

**EXECUTIVE
BOARD
MEETING**

SM/22/187
Supplement 1

July 19, 2022

To: Members of the Executive Board

From: The Acting Secretary

Subject: **St. Lucia—Staff Report for the 2022 Article IV Consultation—Informational Annex**

Board Action:	Executive Directors' consideration (Formal)
Tentative Board Date:	Monday, August 29, 2022
Publication:	Not yet decided*
Questions:	Mr. Guerson, WHD (ext. 39505) Mr. Antoshin, WHD (ext. 37630)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—Caribbean Development Bank, European Investment Bank, Food and Agriculture Organization, United Nations Development Programme, United Nations Economic Commission for Latin America, World Trade Organization

***At the time of circulation of this paper to the Board, the authorities have indicated that they need more time to consider whether they will consent to the Fund's publication of this paper. Publication will only proceed upon the receipt by the Fund of the member's explicit consent.**



ST. LUCIA

STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

July 8, 2022

Prepared By

Western Hemisphere Department (in consultation with other departments and the Caribbean Regional Technical Assistance Center, CARTAC)

CONTENTS

FUND RELATIONS	2
RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS	8
STATISTICAL APPENDIX	9

FUND RELATIONS

(As of May 31, 2022)

Membership Status:	Joined: November 15, 1979; Article VIII	
General Resources Account:	SDR Million	Percent of Quota
Quota	21.40	100.00
Fund holdings of currency	19.87	92.85
Reserve Tranche Position	1.53	7.16
SDR Department:	SDR Million	Percent of Allocation
Net cumulative allocation	35.08	100.00
Holdings	23.45	68.86
Outstanding Purchases and Loans:	SDR Million	Percent of Quota
RCF Loans	21.40	100.00
Latest Financial Arrangements:	Outright Loans	

	Date of Commitment	Date of Drawn/Expired	Amount approved (SDR million)	Amount approved (SDR million)
RCF	April 28, 2020	April 30, 2020	21.40	21.40

Overdue Obligations and Projected Payments to the Fund^{1/}

(SDR Million; based on existing use of resources and present holdings of SDRs)					
	2022	2023	Forthcoming		2026
			2024	2025	
Principal				2.14	4.28
Charges/Interest	0.04	0.07	0.07	0.07	0.07
Total	0.04	0.07	0.07	2.21	4.35

^{1/}When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative:	Not Applicable
Implementation of Multilateral Debt Relief Initiative (MDRI):	Not Applicable
Implementation of Post-Catastrophe Debt Relief (PCDR):	Not Applicable

Exchange Rate Assessment: The de jure exchange rate arrangement is a currency board. St. Lucia participates in a currency union with seven other members of the ECCU and has no separate legal tender. The Eastern Caribbean dollar is pegged to the U.S. dollar under a currency board arrangement at EC\$2.70 per U.S. dollar. St. Lucia has accepted the obligations of Article VIII, Sections 2(a), 3 and 4, and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions.

Safeguards Assessment: Under the Fund's safeguards policy, the Eastern Caribbean Central Bank (ECCB) is subject to a full safeguards assessment on a four-year cycle. An update assessment was completed in August 2021 and found that the ECCB has maintained strong external audit and financial reporting practices that continue to be aligned with international standards, and further improvements in the capacity of the internal audit function. Legal reforms were recommended to further strengthen operational autonomy of the ECCB and align its Agreement Act with leading practices. The issuance of digital currency (DCash) introduces new risks that require additional controls and oversight, and the assessment made recommendations to enhance the related project-governance framework.

Article IV Consultation: The last Article IV consultation was concluded by the Executive Board on February 7, 2019. St. Lucia is on a 12-month cycle.

Technical Assistance: St. Lucia has received substantial technical assistance from the Caribbean Region Technical Assistance Center (CARTAC) and the IMF. Technical assistance missions focused on macroeconomic programming and analysis, reforms of the revenue administration, public financial management, real and external sector statistics and the financial sector.

Macroeconomic Programming and Analysis

- February 2022 (ICD and CARTAC): Provide ECCU member countries with a customized workshop on public debt dynamics
- October 2021 (ICD and CARTAC): Fiscal Frameworks Course (offered to all CARTAC countries)
- September 2019 (ICD and CARTAC): Provide ECCU member countries with a customized workshop on public debt dynamics
- September 2019 (CARTAC): Provide ECCU customized DSA/FP course
- July 2019 (CARTAC): Provide Macroeconomics Diagnostics Course (offered to all CARTAC countries)
- May/June 2019 (CARTAC): A workshop on the MAC DSA framework
- April 2016 (CARTAC): Updating the Macro Framework and drafting the medium-term fiscal framework

National Accounts

- February 2022 (CARTAC): Support for development of estimates of Gross Domestic Product expenditure components
- January-February 2020 (CARTAC): Follow up mission of national statistics; Compile rebased GDP estimates and update of the SUT benchmark estimates
- September 2017, September 2018 and February 2019, October 2019 (CARTAC): Assist with compiling the supply and use tables (SUT) for 2016 and improve national accounts estimates
- September 2016 (CARTAC): Develop the compilation system to produce quarterly GDP by economic activity estimates and to improve the annual GDP estimates.
- September 2015 (CARTAC): Expand & improve the national accounts, including producing SUT and rebasing the GDP estimates.

External Sector Statistics

- January 2022 (CARTAC): Size and evolution of net errors and omissions
- March 2021 (CARTAC): Data collection continuity in the context of the COVID 19 pandemic.
- January 2020 (CARTAC): Assist backcasting BOP data for 2000-2013, addressing methodological changes reflected in the 2014-18 following the BPM6.
- April 2019 (CARTAC): Strengthen source data for the balance of payments and IIP.
- September 2018 (CARTAC): Dealing with nonresponse and improving the compilation of trade in goods statistics
- March 2018 (CARTAC): Strengthening the compilation of the recently revised balance of payments and new international investment position (IIP) statistics.
- October 2016 (CARTAC): Reviewing preliminary BPM6-based Balance of Payments and new IIP Statistics for dissemination.
- March 2016 (CARTAC): Assessing sources data for the compilation of Balance of Payments and IIP Statistics according to the BPM6.

Tax Reforms and Revenue Administration

- March 2022 (CARTAC): Developing Performance Targets and KPI in Customs
- November 2021 (FAD and CARTAC Revenue administration): Provide a 'Tax Administration Diagnostic Assessment Tool' (TADAT) diagnostic
- October 2021 (CARTAC): Developing Performance Targets and KPI in Customs

- September 2021 (FAD and CARTAC Revenue administration): Provide a virtual TADAT Training course
- July 2021 (CARTAC): Review of dispute resolutions framework at the Inland Revenue Department
- December 2020- May 2021 (LEG and CARTAC): Support the Inland Revenue Department in drafting a Tax Administration and Procedures Act (TAPA) to apply to all major domestic taxes and to make consequential amendments to existing tax acts
- November 2020 (CARTAC): Provide a virtual training to build audit and assessment capacity, focusing on strengthening non-filers program
- July- Aug. 2020 (CARTAC): Compliance Management Strategy Plan for the Tourism and Hospital sector at the Inland Revenue Department (IRD).
- May 2020 (CARTAC): Review the existing IRD's business processes and IT and prepare a new business model with processes.
- May-September 2020 (CARTAC): Supporting implementation of new tax administration information technology system
- November 2019 (CARTAC) Strengthening HQ Capacity: Program Development
- November 2019 (CARTAC): Regional seminar in Developing Trusted Trader and Authorized Economic Operator Programs.
- September 2019 (CARTAC): Regional workshop, Tax Audit Training
- July 2019 (CARTAC): IT Support - Implementation of ICT System
- July 2019 (CARTAC): Strengthening Audit Capacity and Audit Program
- June 2019 (CARTAC): Regional seminar in Disaster Preparedness Planning for Tax and Customs.
- June 2019 (CARTAC Tax Administration): Strengthening HQ functions
- May & November 2018 (CARTAC): Regional Tax Audit Training
- October 2018 (CARTAC): Building HQ & Audit Capacity
- June 2018 (CARTAC): Audit Effective Management
- June 2018 (CARTAC): Strengthening IRD IT Business Processes & Control
- FY 2018/19 (CARTAC): Provide training on extracting data from the ASYCUDA system
- October & November 2017 (CARTAC): Building Technical Capacity in VAT Legislation
- June & November 2017 (CARTAC): Building and enhancing HQ capacity, data gathering, analysis, and program reporting
- March 17, October 2016 (CARTAC): Developing a Compliance Risk Management Strategy.
- November 2016: Strengthening Performance Management – establishing KPI

- November 2016: IT Support – (via Peer-to-Peer Technical Assistance (TA) Attachment)
- October 2016: Data Analytics
- September 2016 (CARTAC): Developing a Taxpayer Service Strategy.
- June 2016 (CARTAC): Building Audit Capacity
- June 2016 (CARTAC): Strengthen the Post Clearance Audit Function.

Expenditure Rationalization and PFM Reforms

- April 2022 (CARTAC): A Roadmap for Treasury Reform
- January 2022 (CARTAC): Establishing a Centralized Internal Audit Function
- July-August 2021 (CARTAC): Strengthening Budget Planning and Preparation
- April 2018 (CARTAC): PFM Action Plan
- September 2017 (CARTAC): Budget Workshop with MoF and all Ministries
- July 2017 (CARTAC): PEFA Assessment
- June 2017 (CARTAC): PEFA Workshop
- January 2016 (CARTAC): Diagnostic Assessment of Internal Audit.

Financial Sector

- February 2022 (CARTAC): Implement Risk-based supervision (RBS) across credit unions and insurance companies
- November 2020 (CARTAC): Provide follow-up TAs to enhance Financial Services Regulatory Authority (FSRA)'s capacity to implement Risk-based supervision (RBS) across credit unions and insurance companies
- FY18–FY20 (CARTAC): Regional Workshops on the supervision of Credit Unions and Insurance companies, consolidated supervision, risk-based supervision, and on other topical or emerging issues such as cyber risk, and FinTech.
- October 2019 (CARTAC): Implementation of Risk-based supervision across non-bank financial institutions
- October 2019 (CARTAC): Develop the Stress Testing Framework for the Credit Union Sector.
- February 2020 (MCM): Contingency Planning for Crisis Preparedness and Management
- September 2018 (CARTAC): Review & analyze Life and General Insurance Actuarial Valuation reports.
- June 2018 (CARTAC): Stress Testing the Insurance Sector (joint mission for four ECCU countries).
- September 2017 (CARTAC): Developing Financial Health and Stability Indicators for the Insurance Sector (joint mission for four ECCU countries).

- April 2016 (CARTAC): Basel II Implémentation.
- February 2016 (CARTAC): Basel II Implementation.

FSAP: A joint IMF/World Bank team performed an assessment of the financial sector of the member states of the ECCU, in two missions—September 1–19 and October 20–31, 2003. The missions assisted the authorities in assessing the development needs and opportunities for the financial sector, identifying potential vulnerabilities of financial institutions and markets to macroeconomic shocks, as well as assessing risks to macroeconomic stability from weaknesses in the financial sector. The Financial System Stability Assessment (FSSA) was discussed by the Executive Board on May 5, 2004, and subsequently published on the IMF’s external website, including the Report on the Observance of Standards and Codes (ROSC) on Banking Supervision.

Debt Management

- August 2021 (CARTAC): Fiscal Financing Gaps and Debt Management (joint seminar for the ECCB and ECCU countries)
- June 2021 (CARTAC): Debt Management strategy and Annual Borrowing Plan (joint workshop for the ECCB and ECCU countries)
- January 2020: Preparation of an Annual Borrowing Plan
- October 2019: Developing the Regional Government Securities Market (joint mission for the ECCB and ECCU countries)

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

- World Bank: [WBG Finances - Country Details - St. Lucia \(worldbank.org\)](https://www.worldbank.org/country/st-lucia)
- Caribbean Development Bank: <https://www.caribank.org/countries-and-members/borrowing-members/saint-lucia>

STATISTICAL APPENDIX

I. Assessment of Data Adequacy for Surveillance
<p>General: Data provision has some shortcomings but is broadly adequate for surveillance. The statistical database compares well and, in some areas, has a broader coverage than those of its Eastern Caribbean Central Union (ECCU) peers. However, the accuracy and timeliness of macroeconomic statistics could enhance for more effective economic analysis and policy formulation. In particular, national account and balance of payment data could improve its coverage, frequency, and timeliness, and the public sector data beyond the budgetary central government remains limited.</p>
<p>National Accounts: Nominal GDP data are compiled using the production and expenditure approaches on an annual basis. Real GDP data are compiled only using the production approach. GDP data are rebased with constant 2018 price estimates was published in 2020. Preliminary GDP is available about four months after the end of the year and estimates are usually finalized with a two-year lag.</p> <p>Quarterly GDP estimates by the expenditure approaches were developed and first released in 2017 with technical assistance from CARTAC and is published at a quarterly basis with a lag.</p>
<p>Price Statistics: The rebasing exercise of the CPI has been completed—the new CPI basket (base January 2018) is based on the 2016 Household Expenditure Survey.</p>
<p>Government Finance Statistics: Reporting of budgetary central government data has improved over the last few years, but deficiencies remain in the compilation of both general government and public sector statistics. The authorities report monthly data on the budgetary central government's current revenue and expenditure, using a non <i>GFSM 2014</i> presentation with lags of a couple of months. The authorities would thus benefit from moving to a complete GFSM framework for the compilation of Government Finance Statistics. Additionally, frequent and substantial revisions suggest that there is a need for further refinement, including improvements to accounting systems for capital expenditures to record outlays associated with grant-financed projects as they are realized. Data for the rest of the public sector (financial and nonfinancial public corporations) are not readily available and should be compiled on a regular basis to improve fiscal monitoring of the overall public sector.</p>
<p>Monetary and Financial Statistics: Monetary data are compiled by the ECCB on a monthly basis and reported regularly to the Fund. Specifically, on St. Lucia, the institutional coverage of other depository corporations is incomplete, and valuation of interest-bearing assets and liabilities does not incorporate accrued interest. Also, source data for the commercial banks do not provide disaggregated information recommended by the Monetary and Financial Statistics Manual (ECCB is currently working on this issue).</p>

<p>Financial sector surveillance: The ECCB reports quarterly FSIs for St. Lucia covering commercial banks.</p>	
<p>External sector statistics: Since 2017, the ECCB and the NSOs including the Central Statistics Office (CSO) of St. Lucia have been jointly disseminating annual balance of payments and international investment position (IIP) statistics for each of ECCU member economies and the ECCU region following the BPM6 guidelines. Data for 2014 onwards are available on the ECCB's website. CARTAC continues assisting ECCU member's countries in strengthening the compilation framework of the ESS and dissemination of statistics mainly through enhancing the coverage, methodology and the quality of prioritized balance of payments components with the incorporation of a wider variety of data sources to supplement business surveys, which response rates are not satisfactory yet. The CSO accesses to relevant tax information from the Inland Revenue Department. Travel credits estimates are based on up-to-date visitor expenditure surveys carried out by the St. Lucia Tourist Board. Trade in goods data have been revised in the balance of payments by applying the recommended general trade system for the compilation of the international merchandise trade statistics. CARTAC TA to ECCB and CSO currently assist in backcasting the balance of payments for years prior 2014 addressing relevant breaks.</p> <p>The Debt Management Office (DMO) of the Ministry of Finance compiles granular public sector external debt (external debt owed by central government and by public corporations that is guaranteed by the government) and publicly guaranteed private sector external debt statistics that St. Lucia reports to the World Bank's Quarterly External Debt Statistics (QEDS) database. Data on external debt of the non-bank private sector are not available.</p>	
<p>II. Data Standards and Quality</p>	
<p>St. Lucia is a participant in the enhanced General Data Dissemination System (e-GDDS) since September 2000 but has not yet launched a National Summary Data Page (NSDP).</p>	

St. Lucia: Table of Common Indicators Required for Surveillance

(As of June 15, 2022)

	Date of latest observation	Date received	Frequency of Data ⁷	Frequency of Reporting ⁷	Frequency of Publication ⁷
Exchange Rates	Fixed rate	NA	NA	NA	NA
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	02/2022	04/2022	M	M	M
Reserve/Base Money	02/2022	04/2022	M	M	M
Broad Money	02/2022	04/2022	M	M	M
Central Bank Balance Sheet	02/2022	04/2022	M	M	M
Consolidated Balance Sheet of the Banking System	02/2022	04/2022	M	M	M
Interest Rates ²	02/2022	04/2022	M	M	M
Consumer Price Index	03/2022	05/2022	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government	03/2022	05/2022	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Q1/2022	05/2022	Q	H	H
External Current Account Balance	2020	04/2022	A	A	A
Exports and Imports of Goods and Services	2020	04/2022	A	A	A
GDP/GNP	Q4/2021	05/2022	Q	A	A
Gross External Debt	NA	NA	NA	NA	NA
International Investment Position ⁶	2020	04/2022	A	A	A

¹ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

² Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government, state and local governments.

⁵ Including currency and maturity composition.

⁶ Includes external gross financial asset and liability positions vis-à-vis nonresidents.

⁷ Daily (D); weekly (W); monthly (M); half-yearly (H); quarterly (Q); annually (A); irregular (I); and not available (NA).