IMF Country Report No. 26/184

ST. VINCENT AND THE GRENADINES

July 2026

2026 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; STAFF SUPPLEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR ST. VINCENT AND THE GRENADINES

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2026 Article IV consultation with St. Vincent and the Grenadines, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its June 10, 2026 consideration of the staff report that concluded the Article IV consultation with St. Vincent and the Grenadines.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 10, 2026, following discussions that ended on April 28, 2026, 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 May 21, 2026.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Executive Director** for St. Vincent and the Grenadines.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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IMF Executive Board Concludes 2026 Article IV Consultation with St. Vincent and the Grenadines

FOR IMMEDIATE RELEASE

- Fiscal imbalances have widened sharply in the aftermath of repeated external shocks with public debt rising by 45 percentage points of GDP since 2019 to 113 percent of GDP in 2025.
- Growth is expected to slow in 2026-27, reflecting higher oil prices, a weaker global outlook, and the normalization of construction activity, before stabilizing at 2.7 percent over the medium term.

Washington, DC – June 12, 2026: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for St. Vincent and the Grenadines.[1] The authorities need more time to consider the publication of the Staff Report prepared for this consultation.[2]

St. Vincent and the Grenadines' economy has shown resilience in the face of repeated shocks, but vulnerabilities remain significant. Over the past six years, the country has been hit by the pandemic and two major natural disasters and is now facing an oil price shock stemming from the war in the Middle East. Consequently, the fiscal position has deteriorated markedly: deficits have widened and public debt has risen by 45 percentage points of GDP since 2019, with roughly half of the increase occurring in the last two years, to 113 percent of GDP in 2025.

Growth moderated to 3.7 percent in 2025 as the post-pandemic rebound faded, although tourism and construction remained strong. Inflation continued to ease, averaging 0.9 percent, reflecting the unwinding of earlier external price shocks and smaller contributions from food, transport, and housing. The current account deficit widened to 20 percent of GDP in 2025, mainly driven by construction-related imports and increased profit repatriation by hotels, despite strong growth in tourism receipts. The fiscal deficit was 12 percent of GDP in 2025, 9 percentage points above its 2019 level. Bank credit to households and micro firms has been insufficient amid a fast expansion by credit unions and is projected to slow further as rising bank exposure to government debt crowds out private sector lending.

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The authorities have requested additional time to decide on the publication of the staff report. A final decision is expected not later than 28 days from the Board consideration date.

Looking ahead, growth is expected to slow further in 2026-27, reflecting higher oil prices, a weaker global outlook, and the normalization of construction activity, before stabilizing at 2.7 percent over the medium term. Inflation is projected to rise sharply, reaching 2.9 percent by end-2026 due to higher commodity prices, before easing to around 2 percent. The current account deficit is projected to remain large, at around 20 percent of GDP in 2026, and narrow only gradually to 17 percent of GDP by 2031.

Risks to the outlook are tilted to the downside. The country has been at high risk of debt distress since 2016, with fiscal indicators weakening further in recent years. The country is highly exposed to natural disasters, which could have significant fiscal impacts. Externally, a more prolonged war in the Middle East would further weaken growth, worsen the terms of trade, and raise inflation.

A strong and sustained policy effort, centered on fiscal consolidation and supported by structural and financial sector reforms that support growth, is needed to reduce debt and strengthen resilience.

Executive Board Assessment[3]

Executive Directors agreed with the thrust of the staff appraisal. They noted that the economy faces a challenging economic environment. Repeated external shocks have widened fiscal deficits, placed public debt on an unsustainable path, and increased external imbalances, while the war in the Middle East has worsened the near-term outlook. Against this background, Directors welcomed the authorities' commitment to tackling high and rising debt. They encouraged them to swiftly translate this commitment into concrete and feasible measures to reduce debt, while complementing them with growth-promoting structural reforms.

Most Directors called for urgent, upfront, and sustained fiscal consolidation to restore debt sustainability; while a few Directors would favor a more gradual adjustment to mitigate the social and economic impact. Directors agreed that the fiscal adjustment should rely primarily on expenditure rationalization, while protecting the vulnerable and safeguarding health and education spending. On the revenue side, preserving and broadening the tax base, enhancing tax administration, and carefully designing the planned citizenship-by-investment (CBI) program will also be important. Noting the recent emergency package to mitigate the impact from the war in the Middle East, Directors stressed that any support measures should remain timebound, well-targeted, and calibrated.

Directors supported the authorities' plan to update the Fiscal Responsibility Framework, which would help anchor fiscal consolidation. Noting that fiscal consolidation alone will not be sufficient to restore debt sustainability, Directors called for a comprehensive strategy that also includes stronger public debt management, growth-promoting structural reforms, and support from multilateral and bilateral partners.

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[3] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Directors stressed the importance of advancing structural reforms to boost growth and employment, improve debt dynamics, and reduce external imbalances. They agreed that the energy transition would lower electricity costs, reduce exposure to volatile energy prices, and strengthen resilience. Directors noted that improving the business environment would further support private sector development. They welcomed the authorities' commitment to addressing skills mismatches and enhancing data adequacy. Directors stressed the importance of continued capacity building to support the authorities' efforts.

Directors recommended stronger oversight of credit unions and reforms to support adequate credit growth by strengthening existing intermediation channels. They also agreed that reducing the sovereign-bank nexus through fiscal consolidation would support private credit growth. While supporting the authorities' financial development goals, Directors encouraged careful consideration of the establishment of a national development bank given the associated fiscal risks. They welcomed continued efforts to strengthen the AML/CFT framework, including to mitigate risks associated with the planned CBI program.

It is expected that the next Article IV consultation with St. Vincent and the Grenadines will be held on the standard 12-month cycle.

Table 1. St. Vincent and the Grenadines: Selected Social and Economic Indicators 2021-31

Social and Demographic Indicators

Area (sq. km)	389.3	Net enrollment rate, secondary (percent, 2018)	89.0
Population (2023)		Labor market indicators (2017)	
Total (thousands)	101.3	Unemployment rate	25.8
Rate of growth (percent per year)	-0.7	Youth unemployment rate	40.3
Density (per sq. km.)	260.3	Labor force participation rate	67.8
Population characteristics		Gross domestic product (2023)	
Life expectancy at birth (years, 2021)	69.6	(millions of US dollars)	1,047
Infant mortality (per '000 live births, 2021)	12.6	(millions of EC dollars)	2,827
Under 5 mortality rate (per '000, 2021)	13.7	(US$ per capita)	9,433

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
					Est.	Projections					
Output and Prices											
Real GDP 1/	2.1	5.0	4.5	4.5	3.7	2.8	2.5	2.7	2.7	2.7	2.7
Nominal GDP 1/	2.8	9.2	7.9	7.6	4.7	5.0	4.8	4.7	4.8	4.8	4.7
Consumer prices, end of period	3.4	6.7	4.0	2.1	0.5	2.9	2.0	2.0	2.0	2.0	2.0
Consumer prices, period average	1.6	5.7	4.6	3.6	0.9	2.2	2.3	2.0	2.0	2.0	2.0
Banking System											
Broad money	12.8	0.2	4.0	15.5	4.7	5.0	4.8	4.7	4.8	4.8	4.7
Credit to private sector, period average	0.7	-0.3	1.2	3.2	4.7	4.5	4.2	4.0	3.7	3.5	3.2
Central Government Finances											
Total revenue and grants	30.9	27.3	27.3	29.9	29.8	28.7	28.6	28.4	28.4	28.4	28.4
Tax revenue	26.2	23.8	22.4	24.1	24.8	25.1	25.0	24.8	24.8	24.8	24.8
Grants	1.6	1.7	2.4	1.8	1.8	1.3	1.3	1.3	1.3	1.3	1.3
Total expenditure and net lending	38.1	36.7	39.8	45.9	42.1	41.1	39.8	38.6	37.8	37.9	38.0
Current expenditure	28.9	25.8	26.4	27.7	29.1	30.9	30.6	30.5	30.7	30.8	30.9
Of which: Wages and salaries	14.1	12.7	12.4	12.3	12.7	13.4	13.4	13.4	13.4	13.4	13.4
Interest	2.5	2.3	2.6	3.2	3.8	4.2	4.2	4.4	4.6	4.7	4.8
Capital expenditure	9.1	10.9	13.4	18.3	13.0	10.2	9.2	8.1	7.1	7.1	7.1
Overall balance	-7.2	-9.4	-12.5	-16.0	-12.3	-12.4	-11.1	-10.2	-9.4	-9.5	-9.6
Primary balance	-4.7	-7.0	-9.9	-12.8	-8.5	-8.2	-6.9	-5.8	-4.8	-4.8	-4.8
Public sector debt	88.3	88.3	91.3	102.8	113.1	120.1	126.1	131.3	135.6	140.0	144.5
External Sector											
External current account	-23.2	-20.5	-18.2	-17.1	-20.1	-21.2	-18.5	-17.3	-16.6	-16.5	-16.6
Exports of goods and services	15.8	28.7	32.8	36.6	35.1	36.3	37.5	38.3	38.4	38.4	38.5
Imports of goods and services	48.4	55.8	55.4	60.3	58.4	60.5	58.4	57.7	57.0	56.7	56.8
Public sector external debt (end of period)	63.3	62.6	65.5	72.1	78.3	81.9	84.3	85.7	86.4	87.2	88.3
External public debt service 2/	48.1	25.4	16.1	15.1	15.6	27.2	27.0	30.0	32.8	33.5	33.7
Memorandum Items											
Holdings of SDRs (in millions of EC$)	42.6	38.8	36.5	32.8	29.0	29.0	29.0	29.0	29.0	29.0	29.0
Nominal GDP (market prices; in millions of EC$)	2,398	2,619	2,827	3,041	3,184	3,345	3,507	3,674	3,848	4,031	4,222

Sources: Eastern Caribbean Central Bank; Ministry of Finance and Planning; and IMF staff estimates and projections.
1/ At market prices
2/ In percent of exports of goods and services.

ST. VINCENT AND THE GRENADINES

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

May 21, 2026

KEY ISSUES

Context. Repeated external shocks have widened deficits and pushed public debt to unsustainable levels. The new government has committed to tackling the high cost of living pressures, weak economic growth, and rising debt.

Outlook and risks. With no change in policies, large fiscal deficits persist, driving debt higher. Growth is projected to moderate over the medium term as construction activity normalizes. The war in the Middle East is set to weigh on growth, raise inflation, and widen external imbalances in the near term. Credit growth remains weak and external imbalances are large. Risks are tilted to the downside.

Fiscal policies. Restoring sustainability requires urgent and sustained fiscal consolidation. The adjustment should focus on streamlining expenditure, starting with capital expenditure, while protecting the vulnerable. Preserving the tax base is critical. An updated and enacted Fiscal Responsibility Framework would help anchor consolidation. Strengthening liquidity and debt management is also essential. A citizenship-by-investment (CBI) program—if introduced—should be carefully designed and managed. Continued progress on disaster preparedness would help contain fiscal risks.

Structural policies. Structural reforms are needed to raise growth and employment, especially for women and young men. Priorities include accelerating the transition to renewable energy to lower costs and reduce external vulnerabilities, addressing skills mismatches, and improving the business environment.

Financial sector policies. The financial system remains broadly stable. Banks are well capitalized, but high exposure to government debt risks crowding out private sector lending and constraining credit. Rapid expansion of the credit union sector calls for stronger oversight. Policy should focus on strengthening existing intermediation channels; establishing a new development bank is not recommended.

Approved By
Christoph Duenwald (WHD) and Cemile Sancak (SPR)

Discussions took place in Kingstown during April 21–28, 2026. The mission team comprised Sergei Antoshin (head), Camila Casas, Armine Khachatryan, Entian Zhang (all WHD), and Gregor Schwerhoff (RES), supported by Qingyu Tao and Eliana Porras Herrera (both WHD). David Baar, Fernanda Brollo, Mauricio Soto (all FAD), Marie Kim, Eriko Togo (both MCM), Nouria El Mehdi, and Hoang The Pham (both LEG) joined some meetings virtually. Sylvia Gumbs, Gina Fitzgerald (both OED), Hulya Ulku, and Barbara Cunha (both World Bank) also joined the mission. Najay Parke (ECCB) and Kimberly Waithe (CDB) participated in some meetings. The mission met with Prime Minister Godwin Friday, government officials, and other counterparts.

CONTENTS

ANNEXES

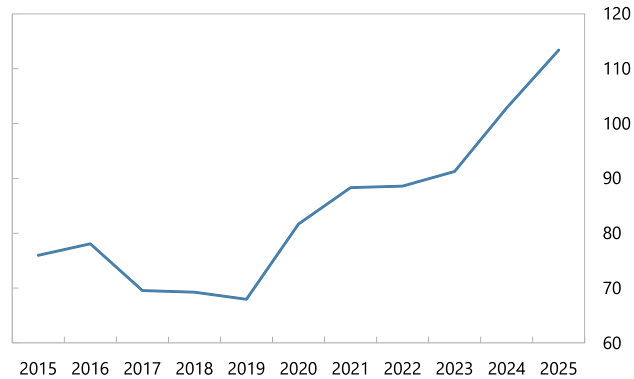
Acronyms and Abbreviations

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
CARTAC	Caribbean Technical Assistance Center
CAT DDO	Catastrophe Deferred Drawdown Option
CBI	Citizenship by Investment (program)
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CFATF	Caribbean Financial Action Task Force
DDT	Debt Dynamics Tool
DSF	Debt Sustainability Framework
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
FDI	Foreign direct investment
FRF	Fiscal Responsibility Framework
FSA	Financial Services Authority
FSI	Financial soundness indicator
GDP	Gross domestic product
GIR	Gross international reserves
IRD	Inland Revenue Department
LIC	Low-income country
MTDS	Medium Term Debt Strategy
MTFF	Medium Term Fiscal Framework
NBFIs	Nonbank financial institutions
NDC	Nationally Determined Contributions
NEER	Nominal effective exchange rate
NEMO	National Emergency Management Organization
NIIP	Net international investment position
NIS	National Insurance Service
NPL	Nonperforming loans
OECS	Organization of Eastern Caribbean States
PIMA	Public Investment Management Assessment
REER	Real effective exchange rate
SDR	Special Drawing Rights
VCT or St. Vincent	St. Vincent and the Grenadines
TAPA	Tax Administration and Procedures Act
TFP	Total factor productivity
VAT	Value-added tax

CONTEXT

1. **St. Vincent and the Grenadines has been hit by successive shocks.** As a small island developing state, it faced the pandemic and two major natural disasters over the past six years. The economy has recovered, surpassing its pre-pandemic output level in 2022, but at the cost of sharply widened fiscal deficits. Public debt surged to 113 percent of GDP in 2025, 45 percentage points above its pre-pandemic level, with about half of the increase occurring in the last two years.

Public Debt
(In percent of GDP)



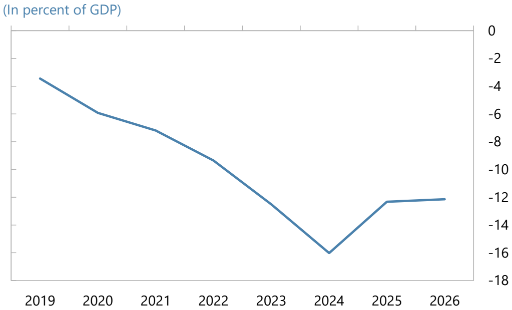
Sources: National authorities; and IMF staff estimates.

2. **The government elected in November 2025 faces formidable fiscal challenges.** The New Democratic Party won the election with pledges to tackle the cost-of-living crisis, high unemployment, and weak growth. While favoring some near-term fiscal expansion, it has reaffirmed its strong commitment to debt reduction over the medium term. The 2026 budget, approved in February, prolongs the upward debt trajectory. The oil price shock from the war in the Middle East is expected to weigh on growth, worsen external imbalances and fiscal pressures, and raise inflation, with disproportionate effects on the vulnerable.

RECENT DEVELOPMENTS

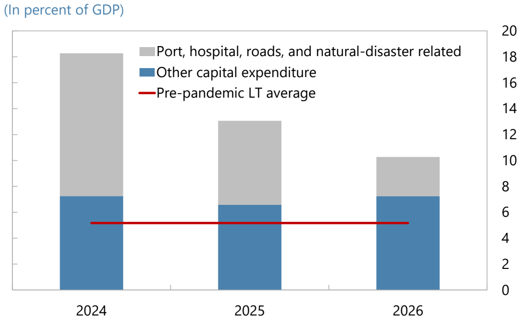
3. **The fiscal situation has deteriorated markedly since the pandemic.** Deficits have widened well beyond pre-pandemic levels, driven by post-disaster reconstruction and relief, large capital projects (hospital, hotel, port, and roads), and rising current expenditure (goods and services, interest, and transfers). The overall deficit reached 12 percent of GDP in 2025, 9 percentage points above its 2019 level.

Overall Fiscal Balance
(In percent of GDP)



Sources: National authorities; and IMF staff estimates.
Note: Staff projection for 2026.

Capital Expenditure
(In percent of GDP)



Sources: National authorities; and IMF staff estimates.
Note: Staff projections for 2026.

Key Fiscal Indicators, 2019-2025
(Percent of GDP)

	2019	2020	2021	2022	2023	2024	2025 Est.	difference 2025-2019
Total Revenue and Grants	**25.8**	**28.9**	**30.9**	**27.3**	**27.3**	**29.9**	**29.8**	**3.9**
Tax revenue	22.0	23.6	26.2	23.8	22.4	24.1	24.8	2.7
Of which								
Taxes on income and profits	5.7	6.1	6.0	6.0	5.4	6.1	6.2	0.5
Taxes on property	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.0
Taxes on international trade	9.4	10.0	10.3	10.8	10.2	10.6	11.9	2.5
Taxes on domestic transactions	6.7	7.3	9.7	6.9	6.7	7.2	6.5	-0.2
Other revenue and grants	2.9	4.4	2.8	2.1	2.7	4.1	3.1	0.2
Total Expenditure and Net Lending	**29.4**	**34.9**	**38.1**	**36.7**	**39.8**	**45.9**	**42.1**	**12.7**
Current	24.6	27.4	28.9	25.8	26.4	27.7	29.1	4.5
Primary current	22.3	25.1	26.4	23.4	23.8	24.4	25.3	3.0
Of which								
Wages and salaries 1/	12.4	13.9	14.1	12.7	12.4	12.3	12.7	0.3
Transfers and subsidies	6.7	7.5	8.2	6.7	7.1	7.9	7.6	0.9
Goods and services	3.2	3.8	4.2	4.0	4.3	4.2	5.0	1.8
Interest	2.3	2.2	2.5	2.3	2.6	3.2	3.8	1.5
Capital expenditure	4.8	7.5	9.1	10.9	13.4	18.3	13.0	8.2
Overall Balance	**-3.5**	**-5.9**	**-7.2**	**-9.4**	**-12.5**	**-16.0**	**-12.3**	**-8.8**
Primary Balance	**-1.2**	**-3.7**	**-4.7**	**-7.0**	**-9.9**	**-12.8**	**-8.5**	**-7.3**
Gross public sector debt	**68.0**	**81.7**	**88.3**	**88.3**	**91.3**	**102.8**	**113.1**	**45.1**
Of which								
External	46.1	53.5	63.3	62.6	65.5	72.1	78.3	32.2
Domestic	21.9	28.2	25.0	26.0	25.8	30.7	34.8	12.9

Sources: National authorities; and IMF staff estimates.

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

2026 Budget Financing
(Percent of GDP)

(1)=-(2)-(3)	Gross financing need	27.9
(2)	Overall balance	-18.7
(3)	Loan amortization and fund contributions	-9.2
(4)=(5)+(6)	External financing	17.2
(5)	Capital budget (specific projects)	12.0
(6)	Broad budget support (unspecified)	5.2
(7)	Domestic financing	6.0
(8)=(1)-(4)-(7)	Financing gap	4.8

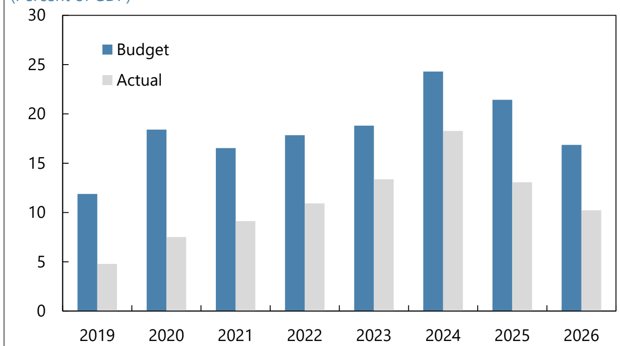
Source: National authorities; and IMF staff estimates.

4. **Fiscal pressures are set to intensify in 2026.** Since November, the authorities have introduced a VAT-free day, paid year-end bonuses to public sector workers, rehired some public sector workers laid off during the pandemic, and expanded social support through one-off measures. The 2026 budget envisages a deficit of 19 percent of GDP, with slightly lower tax revenue and somewhat higher primary expenditures relative to 2025. The budget estimates a financing gap of 5 percent of GDP, though it could be larger. Capital expenditure plans remain ambitious at 17 percent of GDP, with most of the external financing identified, while gaps persist for projects that rely on domestic

borrowing. Past execution has been constrained by procurement bottlenecks and limited capacity, with average implementation rates of around 60 percent. Reflecting likely underexecution, staff projects a deficit of 12 percent of GDP in 2026.

Capital Expenditure

(Percent of GDP)

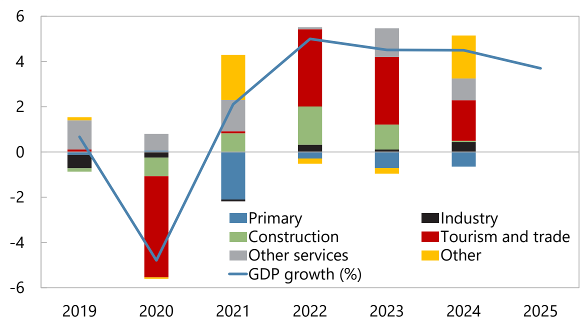


Sources: National authorities; and IMF staff estimates and projections.
Note: Supplementary budgets for 2021-24; regular budgets for the other years.

5. Growth moderated and disinflation continued in 2025. Real GDP growth slowed to 3.7 percent as the post-pandemic rebound faded, although tourism and construction, partly to rebuild after Hurricane Beryl, remained strong. Inflation continued to ease, averaging 0.9 percent, reflecting the unwinding of earlier external price shocks and smaller contributions from food, transport, and housing.

Contribution to Growth by Sector 1/ 2/

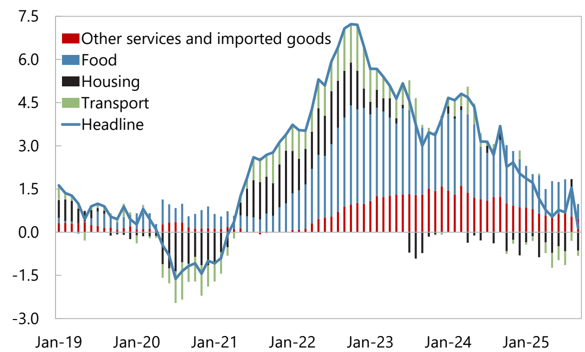
(Percent)



Source: The Statistics office and IMF staff estimates.
1/ Primary: Agriculture, fishing, and mining. Other services: Information etc.
2/ Sectoral contribution data for 2025 is not yet available.

Contribution to Headline Inflation

(Percent, YoY)



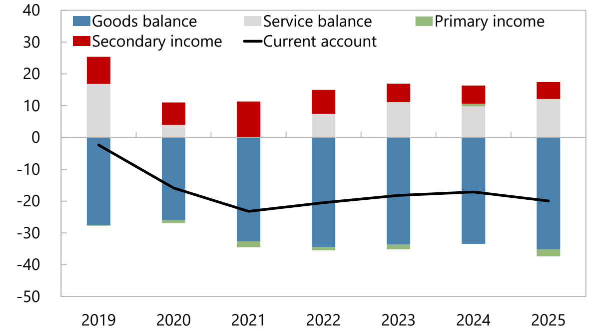
Source: National Authorities and IMF staff estimates.

6. The current account deficit widened to 20 percent of GDP in 2025. Construction-related imports and increased profit repatriation by hotels drove the deficit higher, despite strong growth in tourism receipts. The deficit continued to be financed by FDI and other investments[1], partly offset by banks' portfolio outflows. The external position is assessed to be substantially weaker than the level implied by medium-term fundamentals and desirable policies (Annex I).

[1] Other investment mainly reflects cross-border deposit and loan flows. Rising liability inflows point to higher external financing, including borrowing and deposit-related inflows.

Current Account Balance

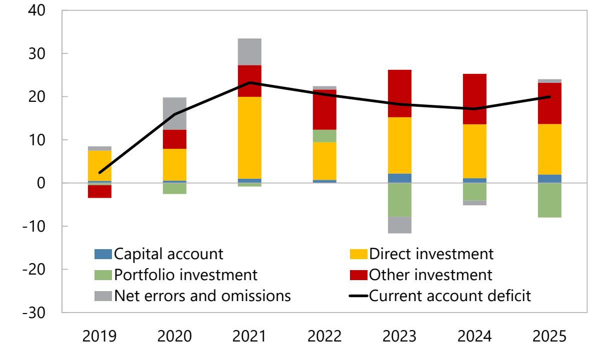
(Percent of GDP)



Sources: Government Statistical Office, Information Notice System (INS), ECCB, and IMF staff calculations.

Current Account Deficit and Sources of Finance

(Percent of GDP)

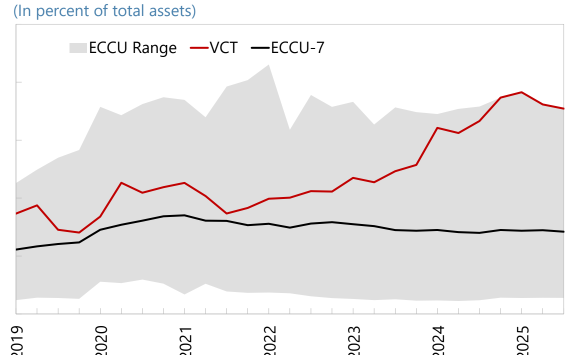


Source: ECCB and IMF staff calculations.

7. Credit dynamics have been uneven amid rapid expansion by credit unions. The banking system is dominated by a large domestic bank (assets of 72 percent of GDP) that is well capitalized, with low NPLs and adequate provisioning, though sovereign exposure is relatively high. Bank lending to households has been subdued, partly due to strong competition from credit unions, while corporate credit growth has been high and volatile, driven by large projects. By contrast, credit unions, accounting for 27 percent of GDP in assets, have sustained rapid household lending, with some institutions exhibiting relatively weaker capitalization.

Bank Credit to Local Sovereign

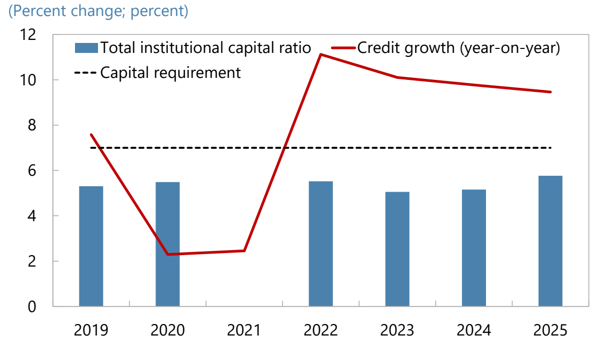
(In percent of total assets)



Sources: ECCB and IMF staff calculations.

Credit Union Credit Growth and Capital Ratio

(Percent change; percent)



Sources: National authorities and IMF staff calculations.

Notes: The capital requirement for credit unions is 7 percent. Capital data for 2021 is not available.

OUTLOOK AND RISKS

8. **Absent a decisive policy shift, fiscal policies are unsustainable (see DSA).** Under the unchanged-policy baseline, deficits remain very large, propelling public debt to 145 percent of GDP by 2031 and gross financing needs to 26 percent of GDP. The country is already at high risk of debt distress, and debt is assessed as unsustainable. The baseline assumes:

Baseline: Key Fiscal Indicators
(Percent of GDP)

	2024	2025	2026	2027	2028	2029	2030	2031	changes 2031-2026
Total revenue and grants	29.9	29.8	28.7	28.6	28.4	28.4	28.4	28.4	-0.3
Tax revenue	24.1	24.8	25.1	25.0	24.8	24.8	24.8	24.8	-0.3
Total expenditure	46.0	42.1	41.2	40.2	39.3	38.7	39.0	39.4	-1.8
Current primary expenditure	24.4	25.3	26.7	26.4	26.1	26.1	26.1	26.1	-0.6
Interest expense	3.3	3.8	4.2	4.7	5.1	5.5	5.8	6.2	1.9
Capital expenditure	18.3	13.0	10.2	9.2	8.1	7.1	7.1	7.1	-3.1
Port, hospital, roads, and natural-disaster related	11.0	6.5	3.0	2.0	1.0	0.0	0.0	0.0	-3.0
Other capital expenditure	7.3	6.6	7.2	7.2	7.1	7.1	7.1	7.1	-0.1
Overall balance	-16.1	-12.3	-12.4	-11.6	-10.9	-10.2	-10.5	-10.9	1.5
Primary balance	-12.8	-8.5	-8.2	-6.9	-5.8	-4.8	-4.8	-4.8	3.4
Public debt	102.8	113.1	120.1	126.1	131.3	135.6	140.0	144.5	24.5

Sources: National authorities; and IMF staff estimates and projections.

- **Tax revenue** remains broadly stable over the medium term. The suspension of the VAT reduction is assumed to be permanent, while improved tax collection (supported by CARTAC; see the FY2025 Annual Report) partly offsets revenue losses from VAT-free days. Higher oil prices provide a modest boost to tax revenue in 2026-27.

- **Primary current expenditure** remains broadly unchanged over the medium term, reflecting a balance between near-term spending increases and prospective consolidation efforts. Goods and services and transfers rise modestly in 2026-27 in response to higher oil prices.

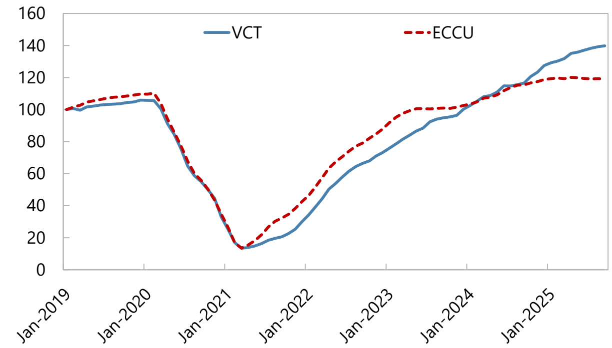
- **Capital expenditure** declines by 3 percentage points of GDP by 2028, as large projects and post-natural disaster reconstruction wind down and stabilizes at 7 percent of GDP thereafter.

- **Financing** relies primarily on multilateral and bilateral partners, including existing loan commitments from the World Bank, the Caribbean Development Bank, and other creditors. Residual financing is assumed to come from domestic and external private sources, at higher cost. However, such financing would likely become increasingly costly and constrained as debt rises and may not be feasible over the medium term.

- The authorities are preparing a medium-term **fiscal consolidation plan**, but specific measures have yet to be identified; accordingly, it is not incorporated in the baseline.

9. The war in the Middle East has weakened the near-term outlook for growth and inflation amid persistent external imbalances. Higher global oil prices are expected to reduce growth (by 0.2 percentage points each year in 2026-27), raise inflation (by 1.3 percentage points in 2026), and widen the current account deficit (by 1.4 percentage points of GDP each year in 2026-27) relative to pre-war projections. Growth is projected to slow to 2.8 percent in 2026 and 2.5 percent in 2027 as construction activity normalizes, before stabilizing at around 2.7 percent over the medium term. Inflation is forecast to average 2.2 percent in 2026 and converge to 2.0 percent thereafter. The current account deficit is projected to widen to 21 percent of GDP in 2026 and then narrow gradually to 17 percent of GDP by 2031, supported by stronger tourism and easing construction-related imports, though gains are expected to taper in later years as external debt service rises.

Stayover Tourist Arrivals 1/
(2019M1=100)



Source: Government Statistical Office and IMF staff calculations.
1/ 12-month moving sum.

10. Bank credit is unlikely to provide meaningful support to growth. Credit growth is expected to slow gradually over the medium term, below nominal GDP growth, reflecting rising bank exposure to government debt and associated crowding out of private sector lending.

11. Downside risks dominate (Annex III). The main risk is sovereign debt distress which may arise from liquidity shortages due to further deterioration in liquidity and debt management or the inability to raise financing from creditors, which would lead to arrears or a forced fiscal adjustment and/or debt restructuring. A looser fiscal stance, for example a reduction in the standard VAT rate, would further exacerbate fiscal risks. The country also remains highly exposed to natural disasters, with potentially large fiscal costs. Given the very large deficit envisaged in the 2026 budget, delays in fiscal adjustment would further erode policy space. Externally, a more protracted conflict in the Middle East—evaluated through two risk scenarios[2]—would weigh on growth, worsen the terms of trade, and raise inflation (see Annex IV). A slowdown in key source markets, rising trade barriers, geopolitical tensions, and tighter global financial conditions could dampen tourism and FDI inflows. The sovereign-bank nexus could amplify fiscal pressures and further constrain private credit.

Risk Scenarios: Key Indicators
(In percent; unless otherwise specified)

	Adverse Scenario		Severe Scenario	
	2026	2027	2026	2027
GDP growth	2.5	2.3	2.3	2.0
Inflation (period average)	3.1	2.6	3.3	3.2
Current account balance (percent of GDP)	-22.6	-18.9	-23.1	-20.6
Fiscal balance (percent of GDP)	-12.8	-12.0	-13.2	-12.4
Public debt (percent of GDP)	119.8	126.1	120.7	127.0
Interest rate on public debt	3.4	3.5	3.5	3.6

Sources: IMF staff estimates and projections.

[2] In the adverse scenario, oil prices are assumed to be 21 percent higher in 2026 and with no deviation in 2027 relative to the baseline scenario. In the severe scenario, oil prices are assumed to be 32 percent higher in 2026 and 64 percent higher in 2027 relative to the baseline scenario.

Systemic financial sector risk is assessed as medium. Upside risks include faster-than-expected completion of construction projects and an accelerated transition to renewable energy.

Authorities' views

12. **The authorities broadly agreed with staff's assessment of outlook and risks.** They concurred that growth may slow down in 2026–27 due to higher global oil prices should the war in the Middle East not end in the coming weeks and viewed staff's estimated potential impacts of a protracted war as reasonable. They acknowledged that elevated public debt poses a significant risk. They shared staff's assessment that risks are tilted to the downside, including external shocks and natural disasters, while noting upside potential from private and public investments and renewable energy developments.

Financial Sector Systemic Assessment

Systemic risk is assessed as medium. While the banking sector is large, NPLs are relatively low. Most banks have adequate provisions. The local bank has high capital. The two foreign banks do not report capital at the subsidiary level but are adequately capitalized at the group level. Continued rapid growth in the less regulated and undercapitalized credit union (CU) sector could raise credit risks. The banking sector's exposure to foreign investments is relatively low, but its exposure to local sovereign debt is high. Despite the region's susceptibility to natural disasters (ND), the banking sector currently maintains adequate insurance coverage, though a potential rise in already-high reinsurance premiums could amplify financial stability risk and fiscal impact of future disasters.

Type of risk	Likelihood	Impact if realized	Comments
Credit risk	Medium	Medium	The CU sector's rapid expansion amid weaker supervisory enforcement highlights growing credit risks. CU NPL ratios are higher than at banks, while provisions are lower, and some CUs are undercapitalized. CUs have deposits at the banking system. The banking system is largely robust except its high exposure to local sovereign debt.
Investment and market risks	Low	Low	Foreign investments are mostly in U.S. Treasuries and corporate bonds, which are usually held to maturity by banks. However, a potential liquidity squeeze amid a global market downturn may necessitate sales at a loss.
Natural disasters risk	Medium	Low-to-medium	The country is highly susceptible to natural disasters (ND). The increases in NPLs after recent NDs were contained due to mortgage insurance coverage. A sharp rise in premiums could lead existing mortgagors to forgo insurance renewal, breaching loan covenants and raising default risks. Non-mortgage insurance coverage remains limited and declining, creating potential fiscal vulnerabilities.

Source: IMF staff.

POLICY DISCUSSIONS

A. Fiscal Policies: Restoring Fiscal and Debt Sustainability

13. **The high risk of debt distress and unsustainable debt dynamics call for urgent and decisive fiscal consolidation.** Staff urges the authorities to implement an ambitious adjustment without delay. Consideration could also be given to privatizing selected marketable assets.

Developing a contingency plan with concrete measures would allow the authorities to promptly act, should fiscal risks materialize.

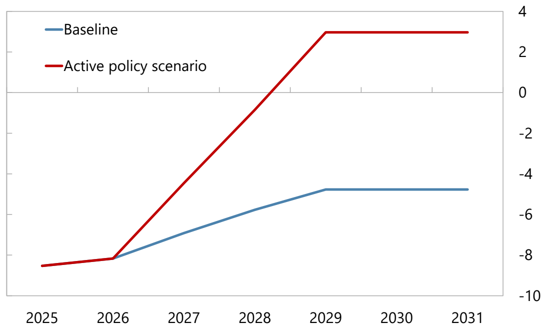
14. An active policy scenario illustrates a possible path to reduce the risk of debt distress. The scenario aims to reverse the debt trajectory within three years and achieve the regional debt target of 60 percent of GDP over the long term (see below). Given the large initial deficit, this would require a substantial improvement in the primary balance—about 11 percentage points of GDP during 2027-29—reaching a 3 percent of GDP primary surplus by 2029. Sustaining such a surplus—high by historical standards but achieved elsewhere in the region—would be necessary to place debt firmly on a downward path. With tax revenue already relatively high, the adjustment would need to rely primarily on expenditure measures. Primary current expenditure would need to be reduced by 6 percentage points of GDP, returning to pre-global financial crisis levels, while capital expenditure would fall to 5 percent of GDP, its long-term average. Under this scenario, debt would peak at 124 percent of GDP in 2028 before declining. In the near term, fiscal consolidation would also support macroeconomic stability by helping contain second-round inflationary pressures from higher energy prices, particularly in the absence of independent monetary policy within the currency union.

15. Staff welcomes the authorities' work on a debt reduction strategy. A comprehensive strategy has been developed to rationalize spending, mobilize revenue, and support growth. The next critical step is to identify, quantify, and sequence concrete measures.

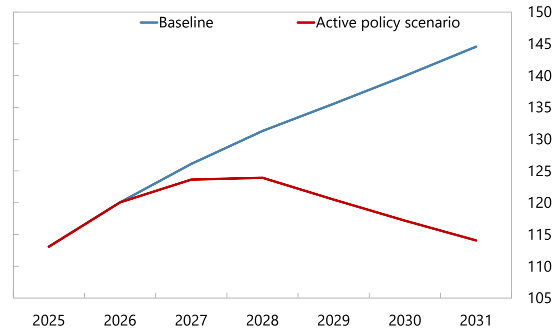
16. Even under the active scenario, achieving debt sustainability will be challenging and will require complementary measures. The scale of adjustment exceeds typical regional experience but is not without international precedent. The largest adjustments were in the Caribbean, 4 percentage points of GDP in Jamaica in 2003-04 and in 2012-14, and in Latin America, 7 percentage points of GDP in Costa Rica in 1990-97 (see "An Updated Action-based Dataset of Fiscal Consolidation," IMF Working Paper No. 2024/210). Nevertheless, even in the active policy scenario debt would remain assessed as unsustainable under the Debt Sustainability Framework, as key indicators would stay well above critical thresholds in the medium term given the high starting level. Restoring sustainability will therefore require a comprehensive strategy combining sustained fiscal consolidation, stronger public debt management, growth-enhancing structural reforms, and continued support from multilateral creditors and bilateral partners.

Active Policy Scenario

Primary Balance
(In percent of GDP)



Public Debt
(In percent of GDP)



Key Fiscal Indicators

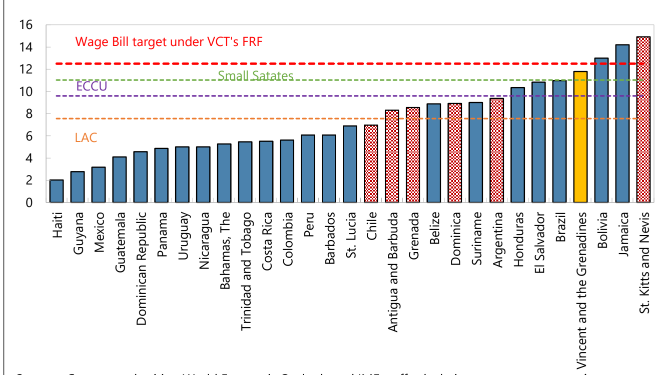
(Percent of GDP)

	2025	2026	2027	2028	2029	2030	2031	changes 2031-2026
Total revenue and grants	29.8	28.7	28.6	28.4	28.4	28.4	28.4	-0.3
Tax revenue	24.8	25.1	25.0	24.8	24.8	24.8	24.8	-0.3
Total expenditure	42.1	41.2	37.8	34.3	30.6	30.6	30.7	-10.5
Current primary expenditure	25.3	26.7	24.5	22.4	20.3	20.3	20.3	-6.4
Interest expense	3.8	4.2	4.7	5.0	5.2	5.1	5.2	1.0
Capital expenditure	13.0	10.2	8.6	6.9	5.2	5.2	5.2	-5.1
Port, hospital, roads, and natural-disaster related	6.5	3.0	2.0	1.0	0.0	0.0	0.0	-3.0
Other capital expenditure	6.6	7.2	6.6	5.9	5.2	5.2	5.2	-2.0
Overall balance	-12.3	-12.4	-9.1	-5.9	-2.2	-2.2	-2.2	10.2
Primary balance	-8.5	-8.2	-4.5	-0.8	3.0	3.0	3.0	11.1
Public debt	113.1	120.1	123.6	123.9	120.5	117.2	114.1	-6.0

Sources: National authorities; and IMF staff estimates and projections.

17. **Expenditure policy should focus on streamlining while protecting the vulnerable.** The authorities have requested Fund technical assistance to undertake a comprehensive expenditure review, in line with staff advice. Expected to commence shortly, the review would help identify savings opportunities and support the design of a durable fiscal adjustment. The wage bill is high by historical and international standards and could be reduced through natural attrition and wage restraint, generating savings of 2.9 percent of GDP while remaining above the ECCU average. Other primary expenditure categories also exceed pre-pandemic levels

Wage Bill
(Percent of GDP; 2025)



Sources: Country authorities, World Economic Outlook, and IMF staff calculations.

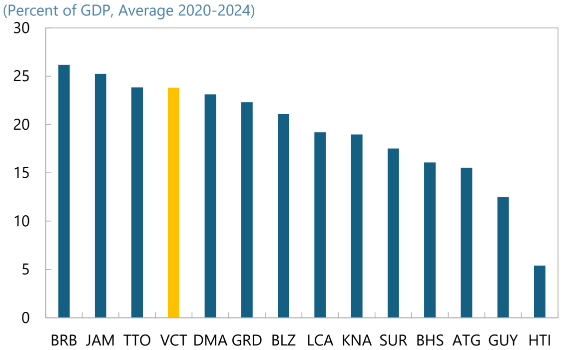
and could be rationalized, while safeguarding health and education, yielding an additional 3.4 percent of GDP. Pension reform (see Country Report No. 24/239, Annex IV) would further support expenditure containment. At the same time, social protection should remain well targeted; ongoing implementation of the Social Assistance Management Information System (SAMIS) and expanded use of e-payments—consistent with Fund advice (see Country Report No. 24/239, Annex V)—should improve beneficiary identification and reduce leakages. Staff supports the authorities' expenditure rationalization plan which includes controlling public wage bill growth, better targeting of social assistance to protect the vulnerable, rationalizing transfers based on performance, and strengthening procurement.

18. Staff supports the authorities' plan to review investment policies and to strengthen public investment management. Capital spending should focus on critical infrastructure and investment in resilience to natural disasters, while addressing institutional and capacity constraints that have hindered execution and efficiency. Public investment in marketable assets risks distortions and should be avoided. Strengthening the public investment management framework (with support from CARTAC and the World Bank), including through implementation of the 2023 C-PIMA recommendations, remains a priority.

19. Tax revenue policy should preserve the tax base and strengthen administration. While tax revenue is already relatively high, there is scope to make the system more growth-friendly, efficient, and equitable. A comprehensive tax reform, drawing on recent IMF technical assistance on tax policy and revenue mobilization, would support these objectives. Priority measures include broadening the VAT base and discontinuing distortionary VAT-free days. There is no room to lower the standard VAT rate; aligning the special tourism rate with the standard rate would raise revenue and improve equity. Staff supports the authorities' revenue enhancement strategy which includes strengthening tax administration, compliance, and enforcement, implementing targeted tax policy reforms, and rationalizing tax exemptions. Ongoing reforms—extending VAT to digital and remote services, strengthening property taxation, and advancing tax administration digitalization with CARTAC support—are welcome.

Tax Revenue

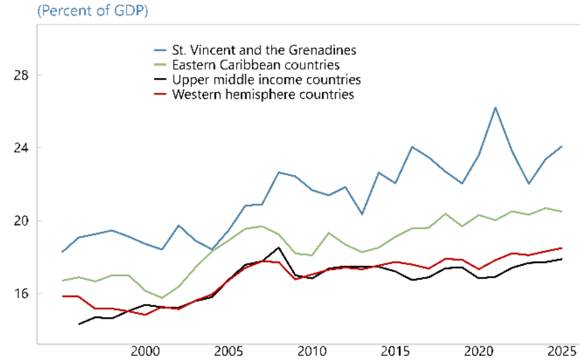
(Percent of GDP, Average 2020-2024)



Sources: WEO and IMF staff calculations.

Tax Revenue

(Percent of GDP)

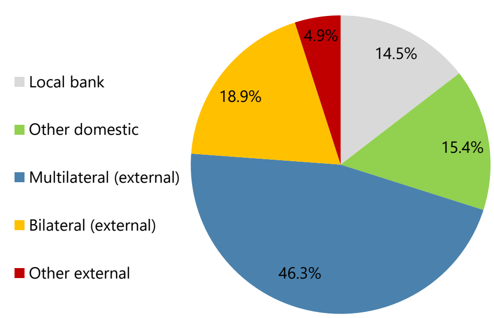


Sources: WEO and IMF staff calculations.

20. An updated and enacted Fiscal Responsibility Framework (FRF) would be central to anchoring fiscal consolidation. The FRF, suspended since 2021 following the pandemic and natural disasters, is now outdated. Staff welcomes the authorities' commitment to reactivate it and has engaged closely to support the redesign and recalibration of the fiscal rule, aligned with the active policy scenario. Consistent with Fund advice for small states, an optimal fiscal rule would be simple, flexible, fully automatic, and realistic, with a clear focus on sustained debt reduction. Enshrining the rule in law would strengthen its credibility and effectiveness. Embedding it in the annual budget process and medium-term fiscal framework would enhance discipline and transparency. Complementary public financial management reforms, informed by recent IMF technical assistance on operationalizing the fiscal responsibility framework, should be implemented.

21. Liquidity and debt management need to be strengthened. Closing financing gaps in future budgets through expenditure and capital revenue adjustments would reduce uncertainty around budget execution and mitigate liquidity risks. The increasing reliance on costly bank overdrafts and the accumulation of payables point to weaknesses in cash and debt management, underscoring the need for better coordination and implementation of the recent CARTAC technical assistance recommendations on debt management. The authorities are updating and plan to publish a medium-term debt strategy (MTDS). The MTDS should be fully aligned with a credible medium-term fiscal framework anchored in a sustainable adjustment path. Publishing and communicating both frameworks to key creditors would enhance debt transparency.

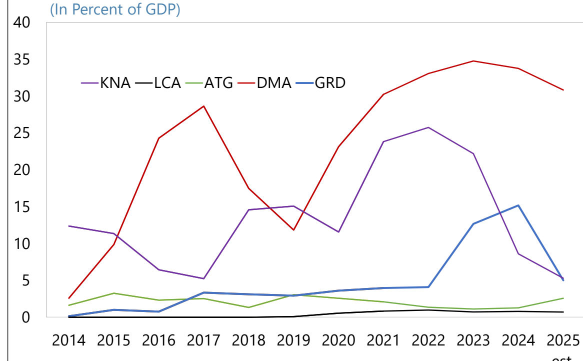
Public Debt Composition, 2025
(Percent)



Sources: National authorities.

22. A Citizenship-by-Investment (CBI) program under consideration could generate some fiscal revenue but entails significant risks and requires careful design (Annex V). Given strong regional competition, revenue gains are likely to be modest, while reputational, legal, financial integrity, and fiscal risks could be substantial. Adherence to regional standards and best practices in due diligence, integrity, and transparency would help reduce—but not eliminate—these risks. If implemented, the program should be designed to maximize net fiscal benefits, with a simple donation-based model preferred; investment or real estate options should be avoided given their distortive effects. Any CBI proceeds should be earmarked solely for debt reduction and excluded from the fiscal anchor. Accordingly, the budget, MTFF, and fiscal rule should be formulated net of CBI revenue.

Government CBI Revenues
(In Percent of GDP)



Sources: Country authorities; and IMF staff estimates.

23. The implementation of the 2024 pension reform is ongoing. The reform is consistent with Fund advice (see Country Report No. 24/239, Annex IV) and projected to prolong the lifetime of the pension fund by 25 years to 2060. Full implementation by 2028 and continued improvements in asset allocation will be important to strengthen long-term sustainability.

24. Further strengthening disaster preparedness is critical to contain fiscal risks and protect the vulnerable. Existing instruments—including the contingency fund, Caribbean Catastrophe Risk Insurance Facility (CCRIF), and a Catastrophe Deferred Drawdown Option—provide important buffers and are consistent with Fund advice (see Country Report No. 19/062). An expansion of CCRIF coverage could increase expected payouts. Other priorities include updating natural disaster risk assessments, upgrading regulations and strengthening compliance with land use planning and building codes. Investments in more resilient housing, particularly roofing, would yield high returns in reducing future fiscal costs.

Authorities' views

25. The authorities concurred with the need for urgent fiscal consolidation to put debt on a downward trajectory. They supported the broad parameters of the recommended active policy scenario, including reaching a primary surplus. The authorities emphasized that while they support fiscal consolidation, they are also focused on improving growth, investment, and employment. The authorities see the rationalization of expenditures while protecting the vulnerable as a key priority. As the first step, they plan to reduce capital expenditure to sustainable levels, while focusing on growth-generating and resilience-enhancing projects and improving execution. The authorities also undertake a public expenditure review to identify feasible options for rationalization of spending guided by upcoming technical assistance from the Fund. They plan to implement wage restraint measures and control the wage growth but noted difficulties stemming from the need to provide basic public services across multiple islands.

26. The authorities envisage that an increase in tax revenue could also play an important role in their fiscal consolidation efforts. They stressed that safeguarding tax revenue is a priority but noted the need to balance short-term measures to address the cost-of-living crisis, such as VAT-free days, with fiscal consolidation over the medium term. The authorities noted the importance of broadening the property tax base and are interested in exploring the modernization of real estate tax system based on further technical assistance from the Fund. Income tax reform to make the system more growth-friendly and equitable are also under consideration by the authorities. They emphasized that while tax revenue performance has been strong, it could be significantly enhanced by addressing a sizable compliance gap.

27. The authorities acknowledge the importance of the Fiscal Responsibility Framework to guide fiscal consolidation and sustain fiscal discipline. They reaffirmed their commitment to update and reactivate the FRF and intend to further collaborate with staff on the redesign of the fiscal rule. The authorities are working on establishing a new fiscal council. The authorities took note of staff's recommendations on CBI.

28. The authorities consider the financing gap this year to be manageable. They underscored that expenditure control is centralized at the Ministry of Finance and is adjusted during the year as needed, based on funds' availability, which minimizes the risk of arrears. The authorities are working to fully secure financing and highlighted their track record in meeting borrowing requirements in the past.

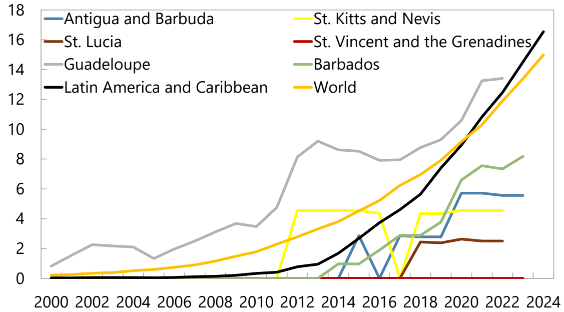
29. The authorities are making progress on natural-disaster preparedness. They continue to contribute to the contingencies fund monthly. The authorities are currently exploring a potential increase and broadening in coverage for tropical cyclones, excessive rainfall and the fisheries sector under CCRIF, while taking into account affordability in the selection of a new policy. In addition, they have recently secured additional resources from the UN World Food Programme to support vulnerable population in the event of a cyclone or excessive rainfall. The authorities highlighted that new infrastructure is designed to be resilient to natural hazards; for example, new bridge designs are less vulnerable to flooding damage. At the same time, the topography of the islands makes it difficult to avoid high-risk locations. The authorities are fully committed to enforcing the building code to boost the resilience of the housing stock.

B. Structural Policies: Lifting Potential Growth

30. The energy transition could be transformative for the economy. Expanding renewable energy would lower electricity costs, reduce exposure to volatile oil prices, and strengthen resilience. Replacing aging diesel generators with solar power complemented by battery storage offers the lowest-cost option and would help ease the cost of living while supporting growth (see Country Report No. 2024/127). The current heavy reliance on diesel has resulted in high electricity prices. The national energy strategy targets increasing the share of renewables to 60 percent by 2030, with solar and geothermal as key pillars, and highlights opportunities to expand skills and employment, including for women. Delivering this transition will require decisive policy action. Priorities include modernizing electricity legislation, adapting rate structures to renewable energy, operationalizing the energy strategy, and establishing a grid code. While upfront investment in renewable generation and battery storage will be needed, costs are expected to be largely recovered over time through electricity revenues and lower fuel imports. More broadly, pricing carbon, at around $75 per ton, would help internalize environmental costs while generating fiscal revenue.

Solar and Wind Energy in Electricity Production 1/

(Percent of total)

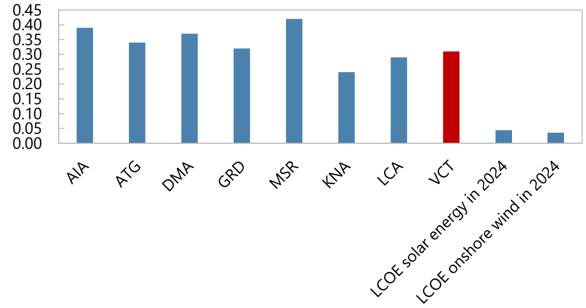


Sources: Ember.

1/ Other ECCU countries (Dominica, Grenada) and territories (Montserrat) have zero solar and wind energy.

Electricity Prices and Renewable Energy Cost 1/

(USD per kWh)



Sources: Antoine (2022) and IRENA.

1/ The electricity prices for ECCU countries are for 2021. The prices for wind and solar energy are "levelized cost of electricity."

31. Staff welcomes the authorities' commitment to addressing skills mismatches. Closing these gaps—especially for youth (notably young men) and women—will require education and labor market reforms. Employers cite skills shortages and inadequate training as key constraints on local hiring, with large construction projects relying heavily on foreign labor. Bridging these mismatches requires expanding vocational training and modernizing curricula, providing targeted training in tourism and construction, and leveraging the energy transition. The authorities have begun aligning training programs with business needs. These reforms are not expected to require additional fiscal resources given recent increases in spending on education. Expanding access to affordable childcare would further support women's labor force participation.

32. Improving the business environment would further support private sector development. Streamlining regulations and licensing, reducing tax complexity, and expanding digital government services would lower barriers to firm entry and growth. The proposed establishment of innovation hubs and research centers could foster productivity and innovation. Near-term priorities also include harmonizing customs procedures within the region (see Country Report No. 2026/085). Together, these reforms could deliver meaningful productivity gains (see "Potential Growth and Productivity in the Caribbean," IMF Working Paper No. 2025/157).

Authorities' Views

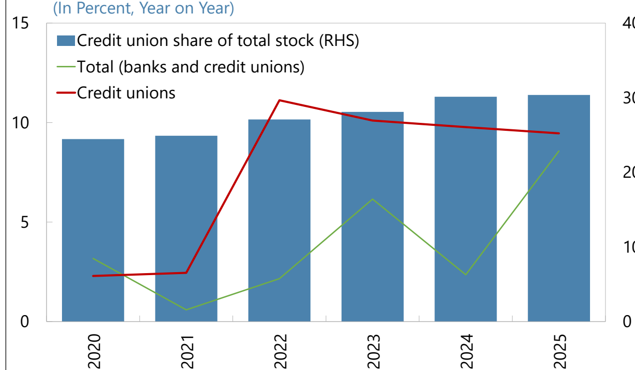
33. The authorities agree with staff's recommendations on structural reforms to boost growth and employment. The opportunity to reduce electricity prices with much greater use of renewables, including solar, is widely accepted. The authorities suggest that one of the key obstacles is the legal framework guiding electricity pricing. A modernized legislation would support the transition to solar energy. On the geothermal energy, the government is cooperating with multilateral and private sector partners to keep exploring the potential with new technology. Regarding skill mismatches, the authorities emphasize that they are investing in new educational facilities, vocational training in particular, to add capacity and to make education accessible to students in remote areas of the country. Further, they are closely cooperating with the private sector and adjust educational offers to the needs, in particular in technical skills (plumping, electricity) and the sciences. Regarding the business environment, authorities highlight ongoing digitalization efforts, which have already reduced the bureaucratic burden on firms.

C. Financial Sector Policies: Strengthening Resilience and Intermediation

34. The credit union sector's stability would benefit from strengthened oversight. All credit unions should meet capital requirements in a timely manner, guided by approved capital restoration plans. Provisioning frameworks should be strengthened by introducing clear minimum requirements; reliance on collateral in provisioning should be limited given valuation uncertainties. Supervisory enforcement needs to be more consistent and proactive. While the national regulator has powers to intervene in severe cases, further legislative reforms would strengthen its mandate and enhance supervisory and resolution capacity (see Country Report No. 24/093, Annex VII). Over time, tighter capital and provisioning standards should be introduced.

35. Further reforms are needed to support adequate credit growth. Fiscal consolidation would help ease the sovereign-bank nexus, freeing bank liquidity and capital for private sector lending. Continued progress in reducing NPLs, at both banks and credit unions, including through the Eastern Caribbean Asset Management Corporation, would also support credit growth (see Country Report No. 25/104). Structural reforms are critical, including strengthening insolvency and debt enforcement frameworks as well as improving real estate cadasters. Mandatory participation of all banks and credit unions in the regional credit bureau would reduce information gaps. Enhancing financial literacy, particularly among households, small firms, and women, would further support credit demand. Reducing real property transaction taxes would improve secondary market liquidity.

Credit Union Private Credit Growth
(In Percent, Year on Year)



Sources: ECCB; CCCU; and IMF staff calculations.

36. While staff supports the authorities' financial development goals, establishing a national development bank is not recommended given elevated fiscal risks and regional experience. The proposed bank would entail upfront fiscal costs and ongoing risks from subsidized lending, running counter to consolidation efforts. Past regional experience also points to significant contingent liability risks (see Country Report No. 25/107). Instead, policy should focus on strengthening existing credit intermediation channels. Banks and credit unions should make greater use of underutilized regional instruments, including those offered by the Eastern Caribbean Partial Credit Guarantee Corporation.

- In the near term, the government could consider a national partial credit guarantee scheme implemented through existing banks, as well as targeted micro grants or social credit for specific types of firms (e.g. start-ups), with a clearly defined and limited spending envelope—to avoid worsening the debt sustainability risks—and with strong coordination with regional initiatives. This would help improve access to finance for specific sectors without the potentially large and uncertain costs of establishing and running a development bank.

- Over the medium term, fiscal and financial sector reforms should enable banks and adequately capitalized credit unions to meet financing needs across the economy.

37. Continued strengthening of the AML/CFT frameworks remains critical, including to mitigate increased money laundering risks posed by the planned CBI programs. Efforts to implement the priority actions in the 2024 Caribbean Financial Action Task Force Mutual Evaluation Report should continue, including assessing the ML/TF risks of legal persons and arrangements and of foreign predicate offenses, and ensuring that financial institutions and designated non-financial businesses and professions are implementing appropriate risk mitigating measures.

38. The ECCB has implemented most recommendations from the previous safeguards assessment. The remaining recommendation relates to strengthening the ECCB's operational autonomy and aligning its Agreement Act with leading practices. However, staff have not yet received access to management letters issued by external auditors for recent years. Staff will continue to engage on this matter, and the next periodic safeguards assessment of the ECCB is scheduled for early 2027.

Authorities' Views

39. The authorities broadly agreed with staff's recommendation to strengthen the oversight of credit unions. They concurred with the need to closely monitor the rapidly growing credit union sector and to promptly strengthen the balance sheet of weaker institutions. The authorities agreed that strengthening supervisory and resolution powers would be important, including by benefiting from the 2022 Fund Technical Assistance report "Financial Crisis Management" and capacity building support from CARTAC.

40. The authorities emphasized the need to expand credit provision to households and micro firms. They noted that banks have onerous loan application requirements, especially for households and micro firms. They concurred that improving financial literacy of households and small entrepreneurs could help improve access to finance by enhancing their ability to propose bankable projects. The authorities took note of staff's recommendations on a development bank. They aim to address the issue of limited access to credit and intend to replicate international best practices with development banks. The authorities noted that, if established, the development bank would likely be small initially and would encompass existing government lending programs.

D. External Sector: Reducing Vulnerabilities

41. Reducing external vulnerabilities will require a comprehensive strategy, centered on external debt reduction. The current account deficit remains very large and heavily reliant on FDI financing, leaving the economy exposed to shocks affecting tourism and FDI. Rising external debt further weakens the external position and could offset gains from new hotel capacity and the normalization of construction.

- **Fiscal consolidation and improvements in debt management** would reduce external borrowing needs, lower debt service costs, and strengthen the current account. Reduction in external debt should be pursued within a broader debt sustainability strategy, balancing risks, financing needs, and the cost of borrowing.

- **Implementation of structural reforms** would increase productivity and international competitiveness. In particular, the transition to renewable energy would drastically reduce fuel imports and associated risks and could create opportunities for new export activities.

Authorities' Views

42. The authorities broadly agreed with staff's assessment of external vulnerabilities and the need for a comprehensive policy response. They concurred that fiscal consolidation and improved debt management are essential to strengthening the external position and reducing reliance on external financing. There was consensus on the importance of structural reforms, including the transition to renewable energy, to enhance competitiveness, reduce fuel imports, and support external sustainability.

E. Improving Data Adequacy

43. Data provided to the IMF has some shortcomings that somewhat hamper surveillance (Annex VI). There are data deficiencies, gaps, and delays in most sectors.

- **Fiscal** data are comprehensive, but challenges remain related to fragmented reporting systems, irregular transmission, revisions, delays related to T-bills and payables, and long-standing gaps in SOE accounts.

- **National accounts** data are produced with significant lags; GDP by expenditure is not available, and labor market indicators are outdated, while CPI data are reported in a timely manner.

- **External sector** statistics follow BPM6 standards but contain large errors and omissions, frequent revisions, and insufficient granularity due to low survey response rates and capacity constraints.

- **Monetary and financial** data are stronger: the ECCB reports a full set of bank FSIs, while the national regulator publishes quarterly FSIs for credit unions and insurers, albeit with some lag.

- **Policy responses.** Strengthening statistical capacity is critical for effective policy formulation and monitoring, particularly when the country is at high risk of debt distress and consistency of fiscal data is low (Annex VI, Table 3) and debt statistics need to be improved. Enhancing staffing capacity is also important to improve the quality, coverage, and transparency of data. Efforts by the OECS Commission aim to improve the national statistical system. Continued IMF capacity development through CARTAC will remain important, particularly for national accounts and balance of payments statistics.

Authorities' Views

44. The authorities broadly agreed with staff's assessment that data shortcomings, gaps, and delays in several sectors need to be urgently addressed. They concurred on the importance of strengthening statistical systems to support effective policy formulation and monitoring, particularly in the context of elevated debt vulnerabilities. In this regard, the authorities noted that they have prepared—and are in the process of submitting to Cabinet—a proposal to amend the Statistical Act, which would eventually establish the statistics unit as an independent institute and make the provision of required information mandatory. They viewed these reforms as key to strengthening the institutional framework for statistics and improving data quality. The authorities welcomed ongoing regional initiatives and continued CARTAC capacity development support to improve the quality, coverage, and timeliness of fiscal, national accounts, and external sector statistics.

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45. The fiscal position has deteriorated markedly since the pandemic, and public debt is now assessed as unsustainable. Over the past six years, the country has been hit by the pandemic, two major natural disasters, and is now facing an oil price shock linked to the war in the Middle East. Public debt has risen by 45 percentage points of GDP since 2019, with about half of the increase occurring in the last two years, to 113 percent of GDP in 2025. Absent a decisive policy shift, fiscal deficits are projected to remain large, pushing debt to 145 percent of GDP by 2031. The country has been at high risk of debt distress since 2016, and vulnerabilities have increased.

46. The war in the Middle East has weakened the near-term outlook. Growth moderated to 3.7 percent in 2025 as the post-pandemic rebound faded, although tourism and construction remained strong. Growth is expected to slow further in 2026-27 reflecting higher oil prices, a weaker global environment, and the normalization of construction activity, before stabilizing at 2.7 percent in the medium term. Inflation is projected to rise temporarily due to the war, to 2.9 percent by end-2026, and thereafter stabilize at 2 percent. External imbalances remain large. Bank credit to households and micro firms has been subdued despite rapid expansion of credit unions.

47. The high risk of debt distress and unsustainable debt dynamics call for urgent and sustained fiscal consolidation. Staff and the authorities agree on the need for a prompt and ambitious adjustment to avoid disorderly correction. Staff's active policy scenario would place debt on a downward trajectory within three years and achieve the regional target over the long term. This requires a sizeable improvement in the primary balance and the sustained maintenance of a primary surplus. The authorities have developed a debt reduction strategy and are now working to identify concrete measures.

48. Fiscal consolidation alone will not be sufficient to restore sustainability. Even under the active policy scenario, debt would remain assessed as unsustainable given the high starting level. Achieving sustainability will therefore require a comprehensive approach, combining sustained fiscal adjustment, stronger public debt management, growth-promoting structural reforms, and new financing from multilateral creditors and contributions by bilateral official creditors.

49. The recommended fiscal adjustment should rely primarily on expenditure measures while protecting the vulnerable and safeguarding health and education spending. The wage bill is elevated relative to regional peers and should be reduced. Other primary expenditure categories remain above pre-pandemic levels and warrant rationalization. Capital expenditure is very high; staff supports the authorities' plans to review investment policies and strengthen public investment management. Ongoing digitalization of social assistance should improve targeting and reduce leakages.

50. Revenue policy should focus on preserving the tax base and strengthening tax administration. While revenue is already relatively high, there is scope to enhance efficiency and mobilize additional revenue. Broadening the VAT base would improve both efficiency and revenue stability; there is no room to reduce the VAT standard rate. Staff welcomes progress in extending VAT to digital and remote services, reforming property taxation, and strengthening tax administration and collection.

51. Complementary fiscal reforms are needed to anchor consolidation and contain risks. An updated and enacted Fiscal Responsibility Framework would help guide fiscal adjustment. Liquidity and debt management should be strengthened. A CBI program—if introduced—would need to be carefully designed and managed. Further investment in climate resilience, supported by stronger disaster risk financing, would help contain fiscal risks and protect the vulnerable.

52. Structural reforms are critical to lift potential growth and employment. Advancing the energy transition would lower the cost of living, reduce dependence on imported fuels, and support growth. Addressing skills mismatches through education and vocational training, improving childcare to support women's labor force participation, and streamlining licensing and regulatory processes would strengthen productivity and job creation.

53. Maintaining financial stability while improving intermediation will require continued supervisory and legal reforms. Oversight of credit unions should be strengthened by enforcing prudential and provisioning requirements and advancing legislation to enhance supervisory and resolution powers of the national regulator. Reducing the sovereign-bank nexus through fiscal consolidation would help free up credit for the private sector. While staff supports the authorities' financial development objectives, policy should focus on strengthening existing credit intermediation channels. Establishing a new development bank is not recommended.

54. Reducing external vulnerabilities will require a sustained, multi-pronged effort, centered on lowering external debt. The external position is assessed to be substantially weaker than implied by medium-term fundamentals and desirable policies. Fiscal consolidation, together with structural reforms to improve competitiveness and reduce import dependence, would help narrow the current account deficit over time and mitigate external risks.

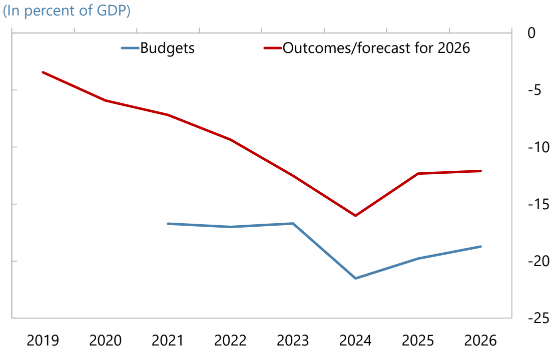
55. Strengthening data provision is essential to support surveillance and policy making. Priority areas include closing gaps in fiscal, national accounts, and external sector statistics. Enhancing statistical capacity, including staffing, would improve data quality, coverage, and transparency, which is particularly important given elevated debt vulnerabilities.

56. It is proposed that the next Article IV consultation with St. Vincent and the Grenadines takes place on the standard 12-month cycle.

Figure 1. St. Vincent and the Grenadines: Fiscal Sector Developments

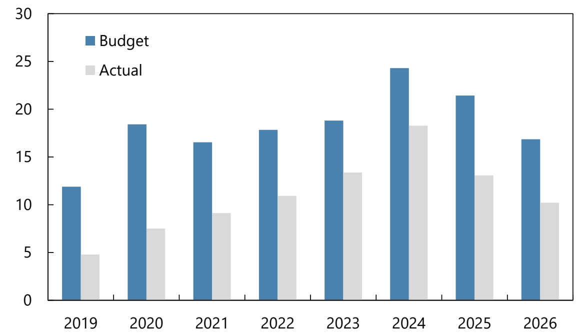
Fiscal deficits have been very large since the pandemic, even if lower than budgeted.

Overall Balance
(In percent of GDP)



Capital expenditure has been very high but underexecuted relative to the budget estimates.

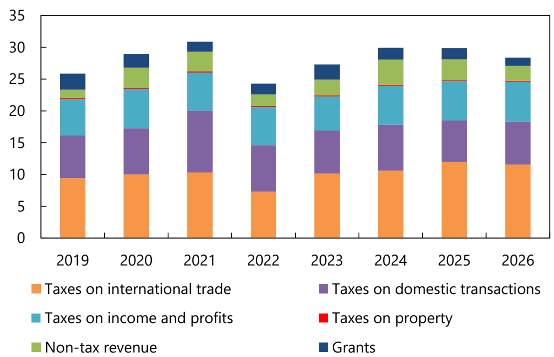
Capital Expenditure
(Percent of GDP)



Note: Supplementary budgets for 2021-24; regular budgets for the other years.

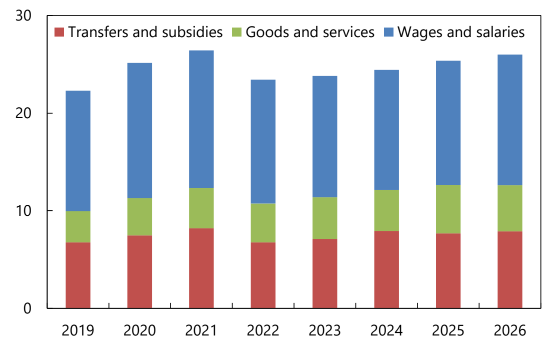
Despite recent shocks, tax revenue has remained largely resilient.

Revenue Composition
(Percent of GDP)



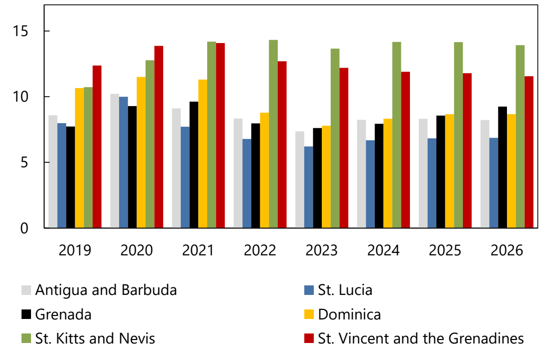
Primary expenditure has risen, partly in response to external shocks.

Primary Expenditure Composition
(Percent of GDP)



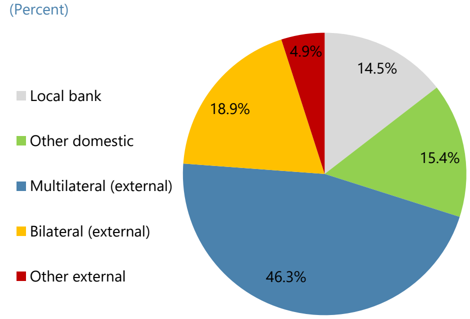
The public wage bill has edged lower but remains the second highest in the ECCU.

ECCU: Wage Bill
(Percent of GDP)



Debt is mostly financed by multilateral and bilateral external creditors and the local bank.

Public Debt Composition, 2025
(Percent)

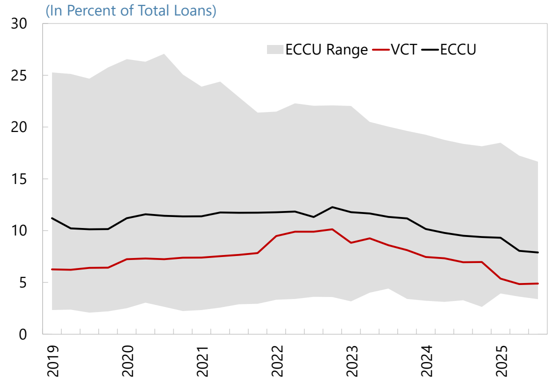


Sources: National authorities; and IMF staff estimates and projections.

Figure 2. St. Vincent and the Grenadines: Banking Sector Developments

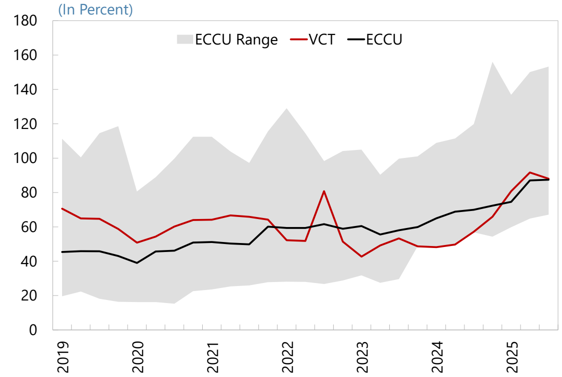
NPL ratios have declined since 2022 and are close to the ECCB's 5 percent benchmark.

Asset Quality: NPL Ratio
(In Percent of Total Loans)



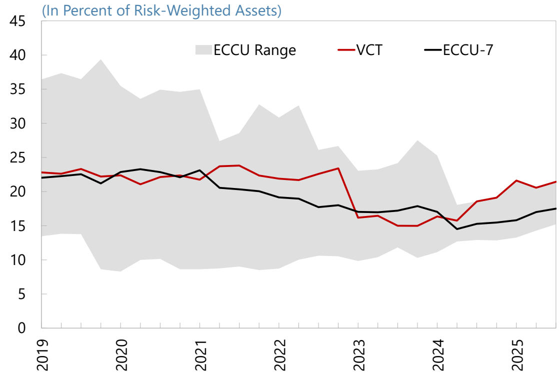
Loan loss buffers have increased and are near the ECCB's 60 percent requirement.

Provisions and Reserves to NPLs
(In Percent)



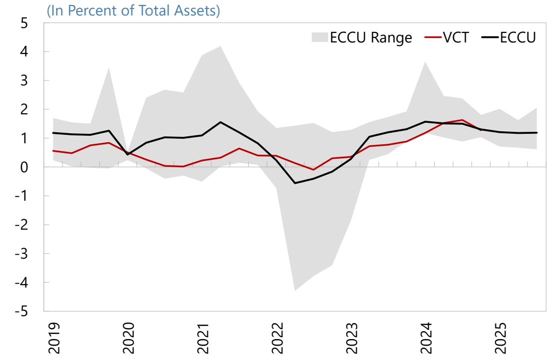
Capital ratios have strengthened and are well above the ECCB's requirements.

Capital Adequacy Ratios
(In Percent of Risk-Weighted Assets)



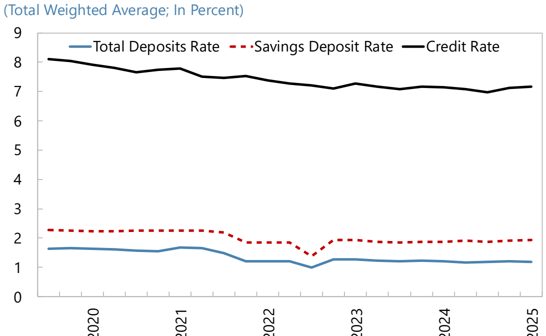
Profits have gradually recovered, supported by foreign investment income.

Net Earnings Before Taxes
(In Percent of Total Assets)



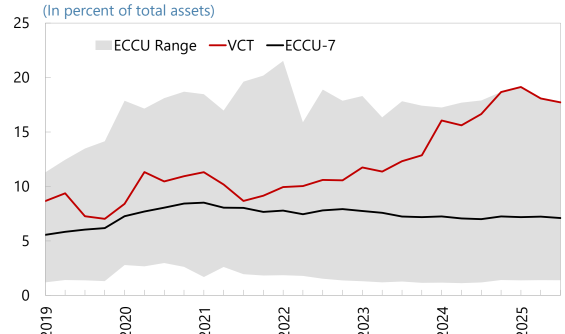
Somewhat tighter interest margins underscore the low profitability of core lending operations.

Interest Rates
(Total Weighted Average; In Percent)



Bank exposures to the government have increased significantly in recent years.

Bank Credit to Local Sovereign
(In percent of total assets)

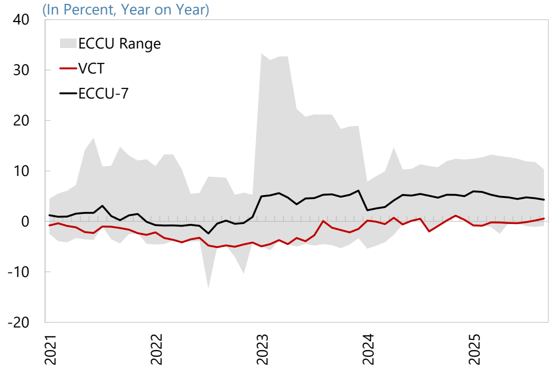


Sources: ECCB; and IMF staff calculations.
Note: ECCU-7 refers to average ECCU value excluding Montserrat due to data issues.

Figure 3. St. Vincent and the Grenadines: Financial Intermediation Developments

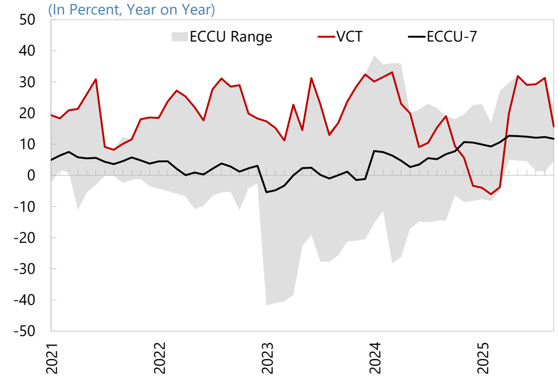
Credit to households has remained anemic.

Credit to the Private Sector: Households
(In Percent, Year on Year)



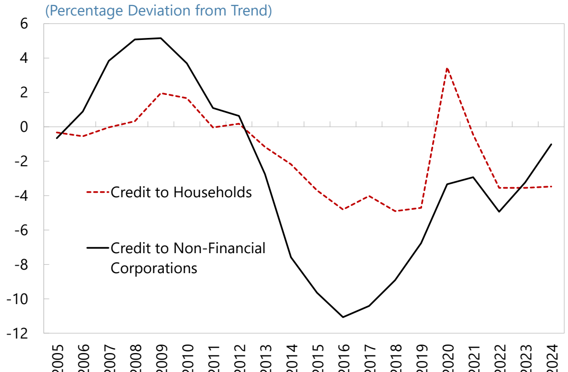
Credit growth to firms has been high and volatile, driven by large projects.

Credit to the Private Sector: ONFCs 1/
(In Percent, Year on Year)



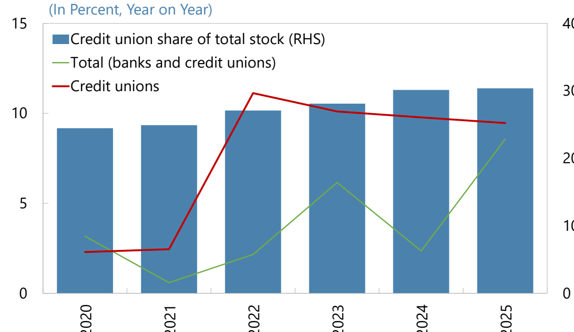
The estimated bank credit-to-GDP gap in the ECCU remains negative.

ECCU: Credit-to-GDP Gap
(Percentage Deviation from Trend)



In contrast, lending by credit unions has continued to expand rapidly.

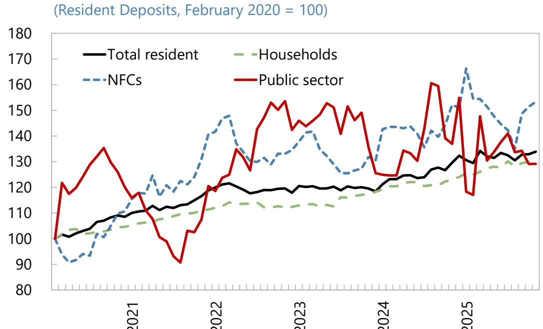
Credit Union Private Credit Growth
(In Percent, Year on Year)



Sources: ECCB; CCCU; and IMF staff calculations.

System liquidity has continued to increase…

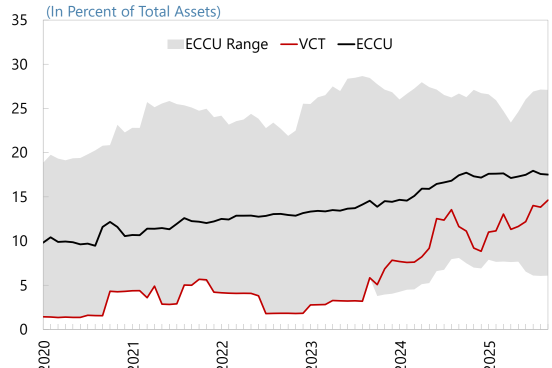
Accumulation of Bank Deposits
(Resident Deposits, February 2020 = 100)



Sources: ECCB MFS; IMF staff calculations.

…which—together with the low domestic profitability—has fueled investments in foreign securities.

Investment in Overseas Assets 2/
(In Percent of Total Assets)



Sources: ECCB; CCCU; and IMF staff calculations.
Note: ECCU-7 refers to average ECCU value excluding Montserrat due to data issues.
1/ ONFCs refers to Other Nonfinancial Corporations.
2/ 2020M4 Overseas investment in non-CARICOM countries data for Dominica is supplemented with 2020M3 data.

Table 1. St. Vincent and the Grenadines: Selected Economic Indicators, 2021–31

Social and Demographic Indicators

Area (sq. km)	389.3	Net enrollment rate, secondary (percent, 2018)	89.0
Population (2023)		Labor market indicators (2017)	
Total (thousands)	101.3	Unemployment rate	25.8
Rate of growth (percent per year)	-0.7	Youth unemployment rate	40.3
Density (per sq. km.)	260.3	Labor force participation rate	67.8
Population characteristics		Gross domestic product (2023)	
Life expectancy at birth (years, 2021)	69.6	(millions of US dollars)	1,047
Infant mortality (per '000 live births, 2021)	12.6	(millions of EC dollars)	2,827
Under 5 mortality rate (per '000, 2021)	13.7	(US$ per capita)	9,433

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
					Est.	Projections					
Output and Prices	(year-on-year percent changes)										
Real GDP 1/	2.1	5.0	4.5	4.5	3.7	2.8	2.5	2.7	2.7	2.7	2.7
Nominal GDP 1/	2.8	9.2	7.9	7.6	4.7	5.0	4.8	4.7	4.8	4.8	4.7
Consumer prices, end of period	3.4	6.7	4.0	2.1	0.5	2.9	2.0	2.0	2.0	2.0	2.0
Consumer prices, period average	1.6	5.7	4.6	3.6	0.9	2.2	2.3	2.0	2.0	2.0	2.0
Banking System	(year-on-year percent changes)										
Broad money	12.8	0.2	4.0	15.5	4.7	5.0	4.8	4.7	4.8	4.8	4.7
Credit to private sector, period average	0.7	-0.3	1.2	3.2	4.7	4.5	4.2	4.0	3.7	3.5	3.2
Central Government Finances	(in percent of GDP)										
Total revenue and grants	30.9	27.3	27.3	29.9	29.8	28.7	28.6	28.4	28.4	28.4	28.4
Tax revenue	26.2	23.8	22.4	24.1	24.8	25.1	25.0	24.8	24.8	24.8	24.8
Grants	1.6	1.7	2.4	1.8	1.8	1.3	1.3	1.3	1.3	1.3	1.3
Total expenditure and net lending	38.1	36.7	39.8	45.9	42.1	41.1	39.8	38.6	37.8	37.9	38.0
Current expenditure	28.9	25.8	26.4	27.7	29.1	30.9	30.6	30.5	30.7	30.8	30.9
Of which : Wages and salaries	14.1	12.7	12.4	12.3	12.7	13.4	13.4	13.4	13.4	13.4	13.4
Interest	2.5	2.3	2.6	3.2	3.8	4.2	4.2	4.4	4.6	4.7	4.8
Capital expenditure	9.1	10.9	13.4	18.3	13.0	10.2	9.2	8.1	7.1	7.1	7.1
Overall balance	-7.2	-9.4	-12.5	-16.0	-12.3	-12.4	-11.1	-10.2	-9.4	-9.5	-9.6
Primary balance	-4.7	-7.0	-9.9	-12.8	-8.5	-8.2	-6.9	-5.8	-4.8	-4.8	-4.8
Public sector debt	88.3	88.3	91.3	102.8	113.1	120.1	126.1	131.3	135.6	140.0	144.5
External Sector	(in percent of GDP)										
External current account	-23.2	-20.5	-18.2	-17.1	-20.1	-21.2	-18.5	-17.3	-16.6	-16.5	-16.6
Exports of goods and services	15.8	28.7	32.8	36.6	35.1	36.3	37.5	38.3	38.4	38.4	38.5
Imports of goods and services	48.4	55.8	55.4	60.3	58.4	60.5	58.4	57.7	57.0	56.7	56.8
Public sector external debt (end of period)	63.3	62.6	65.5	72.1	78.3	81.9	84.3	85.7	86.4	87.2	88.3
External public debt service 2/	48.1	25.4	16.1	15.1	15.6	27.2	27.0	30.0	32.8	33.5	33.7
Memorandum Items											
Holdings of SDRs (in millions of EC$)	42.6	38.8	36.5	32.8	29.0	29.0	29.0	29.0	29.0	29.0	29.0
Nominal GDP (market prices; in millions of EC$)	2,398	2,619	2,827	3,041	3,184	3,345	3,507	3,674	3,848	4,031	4,222

Sources: Eastern Caribbean Central Bank; Ministry of Finance and Planning; and IMF staff estimates and projections.

1/ At market prices

2/ In percent of exports of goods and services.

Table 2. St. Vincent and the Grenadines: Balance of Payments, 2021–31
(In percent of GDP, unless otherwise stated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
					Est.			Projections			
Current Account	**-23.2**	**-20.5**	**-18.2**	**-17.1**	**-20.1**	**-21.2**	**-18.5**	**-17.3**	**-16.6**	**-16.5**	**-16.6**
Exports of Goods and Services	**15.8**	**28.7**	**32.8**	**36.6**	**35.1**	**36.3**	**37.5**	**38.3**	**38.4**	**38.4**	**38.5**
Exports f.o.b.	4.3	5.3	4.7	6.1	4.3	4.8	5.5	5.9	6.0	6.0	6.4
Exports of nonfactor services	11.5	23.4	28.1	30.5	30.8	31.5	31.9	32.3	32.4	32.4	32.1
Imports of Goods and Services	-48.4	-55.8	-55.4	-60.3	-58.4	-60.5	-58.4	-57.7	-57.0	-56.7	-56.8
Imports f.o.b.	-37.0	-39.8	-38.4	-39.6	-39.8	-41.9	-40.1	-39.6	-39.3	-39.1	-39.1
Import of nonfactor services	-11.5	-16.0	-16.9	-20.7	-18.6	-18.6	-18.3	-18.1	-17.7	-17.6	-17.7
Primary income (net)	-1.9	-1.0	-1.5	0.8	-2.2	-1.9	-2.1	-2.4	-2.5	-2.9	-3.0
Secondary income (net)	11.3	7.5	5.8	5.7	5.4	4.9	4.6	4.6	4.5	4.6	4.7
Capital Account	**1.0**	**0.7**	**2.2**	**1.1**	**2.0**	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**
Financial Account	**-16.1**	**-20.9**	**-19.8**	**-17.1**	**-17.2**	**-19.9**	**-17.2**	**-16.0**	**-15.3**	**-15.2**	**-15.3**
Direct investment	19.0	8.8	13.0	12.5	11.8	10.6	10.4	10.5	10.4	9.9	9.9
Portfolio investment	0.8	-2.9	7.8	4.1	8.1	3.9	5.2	4.7	4.8	4.2	4.2
Other investment	-7.4	-9.3	-11.0	-11.7	-9.6	-14.0	-13.1	-11.2	-10.7	-11.5	-10.5
Reserve assets	9.4	0.0	-3.6	3.0	-3.9	0.8	1.2	1.0	1.0	2.0	0.9
Net Errors and Omissions	**6.1**	**-1.1**	**-3.8**	**-1.1**	**0.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum Items											
Trade balance	-32.6	-27.1	-22.6	-23.7	-23.2	-24.2	-20.9	-19.4	-18.6	-18.3	-18.3
Goods balance	-1.4	-1.3	-1.2	-1.1	-1.1	-1.1	-1.0	-0.9	-0.9	-0.8	-0.8
Service balance	0.0	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.3
Imputed International Reserves 1/											
Millions of Eastern Caribbean Dollars, end of period	**779**	**778**	**675**	**762**	**762**	**788**	**829**	**865**	**904**	**984**	**1020**
In months of imports of good and services	6.4	6.0	4.4	4.9	4.5	4.6	4.7	4.7	4.8	4.7	4.7
Net International Investment Position	-156.3	-163.9	-172.4	-176.5	-186.9	-194.7	-208.4	-216.2	-223.0	-229.4	-235.5

Sources: Ministry of Finance and Planning; Eastern Caribbean Central Bank; and IMF staff estimates and projections.
1/ Includes SDR holdings.

Table 3. St. Vincent and the Grenadines: Summary of Government Operations, 2021-31
(In Percent of GDP)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
						Est.	Projections					
Total Revenue and Grants	**28.9**	**30.9**	**27.3**	**27.3**	**29.9**	**29.8**	**28.7**	**28.6**	**28.4**	**28.4**	**28.4**	**28.4**
Tax revenue	23.6	26.2	23.8	22.4	24.1	24.8	25.1	25.0	24.8	24.8	24.8	24.8
Of which												
Taxes on income and profits	6.1	6.0	6.0	5.4	6.1	6.2	6.3	6.3	6.3	6.3	6.3	6.3
Taxes on property	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Taxes on international trade	10.0	10.3	10.8	10.2	10.6	11.9	11.9	11.8	11.6	11.6	11.6	11.6
Taxes on domestic transactions	7.3	9.7	6.9	6.7	7.2	6.5	6.7	6.7	6.7	6.7	6.7	6.7
Other revenue and grants		2.8	2.1	2.7	4.1	3.1	1.5	1.5	1.5	1.5	1.5	1.5
Total Expenditure and Net Lending	**34.9**	**38.1**	**36.7**	**39.8**	**45.9**	**42.1**	**41.1**	**39.8**	**38.6**	**37.8**	**37.9**	**38.0**
Current	27.4	28.9	25.8	26.4	27.7	29.1	30.9	30.6	30.5	30.7	30.8	30.9
Primary current		26.4	23.4	23.8	24.4	25.3	26.7	26.4	26.1	26.1	26.1	26.1
Of which												
Wages and salaries 1/	13.9	14.1	12.7	12.4	12.3	12.7	13.4	13.4	13.4	13.4	13.4	13.4
Transfers and subsidies	7.5	8.2	6.7	7.1	7.9	7.6	8.1	8.0	7.9	7.9	7.9	7.9
Goods and services	3.8	4.2	4.0	4.3	4.2	5.0	5.1	4.9	4.7	4.7	4.7	4.7
Interest	2.2	2.5	2.3	2.6	3.2	3.8	4.2	4.2	4.4	4.6	4.7	4.8
Capital expenditure	7.5	9.1	10.9	13.4	18.3	13.0	10.2	9.2	8.1	7.1	7.1	7.1
Overall Balance	**-5.9**	**-7.2**	**-9.4**	**-12.5**	**-16.0**	**-12.3**	**-12.4**	**-11.1**	**-10.2**	**-9.4**	**-9.5**	**-9.6**
Primary Balance	**-3.7**	**-4.7**	**-7.0**	**-9.9**	**-12.8**	**-8.5**	**-8.2**	**-6.9**	**-5.8**	**-4.8**	**-4.8**	**-4.8**
Gross public sector debt	**81.7**	**88.3**	**88.3**	**91.3**	**102.8**	**113.1**	**120.1**	**126.1**	**131.3**	**135.6**	**140.0**	**144.5**
Of which												
External		63.3	62.6	65.5	72.1	78.3	81.9	84.3	85.7	86.4	87.2	88.3
Domestic		25.0	26.0	25.8	30.7	34.8	31.8	29.6	28.1	27.3	27.0	27.1
Gross financing need		**20.3**	**17.5**	**27.6**	**26.6**	**20.7**	**22.5**	**22.8**	**23.8**	**24.7**	**25.5**	**26.2**
Loan amortization		15.6	10.5	17.7	13.8	12.1	14.3	15.9	18.0	19.9	20.8	21.4
External GFN		12.8	19.8	11.5	10.9	14.9	20.3	18.3	18.3	18.7	19.5	19.5
External loan amortization							9.9	10.1	11.5	12.6	12.9	13.0
Domestic GFN		7.5	-2.3	16.1	15.7	5.8	2.2	4.5	5.5	6.0	6.0	6.7
Domestic loan amortization							4.5	5.8	6.5	7.4	7.9	8.5

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

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

Table 4. St. Vincent and the Grenadines: Monetary Survey, 2021–31

(Percent change)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
					Est.	Projections					
Net foreign assets	36.8	-10.8	-16.5	13.3	-10.2	4.6	5.9	5.1	5.3	8.6	0.4
Net domestic assets	-16.7	22.3	34.1	17.6	17.8	5.4	4.2	4.5	4.4	2.1	7.9
Credit to private sector	0.0	-0.8	4.7	-0.5	4.7	4.5	4.2	4.0	3.7	3.5	3.2
Broad money (M2)	12.8	0.2	4.0	15.5	4.7	5.0	4.8	4.7	4.8	4.8	4.7
Money	18.4	17.1	9.3	19.2	4.7	5.0	4.8	4.7	4.8	4.8	4.7
Quasi-money 1/	9.7	-10.0	-0.1	12.4	4.7	5.0	4.8	4.7	4.8	4.8	4.7

Sources: Eastern Caribbean Central Bank; Ministry of Finance and Planning; and IMF staff estimates and projections.
1/ Including resident foreign currency deposits.

Table 5. St. Vincent and the Grenadines: Financial Soundness Indicators of the Banking Sector, 2019–25

(In percent)

	2019	2020	2021	2022	2023	2024	2025
Regulatory capital to risk-weighted assets (CAR)	22.2	22.4	22.4	23.4	15.0	19.1	21.9
Regulatory Tier 1 capital to risk-weighted assets 1/	23.8	22.8	20.9	21.0	11.3	13.0	14.5
Nonperforming loans to total gross loans	6.4	7.4	7.8	10.1	8.1	5.8	4.5
Total provisions to nonperforming loans	58.8	64.0	59.2	48.5	45.2	56.6	77.1
Return on average assets (ROA)	1.1	0.1	0.4	0.3	0.9	1.4	1.5
Liquid assets to total assets	41.7	44.0	47.2	48.4	43.1	46.2	46.9

1/ Data available only for locally incorporated banks.
Sources: Eastern Caribbean Central Bank (ECCB); and IMF staff calculations.

Table 6. St. Vincent and the Grenadines: Financial Soundness Indicators for the Credit Union Sector, 2019–2025

(In percent)

	2019	2020	2021	2022	2023	2024	2025
			(In percent)				
Total assets-to-GDP ratio	23.0	26.1	27.5	27.2	27.0	27.8	29.1
Total institutional capital ratio	5.3	5.5	N.A.	5.5	5.1	5.2	5.8
Nonperforming loans (in percent of total loans)	5.0	7.1	8.0	6.4	6.1	7.2	6.1
Provisions (in percent of nonperforming loans)	66.4	53.3	54.3	55.1	65.3	49.3	55.3
Credit growth (year-on-year)	7.6	2.3	2.5	11.1	10.1	9.8	9.5
Return on average assets (ROA)	1.6	1.1	0.9	0.6	0.8	0.7	0.8
Liquid assets (in percent of total assets)	27.7	31.4	30.0	33.6	31.8	26.0	35.8

Sources: Country authorities; and IMF staff estimates and projections.

Annex I. Implementation of Past Fund Advice

Recommendations from the 2024 Article IV Consultation	Authorities' Actions
Fiscal Policy	
Fiscal consolidation to reduce public debt should be supported by tax and expenditure reforms that strengthen revenue, improve spending efficiency, build fiscal buffers, and support debt sustainability and inclusive growth.	**Ongoing.** Fiscal deficits widened markedly following the pandemic, driven by disaster-related spending, large capital projects, and rising current expenditure. As a result, public debt increased substantially, reaching about 113 percent of GDP in 2025, highlighting the importance of strengthening fiscal consolidation efforts going forward.
Further strengthen and fully operationalize the Fiscal Responsibility Framework to anchor a credible medium-term fiscal plan, including through improved fiscal planning, reporting, and SOE oversight.	**Ongoing.** Progress has been made in enhancing elements of the fiscal framework and medium-term planning. However, further steps are needed to recalibrate and fully operationalize the FRF and strengthen fiscal institutions.
Strengthen contingency planning and fiscal buffers to address disaster risks, including through implementation of the Disaster Risk Financing Strategy and related financing instruments.	**Being implemented.** The DRFS has been adopted. The country accumulates resources in the Contingency Fund and uses World Bank Cat DDO. Authorities are currently evaluating options for better use of CCRIF.
Building on recent National Insurance Service reforms, align the non-contributory public sector pension system more closely with the NIS to improve fairness and contain fiscal costs.	**Ongoing.** The authorities have initiated reforms to the NIS to be phased in by 2028 and taken steps toward improving pension system sustainability. Reforms to the public sector pension system are ongoing.
Structural Reforms	
Advance infrastructure, digitalization, and investment-climate reforms to alleviate bottlenecks and strengthen competitiveness.	**Being implemented.** The authorities advanced large infrastructure projects, including transport, health, and port facilities, aimed at easing capacity constraints and supporting economic activity. Efforts to promote digitalization and improve the investment climate continued, though structural bottlenecks to private investment and productivity remain.
Pursue human capital, labor market, and renewable energy reforms to raise participation, productivity, and resilience to shocks.	**Being implemented.** Progress continued on education and social reforms, alongside efforts to strengthen climate and disaster resilience, including implementation of the Disaster Risk Financing Strategy and integration of resilience features into infrastructure. Efforts to transition to renewable energy intensified only this year.

Recommendations from the 2024 Article IV Consultation	Authorities' Actions
Financial Sector Policy	
Continue efforts to reduce balance-sheet vulnerabilities by strengthening provisioning and accelerating the resolution of nonperforming loans, while maintaining adequate capital and liquidity buffers.	**Ongoing.** The banking system remained dominated by a well-capitalized local bank with low NPLs, though exposure to the sovereign remains elevated. Credit growth was increasingly driven by credit unions, which continued strong household lending but exhibit lower capitalization at some institutions, warranting continued supervisory attention.
Strengthen regulatory and supervisory frameworks and crisis preparedness, while further enhancing the AML/CFT regime to safeguard financial integrity and mitigate risks to correspondent banking relationships.	**Ongoing.** The authorities continued efforts to strengthen banking supervision and regulatory frameworks and to enhance crisis preparedness. Work also progressed on reinforcing the AML/CFT framework, building on earlier reforms, to preserve correspondent banking relationships.

Annex II. External Sector Assessment

Overall Assessment. *The external position of St. Vincent and the Grenadines in 2025 is assessed to be substantially weaker than the level implied by fundamentals and desirable policies.* [1] *The current account deficit widened from the previous year, driven by a surge in construction-related imports and income transfers from foreign-owned hotels, partially offset by tourism receipts, and reflecting large macroeconomic imbalances originating in the public sector. The deficit continues to be financed by foreign investment. Nevertheless, this assessment is subject to uncertainty and sizable errors and omissions, considering the use of preliminary data for the current account and usual data revisions.*

Potential Policy Responses. *A large, sustained, and broad-based fiscal consolidation is necessary amid debt sustainability concerns. Structural reforms to limit vulnerability to natural disasters (ND), address bottlenecks in the labor market, and stimulate firm activity can boost competitiveness and strengthen the external position.*

Foreign Assets and Liabilities: Position and Trajectory

Background. The negative net international investment position (NIIP), which averaged about 133 percent of GDP between 2015-2019, worsened to 187 percent of GDP in 2025. Large current account deficits were the main driver behind the deterioration of the NIIP. In 2025, direct investment and other investments were the two largest components on the liability side (160 and 98 percent of GDP, respectively), while portfolio investment (mostly debt securities) was the most important component on the asset side (32 percent of GDP).

Assessment. The NIIP is expected to deteriorate in the near term, on the back of large current account deficits, driven by the implementation of large capital investment projects financed through both private direct investment and general government loans on concessional terms. The large share of FDI (about 60 percent of gross liabilities in 2025) and concessional, long maturity loans to the government are risk mitigating factors for the large negative NIIP. The projected improvement in the current account over the medium term will help slow down the downward trajectory of the NIIP.

2025 (% GDP)	NIIP: -187	Gross Assets: 81	Debt Assets: 32	Gross Liab.: 268	Debt Liab.: 96

Current Account

Background. The current account deficit had narrowed from its 2021 peak—reaching 17.1 percent of GDP in 2024—but widened again in 2025 to 20.2 percent of GDP. Although tourism remains buoyant, with stayover arrivals persistently above pre-pandemic levels, the external position remains under pressure due to elevated goods imports (40 percent of GDP in 2025) associated with reconstruction needs after Hurricane Beryl and large investment projects. The primary income deficit also widened to around 2.2 percent of GDP in 2025, reflecting increased profit repatriation. As a result, the current account deficit in 2025 remained sizable, consistent with a weak public-sector saving–investment position—an overall

EBA-lite Model Results, 2025

	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	**-20.2**	
Cyclical contributions (from model) (-)	0.0	
Additional temporary/statistical factors (-) 2/	-3.5	
Natural disasters and conflicts (-)	-0.3	
Adjusted CA	**-16.4**	
CA Norm (from model) 3/	**-11.1**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-11.1**	
CA Gap	**-5.2**	**-0.8**
o/w Relative policy gap	0.7	
Elasticity	-0.3	
REER Gap (in percent)	**19.0**	**3.0**

1/ Based on the EBA-lite 3.0 methodology
2/ Additional adjustment to account for the temporary impact of the large investment projects and the reconstruction after hurricane Beryl on imports.
3/ Cyclically adjusted, including multilateral consistency adjustments.

[1] The external sector assessment is based on IMF staff estimates. 2025 BOP data are preliminary, and estimates are based on the January 2026 ECCB release.

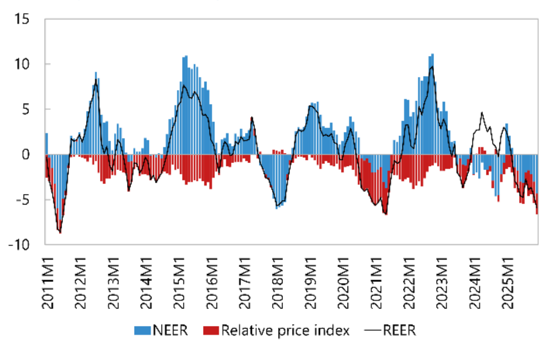
fiscal deficit of 12.3 percent of GDP—and a negative private saving–investment balance of about –12 percent of GDP. In the near term, the current account deficit is expected to narrow gradually as the fiscal balance improves, large construction projects are completed, and tourism keeps expanding supported by enhanced room and airlift capacity. The deficit is projected to decrease to 13.7 percent of GDP over the medium term, still above the level implied by fundamentals and desirable policies.

Assessment. St. Vincent and the Grenadines external position in 2025 is assessed to be substantially weaker than the level implied by fundamentals and desired policies. The cyclically adjusted CA is estimated at -16.4 percent of GDP, while the 2025 EBA-lite estimates a CA norm of -11.1 percent of GDP, resulting in an estimated CA gap of -5.2 percent of GDP. A higher current account is necessary to stabilize the country's NIIP (-187 percent of GDP as of 2025) and meet external debt service payments.

Real Exchange Rate

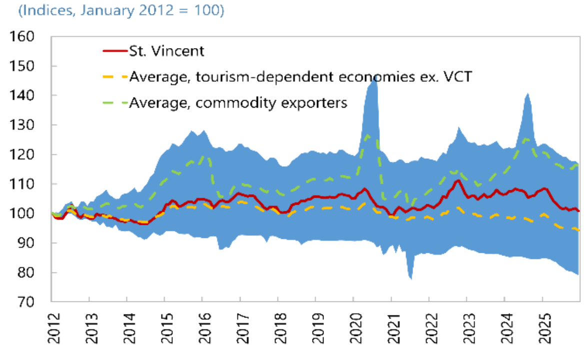
Background. In 2025 the real effective exchange rate (REER) depreciated, as both weaker domestic inflation and the depreciation of the nominal effective exchange rate (NEER) contributed to lower relative prices. The decline in the NEER reflects the depreciation of the U.S. dollar—against which the Eastern Caribbean dollar is pegged—relative to the currencies of St. Vincent and the Grenadines' other trading partners. The REER remains slightly above the average of tourism dependent economies.

Variation in the Real Effective Exchange Rate
(Year-on-year contribution to growth, Percent)



Source: INS and IMF staff calculations.

Real Effective Exchange Rates
(Indices, January 2012 = 100)



Source: INS and IMF staff calculations.

Assessment. The REER gap derived from the EBA-Lite CA model and an estimated elasticity of -0.27 was 19 percent. The EBA-Lite REER model suggests a REER gap of 3 percent. Both models point to an overvaluation of the EC$ for St. Vincent and the Grenadines, consistent with the assessment on the external position.

Capital and Financial Accounts: Flows and Policy Measures

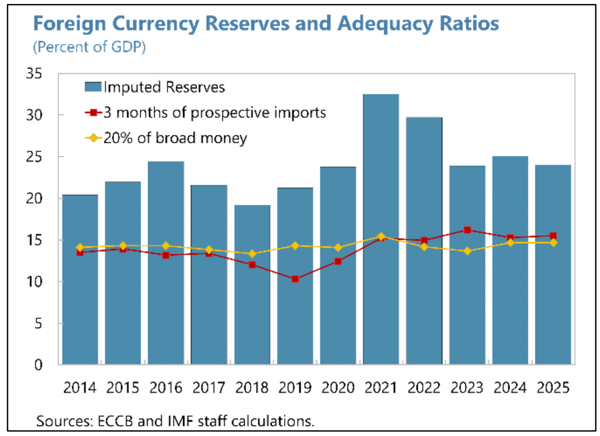
Background. Foreign direct investment (FDI) remains broadly unchanged from recent years and the pre-pandemic average at 12 percent of GDP in 2025. FDI has been the main source of financing for large investment projects in the tourism sector.

Assessment. Net FDI inflows are expected to moderate in the medium term to around 10 percent of GDP, as large investment projects in the tourism sector wind down. Downside risks to the projections are related to the ever-present risk of NDs and the potential tightening of global financial conditions.

FX Intervention and Reserves Level

Background. The reserve position remains broadly stable. In 2025, imputed reserves, a proxy for net foreign assets held at the Eastern Caribbean Central Bank (ECCB),[2] remained at 24 percent of GDP, equivalent to 5 months of imports and 33 percent of broad money.

Assessment. Imputed reserves in 2025 were above typical benchmarks for reserve adequacy in terms of months of imports and percent of broad money. In 2021, St. Vincent and the Grenadines received a general SDR allocation of 11.2 million SDRs (approximately US$15.7 million), which have been mostly kept as reserves.



[2] As an ECCU member, St. Vincent and the Grenadines is subject to a quasi-currency board arrangement. Foreign assets and liabilities at the ECCB cannot be assigned to individual countries, but reserves are imputed to individual member countries based on their share of net domestic assets and reserve money. The Eastern Caribbean dollar, the currency of St. Vincent, is pegged to the U.S. dollar.

Annex III. Risk Assessment Matrix[1]

Risks	Likelihood	Impact	Policy Response
Domestic Risks			
Debt Distress. A weakening fiscal position, an external shock, tightening financial conditions, or a liquidity squeeze could result in debt distress, leading to arrears, a forced fiscal adjustment or debt restructuring.	**High**	High	Urgently implement a sizeable and front-loaded fiscal consolidation through reductions in expenditures. Redesign and enact the fiscal rule.
Natural Disasters. Storms and hurricanes are frequent in the region. They disrupt economic activity and require emergency government support.	**High**	Medium	Expand CCRIF coverage, as part of insurance against natural disasters. Invest in resilience. Implement fiscal consolidation to free up space for natural-disaster preparedness.
Sovereign-Bank Nexus. The banking sector is robust but increasingly exposed to the public sector. The materialization of the first risk (debt distress) would weaken the financial system exacerbating the economic impact.	**Medium**	Medium	Implement fiscal consolidation and reduce reliance on the domestic banking system. Avoid bank overdrafts.
Conjunctural Risks			
Geopolitical Tensions and Intensification of Conflicts. Rising geopolitical tensions lead to a slowdown in tourism.	**High**	Medium	Diversify source markets and exports over time and pursue structural measures to increase competitiveness and boost growth.
Trade-related Risks: Protectionism and Trade Disruptions. Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation.	**High**	Low	Diversify into other source markets. Provide targeted transfers to the vulnerable to offset price increases.
Commodity Price Volatility. Supply and demand imbalances—triggered by geopolitical tensions—fuel commodity price swings, amplifying external and fiscal pressures.	**High**	Medium	Accelerate transition to renewable energy sources to reduce fuel imports. Reform energy pricing and provide targeted transfers to the vulnerable.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline. Likelihood reflects staff's subjective assessment: "low" (below 10 percent), "medium" (10-30 percent), and "high" (30-50 percent). The RAM captures staff views on the source of risks and overall concern as of the time of discussions with the authorities. Risks may interact and materialize jointly. The conjunctural shocks reflect shorter-term risks (12-18 months) while structural risks are more persistent.

Risks	Likelihood	Impact	Policy Response
Structural Risks			
Climate Change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	**Medium**	High	Invest in resilient infrastructure and implement a multi-layered insurance framework against natural disasters. Proceed with energy transition.
Labor Shortages and Remittances. Tighter immigration policies exacerbate labor shortages in host countries and depress remittances and incomes to origin countries.	**High**	Medium	Continue to improve education quality and accessibility to improve skill matching. Support labor market participation through active labor market policies, retraining and vocational training.
Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	**High**	Low	Invest in IT development and digital security in public and private platforms.

Annex IV. Risk Scenario

This annex presents illustrative risk scenarios centered on a sharp increase in global oil prices and assesses the implications for real GDP growth, inflation, and the current account balance in St. Vincent and the Grenadines (VCT). The higher oil prices in the risk scenarios arise from the war in the Middle East, which could further limit oil supply and increase risk premia in global energy markets.

Scenario Definition

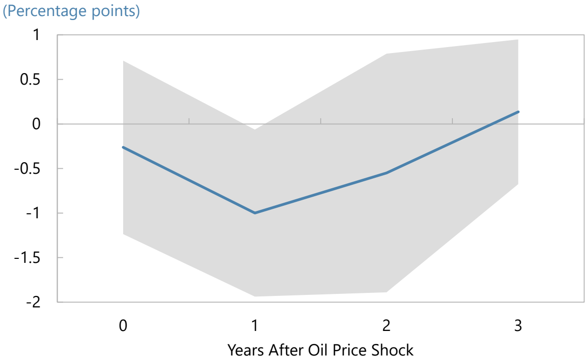
1. Two alternative risk scenarios are considered. In the **adverse scenario**, oil prices are assumed to be 21 percent higher in 2026 and with no deviation in 2027 relative to the baseline assumptions. In the **severe scenario**, oil prices are assumed to be 32 percent higher in 2026 and 64 percent higher in 2027 relative to the baseline assumptions.

2. Oil prices are treated as the primary exogenous shock. Any accompanying global slowdown—whether arising directly from higher energy prices or from subsequent monetary policy tightening—is viewed as an endogenous response to the oil shock. To avoid double-counting correlated risks, the scenario calibration focuses on the direct oil price channel.

Macroeconomic Impact: Empirical Calibration

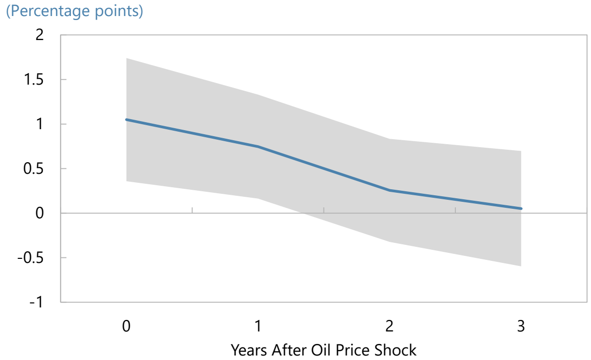
3. To inform the calibration of growth and inflation under the risk scenarios, the dynamic response of VCT macroeconomic outcomes to oil price shocks is estimated with local projections on annual data covering 1980–2024. For horizons up to three years ahead, the change in VCT growth or inflation relative to its pre-shock level is regressed on the contemporaneous oil price shock, controlling for lagged domestic conditions. Inference is based on Newey–West HAC standard errors to account for serial correlation across horizons.

Growth Response to Global Oil-Price Shock 1/
(Percentage points)



Sources: WEO and IMF staff calculations.
1/ Assume a 100 percent increase in oil price.

Inflation Response to Global Oil-Price Shock 1/
(Percentage points)



Sources: WEO and IMF staff calculations.
1/ Assume a 100 percent increase in oil price.

4. To map the oil price paths into macroeconomic projections, the estimated responses are scaled by the implied change in log oil prices, with adjustment applied given estimation uncertainty and potential non-linearities under large shocks. The local projection results are used as an empirical benchmark, rather than as purely mechanical mapping.

5. The impact of the oil price shock on the external balance is assessed using a first-order approximation. On the import side, consistent with empirical evidence that oil import volumes are relatively price inelastic in the short run, oil import quantities are held constant. As a result, higher oil prices pass through almost one-for-one into a higher oil import bill, worsening the current account balance. On the export side, tourism exports are assumed to decline in line with the global slowdown associated with the oil price shock.

6. Table below shows the projection for growth, inflation and current account balance under different assumptions:

Table 1. St. Vincent and the Grenadines: Projections

Real GDP Growth (Percent, annual)	2026	2027	**Inflation** (Percent, annual average)	2026	2027	**Current Account Balance** (Percent of GDP)	2026	2027
January 2026 WEO	3.0	2.7	January 2026 WEO	0.9	2.1	January 2026 WEO	-19.8	-16.9
April 2026 WEO	2.8	2.5	April 2026 WEO	2.2	2.3	April 2026 WEO	-21.2	-18.5
Adverse Scenario	2.5	2.3	Adverse Scenario	3.1	2.6	Adverse Scenario	-22.6	-18.9
Severe Scenario	2.3	2.0	Severe Scenario	3.3	3.2	Severe Scenario	-23.1	-20.6

Source: IMF staff.

Annex V. Small State Engagement Strategy

Table 1. St. Vincent and the Grenadines: Country Engagement Overview

Policy Issues and Objectives	Domestic Constraints	Staff Engagement Plan
Fiscal Rule		
The Fiscal Responsibility Framework was passed as a Resolution in Parliament in 2020 but has remained disactivated since 2021. The fiscal rule is now outdated.	The authorities have requested support from staff to recalibrate and redesign the fiscal rule based on international best practices.	Staff has closely engaged with the authorities on the recalibration and redesign of the fiscal rule and provided various inputs, including an analytical note, scenario analyses, and proposals for the new design of the fiscal rule. Staff will continue this dialogue.
Citizenship-By-Investment		
The government announced plans to introduce a citizenship-by-investment (CBI) program to raise revenue and lift growth.	The authorities have requested support from staff on the design of the CBI program to benefit from international experience.	Staff has noted the risks associated with a CBI program and commented on the proposed design of the CBI program based on regional and international experience. Staff plans to stay engaged on this topic.
Customs Modernization		
The Customs and Excise Department has identified the need for a more structured and forward-looking approach to strategic planning.	The absence of comprehensive monitoring tools, clear performance benchmarks, and inclusive planning processes has limited the department's ability to drive modernization and respond effectively to emerging risks and opportunities. Additionally, the customs comptroller has recognized the need to strengthen managerial capacities and revisit the departmental planning process	CARTAC provided technical assistance in the development of the Customs and Excise Strategic Plan and the updated Corporate Plan, ensuring that they were aligned with international best practices and tailored to the unique context of St. Vincent and the Grenadines.
Inland Revenue		
St. Vincent and the Grenadines is aiming for efficient tax collection and administration for boosting domestic revenues.	Tax compliance and administrative efficiency have been hindered by the absence of an online filing and payment system. Concerns include (i) low compliance rates due to cumbersome paper-based filing processes, (ii) inefficient revenue collection caused by slow manual processing, (iii) difficulties in tracking taxpayer records	CARTAC supported the launch of an e-filing and e-payment platform, which is being implemented in phases using the existing tax system. This initial phase enables taxpayers to file and pay for three tax types: annual income tax, monthly Pay as You Earn (PAYE), and VAT. The introduction of these platforms has simplified taxpayer transactions with the Inland Revenue Division (IRD) and contributed to increased tax compliance.

Table 1. St. Vincent and the Grenadines: Country Engagement Overview (Concluded)

Tax Administration		
The Inland Revenue Department (IRD) is working on implementing the recommendations outlined in the July 2023 FAD Revenue Administration mission's report.	The department lacks the expertise and staff to implement the recommendations independently.	The Fund will continue the engagement with the IRD to ensure that the government's priorities regarding tax policy are supported.
Macroeconomic Programming And Analysis		
The Ministry of Finance is building internal capacity to assess debt trajectories and improve macroeconomic forecasting.	The government identified capacity constraints, both in terms of general analytical resources and specific technical skills. While the ministry staff are committed and eager to learn, further support is needed to strengthen familiarity with certain Excel-based data analysis techniques that underpin the effective use of the Debt Dynamics Tool. Hands-on training and practice are needed to reinforce these skills and ensure staff feel confident applying the tool independently.	Staff introduced the IMF's Debt Dynamics Tool (DDT) as a practical framework to explore the evolution of public debt under alternative assumptions for growth, fiscal balances, and financing conditions. In parallel, the mission worked with a core team to strengthen their ability to project real and potential GDP. Staff encouraged the government to continue refining the baseline projections and exploring debt scenarios. A follow-up mission will focus on enhancing forecasting capabilities—particularly in the areas of revenue forecasting and GDP projections.
External Sector Statistics		
The Statistical Office of St. Vincent and the Grenadines is aiming to improve the processing of external sector statistics.	Delays in increasing staff numbers as well as delays in formalizing collaboration among stakeholders and within the ministry of finance affect data developments in all government institutions.	Staff (i) reviewed and updated the work program to improve travel exports; (ii) reviewed the recording of direct investment; and (iii) reviewed available information for the revised 2024 BOP. Staff recommends completing the reconciliation table between merchandise trade and trade in goods on a BOP basis and clarifying cross-border transactions related to the construction of the Kingstown Port Modernization Project.

Annex VI. Data Issues

Table 1. St. Vincent and the Grenadines: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating[1/]							
C							
Questionnaire Results[2/]							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Intersectoral Consistency	Median Rating
	C	C	C	C	B	B	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	C	C	B	C		
Granularity[3]	C		B	C	B		
			C		B		
Consistency			C	C		B	
Frequency and Timeliness	C	B	C	C	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
[1/]The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
[2/]The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).
[3/]The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Real. GDP annual and quarterly figures are subject to significant delays. GDP by expenditure data is unavailable. CPI data is provided in a timely manner, in line with international best practices, with an updated albeit less disaggregated basket. The latest published labor force survey dates to 2022. Fiscal. Reporting frameworks are not fully integrated, resulting in irregular data transmission and data are subject to revision. Publicly accessible debt information is hard to find systematically, which complicates internal data verification exercises. External. Since 2017, annual balance of payments and international investment position (IIP) data are compiled and disseminated following the latest international standard methodology (BPM6), but external sector data suffers large unexplained errors and omissions and large historical revisions. More granularity of administrative information is needed for analytical purposes. The response rate to the balance for payments surveys is low. Strengthening collaboration of the nonfinancial private sector and the Statistical Office is necessary to improve data quality. Capacity constraints limit processing of the visitors' expenditure survey. Monetary and Financial. The ECCB reports all core and 10 additional financial soundness indicators (FSIs) for commercial banks in St. Vincent and the Grenadines. The Financial Services Authority (FSA) compiles and publishes FSIs for credit unions and insurance companies quarterly, with some lag.

Changes since the last Article IV consultation Results from the 2022 labor force survey are published in a report but data are not available. The team has reassessed the adequacy of available data and has identified several data gaps and irregular reporting as issues hampering surveillance.

Corrective actions and capacity development priorities The Data for Decision Making Project (2022-27), led by the Organisation of Eastern Caribbean States (OECS) Commission and supported by the WB, is expected to improve the infrastructure, processes and capacity of the National Statistical System and support compilation and dissemination of quality statistical data for country- and regional-level analytics. Building on significant progress made (including rebasing GDP and producing quarterly GDP), continued IMF capacity development through CARTAC technical assistance will be important to further strengthen data provision, especially for national accounts and balance of payments.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. None.

Other data gaps. Outdated and sporadic Labor Force Surveys complicate the assessment of labor market conditions. Data for assessing the impact of various physical and transitional risks associated with natural disasters is limited.

Table 2. St. Vincent and the Grenadines: Data Standards Initiatives

St. Vincent and the Grenadines participates in the Enhanced General Data Dissemination System (e-GDDS) and first posted its metadata in September 2000 but is yet to disseminate the data recommended under the e-GDDS.

Table 3. St. Vincent and the Grenadines: Summary of Data Quality Factsheets[1/]

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[7/]	Frequency of Reporting[7/]	Expected Frequency[7/,8/]	Announced Frequency[7/,9/]	Expected Timeliness[7/,8/]	Announced Timeliness[7/,9/]
Exchange Rates	Fixed rate		NA	NA	D	D	...	1D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1/]	2026-02	2026-04	M	M	M	...	1W	...
Reserve/Base Money	2026-02	2026-04	M	M	M	M	2W	6W
Broad Money	2026-02	2026-04	M	M	M	M	1M	6W
Central Bank Balance Sheet	2026-02	2026-04	M	M	M	M	2W	6W
Consolidated Balance Sheet of the Banking System	2026-02	2026-04	M	M	M	M	1M	6W
Total assets of other depository corporations[2/]	2026-02	2026-04	M	M	M	M	1M	6W
Total credit from other depository corporations[2/]	2026-02	2026-04	M	M	M	M	1M	6W
Interest Rates[3]	2026-02-28	2026-04-30	M	M	D	M	...	6W
Consumer Price Index	2026-03	2026-04	M	M	M	M	1M	1M
Revenue, Expenditure, Balance and Composition of Financing[4/]-General Government[5/]			NA	NA	A	...	2Q	...
Revenue, Expenditure, Balance and Composition of Financing[4/]-Central Government	2026-02	2026-04	M	I	M	Q	1M	1Q
Stocks of Central Government and Central Government-Guaranteed Debt[6/]	2025-12	2026-01	Q	I	Q	A	1Q	6M
Total stock of General Government Debt[5/]	2025-12	2026-01	Q	I	Q	...	4M	...
External Current Account Balance	2025-12	2026-01	A	A	Q	A	1Q	NA
Exports and Imports of Goods and Services	2025-12	2026-01	A	A	M	M	8W	6W
GDP/GNP	2024-12	2025-10	Q	A	Q	A	1Q	4M
Gross External Debt	2025-12	2026-01	A	A	Q	A	1Q	NA
International Investment Position	2025-12	2026-01	A	A	Q	...	1Q	...

Table 3. St. Vincent and the Grenadines: Summary of Data Quality Factsheets (Concluded)

1/ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

2/ Other depository corporations include all deposit-taking corporations (except for the central bank) and money market funds.

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 non-bank financing.

5/ The general government consists of the central government (budgetary funds, extra-budgetary funds, and social security funds) and state and local governments. The total stock of general government debt is required for SDDS Plus countries and encouraged for SDDS and e-GDDS countries.

6/ Including currency and maturity composition.

7/ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semi-annual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

8/ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan. Indicators that are not in the IMF Data Standards Initiatives are shown as "...".

9/ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

Annex VII. Policy Advice on a Citizenship-by-Investment Program

The government plans to launch a Citizenship-by-Investment (CBI) Program by mid-2026. The annex summarizes IMF policy recommendations related to key aspects of a CBI program, drawing on regional and global experience, that could mitigate but not fully eliminate associated risks.

1. A Citizenship-by-Investment (CBI) program planned by the government could modestly increase fiscal revenue but carries risks and should be designed carefully. A CBI program would likely result in limited fiscal revenue amid competition, but would carry reputational, legal, fiscal, and financial integrity risks.[1] Strengthening the AML/CFT framework and adhering to international and regional standards and best practices in due diligence, integrity, and transparency would help reduce—but not eliminate—these risks. This includes barriers to international mobility to citizens of countries with CBI programs.[2] While such risks from heightened international scrutiny can be mitigated through strong program design and implementation, they cannot be eliminated entirely.

Key Attributes of a CBI Program

2. The program should anticipate and adhere to the forthcoming Eastern Caribbean Citizenship by Investment Regulatory Authority's regional standards. Ensuring strong accountability and transparency, including through regular published audits, annual statements and timely high-frequency granular data disclosure over investor applications and the investment flows, is essential both for risk-mitigation as well as for monitoring the program's economic outcomes. In addition, transparent reflection of all gross CBI flows in the government's fiscal accounts is needed (including fees and the CBI unit's expenses including agent commissions and due diligence costs) as well as close collaboration with the ECCB on ensuring their accurate recording in the external sector statistics.

Program Objective

3. The primary objective of a CBI program in the context of VCT's very high public debt should be to maximize fiscal proceeds. The program could contribute moderately to the needed debt reduction. Aiming to achieve other objectives, such as broader economic development goals, is not advisable in VCT's case and more generally, since a CBI may generate distortions by creating disproportionate and uneven benefits in the private sector and may lack sufficient transparency and accountability.

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[1] See the 2023 joint FATF / OECD report.

[2] The EU has formally included existence of a CBI program as grounds for suspension of visa-free travel and suspended it for Vanuatu; the UK suspended visa-free travel for Dominican citizens over CBI related concerns; and the US recently introduced partial entry restrictions on Antigua and Barbuda and Dominica and paused immigrant visa processing for ECCU countries.

4. CBI revenue should be used exclusively for debt reduction. Once public debt has declined to more sustainable levels, consistent with the regional target of 60 percent of GDP, CBI revenue could be directed toward a dedicated contingency fund supporting preparedness against natural disasters and other external shocks, and toward priority infrastructure investment. All such expenditures should be incorporated into the regular budget process, financed through the centralized budget, and subject to standard procurement, oversight, and monitoring procedures.

Key Design Features

5. To minimize governance, accountability, and transparency issues, the CBI program should adopt the simplest possible structure. Namely, it should rely on a single donation (or fund) option, whereby applicants contribute the full qualifying amount (consistent with the regional minimum standard), plus applicable processing fees, directly to a centralized government account and satisfy all other requirements (such as residency) in exchange for citizenship. Accordingly, to minimize staffing and oversight costs, the CBI Unit should be part of the Ministry of Finance rather than an independent public entity with its own management and board of directors.

6. Investment or real estate options are strongly discouraged. Such routes often have uncertain economic value, forego public revenue, but instead disproportionately benefit specific sectors, companies, or individuals, and always suffer from weak transparency and accountability. These features can amplify reputational, legal, and financial (including AML/CFT) risks. These investment/real estate options also increase the program's capacity requirements, including resource needs for project monitoring and robust mechanisms for establishing verifying use of developer escrow accounts.

Fiscal Framework

7. Prudent fiscal management is needed since CBI proceeds are highly uncertain and volatile. Experience has demonstrated large revenue fluctuation in global demand for citizenship programs Moreover, a CBI program may be curtailed or discontinued due to actions by external partners and/or erosion of domestic support. Accordingly, CBI revenue should be treated as windfall income and not used to fund structural current spending. In the ECCU and beyond, some countries have become overly dependent on CBI inflows. For example, St. Kitts and Nevis is currently facing large fiscal deficits following a sharp decline in CBI revenue and has to undertake significant fiscal consolidation. To avoid such outcomes, in VCT's context of very high debt, the annual budget and MTFF should be formulated excluding CBI revenue. In addition, fiscal rules—particularly the primary balance target and adjustment mechanism—should be defined on a basis that excludes CBI revenue.

INTERNATIONAL MONETARY FUND

ST. VINCENT AND THE GRENADINES

May 21, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By	Western Hemisphere Department

CONTENTS

FUND RELATIONS

(As of April 30, 2026)

Membership Status: Joined: December 28, 1979; Article VIII

General Resources Account:	**SDR Million**	**Percent of Quota**
Quota	11.70	100.00
Fund holdings of currency	11.20	95.73
Reserve Tranche Position	0.50	4.27

SDR Department:	**SDR Million**	**Percent of Allocation**
Net cumulative allocation	19.13	100.00
Holdings	7.76	40.58

Outstanding Purchases and Loans:	**SDR Million**	**Percent of Quota**
RCF Loans	18.7	159.85

Latest Financial Arrangements: None

Outright Loans:

Type	**Date of Commitment**	**Date Drawn/Expired**	**Amount Approved (SDR Million)**	**Amount Drawn (SDR Million)**
RCF	Jul 01, 2021	Jul 07, 2021	8.17	8.17
RCF	May 20, 2020	May 22, 2020	11.70	11.70
RCF	Aug 01, 2014	Aug 12, 2014	2.08	2.08

Projected Payments to the Fund[1]

	Forthcoming				
	2026	2027	2028	2029	2030
Principal	2.34	3.97	3.97	3.97	2.80
Charges/Interest	0.23	0.31	0.31	0.31	0.31
Total	**2.57**	**4.28**	**4.28**	**4.28**	**3.11**

[1] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Exchange Rate Arrangements: St. Vincent and the Grenadines is a member of the Eastern Caribbean Currency Union, with the Eastern Caribbean Central Bank (ECCB) as the common central bank, and the Eastern Caribbean dollar as the common currency. Since July 1976, the Eastern Caribbean dollar has been pegged to the U.S. dollar at EC$2.70 per U.S. dollar. The exchange rate arrangement is a currency board. St. Vincent and the Grenadines has accepted the obligations of Article VIII, Sections 2, 3 and 4 of the IMF's Articles of Agreement, and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions and multiple currency practices.

Safeguards Assessment: An update assessment of the ECCB, finalized in August 2021, found strong external audit and financial reporting practices that continue to be aligned with international standards. All but one safeguards recommendation have been implemented. The outstanding recommendation on legal reforms to further strengthen the ECCB's operational autonomy and align the Agreement Act with leading practices is a work in progress.

Article IV consultation: The last Article IV consultation was concluded on July 22, 2024, by the Executive Board; Country Report No. 24/239. St. Vincent and the Grenadines is on a 12-month cycle.

Technical Assistance: Several missions from FAD, ICD, MCM, STA, supported by the Caribbean Regional Technical Assistance Centre (CARTAC), have visited the country. Below the compilation of the TA delivered during 2019-26.

Table 1. St. Vincent and the Grenadines: Fund Technical Assistance, 2019–June 2026		
Start Date	**End Date**	**Mission Description**
Tax and Customs Policy and Administration		
Sep. 22, 2025	Sep. 26, 2025	Improving strategic management for Customs reform and modernization
Jul. 22, 2024	Aug. 2, 2024	Updating institutional strategic plan.
Jun. 10, 2024	Jun. 21, 2024	Clearance process—strengthening capacity of data analysis.
Oct. 2, 2023	Oct. 13, 2023	Strengthening risk management.
Sep. 19, 2023	Oct. 2, 2023	Tax policy diagnostic.
Sep. 18, 2023	Sep. 29, 2023	Developing a change management program in customs.
Jul. 17, 2023	Jul. 28, 2023	Tax and customs operations.
Nov. 14, 2022	Nov. 25, 2022	Review of Customs Law.
Oct. 3, 2022	Oct. 14, 2022	(Hybrid mission) Support to implement a new ICT system.
Jul. 18, 2022	Jul. 29, 2022	Customs administration—strengthening customs control of petroleum imports.
Jul. 11, 2022	Jul. 22, 2022	(Virtual mission) Customs administration—review of customs law.
Apr. 25, 2022	Apr. 29, 2022	(Virtual mission) Customs administration—strengthening customs control of petroleum imports.
Mar. 28, 2022	Apr. 13, 2022	(Virtual mission) Customs administration—developing performance targets and KPI.
Oct. 25, 2021	Oct. 29, 2021	(Virtual mission) Customs administration—developing performance targets and KPI.
Oct. 18, 2021	Oct. 29, 2021	(Virtual mission) Strengthening customs control of petroleum imports.
Jun. 7, 2021	Jun. 11, 2021	Customs administration—review of customs law.
May 25, 2021	Jun. 28, 2021	Strengthening HQ functions—Client Relations Management (CRM) Program for large and medium taxpayers.
Mar. 22, 2021	Mar. 26, 2021	Customs administration—WAH strengthening risk management and PCA.
Jan. 27, 2020	Jan. 31, 2020	Customs administration—strengthening risk management.
May 15, 2019	May 19, 2019	Customs administration—strengthen risk management capacity and develop a trusted trader program.
Public Financial and Debt Management		
May. 5, 2026	May. 8, 2026	Development of the PI-Guidelines - CPIMA-Follow-up FY27
May. 4, 2026	Jun. 5, 2026	(Hybrid mission) Supporting Digitalization
Apr. 13, 2026	Apr. 17, 2026	Developing an exemption control and management program
Mar. 9, 2026	Mar. 13, 2026	FY26 Financial Analyses
Dec. 1, 2025	Jan. 16, 2026	(Virtual mission) Supporting Digitalization
Jul. 14, 2025	Jul. 25, 2025	Supporting Digitalization-Hybrid
May. 5, 2025	May. 9, 2025	Building capacity in medium-term macro-fiscal forecasting
May. 1, 2025	Apr. 30, 2026	(Virtual mission) Long-term TA—desk work

Table 1. St. Vincent and the Grenadines: Fund Technical Assistance, 2019–June 2026 (Continued)

Start Date	End Date	Mission Description
Feb. 24, 2025	Feb. 28, 2025	Strengthening administration arrangements
Dec. 16, 2024	Dec. 20, 2024	Strengthening organizational arrangements - IT Support
Nov. 4, 2024	Nov. 15, 2024	Supporting cash basis IPSAS treasury financial instructions FY25
Oct. 14, 2024	Dec. 23, 2024	Support to develop government assets management regulations FY25
Sep. 09, 2024	Sep. 13, 2024	FY25 medium-term debt strategy—Field Mission.
Apr. 15, 2024	Apr. 26, 2024	(Virtual mission) Strengthening governance arrangements—IT Support.
Nov. 6, 2023	Nov. 17, 2023	(Hybrid mission) Support to internal audit FY24.
Oct. 23, 2023	Dec. 1, 2023	Strengthening governance arrangements—IT support.
Sep. 11, 2023	Nov. 24, 2023	Strengthening cash management FY24.
Feb. 20, 2023	Mar. 10, 2023	(Hybrid mission) Training of IT officers for the Inland Revenue Department.
Jan. 17, 2023	Jan. 31, 2023	Diagnostic Public Investment Management Assessment (PIMA) and Climate PIMA FY23.
Oct. 24, 2022	Nov. 30, 2022	Strengthening disaster resilience FY23.
Jul. 7, 2022	Aug. 5, 2022	Support to internal audit FY23.
Jan. 17, 2022	Apr. 29, 2022	(Virtual mission) Support IPSAS compliance FY22.
Oct. 1, 2021	Oct. 29, 2021	(Virtual mission) Strengthening SOEs FY22.
Sep. 1, 2021	Jan. 31, 2022	Strengthening the Fiscal Responsibility Framework FY22.
Jan. 20, 2020	Jan. 24, 2020	Preparation of an annual borrowing plan.
Dec. 16, 2020	Jan. 8, 2021	Fiscal Responsibility Framework.
Oct. 7, 2019	Oct. 9, 2019	Development of the regional government securities market.
Jul. 15, 2019	Jul. 26, 2019	Arrears management and returns processing.
Financial Sector Supervision and Stability		
Nov. 14, 2022	Nov. 18, 2022	MCMFC-financial crisis management.
Mar. 4, 2022	Mar. 15, 2022	(Virtual mission) Implementation of risk-based supervision across non-banks, follow-up mission.
Dec. 13, 2021	Mar. 31, 2022	(Virtual mission) Bank reconciliation FY22.
Nov. 12, 2020	Dec. 1, 2020	(Virtual mission) Follow-Up on risk-based supervision (RBS) and Development of Supervisory Competencies to Support an RBS approach.
Real and External Sector Statistics		
Oct. 20, 2025	Oct. 24, 2025	BOP/IIP—Improve source data.
Oct. 7, 2024	Oct. 11, 2024	BOP/IIP—Improve source data.
Sep. 25, 2023	Sep. 29, 2023	BOP/IIP—Improve source data.
Sep. 19, 2022	Sep. 23, 2022	BOP/IIP—improve source data.

Table 1. St. Vincent and the Grenadines: Fund Technical Assistance, 2019–June 2026 (Concluded)

Start Date	End Date	Mission Description
Nov. 8, 2021	Nov. 12, 2021	(Virtual mission) BOP/IIP—improve source data.
Mar. 18, 2021	Mar. 31, 2021	(Virtual mission) National accounts—rebasing of GDP.
Mar. 15, 2021	Mar. 26, 2021	FY21 St. Vincent and the Grenadines real sector—national accounts.
May 3, 2021	Aug. 31, 2021	FY21 St. Vincent and the Grenadines real sector—national accounts.
Oct. 7, 2019	Oct. 18, 2019	National accounts statistics—compilation of SUT.
Sep. 16, 2019	Sep. 27, 2019	Consumer prices—review the HBS data.
Aug. 26, 2019	Aug. 30, 2019	BOP/IIP—enhance source data.
Jan. 28, 2019	Feb. 1, 2019	Quarterly GDP current price estimates.

FSAP: A joint IMF/World Bank team assessed the financial sector of the ECCU member countries in two missions: September 1–19 and October 20–31, 2003. The missions evaluated development needs and opportunities for the financial sector, identified potential vulnerabilities of markets and financial institutions, and identified risks to macroeconomic stability from weaknesses in the financial sector. The Financial System Stability Assessment (FSSA) was discussed by the Executive Board on May 5, 2004, and subsequently published on the IMF's external website, including the Report on the Observance of Standards and Codes (ROSC) on Banking Supervision.

RELATIONS WITH OTHER FINANCIAL INSTITUTIONS

(As of end-2025)

- World Bank

WBG Finances One - St. Vincent and the Grenadines

- Caribbean Development Bank

Saint Vincent and the Grenadines | Caribbean Development Bank

INTERNATIONAL MONETARY FUND

ST. VINCENT AND THE GRENADINES

May 28, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

Approved By
Christoph Duenwald and Cemile Sancak (IMF) and Manuela Francisco and Shireen Mahdi (IDA)

Prepared by the Staffs of the International Monetary Fund and the International Development Association.

St. Vincent and the Grenadines: Joint Bank-Fund Debt Sustainability Analysis[1]	
Risk of external debt distress	*High*
Overall risk of debt distress	*High*
Granularity in the risk rating	*Unsustainable*
Application of judgement	*No*

Overall public debt is projected to be on an unsustainable path. The authorities affirmed their commitment to debt reduction and are working on a fiscal consolidation plan but have yet to identify concrete measures. The 2026 budget passed in February envisages a very high deficit. External public debt is at high risk of debt distress, with the present value (PV) of external debt-to-GDP (80 percent in 2026) above the sustainability threshold (of 40 percent) for multiple years, consistent with previous DSAs.[2] The debt assessment has changed from sustainable in the 2024 Article IV to unsustainable, due to higher-than-projected fiscal deficits, in part because of Hurricane Beryl. The PV of total public debt-to-GDP and the PV of external debt-to-GDP are above sustainability thresholds and are projected to trend upwards and thus remain significantly above their benchmarks throughout the projection horizon. Restoring sustainability will therefore require a comprehensive strategy combining sustained fiscal consolidation, stronger public debt management, growth-enhancing structural reforms, and new financing from multilateral creditors and contributions by bilateral official creditors.

[1] The latest published DSA for St. Vincent and the Grenadines can be accessed here. This DSA follows the Guidance Note of the Join Bank-Fund Debt Sustainability Framework for Low Income Countries, February 2018.

[2] The Composite Indicator score is 3.072, which is a “strong” rating. Given that this is only the first “strong” signal, debt-carrying capacity remains at “medium”.

PUBLIC DEBT COVERAGE

1. **The country's public debt comprises central government and state-owned enterprises' (SOE) debt** (Text Table 1). There are no data gaps related to the overall stock of debt. There is no local government, and all SOE debt is guaranteed by the central government. Thus, the combined contingent liability tests exclude contingent liabilities from SOEs. The authorities are phasing in pension fund reforms (initiated in 2024 and expected to be completed in 2028) which are projected to extend the pension fund's lifetime by 25 years to 2060, thereby nullifying this contingent liability. As of end-2025, total public debt was EC$3.6 billion (113 percent of GDP), central government debt was EC$3.5 billion (111 percent of GDP), and SOEs debt was EC$0.1 billion (2 percent of GDP). There is no report on arrears to external creditors.

Text Table 1. St. Vincent and the Grenadines: Coverage of Public Sector Debt

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	
8	Non-guaranteed SOE debt	

2. **Debt statistics should be strengthened, particularly for SOEs and short-term liabilities.** While data on the stock of SOE debt are available, financial statements have been unavailable since 2011, and projections (2 percent of total public debt) therefore rely on simplified assumptions. Data on short-term instruments—including T-bills, bank overdrafts, and payables—are subject to frequent revisions, and reported irregularly; payables, in particular, may be used as quasi-financing and obscure underlying liquidity pressures.[3] These shortcomings largely reflect limited statistical capacity and undermine the reliability of both current debt estimates and forward projections.

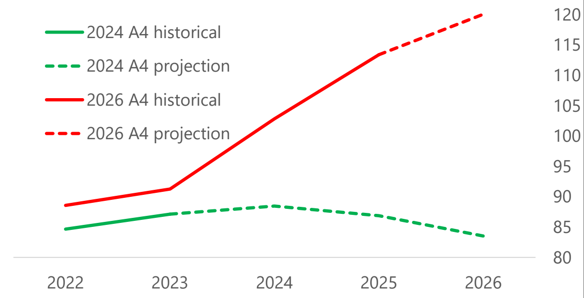
BACKGROUND ON DEBT

3. **Public debt has increased rapidly since the 2024 Article IV consultation** (Text Figure 1). The lingering effects of the pandemic resulted in a cost-of-living crisis and supportive fiscal measures. Moreover, in response to the 2021 volcanic eruptions, and Hurricane Beryl in 2024, the government increased current and capital expenditures with the hurricane-related impact not yet reflected in the 2024 DSA. In addition, large infrastructure and other projects have contributed to higher capital spending. As a result, persistently large deficits caused public debt to surge. Upward revisions to debt figures led to additional increases. Over the past six years, the public debt-to-GDP ratio surged by 45 percentage points. About half came over the past two years, when the debt ratio increased from 87 percent of GDP at end-

[3] These data shortcomings are particularly consequential in periods of elevated financing pressures, when reliance on short-term financing typically increases, as they impair timely monitoring of gross financing needs and near-term payment obligations.

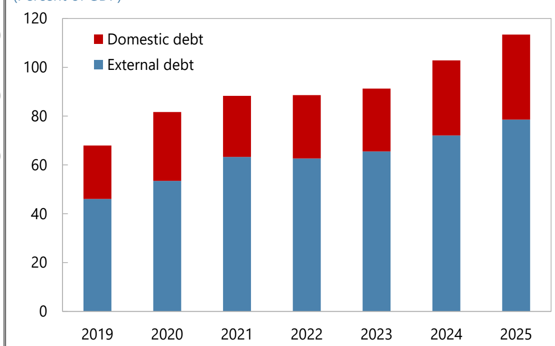
2023 (as estimated in the 2024 Article IV DSA, revised to 91 percent of GDP) to 113 percent of GDP at end-2025.

Text Figure 1. Public Debt
(In percent of GDP)



Source: National authorities; and IMF staff estimates and projections.

Text Figure 2. Public Sector Debt Composition
(Percent of GDP)



Sources: National authorities and IMF staff calculations.

4. **Total public debt is owed to a relatively concentrated group of creditors** (Text Table 2). They comprise the World Bank, the Caribbean Development Bank, and Taiwan POC on the external side, and the local bank on the domestic side[4]. The remaining domestic investor base is broad-based. The share of external debt in total public debt declined slightly from 72 percent in 2021 to 69 percent in 2025 (Text Figure 2), despite the authorities' preference for concessional external financing with longer maturities and lower costs.[5] This reflects high and rising gross financing needs (GFN), as well as weak liquidity and debt management, which resulted in increased reliance on costly bank overdrafts and the use of domestic payables and arrears.

Text Table 2. Total Public Debt
(In percent of GDP)

	2025
Total Public Debt	113
Central Government	111
Domestic	33
Commercial Banks	18
Loans and Bonds	13
Overdrafts	5
Other	16
Loans and Bonds	11
Payables	2
External	78
Multilateral	52
World Bank	24
CDB	24
IMF	2
Bilateral	21
Taiwan POC	15
Bonds and T-Bills	5
Public Corporations	2

Sources: National authorities; and IMF staff calculations.

5. **The significant sovereign-bank nexus is currently somewhat mitigated by commercial banks' robust balance sheets.** The banks' large exposure to government debt (about 17 percent of total assets) amplifies this nexus and creates risks of spillovers between the fiscal and financial sectors, with potential effects on the broader economy. Increased reliance on bank financing could crowd out private sector credit and weaken the bank's balance sheet. In turn, a deterioration in the bank's financial position or binding lending capacity constraints could generate contingent fiscal pressures and amplify macro-financial risks. At present, these risks are contained by the banks' low NPLs, adequate provisioning, and strong capital

[4] After the eruption of the La Soufrière volcano on April 9, 2021, the World Bank approved a US$42 million Volcanic Eruption Emergency IPF on November 30, 2021. Following Hurricane Beryl on July 1, 2024, St. Vincent and the Grenadines activated the CRDC on July 31, 2024, with a deferral period from August 1, 2024 to July 31, 2026; the estimated deferred amount as of March 31, 2026 is US$ 4.34 million (including accrued interest and SDR-USD exchange rate changes). It also received US$63 million in new IDA financing through the BERRy project approved on October 11, 2024. Along with a US$1.8 million CCRIF payout, these instruments have supported recent disaster financing.

[5] The external debt is defined based on a residency criterion. Local currency bonds held by nonresidents are included as external debt.

position. For the overall financial system, systemic risk is assessed as medium, with additional risks stemming from the banking sector's rising foreign investments, the rapidly growing and underregulated credit union sector, and the country's exposure to natural disasters.

6. **Domestic public debt is projected to increase over the projection horizon.** Debt has been on an upward trajectory since 2023 and is expected to continue increasing in the absence of sizeable fiscal consolidation (Figure 5). While borrowing conditions have remained favorable, with moderate costs and relatively long average maturities, staff assumes a gradual increase in the effective interest rate over the medium term, reflecting greater reliance on more costly financing instruments, including bank overdrafts and payables. As a result, domestic debt service is projected to rise gradually. In the near term, however, improved liquidity and debt management are assumed to reduce financing costs by lowering reliance on expensive short-term borrowing (Figure 1).

BACKGROUND ON MACRO FORECASTS

7. **Growth has moderated, while disinflation has continued.** Growth moderated to 3.7 percent in 2025 as the post-pandemic rebound faded, while tourism and construction activity remained buoyant, supported in part by rebuilding efforts following Hurricane Beryl, remained buoyant. Inflation continued to ease through 2025, reflecting the unwinding of earlier external price shocks and smaller contributions from food, transport, and housing prices. The current account deficit widened to 20 percent of GDP in 2025, driven by construction-related imports and increased profit transfers of hotels, which were partially offset by tourism receipts. The current account deficit continued to be financed by FDI and other investments.

8. **The growth and inflation medium-term profiles are generally unchanged from the 2024 Article IV, while external imbalances are now greater.** Growth is projected to moderate from 3.7 percent in 2025 to 2.7 percent over the medium term (Text Table 3), with the impacts from the conflict from the Middle East denting the growth path in 2026-27. Risks to growth are tilted to the downside—the high risk of debt distress, along with global risks including a slowdown in source countries, an escalation or continuation of geopolitical tensions, tighter financial conditions, or spikes in commodity prices, could weigh on tourism and FDI as well as deteriorate the terms of trade and create inflation pressure. Inflation (EOP) is forecast to reach 2.9 percent this year, on the spikes in global oil and food prices, stabilizing at 2.0 percent by end-2027. The current account deficit is projected to deteriorate in 2026 and then narrow gradually to 17 percent of GDP over the medium term, driven by rising tourism exports and declining construction-related imports, and is not expected to converge to the level consistent with medium term

Text Table 3. IMF Staff Projections 2026 vs. 2024

	2026 Article IV					2024 Article IV				
	2025	2026	2027	2028	2029	2025	2026	2027	2028	2029
Real GDP (percent)	3.7	2.8	2.5	2.7	2.7	3.5	2.7	2.7	2.7	2.7
Inflation (eop, percent)	0.5	2.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Primary balance (% of GDP	-8.5	-8.2	-6.9	-5.8	-4.8	-0.5	3.0	3.2	3.2	3.2
Current account (% of GDP	-20.1	-21.2	-18.5	-17.3	-16.6	-14.1	-12.2	-10.3	-9.3	-8.9

Sources: ECCB, national authorities, and IMF staff estimates and projections.

fundamentals and desirable policies over the medium term, mainly because of the continuously high fiscal deficits in the baseline and rising external debt payments.

9. The fiscal deficit has remained high. In 2025, the overall deficit was 12 percent of GDP, driven by elevated current and capital expenditures. The latter in part reflected large construction projects and post-disaster reconstruction[6]. The debt-to-GDP ratio rose to 113 percent of GDP in 2025. Since November, the new government has introduced VAT holidays, expanded the wage bill, and increased social support. The 2026 budget, passed in February, envisages a deficit of 19 percent of GDP, with tax revenue projected to be slightly lower and primary expenditures somewhat higher relative to the 2025 outcomes. Capital expenditure plans for 2026 remain ambitious, at 17 percent of GDP. Staff projects a deficit of 12 percent of GDP in 2026, largely in line with the 2026 budget, except for lower capital expenditure given the historical pattern of underexecution.

10. The fiscal outlook is highly challenging. The new government elected in November has stated commitment to debt reduction and is working on a fiscal consolidation plan but has yet to identify concrete measures. Thus, the baseline is a scenario under current policies with large and persistent deficits (Text Table 4). Specifically:

Text Table 4. Baseline: Key Fiscal Indicators

(Percent of GDP)

	2024	2025	2026	2027	2028	2029	2030	2031	changes 2031-2026
Total revenue and grants	29.9	29.8	28.7	28.6	28.4	28.4	28.4	28.4	-0.3
Tax revenue	24.1	24.8	25.1	25.0	24.8	24.8	24.8	24.8	-0.3
Total expenditure	46.0	42.1	41.2	40.2	39.3	38.7	39.0	39.4	-1.8
Current primary expenditure	24.4	25.3	26.7	26.4	26.1	26.1	26.1	26.1	-0.6
Interest expense	3.3	3.8	4.2	4.7	5.1	5.5	5.8	6.2	1.9
Capital expenditure	18.3	13.0	10.2	9.2	8.1	7.1	7.1	7.1	-3.1
Port, hospital, roads, and ND-related	11.0	6.5	3.0	2.0	1.0	0.0	0.0	0.0	-3.0
Other capital expenditure	7.3	6.6	7.2	7.2	7.1	7.1	7.1	7.1	-0.1
Overall balance	-16.1	-12.3	-12.4	-11.6	-10.9	-10.2	-10.5	-10.9	1.5
Primary balance	-12.8	-8.5	-8.2	-6.9	-5.8	-4.8	-4.8	-4.8	3.4
Public debt	102.8	113.1	120.1	126.1	131.3	135.6	140.0	144.5	24.5

Sources: National authorities; and IMF staff estimates and projections.

- **Tax revenue** remains broadly stable over the medium term. The suspension of the VAT reduction is assumed to be permanent, while improved tax collection (supported by CARTAC; see the FY2025 Annual Report) partly offsets revenue losses from VAT-free days. Higher oil prices provide a modest boost to tax revenue in 2026-27.

[6] Based on World Bank Global Rapid Post-Disaster Damage Estimation (GRADE) Report published in August 2024, total losses from Hurricane Beryl in Saint Vincent and the Grenadines are estimated at US$230.6 million (about 22% of 2023 GDP), with 81% concentrated in the Southern Grenadines, particularly Union Island. Impacts are mainly in buildings and infrastructure, with limited effects on agriculture.

- **Primary current expenditure** remains broadly unchanged over the medium term, reflecting a balance between near-term spending increases and prospective consolidation efforts. Goods and services and transfers rise modestly in 2026-27 in response to higher oil prices.

- **Capital expenditure** declines by 3 percentage points of GDP by 2028, as large projects and post-natural disaster reconstruction wind down and stabilizes at 7 percent of GDP thereafter.

- **Public debt** is forecast to rise to 145 percent of GDP by 2031.

- **Financing** is expected to come largely from multilateral partners and bilateral donors. Projected external loan disbursements over the next decade include existing loan commitments equivalent to 38 percent of 2026 GDP from the World Bank, the Caribbean Development Bank, and other multilateral and bilateral creditors. The residual financing is assumed to come in equal shares from residents in local currency and non-residents in foreign currency. Consistent with historically diversified financing sources, both domestic and external market financing are assumed to comprise T-bills and bonds of varying maturities. Interest rates are assumed to increase with maturity from 2 percent for T-bills to 5 percent for maturities exceeding 7 years. While this assumption mechanically closes financing needs in the baseline, financing—particularly domestic financing—would likely become increasingly costly and constrained as debt rises and may not be feasible over the medium term.

- The authorities are preparing a medium-term **fiscal consolidation plan**, but specific measures have yet to be identified; accordingly, it is not incorporated in the baseline.

11. Downside risks dominate. The main risk is sovereign debt distress which may arise from liquidity shortages due to further deterioration in liquidity and debt management or the inability to raise financing from creditors, which would lead to arrears or a forced fiscal adjustment and/or debt restructuring. A looser fiscal stance, for example a reduction in the standard VAT rate, would further exacerbate fiscal risks. The country also remains highly exposed to natural disasters, with potentially large fiscal costs. Given the very large deficit envisaged in the 2026 budget, delays in fiscal adjustment would further erode policy space. Externally, a more protracted conflict in the Middle East—evaluated through two risk scenarios[7]–would weigh on growth, worsen the terms of trade, and raise inflation. A slowdown in key source markets, rising trade barriers, geopolitical tensions, and tighter global financial conditions could dampen tourism and FDI inflows. The sovereign-bank nexus could amplify fiscal pressures and further constrain private credit. Systemic financial sector

Risk Scenarios: Key Indicators
(In percent; unless otherwise specified)

	Adverse Scenario		Severe Scenario	
	2026	2027	2026	2027
GDP growth	2.5	2.3	2.3	2.0
Inflation (period average)	3.1	2.6	3.3	3.2
Current account balance (percent of GDP)	-22.6	-18.9	-23.1	-20.6
Fiscal balance (percent of GDP)	-12.8	-12.0	-13.2	-12.4
Public debt (percent of GDP)	119.8	126.1	120.7	127.0
Interest rate on public debt	3.4	3.5	3.5	3.6

Sources: IMF staff estimates and projections.

[7] In the adverse scenario, oil prices are assumed to be 21 percent higher in 2026 and with no deviation in 2027 relative to the baseline scenario. In the severe scenario, oil prices are assumed to be 32 percent higher in 2026 and 64 percent higher in 2027 relative to the baseline scenario.

risk is assessed as medium. Upside risks include faster-than-expected completion of construction projects and an accelerated transition to renewable energy.

12. **Despite a large improvement in the primary balance—solely due to the completion of large construction projects—the required fiscal consolidation would have to be ambitious.** The baseline includes a 3 percentage points of GDP improvement in the primary balance, which is solely due to the completion of two large infrastructure projects (port and roads) and natural-disaster related reconstruction. The magnitude of this improvement is large and is in the top quartile for primary balance increases over a three-year period (Figure 4), reflecting the unusually grand scale of these projects. Despite this, the deficits remain very large, and the increases in debt are above the 75th percentile for external debt and far above the 75th percentile for total debt (Figure 3). Thus, the fiscal consolidation that stabilizes debt would have to be ambitious based on a historical cross-country database of such episodes.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

13. **St. Vincent and the Grenadines' debt-carrying capacity is medium** (Text Table 5). The country's Composite Indicator (CI) index (which determines the indicative thresholds to assess a country's debt sustainability) is 3.072, corresponding to a "strong" rating (the threshold for "strong" rating is 3.05).[8] The debt-carrying capacity is unchanged compared to the rating under the previous Country Policy and Institutional Assessment (CPIA) methodology.[9] The corresponding scores for the CI index determine the relevant thresholds for St. Vincent and the Grenadines for both external and total public debt.

[8] The CI index captures the impact of the weighted average of the World Bank's CPIA score, the country's real economic growth, remittances, international reserves, and world growth. The CI calculation is based on 10-year averages of the variables including 5 years of historical data and 5 years of projections. The index was calculated using the April 2026 WEO data and the 2024 CPIA. While the CI rating is "strong", debt carrying capacity remains at "medium", because an upgrade in the debt carrying capacity requires two consecutive "strong" signals, and St. Vincent and the Grenadines only had the first signal.

[9] Countries are rated based on a set of 16 backward-looking criteria grouped into four areas including economic management, structural policies, policies on social inclusion and equity, and public-sector management and institutions.

Text Table 5. St. Vincent and the Grenadines: Debt-Composite Indicator and Threshold Tables

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.623	1.39	45%
Real growth rate (in percent)	2.719	3.331	0.09	3%
Import coverage of reserves (in percent)	4.052	35.914	1.46	47%
Import coverage of reserves^2 (in percent)	-3.990	12.898	-0.51	-17%
Remittances (in percent)	2.022	7.628	0.15	5%
World economic growth (in percent)	13.520	3.637	0.49	16%
CI Score			3.072	100%
CI rating			Strong	

Applicable Thresholds

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

Debt Carrying Capacity	Medium

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Medium	Strong	Medium	Medium
	3.072	3.01	3.04

14. The combined contingent liability stress test is aligned to the country's specific risks (Text Table 6). The stress test includes risks pertaining to financial markets. SOEs' debt, which is already included in total public debt, and PPP, given no existing arrangement, are excluded from the stress test.

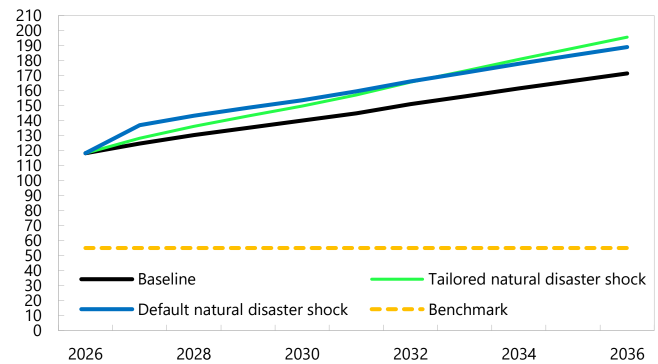
Text Table 6. St. Vincent and the Grenadines: Combined Contingent Liability Shock

		Default		Used for the analysis	Reasons for deviations from the default settings
1	The country's coverage of public debt	The central government, government-guaranteed debt			
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	0.0	
4	PPP	35	percent of PPP stock	0.0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)			5.0	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

15. Two natural disaster scenarios are conducted to better reflect the country's exposure to natural disasters (Text Figure 3). The first scenario, labeled as "default natural disaster shock", assumes a one-time severe natural disaster, following the default settings of the natural disaster-tailored test that would lower growth by 1.5 ppt and incur fiscal costs of 10 percent of GDP. In this scenario, the PV of public debt would gradually increase to 189 percent by 2036 (see scenario C2 in Table 4). The second scenario, labeled as "tailored natural disaster shock" assumes average annual natural disaster fiscal cost of 1.3 percent of GDP (see scenario A2 in Table 4) based on recent historical data. In the tailored scenario, the PV of public debt would increase to 196 percent of GDP by 2036. Given that the baseline exceeds the benchmark throughout the forecast period, debt in the natural disaster scenarios is even further away from the benchmark.[10]

Text Figure 3. PV of Public Sector Debt under ND shocks
(Percent of GDP)



Sources: National authorities and IMF Staff calculations.

EXTERNAL DSA

16. The risk of external debt distress is high (Figure 1 and Tables 1 and 3).

- **Under the baseline scenario, the PV of external debt-to-GDP ratio,** which is 80 percent in 2026, would continuously rise further above the indicative threshold of 40 percent of GDP (Figure 1 and Table 1). This gap would widen further under stress test scenarios, including due to shocks to growth, primary balance, exports, and a hypothetical one-time 30 percent depreciation (Table 3). The largest impact on the PV of external debt-to-GDP ratio is produced by the export shock that raises the PV of external debt, to 121 percent of GDP by 2036. Under the default settings of the natural disaster tailored test, the PV of external debt would reach 106 percent of GDP by 2036.

- **The PV of the external debt-to-exports ratio**, which is estimated at 220 percent in 2026, remains far above the indicative threshold of 180 percent throughout the forecast period.

- **The PPG external debt service-to-exports ratio** also significantly exceeds the indicative threshold, which incorporates Debt Service Suspension Initiative payments. A shock to exports would push the debt service-to-exports ratio to 132 percent in 2036, nearly ten times the 15

[10] World Bank Country Climate and Development Review (CCDR) 2024 estimates flood-related losses in St. Vincent and the Grenadines at about 3 percent of GDP annually through 2050, exceeding hurricane impacts. Timely, resilient reconstruction can reduce severe GDP losses, but if debt-financed, it could raise the debt-to-GDP ratio by up to 3.5 percentage points.

percent threshold. The shock to exports would increase the PV of external debt-to-exports ratio to more than 300 percent of its indicative threshold (180 percent) in the projection period.

- **The external debt service to revenue ratio** is at 25 percent in 2026 and thus remains above the threshold of 15 percent over the projected period, despite stable tax revenues. With the shock to exports, the breach of the threshold would be even higher.

OVERALL RISK OF PUBLIC DEBT DISTRESS

17. The overall risk of debt distress is high and will remain so in the long term (Figure 2 and Table 2 and 4). The PV of public debt is estimated at 118 percent of GDP in 2026 and is projected to increase continuously by 2 percentage points or more per year. The public debt-to-GDP ratio is similarly expected to increase continuously. The PV of public debt is thus not returning to the benchmark of 55 percent of GDP, and the public debt-to-GDP ratio would stay out of reach of the Eastern Caribbean Currency Union debt target of 60 percent of GDP in the long term. The public debt path is particularly sensitive to the export shock: under the most extreme stress scenario, which assumes nominal export growth equals its 10-year historical average (which includes the pandemic period) minus one standard deviation for 2027 and 2028, the PV of public debt would rise to more than 20 percentage points above the baseline. Under alternative scenarios, including a shock to real GDP growth, the PV of public debt would also stay well above the baseline and the indicative target in the long term.

RISK RATING AND VULNERABILITIES

18. St. Vincent and the Grenadines' debt is assessed as unsustainable given sustained and widening threshold breaches of all debt indicators and lack of identified financing to sustain the projected borrowing plan under the baseline.

19. The need to make debt sustainable calls for urgent fiscal consolidation. The new government is committed to reaching the regional debt target of 60 percent of GDP in the medium term. It has announced an economic stabilization plan and is working to identify measures to underpin its fiscal consolidation path. The government has also pledged to recalibrate and activate the Fiscal Responsibility Framework, including the fiscal rule. The authorities are urged to promptly implement an ambitious fiscal consolidation. In addition, consideration could be given to privatization of marketable assets. Finally, the authorities should prepare a contingency plan with concrete measures to be ready to address fiscal risks if they materialize.

20. An active policy scenario illustrates one possible path to reduce the risk of debt distress (Text Table 7). To put debt quickly and firmly on a downward trajectory, the fiscal adjustment would have to be front-loaded and entail a sizeable improvement in the primary balance—amounting, in this scenario, to 11 percentage points of GDP during 2027-29. Thereafter, a primary surplus would need to be maintained at 3 percent of GDP over the long term until the regional debt target of 60 percent of GDP is achieved. As tax revenue is already relatively high, the adjustment would have to be carried out mainly through expenditure measures. Specifically, primary current expenditure would need to be reduced by about 6 percentage points of GDP. Capital expenditure is envisaged to decline to 5 percent of GDP, its long-term average. The debt ratio is forecast to peak at 124 percent of GDP in 2028 and decline thereafter.

Text Table 7. St. Vincent and the Grenadines: Active Policy Scenario
(in percent of GDP)

	2024	2025	2026	2027	2028	2029	2030	2031	changes 2031-2026
Total revenue and grants	29.9	29.8	28.7	28.6	28.4	28.4	28.4	28.4	-0.3
Tax revenue	24.1	24.8	25.1	25.0	24.8	24.8	24.8	24.8	-0.3
Total expenditure	46.0	42.1	41.2	37.8	34.3	30.6	30.6	30.7	-10.5
Current primary expenditure	24.4	25.3	26.7	24.5	22.4	20.3	20.3	20.3	-6.4
Interest expense	3.3	3.8	4.2	4.7	5.0	5.2	5.1	5.2	1.0
Capital expenditure	18.3	13.0	10.2	8.6	6.9	5.2	5.2	5.2	-5.1
Port, hospital, roads, and natural-disaster related	11.0	6.5	3.0	2.0	1.0	0.0	0.0	0.0	-3.0
Other capital expenditure	7.3	6.6	7.2	6.6	5.9	5.2	5.2	5.2	-2.0
Overall balance	-16.1	-12.3	-12.4	-9.1	-5.9	-2.2	-2.2	-2.2	10.2
Primary balance	-12.8	-8.5	-8.2	-4.5	-0.8	3.0	3.0	3.0	11.1
Public debt	102.8	113.1	120.1	123.6	123.9	120.5	117.2	114.1	-6.0

Sources: National authorities; and IMF staff estimates and projections.

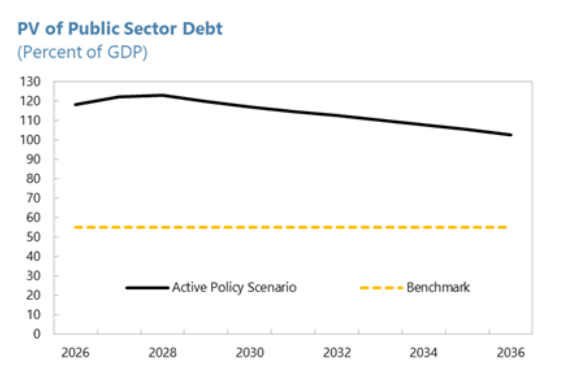
21. In addition to the recommended fiscal consolidation, other measures would be needed to make debt sustainable. The authorities are encouraged to assess whether their identified measures would be economically and socially feasible. Based on international experience, the adjustment in the active policy scenario would be very challenging but not unprecedented internationally and comparable to consolidation efforts undertaken in several European countries following past crises (see e.g., "An Updated Action-based Dataset of Fiscal Consolidation," IMF Working Paper No. 2024/210).[11] Even in the active policy scenario, debt would be assessed to remain unsustainable based on the LIC DSF, because the starting debt level is too high, and most debt burden indicators would remain well above the critical thresholds in the medium term (Text Figure 4). Restoring sustainability will therefore require a comprehensive strategy combining sustained fiscal consolidation, stronger public debt management, growth-enhancing structural reforms, and continued support from multilateral creditors and bilateral partners.

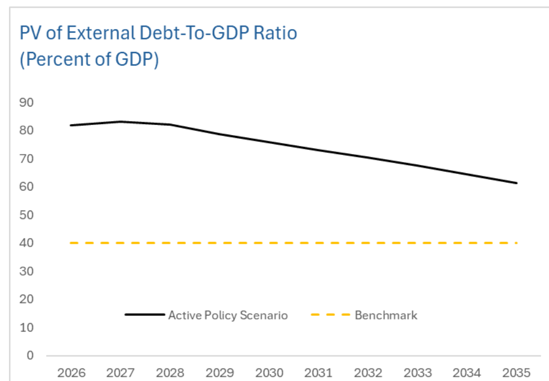
22. CARTAC and the World Bank have been supporting St. Vincent and the Grenadines in strengthening public debt management. St. Vincent and the Grenadines is required to prepare and implement Policy and Performance Actions (PPAs) under the World Bank's Sustainable Debt and Finance Project (SDFP) to access an additional 10 percent in IDA resources. PPAs support reforms to strengthen debt management, transparency, and sustainability.

[11] Consolidation efforts implemented in the Caribbean have so far been more moderate—up to 4 percentage points of GDP, even though some countries successfully maintained large primary surpluses over longer periods of time (e.g., Jamaica). In addition, the proposed adjustment in St. Vincent and the Grenadines might be easier compared to regional peers because the starting level of capital spending is very high.

In recent years, they have advanced debt transparency, fiscal resilience to climate shocks, fiscal management, public investment management, and pension reform. In FY26, the country is also subject to a non-concessional borrowing (NCB) ceiling and will continue to be so in future years (depending on the country's risk of external debt distress rating), helping mitigate risks from higher borrowing costs. Its FY26 country allocation is SDR17.7 million (US$24.3 million), which includes the SDFP incentive, and indicative IDA21 allocation is SDR49.8 million or US$68.5 million. The IMF and the World Bank will support the authorities in rationalizing expenditure and conducting a public expenditure review.

Text Figure 4. St. Vincent and the Grenadines: Active Policy Scenario



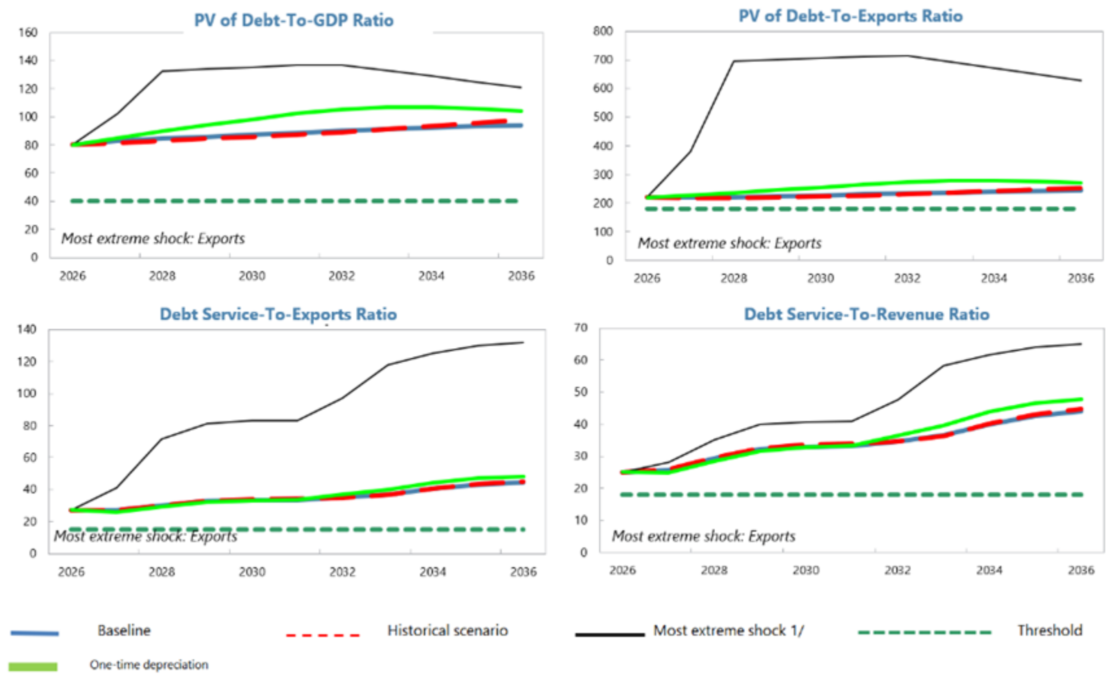


Sources: National authorities and IMF Staff calculations

Authorities' views

23. The authorities broadly agreed with staff's assessment and the need for urgent fiscal consolidation to put debt on a downward trajectory. They supported the broad parameters of the recommended active policy scenario, including reaching a primary surplus. The authorities emphasized that while they support fiscal consolidation, they are also focused on improving growth, investment, and employment.

Figure 1. St. Vincent and the Grenadines: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2026–36



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	No	No
Commodity price 2/	n.a.	n.a.
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	4.2%	2.5%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	11	10
Avg. grace period	4	4

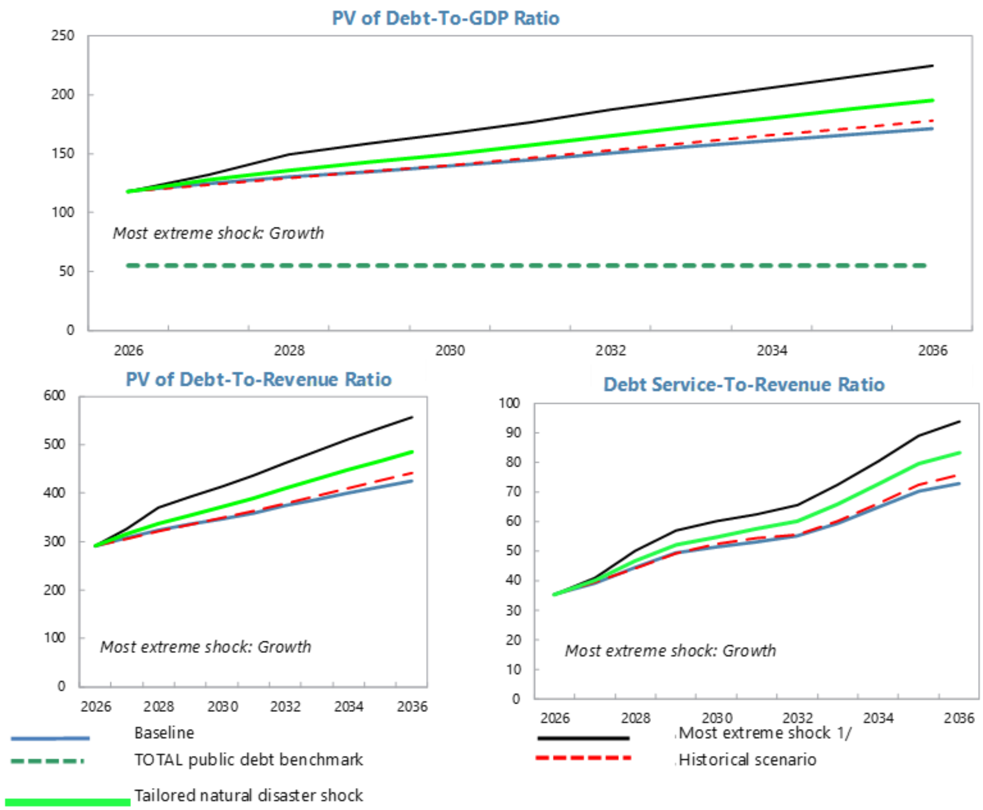
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2036. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. St. Vincent and the Grenadines: Indicators of Public Debt Under Alternative Scenarios, 2026–36



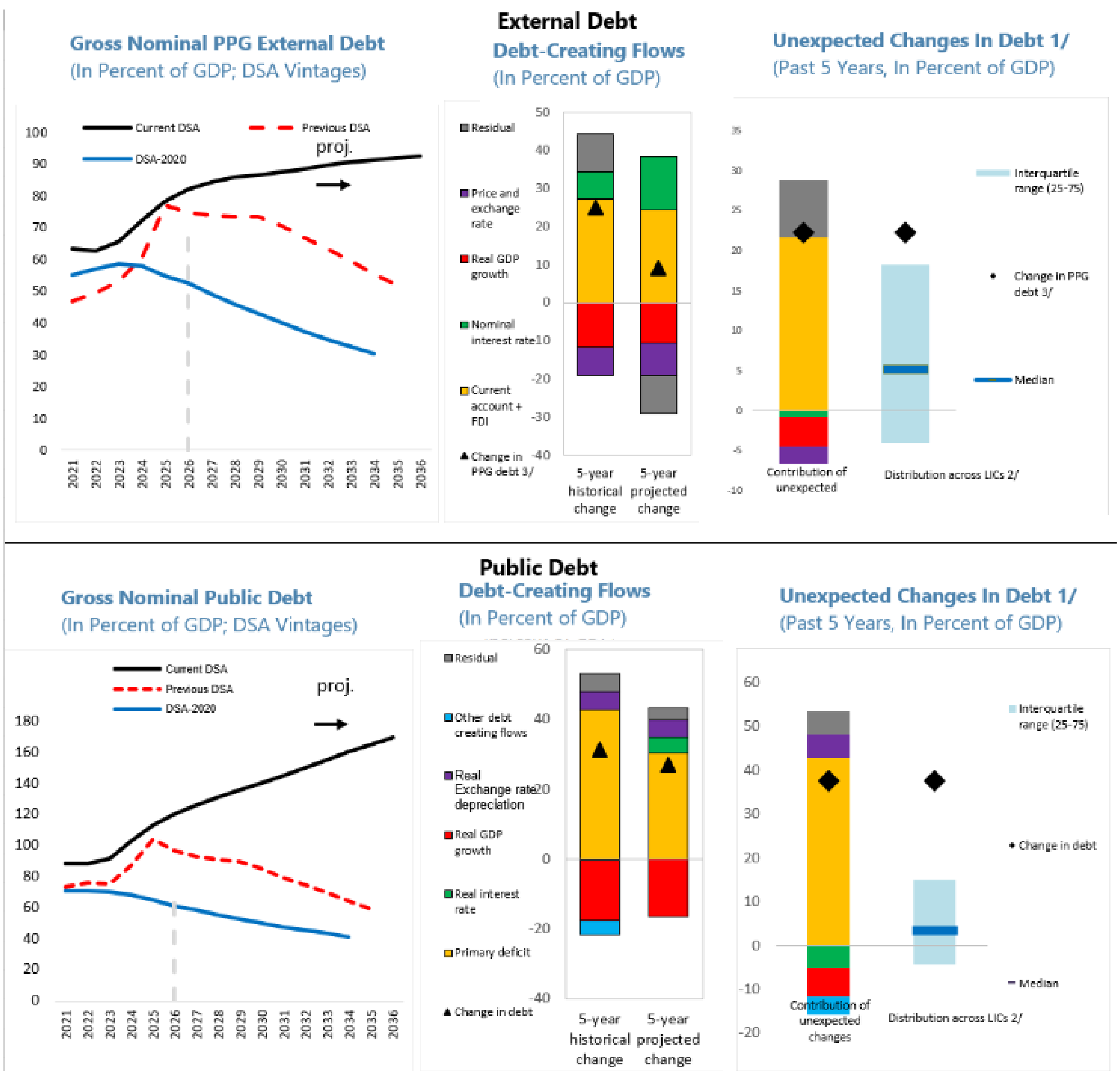
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	43%	43%
Domestic medium and long-term	36%	36%
Domestic short-term	9%	21%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	4.2%	4.2%
Avg. maturity (incl. grace period)	11	11
Avg. grace period	4	4
Domestic MLT debt		
Avg. real interest rate on new borrowing	2.6%	2.6%
Avg. maturity (incl. grace period)	8	8
Avg. grace period	4	4
Domestic short-term debt		
Avg. real interest rate	1.0%	1.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2036. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. St. Vincent and the Grenadines: Drivers of Debt Dynamics - Baseline Scenario



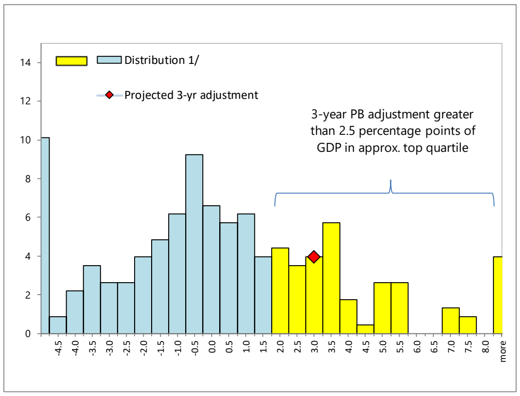
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

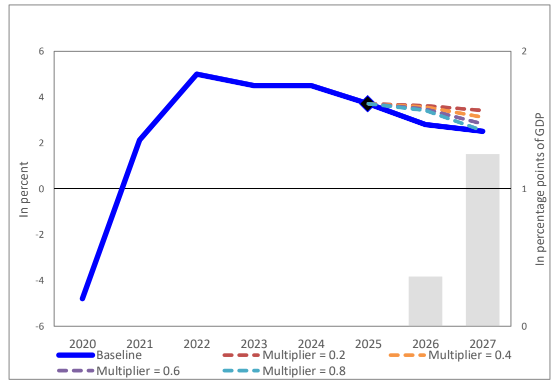
Figure 4. St. Vincent and The Grenadines: Realism Tools

3-Year Adjustment in Primary Balance 1/ 2/
(Percentage points of GDP)



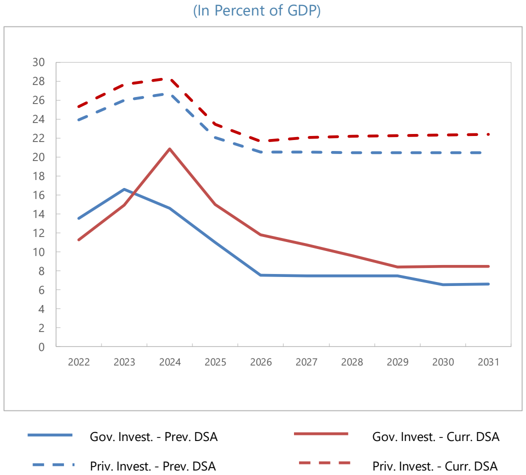
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.
2/ The 3-year adjustment in PB is largely affected by the post-volcanic eruption spending and the phasing of the port project spending, with 2023 being the peak year of the construction. The 3-year adjustment efforts, as more properly captured by the underlying PB (after excluding covid-, volcano-, and port-related spending), amount to 3.7 percent of GDP during 2023-26.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(In Percent of GDP)



Contribution to Real GDP growth
(In Percent, 5-Year Average)

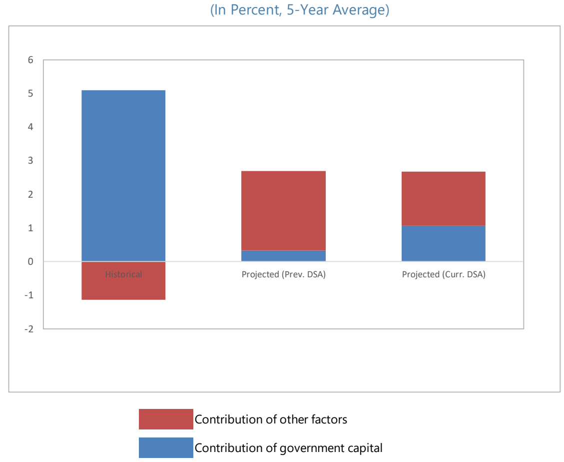
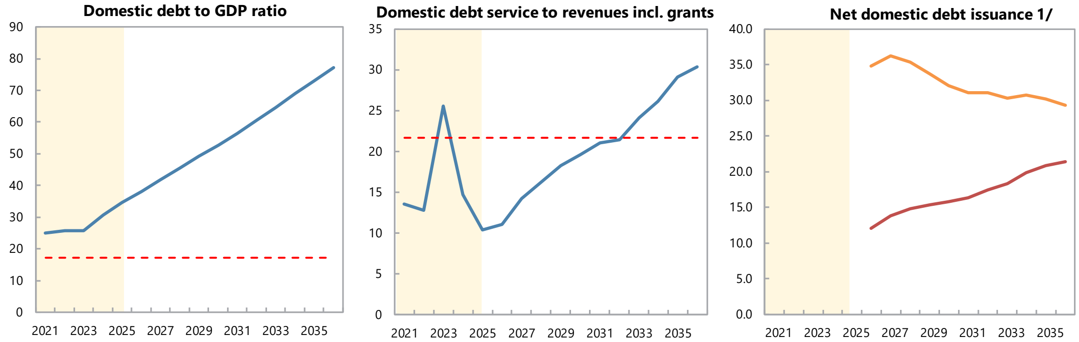


Figure 5. St. Vincent and The Grenadines: Indicators of Public Domestic Debt 2021-2036



Historical realizations

Median of average projected values over the first five years of the forecast period across countries using the LIC DSF with non-zero domestic debt, end-2023

As a ratio to GDP (right panel)

As a ratio to domestic debt stock in prev. year (right panel)

Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	80%
Short-term	20%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	2.6%
Avg. maturity (incl. grace period)	8
Avg. grace period	4
Domestic short-term debt	
Avg. real interest rate	1.0%

Sources: Country authorities; and staff estimates and projections.

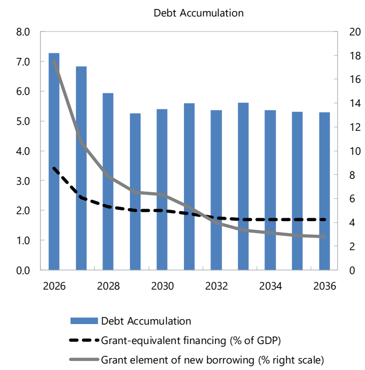
Note: 1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

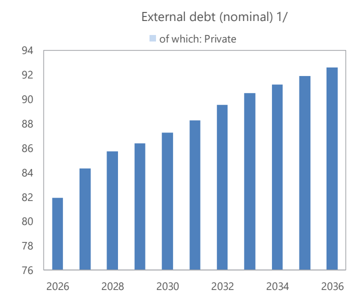
Table 1. St. Vincent and the Grenadines: External Debt Sustainability Framework, Baseline Scenario, 2025–46

(In percent of GDP, unless otherwise indicated)

	Actual	Projections														Average 8/	
	2025	2026	2027	2028	2029	2030	2031	2034	2035	2036	2037	2038	2039	2045	2046	Historical	Projections
External debt (nominal) 1/	78.3	81.9	84.3	85.7	86.4	87.2	88.3	91.2	91.9	92.6	93.5	94.6	95.9	106.7	104.3	59.4	88.1
of which: public and publicly guaranteed (PPG)	78.3	81.9	84.3	85.7	86.4	87.2	88.3	91.2	91.9	92.6	93.5	94.6	95.9	106.7	104.3	59.4	88.1
Change in external debt	6.2	3.6	2.4	1.4	0.7	0.9	1.0	0.7	0.7	0.7	0.9	1.1	1.3	2.2	-2.4		
Identified net debt-creating flows	5.1	8.6	6.1	4.7	3.9	4.4	4.4	4.3	4.3	4.3	4.3	4.2	4.2	0.3	0.3	1.9	4.9
Non-interest current account deficit	18.9	19.0	15.9	14.4	13.5	13.4	13.2	12.8	12.7	12.6	12.5	12.4	12.3	8.2	8.1	14.0	13.9
Deficit in balance of goods and services	23.2	24.2	20.9	19.5	18.6	18.3	18.2	18.2	18.2	18.2	18.2	18.2	18.2	16.9	16.9	21.0	19.2
Exports	35.1	36.6	37.8	38.5	38.6	38.6	38.7	38.7	38.7	38.7	38.7	38.7	38.7	38.7	38.7		
Imports	58.4	60.8	58.7	57.9	57.2	56.8	56.9	56.9	56.9	56.9	56.9	56.9	56.9	55.6	55.6		
Net current transfers (negative = inflow)	-5.4	-4.9	-4.6	-4.6	-4.5	-4.6	-4.7	-4.7	-4.7	-4.7	-4.7	-4.7	-4.7	-4.7	-4.7	-6.5	-4.7
of which: official	-2.0	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.6	-1.6		
Other current account flows (negative = net inflow)	1.0	-0.3	-0.4	-0.5	-0.6	-0.3	-0.4	-0.8	-0.9	-0.9	-1.0	-1.1	-1.2	-4.0	-4.1	-0.4	-0.6
Net FDI (negative = inflow)	-11.8	-10.6	-10.4	-10.5	-10.4	-9.9	-9.9	-9.9	-9.9	-9.9	-9.9	-9.9	-9.9	-9.9	-9.9	-11.0	-10.1
Endogenous debt dynamics 2/	-2.0	0.2	0.6	0.8	0.8	0.9	1.1	1.4	1.5	1.6	1.7	1.7	1.8	2.1	2.2		
Contribution from nominal interest rate	1.3	2.2	2.6	2.9	3.0	3.2	3.4	3.8	3.9	4.0	4.0	4.1	4.2	4.8	4.9		
Contribution from real GDP growth	-2.5	-2.1	-2.0	-2.2	-2.2	-2.2	-2.2	-2.3	-2.4	-2.4	-2.4	-2.4	-2.4	-2.7	-2.8		
Contribution from price and exchange rate changes	-0.7	...	...	...	...	...	...	...	...	...	...	...	...	...	...		
Residual 3/	1.1	-5.0	-3.7	-3.3	-3.2	-3.6	-3.4	-3.6	-3.6	-3.6	-3.4	-3.2	-2.9	1.9	-2.7	0.7	-3.6
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators																	
PV of PPG external debt-to-GDP ratio	77	80	83	85	86	87	89	92	93	94	95	96	98	108	105		
PV of PPG external debt-to-exports ratio	219	219	219	220	223	226	229	239	241	243	246	249	252	278	271		
PPG debt service-to-exports ratio	16	27	27	30	33	33	34	40	43	44	46	48	49	56	57		
PPG debt service-to-revenue ratio	14	25	26	29	32	33	33	40	43	44	46	48	49	55	57		
Gross external financing need (Million of U.S. dollars)	175.6	252.1	237.7	249.9	266.7	291.6	304.5	390.7	430.3	461.3	496.5	538.0	574.9	722.0	773.0		
Key macroeconomic assumptions																	
Real GDP growth (in percent)	3.7	2.8	2.5	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.5	2.7
GDP deflator in US dollar terms (change in percent)	1.0	2.2	2.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.7	2.0
Effective interest rate (percent) 4/	1.8	3.0	3.3	3.6	3.7	3.8	4.0	4.4	4.4	4.5	4.6	4.6	4.6	4.8	4.8	2.3	3.9
Growth of exports of G&S (US dollar terms, in percent)	0.5	9.4	8.2	6.6	5.0	4.7	5.1	4.8	4.8	4.8	4.8	4.8	4.8	4.9	4.8	9.0	5.7
Growth of imports of G&S (US dollar terms, in percent)	1.4	9.3	1.3	3.3	3.4	4.1	4.9	4.8	4.8	4.8	4.8	4.8	4.8	2.4	4.8	5.7	4.5
Grant element of new public sector borrowing (in percent)	...	17.5	10.7	7.8	6.5	6.3	5.3	3.1	2.9	2.8	2.6	2.5	2.4	2.0	1.9	...	6.4
Government revenues (excluding grants, in percent of GDP)	39.9	39.3	39.2	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	37.9	39.1
Aid flows (in Million of US dollars) 5/	604.5	74.6	43.7	36.2	33.1	34.9	32.0	26.9	28.0	29.2	30.4	31.6	33.0	42.4	44.2		
Grant-equivalent financing (in percent of GDP) 6/	...	3.4	2.4	2.1	2.0	2.0	1.9	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	...	2.0
Grant-equivalent financing (in percent of external financing) 6/	...	25.5	20.4	17.9	16.6	16.1	15.0	12.0	11.3	11.0	10.5	10.0	9.7	8.2	8.0	...	15.7
Nominal GDP (Million of US dollars)	1,179	1,239	1,299	1,361	1,425	1,493	1,564	1,786	1,871	1,960	2,053	2,151	2,253	2,977	3,118		
Nominal dollar GDP growth	4.7	5.0	4.8	4.7	4.8	4.8	4.7	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.2	4.7
Memorandum items:																	
PV of external debt 7/	76.8	80.0	82.8	84.8	85.9	87.2	88.6	92.5	93.3	94.1	95.1	96.2	97.5	107.6	105.0		
In percent of exports	218.6	218.6	219.3	220.4	222.8	226.1	229.1	239.2	241.4	243.5	246.0	248.8	252.2	277.9	271.1		
Total external debt service-to-exports ratio	15.6	26.9	26.8	29.8	32.6	33.4	33.5	40.3	43.0	44.4	46.1	48.2	49.3	55.8	57.1		
PV of PPG external debt (in Million of US dollars)	905.7	991.5	1076.1	1153.2	1224.7	1301.6	1385.1	1651.7	1746.4	1845.2	1952.9	2069.4	2196.9	3204.3	3273.8		
(PVt-PVt-1)/GDPt-1 (in percent)		7.3	6.8	5.9	5.3	5.4	5.6	5.4	5.3	5.3	5.5	5.7	5.9	7.2	2.3		
Non-interest current account deficit that stabilizes debt ratio	12.6	15.4	13.5	13.0	12.9	12.5	12.1	12.0	12.0	11.9	11.6	11.3	11.0	5.9	10.5		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

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. Exceptional financing in 2022 includes debt relief from Venezuela.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ 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).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

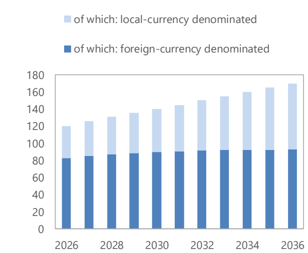
Table 2. St. Vincent and the Grenadines: Public Sector Debt Sustainability Framework, Baseline Scenario, 2025–46

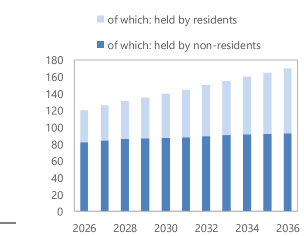
(In percent of GDP, unless otherwise indicated)

	Actual	Projections														Average 6/	
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2040	2045	2046	Historical	Projections
Public sector debt 1/	113.1	120.1	126.1	131.3	135.6	140.0	144.5	150.2	155.1	160.1	164.9	169.8	189.9	215.9	216.4	85.0	145.2
of which: external debt	78.3	81.9	84.3	85.7	86.4	87.2	88.3	89.5	90.5	91.2	91.9	92.6	97.3	106.7	104.3	59.4	88.1
Change in public sector debt	10.3	7.0	6.0	5.2	4.3	4.4	4.6	5.7	4.9	5.0	4.8	4.9	5.1	5.3	0.5		
Identified debt-creating flows	7.1	5.5	4.6	3.5	2.5	2.6	2.7	3.2	2.9	3.0	3.0	3.1	3.3	#VALUE!	#VALUE!	3.7	3.3
Primary deficit	8.5	8.2	6.9	5.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	5.1	5.4
Revenue and grants	41.7	40.6	40.5	40.3	40.3	40.3	40.3	40.3	40.3	40.3	40.3	40.3	40.3	40.3	40.3	39.5	40.4
of which: grants	1.8	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3		
Primary (noninterest) expenditure	50.2	48.8	47.4	46.1	45.1	45.1	45.1	45.1	45.1	45.1	45.1	45.1	45.1	45.1	45.1	44.6	45.7
Automatic debt dynamics	-1.5	-2.7	-2.3	-2.3	-2.2	-2.2	-2.0	-1.6	-1.8	-1.8	-1.7	-1.7	-1.5 ...	...			
Contribution from interest rate/growth differential	-3.0	-2.7	-2.3	-2.3	-2.2	-2.2	-2.0	-1.6	-1.8	-1.8	-1.7	-1.7	-1.5	...	...		
of which: contribution from average real interest rate	0.7	0.4	0.6	1.1	1.2	1.4	1.6	2.2	2.1	2.3	2.5	2.7	3.3	...	...		
of which: contribution from real GDP growth	-3.7	-3.1	-2.9	-3.3	-3.5	-3.6	-3.7	-3.8	-3.9	-4.1	-4.2	-4.3	-4.9	-5.5	-5.7		
Contribution from real exchange rate depreciation	1.5	...	...	...	...	...	...	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.5	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (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	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	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	3.2	1.5	1.4	1.7	1.8	1.8	1.9	2.5	2.0	2.0	1.8	1.8	1.8 ...	...		-0.2	1.9
Sustainability indicators																	
PV of public debt-to-GDP ratio 2/	112	118	125	130	135	140	145	151	156	161	166	171	192	217	217		
PV of public debt-to-revenue and grants ratio	268	291	308	323	335	347	359	374	387	400	413	425	475	538	538		
Debt service-to-revenue and grants ratio 3/	24	35	39	45	49	52	53	55	59	65	70	73	89	103	106		
Gross financing need 4/	20.7	22.5	22.8	23.8	24.7	25.5	26.2	26.9	28.7	30.9	33.1	34.2	40.5	46.3	47.5		
Key macroeconomic and fiscal assumptions																	
Real GDP growth (in percent)	3.7	2.8	2.5	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.5	2.7
Average nominal interest rate on public debt (in percent)	3.2	3.3	3.4	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.3	4.4	4.5	4.6	4.7	3.3	3.9
Average nominal interest rate on external debt (in percent)	1.8	3.0	3.3	3.6	3.7	3.8	4.0	4.2	4.3	4.4	4.4	4.5	4.7	4.8	4.8	2.3	3.9
Average real interest rate on domestic debt (in percent)	5.4	1.6	1.4	1.8	1.8	1.9	1.9	2.7	2.1	2.1	2.1	2.2	2.3	2.4	2.4	3.7	2.0
Real exchange rate depreciation (in percent, + indicates depreciation)	2.2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	1.2	...
Inflation rate (GDP deflator, in percent)	1.0	2.2	2.3	2.0	2.0	2.0	2.0	1.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.7	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	-4.6	-0.1	-0.3	-0.2	0.5	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	4.3	1.7
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-1.7	1.2	0.9	0.6	0.5	0.4	0.2	-0.9	-0.1	-0.2	-0.1	-0.1	-0.3	-0.5	4.2	2.1	0.2
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, government-guaranteed debt . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ 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 and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. St. Vincent and the Grenadines: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2026–36

(In Percent)

	Projections 1/										
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
					PV of debt-to GDP ratio						
Baseline	**80**	**83**	**85**	**86**	**87**	**89**	**90**	**92**	**92**	**93**	**94**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2026-2036 2/	**80**	**81**	**83**	**84**	**86**	**87**	**89**	**92**	**94**	**96**	**98**
A2. Alternative Scenario :[Customize, enter title]	**80**	**85**	**90**	**94**	**98**	**102**	**105**	**107**	**107**	**106**	**104**
B. Bound Tests											
B1. Real GDP growth	**80**	**87**	**93**	**95**	**96**	**98**	**99**	**101**	**102**	**103**	**104**
B2. Primary balance	**80**	**85**	**89**	**90**	**92**	**93**	**95**	**96**	**97**	**98**	**99**
B3. Exports	**80**	**102**	**133**	**134**	**136**	**137**	**138**	**134**	**129**	**125**	**121**
B4. Other flows 3/	**80**	**89**	**96**	**97**	**99**	**100**	**101**	**100**	**100**	**99**	**98**
B5. Depreciation	**80**	**105**	**100**	**102**	**104**	**105**	**107**	**110**	**112**	**114**	**116**
B6. Combination of B1-B5	**80**	**99**	**105**	**106**	**107**	**109**	**109**	**109**	**108**	**107**	**107**
C. Tailored Tests											
C1. Combined contingent liabilities	**80**	**85**	**87**	**88**	**90**	**91**	**93**	**94**	**96**	**97**	**98**
C2. Natural disaster	**80**	**88**	**91**	**93**	**95**	**96**	**99**	**101**	**103**	**104**	**106**
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
					PV of debt-to-exports ratio						
Baseline	**219**	**219**	**220**	**223**	**226**	**229**	**233**	**237**	**239**	**241**	**243**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2026-2036 2/	**219**	**215**	**215**	**219**	**223**	**226**	**231**	**237**	**242**	**247**	**253**
A2. Alternative Scenario :[Customize, enter title]	**219**	**225**	**234**	**245**	**255**	**265**	**272**	**276**	**277**	**274**	**270**
B. Bound Tests											
B1. Real GDP growth	**219**	**219**	**220**	**223**	**226**	**229**	**233**	**237**	**239**	**241**	**243**
B2. Primary balance	**219**	**224**	**231**	**234**	**238**	**241**	**245**	**249**	**252**	**254**	**256**
B3. Exports	**219**	**378**	**693**	**698**	**706**	**712**	**712**	**692**	**670**	**649**	**627**
B4. Other flows 3/	**219**	**235**	**250**	**253**	**256**	**259**	**261**	**259**	**257**	**255**	**253**
B5. Depreciation	**219**	**221**	**208**	**210**	**213**	**216**	**220**	**226**	**230**	**234**	**238**
B6. Combination of B1-B5	**219**	**295**	**247**	**364**	**369**	**373**	**374**	**373**	**370**	**368**	**365**
C. Tailored Tests											
C1. Combined contingent liabilities	**219**	**225**	**227**	**229**	**233**	**236**	**240**	**244**	**247**	**250**	**252**
C2. Natural disaster	**219**	**238**	**242**	**246**	**250**	**254**	**260**	**265**	**270**	**274**	**278**
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
					Debt service-to-exports ratio						
Baseline	**27**	**27**	**30**	**33**	**33**	**34**	**35**	**37**	**40**	**43**	**44**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2026-2036 2/	**27**	**27**	**30**	**33**	**34**	**34**	**35**	**37**	**41**	**43**	**45**
A2. Alternative Scenario :[Customize, enter title]	**27**	**26**	**29**	**32**	**33**	**34**	**37**	**40**	**44**	**47**	**48**
B. Bound Tests											
B1. Real GDP growth	**27**	**27**	**30**	**33**	**33**	**34**	**35**	**37**	**40**	**43**	**44**
B2. Primary balance	**27**	**27**	**30**	**33**	**34**	**34**	**36**	**39**	**42**	**45**	**46**
B3. Exports	**27**	**41**	**71**	**81**	**83**	**83**	**97**	**118**	**125**	**130**	**132**
B4. Other flows 3/	**27**	**27**	**30**	**33**	**34**	**34**	**38**	**42**	**45**	**48**	**49**
B5. Depreciation	**27**	**27**	**30**	**32**	**33**	**33**	**35**	**34**	**38**	**41**	**42**
B6. Combination of B1-B5	**27**	**32**	**45**	**49**	**50**	**50**	**58**	**61**	**65**	**69**	**71**
C. Tailored Tests											
C1. Combined contingent liabilities	**27**	**27**	**30**	**33**	**34**	**34**	**35**	**37**	**41**	**43**	**45**
C2. Natural disaster	**27**	**28**	**31**	**34**	**35**	**35**	**37**	**39**	**43**	**45**	**47**
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
					Debt service-to-revenue ratio						
Baseline	**25**	**26**	**29**	**32**	**33**	**33**	**35**	**36**	**40**	**43**	**44**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2026-2036 2/	**25**	**26**	**30**	**33**	**34**	**34**	**35**	**36**	**40**	**43**	**45**
A2. Alternative Scenario :[Customize, enter title]	**25**	**25**	**29**	**32**	**33**	**33**	**36**	**40**	**44**	**46**	**48**
B. Bound Tests	**25**	**25**	**29**	**32**	**33**	**33**	**36**	**40**	**44**	**46**	**48**
B1. Real GDP growth	**25**	**27**	**32**	**35**	**36**	**37**	**38**	**40**	**44**	**47**	**48**
B2. Primary balance	**25**	**26**	**30**	**33**	**33**	**34**	**36**	**38**	**42**	**44**	**46**
B3. Exports	**25**	**28**	**35**	**40**	**41**	**41**	**48**	**58**	**62**	**64**	**65**
B4. Other flows 3/	**25**	**26**	**30**	**33**	**34**	**34**	**38**	**42**	**45**	**47**	**49**
B5. Depreciation	**25**	**32**	**37**	**40**	**41**	**41**	**44**	**43**	**47**	**51**	**53**
B6. Combination of B1-B5	**25**	**28**	**33**	**36**	**37**	**37**	**43**	**45**	**49**	**52**	**53**
C. Tailored Tests											
C1. Combined contingent liabilities	**25**	**26**	**30**	**32**	**33**	**34**	**35**	**37**	**40**	**43**	**44**
C2. Natural disaster	**25**	**26**	**30**	**33**	**34**	**34**	**35**	**37**	**41**	**43**	**45**
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. St. Vincent and the Grenadines: Sensitivity Analysis for Key Indicators of Public Debt, 2026–36

(In Percent)

	Projections 1/										
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	PV of Debt-to-GDP Ratio										
Baseline	**118**	**125**	**130**	**135**	**140**	**145**	**151**	**156**	**161**	**166**	**171**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2026-2036 2/	**118**	**124**	**129**	**135**	**140**	**147**	**153**	**159**	**166**	**172**	**178**
A2. Alternative Scenario : Tailored natural disaster shock	**118**	**128**	**136**	**143**	**150**	**157**	**166**	**173**	**181**	**188**	**196**
B. Bound Tests											
B1. Real GDP growth	**118**	**132**	**149**	**158**	**167**	**177**	**187**	**197**	**206**	**216**	**225**
B2. Primary balance	**118**	**129**	**139**	**144**	**148**	**154**	**160**	**165**	**170**	**175**	**180**
B3. Exports	**118**	**136**	**160**	**165**	**169**	**174**	**179**	**179**	**180**	**181**	**181**
B4. Other flows 3/	**118**	**130**	**142**	**147**	**151**	**156**	**162**	**165**	**168**	**172**	**175**
B5. Depreciation	**118**	**143**	**145**	**147**	**148**	**150**	**154**	**157**	**160**	**163**	**166**
B6. Combination of B1-B5	**118**	**124**	**131**	**134**	**138**	**143**	**149**	**154**	**159**	**164**	**169**
C. Tailored Tests											
C1. Combined contingent liabilities	**118**	**130**	**135**	**140**	**144**	**150**	**156**	**161**	**166**	**171**	**176**
C2. Natural disaster	**118**	**137**	**143**	**148**	**154**	**159**	**166**	**172**	**178**	**183**	**189**
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
	PV of Debt-to-Revenue Ratio										
Baseline	291	308	323	335	347	359	374	387	400	413	425
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2026-2036 2/	291	305	320	335	348	364	379	395	411	426	442
A2. Alternative Scenario : Tailored natural disaster shock	35	40	47	52	55	57	60	66	73	80	83
B. Bound Tests											
B1. Real GDP growth	291	326	369	392	413	437	463	487	510	533	556
B2. Primary balance	291	318	345	357	368	381	396	409	422	434	446
B3. Exports	291	335	397	408	420	432	443	445	446	448	450
B4. Other flows 3/	291	322	352	364	375	388	401	409	418	426	434
B5. Depreciation	291	355	361	365	368	374	383	390	397	405	413
B6. Combination of B1-B5	291	305	325	333	343	355	370	383	395	407	419
C. Tailored Tests											
C1. Combined contingent liabilities	291	320	335	347	358	371	386	399	412	424	437
C2. Natural disaster	291	338	355	368	381	395	412	426	441	455	469
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Debt Service-to-Revenue Ratio										
Baseline	35	39	45	49	52	53	55	59	65	70	73
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2026-2036 2/	35	39	44	49	52	54	56	60	66	72	76
A2. Alternative Scenario : Tailored natural disaster shock	35	40	47	52	55	57	60	66	73	80	83
B. Bound Tests											
B1. Real GDP growth	35	41	50	57	60	63	65	72	80	89	94
B2. Primary balance	35	39	47	53	53	55	58	64	70	76	78
B3. Exports	35	39	45	51	54	55	61	73	77	82	85
B4. Other flows 3/	35	39	45	50	52	54	58	65	70	75	77
B5. Depreciation	35	41	52	58	61	63	65	71	79	87	91
B6. Combination of B1-B5	35	38	44	50	51	53	54	59	64	70	72
C. Tailored Tests											
C1. Combined contingent liabilities	35	39	48	51	52	54	56	61	67	72	74
C2. Natural disaster	35	40	52	53	54	56	60	65	71	77	78
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

ST. VINCENT AND THE GRENADINES

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION —SUPPLEMENTARY INFORMATION

June 4, 2026

Approved By
Bikas Joshi (WHD) and Cemile Sancak (SPR)

Prepared by the Western Hemisphere Department in consultation with the Strategy, Policy, and Review Department.

This supplement provides information on developments since the issuance of the staff report. These developments do not alter the thrust of the staff appraisal.

1. On May 27, 2026, the authorities announced a temporary 90-day emergency package to mitigate the impact of the increase in global commodity prices from the war in the Middle East on households and firms. The package aims to provide targeted relief by reducing the cost of selected imported goods and utilities, including fuel, electricity, and cooking gas. The package comprises the following measures:

- **Fuel tax and fee reductions.** Lowering of excise taxes and reduction of the customs service charge on imported fuel by 50 percent to stabilize retail gasoline and diesel prices.
- **Electricity cost relief.** Removal of the customs service charge and excise taxes on diesel used for electricity generation, and an arrangement for the state electricity company to absorb part of any increase in the fuel surcharge above specified thresholds, helping to contain electricity price increases.
- **Cooking gas relief.** Removal of the customs service charge on liquefied petroleum gas (LPG).
- **Freight and import cost measures.** Exclusion of additional shipping surcharges (including fuel and congestion fees) from the tax base used to calculate import duties and taxes, and a rollback of freight rates used for customs valuation to January 2026 levels.

- **Food price and agriculture support.** Tax reductions and support measures for the agricultural sector aimed at mitigating increases in food prices and production costs.

- **Potential construction-material relief.** The authorities indicated their readiness to grant a VAT waiver on cement should prices rise significantly.

2. Staff has engaged with the authorities to assess the fiscal implications of the package. Preliminary estimates provided by the authorities suggest that the removal of customs charges on diesel used for electricity generation and on LPG would result in revenue losses of less than 0.1 percent of GDP, while the fiscal cost of the other measures is expected to be limited. Should these estimates be broadly confirmed and the scope of the package remain as currently envisaged, staff does not expect the measures to materially affect the baseline projections presented in the staff report or alter the thrust of the policy recommendations. Staff has emphasized that support measures should remain temporary, well-targeted to vulnerable groups, and calibrated to preserve the recommended path towards fiscal sustainability.

Statement by Mr. Brad Recker, Executive Director for St. Vincent and the Grenadines, Ms. Gina Fitzgerald, Alternative Executive Director, and Ms. Sylvia Gumbs, Advisor to Executive Director
June 10, 2026

On behalf of our Vincentian authorities, we thank Mr. Sergei Antoshin and his team for the constructive engagement during the Article IV consultations. **Our authorities value the candid policy dialogue and broadly concur with the thrust of the staff appraisal and recommendations**.

St. Vincent and the Grenadines has demonstrated resilience in the face of repeated shocks - including two natural disasters since the pandemic - and is emerging from a period of significant economic and fiscal strain during a period of elevated economic uncertainty and the fallout from the conflict in the Middle East. Since taking office in November 2025, the new administration has been addressing pressing socio-economic challenges in an environment characterized by moderating growth, elevated public debt, and persistent external vulnerabilities. Against this backdrop, our authorities remain firmly committed to placing the economy on a more sustainable and resilient footing through policies that balance near-term social and economic priorities with a credible medium-term reform agenda.

Recent Developments and Outlook

Economic activity has remained resilient despite successive shocks. Growth moderated in 2025 as the post-pandemic rebound eased but continued to be supported by tourism and construction activity, while inflation remained contained. Fiscal and external balances continue to reflect the legacy of recent shocks, reconstruction needs, and large investment projects. Public debt remains elevated and the current account deficit widened, driven largely by imports associated with reconstruction and other capital spending. The banking system, however, remains broadly sound and well capitalized.

Growth is expected to remain positive in 2026 and to converge gradually toward its medium-term potential. Inflation is expected to rise temporarily before moderating, while external imbalances are expected to narrow over time as major projects are completed and tourism continues to perform strongly. The outlook remains subject to downside risks, including tighter global financing conditions, heightened geopolitical uncertainty, and the country's vulnerability to natural disasters. At the same time, ongoing investment projects, stronger engagement with development partners, and structural reforms present important upside opportunities.

Fiscal Policy Priorities

Our authorities are committed to restoring fiscal and debt sustainability through a balanced medium-term strategy anchored in fiscal discipline, and stronger public financial management. Consolidation will be carefully sequenced to support growth while placing debt on a sustained downward trajectory. Our authorities' focus is on improving the quality of spending through stronger prioritization, enhanced public investment management, and improved oversight of state-owned enterprises, while safeguarding essential social programs and growth-enhancing investment. Forthcoming Fund technical assistance, specifically a planned expenditure review, will help identify efficiency gains and support the design of durable adjustment measures.

Revenue mobilization efforts are centered on broadening the tax base, strengthening compliance, modernizing tax administration, and advancing property tax reforms. Institutional reforms are also progressing, including the re-establishment of a strengthened fiscal responsibility framework and the development of a medium-term fiscal and debt management strategy. A new fiscal responsibility council has been appointed, and our authorities have prioritized the introduction of fiscal responsibility legislation. Alongside these developments, the medium-term debt management strategy 2025 to 2027 has been approved and published. In addressing the debt situation, our authorities are actively engaging with development partners to support increased access to concessional financing and innovative instruments that can help reduce vulnerabilities while supporting resilience. Together, these measures are expected to enhance policy credibility, strengthen transparency, and support fiscal sustainability.

Structural Reforms and Growth

Our authorities are advancing a broad reform agenda aimed at raising productivity, diversifying and growing the economy, and strengthening resilience. A key priority is reducing energy costs and dependence on imported fuels through investments in renewable energy and supporting regulatory reforms. These efforts are expected to improve competitiveness, strengthen energy security, and reduce exposure to external shocks.

Human capital development remains central to our authorities' strategy. Ongoing reforms seek to better align education and vocational training with labor market needs, particularly for youth and women. At the same time, efforts to improve the business environment through regulatory simplification, digitalization, and reduced administrative bottlenecks are expected to facilitate investment and entrepreneurship.

Our authorities are also pursuing economic diversification by strengthening traditional sectors, including tourism and agriculture, while supporting opportunities in emerging areas such as the blue economy and digital services. Complementing these efforts are continued investments in climate resilience, disaster preparedness, and public infrastructure to reduce vulnerability to natural disasters and support sustainable growth.

Financial Sector Policies

Our authorities remain committed to preserving financial stability while enhancing the sector's contribution to economic development. Building on a sound banking system, reforms are focused on strengthening regulatory and supervisory frameworks, particularly for credit unions, and advancing risk-based supervision across the financial system.

Improving access to finance is another priority. Efforts are underway to strengthen financial infrastructure, expand credit to underserved households and small businesses, and improve credit allocation through enhanced information systems and legal frameworks. Our authorities are also carefully evaluating options to broaden development financing while maintaining sound governance and fiscal sustainability.

Improving Data Adequacy

Our authorities recognize the importance of timely and reliable statistics for effective policymaking and surveillance and acknowledge the need to address data gaps. Efforts are underway to strengthen statistical capacity, improve inter-agency coordination, and modernize data collection and dissemination systems. Our authorities are also advancing reforms to enhance the institutional and legal framework for statistics, while leveraging technical assistance and regional cooperation to improve data quality, coverage, and timeliness. They are advancing the modernization of statistical legislation and recently approved a recommendation to that end. These initiatives will support more robust policy analysis, risk assessment, and economic management.

Concluding Remarks

Our authorities fully recognize the challenges ahead and remain committed to addressing them through a coherent and credible policy framework. Their strategy balances near-term social and economic priorities with the need to restore fiscal and debt sustainability, strengthen resilience, and raise long-term growth. Supported by a strong commitment to reform and continued engagement with development partners, our authorities are confident that the foundations are being laid for more inclusive and sustainable growth over the medium-term.