PROSPECTUS

FOR TREASURY BILL ISSUES
FOR THE PERIOD
JULY 2009 – JUNE 2010

BY THE GOVERNMENT OF
ST. VINCENT AND THE GRENADINES

Ministry of Finance
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July 2009

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I. GENERAL INFORMATION

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

Date of Publication: July 2009

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) and to provide for liquidity in these instruments by virtue of being traded on the Secondary Market via the Eastern Caribbean Securities Exchange (ECSE) platform.

Amount of Issue: Monthly issues of XCD20.0 million each

Legislative Authority: The Treasury Bills Act Chapter 320 as amended

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

II. INFORMATION ON THE TREASURY BILL ISSUE

a. The Government of St. Vincent and the Grenadines (GOVSVG) proposes to auction XCD 20,000,000.00 91-day treasury bills each month during the period July 2009 to June 2010. The Treasury bills will be auctioned on the following dates:

10 July 2009 – Trading Symbol VCB121009

06 August 2009 - Trading Symbol VCB061109

08 September, 2009 - Trading Symbol VCB091209

13 October, 2009 - Trading Symbol VCB130110

09 November, 2009 -Trading Symbol VCB090210

10 December, 2009 - Trading Symbol VCB120310

14January, 2010 - Trading Symbol VCB160410

10 February, 2010 - Trading Symbol VCB130510

15 March, 2010 - Trading Symbol VCB150610

19 April, 2010 - Trading Symbol VCB200710

14 May, 2010 - Trading Symbol VCB160810

16 June, 2010 - Trading Symbol VCB 170910

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

13 July 2009 – Trading Symbol VCB121009

07 August 2009 - Trading Symbol VCB061109

09 September, 2009 - Trading Symbol VCB091209

14 October, 2009 - Trading Symbol VCB130110

10 November, 2009 -Trading Symbol VCB090210

11 December, 2009 - Trading Symbol VCB120310

15 January, 2010 - Trading Symbol VCB160410

11 February, 2010 - Trading Symbol VCB130510

16 March, 2010 - Trading Symbol VCB150610

20 April, 2010 - Trading Symbol VCB200710

17 May, 2010 - Trading Symbol VCB 160810

17 June, 2010 - Trading Symbol VCB 170910

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

12 October, 2009 – Trading Symbol VCB121009

06 November, 2009 - Trading Symbol VCB061109

09 December, 2009 - Trading Symbol VCB091209

13 January, 2010 - Trading Symbol VCB130110

09 February, 2010 -Trading Symbol VCB090210

12 March, 2010 - Trading Symbol VCB120310

16 April, 2010 - Trading Symbol VCB160410

13May, 2010 - Trading Symbol VCB130510

15 June, 2010 - Trading Symbol VCB150610

20 July, 2010 - Trading Symbol VCB200710

16 August, 2010 - Trading Symbol VCB 160810

17 September, 2010 - Trading Symbol VCB 170910

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

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

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

g. 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

h. The minimum bid quantity is $5,000.00

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

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

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

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

The Current List of Licensed Intermediaries are:

- ABI Bank Limited
- Antigua Commercial Bank Limited
- Bank of Nevis Limited
- ECFH Global Investment Solutions Limited
- National Commercial Bank (SVG) Limited
- National Mortgage Finance Company of Dominica Limited
- St. Kitts Nevis Anguilla National Bank Limited
- Republic Finance and Merchant Bank Limited (FINCOR) – Grenada
- Caribbean Money Market Brokers Limited (CMMB) – Saint Lucia
- Caribbean Money Market Brokers Limited (CMMB) – Trinidad and Tobago
- National Bank of Anguilla

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

III EXECUTIVE SUMMARY

The Government of St. Vincent and the Grenadines is proposing to raise EC$20 million monthly during the period July 2009 to June 2010 through the issuance of 91-day Treasury Bills to be auctioned on the Regional Government Securities Market. During the bidding periods, which will be opened at 9:00 a.m. on the auction days and closed at 12:00 noon on the same days, bids of amounts of not less than EC$5,000 and in multiples of EC$1,000 will be processed through intermediaries licensed by the Eastern Caribbean Securities Regulatory Commission. The proceeds of these issues will be used to refinance maturing treasury bills.

The prospectus is presented amidst the global economic downturn and financial crisis which threatens the progress made towards fiscal consolidation, following robust economic growth for the four year period 2004 – 2007. Preliminary estimates indicate that the economy slowed considerably in 2008 as a result of a significant decline in tourism activity, lower Foreign Direct Investment and construction activity. In 2008, with a few exceptions of government services and communications most of the major sectors declined. Government services grew by 8.98 per cent compared with 3.67 per cent in 2007 while communications maintained positive growth of 5.08 per cent compared with 12.42 per cent in 2007.

Preliminary data show that the central government closed 2008 with a current saving of EC$52.78 million a decline of 4.3 per cent from the EC$55.1 million in 2007. The primary balance recorded a surplus of EC$19.0 million compared with a deficit of EC$9.71 million in 2007. The overall balance also improved, contracting to a deficit of EC$27.8 million from one of EC$45.5 million in 2007.

As at December 31, 2008, indicators were that Public Debt increased to EC$1.07 Billion (68.4per cent of GDP), comprising of EC$506 million in domestic and EC$566.7 million in external debt. Public sector debt decreased by 7 per cent between the years 2006 and 2007, falling to EC$991.3 million at the end of fiscal year 2007 (66.8per cent of GDP). The decrease in 2007 was primarily due to the settlement of the loan for the Ottley Hall Shipyard.

IV. HISTORY

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

The first permanent settlers arrived on the shores of the islands in 1635. These new inhabitants were African slaves who escaped the sinking of the Dutch slave ship on which they were being transported. The escaped Africans intermarried with the Caribs and became known as “black Caribs”. After several skirmishes, the black Caribs and the original Carib Indians agreed in 1700 to subdivide the islands between themselves; the original Carib Indians occupying the 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 Hugues. More than 5,000 black Caribs were eventually deported to Roatan, an island off the coast of Honduras.

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

V. DEMOGRAPHICS

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

Table 1 shows the percentage composition of different average groups of total population from 1991 to 2001.

Table 1: Percentage of Age Group of Total Population

Age groups	2001 %	1991 %
<= 15	30.7	37.2
15-29	27.8	29.5
30-44	21.1	16.1
45-64	13.2	10.7
>=65	7.3	6.5
Total	**100**	**100**

The results of the 2001 census, indicated an unemployment rate of 22%.

VI. FINANCIAL ADMINISTRATION AND MANAGEMENT

The Ministry of Finance is headed by the Minister of Finance and comprises several departments over which the Director General has administrative control. Debt management functions have been centralized in the Debt Management Unit of the Ministry of Finance and Economic

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

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

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

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

VII. MACRO ECONOMIC PERFORMANCE

Economic Growth

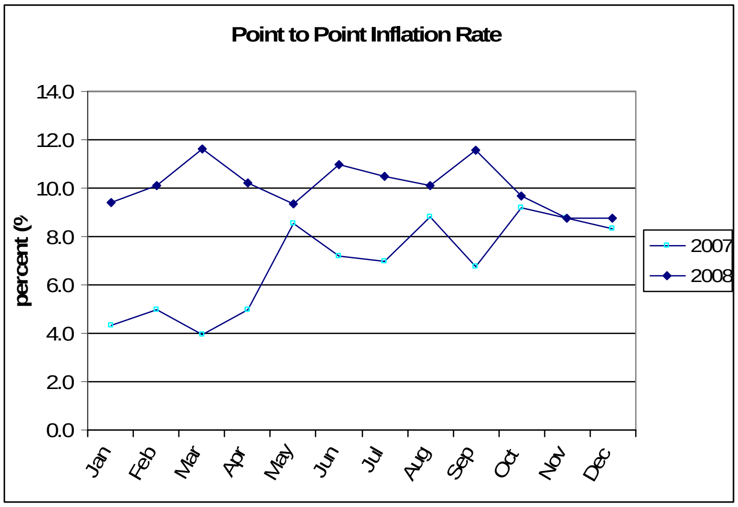
Preliminary estimates indicate that economic activity in St. Vincent and the Grenadines slowed considerably in 2008.

.Inflation

A review of the Consumer Price Index for the year 2008 indicated that the average annual “point-to-point” inflation rate was 10.1 percent compared with 6.9 percent for the year 2007. The accumulated inflation for the year 2008 was recorded at 8.7 percent compared with 8.3 percent for the year 2007. The “All Items” index moved from 125.5 in January 2008 to 134.6 in December 2008.

The monthly inflation for 2008 fluctuated from a low of 3.7 percent in May to a high of 10.4 percent in November. The highest “point-to-point” inflation rate for the year 2008 was 11.6 percent which was recorded in the months of March and September. The lowest “point-to-point” inflation rate was 8.7 percent which was achieved in the months of November and December 2008. The “All Items” indices in 2008 were higher than those for 2007. 2007 .

Chart 1: Point to Point Inflation



VIII. SECTORAL DEVELOPMENTS

Agriculture

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

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

The agriculture sector employs approximately a quarter of the workforce and contributed 9.0 per cent to GDP in 2008, compared with 9.6 per cent in 2007. The marginal decrease can be attributable to the declining contribution of bananas to GDP, the banana industry remains an important segment to the nation's economic development, contributing significantly to rural employment and the enhancement of the national food supply.

Fisheries

Fisheries development remains an integral part of the Government's economic diversification policy. In 2008 the industry contributed 1.2 per cent to GDP compared with 1.8 per cent in 2007. The Government also recognizes that interventions in the artisan fisheries sector are critical to the enhancement of incomes in the rural coastal communities, especially those with a strong tradition in fishing. It is for this reason that the creation of a commercially viable fishing industry, while ensuring the sustainability of fisheries resources, remains a fundamental policy of the Government.

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

Tourism

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

Visitor arrivals during the year 2008 declined by 11.8 per cent to 249,868, compared with the comparative period in 2007. This movement has been attributed to global economic downturn. Notwithstanding, the sector recorded an increase in yacht passenger arrivals while stay-over, same-day and cruise ship visitors declined. Activity in the cruise ship sector decreased by 19.3per cent to 116,709 in 2008 compared with 144,555 during the corresponding period in 2007. In contrast activity in the yachting sub-sector increased by 2.4per cent, while the stay-over visitor arrivals decreased by 6.2per cent with 84,101 in 2008 compared to 89,637 over the comparative period in 2007.

Table 1: Visitor Arrivals By Visitor Type

VISITOR TYPE	JAN - DEC 2008	JAN – DEC 2007	ACTUAL CHANGE	% CHANGE
BY AIR				
STAY-OVER	84,101	89,637	(5,536)	(6.2)
SAME DAY	5,781	6,799	(1,018)	(15.0)
SUB TOTAL	89,882	96,436	(6,554)	(6.8)
BY SEA				
YACHT	43,277	42,277	1000	2.4
CRUISE SHIP	116,709	144,555	(27,846)	(19.6)
SUB TOTAL	159,986	186,832	(26,846)	(14.4)
TOTAL	**249,868**	**8**	**(33,410)**	**(11.8)**

Source: Ministry of Tourism St. Vincent and the Grenadines

The majority of the country's tourists come from the U.S., Canada, Europe, South America and the Caribbean. In 2008, 32.6per cent of the stay-over visitors came from the Caribbean, followed by 28.6per cent from the U.S, 18.4per cent from the U.K., 8.2per cent from Canada and 12.2per cent from other countries.

Table 2 shows the number and expenditure of the visitors broken down by different categories for the five years ending December 31, 2008.

Table 2: Visitor Number and Expenditures by Category

	2004	2005	2006	2007	2008
Stay-Over Visitor Arrivals Breakdown:					
U.S.	25,106	27,153	28,598	26,642	24,042
Canada	5,219	6,187	6,542	6,745	6,882
U.K.	12,610	13,941	14,837	16,742	15,442
Caribbean	36,011	39,944	38,219	29,959	28,475
Other Countries	7,775	8,279	9,236	9,549	9,260
Total Stay-Over Visitor Arrivals	**86,721**	**95,504**	**97,432**	**89,637**	**84,101**
Excursionists	12,936	8,928	9,034	6,799	5,781
Yacht Passengers	84,227	81,890	93,638	42,277	43,277
Cruise Ship Passengers	77,585	69,753	106,474	144,455	116,709
Total Visitor Arrivals	**261,469**	**256,075**	**306,578**	**283,268**	**249,868**
Number of Cruise Ship Calls	225	182	263	281	172
Total Visitor Expenditure (*in millions of EC$*)	**258**	**281**	**306**	**300**	**244**

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

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

Manufacturing

St. Vincent and the Grenadines has a small manufacturing sector and contributed 4.5per cent of the economy's GDP in 2008, a marginal decrease from 5.0per cent in 2007. The Government is continuing its effort to make the sector internationally competitive by providing incentives to local companies to increase their productivity.

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

Construction

The construction sector continued its growth path in 2008 albeit at a slower pace than in 2007. The sector's contribution to GDP in 2008 was 11.1per cent, which represented the highest contribution by this sector in the past five years. The construction sector recorded growth of 1.4per cent, this was influenced by lower levels of investment in both the public and private sectors.

IX. BALANCE OF PAYMENTS

The Nation's balance of payments is dependent on international economic developments as well as domestic economic policies and programs. The overall balance of payments position worsened in 2008, moving to a deficit of EC$9.4m (0.6 percent of GDP) from one of EC$5.0min 2007 representing 0.4 per cent of GDP This outcome was the result of a large increase in net outflows on the current account

The Current Account

The chief components of the current account within the balance of payments consist of the goods, the services the income and current transfers accounts. The current account deficit expanded from EC$512.4m (34.2 percent of GDP) to EC$584.m (36.5 percent of GDP) in 2008, influenced by a 5.0 per cent growth in merchandise imports, which outweighed the increase in the value of merchandise exports. Merchandise imports rose from EC$776.5m (51.8 percent of GDP) in 2007 to EC815.5m (50.9 percent of GDP) in 2008. The movement in merchandise imports was attributed in part to larger imports of machinery and equipment, associated with the construction of the international airport. . There was also an increase in payments for imports of oil related products and food and live animals, influenced by the increase in international commodity prices.

The income account measures income flows into and out of the country, including the payment of interest on external indebtedness. Net inflows from the services account declined to EC89.6m, roughly 30.1 per cent below the amount in 2007. This movement was largely due to a decline in gross travel receipts, consistent with the decline in visitor arrivals.

Transfers (commonly known as remittances) are real resources or financial items provided at no cost, and they include money sent to people in St. Vincent and the Grenadines by Vincentians working abroad and grants made to the Government (both in cash and in kind). There was a net inflow of transfers of EC$0.5milliom in 2008. Among current transfers, general government transfers decreased from EC$22.8 million from 2007 to EC$22.3 million in 2008, while transfers in "Other Sectors" increased from EC$32.6 million in 2008 to EC$ 31.7 million in 2007

The Capital and financial account

The chief components of the capital and financial account within the balance of payments consist of capital transfers (including debt relief and assets transferred to or from the country by persons migrating to or from the country) and changes in financial assets and liabilities, which includes direct investment, portfolio investment, financial derivatives and other investment (primarily commercial bank loans and holdings of foreign currency). The capital and financial account surplus increased in 2008 to EC$ 575.3m representing 35.9 per cent of GDP from EC$507.4m (33.93 percent of GDP) in 2007. The capital account surplus decreased to 6.8 per cent of GDP, reflecting a decrease in capital grants received by central government. Net inflows on the financial account grew by 53.4 per cent, recording EC$465.4m (20.0 per cent of GDP) in 2008 compared with EC$303.4m (20.3 per cent of GDP) in 2007. This increase was associated mainly with a 10.2 per cent increase in inflows from direct investment.

Foreign Trade

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

Exports

Preliminary estimates as at December2008 showed that exports increased to $132.8 million from $128.9 million in 2007. Banana exports fell from EC$19.7illion in 2007 to EC$11.4 million in 2008. Manufactured exports grew from EC$25.2 million in 2007 to EC$42.0 million in 2008.

Imports

Preliminary figures as at December 2008 recorded imports increasing steadily moving from EC$882.4 million in 2007 to EC$926.7 million in 2008 . Imports represented 58.9per cent of GDP in 2007and 57.8per cent of GDP in 2008.

X. GOVERNMENT FISCAL OPERATIONS

For the fiscal year ending December31, 2008 the government realized a current saving of EC$52.8 million a decline of 4.2per cent from the EC$55.1 million over the comparative period in 2007. The primary balance was a surplus of EC$19.0 million in contrast to a deficit of EC$14.4 million in 2007. The overall balance also improved, contracting to a deficit of EC$27.8 million in 2008 from a deficit of EC$45.5 million over the corresponding period in 2007 (see Appendix II).

Revenue

As at December 31, 2008 Current Revenue totalled EC$483.6 million, an increase of 12.3per cent when compared with the same period in 2007. The growth in revenue was due primarily to an increase in receipts from taxes on Domestic Transactions (24.7per cent), Income Taxes (6.6per cent) and Non-Tax Receipts (35.1per cent). Indirect taxes accounted for a major portion of the government revenue base. These taxes accounted for 62.3per cent and 62.5per cent of current revenue in 2007 and 2008, respectively. The increase in revenue was in part due to the efforts taken by Government to boost revenue collection, including the introduction of the VAT.

The current Property Tax system is to be replaced by a Market Valuation Property Tax system which is to be implemented in 2009. Currently, Property Tax in St. Vincent and the Grenadines consists of a central government levy on the annual rental value. The rental value is determined administratively using a number of parameters such as size, location and the use of the property. Because of a number of flaws in this system, a decision was taken to move to a market value assessment system.

The government also adjusted the prices of gasoline and diesel to reflect changes in international prices. Consequently the retail prices of gasoline and diesel were adjusted three times in 2007 and five times in 2008. The retail prices of gasoline and diesel were reduced in December 2008 from EC$13.33 and EC$13.00 per gallon to EC$11.73 and EC$11.50 per gallon, respectively.

For the fiscal year ending December 31, 2008 direct taxes on income and profits grew by 6.6per cent and accounted for approximately 22.8per cent of current revenue, compared with the same period in 2007 when it registered growth of 4.9per cent and accounted for 23.9per cent of current revenue. This is in keeping with the government's policy of reforming the tax system and is reflected in the reduction of individual and corporate income tax rates from 37.5per cent to 35.0per cent in 2008. During the period non-tax revenue increased by 35.1per cent and represented 8.6per cent of current revenue, compared with the corresponding period in 2007 when it fell by 7.5 per cent and represented 7.1 per cent of current revenue.

Expenditure

Recurrent expenditure as at December 31, 2008 amounted to EC$430.8 million and represented an increase of 13.9per cent when compared with the same period in 2007. All the major components of recurrent expenditure registered increases when compared to with same period in 2007. During the period expenditure on personal emoluments increased by 9.5per cent, while transfers and subsidies and goods and services registered increases of 23.3per cent and 21.8per cent respectively. The increase in personal emoluments was mainly due to a 5 per cent increase in salaries and the reclassification exercise. The increase in transfer and subsidies was due largely to increased expenditure on training, grants & contributions and pension payments. Growth in expenditure on goods and services was as a result of increased spending on utilities, supplies & materials and maintenance.

As at December 31, 2008, capital expenditure amounted to EC$121.9 million. This amount is down 7.3per cent from the amount spent during the same period in 2007 but reflects significant expenditure on the further development of the social sector such as education (EC$30.0 million) and the improvement of the transport sector including the rehabilitation of the windward highway (EC$11.4 million).

2009 Revenue and Expenditure Budget

The expenditure budget for 2009 amounts to EC$750 million, comprising recurrent expenditure (including amortization) of EC$554 million and capital expenditure of EC$197 million. The total budget is EC$6.5 million or 0.9per cent less than the 2008 approved estimates. The 2009 estimates of current expenditure (excluding amortization) is EC$482 million, which is 7.7per cent more than the estimates for 2008. The increase is reflective of the 3per cent salary increase for public servants and also the effects of the second phase of the reclassification exercise.

The projected growth in revenue for 2009 will come primarily from more efficient tax collection. The 2009 estimates of capital expenditure is significantly lower than the 2008 estimates. This is in keeping with the Government's strategy to only include projects that are ready for implementation. Many of the projects to be funded in 2009 are ongoing projects and include the Tourism Development Project, ICT Development and Education Support. Table 3 shows the breakdown in Capital Expenditure by Sector.

Table 3: Capital Expenditure by Sector 2009

Sector	EC$m	per cent
Administration	22.7	11.5
Agriculture	15.0	7.6
Education	36.8	18.7
Health and Sanitation	13.9	7.0
Security	22.5	11.4
Tourism	6.3	3.2
Transport & Commun.	35.4	17.9
Other	44.7	22.7
Total	197.3	100

Financing of the budget will come from current revenues of EC$485 million, capital grants of EC$72 million, capital revenue of EC$1.0 million, loans of EC$121.7 million and other capital receipts of EC$72 million.

Tax Reductions

The Government has implemented further reductions in income tax effective January 2009. This is the third consecutive year that the Government is reducing income taxes. For individuals the threshold was increased from EC$17,000 to EC$18,000 and the top marginal rate was reduced from 35.0per cent to 32.5per cent. For companies, the standard rate of tax was also reduced from 35.0per cent to 32.5per cent. Additionally, there would be a refashioning of the tax system to bolster business competitiveness, fairness and equity.

Medium Term Projections (2010-2012)

Current Revenue is expected to rise moderately, growing at an average of 5.6per cent over the period. However it is anticipated that it would stabilise at 26.6per cent of GDP during the period, down from its current level of 28.3per cent of GDP. Current Expenditure is projected to grow at an average of 5.0per cent over the same period and to stabilise at 22.7per cent of GDP over the period. The expected increase in current expenditure will be attributed mainly to a higher wage bill which is expected to increase at an average of 10.6per cent of GDP over the period as salary increases of 3per cent, 5per cent and 4per cent have been announced for the three-year period 2009-2011. Government spending on goods and services and transfers are expected to contribute significantly to the expansion in current expenditure rising at an average of 5per cent of GDP over the period.

It is expected that the level of debt will increase in order to finance capital spending, as a result interest payments are likely to increase to an average of 2.9per cent of GDP over the period. To this end, the Government aims to restrict the level of capital expenditure to 7per cent of GDP in the medium term. This strategy is expected to limit the increase of the public debt and to bring it as close as possible to the benchmark level, recommended by the Monetary Council of the ECCB.

The impact of the global financial crisis and economic downturn is likely to threaten growth potential during the medium term. The tourism sector is likely to be severely affected as the main tourism source countries battle with recovery. Consequently, the government has provided specific measures targeting the tourism sector including lowering the tax rate from 30 to 20 percent for 2009 in an effort to cushion the impact of the global slow down. Additionally, Foreign Direct Investment (FDI) and remittances mainly from the United States of America and Europe are likely to hinge on the recovery process in these countries.

XI PUBLIC DEBT

General

As at December 31, 2008, preliminary indicators, show the Public Debt increased to EC$1.07 billion, (68.4per cent of GDP). This amount comprised EC$506.2 million in domestic debt and EC$566.7 in external debt. Major factors leading to the increase include:

1. An additional loan of $40 million for the International Airport Development Company (IADC) in respect of bridge financing for the Argyle International Airport. This loan will be repaid from the proceeds of the sale of state lands over the next five years.
2. A loan of $14.6 million by the SVG Port Authority for the purchase of a crane.
3. The disbursement of approximately $15.44 million for the Windward Highway Rehabilitation and the Basic Education II projects financed by loans from the Caribbean Development Bank (CDB).
4. A 10-year bond, at 8.5 percent interest, totalling $43.20 million issued on the international market.

During the year the government continued its active participation on the Regional Government Securities Market. There were six issues of Treasury bills in the amount of EC$16.0 million each and five issues in the amount of EC$20.0 million each. The average interest rate over the period on these instruments was 5.82per cent. Despite these activities outstanding Treasury bills remain within the limits stipulated by the Treasury Bill Act. Although there is no statutory limit on the amount of outstanding debt, Parliamentary approval must be obtained prior to the contraction of new debt.

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

In recognition of the need to coordinate fiscal and monetary policies the Monetary Council of the Eastern Caribbean Central Bank agreed to the establishment of fiscal benchmarks to guide the fiscal operations of member countries. At its 56th meeting on 21st July, 2006, the Monetary

Council reviewed the fiscal benchmarks and agreed on the following revised benchmarks to be achieved over the medium term, that is, by 2020:

i. A public sector debt to GDP ratio ceiling of 60 per cent;
ii. A public sector primary balance consistent with achieving and maintaining (i) above .

Domestic Public Sector Debt

As at December 31, 2008 domestic debt stood at EC$506.6 million an increased of 2.9per cent over the corresponding period in 2007. Of the total domestic debt approximately 52per cent is financed by the National Commercial Bank (SVG) Ltd. Over the period several statutory corporations and the Accountant General availed their institutions to overdraft facilities and general loans to fund various projects (see table 4).

Table 4: Summary of Internal Public Debt by Creditors

	2004	2005	2006	2007	2008
			as at December 31		
National Commercial Bank	117.1	168	186.5	209.1	263.7
Other Financial Institutions	103.8	112.1	139.1	179.7	141.3
Insurance Companies	22.7	22.7	36.6	38.2	33.5
National Insurance Scheme	23.5	26.2	25.3	43.5	65.7
ECCB	4.1	4.1	4.1	0.0	0.0
Others	16.5	5.8	6.2	22.2	2.4
Total	**287.6**	**338.9**	**397.8**	**492.6**	**506.6**

Source: Ministry of Finance

External Public Sector Debt

As at December 31 2008, External Debt increased to EC$566.7 million following a decline in 2007 as a result of the write-off of EC$164 million (U.S.$74 million) on the loan for the Ottley Hall Shipyard Project. Of the total external debt 83per cent was attributable to the Government, while Public Corporations accounted for 17per cent. The increase in central Government's debt was primarily due to ten-year bond issued on the international financial market.

Tables 5 and 6 provide a breakdown of the external debt by creditor and by economic sector, respectively.

Table 5: Breakdown of External Debt by Creditor

	2004	2005	2006	2007	2008
CDB	142.4	152.7	178.7	211.1	226.0
Republic of China (Taiwan)	19.2	16.8	14.4	11.9	9.5
European Investment Bank	24.0	25.2	34.9	37.5	34.5
USAid	18.8	17.9	16.9	16.1	14.9
Agence Francaise de Development	22.7	20.4	25.9	25.4	24.7
Kuwait Fund	18.1	11.8	11.2	13.9	11.9
IDA/IBRD	36.2	44.0	52.7	55.6	52.8
Westdeutsche Landesbank	101.3	114.8	106.8	0.0	0.0
Bondholders	152.2	173.6	162.7	163.2	180.1
Others	16.2	15.9	14.7	11.9	11.7
Subordinated Loan	44.6	41.3	38.0	0.0	0.0
Total	**596.6**	**634.4**	**656.9**	**546.6**	**566.7**

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

Table 6: Breakdown of External Debt by Economic Sector

	2004	2005	2006	2007	2008
		As at December 31			
Agriculture, Fishing and Forest	21.8	19.7	17.9	16.3	14.4
Air Transport	72.6	71.2	65.2	61.4	57.3
Education and Training	20.9	23.6	28.1	44.2	51.7
Health and Social Welfare	14.1	14.1	18.3	13.5	13.2
Housing and Urban Development	1.7	1.5	1.3	0.0	0.9
Industrial Development	13.5	11.5	9.7	7.7	5.9
Multi Sector	138.9	164.2	136.7	167.9	187.7
Roads and Bridges	44.3	48	59.3	67.2	71.3
Tourist and Hotel Industry	171.1	152.1	174.5	18.9	16.8
Utilities	56.2	70.4	65.8	64.8	62.2
Water Supply and Drainage	17.4	20.4	20.1	21.8	21.4
Other	24.1	37.7	60	62.8	63.9
Total	**596.6**	**634.4**	**656.9**	**546.6**	**566.7**

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

Debt Service

Total Central Government external debt service payments for 2008 amounted to EC$107.2 million compared with EC$102.1 million in 2007. The increase in debt service is concomitant with the increase in the stock of public debt as principal repayment on loans increased to EC$60.36 million in 2008 compared with EC$57.3 million in 2007.

Debt Management Strategy

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

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

seven years as a member of the OECS. This exchange rate has remained at EC$2.70:$US1.00.

Additionally, the Government will pursue a policy of debt reduction and debt rescheduling aimed at reducing debt and debt servicing costs.

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

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

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

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

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

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

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

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

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

Sinking fund

The estimates of revenue and expenditure presented in the Parliament annually contains allocations to a Sinking Fund. The amount budgeted is used to liquidate bonds at maturity. Recently, the Government has opted to amortise bonds. Thus, provision is made annually for repayment from the Consolidated Fund. Currently, Sinking Fund provision is required for two bonds maturing in 2013 and 2014.

XII. MONEY AND CREDIT

Monetary liabilities (M2) expanded by 2.5 percent to $1,031.4m during 2008, largely reflecting an increase in quasi money. Quasi money grew by 6.6 percent ($41.8m), associated with increases in private sector time deposits (27.6 percent) and savings deposits (4.4 percent). Those increases more than offset an 8.5 percent decline in private sector foreign currency deposits. The narrow measure of the money supply fell by 4.5 percent ($16.8m), primarily on account of a 10.3 percent decline in currency with the public.

The counterpart to the expansion in M2 was a 7.0 percent increase to $945.8m in domestic credit, reflecting growth in net credit to the central government and in private sector credit. The net indebtedness of the central government to the banking system rose by 23.3 percent to $108.3m as government borrowed to finance its capital expenditure. Private sector credit increased by 3.0 percent, as growth in household credit more than offset a 6.1 percent decline in loans to businesses. The net deposits of the non-bank financial institutions contracted by 25.8 percent; in contrast to an expansion of 82.8 percent during the comparable period of 2007, largely resulting from a fall in their deposits.

The composition of credit by economic activity shows increases in outstanding loans for manufacturing and mining and quarrying (22.6 percent), agriculture and fisheries (22.4 percent) and construction (12.2 percent). Personal lending, which represented 48.9 percent of total credit during the period, rose by 7.7

percent. Outstanding loans for personal use were channelled primarily for acquisition of property, mainly home construction and renovation. Among the other areas of economic activity, credit for distributive trades grew by 5.9 percent, while a decline of 2.5 percent was recorded in credit for tourism, consistent with decreased activity in that sector.

The net foreign assets of the banking system increased by 9.2 percent to $384.9m during 2008, in contrast to a fall of 17.7 percent one year earlier. The increase largely reflected growth in the commercial banks' net foreign assets (34.5 percent), mainly those held with banks and institutions in the other ECCB territories. St Vincent and the Grenadines imputed share of the Central Bank's reserves fell by 3.8 percent to $223.9m.

Liquidity in the commercial banking system remained at a high level during 2008. The ratio of liquid assets to total deposits plus liquid liabilities was virtually unchanged at 41.5 percent. The ratio of loans and advances to total deposits was 87.2 percent, approximately 3.2 percentage points above the level at the end of 2007.

The interest rate spread between deposit and lending rates widened marginally to 6.84 percent from 6.83 percent at the end of 2007. The weighted average interest rate on deposits was 2.76 percent, representing a decline of 3.0 basis points, and that on loans fell by 2.0 basis points to 9.60 percent.

XIII. MONEY TRANSFER COMPANIES

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

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

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

- Grace Kennedy Money Transfer—Western Union

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

XIV. INSURANCE SECTOR

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

Long-term Insurance companies

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

Motor and General Insurance Companies

- The Beacon Insurance Company
- Caribbean Alliance
- Guardian General Insurance
- CLICO International General
- Great Northern Insurances
- Gulf Insurance
- Guyana and Trinidad Fire & General
- Island Heritage

- Metrocint General
- N.E.M. (W.I) ltd.
- St Hill Insurance Co.Ltd.
- St. Vincent Insurances
- United Insurance
- West Indian Insurance

The Insurance sub-sector is mainly made up of branches/agencies of CARICOM based insurance companies. There are also five locally incorporated companies. The Insurance laws and Regulations apply equally to both domestic and foreign companies. The fallout of the Trinidad and Tobago based C L Financial Group has emphasized the need to strengthen the regulatory and supervisory framework of non-bank institutions. The government in collaboration with the ECCB and other regional leaders is coordinating information sharing and a regional response the this crisis.

Most recent data shows that the total assets in the insurance market increased by 17.3per cent during 2006 to total EC$339.9 million, while liabilities amounting to EC$303.6 million moved in tandem. Gross premiums including annuities increased by 22.3per cent to EC$134.4 million. In the long-term insurance sub-sector, three companies controlled 92.4per cent of the market when ranked by their gross premium. On the other hand, seven companies in the motor and general market controlled 77.3per cent when ranked by gross premium.

Insurance penetration (premium as a percentage of GDP) moved from 4.4per cent in 2000 to 10.2per cent in 2006. Motor and general remained relatively flat at approximately 4.0per cent of GDP while long-term insurance continuously improved to 6.3per cent of GDP in 2006. During the year, reinsurance for short-term insurance business amounted to EC$30.1 million, up by 14.9per cent.

In the short-term insurance segment of the industry, the loss ratios (claims paid by the company to premiums received) increased to 16.6per cent in 2006 up from 15.5per cent in 2005 with seven companies averaging above the market. The loss ratio for the long-term insurance sector improved slightly during 2006 moving from 30.0per cent in 2005 to 29.2per cent in 2006. Net claims in the industry amounted to EC$32.8 million, up by 26.6per cent from 2005. The industry’s statutory deposits held by the supervisor of insurance during the year amounted to EC$20.0million.

XV. MONEY LAUNDERING AND ILLICIT ACTIVITIES

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

1. receipt and analysis of suspicious transaction reports that are required to be made under the Proceeds of Crime and Money Laundering (Prevention) Act, Act No. 39 of 2001;
2. collection of information from financial institutions and other relevant bodies for the purpose of investigating relevant offences;
3. investigation of relevant offences;
4. dissemination of information;
5. international cooperation in the exchange of financial information;
6. awareness raising and education of financial and business institutions on their obligations to detect, prevent and deter money laundering and associated offences.

The FIU works in close partnership with other national agencies to ensure that the country has a comprehensive anti-money laundering system that identifies and effectively addresses suspected illegal activity, The Government has used the establishment of the FIU as a means of monitoring money laundering and has made important legislative changes to bring the anti money laundering laws in line with international best practices. In 2008 the Payment System Bill was enacted to ensure, among other things, that the infrastructure and market for payment services work smoothly, efficiently and fairly to all participants and users; and to minimize the risk of transmitting shocks across the economy such as a failure to settle payment obligations by individual participants. The new Act will also enhance the role of the Central Bank as the supervisor and regulator of the payment system.

XVI. BANKING AND FINANCIAL INSTITUTIONS

Overview

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

All of the above institutions are regulated either by the ECCB or the Ministry of Finance and Planning. The Money Services Business Act, which became operational in April 2006, has improved accounting and registration of money transfer institutions. Improving the regulatory framework of these institutions is a high priority for the Government of St Vincent and the Grenadines. The Ministry of Finance and Planning in collaboration with the ECCB has undertaken a project for the development of an Integrated Regulatory Framework for this sector, which will bring all the Non-Bank Financial Institutions under a single regulatory regime. A Supervisory and Regulatory Division has been established in the Ministry of Finance and Planning to oversee the regulation and supervision of the insurance companies, the BLS, the money transfer operations, and ultimately credit unions. This Division will become fully operational during 2009.

The fallout of the Trinidad and Tobago based CL Financial Group created concerns among the local financial system. The Government is coordinating with other regional governments appropriate information sharing and responses to this crisis.

Offshore Banks

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

Government remains committed to the further development of the International Financial Services Sector as a viable component of its economic diversification thrust. Accordingly, efforts will be made to continue to offer top quality products and services which are in compliance with best international practices.

To achieve this goal, measures will be adopted to ensure that IFSA promotes efficiency in its licensing and processing of applications, and that IFSA's technological capacity is modernized. IFSA will also forge relationships with international agencies and regulatory authorities to capitalize on opportunities for sharing of expertise and for institutional development. Accordingly, IFSA is preparing for the upcoming mutual evaluation of the entire Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) regime to be conducted by the International Monetary Fund and would assess St. Vincent and the Grenadines' regime against the Financial Action Task Force "Forty Plus Nine Recommendations" on AML/CFT.

Foreign Exchange and International Reserves

St. Vincent and the Grenadines and the ECCB have adopted a fixed exchange rate regime whereby exchange rates for the sale of EC dollars into other currencies are determined by the ECCB. Since 1976, the EC dollar has been pegged to the U.S. dollar at a rate of EC$2.70 to U.S.$1.00.

XVII. CURRENT ISSUES OF GOVERNMENT SECURITIES.

As at March 31, 2009, the Government's outstanding securities traded on the Regional Government Securities Market are listed hereunder:

1. **TREASURY BILLS**

- **Issues Outstanding** Issue $60.0M
- **Type of Issue** Government of St Vincent and The Grenadines Treasury Bills
- **Maturity in days** 91 days
- **Date of Issues** Every 91 days
- **Yields** Weighted Avg. 5.82 %
- **Discount Price** $98.54 – $98.54

2. **BONDS**

VCG 100814

- **Amount Outstanding** $30.0 m
- **Type of Issue** St Vincent and The Grenadines Development Bonds

- **Original Maturity** **1**0 years
- **Remaining Maturity** 6 years
- **Date of subscription** August 2004,
- **Redemption Date** August 2014,
- **Coupon Rate** 7.00 %
- **Amount offered for sale** $30.0 Million

VCG 100816

- **Amount Outstanding** $30.0 M
- **Type of Issue** St Vincent and The Grenadines Development Bonds
- **Original Maturity** 10 years
- **Remaining Maturity** 8 years
- **Date of subscription** August 2006
- **Redemption Date** August 2016
- **Coupon Rate** 7.5%
- **Amount offered for sale** $40.0M

VCG 100917

- **Amount Outstanding** $25.5M
- **Type of Issue** St Vincent and The Grenadines Development Bonds
- **Original Maturity** 10 years
- **Remaining Maturity** 8. 5 Years
- **Date of subscription** September 2007
- **Redemption Date** September 2017
- **Coupon Rate** 7.50%
- **Amount offered for sale** $30.0M

VCG 070316

- **Amount Outstanding** $13.3M
- **Type of Issue** St Vincent and The Grenadines Development Bonds
- **Original Maturity** **7** years
- **Remaining Maturity** **7 y**ears
- **Date of subscription** March 2009

- **Redemption Date** March 2016
- **Coupon Rate** 8.0 %
- **Amount offered for sale** $15.0M

VCG 0316AA

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

VCG 0316AB

- **Amount Outstanding** $16.7M
- **Type of Issue** St Vincent and The Grenadines Development Bonds
- **Original Maturity** **7** years
- **Remaining Maturity** **7** years
- **Date of subscription** May 2009
- **Redemption Date** May 2016
- **Coupon Rate** 8.0 %
- **Amount offered for sale** $16.7M

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

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

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

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

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

APPENDIX I – LIST OF LICENSED INTERMEDIARIES

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
Anguilla		
National Bank of Anguilla Ltd	P O Box 44 The Valley Tel: 264-497-2101 Fax: 264-497-3310 Email: nbabankl@anguillanet.com	**Principal** Selwyn Horsford **Representative** Idona Reid
Antigua and Barbuda		
ABI Bank Ltd.	ABI Financial Centre Redcliffe Street St John's Tel: 268 480 2824 Fax: 268 480 2765 Email: abibsec@candw.ag	**Principals** Casroy James Carolyn Philip **Representative** Laura Abraham
Antigua Commercial Bank Ltd.	ACB Financial Centre P O Box 3089 St John's Tel: 268 481 4200 Fax: 268 481 4158 Email: acb@candw.ag	**Principal** Peter N Ashe **Representative** Sharon Nathaniel
Dominica		
National Mortgage Finance Company of Dominica Ltd. (NMFC)	64 Hillsborough Street Roseau Tel: 767 448 4401/4405 Fax: 767 448 3982 Email: ncbdom@cwdom.dm	**Principals** Caryl Phillip-Williams Linda Toussaint-Peter Curtis Clarendon **Representatives** Debra Gordon-Peters Joel Denis
Grenada		
Republic Finance and Merchant Bank Ltd. (FINCOR)	**Melvin Street** **St George's** Tel: 473 444 1875 **Fax: 473 444 1879** **Email: fincorec@spiceisle.com**	**Principal** Wilma Williams **Representatives** Mark Salina Sharlene Thomas

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
St Kitts and Nevis		
St Kitts Nevis Anguilla National Bank Ltd.	P O Box 343 Central Street Basseterre Tel: 869 465 2204 Fax: 869 465 1050 Email: national_bank@sknanb.com	**Principals** Winston Hutchinson Anthony Galloway **Representatives** Marlene Nisbett Petronella Edmeade-Crooke
The Bank of Nevis Ltd.	P O Box 450 Charlestown **Tel: 869 469 5564** Fax: 869 469 5798 E mail: bon@caribsurf.com	**Principals** Hanzel Manners Kevin Huggins **Representatives** Lisa Jones Vernesia Walters
St Lucia		
ECFH Global Investment Solutions Limited	1 Bridge Street Castries Tel: 758 456 6826 Fax: 758 456 6733	**Principals** Donna Matthew Beverley Henry Carla Morton-Campbell **Representative** Dianne Augustine Lawrence Jean
Caribbean Money Market Brokers Ltd. (CMMB St Lucia)	9 Brazil Street Castries Tel: 758 450 2662 Fax : 758 451 7984	**Principals** Carole Eleuthere-Jn Marie Sharmaine Rosemond **Representative** Anderson Soomer
St Vincent and The Grenadines		
National Commercial Bank (SVG) Ltd.	P O Box 880 Cnr. Bedford and Grenville Streets Kingstown Tel: 784 457 1844 Fax: 784 456 2612 Email: natbank@caribsurf.com	**Principals** Keith Inniss Jeffrey Ledger **Representatives** Patricia John Rashida Stephens

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
Trinidad and Tobago		
Caribbean Money Market Brokers Ltd. (CMMB)	*No. 1 Richmond Street, Ground Floor* Furness Court, Independence Square **Port of Spain** **Tel: 868 623 7815/5153** **Fax: 868 624 4544/9833; 627 2930** Email: info@mycmmb.com	**Principal** Brent Salvary **Representative** Vishwatee Jagroop

APPENDIX II – Central Government Fiscal Operations

	2004	2005	2006	2007	2008
			EC$ Millions		
Current Revenue	324.9	333.6	396.4	433.34	483.6
Tax Revenue	290.9	304.8	363	402.4	442
Taxes on Income & Profits	80.4	89.8	98.8	103.6	110.4
Of Which:					
Individual	38.5	41.1	49.3	54.3	55.9
Company Tax	37.5	44.4	43.5	43.1	46.7
Taxes on Property	2.5	2.5	2.6	2.5	2.2
Taxes on Domestic Goods & Services	52.1	52.2	74.2	102.2	119
Of Which:					
Stamp Duty	20.9	21	38.2	28	29.2
Consumption Duties	7.5	6.4	7.2	3.6	0
Hotel Turnover Tax	5.1	6.8	7.5	6.1	0
VAT				31.5	67.3
Taxes on Int'l Trade & Transaction	138.1	141.9	163.2	167.7	183.1
Of Which:					
Import Duty	29.5	32.4	35.1	43.3	43.9
Consumption Tax	81.8	80	94.2	32	0.5
Customs Service Charge	20.8	22.3	26.1	28.7	29.9
VAT				55.5	83.4
Licences	17.8	18.4	24.2	26.4	27.3
Non-Tax Revenue	34	28.8	33.4	30.9	41.6
Current Expenditure	294.6	325	356.2	378.2	430.8
Personal Emoluments & Wages	145.9	158.9	171.3	188.9	206.8
Interest Payments	27.6	36.1	43.2	44.7	46.8
Domestic	13.3	16.6	20.2	23.4	23.8
External	14.3	19.5	23	21.3	23
Transfers & Subsidies	52.4	60.5	65.2	69.9	86.2
Other Goods & Services	68.7	69.5	76.5	74.7	91
Current Balance	30.3	8.6	40.2	55.1	52.8

APPENDIX III – Central Government Fiscal Operations (% growth)

	2004	2005	2006	2007	2008
			in percentages		
Current Revenue	2.1	2.7	18.8	9.3	11.6
Tax Revenue	6.8	4.8	19.1	10.9	9.8
Taxes on Income & Profits	4.4	11.7	10.0	4.9	6.6
Of Which:					
Individual	9.7	6.8	20.0	10.1	2.9
Company Tax	-1.6	18.4	-2.0	-0.9	8.4
Taxes on Property	-7.4	0.0	4.0	-3.8	-12.0
Taxes on Domestic Goods & Services	10.4	0.2	42.1	37.7	16.4
Of Which:					
Stamp Duty	5.0	0.5	81.9	-26.7	4.3
Consumption Duties	25.0	-14.7	12.5	-50.0	-100.0
Hotel Turnover Tax	21.4	33.3	10.3	-18.7	-100.0
VAT					113.7
Taxes on Int'l Trade & Transaction	3.9	2.8	15.0	2.8	9.2
Of Which:					
Import Duty	1.0	9.8	8.3	23.4	1.4
Consumption Tax	3.7	-2.2	17.8	-66.0	-98.4
Customs Service Charge	7.8	7.2	17.0	10.0	4.2
VAT					50.3
Licences	40.2	3.4	31.5	9.1	3.4
Non-Tax Revenue	-25.6	-15.3	16.0	-7.5	34.6
Current Expenditure	6.9	10.3	9.6	6.2	13.9
Personal Emoluments & Wages	4.9	8.9	7.8	10.3	9.5
Interest Payments	-1.1	30.8	19.7	3.5	4.7
Domestic	-18.9	24.8	21.7	15.8	1.7
External	24.3	36.4	17.9	-7.4	8.0
Transfers & Subsidies	10.1	15.5	7.8	7.2	23.3
Other Goods & Services	12.8	1.2	10.1	-2.4	21.8
Current Balance	-29.0	-71.6	367.4	37.2	-4.2

APPENDIX IV– GDP Growth Rate by Sector

	2004	2005	2006	2007	2008 Prel
Agriculture	-5.21	-3.94	7.23	12.72	-6.53
Crops	-7.23	-2.75	7.41	11.59	-0.53
Bananas	5.66	-14.44	-13.84	5.83	-11.12
Other Crops	-11.10	1.42	13.79	12.90	1.73
Livestock	1.97	1.93	2.07	2.87	2.00
Forestry	1.06	1.05	1.04	1.03	1.02
Fishing	-1.99	-13.11	11.68	26.59	-34.78
Mining & Quarrying	6.51	2.78	11.35	14.08	1.70
Manufacturing	3.27	1.56	2.97	1.08	-9.70
Electricity & Water	7.06	8.45	1.82	4.94	-0.87
Construction	14.71	0.41	11.41	14.40	1.43
Wholesale & Retail Trade	9.81	4.44	6.79	4.75	-1.52
Hotels & Restaurants	7.30	9.49	1.32	1.70	-2.70
Transport	10.10	-0.71	17.51	11.47	-8.15
Road	13.28	-0.85	17.89	13.86	-8.14
Sea	-1.43	3.05	18.27	13.03	-8.12
Air	12.36	-7.30	12.53	-13.30	-8.41
Communications	19.32	-1.11	10.34	12.42	5.08
Banks & Insurance	3.06	10.36	5.82	6.80	-2.97
Real Estate & Housing	1.48	1.52	1.95	3.04	1.48
Government Services	2.52	5.27	4.26	3.67	8.98
Other Services	5.99	10.00	3.47	5.03	5.00
Less Imputed Service Charge	10.00	6.53	9.26	6.14	-4.66
TOTAL	6.80	2.58	7.64	8.02	-0.59

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

APPENDIX V BALANCE OF PAYMENTS SUMMARY

	2003	2004	2005	2006	2007	2008
			EC$ Millions			
Current Account						
Goods and Services						
Goods						
Merchandise	(373.1)	(436.6)	(463.8)	(542.2)	(647.7)	(682.7)
Repair on goods	-	0.0	0.00	0.01	0.02	0.02
Carrier goods procured in ports	4.0	5.4	5.3	6.2	8.9	9.2
Total	(369.1)	(431.2)	(458.5)	(535.9)	(638.7)	(673.5)
Services						
Transportation	(54.4)	(57.9)	(64.1)	(71.6)	(91.2)	(91.9)
Travel	212.1	219.4	240.3	263.4	245.7	191.0
Insurance Services	(12.3)	(13.9)	(15.2)	(16.2)	(20.8)	(21.9)
Other Business Services	43.7	52.1	64.7	62.6	18.1	35.9
Government Services	(5.0)	(5.3)	(13.3)	(15.7)	(23.6)	(23.5)
Total	184.1	194.4	212.4	222.5	128.2	89.6
Total Goods and Services	(185.1)	(236.8)	(246.1)	(313.5)	(510.5)	(583.9)
Income						
Employee Compensation	1.6	1.8	1.3	8.5	15.8	16.2
Investment Income	(66.0)	(78.8)	(73.5)	(73.8)	(72.2)	(71.9)
Total	(64.3)	(77.0)	(72.3)	(65.3)	(56.4)	(55.7)
Current Transfers						
General Government	(2.7)	(1.0)	(0.9)	15.7	22.8	22.3
Other Sectors	37.6	39.1	49.7	38.7	31.7	32.6
Total	34.8	38.1	48.7	54.4	54.4	54.9
Total Current Account	**(214.6)**	**(275.7)**	**(269.5)**	**(324.3)**	**(512.4)**	**(584.7)**
Capital and Financial Account						
Capital Account						
Capital Transfers	38.8	51.1	38.4	22.0	204.0	109.9
Financial Account						
Direct Investment	148.9	177.4	108.1	294.7	296.5	326.6
Portfolio Investment	55.9	89.6	(22.2)	33.8	(21.7)	(10.3)
Other Investments						
Public Sector Long Term	(7.0)	4.6	44.2	(33.4)	(6.8)	
Other Public Sector Capital	3.7	2.3	25.7	23.1	11.2	
Commercial Banks	(46.1)	(49.3)	(17.6)	26.2	98.2	(41.3)
Other Assets	(47.3)	(23.4)	14.9	(56.9)	(38.4)	(8.9)
Other Liabilities	24.1	19.5	16.7	16.8	(81.6)	67.6
Total	(72.6)	(46.3)	83.9	-24.2	(17.4)	
Total	132.3	224.6	169.8	304.2	303.4	465.4
Total Capital and Financial Account	**171.0**	**271.8**	**208.3**	**326.2**	**507.4**	**575.3**
Overall Balance	**(1.3)**	**68.6**	**(7.8)**	**32.7**	**(5.0)**	**(9.4)**
Financing	1.3	(68.6)	7.8	(32.7)	5.0	9.4
Change in Government Foreign Assets	(4.2)	(4.5)	(6.8)	(8.0)	27.2	0.6
Change in Imputed Reserves	5.5	(64.2)	14.6	(24.7)	(22.3)	8.8

APPENDIX VI - Selected Public Debt Indicators

	2004	2005	2006	2007[R]	2008[P]
			EC$ Millions		
Public Debt					
External Debt					
Central Government	563.9	583.9	575.9	413.8	464.7
Public Corporations	32.6	50.5	81	98.1	102.0
Total	596.5	634.4	656.9	511.9	566.7
Domestic Debt					
Central Government	245	272.9	328.4	352.5	339.0
Public Corporations	42.6	65.9	79.4	127	167.6
Total	287.6	338.8	407.8	479.5	506.6
Total Public Debt	**884.1**	**973.2**	**1064.7**	**991.4**	**1073.8**
Debt Servicing					
External					
Central Government	35.5	52.8	62.1	61.2	66.21
Public Corporations	2.3	1.6	2.5	6.1	4.5
Total	37.9	54.4	64.6	67.3	70.71
Domestic					
Central Government	25.01	32.59	40.1	31.9	40.99
(of which sinking fund)	6	11.83	11.8	9	5.2
GDP (at market price)	1117	1182	1330	1484	1570
Current Revenue	324.71	333.57	393.46	430.4	483.6
Total Debt as% of GDP	79.20	82.30	80.10	66.81	68.4
Central Government Debt Service/Current Revenue	18.60	25.60	26.00	21.60	22.20

Source: Ministry of Finance

R – revised

P - preliminary

Appendix V11: Detailed Monetary Survey

In thousands of Eastern Ca

	2004	2005	2006	2007	2008
1. NET FOREIGN ASSETS	**426,842**	**429,863**	**428,390**	**352,463**	**384,944**
1.1 Central Bank (Imputed Reserves)	**200,349**	**185,750**	**210,427**	**232,684**	**223,880**
1.1.1 Imputed Assets	210,615	195,114	217,548	237,872	229,978
1.1.2 Imputed Liabilities	10,267	9,364	7,121	5,188	6,098
1.2 Commercial Banks (net)	**226,493**	**244,113**	**217,963**	**119,779**	**161,064**
1.2.1 External (net)	106,244	181,233	117,291	61,140	17,423
1.2.1.1 Assets	245,754	320,308	255,011	228,917	210,605
1.2.1.2 Liabilities	139,510	139,075	137,720	167,777	193,182
1.2.2 Other ECCB Territories (net)	120,249	62,880	100,672	58,639	143,641
1.2.2.1 Assets	192,697	178,428	257,533	338,781	377,946
1.2.2.2 Liabilities	72,448	115,548	156,861	280,142	234,305
2. NET DOMESTIC ASSETS	**451,845**	**490,664**	**547,656**	**703,944**	**686,250**
2.1 Domestic Credit	**622,941**	**700,239**	**796,603**	**933,875**	**985,529**
2.1.1 Private Sector	676,997	692,435	788,248	899,203	926,440
2.1.1.1 Households Credit	438,301	465,061	502,257	540,836	588,682
2.1.1.2 Business Credit	204,856	213,168	272,843	350,619	329,309
2.1.1.2.1 Loans	204,856	213,168	272,843	350,619	329,309
2.1.1.2.2 Investments	-	-	-	-	-
2.1.2 Non-Bank Financial Institutions (NBFI) (N	(23,134)	(32,242)	(23,138)	(42,287)	(31,372)
2.1.2.1 Credit	33,840	14,206	13,148	7,748	8,449
2.1.2.1.1 Loans	5,147	6,206	8,088	2,188	2,889
2.1.2.1.2 Investments	28,693	8,000	5,060	5,560	5,560
2.1.2.2 Deposits	56,974	46,448	36,286	50,035	39,821
2.1.3 Subsidiaries & Affiliates (Net)	(219)	-	-	(35)	-
2.1.3.1 Credit	-	-	-	-	-
2.1.3.1.1 Loans	-	-	-	-	-
2.1.3.1.2 Investments	-	-	-	-	-
2.1.3.2 Deposits	219	-	-	35	-
2.1.4 Non Financial Public Enterprises (Net)	(63,189)	(66,619)	(60,328)	(53,153)	(49,203)
2.1.4.1 Credit	50,155	46,868	43,906	59,983	92,349
2.1.4.1.1 Loans	50,155	46,868	43,906	59,983	92,349
2.1.4.1.2 Investments	-	-	-	-	-
2.1.4.2 Deposits	113,338	113,478	104,232	113,000	141,416
2.1.5 Central Government (Net)	9,133	74,423	68,682	87,826	108,292
2.1.5.1 Credit to Central Government	152,328	221,160	221,750	240,256	238,038
2.1.5.1.1 Central Bank Credit	10,261	9,361	7,067	5,182	6,081
2.1.5.1.1.1 Central Bank Loans and Advar	6,261	5,361	3,067	5,182	6,081
2.1.5.1.1.1.1 Central Bank Advances	6,261	5,361	3,067	5,182	6,081
2.1.5.1.1.1.1.1 Advances to Governme	-	-	-	-	-
2.1.5.1.1.1.1.2 Gov'ts Operating Accou	6,261	5,361	3,067	5,182	6,081
2.1.5.1.1.1.2 Central Bank Loans	-	-	-	-	-
2.1.5.1.1.2 Central Bank Treasury Bills Ho	-	-	-	-	-
2.1.5.1.1.3 Central Bank Debentures	4,000	4,000	4,000	-	-
2.1.5.1.1.4 Central Bank Interest Due on S	-	-	-	-	-
2.1.5.1.1.5 Central Bank Government Spe	-	-	-	-	-
2.1.5.1.2 Commercial Bank Credit	142,067	211,799	214,683	235,074	231,957
2.1.5.1.2.1 Commercial Banks Loans & Ac	104,295	133,625	149,294	193,992	197,484
2.1.5.1.2.2 Commercial Banks Treasury B	8,899	23,327	24,750	11,827	8,230
2.1.5.1.2.3 Commercial Banks Debentures	28,873	54,847	40,639	29,255	26,243
2.1.5.2 Deposits of Central Government (-)	143,195	146,736	153,068	152,430	129,747
2.1.5.2.1 Commercial Banks Deposits	102,314	124,617	130,427	145,982	127,112
2.1.5.2.2 Central Bank Deposits	40,881	22,119	22,641	6,448	2,635
2.1.5.2.2.1 Govt Deposits, Call Acc & Fixe	40,880	22,115	19,063	6,448	2,635
2.1.5.2.2.2 Sinking Fund Call Account	1	4	3,578	-	-
2.1.5.2.2.3 Govt Operating Accounts	-	0	0	0	0
2.1.5.2.2.4 Govt Bonds Proceeds	-	-	-	-	-
2.1.5.2.2.5 Govt Disaster Mitigation Loan	-	-	-	-	-
2.1.5.2.2.6 Govt Securities Proceeds	-	-	-	-	-
2.1.5.2.2.7 Local Government Operating A	-	-	-	-	-
2.1.5.2.2.8 Local Government Fixed Depo	-	-	-	-	-
Other Items (net)	**(171,096)**	**(209,576)**	**(248,946)**	**(229,931)**	**(299,278)**
3. MONETARY LIABILITIES (M2)	**878,687**	**920,527**	**976,046**	**1,056,407**	**1,071,194**
3.1 MONEY SUPPLY (M1)	**311,460**	**349,457**	**361,658**	**391,075**	**374,574**
3.1.1 Currency with the Public	64,387	74,437	80,499	89,816	80,535
3.1.1.1 Currency in Circulation	88,647	103,981	101,399	121,350	115,487
3.1.1.2 Cash at Commercial Banks	24,260	29,544	20,900	31,534	34,952
3.1.2 Private Sector Demand Deposits	247,073	275,020	281,159	301,259	294,039
3.2 QUASI MONEY	**567,227**	**571,070**	**614,388**	**665,332**	**696,620**
3.2.1 Private Sector Savings Deposits	386,266	440,852	483,687	520,861	544,855
3.2.2 Private Sector Time Deposits	153,256	115,259	98,744	103,598	115,003
3.2.3 Private Sector Foreign Currency Deposits	27,705	14,959	31,957	40,873	36,762

Source: Eastern Caribbean Central Bank
29-May-09