

IMF Staff Completes 2026 Article IV Mission to Saint Vincent and the Grenadines

April 28, 2026

End-of-Mission press releases include statements of IMF staff teams that convey preliminary findings after a visit to a country. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF's Executive Board for discussion and decision.

Washington, DC: *An International Monetary Fund (IMF) staff team, led by Mr. Sergei Antoshin, visited Kingstown and held discussions with St. Vincent and the Grenadines' authorities and other counterparts during April 21–28 for the 2026 Article IV consultation. At the end of the consultation, the mission issued the following statement:*

St. Vincent and the Grenadines' economy has demonstrated resilience in the face of repeated shocks, but vulnerabilities remain significant. Wide fiscal deficits, high and rising public debt, and large external imbalances underscore the need for decisive policy action. To reduce debt, prompt and sizeable fiscal consolidation is needed as well as structural and financial sector reforms that support growth and enhance resilience.

Recent Developments, Outlook, and Risks

The fiscal situation has continuously deteriorated since the pandemic. In the past six years, the country has suffered from the pandemic and two major natural disasters and is now facing the oil price shock from the war in the Middle East, which would once again particularly hit the vulnerable. As a consequence, fiscal deficits have widened, driven by post-disaster rebuilding and relief as well as large construction projects and rising current expenditure. The debt ratio rose by 45 percentage points of GDP since 2019, with about half of the increase occurring in the last two years, reaching 113 percent of GDP in 2025. Since November, the new government has introduced VAT-free days, expanded the wage bill, and increased social support as

one-off measures. The 2026 budget, passed in February, envisages a deficit of 19 percent of GDP, while the authorities are making progress on securing its funding. Capital expenditure plans for 2026 remain ambitious, at 17 percent of GDP. Staff projects a deficit of 12 percent of GDP in 2026, assuming lower capital expenditure than budgeted in line with past underexecution.

Without a decisive change in policies, public debt is set to continue to rise. Under the baseline with no change in policies, fiscal deficits are projected to remain large, propelling the debt ratio to 145 percent of GDP by 2031, and gross financing needs to 26 percent of GDP.

The war in the Middle East has worsened the near-term outlook for growth and inflation. Growth moderated to 3.7 percent in 2025 as the post pandemic rebound faded, while tourism and construction remained strong. Looking ahead, growth is expected to decelerate further in 2026-27 in light of higher oil prices, a weaker global outlook, and the normalization of construction activity, converging to 2.7 percent in the medium term. Inflation is projected to rise sharply because of the war-related commodity price shocks to 2.9 percent by end-2026 and thereafter stabilize at 2 percent.

External imbalances remain large. The current account deficit widened to 20 percent of GDP in 2025, mainly driven by construction-related imports and increased profit repatriation by hotels, despite strong growth in tourism receipts. The external position is assessed to be substantially weaker than the level implied by medium-term fundamentals and desirable policies. The current account deficit is projected to remain high, at around 20 percent of GDP in 2026, and only narrow gradually to 17 percent of GDP by 2031.

Bank credit growth to households and micro firms has been insufficient amid a fast expansion by credit unions. The local bank—which dominates the financial sector—has low non-performing loans

(NPL), adequate provisions, and high capital, but also a very large sovereign exposure. Credit unions have maintained rapid lending.

The outlook is subject to downside risks. The country has been at high risk of debt distress since 2016, while fiscal indicators have further weakened. In addition, the country is exposed to natural disasters, with potentially sizable fiscal implications. Among global risks, a more protracted war in the Middle East would further weaken growth, deteriorate the terms of trade, and push up inflation.

Fiscal Policies: Reducing Deficits and Debt

The high risk of debt distress calls for urgent fiscal consolidation.

Staff and the authorities agree on the need to promptly implement an ambitious fiscal consolidation to avoid the prospects of a disorderly fiscal adjustment. In addition, the authorities may consider marketable assets for privatization. Finally, developing a contingency plan with concrete measures would allow the government to promptly act, should fiscal risks materialize.

Staff proposed an illustrative active policy scenario to reduce the risk of debt distress. The scenario aims to change the debt trajectory within three years and achieve the regional debt target of 60 percent of GDP in the long term. The primary balance would have to improve by 11 percentage points of GDP during 2027-29, to achieve a reduction in debt. This implies reaching a 3 percent of GDP primary surplus in 2029. Such a primary surplus—high by the country's standards but accomplished by others in the region—would need to be maintained over the long term. As tax revenue is already relatively high, the adjustment would have to be carried out mainly through expenditure measures.

Staff welcome the authorities' work on their debt reduction

strategy. The authorities have already prepared a comprehensive strategy to put the debt ratio on a downward trajectory. The next step would be to identify and quantify concrete measures.

Expenditure measures should prioritize streamlining, while protecting the vulnerable, especially amid the oil price shock. A comprehensive expenditure review would be useful to identify areas for streamlining. The authorities have expressed interest in such technical assistance from the Fund. The wage bill is high based on the country's own historical record and international comparisons and could be reduced through natural attrition and wage moderation. Other primary expenditure categories also remain above pre-pandemic averages and should be rationalized, while protecting health and education. Reforming the public sector pension system, based on past Fund advice, would help streamline expenditure. Social support programs need to protect the vulnerable, but digitalization of assistance could help better identify and target beneficiaries and limit leakage.

Staff support the authorities' plan to review investment policies and to strengthen public investment management. Key priorities would be critical infrastructure and investment in resilience to natural disasters. Public investments in marketable assets can have distortionary economic effects and should be avoided. Reforms are also needed to strengthen the public investment management framework.

Tax revenue needs to be preserved, and tax administration further strengthened. A comprehensive tax reform would result in a more growth-friendly and equitable system. The authorities have expressed interest in additional technical assistance from the Fund. To improve efficiency and collection, the VAT base needs to be broadened. There is no room to lower the VAT standard rate; instead, the special rate for tourism should be brought in line with the standard rate. Staff welcomes the authorities' ongoing work on extending VAT to digital and remote services, reforms of real property taxation, and progress with tax administration and collection, with emphasis on digitalization, with continued support from CARTAC.

An updated and enacted Fiscal Responsibility Framework would help guide the fiscal consolidation. Staff welcomes the government's commitment to reactivate the framework and has closely engaged with the authorities to help redesign and recalibrate the fiscal rule, focusing on options aligned with the proposed active policy scenario. Based on Fund advice, an optimal fiscal rule would be parsimonious, flexible, fully automatic, realistic, and feature tangible progress in debt reduction. Enshrining the fiscal rule in law would make it effective. Furthermore, the annual budget process and the medium-term fiscal framework will be substantially improved if they are built around compliance with the fiscal rule. Respective reforms of public financial management—based on previous Fund recommendations—would be useful as well.

The government is working on updating the medium-term debt management strategy and plans to publish it—consistent with Fund advice. In future budgets, closing the financing gap would remove the uncertainty about budget execution and minimize the liquidity risk. The increased reliance on expensive bank overdrafts and payables signals subpar liquidity and debt management, which can be better coordinated and improved in line with previous CARTAC recommendations. The debt strategy needs to be consistent with the medium-term fiscal framework underpinned by the recommended fiscal path. Publication of both documents would improve transparency and help ensure investor confidence.

A Citizenship-by-Investment (CBI) program planned by the government could modestly increase fiscal revenue but carries risks and needs to be designed carefully. A CBI program would likely result in limited fiscal revenue amid competition, but would carry reputational, legal, financial, and fiscal risks. Adherence to regional standards and best practices in due diligence, integrity, and transparency would help reduce—but not eliminate—these risks. The goal of the program would be to maximize fiscal revenue. The optimal design of the program is a single donation (fund) option, while an

investment or real estate route is strongly discouraged. CBI revenue should be used solely for debt reduction. The budget, medium-term fiscal framework, and fiscal rule need to be formulated net of CBI revenue.

The implementation of the 2024 pension reform is ongoing. The reform—consistent with Fund advice—is projected to prolong the lifetime of the pension fund by 25 years to 2060. The authorities are phasing in the reforms with full implementation expected in 2028.

Further progress with natural-disaster preparedness will help contain fiscal risks and protect the vulnerable. The country's three-layered insurance framework for natural disasters is consistent with Fund advice. An expansion of the coverage of the Caribbean Catastrophe Risk Insurance Facility could result in higher expected payouts. Other priorities include updating natural-disaster risk assessments, upgrading regulations and strengthening compliance in land use planning and building codes to make structures more resilient.

Structural Policies: Lifting Potential Growth

The transition to renewable energy could significantly lower energy costs for households and firms and build resilience against volatile oil prices. A key measure is replacing old diesel generators with solar energy. This would boost competitiveness and promote growth and employment, especially for women. To enable solar energy development, the electricity legislation needs to be modernized.

Staff welcome the government's pledge to address skill mismatches. Particularly promising are policies that focus on youth and women through education and labor market reforms, including expanding vocational training, modernizing curricula and targeted training in tourism and construction. The authorities are already responding to the emerging needs of the economy by developing

training programs to meet business demands. Improving childcare support would also help increase women's labor force participation.

Improving the business environment will further support private sector activity. Streamlining regulatory processes and licensing inefficiencies, reducing tax complexity and expanding digital government services would help lower barriers to firm entry and growth. The government's initiatives to promote innovation, including the establishment of research hubs, could provide additional support to long-term productivity.

Financial Sector Policies: Strengthening Resilience and Intermediation

The credit union sector's stability would benefit from strengthened oversight. Credit unions play an important role in financial deepening and inclusion, especially as bank credit growth is insufficient in some sectors. However, amid credit unions' rising systemic importance and interconnectedness with the banking sector, closer monitoring and stronger oversight are needed. Legislative reforms need to be advanced to reinforce regulatory mandates and enhance supervisory and resolution powers of the national regulator. Thereafter, strengthening compliance with capital and loan-loss provisioning requirements would be a priority.

Further efforts are needed to foster adequate credit growth. Fiscal consolidation would help alleviate the sovereign-bank nexus and free up bank capital for private sector lending. Continued progress in reducing NPLs at banks and credit unions, strengthening insolvency frameworks, debt enforcement regimes, and real estate cadasters would further support credit intermediation. Expanding participation of all banks and credit unions in the regional credit bureau would help close information gaps. Improving financial literacy among households and small entrepreneurs, especially women, would support financial inclusion. Reducing real property transaction taxes would also enhance secondary market liquidity.

Staff share the authorities' financial development goals, but the establishment of a new national development bank is not recommended given high fiscal risks and regional experience. The proposed bank would entail upfront capitalization and ongoing fiscal costs, which would be inconsistent with needed fiscal consolidation efforts and could create additional contingent liabilities. Instead, policy efforts should focus on strengthening existing credit intermediation channels, including encouraging banks and credit unions to make greater use of regional instruments such as programs for micro firms and start-ups offered by the Eastern Caribbean Partial Credit Guarantee Corporation. Over time, fiscal and financial sector reforms would enable the banking system and adequately capitalized credit unions to provide sufficient credit across economic sectors.

Continued strengthening of AML/CFT frameworks remains critical amid heightened scrutiny of CBI programs. Efforts to implement the priority actions in the 2024 Caribbean Financial Action Task Force should continue.

External Sector: Reducing Vulnerabilities

Reducing external vulnerabilities will require lowering external debt, strengthening the current account, and enhancing economic resilience. Fiscal consolidation and improved debt management would reduce external debt levels and costs and improve the current account. Concurrently, structural reforms—particularly in energy—would reduce import dependence and boost competitiveness.

Improving Data Adequacy

Addressing data shortcomings is critical to strengthening policy effectiveness and economic surveillance. Staff welcomes the authorities' work to improve data collection and quality, especially through digitalization, and commends the data quality of the government's fiscal accounts and debt. However, further improvements in state-owned enterprises' reporting, national accounts,

and external sector statistics—supported by enhanced institutional and staffing capacity—are necessary to ensure accurate and timely information for decision-making. Continued collaboration with regional partners and international institutions will be key to closing data gaps, improving transparency, and reinforcing the credibility of macroeconomic policies.

The IMF team thanks the authorities and other counterparts for their warm hospitality and insightful and constructive discussions.

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