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June 29, 2021

Statement by Mr. Bhalla and Ms. Indraratna on St. Vincent and the Grenadines
(Preliminary)
Executive Board Meeting
July 1, 2021

1. We thank staff for the comprehensive report and Ms. Levonian and Ms. Edwards for the insightful buff statement. We broadly agree with the staff appraisal and recommendations and provide remarks for emphasis.

2. St. Vincent and the Grenadines has been hit by a volcanic eruption amid the Covid-19 pandemic. The volcanic eruption is expected to compound the economic and social impact of the pandemic and result in economic losses exceeding 30 percent of GDP in 2021. The economy is projected to contract by 6.1 percent in 2021 on the back of a 3.8 percent contraction in 2020. The humanitarian crisis and cleanup operations have created additional fiscal and balance of payments financing needs. The authorities have requested financial assistance to the tune of SDR 8.17 million under the Large Natural Disaster Window (LNDW) of the RCF, equivalent to 69.85 percent of the quota. **We strongly support the authorities' request for a disbursement under the LNDW within the RCF equivalent to 69.85 percent of its quota**.

3. **We welcome the swift response of the authorities to the volcanic eruption**. We appreciate the focus on the immediate humanitarian needs and the provision of assistance to persons displaced by the eruption and to those who have lost their livelihoods.

4. **We note the need for a higher fiscal deficit in the short term to accommodate the impact of the crisis, however, we welcome the authorities' commitment to fiscal and debt sustainability over the medium- term consistent with the Fiscal Responsibility Framework (FRF)**. We welcome the commitment of the authorities to take both revenue and expenditure measures to rebuild public finances. In this context, we note positively commitments to further improve tax administration,

rationalize tax exemptions, reprioritize capital expenditure and control current expenditure and wage bill growth. These measures, consistent with the FRF, are expected to achieve a primary surplus of around 3 percent by 2026. We look forward to the creation of an independent Fiscal Council. We also note positively assurances to rebuild the Contingencies Funds to create fiscal buffers for future natural disasters.

5. **Maintaining financial system stability is crucial amidst the shocks to the economy.** We note the authorities' commitment to continue enhanced supervision of the financial system, including high-frequency reporting arrangements, instructions to the non-bank sector to refrain from automatic moratoria extensions and strengthening crisis management preparedness and resolution frameworks**.** We also encourage the authorities to stay focused on the comprehensive risk based AMF/CFT monitoring framework to contain financial integrity risks.

6. We wish the authorities and the people of St. Vincent and Grenadines all the best during these challenging times.