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IMF Executive Board Approves US$5.7 Million Disbursement for St. Vincent and the Grenadines Under the Exogenous Shock Facility

The Executive Board of the International Monetary Fund today approved an SDR 3.735 million (about US$5.7 million) disbursement for St. Vincent and the Grenadines under the Exogenous Shock Facility (ESF).

The global economic slowdown has caused a significant decline in tourism to the country, which has worsened the balance of payments. At the same time, a decline in Foreign Direct Investment (FDI) and construction activity has led to a sharp output slowdown in 2008. Growth is expected to decline further in 2009, reflecting declining tourism receipts, FDI, and remittances. The country's authorities are requesting the rapid-access component of the ESF to help the economy adjust to the tourism and FDI shock.

The Executive Board's decision will enable the St. Vincent and the Grenadines to draw an amount equivalent to SDR 3.735 million (about US$5.7 million) from the IMF immediately.

Following the Executive Board discussion, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, issued the following statement:

"St. Vincent and the Grenadines has been impacted severely by the global slowdown, leading to a marked decline in real GDP growth due to sharply weakened activities in the tourism and construction sectors. The balance of payments has been negatively affected by declines in tourism receipts, foreign direct investment and remittances. The St. Vincent and the Grenadines' authorities are implementing appropriate measures to mitigate the impact of the external shock and enhance the economy's growth potential, while ensuring fiscal and debt sustainability. Fund support under the Exogenous Shocks Facility will help to alleviate the balance of payments financing burden of the shock.

"The authorities have made good progress in fiscal consolidation as well as on social and poverty reduction goals. They are demonstrating their commitment to maintain the integrity and stability of the VAT and pursuing ongoing tax reform, including the recent establishment of a Tax Reform Commission. Given the lower revenues due to the external shock, continued spending restraint through a prudent public sector wage policy and prioritization of capital expenditure will be necessary.

“The government is constructing a new international airport to further develop the tourism industry and raise medium-term growth potential. Sustained fiscal consolidation and additional concessional financing should accommodate the airport project without compromising debt sustainability. A more flexible timetable for implementation of the project, to the extent technically feasible, would help alleviate a possible financing bottleneck in 2009, stemming from the tight liquidity environment,” Mr. Portugal said.