EXECUTIVE BOARD MEETING

EBS/20/69
Correction 1

April 24, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **St. Lucia—Request for Disbursement Under the Rapid Credit Facility**

Board Action:	The attached corrections to EBS/20/69 (4/22/20) have been provided by the staff:
Factual Errors Not Affecting the Presentation of Staff's Analysis or Views	**Pages 4 and 5**
Questions:	Mr. Ding, WHD (ext. 39766)

in 2021 (which is now projected to be around 6.9 percent). However, nominal GDP is not expected to recover to the 2019 level until 2022.

5. The pandemic is giving rise to an urgent BOP need. The expected sharp decline in tourism exports, of about US$460 million, will only be partially offset by terms-of-trade gains from lower commodity prices. Additional BOP needs arise from an expected decline in remittances (of US$10 million) and increased imports related to public health spending. During the remainder of the year, St. Lucia is assumed to be able to achieve a partial rollover of the maturing medium and long-term debt due to tighter market financial conditions.[2] The resulting shift in the current and capital account will result in an important BOP financing need for 2020 (estimated to be US$154 million, or 8 percent of GDP). This financing need is expected to be largely met by a combination of multilateral and bilateral support, disbursements under the RCF, and liquidity support from the ECCB.

St Lucia: Balance of Payments Summary
(in millions of USD)

	2019	2020
Current account balance	**98**	**-202**
Of which tourism exports	988	526
Of which oil imports	-103	-59
Of which remittances	26	16
Capital and financial accounts	**-98**	**48**
Of which FDI	78	89
Of which changes of reserves	18	37
Remaining BOP gap		**154**
IMF (RCF)		29
Other multilaterals and bilateral		88
ECCB		37

6. The overall fiscal deficit for FY2020/21 is expected to widen to 7 percent of GDP (from 2 percent in FY2019/20). Total revenue is projected to decline by 2 percent of GDP, with the sharp decline in import duties and excises partially offset by ~~an~~a potential increase in fuel surcharges ~~about~~up to 1.3 percent of GDP (the surcharge is the difference between the administrated domestic retail price, which has not changed, and the imported fuel price) and the one-off stamp duty from the sale of a bank to foreign investors (0.~~2~~4 percent of GDP). Spending is expected to increase by 2 percent of GDP, arising mainly from additional public health expenditure to contain the spread of COVID-19 (estimated to cost in excess of EC$30 million, or 0.6 percent of GDP) and temporary

[2] Public debt amortization amounts to around USD185 million in 2020 (8.5 percent of GDP), half of which is maturing government securities held by external creditors.

income support to vulnerable households. This ~~was~~is expected to be partially offset by a reduction in domestically-financed capital expenditure.

7. The overall balance will be financed by a combination of disbursements from official sources, partial rollover of maturing privately-held debt, ECCB liquidity support to the government, and Fund disbursements under the RCF. St. Lucia faces very large gross fiscal financing needs both in FY2020 and over the medium-term. This arises from a sizable (40 percent of GDP) stock of privately held government securities with a relatively short average maturity of around 36 months. This debt is mostly held by domestic and regional financial institutions (broadly in equal shares). New issuance of bills and bonds is assumed to cover part of the amortization falling due in FY2020, with the rest of the financing needs expected to be largely met by a combination of multilateral and bilateral support, disbursement under the RCF, and liquidity support from the ECCB.

St Lucia: Central Government Gross Financing Needs
(in millions of EC dollars)

	FY2020/21
Total Revenue (A)	1,097
Total Expenditure (B)	1,466
Overall Balance (C=A-B)	-369
Debt Amortization (D)	914
Gross Financing Needs (GFN) (E=D-C)	1,284
GFN as % of GDP	*23.9*
Projected Financing Sources	1,154
Debt Issuances	679
Government Deposits	60
External Financing	415
IMF	78
Other multilaterals and bilateral	237
ECCB	100
Remaining financing from other sources	130

AUTHORITIES' POLICIES TO ADDRESS THE CRISIS

8. The government's near-term policy focuses on maintaining macroeconomic stability. The announced social stabilization plan (estimated around 2 percent of GDP) includes temporary income support to vulnerable households (including non-contributors to the national insurance programs), an extension of tax payment deadlines, tax credits to companies that retain employees, a temporary suspension of rental payments for small enterprises in government properties, and targeted assistance to local entrepreneurs producing crisis-response essentials. The government is