

The Government of St. Vincent and the Grenadines



Medium-Term Debt Strategy 2025-2027

**Ministry of Finance and Economic Planning
Debt Management Unit (DMU)**

September 2025

Table of Contents

ACRONYMS	3
DEFINITIONS OF KEY TERMS	4
1. INTRODUCTION	6
1.1 Objectives of the MTDS.....	6
1.2 Scope of the MTDS.....	6
1.3 Legislative Framework for the MTDS.....	7
1.3.1 Financial Administrative Act.....	7
1.3.2 Treasury Bills Act.....	8
1.3.3 Other Acts governing borrowing.....	8
2. THE IMPLEMENTATION OF THE 2023 MEDIUM TERM DEBT MANAGEMENT STRATEGY	9
Review of 2023 Actual Borrowing	10
3. PROFILE OF CENTRAL GOVERNMENT DEBT PORTFOLIO 2024	12
4.1 Total Central Government Debt	12
4.2 Interest rate type	13
4.3 Domestic Debt	13
4.2.1 Securities Issued	13
4.3.2 Treasury Bills	14
4.4 External Debt	14
4.4.1 Creditor Category	14
4.4.2 Currency Composition.....	14
4.5 Debt Servicing.....	14
4.6 Redemption Profile of 2024 Debt Portfolio	15
4.7 Risk Analysis of 2024 Debt Portfolio.....	15
4.8 Risk Sources and Potential Impact on the Debt Portfolio	17
5. MACROECONOMIC OVERVIEW	19
TABLE 4. FISCAL SUMMARY	20
MACRO-ECONOMIC	22
6. MEDIUM TERM DEBT STRATEGY 2025-2027	24
6.1 Macro-Economic Assumptions	24
6.2 Creditor’s Financing Terms.....	24
6.3 Baseline Pricing Assumptions.....	25

6.4 Shock Assumptions	25
6.5 Targets for Key Central Government Risk Indicators	25
6.6 Strategies	26
7. 1 ANALYSIS OF OUTPUT FROM TOOLKIT	28
7.2 Analysis of the Cost Risk Trade-Off of the Strategies	32
8. INDICATIVE BORROWING PLAN	34
9. CONCLUSION	35
APPENDIX I: SELECTED CENTRAL GOVERNMENT DEBT INDICATORS	37
APPENDIX II: 2024 DISBURSEMENTS OF EXTERNAL DEBT BY CREDITOR AND PROJECT	38

ACRONYMS

AT	Analytical Tool	LIBOR	London Inter -Bank Offer Rate
ATM	Average Time to Maturity	MTDS	Medium-Term Debt Strategy
ATR	Average Time to Re-fixing	OPEC	Organization of Petroleum Exporting Countries
CDB	Caribbean Development Bank	PV	Present Value
CDIMU	Cash Debt Investment Management Unit	RGSM	Regional Government Securities Market
ECCB	Eastern Caribbean Central Bank	S1	Strategy one
ECCU	Eastern Caribbean Currency Union	S2	Strategy two
EXIM	Export Import Bank of China	S3	Strategy three
FX	Foreign Exchange	S4	Strategy four
GDP	Gross Domestic Product	SDR	Special Drawing Rights
GOSVG	Government of St. Vincent and the Grenadines	ST FX	Short-term Foreign Exchange
IBRD	International Bank for Reconstruction and Development	SVG	St. Vincent and the Grenadines
IDA	International Development Association	T-Bills	Treasury Bills
IMF	International Monetary Fund	XCD	Eastern Caribbean Dollars

DEFINITIONS OF KEY TERMS

Interest Rate Risk

The risk of increases in the cost of the debt arising from changes in interest rates hence, short-term or floating rate debt is usually considered riskier than long-term, fixed rate debt. Interest rate risk is usually measured by: the portfolio's share of floating-rate debt; share of debt re-fixing in 12 months; and the portfolio's average-time-to-re-fixing (ATR).

Foreign Currency Risk

Foreign currency risk refers to the uncertainty in the value of debt and the related repayment costs caused by changes in exchange rates. This risk can be assessed by examining both the proportion and absolute amount of debt denominated in foreign currencies within a portfolio, as well as the volatility of the exchange rate between the local currency and those foreign currencies. High exposure can limit fiscal flexibility and increase vulnerability to external shocks.

Refinancing Risk

Refinancing risk is the probability that debt will have to be rolled over at an unusually high cost, or, in extreme cases cannot be rolled over. In general, refinancing risk indicators relate to the size or proportion of maturities due within a specified period. It is measured by the portfolio's average time-to-maturity (ATM), the share of debt maturing in one year or less and the redemption profile.

Average Time to Maturity

A measure of the weighted average time to maturity of all principal repayments in the portfolio. A longer ATM implies lower financing risk, and vice versa.

Average Time to Refixing

A measure of the weighted average time until all principal repayments in the debt portfolio become subject to a new interest rate.

Gross Domestic Product

The market value of all final goods and services produced within a country in a given period. The GDP is determined using data for production and is presented in current or constant prices.

Weighted Average Interest Rate (WAIR)

The weighted average interest rate or implied interest rate on outstanding debt is determined by the value of the debt as a percentage of the total outstanding amount.

Primary Balance

Total revenue less non-interest expenditure.

Overall Fiscal Balance

Total revenue less total expenditure

Notes

Fiscal Year	1 January to 31 December
Reporting Currency	The local reporting currency is the Eastern Caribbean Dollar (XCD) unless otherwise specified
Coverage	The Medium-Term Debt Strategy (MTDS) includes only central government existing debt and projected borrowings
Classification	For the purposes of the MTDS, debt is classified by currency and not residency.
Source	The source of all tables and figures is the Debt Management Unit, Ministry of Finance and Economic Planning

1. INTRODUCTION

The Government's Medium-Term Debt Strategy (MTDS) provides a comprehensive framework for managing the country's public debt over the next three years. It outlines the strategic approach to borrowing and risk management thus ensuring fiscal sustainability, reduce exposure to external shocks, and promote macroeconomic stability.

This strategy will be updated annually to reflect evolving economic conditions, market developments, and changes in the country's fiscal and monetary policies. It aims to strike a balance between financing needs, cost efficiency, and risk mitigation, while ensuring that the debt profile remains sustainable and supports long-term economic growth. By providing clear and transparent guidelines, the MTDS serves as a tool to strengthen investor confidence and enhance the credibility of the government's fiscal policy.

1.1 Objectives of the MTDS

The objectives of the MTDS are:

- to satisfy the government's financing needs at minimum cost with a prudent degree of risk over the medium-term.
- To support the development of an efficient government securities market.

1.2 Scope of the MTDS

The scope of this Medium-Term Debt Strategy (MTDS) analysis is on domestic and foreign currency debt contracted by Central Government excluding debt obligations of all state-owned enterprises. Notwithstanding this, the monitoring of these explicit contingent liabilities continues to be a major focus of the government's overarching debt management objectives. To assess portfolio risk more accurately, debt is grouped by currency, as opposed to residency. Therefore, throughout the document, external debt

captures all foreign currency denominated debt including USD debt and conversely all domestic debt is denoted as local currency debt represented by XCD.

The baseline data for the MTDS analysis is the government's disbursed outstanding debt as at 31st December 2024 with the World Bank/IMF analytical tool kit used to simulate and compare the cost-risk profiles of alternative financing sources, in order to select the most feasible borrowing option. This MTDS will assess the structure, composition, and risk profile of central government debt, including currency risk, interest rate risk, maturity profiles, and refinancing risk. It will also incorporate fiscal projections and the government's financing requirements over the medium-term to ensure alignment with broader fiscal and economic objectives. The selected strategy would be reviewed and published annually.

1.3 Legislative Framework for the MTDS

1.3.1 Financial Administrative Act

There is currently no specific legislation that governs public debt management, however, the overarching legislative framework for debt management which governs and explicitly authorizes the government to borrow is the Finance Administration Act (FAA) 2004. Annually, a Public Sector Investment Loan (PSIP) Act is assented to, which authorizes the Government to raise financing in or out of the country on the best and most favorable terms that can be obtained to assist with public sector investment programme. The maximum financing to be raised in 2025 under the PSIP act, No. 2 of 2025¹ amounts to \$150.0 million.

¹ Passed in the House of Assembly on the 17th January, 2025

1.3.2 Treasury Bills Act

The Treasury Bills Act Cap 444 governs the issuance of Treasury Bills with Section 3 (4) of the Act stipulating that the principal sum of T-bills outstanding at any one time, shall not exceed 15.0 percent of the estimated annual revenue of St. Vincent and the Grenadines for the current financial year. The estimated revenue for 2025, 2026 and 2027 is \$971.1, \$953.4 and \$969.1 million respectively with outstanding T. Bills amounting to \$84.0 million.

1.3.3 Other Acts governing borrowing

The CDB Loans Act covers all loans borrowed from the CDB. Borrowing from the World Bank and the IMF is governed by the International Financial Organizations Act. Similar acts authorize borrowing from other creditors. There is no act that limits the amount that can be borrowed by the government but the Overdraft Resolution 2024² sets a limit on the overdraft facility.

The Fiscal Responsibility Framework published in the Government Gazette on the 7th January 2020 reinforces the GOSVG commitment to maintaining strong macroeconomic fundamentals by continuing to implement sound fiscal policies and reducing the debt-to-GDP ratio to a prudential level; within the overall macro-economic context of financial stability, growth, competitiveness and equity. It has further committed, that the long-term debt and fiscal rule is to reduce public debt to no more than sixty (60) percent of GDP by 2035. The fiscal rule for the primarily balance for 2024 onwards is to target an improvement in the primary balance to a surplus of 2.7 percent of GDP however this rule is due for review and recalibration during 2025.

The 2025 Overdraft resolution, approved in the House of Assembly on 17th January 2025, authorizes the Minister of Finance to borrow from a local commercial bank, an amount

not exceeding an aggregate of \$85.0 million, for the purpose of meeting the government's liquidity needs within that year.

2. THE IMPLEMENTATION OF THE 2023 MEDIUM TERM DEBT STRATEGY

The strategy of choice for the last MTDS review done in fiscal year 2023 proposed, over the medium term, a reduction in short term debt by limiting short-term borrowing of one year or less. Included in this was the gradual reduction in the quantum of treasury bills offered to the market and the shortfall in these available securities to be substituted by the increase issuance of medium to long term notes and bonds, once the market appetite existed. Other domestic financing required from the over-reliance on other short-term facilities like the ECCB advance and the overdraft facility were to be met from commercial banks borrowing to capitalize on the longer repayment period, cognisant of the cost implications.

Significant committed undisbursed financing was also modelled from external sources, the majority of which was expected from the CDB on the Port Modernization project and EXIM-Bank for hotel and roads development. Disbursements were realized primarily from multilaterals (70.1 percent) with bilateral financing as the preferred source of the remaining external financing. The target ratio for external and domestic financing mix was 48:52 respectively.

The table below presents the projected outturn of the chosen strategy with the actual outturn for 2023.

Table 1: Actual vs Forecasted results for the recommended Strategy 2

2023			
	Actual	Forecasted	
	XCD \$million		Variance
Gross Financing Needs	<u>753.21</u>	<u>679.86</u>	<u>10.79%</u>
			-

Medium Term Debt Strategy 2025-2027

Borrowing plan			-
			-
<u>External Borrowing</u>			-
Multilateral loans	196.79	227.35	<u>-13.44%</u>
Bilateral loans	59.82	97.08	<u>-38.38%</u>
Commercial Loans	2.66	0.00	<u>100.00%</u>
Total foreign currency borrowing	259.27	324.43	<u>-20.08%</u>
			-
<u>Domestic Borrowing</u>			-
Loans			-
Short term, including overdraft	221.91	157.42	<u>40.97%</u>
Medium/long term	66.00	11.00	<u>5.00</u>
Securities			-
Treasury bills (change in stock)	0.00	0.00	<u>0.00%</u>
Treasury notes and bonds	122.03	103.02	18.45%
3-4 years	15.00	23.00	-34.78%
5 - 7 years	26.80	30.01	-10.70%
8- 10 years	80.23	50.01	60.43%
Total local currency borrowing	409.94	271.44	<u>51.02%</u>
			-
Total borrowing	669.21	595.87	12.31%
add treasury bill re-issuance	84.00	84.00	0.00%
Total Gross Financing Needs	<u>753.21</u>	<u>679.87</u>	<u>10.79%</u>

Review of 2023 Actual Borrowing

The gross financing needs of the government amounted to \$753.2 million, a 10.8 percent increase in what was forecast, with external vis-à-vis domestic financing mix of 76:24. Total disbursements on existing loans amounted to \$256.6 million, securities issued amounted to \$122.0 million and disbursements on new borrowings amounted to \$86.3

million. External financing was 20.1 percent less than anticipated while domestic borrowing was 51.0 percent higher to offset the external financing shortfall. Of the \$86.3 million spent as a direct result of new borrowings; 93.2 percent was contracted domestically, with \$66.0 million contracted from a local Commercial Bank while \$15.0 million was an advance from the ECCB. The remaining \$2.6 million was disbursements received from a US\$2.2 million line of credit secured from Demerara Bank Limited for the procurement of 50 prefabricated homes to assist some of the most vulnerable persons who lost homes after the eruption of the La Soufriere volcano in 2021.

Disbursements on existing loans amounted to \$259.3 million, of which 77.4 percent of came from multilateral creditors, and 21.6 percent from bilateral creditors. Of the multilaterals, The CDB accounted for 58.4 percent, World Bank 16.3 percent and CARICOM Development Fund and OPEC Fund for International Development the remaining 2.8 percent. Of the Bilateral creditors, The Export-Import Bank of China (Taiwan) accounted for 20.8 percent and Kuwait Fund for Arab Development 0.8 percent.

Significant disbursements were recorded on the Port Modernization Project from CDB in the amount of \$123.7 million, Volcano Eruption Emergency Project (VEEP) from IDA in the amount of \$12.8 million and a total of \$54.0 million from EXIM-Bank as follows: \$27.0 million for the Rehabilitation of Roads Project; \$13.5 million for the Modern Parliament Building; and \$13.5 million for Marriott Hotel Development Project.

On the domestic portfolio, anticipated financing raised from the issuance of securities surpassed its projection by 18.4 percent. Medium to long term securities ranging from tenors of 5 years and above accounted for 22.0 percent and 65.7 percent respectively with short term instruments of less than 5 years accounted for the remaining 12.3 percent. The outstanding stock of treasury bills was unchanged as no reduction was implemented during the period.

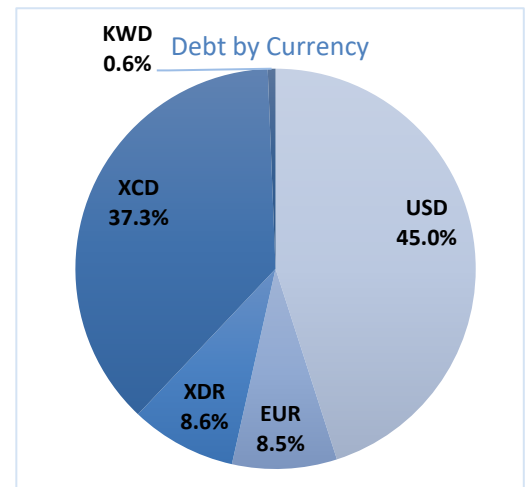
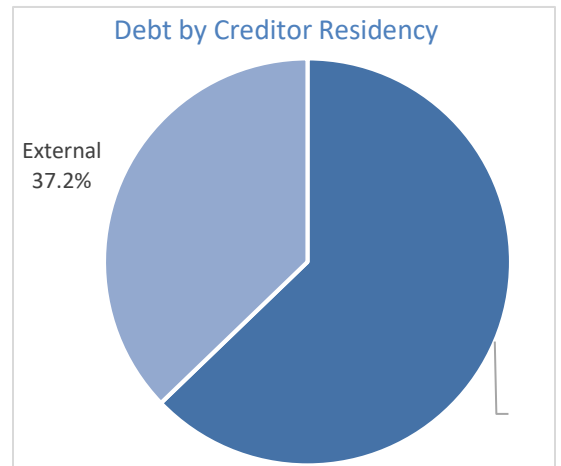
Domestic short-term obligations deviated from what was forecast by 41.0 percent. The major contributor was accounts payables being significantly higher than what was forecast. As a result of the actual outturn, central government debt outstanding increased by 17.0 percent, from \$2.199 billion to \$2.573 billion.

3. PROFILE OF CENTRAL GOVERNMENT DEBT PORTFOLIO 2024

4.1 Total Central Government Debt

Total Central Government debt at the end of 2024 was \$3.065 billion and increase of 19.1 percent from \$2.573 billion in 2023. External debt represented \$1.925 billion, 63.1 percent of GDP³ and 62.8 percent of total debt, with domestic debt accounting for the remaining \$1.139 billion, 37.3 percent of GDP and 37.2 percent of total debt. The disaggregation of the debt for the MTDS is done by currency and not by residency as such all local currency XCD debt is classified as domestic debt and all foreign currency debt is classified as external debt.

The currency composition of the portfolio was USD (45.0 percent), XCD (37.3 percent), XDR (8.6 percent) and EUR (8.5 percent). The portfolio also had new committed loans in Saudi Arabia Dinars (SAD) for which no disbursements took place during this period.



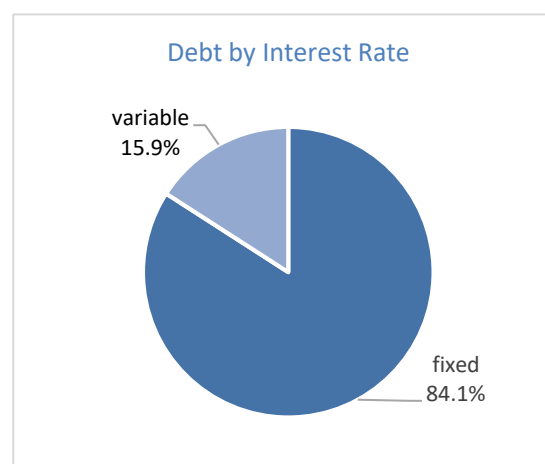
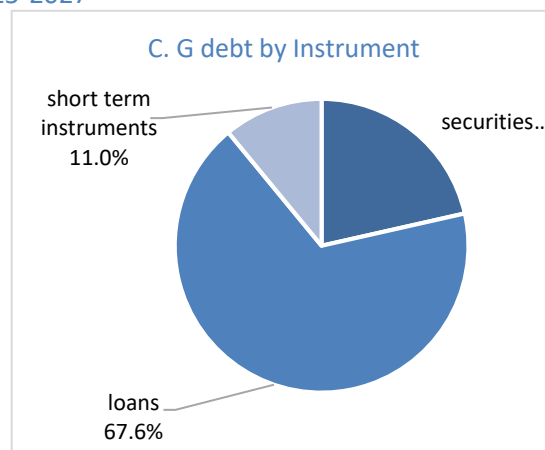
³ 2024 GDP– 3076.6

Medium Term Debt Strategy 2025-2027

Total loans constituted 67.6 percent of portfolio (\$2.071 billion), securities excluding treasury bills 21.5 percent (\$658.0 million) and short-term obligations including treasury bills 11.0 percent (\$336.1 million).

4.2 Interest rate type

The interest rate composition is 84.1 percent fixed rate debt (\$2.193 billion) and 15.9 percent variable rate debt (\$496.4 million). Loans with floating/variable interest rate were all external loans and contracted from multilateral creditors such as the CDB 27.1 percent. Conversely, bilateral creditors such as MEGA, EXIM-Bank of China and the UK Export Finance, represented 2.6 percent, 69.3 percent and 0.5 percent respectively of the total variable rate debt.



4.3 Domestic Debt

The instruments composition within the domestic debt was 58.0 percent bonds and notes; 12.9 percent overdraft; 12.1 percent loans; 8.0 percent accounts payables, 7.4 percent treasury bill and 1.6 percent insurance deposits.

4.2.1 Securities Issued

Total securities issued during the year amounted to \$226.0 million. Tenors on these instruments ranged from three (3) to fifteen (15) years. Instruments with maturity of 6 years and above accounted for 86.1 percent of the total with the remaining 13.9 percent of instruments with tenors of 5 years and below. Of the total bonds issued, the amortized

repayment structure accounted for 73.9 percent with the remaining 26.1 percent representing bullet bonds. Seven (7) years bonds represented the highest quantum issued followed by instruments with a ten (10) year maturity.

4.3.2 Treasury Bills

In 2024, the Government of St. Vincent issued twelve (12), \$28.0 million, 91-day treasury bills with an average interest rate of 2.8 percent versus 2.6 percent for the previous period, on the Regional Government Securities Market. All issuances were fully subscribed.

4.4 External Debt

4.4.1 Creditor Category

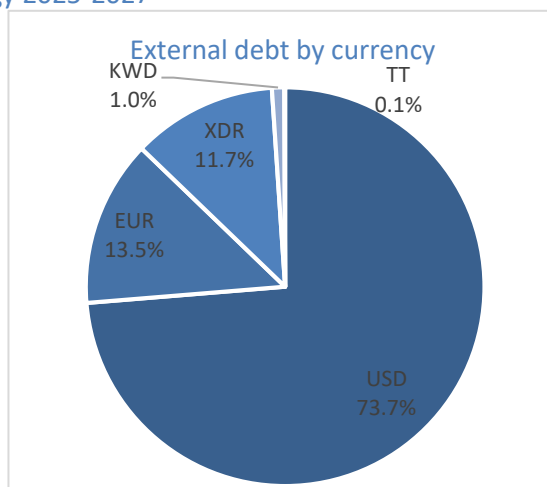
The creditor category composition of external debt was 72.2 percent multilateral debt and 27.6 percent bilateral debt. The major external creditors are the World Bank (37.9 percent), CDB (31.8 percent) and the EXIM-Bank of China (17.9 percent).

4.4.2 Currency Composition

Within the external debt portfolio, 73.7 percent of the outstanding debt is denominated in USD, 13.5 percent in Euro, 11.7 percent XDR, 1.0 percent in Kuwaiti Dinars with the remaining 0.1 percent in Trinidad and Tobago dollar. As such, the portfolio's foreign exchange risk remains low.

4.5 Debt Service

Total debt service cost for the year amounted to \$298.1 million, an increase of 1.0 percent when compared to \$295.1 in 2023. Total interest cost increased by 32.5 percent to \$98.6 million from \$74.4 million while total principal repayments decreased by 9.6 percent to \$199.5 million from \$220.7 million. Sinking Fund contributions for the repayment of

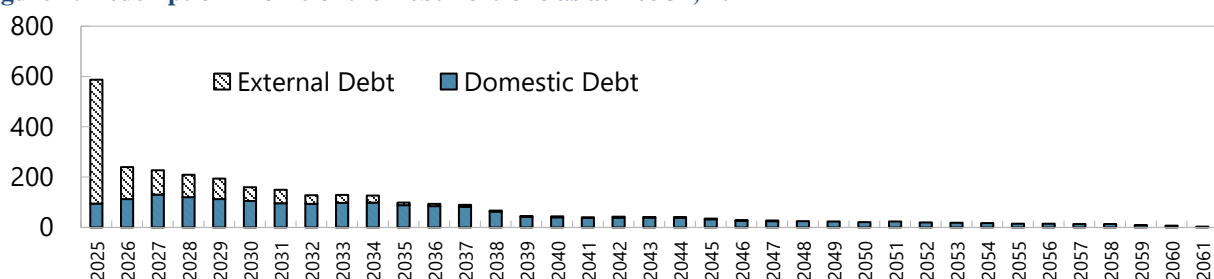


bullet bonds amounted to \$12.8 million. However, no bullet bonds or notes matured or was due for repayment in 2024.

4.6 Redemption Profile of 2024 Debt Portfolio

Figure 1 depicts the maturity profile of the forecasted principal repayments of the Central Government’s debt portfolio. It shows that the external redemption profile remains relatively smooth until it is fully repaid in 2061. The domestic redemption profile has 42.9 percent of debt maturing in 2025 comprised of amortized instruments and short-term instruments⁴. From 2025 to 2030, 77.4 percent of the domestic debt is due to be repaid, with all domestic debt being repaid by 2047.

Figure 1: Redemption Profile of the Debt Portfolio as at Dec 31, 2024



Source: MTDS Analytical Toolkit

4.7 Risk Analysis of 2024 Debt Portfolio

Figure 2: Central Government Existing Debt Portfolio and Risk Indicators 2024

Risk Indicators		External debt	Domestic debt	Total debt
Amount (in millions of XCD)		1,925.6	1,139.6	3,065.2
Amount (in millions of USD)		713.2	424.5	1,137.7
Nominal debt as percent of GDP		63.1	37.3	100.4
PV as percent of GDP ¹		54.8	37.6	92.3
Cost of debt ²	Interest payment as percent of GDP ³	1.8	1.7	3.5
	Weighted Av. IR (percent)	2.9	4.6	3.5
Refinancing risk ²	ATM (years)	11.0	3.2	8.1
	Debt maturing in 1yr (percent of total)	4.9	42.9	19.1
	Debt maturing in 1yr (percent of GDP)	3.1	16.1	19.2
Interest rate risk ²	ATR (years)	9.3	3.2	7.0
	Debt refixing in 1yr (percent of total)	28.6	42.9	33.9
	Fixed rate debt incl T-bills (percent of total)	74.7	100.0	84.1
	T-bills (percent of total)	0.0	7.3	2.7
FX risk	Non-USD FX debt (percent of total debt)			17.0
	ST FX debt (percent of reserves)			1.6

Source: DMU, Ministry of Finance

⁴ Short term instruments (i.e less than 1 year old) consist of Accounts Payables, Treasury Bills, Insurance Deposits and the Overdraft

Nominal debt at the end of 2024 was \$3.065 billion or 100.4 percent of GDP with a corresponding interest payment as a percent of GDP of 3.5 percent compared to 2.6 percent of GDP in 2023. The cost was slightly higher on the external portfolio (1.8 percent of GDP) than the domestic (1.7 percent of GDP), both portfolios cost increased from a cost of 1.1 percent and 1.3 percent of GDP respectively. All the portfolio's risk indicators showed some deterioration when compared to those recorded at the end of 2023.

The portfolio's ATR, which measures the exposure of the portfolio to changes in interest rates decreased from 8.6 years to 7.0 years, with the ATM, which measures the average time it takes for the portfolio debt to mature, decreased from 9.8 to 8.1 years driven by a 120.9 percent increase in floating rate EXIM-Bank of China debt, disbursed on the following projects; the Port Modernization Support Loan, the Country Roads Project, the Modern Court House Project, and the Acute Referral Hospital. The increase in short-term domestic debt also contributed to the worsening of these indicators.

There was an increase in the debt that is to be refixed in the short term from 32.4 percent to 33.9 percent with a decrease in fixed rate debt from 84.2 percent to 84.1 percent. Similarly, debt maturing in one year increasing from 18.1 percent to 19.1 percent of the total debt.

When the risk of exchange rate is taken into consideration as a measurement of the exposure of the portfolio to changes in currency fluctuations, this risk is relatively low at this time due to the high concentration of central government's foreign currency debt denominated in USD. It is premised on the fact that the XCD has been pegged to the USD since 1976 under a fixed exchange rate regime. Accordingly, there is no reason to believe that in the medium-term the portfolio will be susceptible to changes in exchange rate against the USD.

Table 2: A comparison of the Portfolio's risk indicators

Risk Indicators	External		Domestic	
	2024	2023	2024	2023
MTDS AT				
Average Time to Maturity (ATM)	11.0	13.6	3.2	3.0
Average Time to Refixing (ATR)	9.3	4.7	3.2	3.0
Debt Maturing in 1 year	4.9	11.8	42.9	42.4
Debt Refixing in 1 year	28.6	26.8	42.9	42.4
Interest Payments	1.8	1.1	1.7	1.3

The fluctuations in the portfolios for the two comparative periods can be seen from the table above. The external portfolio, through its borrowing strategies, continue to successfully reduce the amount of debt that is maturing within one year and has improved the ATR while the domestic portfolio has improved its ATM and ATR. All other indicators on both portfolios' positions deteriorated. The increase in domestic short-term debt contributed to the increase in debt maturing within one year. Domestic debt maturing in one year included, treasury bills, insurance deposits, accounts payables, loans, and bonds and notes. The largest contributor to the deterioration was as a result of the expansion in the overdraft facility with BOSVG.

The reduction in the external ATM reflects a gradual shift in traditional borrowing from the World Bank with average maturities on loans of 40 years to other creditors such as the CDB and the EXIM-Bank of China with shorter average maturities ranging from 20 to 30 years. In 2024, the domestic ATM and ATR are reflective of the ability of the government to issue longer-term bonds coupled with increases in commercial bank borrowings.

Interest payments on both portfolios, and on the total portfolio is trending upwards, due to increases in borrowing costs.

4.8 Risk Sources and Potential Impact on the Debt Portfolio

Macroeconomic and market variables that influence public debt dynamics are subject to a range of exogenous shocks, including health crises, natural disasters, social and political instability, and global financial disruptions. Assessing the potential impact of these risks

is a critical component of comprehensive debt management. The relative exposure of the debt portfolio to such shocks depends on both the likelihood of their occurrence and the estimated fiscal or financial impact. The table below presents some potential exogenous shocks and their impact on the debt portfolio.

Table 3: Risk Sources and their potential Impact

Risks	Risk Description	Impact on Debt Portfolio
Low or Volatile GDP Growth	Growth volatility due to sectoral dependence (e.g. tourism, commodities), climate shocks, or external demand fluctuations.	Slower GDP growth weakens revenue mobilization and raises the debt-to-GDP ratio, making debt less sustainable.
High Inflation	Driven by global price shocks, supply chain disruptions, or domestic imbalances.	Increases interest costs on inflation-indexed or short-term domestic debt; may erode real value of revenues.
Exchange Rate Volatility	Movements in the exchange rate due to capital flows, trade balances, or investor sentiment.	Increases local currency cost of external debt servicing; can deteriorate debt indicators.
Interest Rate Shocks	Sudden increases in domestic or global interest rates (e.g. U.S. Fed tightening).	Raises cost of new borrowing and refinancing; worsens debt service burden, especially on variable-rate debt.
Current Account Imbalances	Persistent trade deficits can signal structural weaknesses and reliance on external financing.	Contributes to external debt accumulation and increases vulnerability to financing shocks.
State-Owned Enterprise (SOE) Liabilities	SOEs with poor governance and financial performance may require bailouts or loan guarantees.	Increases contingent liabilities and fiscal risks, affecting debt metrics.
Underperforming Public Investment Projects	Delays or inefficiencies in executing capital projects reduce expected economic returns.	Reduces return on borrowed funds and increases debt burden without growth benefits.
Natural Disasters & Climate-Related Events	Exposure to hurricanes, floods, and rising sea levels that cause infrastructure damage and economic disruption.	Sudden increases in borrowing needs, often in foreign currency; short-term financing pressures.
Global Commodity Price Volatility	Fluctuations in the prices of key imports (e.g., oil)	Increased fiscal deficits; potential need for more external borrowing or subsidies.
Securities Market Shocks	Shifts in interest rates and investor preference that affect borrowing costs and market access.	Higher borrowing costs, potential loss of investors
Health Emergencies & Pandemics	Global or regional health crises causing disruptions to economic activity, labor markets, and public services.	Sudden increase in debt levels to finance emergency health and recovery efforts.

These shocks can significantly impact government revenues, increase financing needs, and undermine the sustainability of the debt portfolio.

5. MACROECONOMIC OVERVIEW

The Government-led resilience initiatives and recovery efforts in the aftermath of July 1st 2024, Hurricane Beryl required an expansionary fiscal stance which impacted the overall fiscal position. Recurrent Expenditure for 2024 totaled \$849.69 million, which was 13.7 percent higher than the 2023 amount and over 1.7 percent of the revised budget. This surpassed the 12.3 percent gained in Current Revenue and resulted in the weakening of the Current Balance and the Overall Balance. In addition, elevated interest payments on both the domestic and external component of the public sector debt attributed to the worsening of the Primary Deficit from \$270.66 million (8.9 percent of GDP) to \$306.11 million (9.9 percent of GDP). Although, this deviation from the Primary Balance rules was allowed in 2022 with the start of the Port Modernization project, a review and application of the fiscal parameters is expected in 2025 to return to the Fiscal Consolidation Plan.

Medium Term Debt Strategy 2025-2027

Table 4. fiscal summary

	BUDGET 2024	ACTUAL 2024	ACTUAL 2023	CHANGE %
Current Revenue	810.67	790.12	703.51	12.3
<i>of which:</i>				
Taxes on Income & Profits	162.20	186.96	152.13	22.9
Taxes on Property	54.32	31.26	39.32	(20.5)
Taxes on Goods & Services	242.80	239.98	192.99	24.4
Taxes on International Trade	228.00	211.65	190.55	11.1
Sale of Goods & Services	98.64	95.20	91.30	4.3
Current Expenditure	835.42	849.69	747.45	13.7
<i>of which:</i>				
Compensation Employees	388.98	373.40	351.80	6.1
Use of Goods & Services	130.72	126.73	120.29	5.4
Interest Payments	105.46	98.64	74.42	32.5
Transfers	210.26	250.93	200.95	24.9
Current Balance	(24.76)	(59.57)	(43.94)	35.6
Primary Balance (net CCF)	(412.91)	(306.11)	(270.66)	13.1
Capital Expenditure of which:	570.51	463.14	391.88	18.2
Capitalisation of Contingency Fund (CCF)	14.00	22.49	14.00	60.7
Capital Revenue	62.90	95.47	76.74	24.4
Overall Balance (net CCF)	(518.37)	(404.74)	(345.08)	17.3

Current Revenue stood at \$790.12 million, 12.3 percent more than what was collected in the same period of 2023, primarily due to buoyancy in the domestic economy and the combined impact of fiscal policy measures. Direct tax collected amounted to \$186.0 million surpassing the budgeted amount by 15.3 percent. This outturn was primarily driven by increased payments from major taxpayers and stronger arrears collection efforts due to several forensic audits conducted. Receipts from all categories of indirect taxes showed improved performances, VAT and Excise Duty on Imports were the main drivers in the collections under Taxes on Goods and Services. The 35.1 percent spike in VAT collection was attributed to increased domestic economic activities in the construction and tourism sectors. Meanwhile, the collection of arrears on petroleum products contributed partly to the movement in excise (on Imports). Collection of Taxes at the border was driven by the 10.8 percent growth in merchandise imports. Capital inflows amounted to \$95.47 million, Grants were received from Bilateral and Multilateral

partners, to assist with the Hurricane Beryl Disaster Recovery and Rehabilitation. Other Capital receipts amounted to \$56.45 million in 2024, the bulk of which, \$50.0 million, was drawn down from the Contingencies Fund to support Hurricane Beryl post-disaster recovery efforts.

Capital Expenditure for the year ended 2024 amounted to \$463.14 million, 18.2 percent higher than the amount recorded in 2023. Almost \$40 million has been spent on housing repair, reconstruction, and the purchase of building materials for Beryl recovery efforts. There were also major capital works on several public sector investment projects along with improvement works on Arnos Vale Sporting Complex for the hosting of the ICC T20 Cricket. On the recurrent side, expenditure on transfers was the main driver of the 13.7 percent growth. There were increased allotments for Rental of Assets, purchase equipment, cleanup activities in the aftermath of Hurricane Beryl. Social safety net allocation also went up as a total of 12,012 vulnerable citizens received social assistance benefits. Farmers and Fisherfolks received income support to help them withstand the immediate pressures of post-disaster displacement. Compensation of Employee grew by 6.1 percent due to the implementation of various supportive measures for public servants and vulnerable groups to mitigate the effects of rising living costs, including a 2.0 percent salary increase, increases in the minimum pensions rate and new minimum wage.

The Annual Budgetary Estimates for 2025 forecasted a 11.9 percent growth in Current Revenue which amounted to \$907.73 million, without applying any new fiscal measures. Collections from taxes are forecast at \$757.42 million supported by Tax Reforms while the forecast growth in non-tax revenue is based upon the impact of revenue-enhancing measures implemented in 2024. The fiscal outcome indicates better-than-expected revenue collections for the first quarter of 2025. Current Revenue slightly surpassed the budgeted amount of \$194.18 million on account of significant receipts including arrears from taxes on Income and Profit and Sales of Goods and Services. The Annual Budgetary estimates for 2025 prioritized capital spending with a more rigorous analysis toward

implementation of shovel-ready projects. Construction activity is expected to be boosted by ongoing and new projects in PSIP geared towards the Productive Sectors, Social Protection, and Environmental Protection to bolster economic growth. A prudent mix of loans, grants, and bonds will be utilized to finance the anticipated deficit. On the recurrent side, expenditure is projected to expand by 9.3 percent over the amount budgeted in 2024 due to the 2.5 percent increase in Compensation of Employees, as part of a three-year agreement. Transfers would remain high, with increased contributions to Social Assistance Benefits and Grants to Other Agencies as Hurricane Beryl relief efforts continued.

MACRO-ECONOMIC

The economic outlook for St. Vincent and the Grenadines remained positive, despite the lingering effects of Hurricane Beryl (July 2024). Preliminary real GDP for 2024 is estimated at 5.0 percent and is projected to maintain its growth trajectory through 2025, but at a much slower pace around 4.4 percent, underpinned by the continued revival of Tourism sector, which led and advanced growth in Wholesale & Retail Trade, Transportation & Storage, and Construction sectors.

Tourism activity, proxied by accommodation and food service activities, grow by 32.8 percent in 2024. The sector outperformed the 2019 benchmark as stay-over arrivals grew by 21.5 percent. The vibrancy in the Tourism sector was supported by the heavy influx of visitors directly related to the country hosting the Community of Latin American States (CELAC) conference in March and the ICC Men's T-20 World Cup cricket tournament in June of 2024. There was also a 40.8 percent upswing in stay-over visitors in paid accommodation, which was facilitated by expanded airlift from major source markets, which coincided with the opening of the Sandals Resort and Holiday Inn. Cruise activity also rebounded strongly, with 238,300 passengers' arrivals in 2024 signaling a continued recovery toward pre-pandemic levels. The increase in travel demand spilled into the

Transportation sector (road, water and air) grow by growth of 7.7 percent in 2024 supported by the surge in cruise arrivals and growth in merchandised imports.

The Wholesale and Retail Trade sector remains a vital pillar of the economy, continuing to rank among the largest contributors to GDP. In 2024, the sector accounted for 13.4% of gross value added, underpinned by a solid growth rate of 11.8%. This expansion is largely driven by a 10.8% increase in merchandise imports, which signals a rising consumer demand and sustained momentum in economic activity. The Construction sector has expanded at a more moderate pace of 5.0% in 2024, following a robust 12.9% growth in 2023. This deceleration reflects the near completion of several public sector infrastructure initiatives, including the largest- the Port Modernization Project, which accounted for a significant share of the drive, in construction work during the period. Capital Expenditure increased by 18.2 percent as execution rate on some major projects continued including the Port Modernization project, National Road Rehabilitation Project, climate resilience projects and improvement to the Arnos Vale Sporting complex. In addition, Hurricane Beryl rehabilitation and reconstruction efforts would have contributed to significant growth in the value of construction materials imported.

The Financial and Insurance sector, despite experiencing fluctuations in recent years, exhibits overall strength and stability. The sector experienced a 9.9 percent expansion in 2024 as the economy stabilized. Commercial banks' credit to the domestic economy increased by \$128.7 million, motivated by higher lending activity to Central Government for Public Administration and Social Security. Loans for Real Estate Activities, specifically rental and leased properties, up 6.0 percent in 2024 to \$462.38 million and Construction, up 4.3 percent in 2024 to \$309.46 million.

During the review period, **Real GDP growth in the manufacturing sector is estimated to have contracted by 8.9 percent** as the beverage production continued to be challenged by the automative processes and supply chain constraints, which contributed to the

significant fall-off in beverage production in 2024. Although there were increases in Flour (6.0 percent) and Galvanized (up by 107.0 percent) due to windfall sales from Hurricane Beryl reconstruction and relief efforts it was insufficient to offset the negative performance in overall manufacturing sector. The Agriculture Sector recorded negative growth of 15.0 percent in 2024 compared to the 8.5 percent decline recorded in 2023. The decline in 2023 was mainly due to a huge fall-off in the fishing sector on account of the sargassum and the unusually warm waters that negatively affected migratory pattern of fish. Crop production also recorded negative growth of 18.6 percent, a further decline from 2023's output. This was expected given the impact of Hurricane Beryl on the sector.

6. MEDIUM TERM DEBT STRATEGY 2025-2027

The objective of this MTDS is to determine the most appropriate borrowing strategy for the government with respect to the cost and risk trade-offs. The formulated strategies continually seek to address the portfolio's risks as cost effective as possible with past adopted strategies resulting in favourable improvements over the past few years.

6.1 Macro-Economic Assumptions

Table 5: Macro Economic Assumptions 2025-2027

	2024 Actuals	2025	2026	2027
		XCD \$ Million		
Revenues and grants	886	867	899	939
Total primary expenditures	1313	1216	1021	1056
Total expenditures	1418	1314	1129	1171
Total interest expenditure	105	98	108	115
International reserves (USD million)	199	206	212	219
GDP	3076	3246	3433	3036

6.2 Creditor's Financing Terms

Table 6: Creditor's Financing Terms

Creditor	Creditor Category/ Instrument	Interest Rate	Avg Maturity (yrs)	Grace (yrs)	Currency
----------	----------------------------------	---------------	--------------------------	-------------	----------

Medium Term Debt Strategy 2025-2027

IDA/IBRD	Multilateral	Fixed	40	6	XDR
CDB	Multilateral	Fixed	20-30	5	USD
CDB	Multilateral	Variable	20-25	5	USD/EURO
OPEC	Bilateral	Fixed	20	5	USD
EXIM	Bilateral	Floating	20	5	USD
Kuwait	Bilateral	Fixed	20	4	KWD
Saudi Arabia	Bilateral	Fixed	20	2	SAD
BOSVG/NIS	Domestic Commercial	Fixed	10	0	XCD
10 yr Bond	7, 8 & 10 yr Bond	Fixed	7.2-7.5	0	XCD
5 yr Bond	3,4, 5 & 6 yr Bond	Fixed	4.5 - 6.0	0	XCD
Insurance Deposits,	Insurance Deposits,	Fixed	1	0	XCD
Accounts Payables,	Accounts Payables,	Nil			XCD
Overdraft, T.Bills,	Overdraft, T.Bills, ECCB	Fixed	1	0	XCD
ECCB Advance	Advance				

6.3 Baseline Pricing Assumptions

Table 7: Baseline Pricing Assumptions

Source of Financing	Interest Rates	Interest Rate Type
Commercial	6.5 - 8.5	Fixed
CDB/IDA	0.75 - 2.5	Fixed
CDB/IBRD	1.0 - 4.8	Floating
Bilateral	2.0 - 6.0	Fixed/ Floating
T-Bills	3.5	Fixed
Bonds(3y/5y/7y)	3.25/5.7/6.0	Fixed
Bonds(8y/10y)	6.75/7.25	Fixed
ECCB	2.0	Fixed
Overdraft	8.0	Fixed

6.4 Shock Assumptions

Table 8: Shock Assumptions

Type	Moderate	Extreme
Interest rate shock	2% ↑	4% ↑
Exchange rate	15% ↓ (XCD v XDR)	30% ↓ (XCD v XDR)

6.5 Targets for Key Central Government Risk Indicators

Table 9: Targets for Key Central Government Risk Indicators

Risk Indicators	2022 MTDS	2024 MTDS	New Targets
Interest Payment as a % of GDP	2.6	3.5	<=3.0
Debt maturing in 1 yr (% of total)	18.1	19.1	<=15.0

Medium Term Debt Strategy 2025-2027

ATM Total Portfolio (years)	9.8	8.1	>=10.0
ATR (years)	8.6	7.0	>=7.0
Non- XCD and USD debt as % of total	9.9	17.0	<=15.0

As at the end of 2024, all targeted risk indicators for the total portfolio registered a deterioration in their levels when compared to the last MTDS undertaken. The most significant of which was the percentage of non-XCD and USD debt in the portfolio. This has grown to 17.0 percent from 9.9 percent in 2022, driven primarily by the Euro currency which has finance a significant portion of the Port Development Project, thus increasing the risk of the portfolio to foreign exchange rate.

6.6 Strategies

The MTDS AT generated the outputs from the strategies proposed based on alternative assumptions on interest rates and exchange rates. The data for the assessment of the costs and risks associated with each scenario are based on the cash flows of the debt existing as at 31st December 2024, macroeconomic and market projections; as well as simulated alternative borrowing strategies to meet the financing need.

Considering the debt management objectives, four (4) financing strategies were formulated as possible financing of the fiscal deficit, and to serve as a guide to inform the three-year, medium-term borrowing. For each strategy, the cost and risk implications on the debt portfolio are analysed to determine the most suitable debt strategy that can work in the context of St. Vincent and the Grenadines.

Common to all strategies is the identified financing of the 2025 Public Sector Investment Programme of \$150.0 million and the expected disbursements of committed undisbursed balances over the medium term on contracted loans.

Existing limitations on the domestic portfolio can be characterized by the limited instrument types; narrow/small investor base that exist for buying government securities; the government's commitment to the development of the RGSM which is promoted through our active participation in fulfilling the monthly roll-over of treasury bill

auctions which hinders the reduction of short-term debt by reducing the number/amount of treasury bills issued; the building up of arrears on domestic payables which exacerbate cash management decisions.

The above constraints in and of themselves also speak to the limited options within the domestic portfolio to formulate new workable strategies. However, the strategies develop would seek to minimize refinancing risk and interest rate risk through the reduction of short-term debt where possible. Constraints (i.e lack of degrees of freedom within strategies) exist on the external debt portfolio in the light of the quantum of committed undisbursed funds from multilateral and bilateral creditors; namely the CDB (fixed rate) and EXIM-Bank (floating rate). Any residual financing gap will be modelled under the various strategies contemplated.

The result from the AT indicates that the total portfolio has benefitted from the implementation of previous chosen strategies. The results from the toolkit have highlighted that the domestic debt is still very susceptible to refinancing risk (evident by its low ATM and high debt maturing in one year) and interest rate risk (reflected in a low ATR and a high debt refixing in one year). Treasury bills, the overdraft facility and of recent years, the ECCB advance are the domestic instruments with associated interest cost attached and maturity of one year or less. Insurance deposits and account payables are other short-term instruments, but these do not have any interest cost attached to them. However, there is an economic cost attached to high accounts payables as high payables can result in business closures; and reduced business activities and investment, ultimately inhibiting economic growth. The overdraft facility at the Bank of St. Vincent with an interest rate of 8.0 percent has been expanding yearly, and at the end of 2024 it stood at \$146.6 million. This has been identified as a key cash management risk that needs proactive actions to be taken.

The following strategies, except for strategy one/status quo and strategy four/ "a what if" would be crafted to target these deficiencies. It is however noted that 2025 maybe to soon

a timeframe to reap the rewards of such strategies and that these strategies may require a longer timeframe to see value and may be repeated as needed. Additionally, the cost risk trade-off cannot be ignored; as to reduce risk to the domestic portfolio may, conversely, increase its interest cost. The projected results of these strategies are presented in the next section.

Table 9: Proposed Strategies

Strategy	Objective	Key Features
S1: Status Quo	Maintain existing borrowing practices.	<ul style="list-style-type: none"> - Utilize committed undisbursed balances from external multilateral and bilateral creditors. - Residual financing needs met through domestic securities issuance. - Ongoing reissuance of T-bills on the Regional Government Securities Market (RGSM). - total bonds and notes issuance of no more than \$150 million in each year.
S2: Risk Reduction	Reduce refinancing and interest rate risk; improve the domestic debt profile.	<ul style="list-style-type: none"> - New external financing primarily from multilateral creditors with longer maturities and fixed interest rate. - Convert accounts payable into a 5-year medium-term note. - Convert overdraft into a 15-year bond in year one. - emphasis on the issuance of long-term securities
S3: Risk Reduction	Reduce refinancing and interest rate risk; improve the domestic debt profile.	<ul style="list-style-type: none"> - External financing primarily multilateral fixed rate instruments - Multilateral policy-based loan to restructure short-term domestic debt. - Domestic market development with an emphasis on longer-term bonds.
S4: Resilience & Buffer Strategy	Build fiscal buffers and strengthen response to climate-related shocks.	<ul style="list-style-type: none"> - External financing from traditional multilateral creditors and bilateral financing. - long term bond to replace short term domestic debt. In the outer years a greater emphasis is placed on issuing short term notes - Annual cash buffers of \$15 million for disaster-related fiscal shocks (e.g., Hurricane Beryl in 2024).

7.1 ANALYSIS OF OUTPUT FROM TOOLKIT

The table below shows the output from the AT with respect to the risk indicators at the end of 2027 for the four strategies analysed.

Medium Term Debt Strategy 2025-2027

Table 10: Risk Indicators

Risk Indicators		2024	As at end 2027				Long Term Targets
		Current	S1	S2	S3	S4	
Nominal debt as percent of GDP		100.7	112.0	112.3	111.8	114.6	<60.0%
Present value debt as percent of GDP		92.3	98.5	98.8	96.8	100.4	
Interest payment as percent of GDP		3.5	3.6	3.7	3.5	3.6	<2.5%
Implied interest rate (percent)		3.5	3.4	3.4	3.2	3.4	
Refinancing risk	Debt maturing in 1yr (percent of total)	19.1	14.0	9.3	8.8	8.7	<15.0%
	Debt maturing in 1yr (% of GDP)	19.2	15.7	10.5	9.8	10.0	
	ATM External Portfolio (years)	11.0	14.7	13.7	14.4	14.8	
	ATM Domestic Portfolio (years)	3.2	3.5	4.3	4.6	4.1	
	ATM Total Portfolio (years)	8.1	11.3	10.8	11.6	12.0	>10 years
Interest rate risk	ATR (years)	7.0	8.3	8.6	9.2	8.5	>7 years
	Debt refixing in 1yr (percent of total)	34.0	32.9	25.2	25.4	30.5	
	Fixed rate debt incl T-bills (percent of total)	84.1	79.9	82.9	82.2	77.1	
	T-bills (percent of total)	2.7	2.1	2.1	2.1	1.9	
FX risk	Non-USD FX debt as % of total	17.0	15.0	20.7	18.8	16.5	<15%
	ST FX debt as % of reserves	1.6	6.3	6.3	6.3	6.3	

Source: DMU, Ministry of Finance

Nominal Debt to GDP

Under all strategies, because of the Gross Financing Needs, the debt to GDP increases over the current level with S4 having the highest debt to GDP at 114.7 percent. Interest payment as a percent of GDP and short-term FX debt as a percent of reserves also increased under all four (4) strategies. However, the emphasis on the strategies modelled was not on cost but instead was formulated to mitigate the portfolio's interest rate risk (variable vs. fixed) and its refinancing risk which were identified as medium to high.

Refinancing Risk

With respect to refinancing risk, all strategies yielded improvements in the risk indicators at the end of the period as the strategies focused on financing via longer term debt instruments and a sizeable reduction in short term debt that was sustained throughout

the medium term. However, S1 which did not address the high overdraft or accounts payables but kept the status quo in relation to these instruments, resulted in the least improvements. Strategies (S2, S3 and S4) all targeted the reduction in these instruments using different financing mix, but all had an emphasis on longer term, predominantly fixed rate instruments. Refinancing risk as measured by debt maturing in one year, resulted in a reduction across all strategies with S4 having the lowest proportion of debt due to mature (8.7 percent). The ATM of the total portfolio also improved over all strategies with S4 having the highest ATM of 12.0 years from the current 8.1 years. All strategies recorded an improvement in the domestic ATM. To support the previous MTDS's analysis, in order to improve the domestic ATM, not only must there be a sustained reduction in short term debt, but this debt must be replaced by instruments of tenors of 10 years and above. S2 performed the best on many of the indicators but is dependent on the market's ability to absorb 77.0 percent of the required domestic financing in 2025 which amounts to \$335.0 million in bonds and notes having successfully issued \$226.0 million in bonds and notes in 2024.

Interest Rate Risk

Potential adverse changes in interest rates which can increase the government's debt obligations, as measured by interest rate risk was minimized under S1 with the exception of fixed rate debt (including t. bills) as a percent of total debt which decreased under all strategies. S3 had the highest ATR of 9.2 years and the lowest nominal debt, as well as a relatively low debt refixing in one year of 25.4 percent.

Foreign Exchange Risk

All strategies produced the same result as measured by the short-term debt as a percent of reserves. This increased from 1.6 percent to 6.3 percent under all strategies. Non-USD

FX debt as a percent of total increased under S2 and S3, to 20.7 percent and 18.8 percent respectively. But declined under S1 and S4 by 15.0 percent and 16.5 percent respectively.

S2 and S4 minimized the two most relevant risk factors that affect this portfolio, namely, interest rate and refinancing risk. However, due to the inclusion of cash buffers to be replenished that can help mitigate the effects of disasters that are occurring more frequently with increasing devastating effects on the populace and the economy. This can be seen as an additional resilience and buffer policy that can be readily accessed when needed. Financing this was modelled in the toolkit from bilateral and multilateral sources. However, the targeted amount is not limited solely to be generated from debt financing but can also be contributed to from revenue collection. Improved cash management is needed to keep the overdraft and payables at the recommended levels as well as continued improvement to the project implementation rate to ensure committed external financing takes place as forecast barring any unforeseen events.

The average financing mix for new debt under S4 is expected to be 54:46 (external: domestic). In light of the foregoing, the recommended strategy is S4.

The benefits and risk associated with the recommended strategy are as follows:

- It builds cash buffers to assist with disaster related shocks. However, it assumes \$15.0 million would be set aside each year to do so.
- It improves the interest rate (ATR) and refinancing risk (ATM) indicators by emphasizing multilateral fixed rate financing which extends the maturity of the portfolio while providing financing at a low cost. It also reduces the reliance on the overdraft facility and the accounts payables. However, it also relies on bilateral floating rate financing which is more susceptible to changes in interest rates.
- It supports market development with the issuance of a mix of treasury bills, notes and bonds. Though the notes and bonds are issued through private placement, they are subsequently listed to facilitate trading/secondary market development.

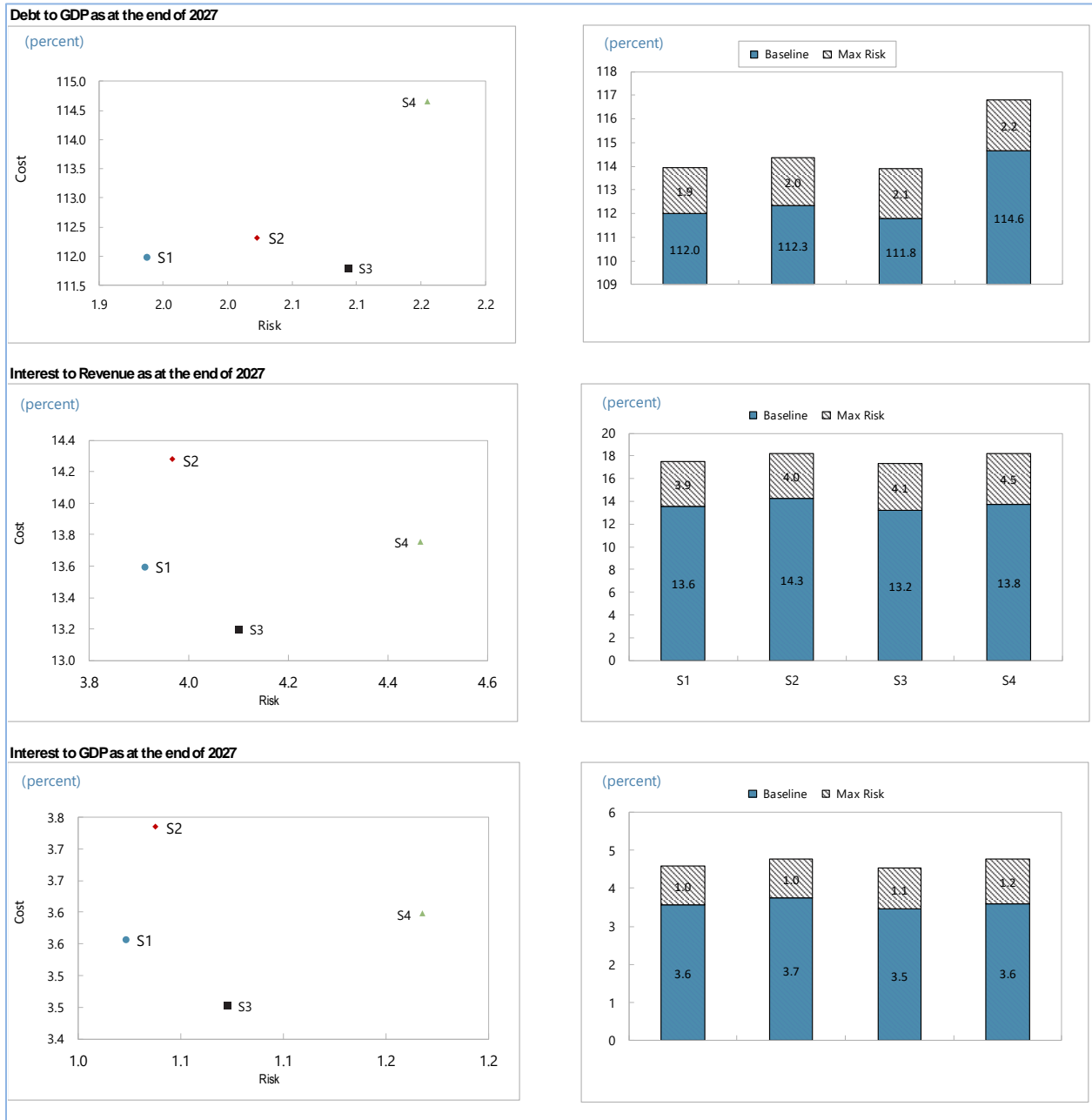
7.2 Analysis of the Cost Risk Trade-Off of the Strategies

Interest rate and exchange rate shocks were applied to projected market conditions to ensure that the proposed debt management strategies were able to withstand economic shocks. The effects of these shocks on Debt/GDP and a potential increase in costs measured by interest payments to revenue and interest payments to GDP were considered as adverse shocks and can result in unexpected increases in debt service payments which represents additional risk that must be factored into the analysis. Risk, in this context, is measured as the difference between the cost over the period under a shock scenario and the baseline cost.

Figure 3 below depicts the effect of baseline pricing and shock scenario analysis considered. Although S4 is the highest cost as measured by Debt to GDP under the baseline and the shock scenario, in terms of the other indicators measured, all strategies present marginally similar cost-risk trade-off.

Medium Term Debt Strategy 2025-2027

Figure 3: Cost - Risk Representation of Alternative Borrowing Strategies



8. INDICATIVE BORROWING PLAN

The Indicative Borrowing Plan sets out the projected borrowing needs of the government over the medium term along with the instruments (and their corresponding amounts) that are to be used to provide adequate liquidity to finance these needs. The borrowing plan aligns with the government’s medium-term debt objectives which is to ensure that financing needs are met at the lowest possible cost with a prudent degree of risk. As such, the aim of this borrowing plan is to extend the ATR and ATM of the portfolio through intentional borrowing from identified creditor categories (for external debt) and instrument type (for domestic debt) while reducing the portfolio’s refinancing and interest rate risk, recognising of course, that as a result the cost as highlighted in the MTDS would change. Domestic borrowing would be done in local currency while foreign borrowing is proposed predominately in USD.

This indicative borrowing plan would be reviewed yearly and updated as conditions change.

Table 11: Indicative Borrowing Plan

	2025	2026	2027
	<u>XCD \$million</u>		
Gross Financing Needs	<u>1,074.05</u>	<u>618.15</u>	<u>638.56</u>
Borrowing plan			
<u>External Borrowing</u>			
Multilateral loans	363.29	230.01	204.84
Bilateral loans	388.00	102.46	120.72
Commercial Loans	-	-	-
Total foreign currency borrowing	751.29	332.47	325.56
<u>Domestic Borrowing</u>			
Loans			

Medium Term Debt Strategy 2025-2027

Short term, including overdraft	23.44	51.68	79.00
Medium/long term	-	-	-
Securities			
Treasury bills (change in stock)	-	-	-
Treasury notes and bonds	215.32	150.00	150.00
> =6 years	60.00	86.00	75.00
7-15 years	155.32	64.00	75.00
Total local currency borrowing	238.76	201.68	229.00
Total borrowing			
add treasury bill re-issuance	84.00	84.00	84.00
Total Gross Financing Needs	<u>1,074.05</u>	<u>618.15</u>	<u>638.56</u>

The main expected sources of external funds for Multilateral financing are CDB and IDA. Bilateral funding is expected primarily from EXIM, Kuwait, Saudi Arabia and Abu Dhabi. Financing will be met from committed undisbursed monies that are largely denominated in USD. Domestic financing is expected to come from securities issuances. In 2025, an amendment of the PSIP Act may be needed to increase the borrowing amount as required by the strategy as the current PSIP Act makes provision for only \$150.0 million in borrowing. The strategy also requires the issuance of securities with tenors greater than 10 years to assist with the improvement of the risk indicators. There should also be a significant and sustained reduction and reliance on short term instruments. The strategy does not envisage the use of any commercial loans (non-concessional) whether domestic or external.

9. CONCLUSION

The recommended strategy is one that is focused on reducing risk in the portfolio but also building cash buffers to help with unforeseen events such as disasters or pandemics.

The output for S4 revealed that the nominal debt as a percent of GDP would increase from 100.7 percent to 114.6 percent, but when the cost-risk trade-offs are considered, the ATM and ATR indicators revealed that S4 would result in an ATM of 12.0 years and an ATR of 8.5 years respectively.

APPENDIX I: SELECTED CENTRAL GOVERNMENT DEBT INDICATORS

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	(\$m)										
Total Public Debt	1,562.5	1,594.4	1,746.5	1,572.0	1,657.0	1,674.0	1,871.5	2,118.9	2,238.4	2,626.6	3114.3
Total Central Gov't	1,348.8	1,379.8	1,429.3	1,322.2	1,404.8	1,505.7	1,714.0	1,966.5	2,199.1	2,573.7	3065.2
External Debt	887.7	922.5	1,201.8	1,003.6	1,080.4	1180.8	1291.4	1575.7	1,636.8	1,869.3	2184.3
Central Government	811.2	855.7	962.0	830.1	899.9	1040.7	1160.8	1449.3	1,623.2	1,858.2	2175.2
Public Corporations	76.5	66.8	239.7	173.5	180.5	140.1	130.6	126.4	13.6	11.2	9.2
Domestic Debt	674.8	671.8	544.7	568.4	576.5	493.2	580.1	543.1	601.6	757.2	930.0
Central Government	537.6	524.0	467.3	492.1	504.9	465.0	553.2	517.2	575.9	715.6	890.0
Public Corporations	137.2	147.8	77.4	76.3	71.7	28.2	26.9	25.9	25.7	41.7	40.0
Private Guaranteed External Debt	24.5	25.2	26.7								
Debt Servicing											
External	77.0	78.1	80.2	98.0	91.3	109.2	81.9	81.1	99.2	124.9	112.5
Central Government	60.8	62.9	65.1	83.3	76.8	93.5	71.4	76.2	95.4	121.9	110.3
Public Corporations	16.2	15.3	15.1	14.7	14.4	15.7	10.5	4.9	3.8	3.0	2.2
Domestic											
Central Government	72.0	72.8	83.3	82.7	93.8	115.0	105.6	141.2	138.5	135.1	187.8
Sinking Fund	7.6	7.6	12.1	14.0	22.0	32.4	45.0	19.5	6.0	7.3	12.8
GDP (at market price)	2,081.4	2,123.7	2,198.6	2,288.6	2,387.7	2,459.1	2,334.3	2,399.4	2,620.0	2,839.3	3076.6
Current Revenue	535.2	519.1	592.6	592.2	594.1	600.5	606.3	681.4	669.5	703.1	790.1
Central Gov'T Debt/GDP	64.8	65.0	65.0	57.8	58.8	61.2	73.4	82.0	83.9	90.6	99.6
Total Debt/GDP (%)	75.1	75.1	79.4	68.7	69.4	68.1	80.2	88.3	85.4	92.5	101.2
External Debt/GDP (%)	42.6	43.4	54.7	43.9	45.3	48.0	55.3	65.7	62.5	65.8	71.0
Domestic Debt/GDP (%)	32.4	31.6	24.8	24.8	24.1	20.1	24.8	22.6	23.0	26.7	30.2
Central Government Debt Service/Current Revenue (%)	27.9	27.6	25.3	28.1	30.6	34.2	32.4	31.9	36.8	37.1	37.7
External Debt Service/ Current Revenue (%)	16.7	16.1	12.1	14.3	14.1	15.1	14.9	11.2	14.2	17.5	14.0
Domestic Debt Service/ Current Revenue (%)	12.5	15.5	11.1	13.8	16.6	19.0	17.5	20.7	20.7	19.7	23.8
Guarantee Debt % of GDP	11.45	11.29	15.64	10.91	10.56	6.84	6.75	6.35	1.50	1.86	1.60

APPENDIX II: 2024 DISBURSEMENTS OF EXTERNAL DEBT BY CREDITOR AND PROJECT



Creditor Name	Instrument Title	2024
Caribbean Development Bank		\$
	14/OR-STV - Energy Efficiency Measures and Sol... (Tr.1 - Energy Efficiency Measures and Solar P...)	113,147.18
	14/OR-STV - Energy Efficiency Measures and Sol... (Tr.2 - Energy Efficiency Measures and Solar P...)	129,245.12
	20 SFR/OR-STV NDM Disaster Risk Reduction and Adaptation	49,297.88
	21 SFR/OR-STV Sandy Bay Sea Defences Resilience Project (CDB Sandy Bay Sea Defense SFR)	3,125,305.33
	21 SFR/OR-STV Sandy Bay Sea Defences Resilience Project (CDB Sandy Sea Defence)	4,691,514.28
	65/SFR-STV NDM- Disaster Risk Reduction & Climate Change Adoption	7,691,407.93
	CDB 17/OR-STV Strengthening Response, Recovery and Resilience in the Health Sector	12,557,627.10
	CDB 23 / - SFR-OR.STV - SCHOOL IMPROVEMENT PRO... (CDB 23 - SFR-OR.STV SCHOOL IMPROVEMENT PROJEC...)	3,208,090.54
	CDB 23 / - SFR-OR.STV - SCHOOL IMPROVEMENT PRO... (CDB 23- SFR-OR.STV - SCHOOL IMPROVEMENT PROJE...)	3,248,183.81
	CDB 68-SFR-STV Project Management Support for MTW lands and Physical planning	965,562.00
	CDB PORT MODERNISATION PROJECT 22/SFR-OR-STV (CDB Port Modernisation Project - OCR Portion)	6,045,300.00
	CDB PORT MODERNISATION PROJECT 22/SFR-OR-STV (CDB Port Modernisation Project - SFR Portion)	73,076,139.34
	CDB-71/SFR-STV Improving Response and resilience of the Health Sector	369,797.44
	LA/66/SFR-STV - Technical Assistance - Canouan Airport Runway Rehabilitation	2,426.02
	NDM - Hurricane Tomas/North Wd. Highway 17/SFR- OR-STV (OCR Portion)	642,306.20
	NDM - Hurricane Tomas/North Wd. Highway 17/SFR- OR-STV (SFR Portion)	1,843,523.53
	NDM Rehab and Reconstruction 19 SFR/OR-STV Add Loan (NDM Reb and Reconstruction)	1,751,170.25
	NDM Rehab and Reconstruction 19 SFR/OR-STV Add Loan (NDM Rehad and Reconstruction)	1,185,450.64
	SUBTOTAL	120,695,494.59

Medium Term Debt Strategy 2025-2027

CARICOM Development Fund		
	Loan Agreement No: SVG/L0003 - CDF - CAP	13,500,000.00
	SUBTOTAL	13,500,000.00
Demerara Bank Limited		
	Demerara Bank Ltd - US2.2 M Line of Credit - Prefabricated Housing Project	1,004,586.30
	SUBTOTAL	1,004,586.30
Export-Import Bank of China		
	EXIM 6020551009 port Modernization support loan	89,100,000.00
	EXIM Loan 6020551010 Country Road Project	40,500,000.00
	EXIM Loan 6020551011 Acute Referral Hospital Project	54,000,000.00
	Modern Court House -6020551008	9,990,000.00
	SUBTOTAL	193,590,000.00
INTERNATIONAL DEVELOPMENT ASSOCIATION		
	LA. 70890-60 St.Vincent and the Grenadines UBEC Project	15,123,002.58
	OECS MSME GURANTEE FACILITY PROJECT - 62640 - SV	150,670.80
	OECS REGIONAL TOURISM COMPETITIVENESS PROJECT - 60010	846,211.83
	SVG Digital Caribbean Project IDA-66910	20,395,615.72
	SVG Volcanic Eruption Emergency Project (VEEP) 70060-VC	10,973,958.67
	SUBTOTAL	47,489,459.60
KUWAIT FUND FOR ARAB ECONOMIC DEV.		
	KUWAIT - Feeder and Agriculture Road Project	4,845,330.90
	SUBTOTAL	4,845,330.90
OPEC FUND FOR INTERNATIONAL DEVELOPMENT		
	Loan No. 12484PB - OPEC - Agriculture and Feeder Road	8,530,220.80
	SUBTOTAL	8,530,220.80
GRAND TOTAL		389,655,092.19
GRANTS		
Caribbean Development Bank		
	61 STV Canada-CARICOM Climate Adaptation Fund)	540,000.00
	-CDB GRANT NO GA /SFR-STV: IMPLEMENTATION AGREEMENT - ROAD MANAGEMENT AND RURAL ROAD IMPROVEMENT ...	1,455,021.65
	GA - Port Modernisation Project GA/45 and GA 50	23,972,009.20
SUBTOTAL		25,967,030.85
TOTAL		<u><u>415,622,123.04</u></u>