



ST. LUCIA

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

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Prepared By

Western Hemisphere Department (in consultation with other departments and the Caribbean Regional Technical Assistance Center, CARTAC)

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FUND RELATIONS

(As of November 30, 2019)

Membership Status:	Joined: November 15, 1979; Article VIII	
General Resources Account:	SDR Million	Percent of Quota
Quota	21.40	100.00
Fund holdings of currency	19.87	92.85
Reserve Tranche Position	1.53	7.16
SDR Department:	SDR Million	Percent of Allocation
Net cumulative allocation	14.57	100.00
Holdings	4.14	28.41
Outstanding Purchases and Loans:	SDR Million	Percent of Quota
RCF Loans	1.15	5.37
Latest Financial Arrangements:	None	

	Projected Payments to the Fund ^{1/}				
	2019	2020	2021	2022	2023
	Forthcoming				
Principal		0.77	0.38		
Charges/Interest	0.02	0.08	0.08	0.08	0.08
Total	0.02	0.85	0.47	0.08	0.08

^{1/}When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative:	Not Applicable
Implementation of Multilateral Debt Relief Initiative (MDRI):	Not Applicable
Implementation of Post-Catastrophe Debt Relief (PCDR):	Not Applicable

Exchange Rate Assessment: The de jure exchange rate arrangement is a currency board. St. Lucia participates in a currency union with seven other members of the ECCU and has no separate legal tender. The Eastern Caribbean dollar is pegged to the U.S. dollar under a currency board arrangement at EC\$2.70 per U.S. dollar. St. Lucia has accepted the obligations of Article VIII,

Sections 2(a), 3 and 4, and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions.

Safeguards Assessment: Under the Fund's safeguards policy, the Eastern Caribbean Central Bank (ECCB) is subject to a full safeguards assessment on a four-year cycle. An update assessment was completed in April 2016 and found that the ECCB has maintained generally strong controls over its key operations. External audit and financial reporting practices remain sound. The ECCB financial statements are compliant with International Financial Reporting Standards and are published on a timely basis. The internal audit function was reformed to align it with leading international practices and oversight was further strengthened by enhancing the financial expertise of the audit committee.

Technical Assistance: St. Lucia has received substantial technical assistance from the Caribbean Region Technical Assistance Center (CARTAC) and the IMF. Technical assistance missions focused on macroeconomic programming and analysis, reforms of the revenue administration, public financial management, real and external sector statistics and the financial sector. St. Lucia has also participated in a wide range of regional seminars and training, as well as internships and attachments.

Macroeconomic Programming and Analysis

- September 2019 (CARTAC): 2 officers from the MOF attended the ECCU Customized DSA/FP course.
- July 2019 (CARTAC): 1 official from the MOF participated in the Macroeconomics Diagnostics Course
- May/June 2019 (CARTAC): A workshop was conducted on the MAC DSA framework. 13 persons from the MOF attended.
- April 2016 (CARTAC): Updating the Macro Framework and drafting the medium-term fiscal framework
- March 2015: To review progress on the GDP Forecasting Framework.
- October 2015: Make Presentation at CARTAC National Accounts Planning Workshop.
- July 2014: To make better use of the high-frequency macro indicators in updating short-term GDP projections.

National Accounts

- October 2019 (CARTAC): National Accounts Mission to assist with redeveloping the national accounts compilation system and compiling rebased GDP estimates.

- September 2017, September 2018 and February 2019 (CARTAC): National Accounts Missions to assist with compiling and balancing the supply and use tables (SUT) for 2016; and implementing further improvements in the national accounts estimates.
- September 2016 (CARTAC): National Accounts Mission to develop the compilation system to produce quarterly GDP by economic activity estimates and to improve the annual GDP estimates.
- September 2015 (CARTAC): A Real Sector Statistics Mission visited Castries to provide TA to the CSO for St. Lucia on reviewing and providing advice to expand and improve the national accounts, including producing SUT and rebasing the GDP estimates.
- March 2014 (CARTAC): Development a plan to assess the quality of the annual GDP estimates; January 2013 (CARTAC) advice on improving the source data to compile quarterly GDP; May 2011 (CARTAC): advice on the development of quarterly GDP, with St. Lucia being a pilot in the OECS.
- December 2010 (CARTAC): real sector projections, including the preparation of scenarios that assessed the impact of Hurricane Tomas on the economy.
- July–August 2009 (CARTAC): national accounts mission aimed at rebasing the GDP estimates to 2006 and exploring the feasibility of producing final expenditure in constant prices.

External Sector Statistics

- September 2018 (CARTAC): Dealing with nonresponse and improving the compilation of trade in goods statistics
- March 2018 (CARTAC): Strengthening the compilation of the recently revised balance of payments and new international investment position (IIP) statistics.
- October 2016 (CARTAC): Reviewing preliminary BPM6-based Balance of Payments and new IIP Statistics for dissemination.
- March 2016 (CARTAC): Assessing sources data for the compilation of Balance of Payments and IIP Statistics according to the BPM6.
- January 2015 (CARTAC): Training on External Sector Statistics for Survey Respondents

Tax Reforms and Revenue Administration

- November 2019 (CARTAC Tax Administration) Strengthening HQ Capacity: Program Development

- November 2019 (CARTAC Customs): participation in regional seminar in Developing Trusted Trader and Authorized Economic Operator Programs.
- September 2019 (CARTAC Tax Administration): Regional Tax Audit Training (participation in regional workshop)
- July 2019 (CARTAC Tax Administration): IT Support - Implementation of ICT System
- July 2019 (CARTAC Tax Administration): Strengthening Audit Capacity and Audit Program
- June 2019 (CARTAC Tax Administration and Customs): participation in regional seminar in Disaster Preparedness Planning for Tax and Customs.
- June 2019 (CARTAC Tax Administration): Strengthening HQ functions
- May & November 2018 (CARTAC Tax Administration): Regional Tax Audit Training (participation in regional workshop)
- October 2018 (CARTAC Tax Administration): Building HQ & Audit Capacity
- June 2018 (CARTAC Tax Administration): Audit Effective Management (participation in regional workshop)
- June 2018 (CARTAC Tax Administration): Strengthening IRD IT Business Processes & Control
- FY 2018/19 (CARTAC Customs Administration): Provide training on extracting data from the ASYCUDA system to support risk management, trade facilitation and sound management.
- October & November 2017 (CARTAC): Building Technical Capacity in VAT Legislation
- June & November 2017 (CARTAC): Building and enhancing HQ capacity, data gathering, analysis, and program reporting
- March 2017 (CARTAC Revenue Administration): Follow-up on Developing a Compliance Risk Management Strategy.
- November 2016: Strengthening Performance Management – establishing KPI
- November 2016: IT Support – (via Peer-to-Peer Technical Assistance (TA) Attachment)
- October 2016 (CARTAC Revenue Administration): Developing a Compliance Risk Management Strategy. (follow-up TA in March 2017 to complete this TA)
- October 2016: Data Analytics
- September 2016 (CARTAC Revenue Administration): Developing a Taxpayer Service Strategy.
- June 2016 (CARTAC Revenue Administration): Building Audit Capacity

- June 2016 (CARTAC Customs): Strengthen the Post Clearance Audit Function.
- October 2015 (CARTAC Tax Administration): Technical Assistance to Support the Establishment of a Large and Medium Taxpayers Unit.
- September 2015 (CARTAC Tax Administration): Technical Assistance for Amending the Corporate Income TA and Determining the Presumptive Tax Rate.
- September 2015 (CARTAC Customs Administration): Provide guidance & training on improving & strengthening enforcement intelligence and risk.
- November 2014 (CARTAC Customs Administration): Support Risk Management mission.
- August 2014 (CARTAC Customs Administration): TA to Montserrat Customs and Excise Department.
- May 2014 (CARTAC Customs Administration): Organizational Structure Review of the CED.
- September 1–11, 2015: (CARTAC) Improve the Corporate Income Tax regime.
- July 6–17, 2015 (CARTAC) IRD structural re-organization establishment of the LMTU and DPMU).
- March 16–27 2015, May 11–22, July 27–August 6, 2015: (CARTAC) Property taxation.
- December 9–December 22, 2014: (FAD funded by CARTAC) VAT revenue analysis.
- July, September, October 2014 and April 2015 (CARTAC) IRD structural re-organization.
- April 13–24, 2014 (CARTAC) tax and customs, data matching.
- April 2–15, 2014 (FAD) follow-up on tax and customs administrations after VAT introduction.
- January 27–31 2014, (CARTAC) IRD strategic planning.
- October 14–November 1, 2013 and February 10–24, 2014, (CARTAC) development of VAT audit capacity.
- April 2013: Electronic Auditing for Income Tax and VAT Auditors St. Lucia
- March 2013: SUPPORTING THE VAT AUDIT PROGRAM
- January/February 2013: Basic VAT Assurance Course
- September 2012: Supporting the Establishment of a VAT Collections and Enforcement Function
- June/July 2013: Collection Enforcement Training and support for The Establishment of a Collection and Enforcement Function
- October 2013 (CARTAC): Strengthening the Customs Administration—Valuation workshop and training.

- May 2014 (CARTAC): Strengthening the Customs Administration—Organizational Structure Review.
- December 2008–January 2010 and May 2011–November 2012 (CARTAC): preparations for VAT implementation, including development of the project plan, VAT rate study, drafting the VAT legislation, delivery of training to tax and customs staff, supporting customs and Inland Revenue Department (IRD) preparations for VAT administration, development and implementation of the advisory visits program for potential registrants, and establishing a VAT section within IRD with the necessary procedures for operation.
- June 2012 and November 2012 (CARTAC): special sector tax audits.
- August 2012 (CARTAC): review of customs bonded warehouses.
- June 2008, September 2008, February 2009, August 2009 and May 2012 (CARTAC): development and implementation of Customs Risk Management Program.
- March 2010, June 2010, October 2010 and June 2011 (CARTAC): development and implementation of Customs Post Clearance Audit Program.
- September 2010 and May 2011 (CARTAC): development of an integrity program for Inland Revenue.
- March 2010, June 2010, October 2010 and June 2011 (CARTAC): development and implementation of Customs post clearance audit program.
- June 2008, September 2008, February 2009 and August 2009 (CARTAC): development and implementation of customs risk management program.
- June 2009 and September 2009 (CARTAC): development of Corporate Strategic Business Plan for Inland Revenue and customs.
- April 2003 (FAD): modernization of the tax system in regional (OECS) context.

Expenditure Rationalization and PFM Reforms

- April 2018 (CARTAC): PFM Action Plan
- September 2017 (CARTAC): Budget Workshop with MoF and all Ministries
- July 2017 (CARTAC): PEFA Assessment
- June 2017 (CARTAC): PEFA Workshop
- January 2016 (CARTAC): Diagnostic Assessment of Internal Audit.
- September 2015 (CARTAC): Assist Authorities in Preparing for the 2015/2017 Budget Process.
- October 2015 (PFM): PFM Accountant General's Department review and Pre PEFA assessment.

- September 2015 (PFM): Program Based Budgeting.
- August 2015 (PFM): Develop a comprehensive budget manual.
- December 2014 (PFM): Budget Preparation Mission.
- October 2014 (PFM): Budget Preparation Mission.
- February 2014 (PFM): Assist with finalizing annual budget estimates document.
- January 2014 (PFM): Final Budget Preparation Reform Mission.
- May 2014 (MCM): Strengthening public debt management in ECCU countries. Assessment of Technical Assistance needs provided to the ECCB.
- July 2014 (CARTAC): Improvements to real sector monitoring frameworks to provide for rapid updating of real sector variables using high frequency indicators.
- January 2013, June 2013, November 2013, January 2014 (CARTAC): Budget Preparation Reform;
- February 2013 (CARTAC): Chart of Accounts reform.
- December 2013 (CARTAC): Diagnostic of PFM legislation.
- October 2013 (CARTAC): Improving accountability and performance of Parastatals.
- January 2012 (CARTAC MAC Programme): real and fiscal medium-term projections under baseline and active scenarios.
- May and November 2011 (CARTAC): budget preparation mission.
- June 2010 (CARTAC): preparation of a PFM reform action plan, PFM workshop.
- December 2010 (CARTAC): fiscal projections under baseline and active scenarios.
- August 2010 (FAD): regional project on public expenditure issues, including expenditure trends, policies, and expenditure rationalization options.
- November 2009 (CARTAC): budget preparation and fiscal projections.
- December 2008 (MCM): improving debt management capacity of the government.

Financial Sector

- FY18–FY20 (CARTAC): Staff from the Financial Services Regulatory Authority (FSRA) participated in all Regional Workshops on the supervision of Credit Unions and Insurance companies, consolidated supervision, risk-based supervision, and on other topical or emerging issues such as cyber risk, and FinTech.
- October 2019 (CARTAC): provided bilateral TA to the FSRA on the implementation of Risk-based supervision across non-bank financial institutions.

- October 2019 (CARTAC): Developing the Stress Testing Framework for the Credit Union Sector.
- September 2018 (CARTAC): Technical assistance requests from the Financial Services Regulatory Authority to review and analyze Life and General Insurance Actuarial Valuation reports.
- June 2018 (CARTAC): Stress Testing the Insurance Sector (joint mission for four ECCU countries).
- September 2017 (CARTAC): Developing Financial Health and Stability Indicators for the Insurance Sector (joint mission for four ECCU countries).
- April 2016 (CARTAC): Basel II Implementation.
- February 2016 (CARTAC): Basel II Implementation.
- August 2015 (CARTAC): Dynamic Modelling and Stress Testing of St. Lucian Banks (in conjunction with ECCB).
- August 2015 (CARTAC): Training of Credit Union Regulators on Stress-Testing.
- December 2015 (MCM): Implementation of Risk Based Supervision.
- August 2015 (MCM): Dynamic Modelling Project.
- November 2014 (MCM): Risk Based Supervision Insurance.
- September 2014 (MCM): Risk Based Supervision Framework
- March, May and June 2014 (MCM and LEG): Strategy to resolve indigenous banks. Assistance to the ECCB.
- May 2014 and ongoing (MCM): Collateral valuation. Assistance to the ECCB.
- May 2014 and ongoing (MCM): Credit risk management assessment. Assistance to the ECCB.
- May 2014 (CARTAC): Technical assistance requests from the ECCB to implement Basel II in the ECCU. The ECCB as a part of the Caribbean Group of Banking Supervisors (CGBS), has developed the operational risk guidelines for Basel II and has established a steering committee, made up of regulators from some of the SRUs to look at areas of national discretion for the implementation of Basel II.
- November 2013 and May 2014 (MCM and LEG): Assistance to the ECCB on legislative changes to the ECCB Agreement Act, Banking Act and subsidiary legislation.
- May 2014 (CARTAC): Assistance to the ECCB with the development and implementation of a strategic plan to achieve compliance with the Basel Core Principles for Effective Banking Supervision.
- March 2013 (CARTAC): Review a draft Corporate Governance Guidance for ECCB which covers domestic banking operations in St. Lucia

- December 2013 (CARTAC): Review an Internal Audit Guidance for Banks in the ECCU.
- February 2011 (IMF/WB/CDB): A Joint Task Force on the ECCU Financial System (FSTF) performed a comprehensive diagnostic on the indigenous banks and delivered recommendations to address critical issues.
- December 2008 (CARTAC): development of policy proposals for the Single Regulatory Unit (SRU) Act to be drafted by the authorities in St. Lucia;
- May 2008 (CARTAC): assessment of development needs of the Single Regulatory Unit;
- October 2007 (CARTAC): participation of St Lucia's SRU supervisory staff in Off-shore Mutual Funds Supervision Workshop held in St. Kitts and Nevis and St. Vincent;
- September 2007 (CARTAC): participation of St. Lucia's SRU supervisory staff in Trust Supervision Workshop held in Turks and Caicos.

Technical assistance on the banking sector is provided to the Eastern Caribbean Central Bank (ECCB) as the supervisor and not to individual countries within the Eastern Caribbean Currency Union (ECCU). Currently, MCM has placed three long-term experts at the ECCB, financed by Canada: (i) a bank resolution advisor; (ii) a bank supervision advisor; and (iii) the manager of the regional asset management company.

CARTAC is working with the ECCB to develop a framework for the implementation of the recommendations of the sixth edition of the balance of payments manual for ECCU members, inclusive of St. Lucia. Additionally, a technical Assistance request from St. Lucia to provide assistance with bank supervision, mutual funds and review of insurance treaties is currently under consideration. CARTAC is currently providing technical assistance to the ECCB on Basel II/III Implementation

FSAP: A joint IMF/World Bank team performed an assessment of the financial sector of the member states of the ECCU, in two missions—September 1–19 and October 20–31, 2003. The missions assisted the authorities in assessing the development needs and opportunities for the financial sector, identifying potential vulnerabilities of financial institutions and markets to macroeconomic shocks, as well as assessing risks to macroeconomic stability from weaknesses in the financial sector. The Financial System Stability Assessment (FSSA) was discussed by the Executive Board on May 5, 2004, and subsequently published on the IMF's external website, including the Report on the Observance of Standards and Codes (ROSC) on Banking Supervision.

AML/CFT: A detailed assessment of the AML/CFT regimes of St. Lucia was conducted by the Caribbean Financial Action Task Force (CFATF) in November 2008, and the eighth follow-up report was published in November 2013.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

- World Bank: <http://financesapp.worldbank.org/en/countries/St.%20Lucia/>
- Caribbean Development Bank: <https://www.caribank.org/countries-and-members/borrowing-members/saint-lucia>

STATISTICAL APPENDIX

ST. LUCIA — STATISTICAL ISSUES APPENDIX

(As of May 16, 2018)

I. Assessment of Data Adequacy for Surveillance

General: Data provision has some shortcomings but is broadly adequate for surveillance. Although the statistical database compares well and, in some areas, has a broader coverage than those of its Eastern Caribbean Central Union (ECCU) peers, the accuracy and timeliness of macroeconomic statistics should be improved in order to achieve more effective economic analysis and policy formulation. There are weaknesses in coverage, frequency, quality, and timeliness, in particular regarding the national accounts, data on the public sector beyond the budgetary central government, and the balance of payments.

National Accounts: Nominal GDP data are compiled using the production and expenditure approaches on an annual basis. Real GDP data are compiled only using the production approach. Since 2011, real GDP estimates are compiled with 2006 as the new base year. Preliminary GDP is available about four months after the end of the year and estimates are usually finalized with a two-year lag. Household final consumption expenditure is derived residually. No explicit changes in inventories series are disseminated.

Quarterly GDP estimates by the expenditure approaches were developed and released in April 2017 with technical assistance from CARTAC. CARTAC has provided technical assistance since May 2011 on quarterly GDP compilation, with St. Lucia serving as a pilot for the ECCU countries.

Additional technical and human resources are required to implement the new developmental work in the area of National Accounts.

Price Statistics: The rebasing exercise of the CPI has been completed—the new CPI basket (base January 2018) is based on the 2016 Household Expenditure Survey. The statistical office has started developing a producer price index covering hotels and restaurants and is considering developing unit-value based export and import price indexes.

Government Finance Statistics: Reporting of budgetary central government data has improved over the last few years, but deficiencies remain in the compilation of both general government and public sector statistics. The authorities report monthly data on the budgetary central government's current revenue and expenditure, using a non *GFSM 2014* presentation with lags of a couple of months. The authorities would thus benefit from moving to a complete GFSM framework for the compilation of Government Finance Statistics. Additionally, frequent and substantial revisions suggest that there is a need for further refinement, including improvements to accounting systems for capital expenditures to record outlays associated with grant-financed projects as they are realized. Data for the rest of the public sector (financial and nonfinancial public corporations) are not readily available and should be compiled on a regular basis to improve fiscal monitoring of the overall public sector.

Monetary and Financial Statistics: Monetary data are compiled by the ECCB on a monthly basis and reported regularly to the Fund. Specifically, on St. Lucia, the institutional coverage of other depository corporations is incomplete, and valuation of interest-bearing assets and liabilities does not incorporate accrued interest. Also, source data for the commercial banks do not provide disaggregated information recommended by the Monetary and Financial Statistics Manual (ECCB is currently working on this issue). St. Lucia reports data on several series and indicators of the Financial Access Survey (FAS) including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).

Financial sector surveillance: The ECCB reports quarterly FSIs for St. Lucia covering commercial banks.

External sector statistics: Since 2017, the ECCB and the NSOs including the Central Statistics Office (CSO) of St. Lucia have been jointly disseminating annual balance of payments and international investment position (IIP) statistics for each of ECCU member economies and the ECCU region following the BPM6 guidelines. Data for 2014 onwards are available on the ECCB's website and re-disseminated by STA in the IMF publications (IFS and BOBSY). CARTAC continues assisting ECCU member's countries in strengthening the compilation framework of the ESS and dissemination of statistics mainly through enhancing the coverage, methodology and the quality of prioritized balance of payments components with the incorporation of a wider variety of data sources to supplement business surveys, which response rates are not satisfactory yet. The CSO accesses to relevant tax information from the Inland Revenue Department. . Travel credits estimates are based on up-to-date visitor expenditure surveys carried out by the St. Lucia Tourist Board. Trade in goods data have been revised in the balance of payments by applying the recommended general trade system for the compilation of the international merchandise trade statistics. CARTAC TA to ECCB and CSO currently assist in backcasting the balance of payments for years prior 2014 addressing relevant breaks. The Debt Management Office (DMO) of the Ministry of Finance compiles granular public sector external debt (external debt owed by central government and by public corporations that is guaranteed by the government) and publicly guaranteed private sector external debt statistics that St. Lucia reports to the World Bank's Quarterly External Debt Statistics (QEDS) database. Data on external debt of the non-bank private sector are not available.

II. Data Standards and Quality

St. Lucia is a participant in the enhanced General Data Dissemination System (e-GDDS) since September 2000 but has not yet launched a National Summary Data Page (NSDP).

St. Lucia: Table of Common Indicators Required for Surveillance
(As of December 3, 2019)

	Date of latest observation	Date received	Frequency of Data ⁷	Frequency of Reporting ⁷	Frequency of Publication ⁷
Exchange Rates	Fixed rate	NA	NA	NA	NA
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	07/2019	09/30/2019	M	M	M
Reserve/Base Money	07/2019	09/30/2019	M	M	M
Broad Money	07/2019	09/30/2019	M	M	M
Central Bank Balance Sheet	07/2019	09/30/2019	M	M	M
Consolidated Balance Sheet of the Banking System	07/2019	09/30/2019	M	M	M
Interest Rates ²	07/2019	09/30/2019	M	M	M
Consumer Price Index	06/2019	10/2019	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	08/2016	11/2016	M	M	H
Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government	08/2016	11/2016	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Q2/2016	11/2016	Q	H	H
External Current Account Balance	2018	11/14/2019	A	A	A
Exports and Imports of Goods and Services	2018	11/14/2019	A	A	A
GDP/GNP	2017	01/04/2019	A	A	A
Gross External Debt	12/16	02/2017	Q	H	H
International Investment Position ⁶	2018	11/14/2019	A	A	A

¹ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

² Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Includes external gross financial asset and liability positions vis-à-vis nonresidents.

⁷ Daily (D); weekly (W); monthly (M); half-yearly (H); quarterly (Q); annually (A); irregular (I); and not available (NA).