The Government of
St. Vincent and the Grenadines

Medium-Term Debt Strategy 2022-2024

Ministry of Finance and Economic Planning
Cash Debt Investment Management Unit (CDIMU)

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TABLE OF CONTENTS

1. ACRONYMS 2
2. INTRODUCTION 2
3. THE IMPLEMENTATION OF THE 2021 MEDIUM TERM DEBT MANAGEMENT STRATEGY 6
4. PROFILE OF CENTRAL GOVERNMENT DEBT PORTFOLIO 2021 8
4.1 REDEMPTION PROFILE OF 2021 DEBT PORTFOLIO 9
4.2 RISK ANALYSIS OF 2021 DEBT PORTFOLIO 10
5. MACROECONOMIC OVERVIEW 11
6. MEDIUM TERM DEBT STRATEGY 2022-2024 13
6.1 MACRO-ECONOMIC ASSUMPTIONS 13
6.2 CREDITOR'S FINANCING TERMS 14
6.3 BASELINE PRICING ASSUMPTIONS 14
6.5 STRATEGIES 15
7. ANALYSIS OF OUTPUT FROM TOOLKIT 15
8. INDICATIVE BORROWING PLAN 17
9. CONCLUSION 18
APPENDIX I: SELECTED CENTRAL GOVERNMENT DEBT INDICATORS 19
APPENDIX II: DISBURSEMENTS OF EXTERNAL DEBT BY CREDITOR AND PROJECT 20

1. ACRONYMS

AT	Analytical Tool	**LIBOR**	London Inter -Bank Offer Rate
ATM	Average Time to Maturity	**MTDS**	Medium-Term Debt Strategy
ATR	Average Time to Re-fixing	**OPEC**	Organisation of Petroleum Exporting Countires
CAT-DDO	Catastrophe Deferred Drawdown Option	**PV**	Present Value
CDB	Caribbean Development Bank	**RGSM**	Regional Government Securities Market
CDIMU	Cash Debt Investment Management Unit	**S1**	Strategy one
ECCB	Eastern Caribbean Central Bank	**S2**	Strategy two
ECCU	Eastern Caribbean Currency Union	**S3**	Strategy three
EXIM	Export Import Bank of China	**S4**	Strategy four
FX	Foreign Exchange	**SDR**	Special Drawing Rights
GDP	Gross Domestic Product	**ST FX**	Short-term Foreign Exchange
GOSVG	Government of St. Vincent and the Grenadines	**SVG**	St. Vincent and the Grenadines
IBRD	International Bank for Reconstruction and Development	**T-Bills**	Treasury Bills
IDA	International Development Association	**XCD**	Eastern Caribbean Dollars
IMF	International Monetary Fund		

2. Introduction

The main objective of the MTDS is to satisfy the government's financing needs at minimum cost with a prudent degree of risk over the medium-term. The scope of the analysis in this MTDS (2022-2024) is limited to Central Government's debt. Accordingly, debt stock of Public Enterprises or State-owned Enterprises (SOEs) with government guarantee is excluded and therefore, do not form part of the analysis. Notwithstanding the foregoing, the monitoring of these explicit contingent liabilities (Guarantees) continues to be a major focus of the government's overarching debt management objectives.

The legislative framework for debt management which governs and explicitly authorizes the government to borrow is the Finance Administration Act (FAA) 2004. Furthermore, on yearly basis, a Public Sector Investment Loan Act is assented to, which gives authorization to the Government to raise financing in or out of the country on the best and most favorable terms that can be obtained to assist with public sector investment programmes. The maximum financing to be raised in 2022 under this Act amounted to $125.0 million. The Treasury Bills Act Cap 444 governing the issuance of Treasury Bills with Section 3 (4) of the Act stipulates that the principal sum of T-bills outstanding at any one time, shall not exceed 15.0 percent of the estimated annual revenue of St. Vincent and the Grenadines for the current financial year. The estimated revenue for 2022, 2023 and 2024 is $734.35, $818.87 and $878.29 million respectively with outstanding T. Bills amounting to $84.0 million. The CDB Loans Act covers all loans borrowed from the CDB, borrowing from the World Bank and the IMF is governed by the International Financial Organisations Act. Similar Acts that are passed in Parliament will authorize borrowing from other external commercial and bilateral creditors. There is no Act that limits the amount that can be borrowed by the government.

The Fiscal Responsibility Framework published in the Government Gazette on the 7th January 2020 reinforces the GOSVG commitment to maintain strong macroeconomic fundamentals by continuing to implement sound fiscal policies and reducing the debt-to-GDP ratio to a prudential level within the overall macro-economic context of financial stability, growth, competitiveness and equity. It has further committed, that the long-term debt fiscal rule is to reduce public debt to no more than sixty (60) percent of GDP by 2030[1]. The primary balance rule during the period 2021 - 2024 will reflect primary deficits on average of 1.2 percent of GDP annually due to the implementation of the Port Modernisation Project which would account for at least 20.7 percent of GDP. From 2024 onwards, the fiscal rule for the primary balance is to target an improvement in the primary balance to a surplus of 2.7 percent of GDP.[2]

As at 31st December 2021, total central government debt amounted to $1,969.8 million[3], comprised of domestic debt $543.1 million and external debt of $1,578.5 million respectively. Total central government debt represented 83.6 percent of GDP. The main risks facing the current debt portfolio continue to be interest rate and refinancing risk, while exposure to exchange rate risk remains relatively low.

Macroeconomic data for 2021 indicated that economic activity is estimated to have grown marginally by 0.8 percent mainly influenced by strong growth in the construction sector related to rebuilding activities after the volcanic eruption and continued works on public infrastructure and private sector developments. Preliminary data for 2022 indicates that real output growth is estimated at 5.4 percent.

Over the medium-term, real economic activity is projected to grow at an average of 4.5 percent per annum. This outlook is expected to be supported mainly by buoyant economic activity in Tourism, Transport & Storage and Construction. Growth in

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[1] The Monetary Council of the Eastern Caribbean Central Bank has extended the timeframe to 2035.

[2] This primary balance rule was approved in the MTFF 2020-2025

[3] Here total debt is classified under the residency criterion.

Wholesale & Retail, Agriculture & Fishing and Manufacturing sectors is also expected to contribute to the outlook. In particular, the Construction and Tourism sectors are anticipated to benefit from hotel developments, the Port Modernisation Project and an anticipated increase in international flights.

The analysis of the MTDS Toolkit outputs revealed that all of the strategies that were modelled showed improvements in most of the risk indicators by the end of the medium-term in 2024 relative to the base year, 2021. However, there was an inevitable rise in debt to GDP ratio across all strategies. In terms of the refinancing risk, it was found that S4 best satisfied the objective of reducing the debt maturing in one year as a percentage of the total debt and at the same time, extending the ATM of the domestic portfolio where the highest concentration of refinancing risk lies.

In terms of interest rate risk as measured by the ATR, where the central government debt stock is susceptible and exposed to some variable interest rate re-fixing, S3 had the highest ATR. S3 also had the highest fixed rate denominated debt and generated the highest ATM of the total portfolio.

In evaluating the cost/risk trade-offs using the debt to GDP ratio, S2 presented relatively the lowest ratio at 90.2 percent. In terms of the interest payment to GDP ratio, S3 cost was the lowest. At the same time, S1 debt to GDP increased to 92.4 percent with a corresponding interest payment cost of 2.7 percent. Notwithstanding the relative favourable performance of the other strategies, namely (S2 and S3), when consideration is given to the number of major projects that will ramp-up construction activity in the medium-term, and for which financing has been identified, with the most significant being the Port Modernization project. The recommended Strategy to be implemented to achieve the Governments' financing needs in the medium-term is S1:

"It reflects a continuation of the current borrowing practices, where external disbursements are to be maintained mainly from multilaterals and domestic financing is anticipated to achieve its maximum. In 2024 securities issuances are expected to fall as more external disbursements are likely to increase over the medium-term as well".

The remainder of the MTDS document is organized as follows: Section (III) provides an analysis of the implementation of the 2021 Medium-Term Debt Management Strategy; Section (IV) outlines the profile of the existing debt portfolio for 2021. Section (V) presents an overview of the Macro-economy over the medium-term. Sections (VI) provides an analysis of the Medium-Term Debt Strategy (2022 - 2024). Section (VII) presents the output of the World bank/IMF Analytical Toolkit. Section (VIII) presents the indicative borrowing plan over the medium-term based on the chosen strategy. The document then concludes with section (IX), followed by the attached appendices on selected debt indicators for the period (2011 - 2021).

3. THE IMPLEMENTATION OF THE 2021 MEDIUM TERM DEBT STRATEGY

The strategy of choice for the last MTDS review done in fiscal year 2021 proposed financing the government's borrowing needs primarily with multilateral financing with the residual from short-term domestic instruments.

The table below presents the projected outturn of the chosen strategy with the actual outturn for 2020 and 2021 respectively.

Risk Indicators		Target	S2 Forecast	2021 Actual	2020 Actual
Nominal debt as % of GDP			91.4	83.6	77.7
Present value debt as % of GDP			75.1	68.7	63.7
Interest payment as % of GDP		2.1	2.61	2.7	2.8
Refinancing Risk	Debt maturing in 1yr (% of total)		10.7	18.6	22
	Debt maturing in 1yr (% of GDP)		9.8	15.6	17.1
	ATM External Portfolio (years)		12.8	13.5	10.9
	ATM Domestic Portfolio (years)		2.8	3.3	3.1
	ATM Total Portfolio (years)	>7.0	10.4	9.8	7.6
Interest Rate Risk	ATR (years)	>5.5	8.4	8.9	6.6
	Debt re-fixing in 1yr (% of total)		33	31.4	36.8
	Fixed rate debt (% of total)		76.6	85.5	83.1
FX Risk	Non USD debt as % of total		24.8	19.8	22.3
	ST FX debt as % of reserves		9.3	16.3	15.3

There were improvements in the 2021 risk indicators when compared with 2020, the only exception was the debt to GDP ratio which was inevitably higher given the level of new borrowings undertaken during 2021. However, the GDP was rebased from 2006 prices to 2018 prices which contributed to the ratio being lower than forecasted. The short-term foreign exchange rate debt as a percent of reserves also worsened as disbursements on some loans were made in XDR's, Euros and Kuwaiti dinars.

Whilst still in the midst of the COVID-19 pandemic, in 2021 the Country's La Soufriere volcano erupted. This resulted in further unplanned borrowings. Of the $325.7 million in external disbursements received during the year, 73.1 percent related to the volcano and pandemic responses. The remaining borrowings were from bilateral sources with no commercial loans contracted. In 2021, the Country's 2nd largest capital project: - The Port Modernization project was disrupted by the volcanic eruption as well as the on-going supply chain issues related to the pandemic.

In 2021, domestic borrowings raised $106.3 million, with a mix of short-term loans (18.9 percent) and securities (81.2 percent). Of the securities issued, $52.9 million was issued competitively to the market with an average tenor of 4.8 years and a corresponding interest (coupon) rate of 5.4 percent; $32.5 million was related to the issuance of ECCB debenture bonds with tenor of 15 years and interest rate of two 2.0 percent; and $0.87 million was issued to individuals for settlement of outstanding land payments. The insurance deposits and treasury bill stock remain unchanged with less reliance placed on the billed-up of accounts payables and the overdraft facility as short-term debt financing options.

The implementation of the chosen strategy was still successfully executed as external borrowings mirrored the 2021 Borrowing Plan with 97.9 percent of disbursement received from multilateral sources (compared to 96.1 percent as stated in the plan). These loans were highly concessional with low interest rates and long maturities. Domestic borrowings saw no change in the stock of treasury bills; actual short-term borrowing amounted to $129.9 million versus $116.9 million as proposed. Where the actual outturn varied from the strategy was in the composition and the amount of securities issued. The MTDS strategy for 2021 proposed a reduction in value of securities to be issued by the government due to investor hesitancy stemming from the impact of the eruption and the lingering effects of the pandemic. However, in the latter half of the year (2021), opportunities emerged that allowed the government to continue its commitment to the development of the Regional Government Securities Market and create opportunities for investors, and as such, securities were issued via private placements in response to the demand based on investors apetite in the four, five and fifteen year tenors versus the three, five and ten years as proposed by the strategy. The weighted average cost of debt decreased from 3.6 percent to 3.2 percent.

4. PROFILE OF CENTRAL GOVERNMENT DEBT PORTFOLIO 2021

Total Central Government debt at the end of 2021 was $1,969.8 million. External debt totaled $1,269.0 million and domestic debt $700.9 million respectively. For the analysis done within the MTDS Toolkit, total central government debt above has been disaggregated based on the currency criterion and not by residency (holders of the debt) as was mentioned in the introduction. As such all domestic debt is denominated in XCD, or local currency whilst external debt is denominated in foreign currency, mainly USD. The composition of the portfolio shows that loans constituted 71.8 percent or $1,415.2 million, securities excluding treasury bills 18.4 percent or $362.3 million and short-term obligations including treasury bills 9.8 percent or $192.0 million.

During 2021 total securities issued amounted to $86.3 million. Tenors on these instruments ranged from four (4) to fifteen (15) years. With the majority of instruments issued to the market being five (5) years. There were four bonds issued with interest rates of 2.0 percent; two (2) 15 year debenture bonds issued to the ECCB and two (2) securities issued to IADC land owners as compensation for settlement of outstanding payments for lands acquired during the construction of the international airport at Argyle. There was one short-term loan contracted from the ECCB in the amount of $20.0 million. During the year, $19.5 million in bullet bonds and notes matured and were fully repaid from Sinking Fund contributions. Eleven treasury bills were issued with an average interest rate of 2.6 percent.

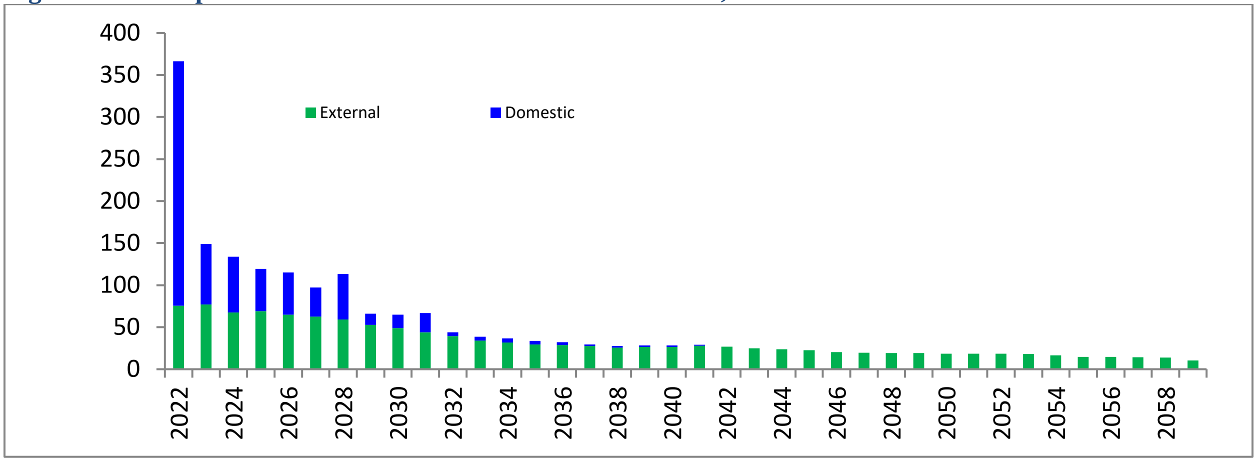
Within the external portfolio 80.4 percent of the outstanding debt is denominated in USD, 18.2 percent in XDR, 1.2 percent in Kuwaiti Dinars with the remaining 0.4 percent in Euro and TT dollars. As such, the portfolio's foreign exchange rate risk remains low. The interest rate composition is 85.5 percent fixed rate debt ($1,684.4 million) and 14.5 percent variable rate debt ($285.5 million). Loans with floating rate were mainly contracted from multilateral creditors such as the CDB and the World Bank. Overall, the interest rate risk is deemed to be moderate.

4.1 Redemption Profile of 2021 Debt Portfolio

Figure 1 below depicts the maturity profile of the forecasted principal repayments of the Central Government's debt. It shows that the external redemption profile remains relatively smooth until it is fully repaid in 2062. The domestic redemption profile is contrary to this. In 2022, amortized instruments, short-term instruments[4] and bullet bonds due to mature in the current year have resulted in 42.4 percent or $297.0 million of the total domestic debt due for repayment. The profile also shows that the domestic repayment does not follow a gradual reduction as with the external profile but that it is prone to more fluctuations. It is projected to continue to decrease until 2028 and then spike due to a pending bullet bond repayment, then it will decline until 2031 and then thereafter, there is a significant fall off.

[4] Short term instruments (i.e less than 1 year old) consist of Accounts Payables, Treasury Bills, Insurance Deposits and the Overdraft

Figure 1: Redemption Profile of the Debt Portfolio as at Dec 31, 2021



Source: MTDS Analytical Toolkit

4.2 Risk Analysis of 2021 Debt Portfolio

There continues to be improvements in the major risk indicators in the portfolio. The portfolio's ATR, which measures the exposure of the portfolio to changes in interest rate, went from 6.6 years to 8.9 years. There were improvements in both the external and domestic ATR with the most significant improvement recorded on the external debt component moving from 9.3 years to 12.1 years. There was also reduction in the debt that is to be refixed in the short-term from 36.8 percent to 31.4 percent with an increase in fixed rate debt from 83.1 percent to 85.5 percent.

Similarly, the portfolio's refinancing risk indicators which measures the portfolio's exposure to rollover or refinancing risk for maturing obligations all showed improvements over the previous year. The ATM increased from 7.6 years to 9.8 years with debt maturing in one year decreasing from 22.0 percent to 18.6 percent of the total debt.

When the risk of exchange rate is taken into consideration as a measurement of the exposure of the portfolio to changes in currency fluctuations, this risk is relatively low due to the high concentration of central government's foreign currency debt denominated in USD. It is premised on the fact that the XCD has been pegged to the USD since 1976 under a fixed exchange rate regime. Accordingly, there is limited reason to believe that in the medium-term the portfolio will be susceptible to changes in exchange rate against the USD. However, the short-term external debt as a percentage of foreign exchange reserves has increased from 12.7 percent to 16.3 percent. In respect to debt service as reflected by the cost of debt, as measured by interest payment as a percentage of GDP, the portfolio total cost decreased from 2.8 percent to 2.7 percent.

Figure 2: Central Government Existing Debt Portfolio and Risk Indicators

2021				
Central Government Existing Debt Portfolio and Risk Indicators		**External debt**	**Domestic debt**	**Total debt**
Amount (in millions of XCD)		1,269.00	700.9	1,969.8
Amount (in millions of USD)		470.0	259.6	729.6
Nominal debt as % GDP		53.9	29.8	83.6
PV as % of GDP		38.9	29.8	68.7
Cost of debt	Interest payment as % GDP	1.2	1.5	2.7
	Weighted Av. IR (%)	2.3	5.0	3.2
Refinancing risk	ATM (years)	13.5	3.2	9.8
	Debt maturing in 1yr (% of total)	6.0	41.5	18.6
	Debt maturing in 1yr (% of GDP)	3.2	12.4	15.6
Interest rate risk	ATR (years)	12.1	3.2	8.9
	Debt refixing in 1yr (% of total)	25.8	41.5	31.4
	Fixed rate debt (% of total)		100.0	85.5
FX risk	FX debt (% of total debt)			64.4
	ST FX debt (% of reserves)			16.3

Source: CDIMU, Ministry of Finance

5. Macroeconomic Overview

The MTDS (2022-2024) was developed within the context of the medium-term fiscal projections, the level of development of the domestic debt market and the macroeconomic developments. In 2021, economic activity is estimated to have grown marginally by 0.8 percent, on account of the lingering adverse effect of the Covid-19 pandemic and the impact of the April 2021 volcanic eruptions. The positive performance was influenced mainly by strong growth in the Construction and Wholesale and Retail sectors. Growth in the Construction sector was mainly related to rebuilding activities after the volcanic eruptions and continued works on public infrastructure and private sector developments, while growth in Wholesale & Retail Trade was evidenced by a substantial increase in merchandise imports during the year. Despite the robust performance of the abovementioned sectors, major contractions in the Agriculture & Fishing, Tourism and Transport & Storage sectors dampened overall growth considerably. Production in the Agriculture & Fishing sector was significantly impacted by the volcanic eruptions which resulted in the destruction of crops and pollution of fishing sites whereas the Tourism and Transport & Storage continued to be impacted by travel restrictions and trade interruptions due to the Covid-19 pandemic.

Preliminary data for 2022 indicates that real output growth is estimated at 5.4 percent. This growth is anticipated largely on account of increased economic activity with the easing of Covid-19 protocols internationally and continued public and private sector investments. The Wholesale & Retail Trade, Manufacturing, Transport & Storage and Construction sectors are expected to be the main contributors to growth.

Over the medium-term, real economic activity is projected to grow at an average of 4.5 percent per annum. This outlook is expected to be supported mainly by buoyant economic activity in Tourism, Transport & Storage and Construction. Growth in Wholesale & Retail, Agriculture & Fishing and Manufacturing sectors is also expected to contribute to the outlook. In particular, the Construction and Tourism sectors are anticipated to benefit from hotel developments, the Port Modernisation Project and an anticipated increase in international flights. On the fiscal front, primary deficits are projected over the period from 2022-2024. The primary deficit in 2022 is expected on account of increased capital spending on major developments including the Port

Modernisation Project and the Diamond Hotel Project. In addition, spending continued on recovery and reconstruction activities related to the April 2021 volcanic eruptions. In the medium-term, capital spending is expected to increase significantly as the Government intensifies work on the Port Project and other works including the Acute Care Hospital, two hotel developments and projects aimed at building climate resilience and upkeep of existing infrastructure. These deficits are expected to bring about a worsening in the public debt indicators over the medium-term. In this regard, the Ministry of Finance is committed to undertaking the fiscal adjustments necessary to improve the fiscal outlook and reduce the debt to GDP ratio to the regional benchmark of 60 percent by 2035.

6. Medium Term Debt Strategy 2022-2024

The objective of this MTDS is to determine the most appropriate borrowing strategy for the government with respect to the cost and risk trade-offs. The formulated strategies continually seek to address the portfolio's risks as cost effective as possible with past strategies resulting in favourable improvements over the past few years.

6.1 Macro-Economic Assumptions

	2021 Actuals	2022	2023	2024
	XCD $ Million			
Revenues and grants	740.4	739.3	831.1	875.0
Total primary expenditures	865.2	870.7	1,164.5	1,393.9
Total expenditures	925.6	925.5	1,243.2	1,474.1
Total interest expenditure	60.3	54.8	78.6	80.2
International reserves (USD million)	172.0	183.5	202.1	219.1
GDP	2,355.0	2,538.8	2,814.6	3,016.6

Table 1: Macro Economic Assumptions 2020-2022

6.2 Creditor's Financing Terms

Table 2: Creditor's Financing Terms

Creditor	Creditor Category/ Instrument	Interest Rate	Avg Maturity (yrs)	Grace (yrs)	Currency
IDA/IBRD	Multilateral	Fixed	40	6	XDR
CDB	Multilateral	Fixed	20-30	5	USD
CDB	Multilateral	Variable	20-25	5	USD/EURO
OPEC	Bilateral	Fixed	20	5	USD
EXIM	Bilateral	Floating	20	5	USD
Kuwait	Bilateral	Fixed	20	4	KWD
BOSVG/NIS	Domestic Commercial	Fixed	10	0	XCD
10 yr Bond	10 yr Bond	Fixed	10	0	XCD
5 yr Bond	5 yr Bond	Fixed	5	4	XCD
3 yr Bond	3 yr Bond	Fixed	3	2	XCD
Insurance Deposits, Accounts Payables, Overdraft, T.Bills, ECCB Advance	Insurance Deposits, Accounts Payables, Overdraft, T.Bills, ECCB Advance	Fixed	1	0	XCD

6.3 Baseline Pricing Assumptions

Table 3: Baseline Pricing Assumptions

Source of Financing	Interest Rates	Interest Rate Type
Commercial	6.5 - 8.5	Fixed
CDB/IDA	0.75 - 2.5	Fixed
CDB/IBRD	1.0 - 4.8	Floating
Bilateral	2.0 - 6.0	Fixed
T-Bills	3.5	Fixed
Bonds(3y/5y/7y)	3.25/5.7/6.0	Fixed
Bonds(8y/10y)	6.75/7.25	Fixed
ECCB	2.0	Fixed
Overdraft	8.0	Fixed

6.4 Shock Assumptions

Table 4: Shock Assumptions

Type	Moderate	Extreme
Interest rate shock	2% ↑	4% ↑
Exchange rate	15% ↓ (XCD v XDR)	30% ↓(XCD v XDR)

6.5 Strategies

Common to each strategy is the reissuance of treasury bills in the amount of $84.0 million.

Strategy	Objective
S1	**Status Quo:** reflects a continuation of the current borrowing practices. External disbursements is mainly from multilaterals and assumes other major projects to be funded by this source would commence on schedule. Domestic financing is anticipated to raise $135 million in 2023 with short-term instruments maintained but not exceeding their limits. In 2024 securities issuances are expected to fall as more external disbursements are expected over the medium-term.
S2	Borrowings are heavily skewed towards domestic financing as a 'what if" for any unforeseen event that may occur that triggers a financing gap.
S3	External and domestic financing is achieved through low cost fixed rate instruments. Domestic instruments are with interest rates of 6.5 percent and below.
S4	The level of multilateral financing is reduced over the medium-term with the short-fall in financing coming from bilateral sources. Minimal reliance on any domestic short-term instruments as a source of financing.

7. Analysis of Output from Toolkit

The table below shows the output from the AT with respect to the risk indicators at the end of 2024 for the four strategies analysed.

Table 5: Risk Indicators

Risk Indicators		2021	As at end 2024				
		Current	S1	S2	S3	S4	Target
Nominal debt as % of GDP		83.6	92.4	90.2	92.7	96.4	
Present value debt as % of GDP		68.7	75.0	74.3	73.5	79.7	
Interest payment as % of GDP		2.7	2.77	2.95	2.58	2.75	=<2.1
Implied interest rate (%)		3.2	3.34	3.55	3.11	3.31	
Refinancing risk	Debt maturing in 1yr (% of total)	18.6	12.7	16.1	13.0	9.7	
	Debt maturing in 1yr (% of GDP)	15.6	11.7	14.5	12.1	9.4	
	ATM External Portfolio (years)	13.5	14.3	14.3	14.8	13.6	
	ATM Domestic Portfolio (years)	3.2	2.6	2.4	2.5	2.9	
	ATM Total Portfolio (years)	9.8	10.9	9.69	11.06	10.5	=>10.5
Interest rate risk	ATR (years)	8.9	9.7	9.13	10.53	9.9	=>9.5
	Debt refixing in 1yr (% of total)	31.4	26.4	24.2	20.7	17.5	
	Fixed rate debt (% of total)	85.5	91.1	91.0	91.4	91.3	
FX risk	Non USD debt as % of total	19.8	26.7	25.4	29.6	28.2	
	ST FX debt as % of reserves	16.3	11.7	11.7	11.7	11.7	

Source: CDIMU, Ministry of Finance

Under all strategies, because of the committed disbursements projected and the gross financing needs required, the debt to GDP increases to over 90.0 percent. S2 however, registered the lowest debt to GDP of 90.2 percent. When the portfolio cost is taking into consideration, as measured by the implied interest rate, S2 recorded the highest, moving from 3.2 percent to 3.6 percent. Interest payment as a percent of GDP was also the highest moving from 2.7 percent to 2.9 percent. With respect to refinancing risk as measured by debt maturing in one year, S4 had the lowest proportion of debt due to mature, given that as little to no short-term instruments were used as part of the composition mix of financing on the domestic portfolio. However, under this strategy it recorded the highest domestic ATM and the lowest debt refixing in one year of 2.9 years and 17.5 percent respectively. Under S3, the ATM of the external and total portfolio yielded the highest years at 14.8 years and 11.1 years respectively, surpassing the new targets that were set for these indicators. Also, the fixed rate debt increased from 85.5 percent to 91.4 percent. With regards to S2, the lowest non USD debt as a percentage of total was recorded.

Given the foregoing and taking the results of the MTDS output as a standalone criterion, S1 did not perform the best in any of the categories, but it was the second best with many of the differences being marginal at best. This is noteworthy to mention, as not only the projected results of the costs and risks needed to be taken into consideration with the MTDS, but also factors that are outside its cope will point to and influence the most appropriate and practical strategy that should be chosen for implementation in the medium-term. While all the strategies presented viable financing options, the fact that many of these projects have sources of financing that have been identified already, imply that there is little room for deviation into finding new areas of financing. With this being said, S1 encapsulates the aforementioned desired financing mix and it is therefore the recommended strategy to be implemented to meet the government's financing needs in the medium-term.

Additionally, the ratio of financing under S1 is expected to be 50:50 between external and domestic in 2022 and thereafter external financing is expected to continue to contribute the largest share in 2023 then gradually reduce in 2024.

The table below shows the indicative borrowing plan based on the recommended strategy of S1.

8. PROPOSED BORROWING PLAN

	2022	2023	2024
		XCD $million	
Gross Financing Needs	**539.31**	**711.01**	**672.74**
Borrowing plan			
External Borrowing			
Multilateral loans	192.04	253.10	195.83
Bilateral loans	26.93	145.32	171.02
Commercial Loans			
Total foreign currency borrowing	**218.96**	**398.41**	**366.85**
Domestic Borrowing			
Loans			
Short term, including overdraft	107.30	98.60	141.89
Medium/long term	-	-	-
Securities			
Treasury bills (change in stock)	-	-	-
Treasury notes and bonds	129.05	130.00	80.00
3 year	11.48	32.50	10.00
5 year	48.90	78.00	30.00
10 year	68.68	19.50	40.00
Total local currency borrowing	**236.35**	**228.60**	**221.89**
Total borrowing	**455.31**	**627.01**	**588.74**
add treasury bill re-issuance	**84.00**	**84.00**	**84.00**
Total Gross Financing Needs	**539.31**	**711.01**	**672.74**

The Government's annual borrowing plan is developed based on the gross financing needs over the medium-term. It provides details on how the government intends to secure resources to meet its borrowing needs by creditor categories and further broken down by instrument types. The government borrowing needs are to be funded primarily from multilateral sources of financing and complemented by the issuance of marketable securities. The expected sources of external financing for multilaterals are The CDB, IDA and OPEC. Bilateral financing is expected from EXIM and Kuwait and domestic financing will come from the issuances of securities and other short-term commercial debt.

9. CONCLUSION

The MTDS AT generated the outputs from the strategies proposed based on alternative assumptions on interest rates and exchange rates. The data used for the assessment of the costs and risks associated with each scenario were based on the cash flows of the debt existing as at 31st December 2021; macroeconomic and market projections; as well as simulated alternative borrowing strategies to meet the financing need. The output for S1 revealed that the nominal debt as a percent to GDP would increase from 83.6 percent to 92.4 percent. When the cost/risk trade-offs are taken into account, the ATM and ATR indicators revealed that S1 would result in a superior ATM of 14.3 years and an ATR of 9.7 years respectively, thus improving the overall maturity profile of the Central Government debt portfolio.

APPENDIX I: SELECTED CENTRAL GOVERNMENT DEBT INDICATORS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Public Debt	**1,233.22**	**1,336.58**	**1,445.80**	**1,562.51**	**1,594.36**	**1,746.49**	**1,572.01**	**1,656.96**	**1,673.97**	**1,871.03**	**2,121.64**
Total Central Gov't	**1,040.68**	**1,139.96**	**1,229.71**	**1,348.77**	**1,379.76**	**1,429.33**	**1,322.24**	**1,404.75**	**1,505.66**	**1,711.14**	**1,969.31**
External Debt	**764.92**	**738.08**	**809.50**	**887.70**	**922.55**	**1,201.76**	**1,003.60**	**1,080.45**	**1,180.77**	**1,291.43**	**1,578.52**
Central Government	667.98	652.66	728.71	811.18	855.75	962.03	830.12	899.90	1,040.70	1,160.83	1,452.12
Public Corporations	96.94	85.42	80.79	76.52	66.80	239.73	173.48	180.55	140.07	130.60	126.40
Domestic Debt	**468.3**	**598.5**	**636.3**	**674.8**	**671.8**	**544.7**	**568.41**	**576.51**	**493.20**	**579.60**	**543.12**
Central Government	372.7	487.3	501.0	537.6	524.0	467.3	492.12	504.85	464.96	550.31	517.19
Public Corporations	95.6	111.2	135.3	137.2	147.8	77.4	76.30	71.66	28.24	29.29	25.93
Private Guaranteed External Debt	**15.2**	**16.6**	**19.5**	**24.5**	**25.2**	**26.7**					
Debt Servicing											
External	**87.2**	**87.7**	**88.3**	**77.5**	**83.6**	**81.7**	**101.6**	**99.3**	**109.7**	**107.2**	**79.4**
Central Government	74.6	72.7	72.7	60.8	62.9	65.1	83.3	76.83	90.8	92.39	70.52
Public Corporations	12.6	15.0	15.6	16.7	20.8	16.6	18.3	22.5	18.88	14.8	8.9
Domestic											
Central Government	**47.2**	**48.7**	**58.1**	**72.0**	**72.8**	**83.3**	**82.7**	**93.8**	**114.59**	**105.57**	101.64
(of which sinking fund)	6.0	4.0	5.5	7.6	7.6	12.1	14.0	22.0	32.37	45.00	19.54
GDP (at market price)	1,927.3	1,971.1	2,064.9	2,081.4	2,123.7	2,198.6	2,288.6	2,387.7	2,459.1	2,346.6	2,355.0
Current Revenue	462.5	472.6	491.3	535.2	519.1	592.6	592.2	594.1	600.53	606.26	681.39
Central Gov'T Debt/GDP	54.00	57.83	59.55	64.80	64.97	65.01	57.78	58.83	61.23	72.92	83.62
Total Debt/GDP (%)	67.6	71.4	70.0	75.1	75.1	79.4	68.7	69.4	68.1	79.7	90.1
External Debt/GDP (%)	39.7	37.4	39.2	42.6	43.4	54.7	43.9	45.3	48.0	55.0	67.0
Domestic Debt/GDP (%)	24.3	30.4	30.8	32.4	31.6	24.8	24.8	24.1	20.1	24.7	23.1
Central Government Debt Service/Current Revenue (%)	27.6	26.5	27.7	26.2	27.6	27.1	30.4	32.4	39.6	40.1	28.1
External Debt Service/ Current Revenue (%)	18.9	18.6	18.0	14.5	16.1	13.8	17.2	16.7	18.3	17.7	11.7
Domestic Debt Service/ Current Revenue (%)	11.5	11.2	12.9	14.9	15.5	16.1	16.3	19.5	24.5	24.8	17.8
Guarantee Debt % of GDP	0.11	0.11	0.11	0.11	0.11	0.16	0.11	0.11	0.07	0.07	0.06

Appendix II: disbursements of external debt by creditor and project 2021

CREDITORS	PROJECT/ PROGRAMME	Disbursed Amounts XCD ($)
LOANS		
Caribbean Development Bank	Port Modernization Project	337,402
	School Improvement Project - phase 1	2,731,154
	Technical and Vocational Education and Training Development	8,506,233
	NDM - Rehabilitation and Reconstruction (December 2013 trough event)	4,682,232
	Coronavirus Disease 2019 Emergency Response Support Loan	17,817,650
	Energy Efficiency Measures and Solar Photovoltaic Plant	606,680
	Sandy Bay Sea Defenses Resilience Project	84,027
	NDM- Rehab. and Reconstruction - Hurricane Tomas/North Windward	362,848
	NDM - Disaster Risk Reduction and Climate Change Adaptation	7,474,246
	Project Management Support for the Ministry of Transport, Works etc	176,824
	Subtotal for Caribbean Development Bank	**$42,779,295**
World Bank (IDA)	OECS Human Development Delivery Service	459,129
	Regional Disaster Vulnerability Reduction Project	12,432,525
	Regional Disaster Vulnerability Reduction Project	28,718,874
	OECS Tourism Competitiveness Project	567,000
	Second Fiscal Resiliency Development Policy Program (CAT DDO)	54,000,000
	Supplemental Finance Second Fiscal Resiliency Development Policy Program	135,000,000
	AF Caribbean Communication Infrastructure Program	4,023,787
	SVG Regional Health Project	1,688,286
	SVG Digital Transformation Project	3,937,950
	SVG Add Finance Regional Health	4,050,000
	Subtotal for World Bank	**$244,877,551**
International Monetary Fund	Volcano Relief Loan	31,353,224
	Subtotal for International Monetary Fund	**$31,353,224**
OPEC Fund for International Development	Agriculture and Feeder Road	2,257,007
	Subtotal for OPEC Fund for International Development	**$2,257,007**
Kuwait Fund for Arab Development	Feeder and Agriculture Road	4,480,236
	Subtotal for Kuwait Fund for Arab Development	**$4,480,236**
	TOTAL LOAN DISBURSEMENTS	**$325,747,313**
GRANTS		

Caribbean Development Bank	Port Modernization Project	$264,613
	Volcanic Eruption	$810,000
	Subtotal for Caribbean Development Bank	**$1,074,614**
World Bank (IDA)	Regional Disaster Vulnerability Reduction Project	$2,610,203
	Subtotal for World Bank	**$2,610,203**
	TOTAL GRANT DISBURSEMENTS	**$3,684,817**