INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL MONETARY FUND

ST. VINCENT AND THE GRENADINES

Joint World Bank-IMF Debt Sustainability Analysis

May 2020

Prepared jointly by the staffs of the International Development Association (IDA)

and the International Monetary Fund (IMF)

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St. Vincent and Grenadines: Joint Bank-Fund Debt Sustainability Analysis	
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 (unchanged from the previous assessment in the 2018 Article IV Staff Report).[1] With the pandemic crisis and the economic contraction, the fiscal position will deteriorate in 2020, and total public and publicly guaranteed debt is expected to increase from 75.2 percent of GDP in 2019 to 85.8 percent in 2020. Beyond 2021, the large port project will put additional pressure on public finances. The authorities are committed to increasing the central government primary balance from a deficit of 3.7 percent of GDP in 2020 to a surplus of no less than 2.1 percent of GDP by 2025, mainly through expenditure-side measures (e.g., containing the growth of current spending and prioritizing capital programs). This will put the debt-to-GDP ratio on a solid downward path after 2021 and make debt sustainable in a forward-looking sense. Under staff's baseline scenario, the present value (PV) of public debt as a percent of GDP is projected to start falling in 2021 and that of external debt in 2024 but stay above indicative benchmarks for an extended period. The PV of debt-to-exports and the debt service-to-exports ratios would fall below the indicative threshold by 2021 and 2023, respectively (Figures 1 and 2).

[1] St. Vincent and the Grenadines' score in the Composite Indicator is 3.0, implying that the country's debt carrying capacity is classified as medium. The classification determines the corresponding debt and debt service benchmarks for the external public and publicly guaranteed external debt and for total public debt.

BACKGROUND ON PUBLIC SECTOR DEBT

1. **There are no data gaps in public sector debt coverage (Text Table 1).** Public sector debt includes central government debt and state-owned enterprises (SOEs) debt.1F[2] As of end-2019, the outstanding stock of total public debt was EC$1.7 billion (75.2 percent of GDP), of which central government debt was EC$1.5 billion (67.6 percent of GDP), and SOEs debt was EC$0.2 billion (7.6 percent of GDP).[3] Thus, the combined contingent liability stress test excludes contingent liabilities from SOEs.

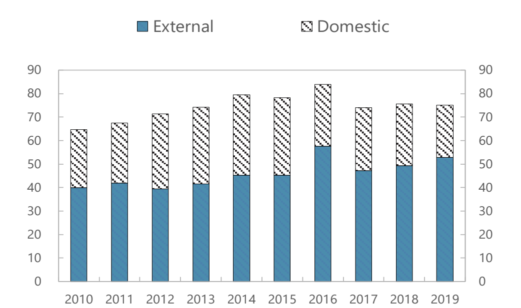
Text Table1. St. Vincent and the Grenadines: Coverage of Public Sector Debt

	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	X

2. **The composition of public debt is dominated by external debt (Text Figure 1).** As of end 2019, the stock of external debt accounted for 70 percent of total public debt, while domestic debt accounted for 30 percent of total.

3. **External public debt increased from 49.3 of GDP in 2018 to 53.0 percent of GDP in 2019.** The increase in external public debt-to-GDP ratio reflects the worsening of the primary balance due to higher outlays on public investment projects (1.6 percent, y/y), and the negative contribution from the interest rate-growth differential. Most public external debt is with multilateral and bilateral donors (47.1 percent and 34.1 percent of total, respectively) on concessional terms. The remaining 18.8 percent is mainly with regional private creditors, including banks, pension funds, and other regional financial institutions (Text Figure 2 and Text Table 2).

Text Figure1. St. Vincent and the Grenadines: Public Sector Debt
(Percent of GDP)



Sources: St. Vincent and the Grenadines authorities and IMF staff calculations.

[2] Note that there are no local governments. In addition, all of SOEs' external debt is guaranteed by the central government.
[3] There is a EC$0.3 billion limit on SOEs' total debt.

Text Table 2. St. Vincent and the Grenadines: Public Sector External Debt, 2019

(Percent of total and percent of GDP)

	Percent of Total	Percent of GDP
Total	**100.0**	**53.0**
Multilateral	**47.1**	**24.9**
World Bank	16.4	8.7
Caribbean Development Bank	28.5	15.1
IMF	0.9	0.5
Other	1.3	0.7
Bilateral	**34.1**	**18.1**
Paris Club	2.9	1.5
Non-Paris Club	31.2	16.5
Private Creditors[1]	**18.8**	**10.0**
Regional banks	4.6	2.4
ECCB, Sinking Funds	2.0	1.1
Regional pension funds	2.0	1.0
Other regional financial institutions	1.8	1.0
Others[2]	8.5	4.5

Source: Ministry of Finance, St. Vincent and the

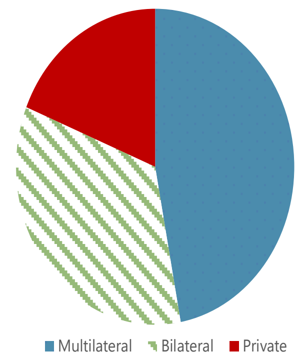
[1] Includes external debt contracted to build the new international

[2] Includes T-bills held by ECCB, regional banks, insurance companies, pension funds, among others.

[3] Includes FCIB and other private investors.

Text Figure 2. St. Vincent and the Grenadines: Public Publicly Guaranteed External Debt, 2019

(Percent of total)



Sources: St. Vincent and the Grenadines' authorities and IMF staff calculations.

4. **The majority of domestic debt is in the form of treasury bills and government bonds (63 percent of total domestic debt).** The remainder consists of loans in local currency (25 percent of total) and accounts payable (about 6 percent).3F[4] Most of the government securities are held by the buy-and-hold national and regional pension systems, insurance companies, and commercial banks.

CHANGE IN THE MACROECONOMIC FORECAST RELATIVE TO PREVIOUS DSA

5. **The global coronavirus outbreak has led to a significant deterioration in the near-term macroeconomic outlook.**

- Tourism is a key driver of economic growth in St. Vincent and the Grenadines, with tourism arrivals from the United States, Canada, and the United Kingdom accounting for near two-thirds of total arrivals.[5] The spread of the coronavirus in these key source economies has dampened demand for tourism, with overall tourism arrivals expected to fall by nearly 50 percent in 2020. While local outbreaks are limited (only 17 cases as of May 13), a disruption to tourism-related activity will slow economic growth significantly to -5.5 percent in 2020.

[4] Debt classification 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.

[5] Tourism-related sectors (hotels, restaurants, transport, and retail trade) and wholesale sector (which cannot be stripped out due to data limitation) account for about 30 percent of GDP in national accounts.

- The fiscal position is expected to weaken as government revenues have been affected and spending pressures emerged as a result of the pandemic. On March 25, the authorities announced a fiscal package of about 3½ percent of GDP to address urgent needs in the public health sector, support key sectors of the economy, and expand the social safety net and protect displaced workers. [6] While the measures are temporary and set to expire in three months, revenues will decline by 1¼ percent of GDP compared to 2019. On the expenditure side, despite the effort to reprioritize spending programs, total expenditure is expected to increase by 2¾ percentage points of GDP. The overall deficit is projected to widen to 6¼ percent of GDP in 2020 (up from 2.4 percent of GDP in 2019).

- On the external side, the current account deficit is projected to widen in 2020 to 17.5 percent of GDP, due to a 50 percent decline in tourist receipts partly offset by a decline in tourism-sector related imports. Net FDI inflows are also expected to fall by 50 percent. With the worsening of the current account balance and the financial account, the level of imputed international reserves is expected to decline from 6.2 months of total imports of goods and services in 2019 to 4.4 months in 2020.[7]

6. **In December 2019, the Caribbean Development Bank approved funding for a large-scale port modernization project.** The existing port was built over 50 years ago, giving rise to safety concerns and with limited capacity to accommodate increased traffic. The cost of building a new port, however, is quite large for a small economy like St. Vincent and the Grenadines (amounting to nearly 21 percent of GDP), partly because financing terms are less generous.[8] The port project would support construction demand but also put heavy pressure on public finances.

7. **Over the medium term, the economic prospects are more favorable.** Staff projects real GDP growth to rebound to 4.1 percent in 2021, with relatively high levels of growth through 2023 before stabilizing to a more sustainable level of 2.7 percent after 2024.[9] Key assumptions are: (i) the global coronavirus crisis is temporary, and economic activity would be normalized later in 2020, followed by a moderate rebound in stayover tourism arrivals in the next tourism season (December2020-March 2021); (ii) the construction of the new port project gets into full swing in 2021, and a new geothermal plant come on stream (by 2022), boosting overall economic activity; and (iii) over the medium term, net FDI inflows

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[6] Expenditure measures (amounting to 3 percent of GDP) include: (i) an increase in funding for the health sector to construct an isolation unit (recently finished), purchase drugs and equipment, and hire extra medical staff; (ii) various construction projects to generate jobs; (iii) support to agriculture, fishery and tourism sectors; (iv) temporary increase of the social safety net to protect the most vulnerable; and (v) an income support program for workers displaced in the tourism sector.

[7] Calculated as the stock of imputed international reserves in year T divided by total imports of goods and services in year T+1. For 2020, the import coverage ratio assumes prospective official financing from IMF and the World Bank.

[8] The total size of the port project is US$ 185 million, of which US$100 million will be financed through the Caribbean Development Bank's Ordinary Capital Resources (2.75 percent interest rate, 19-year maturity, including a 5-year grace period) and US$10 million from its Special Funds Resources (at 1 percent, 25-year maturity including a 5-year grace period). The remaining US$32 million will be financed through UK grants and US$43 million through counterpart resources by the authorities.

[9] The medium-term growth projections have been revised up from the 2.3 percent growth assumed in the 2018 Article IV Staff report. This reflects (i) the impact of the port project; (ii) upward revisions to the annual average growth rate of net FDI inflows; and (iii) the impact of the geothermal project.

continue to rise, particularly in the tourism sector and assuming that the authorities maintain efforts to improve the investment climate. Inflation is projected to stay at around 2 percent (broadly in line with inflation expectation in the United States).[10] The current account deficit would narrow, and with a recovery in net FDI inflows, the level of imputed international reserves would stay at around 4-5 months of total imports of goods and services.

8. Fiscal assumptions under the DSA baseline scenario are as following (Text Table 3).

- The primary balance for the public sector is projected to average a deficit of 1.2 percent of GDP in 2021-2024, worse than the 2018 DSA baseline due to the negative impact of the COVID-19 and higher capital spending due to the port construction. Excluding the port, the primary balance would average a surplus of 1¾ percent of GDP. Once the port project is completed, the primary balance would improve to a surplus of 2¾ percent of GDP in 2025-2027.

- Natural disasters occur at the magnitude and frequency of the last 15 years. The average annual fiscal cost is estimated at 1.4 percent of GDP, of which 0.7 percent of GDP is covered by the contingency fund and the remaining 0.7 percent from current allocations in goods and services and transfers.

- External loan disbursements include those from existing loan contracts (US$220 million) and new loans (US$350 million). The former include financing for the Regional Disaster Vulnerability Reduction Program, tourism competitiveness project, agriculture competitiveness program, water and energy sectors, and the construction of government owned hotels, among others. Most of the new financing is expected to come from multilateral and bilateral donors: US$53.4 million to cover the financing gap that has emerged due to the global COVID-19 pandemic, including US$16 million under the IMF's RCF, US$22.5 million from the World Bank for budget support and emergency response to COVID-19, and the remainder from other donors; and specific projects (e.g., , new port, coastal protection, and agribusiness). These will contribute to maintain an average grant element of new debt at 25 percent during 2020-2030.

[10] St. Vincent and the Grenadines 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.

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

	2019	2020	2021	2022	2023	2024	2025
2018 DSA							
Nominal GDP (EC$, millions)	2,334	2,438	2,544	2,655	2,771	2,892	3,019
Real GDP growth, (percent change), market price	2.3	2.4	2.3	2.3	2.3	2.3	2.3
Inflation (GDP deflator, percent change)	2.3	2.0	2.0	2.0	2.0	2.0	2.0
Current account balance (percent of GDP)	-15.0	-14.0	-13.2	-12.4	-11.5	-11.4	-11.5
Central government primary balance (percent of GDP)	0.8	1.0	1.0	1.1	1.2	1.2	1.2
Central government fiscal balance (percent of GDP)	-1.7	-1.5	-1.4	-1.3	-1.3	-1.2	-1.0
Public sector, primary balance (percent of GDP)	0.8	1.0	1.0	1.1	1.2	1.2	1.2
Public sector, fiscal balance (percent of GDP)	-1.9	-1.7	-1.7	-1.6	-1.5	-1.4	-1.3
Total public debt (percent of GDP)	71.3	69.6	68.0	66.6	65.5	64.5	63.6
Current DSA							
Nominal GDP (EC$, millions)	2,226	2,131	2,255	2,370	2,487	2,607	2,731
Real GDP growth, (percent change), market price	0.4	-5.5	4.1	3.0	2.9	2.7	2.7
Inflation (GDP deflator, percent change)	1.2	0.9	1.6	2.0	2.0	2.0	2.0
Current account balance (percent of GDP)	-10.0	-17.5	-12.1	-12.7	-10.8	-9.6	-8.3
Central government primary balance (percent of GDP)	0.1	-3.7	-1.9	-1.8	-1.1	1.1	2.1
Central government fiscal balance (percent of GDP)	-2.4	-6.2	-4.5	-4.5	-4.1	-1.7	-0.4
Public sector, primary balance (percent of GDP)	0.0	-3.6	-2.0	-1.5	-0.6	1.6	2.5
Public sector, fiscal balance (percent of GDP)	-3.1	-6.4	-4.7	-4.3	-3.4	-1.2	-0.1
Total public debt (percent of GDP)	75.2	85.8	85.5	85.4	84.8	82.1	78.5
Memorandum item:							
Public sector, primary bal. excl. port (percent of GDP)	0.4	-3.1	3.5	6.3	3.2	1.8	2.1

Source: St. Vincent and the Grenadines Ministry of Finance and IMF Staff calculations and projections.

REALISM OF THE MACROFRAMEWORK

9. **Debt dynamics (Figure 3).** With the pandemic crisis and the economic contraction, the fiscal position will deteriorate in 2020, and total public and publicly guaranteed debt is expected to increase from 75.2 percent of GDP in 2019 to 85.8 percent in 2020. Thereafter, public debt is projected to decline gradually, reflecting the expected moderate rebound in economic activity once the global pandemic subsides, low global interest rates, the coming on-stream of the new geothermal power plant by end-2021 and its associated decline in oil imports, as well as the authorities' commitment to implement fiscal consolidation measures, including (i) strengthening tax administration; (ii) restraining the growth of recurrent spending; and (iii) prioritizing and re-evaluating public investment projects in the pipeline. Public external debt is projected to increase temporally in 2020-2023 due to the construction of the new port but to fall steadily afterwards.

10. **Given the significant level of uncertainty, the baseline scenario is based on staff's best realistic judgement (Figure 4)**. The projected widening of the fiscal balance in the near term reflects the impact of the COVID-19 pandemic. Beyond 2021, growth will be supported by the construction of the new port and other public investment projects including the new geothermal project and private and public investments in hotels.

COUNTRY CLASSIFICATION

11. **St. Vincent and the Grenadines' debt-carrying capacity is medium (Text Table 4).** St. Vincent's Composite Indicator (CI) index (which determines the indicative thresholds to assess a country's debt sustainability) is calculated as 3.0, corresponding to a "medium" rating,.5F[11] St. Vincent's debt carrying capacity is unchanged compared to the rating under the previous Country Policy and Institutional Assessment (CPIA) methodology.6F[12] The corresponding scores for the CI index determine the relevant thresholds for St. Vincent and the Grenadines for both external and total public debt (Text Table 5).

Text Table 4. St. Vincent and the Grenadines: Debt-Carrying Capacity Under the Composite Indicator Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.610	1.39	46%
Real growth rate (in percent)	2.719	1.628	0.04	1%
Import coverage of reserves (in percent)	4.052	40.106	1.63	54%
Import coverage of reserves^2 (in percent)	-3.990	16.085	-0.64	-21%
Remittances (in percent)	2.022	5.425	0.11	4%
World economic growth (in percent)	13.520	3.499	0.47	16%
CI Score			3.00	100%
CI rating			Medium	

Text Table 5. St. Vincent and the Grenadines: Composite Indicator Index: Thresholds

Text Table 5. Composite Indicator Index: Thresholds

External debt	Weak	Medium	Strong
PV of external in percent of:			
Exports	140	**180**	240
GDP	30	**40**	55
Debt service in percent of:			
Exports	10	**15**	21
Revenue	14	**18**	23
Total debt: PV of total public debt in percent of GDP	35	**55**	70

[11] 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 October 2019 WEO data and the 2018 CPIA.

[12] 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.

12. **The combined contingent liability stress test is aligned to St. Vincent's specific risks (Text Table 6).** The stress test includes the potential impact from existing public-private partnerships (PPPs) and risks pertaining to financial markets. SOEs' debt, which is guaranteed by the government, is excluded from the stress test as it is already included in total public debt.7F[13]

Text Table 6. 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	SoE's guaranteed and non-guaranteed by the government included in total public debt.
4	PPP	35	percent of PPP stock	13.7	
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)			18.7	

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%.

DEBT SUSTAINABILITY ANALYSIS[14]

External Debt Sustainability Analysis

13. **External debt distress is high.**

- **Under the baseline scenario, the PV of external debt-to-GDP ratio** would remain above the indicative benchmark of 40 percent of GDP through 2031 (Figure 1 and Table 1). It remains above the benchmark during the projection period under stress test scenarios, including due to shocks to growth, exports, and a hypothetical one-time 30 percent depreciation (Tables 3 and 4). The shock that generates the largest impact on the PV of debt-to-GDP ratio is a combination of the mentioned shocks with the PV of external debt potentially reaching 90 percent of GDP by 2023, but then gradually declining to 64 percent of GDP by 2030.

- **The PV of debt-to-exports ratio** and **the debt service-to-exports ratio** would breach temporarily (through 2022) the indicative thresholds both under the baseline and standardized stress test scenarios. A shock to exports pushes the debt service-to-exports ratio to 32 percent in 2023, well above the 15 percent threshold. The shock to exports

[13] 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 temporary, as its reserves are projected to be depleted by around 2033. Currently, the government is assessing options to further strengthen NIS's financial position and to reduce the burden from the public service pension system.

[14] Natural disaster assumptions are unchanged from the 2018 Article IV Consultation DSA.

keeps the PV of debt-to-exports ratio above its indicative threshold (180 percent) over the projection period.

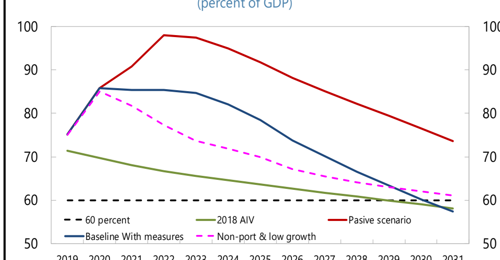
Public Debt Sustainability Analysis

14. The overall risk of debt distress remains high (Figure 2 and Table 2). The PV of public debt is estimated to peak at 83.8 percent of GDP in 2020 and start declining in 2021. It is estimated that it meets the benchmark of 55 percent of GDP by 2030. The public debt to GDP ratio is also expected to fall to 60 percent in 2030, meeting the ECCU's debt target just on time. Under the "most extreme stress scenario," which assumes real GDP growth equal to its historical average (10 years) minus one standard deviation for 2020 and 2021, the PV of public debt would reach 100 percent of GDP around 2022. Under other alternative scenarios including a shock to exports, the PV of public debt (in percent of GDP) would reach 104 percent by 2022 but decline afterwards to around 75 percent by 2030, above the 55 percent benchmark.

15. Two natural disaster scenarios are conducted reflecting St. Vincent and the Grenadines' exposure to natural disasters: (i) a one-time very severe natural disaster, in line with the default settings of the natural disaster tailored test, occuring in 2021, which would lower growth from 4.1 to 2.6 percent and with fiscal costs estimated at 10 percent of GDP; and (ii) a recurrent natural disaster scenario—but less severe than (i)—with the country being hit by natural disasters at the magnitude and frequency of the last 10 years with annual fiscal costs of 2 percent of GDP (i.e., 0.6 percent of GDP higher than in the baseline scenario) and real GDP growth lower by 1 percent. Under a tailored test of "one-time natural disaster" the PV of public debt would peak at 92 percent of GDP in 2021 and decline to 69 percent of GDP by 2030. Under the "recurrent natural disaster" scenario, the PV of public debt would peak at around 89 percent of GDP in 2023 and decline gradually to 72 percent of GDP by 2030.

16. The port project will put pressure on public debt. Were the port project not to take place, public debt would start falling in 2021 but would not reach 60 percent of GDP until 2030 similar as in the active scenario, which includes the execution of the port. Note that this scenario assumes that the authorities will take the same degree of fiscal consolidation efforts as in the active scenario and that GDP growth is sustained at around 2.5 percent over the medium term. Downside risks to debt sustainability, however, would be high. The port is one of the key priority resilience projects and its assets already exceeded its design life (build more than 50 years ago, well above its operational life of 30 year). Should there be structural failure of the existing port (possibly resulting from natural disasters), significant negative economic impacts would ensue.

St. Vincent and the Grenadines: Public Debt Scenarios[1]
(percent of GDP)



Source: IMF staff estimates.

[1] Pasive scenario reflects the authorities' baseline scenario pre-COVID-19.
Active scenario with the port reflects revenue and expenditure measures to create room for the port.
Non port & low growth reflects the active scenario without the port project. The assumption of fiscal adjustments is the same as "Active scenario with the port." Growth projects are adjusted downward taking account of the negative impact of "no port" on the growth.

RISK RATING AND VULNERABILITIES

17. Under the active scenario, St. Vincent and the Grenadines' debt is at high risk of distress and is sustainable on a forward-looking basis, broadly unchanged from the assessment in the 2018 Article IV DSA. The authorities are committed to increasing the central government primary balance from a deficit of 3.7 percent of GDP in 2020 to a surplus of no less than 2.1 percent of GDP by 2025, mainly through (i) enhanced taxpayers compliance, especially by focusing on large taxpayers and by adhering to the recently enacted Tax Administration Procedures Act; (ii) rationalizing exemptions from import duties and VAT on imports; (iii) and expenditure-side measures such as containing the growth of non-interest recurrent spending and prioritizing the government investment program. Altogether, the authorities' measures will put the debt-to-GDP ratio and debt service on a solid downward path after 2022, with a faster decline once the port project is completed in 2024.

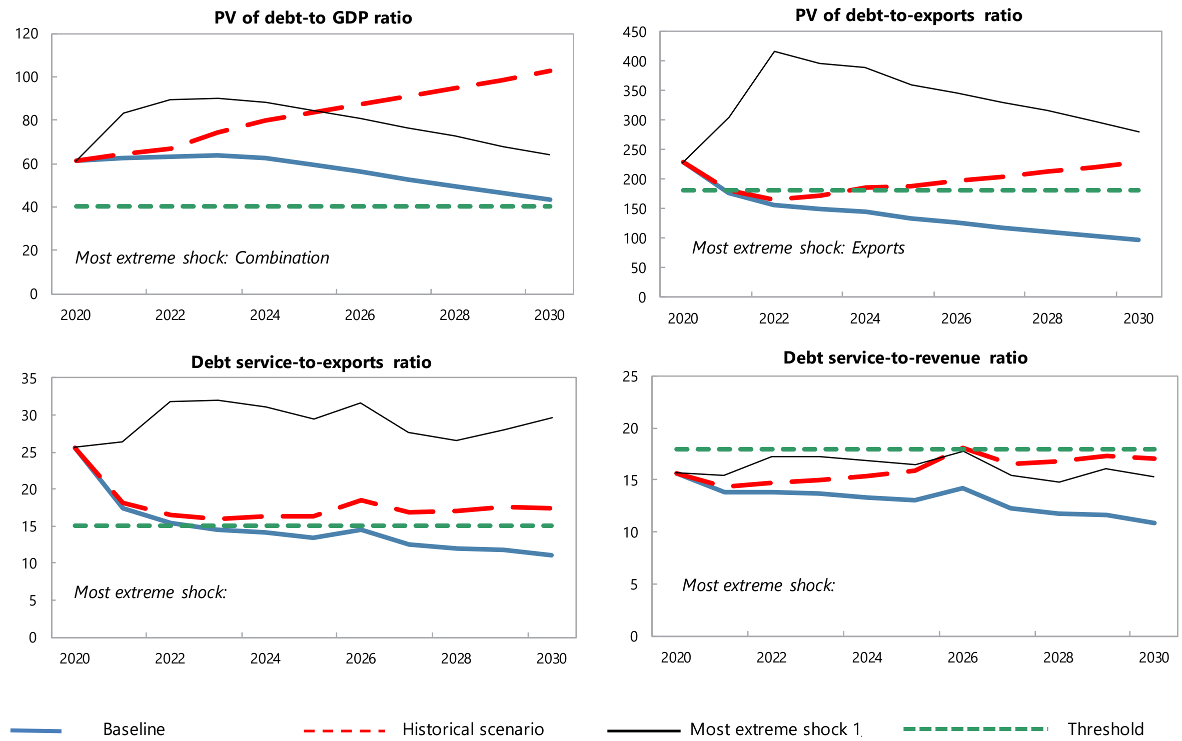
18. Risks to the medium term are tilted to the downside consistent with a "high" risk rating for external and public debt distress. The coronavirus pandemic crisis could be prolonged, with more severe disruptions to global economic activity than assumed, resulting in a deeper and more protracted damage to the tourism sector. In addition, were wider local outbreaks to erupt, economic recession would be more severe and protracted. Furthermore, once the hurricane season starts (early Summer), St. Vincent and the Grenadines would be threatened by natural disaster risks. Given these substantial uncertainties around growth and debt-service capacity, the authorities' LOI commitment to ensure their overall fiscal plan protects debt sustainability through an updated DSA conducted together with World Bank and Fund staff at the time of the 2021 budget preparation is a valuable safeguard.

19. To reduce vulnerabilities, the authorities should seek concessional loans and further strengthen fiscal institutions. Large scale public investments, if financed through less concessional financing terms, could undermine debt sustainability. Accordingly, further efforts are needed to keep new borrowing on concessional terms. In this context, the debt service burden would be reduced to the extent that more favorable financing terms were to be offered on the port project, taking advantage of sharply reduced global interest rates since the global pandemic outbreak. Furthermore, the authorities should continue efforts to strengthen public investment management, and further improve the medium-term fiscal policy framework. Resolute implementation of the recently enacted Fiscal Responsibility Framework and additional fiscal measures will be needed to bolster fiscal buffers and protect public finances from the impact of natural disasters and climate change.

AUTHORITIES' VIEWS

20. The authorities agreed with the debt sustainability assessment under the baseline scenario. They noted that the recent approval of the Fiscal Responsibility Framework will help them to put public debt on a sustainable path. They agreed that external shocks such as the COVID-19 pandemic and natural disasters pose risks to debt dynamics but reiterated their commitment to fiscal discipline to put the debt to GDP ratio on a firmly downward trajectory by implementing fiscal consolidation measures once the global COVID-19 pandemic is under control. They view that staff's GDP projection is too conservative, and if the medium-term growth rate is around 3.2 percent (compared to staff's projection of 2.7 percent) the ECCU's debt target of 60 percent of GDP would be achievable before 2030. They agreed that additional fiscal reforms would be needed to create fiscal space to support their capital spending program, and especially so if the country continues to be hit by natural disasters.

Figure 1. St. Vincent & the Grenadines: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2020-2030



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	No	No
Commodity price	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	2.6%	2.6%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	7	7

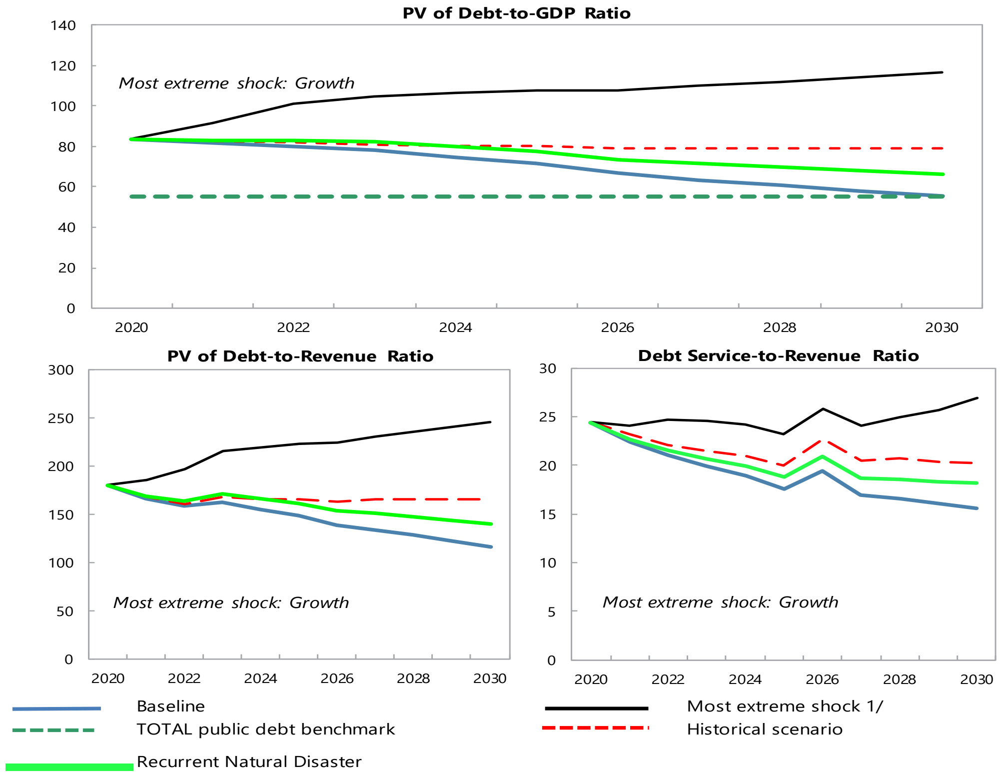
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2030. 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 & the Grenadines: Indicators of Public Debt Under Alternative Scenarios, 2020-2030



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	69%	69%
Domestic medium and long-term	24%	24%
Domestic short-term	6%	7%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.6%	2.6%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.6%	5.6%
Avg. maturity (incl. grace period)	9	9
Avg. grace period	5	5
Domestic short-term debt		
Avg. real interest rate	1.4%	1.4%

* 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.

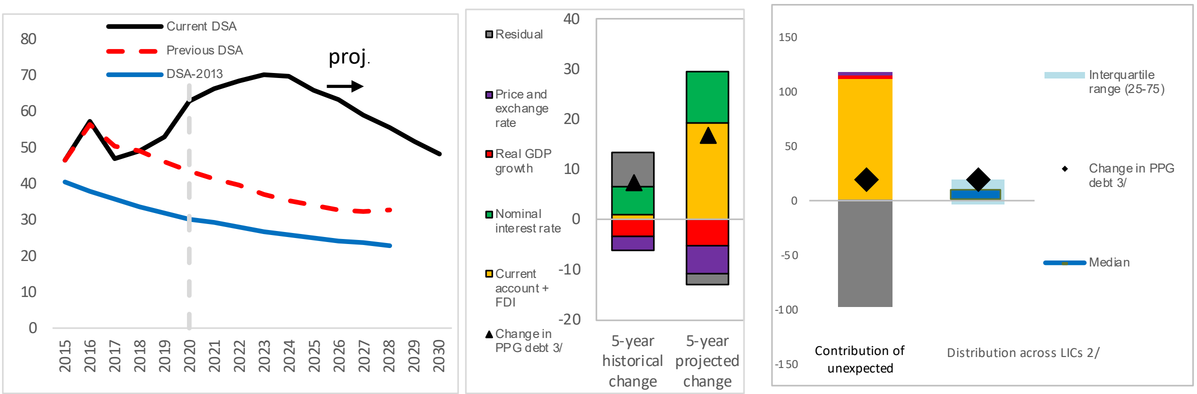
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. 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 & the Grenadines: Drivers of Debt Dynamics - Baseline Scenario

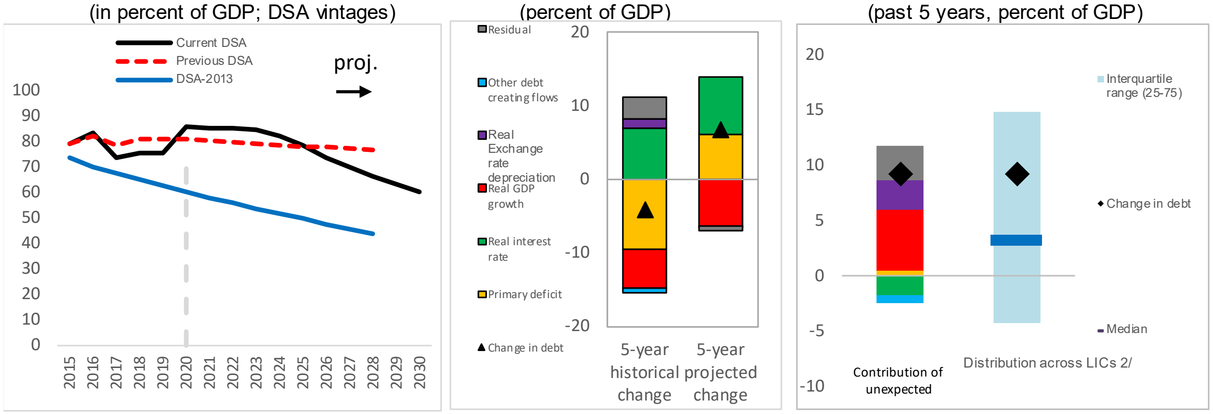
External Debt

Gross Nominal PPG External Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



Public debt

Gross Nominal Public Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



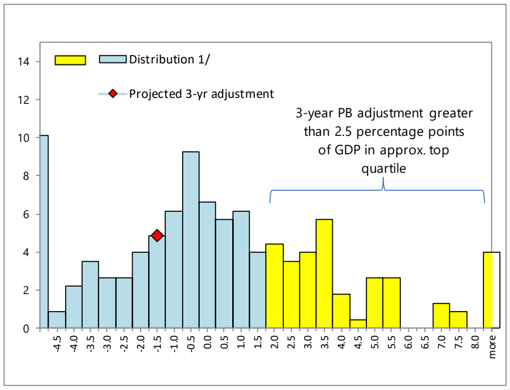
1/ Difference between anticipated and actual contributions on debt ratios.

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.

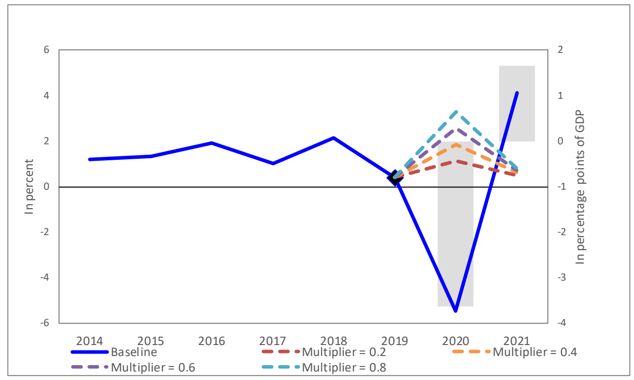
Figure 4. St. Vincent & The Grenadines: Realism Tools

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



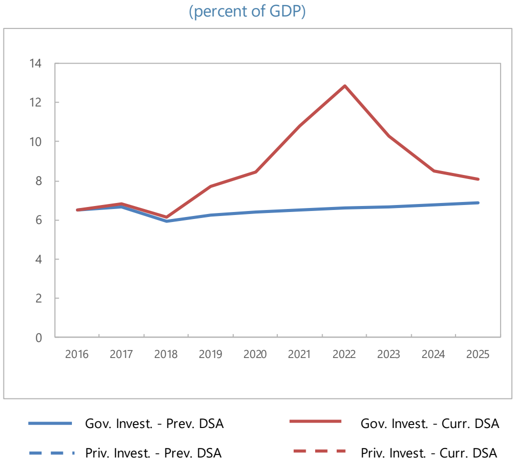
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

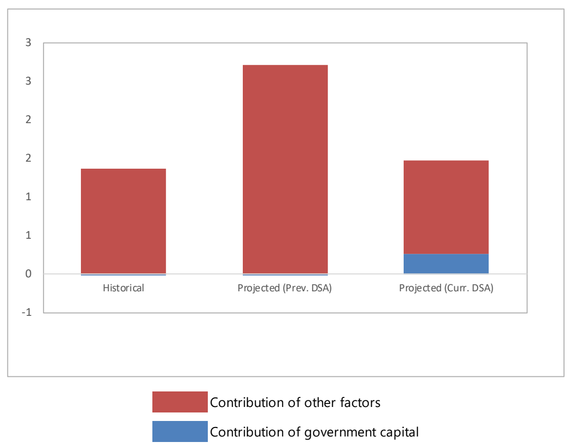
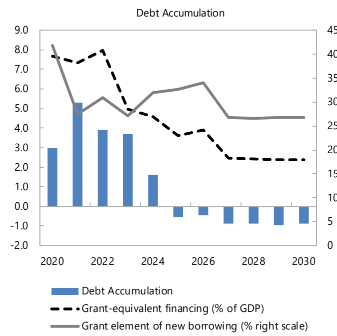


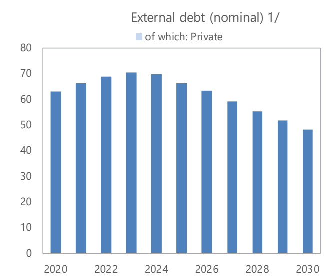
Table 1. St. Vincent & the Grenadines: External Debt Sustainability Framework, Baseline Scenario, 2017-2040

(In percent of GDP, unless otherwise indicated)

	Actual			Projections												Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2040	Historical	Projections
External debt (nominal) 1/	46.9	49.3	53.0	63.0	66.4	68.7	70.4	69.8	66.1	63.3	59.2	55.4	51.7	48.3	24.6	46.5	62.0
of which: public and publicly guaranteed (PPG)	46.9	49.3	53.0	63.0	66.4	68.7	70.4	69.8	66.1	63.3	59.2	55.4	51.7	48.3	24.6	46.5	62.0
Change in external debt	-10.5	2.4	3.7	10.0	3.3	2.3	1.7	-0.6	-3.6	-2.9	-4.1	-3.8	-3.7	-3.4	-1.7		
Identified net debt-creating flows	-7.7	6.7	2.0	16.8	5.1	5.4	-1.1	-1.7	-1.6	-1.5	-1.4	-1.3	-1.2	-1.1	-0.4	6.0	1.5
Non-interest current account deficit	10.5	10.9	8.6	14.7	10.6	10.9	8.9	7.6	6.3	6.4	6.6	6.7	6.8	6.9	7.5	19.2	8.4
Deficit in balance of goods and services	16.2	16.9	13.4	20.0	14.7	14.5	11.8	11.3	10.7	10.7	10.7	10.7	10.7	10.7	10.7	23.1	12.4
Exports	37.0	38.2	40.1	26.7	35.5	40.6	43.0	43.1	44.6	44.6	44.6	44.6	44.6	44.6	44.6		
Imports	53.3	55.1	53.5	46.7	50.1	55.1	54.7	54.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3		
Net current transfers (negative = inflow)	-5.1	-5.1	-5.2	-3.7	-5.1	-5.1	-5.0	-5.0	-5.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.7	-2.6
of which: official	-9.6	-0.7	-2.8	-2.8	-4.2	-4.8	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5		
Other current account flows (negative = net inflow)	-0.6	-0.9	0.4	-1.6	1.0	1.4	2.1	1.3	0.6	-4.2	-4.1	-4.0	-3.9	-3.8	-3.1	-0.1	-1.4
Net FDI (negative = inflow)	-18.0	-4.2	-7.2	-3.8	-4.6	-5.4	-10.0	-9.4	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-8.0	-13.8	-7.4
Endogenous debt dynamics 2/	-0.2	0.0	0.6	5.8	-0.9	-0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1		
Contribution from nominal interest rate	1.1	1.1	1.4	2.8	1.6	1.9	2.0	2.0	2.0	1.8	1.7	1.6	1.5	1.4	0.8		
Contribution from real GDP growth	-0.6	-1.0	-0.2	3.0	-2.5	-1.9	-1.9	-1.8	-1.8	-1.7	-1.7	-1.5	-1.4	-1.3	-0.7		
Contribution from price and exchange rate changes	-0.7	-0.1	-0.6	...	...	...	...	...	...	...	...	...	...	...	...		
Residual 3/	-2.9	-4.3	1.7	-6.8	-1.7	-3.0	2.8	1.0	-2.1	-1.4	-2.7	-2.5	-2.6	-2.4	-1.3	-3.9	-1.9
of which: exceptional financing	-7.8	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	...	...	55.4	61.0	62.7	63.3	63.9	62.5	59.1	56.0	52.6	49.4	46.2	43.3	22.7		
PV of PPG external debt-to-exports ratio	...	...	138.3	228.4	176.6	155.9	148.6	145.1	132.6	125.6	118.0	110.7	103.6	97.0	50.8		
PPG debt service-to-exports ratio	11.7	12.9	16.7	25.6	17.5	15.5	14.6	14.1	13.4	14.6	12.5	12.0	11.8	11.1	6.5		
PPG debt service-to-revenue ratio	9.5	11.0	14.9	15.7	13.8	13.8	13.7	13.4	13.1	14.3	12.3	11.8	11.6	10.9	6.4		
Gross external financing need (Million of U.S. dollars)	-25.0	94.0	66.2	140.5	102.6	103.8	48.3	41.2	43.7	53.6	46.4	48.7	51.3	50.5	50.9		
GFN (percent of GDP)	-3.2	11.6	8.0	17.8	12.3	11.8	5.2	4.3	4.3	5.1	4.2	4.2	4.2	4.0	2.5		
Key macroeconomic assumptions																	
Real GDP growth (in percent)	1.0	2.2	0.4	-5.5	4.1	3.0	2.9	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	0.7	2.2
GDP deflator in US dollar terms (change in percent)	1.3	0.2	1.2	1.3	1.6	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.3	1.9
Effective interest rate (percent) 4/	2.0	2.5	2.9	5.1	2.7	2.9	3.1	3.0	3.0	2.9	2.8	2.8	2.8	2.8	3.0	3.7	3.1
Growth of exports of G&S (US dollar terms, in percent)	-1.8	5.5	6.7	-36.2	40.6	20.3	11.0	5.0	8.5	4.8	4.8	4.8	4.8	4.8	4.8	6.2	6.6
Growth of imports of G&S (US dollar terms, in percent)	-3.7	5.8	-1.3	-16.3	13.6	15.5	4.3	4.0	6.6	4.8	4.8	4.8	4.8	4.8	4.8	1.4	4.7
Grant element of new public sector borrowing (in percent)	...	...	...	41.8	27.5	31.0	27.1	32.0	32.7	34.0	26.8	26.7	26.8	26.8	25.8	...	30.3
Government revenues (excluding grants, in percent of GDP)	45.5	44.8	44.8	43.6	44.8	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5	45.5	44.0	45.3
Aid flows (in Million of US dollars) 5/	337.2	340.6	377.2	68.8	47.9	63.0	29.7	37.1	37.0	38.8	24.1	24.4	25.4	26.4	35.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	7.7	7.3	8.0	5.0	4.6	3.6	3.9	2.5	2.4	2.4	2.4	2.2	...	4.5
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	53.3	47.3	54.0	42.8	50.7	61.3	55.5	57.3	57.0	57.5	58.3	63.9	...	54.1
Nominal GDP (Million of US dollars)	792	811	824	789	835	878	921	965	1,012	1,060	1,111	1,164	1,219	1,277	2,034		
Nominal dollar GDP growth	2.3	2.4	1.6	-4.3	5.8	5.1	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	2.0	4.1
Memorandum items:																	
PV of external debt 7/	...	...	55.4	61.0	62.7	63.3	63.9	62.5	59.1	56.0	52.6	49.4	46.2	43.3	22.7		
In percent of exports	...	...	138.3	228.4	176.6	155.9	148.6	145.1	132.6	125.6	118.0	110.7	103.6	97.0	50.8		
Total external debt service-to-exports ratio	11.7	12.9	16.7	25.6	17.5	15.5	14.6	14.1	13.4	14.6	12.5	12.0	11.8	11.1	6.5		
PV of PPG external debt (in Million of US dollars)			457.0	481.6	523.5	556.0	588.2	603.2	598.1	593.6	584.2	574.6	563.2	552.5	460.8		
(PVt-PVt-1)/GDPt-1 (in percent)				3.0	5.3	3.9	3.7	1.6	-0.5	-0.4	-0.9	-0.9	-1.0	-0.9	-0.5		
Non-interest current account deficit that stabilizes debt ratio	21.1	8.5	4.9	4.7	7.2	8.5	7.2	8.2	10.0	9.3	10.6	10.5	10.5	10.3	9.2		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes





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.

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.

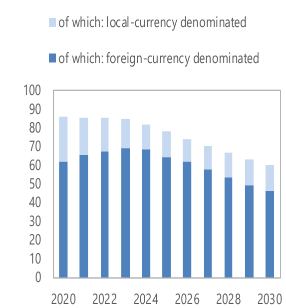
Table 2. St. Vincent & the Grenadines: Public Sector Debt Sustainability Framework, Baseline Scenario, 2019-2040

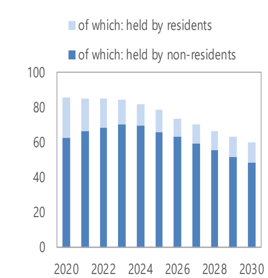
(In percent of GDP, unless otherwise indicated)

	Actual			Projections												Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2040	Historical	Projections
Public sector debt 1/	73.5	75.6	75.2	85.8	85.5	85.4	84.8	82.1	78.5	73.8	70.1	66.7	63.4	60.2	33.7	74.8	76.0
of which: external debt	46.9	49.3	53.0	63.0	66.4	68.7	70.4	69.8	66.1	63.3	59.2	55.4	51.7	48.3	24.6	46.5	62.0
Change in public sector debt	-10.0	2.1	-0.4	10.6	-0.4	0.0	-0.7	-2.7	-3.6	-4.6	-3.7	-3.5	-3.2	-3.2	-2.7		
Identified debt-creating flows	-7.5	-0.7	1.3	11.1	-0.3	0.0	-0.6	-2.6	-3.5	-4.2	-3.3	-3.0	-2.8	-2.7	-2.5	0.5	-1.1
Primary deficit	-2.0	-1.5	0.0	3.6	2.0	1.5	0.6	-1.6	-2.5	-3.3	-2.4	-2.3	-2.2	-2.2	-2.5	-0.7	-0.8
Revenue and grants	47.6	46.7	47.6	46.5	49.1	50.4	48.0	48.0	48.0	47.8	47.3	47.2	47.2	47.2	47.2	47.2	47.9
of which: grants	2.1	1.8	2.8	2.8	4.2	4.9	2.5	2.5	2.5	2.3	1.8	1.8	1.8	1.8	1.8		
Primary (noninterest) expenditure	45.6	45.2	47.6	50.1	51.0	51.9	48.6	46.5	45.5	44.5	44.9	45.0	45.0	45.0	44.7	46.5	47.1
Automatic debt dynamics	0.6	0.8	1.4	7.5	-2.2	-1.5	-1.2	-1.1	-1.0	-0.9	-0.9	-0.8	-0.6	-0.5	0.0		
Contribution from interest rate/growth differential	0.3	-0.2	1.1	7.5	-2.2	-1.5	-1.2	-1.1	-1.0	-0.9	-0.9	-0.8	-0.6	-0.5	0.0		
of which: contribution from average real interest rate	1.1	1.3	1.4	3.1	1.2	1.1	1.2	1.2	1.2	1.2	1.1	1.1	1.2	1.2	0.9		
of which: contribution from real GDP growth	-0.8	-1.6	-0.3	4.3	-3.4	-2.5	-2.4	-2.3	-2.2	-2.1	-2.0	-1.9	-1.8	-1.7	-1.0		
Contribution from real exchange rate depreciation	0.3	1.0	0.3	...	...	...	...	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	-6.1	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	-0.4	0.0
Privatization receipts (negative)	1.6	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)	-7.8	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	-2.5	2.9	-1.8	-0.5	-0.1	0.0	-0.1	0.0	-0.1	-0.5	-0.4	-0.4	-0.4	-0.4	-0.2	0.7	-0.3
Sustainability indicators																	
PV of public debt-to-GDP ratio 2/	...	...	77.7	83.8	81.8	80.1	78.2	74.8	71.5	66.6	63.5	60.6	57.9	55.2	31.7		
PV of public debt-to-revenue and grants ratio	...	...	163.2	180.4	166.7	158.7	162.9	155.8	148.9	139.3	134.3	128.4	122.6	117.0	67.3		
Debt service-to-revenue and grants ratio 3/	17.0	19.9	23.8	24.4	22.5	21.0	19.9	19.0	17.6	19.4	17.0	16.6	16.0	15.6	10.9		
Gross financing need 4/	0.0	7.8	11.3	15.0	13.0	12.1	10.2	7.6	5.9	6.0	5.7	5.6	5.4	5.1	2.6		
Key macroeconomic and fiscal assumptions																	
Real GDP growth (in percent)	1.0	2.2	0.4	-5.5	4.1	3.0	2.9	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	0.7	2.2
Average nominal interest rate on external debt (in percent)	2.0	2.5	2.9	5.1	2.7	2.9	3.1	3.0	3.0	2.9	2.8	2.8	2.8	2.8	3.0	3.7	3.1
Average real interest rate on domestic debt (in percent)	4.1	5.0	3.2	3.2	2.9	2.6	3.1	3.2	3.5	3.8	4.0	4.5	4.9	5.0	5.5	4.2	3.7
Real exchange rate depreciation (in percent, + indicates depreciation)	0.6	2.2	0.5	...	...	...	...	...	...	...	...	...	...	...	...	0.4	...
Inflation rate (GDP deflator, in percent)	1.3	0.2	1.2	1.3	1.6	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.3	1.9
Growth of real primary spending (deflated by GDP deflator, in percent)	5.1	1.1	5.7	-0.4	6.1	4.9	-3.6	-1.8	0.6	0.5	3.7	2.8	2.8	2.6	2.6	0.7	1.7
Primary deficit that stabilizes the debt-to-GDP ratio 5/	8.1	-3.6	0.4	-7.0	2.3	1.5	1.3	1.1	1.1	1.3	1.3	1.2	1.0	0.9	0.2	1.6	0.6
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?	**Yes**

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 & the Grenadines: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020-2030

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					PV of debt-to GDP ratio						
Baseline	**61**	**63**	**63**	**64**	**62**	**59**	**56**	**53**	**49**	**46**	**43**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**61**	**64**	**67**	**74**	**80**	**84**	**87**	**91**	**95**	**98**	**102**
B. Bound Tests											
B1. Real GDP growth	**61**	**68**	**73**	**74**	**72**	**68**	**65**	**61**	**57**	**53**	**50**
B2. Primary balance	**61**	**64**	**65**	**66**	**64**	**61**	**58**	**55**	**51**	**48**	**45**
B3. Exports	**61**	**73**	**89**	**90**	**88**	**84**	**81**	**77**	**74**	**70**	**66**
B4. Other flows 3/	**61**	**69**	**75**	**76**	**74**	**71**	**68**	**64**	**61**	**57**	**54**
B5. Depreciation	**61**	**79**	**75**	**75**	**74**	**69**	**66**	**61**	**57**	**53**	**50**
B6. Combination of B1-B5	**61**	**83**	**89**	**90**	**88**	**84**	**80**	**76**	**72**	**68**	**64**
C. Tailored Tests											
C1. Combined contingent liabilities	**61**	**72**	**74**	**74**	**73**	**70**	**66**	**64**	**61**	**58**	**56**
C2. Natural disaster	**61**	**69**	**70**	**71**	**70**	**67**	**65**	**62**	**59**	**57**	**54**
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	**228**	177	156	149	145	133	126	118	111	104	97
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**228**	**182**	165	172	**185**	**187**	**196**	**204**	**212**	**221**	**230**
B. Bound Tests											
B1. Real GDP growth	**228**	177	156	149	145	133	126	118	111	104	97
B2. Primary balance	**228**	179	160	153	150	137	130	122	115	108	102
B3. Exports	**228**	**305**	**418**	**396**	**389**	**360**	**346**	**330**	**315**	**299**	**281**
B4. Other flows 3/	**228**	**194**	**186**	177	173	159	152	144	137	129	121
B5. Depreciation	**228**	176	146	139	136	124	117	109	102	95	89
B6. Combination of B1-B5	**228**	**295**	**187**	**304**	**297**	**274**	**262**	**248**	**236**	**221**	**207**
C. Tailored Tests											
C1. Combined contingent liabilities	**228**	**203**	**181**	173	169	156	149	143	136	130	125
C2. Natural disaster	**228**	**197**	175	168	165	153	146	140	134	128	123
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	**26**	**17**	**15**	15	14	13	15	13	12	12	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**26**	**18**	**17**	**16**	**16**	**16**	**18**	**17**	**17**	**18**	**17**
B. Bound Tests											
B1. Real GDP growth	**26**	**17**	**15**	15	14	13	15	13	12	12	11
B2. Primary balance	**26**	**17**	**16**	15	14	14	15	13	12	12	11
B3. Exports	**26**	**26**	**32**	**32**	**31**	**30**	**32**	**28**	**27**	**28**	**30**
B4. Other flows 3/	**26**	**17**	**16**	**16**	**15**	14	**15**	13	13	13	13
B5. Depreciation	**26**	**17**	**15**	14	14	13	14	12	12	12	10
B6. Combination of B1-B5	**26**	**25**	**28**	**27**	**26**	**24**	**26**	**23**	**22**	**24**	**23**
C. Tailored Tests											
C1. Combined contingent liabilities	**26**	**17**	**16**	**15**	15	14	**15**	13	13	13	12
C2. Natural disaster	**26**	**18**	**16**	**15**	**15**	14	**15**	13	13	13	12
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	16	14	14	14	13	13	14	12	12	12	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	16	14	15	15	15	16	**18**	17	17	17	17
B. Bound Tests											
B1. Real GDP growth	16	15	16	16	15	15	16	14	14	13	13
B2. Primary balance	16	14	14	14	14	13	14	12	12	12	11
B3. Exports	16	14	15	16	16	15	16	14	14	14	15
B4. Other flows 3/	16	14	14	15	14	14	15	13	13	13	13
B5. Depreciation	16	17	17	17	16	16	18	15	14	14	13
B6. Combination of B1-B5	16	15	17	17	17	16	18	15	15	16	15
C. Tailored Tests											
C1. Combined contingent liabilities	16	14	15	15	14	14	15	13	13	12	12
C2. Natural disaster	16	14	14	14	14	14	15	13	12	12	12
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 & the Grenadines: Sensitivity Analysis for Key Indicators of Public Debt, 2020-2030

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	**84**	**82**	**80**	**78**	**75**	**71**	**67**	**64**	**61**	**58**	**55**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**84**	**83**	**82**	**81**	**80**	**80**	**79**	**79**	**79**	**79**	**79**
Recurrent Natural Disaster	**84**	**83**	**83**	**82**	**80**	**78**	**74**	**72**	**70**	**68**	**66**
B. Bound Tests											
B1. Real GDP growth	**84**	**92**	**101**	**105**	**106**	**108**	**108**	**110**	**112**	**114**	**117**
B2. Primary balance	**84**	**83**	**83**	**81**	**78**	**74**	**69**	**66**	**63**	**60**	**58**
B3. Exports	**84**	**91**	**104**	**102**	**98**	**94**	**89**	**86**	**83**	**80**	**76**
B4. Other flows 3/	**84**	**88**	**92**	**90**	**87**	**83**	**78**	**75**	**72**	**69**	**66**
B5. Depreciation	**84**	**95**	**89**	**84**	**77**	**71**	**63**	**57**	52	47	42
B6. Combination of B1-B5	**84**	**82**	**83**	**82**	**79**	**76**	**71**	**68**	**65**	**63**	**60**
C. Tailored Tests											
C1. Combined contingent liabilities	**84**	**97**	**95**	**93**	**90**	**86**	**82**	**78**	**75**	**72**	**69**
C2. Natural disaster	**84**	**92**	**90**	**89**	**86**	**83**	**79**	**76**	**74**	**71**	**69**
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	180	167	159	163	156	149	139	134	128	123	117
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	180	168	161	168	166	166	164	165	165	166	166
Recurrent Natural Disaster	24	23	22	21	20	19	21	19	19	18	18
B. Bound Tests											
B1. Real GDP growth	180	185	198	216	219	223	224	231	236	241	246
B2. Primary balance	180	170	164	169	161	155	145	140	134	128	122
B3. Exports	180	185	205	212	204	197	187	182	176	169	161
B4. Other flows 3/	180	179	183	188	181	174	164	159	153	147	139
B5. Depreciation	180	196	179	175	161	148	132	122	111	100	89
B6. Combination of B1-B5	180	168	164	170	164	157	148	143	138	133	127
C. Tailored Tests											
C1. Combined contingent liabilities	180	198	189	194	187	180	171	166	159	153	147
C2. Natural disaster	180	187	179	185	179	173	165	161	156	151	146
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	24	22	21	20	19	18	19	17	17	16	16
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	24	23	22	21	21	20	23	21	21	20	20
Recurrent Natural Disaster	24	23	22	21	20	19	21	19	19	18	18
B. Bound Tests											
B1. Real GDP growth	24	24	25	25	24	23	26	24	25	26	27
B2. Primary balance	24	22	21	20	19	18	20	17	17	17	16
B3. Exports	24	22	22	22	21	19	21	19	18	18	19
B4. Other flows 3/	24	22	21	21	20	18	20	18	17	17	18
B5. Depreciation	24	23	24	23	22	21	23	20	19	18	17
B6. Combination of B1-B5	24	22	22	20	20	18	20	18	18	17	17
C. Tailored Tests											
C1. Combined contingent liabilities	24	22	25	22	21	19	21	20	20	19	19
C2. Natural disaster	24	23	24	21	20	19	21	19	19	19	18
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.