

International Monetary Fund

[St. Lucia](#) and the IMF

St. Lucia: Letter of Intent

Press Release:

[IMF Executive Board Approves US\\$65.6 Million in Disbursements to Dominica, Grenada, and St. Lucia to Address COVID-19 Pandemic](#)

April 28, 2020

April 21, 2020

The following item is a Letter of Intent of the government of St. Lucia, which describes the policies that St. Lucia intends to implement in the context of its request for financial support from the IMF. The document, which is the property of St. Lucia, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

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Letter of Intent

April 21, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Georgieva,

1. St. Lucia is confronting the strong repercussions from the global coronavirus pandemic. So far, we have had fifteen (15) cases which tested positive for COVID-19. As measures to contain the spread of the virus are implemented around the world, we have seen a dramatic drop in bookings by overseas visitors which in a typical year would account for almost 90 percent of our foreign exchange earnings. Indeed, our tourism industry is now closed and government revenues have plummeted. Furthermore, our ability to meet our usual fiscal financing needs has been compromised by the turmoil in domestic and regional financing sources.
2. In addition to these broad-based spillovers from global events, we also expect to face a significant fiscal need in our own country arising from the need to immediately increase outlays on testing, containment and treatment of those who have contracted COVID-19. To that end, we instituted a 24-hour shutdown from April 1 to April 7 in order to minimize the risk of community spread of the virus. Following the end of this full shutdown, we established a more relaxed curtailment of commercial activities to only essential goods and services. The health care interventions taken so far and those that are planned are estimated to cost in excess of 30 million EC dollars.
3. Beyond these direct steps to target public health priorities, we have also announced steps to support those most vulnerable among our population including temporary income support to vulnerable households and tax credit to companies that retain at least part of their staff. We anticipate these spending needs alone will add 2 percent of GDP to our fiscal deficit at a time when activity has slowed markedly and usual revenue sources compromised as taxpayers struggle to manage their own difficult circumstances. With most of our required medical equipment imported from other countries, these expenditures will inevitably translate into upward pressures on our trade deficit.

4. Our preliminary projections suggest that real GDP growth in 2020 could decline by 10 percent owing to the adverse supply and demand shock represented by the COVID-19 pandemic. We do, however, anticipate a modest rebound in activity once the immediate crisis has passed and our overseas visitors resume their normal travel patterns. Our fiscal deficit is likely to reach 7 percent of GDP this fiscal year (from 3.5 percent of GDP in 2019/20) and the external current account deficit could reach 9 percent of GDP in 2020.

5. Against this background, the government of St. Lucia requests emergency financing from the IMF in the equivalent of SDR21.4 million (about US\$29 million), corresponding to a disbursement of 100 percent of our quota under the Rapid Credit Facility (RCF) under the Exogenous Shocks Window, to meet the financing needs associated with the increased healthcare spending needs, a precipitous drop in government revenue as a consequence of no tourist arrivals, and constrained financing on the regional and international markets. These urgent Balance of Payments) BOP needs, if not addressed, could result in immediate and severe economic disruption and social pathologies.

6. While our macroeconomic outlook is challenging, we remain committed to maintaining macroeconomic stability, fostering competitiveness and growth, and supporting the most vulnerable among our population. The support of the international community will be paramount to financing our fiscal operations this year. Indeed, we anticipate that emergency financing of US\$100 million will be provided by bilateral and multilateral development partners including the World Bank and the Caribbean Development Bank during the coming months. Recognizing the downside risks, the government intends to pursue fiscal adjustment. In the coming month, the government will continue to monitor the situation (economic, fiscal performance and financing) and maintain open dialogue with the IMF staff. Should conditions deteriorate beyond expectations, the government will consider a follow up longer term upper credit tranche (UCT) arrangement with the IMF.

7. Despite the deteriorating fiscal position, we remain committed to the ECCU debt target of 60 percent by 2030. We attach a great importance to this fiscal anchor to guide fiscal policy in the medium-term. To that end, we plan to implement a balanced fiscal adjustment that will gradually reduce the debt to GDP level. We intend to remain prudent in mobilizing financial resources and avoid excessive debt accumulation.

8. Furthermore, the government of St. Lucia intends to continue to maintain an open dialogue with the IMF to further explore solutions to our balance of payments difficulties in the coming weeks and months. We are committed to ensuring continued macroeconomic stability and we will avoid any measures or policies that may compound these difficulties. St. Lucia will continue to comply with the provisions of the Fund's Articles of Agreement, and will not impose new or intensify existing restrictions on the making of payments and transfers for current international transactions, trade restrictions for balance of payment purposes, or multiple currency practices, or entering into bilateral payments agreements which are inconsistent with our obligations under Article VIII, and will implement public policies under that framework. We will hold unused IMF disbursement at the ECCB.

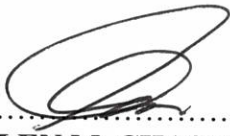
9. We are committed to collaborating with IMF staff in undergoing a safeguards assessment. The next safeguards assessment of the ECCB is expected to take place during 2020, in accordance with the four-year cycle for regional central banks. The ECCB will provide Fund staff with the

necessary central bank audit reports and will authorize its external auditors to hold discussions with staff.

10. Like many other countries, the challenges and uncertainties ahead of us are unprecedented and will test our resolve and social cohesion. Nonetheless, we are determined to succeed. We anticipate that our country's efforts along with the solidarity of the St. Lucian people will allow us to emerge from this global crisis stronger. We seek your support in our endeavors and intend to do what we can to support you in your efforts at the IMF to mitigate the inevitable impact on the world economy arising from this pandemic. We look forward to an expeditious approval of our request for financial assistance and want to underline our appreciation for the speed and determination that the Fund has shown in responding to the financial and technical support needs of its membership.

11. We authorize the Fund to publish this Letter and St. Lucia's request for a disbursement under the RCF.

Yours sincerely,



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ALLEN M. CHASTANET

**Prime Minister & Minister for Finance, Economic Growth,
Job Creation, External Affairs and the Public Service**