gross Premium income in the insurance industry totalled $71.1m. This represented 3.6 percent of Gross Domestic Product at market prices and a decrease of 2.4 percent over the gross premium income of $72.8m in 2013.

Gross premium income for the general subsector of the market totalled $53.4m in 2014 a decrease of 7.8 percent when compared with the 2013 figure of $57.9m. Eight companies controlled 80.7 percent of this segment of the market when ranked by their gross premium. In 2014, the largest component of the short-term insurance gross premium was the property portfolio, which amounted to approximately 45.0 percent, followed by motor vehicle 31.0 percent and Personal accident with 10.0 percent.

Premium income generated for the Life segment of the market amounted to $14.9m in 2014 reflecting an increase of $1.6m or 12.7 percent when compared with the previous year. Of this amount, premiums for individual life amounted to 83.0 percent while group life accounted for 13.0 percent.

Insurance penetration (premium as a percentage of GDP) moved from 3.8 per cent in 2013 to 3.6 percent in 2014. The short term segments of the industry recorded a decrease of 0.2 percentage point while the long term segment remained constant.

Claims continue to be a significant component of the insurance companies' expenditure. Policy holder benefits (which includes claims, annuity payments, policy surrenders in the long-term sub-sector for the period amounted to $10.9m, which represented 56.9 percent of the total expenses and an increase of 40.9 percent from the previous year. Meanwhile, short-term insurance companies paid claims totalling $11.2m in 2014, an increase of 16.9 percent when compared with the 2013 figure of $9.6m. This represented 63.5percent of total expenditure for 2014 compared with 52.8 percent in 2013. The loss ratio (ratio of net claims to gross premium) increased from 16.6 percent in

2013 to 21.1 percent in 2014 for the short-term insurance segment of the industry while for the long-term insurance sector it decreased in 2014 moving from 24.8 percent in 2013 to 16.8 percent.

During the year 2014, reinsurance amounted to $31.3m for short-term insurance business and $1.5m for long-term insurance business. The industry's statutory deposits held by the supervisor of insurance during the year amounted to $38.1m which comprised of $13.0m in Government Securities and $25.1m in cash.

XIII. MONEY LAUNDERING AND ILLICIT ACTIVITIES

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

i) receipt and analysis of suspicious transaction reports that are required to be made under the Proceeds of Crime and Money Laundering (Prevention) Act, Act No. 39 of 2001;

ii) collection of information from financial institutions and other relevant bodies for the purpose of investigating relevant offences;

iii) investigation of relevant offences;

iv) dissemination of information;

v) international cooperation in the exchange of financial information;

vi) awareness raising and education of financial and business institutions on their obligations to detect, prevent and deter money laundering and associated offences.

The FIU works in close partnership with other national agencies to ensure that the country has a comprehensive anti-money laundering system that identifies and effectively addresses suspected illegal activity. The Government has used the establishment of the FIU as a means of monitoring money laundering and has made important legislative changes to bring the anti-money laundering laws in line with international best practices.

XIV. CURRENT ISSUES OF GOVERNMENT SECURITIES.

1. Treasury Bills General Information

- **Issues Outstanding** **Issue $75.0M**
- **Amount offered** **$25.0 m**
- **Maturity in days** **91 days**
- **Date of Issues** **Every 91 days**
- **Redemption Date** **Every 91 days**
- **Discount rate** **N/A**
- **Yields** **Weighted Avg. 5.82per cent**
- **Discount Price** **$98.54 – $98.54**

As at August 31 2015, the Government's outstanding securities traded on the Regional Government Securities Market are listed hereunder**:**

Table 13: Outstanding Treasury Bills on the RGSM as at September 30, 2015

Date of Issues	Redemption date	Issue Amount	Value of Bids	Amount Accepted	No. of Bids Total	Successful	Interest Rate %
		EC$	EC$	EC$			
6-Oct-15	5-Jan-16	25.0	25.3	25.0	8	8	5.82
10-Nov-15	10-Feb-16	25.0	25.0	25.0	9	9	4.82

Table 14: Outstanding Notes on the RGSM

Trading Symbol	Date of Issue	Redemption Date	Issue Amount	Value of Bids	Amount Accepted	No. of Bids Total	Successful	Interest Rate %
			EC$m	EC$m	EC$m			
VCN240717	24-Jul-14	24-Jul-17	10.0	8.2	8.2	8	8	5.25
VCN110919	11-Sep-15	11-Sep-19	15.2	15.2	15.2	12	12	6.00

Table 15: Outstanding Bonds on the RGSM

Trading Symbol	Issue Amount	Amount Outstanding	Original Maturity	Remaining Maturity	Date of Subscription	Final Redemption	Coupon Rate
	$m	$m	(years)	(years)		Date	%
VCG100816	40.0	4.0	10	1	Aug-06	Aug-16	7.5
VCG100917	30.0	6.0	10	2	Sep-07	Sep-17	7.5
VCG070316	13.3	0.9	7	1	Mar-09	Mar-16	8.0
VCG0316AA	15.0	1.0	7	1	Mar-09	Mar-16	8.0
VCG0316AB	16.7	1.1	7	1	Mar-09	Mar-16	8.0
VCG100422	40.0	28.0	10	7	Apr-12	Apr-22	7.5
VCG100323	40.0	19.4	10	8	Mar-13	Mar-23	7.0
VCG070821	16.0	16.0	7	6	Mar-14	Aug-21	7.0

Most of the Bonds in the portfolio are amortised with allocations for payments provided annually from the consolidated fund. Where the Bonds are not amortised a Sinking Fund is established for redemption at maturity where yearly contributions are allotted and committed to the sinking fund to achieve the targeted level. As of September 30, 2015 the sinking fund balance was $18,630,077. An amount of $12,732,188 has been committed to the sinking fund for fiscal year 2015. The next payments from the sinking fund would be in the year 2017 to cover the redemption of two Notes, with a combined value of XCD18.2m.

All government securities issued on the RGSM are listed on the Eastern Caribbean Securities Exchange with provision for trading on the secondary market. Trades for the Government of St. Vincent and the Grenadines securities have been made from 2006 – 2012, with the exceptions of 2011. The value of total trades made during this period amounted to $34,953,334.There have been no trades made after 2012 to present.

The following table summarizes the performance of the Government's treasury bills traded on the Regional Government Securities Market in 2014:

Table 16: Performance of Treasury bill traded on the RGSM during 2014

Date of Issues	Redemption Date	Issue Amount	Value of Bids	Amount Accepted	No. of Bids Total	No. of Bids Successful	Interest Rate %
		XCDm	XCDm	XCDm			
28-Jan-14	29-Apr-14	25.0	28.2	25.0	16	10	2.99
24-Feb-14	26-May-14	25.0	26.9	25.0	16	13	4.00
25-Mar-14	24-Jun-14	25.0	25.2	25.0	18	18	5.82
30-Apr-14	30-Jul-14	25.0	29.5	25.0	14	10	3.00
27-May-14	27-Aug-24	25.0	24.8	25.0	14	11	4.00
26-Jun-14	25-Sep-14	25.0	36.1	25.0	17	13	3.40
31-Jul-14	30-Oct-14	25.0	35.3	25.0	12	8	2.30
29-Aug-14	28-Nov-14	25.0	46.4	25.0	15	8	2.00
29-Sep-14	29-Dec-14	25.0	51.4	25.0	18	7	1.00
3-Nov-14	2-Feb-15	25.0	34.7	25.0	10	7	2.00
1-Dec-14	2-Mar-15	25.0	38.2	25.0	12	7	2.75
30-Dec-14	31-Mar-15	25.0	26.0	25.0	10	10	5.82

XV. 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 tothe issuing government's account. The ECSE, through the Eastern Caribbean Central Securities Registry (ECCSR), records and maintains ownership of government securities in electronic book-entry form. The ECCSR mails confirmation of proof of ownership letters to all investors who were successful in the auction. The ECCSR will also process corporate action on behalf of issuing governments.

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

As an issuer in the RGSM, the Government of St Vincent and the Grenadines will be subject to the rules, guidelines and procedures developed by the Regional Debt Co-ordinating Committee (RDCC) for the operation of the market including ongoing reporting and disclosure requirements.

APPENDIX I – List of Licensed ECSE Member Broker Dealers

Territory	Institution	Name of Licencee	Type of Licence
ST KITTS AND NEVIS	St Kitts-Nevis-Anguilla National Bank Ltd	Winston Hutchinson	Principal
		Anthony Galloway	Principal
		Angelica Lewis	Representative
		Marlene Nisbett	Representative
		Petronella Crooke	Representative
	The Bank of Nevis Ltd	Kelva Merchant	Principal
		Brian Carey	Principal
		Lisa Jones-Herbert	Representative
		Vernesia Walters	Representative
		Judy Claxton	Representative
SAINT LUCIA	ECFH Global Investment Solutions Ltd	Beverly Ann Henry	Principal
		Dianne Augustin	Principal
		Deesha Lewis	Representative
		Lawrence Jean	Representative
	First Citizens Investment Services Ltd	Carole Eleuthere-JnMarie	Principal
		Samuel Agiste	Representative
		Shaka St Ange	Representative
ST VINCENT AND THE GRENADINES	Bank of St Vincent and the Grenadines Ltd	Monifa Latham	Principal
		Laurent Hadley	Representative
		Patricia John	Representative
		Chez Quow	Representative

APPENDIX II – Central Government Fiscal Operations

	2010	2011	2012	2013	2014
Current Revenue	**489.95**	**462.48**	**472.63**	**462.58**	**535.19**
Tax Revenue	**421.47**	**412.14**	**430.58**	**420.63**	**471.16**
Taxes on Income & Profits	**108.81**	**114.40**	**122.41**	**111.30**	**140.03**
Of Which:					
Individual	61.69	67.38	71.81	69.24	71.65
Corporation	40.03	37.36	40.90	30.49	40.18
Taxes on Property	**2.90**	**2.81**	**2.70**	**4.04**	**4.01**
Taxes on Domestic Transaction	**105.93**	**98.91**	**106.38**	**109.51**	**112.10**
Of Which:					
Stamp Duty	22.68	15.71	17.41	26.15	26.13
Interest Levy	9.06	10.62	11.91	11.35	11.04
Excise Duty	4.15	4.11	4.82	5.35	5.81
VAT	62.53	61.11	64.95	62.35	65.14
Taxes on International Trade	**178.43**	**172.58**	**172.96**	**170.61**	**186.66**
Of Which:					
Import Duty	48.16	47.12	47.60	48.33	49.35
Excise Duty	22.52	20.18	22.73	20.22	27.22
Customs Service Charge	29.30	30.68	30.23	30.37	32.91
VAT	74.11	71.20	69.11	68.39	72.91
Licenses	**25.40**	**23.44**	**26.13**	**25.18**	**28.36**
Non-Tax Revenue	**68.48**	**50.34**	**42.05**	**41.95**	**64.03**
Capital Revenue & Grants	**99.20**	**46.56**	**31.98**	**60.35**	**40.22**
Current Expenditure	**521.41**	**495.18**	**488.92**	**491.26**	**508.92**
Personal Emolument & Wages	221.82	231.17	242.90	250.95	228.87
Interest Payments	55.31	46.04	44.39	47.91	45.67
Domestic	33.85	23.42	23.29	29.45	27.29
External	21.46	22.62	21.10	18.46	18.38
Transfers & Subsidies	177.09	143.63	131.17	126.30	140.82
Goods & Services	67.19	74.34	70.46	66.10	74.55
Capital Expenditure	83.52	72.52	54.16	151.77	125.21
Current Balance	**-31.46**	**-32.70**	**-16.29**	**-28.68**	**26.27**
Overall Balance	**-15.77**	**-58.66**	**-38.47**	**-120.10**	**-58.72**

Source: Ministry of Finance and Economic Planning; Economic Research and Policy Unit

APPENDIX III – Central Government Fiscal Operations (% growth)

	2010	2011	2012	2013	2014
Current Revenue	**489.95**	**462.48**	**472.63**	**462.58**	**535.19**
Tax Revenue	**421.47**	**412.14**	**430.58**	**420.63**	**471.16**
Taxes on Income & Profits	**108.81**	**114.40**	**122.41**	**111.30**	**140.03**
Of Which:					
Individual	61.69	67.38	71.81	69.24	71.65
Corporation	40.03	37.36	40.90	30.49	40.18
Taxes on Property	**2.90**	**2.81**	**2.70**	**4.04**	**4.01**
Taxes on Domestic Transaction	**105.93**	**98.91**	**106.38**	**109.51**	**112.10**
Of Which:					
Stamp Duty	22.68	15.71	17.41	26.15	26.13
Interest Levy	9.06	10.62	11.91	11.35	11.04
Excise Duty	4.15	4.11	4.82	5.35	5.81
VAT	62.53	61.11	64.95	62.35	65.14
Taxes on International Trade	**178.43**	**172.58**	**172.96**	**170.61**	**186.66**
Of Which:					
Import Duty	48.16	47.12	47.60	48.33	49.35
Excise Duty	22.52	20.18	22.73	20.22	27.22
Customs Service Charge	29.30	30.68	30.23	30.37	32.91
VAT	74.11	71.20	69.11	68.39	72.91
Licenses	**25.40**	**23.44**	**26.13**	**25.18**	**28.36**
Non-Tax Revenue	**68.48**	**50.34**	**42.05**	**41.95**	**64.03**
Capital Revenue & Grants	**99.20**	**46.56**	**31.98**	**60.35**	**40.22**
Current Expenditure	**521.41**	**495.18**	**488.92**	**491.26**	**508.92**
Personal Emolument & Wages	221.82	231.17	242.90	250.95	228.87
Interest Payments	55.31	46.04	44.39	47.91	45.67
Domestic	33.85	23.42	23.29	29.45	27.29
External	21.46	22.62	21.10	18.46	18.38
Transfers & Subsidies	177.09	143.63	131.17	126.30	140.82
Goods & Services	67.19	74.34	70.46	66.10	74.55
Capital Expenditure	83.52	72.52	54.16	151.77	125.21
Current Balance	**-31.46**	**-32.70**	**-16.29**	**-28.68**	**26.27**
Overall Balance	**-15.77**	**-58.66**	**-38.47**	**-120.10**	**-58.72**

Source: Ministry of Finance and Economic Planning; Economic Research and Policy Unit

APPENDIX VI Balance Of Payments

	2009	2010	2011	2012	2013
	In Millions of EC$				
CURRENT ACCOUNT	**(532.78)**	**(562.45)**	**(536.97)**	**(520.77)**	**(566.88)**
GOODS AND SERVICES	**(528.49)**	**(556.18)**	**(523.33)**	**(577.31)**	**(623.09)**
A GOODS	**(649.21)**	**(682.32)**	**(671.91)**	**(721.51)**	**(756.28)**
MERCHANDISE (f.o.b.)	(657.34)	(692.07)	(684.68)	(733.56)	(768.63)
REPAIR ON GOODS	0.02	0.02	0.02	0.02	0.02
GOODS PROCURED IN PORTS BY CARRIERS	8.11	9.72	12.75	12.04	12.34
B. SERVICES	**120.73**	**126.15**	**148.58**	**144.19**	**133.19**
TRANSPORTATION	(100.70)	(94.17)	(93.06)	(104.82)	(108.84)
TRAVEL	197.44	192.82	212.12	217.17	210.88
INSURANCE SERVICES	(19.09)	(19.31)	(18.17)	(21.20)	(22.33)
OTHER BUSINESS SERVICES	57.40	57.14	53.68	62.01	62.56
GOVERNMENT SERVICES	(14.32)	(10.34)	(5.99)	(8.97)	(9.08)
C. INCOME	**(35.13)**	**(33.15)**	**(34.94)**	**(10.31)**	**(10.04)**
COMPENSATION OF EMPLOYEES	19.08	16.60	16.14	19.69	20.27
INVESTMENT INCOME	(54.21)	(49.75)	(51.09)	(30.00)	(30.31)
Direct Investment	(33.46)	(29.79)	(20.04)	(15.00)	(15.34)
Portfolio Investment	6.63	4.07	(1.74)	7.39	4.65
Other Investment	(27.38)	(24.03)	(29.30)	(22.39)	(19.62)
D. CURRENT TRANSFERS	**30.84**	**26.89**	**21.30**	**66.86**	**66.25**
GENERAL GOVERNMENT	0.08	(1.92)	(5.60)	32.85	33.11
OTHER SECTORS	30.76	28.81	26.90	34.01	33.15
CAPITAL AND FINANCIAL ACCOUNT	**550.08**	**616.65**	**478.94**	**595.61**	**602.44**
A. CAPITAL ACCOUNT	**146.44**	**148.04**	**104.31**	**91.81**	**34.78**
CAPITAL TRANSFERS	146.44	148.04	104.31	91.81	34.78
General Government	140.07	141.64	100.54	88.06	30.82
Other Sectors	6.37	6.39	3.77	3.75	3.96
ACQUISITION / DISPOSAL OF NONPRODUCED NONFINANCIAL ASSETS	0.00	0.00	0.00	0.00	0.00
B. FINANCIAL ACCOUNT	**403.64**	**468.61**	**374.63**	**503.80**	**567.66**
DIRECT INVESTMENT	297.60	262.49	231.18	311.59	342.00
Abroad (outward)	0.00	0.00	0.00	0.00	0.00
In Reporting Economy (inward)	297.60	262.49	231.18	311.59	342.00
PORTFOLIO INVESTMENT	49.11	(1.42)	(8.57)	14.85	39.68
OTHER INVESTMENTS	56.93	207.55	152.01	177.37	185.97
Loans	25.48	141.45	31.88	(34.58)	52.89
Central Government	22.18	146.15	31.76	(25.89)	50.00
Government Guaranteed	3.30	(4.69)	0.12	(8.69)	2.89
Commercial Banks	2.90	(17.16)	19.14	62.07	(39.54)
Other Assets	(31.05)	38.08	77.99	107.45	123.80
Other Liabilities	59.59	45.18	23.00	42.42	48.82
NET ERRORS AND OMISSIONS	(4.57)	14.22	(4.12)	(18.29)	29.20
OVERALL BALANCE	12.73	68.43	(62.16)	56.55	64.76
FINANCING	(12.73)	(68.43)	62.16	(56.55)	(64.76)
Change in SDR Holdings	(33.49)	27.99	0.00	0.00	0.00
Change in Reserve Position with the IMF	0.00	0.00	0.00	0.00	0.00
Change in Government Foreign Assets	0.00	0.00	0.00	0.00	0.00
Change in Imputed Reserves	20.76	(96.42)	62.16	(56.55)	(64.76)

Source: Ministry of Finance and Economic Planning; Statistical Department

APPENDIX VII Selected Public Debt Indicators

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
						($m)				
Total Public Debt	790.6	776.9	933.0	993.6	1,104.1	1,188.4	1,233.2	1,336.6	1,445.8	1,544.9
External Debt	466.2	410.3	464.9	518.3	559.0	734.7	764.9	738.1	809.5	877.8
Central Government	415.7	336.4	381.6	423.6	457.1	623.1	668.0	652.7	728.7	810.7
Public Corporations	50.5	73.9	83.3	94.7	101.9	111.6	96.9	85.4	80.8	67.1
Domestic Debt	324.4	366.6	468.1	475.3	545.1	453.7	468.3	598.5	636.3	667.1
Central Government	271.0	304.9	340.9	307.7	379.6	363.5	372.7	487.3	501.0	530.1
Public Corporations	53.4	61.7	127.2	167.6	165.5	90.2	95.6	111.2	135.3	137.0
Debt Servicing										
External	46.8	65.2	65.7	72.6	79.8	84.4	87.2	87.7	88.3	77.5
Central Government	44.7	62.1	61.2	66.2	70.7	71.7	74.6	72.7	72.7	60.8
Public Corporations	2.1	3.1	4.5	6.4	9.1	12.7	12.6	15.0	15.6	16.7
Domestic										
Central Government	27.9	40.1	40.9	41.7	52.8	64.8	47.2	48.7	58.1	72.0
(of which sinking fund)	11.8	11.8	9.0	5.2	6.0	12.0	6.0	4.0	5.5	7.6
GDP (at market price)	1,487.0	1,649.4	1,846.9	1,877.6	1,822.1	1,839.3	1,825.5	1,871.0	1,960.9	1,969.4
Current Revenue	333.6	393.5	430.4	489.5	544.8	490.0	462.5	472.6	491.3	535.2
Total Debt/GDP (%)	53.2	47.1	50.5	52.9	60.6	64.6	67.6	71.4	73.7	78.4
External Debt/GDP (%)	31.4	24.9	25.2	27.6	30.7	39.9	41.9	39.4	41.3	44.6
Domestic Debt/GDP (%)	21.8	22.2	25.3	25.3	29.9	24.7	25.7	32.0	32.4	33.9
Central Government Debt Service/Current Rev	25.3	29.0	25.8	23.1	23.8	30.3	27.6	26.5	27.7	26.2
External Debt Service/ Current Revenue (%)	14.0	16.6	15.3	14.8	14.6	17.2	18.9	18.6	18.0	14.5
Domestic Debt Service/ Current Revenue (%)	11.9	13.2	11.6	9.6	10.8	15.7	11.5	11.2	12.9	14.9

Source: Ministry of Finance and Economic Planning; Debt Management Unit