December 2011
IMF Country Report No. 11/344

St. Vincent and the Grenadines—Request for Disbursement under the Rapid Credit Facility

The following documents have been released and are included in this package:

- The staff report, prepared by a staff team of the IMF, following discussions that ended on May 19, 2011 with the officials of St. Vincent and the Grenadines on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 6, 2011. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- A supplement on the External and Public Debt Sustainability Analysis.
- An Informational Annex
- A Press Release.

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INTERNATIONAL MONETARY FUND

ST. VINCENT AND THE GRENADINES

Request for Disbursement Under the Rapid Credit Facility

Prepared by the Western Hemisphere Department
(in Collaboration with Other Departments)

Approved by David Vegara (WHD) and Jan Kees Martijn (SPR)

July 6, 2011

Executive Summary

- **Context.** On April 10–12, 2011, torrential rains accompanied with flooding and landslides caused extensive damage to infrastructure (roads and bridges), agriculture and housing in St. Vincent and the Grenadines. This was the second natural disaster to hit the island in less than six months; in October last year Hurricane Tomas had a similar impact. Preliminary estimates of the destruction from the flooding and landslides put the damage at about 3.6 percent of GDP. The authorities have requested a disbursement under the Rapid Credit Facility to meet the urgent balance of payments need. Staff recommends access of 15 percent of quota (equivalent to SDR 1.245 million or about US$2.0 million).
- **Discussions and Key Recommendations.** Discussions focused principally on the macroeconomic impact of the floods, policy measures to address the impact of the floods while ensuring fiscal and debt sustainability, and modalities of Fund financial assistance. The mission also assessed progress on the measures agreed at the time of the previous RCF, approved by the Board in February this year.
- **Mission.** The mission visited Kingstown during May 16–19, 2011 and met with Prime Minister and Minister of Finance Dr. Ralph Gonsalves, Director General of the Ministry of Finance Mr. Maurice Edwards, other senior government officials, as well as representatives of the financial and business sectors. The mission team was led by Ms. Thacker and comprised Messrs. Tashu and Acevedo (all WHD). Mr. McGoldrick (OED) participated in the mission on the last two days. A follow-up meeting with the authorities was conducted via a teleconference on June 24.
- **Fund Relations.** The Executive Board approved a request for a RCF on February 28, 2011 in an amount equivalent to SDR 2.075 million (25 percent of quota). The last Article IV consultation was concluded by the Executive Board on July 26, 2010. St. Vincent and the Grenadines has accepted the obligations of Article VIII, Sections 2, 3, and 4, and maintains an exchange system free of restrictions with respect to the making of payments and transfer for current international transactions.

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I. BACKGROUND

1. **On April 10–12, 2011, heavy rains followed by flooding and landslides resulted in extensive damage to infrastructure, agriculture and the housing stock in St. Vincent and the Grenadines**. This was the second natural disaster to hit the [1] island in less than six months; in October last year Hurricane Tomas had a similar impact. Preliminary estimates of the destruction from the flooding and landslides put the damage at about 3.6 percent of GDP. However, actual costs of reconstruction and rehabilitation are likely to be higher, especially as infrastructure (roads and bridges) has been hit the hardest. The heavy rains also derailed the reconstruction that had started to take hold following Hurricane Tomas.

2. **The authorities have requested a disbursement in the amount of 15 percent of quota (SDR 1.245 million or US$2.0 million) under the RCF to meet the urgent balance of payments need**.[2] The authorities have responded quickly to the disaster by reallocating some budgeted spending. However, given the tight budget, they have approached all their donors for assistance. The Caribbean Development Bank (CDB) is expected to provide US$0.75 million in an Immediate Response Loan shortly. A multi-year loan of US$12.8 million for rehabilitation and reconstruction for both Hurricane Tomas and the floods is also expected to be approved by the CDB board later this year. While the WB has not made any new commitments, it plans to expedite assistance promised in the wake of Hurricane Tomas. The Bank has already approved a 3-year emergency recovery credit of US$5 million following Hurricane Tomas and is expected to approve shortly another US$20.9 million in a combination of grants and IDA term concessional loan, for projects to address disaster vulnerabilities and climate resilience. Similarly, the EU has also agreed to expedite disbursements under existing projects in the disaster hit region.

[1] On October 30–31, St Vincent and the Grenadines was hit by Hurricane Tomas, resulting in damages estimated at about 5 percent of GDP. The authorities received external financial assistance pledges of around US$23.7 million (US$13.7 million in immediate emergency assistance and US$10 million for reconstruction projects spanning the next 2–3 years), including a disbursement under the RCF of US$3.2 million (25 percent of quota) from the Fund, to help the reconstruction and rehabilitation effort. Over 90 percent of the immediate assistance (US$11 million) has been disbursed so far, including the disbursement under the RCF.

[2] In addition to the RCF already approved earlier this year, St. Vincent and the Grenadines had received 45 percent of quota (about US$5.6 million) in May 2009 under the Exogenous Shock Facility (ESF-RAC) to help mitigate the adverse impact of the global slowdown on the economy. Hence, the country has already used 70 percent of quota (the cumulative access limit under this facility is 100 percent of quota.

3. **The authorities have already made some headway in meeting the policy obligations committed to in the context of their previous RCF request**. In particular, they have established the Large Taxpayer Unit (LTU) which includes 77 companies that pay 83 percent of total VAT, corporate income taxes, and PAYE collections and broadened the coverage of property taxes. The LTU is planning to launch an audit and tax compliance program in the near future. On the expenditure side, no wage increases are planned until the fiscal situation improves. The authorities have also asked the International Labor Organization (ILO) to help them undertake civil service and pension reforms. To meet the urgent needs from the natural disasters, the authorities have reallocated spending, while avoiding borrowing on non-concessional terms. Finally, with respect to the financial sector, the draft legislation for establishment of a Single Regulatory Unit (SRU) has been finalized, and is expected to be submitted to parliament in the coming weeks.

Commitments Under the Previous RCF

	Commitment	Status
1.	Improve tax compliance	Ongoing
2.	Establish a Large Taxpayer Unit	Completed
3.	Broaden the coverage of property taxes	Completed
4.	Streamline exemptions	Ongoing
5.	Contain the wage bill	Ongoing 1/
6.	Streamline spending on goods and services	Ongoing
7.	Limit transfers to SOEs	Ongoing
8.	Action Plan on public finance management and Oversight Committee on SOEs	Ongoing
9.	Undertake civil service and pension reforms	Ongoing
10.	Pass legislation for a Single Regulatory Unit	Ongoing

1/ No salary increase given yet this year.

II. Economic Performance Prior to the Flooding[3]

4. **Before the floods hit, growth was already revised downward compared to that projected at the time of the last RCF request**. Following two consecutive years of minor contractions, real GDP is estimated to have further declined by 1.8 percent in 2010, reflecting slow recovery in tourism and FDI, decline in agricultural production due to adverse weather (draught in the first half and Hurricane Tomas in the second half of the year) and cuts in public sector capital spending. Contrary to earlier expectations, the outturn for tourism, agriculture, and public sector capital expenditure for the first quarter of 2011 was disappointing, warranting a downward adjustment in growth from 2½ percent at the time of the last RCF request to one percent just before the floods.

St. Vincent and the Grenadines: Growth and Inflation, 2010-11
(annual percentage change)

	2010		2011		
	RCF	Revised	RCF	Revised	
				W/o floods 1/	Post-floods
Real GDP at factor cost	-2.3	-1.8	2.5	1.0	-0.4
Of which:					
Agriculture	-9.7	-16.4	4.0	-4.6	-21.9
Construction	-7.0	-2.2	2.7	4.0	4.5
Hotels and Restaurants	-5.0	-20.0	2.0	-1.0	-1.0
Transport and Storage	0.0	-0.7	3.5	1.0	0.0
Manufacturing	-2.0	4.4	1.5	4.2	4.2
Real Estate, Renting and Business Activities	-1.0	0.2	2.7	1.0	-1.0
GDP at current market prices	-1.0	-0.4	5.0	4.2	3.0
Consumer prices (end of period)	3.3	2.0	2.6	5.9	5.9

Sources: Ministry of Finance and Planning; and Fund staff estimates and projections.
1/ Revised based on the first quarter outturns and international developments.

[3] All figures in this section are expressed as percent of the revised post-flood GDP estimate to facilitate comparison.

5. **Inflation is headed further upwards, reflecting increases in international food and fuel prices**. End-period inflation increased to 2 percent in 2010, from -1.6 percent in 2009. The pass-through from further increases in food and fuel prices this year is expected to result in an end-period inflation of about 6 percent.[4]

6. **The external current account balance was expected to further widen by 1½ percentage points of GDP this year, compared with the projections at the time of the last RCF request**. For 2010, the current account deficit is estimated to have increased by one percentage point to 28.3 percent of GDP compared to the last RCF report, reflecting lower than expected exports and tourism receipts. For 2011, increased import demand for hurricane-related reconstruction activity, and higher commodity prices combined with a decline in agricultural exports were expected to widen it further to 32.7 percent of GDP (see table in paragraph 11).

7. **Despite lower revenues, preliminary estimates suggest that the pre-flood primary deficit for the first quarter was broadly in line with staff projections made at the time of the last RCF.**[5] In light of sluggish economic activity, nominal tax revenues were significantly lower than expected. The outturn for grants was also lower than expected although the authorities recently received an additional pledge of US$1 million from Qatar for Hurricane Tomas rehabilitation.[6] On the expenditure side, transfers were somewhat higher than the budgeted amount, reflecting speedy execution of hurricane-related activities. These developments were offset

St. Vincent and the Grenadines: Key Fiscal Indicators, 2010-11
(In percent of GDP, unless otherwise stated)

		2011 (proj.) 1/			
	2010	Budget	RCF	Rev. (w/o floods) 2/	Rev. (post-floods)
Revenue and grants	27.3	29.1	29.1	28.4	28.4
Revenue	25.4	26.2	26.2	25.4	25.4
Grants	1.8	2.8	2.8	3.0	3.0
Total expenditure	32.6	36.8	33.2	32.5	33.2
Current	28.3	28.1	26.4	26.6	26.8
O/w: floods related	0.0	0.0	0.0	0.0	0.3
Capital	4.3	8.6	6.8	5.9	6.4
O/w: floods related	0.0	0.0	0.0	0.0	0.8
Overall balance	-5.3	-7.7	-4.1	-4.1	-4.8
Primary balance	-2.5	-4.9	-1.3	-1.3	-2.1
Identified financing	5.3	3.8	4.1	4.1	4.1
Financing gap	0.0	3.9	0.0	0.0	0.7
O/w financed by:	…	…	…	…	
Local grant	…	…	…	…	0.04
External grants	…	…	…	…	0.3
External loans	…	…	…	…	0.1
Remaining gap	…	…	…	…	0.3
Memo:					
Public debt 3/	*66.0*	…	*73.3*	*69.6*	*70.0*

Sources: Ministry of Finance and Planning; and Fund staff estimates.
1/ In percent of post-floods GDP.
2/ Revised based on the first quarter outturns.
3/ Debt figures were revised to reflect actual data up to 2010, which became available during this mission.

[4] Most prices, with the exception of some basic commodities, are market determined.

[5] Staff projections for 2011 differ from the 2011 budget figures, as staff projections are based on identified financing contrary to the budget which included a financing gap of 3.8 percent of GDP. Historically, the budget includes a long-list of capital projects that are expected to be implemented only if additional external financing becomes available. As a result, the implementation rate of the capital budget has historically been between 40-50 percent; last year this figure was only 25 percent and the final fiscal outcome always deviates significantly from the budget, with the actual deficit far lower than in the budget.

[6] While the annual projections for revenues and expenditures were revised based on the first quarter outturns, initial projections were maintained for external financing as disbursements are expected to pick up later in the year.

by lower-than-projected capital expenditure, leaving the overall and primary balances broadly as projected.

8. **Monetary aggregates for the year ending April 2011 reflect weaker economic activity**. The growth of credit to the private sector and broad money slowed to 4.1 percent and 2.3 percent, respectively, in the 12 months ending April 2011—compared to 5.1 and 3.5 percent a year earlier. While banks remain well-capitalized, the ratio of nonperforming loans (NPLs) to total loans remained high at 8.6 (well above the 5 percent ECCU prudential guideline) at end-2010 despite the clearance of public sector NPLs at the National Commercial Bank ahead of its privatization, and net profits in the banking sector continue to shrink.[7] Credit unions have also seen an increase in NPLs and the latest available figures suggest that these are in the 10 percent range.

9. **With respect to the non-bank financial sector, the ECCU governments recently announced the establishment of the ECCU/BAICO Health Insurance Support Fund** to provide financial assistance to persons with unpaid but valid claims for health insurance policies issued by BAICO. Work is ongoing at the regional level to address the concerns of the remaining BAICO policy holders, i.e., life insurance policy holders and holders of annuities.

III. ECONOMIC IMPACT OF THE TORRENTIAL RAINS, FLOODING AND MEDIUM-TERM OUTLOOK

10. **The floods and landslides are expected to cause a further setback to economic activity in 2011 as agriculture and infrastructure have been hard hit.** Growth is now projected to further decline by about 1½ percentage points to -0.4 percent this year, reflecting a significant drop in the agricultural and housing sectors. Over the medium term, however, growth is projected to gradually increase toward its potential level of around 3½–4 percent on the back of a pickup in tourism and FDI, and growth rebounds in advanced economies.[8] Inflation is projected to revert back to its long-term path of around 2½ percent, anchored by the currency board arrangement.

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[7] The government sold 51 percent of its stake in the National Commercial Bank, previously a 100 percent state-owned bank, in the fourth quarter of 2010 and is expected to sell another 29 percent this year. The privatization had required the government to pay off a large part of the public sector debt to the NCB and public sector NPLs were expected to come down significantly.

[8] While next year's growth is projected to remain at 2½ percent, on the back of reconstruction activity, the impacts of the consecutive natural disasters and the international commodity price increases are expected to delay the adjustment towards potential growth rate by about 1–2 years.

11. **Reconstruction and rehabilitation of the damaged infrastructure from the recent flooding will open up both BOP and fiscal financing gaps**. An increase in reconstruction-related imports (housing and infrastructure) is expected to further widen the current account deficit by about 1⅓ percentage points of GDP in 2011. Given the widespread damage to public infrastructure (roads and bridges), the central government is expected to assume the bulk of the reconstruction cost and the additional spending is likely to deteriorate the central government's overall deficit by about 0.7 percentage points of GDP in 2011(see Table in paragraph 7). Several donors, including the CDB and Taiwan, POC, are providing about ½ percent of GDP as immediate emergency assistance. Assuming the Board approves the authorities request for access of 15 percent of quota under the RCF, Fund financing will help to fill 28 percent (0.3 percent of GDP) of the immediate BOP need.[9] This will help to ease some of the pressure on an already tight budgetary cash flow situation (given the sluggish economy, lower-than-expected revenues and limited domestic resources) and provide much-needed resources to mitigate, partially, the impact on the affected region. In addition, Fund assistance will likely help catalyze additional aid from other donors. Over the next 2–3 years, reconstruction activity will be financed largely by grants and concessional loans from the CDB, the EU and the World Bank.

St. Vincent and the Grenadines: Key BOP and Financing Indicators, 2010-11
(In percent of GDP, unless otherwise stated)

	Est.	2011 (proj.) 1/		
			Revised	
	2010	RCF	W/o floods 2/	Post-floods
Current Account	-28.3	-29.5	-32.7	-34.1
Of which:				
Trade balance	-35.1	-37.6	-39.6	-41.1
Exports f.o.b.	6.9	7.5	7.3	6.7
Imports f.o.b.	42.0	45.1	46.9	47.8
Net private transfers	2.2	2.0	2.0	2.3
Capital and financial account	24.6	29.0	31.3	31.3
Capital	5.5	5.7	8.5	8.5
Financial (net)				
Official capital (net)	4.1	4.4	4.1	4.1
BOP financing gap (in millions of EC$)	0.0	0.0	0.0	13.3
Of which financed by:				
Caribbean Development Bank	…	…	…	2.0
Taiwan, Province of China	…	…	…	5.4
Other bilateral donors 3/	…	…	…	0.4
Remaining gap	…	0.0	…	5.4
Possible RCF	…	…	…	5.4

Sources: Ministry of Finance and Planning; and Fund staff estimates and projections.
1/ In percent of the post-floods GDP.
2/ Revised based on the increase in international food and fuel prices and the first quarter outturn.
3/ Includes Australia, Azerbaijan, Brazil, Georgia, and Pakistan.

12. **The flooding is not expected to have a significant impact on the banking sector**.[10] The bulk of the damage is on public infrastructure, agriculture, and rural houses to which commercial banks and credit unions have very little direct exposure.[11] However, the

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[9] In addition, the authorities have reallocated about 0.3 percent of GDP of already budgeted resources into the floods rehabilitation spending.

[10] All 4 commercial banks are foreign-owned. However, credit unions are domestically owned and account for about 12½ percent of total banking sector assets.

[11] Exposure of commercial banks and credit unions to the agricultural sector amounts only to around 0.1 percent and 0.2 percent of total loans, respectively.

slower-than-expected recovery is likely to have some indirect impact on the banking sector and there is a risk that NPLs may edge up.

IV. Policy Issues and Discussions

13. **The flooding has caused further strains on an already challenging situation**. Economic recovery continues to elude the archipelago as tourism continued to decline in the first quarter despite some recovery in the global economy, terms of trade deteriorated considerably given the rise in commodity prices, and the country was hit by another natural disasters in a period of six months. With the weak economic activity constraining availability of domestic resources and the currency board arrangement limiting the use of monetary policy, the authorities are depending on external concessional resources to finance the reconstruction and rehabilitation costs.

14. **Staff supported some widening of the fiscal deficit to accommodate rehabilitation and reconstruction activity, and authorities have committed to keeping the primary deficit including grants to below two percent of GDP in 2011.** The authorities have so far responded to the flooding mainly through reallocation of budgeted resources. At the same time, they are continuing to make efforts to enhance revenue collections and requested ministries to identify further savings. Staff reiterated the recommendations on revenue enhancing and expenditure savings measures that were discussed in the context of the last RCF and encouraged the authorities to expedite their implementation (see paragraph 3). In addition, the authorities agreed with staff recommendations to (i) make the LTU fully functional by September by increasing its auditing capacity and providing legal support for enforcing compliance, (ii) be more proactive in collecting tax arrears and enforcing compliance across all tax-payers, (iii) start preparations for introducing a market based property tax next year, (iv) streamline spending on goods and services and on transfers to statutory bodies, and (v) limit capital spending to high priority areas.

15. **The authorities agreed with staff on the need to generate primary surpluses in the range of 1½-2 percent of GDP to ensure medium term fiscal and debt sustainability and improve the authorities' ability to respond to shocks.** While the Debt Sustainability Analysis (DSA) indicates that the risk of external debt distress remains moderate, the recent increases in public sector debt-to-GDP ratio and the accompanying debt service burden have significantly constrained the authorities' ability to counter any shocks. The authorities agreed that generating modest primary surpluses over the medium-term is key to building financial buffers that can provide fiscal space to respond to both natural disasters and shocks and spillovers from external sources. In this context, authorities agreed with staff to take a number of fiscal structural measures, including (i) introducing the market based property taxes next year, (iii) implementing civil service and pension reforms based on the recommendations of a study, (iv) making the Oversight Committee for state-owned enterprises fully functional by end-2011 to improve the efficiency in this sector, and

(v) focusing capital spending to priority areas. On the International Airport project, staff encouraged the authorities to continue their current approach to financing the project through a combination of grants, concessional resources, land sales and privatization proceeds.[12]

16. **While the authorities are committed to these fiscal consolidation measures, there are significant risks, especially from unfavorable exogenous shocks.** Aside from uncertainty over growth dynamics in key advanced economies, rising food and fuel prices could derail the economic recovery and threaten fiscal consolidation. Risk of spillovers from the fiscal and financial sector imbalances in the region could have a significant adverse impact and weather related shocks could also undermine the fiscal consolidation plan.

17. **The recent increase in NPLs at banks and credit unions requires closer monitoring by the authorities**. While banks do not see any significant impact from the recent flooding on their portfolios, staff recommended closer monitoring by the authorities, especially as the slower-than-expected recovery could have an adverse effect on financial sector balance sheets. Staff also emphasized the need for more systematic monitoring of credit unions and the building and loan society. In this context, it reiterated the need to set up the SRU as soon as possible.

18. **The authorities have stepped up structural reforms to address bottlenecks to private sector business and ensure high and sustained growth over the medium term.** Limited access to finance, high cost of electricity, and delays in customs clearance are major obstacles to private sector growth. Against this backdrop, the authorities have identified structural policy measures to address these constraints such as through improving the efficiency of the electricity company, modernizing the Port Authority, full implementation of ASYCUDA World, and facilitating credit access to micro, small and medium sized enterprises.

V. ACCESS AND CAPACITY TO REPAY

19. **Staff proposes a disbursement under the RCF with access of 15 percent of quota (equivalent to SDR 1.245 million or about US$2.0 million)**.[13] The Fund disbursement, which amounts to 0.3 percent of GDP, will provide much needed rapid support to help meet the immediate foreign exchange needs stemming from the floods and landslides.

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[12] An alternative scenario, which assumes that the airport project is financed by commercial loans, indicates that the risk of debt distress would become high (see Supplement 1, Debt Sustainability Analysis).

[13] The proposed access level of 15 percent means St. Vincent and the Grenadines' cumulative access, including the ESF-RAC, would stand at 85 percent of quota (the cumulative limit is 100 percent).

20. **The RCF will also bridge delays between pledges from other donors and actual disbursements, alleviating short-term financing constraints.** Fund support will also likely play a catalytic role in mobilizing additional donor resources.

21. **The proposed use of the RCF would be justified by the urgent balance of payments need and because the time needed to develop a medium-term program would lead to binding cash constraints.** That said, staff pointed out that the repeated use of the RCF underscores the need to address the underlying structural vulnerabilities and build buffers to strengthen the country's resilience and ability to respond to future such shocks. A medium-term Fund arrangement could help to provide such a framework. The authorities agreed with staff on the need to improve the country's resilience to shocks and emphasized their commitment to undertake the required policies. Staff will discuss these issues further in the context of the upcoming Article IV mission in August 2011.

22. **It is expected that St. Vincent and the Grenadines will be able to repay its obligations to the Fund**. The total outstanding loans from the Fund, once the RCF is disbursed, will amount to 85 percent of quota. While the country remains vulnerable to exogenous shocks (economic and climate related) and the debt service-to-revenue excluding grants remains high at 25.8 percent (2010), the authorities' commitment to fiscal consolidation (as outlined in the letter accompanying this RCF request) and on fiscal structural reforms (as evidenced by their implementation record for the last RCF), suggests that St. Vincent and the Grenadines will have the capacity to repay the Fund as debt servicing falls due.

23. **Under the safeguards assessment policy, the Eastern Caribbean Central Bank (ECCB) is due for a full safeguards assessment in 2011**. The last assessment, completed in July 2007 (ECCB is on a four-year cycle), concluded that the ECCB has appropriate audit, financial reporting and control mechanisms in place. The next assessment will be initiated in July and completed by end-2011.

VI. Staff Appraisal

24. **The recent natural disaster has further exacerbated the challenges that St. Vincent and the Grenadines is facing**. The country has been buffeted by a string of adverse shocks in the recent past starting with the global slowdown that began in 2007, high commodity prices in 2008-09 and more recently since mid-2010, Hurricane Tomas in October last year, and torrential rains, floods and landslides in April this year. Growth is expected to remain negative for a fourth year in a row while the reconstruction and rehabilitation spending has increased the pressure on the balance of payments position.

25. **Staff welcomes the progress made on fiscal structural reforms agreed at the time of the previous request for the RCF**. In particular, staff welcomes the expeditious establishment of the LTU which is expected to help improve revenue performance. In addition, the broadening of the coverage of the property tax is also expected to benefit tax

collections. Staff would like to urge the authorities to maintain the momentum on fiscal structural reforms and underscore the need to pass the legislation for the SRU to improve financial sector supervision.

26. **Staff supports the modest widening in the fiscal deficit in 2011 compared to earlier projections at the time of the last RCF.** The authorities are taking steps to enhance revenue collections and identify areas for expenditure savings. However, the bulk of the additional financing gap created by the reconstruction needs will be filled by donors, mainly in the form of grants and concessional resources. In this context, staff welcomes the authorities' commitment to avoid non-concessional external borrowing. To the extent that grants and concessional resources are not available, the authorities plan to adjust spending, as has been done in previous years.

27. **Staff welcomes the authorities' commitment to medium-term fiscal consolidation, including generating primary surpluses in the range of 1½–2 percent of GDP**. This will help to ensure that the public debt-to-GDP ratio remains on a downward trajectory creating fiscal space to respond to exogenous shocks, especially given the lack of other policy instruments in the context of the currency union. Toward this end, staff would like to encourage the authorities to expedite their plans to implement several fiscal structural measures, including introduction of the market based property taxes and civil service and pension reforms, as outlined in their letter accompanying this request for RCF resources.

28. **Staff supports the authorities request for the Rapid Credit Facility in the amount of SDR 1.245 million (equivalent to 15 percent of quota).** Staff support is based on the severity of the damage from the natural disaster, the urgency of the balance of payments need, and the authorities' policy response, including their commitment to fiscal consolidation and building buffers to enhance the country's resilience to shocks over the medium term. In this context , the authorities reliance on grants and concessional resources, while avoiding non-concessional borrowing, to finance the deficit and their commitment to continue fiscal structural reforms will help to maintain medium term fiscal and debt sustainability. While there are downside risks, in light of the country's high public debt and vulnerability to external shocks, these risks are mitigated by the authorities' commitment to fiscal consolidation and to building resilience to future shocks.

Table 1. St. Vincent and the Grenadines: Selected Social and Economic Indicators, 2008–11

Social and Demographic Indicators			
Area (sq. km)	389.0	Adult illiteracy rate (percent, 2001)	11.0
Population		Health and nutrition	
Total (thousands, 2007)	109.1	Calorie intake (per capita a day, 2004)	2,660
Rate of growth (percent per year, 2007)	0.10	Population per physician (thousand, 2004)	1.2
Density (per sq. km., 2007)	280.5	AIDS incidence rate (per 100,000, 2005)	32
Population characteristics (2007)		Gross domestic product (2009)	
Life expectancy at birth (years)	71.7	(millions of US dollars)	685
Infant mortality (per thousand live births)	11.9	(millions of EC dollars)	1,883
Under 5 mortality rate (per thousand)	13.2	(US$ per capita)	6,275

				2011 proj.		
	2008	2009	2010	RCF	Rev. (w/o floods) 1/	Rev.(post-floods)
	(Annual percentage change, unless otherwise specified)					
Output and prices						
Real GDP (factor cost)	-0.3	-0.6	-1.8	2.5	1.0	-0.4
Nominal GDP (market prices)	2.6	-0.7	-0.6	5.0	4.2	3.0
Consumer prices, end of period 2/	8.7	-1.6	2.0	2.6	5.9	5.9
Consumer prices, period average 2/	10.1	0.4	1.5	3.8	5.0	5.0
Real effective exchange rate (- = depreciation)	3.8	2.4	...	...	...	...
Banking system						
Net foreign assets 3/	3.1	-2.2	10.5	-2.7	-4.0	-4.0
Net domestic assets 3/	-1.7	3.6	-7.9	7.5	8.6	8.6
Credit to private sector 3/	2.6	1.5	1.6	4.9	4.7	4.7
Central government finances						
Total revenue and grants	28.3	28.7	27.3	28.6	28.0	28.7
Total expenditure and net lending	29.6	31.8	32.6	32.7	32.1	33.2
Current expenditure	22.7	24.8	28.3	26.0	26.2	26.8
Of which						
Wages and salaries	10.9	11.3	11.9	11.6	11.8	11.9
Interest	2.5	2.7	2.8	2.7	2.7	2.8
Capital expenditure	6.9	6.9	4.3	6.7	5.8	6.4
Overall balance	-1.3	-3.1	-5.3	-4.0	-4.1	-4.5
Overall balance (excl. grants)	-3.7	-7.2	-7.1	-6.8	-7.0	-7.8
Primary balance	1.1	-0.4	-2.5	-1.3	-1.3	-1.7
Primary balance (excl. grants)	-1.3	-4.5	-4.3	-4.1	-4.3	-5.0
Central government debt 3/	46.5	48.4	54.5	53.3	55.8	56.2
External sector						
External current account	-28.7	-28.4	-28.3	-29.0	-32.3	-34.1
Of which						
Exports of goods and services	28.6	28.7	27.3	27.8	26.7	26.4
Imports of goods and services	57.3	57.4	58.0	58.4	60.5	62.3
Stayover arrivals (percentage change)	-6.1	-9.9	-4.3	1.0	-1.5	-1.5
Public sector external debt (end of period)	30.0	32.1	41.2	43.4	44.3	44.7
External public debt service						
(In percent of exports of goods and services)	13.1	13.9	15.5	17.3	17.1	17.5
Memorandum items:						
Gross public sector debt 4/	56.7	62.6	66.0	72.1	68.8	70.0
Net public sector debt	54.0	59.6	63.0	69.3	66.9	67.2
Nominal GDP (market prices; in millions of EC$)	1,897	1,883	1,871	1,957	1,950	1,927

Sources: ECCB; Ministry of Finance and Planning; and Fund staff estimates and projections.

1/ Revised based on the first quarter outturns and international developments.

2/ The 2011 inflation projection was revised up to reflect international food and fuel price increases.

3/ Annual changes relative to the stock of broad money at the beginning of the period.

4/ Debt figures were revised to reflect actual data up to 2010, which became available during this mission.

Table 2. St. Vincent and the Grenadines: Summary of Central Government Operations, 2008–11
(In millions of Eastern Caribbean dollars)

			Est.	2011 proj.			
	2008	2009	2010	Budget	RCF	Rev. (w/o floods) 1/	Rev.(post-floods)
Total revenue and grants	**536.2**	**539.7**	**510.4**	**560.4**	**560.4**	**546.7**	**553.4**
Current revenue	489.5	461.3	475.3	504.8	504.8	488.0	488.7
Tax revenue	447.9	428.0	428.1	464.2	464.2	447.8	447.8
Taxes on income and profits	110.4	110.6	108.8	117.5	117.5	116.8	116.8
Taxes on property	2.2	2.7	2.9	6.2	6.2	5.9	5.9
Taxes on international trade	188.6	187.9	185.1	194.4	194.4	186.2	186.2
Of Which: VAT	86.0	78.2	75.3	81.5	81.5	77.5	77.5
Taxes on domestic transactions 2/	146.7	126.8	131.3	146.0	146.0	138.9	138.9
Of Which: VAT	67.5	64.3	62.5	68.0	68.0	63.4	63.4
Non-tax 2/	41.6	33.3	47.2	40.6	40.6	40.2	40.9
Fees, Fines and Permits	18.2	18.9	21.5			22.8	22.8
Interest, Rent and Dividends	11.6	10.0	13.4			10.9	10.9
Other Revenue 3/	11.8	4.3	12.3			6.5	7.3
Capital Revenue	1.6	1.5	0.9	1.0	1.0	1.4	1.4
Of which : Sale of crown lands	1.6	1.5	0.9	1.0	1.0	1.4	1.4
Grants	45.2	76.9	34.2	54.7	54.7	57.4	63.3
Of which : Flood related	…	…	…	…	…	…	5.9
Total expenditure and net lending	**561.8**	**597.9**	**609.7**	**708.7**	**639.7**	**625.9**	**640.1**
Current	430.8	467.8	529.7	542.1	508.0	511.9	516.2
Wages and salaries 4/	206.8	212.0	221.8	243.6	226.8	229.2	229.2
Interest	46.8	50.5	52.2	53.3	53.3	53.3	53.3
Domestic	23.8	28.4	31.5	26.6	26.6	26.6	26.6
Foreign	23.0	22.1	20.7	26.7	26.7	26.7	26.7
Transfers and subsidies	86.2	119.7	189.5	169.9	159.8	159.4	163.7
Of which:							
Hurricane related	…	…	0.9	9.3	9.3	9.3	9.3
Flood related	…	…	…	…	…	…	4.3
Goods and services	91.0	85.6	66.2	75.3	68.2	70.0	70.0
Capital expenditure	131.0	130.0	80.0	166.7	131.7	114.1	123.9
Of which:							
Hurricane related	…	…	2.5	7.6	7.6	7.6	7.6
Flood related	…	…	…	…	…	…	15.0
Current balance (before grants)	58.6	-6.6	-54.4	-37.3	-3.2	-23.9	-27.5
Overall balance	**-25.6**	**-58.2**	**-99.3**	**-148.3**	**-79.2**	**-79.2**	**-86.7**
Overall balance (excl. grants)	**-70.7**	**-135.1**	**-133.5**	**-203.0**	**-133.9**	**-136.6**	**-150.0**
Primary balance	21.2	-7.7	-47.1	-95.0	-26.0	-26.0	-33.4
Primary balance (excl. grants)	-23.9	-84.6	-81.3	-149.7	-80.6	-83.3	-96.7
Identified financing	25.6	58.2	99.3	73.8	79.2	79.2	81.3
Net external financing	16.7	18.2	154.0	28.3	33.7	33.7	35.7
Disbursements	62.4	65.7	202.7	81.9	87.3	87.3	89.3
O/w Flood related	…	…	…	…	…	…	2.0
Amortization	45.7	47.4	48.7	53.6	53.6	53.6	53.6
Change in government assets	-5.2	-6.0	-12.0	-6.0	-6.0	-6.0	-6.0
Net domestic financing	14.1	30.3	-110.8	18.9	18.9	18.9	18.9
Sale of Equity (privatization proceeds) 5/	0.0	0.0	42.0	24.0	24.0	24.0	24.0
Arrears	0.0	0.0	23.0	0.0	0.0	0.0	0.0
Exceptional financing	0.0	15.6	3.0	8.6	8.6	8.6	8.6
IMF/ESF	…	15.6	…	…			
CCRIF	…	…	3.0	…			
IMF/RCF				8.6	8.6	8.6	8.6
Remaining financing gap	0.0	0.0	0.0	74.5	0.0	0.0	5.4
Memorandum items:							
Wage and salaries as a share of recurrent expenditures	48.0	45.3	41.9	44.9	44.6	44.8	44.4
Transfers and subsidies as a share of recurrent expenditures	20.0	25.6	35.8	31.3	31.5	31.1	31.7
Goods and services as a share of recurrent expenditures	21.1	18.3	12.5	13.9	13.4	13.7	13.6
Capital expenditure as a share of total expenditures	23.3	21.7	13.1	23.5	20.6	18.2	19.4

Sources: Ministry of Finance and Planning; and Fund staff estimates and projections.

1/ Revised based on the first quarter outturns.

2/ Revenue from licences was reclassified from non-tax revenue in the previous staff report to taxes on domestic transactions.

3/ In the 2011 Rev. (post-floods) projection, this includes local floods-related grants of EC$0.8 million.

4/ Wages and salaries including social security contributions, commissions, rewards, allowances, and incentives.

5/ The budget classifies privatization proceeds from the sale of the National Commercial Bank as capital revenue above the line.

Table 3. St. Vincent and the Grenadines: Summary of Central Government Operations, 2008–11
(In percent of GDP, unless otherwise stated)

			Est.	2011 proj.			
	2008	2009	2010	Budget	RCF	Rev. (w/o floods) 1/	Rev.(post-floods)
Total revenue and grants	**28.3**	**28.7**	**27.3**	**28.6**	**28.6**	**28.0**	**28.7**
Current revenue	25.8	24.5	25.4	25.8	25.8	25.0	25.4
Tax revenue	23.6	22.7	22.9	23.7	23.7	23.0	23.2
Taxes on income and profits	5.8	5.9	5.8	6.0	6.0	6.0	6.1
Taxes on property	0.1	0.1	0.2	0.3	0.3	0.3	0.3
Taxes on international trade	9.9	10.0	9.9	9.9	9.9	9.5	9.7
Of Which: VAT	4.5	4.2	4.0	4.2	4.2	4.0	4.0
Taxes on domestic transactions 2/	7.7	6.7	7.0	7.5	7.5	7.1	7.2
Of Which: VAT	3.6	3.4	3.3	3.5	3.5	3.3	3.3
Non-tax 2/	2.2	1.8	2.5	2.1	2.1	2.1	2.1
Fees, Fines and Permits	1.0	1.0	0.0	0.4	0.0	1.2	1.2
Interest, Rent and Dividends	0.6	0.5	0.0	0.7	0.0	0.6	0.6
Other Revenue 3/	0.6	0.2	0.0	0.0	0.0	0.3	0.4
Capital Revenue	0.1	0.1	0.0	0.1	0.1	0.1	0.1
Of which : Sale of crown lands	0.1	0.1	0.0	0.1	0.1	0.1	0.1
Grants	2.4	4.1	1.8	2.8	2.8	2.9	3.3
Of which : Flood related	…	…	…	…	…	…	0.3
Total expenditure and net lending	**29.6**	**31.8**	**32.6**	**36.2**	**32.7**	**32.1**	**33.2**
Current	22.7	24.8	28.3	27.7	26.0	26.2	26.8
Wages and salaries 4/	10.9	11.3	11.9	12.4	11.6	11.8	11.9
Interest	2.5	2.7	2.8	2.7	2.7	2.7	2.8
Of which : Foreign interest	1.2	1.2	1.1	1.4	1.4	1.4	1.4
Transfers and subsidies	4.5	6.4	10.1	8.7	8.2	8.2	8.5
Of which:							
Hurricane related	…	…	0.0	0.5	0.5	0.5	0.5
Flood related	…	…	…	…	…	…	0.2
Goods and services	4.8	4.5	3.5	3.8	3.5	3.6	3.6
Capital expenditure	6.9	6.9	4.3	8.5	6.7	5.8	6.4
Of which:							
Hurricane related	…	…	0.1	0.4	0.4	0.4	0.4
Flood related	…	…	…	…	…	…	0.8
Current balance (before grants)	3.1	-0.4	-2.9	-1.9	-0.2	-1.2	-1.4
Overall balance	**-1.3**	**-3.1**	**-5.3**	**-7.6**	**-4.0**	**-4.1**	**-4.5**
Overall balance (excl. grants)	**-3.7**	**-7.2**	**-7.1**	**-10.4**	**-6.8**	**-7.0**	**-7.8**
Primary balance	1.1	-0.4	-2.5	-4.9	-1.3	-1.3	-1.7
Primary balance (excl. grants)	-1.3	-4.5	-4.3	-7.6	-4.1	-4.3	-5.0
Identified financing	**1.3**	**3.1**	**5.3**	**3.8**	**4.0**	**4.1**	**4.2**
Net external financing	0.9	1.0	8.2	1.4	1.7	1.7	1.9
Disbursements	3.3	3.5	10.8	4.2	4.5	4.5	4.6
O/w Flood related	…	…	…	…	…	…	0.1
Amortization	2.4	2.5	2.6	2.7	2.7	2.7	2.8
Change in government assets	-0.3	-0.3	-0.6	-0.3	-0.3	-0.3	-0.3
Net domestic financing	0.7	1.6	-5.9	1.0	1.0	1.0	1.0
Sale of Equity (privatization proceeds) 5/	0.0	0.0	2.2	1.2	1.2	1.2	1.2
Arrears	0.0	0.0	1.2	0.0	0.0	0.0	…
Exceptional financing	0.0	0.8	0.2	0.4	0.4	0.4	0.4
IMF/ESF	…	0.8	…	…	0.0	0.0	0.0
CCRIF	…	…	0.2	…	0.0	0.0	0.0
IMF/RCF	0.0	0.0	0.0	0.0	0.0	0.4	0.4
Remaining financing gap	0.0	0.0	0.0	3.8	0.0	0.0	0.3
Memorandum items:							
Gross central government debt (in percent of GDP)	46.5	48.4	54.5	…	53.3	55.8	55.8
Gross Public sector debt (in percent of GDP)	56.7	62.6	66.0	…	72.1	68.8	70.0
Net Public sector debt (in percent of GDP)	54.0	59.6	63.0	…	69.3	66.9	67.2
Central government debt service to revenues excluding grants	21.3	25.2	25.2	…	24.7	25.5	26.0
GDP at market prices (EC$ millions)	1,897	1,883	1,871	1,957	1,957	1,950	1,927

Sources: Ministry of Finance and Planning; and Fund staff estimates and projections.

1/ Revised based on the first quarter outturns.
2/ Revenue from licences was reclassified from non-tax revenue in the previous staff report to taxes on domestic transactions.
3/ In the 2011 Rev. (post-floods) projection, this includes local floods-related grants of EC$0.8 million.
4/ Wages and salaries including social security contributions, commissions, rewards, allowances, and incentives.
5/ The budget classifies privatization proceeds from the sale of the National Commercial Bank as capital revenue above the line.

Table 4. St. Vincent and the Grenadines: Balance of Payments Summary, 2008–11

		Est.	Rev. proj.	2011		
	2008	2009	2010	RCF	W/o floods 1/	Post-floods
	(In millions of Eastern Caribbean dollars)					
Current account	**-545**	**-535**	**-529**	**-568**	**-629**	**-656**
Trade balance	-655	-648	-657	-726	-763	-792
Exports f.o.b.	151	146	129	144	140	129
Of which: Bananas	20	18	15	15	13	10
Imports f.o.b.	806	794	786	869	903	921
Of which: Mineral fuels	142	120	150	201	216	210
Services (net)	111	108	83	128	104	101
Travel	201	194	169	185	168	168
Other nonfactor services	-90	-86	-86	-58	-63	-67
Income payments (net)	-56	-58	-44	-44	-44	-44
Current transfers	55	63	89	73	73	79
Net private transfers	33	33	42	38	38	44
Net official transfers	22	30	47	35	35	35
Capital and financial account	**472**	**460**	**460**	**558**	**604**	**612**
Capital	118	133	104	110	164	170
Financial (net)	353	326	356	448	440	442
Official capital 2/	20	22	77	85	79	81
Commercial banks	-41	3	-17	27	14	14
Net Foreign Direct Investment	327	292	272	319	329	329
Others	48	10	24	16	18	18
Errors and omissions	105	37	183	0	0	0
Overall balance	32	-39	114	-10	-25	-45
Available financing	-32	39	-114	2	26	45
Change in ECCB NFA	-32	24	-113	2	17	31
Change in net imputed reserves (increase -)	-32	-9	-113	2	17	31
Of which: due to SDR allocation	0	-33	27	0	0	0
Change in medium- and long-term net liabilities	0	33	0	0	0	0
Change in govt. foreign assets	1	0	0	0	0	0
IMF purchases and disbursements	0	15	0	9	9	9
Other financing	0	0	0	0	0	0
Remaining financing gap 3/	0	0	0	0	0	5.4
	(In percent of GDP, unless otherwise stated)					
Memorandum items:						
Current account	-28.7	-28.4	-28.3	-29.0	-32.3	-34.1
Exports f.o.b.	8.0	7.7	6.9	7.3	7.2	6.7
Imports f.o.b.	42.5	42.1	42.0	44.4	46.3	47.8
Net private transfers	1.7	1.8	2.2	1.9	1.9	2.3
Foreign direct investment	17.2	15.5	14.5	16.3	16.9	17.1
Tourism receipts	13.1	12.9	11.6	11.8	10.9	11.0
Total trade	50.5	49.9	48.9	51.8	53.5	54.5
Exports of goods and nonfactor services	28.6	28.7	27.3	27.8	26.7	26.4
Imports of goods and nonfactor services	57.3	57.4	58.0	58.4	60.5	62.3

Sources: Ministry of Finance and Planning; ECCB; and Fund staff estimates and projections.

1/ Revised based on the increase in international food and fuel prices and the first quarter outturn.

2/ Official capital in 2010 and 2011 includes new borrowing from ALBA and CDB.

3/ All other available financing as shown in Text Table (Paragraph 13) is included as part of identified external financing. The remaining financing gap is expected to be filled by RCF.

Table 5. St. Vincent and the Grenadines: Monetary Survey, 2008–11

			Proj.	
	2008	2009	2010	2011
	(In millions of Eastern Caribbean dollars)			
Net foreign assets	385	361	474	430
ECCB	224	203	299	268
Of which: Imputed reserves	224	203	299	268
Commercial banks	161	158	175	162
Net domestic assets	686	725	640	739
Public sector credit (net)	59	86	-68	15
Central government	108	128	22	47
ECCB	3	-18	-17	5
Commercial banks	105	146	39	42
Net credit to rest of public sector	-49	-41	-90	-32
National Insurance Scheme	-63	-82	-72	-70
Other	14	41	-18	38
Credit to private sector	926	943	960	1013
Other items (net)	-299	-305	-252	-289
Broad money	1071	1075	1114	1175
Money	375	348	346	364
Currency in circulation	81	64	51	53
Demand deposits	294	285	289	305
Quasi-money	697	727	768	811
Time deposits	115	122	129	136
Savings deposits	545	575	594	627
Foreign currency deposits	37	30	45	48
	(Annual percentage change)			
Net foreign assets	9.2	-6.2	31.4	-9.4
Net domestic assets	-2.5	5.6	-11.7	15.5
Credit to private sector	3.0	1.8	1.8	5.5
Broad money	1.4	0.4	3.6	5.4
Money	-4.2	-7.0	-0.8	5.3
Quasi-money 1/	4.7	4.3	5.7	5.5
	(Contribution M2 growth)			
Net foreign assets	3.1	-2.2	10.5	-4.0
Net domestic assets	-1.7	3.6	-7.9	8.6
Public sector credit (net)	2.3	2.5	-14.4	7.5
Of which: Central government	1.9	1.8	-9.8	2.2
Credit to private sector	2.6	1.5	1.6	4.7
Other items (net)	-6.6	-0.5	4.9	-3.3
Memorandum item:				
Income velocity 2/	1.8	1.8	1.7	1.6

Sources: ECCB; Ministry of Finance and Planning; and Fund staff estimates.
1/ Including resident foreign currency deposits.
2/ Nominal GDP at market prices divided by liabilities to the private sector.

Table 6. St. Vincent and the Grenadines: Indicators of External and Financial Vulnerability, 2007–11

(Annual percentage changes, unless otherwise specified)

	2007	2008	2009	2010	2011
External indicators					
Merchandise exports	24.0	9.6	-3.6	…	
Merchandise imports	21.1	3.7	-1.6	…	
Terms of trade deterioration (-)	-15.2	9.5	-6.5	…	
Tourism earnings	-1.9	-17.0	-2.4	…	
Banana export earnings	1.7	4.1	-9.9	…	
Current account balance (in percent of GDP)	-28.0	-28.7	-28.4	…	
Capital and financial account balance (in percent of GDP) 1/	30.6	30.4	26.4	…	
Of which					
Foreign direct investment (in percent of GDP)	17.1	17.2	15.5	…	
Gross international reserves of the ECCB					
In millions of U.S. dollars	764.5	759.0	800.8	925.3	917.8 (Mar.)
In percent of broad money	18.6	17.0	17.5	19.8	19.3 (Mar.)
Gross imputed reserves					
In millions of U.S. dollars	0.0	0.0	0.0	…	
Commercial banks' net foreign assets (in millions of U.S. dollars)	44.4	59.7	58.6	64.9	65.8 (Mar.)
External public debt (in percent of GDP)	36.5	30.0	32.1	…	
External debt service (in percent of exports of goods and services)	12.8	13.5	14.7	…	
Of which					
Interest	4.9	5.8	5.8	4.0	
Nominal exchange rate (EC$ per US$, end period)	2.7	2.7	2.7	2.7	2.7
Real effective exchange rate depreciation (-), end period	0.3	3.8	2.4	...	
Financial indicators					
Broad money	7.2	1.4	0.4	3.6	4.5 (Mar.)
Credit to the private sector	14.1	3.0	1.8	1.8	4.3 (Mar.)
Prudential indicators (in percent)					
Regulatory capital to risk-weighted assets	17.0	17.9	18.7	18.7 (Dec.)	
Nonperforming loans net of provisions to capital	17.2	31.7	23.7	14.0 (")	
Nonperforming loans to total gross loans	3.4	3.9	8.4	8.6 (")	
General Government Loans to Total Loans	21.6	23.1	17.5	8.7 (")	
Return on assets	2.3	2.3	1.8	0.5 (")	
Liquid assets to total assets	35.1	33.9	30.9	35.9 (")	
Spread between reference lending and deposit rates	6.8	5.3	6.4	3.2 (")	
Total Loans/Total Deposits	84.1	87.2	85.6	75.3 (")	
Foreign-currency-denominated liabilities to total liabilities	4.5	5.9	5.1	5.3 (")	

Sources: ECCB; Ministry of Finance and Planning; and Fund staff estimates and projections.

1/ Includes errors and omissions.

Table 7. St. Vincent and the Grenadines: Medium-Term Projections, 2008–16

(In percent of GDP, unless otherwise specified)

			Prel. est.	Projection					
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Output and prices									
Real GDP growth at factor cost (in percent)	-0.3	-0.6	-1.8	-0.4	2.5	3.0	3.5	3.5	3.5
Consumer prices, end-of-period (percent change)	8.7	-1.6	2.0	5.9	1.9	2.5	2.5	2.5	2.5
Central government finances									
Total revenue and grants	28.3	28.7	27.3	28.7	28.9	29.8	30.4	30.4	30.5
Of which:									
Tax revenue	23.6	22.7	22.8	23.2	23.8	24.4	24.9	24.9	25.0
Taxes on income and profits	5.8	5.9	5.8	6.1	6.2	6.4	6.6	6.7	6.8
Taxes on property	0.1	0.1	0.2	0.3	0.3	0.3	0.4	0.4	0.4
Taxes on international trade	9.9	10.0	9.9	9.7	9.7	9.8	9.9	9.8	9.8
Taxes on domestic transactions	7.7	6.7	7.0	7.2	7.6	7.8	8.1	8.1	8.1
Grants	2.4	4.1	1.8	3.3	2.6	2.6	2.5	2.5	2.5
Total expenditure and net lending	29.6	31.8	32.6	33.2	32.0	31.1	30.8	30.6	30.4
Of which:									
Wages and salaries 1/	10.9	11.3	11.9	11.9	11.9	11.9	11.9	11.9	11.9
Transfers and subsidies	4.5	6.4	10.1	8.5	8.0	7.5	7.4	7.4	7.4
Capital expenditure	6.9	6.9	4.3	6.4	5.9	5.7	5.7	5.6	5.6
Overall balance	-1.3	-3.1	-5.3	-4.5	-3.1	-1.3	-0.4	-0.1	0.0
Of which: Primary balance	1.1	-0.4	-2.5	-1.7	-0.5	1.1	1.9	2.0	2.0
Financing	1.3	3.1	5.3	4.2	3.1	1.3	0.4	0.1	0.0
Of which:									
Net external financing	0.9	1.0	8.2	1.9	1.7	0.5	0.6	0.7	0.6
Net domestic financing	0.7	1.6	-5.9	1.0	1.8	1.1	0.0	-0.6	-0.6
Gross public sector debt	56.7	62.6	66.0	70.0	70.8	69.0	66.0	62.7	59.4
External sector									
Current account balance	-28.7	-28.4	-28.3	-34.1	-30.0	-27.0	-25.3	-24.2	-22.3
Gross public sector external debt (end of period)	30.0	32.1	41.2	44.7	43.6	42.0	40.4	39.0	37.6
External public debt service									
(In percent of exports of goods and services)	13.5	15.1	16.5	18.2	16.9	15.7	14.7	13.6	13.9

Sources: ECCB; Ministry of Finance and Planning; and Fund staff estimates and projections.

1/ Wages and salaries including social security contributions, commissions, rewards, allowances, and incentives.

Table 8. St. Vincent and the Grenadines : Indicators of Capacity to Repay the Fund, 2009-21

		Est.	Projections										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Obligations from existing drawings *(In millions of SDRs)*	0.00	0.00	0.02	0.05	0.05	0.42	0.80	1.00	1.21	1.20	0.83	0.46	0.25
Principal	0.00	0.00	0.00	0.00	0.00	0.37	0.75	0.95	1.16	1.16	0.79	0.42	0.21
Charges/interest	0.00	0.00	0.02	0.05	0.05	0.05	0.05	0.05	0.05	0.04	0.04	0.04	0.04
Obligations from existing and prospective drawings 1/													
(In millions of SDRs)	0.00	0.00	0.02	0.06	0.06	0.42	0.80	1.00	1.46	1.45	1.08	0.70	0.50
Principal	0.00	0.00	0.00	0.00	0.00	0.37	0.75	0.95	1.41	1.41	1.04	0.66	0.46
Charges/interest	0.00	0.00	0.02	0.06	0.06	0.05	0.05	0.05	0.05	0.04	0.04	0.04	0.04
Total outstanding and prospective obligations													
In millions of U.S. dollars	0.00	0.00	0.03	0.10	0.10	0.67	1.27	1.58	2.31	2.29	1.71	1.11	0.79
In percent of exports of goods and services	0.00	0.00	0.02	0.04	0.04	0.27	0.48	0.58	0.82	0.79	0.56	0.35	0.24
In percent of debt service	0.00	0.00	0.09	0.26	0.25	1.69	3.18	3.57	4.78	4.68	3.54	2.39	1.67
In percent of quota	0.00	0.00	0.24	0.72	0.72	5.06	9.64	12.05	17.59	17.47	13.01	8.43	6.02
In percent of net international reserves 2/	0.00	0.00	0.01	0.04	0.04	0.25	0.42	0.45	0.64	0.61	0.44	0.27	0.18
Fund credit outstanding 1/													
In millions of SDRs	3.74	3.74	7.06	7.06	7.06	6.68	5.93	4.98	3.57	2.16	1.12	0.46	0.00
In millions of U.S. dollars	5.77	5.71	11.25	11.25	11.22	10.59	9.38	7.87	5.64	3.41	1.77	0.73	0.00
In percent of exports of goods and services	2.88	3.01	5.96	5.21	4.92	4.31	3.56	2.89	2.01	1.17	0.58	0.23	0.00
In percent of debt service	19.36	18.13	31.53	30.14	29.48	26.94	23.59	17.78	11.69	6.97	3.67	1.57	0.00
In percent of quota	45.06	45.06	85.06	85.06	85.06	80.48	71.45	60.00	43.01	26.02	13.49	5.54	0.00
In percent of net international reserves 2/	2.84	1.91	4.19	4.76	4.89	3.91	3.10	2.24	1.56	0.91	0.45	0.18	0.00
Net use of Fund credit 1/ *(In millions of SDRs)*	3.74	0.00	3.30	-0.06	-0.06	-0.42	-0.80	-1.00	-1.46	-1.45	-1.08	-0.70	-0.50
Disbursments	3.74	0.00	3.32	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repayments and repurchases	0.00	0.00	0.02	0.06	0.06	0.42	0.80	1.00	1.46	1.45	1.08	0.70	0.50
Memorandum items:													
Exports of goods and services (millions of U.S. dollars)	200.33	189.42	188.80	215.75	228.12	245.74	263.81	271.72	279.88	291.07	302.71	317.85	333.74
Debt service (millions of U.S. dollars)	29.81	31.49	35.68	37.33	38.05	39.30	39.78	44.24	48.22	48.95	48.24	46.17	47.35
Quota (millions of SDRs)	8.30	8.30	8.30	8.30	8.30	8.30	8.30	8.30	8.30	8.30	8.30	8.30	8.30
Quota (millions of U.S. dollars)	12.80	12.67	13.22	13.23	13.19	13.16	13.13	13.11	13.11	13.11	13.11	13.11	13.11
Net international reserves (millions of U.S. dollars) 2/	203.03	299.13	268.48	236.13	229.56	270.70	302.31	350.38	360.89	375.33	390.34	409.86	430.35
GDP (millions of U.S. dollars)	697.36	693.06	713.83	766.14	812.87	866.80	924.57	986.20	1051.94	1122.05	1196.84	1276.62	1361.71
SDRs per U.S. dollar 3/	0.65	0.66	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63

Sources: St. Vincent authorities; Eastern Caribbean Central Bank (ECCB); and Fund staff estimates and projections.

1/ Includes the RCF aproved in February with access in the ammount of SDR 2.08 million and the requested RCF in the ammount of SDR 1.245 million (15 percent of quota).

2/ Net international reserves of the monetary authorities; net imputed reserves of the ECCB and transactions with the Fund.

3/ WEO GAS projections, dated May 27, 2011 up to 2016, after which the exchange rate is fixed at the 2016 level.

The Prime Minister
St. Vincent and the Grenadines
West Indies

June 27th, 2011

Mr. John Lipsky
Acting Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Mr. Lipsky:

In mid April 2011, St. Vincent and the Grenadines suffered from torrential rains that caused flash flooding and landslides, and severely damaged infrastructure, agriculture and the residential housing stock. Our initial estimates suggest that the overall damage is in the order of US$25.5 million (3.6 percent of GDP), although the cost of reconstruction and rehabilitation is expected to be much larger.

Furthermore, the recent natural disaster has setback the reconstruction that had just started to take hold after Hurricane Tomas, which hit the island in October last year and derailed our efforts at reactivating the economy. As a result, real GDP growth in 2011 is now expected to decline for a fourth consecutive year, while inflation is projected to increase reflecting the pass-through from high international food and fuel prices. The deterioration of the export sector (tourism and agriculture) in 2011 and the necessary reconstruction-related imports will put pressure on the balance of payments.

The immediate post-flood needs were met with grants from donors, including the Caribbean Development Bank, and redirecting already allocated spending. However, we still need significant resources for rebuilding what was destroyed as well as to address the social needs of those affected by the floods and the landslides. We have already received pledges from several donors and identified about EC$8 million (out of a total of EC$19.3 million required in 2011) of funding in grants and concessional loans to cover flood-related costs.

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On the fiscal front, we expect a temporary widening of the fiscal deficit in 2011, although we plan to keep the primary deficit including grants below two percent of GDP. To ensure that we can meet the needs of those affected while safeguarding our fiscal position, we are taking several steps. In line with the policies outlined in our February 15 letter requesting the RCF after Hurricane Tomas. We have already set up and operationalised the Large Taxpayers Unit (LTU) and has made significant strides in broadening the coverage of property taxes. We plan to make the LTU fully operational by September this year by increasing its auditing capacity and providing legal support for enforcing compliance. On the expenditure side, we have deferred the budgeted three percent wage increase until the fiscal situation improves. We are also making progress on several other fronts, conducting energy audits in government buildings and auctioning vehicles to streamline spending on goods and services; working on the Action Plan on public finance management and operationalizing the Oversight Committee on state owned enterprises.

As we grapple with two recent natural disasters which hit us at a time when we were already dealing with the adverse impact of the global slowdown and high commodity prices, we recognize the urgent need to build sufficient buffers to withstand such shocks in the future. We are therefore developing—with the help of donors and multilateral agencies—a comprehensive strategy aimed at improving the country's resilience to shocks, whatever their nature. In this context, the Caribbean Development Bank and the World Bank have already approved significant funds to help us improve resilience to weather related shocks. On the economic front, we would like to continue dialoguing with the Fund as we further shape and refine our framework to build long-term resilience to shocks.

In this context, we are targeting primary surpluses in the range of 1½–2 percent of GDP over the medium term. This will keep debt on a downward trajectory and create fiscal space to counter future shocks, should the need arise. In order to achieve this target, while continuing to protect spending for the poor and vulnerable groups, we will continue to implement a combination of revenue enhancing and expenditure saving measures over the next few years. In particular, we plan to introduce market based property taxes starting next year, explore the scope for raising excise duties on selected products, and improve tax compliance. On the spending side, we plan to continue to implement public finance management reforms to improve the efficiency of spending, and undertake civil service and pension reforms, based on the recommendations of a study which is expected to be completed by end-year.

Against this background, the government of St. Vincent and the Grenadines requests emergency financing from the IMF amounting to SDR 1.245 million (US$2 million), equivalent to 15 percent of quota, under the Rapid Credit Facility. Partly as a result of the delays between pledges from other donors and actual disbursements, we are facing short-term financing constraints. The IMF assistance will help meet the urgent foreign exchange needs stemming from the disaster and thereby ease pressure on our balance of payments.

It is hoped that the international financial community will support our efforts to restore economic growth and repair and rehabilitate our severely damaged social and economic infrastructure. We continue to seek grants and concessional resources to help meet these needs, while avoiding non-concessional borrowing. We look forward to an early approval of financial assistance by the IMF.

The government intends to continue to maintain a close policy dialogue with the Fund in an effort to strengthen St. Vincent and the Grenadine's balance of payments situation, refrain from measures or policies that would compound the balance of payments difficulties, and maintain macroeconomic stability. In this context, we plan to discuss further with the Fund, at the time of the forthcoming Article IV mission, policies that will help to build long-term resilience to shocks. The government does not intend to impose new or intensify existing restrictions on the making of payments and transfers for current international transactions, introduce new or intensify existing trade restrictions for balance of payments purposes, or enter into bilateral payments agreements which are inconsistent with Article VIII of the Fund's Articles of Agreement.

Sincerely yours,

Ralph E. Gonsalves

Dr. The Hon. Ralph E. Gonsalves
Prime Minister and Minister of Finance

INTERNATIONAL MONETARY FUND

ST. VINCENT AND THE GRENADINES

External and Public Debt Sustainability Analysis

Prepared by the Staff of the International Monetary Fund

July 6, 2011

The current Debt Sustainability Analysis (DSA) indicates that, under the baseline scenario discussed in the staff report, St. Vincent and the Grenadines' risk of external debt distress remains moderate. Despite rising in recent years, the public debt to GDP ratio is projected to resume to a sustainable trajectory over the medium term in light of the authorities' commitment to undertake fiscal consolidation measures and the projected rebound in economic growth.

I. Introduction

1. **St. Vincent and the Grenadines' economy has been buffeted by a string of adverse shocks in the last 3 years.** Economic activity contracted by about 1 percent per annum, on average, during 2008–10, reflecting the impacts of the global slowdown that began in 2007, the international commodity price increases in 2008–09 and more recently since mid-2010, the draught in the first half of 2010, and Hurricane Tomas at end-2010. Government efforts to counter these impacts resulted in a reversal of the 1.1 percent of GDP primary surplus in 2008 to a deficit of 2½ percent of GDP in 2010. At the same time, the public sector debt-to-GDP ratio increased by 9.3 percentage points over the two year period to 66 percent in 2010. External debt constitutes around 62 percent of the public sector debt at end-2010, of which about 67 percent represents claims by multilateral creditors. The central government owed about 83 percent of the total public sector debt at end-2010, with the rest owed by state-owned enterprises.

2. **The torrential rains, flooding and landslides that hit St. Vincent and the Grenadines around mid-April 2011 have further added to the strains in the economy.** As a result, economic growth is expected to remain in the negative territory for the fourth year in a row and additional government spending on rehabilitation and reconstruction activities is expected to further increase the public sector debt in 2011. However, the authorities' commitment to undertake fiscal consolidation measures would ensure debt sustainability over the medium term. The authorities plan to make further improvements in tax administration, including by improving compliance and enhancing audits, and fully operationalizing the Large Taxpayer Unit. They will continue to improve public finance management with CARTAC assistance and a task force has also been set up to study the scope for pension reforms with the help of the International Labor Organization.

II. Underlying DSA Assumptions

3. **The DSA analysis is based on the following macroeconomic framework, assuming that the authorities will implement the policies discussed in the staff report.**

- **Growth and Inflation**: While expected to decline by 0.4 percent this year, the economy is projected to rebound to around 2½ percent in 2012, supported by hurricane and floods related reconstruction activities and modest recovery in tourism and FDI flows. Over the medium term, growth is projected to reach its potential level of 3½-4 percent, reflecting improved employment and consumption conditions in tourism and FDI source countries. End-period inflation is projected to reach around 6 percent in 2011, reflecting the uptick in international food and fuel prices. Over the medium term, inflation is projected to revert to its long-term path of around 2½ percent, anchored by the currency board arrangement.

- **Fiscal Balance**: While the central government's primary balance is projected to register a deficit of 1.7 percent of GDP in 2011, reflecting hurricane and flood related spending, over the medium-term it is assumed that the primary surplus will be in the range of 1½-2 percent of GDP, in line with the authorities' commitment in the context of the RCF discussions.[1] Revenue is projected to increase over the medium term, reflecting the authorities' plan to implement a number of revenue enhancing measures such as revaluation of property and broadening the coverage of the property tax, improving compliance and enhancing tax audits, and streamlining exemptions and transfers to state-owned enterprises. Central government external grants, which peaked in 2009, are projected to return to the pre-crisis level of around 2½ percent of GDP over the medium term and further fall to 1½ percent of GDP in the long term. On the other hand, expenditures in percent of GDP are assumed to gradually fall to the pre-crisis level, reflecting the phasing out of one-off spending items.[1/]

- **External Sector**: The current account deficit is projected to widen in 2011 primarily due to the increase in imports for reconstruction, before converging to around 22 percent of GDP over the medium term. Tourism and FDI are assumed to rebound as economic recovery strengthens in source countries (mainly North America and Europe), over the medium term. The grant element of new external borrowing is projected to fall over the medium to long term, reflecting difficulty of accessing concessional resources as per capita income increases, however, the grant element

[1] The fiscal balance numbers discussed in the assumption reflect only central government, whereas the DSA includes both the central government and state-owned enterprises. The primary balance for the consolidated public sector, that is, including both the central government and the state owned enterprises, is somewhat higher in the short-term reflecting disbursements to the electricity company and the airport authority. However, the difference becomes very small after 2012.

will continue to remain high in the near to medium term in line with the central government's commitment not to borrow on non-concessional terms.

III. Evaluation of Public Sector Debt Sustainability

4. **Although public sector debt has risen in recent years, the public sector debt dynamics are expected to improve over the medium-term.** The public sector debt-to-GDP ratio is projected to increase further by another 4 percentage points to 70 percent in 2011, reflecting the additional spending for hurricane and floods related reconstruction activity and borrowings by the International Airport Development Corporation (IADC) and the Electricity Company (VINLEC).[2] However, the debt trajectory is expected to start a downward trend starting in 2012 reflecting fiscal consolidation measures that the authorities plan to take combined with the projected rebound in economic growth, as discussed in the staff report. The public debt-to-GDP ratio is projected to fall to 46 percent of GDP by 2021 (Table 1a).

5. **Sensitivity analysis shows that higher primary deficits are key vulnerabilities for St. Vincent and the Grenadine's debt dynamics.** Under a scenario where the primary balance is unchanged at the 2011 level, the present value of debt-to-GDP ratio would reach 91 percent in 2020 and 81 percent in 2031, compared to the base line levels of 44 percent and 30 percent in 2021 and 2031, respectively (Table 1b, Scenario A2). A scenario with permanently lower GDP growth also poses a significant risk, increasing the present value of debt-to-GDP ratio to 62 percent in 2021 and 58 percent in 2031.[3]

IV. Evaluation of External Debt Sustainability

6. **St. Vincent and the Grenadines' risk of external debt distress remains moderate.** Under the baseline scenario, the present value (PV) of public sector external debt is estimated at 43 percent of GDP in 2011 and is projected to decline to 27 percent of GDP by 2021, well below the threshold value of 50 percent[4] (Table 3a). The present values of debt and debt service to- export and revenue ratios also remain below the respective thresholds under the baseline scenario. Nevertheless, some of these ratios including the PV of debt-to-GDP ratio

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[2] The IADC expects disbursements of EC$27.3 million from Taiwan and EC$ 6.9 million from the Caribbean Development Fund (both loans are concessional) and VINLEC expects a disbursement of EC$ 14.9 million from ALBA, the last tranche of the electricity expansion project loan.

[3] The permanently lower GDP growth is calculated as the baseline level minus one standard deviation divided by the square root of the projection period.

[4] The DSA uses policy-dependent external debt burden indicators. Policy performance is measured by the Country Policy and Institutional Assessment Index (CPIA), compiled annually by the World Bank, categorizing countries into three groups based on the quality of their macroeconomic policies (strong, medium, and poor). St. Vincent and the Grenadines is classified as a strong performer, with the thresholds on PV of debt-to-GDP, debt-to-exports, and debt-to-revenue of 50, 200 and 300 percent, respectively.

and the PV of debt-to-export ratio exceed the respective prudential thresholds under the alternative scenarios of 'historical average' and 'most extreme shocks' (Figure 1 and Table 2b).[5]

7. **Sensitivity analysis shows that St. Vincent and the Grenadines' external debt dynamics is vulnerable to changes in the nominal exchange rate and non-debt creating flows.** The stress test assuming a one-time 30 percent nominal depreciation relative to the baseline in 2012 indicates that the PV of external debt-to-GDP ratio would jump to 58 percent, breaching the country-specific threshold of 50 percent (Table 2b, Scenario B6). Similarly, the PV of external debt-to-GDP ratio would jump to 54 percent in 2012 and further to 65 percent in 2013, if the net non-debt creating flows (mainly FDI) were at the historical average minus one standard deviation in 2012–2013[6] (Table 2b, Scenario B4).

V. ALTERNATIVE SCENARIO: ADDITIONAL BORROWING FOR THE AIRPORT PROJECT

8. **Additional borrowing in commercial terms to finance the airport project, in the rare event that all expected grants, concessional borrowing, and revenues from land sales are not available in 2011 and 2012, would put St. Vincent and the Grenadines in high risk of debt distress.**[7] Under this scenario, the public sector debt-to-GDP ratio would jump to 83 percent in 2012 and still be above the threshold at 55 percent in 2021. Furthermore, most external debt distress indicators, such as the PV of external debt-to-GDP ratio, the PV of external debt to export ratio, and the PV of debt service to export ratio, lie above the corresponding country-specific thresholds indicating that the risk of external debt distress is high (Figure 3).

VI. CONCLUSION

9. **St. Vincent and the Grenadines' public debt is projected to revert to a sustainable trajectory over the medium term and the external debt distress remains moderate.** While the fiscal situation has been deteriorating in recent years, the authorities have stepped up fiscal consolidation measures, both on the revenue and expenditure fronts. These, along with projected improvements in economic prospects are expected to improve the fiscal situation and reduce the public debt-to-GDP ratio to 46.2 percent by 2021.

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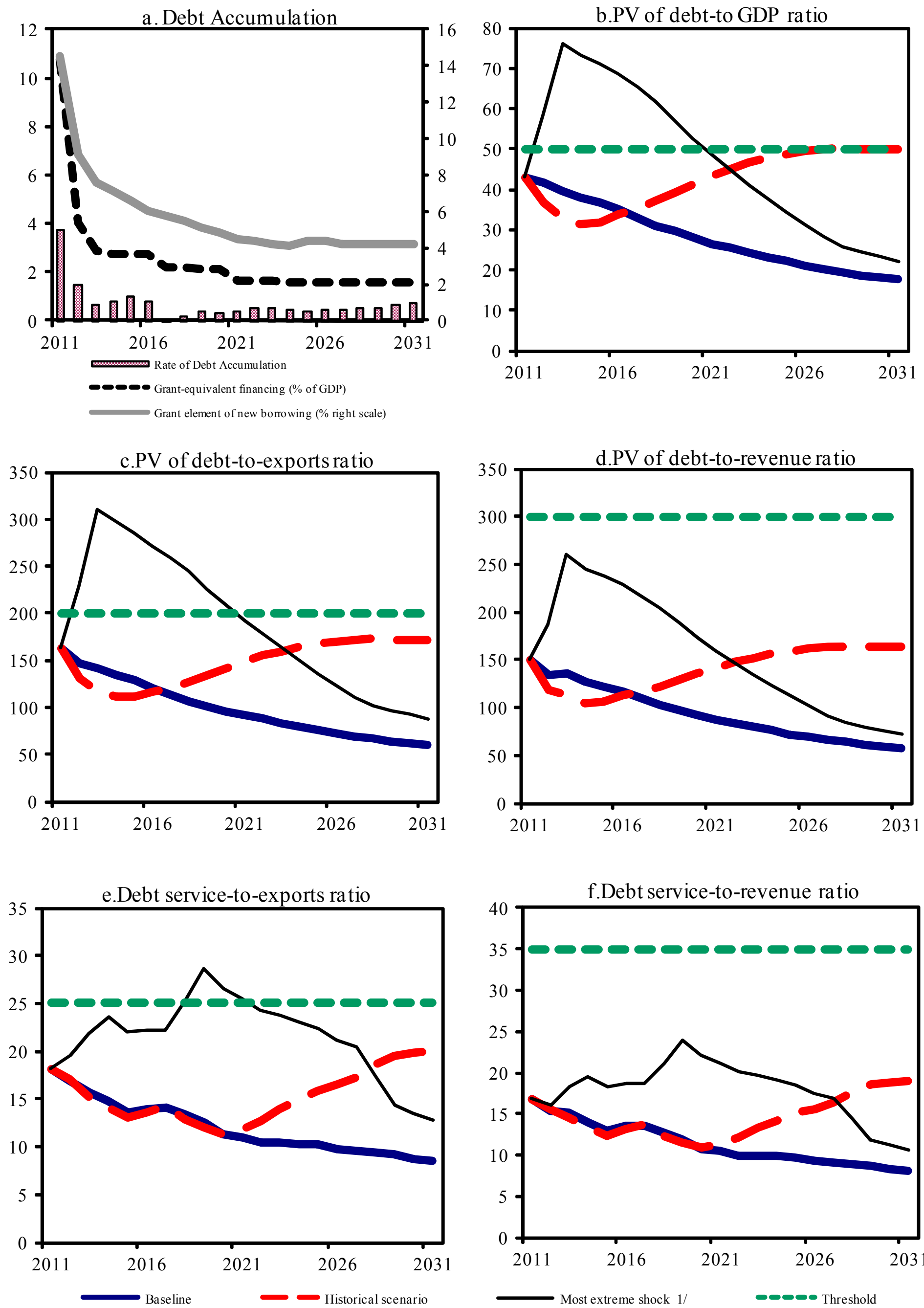
[5] The historical average scenario assumes key macroeconomic variables to remain at historical averages of the last 10 years, whereas the most extreme shock scenario assumes all key macroeconomic indicators will be at their historical average minus one standard deviation.

[6] FDI flows have been at historically low levels in the last few years due to the global economic recession.

[7] Under the baseline scenario, the airport project is financed by a combination of grants, concessional borrowing, land sales, and privatization proceeds.

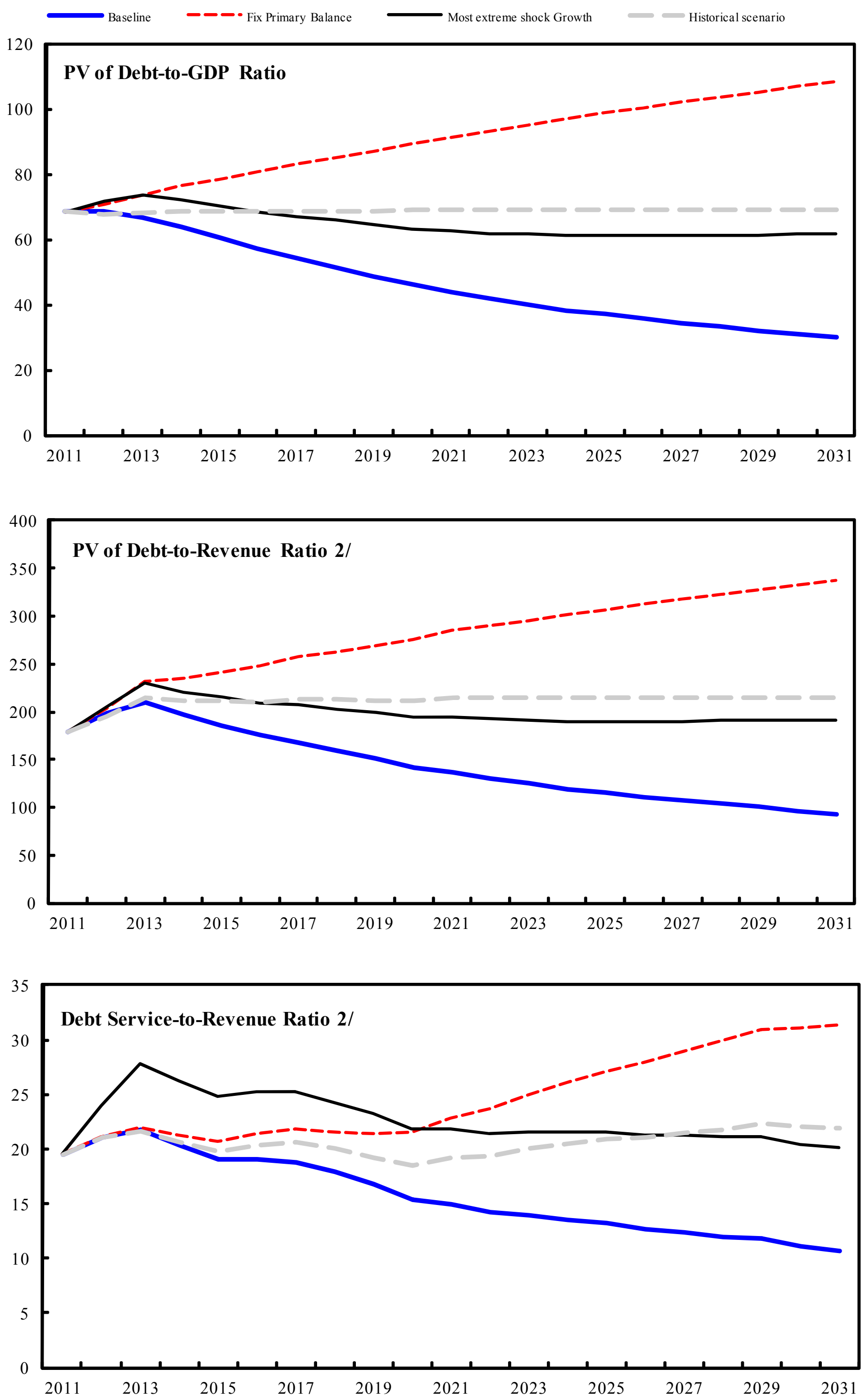
Figure 1. St. Vincent & the Grenadines: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2011-2031 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress shock in Figures b-f refers to a combination of shocks to key macroeconomic variables such as real GDP, primary balance, and the exchange rate.

Figure 2. St. Vincent & the Grenadines: Indicators of Public Debt Under Alternative Scenarios, 2011-2031 1/

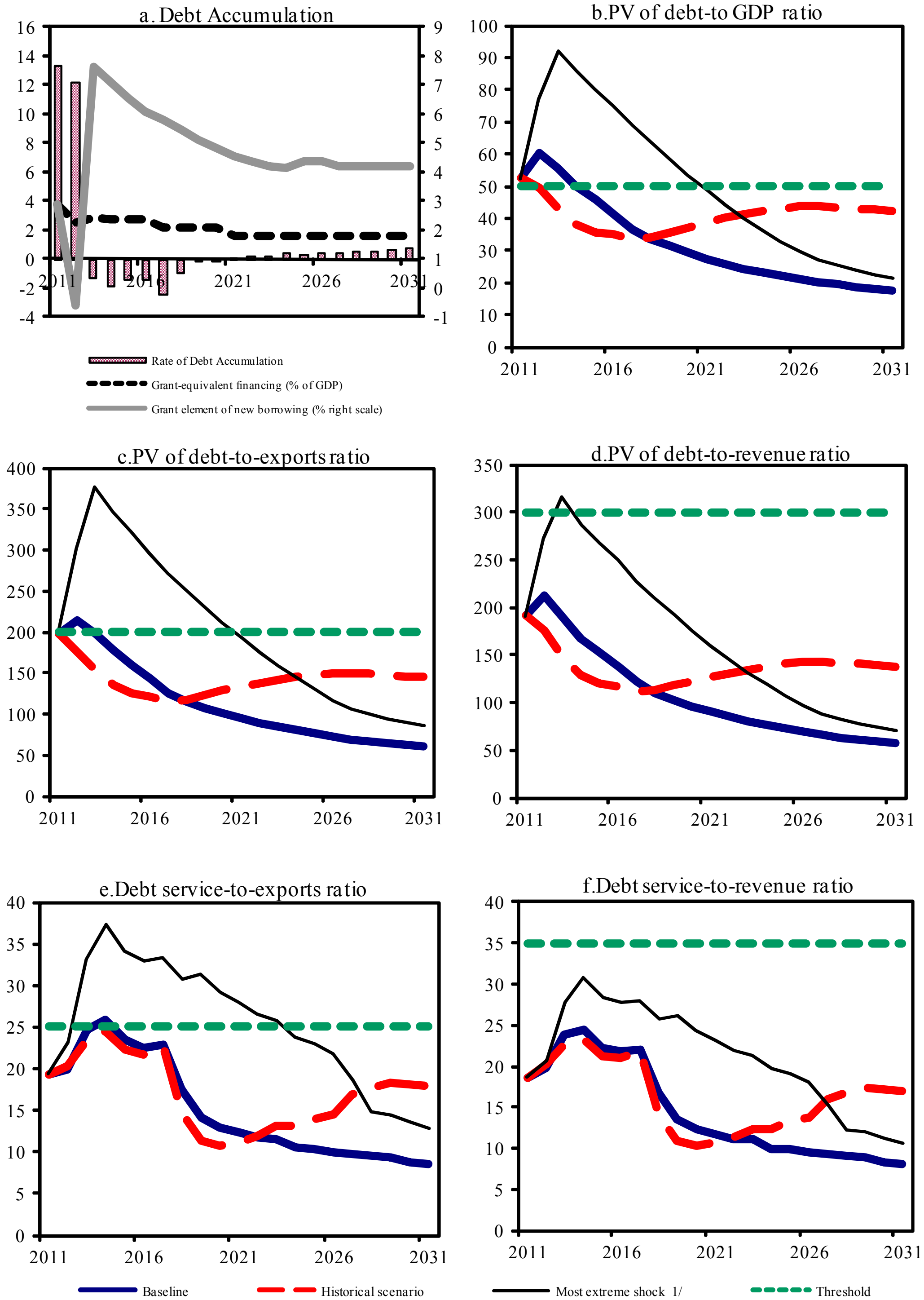


Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress shock in Figures b-f refers to a combination of shocks to key macroeconomic variables such as real GDP, primary balance, and the exchange rate.

2/ Revenues are defined inclusive of grants.

Figure 3. St. Vincent & the Grenadines: Indicators of Public and Publicly Guaranteed External Debt under 'Commercial Borrowing for the Airport' Scenarios, 2011-2031 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress shock in Figures b-f refers to a combination of shocks to key macroeconomic variables such as real GDP, primary balance, and the exchange rate.

Table 1a.St. Vincent & the Grenadines: Public Sector Debt Sustainability Framework, Baseline Scenario, 2008-2031
(In percent of GDP, unless otherwise indicated)

	Actual					Estimate	Projections								
	2008	2009	2010	Average 5/	Standard Deviation 5/	2011	2012	2013	2014	2015	2016	2011-16 Average	2021	2031	2017-31 Average
Public sector debt 1/	56.7	62.6	66.0			70.0	70.8	69.0	66.0	62.7	59.4		46.2	32.1	
o/w foreign-currency denominated	30.0	32.1	41.2			44.7	43.6	42.0	40.4	39.0	37.6		28.9	19.9	
Change in public sector debt	1.2	5.8	3.4			4.0	0.8	-1.8	-3.0	-3.3	-3.3		-2.2	-1.0	
Identified debt-creating flows	-2.1	5.6	6.5			4.0	0.5	-2.1	-3.3	-3.3	-3.3		-2.2	-1.0	
Primary deficit	-3.7	1.8	5.3	1.4	2.7	4.1	2.2	-0.8	-1.6	-1.7	-1.7	0.1	-0.9	0.0	-0.6
Revenue and grants	35.8	32.9	32.8			38.2	34.7	31.8	32.4	32.4	32.5		32.0	32.1	
of which: grants	5.9	6.7	5.3			9.6	3.6	2.6	2.5	2.5	2.5		1.5	1.5	
Primary (noninterest) expenditure	32.1	34.7	38.0			42.4	36.9	31.0	30.9	30.8	30.8		31.1	32.1	
Automatic debt dynamics	1.6	3.8	3.5			1.1	-1.7	-1.3	-1.7	-1.6	-1.6		-1.3	-1.0	
Contribution from interest rate/growth differential	1.8	3.5	3.6			2.0	-0.2	-0.7	-1.2	-1.2	-1.1		-0.9	-0.7	
of which: contribution from average real interest rate	1.7	3.1	2.4			1.7	1.5	1.4	1.2	1.1	1.0		0.7	0.4	
of which: contribution from real GDP growth	0.2	0.3	1.2			0.2	-1.7	-2.1	-2.3	-2.2	-2.1		-1.6	-1.1	
Contribution from real exchange rate depreciation	-0.2	0.3	-0.1			-0.8	-1.4	-0.6	-0.5	-0.5	-0.5		...	...	
Other identified debt-creating flows	0.0	0.0	-2.2			-1.2	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	-2.2			-1.2	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	3.3	0.3	-3.1			0.0	0.3	0.3	0.3	0.0	0.0		0.0	0.0	
Other Sustainability Indicators															
PV of public sector debt	...	...	65.4			68.4	68.7	66.8	63.7	60.3	56.9		43.8	30.0	
o/w foreign-currency denominated	...	...	40.6			43.1	41.5	39.7	38.0	36.6	35.1		26.6	17.7	
o/w external	...	...	40.6			43.1	41.5	39.7	38.0	36.6	35.1		26.6	17.7	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	3.3	9.3	13.1			11.6	9.5	6.2	5.0	4.5	4.5		3.9	3.4	
PV of public sector debt-to-revenue and grants ratio (in percent)	…	…	199.6			178.9	198.3	210.1	196.3	185.7	175.1		137.0	93.3	
PV of public sector debt-to-revenue ratio (in percent)	…	…	238.0			238.9	220.9	228.8	212.7	201.2	189.7		143.8	97.9	
o/w external 3/	…	…	147.8			150.4	133.5	136.2	127.1	122.3	117.0		87.3	57.9	
Debt service-to-revenue and grants ratio (in percent) 4/	19.6	23.0	23.7			19.5	21.1	21.7	20.4	19.1	19.0		14.9	10.7	
Debt service-to-revenue ratio (in percent) 4/	23.5	28.9	28.3			26.1	23.5	23.7	22.1	20.7	20.6		15.7	11.3	
Primary deficit that stabilizes the debt-to-GDP ratio	-5.0	-4.1	1.9			0.1	1.4	1.0	1.4	1.6	1.6		1.3	1.0	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	-0.3	-0.6	-1.8	2.9	3.1	-0.4	2.5	3.0	3.5	3.5	3.5	2.6	3.5	3.5	3.5
Average nominal interest rate on forex debt (in percent)	4.6	5.0	4.3	3.8	0.8	3.9	4.1	3.7	3.7	3.6	3.6	3.8	3.6	3.7	3.6
Average real interest rate on domestic debt (in percent)	3.8	7.0	4.4	3.9	3.5	2.6	1.0	1.7	1.5	1.5	1.5	1.7	1.3	0.2	0.9
Real exchange rate depreciation (in percent, + indicates depreciation)	-0.7	1.0	-0.3	-0.6	2.9	-2.0	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	2.9	-0.1	1.2	2.9	3.3	3.4	4.7	3.0	3.0	3.1	3.1	3.4	3.1	3.1	3.1
Growth of real primary spending (deflated by GDP deflator, in percent)	0.0	0.1	0.1	0.1	0.0	0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grant element of new external borrowing (in percent)	...	...	...	…	…	14.5	9.2	7.6	7.1	6.6	6.1	8.5	4.5	4.2	...

Sources: Country authorities; and staff estimates and projections.
1/ Gross debt of central government and nonfinancial state-owned enterprises.
2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.
3/ Revenues excluding grants.
4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.
5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 1b.St. Vincent & the Grenadines: Sensitivity Analysis for Key Indicators of Public Debt 2011-2031

	Projections							
	2011	2012	2013	2014	2015	2016	2021	2
PV of Debt-to-GDP Ratio								
Baseline	68	69	67	64	60	57	44	
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	68	68	68	68	68	68	69	
A2. Primary balance is unchanged from 2011	68	71	74	76	78	81	91	
A3. Permanently lower GDP growth 1/	68	69	68	66	64	62	58	
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2012-2013	68	71	74	72	70	68	63	
B2. Primary balance is at historical average minus one standard deviations in 2012-2013	68	71	74	70	67	63	50	
B3. Combination of B1-B2 using one half standard deviation shocks	68	70	73	70	68	65	55	
B4. One-time 30 percent real depreciation in 2012	68	87	85	81	77	74	60	
B5. 10 percent of GDP increase in other debt-creating flows in 2012	68	79	77	73	70	66	52	
PV of Debt-to-Revenue Ratio 2/								
Baseline	179	198	210	196	186	175	137	
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	179	195	214	211	211	210	215	
A2. Primary balance is unchanged from 2011	179	204	232	235	242	248	285	
A3. Permanently lower GDP growth 1/	179	200	215	204	197	190	180	
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2012-2013	179	206	230	221	215	209	195	
B2. Primary balance is at historical average minus one standard deviations in 2012-2013	179	204	232	217	206	195	155	
B3. Combination of B1-B2 using one half standard deviation shocks	179	202	229	217	208	199	171	
B4. One-time 30 percent real depreciation in 2012	179	251	266	250	238	227	187	
B5. 10 percent of GDP increase in other debt-creating flows in 2012	179	228	242	227	215	204	163	
Debt Service-to-Revenue Ratio 2/								
Baseline	20	21	22	20	19	19	15	
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	20	21	22	21	20	20	19	
A2. Primary balance is unchanged from 2011	20	21	22	21	21	21	23	
A3. Permanently lower GDP growth 1/	20	21	22	21	20	20	17	
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2012-2013	20	22	23	22	21	21	19	
B2. Primary balance is at historical average minus one standard deviations in 2012-2013	20	21	22	21	20	20	17	
B3. Combination of B1-B2 using one half standard deviation shocks	20	21	22	21	20	20	17	
B4. One-time 30 percent real depreciation in 2012	20	24	28	26	25	25	22	
B5. 10 percent of GDP increase in other debt-creating flows in 2012	20	21	23	22	20	20	18	

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

Table 2a.: External Debt Sustainability Framework, Baseline Scenario, 2008-2031 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average 6/	Standard Deviation 6/	Projections									
	2008	2009	2010			2011	2012	2013	2014	2015	2016	2011-2016 Average	2021	2031	2017-2031 Average
External debt (nominal) 1/	**30.0**	**32.1**	**41.2**			**44.7**	**43.6**	**42.0**	**40.4**	**39.0**	**37.6**		**28.9**	**19.9**	
o/w public and publicly guaranteed (PPG)	30.0	32.1	41.2			44.7	43.6	42.0	40.4	39.0	37.6		28.9	19.9	
Change in external debt	0.5	2.0	9.1			3.5	-1.1	-1.6	-1.6	-1.3	-1.5		-1.4	-0.4	
Identified net debt-creating flows	10.8	13.2	13.9			17.2	10.8	7.2	5.0	3.4	1.6		1.8	2.2	
Non-interest current account deficit	**27.4**	**26.9**	**26.9**	**19.1**	**7.7**	**32.5**	**28.3**	**25.5**	**23.9**	**22.8**	**21.0**		**21.3**	**21.6**	21.4
Deficit in balance of goods and services	28.7	28.7	30.7			35.9	31.5	28.6	27.1	26.2	24.5		-27.6	-27.5	
Exports	28.6	28.7	27.3			26.4	28.2	28.1	28.3	28.5	29.1		29.1	29.1	
Imports	57.3	57.4	58.0			62.3	59.7	56.7	55.4	54.7	53.5		1.5	1.5	
Net current transfers (negative = inflow)	-2.9	-3.4	-4.8	-3.2	0.6	-4.1	-3.9	-4.2	-4.3	-4.5	-4.5		-0.5	-0.4	-0.7
o/w official	-1.7	-2.3	-3.1			-2.5	-2.1	-2.0	-2.0	-1.9	-1.7		0.0	0.0	
Other current account flows (negative = net inflow)	1.6	1.6	1.0			0.7	0.8	1.0	1.2	1.1	1.0		49.3	49.5	
Net FDI (negative = inflow)	**-17.2**	**-15.5**	**-14.5**	**-12.6**	**4.7**	**-17.1**	**-18.2**	**-18.6**	**-18.9**	**-19.4**	**-19.5**		**-19.5**	**-19.5**	-19.5
Endogenous debt dynamics 2/	**0.6**	**1.7**	**1.6**			**1.7**	**0.7**	**0.3**	**0.1**	**0.1**	**0.0**		**0.0**	**0.0**	
Contribution from nominal interest rate	1.3	1.5	1.4			1.6	1.7	1.5	1.4	1.4	1.3		1.0	0.7	
Contribution from real GDP growth	0.1	0.2	0.6			0.1	-1.0	-1.2	-1.4	-1.3	-1.3		-1.0	-0.7	
Contribution from price and exchange rate changes	-0.8	0.0	-0.4			…	…	…	…	…	…		…	…	
Residual (3-4) 3/	**-10.3**	**-11.1**	**-4.8**			**-13.7**	**-11.9**	**-8.8**	**-6.6**	**-4.8**	**-3.0**		**-3.2**	**-2.6**	
o/w exceptional financing	0.0	-0.8	0.0			-0.4	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	40.6			43.1	41.5	39.7	38.0	36.6	35.1		26.6	17.7	
In percent of exports	...	...	148.7			162.9	147.5	141.6	134.2	128.4	120.7		91.5	60.9	
PV of PPG external debt	**...**	**...**	**40.6**			**43.1**	**41.5**	**39.7**	**38.0**	**36.6**	**35.1**		**26.6**	**17.7**	
In percent of exports	**...**	**...**	**148.7**			**162.9**	**147.5**	**141.6**	**134.2**	**128.4**	**120.7**		**91.5**	**60.9**	
In percent of government revenues	**...**	**...**	**147.8**			**150.4**	**133.5**	**136.2**	**127.1**	**122.3**	**117.0**		**87.3**	**57.9**	
Debt service-to-exports ratio (in percent)	**13.5**	**15.1**	**16.5**			**18.2**	**16.9**	**15.7**	**14.7**	**13.6**	**13.9**		**11.0**	**8.4**	
PPG debt service-to-exports ratio (in percent)	**13.5**	**15.1**	**16.5**			**18.2**	**16.9**	**15.7**	**14.7**	**13.6**	**13.9**		**11.0**	**8.4**	
PPG debt service-to-revenue ratio (in percent)	**12.9**	**16.6**	**16.4**			**16.8**	**15.3**	**15.1**	**14.0**	**13.0**	**13.5**		**10.5**	**8.0**	
Total gross financing need (Millions of U.S. dollars)	98.8	110.0	116.9			144.5	114.0	91.7	78.8	67.1	54.9		68.2	118.9	
Non-interest current account deficit that stabilizes debt ratio	27.0	24.9	17.8			29.0	29.4	27.2	25.5	24.1	22.5		22.7	22.0	
Key macroeconomic assumptions															
Real GDP growth (in percent)	-0.3	-0.6	-1.8	2.9	3.1	-0.4	2.5	3.0	3.5	3.5	3.5	2.6	3.5	3.5	3.5
GDP deflator in US dollar terms (change in percent)	2.9	-0.1	1.2	2.9	3.3	3.4	4.7	3.0	3.0	3.1	3.1	3.4	3.1	3.1	3.1
Effective interest rate (percent) 5/	4.6	5.0	4.3	3.8	0.8	3.9	4.1	3.7	3.7	3.6	3.6	3.8	3.6	3.7	3.6
Growth of exports of G&S (US dollar terms, in percent)	-5.7	-0.2	-5.4	0.7	5.0	-0.3	14.3	5.7	7.7	7.4	8.7	7.2	6.7	6.7	6.7
Growth of imports of G&S (US dollar terms, in percent)	0.0	-0.4	0.4	7.5	7.6	10.7	2.7	0.8	4.2	5.3	4.4	4.7	6.8	6.8	-0.2
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	14.5	9.2	7.6	7.1	6.6	6.1	8.5	4.5	4.2	4.5
Government revenues (excluding grants, in percent of GDP)	29.9	26.2	27.5			28.6	31.1	29.2	29.9	29.9	30.0		30.5	30.6	30.5
Aid flows (in Millions of US dollars) 7/	41.2	46.9	36.6			69.3	30.4	23.3	23.8	25.2	26.8		21.9	41.5	
o/w Grants	41.2	46.9	36.6			68.6	27.2	21.1	21.7	23.1	24.7		20.4	38.9	
o/w Concessional loans	0.0	0.0	0.0			0.7	3.2	2.1	2.2	2.1	2.1		1.5	2.6	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			10.8	4.0	2.9	2.8	2.7	2.7		1.6	1.6	1.8
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			61.4	46.8	45.5	44.3	44.3	44.0		38.9	39.3	40.5
Memorandum items:															
Nominal GDP (Millions of US dollars)	702.5	697.4	693.1			713.8	766.1	812.9	866.8	924.6	986.2		1361.7	2596.1	
Nominal dollar GDP growth	2.6	-0.7	-0.6			3.0	7.3	6.1	6.6	6.7	6.7	6.1	6.7	6.7	6.7
PV of PPG external debt (in Millions of US dollars)			281.6			307.5	318.2	323.1	329.8	338.6	346.1		362.1	459.8	
(PVt-PVt-1)/GDPt-1 (in percent)						3.7	1.5	0.6	0.8	1.0	0.8	1.4	0.4	0.7	0.4
Gross workers' remittances (Millions of US dollars)	23.7	22.4	25.5			27.7	30.0	32.8	35.8	39.2	42.9		5.9	8.5	
PV of PPG external debt (in percent of GDP + remittances)	...	...	39.2			41.5	40.0	38.2	36.5	35.1	33.6		26.5	17.7	
PV of PPG external debt (in percent of exports + remittances)	...	...	131.0			142.0	129.5	123.8	117.1	111.8	105.0		90.2	60.3	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	14.5			15.8	14.9	13.7	12.9	11.9	12.1		10.8	8.4	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and publicly guaranteed external debt.
2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.
3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes. The relatively large residual reflects the significant role of capital grants in financing the current account.
4/ Assumes that PV of private sector debt is equivalent to its face value.
5/ Current-year interest payments divided by previous period debt stock.
6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
7/ Defined as grants, concessional loans, and debt relief.
8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 2b.St. Vincent & the Grenadines: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2011-2031
(In percent)

	Projections							
	2011	2012	2013	2014	2015	2016	**2021**	2031
PV of debt-to GDP ratio								
Baseline	43	42	40	38	37	35	**27**	18
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	43	37	33	31	32	34	**43**	50
A2. New public sector loans on less favorable terms in 2011-2031 2	43	42	41	40	40	39	**33**	28
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	43	43	42	40	39	37	**28**	19
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	43	46	51	49	47	45	**33**	19
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	43	44	43	41	40	38	**29**	19
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	43	54	65	63	61	59	**42**	20
B5. Combination of B1-B4 using one-half standard deviation shocks	43	58	76	73	71	69	**49**	22
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	43	58	56	53	51	49	**37**	25
PV of debt-to-exports ratio								
Baseline	163	147	142	134	128	121	**91**	61
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	163	130	117	110	111	116	**148**	172
A2. New public sector loans on less favorable terms in 2011-2031 2	163	150	147	143	139	134	**112**	97
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	163	147	142	134	128	121	**91**	61
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	163	194	236	225	215	203	**149**	84
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	163	147	142	134	128	121	**91**	61
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	163	192	232	222	213	202	**144**	69
B5. Combination of B1-B4 using one-half standard deviation shocks	163	229	311	297	286	271	**192**	88
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	163	147	142	134	128	121	**91**	61
PV of debt-to-revenue ratio								
Baseline	150	134	136	127	122	117	**87**	58
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	150	118	112	105	106	113	**142**	163
A2. New public sector loans on less favorable terms in 2011-2031 2	150	136	142	135	133	130	**107**	92
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	150	137	143	134	129	123	**92**	61
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	150	148	174	163	158	151	**109**	61
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	150	141	149	139	133	128	**95**	63
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	150	174	223	210	203	196	**137**	66
B5. Combination of B1-B4 using one-half standard deviation shocks	150	187	260	245	237	229	**160**	73
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	150	187	191	178	171	164	**122**	81

Table 2b.St. Vincent & the Grenadines: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2011-2031 (continued)
(In percent)

Debt service-to-exports ratio								
Baseline	18	17	16	15	14	14	**11**	8
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	18	17	15	14	13	14	**12**	20
A2. New public sector loans on less favorable terms in 2011-2031 2	18	17	15	13	12	13	**11**	10
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	18	17	16	15	14	14	**11**	8
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	18	20	21	21	20	20	**19**	12
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	18	17	16	15	14	14	**11**	8
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	18	17	17	18	17	17	**19**	10
B5. Combination of B1-B4 using one-half standard deviation shocks	18	20	22	24	22	22	**26**	13
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	18	17	16	15	14	14	**11**	8
Debt service-to-revenue ratio								
Baseline	17	15	15	14	13	13	**10**	8
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	17	16	15	13	12	13	**11**	19
A2. New public sector loans on less favorable terms in 2011-2031 2	17	15	14	13	12	12	**10**	9
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	17	16	16	15	14	14	**11**	8
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	17	15	16	15	14	15	**14**	9
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	17	16	17	15	14	15	**11**	9
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	17	15	17	17	16	17	**18**	10
B5. Combination of B1-B4 using one-half standard deviation shocks	17	16	18	19	18	19	**21**	11
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	17	22	21	20	18	19	**15**	11
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	-2	-2	-2	-2	-2	-2	**-2**	-2

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

INTERNATIONAL MONETARY FUND

ST. VINCENT AND THE GRENADINES

Request for Disbursement Under the Rapid Credit Facility

Informational Annex

Prepared by the Western Hemisphere Department

July 6, 2011

Contents Page

Annexes

Annex I. St. Vincent and the Grenadines: Fund Relations

(As of May 31, 2011)

I. **Membership Status** Joined 12/28/79; Article VIII

II. General Resources Account	SDR Million	Percent of Quota
Quota	8.30	100.00
Fund holdings of currency	7.80	93.98
Reserve Tranche Position	0.50	6.02

III. SDR Department	SDR Million	Percent of Allocation
Net cumulative allocation	7.91	100.00
Holdings	0.73	9.21

IV. Outstanding Purchases and Loans:	SDR Million	Percent of Quota
RCF Loans	2.08	25.00
ESF RAC Loan	3.74	45.00

V. **Latest Financial Arrangements:** None

VI. **Projected Payments to the Fund (**SDR Millions)[1]

	Forthcoming				
	2011	**2012**	**2013**	**2014**	**2015**
Principal				0.37	0.75
Charges/Interest	0.02	0.05	0.05	0.05	0.05
Total	**0.02**	**0.05**	**0.05**	**0.43**	**0.80**

VII. **Exchange rate arrangement:** St. Vincent and the Grenadines is a member of the Eastern Caribbean Currency Union, which has a common central bank (the Eastern Caribbean Central Bank) and currency (the Eastern Caribbean dollar). Since July 1976, the Eastern Caribbean dollar has been pegged to the U.S. dollar at the rate of EC$2.70 per U.S. dollar. St. Vincent and the Grenadines has accepted the obligations of Article VIII, Sections 2, 3, and 4. St. Vincent and the Grenadines maintains an exchange system free of restrictions on the making of payments and transfer for current international transactions.

[1] Based on existing use of resources and present holdings of SDRs.

VIII. **Safeguards Assessment:** Under the Fund's safeguards assessment policy, the Eastern Caribbean Central Bank (ECCB), of which St. Vincent and the Grenadines is a member, is subject to a full safeguards assessment under a four year cycle. The most recent assessment was completed in July 2007, and concluded that the ECCB continues to have appropriate control mechanisms in place, which have strengthened since the first safeguards assessment completed in 2003. ECCB management places emphasis on good governance and sound controls, and has enhanced the bank's transparency and accountability since the last assessment, including the publications of financial statements that comply with International Financial Reporting Standards. The assessment made some recommendations to sustain the ECCB's safeguards framework going forward.

IX. **Article IV consultation**: The last Article IV consultation was concluded by the Executive Board on July 26, 2010; the relevant document is Country Report No. 10/184. St. Vincent and the Grenadines is on a 12-month cycle.

X. **Technical assistance (January 2006–)**: Several missions from the Caribbean Regional Technical Assistance Centre (CARTAC), the Fiscal Affairs Department (FAD), and the Legal Department (LEG) have visited St. Vincent and the Grenadines since the beginning of 2006 to assist the authorities.

In the area of **public finance**, CARTAC/LEG assisted with the introduction of the VAT and excise taxes at all different stages. CARTAC also assisted to monitor the central government's fiscal performance relative to its annual targets presented in the budget. CARTAC has provided technical assistance in statistics to develop **export-import prices, national accounts, and balance of payments statistics**. CARTAC has also provided technical assistance in the areas of collection, enforcement, and projections of public finance and GDP. On the **financial** front CARTAC provided technical assistance to review and upgrade the International Insurance Act, and to develop regulations for Credit Unions. CARTAC also provided technical assistance in conducting off-site and on-site examinations on banks in international financial services industry. FAD provided technical assistance in improving **tax administration**, including reform and modernization of both inland revenue and customs and excise tax. FAD also provided advice on selected tax policy issues.

Annex II. St. Vincent and the Grenadines: Relations with the World Bank Group

(June 28, 2011)

The World Bank Group's Management presented to its Board the Organization of the Eastern Caribbean States (OECS) Regional Partnership Strategy (RPS) on June 8, 2010. The RPS covers the five year period July 2009—June 2014. It sets forth the terms of engagement of the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA) and the International Finance Corporation (IFC) with the countries of the Eastern Caribbean, sub-regional organizations and other development partners in pursuit of the following strategic objectives: (a) building resilience; and (b) enhancing competitiveness and stimulating growth over the medium term.

To help build resilience, the Bank Group will support interventions aimed at promoting fiscal and debt sustainability, protecting and improving human capital—particularly social safety nets, education and health—and strengthening climate resilience. To help enhance competitiveness and stimulate sustainable growth, it will focus its support on two critical areas: strengthening the countries' domestic financial sectors and improving access to quality services to create more competitive business environments. The Strategy will provide urgent remedial measures to address the crippling effects of the global and regional crises, while supporting key policy reforms that establish a platform for growth in the medium term.

The planned program of support will entail new commitments totaling up to about US$120 million on IBRD terms and up to US$73 million of IDA financing for the six Bank Members of the OECS, including St. Vincent and the Grenadines. St. Vincent and the Grenadines is eligible to borrow from IDA and IBRD during the period of the RPS.

I. Projects

There are six active World Bank projects in St. Vincent and the Grenadines for a net commitment of approximately US$28.62 million. The OECS Disaster Vulnerability Reduction Project, which was recently approved for US$13.92 million, is not yet effective.

The **OECS E-Government for Regional Integration Program** was approved by the Board in May 2008. The loan to St. Vincent and the Grenadines, the second in the horizontal Adaptable Program Loan series, was approved in December 2009 and consists of a US$2.3 million IDA Credit designed to promote the efficiency, quality, and transparency of public services through the delivery of regionally integrated e-government applications that take advantage of economies of scale. The program is structured in phases. Phase 1 focuses on cross-sectoral e-government issues, as well as on specific applications in the public finance area (including Public Financial Management or PFM, tax, customs and procurement), and also includes an e-government in health pilot project (possibly together with preparatory and complementary activities in other social and productive sectors). Subsequent phases of the program are expected to deepen the assistance provided under Phase 1, while expanding the program to cover other sectors, in particular, education, agriculture, tourism, postal, among others, that may emerge during the early stages of implementation of Phase 1.

The **OECS Catastrophe Insurance Project** was approved in March 2007 for US$0.7 million. The objective of the project is to reduce the participating OECS governments' financial vulnerability to natural disasters through insurance coverage against earthquakes and hurricanes. This will be achieved through the establishment of the Caribbean Catastrophe Risk Insurance Facility (CCRIF) and the financing of catastrophe insurance coverage from the Facility. The project will include the following two components: (a) payment of the entrance fee; and (b) payment of the annual insurance premium for the first three years. The objective of the first component is to assist the participating OECS countries to join the CCRIF through the financing of the entrance fee. This fee is equal to the first year's insurance premium. The aim of the second component is to assist the participating OECS countries to purchase the catastrophe insurance coverage offered by the CCRIF during the first three years.

The **Telecommunications & ICT Development Project**, approved in May 2005 for US$0.5 million, aims at improving the access, quality, and use of telecommunications and ICT services to achieve socio-economic development in the Organization of Eastern Caribbean States (OECS). The project has four components. Component 1 will strengthen the national and regional regulatory frameworks and promote additional competition in the telecommunications sector. Emphasis will be given on providing capacity building to the Eastern Caribbean Telecommunications Authority (ECTEL) and the National Telecommunications Regulatory Commissions (NTRCs) by assisting them in revising the regional and national sector legislation, and in developing a modem interconnection regime. Component 2 will review current universal access policy, create related guidelines, and provide financial support to establish a Universal Service Fund (USF). Component 3 will improve growth and competitiveness in ICT-enabled services through utilization of broadband infrastructure. Component 4 will finance the management and administration of the overall project. The project will finance related technical assistance by providing complementary resources.

The **St. Vincent and the Grenadines Education Development Project** was approved in June 2004 for US$6.2 million. The overall objective of this project is to build human capital which, in turn, will contribute to the diversification of the economy and more sustainable growth. This objective will be achieved by: (a) increasing equitable access to secondary education; (b) improving the quality of the teaching and learning process, with more direct interventions at the school level and a focus on student-centered learning; and (c) strengthening sector management and governance of schools.

The **Hurricane Tomas Emergency Recovery Credit** was approved in January 2011 for US$5 million and aims at rehabilitating damaged infrastructure caused by the passage of Hurricane Tomas and strengthening the Government's ability to analyze location specific risks. The project has three components. Component 1 will rehabilitate and reconstruct vulnerable and damaged infrastructure. Component 2 will improve the capacity of the Ministry of Housing, Informal Human Settlements, Lands and Surveys and Physical Planning (MoHILP) and the National Emergency Management Organization (NEMO) to evaluate natural hazard and climate change risks by training their staff and providing technical advisory services and acquisition of goods. Component 3 will strengthen and develop the institutional capacity of the Public Sector Investment Program Management Unit (PSIPMU) for project management and execution, including procurement, financial management and supervision of project activities, through the acquisition of goods, provision of technical advisory services, training, and operating costs.

The **OECS Disaster Vulnerability Reduction Project** was approved in June 2011 for a total of US$20.92 million, from three funding sources including a US$10.92 million zero-interest credit from IDA repayable in 35 years with a 10-year grace period; a US$7 million grant from PPCR; and a US$3 million zero-interest loan from PPCR repayable in 40 years with a 10-year grace period. The project aims to create understanding of the vulnerability of key structures and increase resilience of critical public infrastructure, which will complement the work and goals of the Pilot Program for Climate Resilience. Component 1 will implement a broad spectrum of interventions aimed at building resilience in public buildings and infrastructure. Component 2 will support regional efforts in the Eastern Caribbean to build capacity to conduct assessment of natural risks and integrate such knowledge into policy- and decision-making for development investments, disaster risk mitigation, climate change adaptation, and disaster response planning across sectors. Component 3 will re-categorize financing or provide additional financing to cover early recovery and rehabilitation costs following an adverse natural event, subject to a Government's declaration of emergency in accordance with national law and the submission of a recovery action plan satisfactory to the Association. Component 4 will strengthen and develop the institutional capacity for project management and implementation.

II. ECONOMIC AND SECTOR WORK

The Bank has completed a series of analytical products relating to public expenditure, fiscal and debt sustainability, growth and competitiveness, the financial sector, public sector management and social protection. The ongoing dissemination of these reports represents a key instrument for policy dialogue with the OECS governments, including St. Vincent and the Grenadines.

The Bank's program in St. Vincent and the Grenadines is further supported by a comprehensive series of completed, ongoing and planned analytical and advisory activities, including the following: "Towards a New Agenda for Growth"—OECS growth and competitiveness study (2005); An OECS Skills Enhancement Policy Note (2006); a Caribbean Air Transport Report (2006); a regional study on Crime, Violence, and Development: Trends, Costs, and Policy Options in the Caribbean (2007); an OECS Private Sector Financing Study (2008); the OECS Tourism Backward Linkages Study (2008); the report titled "Caribbean—Accelerating Trade Integration: Policy Options for Sustained Growth, Job Creation and Poverty Reduction" (2009); a study on the Nurse Labor & Education Markets in the English-Speaking CARICOM: Issues and Options for Reform (2009); and study on Caribbean Regional Electricity Supply Options: Toward Greater Security, Renewable and Resilience (2011).

III. FINANCIAL RELATIONS

Operation	Original Principal	Undisbursed balance*	Disbursed*
OECS Disaster Vulnerability Reduction Project			
IDA 49860	10,920,000.00	10,920,000.00	0.00
CIF SCF	3,000,000.00	3,000,000.00	0.00
Hurricane Tomas Emergency Recovery Loan			
IDA 48520	5,000,000.00	5,133,216.00	0.00
OECS E-Government for Regional Integration - St. Vincent & the Grenadines (APL 2)			
IDA 46500	2,300,000.00	2,040,649.22	292,630.78
OECS-Catastrophe Insurance			
IDA 42720	700,000.00	20,454.59	704,417.73
Telecommunications & ICT Development Project			
IDA 40580	270,800.00	57,080.04	254,023.96
IBRD 47780	272,161.00	173,065.56	49,095.44
St. Vincent and the Grenadines: OECS Education Development Project			
IDA 39430	3,100,000.00	0.00	3,422,144.00
IBRD 72430	3,100,000.00	2,099,543.54	979,317.17
TOTAL	**28,662,961.00**	**23,444,008.95**	**5,701,629.08**
*Amounts may not add up to Original Principal due to changes in the SDR/USD exchange rate since signing			

Disbursements and Debt Service (Fiscal Year Ending June 30, in millions of U.S. dollars)

Period	2003	2004	2005	2006	2007	2008	2009	2010	2011**
Disb Amt	1.73	1.20	2.48	4.55	3.06	1.48	1.78	2.50	3.89
Repay Amt	0.29	0.14	0.27	0.30	0.31	0.63	0.68	0.73	0.84
Net Amt	1.44	1.06	2.21	4.25	2.75	0.85	1.09	1.77	3.06
Charges	0.07	0.10	0.13	0.14	0.26	0.24	0.16	0.14	0.14
Fees	0.05	0.03	0.06	0.07	0.04	0.10	0.16	0.17	0.16

** Data as of June 28, 2011

Annex III. St. Vincent and the Grenadines: Relations with the Caribbean Development Bank (CDB)

(As of April, 2011)

As a small open economy, St. Vincent and the Grenadines (SVG) is particularly vulnerable to economic shocks and natural hazards such as hurricanes which can cause major economic losses, impose large fiscal costs and heighten balance of payments vulnerabilities when they occur. A series of such adverse exogenous shocks have changed the macroeconomic context in St. Vincent and the Grenadines over the past three years. In 2010, even as the direct impacts of the global slowdown lessened, weather-induced shocks associated with the passage of Hurricane Tomas and a severe drought in the first half of the year, added to macroeconomic weaknesses and deepened SVG's growth downturn. Over the period April 11–12, 2011, SVG was again impacted by torrential rainfall and flash flooding which caused major damage to critical infrastructure.

CDB's assistance to the Government of Saint Vincent and the Grenadines in the aftermath of Hurricane Tomas included: (a) an Emergency Relief Grant (ERG) in the amount of US$200,000 in 2010; and (b) an Immediate Response Loan (IRL) in the amount of US$750,000, which was approved on December 23, 2010. Following the torrential rainfall of April 11-12, in 2011, CDB again approved an IRL to assist the government of SVG in providing emergency relief supplies, cleaning and clearing debris, as well as restoring essential services. CDB is currently appraising a loan of US$13.5 million under the Bank's Disaster Management Strategy to assist in financing a project for the rehabilitation and reconstruction of infrastructure destroyed by landslides, debris flows and floods resulting from the effects of Hurricane Tomas and the rainfall event of 2011.

St. Vincent and the Grenadines: Loan Disbursement
(In millions of U.S. dollars)

	2005	2006	2007	2008	2009	2010	2011
Net disbursement	4.01	8.31	12.09	9.05	16.77	46.4	-3.2
Disbursement	7.35	11.35	15.32	13.02	21.60	52.7	0.39
Amortization	3.34	3.04	3.23	3.97	4.83	6.3	3.59
Interest and charges	2.11	2.60	3.22	3.65	3.53	3.7	2.26
Net resource flow	1.9	5.71	8.87	5.40	13.24	42.7	-5.5

Annex IV. European Union and St.Vincent and the Grenadines Ongoing Cooperation

(As of January 2011)[1]

The total active aid portfolio for Saint Vincent and the Grenadines (VCT) stands at approximately EUR 49 million. The major ongoing projects are indicated below.

I. Stand-Alone Projects

Tourism and Private Sector Development programme (EUR 8 million)

The project, with several components, aims primarily to strengthen the competitiveness of the economy of VCT through interventions in Tourism. Activities include: the establishment of a Master Plan for 2007–2015; Technical Assistance for the development of a Master Plan and Tourism; Technical Assistance for a training needs assessment; the development of a tourism website; the development of the new Tourism and Hospitality Institute with a Maritime Section; the development of tourism access roads, or the construction of the walking path along the sea line in the villa area entitled: “Villa Walkway”.

The allocation serves various other purposes as well, such as the strengthening of the capacity of the statistics department of VCT, including the establishment of Tourism Satellite Accounts, development of a statistical website, capacity building, including scholarships for tertiary training in statistics and procurement of statistical software.

Agriculture (EUR 1.8 million)

Ongoing support directly benefitting the agricultural sector include the development of a new strategic plan for agricultural diversification and development, strengthening health, quarantine and phyto-sanitary systems, environment watershed project as well as development of an annual agricultural review. The implementing partner of these activities is the Food and Agricultural Organisation (FAO).

Another project includes equipping the agricultural training institute, as well as developing the curricula, which will serve the delivery of programmes in agricultural training to farmers and students for St. Vincent and the Grenadines.

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[1] Since updates from the European Union were not obtained, Appendix IV reflects data as of January of 2011, which was received for the last Staff Report issued in February 2011.

National Energy Action Plan (EUR 480,000)

Following an earlier energy audit of government buildings, a project was designed to implement the recommendations of the study in selected public buildings to make them more "green" energy efficient.

Improvement of education through the use of information and communication technology (EUR 12.4 million)

The overall objective of this project is to develop human resources in VCT, through the sustainable provision of learning opportunities for all persons in the nation to equip them with the required values, skills, attitude and knowledge necessary for creating and maintaining a productive, innovative and harmonious society. The purpose of the project is to improve the quality of education at all levels nationwide by creating opportunities to use Information and Communication Technologies (ICT) in innovative ways such as integration into the pedagogy of the teaching learning processes. This will require ICT facility upgrades at the St. Vincent and the Grenadine Community College (VCTCC), the institution charged with responsibility for leading the retooling of teachers in the effective instructional use of ICT. Upgraded ICT facilities at the VCTCC will increase opportunities for vulnerable groups such as women and out-of-school youth to access high quality distance programmes locally at a reasonable contribution. This will help to empower graduates to make a much more meaningful contribution to national development.

Technical Cooperation Facility (EUR 780,000)

This allocation is destined to facilitate and strengthen the coordination and management of the EU cooperation in VCT in various respects.

Support to the National Authorising Officer (EUR 780,000)

This allocation is destined to fund the running of the operations of the official counterpart office (National Authorising Officer).

Economic Diversification through Private Sector Development (EUR 5.3 million, programme completed)

This program, which came to an end in December 2010, aimed mainly to improve access to start-up counseling, business planning, information on trade opportunities, expert and skills support to individuals with business ideas and existing small businesses (Business Gateway) with a particular focus on former banana producers and workers in the banana sector; to improve quality of the environment and services available for business through the revision of legislative and regulatory environment for private sector development; and to improve management and capacity to develop and implement a programme to attract foreign investment especially in rural areas and other sectors such as tourism.

ICT Development Programme (EUR 4.53 million, programme completed)

The programme, which came to an end in December 2010, aimed to contribute to further economic diversification and to improve competitiveness and employment capacity of the agricultural and other productive sectors trough creating the appropriate environment and human resource pool for the introduction of sustainable use of ICT. It had the following components: ICT, e-business strategy, leadership and awareness development; business skills development and e-business incubators; capacity-building; construction and establishment of a national ICT training and incubator facility; legislative and regulatory Framework; business-oriented e-government initiatives; and networking and experience-sharing (Regional Management Office).

Other projects are under operational closure.

II. Sector Budget Support

Sector Budget Support on Rural Transformation (EUR 15 million, programme completed)
This untargeted budget support programme, which came to an end in December 2010, supported the government's efforts to improve the opportunities and quality of life of the rural population, through the implementation of a sector policy framework accompanied by well-defined sectoral strategies. The program also provided direct assistance in the field of public financial management reform through CARTAC.

III. Regional Programs

In addition to national programmes, VCT has been benefiting from regional programmes such as the ACP Fisheries programmes, Agricultural programme, EPA implementation programme, or Carib Export programme. Nine VCT SME's received EUR 129,650 in grants awarded under the Caribbean Trade and Private Sector Development Programme (Phase 2). VCT distillers benefited from grants in the amount of EUR 122,799 under the Integrated Development Programme for the Caribbean Rum Sector.

IV. Emergency Assistance and Hurricane Tomas Assistance

The EU is providing EUR 200,000 to restore health and sanitary conditions in St. Lucia and VCT in the aftermath of hurricane Tomas. The contribution which is being provided by the European Commission's Humanitarian Aid and Civil Protection Office (ECHO) is 45% of total eligible costs of EUR 450,000 and will be managed by the Pan American Health Organisation. The assistance goes towards interventions such as ensuring safe water supply in health facilities, shelters and vulnerable households; safe waste disposal, vector control activities and the reestablishment of health coverage.

In addition, STABEX funds amounting to EUR 600,000 will be used for a school furniture project, a small farmers' recovery project, and a medical supplies project.

Moreover, the EU has contributed EUR 12.5 million to the Caribbean Catastrophe Risk Insurance Facility (CCRIF). The CCRIF will provide US$1.1 million to VCT as a result of damage sustained during the passage of Tomas.

Finally, the EU's Disaster Preparedness Programme, which commenced operations in the Caribbean in 1998, has programmed EUR 21 million towards disaster preparedness programmes with the help of NGOs, the Red Cross, UN agencies and other regional partners. The EU also contributes significantly to the Caribbean Disaster Emergency Management Agency (CDEMA).

Programmes as of January 2011

Programmes as of January 2011	Allocated EUR	Contracted EUR	Paid EUR
Tourism and Private Sector Development programme	8,000,000	3,400,000	1,500,000
Agriculture	1,800,000	1,745,000	1,350,000
National Energy Action Plan	480,000	0	0
Improvement of education through the use of information and communication technology	12,410,000	12,100,000	3,000,000
Technical cooperation facility	780,000	104,000	80,000
Support to the NAO	780,000	0	0
Economic Diversification through Private Sector Development	5,300,000	4,950,000	4,000,000
ICT Development Programme	4,500,000	4,400,000	4,000,000
Sector Budget Support on Rural Transformation	15,000,000	14,800,000	9,900,000
Totals	**49,050,000**	**41,499,000**	**23,830,000**

Note: Regional programs and emergency assistance funding are excluded from the table. Figures are rounded up.

Appendix V. St. Vincent and the Grenadines: Statistical Issues

I. Assessment of Data Adequacy for Surveillance

General: Data provision has some shortcomings, but is broadly adequate for surveillance. Statistical databases remain weak in terms of coverage, consistency, periodicity, and timeliness. While in areas central to surveillance—notably central government accounts, indicators of the financial sector and external sector accounts—the data are adequate for surveillance purposes, information on the rest of the public sector and nonbank financial intermediaries is limited. Major improvements are needed to facilitate effective surveillance, particularly in the coverage of national accounts (especially the tourism sector and related services), and on data used to monitor labor markets. Efforts to address the weaknesses in the statistical base have been hampered by low response rates to surveys (less than 50 percent) and high turnover of staff.

National Accounts: A new rebased GDP series (using 2006 as the base year instead of 1990) was released in January 2011 with assistance from CARTAC. The new series improved coverage, data sources, and methodology. The revision disaggregated some industries previously classified under government into separate sectors that now include private sector activity; these are health, education, and social development. The new series also improved the level of detail by estimating value added for business services, computer and related services, and private households with employed persons which were not accounted for in the previous series. However, some weakness remain; data on GDP broken down by expenditure is not available at constant prices, while data at current prices is not reliable due to weaknesses in estimating gross capital formation. Private final consumption expenditure is estimated as a residual. In October 2007 CARTAC also launched a project for strengthening tourism statistics in the OECS, including St. Vincent and the Grenadines. The project covers the core tourism datasets relating to visitor arrivals, visitor expenditure, tourist accommodation and statistics for other key tourism-related enterprises. The project will also seek to standardize and harmonize tourism concepts, definitions and classification schemes across these countries.

Price statistics: There has been no report of CPI data since December 2010 due to problems in finalizing revision of the CPI weights that the Statistical Office is currently doing with the assistance of CARTAC and the ECCB. The results are expected to be released in the next couple of months. CARTAC, as part of the Fund-assisted program on Constructing Weights for the Harmonized Consumer Price Index in the ECCU has assisted in linking the 1981 based to the 2001-based CPI series.

Government finance statistics: Due to delays in reporting capital expenditures by some ministries, quarterly revenue and expenditure data for the central government are provided to the Fund with some lag. Discrepancies exist between the fiscal and monetary accounts, between above and below the line for budget data, and between financing and debt data. The financial reports of public enterprises are not timely, with about a two-year lag.

Monetary statistics: Monetary statistics are compiled and reported to the Fund by the ECCB on a monthly basis based on a standardized report form since July 2006. The institutional coverage of monetary statistics needs to be improved by including the accounts of mortgage companies, building societies, credit unions, and insurance companies. In this respect, close coordination between the ECCB and the single regulatory unit (which will supervise financial institutions other than those licensed under the Banking Act) will be crucial.

While noting some recent improvements, the 2007 data ROSC mission identified the following main shortcomings in the ECCB's monetary statistics: (i) the methodological soundness of monetary statistics can be improved by adopting internationally accepted concepts and definitions, expanding institutional coverage, and revising the classifications of financial instruments and the basis for recording; (ii) transparency can be improved, for example, by releasing monetary data to all users at the same time and strengthening the validation of the disseminated data; (iii) the timeliness of the dissemination of data on broad money and credit aggregates can be improved to meet best international practices; and (iv) the access to officially disseminated data and metadata can be improved.

Balance of payments: Balance of payments data are compiled by the ECCB on an annual basis. Data reported to STA are becoming more timely, although quality, frequency and coverage need to be improved. Quarterly estimates and the international investment position statement are not compiled. The estimates lack sufficient detail due to the unavailability of source data, and the statistical techniques used to estimates some components are weak. In particular, no estimates are available on transportation services by type or mode of transport and of travel by purpose. Further, a breakdown of portfolio and other investment by instrument or sector is not available. There is a need to compile quarterly balance of payments estimates and the annual international investment position statement; however, developing these new statistics will have to be undertaken in conjunction with the ECCB, which coordinates the compilation of the external sector statistics for all its member countries.

External debt: The Ministry of Finance maintains a database on public and publicly-guaranteed external loans that provides detailed and current information on disbursements, debt service, and debt stocks. The Treasury maintains the data on bonds placed abroad. Data from the two databases as well as information on payments by creditor (actual and scheduled) need to be further consolidated to produce timely debt stock data.

II. Data Standards and Quality

St. Vincent and the Grenadines participates in the General Data Dissemination System since September 2000. The 2007 regional data ROSC on monetary statistics provides an assessment of the ECCB's monetary statistics. No data ROSC is available for other sectors.

III. Reporting to STA (Optional)

The International Financial Statistics page includes data on exchange rates, international liquidity, monetary statistics, prices, balance of payments, national accounts, and population. The ECCB provides the data to the IMF for publication in the Balance of Payments Yearbook. The IMF publishes annual data for the consolidated general government in the GFS Yearbook, with the 2008 edition showing annual data to 2004. No new data have been received for more recent years.

St. Vincent and the Grenadines: Table of Common Indicators Required for Surveillance

(As of July, 2011)

	Date of latest observation	Date received [7]	Frequency of Data [7]	Frequency of Reporting [7]	Frequency of Publication [7]
Exchange Rates[1]	Fixed Rate	NA	NA	NA	NA
International Reserve Assets and Reserve Liabilities of the Monetary Authorities [1, 2]	April 2011	6/14/11	M	M	Q
Reserve/Base Money	April 2011	6/14/11	M	M	Q
Broad Money	April 2011	6/14/11	M	M	Q
Central Bank Balance Sheet	April 2011	6/14/11	M	M	Q
Consolidated Balance Sheet of the Banking System	April 2011	6/14/11	M	M	Q
Interest Rates[3]	April 2011	6/14/11	Q	Q	Q
Consumer Price Index	December 2010	1/14/11	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[4] – General Government[5]	2008	05/21/10	A	A	A
Revenue, Expenditure, Balance and Composition of Financing[4] – Central Government	April 2011	05/16/11	M	M	A
Stocks of Central Government and Central Government-Guaranteed Debt[6]	2010	06/15/11	A	A	A
External Current Account Balance	2009	03/31/10	A	A	A
Exports and Imports of Goods and Services	2009	03/31/10	A	A	A
GDP/GNP	2010	07/01/11	A	A	A
Gross External Debt	2010	06/15/11	A	A	A

[1] St. Vincent and the Grenadines is a member of the Eastern Caribbean Currency Union, in which the common currency of all member states (E.C. dollar) is pegged to the U.S. dollar at US$1=EC$2.70.

[2] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

[3] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[4] Foreign, domestic bank, and domestic nonbank financing.

[5] The general government consists of the central government and state and local governments.

[6] Currency and maturity composition are provided annually.

[7] Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Irregular (I); Not Available (NA); Not applicable (n.a).

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

Press Release No. 11/293
FOR IMMEDIATE RELEASE
July 26, 2011

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves US$ 2 Million Disbursement Under Rapid Credit Facility for St. Vincent and the Grenadines

The Executive Board of the International Monetary Fund (IMF) on July 25, 2011 approved a disbursement of an amount equivalent to SDR 1.245 million (about US$2.0 million) under the Rapid Credit Facility (RCF) for St. Vincent and the Grenadines to help the country meet the urgent balance of payments need caused by torrential rains, flooding and landslides in April that caused extensive damage to infrastructure (roads and bridges), agriculture and housing.

This was the second natural disaster to hit the island in less than six months; in October last year Hurricane Tomas had a similar impact. Preliminary estimates of the destruction from the flooding and landslides put the damage at about 3.6 percent of Gross Domestic Product. On February 28, 2011, the Executive Board approved (see Press Release No. 11/58) a first disbursement under the RCF to help the country cope with the damages caused by Hurricane Thomas, in an amount equivalent to SDR 2.075 million (about US$3.26 million).

The RCF, which provides rapid financial assistance for low-income countries with an urgent balance of payments need, does not require any program-based conditionality or review. However, economic policies are expected to address the underlying balance of payments difficulties and support policy objectives including macroeconomic stability and poverty reduction. Financing under the RCF carries zero interest (until end 2011), has a grace period of 5.5 years, and a final maturity of 10 years. The Fund reviews the level of interest rates for all concessional facilities every two years.

Following the Executive Board's discussion of St. Vincent and the Grenadines, Ms. Nemat Shafik, Deputy Managing Director and Acting Chair, issued the following statement:

"St. Vincent and the Grenadines suffered significant damage to infrastructure, housing, and agriculture as a result of the flooding and landslides that hit the country in April 2011. High reconstruction and rehabilitation costs have weakened the fiscal position and created an urgent balance of payments need.

"In light of the high public debt, the authorities have reiterated their intention to rely mainly on grants and concessional resources to finance budgetary needs, while enhancing their efforts to increase revenue collections, including through the recently established Large Taxpayer Unit. They have also committed to contain wages and limit other current expenditures.

"The authorities remain focused on their objective to secure debt sustainability over the medium term. To this end, they are strongly committed to generate the needed primary surpluses to ensure that the debt to GDP ratio remains on a firmly declining path.

"The authorities are undertaking further structural reforms to improve the business climate and raise the growth potential. In this context, they are strengthening the governance of state-owned enterprises and reforming the civil service and the pension system. Legislation to establish the Single Regulatory Unit will be submitted to Parliament in the months ahead, paving the way for enhancing the supervision of the nonbank financial sector," Ms. Shafik said.