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The Acting Chair's Summing Up
St. Vincent and the Grenadines—2022 Article IV Consultation
Executive Board Meeting 22/89
November 14, 2022

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities' proactive responses to the pandemic and volcanic eruptions that reduced economic scarring and contributed to a small positive growth in 2021. They noted that while the outlook is favorable, supported by large-scale investment projects and continued recovery of agriculture and tourism, it is subject to significant downside risks and the economy remains vulnerable to shocks.

Directors agreed that near-term priorities continue to be health and reconstruction spending and supporting the vulnerable, while maintaining fiscal prudence. Directors encouraged the authorities to keep the generalized fiscal relief temporary as announced and continue to enhance the coverage and targeting of the social safety net. As the economy recovers, fiscal policy should move from income support to active labor market policies (ALMP) to facilitate training and employment.

Directors stressed the importance of rebuilding fiscal buffers, including by fully operationalizing the Fiscal Responsibility Framework (FRF), to withstand shocks and reinforce fiscal sustainability. They welcomed the authorities' continued commitment to reaching the regional debt target and the medium-term fiscal strategy set out in the 2021 Rapid Credit Facility (RCF). They noted that it is important to recalibrate and fully operationalize the FRF to underpin the commitment and signal a credible medium-term fiscal plan. Directors underscored the need for continued complementary fiscal institutional reforms to support the effective implementation of the FRF, and also called for building additional buffers and preparing contingency plans, which will be key to increasing resilience to external shocks.

Directors emphasized the need for continued broad-based structural reforms to support inclusive growth, promote employment, and bolster resilience to natural disasters. They noted that the recent and ongoing key infrastructure projects are instrumental for addressing supply-side constraints to growth and improving structural resilience. Directors welcomed the authorities' efforts to further improve the business climate, including through the planned new Investment Act, and to invest into human capital by improving the scope, coverage, and effectiveness of technical and vocational education and training (TVET) programs, and considered that the TVET programs should be complemented by ALMP to

facilitate employment. Directors also supported the authorities' efforts to further develop the tourism sector to contribute more to the economy.

Directors noted that the financial sector remains broadly stable. They stressed the need to closely monitor asset quality following the end of the loan moratoria and bolster the provisioning levels. Directors considered that the financial authorities should continue to strengthen the supervisory and regulatory frameworks and improve crisis preparedness. They also welcomed the authorities' strong efforts to strengthen the AML/CFT framework.

It is expected that the next Article IV consultation with St. Vincent and the Grenadines will be held on the standard 12-month cycle.