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ST. VINCENT AND THE GRENADINES

JOINT WORLD BANK-IMF DEBT SUSTAINABILITY ANALYSIS

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Prepared by the staff of the International Development Association (IDA) and the International Monetary Fund (IMF).

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	Sustainable
Application of judgment	No

The debt sustainability analysis (DSA) indicates that St. Vincent and the Grenadines' public debt is sustainable but remains at high risk of distress for both external and overall public debt, broadly unchanged from the 2021 DSA assessment.[2] The economy was hit hard by the shocks of the ongoing pandemic and the 2021 volcanic eruptions. Real GDP is estimated to have increased by 0.8 percent in 2021, after shrinking by 3.7 percent in 2020. Despite the authorities' strong efforts to mobilize revenue and contain non-priority spending, the critical volcanic eruption- and pandemic-related fiscal responses to the humanitarian crisis pushed total public and publicly guaranteed debt up from 79½ percent of GDP in 2020 to 89¼ percent of GDP in 2021, leaving limited fiscal space to deal with future shocks.[3] Reflecting fiscal pressures from the sizable port modernization project (about 25 percent of 2022 GDP) and the planned modern hospital project (about 10½ percent of 2022 GDP) as well as post-volcanic eruption reconstruction, public debt

[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] St. Vincent and the Grenadines' score in the Composite Indicator (CI) is 3.02, implying that the country's debt carrying capacity is classified as medium. St. Vincent and the Grenadines' CI was calculated based on the April 2022 WEO and the 2020 CPIA, published in July 2021. The classification determines the corresponding debt and debt service benchmarks for the external public and publicly guaranteed external debt and for total public debt.

[3] The debt ratio is lower than in the 2021 RCF in part due to authorities' rebasing of the national accounts from 2006 to 2018 with the Caribbean Regional Technical Assistance Centre (CARTAC)'s support in early 2022, which resulted in an upward revision of nominal 2018 GDP by about 9 percent.

is expected to remain around the current level in the near-term, before starting to decline steadily in 2025 once these projects approach their completion.

The authorities remain committed to fiscal adjustment and reaching a central government primary surplus of at least 3 percent of GDP by 2026 to reach the regional debt target by 2035, through further strengthening tax administration and expenditure-side measures (e.g., containing the growth of wages and non-priority current spending and prioritizing capital programs). The adjustment, if fully implemented as planned, will underpin an improvement of about 1½ percent of GDP in the underlying primary balance (excluding pandemic-, volcano-, and port-related spending) by the end of the medium term from the projected 1½ percent of GDP in 2022. This will put the debt-to-GDP ratio on a downward path from 2025, and debt is deemed sustainable. Under staff's baseline scenario, the present value (PV) of public debt to GDP ratio is estimated to have peaked at 86 percent of GDP in 2021 and is expected to start declining in 2022 but breaches the indicative benchmark throughout most of the projection period before meeting the indicative benchmark by 2031. The PV of external debt as a percent of GDP is projected to start falling in 2025 but breaches the indicative benchmark throughout most of the projection period before meeting the indicative benchmark by 2034. Reflecting the resilience of tax revenues, the external debt service to revenue ratio remains below indicative thresholds from 2023. The PV of external debt-to-exports would fall below the indicative threshold by 2024 and the debt service-to-exports ratios would be close to the indicative threshold before falling below in 2027.[4] Adverse scenarios suggest the public debt path is subject to large downside risks, including from lower growth and natural disasters.

[4] The PV of external debt to revenue and PV of external debt to exports ratios are slightly higher than those in the 2021 RCF due to the shift of external debt definition for projections from currency basis to residency basis so as to be consistent with the definition of historical debt data. As a result, projected local currency-denominated debt to be issued in the local debt market but held by non-residents is now classified as external debt.

BACKGROUND ON PUBLIC SECTOR DEBT

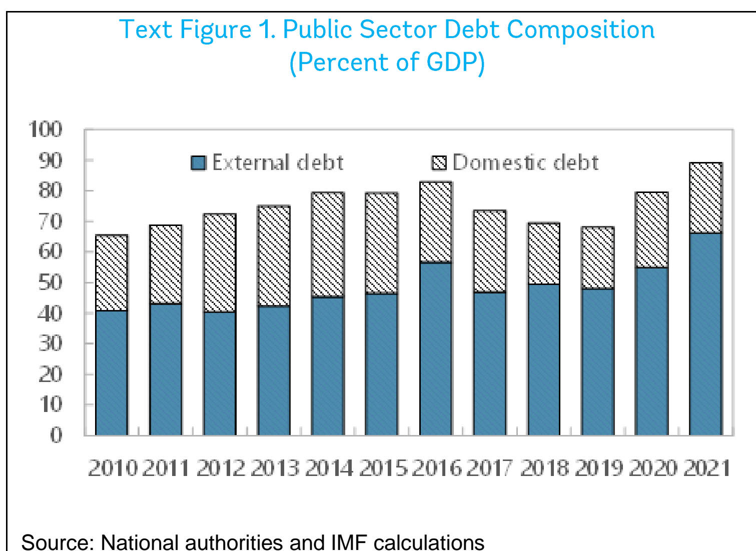
1. **There are no data gaps in public sector debt coverage.** Public sector debt includes central government and, state-owned enterprise (SOE) debt (Text Table 1). There is no local government, and all SOE debt is guaranteed by the central government. Thus, the combined contingent liability tests exclude contingent liabilities from SOEs. As of end-2021, the outstanding stock of total public debt was EC$2.1 billion (89.3 percent of GDP), up from EC$1.9 billion in 2020 (79.5 percent of GDP). Central government debt was EC$1.9 billion (82.8 percent of GDP) in 2021, up from EC$1.7 billion in 2020 (72.8 percent of GDP), and SOEs debt was EC$0.15 billion (6.5 percent of GDP) in 2021, down from EC$0.16 billion (6.8 percent of GDP).[5]

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. **The composition of public debt is dominated by external debt (Text Figure 1).** The share of external debt in total public debt increased from about 69 percent in 2020 to 74¼ percent in 2021, reflecting the authorities' debt management efforts to lengthen maturity while lowering borrowing costs through more reliance on concessional external loans. The authorities report no arrears to external or domestic creditors.

Text Figure 1. Public Sector Debt Composition
(Percent of GDP)



Source: National authorities and IMF calculations

[5] There is an EC$0.3 billion limit on SOEs' total debt.

3. **External debt rose further in 2021 to 66.3 percent of GDP from 54.8 percent of GDP in 2020** (Text Table 2).[6] The increase in the external public debt-to-GDP ratio largely reflects cost of government responses to the shocks—estimated at 4.8 percent of GDP in 2021—and the contraction of economic activity. Public external debt is mostly financed by multilateral and bilateral loans on concessional terms (62.4 percent and 25.2 percent of the total, respectively). The remainder (12.4 percent of the total) is with private creditors, including regional banks, pension funds, and other regional financial institutions.

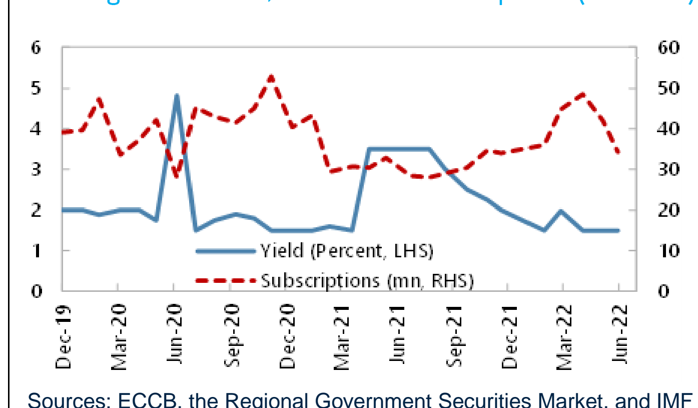
Text Table 2. St. Vincent and the Grenadines:Public Sector External Debt
(Percent of total and percent of GDP)

	2020		2021	
	Total	GDP	Total	GDP
Total	**100.0**	**54.8**	**100.0**	**66.3**
Multilateral	**54.6**	**29.9**	**62.4**	**41.4**
World Bank	23.3	12.8	34.1	22.6
CDB	26.0	14.2	22.3	14.8
IMF	4.0	2.2	5.1	3.4
Other	1.4	0.7	0.9	0.6
Bilateral	**31.2**	**17.1**	**25.2**	**16.7**
Paris Club	1.8	1.0	1.5	1.0
Non-Paris Club	29.4	16.1	23.7	15.7
Private Creditors 1/	**14.2**	**7.8**	**12.4**	**8.2**

Source: National authorities and IMF staff calculations
1/includes T-bills held by ECCB, regional banks, insurance companies, pension funds, among others

4. **The majority of domestic debt is in the form of treasury bills and government bonds (56.7 percent of total domestic debt).** The remainder consists of loans in local currency (23.4 percent of total), accounts payable, and overdraft. Most government securities are held by the buy-and-hold national and regional pension systems, insurance companies, and commercial banks. In 2021, domestic public debt decreased by 1¾ percent of GDP from a year ago, reflecting a decline in both loan and treasury bill balances. After several months of muted investor interest following the volcanic eruptions, access to the regional market resumed in late 2021 and interest rates have remained low (Text Figure 2).

Text Figure 2. T-bills, Number of Subscriptions (2019-22)



Sources: ECCB, the Regional Government Securities Market, and IMF

[6] Debt classification for both historical data and projections is based on a residency basis, treating local currency-denominated debt issued in the local debt market and held by non-residents as external debt.

CHANGE IN THE MACROECONOMIC FORECAST RELATIVE TO PREVIOUS DSA

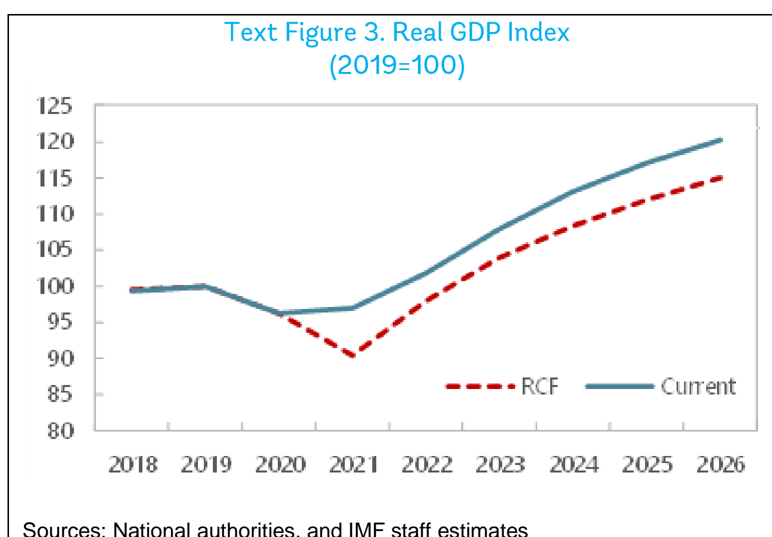
St. Vincent and the Grenadines is recovering from the ongoing pandemic and the volcanic eruptions. Overall, cumulative GDP decline in 2020–21 is estimated to be milder than expected in the 2021 Rapid Credit Facility (RCF) mostly due to smaller-than-expected GDP impact from the volcanic eruptions, helped by the government's decisive policy responses. Real GDP is projected to exceed the pre-pandemic level in 2022. The outlook is shaped by large public and private investment projects, notably the construction of the climate-resilient port and hospital and the Sandals resort. However, strong inflationary pressures from surging import prices are creating a drag. The outlook is subject to significant uncertainty and risks, including from further increases in commodity prices, sharper-than-expected slowdown in trading partners' growth, delays in investment projects including due to lingering supply chain disruptions, the ever-present threat of frequent natural disasters, and outbreaks of new Covid-19 variants.

Developments in 2020–21

5. The growth impact of the pandemic in 2020 was similar to what was expected in the 2021 RCF, though still milder compared to more tourism-dependent regional peers. With a 70-percent drop in stayover arrivals, GDP contracted by 3.7 percent in 2020 (vs. 3.8 percent under the RCF). The recovery in the tourism sector has been slow, with tourist arrivals in 2021 at only 28 percent of the pre-pandemic level.

6. Estimated economic impact from the volcanic eruptions in 2021 was smaller than expected under the RCF. The government's swift policy responses were instrumental in mitigating the socio-economic impact. Immediately after the eruptions, the authorities announced a supplementary budget amounting to US$44 million to target urgent humanitarian and healthcare needs as well as to support affected sectors and displaced workers. Strong post-eruption reconstruction efforts and a robust recovery in agriculture resulted in an estimated GDP increase of 0.8 percent as opposed to the 6.1 percent decline projected under the RCF.

Text Figure 3. Real GDP Index (2019=100)



Sources: National authorities, and IMF staff estimates

7. The overall fiscal deficit widened by 2 percent of GDP in 2021 compared to 2020, a much better outcome than envisaged in the RCF. The better-than-expected fiscal outturn in 2021 was supported by robust revenues and efforts to contain current spending. Tax revenue is estimated at 26.7 percent of GDP, 3 percent of GDP higher than in 2020, largely driven by the government's revenue mobilization efforts through both tax policy and administration measures as well as a one-off land sale.[7] Meanwhile, the government continued efforts to prioritize capital spending on reconstruction and cut non-priority current spending. As a result, capital spending in 2021 was higher and the current spending lower than projected under the 2021 RCF. Nevertheless, the critical eruption- and pandemic-related fiscal responses still pushed public debt from 79.5 percent of GDP in 2020 to 89.3 percent of GDP in 2021.

Outlook

8. Baseline projections include three major capital investment projects from both the public and private sides that significantly affect the macroeconomic outlook.[8]

- **The climate-resilient port modernization project.** The existing port was built more than 50 years ago, raising capacity and safety concerns. The port modernization project, a key strategic project to strengthen resilience to natural disasters, will improve port capacity and efficiency. Along with rising global prices, the cost of the port modernization project rose to about 25 percent of 2022 GDP, 40 percent higher compared to the original estimate. Baseline projections are based on the signed construction contract where the construction was launched in May 2022 and will be completed in 2025. The project is financed by a combination of grants from the United Kingdom and loans from the CDB (about US$110 million) and from bilateral creditors at similar terms.

- **A new climate-resilient hospital.** The baseline includes construction of a modern hospital during 2023–25 as the old one is prone to floods. The new hospital has an estimated total cost of about 10½ percent of 2022 GDP, of which the World Bank (WB) is expected to finance around two-thirds of the total at concessional terms, with the remaining financing expected from multilateral and bilateral creditors at similar terms.

- **Hotel projects.** Several hotel projects are either under construction or in the pipeline, including the Sandals Resort (about 21 percent of 2022 GDP financed by FDI) and the Holiday Inn, construction of which started in 2022 and is expected to be completed by end-2023.

9. Near-term (2022–23) outlook. The continued recovery in tourism and agriculture, post-eruption rebuilding, and the start of several investment projects would support growth of 5 percent in 2022.[9] Despite relatively low vaccination rates, daily new Covid-19 cases are in single digits and stayover arrivals are projected to improve to 70 percent of the pre-Covid levels by 2023, although outbreaks of new variants

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[7] The authorities raised Customs Service Charge rate by 1 percentage point to 6 percent, effective from June 2021. Staff estimate one-off land sale related taxes contributed to tax revenues by 2.5 percent of GDP.

[8] Growth impact from these projects is estimated using conservative output multiplier assumptions. While the current cost estimates of infrastructure projects include a buffer for further price increase, sharper-than-expected increase in global prices imply risks of further increases in project costs, adding pressure on public finances.

[9] Staff expect stayover tourism to recover to the pre-pandemic (2019) levels by 2024.

remain a risk factor (¶12). As tourism continues to recover and large-scale construction projects get into full swing, growth is projected to strengthen to 6.0 percent in 2023. Headline inflation is projected to subside to 4.6 percent in 2023, after accelerating to 5.8 percent in 2022 driven by rising food, fuel, and transportation prices as the war in Ukraine compounds existing supply disruptions and transportation bottlenecks.[10] The current account deficit (CAD) is expected to widen significantly to around 27 percent of GDP on average in 2022-23 on account of the terms of trade shock as well as significant imports for the investment projects. Despite large CAD, imputed international reserves are projected to remain at around 5 months of projected imports of goods and services, supported by direct investment and external financing.

10. Over the medium term (2024–27), economic prospects are favorable. Staff project growth to stay above potential through 2025, supported by major construction projects. Inflation is projected to return to 2 percent in the medium term considering the easing of U.S. inflation to its steady-state level with the projected normalization of global fuel and food prices.[11] The CAD is projected to narrow as tourism fully recovers from the shocks and construction projects are completed. In the medium term, net FDI flow is expected to subside to historical trend and the reserve coverage would stabilize at around 5 months of imports.

11. Long-term (2028–42) projections assume that the economy expands at its potential growth rate of 2.7 percent, in line with the 2021 RCF. The potential growth incorporates an increase in tourism sector capacity supported by the ongoing tourism projects and unlocking benefits from the new airport, as well as a strengthening of the primary sector, benefiting from the authorities' recent and ongoing efforts with broad-based structural reforms aimed to improve productivity and competitiveness. Inflation is projected to remain at 2 percent, in line with the U.S. inflation. The CAD is projected to remain at the level implied by fundamentals and desirable policies, mostly financed by net FDI flows.

12. Risks to the outlook are tilted to the downside. A further escalation of the war in Ukraine and sanctions imposed on Russia and Belarus would result in higher food and energy prices, which would add to inflationary pressures, further eroding incomes and weighing on activity. Sharper-than-expected slowdown of growth in advanced economies due to tighter monetary policy would dampen tourism recovery. Escalating disruptions of supply chains, higher cost of logistics, and capacity constraints of public investment management could delay planned investment projects, a key contributor to growth. Outbreaks of new Covid-19 variants, amidst low vaccination rates, could affect tourism recovery and construction activity. St. Vincent and the Grenadines remains highly vulnerable to the ever-present threat of natural disasters and climate change.

13. Fiscal assumptions under the DSA baseline scenario are as follows (Text Table 3).

[10] Given concerns with food and energy security and the less developed safety nets, the authorities introduced temporary price-mitigating measures at fiscal costs of 0.5 percent of GDP. However, these measures are expected to temper inflationary pressures only marginally.

[11] St. Vincent and the Grenadines (VCT) is a member of the Eastern Caribbean Currency Union, and the exchange rate peg against the U.S. dollar (EC$2.7 per dollar) provides an anchor for inflation. The U.S. price level is a significant determinant of VCT's inflation given that about 40 percent of VCT's imports are from the U.S.

- **Primary balance.** The primary balance for the public sector for 2022–25 is projected to be worse than in the 2021 RCF DSA forecast on account of higher and delayed spending on the more costly port project and the new hospital project.[12] Excluding the pandemic-, volcano-, and port-related spending, the primary balance would average 2.9 percent of GDP, lower than the average surplus of 4.2 percent of GDP projected under the 2021 RCF, largely reflecting the new hospital project. Once these two projects are completed, the primary balance is forecast to remain around 3 percent of GDP, in line with assumptions under the 2021 RCF DSA.

- **Financing.** As the government continues its debt management efforts to lengthen the maturity and lower financing costs, most new financing is expected to come from multilateral and bilateral donors at concessional terms, maintaining an average grant element of new debt at 35 percent during 2022–31. Projected external loan disbursements for 2022–31 include those from existing loan contracts (US$475 million) and new loans (US$221 million). The former includes the CDB and other loans for the port project, the World Bank and Organization of the Petroleum Exporting Countries loans for the hospital, World Bank financing for the Volcanic Eruption Emergency Project (VEEP), Regional Disaster Vulnerability Reduction Program, tourism competitiveness project, agriculture competitiveness program, water and energy sectors, and the construction of government owned hotels, among others. New external financing is expected to mainly come from multilateral and bilateral donors.

- **Debt relief.** The government received 50 percent debt forgiveness in 2017 from PetroCaribe, and the Venezuela government has agreed to forgive the rest of St. Vincent and the Grenadines' debt to PetroCaribe, conservatively estimated by staff at 4.2 percent of GDP.

- **Climate resilience costs.** St. Vincent and the Grenadines experienced frequent natural disasters, with an estimated average annual fiscal cost of 1.1 percent of GDP during 1980–21. The baseline projections incorporate the Contingencies Fund to cover 0.7 percent of GDP annually of the expected fiscal cost, with the remaining from current allocations in goods and services and transfers. Continuing global inflationary pressure could increase costs of rebuilding capital stock after natural disasters and thus warrants considering a higher accumulation of the Contingencies Fund.

[12] 2022 primary balance also incorporated the budgetary impact of temporary policy measures to mitigate the impact of rising living costs as the war in Ukraine compounds existing supply chain disruptions and transportation bottlenecks.

Text Table 3. St. Vincent and the Grenadines: Selected Macroeconomic Indicators Assumptions

	2015-19 (avg)	2020	2021	2022	2023	2024	2025	2026	2027	2028-41 (avg.)
		In percent of GDP, unless otherwise mentioned								
2021 RCF										
Nominal GDP (EC$, million)	...	2,132	2,032	2,263	2,460	2,623	2,766	2,899	3,038	...
Real GDP growth (percent change)	1.4	-3.8	-6.1	8.3	6.1	4.2	3.3	2.7	2.7	2.7
Inflation (avg, percent change)	0.7	-0.6	2.0	2.1	2.1	2.0	2.0	2.0	2.0	2.0
Current account balance	-12.5	-16.3	-22.2	-12.2	-14.2	-11.3	-10.5	-9.6	-9.6	-9.6
CG: Overall balance	-1.1	-5.7	-12.6	-4.0	-4.9	-4.1	-3.5	0.1	0.9	1.2
CG: Primary balance	1.2	-3.3	-9.4	-1.0	-1.6	-0.9	-0.6	3.0	3.6	2.7
CG: Underlying primary balance 1/	1.3	-2.7	1.5	3.8	4.1	6.1	2.9	3.0	3.6	2.7
Port project	0.1	0.6	0.5	3.3	4.1	6.0	3.4	0.0	0.0	0.0
Hospital project	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PS: Overall balance	-0.9	-6.1	-13.0	-4.2	-4.5	-3.8	-3.4	0.5	1.3	1.4
PS: Primary balance	1.8	-3.2	-9.6	-1.1	-1.4	-0.8	-0.5	3.2	3.8	2.8
Total public debt	77.3	86.9	103.7	96.8	93.2	90.9	89.4	84.8	79.4	...
2022 Article IV										
Nominal GDP (EC$, million)	...	2,347	2,355	2,556	2,826	3,022	3,189	3,341	3,500	...
Real GDP growth (percent change)	2.5	-3.7	0.8	5.0	6.0	4.8	3.5	2.7	2.7	2.7
Inflation (avg, percent change)	0.7	-0.6	1.6	5.8	4.6	2.0	2.0	2.0	2.0	2.0
Current account balance	-10.5	-15.1	-22.8	-26.5	-27.6	-19.8	-13.8	-10.2	-9.0	-9.0
CG: Overall balance	-1.0	-5.3	-7.3	-8.2	-6.1	-8.7	-2.4	0.6	1.0	1.2
CG: Primary balance	1.2	-3.1	-4.8	-5.7	-3.4	-6.0	0.3	3.0	3.2	2.7
CG: Underlying primary balance 1/	1.2	-1.2	-0.4	1.6	4.6	2.2	3.1	3.4	3.2	2.7
Port project	0.0	0.1	0.2	4.4	6.9	7.3	2.9	0.3	0.0	0.0
Hospital project	0.0	0.0	0.0	0.0	1.9	3.6	3.4	0.0	0.0	0.0
PS: Overall balance	-0.9	-5.8	-7.5	-8.0	-5.8	-8.8	-2.1	0.8	1.0	1.4
PS: Primary balance	1.7	-3.0	-4.7	-5.8	-3.1	-6.0	0.5	3.3	3.3	2.8
Total public debt	74.6	79.5	89.3	87.8	88.0	89.2	87.8	83.2	79.2	...

Sources: National authorities and IMF Staff calculations and projections
1/Excludes COVID 19, volcano one-offs, and port spending.

REALISM OF THE MACROFRAMEWORK

14. **Debt Dynamics** (Figure 3). The fiscal position is expected to deteriorate in the near term reflecting the post-eruption rebuilding needs and in line with the updated construction plan of the port and hospital projects. Despite the sizable project spending, total public and publicly guaranteed debt as a share of GDP is expected to remain around the 2021 level until 2024, before starting to decline thereafter as the projects approach their completion. This is supported by strong economic growth underpinned by public and private investment, recovery of the tourism and agriculture sectors, the debt relief, and the authorities' commitment to implement fiscal adjustment set out in the 2021 RCF to achieve the regional debt target, including (i) continued strengthening of tax administration, (ii) containing the growth of wages and non-priority current spending, (iii) focusing public investment programs on reconstruction, resilience building, and essential infrastructure by capping the total capital spending during 2021–26,[13] and (iv) achieving a central government primary surplus of at least 3 percent of GDP by 2026. Nevertheless, the debt path is subject to large risks, including from frequent natural disasters, as suggested by the higher unexpected debt increase than most of its peers over the past five years, largely due to the once-in-a-generation natural disaster following a once-in-a-century global pandemic (Figure 3).

[13] This is capped at about EC$1.6 bn under staff's current baseline, compared to EC$1.2 billion in the 2021 RCF, reflecting higher cost of the port modernization project and the new hospital project.

15. The baseline projections reflect staff's most realistic estimates (Figure 4). Prior to the pandemic, the authorities had maintained a relatively prudent fiscal policy stance, instituted a contingencies fund for natural disasters, strengthened the oversight of state-owned enterprises, and introduced a Fiscal Responsibility Framework (FRF) in 2020. Despite the critical pandemic- and volcano-related spending, the fiscal position in 2020 and 2021 did not deteriorate as much as projected at the time of the 2020 and 2021 RCFs, owing to strong revenue mobilization efforts as well as cuts in non-priority current spending (¶7). The baseline projections also incorporate the recently agreed public sector wage growth for 2023–25 and announced changes to income taxes, with the latter as a continuation of government's efforts to align the income tax burden towards the regional averages.[14] Growth in 2022-24 is supported by significant investment from both public and private sectors, cumulatively at 57 percent of 2022 GDP, a rebound of tourism from the very low base in 2021 and post-eruption recovery in agriculture. The large-scale public investment projects are projected to keep the primary deficit elevated in 2022–24 (Text Table 3). The primary deficit will improve significantly during 2025-26 when these projects approach their completion.

COUNTRY CLASSFICIATION AND DETERMINATION OF SCENARIO STRESS TESTS

16. St. Vincent and the Grenadines' debt-carrying capacity is medium (Text Table 4). The country's Composite Indicator (CI) index (which determines the indicative thresholds to assess a country's debt sustainability) is 3.02, corresponding to a "medium" rating (marginally lower than the threshold for "strong" rating (3.05)).5F[15] The debt-carrying capacity is unchanged compared to the rating under the previous Country Policy and Institutional Assessment (CPIA) methodology.6F[16] The corresponding scores for the CI index determine the relevant thresholds for St. Vincent and the Grenadines for both external and total public debt.

[14] The recently concluded public sector wage negotiation implies a cumulative wage growth of 7 percent over 2023–25. The recently announced tax policy changes include (i) a reduction of the top personal income tax (PIT) and corporate income rate from 30 percent to 28 percent, and (ii) an increase of the standard PIT deductions from EC$20,000 to EC$22,000, taking effect from 2023, with an estimated annual cost of about 0.4 percent of GDP.

[15] 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 2022 WEO data and the 2020 CPIA.

[16] 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 4. 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	3.670	1.41	47%
Real growth rate (in percent)	2.719	1.951	0.05	2%
Import coverage of reserves (in percent)	4.052	43.434	1.76	58%
Import coverage of reserves^2 (in percent)	-3.990	18.865	-0.75	-25%
Remittances (in percent)	2.022	6.490	0.13	4%
World economic growth (in percent)	13.520	3.050	0.41	14%
CI Score			3.02	100%
CI rating			Medium	

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

17. The combined contingent liability stress test is aligned to the country's specific risks (Text Table 5). 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.[17]

Text Table 5. St. Vincent and the Grenadines: Combined Contingent Liability Shock

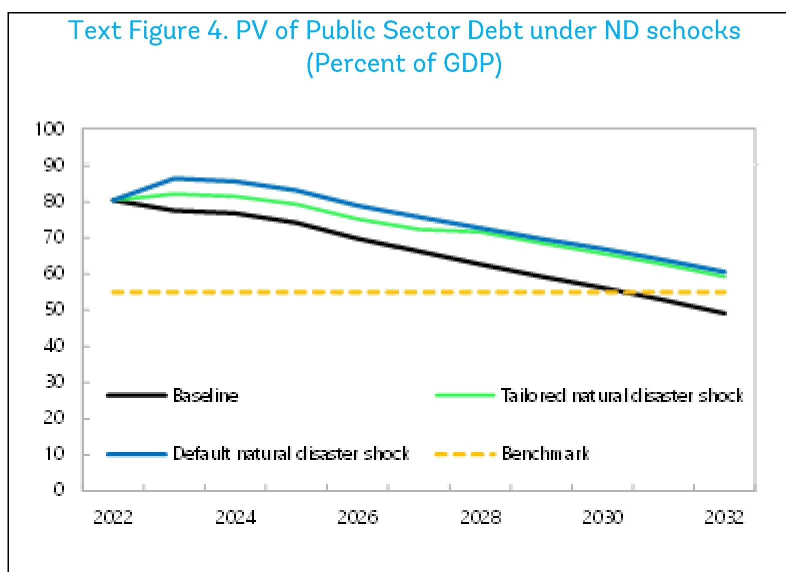
1	The country's coverage of public debt	The central government, government-guaranteed debt			
		Default		Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed 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 governmet is assessed to be negligible, a country team may reduce this to 0%.

[17] Potential contingent liabilities from the pension system are not included. Parametric reforms introduced in 2014 improved the sustainability of the National Insurance System (NIS), but only temporarily, as its reserves are projected to be depleted by around 2034. Currently, the government is assessing options to further strengthen NIS's financial position and to reduce the burden from the public service pension system.

18. Two natural disaster scenarios are conducted to better reflect St. Vincent and the Grenadines' exposure to natural disasters (Text Figure 4). The first scenario 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 peak at 87 percent of GDP in 2023 and decline to 61 percent by 2032 (Table 4). The second (tailored) scenario is based on the country's own historical data and assumes more frequent natural disasters (every 5 years) with a smaller economic impact, resulting in 1 percentage point lower growth and 2 percent of GDP fiscal costs.[18] In the tailored scenario, the PV of public debt would peak at around 82 percent of GDP in 2023–24 and decline to 59 percent of GDP by 2032 (Figure 2 and Table 4).

Text Figure 4. PV of Public Sector Debt under ND schocks
(Percent of GDP)



DEBT SUSTAINABILITY ANALYSIS

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

19. The risk of external debt distress is high (Figure 1 and Table 1 and 3).

- **Under the baseline scenario, the PV of external debt-to-GDP ratio** would fall below the indicative threshold of 40 percent of GDP by 2034 (Figure 1 and Table 1). It remains above the benchmark during the projection period 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, potentially reaching 99 percent of GDP by 2024, but then gradually declining to below 74 percent of GDP by 2032. Under the default settings of the natural disaster

[18] Under the baseline, natural disaster hits the country every 15 years and estimated to have 1.1 percent of GDP fiscal costs, based on historical data from 1980–21. The country-specific scenario uses parameters that amplifies the historical average impact as to take into account future price increase to some extent. Other assumptions remain the same as in the case of the severe natural disaster case, including the timing of the GDP shock and fiscal costs applied (starting 2023).

tailored test, the PV of external debt would peak at 72 percent of GDP in 2024 and gradually decline to 56 percent of GDP by 2032 (See ¶18).

- **The PV of external debt-to-exports ratio** would meet the indicative threshold by 2024 under the baseline scenario and **the PPG external debt service-to-exports ratio** by 2027, which incorporated DSSI payments through 2027.[19] A shock to exports pushes the debt service-to-exports ratio to peak at 65 percent in 2031, well above the 15 percent threshold. The shock to exports keeps the PV of external debt-to-exports ratio above its indicative threshold (180 percent) over the projection period.

- **The external debt service to revenue ratios,** after a short-lived breach of the 18 percent threshold in 2022, will remain well below the threshold from 2023, reflecting resilient tax revenues and ongoing tax measures. With both the shock to exports and the most extreme combination shock does the debt service to revenue ratio beach its threshold temporarily over the forecast horizon.

PUBLIC DEBT SUSTAINABILITY ANALYSIS

20. The overall risk of debt distress remains high (Figure 2 and Table 2 and 4). The PV of public debt is estimated to have peaked at 86 percent of GDP in 2021 and is expected to start to decline in 2022. The public debt to GDP ratio is expected to remain elevated in the near term before steadily declining afterwards, noticeably as construction of large investment projects is completed. Building on recent and continued fiscal adjustment efforts assumed under the baseline scenario, the PV of public debt is projected to meet the benchmark of 55 percent of GDP by 2031 and the public debt to GDP ratio to fall under the Eastern Caribbean Currency Union (ECCU) debt ceiling (of 60 percent of GDP) by 2032. Public debt path is particularly sensitive to the growth shock: under the most extreme stress scenario, which assumes real GDP growth equal to its 10-year historical average minus one standard deviation for 2021 and 2022, the PV of public debt could continue to rise and reach 126 percent of GDP by 2032. Under other alternative scenarios including a shock to exports, the PV of public debt would reach 106 percent of GDP by 2024 but fall below 100 percent of GDP by 2026, meeting the threshold of 55 percent of GDP by 2037.

RISK RATING AND VULNERABILITIES

21. St. Vincent and the Grenadines' debt is at high risk of distress but is deemed sustainable, broadly unchanged from the 2021 DSA assessment. The increase in the debt to GDP ratio is driven by (i) once-in-a-generation natural disaster following a once-in-a-century global pandemic, (ii) a significant increase in the cost of the port modernization project by about 6 percent of 2022 GDP, and (iii) a new hospital project (of about 10½ percent of 2022 GDP). Before the pandemic, the authorities had maintained a relatively prudent fiscal policy stance and sought to improve the fiscal framework. Even with the economic fallout from the shocks and the humanitarian crisis from the volcanic eruptions, the government managed to reduce the underlying primary deficit (excluding port-, pandemic-, and volcanic eruption-related

[19] Government benefitted from Debt Service Suspension Initiative (DSSI) of total US$ 3.7 million. The repayment is expected to commence December 2022 through June 2027.

spending) from 1.2 percent of GDP in 2020 to 0.4 percent in 2021 by mobilizing revenues and containing non-priority spending. The authorities remain committed to fiscal prudence and are targeting to improve the central government primary balance to a surplus of at least 3 percent of GDP by 2026, consistent with the FRF, once the shocks recede and the large investment projects approach their completion in 2025.[20] The improvement is supported by continued fiscal adjustment efforts, including: (i) enhancing taxpayers' compliance, especially by focusing on large taxpayers, digitalizing the tax system, fully implementing the Tax Administration Procedures Act, and improving customs legal framework, supported by the CARTAC; (ii) containing growth of wages and non-priority current spending, and (iii) re-prioritizing capital investment to balance the needs for a resilient recovery and preserving debt sustainability. If the authorities' measures are fully implemented, the debt-to GDP ratio is expected to peak in 2024 and decline thereafter, with debt-to-GDP and debt service ratios following downward paths once reconstruction efforts and port and hospital projects approach their completion in 2025. Beyond the authorities' fiscal plans, there are mitigating factors such as no roll-over risks associated with the short-term debt, declining interest rates in the regional debt market despite tightening global financial market, and relatively favorable borrowing terms given the large share of concessional financing. Combined with the authorities' strong commitment to long-term fiscal adjustment as embodied in the FRF as well as their cautious debt management strategy, public debt is assessed as sustainable while risks to debt sustainability remain elevated.

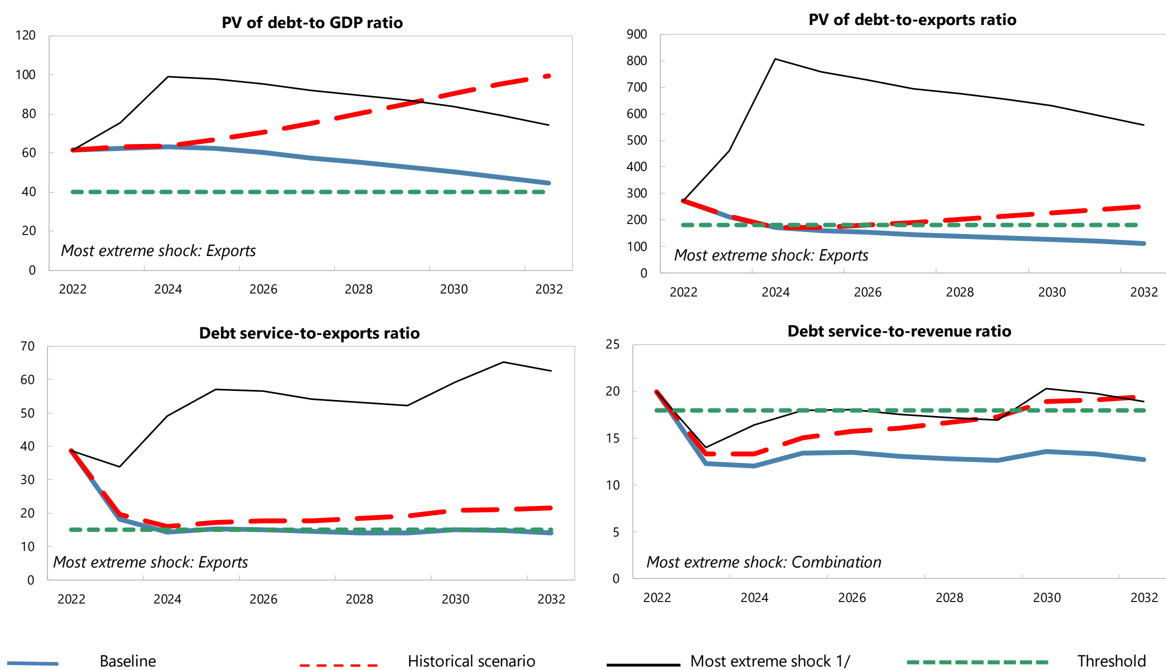
22. Risks to the medium term are tilted to the downside and consistent with a "high" risk rating for external and public debt distress. The Covid-19 shock could be more prolonged than assumed, resulting in a more protracted recovery to the tourism sector. The war in Ukraine has compounded existing supply disruptions and transportation bottlenecks and exacerbated already high commodity prices, which could further increase the cost of the government's investment projects and/or incur further relief measures to mitigate the impact of higher living costs. Moreover, St. Vincent and the Grenadines remains highly susceptible to climate change and the ever-present threat of frequent natural disasters.

23. To reduce vulnerabilities and to ensure debt sustainability, the authorities should continue to seek concessional loans, further strengthen fiscal institutions, and fully operationalize the FRF once the recovery is on a solid footing. Large-scale public investment projects, if financed through less concessional financing terms, could undermine debt sustainability. Accordingly, the authorities should continue keeping new borrowing on concessional terms. Continued policy efforts to build resilience to natural disasters and strengthen public investment management, including through an IMF Public Investment Management Assessment with a climate module (expected in early 2023), would help address vulnerability and long-term debt sustainability. Furthermore, the authorities should continue to improve the budget process and medium-term fiscal policy framework and strengthen SOE oversight and cash management. The FRF, approved in January 2020, should be recalibrated considering the pandemic- and volcanic eruption-related surge in debt and sizable critical climate resilience investment needs to facilitate its full operationalization once the recovery takes hold. Given the high risks and vulnerability to external shocks, it would be prudent to build additional buffers and prepare contingency plans to return debt to the baseline should fiscal slippages and external shocks materialize.

[20] With the support from CARTAC TAs, the authorities have started working on improving budget process and medium-term fiscal planning to underpin effective implementation of the FRF.

24. Under the IDA Sustainable Development Financing Policy, the authorities effectively implemented required Performance and Policy Actions in FY21 and FY22. These included: the strengthening of the production and publication of the annual Debt Portfolio Review, requiring publication by end-September annually, as well as the inclusion in the report of all government-guaranteed and SOE debt to further debt transparency; the creation of the Fiscal Responsibility Mechanism (FRM – i.e., a fiscal council); and establishment of the FRM's reporting standards, timelines for the FRM's reports, its annual budget assessment and annual compliance reports, and final operating principles for the FRM.

Figure 1. St. Vincent and the Grenadines: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2022–32



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	2.8%	2.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	6	6

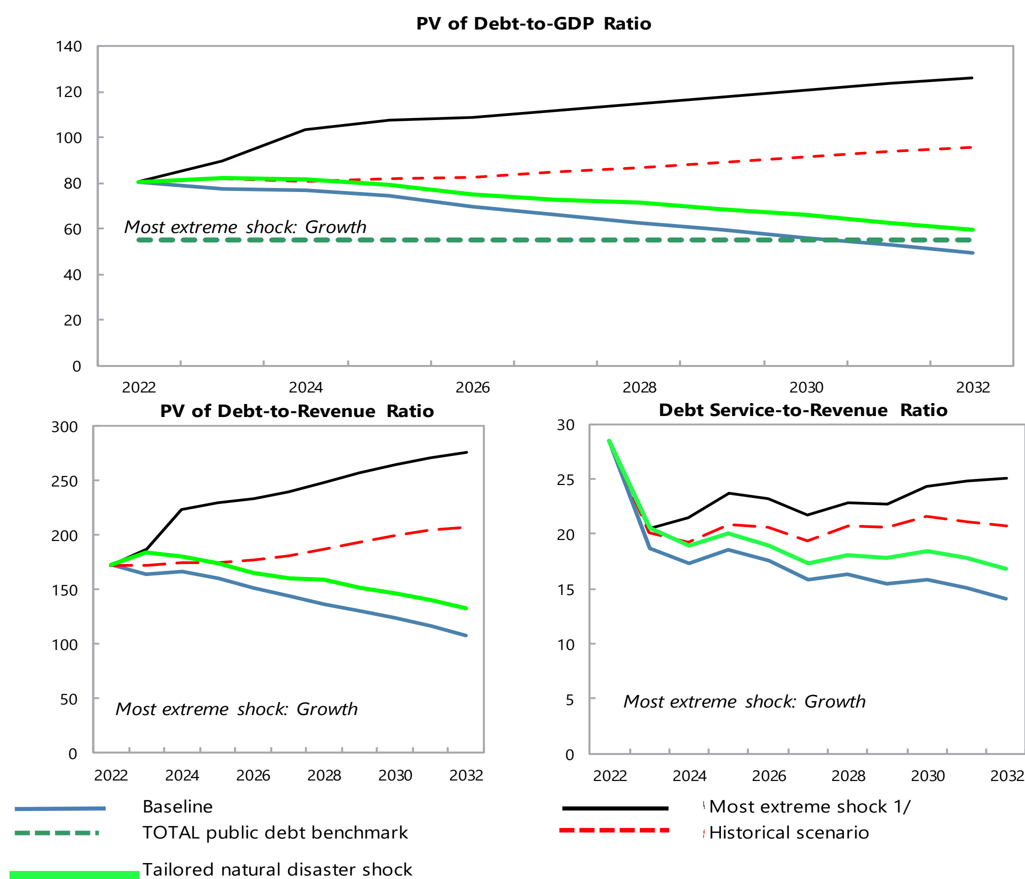
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2032. 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, 2022–32



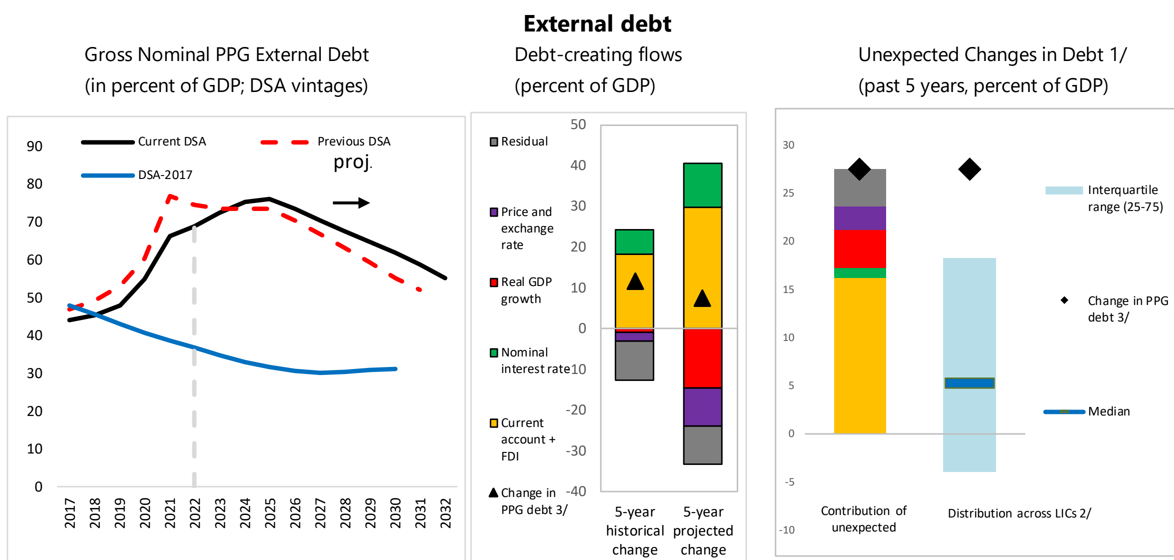
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	90%	90%
Domestic medium and long-term	7%	7%
Domestic short-term	3%	3%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.8%	2.8%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.9%	4.9%
Avg. maturity (incl. grace period)	10	10
Avg. grace period	5	5
Domestic short-term debt		
Avg. real interest rate	-0.3%	-0.3%

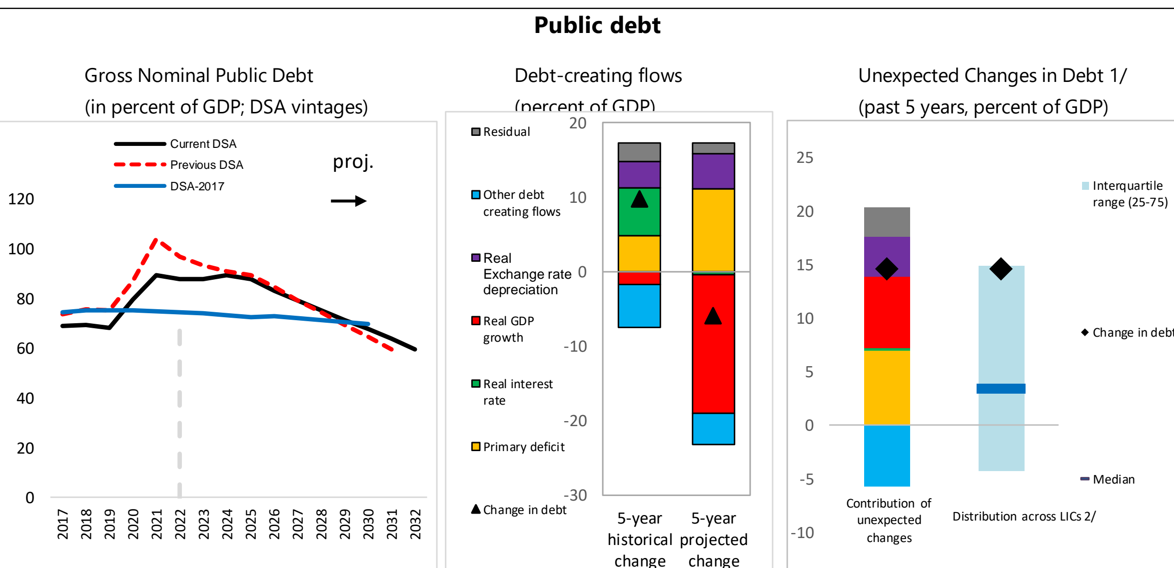
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year

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 2032. 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





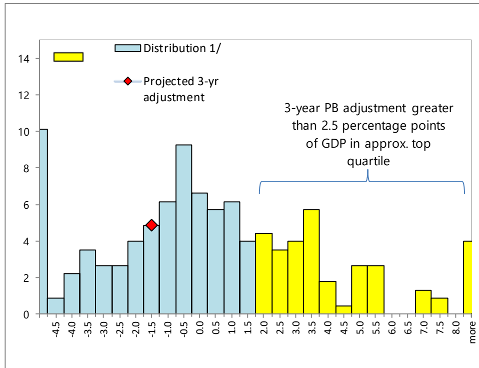
1/ Difference between anticipated and actual contributions on debt ratios.

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

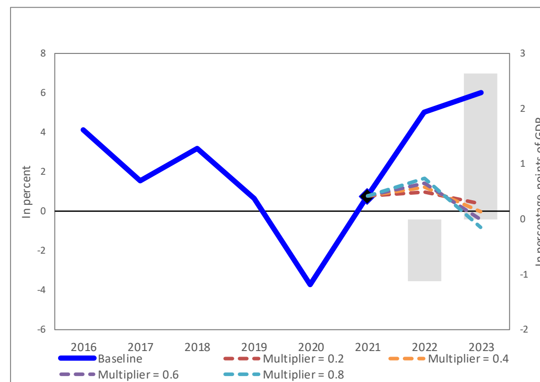
3-Year Adjustment in Primary Balance 2/
(Percentage points of GDP)



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.

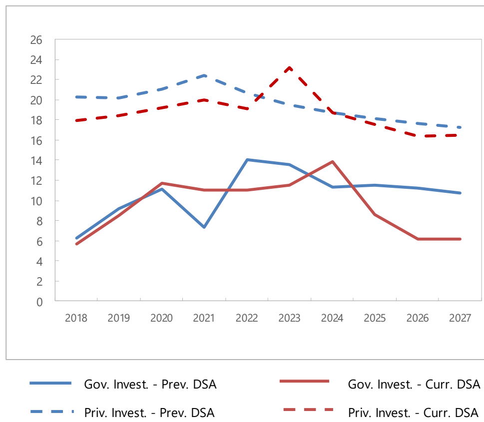
2/ The 3-year adjustment in PB is largely affected by the phasing of the port project spending, with 2024 being the peak year of the construction. The 3-year adjustment efforts, as more properly captured by the underlying PB (after excluding covid-, volcano-, and port-related spending), amount to 2¾ percent of GDP during 2021-24.

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
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

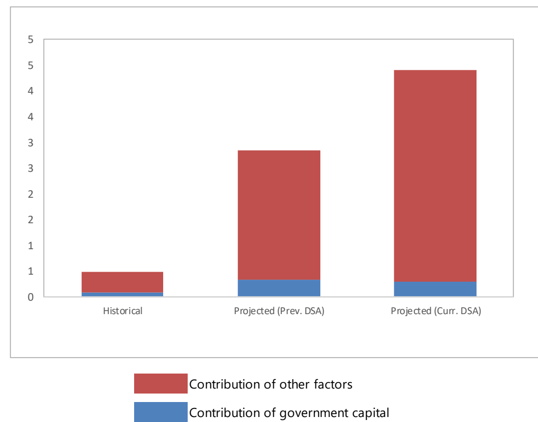


Table 1. St. Vincent and the Grenadines: External Debt Sustainability Framework, Baseline Scenario, 2021–42
(In percent of GDP, unless otherwise indicated)

	Actual	Projections														Average 8/	
	2021	2022	2023	2024	2025	2026	2027	2031	2032	2033	2034	2035	2036	2041	2042	Historical	Projections
External debt (nominal) 1/	66.3	68.9	72.6	75.4	76.0	73.5	70.3	58.7	55.1	51.7	48.5	45.6	42.7	28.2	26.1	48.3	67.7
of which: public and publicly guaranteed (PPG)	66.3	68.9	72.6	75.4	76.0	73.5	70.3	58.7	55.1	51.7	48.5	45.6	42.7	28.2	26.1	48.3	67.7
Change in external debt	11.5	2.6	3.7	2.8	0.7	-2.5	-3.2	-3.2	-3.6	-3.3	-3.3	-2.9	-2.9	-2.7	-2.1		
Identified net debt-creating flows	15.5	10.6	7.7	7.4	1.7	-1.3	-2.9	-2.6	-2.5	-2.5	-2.4	-2.3	-2.2	-1.8	-1.8	4.5	0.9
Non-interest current account deficit	21.4	24.9	25.6	17.6	11.4	7.8	6.8	7.2	7.3	7.4	7.5	7.6	7.6	8.2	8.3	15.9	11.8
Deficit in balance of goods and services	31.8	31.9	31.4	22.6	17.1	13.8	12.6	12.6	12.6	12.6	12.6	12.6	12.6	12.6	12.6	21.3	17.5
Exports	15.9	22.5	29.5	36.7	38.7	39.2	39.7	39.7	39.7	39.7	39.7	39.7	39.7	39.7	39.7		
Imports	47.7	54.4	60.9	59.2	55.8	53.0	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4	52.4		
Net current transfers (negative = inflow)	-9.5	-7.4	-6.5	-5.8	-5.4	-5.2	-5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-5.2	-3.2
of which: official	-2.0	-2.7	-3.7	-2.2	-2.3	-2.1	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2	-2.2		
Other current account flows (negative = net inflow)	-0.8	0.4	0.6	0.8	-0.3	-0.8	-0.8	-5.5	-5.4	-5.2	-5.1	-5.1	-5.0	-4.5	-4.3	-0.1	-2.5
Net FDI (negative = inflow)	-7.1	-12.9	-16.2	-9.2	-9.6	-9.6	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-10.0	-11.6	-10.7
Endogenous debt dynamics 2/	1.1	-1.4	-1.6	-1.0	-0.1	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.0	-0.1		
Contribution from nominal interest rate	1.3	1.7	2.1	2.2	2.4	2.4	2.2	1.8	1.7	1.6	1.4	1.4	1.3	0.8	0.6		
Contribution from real GDP growth	-0.4	-3.1	-3.7	-3.3	-2.5	-2.0	-1.9	-1.6	-1.5	-1.4	-1.3	-1.2	-1.2	-0.8	-0.7		
Contribution from price and exchange rate changes	0.2	...	...	...	...	...	...	...	...	...	...	...	...	...	...		
Residual 3/	-4.1	-8.0	-4.0	-4.6	-1.0	-1.2	-0.3	-0.6	-1.1	-0.9	-0.9	-0.6	-0.7	-0.8	-0.3	-2.0	-1.9
of which: exceptional financing	0.0	-4.2	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	63	62	62	63	62	60	57	48	44	42	39	37	34	21	19		
PV of PPG external debt-to-exports ratio	395	273	211	172	162	154	145	120	112	105	98	92	86	53	49		
PPG debt service-to-exports ratio	23	39	18	14	15	15	14	15	14	13	13	13	13	9	9		
PPG debt service-to-revenue ratio	8	20	12	12	13	13	13	13	13	12	12	12	11	9	8		
Gross external financing need (Million of U.S. dollars)	177.8	220.2	154.3	152.6	90.6	51.8	33.0	47.3	46.6	47.2	50.4	49.8	51.6	47.2	45.5		
Key macroeconomic assumptions																	
Real GDP growth (in percent)	0.8	5.0	6.0	4.8	3.5	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	1.4	3.5
GDP deflator in US dollar terms (change in percent)	-0.4	3.4	4.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.6	2.3
Effective interest rate (percent) 4/	2.5	2.7	3.4	3.3	3.4	3.3	3.1	3.0	3.0	3.0	2.9	3.0	3.0	2.8	2.4	2.5	3.1
Growth of exports of G&S (US dollar terms, in percent)	-26.6	54.0	44.8	32.8	11.3	6.1	6.2	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	-0.3	16.3
Growth of imports of G&S (US dollar terms, in percent)	11.3	24.0	23.8	3.9	-0.6	-0.5	3.5	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	1.3	7.1
Grant element of new public sector borrowing (in percent)	...	36.9	35.2	34.8	35.9	30.7	31.2	30.7	32.1	28.5	27.6	25.4	26.2	29.3	20.8	...	31.6
Government revenues (excluding grants, in percent of GDP)	45.5	43.9	43.7	43.9	43.9	44.0	43.9	43.9	43.9	43.5	43.5	43.5	43.6	43.5	43.5	41.0	43.9
Aid flows (in Million of US dollars) 5/	514.1	92.5	95.8	74.6	68.4	39.2	45.8	46.6	44.0	51.9	52.7	52.4	51.2	43.9	41.4		
Grant-equivalent financing (in percent of GDP) 6/	...	8.2	8.5	5.8	5.3	3.5	3.4	2.7	2.5	2.8	2.7	2.6	2.4	1.7	1.5	...	4.4
Grant-equivalent financing (in percent of external financing) 6/	...	46.6	49.0	45.9	50.2	53.1	57.0	51.4	55.7	57.0	56.3	53.3	53.7	58.4	49.5	...	50.4
Nominal GDP (Million of US dollars)	872	947	1,047	1,119	1,181	1,237	1,296	1,561	1,635	1,713	1,794	1,879	1,969	2,483	2,601		
Nominal dollar GDP growth	0.4	8.5	10.6	6.9	5.6	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	2.1	5.9
Memorandum items:																	
PV of external debt 7/	62.7	61.5	62.3	63.1	62.5	60.1	57.4	47.6	44.5	41.7	38.9	36.5	34.0	21.2	19.3		
In percent of exports	394.6	272.9	210.9	172.1	161.5	153.5	144.6	119.9	112.0	105.0	98.0	91.9	85.6	53.3	48.5		
Total external debt service-to-exports ratio	23.4	38.8	18.2	14.4	15.2	15.1	14.4	14.7	14.0	13.5	13.3	12.8	12.5	9.4	8.6		
PV of PPG external debt (in Million of US dollars)	547.0	582.5	651.7	705.9	737.7	743.9	744.3	743.2	727.5	714.1	698.4	686.2	669.0	525.7	501.3		
(PVt-PVt-1)/GDPt-1 (in percent)		4.1	7.3	5.2	2.8	0.5	0.0	-0.6	-1.0	-0.8	-0.9	-0.7	-0.9	-1.4	-1.0		
Non-interest current account deficit that stabilizes debt ratio	10.0	22.3	21.8	14.8	10.7	10.3	10.0	10.4	10.9	10.8	10.8	10.4	10.6	10.8	10.4		

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

Debt Accumulation

Debt Accumulation
Grant-equivalent financing (% of GDP)
Grant element of new borrowing (% right scale)

External debt (nominal) 1/

of which: Private

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.

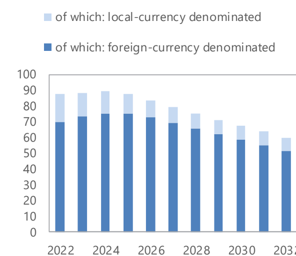
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

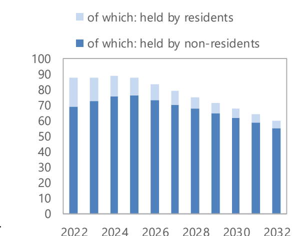
Table 2. St. Vincent and the Grenadines: Public Sector Debt Sustainability Framework, Baseline Scenario, 2021–42
(In percent of GDP, unless otherwise indicated)

	Actual	Projections											Average 6/	
	2021	2022	2023	2024	2025	2026	2027	2031	2032	2036	2041	2042	Historical	Projections
Public sector debt 1/	**89.3**	**87.8**	**88.0**	**89.2**	**87.8**	**83.2**	**79.2**	**63.9**	**59.7**	**46.4**	**30.1**	**27.9**	**75.0**	**77.5**
of which: external debt	**66.3**	**68.9**	**72.6**	**75.4**	**76.0**	**73.5**	**70.3**	**58.7**	**55.1**	**42.7**	**28.2**	**26.1**	**48.3**	**67.7**
Change in public sector debt	9.7	-1.5	0.1	1.2	-1.4	-4.6	-4.1	-3.8	-4.2	-3.2	-2.9	-2.2		
Identified debt-creating flows	**7.3**	**-5.3**	**-1.8**	**3.2**	**-3.1**	**-5.1**	**-5.3**	**-4.8**	**-4.7**	**-3.5**	**-3.1**	**-2.3**	**2.4**	**-3.8**
Primary deficit	**4.7**	**5.8**	**3.1**	**6.0**	**-0.5**	**-3.3**	**-3.3**	**-3.2**	**-3.2**	**-2.4**	**-2.4**	**-1.6**	**1.5**	**-0.8**
Revenue and grants	48.1	46.7	47.4	46.0	46.3	46.1	46.1	45.4	45.4	45.2	44.7	44.7	**43.6**	**46.0**
of which: grants	2.6	2.7	3.7	2.2	2.3	2.1	2.2	1.6	1.6	1.7	1.2	1.1		
Primary (noninterest) expenditure	52.8	52.5	50.6	52.1	45.7	42.9	42.8	42.2	42.2	42.8	42.3	43.1	**45.2**	**45.3**
Automatic debt dynamics	**2.6**	**-6.9**	**-5.0**	**-2.8**	**-2.5**	**-1.9**	**-2.0**	**-1.6**	**-1.5**	**-1.1**	**-0.7**	**-0.7**		
Contribution from interest rate/growth differential	0.2	-6.9	-5.0	-2.8	-2.5	-1.9	-2.0	-1.6	-1.5	-1.1	-0.7	-0.7		
of which: contribution from average real interest rate	0.8	-2.6	0.0	1.2	0.5	0.4	0.2	0.2	0.2	0.2	0.2	0.1		
of which: contribution from real GDP growth	-0.6	-4.3	-5.0	-4.0	-3.0	-2.3	-2.2	-1.8	-1.7	-1.3	-0.9	-0.8		
Contribution from real exchange rate depreciation	2.4	...	...	...	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**-4.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**-0.4**
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		
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		
Debt relief (HIPC and other)	0.0	-4.2	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		
Residual	**2.5**	**3.8**	**2.0**	**-2.0**	**1.7**	**0.6**	**1.3**	**1.0**	**0.5**	**0.3**	**0.2**	**0.1**	**0.0**	**0.9**
Sustainability indicators														
PV of public debt-to-GDP ratio 2/	**86**	**80**	**78**	**77**	**74**	**70**	**66**	**53**	**49**	**38**	**23**	**21**		
PV of public debt-to-revenue and grants ratio	**178**	**172**	**164**	**167**	**160**	**151**	**144**	**116**	**108**	**83**	**52**	**47**		
Debt service-to-revenue and grants ratio 3/	**20**	**28**	**19**	**17**	**19**	**18**	**16**	**15**	**14**	**12**	**9**	**9**		
Gross financing need 4/	16.4	14.9	12.0	14.0	8.1	4.9	4.0	3.7	3.2	3.2	1.9	2.3		
Key macroeconomic and fiscal assumptions														
Real GDP growth (in percent)	0.8	5.0	6.0	4.8	3.5	2.7	2.7	2.7	2.7	2.7	2.7	2.7	**1.4**	**3.5**
Average nominal interest rate on public debt (in percent)	3.7	2.9	3.6	3.5	3.5	3.5	3.2	3.2	3.2	3.2	3.1	2.7	**3.5**	**3.3**
Average nominal interest rate on external debt (in percent)	2.5	2.7	3.4	3.3	3.4	3.3	3.1	3.0	3.0	3.0	2.8	2.4	**2.5**	**3.1**
Average real interest rate on domestic debt (in percent)	6.8	-0.1	0.2	2.5	2.5	2.5	2.2	3.1	3.3	3.4	5.1	5.5	**4.6**	**2.1**
Real exchange rate depreciation (in percent, + indicates depreciation)	4.6	...	...	...	...	...	...	...	...	...	...	...	**1.3**	**...**
Inflation rate (GDP deflator, in percent)	-0.4	3.4	4.3	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	**0.6**	**2.3**
Growth of real primary spending (deflated by GDP deflator, in percent)	6.0	4.3	2.2	7.9	-9.1	-3.7	2.6	2.9	2.7	2.0	2.7	4.5	**3.1**	**1.5**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-5.1	7.2	3.0	4.8	0.8	1.3	0.8	0.6	1.0	0.8	0.5	0.6	**-4.0**	**1.9**
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		

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, 2022–32
(In Percent)

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
						PV of debt-to GDP ratio					
Baseline	**62**	**62**	**63**	**62**	**60**	**57**	**55**	**53**	**50**	**48**	**44**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**62**	**63**	**63**	**67**	**70**	**75**	**80**	**85**	**90**	**95**	**100**
B. Bound Tests											
B1. Real GDP growth	**62**	**69**	**76**	**76**	**73**	**70**	**67**	**64**	**61**	**58**	**54**
B2. Primary balance	**62**	**64**	**67**	**66**	**64**	**61**	**59**	**57**	**54**	**52**	**48**
B3. Exports	**62**	**76**	**99**	**98**	**95**	**92**	**90**	**87**	**84**	**79**	**74**
B4. Other flows 3/	**62**	**73**	**78**	**78**	**75**	**72**	**70**	**68**	**65**	**61**	**57**
B5. Depreciation	**62**	**78**	**73**	**72**	**69**	**66**	**63**	**60**	**57**	**54**	**50**
B6. Combination of B1-B5	**62**	**91**	**97**	**96**	**93**	**90**	**87**	**84**	**80**	**76**	**71**
C. Tailored Tests											
C1. Combined contingent liabilities	**62**	**66**	**67**	**66**	**64**	**61**	**59**	**56**	**54**	**51**	**48**
C2. Natural disaster	**62**	**70**	**72**	**71**	**69**	**67**	**65**	**64**	**62**	**59**	**56**
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	**273**	**211**	172	162	154	145	139	133	127	120	112
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**273**	**214**	173	172	180	**189**	**202**	**214**	**227**	**239**	**251**
B. Bound Tests											
B1. Real GDP growth	**273**	**211**	172	162	154	145	139	133	127	120	112
B2. Primary balance	**273**	**218**	**183**	172	164	154	149	143	137	130	122
B3. Exports	**273**	**460**	**808**	**758**	**728**	**694**	**676**	**656**	**630**	**595**	**558**
B4. Other flows 3/	**273**	**247**	**214**	**201**	**192**	**182**	177	171	163	154	144
B5. Depreciation	**273**	**212**	158	149	141	132	127	121	115	108	101
B6. Combination of B1-B5	**273**	**442**	**217**	**497**	**476**	**452**	**438**	**423**	**403**	**380**	**356**
C. Tailored Tests											
C1. Combined contingent liabilities	**273**	**223**	**181**	170	162	153	148	142	136	129	121
C2. Natural disaster	**273**	**241**	**198**	**187**	179	171	166	162	157	150	144
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	**39**	**18**	14	**15**	**15**	14	14	14	15	15	14
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**39**	**20**	**16**	**17**	**18**	**18**	**18**	**19**	**21**	**21**	**21**
B. Bound Tests											
B1. Real GDP growth	**39**	**18**	14	**15**	**15**	14	14	14	15	15	14
B2. Primary balance	**39**	**18**	15	**16**	**15**	15	15	14	**16**	**15**	15
B3. Exports	**39**	**34**	**49**	**57**	**57**	**54**	**53**	**52**	**59**	**65**	**63**
B4. Other flows 3/	**39**	**18**	**15**	**17**	**16**	**16**	**15**	**15**	**17**	**18**	**17**
B5. Depreciation	**39**	**18**	14	15	15	14	14	14	15	14	13
B6. Combination of B1-B5	**39**	**30**	**39**	**41**	**40**	**39**	**38**	**37**	**45**	**44**	**42**
C. Tailored Tests											
C1. Combined contingent liabilities	**39**	**18**	15	**15**	**15**	15	14	14	**15**	15	14
C2. Natural disaster	**39**	**19**	**15**	**16**	**16**	**16**	**15**	**15**	**16**	**16**	**15**
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	**20**	12	12	13	13	13	13	13	14	13	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**20**	13	13	15	16	16	17	17	**19**	**19**	**19**
B. Bound Tests											
B1. Real GDP growth	**20**	14	15	16	16	16	16	15	16	16	15
B2. Primary balance	**20**	12	12	14	14	13	13	13	14	14	13
B3. Exports	**20**	13	14	17	17	16	16	16	18	**20**	**19**
B4. Other flows 3/	**20**	12	13	15	15	14	14	14	16	16	15
B5. Depreciation	**20**	15	15	16	16	16	16	15	17	16	15
B6. Combination of B1-B5	**20**	14	16	18	**18**	18	17	17	**20**	**20**	**19**
C. Tailored Tests											
C1. Combined contingent liabilities	**20**	12	12	14	14	13	13	13	14	14	13
C2. Natural disaster	**20**	12	13	14	14	14	13	13	14	14	13
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, 2022–32

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
					PV of Debt-to-GDP Ratio						
Baseline	**80**	**78**	**77**	**74**	**70**	**66**	**63**	**59**	**56**	53	49
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**80**	**82**	**81**	**82**	**83**	**85**	**87**	**89**	**92**	**94**	**96**
A2. Alternative Scenario : Tailored natural disaster shock	**80**	**82**	**82**	**79**	**75**	**72**	**72**	**69**	**66**	**63**	**59**
B. Bound Tests											
B1. Real GDP growth	**80**	**89**	**104**	**107**	**109**	**112**	**115**	**118**	**121**	**124**	**126**
B2. Primary balance	**80**	**79**	**81**	**78**	**73**	**69**	**66**	**62**	**59**	**56**	52
B3. Exports	**80**	**88**	**106**	**103**	**99**	**95**	**91**	**88**	**84**	**79**	**74**
B4. Other flows 3/	**80**	**88**	**92**	**89**	**85**	**81**	**78**	**74**	**70**	**66**	**62**
B5. Depreciation	**80**	**90**	**85**	**78**	**71**	**65**	**59**	53	47	42	36
B6. Combination of B1-B5	**80**	**79**	**82**	**80**	**75**	**72**	**68**	**65**	**62**	**58**	55
C. Tailored Tests											
C1. Combined contingent liabilities	**80**	**81**	**80**	**77**	**72**	**69**	**65**	**62**	**59**	**55**	52
C2. Natural disaster	**80**	**87**	**86**	**83**	**79**	**76**	**73**	**70**	**67**	**64**	**61**
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	172	164	167	160	151	144	137	130	124	116	108
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	172	172	174	175	177	181	188	194	199	204	208
A2. Alternative Scenario : Tailored natural disaster shock	28	21	19	20	19	17	18	18	18	18	17
B. Bound Tests											
B1. Real GDP growth	172	187	223	229	234	240	248	257	264	270	275
B2. Primary balance	172	167	175	168	158	150	144	137	131	123	115
B3. Exports	172	186	231	223	214	206	199	193	185	174	162
B4. Other flows 3/	172	186	200	193	184	176	170	163	155	146	136
B5. Depreciation	172	191	185	170	154	141	129	117	105	92	79
B6. Combination of B1-B5	172	167	177	173	163	155	149	143	136	128	120
C. Tailored Tests											
C1. Combined contingent liabilities	172	171	173	166	157	149	143	136	129	122	113
C2. Natural disaster	172	182	186	180	171	164	159	153	147	141	133
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	28	19	17	19	18	16	16	16	16	15	14
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	28	20	19	21	21	19	21	21	22	21	21
A2. Alternative Scenario : Tailored natural disaster shock	28	21	19	20	19	17	18	18	18	18	17
B. Bound Tests											
B1. Real GDP growth	28	21	21	24	23	22	23	23	24	25	25
B2. Primary balance	28	19	18	19	18	16	17	16	17	16	15
B3. Exports	28	19	18	21	20	18	18	18	19	20	19
B4. Other flows 3/	28	19	18	20	19	17	17	17	18	18	17
B5. Depreciation	28	20	20	22	21	19	19	18	19	18	16
B6. Combination of B1-B5	28	19	18	20	19	17	17	17	17	16	15
C. Tailored Tests											
C1. Combined contingent liabilities	28	19	18	19	18	16	17	16	16	16	15
C2. Natural disaster	28	19	19	20	19	17	17	17	17	17	16
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.