ADDENDUM 1 DATE: June 25, 2014

PROSPECTUS
FOR XCD 75.0 MILLION TREASURY BILL ISSUE
AND XCD 40.0 MILLION BOND ISSUE
FOR THE PERIOD
JANUARY 2014 – OCTOBER 2014

BY THE GOVERNMENT OF
ST. VINCENT AND THE GRENADINES

Ministry of Finance and Economic Planning
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The Prospectus has been drawn up in accordance with the rules of the Regional Government Securities Market. The Regional Debt Co-ordinating Committee and Eastern Caribbean Central Bank accept no responsibility for the content of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss whatsoever arising from or reliance upon the whole or any part of the contents of this Prospectus. If you are in doubt about the contents of this document or need financial or investment advice you should consult a person licensed under the Securities Act or any other duly qualified person who specialises in advising on the acquisition of government instruments or other securities.

January 2014

I. GENERAL INFORMATION

Issuer: The Government of St. Vincent and the Grenadines

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Contact Persons: Hon. Dr. Ralph E. Gonsalves, Prime Minister and Minister of Finance
Mr. Maurice Edwards, Director General, Ministry of Finance
Mrs. Ingrid Fitzpatrick, Accountant General
Ms. Deirdre Anthony, Debt Manager

Arranger: First Citizens Investment Services Limited – Saint Lucia

Date of Publication: January 2014

Registration: This prospectus will be registered with the Regional Debt Coordinating Committee (RDCC)

Purpose of Issue: To assist in financing the Public Sector Investment Programme 2014

Amount of Issue: Treasury Bills - Monthly issues of XCD25.0 million each
XCD40.0 million to be issued in 3 series

Legislative Authority: The Public Sector Investment Loan Act No. 5 of 2014

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.

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 January 2014 a new series in the amount of $40.0 million to be auctioned on July 23, 2014, August 20, 2014 and September 10, 2014.

II. INFORMATION ON THE SECURITIES

a. The Government of St. Vincent and the Grenadines (GOSVG) proposes to auction $40,000,000.00 under the following symbol on the dates stated below:

Series No.	Trading Symbol	Auction Date	Amount ECD	Settlement Date	Tenor	Maturity Date
1	VCN240717	July 23, 2014	10,000,000	July 24, 2014	3 years	July 24, 2017
2	VCG070821	August 20, 2014	15,000,000	August 21, 2014	7 years	August 21, 2021
3	VCN110919	September 10, 2014	15,000,000	September 11, 2013	5 years	September 11, 2019

b. In the event of an oversubscription in series 2, the government will accept up to an additional $5,000,000 of the oversubscription from the series. The amount to be auctioned in series 3 would then be the amount required to close the sum of series 1, 2 and 3 at a maximum of $40,000,000.

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

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

e. 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

f. The minimum bid quantity is $5,000.00

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

h. The maximum bid price is as follows:

VCN240717	-5.25%
VCG-070821	-7.00%
VCN110919	-6.00%

i. Interest coupon payments will be payable semi-annually starting six months after each settlement date and principal will be repaid at maturity. The interest dates for the series would be as follows:

VCN240717	- January 24 and July 24
VCG-070821	- February 21 and August 21
VCN110919	- March 11 and September 11

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

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

l. The Government of St. Vincent and the Grenadines has been assigned a rating of B1 by Moody's Investor Services

m. The Treasury notes and bond will be issued on the Regional Government Securities Market (RGSM) and traded on the Eastern Caribbean Securities Exchange (ECSE).

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 is:

- ABI Bank Limited
- Bank of Nevis Limited
- Bank of St. Vincent and the Grenadines Ltd.
- ECFH Global Investment Solutions Limited
- St. Kitts Nevis Anguilla National Bank Limited
- First Citizens Investment Services Ltd. – Saint Lucia

Economic Growth

Data for 2013 indicates that St. Vincent and the Grenadines recorded a 2.39 percent growth in real output building on the slight recovery in 2012 after several consecutive years of negative growth**.** The increase in economic activity was influenced mainly by developments in the Agriculture, Wholesale & Retail Trade, Financial Intermediation and Public Administration sectors. The Real Estate Renting & Business Services sector remained the largest contributor to Gross Value Added in 2013, accounting for 16.2 percent of real output.

GOVERNMENT FISCAL OPERATIONS 2013

For the fiscal year ending December 31, 2013 the central government fiscal position deteriorated, the current balance moved from a deficit of EC$16.29 million in 2012 to a deficit of EC$28.68 million in 2013.The primary balance realised a deficit of EC$72.19 million in contrast to a surplus of EC$5.91 million in 2012. The overall balance also worsened moving form a deficit of EC$38.48 million in 2012 to a deficit of EC$120.10 million in 2013.

Revenue

For the year ended December 31, 2013 Current Revenue totalled EC$462.58 million, this was 2.1 percent lower than the amount collected during 2012. This performance was due primarily to lower receipts from Tax Revenue and Non-Tax revenue of 2.3 percent and 0.2 percent respectively. Of the Tax Revenue, receipt from Taxes on International Trade, Taxes on Income & Profits and Licences were mainly responsible for the lower takings, as they declined by 1.4 percent, 9.1 percent and 3.7 percent respectively. The 11.0 percent drop in revenue from Excise Duty was primarily responsible for the lower collection of International Trade taxes. Revenue from Taxes on Income and Profits fell because of lower receipt from individual and corporation taxes. Licences also contributed to the overall decline in tax revenue as a result of reduced takings from Telecommunications Broadcast Licence.

The drop in revenue from non-tax source was mainly attributable to the lower receipt from Fees, Fines and Permits (down 1.4 percent) and Interest, Rents and Dividends (down 35.2 percent). The significant fall in receipt from Interest Rents and Dividends was mainly on account of non-receipt of dividends from two publicly owned companies that paid dividends in 2012.

Expenditure

Recurrent expenditure during 2013 amounted to EC$491.26 million and represented a marginal 0.5 percent increase when compared with 2012. During the year, the wage bill increased by 3.3 percent to $250.95 million mainly due to salary enhancements (of 1.5 percent paid to public servants retroactive to 2011). Outlays on Transfers and Subsidies contracted by 3.7 percent to $126.30 million based on significantly lower spending on grants and contributions. The higher expenditure on Interest Payments was on account of a 26.5 percent increase in the domestic component reflecting payments on a number of new loans disbursed in 2012 and early 2013. Outlays on Goods and Services were reduced by 6.2 percent to $66.70 million because of lower spending on supplies and materials, Maintenance Services and Utilities.

As at December 31 2013, Capital Expenditure amounted to EC$151.77 million. This amount was significantly higher than the $54.16 million spent during the same period in 2012 and is reflective of increased spending in relation to the construction of the Argyle International Airport.

Fiscal Outturn as at March 31, 2014

The central government fiscal operations for the first quarter of 2014 turned in a mixed performance when compared to the same period in 2013. Current revenue increased by 20.4 percent to $121.74 million while current expenditure grew by 5.7 percent to $116.89 million. Consequently the central government current account strengthened, moving from a deficit of $9.49 million in 2013 to a surplus of $4.85 million in 2014. However the Overall Balance worsened as it moved from a deficit of $4.05 million in 2013 to a deficit of $13.72 million in 2014.

Table 2:Summary of Fiscal Operations as at March 31, 2014

	Budget $m	2014 $m	2013 $m	Change %
Current Revenue	110.75	121.74	101.0	20.4
Current Expenditure	126.95	116.89	110.60	5.7
Surplus / (Deficit)	(16.20)	4.85	(9.49)	(151.1)
Capital Revenue	5.82	0.42	13.39	(96.8)
Of which Grants	*2.47*	*0.23*	*0.70*	*(66.9)*
Capital Expenditure	8.57	18.99	7.95	138.9
Overall Balance	(18.95)	(13.72)	(4.05)	(238.8)

Revenue from taxes on Income and Profits grew by 10.0 percent to $26.56 million. This was due to higher collections form Individual and withholding taxes of 11.4 percent, and 95.4 percent respectively. Revenue from International trade amounted to $37.23 million, an increase of 1.8 percent when compared to the first quarter of 2013. Import Duty, Customs Service Charge and VAT turned in improved performances growing by 2.6 percent, 10.3 percent and 3.5 percent respectively. Taxes on Domestic Trade which totaled $27.51 million grew by 5.9 percent mainly on account of a significant (32.9 percent) increase in receipt from stamp duty resulting from higher land sales during the period. Licences yielded $8.63 million, 42.6 percent more than the amount collected in 2013. This was mainly due to larger inflows from Telecommunications Broadcast and Motor Vehicle Licences during the period.

Revenue from Non-Tax sources increased significantly from $7.94 million in 2013 to $21.13 million in 2014 mainly due to higher receipt from Fees, Fines and Permits (up 13.1 percent), Interest Rents and Dividends and Other Revenue (up by 128.5 percent).

As at March 31 2014, Current Expenditure amounted to $116.89 million representing an increase of 5.7 percent when compared to the amount spent in the first quarter of 2013. Payment of Personal Emolument and Wages amounted to $57.09 million and 4.45 million respectively. Personal Emoluments increased by 2.0 percent, while wages rose by 2.9 percent. Expenditure on Transfer & Subsidies grew by 14.2 percent to $31.77 million on account of greater spending on all of its major components including; social welfare payments (14.7 percent), Grants and Contributions (5.6 percent) and Pension (21.1 percent). Similarly, spending on Goods and services increased by 24.6 percent to $14.32 million as a result of larger outlays on Utilities and Sundry Expenses. Capital spending for the first quarter of 2014 totaled $18.99 million; this amount is 138.9 percent higher than the amount spent during the same period in 2011. The higher capital spending is mainly related to the construction of the Argyle International Airport.

PUBLIC DEBT

As at December 31, 2013 the total disbursed outstanding public debt increased by 7.1 percent, from $1,343.8 million as at the end of December, 2012 to $1,439.3 million. The External Debt increased by 7.4 percent from $745.4 million in December 2012, to $799.7 million, while domestic debt increased by 9.8 percent, from $598.5 million in 2012 to $ 639.6 million. The increase in the debt is primarily on account of Central Government borrowings to fund various projects under the public sector programs including the construction of the international airport at Argyle.

The Caribbean Development Bank continued as the largest creditor in the external debt portfolio accounting for 44.6 percent of the total external debt as at the end of December 2013. This institution was followed by the ALBA Bank with 23.4 percent and the World Bank with 10.7 percent. Bondholders account for 5.6 percent and all other creditors in the external portfolio account for less than 5 percent each for a combined share of 15.7 percent.

In 2013, Central Government debt service payments increased by 12.3 percent to $131.8 million. As a percentage of revenue debt service costs increased from 24.8 percent in 2012 to 28.5 percent in 2013. For the first quarter in 2014 debt service as a percent of revenue decreased by 11 percent when compared with the corresponding period in 2013, from $33.0

million to $22.3 million, primarily on account of improved revenue performance in the first quarter 2014.

Outlook 2014

Economic Growth: In December 2013, St. Vincent and the Grenadines was hit by a trough system which produced heavy rains and resulted in severe flooding. The intense flooding caused severe damage to road, energy and water infrastructure as well as private housing stock and loss of lives. The total damage was estimated at 15% of GDP. The cost of rebuilding and rehabilitation and addressing the social needs of those affected is significant. Notwithstanding this setback, economic activity is expected to increase in 2014. The increase is hinged on the construction sector as reconstruction and rehabilitation efforts commence and the construction of the international airport at Argyle intensifies. Further as the global economy rebounds, economic activities as it relates to the tourism sector and foreign direct investment are expected to increase. Preliminary estimates indicate that growth of 3.0 percent can be expected in 2014.

Fiscal: Preliminary estimates indicate that the current fiscal position of the central government for 2014 is projected to improve. The current account deficit is expected to contract by 15.1% to $24.34 million (1.2% of GDP) from $28.68 million (1.5% of GDP) in 2013. The Overall Deficit however is projected to increase significantly from $120.10 million (6.3% of GDP) in 2013 to $229.52 million (11.5% of GDP) in 2014. The improvement in the current balance is expected to come from faster growth in revenue over expenditure. The Overall Balance would be adversely affected by an anticipated (74.4%) growth in Capital expenditure which is largely related to the scheduled completion of the International Airport Project. All categories of Tax and Non-Tax Revenues are expected to improve over the period including Taxes on Income and Profits (1.1 percent), Taxes on International trade (1.7 percent) and Taxes on Domestic transaction (3.0 percent). Similarly all the major items of expenditure are expected to increase including the wage bill (2.4 percent), Interest Payment (7.6 percent), Transfers and Subsidies (9.1 percent) and Goods and Services (1.6 percent).

Public Debt: Public debt as a percent of GDP is projected to increase peaking to around 79.2 percent of GDP in 2015. The debt is projected to follow a downward trajectory from 2016.

Selected Public Debt Indicators 2013 compared with 2012

	Dec 2013 $ M	Dec 2012 $ M	Change 2013/2012 %
Total Public Debt	1,439.20	1,343.81	7.1%
Central Government Debt	1208.8	1145.8	5.5
External	707.8	658.5	7.5
Domestic	501.0	487.3	2.8
Public Corporations	230.4	198.1	16.3
External	91.8	86.9	5.7
Domestic	138.6	111.2	24.6
Central Government Debt Service	**131.8**	**117.4**	**12.2**
Interest Payment	**47.9**	**44.4**	**7.8**
External	*18.5*	*21.1*	-12.5
Domestic	*29.4*	*23.3*	26.3
Amortisation	**83.9**	**73.0**	**14.9**
External	*49.7*	*51.6*	-3.7
Domestic	*34.2*	*21.4*	59.7
Sinking Fund Contribution	**5.5**	**4.0**	**37.5**
GDP (Market Prices)	**1,921.2**	**1,871.8**	**2.6**
Revenue	**462.6**	**472.6**	**-2.1**
Debt/GDP (%)	**74.9**	**71.8**	**3.1**
Debt Service/Revenue (%)	**28.5**	**24.8**	**3.6**

Source: Ministry of Finance and Economic Planning

Central Government Fiscal Operations					
	2009	**2010**	**2011**	**2012**	**2013**
Current Revenue	**466.51**	**489.95**	**462.48**	**472.63**	**462.58**
Tax Revenue	**432.61**	**421.47**	**412.14**	**430.58**	**420.63**
Taxes on Income & Profits	**110.35**	**108.81**	**114.40**	**122.41**	**111.30**
Of Which:					
Individual	57.64	61.69	67.38	71.81	69.24
Corporation	44.86	40.03	37.36	40.90	30.49
Taxes on Property	**2.72**	**2.90**	**2.81**	**2.70**	**4.04**
Taxes on Domestic Transcation	**105.14**	**105.93**	**98.91**	**106.38**	**109.51**
Of Which:					
Stamp Duty	18.74	22.68	15.71	17.41	26.15
Interest Levy	10.44	9.06	10.62	11.91	11.35
Excise Duty	3.73	4.15	4.11	4.82	5.35
VAT	64.83	62.53	61.11	64.95	62.35
Taxes on International Trade	**192.39**	**178.43**	**172.58**	**172.96**	**170.61**
Of Which:					
Import Duty	46.15	48.16	47.12	47.60	48.33
Excise Duty	29.27	22.52	20.18	22.73	20.22
Customs Service Charge	31.56	29.30	30.68	30.23	30.37
VAT	80.36	74.11	71.20	69.11	68.39
Licences	**22.02**	**25.40**	**23.44**	**26.13**	**25.18**
Non-Tax Revenue	**33.90**	**68.48**	**50.34**	**42.05**	**41.95**
Capital Revenue & Grants	**78.40**	**99.20**	**46.56**	**31.98**	**60.35**
Current Expenditure	**469.75**	**521.41**	**495.18**	**488.92**	**491.26**
Personal Emolument & Wages	211.99	221.82	231.17	242.90	250.95
Interest Payments	51.02	55.31	46.04	44.39	47.91
Domestic	28.44	33.85	23.42	23.29	29.45
External	22.58	21.46	22.62	21.10	18.46
Transfers & Subsidies	120.68	177.09	143.63	131.17	126.30
Goods & Services	86.07	67.19	74.34	70.46	66.10
Capital Expenditure	130.01	83.52	72.52	54.16	151.77
Current Balance	**-3.24**	**-31.46**	**-32.70**	**-16.29**	**-28.68**
Overall Balance	**-54.84**	**-15.77**	**-58.66**	**-38.47**	**-120.10**

Source: Ministry of Finance and Economic Planning

ALL OTHER INFORMATION IN THE PROSPECTUS REMAINS THE SAME