

ADDENDUM II



**PROSPECTUS
FOR TREASURY BILLS AND NOTE
FOR THE PERIOD
NOVEMBER 2018 – OCTOBER 2019**

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

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

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

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August 2019

1.0 GENERAL INFORMATION

- Issuer:** The Government of St. Vincent and the Grenadines
- Address:** The Ministry of Finance, Economic Planning, Sustainable
Development and Information Technology
Administrative Centre
P.O. Box 608
Bay Street
Kingstown
St. Vincent and the Grenadines
- E-mail:** office.finance@mail.gov.vc
- Telephone No.:** (784) 456-1111 Ext. 368
- Facsimile No.:** (784) 457-2943
- Contact Persons:** Hon. Camillo Gonsalves, Minister of Finance & Economic Planning etc
Mr. Edmond Jackson, Director General, Ministry of Finance & Economic
Planning
Ms Debbie Antoine, Accountant General
Mr. Harold Lewis, Debt Manager
- Date of Publication:** August 2019
- Purpose of Issue:** To raise XCD \$20.0 million with an option of an additional XCD \$5.0
million to finance the Public Sector Investment Programme via the Regional
Government Securities Market (RGSM)
- Amount of Issue:** Treasury Bond –7 year issue of XCD \$20.0 (5.0) million
- Legislative Authority:** The Public Sector Investment Loan Act, No. 1 of 2019

This Prospectus is issued for the purpose of giving information to the public. The Government of St. Vincent and the Grenadines accepts full responsibility for the accuracy of the information given, and confirms having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts, the omission of which would make any statement in this Prospectus misleading. All references made to currency, unless otherwise stated, refer to the Eastern Caribbean Dollar.

ABSTRACT

The purpose of this Addendum is to add to the Schedule of issues listed in the Government of St. Vincent and the Grenadines Prospectus dated October 2018; a Treasury Bond in the amount of \$20.0 million with option for an additional \$5.0 million to be auctioned on the 12th September 2019.

2.0. INFORMATION ON THE SECURITIES

The Government of St. Vincent and the Grenadines (GOSVG) proposes to auction a Treasury Bond in the amount of \$20.0 million with the option for an additional \$5.0 million on the 12th September, 2019 as follows:

Table 1: Proposed Treasury Note

Trading Symbol	Type of Security	Amount	Interest Rate Ceiling	Tenor	Auction Date	Settlement Date	Maturity Date
VCG070926	Treasury Bond	\$20(5) M	7.0 percent	7 Years	Sept 12, 2019	Sept 13, 2019	Sept 13, 2026

Table 2: SVG's Prospectus Treasury Bill Schedule 2018-2019

Trading Symbol	Instrument ID	Issue	Amount	Interest Rate Ceiling	Tenor	Auction Date	Settlement Date	Maturity date
VCB	VCB120319	Treasury Bill	\$28.0 M	4.82%	91 Days	December 10, 2018	December 11, 2018	March 12, 2019
VCB	VCB120419	Treasury Bill	\$28.0 M	4.82%	91 Days	January 10, 2019	January 11, 2019	April 12, 2019
VCB	VCB090519	Treasury Bill	\$28.0 M	4.82%	91 Days	February 6, 2019	February 7, 2019	May 9, 2019
VCB	VCB130619	Treasury Bill	\$28.0 M	4.82%	91 Days	March 13, 2019	March 14, 2019	June 13, 2019
VCB	VCB160719	Treasury Bill	\$28.0 M	4.82%	91 Days	April 15, 2019	April 16, 2019	July 16, 2019
VCN	VCN080524	Treasury Note	\$17.669 M	6.25%	5 years	May 7, 2019	May 8, 2019	May 8, 2019
VCB	VCB120819	Treasury Bill	\$28.0 M	4.82%	91 Days	May 10, 2019	May 13, 2019	August 12, 2019
VCB	VCB160919	Treasury Bill	\$28.0 M	4.82%	91 Days	June 14, 2019	June 17, 2019	September 16, 2019
VCB	VCB171019	Treasury Bill	\$28.0 M	4.82%	91 Days	July 17, 2019	July 18, 2019	October 17, 2019
VCB	VCB131119	Treasury Bill	\$28.0 M	4.82%	91 Days	August 13, 2019	August 14, 2019	November 13, 2019
VCB	VCB181219	Treasury Bill	\$28.0 M	4.82%	91 Days	September 17, 2019	September 18, 2019	December 18, 2019
VCB	VCB200120	Treasury Bill	\$28.0 M	4.82%	91 Days	October 18, 2019	October 21, 2019	January 20, 2020
VCB	VCB140220	Treasury Bill	\$28.0 M	4.82%	91 Days	November 14, 2019	November 15, 2019	February 14, 2020

- a. The bidding period(s) will start at 9:00 am and end at 12:00 noon on auction days.
- b. Each investor is allowed one (1) bid with the option of increasing the amount being tendered for until the close of the bidding period or reducing the interest rate.
- c. The minimum bid quantity is \$5,000.00.
- d. The bid multiplier will be set at \$1,000.00.
- e. The date of issue for each auction is equivalent to the stated settlement date of that auction.
- f. The maximum bid price on Treasury Bond VCG070926 being auctioned will yield 7.0 percent.
- g. The price of the issue will be determined by a Uniform Competitive Price Auction.
- h. Payment of principal and interest on Treasury Bond VCG070926 will be made semi-annually on March 13 and September 13 respectively, with the first principal and interest payment due starting on March 13, 2020 until maturity.
- i. Yields will not be subject to any tax, duty or levy of the participating Governments of the Eastern Caribbean Currency Union (ECCU).
- j. Investors can participate in the issue through the services of any of the Licensed Intermediaries who are members of the Eastern Caribbean Securities Exchange.
- k. In 2018 Moody's Investor Services maintained the Government of St. Vincent and the Grenadines outlook at stable and affirmed the rating of B3.
- l. The Treasury Bond will be issued on the Regional Government Securities Market (RGSM) and listed on the Eastern Caribbean Securities Exchange (ECSE).

The Current List of Licensed Intermediaries are:

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

3.0 MACROECONOMIC PERFORMANCE

3.0.1 Overview of Economic Growth Prospects for 2018

Data for 2018 indicates a moderate growth in real output of 2.0 percent. The improvement in economic activity was influenced mainly by developments in the Tourism, Manufacturing, Wholesale & Retail and Fishing sectors. The second largest contributor to gross value added (of 15.2 percent) was the Wholesale & Retail Trade Sector. The sector grew by 5.7 percent on account of expansion in domestic activity evidenced by the 7.2 percent increase in merchandise imports during the period.

The Agriculture sector recorded a 7.8 percent increase in Gross Value Added. The improvement resulted from increased production of Other Crops which benefited from improved weather conditions and greater support from the Ministry of Agriculture. The Manufacturing sector recorded a 6.9 percent increase in Gross Value Added. The improvement resulted from increased production of galvanise reflecting greater demand for building supplies in hurricane-affected islands. The contribution of the Real Estate Renting and Business Services sector increased marginally in 2018 to 16.5 percent indicative of the limited activity in the domestic economy.

Value added in the Hotels and Restaurants sector, proxied by visitor arrivals remained flat and accounted for the minimal growth in the tourism sector. Meanwhile, lower spending on construction related activities on the Argyle Airport Project and various tourism projects accounted for the slowdown growth in the construction sector. The Fishing sector also declined partly on account of being in the trough of the ‘fish cycle’ and gaps in data collection during the period.

4.0 GOVERNMENT FISCAL OPERATIONS

The Central Government fiscal operations for the first half of 2019 worsened when compared to the same period in 2018. Current Revenue increased by 5.3 percent to \$283.25 million, while Current Expenditure grew by 6.8 percent to \$295.28 million. Consequently, the Current Balance recorded a deficit of \$12.03 million, compared to a deficit of \$7.68 million recorded for the same period in 2018. Consequently, the Current Balance recorded a deficit of \$12.03 million. Capital Expenditure for the period amounted to \$16.23 million, up from the \$11.97 million recorded for

the same period in 2018. During the period under review, the Overall Balance contracted moving from a deficit of \$4.29 million in 2018 to a deficit of \$20.65 million in 2019 reflecting the increase in Current and Capital Expenditure.

Table 3: Summary of Fiscal Outturn June 2019 compared with June 2018

Details	Budget	Actual		%
	2019	June 30 2019	June 30 2018	Change '19
	\$m	\$m	\$m	
CURRENT REVENUE	298.4	283.2	268.9	5.3
Taxes on Income & Profits	72.1	65.3	64.7	0.9
Taxes On Property	16.2	11.5	9.3	23.1
Taxes on Goods & Services	92.3	87.9	81.0	8.6
Taxes on Int'l Trade	78.7	75.7	76.1	(0.6)
Sale of Good & Services	33.1	31.0	32.3	(4.0)
Property Income	0.8	5.3	1.3	311.6
Other Revenue	5.3	6.6	4.2	57.7
TOTAL EXPENDITURE	363.2	311.5	288.5	8.0
RECURRENT EXPENDITURE	316.9	295.3	276.6	6.8
Compensation of Employees	158.3	151.1	142.7	5.8
Use of Goods & Services	37.0	32.6	29.6	10.2
Interest Payments	32.2	25.9	25.6	1.0
Transfers	89.3	85.7	78.6	9.0
CAPITAL EXPENDITURE	46.3	16.2	12.0	35.6
CAPITAL REVENUE AND GRANTS	14.3	7.6	15.4	(50.5)
CURRENT BALANCE	(18.4)	(12.0)	(7.7)	(56.7)
PRIMARY BALANCE	(18.2)	5.2	21.3	(75.5)
OVERALL BALANCE	(50.4)	(20.7)	(4.3)	(381.8)

Source: ERPU, Ministry of Finance

The major categories of tax revenue increased during the first half of 2019 except for Taxes on Goods & Services, which declined marginally. Receipts from Taxes on Income and Profits increased marginally by 0.9 percent to \$65.28 million, this was due to higher collections from Personal Income Tax (0.5 percent) and Non-Resident Taxes (22.5 percent) as receipt from Corporation Tax decreased during the period. Intake from Taxes on Property grew by 23.1 percent

to \$11.46 million during the period. This was mainly the result of higher receipts from Stamp Duty on Property and Alien Land Holding Licence. Collections from taxes on goods and services increased by 8.6 percent to \$87.91 million. This was mainly as a result of a \$5.80 million collected during the period for Telecommunications and Broadcast Licence. Additionally, Revenue from Value Added Tax increased by 9.5 percent to \$47.79 million reflecting an uptick in domestic business activities. Revenue from International Trade Taxes declined marginally by 0.6 percent, to \$75.68 million. Capital Revenue and Grants as at June 2019 amounted to \$7.60 million, down 50.5 percent from the amount collected in the corresponding period in 2018 mainly due to an amount of \$9.00 million recorded as Other Capital Receipts, during the period.

In 2019, Current Expenditure grew by 6.8 percent to \$295.28 million on account of higher outlays on all major categories of expenditure. Payment of Wages and Salaries amounted to \$144.36 million and the Employer's Social Security Contribution to \$6.72 million. The 5.8 percent increase in spending on Wages and Salaries was mainly due to the 1.5 percent salary increase paid to public servants on top of the 1.0 percent for the period July-December 2018. Interest Payments increased during the period by 1.0 percent to \$25.89 million, as a result of higher payments on the external component which is reflective of the increase in the External Debt stock. Outlays on Transfers increased by 9.0 percent to \$85.66 million mainly due to higher amounts expended on pension benefits (8.5 percent). Grants to Other Agencies and Social Welfare payments also increased by 7.4 percent and 5.2 percent, respectively. Investment in Capital Expenditure stood at \$16.22 million, an increase of 35.6 percent from the comparable period in 2018. Capital Spending, though improved, remains relatively low mainly because of slow processing of journals to account for expenditure and similarly slow implementation of some projects.

5.0 PUBLIC DEBT

Data of the total public debt outstanding as at December 31st, 2018 stood at \$1.654 billion, a 5.4 percent increase over same period 2017. Of this amount, total domestic debt accounted for \$576.5 million while external debt accounted for \$1.078 billion, these two components represented 34.8 percent and 65.2 percent of the total debt stock respectively. Total Central Government debt for 2018 constituted 84.8 percent of the total debt stock outstanding, the remaining 15.2 percent was

owed by public corporations. During the year \$105.3 million were issued in bonds and notes of varying tenors while \$33.9 million in bullet bonds and notes matured and were fully repaid using contributions from the sinking fund.

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

5.1 Public Debt as at June 30 2019

Total public debt as at June 2019 stood at \$1.701 billion or 77.7 percent of GDP¹. Of this, total external debt accounted for \$1.064 billion or 48.6 percent of GDP while total domestic debt amounted to \$637.2 million or 29.1 percent of GDP. Central Government total debt amounted to \$1,455.6 billion or 66.4 percent of GDP while Government Guaranteed debt amounted to 257.7 million or 11.2 percent of GDP. Central Government debt comprised 85.5 percent of total debt while the remaining 14.5 percent was debt owed by Public Corporations and guaranteed by the government (Government Guaranteed debt).

The increase in the total public debt by 2.8 percent from December to June was driven by its domestic central government component mainly through the contracting of new loans; the issuance of new bonds and notes and increases in the overdraft facility and accounts payables. Government guaranteed debt registered a 2.5 percent decrease due to the continuous amortization of debt which was more significant than the disbursements recorded for that quarter, see table 2.

¹ Revised Preliminary Gross Domestic Product (GDP) for 2019 is 2190.5

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

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

Source: CDIMU, Ministry of Finance

5.2 Debt Servicing as at June 30, 2019

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

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

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

Table 5: Comparative Summary of Central Government Debt Servicing

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

Source: CDIMU, Ministry of Finance

APPENDIX 1: TOTAL PUBLIC DEBT

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

Source: CIDMU, Ministry of Finance

APPENDIX 2: LIST OF LICENSED ECSE MEMBER BROKER DEALERS

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
Grenada		
Grenada Co-operative Bank Limited	No. 8 Church Street St. George's Tel: 473 440 2111 Fax: 473 440 6600 Email: info@grenadaco-opbank.com	Principals Aaron Logie Allana Joseph Representatives Carla Sylvester Keisha GreenidgeKishel
St Kitts and Nevis		
St Kitts Nevis Anguilla National Bank Ltd	P O Box 343 Central Street Basseterre Tel: 869 465 2204 Fax: 869 465 1050 Email: national_bank@sknanb.com	Principal Anthony Galloway Representatives Petronella Edmeade-Crooke Angelica Lewis Marlene Nisbett
The Bank of Nevis Ltd	P O Box 450 Main Street Charlestown Tel: 869 469 5564 / 5796 Fax: 869 469 5798 E mail: info@thebankofnevis.com	Principals Brian Carey Monique Williams Representatives Judy Claxton Denicia Small
St Lucia		
Bank of Saint Lucia	5 th Floor, Financial Centre Building 1 Bridge Street Castries Tel: 758 456 6826 / 457 7233 Fax: 758 456 6733	Principals Medford Francis Lawrence Jean Representatives Deesha Lewis Cedric Charles
First Citizens Investment Services Limited	P.O. Box 1294 John Compton Highway Sans Souci Castries Tel: 758 450 2662 Fax: 758 451 7984	Principals Omar Burch-Smith Temelia Providence Representative Samuel AgisteShaka St

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
St Vincent and the Grenadines		
Bank of St Vincent and the Grenadines Ltd	P O Box 880 Cnr. Bedford and Grenville Streets Kingstown Tel: 784 457 1844 Fax: 784 456 2612/ 451 2589 Email: info@bosvg.com	Principals Monifa Latham Laurent Hadley Representatives Patricia John Chez Quow

ALL OTHER INFORMATION IN THE PROSPECTUS2018/19REMAINS THE SAME