INTERNATIONAL MONETARY FUND

ST. VINCENT AND THE GRENADINES

External and Public Debt Sustainability Analysis

Prepared by the Staff of the International Monetary Fund

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

I. INTRODUCTION

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

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

II. UNDERLYING DSA ASSUMPTIONS

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

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

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

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

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

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

III. Evaluation of Public Sector Debt Sustainability

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

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

IV. Evaluation of External Debt Sustainability

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

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

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

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

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

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

V. Alternative Scenario: Additional Borrowing for the Airport Project

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

VI. Conclusion

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

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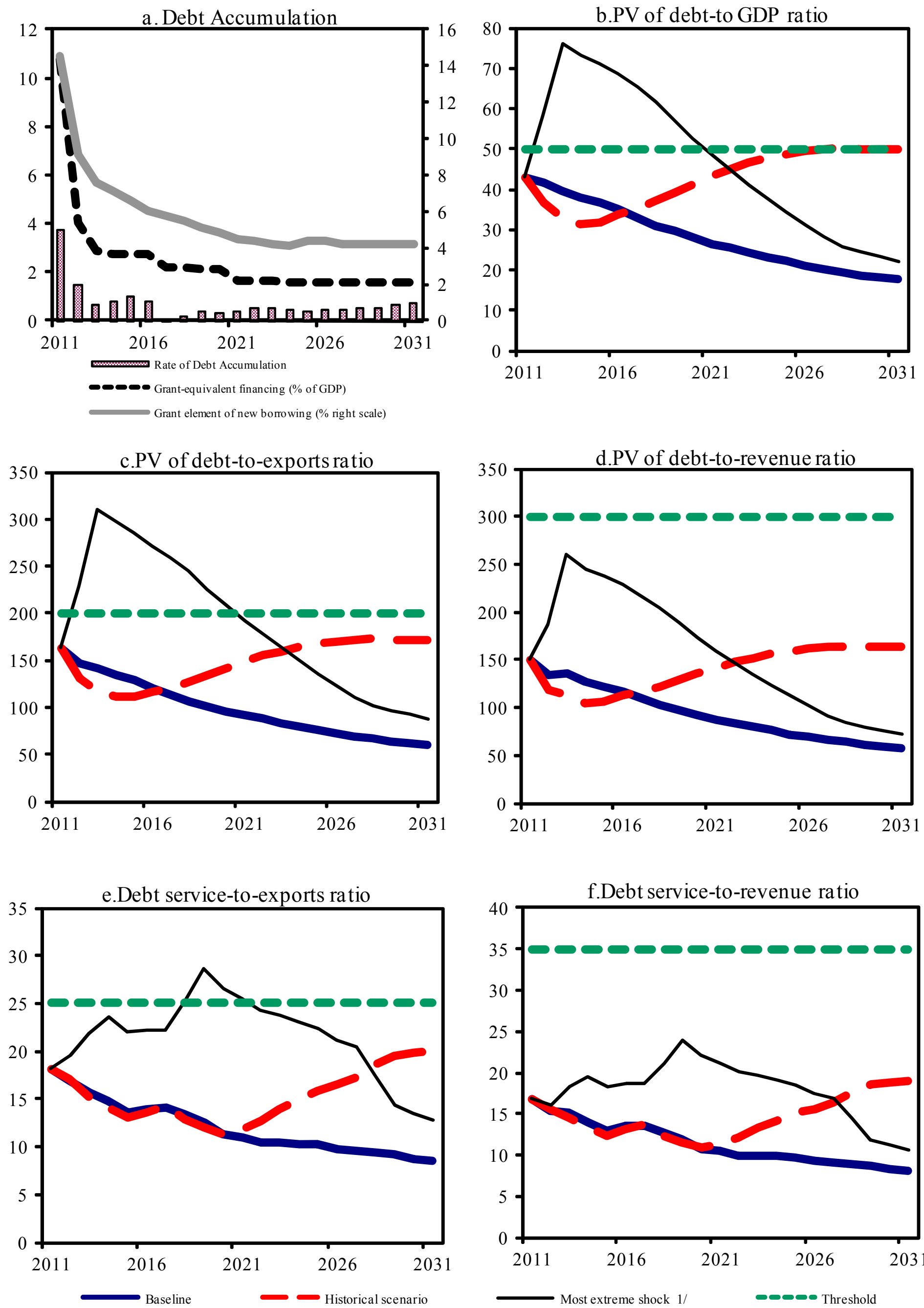
[5] The historical average scenario assumes key macroeconomic variables to remain at historical averages of the last 10 years, whereas the most extreme shock scenario assumes all key macroeconomic indicators will be at their historical average minus one standard deviation.

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

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

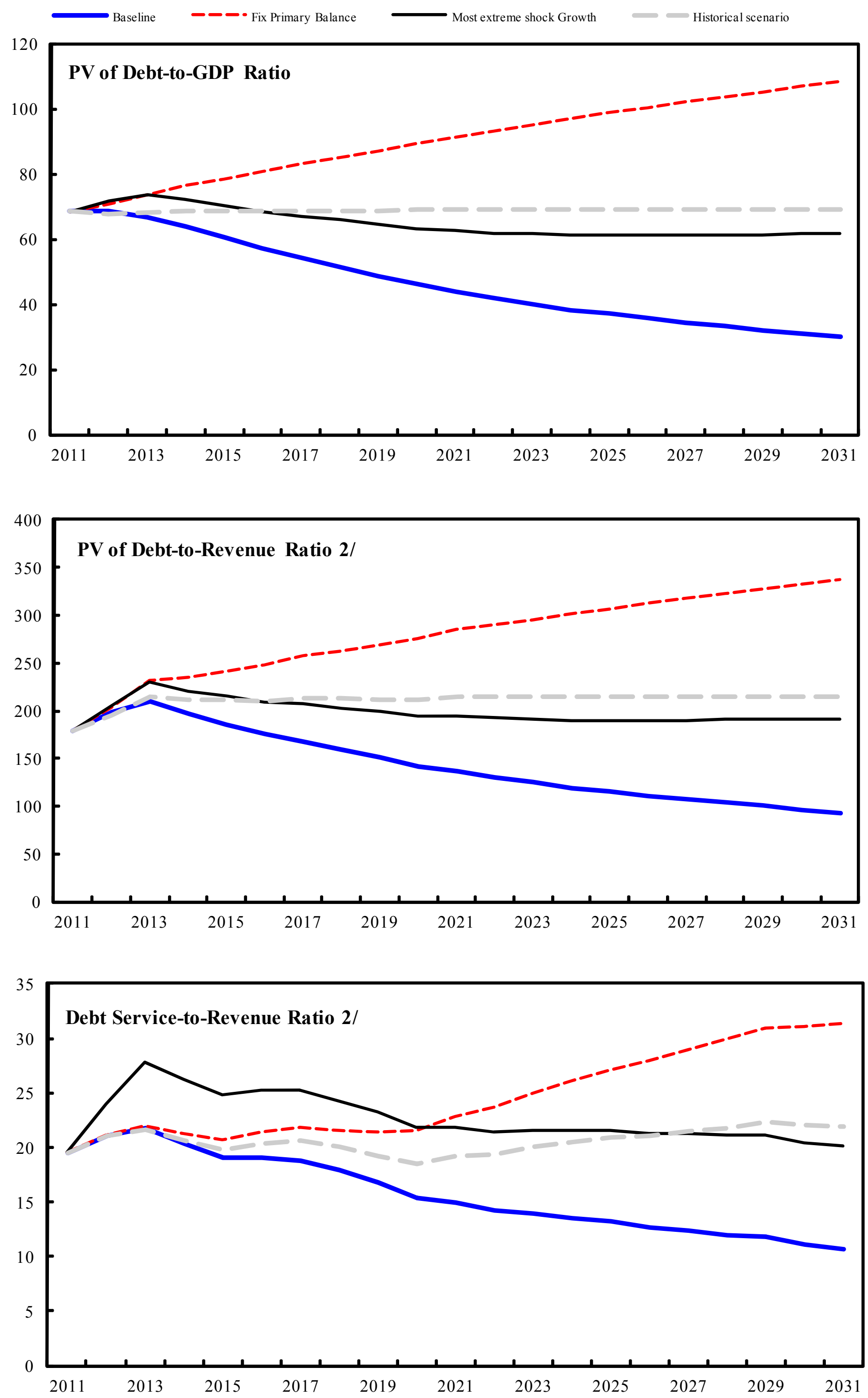
Figure 1. St. Vincent & the Grenadines: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2011-2031 1/



Sources: Country authorities; and staff estimates and projections.

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

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

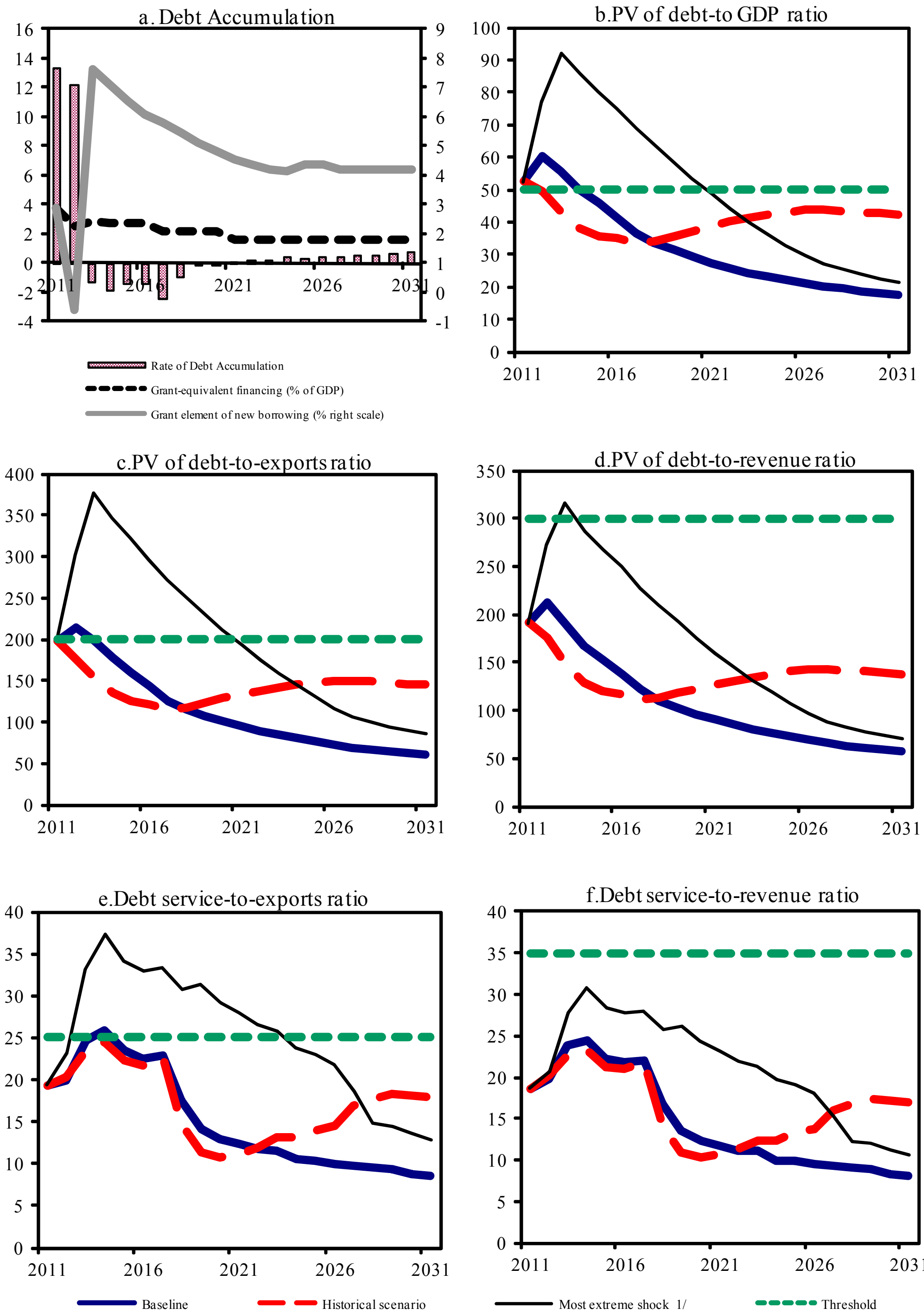


Sources: Country authorities; and staff estimates and projections.

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

2/ Revenues are defined inclusive of grants.

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



Sources: Country authorities; and staff estimates and projections.

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

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

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

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

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

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

Sources: Country authorities; and staff estimates and projections.

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

2/ Revenues are defined inclusive of grants.

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

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

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and publicly guaranteed external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes. The relatively large residual reflects the significant role of capital grants in financing the current account.

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

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

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

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

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

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

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

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

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

Sources: Country authorities; and staff estimates and projections.

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