November 2000
IMF Staff Country Report No. 00/149

St. Vincent and the Grenadines: 2000 Article IV Consultation—Staff Report and Public Information Notice Following Board Consultation

As required under Article IV of its Articles of Agreement, the International Monetary Fund conducts periodic consultations with its member countries. In the context of the 2000 Article IV consultation with St. Vincent and the Grenadines, the following documents have been released and are included in this package:

- the staff report for the 2000 Article IV consultation, prepared by a staff team of the IMF, following discussions that ended on **August 10, 2000,** with the officials of St. Vincent and the Grenadines on economic developments and policies. **Based on information available at the time of these discussions, the staff report was completed on October 10, 2000.** The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF; and

- the Public Information Notice (PIN), which summarizes the **views of the Executive Board as expressed during the October 27, 2000, Executive Board discussion** of the staff report that concluded the Article IV consultation.

Further background documentation prepared by IMF staff for the consultation may be published separately at a later date. The policy of publication of Article IV staff reports and PINS allows for the deletion of market-sensitive information.

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Washington, D.C.

INTERNATIONAL MONETARY FUND

ST. VINCENT AND THE GRENADINES

Staff Report for the 2000 Article IV Consultation

Prepared by the Staff Representatives for the 2000 Consultation with
St. Vincent and the Grenadines

Approved by Claudio M. Loser and Christian Brachet

October 10, 2000

Contents Page

Appendices

Executive Summary

Background: In the mid-1990s the government launched an economic diversification program and strengthened measures to deal with the decline in the banana sector. This initiative was supported by major public investments and the introduction of a wide range of fiscal incentives. Reflecting some success from the efforts, real GDP growth surged to 5 percent a year during 1998–99. Inflation has been between ½ and 2 percent a year in the last three years. Labor market data are unavailable, but the perception is that unemployment remains substantial, and could be as high as 35 percent. The implementation of large public and private sector projects was associated with rapid import growth and the external current account deficit widened to 23 percent of GDP in 1998 and declined only slightly to 20 percent in 1999. The deficit was financed by inflows of foreign direct investment and concessional borrowing by the government, and the overall balance of payments remained in surplus. External public debt, after declining to about 30 percent of GDP in 1997, rose to 48½ percent of GDP in 1999 following the assumption of some private debt.

The performance of the consolidated public sector improved in recent years, with the overall position moving from a deficit of about 1½ percent of GDP in 1997 to an average of near balance during 1998–99. At the same time, public sector savings were maintained at about 8½ percent of GDP a year. The central government deficit was reduced from about 4½ percent of GDP in 1997 to slightly more than 1½ percent of GDP a year in 1998–99.

The offshore sector has grown rapidly in recent years following the revision in 1996 of laws governing these activities but recent reports have cited St. Vincent and the Grenadines as a noncooperative jurisdiction, with inadequate legal infrastructure and supervisory practices for offshore activities, as well as a tax haven.

Policy issues: Staff recommended that public sector saving be strengthened to provide for adequate public investment in the areas of physical infrastructure and human capital that would facilitate faster economic growth and higher employment. While the authorities noted some obstacles to cutting expenditures, such as the ability to recruit and retain qualified personnel and the country's geography, they generally agreed and pointed to the ongoing implementation of a merit-based wage system for the public sector. Staff expressed their support for the merit-based wage system as an important step in the right direction in order to improve competitiveness and contain the government wage bill, but was uncertain about the merits of the use of several fiscal incentives to bring about the needed diversification and improved competitiveness.

Fund staff and the authorities agreed on the need to be vigilant in enforcing current laws and adhering to international best practices for the offshore sector. The authorities nevertheless expressed their concern that the recent naming of St. Vincent and the Grenadines as a tax haven with a weak supervisory framework for offshore activities would be unhelpful in their efforts to diversify the economy towards greater reliance on services.

I. Introduction

1. **The 2000 Article IV consultation discussions with St. Vincent and the Grenadines were held in Kingstown during July 26–August 10.**[1] The mission met with Prime Minister Mitchell, Finance Minister Eustace, government officials, representatives of the private sector and trade unions, and the leadership of the political opposition.

2. **St. Vincent and the Grenadines is on the standard 12-month consultation cycle and the last Article IV consultation was concluded by the Executive Board on November 10, 1999.**[2] On that occasion, Directors commended St. Vincent and the Grenadines for its track record of satisfactory economic growth and low inflation, and noted in particular the high level of public savings and strong overall fiscal position. They stressed that the key challenges for St. Vincent and the Grenadines were to maintain macroeconomic stability and strengthen economic diversification in order to generate employment and growth, and reduce poverty. Directors suggested that scaling back, simplifying, and reducing the discretionary nature of the tax and import duty concessions would improve competitiveness and help diversification. Also, Directors urged the authorities, together with the ECCB, to maintain strong supervision of onshore banks, and welcomed the authorities' intention to increase the number of staff overseeing offshore activities.

3. **St. Vincent and the Grenadines provides core data to the Fund. However, the statistical base is deficient in scope and quality, hampering the government's ability to assess economic developments and the conduct of surveillance**. In particular, real sector data are incomplete and balance of payments data are available only with a long lag. The reporting of some core data to the Fund is irregular and often subject to long delays and extensive revisions. During the Board discussion of the last Article IV consultation report, Directors were encouraged by the authorities' interest in addressing the statistical weaknesses.

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[1] The staff team comprised Messrs. Itam, Lundback, Matzen, Shah (all WHD), Mrs. Mendis (HRD), and Ms. Wicker (Assistant, WHD). Staff members from the Eastern Caribbean Central Bank (ECCB) and the Caribbean Development Bank (CDB) joined the mission. Mr. Charleton, Alternate Executive Director for St. Vincent and the Grenadines, participated in the concluding round of discussions.

[2] EBM/99/124, SM/99/265. St. Vincent and the Grenadines participated in the pilot project for the release of Article IV consultation reports and the last report was published. St. Vincent and the Grenadines is an Article VIII member country and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions. The country is a member of the Eastern Caribbean Currency Union and its common central bank, the ECCB. The common currency of the union—the Eastern Caribbean dollar—has been pegged to the U.S. dollar at the rate of EC$2.70 per U.S. dollar since July 1976. The exchange rate regime is administered by the ECCB. Relations with the Fund are presented in Appendix I. Relations with the World Bank and the CDB are summarized in Appendices II and III, respectively.

4. **St. Vincent and the Grenadines experienced a political crisis during April–May 2000, following an impasse regarding salary adjustments for ministers.** The prime minister agreed to general elections by March 2001 (two years earlier than the due date). Prime Minister Sir James Mitchell stepped down as his party's leader on August 20, 2000 and was replaced by Finance Minister Eustace who will become prime minister on October 27, 2000. Sir James will remain in the cabinet as a senior minister.

II. RECENT DEVELOPMENTS[3]

5. **The government launched an economic diversification program in the mid-1990s and strengthened measures to deal with the decline in the banana sector, which had been the economy's mainstay for several decades.**[4] This initiative was supported by major investments in the agriculture, transport, education, and health sectors. At the same time, the government introduced a wide range of fiscal incentives—including discretionary tax and import duty exemptions—to help channel resources to sectors that are likely to generate employment and growth.

6. **Reflecting some success from these efforts, real GDP growth—which had averaged 2½ percent a year during 1993–97 with significant volatility—surged to 5 percent a year during 1998–99** (Figure 1 and Table 1). There was a recovery in banana production, together with rapid growth in communication and in wholesale and retail trade. Also, tourism recovered with significant growth in 1999 after shrinking somewhat in the preceding few years. The consumer price index, rose by over 3 percent in 1998 because of higher import prices and revision of the apartment rental component and fell by about 2 percent in 1999 (end-year) because of increased domestic supplies of vegetables, lower import prices for manufactures and chicken, and a fish-kill that sharply reduced demand.

7. **Recent labor market data are unavailable.** The last census in 1991 estimated the unemployment rate at 19 percent.[5] The National Insurance Scheme (NIS) indicated a total membership of about 55,620—of which around 42,000 were active members (i.e., members who made at least one contribution in the last year)—out of a possible labor force of some 60,000 (15–55 years old). The NIS membership does not include the self-employed, farmers and many others engaged in the informal sector. Nonetheless, the perception in the private sector is that, despite recent economic expansion, unemployment remains substantial and

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[3] See SM/00/128 (6/22/00) for an overview of recent economic developments in the Caribbean region.

[4] Banana production entered a period of decline in the mid-1990s after market access and level of preference in the European (mainly U.K.) market became uncertain. This uncertainty was heightened by the 1997 ruling that the preferences were inconsistent with WTO guidelines and should be scaled back starting in 2000. See SM/99/69 (3/12/99) and SM/00/128 (6/22/00) for more details on the EU banana regime.

[5] New census is scheduled for 2001.

could be as high as 35 percent. The incidence of unemployment is widely viewed to be particularly severe for youths and women. However, in light of the recent sound macroeconomic performance, the high unemployment may be because of the relatively high minimum wages and strong support from the extended family, including remittances from abroad. Also, indications are that the informal sector has expanded somewhat in recent years, particularly in trade and among craftsmen, which has helped ameliorate the impact of high unemployment on the poor.

8. **The performance of the consolidated public sector (including the NIS) improved in recent years, with the overall position moving from a deficit of about 1½ percent of GDP in 1997 to an average of near balance during 1998–99** (Table 2). At the same time, public sector savings (current balance before grants plus capital revenue) were maintained at about 8½ percent of GDP a year. The improvement reflected mainly some strengthening in central government operations and continued large surpluses of the NIS. The central government deficit (after capital grants) was reduced from about 4½ percent of GDP in 1997 to slightly more than 1½ percent of GDP a year in 1998–99 (Table 3). This improvement reflected a sharp increase in grants to support specific capital projects, strengthened tax administration, and completion of some major capital projects in 1999. Grants jumped from the equivalent of 1½ percent of GDP in 1997 to about 5 percent of GDP in 1998 before returning to about 1½ percent of GDP in 1999, in line with donor support for capital projects. Central government wages have increased by 3–5 percent a year in the recent period, with similar increases in the private sector. The current contract for the central government, which gave 5 percent in 1999, sets wage increases of 3 percent for both 2000 and 2001.[6]

9. **The pattern in grants over the last few years was mirrored in central government capital expenditure, which rose from less than 5 percent of GDP to about 11 percent of GDP a year in 1997–98 before declining to 7 percent of GDP in 1999.** The sharp increase in capital expenditure in the earlier years was associated mainly with a few large projects such as the construction of a new ferry/cruiseship berth and the implementation of a banana irrigation program. External financing of the central government (mostly concessional project loans) doubled to about 4 percent of GDP in 1998 before declining to ½ percent of GDP in 1999. The increase in external financing in combination with public sector savings allowed the government to reduce its net credit from the banks in 1998, which was only partially reversed in 1999.

10. **Growth in broad money averaged 14 percent a year during 1998–99, much faster than nominal GDP** [7] (Table 4). The trend reflects to some extent large increases in foreign

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[6] See background paper on recent economic developments for details on minimum wages and recent developments.

[7] St. Vincent and the Grenadines has no independent monetary policy because of its membership in the currency union with other members of the ECCB. The ECCB's articles of agreement require the maintenance of pooled official reserves in an amount not less than 60 percent of the value of its demand liabilities. In the last several years, the ECCB has

(continued...)

currency deposits held in working balances of offshore entities, growth in deposits held by nationals living abroad, and increased monetization of the economy. During the same period, private sector credit expanded by about 10 percent a year—mainly in connection with growth in construction—and there was a sizeable accumulation of foreign assets by the banking system, mainly as deposits/loans with regional banks/branches.

11. **The offshore sector has grown rapidly in recent years following the revision in 1996 of laws governing these activities.** The sector has 11,400 registered entities, of which 28 are banks, 608 are trusts, and the rest are international business companies. Six banks had their licenses revoked and 230 insurance companies are to be struck off in 2000 for noncompliance with regulations. It is estimated that the offshore sector contributed EC$30 million (3½ percent of GDP) in 1999 in fees, employment, rentals, and use of utilities. Registration fees accruing to the government amounted to EC$3.3 million (11 percent of nontax revenue) in 1999.

12. **The external current account deficit widened sharply in recent years, reaching 23 percent of GDP in 1998 and narrowing only slightly to 20 percent of GDP in 1999** (Table 5). The larger deficit mainly reflected rapid import growth associated with the implementation of large public and private sector projects, financed by inflows of foreign direct investment and concessional borrowing by the government. The overall balance remained in surplus, permitting a steady accumulation of imputed international reserves. External public debt (including government-guaranteed debt), which had declined to about 30 percent of GDP by end-1997, rose to 48½ percent of GDP in 1999 reflecting largely the assumption of some private debt (Table 6).[8]

13. **The real effective exchange rate of the EC dollar calculated for St.Vincent and the Grenadines depreciated marginally in the period 1998–99**, following a cumulative appreciation of about 10 percent during 1996–97 (Figure 2). The recent depreciation reflected some improvement in the inflation rate relative to partner countries, as the currency continued to appreciate with the U.S. dollar in nominal effective terms.

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maintained foreign exchange backing in excess of 95 percent of currency issue. See Occasional Paper 195 (July 2000) for more details on the operations of the ECCB.

[8] This relates to arrangements in July 1999 for the settlement of the external debt of the Ottley Hall shipyard project (US$72 million) that forgave about half of the total debt, with the balance to be repaid over 20 years.

III. Immediate Prospects and Medium-Term Outlook

14. **Preliminary projections suggest that economic activity will slow down somewhat in 2000 but remain broadly satisfactory.** Output growth is projected at about 3½ percent. While banana production and tourism remain strong, some slowdown is projected in wholesale and retail trade, communications, and banks and insurance. The consumer price index is expected to rise by 2 percent, in line with international inflation.

15. **The financial operations of the public sector are projected to deteriorate in 2000.** The central government deficit is projected to widen to over 2 percent of GDP in 2000, due mainly to a shortfall in receipts from taxes on international trade, increases in wages and salaries, and larger provisions for expenses on goods and services. Financing of this deficit will be through normal external assistance, and net domestic borrowing that is projected to amount to EC$8 million (about 1 percent of GDP). These net borrowings, in combination with a net repayment by the public enterprises, would raise total public debt (external and domestic) to about EC$565 million (63 percent of GDP) at end-2000, with the debt service of the central government equivalent to 15 percent of current revenue (about 4 percent of GDP).

16. **Based on current policies—including restraint on wage increases and goods and services spending—the fiscal deficit is likely to decline gradually to around 1½ percent of GDP for the central government and to a balanced position for the overall public sector (including the surplus of NIS of about 2 percent of GDP) by 2005.** In essence, the surplus of NIS would gradually match the deficit of the rest of the public sector (including the central government). The implications for total public debt (external and domestic) is that the ratio to GDP would decline steadily from 63 percent in 2000 to 58 percent by 2005. Debt service for the central government would rise to about 17 percent of current revenues by 2003 before declining to about 13½ percent in 2005.

17. **The external current account deficit is projected to narrow sharply to about 13 percent of GDP in 2000.** The narrowing reflects a sharp reduction in the trade deficit with the completion of some major projects,[9] as well as continued strong growth in tourism receipts. Imputed official international reserves are projected to increase to about US$52 million—equivalent to 430 percent of external public debt service (all maturities), 2½ months of projected imports of goods and services, and 22 percent of broad money. Total public external debt relative to GDP is projected to increase further to about 50 percent, the equivalent of about 320 percent of official international reserves and 13 percent of annual government revenue.

18. **The medium-term outlook for 2001–05 is for real GDP to grow at 4 percent a year, based largely on continued expansion in banana production, tourism, and construction associated with private residences and remittances from abroad** (Figure 3 and Table 7). While the growth—if sustained—would contribute importantly to raising the per

[9] Major projects completed in 1998–99 include the Central Leeward Highway, the irrigation program for bananas, the Kingstown ferry/cruiseship berth, and the Canouan hotel resort.

capita income, it would appear to be insufficient to make a significant dent in the high unemployment level.

19. **The medium-term balance of payments projections indicate that the external position will remain viable with the current fiscal stance.** After the sharp reduction in the current account deficit in 2000, the deficit will gradually rise to almost 15 percent of GDP in 2005 as the public sector investment program (PSIP) is expanded. Exports are projected to grow by 6 percent annually, while receipts from tourism are expected to grow at an average annual rate of 5 percent. The growth in exports will be driven primarily by increases in banana exports, as the steps taken in recent years to improve productivity in the sector lead to higher output and better quality, while prices would recover after the drop in 2000. Imports are expected to grow in line with economic activity. In particular, with the increase in public investment driving the growth of imports, the composition would shift in favor of machinery and construction materials.

IV. Report on the Discussions

20. **Despite recent favorable performance, the economy of St. Vincent and the Grenadines remains very vulnerable to external and weather-related shocks, and growth is affected by the cycle of project implementation.** The factors that were responsible for the volatility in real GDP growth in the early 1990s—swings in agricultural production, fluctuations in the external terms of trade, occurrence of severe hurricanes and droughts, and the cycle of projects—remain relevant. At the same time, public debt and debt service have increased sharply, while foreign exchange earnings are concentrated in bananas and tourism. Also, there are unlikely to be any large increases in donor assistance over the medium-term, even as efforts are made to increase the size of the actual PSIP from the estimated EC$95 million (10 percent of GDP) in 1999 to some EC$133 million (11 percent of GDP) by 2005. Moreover, unemployment remains high and has kept a large segment of the population below the poverty line.[10]

21. **The government's strategy is to achieve faster output growth—and, thereby, increase employment and reduce poverty—by promoting economic diversification**. The strategy seeks a restructuring of the banana industry; development of tourism, services, and manufacturing; and promotion of foreign direct investment.[11] To this end, the government has relied on improving the regulatory framework, reducing the bureaucratic red-tape inhibiting investment, enhancing the environment for business (including relaxation of the Alien Land Holding Act), raising public investment in infrastructure and education, and providing targeted incentives—including tax and customs duty exemptions. The government expects that the

[10] According to a poverty assessment report prepared for the CDB, about 37½ percent of the population are living below the official poverty line.

[11] The report on poverty referred to in footnote 10 also suggests that the government should put emphasis on the development of agriculture and manufacturing, which have considerable potential for employment creation.

implementation of this strategy will enable the economy to attain steady growth over the medium term, while maintaining low inflation, and a satisfactory external position—including a manageable external debt burden.

22. **The major downside risks to the medium-term outlook relate to export prices for bananas and the execution of public sector capital projects.** The declining price for bananas observed in 2000 may persist, and this may convey a negative impulse to growers causing production and exports to decline. In such a situation, the mission urged the authorities to further strengthen the ongoing diversification efforts and not to insulate growers from the impact of the falling prices through the introduction of subsidies and/or transfers. The authorities emphasized during the discussions that no subsidies/transfers will be made to the banana growers, as the prices paid should reflect market conditions and developments. Also, the pricing mechanism will not contain any cross-subsidization between certified and noncertified bananas. However, the government established an overdraft facility for the Banana Growers Association in September 2000 to support the prices paid to farmers, using STABEX aid (which can be used to support either diversification efforts or profitable restructuring of the banana industry). The concern is that such a support would not improve the productivity of the industry and may become a serious fiscal burden. Another downside risk relates to continued low execution of capital projects under the PSIP. If the rate does not improve as envisaged, real GDP growth would be lower than projected, with associated worsening of the public finances.

23. **Against this background, a key challenge was to assess the adequacy of current policies to achieve faster growth.** The mission was uncertain as to whether the use of several different fiscal incentives was facilitating the needed improvement in competitiveness and economic diversification, and whether these incentives were sustainable in the long term. In the manufacturing sector, in particular, businesses were likely to move out after the initial phase of tax holidays and concessions had expired. The policy of seeking diversification through reliance on incentives is inefficient in the allocation of resources and costly in terms of foregone fiscal revenue. It is estimated that the foregone revenue from import duty concessions was about EC$100 million (12 percent of GDP) in 1999, about the same as actual duty collections.

24. **Instead, policies should seek to improve the economy's competitiveness and to accelerate the development of the country's infrastructure as the bases for sustained satisfactory growth over the medium term.** Competitiveness could be improved by strengthening education (which is an important part of the PSIP), exercising restraint to keep wage cost increases in line with productivity gains, and eliminating the remaining price and import controls. To accelerate the development of the infrastructure, the mission estimated that public sector savings would need to be strengthened by about 1–1½ percentage points of GDP to 8–9 percent a year over the medium term.[12] Such an improvement would be necessary

[12] The Framework of Mutual Obligations—the understanding between the government and the EU for the provision of assistance to ACP countries—specifies a similar target.

in order to raise public investment in the areas of human capital and physical infrastructure, while reducing the public sector debt and increasing the utilization of available foreign assistance. In this regard, the PSIP could be targeted to increase faster to 12–13 percent of GDP a year, compared to the 10½–11 percent of GDP a year that is now envisaged. This would encourage private sector investment, and preliminary calculations suggest that growth may accelerate to about 5 percent a year over the medium term, compared with the 4 percent now projected, which would help create employment opportunities.

25. **On the broad economic strategy, the authorities were of the view that the fiscal incentives provided are essential for the attraction of investment, which otherwise may not be undertaken.** They argued that it may, therefore, be misleading to talk about foregone revenue. The mission noted the regional dimension to fiscal incentives for attracting foreign direct investment and therefore urged the government to take up the matter with the other governments in the region through the appropriate fora, including CARICOM. Nonetheless, the absence of transparency—in terms of the imputed cost of the concessions—prevents tracking by both the government and the recipients, and increases the burden on the taxed sector where growth may thereby be suppressed.

A. Fiscal Policy

26. **The central government budget for 2000 envisaged substantial increases in revenues and in expenditures, with a savings target of 4 percent of GDP.** The budget raised the customs service charge on imports from 2½ percent to 4 percent of the c.i.f. value, and limited to 3½ percent the increase in civil service salaries. Preliminary data for the first half of the year indicate that the outturn for the year as a whole—as mentioned earlier—would be a further widening of the central government's deficit. Some measures would be required to limit the increase in the central government deficit in 2000, including a slowdown in spending on goods and services, and postponement of projects that are wholly financed with domestic resources. The authorities expressed confidence in containing the central government deficit, pointing out that mechanisms were in place to limit expenditures, including current outlays.

27. **For the medium term, measures should be implemented to generate the needed public sector savings.** Key on the expenditure side is maintaining a prudent wage policy which, among other things, will require that annual increases be based on merit and be guided by economy-wide productivity gains. In particular, it would be important for wage increases in the public sector to demonstrate the appropriate restraint as a pace-setter for the economy, taking into account the need to reduce relative unit labor costs over time. Also, the authorities were cautioned to consider steps that would pare back the size of the civil service—while providing incentives to recruit and retain qualified staff—in order to contain the wage bill, which averaged about 13 percent of GDP a year in 1998–99 and accounted for about half of current expenditure.

28. **The authorities observed that because of the vast expanse of the country's geography, with many scattered small islands, the administrative cost of government is necessarily high.** In the circumstance, there is very limited room to cut back, particularly in

social services such as education, health, and utilities which have to be provided for each area at substantial overhead costs. However, the government intends to limit the increase in the wage bill to no more than 5 percent a year, inclusive of merit awards and across-the-board increments. In this regard, the shift to merit-based wage increases that is being implemented by the public services commission in agreement with the trade unions is an important step in the right direction. Also, the restraint in filling vacant positions in the public service—only after adequate determination that the position is essential—augurs well for containing the government wage bill.

29. **The relative large size of the informal sector, in conjunction with the plethora of tax exemptions, puts a disproportionate share of the burden of revenue raising on the formal sector**. The mission suggested that measures to broaden the tax base could include the implementation of a value-added tax (VAT) after careful consideration with respect to its administration, improvement in the collection of the property tax with appropriate valuation, and reduction in the tax and tariff exemptions allowed under the fiscal incentive program. The mission encouraged the authorities to seek further technical assistance from the Fund to review the present tax structure, with a view to reducing the number of taxes and tax brackets, eliminating tax cascading, simplifying administration, bringing new activities into the tax net, and examining the feasibility of a VAT. The authorities were in agreement to review the tax structure, but saw some technical difficulties in the administration of a VAT in the immediate period.

30. **Under the current system, the retail prices of petroleum products have remained unchanged since 1997.** During the period to now, import prices for petroleum products have increased by about 37 percent and the customs service charge has been raised by 60 percent. In the circumstances, the excess in retail price over actual cost that the government realized in earlier years is likely to shift to a significant deficit in 2000. The mission urged that the retail pricing mechanism be adjusted to permit the automatic pass-through of changes in costs to the consumer. However, the authorities feel that it is of crucial importance to maintain stability in the pricing of petroleum products, and that automatic pass-through would create unacceptable disruptions, particularly in respect to public transportation. Nonetheless, the authorities pledged to monitor the situation and to take action at the appropriate time.

31. **A main concern of the mission and the authorities with the PSIP remains the relatively low implementation rate, which was 70 percent in 1998 and projected at only 48 percent in 2000**. This is attributed partly to project selection (which may not distinguish sufficiently in terms of established criteria) and inadequate implementation capacity. However, another important factor for low implementation was slow disbursement of external assistance, including administrative delays and a changed attitude toward St. Vincent and the Grenadines following civil disturbances around mid-2000 that were interpreted as instability that should be allowed to subside. The mission emphasized that appropriate selection criteria—contribution to growth, employment, sustainability, etc.—should be strictly applied for projects to be included in the PSIP. Also, projects must be consistent with the medium-term policy objectives and the availability of financing, including possible STABEX grants

from the EU.[13] In this regard, the authorities informed the mission of their recent request for technical assistance from the CDB and the World Bank to improve project selection, PSIP monitoring, and the implementation capacity.

32. **The performance of the main public enterprises and the National Insurance Scheme has been broadly satisfactory in recent years, generating savings of 4–5 percent of GDP a year**. Nonetheless, several measures are required to enhance their efficiency and ensure operating surpluses for major investment projects. In this connection, utility charges should be kept in line with increases in costs; safeguards should be maintained to ensure NIS's financial health over the long term, taking into account the demographic changes; and the NIS should be allowed to hold assets in a more diversified portfolio, including foreign securities. While the authorities were in broad agreement with these recommendations, they viewed higher utility charges—particularly for water and electricity—as problematic. They pointed out that these charges were lower in neighboring competitor countries and that increases that were out of line would hurt the competitiveness of St. Vincent and the Grenadines.

B. Financial Sector

33. **The banking system remains sound in the judgment of the authorities, including the ECCB.** Steps have been taken to improve prudential regulations and inspection procedures for commercial banks.[14] The preferential arrangements for the NIS to deal only with the government-owned National Commercial Bank (NCB) have been removed, and the NIS is now making all new deposits with the other commercial banks on an auction basis. Also, the incidence of nonperforming loans has declined, with the portfolios of most commercial banks and several nonbank institutions remaining relatively sound. Nonperforming loans relative to total loans was ½–6 percent for the foreign banks, and the ratio declined from 21 percent in 1998 to 14 percent in 1999 for the NCB. The main factors responsible for the high incidence of nonperforming loans in the earlier years included inadequate risk assessment. In this regard, the NCB has strengthened its efforts to recover bad loans, and staff training has been instituted to gauge risk and ensure adherence to ECCB guidelines on loan provisioning. Also, measures have been taken to strengthen the supervisory/regulatory framework and the role of the ECCB.[15]

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[13] For each year in which there are export losses, the EU sets a STABEX allocation and negotiates its use with the authorities. Annual STABEX grants to St. Vincent and the Grenadines averaged about 2 percent of GDP a year in 1996–99.

[14] See SM/99/70 (3/12/99) for details on bank supervision in the ECCB area. An FSAP mission to the ECCB area is scheduled for 2001.

[15] The ECCB lacks enforcement powers for its supervisory recommendations. Amendments to the ECCB charter are being sought that would grant such powers, and a recent MAE mission made specific recommendations in this regard. The mission urged St. Vincent and the Grenadines to support the initiative.

34. **The ECCB stipulates a 4 percent minimum interest payment on passbook savings.** This stipulation was in order to encourage savings within an environment that had limited avenues for savings. However, with the deepening of the financial market in the region and the prospective establishment of a securities market, the importance of the rationale has diminished. Thus, the stipulation continues to add to the cost of funds of the banking system and to the lending rates. The commercial banks indicated that any reduction in the cost of funds will be passed on in terms of lower lending rates. The minimum interest rate on passbook savings may create distortions and the mission urged the authorities to support its removal.

35. **The Financial Action Task Force (FATF) listed St. Vincent and the Grenadines as one of 15 noncooperative jurisdictions, while a recent OECD report cited it as a tax haven.** [16] The reports suggested that weak supervision of the offshore sector is damaging to the financial sector and facilitates money laundering. The authorities indicated that very thorough due diligence is carried out for all applicants for offshore operations and that a legal firewall is maintained to prevent the offshore sector from undertaking activities in the domestic economy. In this regard, the staff of the Offshore Financial Authority was increased from 9 to 13 persons in August 2000 and to 16 persons in September 2000, a size considered by the authorities to be adequate at this time for comprehensive oversight of the offshore sector. The mission inquired about the regulatory and supervisory arrangements for offshore activities, and the safeguards against the vulnerability of the financial system. In particular, the mission recommended the implementation of all the measures needed for St. Vincent and the Grenadines to meet international best practices for offshore centers. Parliament approved amendments to the International Banks Act and the Confidentiality Act in September 2000 intended to strengthen the regulatory, supervisory and legislative framework for the offshore sector.

36. **The authorities expressed strong concern and dismay about the recent reports suggesting a weak supervisory framework for the offshore sector and harmful taxation.** The procedures followed by the institutions concerned to arrive at these conclusions were seen as unfair, especially when any grievance could have been dealt with under the WTO services protocol. The uncertainties created by the reports have been unhelpful in the government's efforts to diversify the economy towards greater reliance on services, especially as trade preferences with the EU for the main agricultural crop and export—bananas—are to be removed in 2006. Nonetheless, the authorities saw the need to be vigilant in enforcing current laws and improving standards so as to conform to international best practices for the offshore sector, and are confident that the necessary strengthening of the regulatory and supervisory framework will be undertaken. In this regard, the authorities will collaborate with the ECCB to regulate and supervise offshore financial institutions, and will participate in the

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[16] The Financial Stability Forum had earlier identified St. Vincent and the Grenadines as one of 25 jurisdictions with inadequate legal infrastructure and supervisory practices for offshore activities, and a low level of resources devoted to supervision and cooperation relative to the size of these activities.

CARICOM initiatives in this area. Also, the authorities indicated satisfaction with the firewall in place to safeguard against the vulnerability of the onshore financial system.

37. **The mission agreed that the provision of properly supervised and well-regulated financial services can contribute to economic growth and diversification**. The authorities were encouraged to seek technical assistance—coordinated under the assessment program led by the MAE—to help identify and reduce vulnerabilities stemming from any weakness in the financial system.

38. **The authorities felt that the issue of harmful taxation should be disentangled from offshore activities.** Competitive taxation, in their view, was neither wrong nor harmful. They argued that in the situation where St. Vincent and the Grenadines is a member of a currency union and lacks flexibility to use monetary policy to stimulate economic development, dependence on fiscal policy has become paramount and should not be devolved to an external body—such as the OECD. Finally, the authorities informed the mission that the response of St. Vincent and the Grenadines to the recent reports on harmful taxation, financial supervision, and money laundering will be coordinated with that of other countries in the region.

C. External Sector

39. **As mentioned earlier, the medium-term balance of payments projections indicate that the external position will remain viable.** The external current account deficits will be financed mainly by official loans on concessional terms, foreign direct investment and other private capital inflows. Prospects for strengthening the balance of payments would depend largely on enhancing exports and expanding tourism. Banana exports are expected to rise over the medium term based on the steps taken in recent years to improve productivity and quality,[17] including the provision of irrigation for 4,000 acres of agricultural land. Expansion of tourism, which has become a large source of foreign exchange earnings, is crucial over the medium term.

40. **Comprehensive data are unavailable but broad indicators—the real effective exchange rate and trends in foreign investment—suggest that St. Vincent and the Grenadines has not had significant loss in competitiveness**. However, from discussions with officials and representatives of the private sector, it appears that efforts should be made to strengthen productivity in tourism and enhance quality performance through education of staff in the tourism sector, and a certification program for hotels and restaurants. Also, as noted earlier, wage restraint and improved productivity economy-wide are essential to ensure continued competitiveness.

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[17] These steps include the introduction in 1996 of a certification program to improve quality; increased usage of fertilizers and chemicals made possible through credits by the Banana Growers Association (BGA); new irrigation programs; and the introduction of new varieties of bananas.

41. **St. Vincent and the Grenadines' external debt of about 50 percent of GDP is relatively high compared with similar countries in the region.**[18] This became the case with the assumption in 1999 of a private sector debt that was guaranteed by the government (Ottley Hall shipyard project). The authorities have decided to stop guaranteeing private external debt. Nonetheless, the mission cautioned that it was essential to pursue a prudent management of public debt, emphasizing that while the current debt level is manageable, efforts should be made to bring it in line with that in similar countries of the region over the medium term.

D. Structural Reforms

42. **Privatization**—only public utilities and a few enterprises of commercial nature remain in the public sector.[19] The authorities explained that a decision to privatize these enterprises would require very careful consideration as they may simply not be viable in the private sector, given the small size and limited expertise. The authorities indicated their willingness to sell shares of the NCB as a step toward its eventual privatization, which would enhance competition in the financial sector. However, there is some reluctance to the privatization of utility companies—such as water and electricity—because of concern that the market is too small to allow fair competition and that some elements of subsidy (and cross-subsidization) would be required for poor households to afford the services. In the meantime, required investment could be financed by bringing in strategic private investors in return for equity participation in the utilities. Also, while remaining government entities, some of the operations of the utility companies (e.g., bill collection, repair and maintenance services, etc.) could be contracted out to private sector vendors through competitive bids, to reduce cost and improve service delivery.

43. **Price controls**—the government maintains price controls on a number of items (rice, milk, sugar, flour, bread, school books, cement, and petroleum products). The authorities explained that the controls are intended to prevent monopoly pricing in markets dominated by one or two firms, and to smooth out the effects of fluctuations in the commodities' international prices. Moreover, the price controls are not enforced in several cases. The mission urged the authorities to explore more transparent price-setting mechanisms (including appropriate taxation of economic rent) to deal with concerns about monopolistic tendencies.

44. **Development Bank**—efforts are underway to establish a national development bank to provide long-term credit to small businesses for start-up capital. The initiative has been supported by the CDB, which is also expected to supervise its operations. It is important that credit be extended at market rates and that any subsidies involved should be made explicit in

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[18] The average public external debt/GDP ratio for the ECCB countries is 41 percent (including Antigua and Barbuda with the highest ratio of 66) and 36 percent excluding Antigua and Barbuda.

[19] The nongovernment public sector accounts for about 10 percent of GDP, with the largest (St. Vincent and the Grenadines Electricity Authority) contributing half of this estimate.

order to avoid the difficulties of administering a credit program and to minimize the potential for abuse.

45. **Import restrictions**—under the fiscal incentive program, St. Vincent and the Grenadines provides a variety of tax and duty concessions on imports to investors, and requires licensing for the import of a large number of products, which, however, are nonbinding in most cases; only five items have quantitative restrictions.[20] Provision of such incentives and licensing and quantitative restrictions on imports has been allowed under CARICOM's import tariff agreement until 2005, but a tariffication process has been initiated to bring import restrictions in compliance with WTO principles before 2005.

46. **Social programs**—the government is implementing a number of social programs with the assistance of the CDB and the EU that are targeted at poverty reduction, education and health improvement, and environmental protection. In addition, old-age pensions and other benefits administered by the NIS were increased recently, with wider coverage. The implementation of these programs has been broadly effective. However, the mission emphasized the need to enhance targeting and to provide safeguards for the budgetary allocations—especially of the social safety-net programs.

E. Statistical Issues[21]

47. **Although St. Vincent and the Grenadines report the core data to the Fund,[22] there are significant weaknesses in the statistical base which hamper effective surveillance and policy making**. The authorities need to explore strategies, including with technical assistance from bilateral and multilateral sources, to upgrade the country's economic statistics. In particular, the nature of private capital inflows and how best to improve the collection of data in this area should be examined in an attempt to reduce the large size of "errors and omissions" in the balance of payments (about 12½ percent of GDP in recent years). Finally, core data to form the basis for reporting to the Fund area department were established, while efforts will be made to expedite the normal reporting to STA.

V. Staff Appraisal

48. **St. Vincent and the Grenadines' economic performance in the recent period has been broadly satisfactory.** Real GDP growth, which had varied significantly in the past,

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[20] St. Vincent and the Grenadines has a moderately restrictive trade regime which includes a simple average import tariff rate of 12 percent, and the use of licensing requirements, state trading and other nontariff barriers to protect selected industries. These restrictions result in an overall rating of 5 on the IMF's 10-point index of trade restrictiveness (with 10 being the most restrictive).

[21] Appendix IV provides a summary of the key statistical issues.

[22] A survey of reporting of Core Statistical Indicators is presented in Appendix V.

averaged about 5 percent a year in 1998–99. Inflation has been low—in line with that in the major trading partner countries—reflecting the discipline of the currency union with the other Eastern Caribbean countries and the prudent fiscal stance that has been maintained. Despite the recent economic expansion, unemployment has remained high, with severe incidence on youths and women.

49. **The strategy the government has adapted to enhance economic diversification for faster output growth and the creation of employment opportunities includes as key elements targeted fiscal incentives and public sector investment in both physical and human infrastructure.** The medium-term outlook is for growth and general economic performance to continue along recent trends, but unemployment is unlikely to decline much and vulnerability to external and weather-related shocks remains high. In particular, persistence of the recent fall in the export prices for bananas or less robust implementation of the public sector investment program would lead to lower GDP growth and worsening of the public finances. Furthermore, the plethora of tax incentives appears to have had only modest impact on the diversification of the economy and in making the economy more competitive.

50. **In this context, the staff urges the authorities to strengthen public savings, which would permit an acceleration in public investment in the areas of human capital and physical infrastructure, thereby laying the foundation for sustained high growth and alleviation of unemployment.** Accordingly, consideration should be given to containing central government current expenditure through appropriate wage restraint that would take into account any need to reduce relative unit labor costs over time for the economy as a whole. In this regard, the government's intention to limit the increase in the wage bill, shift wage policy more toward merit-based increases, and restrain the filling of vacant positions in the public service are all in the right direction. Also, efforts to contain current expenditures should be maintained, but the recently introduced price support scheme for banana growers may significantly compromise these efforts if it does not lead to sufficient productivity gains in the industry.

51. **Also, efforts should be made to broaden the tax base, particularly in order to bring in more of the relatively large informal sector.** Such efforts could include improvement in the collection of the property tax with appropriate valuation, reduction in the tax and tariff exemptions allowed under the fiscal incentive program, and implementation of a VAT after careful consideration. The staff recommends that St. Vincent and the Grenadines seek further technical assistance from the Fund, with a view of reducing the number of taxes and tax brackets, eliminating tax cascading, and examining the feasibility of a VAT.

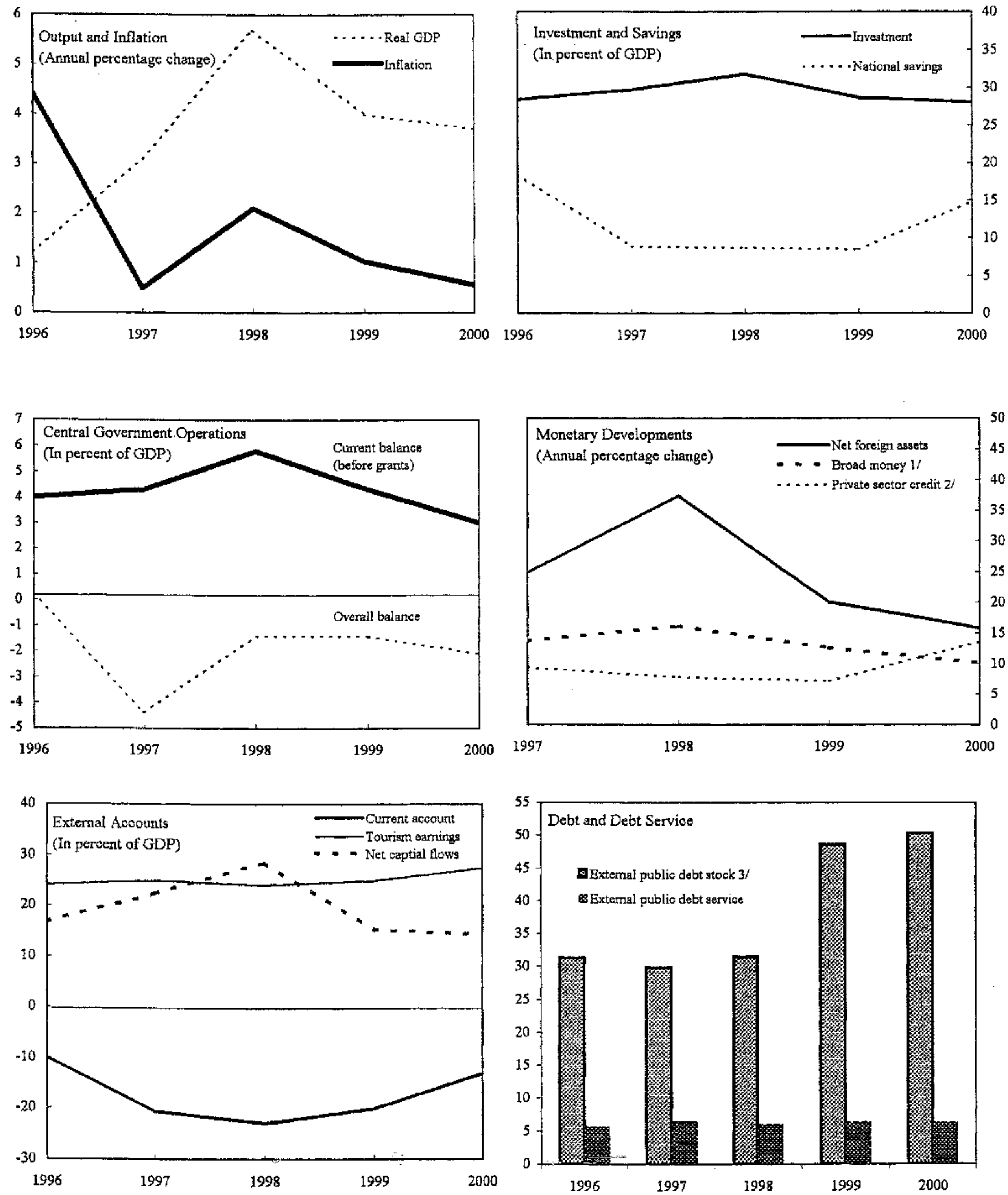
52. **Indicators suggest that the domestic banking system in St. Vincent and the Grenadines is sound, particularly following recent measures to strengthen the operations of the government-owned National Commercial Bank.** With respect to the offshore financial sector, the staff notes the concern of the authorities that recent reports suggesting weaknesses in the supervisory framework and "harmful" taxation practices may hinder efforts to diversify the economy into such services and diminish economic growth over the medium term. However, the staff would urge that vigilance be maintained in enforcing the laws, adhering to international best practices for the offshore sector, and ensuring that the

firewall in place would safeguard against the vulnerability of the financial system. Therefore, the staff welcomes the authorities' commitment to comply with international standards and recommends that technical assistance in the context of the Fund's initiative on offshore financial centers be requested.

53. **The weaknesses in the statistical base need to be dealt with in order to strengthen policy making and improve surveillance.** The staff urges the authorities to promptly explore strategies to upgrade the country's economic statistics, including through technical assistance.

54. **The staff recommends that the next Article IV consultation with St. Vincent and the Grenadines be conducted on the standard 12-month cycle.**

Figure 1. St. Vincent and the Grenadines:
Selected Economic Indicators, 1996 - 2000



Sources: Data provided by the St. Vincent and Grenadines authorities, and Fund staff estimates and projections

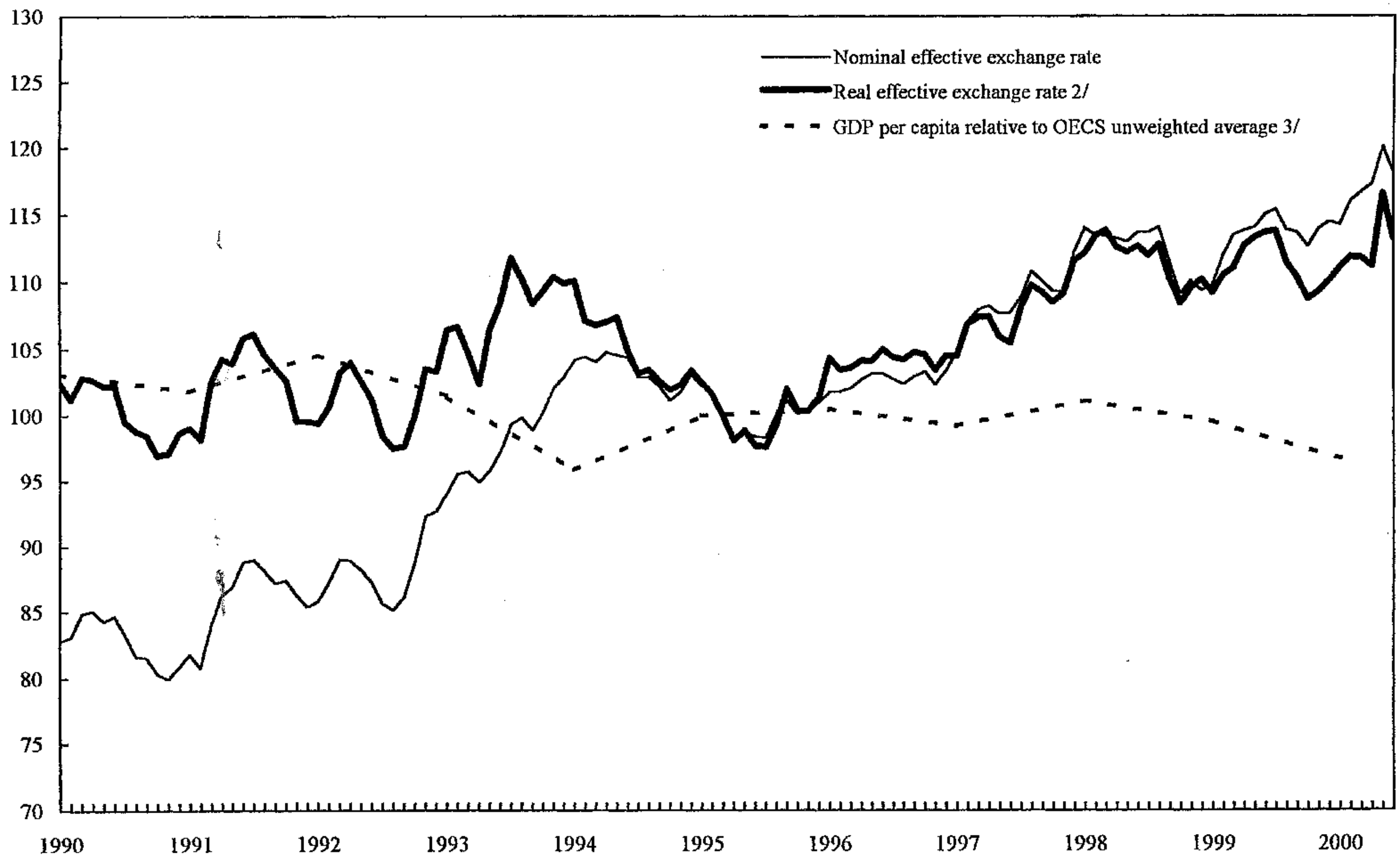
1/ Including foreign currency deposits.

2/ Including net credit to nonbank financial institutions.

3/ In percent of GDP.

Figure 2. St. Vincent and the Grenadines: Exchange Rate Developments, 1990-2000 1/

(Index 1995=100)



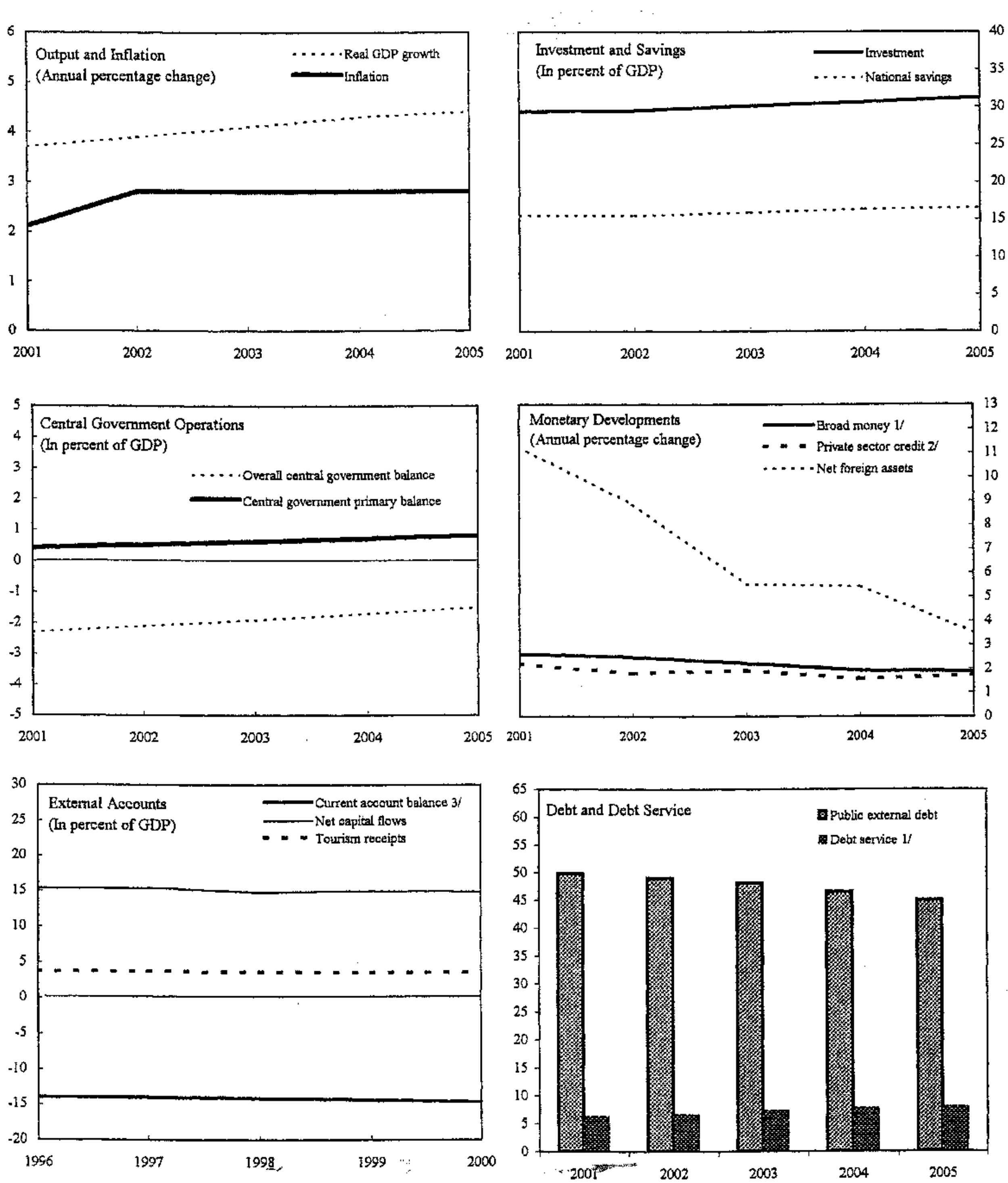
Source: IMF, Information Notice System.

1/ An increase in the exchange rate indices indicates an appreciation. 2000 figures for REER and NEER are an average of Jan. to Jul. data.

2/ Trade-weighted index of nominal exchange rates deflated by seasonally adjusted relative consumer prices.

3/ In the absence of good wage and productivity data, relative GDP per capita is used. It suggests a loss in competitiveness.

Figure 3. St. Vincent and the Grenadines:
Medium-Term Projections, 2000-2005



Sources: Data provided by the St. Vincent and Grenadines authorities; and Fund staff estimates and projections

1/ Including foreign currency deposits.

2/ Including net credit to nonbank financial institutions.

3/ In percent of exports of goods and nonfactor services.

Table 1. St. Vincent and the Grenadines: Selected Economic Indicators

	1996	1997	1998	Est. 1999	Proj. 2000	Proj. 2001
Real GDP growth (at factor cost; percent)	1.2	3.1	5.7	4.0	3.7	3.7
Inflation (average; percent)	4.4	0.5	2.1	1.0	0.6	2.1
Inflation (end of period; percent)	3.6	0.8	3.3	-1.8	2.0	2.1
Banana export volume (thousands of metric tons)	48.9	32.9	40.8	40.2	45.8	47.5
Banana export earnings (millions of US$) 1/	20.5	14.4	20.9	20.4	19.3	21.3
Export unit value (US$ per ton)	420	438	512	507	421	448
Total number of visitors (thousands)	222.9	236.9	202.1	223.1	280.1	288.5
Of which:						
Stay-over visitors (thousands)	60.1	62.2	67.2	68.3	72.9	75.1
Tourism expenditure (millions of US$)	67.2	73.1	76.1	81.7	91.0	94.1
Nominal effective exchange rate (percentage change)	2.4	8.5	-2.5	4.7	...	...
Real effective exchange rate (percentage change)	3.0	6.8	-1.2	-0.1	...	...
External terms of trade (percentage change)	-1.8	-0.3	2.1	-1.7	-2.8	0.8
Weighted deposit interest rate	4.7	4.9	4.9	4.6	4.6	...
Weighted lending interest rate	11.8	11.9	11.8	11.6	11.5	...
Banks' prime loan rate	11.0	12.5	12.5	12.5	...	...
Liabilities to the private sector (in percent of GDP)	52.0	56.1	60.2	65.4	71.1	74.0
Liabilities to the private sector (percent change)	4.4	13.7	16.1	12.5	10.1	10.0
Of which:						
Narrow money	1.2	35.4	15.4	22.0	10.1	10.0
Quasi money	5.6	6.8	16.2	8.7	10.1	10.0
Net domestic assets of the banking system (percent change) 2/	6.7	7.2	5.2	5.5	4.2	5.5
Central government savings (percent of GDP) 3/	4.0	4.3	5.8	4.3	3.0	2.9
Public sector savings (percent of GDP) 3/	7.6	8.6	9.6	8.9	7.3	7.0
External current account balance (percent of GDP)	-10.0	-20.8	-23.0	-20.2	-13.1	-14.1
Imputed gross official international reserves (millions of US$)	33.5	34.5	41.6	48.6	51.8	56.8
Stock of public external debt						
end of period (millions of US$)	87.0	87.6	99.5	159.5	167.2	175.6
(in percent of GDP)	31.2	29.8	31.4	48.5	50.2	49.9
External public debt service (millions of US$ at end-period)	8.3	9.2	9.4	11.3	12.1	12.7
(in percent of official international gross reserves)	24.7	26.8	22.7	23.3	23.3	22.4
(in percent of exports of goods and services)	6.0	7.0	5.9	6.3	6.2	6.3
(in percent of central government revenue) 4/	10.6	11.2	10.7	12.2	13.3	13.3
Memorandum item:						
Nominal GDP (millions of US$ at market prices)	278.5	293.8	317.3	328.6	332.9	352.5

Sources: Eastern Caribbean Central Bank; Ministry of Finance and Planning; Department of Tourism; Banana Growers Association; and Fund staff estimates and projections.

1/ Excludes small amounts of banana exports to regional markets.

2/ In relation to banking system liabilities to the private sector at the beginning of the period.

3/ Before grants.

4/ Excluding grants.

Table 2. St. Vincent and the Grenadines: Summary of Consolidated Public Sector Operations

	1996	1997	1998	Est. 1999	Proj. 2000	Proj. 2001
	(In millions of Eastern Caribbean dollars)					
Revenue and grants	333	364	410	386	406	430
Current revenue	324	347	363	374	383	398
Capital revenue	1	2	6	2	3	2
Grants	7	15	41	11	20	30
Expenditure	321	373	404	387	417	434
Current	268	280	287	296	321	333
Capital	53	93	117	91	96	101
Overall balance	12	-9	6	-1	-11	-4
Net external financing	2	16	37	8	21	23
Disbursements	17	33	54	23	38	40
Amortization	15	17	17	16	17	18
Net domestic financing	-14	-7	-43	-7	-10	-19
Banking system	-22	-3	-29	11	1	-4
Other	8	-4	-14	-18	-11	-15
	(In percent of GDP)					
Revenue and grants	44.2	45.8	47.8	43.5	45.2	45.2
Expenditure	42.7	47.0	47.1	43.7	46.4	45.6
Current	35.6	35.2	33.5	33.4	35.7	35.0
Capital	7.1	11.8	13.6	10.3	10.7	10.6
Current balance (before grants)	7.6	8.6	9.6	8.9	7.3	7.0
Current balance (after grants)	8.6	10.6	14.4	10.2	9.7	10.2
Primary balance	4.4	1.5	3.2	3.0	1.7	1.9
Overall balance	1.5	-1.2	0.8	-0.1	-1.1	-0.4
Net external financing	0.3	2.0	4.3	0.8	2.3	2.4
Net domestic financing	-1.8	-0.8	-5.1	-0.7	-1.2	-2.0

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

Table 3. St. Vincent and the Grenadines: Summary of Central Government Operations

	1996	1997	1998	Est. 1999	Proj. 2000	Proj. 2001
(In millions of Eastern Caribbean dollars)						
Revenue and grants	219	239	289	264	279	292
Tax	183	193	215	222	224	236
Income	55	60	72	69	68	72
Property	2	2	2	2	2	2
Goods and services	27	26	31	38	42	45
International trade	87	96	101	105	101	107
Other	11	9	9	8	11	11
Nontax 1/	29	33	33	31	35	35
Grants	7	13	41	11	20	22
Expenditure	217	274	302	277	298	314
Current	182	192	199	215	232	243
Wages and salaries 2/	99	108	113	118	125	131
Interest	13	13	14	20	24	26
Other goods and services	41	42	37	44	46	49
Transfers 3/	29	30	35	33	37	38
Capital	36	82	103	62	66	72
Overall balance	2	-35	-13	-13	-19	-22
Net external financing	-5	13	32	5	11	13
Disbursements	7	25	41	16	26	29
Amortization	12	12	10	11	16	15
Net domestic financing	3	22	-19	8	8	9
Banking system	-10	-1	-18	9	8	10
Other	13	23	-1	-1	0	-1
(In percent of GDP)						
Revenue and grants	29.1	30.1	33.8	29.8	31.0	30.7
Of which: Tax	24.3	24.3	25.0	25.0	24.9	24.8
Expenditure	28.9	34.5	35.2	31.2	33.1	33.0
Current	24.1	24.2	23.2	24.2	25.8	25.5
Of which: Wages and salaries 2/	13.1	13.5	13.2	13.3	13.9	13.7
Capital	4.7	10.3	12.1	7.0	7.3	7.5
Current balance (before grants)	4.0	4.3	5.8	4.3	3.0	2.9
Current balance (after grants)	5.0	5.9	10.6	5.6	5.2	5.2
Primary balance	1.9	-2.8	0.2	0.9	0.5	0.4
Overall balance	0.2	-4.4	-1.4	-1.4	-2.1	-2.3
Net external financing	-0.6	1.7	3.7	0.6	1.2	1.4
Net domestic financing	0.4	2.7	-2.3	0.8	0.9	0.9

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

1/ Including proceeds from the sale of land (capital revenue).
2/ Including contribution to the National Insurance Scheme.
3/ Mainly contributions to international and regional organizations.

Table 4. St. Vincent and the Grenadines: Summary of Monetary Survey

	1996	1997	1998	Est. 1999	Proj. 2000	Proj. 2001
	(In millions of Eastern Caribbean dollars)					
Net foreign assets	106	131	180	215	249	278
ECCB	79	82	103	113	122	135
Commercial banks	26	49	77	103	128	143
Net domestic assets	285	314	337	365	390	425
Public sector credit (net)	-69	-72	-101	-90	-89	-92
Central government	66	65	47	56	64	74
National Insurance Scheme	-126	-141	-151	-147	-150	-153
Other	-9	3	3	1	-3	-13
Private sector credit 2/	397	434	468	501	569	610
Other items (net)	-42	-47	-31	-46	-91	-93
Broad money	391	445	516	581	639	703
Narrow money	96	130	150	183	...	...
Currency in circulation	27	34	36	58	...	...
Demand deposits	69	96	114	125	...	...
Quasi-money	295	315	366	398	...	...
Time and saving deposits	291	307	353	381	...	...
Foreign currency deposits	4	8	13	17	...	...
	(Annual percentage change)					
Public sector credit	-45.4	-4.9	-39.8	10.9	1.5	-3.4
Of which:						
Central government	-13.5	-1.5	-27.7	19.1	14.3	15.6
Private sector credit 2/	14.5	9.3	7.8	7.1	13.6	7.2
Broad money	4.4	13.7	16.1	12.5	10.1	10.0
Narrow money	1.2	35.4	15.4	22.0	...	...
Quasi-money 3/	5.6	6.8	16.2	8.7	...	...
	(Percent contribution to growth in broad money) 4/					
Net foreign assets	-2.3	6.5	10.9	7.0	5.8	4.4
Public sector credit	-5.7	-0.9	-6.5	2.1	0.2	-0.5
Of which:						
Central government	-2.8	-0.3	-4.0	1.7	1.4	1.6
Private sector credit 2/	14.4	9.5	7.6	6.4	11.7	6.4
Other items (net)	-1.0	-1.2	4.0	-3.0	-7.7	-0.3
Memorandum item:						
Income velocity 5/	1.964	1.897	1.781	1.616	1.474	1.418

Sources: Eastern Caribbean Central Bank; Fund staff estimates and projections.

1/ Imputed international reserves with the ECCB.

2/ Including net credit to nonbank financial institutions.

3/ Including foreign currency deposits.

4/ Change in relation to the stock of money at the beginning of the period.

5/ Nominal GDP at market prices relative to the period average stock of money.

Table 5. St. Vincent and the Grenadines: Balance of Payments Summary

	1996	1997	1998	Est. 1999	Proj. 2000	Proj. 2001
	(In millions of Eastern Caribbean dollars)					
Current account	-75	-165	-198	-179	-118	-134
Trade balance	-203	-284	-324	-344	-312	-334
Exports, f.o.b.	142	128	135	134	148	149
Of which :						
Bananas	55	39	57	55	52	57
Imports, f.o.b.	-345	-412	-459	-478	-460	-483
Services (net)	124	118	126	177	206	216
Income payments (net)	-29	-35	-38	-54	-56	-60
Current transfers	32	37	38	42	44	45
Capital and financial account	126	177	244	134	127	147
Capital	10	35	58	21	25	33
Financial (net)	116	142	186	113	102	114
Official capital	2	16	37	8	21	23
Commercial banks	11	-23	-28	-26	-25	-15
Private capital	104	149	177	131	106	106
Of which :						
Net direct investment	115	149	166	120	98	101
Errors and omissions	-50	-9	-26	55	0	0
Overall balance	1	3	20	10	9	13
	(In percent unless otherwise indicated)					
Total trade/GDP 1/	64.8	68.1	69.4	69.0	67.6	66.5
Exports/GDP 2/	53.3	49.4	50.1	54.6	58.5	58.4
Imports/GDP 3/	63.8	70.4	73.2	73.4	70.3	69.8
Current account/GDP	-10.0	-20.8	-23.1	-20.2	-13.1	-14.1
Imputed international gross reserves						
(In millions of U.S. dollars)	33	35	42	49	52	57
(In months of imports) 4/	1.9	1.8	2.1	2.5	2.5	2.6
(Relative to broad money)	23.1	21.0	21.8	22.6	22.0	21.8

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

1/ Exports (f.o.b.) and imports (f.o.b.) relative to nominal GDP at current market prices.
2/ Exports of goods and services.
3/ Imports of goods and services.
4/ Imports of goods and services in the following years.

Table 6. St. Vincent and the Grenadines: Public Sector Debt

	1996	1997	1998	Est. 1999	Proj. 2000	Proj. 2001
	(In millions of Eastern Caribbean dollars at end-period)					
Total outstanding debt	351	363	368	540	564	589
Domestic	116	126	100	109	112	115
Central government	87	109	91	98	106	115
Public enterprises	29	17	9	11	6	0
External 1/	235	237	268	431	452	474
Central government	202	216	251	411	422	435
Public enterprises	33	21	17	20	30	39
Debt service	36	38	38	43	44	44
Amortization	14	17	17	16	17	17
Domestic	...	...	...	...	...	...
Central government	...	...	...	...	...	...
Public enterprises	...	...	...	...	...	...
External	14	17	17	16	17	17
Central government	12	12	10	11	16	15
Public enterprises	2	5	7	5	1	2
Interest	22	21	21	27	27	27
Domestic	14	13	12	13	11	10
Central government	8	8	9	10	10	10
Public enterprises	6	5	3	3	1	0
External	8	8	9	14	16	17
Central government	5	4	5	10	14	16
Public enterprises	3	4	4	4	2	1
	(In percent)					
Total debt/GDP	46.7	45.7	43.0	60.8	62.8	61.9
Domestic debt	15.4	15.9	11.7	12.3	12.5	12.1
External debt	31.3	29.8	31.3	48.5	50.3	49.8
Total debt service/revenue 2/	11.1	11.0	10.4	11.6	11.5	11.0
External debt service/exports 3/	5.7	6.9	5.9	6.1	6.2	6.1
External debt service/reserves 4/	24.7	26.8	22.8	23.3	23.4	22.4
External debt service/broad money 5/	5.6	5.6	5.0	5.2	5.2	4.8
Effective interest rate 6/	6.3	5.9	5.7	5.9	4.9	4.7
Domestic debt	12.1	10.7	10.6	12.4	9.9	8.8
External debt	3.4	3.4	3.6	4.0	3.6	3.7

Sources: Data provided by the St. Vincent and the Grenadines authorities; and Fund staff estimates and projections.

1/ Includes the assumption of private debt for Ottley Hall shipyard in 1999.
2/ Excluding grants.
3/ Exports of goods and services.
4/ Imputed international reserves with the ECCB.
5/ Including foreign currency deposits.
6/ Interest payment as percent of the average stock of debt.

Table 7. St. Vincent and the Grenadines: Medium-Term Projections

	2001	2002	2003	2004	2005	Average 2001-05
(In percent)						
Real GDP growth (at factor cost)	3.7	3.9	4.1	4.3	4.4	4.1
Inflation (period average)	2.1	2.8	2.8	2.8	2.8	2.7
(In millions of Eastern Caribbean dollars)						
Nominal GDP	952	1,013	1,080	1,154	1,232	1,086
Current account balance 1/	-134	-142	-153	-166	-181	-155
Exports, f.o.b.	149	158	167	176	184	167
Imports, f.o.b.	-483	-513	-548	-586	-627	-551
Services (net)	216	231	247	264	284	248
Income (net)	-60	-64	-67	-69	-72	-66
Current transfers (net)	45	46	48	49	50	48
Capital and financial account	147	157	160	173	183	164
Overall balance	13	15	7	7	2	9
(In percent of GDP)						
External current account balance	-14.1	-14.0	-14.2	-14.4	-14.7	-14.2
Exports of goods and services	57.5	57.4	57.1	56.7	56.2	57.0
Imports of goods and services	69.9	69.7	69.5	69.3	69.2	69.5
Overall central government balance	-2.3	-2.1	-1.9	-1.7	-1.5	-1.9
Central government primary balance	0.4	0.5	0.6	0.7	0.8	0.6
Central government savings	2.9	3.3	3.6	3.9	4.2	3.6
Public sector savings	7.0	7.3	7.4	7.5	7.6	7.4
Investment	29.3	29.5	30.1	30.6	31.2	30.1
Public	10.6	10.7	10.7	10.8	10.8	10.7
Private	18.7	18.8	19.3	19.8	20.4	19.4
National savings	15.5	15.5	15.9	16.3	16.5	15.9
Public	7.0	7.3	7.4	7.5	7.6	7.4
Private	8.5	8.2	8.5	8.6	8.8	8.5
Total public debt (end-period)	61.9	61.2	60.4	59.2	58.0	60.1
Public external debt (end-period)	49.8	49.0	48.0	46.5	45.0	47.7
External debt service 1/	6.3	6.6	7.2	7.7	7.9	7.1
Memorandum items:						
Banana export volume ('000 MT)	48	49	51	53	55	51
Banana export unit values (US$ per ton)	447	468	484	500	506	481
Total banana export receipts (in millions of U.S. dollar	21	23	25	27	28	25
Total number of visitors (in thousands)	288	303	317	333	349	318
Of which:						
Stay-over visitors	75	79	83	87	91	83
Tourism receipts (in millions of U.S. dollars)	94	99	105	110	116	105
Official international gross reserves						
(In millions of U.S. dollars at end-period)	57	62	65	67	68	64
(In months of imports) 2/	2.6	2.7	2.6	2.6	2.4	2.6
(In percent of broad money)	21.9	21.8	21.0	20.2	19.1	20.8

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

1/ In percent of exports of goods and services.
2/ Imports of goods and services in the following year.

St. Vincent and the Grenadines: Fund Relations
(As of August 31, 2000)

I. **Membership status**: Joined 12/28/79; Article VIII.

II.	**General resources account**:	**SDR Million**	**Percent of Quota**
	Quota	8.30	100.0
	Fund holdings of currency	7.80	94.0
	Reserve position in Fund	0.50	6.0

III.	**SDR department**:	**SDR Million**	**Percent of Allocation**
	Net cumulative allocation	0.35	100.0
	Holdings	0.06	17.6

IV. **Outstanding purchases and loans**: None.

V. **Financial arrangements**: None.

VI **Projected obligations to Fund** (SDR million; based on existing use of resources and present holdings of SDRs): None.

VII. **Exchange rate arrangement**: Since July 1976, the Eastern Caribbean dollar has been pegged to the U.S. dollar at the rate of EC$2.70 per U.S. dollar.

VIII. **Article IV consultation**: The last Article IV consultation was concluded by the Executive Board on November 10, 1999 (EBM/99/124). St. Vincent is on the 12-month consultation cycle.

IX. **Technical assistance**: (1993–present). A technical assistance mission in the area of tax administration visited St. Vincent for two weeks in March 1993. From March 15 to April 30, 1993, an expert from STA visited six countries of the East Caribbean area including St. Vincent, to discuss the compilation of fiscal data for publication in GFS. A fiscal expert was also assigned as Budget Advisor in the ministry of finance and planning for a period of eight weeks starting in November 1993.

In response to the request of the ECCB governor for regional based statistical training courses, a joint CEMLA/IMF regional training course in money and banking statistics was conducted at the ECCB during September 8–26, 1997, for all member countries. Following the course, a fact-finding mission took place during September 29–October 1, 1997, to discuss with ECCB officials methodological, compilation and reporting issues concerning money and banking statistics in the member countries of the ECCB.

St. Vincent and the Grenadines: Relations with the World Bank Group
(As of July 31, 2000)

1. St. Vincent and the Grenadines is a participant in the World Bank supported and supervised OECS Solid Waste /Ship-generated Waste Management Projects to reduce public health risks and protect the environmental integrity. The St. Vincent and the Grenadines' component is US$6.7 million.

2. St. Vincent and the Grenadines shares in an OECS Telecommunications Reform Project (US$1.2 million) to introduce procompetition reforms in the telecommunications sector and increase the supply of informatics-related skills in the five OECS borrowing countries.

3. The Bank is currently preparing the St. Vincent and the Grenadines component (US$6 million) of the OECS Emergency Recovery and Disaster Management Program (ERDMP) for presentation to the Board in October 2000.

4. The World Bank is currently working on a new Country Assistance Strategy, which is expected to be presented to the Board in July 2001.

5. The Medium-Term Economic Strategy Paper for the period 2000–02 was prepared in May 2000 by the government of St. Vincent and the Grenadines in cooperation with the World Bank and the Caribbean Development Bank, and was presented at the June 2000 meeting of the Caribbean Group for Cooperation in Economic Development (CGCED).

IBRD and IDA Operations
(In millions of U.S. dollars)

Operations	Principal	Disbursed	Undisbursed
OECS Solid Waste Management	3.60	0.10	3.50
OECS Telecommunications Reform	1.20	0.14	1.06

	Actual							Projections	
Fiscal year 1/	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total disbursements	0.30	0.10	0.10	0.10	0.10	0.00	0.20	0.00	0.40
Repayments	0.00	0.00	0.20	0.20	0.20	0.20	0.10	0.10	0.20
Net disbursements	0.30	0.10	-0.10	-0.10	-0.10	-0.20	0.10	-0.10	0.20
Canceled	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest and fees	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10

Source: The World Bank Group.

1/ World Bank fiscal year begins on July 1.

St. Vincent and the Grenadines: Caribbean Development Bank Relations
(As of July 31, 2000)

The CDB has approved loans of US$30.7 million, of which US$11.1 million are undisbursed. There are three major projects:

The Grenadines Multi-Project—US$1.5 million undisbursed— is geared towards further development of the tourist sector in the Grenadines through construction of roads in Bequia, Canouan, and Union Islands and a jetty in Mayreau.

The Solid Waste Management Improvement Project —US$2.1 million undisbursed—is intended to improve waste management through the establishment/upgrading of landfills, the provision of equipment, and the strengthening of the legal framework.

The Basic Education Project—US$4.2 million undisbursed—is for the construction of schools, teacher training, and curriculum development.

I. Current Portfolio
(In millions of U.S. dollars)

	Approved	**Undisbursed**
Total	30.65	11.07
Lines of credit	5.00	1.86
Multi-project	5.00	1.52
Roads	7.68	0.55
Development Bank	0.19	0.08
Hurricane response	0.50	0.50
Airport	2.67	0.24
Solid waste management	3.53	2.08
Basic reduction	6.08	4.24

II. Loan Disbursements
(In millions of U.S. dollars)

	1996	1997	1998	1999	2000 1/
Net disbursement	-1.67	5.97	4.23	0.94	0.20
Disbursement	1.63	8.17	7.05	3.37	1.04
Amortization	3.30	2.20	2.82	2.43	0.84
Interest and charges	1.31	1.16	1.55	1.78	0.40
Net resource flow	-2.98	4.81	2.68	-0.84	-0.20

1/ January-May only.

St. Vincent and the Grenadines: Statistical Issues

St Vincent and the Grenadines' statistical base is deficient in scope and quality, hampering the government's ability to assess economic developments. The reporting of some core data to the Fund is irregular and often subject to long delays.

1. **Real sector:** The consumer price index and foreign trade data are reported punctually, but data on production are not yet reported to STA. However, the authorities have provided data during Fund missions and between consultations. Labor market data are not available.

2. **Government finance:** STA's database includes annual data for the central government which are published in the *GFS Yearbook* and in *IFS*. No data on financing are provided to STA. More updated data on central government finances are provided to Fund missions, but data on the public enterprises are not compiled in a systematic fashion and, in most cases, are available only with a long lag.

3. **Monetary statistics:** Monetary statistics data are compiled by the ECCB on a monthly basis. The data are reported regularly to the Fund, although the timeliness of data for the accounts of the ECCB (lag of six weeks) could be improved. The monetary survey does not include the accounts of credit unions that accept deposits. The ECCB is aware of the need to improve the coverage of the monetary statistics and has taken steps to collect reliable data on credit unions.

4. **Balance of payments:** Balance of payment statistics are provided to STA by the ECCB. However, these data are only on an annual basis. In addition, there are significant delays in reporting the data (the latest available data reported for the *IFS* are for 1996), and, some components are provided only on an aggregate basis. The balance of payments statistics could be greatly improved by providing more timely data that also show detailed breakdowns for services and the financial accounts.

St. Vincent and the Grenadines: Core Statistical Indicators

As of end-August 2000

	Exchange Rates	International Reserves	Central Bank Balance Sheet	Reserve/ Base money	Broad Money	Interest Rates	Consumer Price Index	Exports/ Imports	Current Account Balance	Overall Government Balance	GDP/GNP	External Debt
Date of latest observation	Fixed Rate	5/00	5/00	5/00	5/00	6/00	6/00	6/00	1999	2000 Q1	1999	12/99
Date received	n.a.	7/26/00	7/26/00	7/26/00	7/26/00	7/26/00	7/03/00	7/26/00	7/26/00	6/15/00	5/18/00	7/26/00
Frequency of data[1]	n.a.	M	M	M	M	M	M	M	A	Q	A	A
Frequency of reporting[1]	n.a.	Q,V	Q,V	Q,V	Q,V	Q,V	M	Q, V	A	Q	A,V	A
Source of update[2]	n.a.	ECCB	ECCB	ECCB	ECCB	ECCB	CSO	CSO	CSO	MOF	CSO	MOF
Mode of reporting[3]	n.a.	M,E	M,E	M,E	M,E	M,E	M,E	M,E	M,E	V,E	C,E	V
Confidentiality[4]	n.a.	U	U	U	U	U	U	U	U	U	U	U
Frequency of publication[1]	n.a.	Q	Q	Q	Q	Q	Q	Q	A	A	A	A

[1] D-daily, W-weekly, M-monthly, Q-quarterly, A-annually, V-irregularly, and O-other. A "V" added to a "Q" or an "A" indicates that the latest observation has been received upon request.

[2] A-direct reporting by Central Bank, Ministry of Finance, or other official agency, N-official publication of press release, P-commercial publication, C-commercial electronic data provider, E-EIS, O-other.

[3] E-electronic data transfer, C-cable or facsimile, T-telephone, M-mail, V-staff visits, and O-other.

[4] A-for use by the staff only, B-for use by the staff and Executive Board, C-unrestricted, D-preliminary data available to staff prior to official publication or E-subject to other use restrictions.

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Public Information Notice (PIN) No. 00/96
FOR IMMEDIATE RELEASE
November 13, 2000

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

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

On October 27, the Executive Board concluded the Article IV consultation with St. Vincent and the Grenadines.[1]

Background

In the mid-1990s the government launched an economic diversification program and strengthened measures to deal with the decline in the banana sector. This initiative was supported by major public investments in the agriculture, transport, education, and health sectors and the introduction of a wide range of fiscal incentives. Reflecting some success from the efforts, real GDP growth—which averaged 2½ percent a year during 1993–97 with significant volatility—surged to 5 percent a year during 1998–99. Inflation has been between ½ and 2 percent a year in the last three years. Labor market data are unavailable; the last census in 1991 estimated the unemployment rate at 19 percent, however, the perception is that unemployment remains substantial.

The external current account deficit widened in recent years, reaching 23 percent of GDP in 1998 and narrowing only slightly to 20 percent of GDP in 1999. The widening mainly reflected rapid import growth associated with the implementation of large public and private sector projects. Accordingly, the deficit was financed by inflows of foreign direct investment and concessional borrowing by the government. External public debt, after declining to about 30 percent of GDP in 1997, rose to 48½ percent of GDP in 1999 following the assumption of some private debt.

The performance of the consolidated public sector improved in recent years, with the overall position moving from a deficit of about 1½ percent of GDP in 1997 to an average of near

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. In this PIN, the main features of the Board's discussion are described.

balance during 1998–99. At the same time, public sector savings (current balance before grants plus capital revenue) were maintained at about 8½ percent of GDP a year. The improvement reflected mainly some strengthening in central government operations and continued large surpluses of the National Insurance Scheme. The central government deficit (after grants) was reduced from about 4½ percent of GDP in 1997 to slightly more than 1½ percent of GDP a year in 1998–99. This improvement reflected a sharp increase in grants to support capital projects, strengthened tax administration, and completion of some major capital projects in 1999. Grants rose from the equivalent of 1½ percent of GDP in 1997 to about 5 percent of GDP in 1998 before returning to about 1½ percent of GDP in 1999.
The offshore sector has grown rapidly in recent years following the revision in 1996 of laws governing these activities. The sector has 11,400 registered entities, of which 28 are banks, 608 are trusts, and the rest are international business companies. It is estimated that the offshore sector contributed EC$30 million (3½ percent of GDP) in 1999 in fees, employment, rentals, and use of utilities. However, recent reports cited St. Vincent and the Grenadines as a noncooperative jurisdiction, with inadequate legal infrastructure and supervisory practices for offshore activities, as well as a tax haven.

Executive Board Assessment

Directors noted that St. Vincent and the Grenadines' economic performance in the recent period has been broadly satisfactory, with reasonable real GDP growth, low inflation, and continued strong public savings and a strong overall fiscal position. However, they expressed concern that unemployment appears to remain high despite variations in the estimates, with a severe incidence on youth and women.

Directors endorsed the broad strategy that the government has adopted to enhance economic diversification for faster output growth and the creation of employment opportunities. However, they urged the authorities to strengthen certain aspects of the strategy in order to spur growth for a more robust impact on unemployment and to reduce the vulnerability of the economy to external shocks. Directors recommended that the authorities consider increasing public savings to permit higher public investment in human capital and physical infrastructure. They stressed that the tax base should be broadened to capture more of the relatively large informal sector, and that the system of tax incentives should be re-examined with a view to reassessing their costs and benefits. In this context, Directors suggested that St. Vincent and the Grenadines seek further technical assistance from the Fund to examine the feasibility of introducing a value-added tax.

Directors observed that the domestic banking system appears to be sound, particularly after recent measures to strengthen the operations of the government-owned National Commercial Bank and to reduce the level of nonperforming loans.

With respect to the offshore financial sector, Directors noted the concern of the authorities regarding recent reports about noncooperation and weak supervision, but urged them to adhere to international best practices and to ensure that the firewall in place would safeguard against financial system vulnerability. They welcomed recent measures intended to strengthen the supervisory and regulatory framework for offshore activities—including the increase in staff, the amendments to existing laws, and the closure of banks and insurance companies for noncompliance with regulations. Directors took note of the authorities' decision to collaborate with the Eastern Caribbean Central Bank (ECCB) to regulate and supervise offshore financial institutions, and to participate in the CARICOM initiatives in this area. They noted the authorities' commitment to comply with international standards and support the ECCB's request for an FSAP-type assessment of financial sector vulnerabilities. They welcomed the participation of St. Vincent and the Grenadines in the recent IMF outreach meeting, at which progress was made toward the determination of a priority schedule for such assistance. They supported the provision of appropriate Fund technical assistance in this area.

Directors were encouraged by the authorities' recent efforts to expedite the normal reporting of data to the Fund but noted that deficiencies in economic statistics continue to hamper the government's ability to assess economic developments as well as the conduct of surveillance. They urged the authorities to explore strategies to upgrade the country's economic statistics, including through technical assistance.

Directors welcomed the authorities' request that the staff report be published by the Fund after the Executive Board completes its discussion.

Public Information Notices (PINs) are issued, (i) at the request of a member country, following the conclusion of the Article IV consultation for countries seeking to make known the views of the IMF to the public. This action is intended to strengthen IMF surveillance over the economic policies of member countries by increasing the transparency of the IMF's assessment of these policies; and (ii) following policy discussions in the Executive Board at the decision of the Board.

St. Vincent and the Grenadines: Selected Economic Indicators
(Annual percentage changes, unless otherwise indicated)

	1997	1998	1999	2000 1/
Real sector				
Nominal GDP at factor cost	5.0	8.6	3.0	2.7
Real GDP at factor cost	3.1	5.7	4.0	3.7
Consumer price index 2/	0.8	3.3	-1.8	2.0
Central government finances 3/				
Revenue and grants	30.1	33.8	29.8	31.0
Expenditure	34.5	35.2	31.2	33.1
Current	24.2	23.2	24.2	25.8
Capital	10.3	12.1	7.0	7.3
Current account balance before grants	4.3	5.8	4.3	3.0
Overall balance	-4.4	-1.4	-1.4	-2.1
Money and interest rate				
Net domestic assets of the banking system 4/	7.2	5.2	5.5	4.2
Public sector	-0.9	-6.5	2.1	0.2
Private sector	8.7	8.8	11.5	10.3
Liabilities to the private sector	13.7	16.1	12.5	10.1
Average weighted lending interest rate	11.9	11.8	11.6	11.5
External sector				
Current account balance 3/	-20.8	-23.0	-20.2	-13.1
Public external debt 3/	29.8	31.4	48.5	50.2
Public external debt ratio (in percent of exports of goods and nonfactor services)	7.0	5.9	6.3	6.2
Real effective exchange rate (depreciation -)	6.8	-1.2	-0.1	...

Sources: St. Vincent and the Grenadines authorities, the ECCB, and IMF staff estimates and projections.

1/ Indicates that the numbers for 2000 are IMF staff projections.

2/ End of period

3/ In percent of GDP

4/ In percent of initial stock of liabilities to the private sector.