Government of Saint Lucia

Debt and Investment Management Unit (DIU)

Medium-Term Debt Management Strategy 2025

GOVERNMENT OF SAINT LUCIA

Medium-Term Debt Management Strategy and Annual Borrowing Plan 2025

Debt Management Unit
Department of Finance
Ministry of Finance, Economic Development, and Youth Economy
Finance Administration Center,
Pointe Seraphine,
Castries,
1-758-468-5503
E-Mail: director.finance@govt.lc
Website: www.govt.lc

Table of Contents

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

Below is a list of commonly used abbreviations related to debt management, finance, and economic policies:

Debt Management and Financial Institutions

- **ATM** – Average Time to Maturity
- **ATR** – Average Time to Re-fixing
- **CDB** – Caribbean Development Bank
- **CUB** – Committed Undisbursed Balance
- **DMS** – Debt Management Strategy
- **DIU** – Debt and Investment Management Unit
- **ECCB** – Eastern Caribbean Central Bank
- **ECCU** – Eastern Caribbean Currency Union
- **ECSE** – Eastern Caribbean Securities Exchange
- **GOSL** – Government of Saint Lucia
- **IBRD** – International Bank for Reconstruction and Development
- **IDA** – International Development Association
- **IRP** – Investor Relations Program
- **MoF** – Ministry of Finance (Saint Lucia)
- **NLA** – National Lotteries Authority

- **RGSM** – Regional Governments Securities Market

Currencies and Financial Metrics

- **EUR** – The Euro
- **FX** – Foreign Exchange
- **GDP** – Gross Domestic Product
- **KWD** – Kuwaiti Dinar
- **ROCT** – Republic of China (Taiwan)
- **SOFR** – Secured Overnight Funding Rate
- **T-Bill** – Treasury Bill
- **USD** – United States Dollar
- **WACD** – Weighted Average Cost of Debt
- **XCD** – Eastern Caribbean Dollar
- **XDR** – Special Drawing Rights

This glossary provides a quick reference for understanding financial terms and their role in debt management and economic policy discussions.

FORWARD

It is with great pride and a deep sense of responsibility that I present the 2025 Medium-Term Debt Strategy (MTDS), a cornerstone of our government's commitment to prudent fiscal management, economic resilience, and sustainable growth.

This document serves as an essential framework for ensuring that Saint Lucia's debt portfolio remains sustainable, well-structured, and aligned with our broader national development objectives. It is particularly significant at this juncture, as we implement key legislative reforms that will enhance transparency, accountability, and the overall effectiveness of public debt management.

Saint Lucia's economy continues to recover from the exogenous shocks of recent years, including the COVID-19 pandemic and global inflationary pressures, while navigating the challenges of climate change and external economic uncertainties. In 2024, we anticipate a steady trajectory of growth, supported by ongoing investments in key sectors such as tourism, infrastructure, digital transformation, and renewable energy. The Government of Saint Lucia remains committed to fostering an enabling economic environment through sound fiscal discipline and strategic public investment, ensuring that our debt obligations do not compromise our ability to finance critical social and developmental programs.

The enactment of the Public Debt Management Act, 2023, coming into effect on April 1, 2024, marks a pivotal moment in our fiscal governance. This legislation institutionalizes best practices in debt management, strengthens oversight mechanisms, and enhances our ability to proactively manage risks associated with borrowing. By adhering to the provisions of this Act, we reinforce our commitment to maintaining a sustainable debt-to-GDP ratio, optimizing the cost and risk of our debt portfolio, and ensuring that debt financing contributes meaningfully to our country's long-term prosperity.

The 2025 Medium-Term Debt Strategy reflects a rigorous, data-driven approach to managing Saint Lucia's debt, incorporating comprehensive analysis of domestic, regional, and international financial conditions. It outlines clear strategic objectives aimed at diversifying our financing sources, reducing reliance on high-cost debt, and strengthening our resilience to economic shocks. Through prudent borrowing and proactive debt servicing strategies, we seek to balance development financing needs with long-term fiscal sustainability.

I take this opportunity to express my sincere gratitude to the Ministry of Finance, particularly the Debt and Investment Management Unit, the Budget Office, the Accountant General's Department, and the Research and Policy Unit, for their dedication, expertise, and unwavering commitment to sound public financial management. Their collective efforts in updating this debt management strategy document is instrumental in advancing our national development agenda and ensuring that Saint Lucia remains on a sustainable fiscal path.

As we move forward, I urge all stakeholders, including policymakers, financial institutions, and development partners to support the implementation of this strategy. Together, we will build a more resilient and prosperous Saint Lucia, where prudent fiscal management underpins sustainable economic growth and social development.

Hon. Philip J. Pierre
Prime Minister & Minister for Finance, Economic Development, and the Youth Economy

INTRODUCTION

The government's debt management strategy is focused on maintaining sustainable debt levels. This involves meeting debt obligations while fostering economic growth, guided by performance indicators that align with prudential benchmarks. Below are the key principles driving the development of this strategy:

Improving Debt Maturity Profiles:
Reducing reliance on short-term debt by extending maturity periods. This approach minimizes rollover risks within the debt portfolio.

Lowering Debt Costs:
Prioritizing access to budget financing at the lowest possible cost. Additionally, higher-interest debt is systematically replaced with lower-interest alternatives to reduce overall costs.

Negotiating Favorable Terms:
Securing borrowing arrangements with longer maturities, extended grace periods, and lower interest rates to enhance financial sustainability.

Broadening the Local Investor Base:
Expanding the domestic investor base through the Investor Relations Program (IRP). This initiative encourages local participation in government securities, creating a more stable source of financing.

By adhering to these principles, the government aims to manage its sovereign debt effectively, ensuring that current and future obligations remain manageable while supporting long-term economic development.

The Medium-Term Debt Strategy (MTDS) provides a structured approach to guide the government's borrowing activities. Serving as a transparent framework, it is reviewed annually to enhance borrowing predictability and strengthen public debt management practices.

Key Features of the MTDS

- Transparent and Predictable Borrowing:
  The MTDS is updated yearly to align with evolving fiscal and economic conditions, ensuring clarity and consistency in debt management.

- Traditional Funding Sources:
  The Government of Saint Lucia continues to secure funds from traditional channels, including the Regional Government Securities Market (RGSM) and domestic financial institutions.
- Challenges in Low-Cost Financing:
  Despite these efforts, accessing low-risk, low-cost financing remains challenging due to sluggish regional economic growth, increased fiscal pressures, and rising global debt levels.

Scope and Focus of the MTDS

The strategy spans a three-year period, from 2024/25 to 2027/28, with annual evaluations to assess performance and adapt to changes in macroeconomic, fiscal, and debt policies.

- Debt Categories:
  - Domestic Debt: Denominated in Eastern Caribbean Dollars (XCD).
  - External Debt: Includes foreign currencies such as USD, EUR, SDR, and KWD.
- Central Government Debt Focus:
  The MTDS primarily analyzes Central Government debt, with government-guaranteed debt making up just 6.9% of the public debt portfolio as of December 2024, reflecting low risk.

The MTDS report consists of five comprehensive sections:

1. **Debt Portfolio Review (2024):**
   Analyzes existing debt stocks, service payments, and redemption profiles for the Central Government.
2. **2024 MTDS Implementation Review:**
   Evaluates progress and lessons learned from the previous strategy.
3. **Macroeconomic Assumptions:**
   Details baseline assumptions used in the MTDS Analytical Tool.
4. **Strategy Selection Analysis:**
   Explores options and scenarios for optimal debt management.
5. **Annual Borrowing Plan (FY2024/25):**
   Outlines borrowing plans and priorities for the fiscal year.

By adhering to the MTDS, the Government of Saint Lucia aims to manage public debt sustainably while addressing fiscal challenges and supporting economic growth.

2024 DEBT PORTFOLIO REVIEW

By the end of the fourth quarter (Q4) of 2024, Saint Lucia's central government debt showed notable changes across sources, instrument types, currency composition, interest type, and redemption profiles. Here's a detailed breakdown:

Central Government Debt by Source

Domestic central government debt accounted for 37.5% of the total, marking an increase of 0.4% ($7.6 million) from the previous quarter, reaching $1,798.58 million. External central government debt stood at $3,000.61 million, representing 62.5percent of the total debt. This reflected an increase of 4.0percent ($114.9 million) from Q3 2024, driven by disbursements from existing loans and new loan acquisitions. (Figure 1)

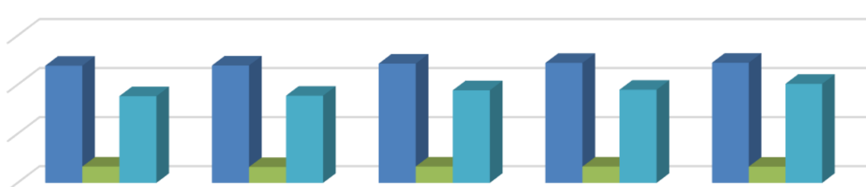
Figure 1: Central Government Debt by Source

	December 2023	March 2024	June 2024	September 2024	December 2024
Domestic	$1,778.84	$1,771.21	$1,776.91	$1,790.96	$1,798.58
External	$2,710.42	$2,722.78	$2,875.77	$2,885.66	$3,000.61

Central Government Debt by Instrument Type

Medium-Term Bonds and Notes dominate the debt portfolio, totaling $2,449.59 million or 51.0percent of the total debt. Compared to September 2024, this segment grew by 0.2percent, with a more substantial 2.5percent increase since December 2023. Loans made up 42.1percent of the debt, reaching $2,019.27 million by December 2024. This reflects a quarterly increase of 6.3percent and a significant 14.2percent growth from December 2023. Short-Term Treasury Bills decreased to $330.33 million, down 0.6percent ($2.06 million) from Q3 2024. (Figure 2)

Figure 2: Central Government Debt by Instrument Type



	Dec 2023	Mar 2024	June 2024	Sept 2024	Dec 2024
Bonds & Notes	$2,388.83	$2,392.75	$2,431.40	$2,445.54	$2,449.59
Treasury Bills	$332.34	$323.48	$333.57	$332.39	$330.33
Loans	$1,768.09	$1,777.77	$1,887.72	$1,898.70	$2,019.27

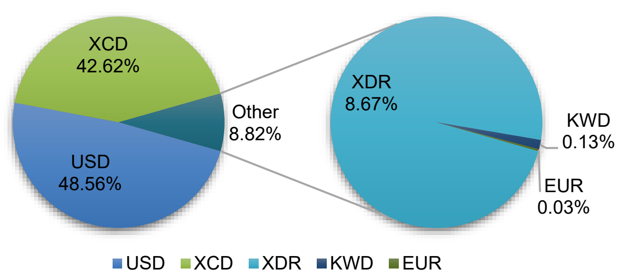
Central Government Debt by Currency Composition

The debt portfolio includes five major currencies:

- **United States Dollar (USD):**
    - The largest share, totaling $2,330.30 million (48.6percent).
- **Eastern Caribbean Dollar (XCD):**
    - The second-largest share, amounting to $2,045.47 million (42.6percent).

The portfolio's low exposure to exchange rate risk is attributed to the fixed exchange rate between the XCD and USD, coupled with the minor use of more volatile currencies, including the Special Drawing Rights (XDR), Kuwaiti Dinar (KWD), and Euro (EUR). (Figure 3)

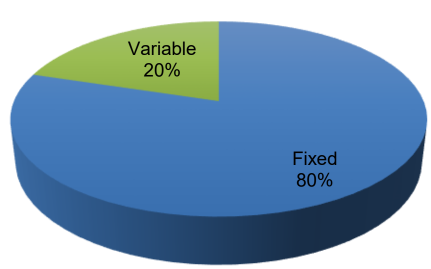
Figure 3: Central Government Debt by Currency Composition



Central Government Debt by Interest Type

- **Fixed-Rate Instruments:**
    - Fixed-rate debt remains dominant, averaging 81.7 percent over the past year.
    - By December 2024, the proportion of fixed-rate debt decreased slightly to 79.8percent, compared to 81.2percent in Q3 2024.
- **Variable-Rate Instruments:**
    - Variable-rate instruments pose a potential risk, as rising interest rates could increase debt servicing costs and put pressure on government cash flow. (Figure 4)

Figure 4: Central Government Debt by Interest Type



Redemption Profile[1]

The government's debt redemption profile highlights significant payments due in 2024, driven by:

- 21.6percent of the debt maturing in 2024, including the entire Treasury Bill stock.
- Large upcoming maturities influencing debt service payments.

By analyzing these trends, the Government of Saint Lucia aims to address refinancing risks while optimizing the structure of the debt portfolio to ensure long-term sustainability. (Figures 5 & 6)

Figure 6: Redemption Profile by Instrument Type

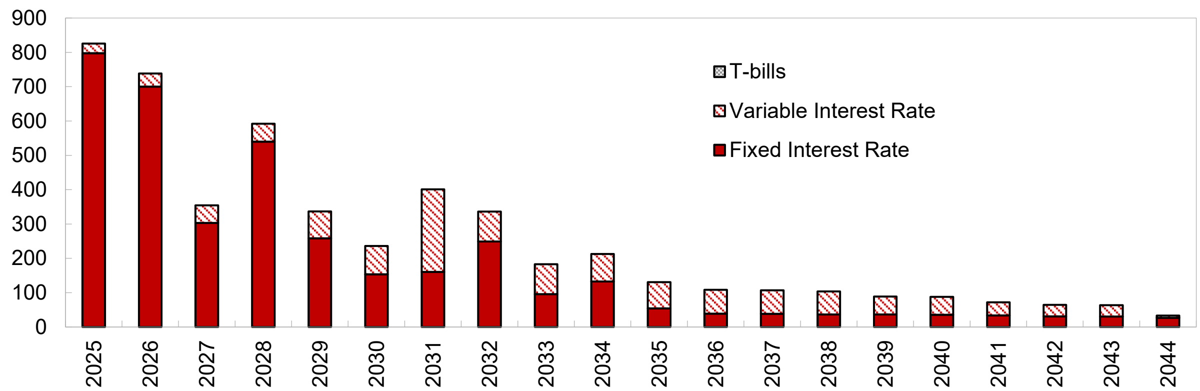
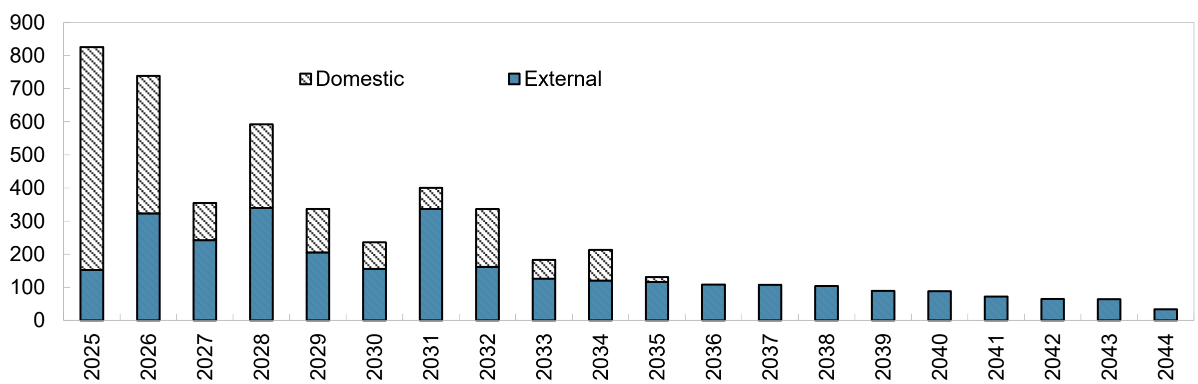


Figure 5: Redemption Profile in Millions of XCD



[1] Excluding government guarantees

Key Risk Indicator Targets

The Government of Saint Lucia monitors various risk indicators to ensure effective debt management and sustainability. Below is a summary of risk indicators and their corresponding targets for external, domestic, and total debt as of the end of 2024.

Table 1: Risk Indicators

RISK INDICATORS	EXTERNAL DEBT	DOMESTIC DEBT	TOTAL DEBT	TARGETS
AMOUNT (MILLIONS OF XCD)	2,730.86	2,068.33	4,799.19	
NOMINAL DEBT AS PERCENT OF GDP	38.31	29.01	67.32	**<60%**
PRESENT VALUE (PV) AS PERCENT OF GDP	34.25	29.01	63.27	

Table 2: Cost of Debt

COST INDICATORS	EXTERNAL DEBT	DOMESTIC DEBT	TOTAL DEBT
INTEREST PAYMENT AS PERCENT OF GDP	2.03	1.73	3.77
WEIGHTED AVERAGE INTEREST RATE (%)	4.57	5.98	5.60

Table 3: Refinancing Risk

REFINANCING INDICATORS	EXTERNAL DEBT	DOMESTIC DEBT	TOTAL DEBT	TARGETS
AVERAGE TIME TO MATURITY (ATM) (YEARS)	9.13	3.09	6.82	**>10 years**
DEBT MATURING IN 1 YEAR (% OF TOTAL DEBT)	4.56	32.59	15.31	**<15%**
DEBT MATURING IN 1 YEAR (% OF GDP)	2.13	9.45	11.58	

Table 4: Interest Rate Risk

INTEREST RATE INDICATORS	EXTERNAL DEBT	DOMESTIC DEBT	TOTAL DEBT	TARGETS
AVERAGE TIME TO REFIXING (ATR) (YEARS)	5.60	3.09	4.64	**>7 years**
DEBT REFIXING IN 1 YEAR (% OF TOTAL DEBT)	44.28	32.59	39.80	
FIXED-RATE DEBT (INCL. T-BILLS) (% OF TOTAL)	59.43	100.00	74.99	
T-BILLS (% OF TOTAL DEBT)	0.00	15.97	6.12	

Table 5: Foreign Exchange Risk

FX RISK INDICATORS	TOTAL DEBT
FX DEBT (% OF TOTAL DEBT)	56.90
SHORT-TERM FX DEBT (% OF RESERVES)	39.72

- **Debt Composition and Refinancing:**
  External debt continues to make up a significant portion of total debt, and refinancing remains a key focus. The **ATM target of >10 years** reflects efforts to reduce refinancing risk and ensure longer-term stability.
- **Interest Rate and FX Exposure:**
  The government prioritizes fixed-rate debt instruments, currently accounting for **74.99percent of total debt**, to safeguard against interest rate volatility. FX debt is managed to limit exposure, with **short-term FX debt at 39.72percent of reserves**.
- **Sustainability Targets:**
  While nominal debt as a percent of GDP exceeds the **<60percent target**, measures are in place to reduce risk and ensure adherence to sustainable levels.

These risk indicators provide a clear framework for aligning debt management strategies with the government's long-term fiscal goals.

2024 MTDS IMPLEMENTATION REVIEW

In 2024, the debt management strategy guided the borrowing strategies for the FY 2024/25, and in funding the borrowing needs of Government. Maintaining the existing borrowing practice of rolling over maturing bonds on existing terms and raising new financing through long-term RGSM bond issuance is the GOSL's most realistic strategy to meet the its debt management objectives. Under the status quo, the implied interest rate rises from the current 5.2 percent to 5.4 percent but the ATM increases from 5.4 to 6.0 years and a decrease in the percentage of debt maturing in one year from 20.3 percent to 18.8 percent. This strategy represented the most realistic tradeoff between cost and risk. The strategy sought to address refinancing risks of the debt stock through the gradual increase in the stock of long-term bonds and loans.

In terms of gross financing needs, the domestic and external financing was to account for 78 percent and 22 percent respectively. The gross domestic borrowing targeted largely the reissuance of short-term treasury bills (XCD323.5) and new bonds (XCD64.1). Gross external borrowing was from mainly concessional multilateral and bilateral agencies.
Actual borrowing mix outcome deviated from the projected 78:22 percent domestic to external financing in the 2024 strategy compared to the achieved 73:27 percent domestic to external.

Table 6: Gross Borrowing FY2024/25

	MTDS 2024 AMOUNT IN XCD (MILL) (REVISED)	MTDS 2024 TARGETS (%) (REV.)	FY 2024/25	FY 2024 ACTUALS (%)
GROSS DOMESTIC BORROWING	**864.9**	**78%**	**849.76**	**73%**
BONDS	541.4		534.57	
TREASURY BILLS	323.5		315.19	
GROSS EXTERNAL BORROWING	**243.8**	**22%**	**307.55**	**27%**
LOANS	243.8		307.55	
GROSS FINANCING NEEDS	**1,108.70**	100	**1157.312**	100

Most of the funding for the FY2024/25 budget came from revenues and loans. The loan disbursements for the FY24/25 totaled XCD 307.55 million. The loan disbursements by creditors are outlined in Table 7 below.

Table 7: Loans processed/disbursed (by Creditors) 2024/25

CREDITOR	AMOUNT (MILLIONS XCD)
CDB	155.24
IDA	151.5
CDF	0.812
TOTAL	**307.552**

A number of new loans were contracted/negotiated during the 24/25 financial year.

Table 8: New Loans Negotiated on 24/25

PROJECT TITLE	AMOUNT (MILLION)	CREDITOR	STATUS (AT MARCH 2025)
CASTRIES ROAD IMPROVEMENT PROJECT	USD15.0	OPEC- Fund for International Development	Undisbursed
ADDITIONAL FINANCING-RENEWABLE ENERGY SECTOR DEVELOPMENT PROJECT (RESDP - P161316)	USD6.6	IDA	Partially-disbursed

MILLENNIUM HIGHWAY AND WEST COAST ROAD (ADDITIONAL LOAN)	USD10.813	CDB	Undisbursed
NINTH WATER (JOHN COMPTON DAM RAW WATER PIPELINE REPLACEMENT) PROJECT	USD22.8	CDB	Undisbursed
CARIBBEAN EFFICIENT AND GREEN-ENERGY BUILDINGS PROJECT	SDR23.0	IDA	Undisbursed
UNLEASHING THE BLUE ECONOMY OF THE CARIBBEAN (UBEC) PROJECT-CERC	USD10.0	IDA	Disbursed
CATASTROPHE DEFERRED DRAWDOWN OPTION (CAT-DDO)	USD20.0	IDA	Undisbursed
EXPORT-IMPORT BANK OF THE REPUBLIC OF CHINA (ROCT)	USD94.87	EXIM Bank	Undisbursed
PROGRAMME FOR EDUCATION REALIGNMENT AND TRANSFORMATION	USD17.1	CDB	Undisbursed

Table 9 below compares the performance of debt risk targets in the March 2024/25 MTDS and actual outturn as at the previous period March 2023/24. GDP improved significantly in 2024/25 resulting in a reduction in the debt maturing as a percentage of GDP to 11.5 percent compared to 14.1 percent in 2023/24. There was a significant improvement in the refinancing risks. This is reflected by 6.4 percentage point decrease in the proportion of debt maturing in one year as a percentage total debt.

Nominal debt as a percentage of GDP in 2024/25 is projected to increase by a 4.03 percentage point from 2023/24.

Foreign exchange risk indicator has elevated due to increased percentage of United Stated Dollar denominated debt as a percentage of total debt in the portfolio. The USD has been pegged against the XCD and therefore poses minimal fluctuation in the exchange rate risks.

Table 9: Review of Cost and Risk indicators- December 2024 and December 2023

RISK INDICATORS

AS AT MARCH	Baseline 2021	2022	2023	2024 (Pre)	Deviation (4-3)	Remark on deviation
NOMINAL DEBT AS % OF GDP	84.4%	71.8%	70.8%	74.9%	4.03%	Gradual increase in

PRESENT VALUE OF DEBT AS % OF GDP	79.6%	67.7%	69.3%	71.6%	2.34%	public debt and GDP
INTEREST PAYMENT AS % OF GDP	3.42%	2.97%	3.20%	3.25%	0.04%	GDP growth outweighs interest payment in 2024
REFINANCING RISK						
DEBT MATURING IN 1 YR (% OF TOTAL DEBT)	23.1	20.3	21.71	15.3	-6.41	Improvements in the type of debt contracted in previous years has lengthened the maturity profile towards reduced refinancing risks
DEBT MATURING IN 1 YR (% OF GDP)	17.3%	10.1%	14.1%	11.5%	-2.66%	
ATM EXTERNAL PORTFOLIO (YEARS)	7.9	7.9	8.1	9.1	1	
ATM DOMESTIC PORTFOLIO (YEARS)	3.7	3.3	2.33	3.1	0.77	
ATM TOTAL PORTFOLIO (YEARS)	5.6	5.4	5.78	6.8	1.02	
INTEREST RATE RISK						
ATR (YEARS)	4.8	4.5	4.26	4.6	0.34	
DEBT REFIXING IN 1 YR (% IN TOTAL)	33.7	32.3	39.75	39.8	0.05	Increase in variable rate debt from Multilateral and Bi-lateral agencies and the upward trend of the SOFR has increased the interest rate risk
FIXED RATE DEBT (% OF TOTAL)	88.6	87.1	80.57	75	-5.57	
FOREIGN EXCHANGE (FX) RISK						
FX DEBT AS % OF TOTAL DEBT	45.7	46.1	59.7	56.9	-2.8	Increased US$ Currency in portfolio. Foreign exchange exposure is minimal as the USD is pegged to the XCD

MACROECONOMIC TRENDS AND FISCAL OUTLOOK (2024-2027)

The MTDS modeling integrates projections of government fiscal balances with key macroeconomic and market variables. These projections are essential for assessing portfolio cost and risk indicators across various financing strategies over the medium term.

The following assumptions form the basis of the MTDS for the three-year medium term:

Table 10: Macroeconomic Trends and Fiscal Outlook 2024-2027

	2024	2025	2026	2027
BUDGETED REVENUE AND GRANTS	1,576	1,565	1,640	1,704
BUDGETED PRIMARY EXPENDITURE	1,669	1,735	1,810	1,888
TOTAL EXPENDITURES INCLUDING BUDGETED INTEREST PAYMENTS	1,901	1,982	2,072	2,166
BUDGETED INTEREST PAYMENTS	232	247	262	278
INTERNATIONAL RESERVES (CURRENCY TYPE MILLION)	365	402	442	486
GDP (MARKET PRICES)	7,129	7,465	7,784	8,099

Source: IMF Article IV

Revenue and Expenditure Trends

Budgeted revenue and grants are projected to experience moderate fluctuations, with a slight dip in 2025 before recovering in 2026 and 2027. Revenue is expected to grow from **$1,576 million in 2024 to $1,704 million by 2027**, reflecting an overall increase but at a slower pace relative to expenditure growth.

Primary expenditures, excluding interest payments, are set to rise steadily from **$1,669 million in 2024 to $1,888 million in 2027**. Total expenditures, including interest payments, will grow from **$1,901 million in 2024 to $2,166 million in 2027**, outpacing revenue growth. This widening gap suggests increasing fiscal pressure, emphasizing the need for prudent budgetary management.

Debt Servicing and Fiscal Sustainability

Budgeted interest payments are expected to rise consistently, from **$232 million in 2024 to $278 million in 2027**. This trend underscores the growing cost of debt servicing, which may limit fiscal space for developmental spending. The rising interest burden highlights the importance of effective debt management strategies to ensure long-term fiscal sustainability.

International Reserves and Economic Growth

International reserves are projected to increase steadily, from **$365 million in 2024 to $486 million in 2027**, indicating improved external buffers and resilience against external shocks. Meanwhile, GDP is forecasted to expand from **$7,129 million in 2024 to $8,099 million in 2027**, reflecting stable economic growth. However, the pace of revenue growth relative to GDP suggests a need for enhanced revenue mobilization strategies to keep up with rising expenditures.

These assumptions underpin the MTDS framework, providing a clear perspective on the fiscal outlook and enabling the government to adopt financing strategies that balance cost and risk effectively.

Domestic Economic Developments[2]

- Projected growth of 3.7percent in 2024 driven by tourism and construction.
- Unemployment rates, including youth unemployment, are at decade lows.
- Inflation expected to decrease to 1.3percent in 2024, after peaking in 2022.
- Current account deficit projected to narrow due to tourism and lower fuel prices.
- Fiscal deficit for FY2024 estimated at 1.3percent of GDP.
- Bank credit growth remains sluggish, with high NPLs affecting lending.
- Risks include global economic slowdowns and climate change vulnerabilities.

1. Economic Growth Forecast: The anticipated growth rate of 3.7percent for 2024 is significantly influenced by the tourism sector, which is a crucial component of St. Lucia's economy. This growth could help alleviate some of the socioeconomic pressures faced by the country, particularly with respect to employment and income levels. However, the subsequent moderation to 1.5percent highlights a reliance on external factors, suggesting that sustained investment in tourism and related sectors is necessary to maintain this momentum.

2. Unemployment Rates: The decline in both overall and youth unemployment to decade lows is a positive sign for the labour market in St. Lucia. This trend indicates that economic recovery measures are effectively creating job opportunities. However, it remains critical to ensure that this trend continues, especially for youth, who often face higher barriers to employment.

3. Inflation Trends: The decrease in inflation to an estimated 1.3percent in 2024 can provide consumers with greater purchasing power and improve overall economic stability. The factors contributing to this decline—lower utilities costs and decelerating food prices—suggest that strategic interventions in these sectors may be beneficial for sustaining low inflation rates in the long run.

4. Current Account Dynamics: A narrowing current account deficit, supported by tourism and lower fuel prices, reflects a strengthening external position for St. Lucia. This improvement is essential for long-term economic health, as it reduces vulnerability to external shocks and enhances the country's financial stability.

---

[2] From the Mission Concluding Statement of the IMF Article IV https://www.imf.org/en/News/Articles/2024/12/02/mcs-112524-st-lucia-staff-concluding-statement-of-the-2024-article-iv-mission

5. Fiscal Challenges: The projected fiscal deficit of 1.3percent of GDP for FY2024 indicates that while the budget is being managed effectively, there are underlying challenges that could impact future fiscal health. An increase to an average of 3.2percent in subsequent years could necessitate further reforms and a re-evaluation of spending priorities to ensure fiscal sustainability.

6. Bank Credit Growth: The sluggish growth in bank credit, despite improved profitability, underscores structural issues within the banking sector. High non-performing loans (NPLs) and stringent lending criteria hinder business investment and consumer borrowing, which are vital for economic growth. This situation calls for regulatory reforms and strategies to enhance credit availability.

7. Risks and Vulnerabilities: The acknowledgement of potential risks, including global economic slowdowns and climate change, is critical for effective policymaking. St. Lucia's exposure to external shocks necessitates the implementation of robust economic policies that build resilience against such threats, ensuring that the gains made in economic recovery are not easily eroded.

STRATEGY SELECTION ANALYSIS

St. Lucia faces critical decisions in its efforts to manage public debt sustainably while fostering economic growth and climate resilience. Three strategic options have been outlined under its Medium-Term Debt Management Strategy (MTDS), each targeting different facets of fiscal sustainability and debt portfolio management. This article examines these strategies and provides insights into their implications for St. Lucia's economic trajectory.

Strategy 1: Maintaining the Status Quo
This approach involves adhering to the existing debt management guidelines, while gradually reducing reliance on Treasury Bills (T-bills) and transitioning to medium-term instruments.

The rationale behind this strategy lies in its stability and predictability. Maintaining the current framework minimizes disruptions in debt management operations and preserves market confidence. By shifting from short-term T-bills to medium-term instruments, St. Lucia can extend the maturity profile of its debt portfolio, reducing rollover risks and stabilizing cash flows.

However, the approach may fall short in addressing emerging challenges like external shocks or the urgent need for climate adaptation financing. While it builds on established practices, it risks perpetuating inefficiencies in the portfolio, especially if the existing framework doesn't fully align with evolving fiscal and economic priorities.

Strategy 2: Addressing Refinancing Risks through Increased External Fixed-Rate Debt

This strategy focuses on mitigating refinancing risks by increasing the share of external fixed-rate debt in the portfolio.

By emphasizing external fixed-rate borrowing, St. Lucia can lock in favorable interest rates, providing greater certainty in debt servicing costs. This approach is particularly beneficial in a rising global interest rate environment, as it shields the economy from volatility associated with floating-rate instruments. Additionally, it reduces the frequent refinancing pressure linked to short-term borrowing.

Nevertheless, this strategy carries potential foreign exchange risk. Increased reliance on external debt denominated in foreign currencies could expose the country to exchange rate fluctuations. A robust hedging mechanism or careful consideration of currency exposure would be critical for managing such risks.

Strategy 3: Reprofiling the Debt Portfolio and Encouraging Fiscal Sustainability through Climate Financing

In this forward-looking strategy, St. Lucia seeks to reprofile its debt portfolio while pursuing innovative climate financing options to promote fiscal sustainability and climate resilience.

Reprofiling involves restructuring existing debt to achieve a more favorable maturity profile, reduce debt service burdens, and improve fiscal flexibility. Climate financing, on the other hand, introduces a progressive approach to funding development while addressing the island's vulnerability to climate change. Instruments like blue bonds, concessional financing, and partnerships with international organizations could help secure funds at lower costs while advancing environmental and economic objectives.

This strategy offers a transformative vision, aligning debt management with sustainable development goals. However, its implementation requires technical capacity, robust institutional frameworks, and coordination with international partners. Additionally, the upfront costs of transitioning to climate financing mechanisms may pose initial fiscal challenges.

Evaluating Strategic Options: Weighing the Benefits and Risks of Three Approaches

Given St. Lucia's economic vulnerabilities, including its exposure to climate risks and reliance on tourism, Strategy 3 emerges as the most holistic and future-oriented option. By reprofiling the debt portfolio and leveraging climate financing, the country can align debt management with its development goals and enhance resilience to external shocks.

However, a phased approach incorporating elements of Strategy 2—such as securing external fixed-rate debt to mitigate refinancing risks—could complement Strategy 3. Such a hybrid model would allow St. Lucia to address immediate fiscal challenges while building a foundation for long-term sustainability and climate adaptation.

Maintaining the status quo (Strategy 1) offers stability, it lacks the adaptability needed for emerging challenges. Addressing refinancing risks (Strategy 2) provides cost certainty but increases exposure to foreign exchange risks. Meanwhile, reprofiling and climate financing (Strategy 3) pave the way for sustainable growth, albeit with higher technical demands.

Selected Strategy

Strategy 3 (S3) reflects as the preferred choice for the medium-term following simulations of alternative strategies based on cost and risk considerations. S23 entails maintaining the current borrowing approach of rolling over maturing bonds on existing terms and securing new financing through medium-term RGSM bond issuance within the first year. The majority of funds for years 2 and 3 will be obtained through long term blue/green bonds which will be accessed through the climate financing framework.

Under S3, the implied interest rate increases from the current 5.60 percent to 6.09 percent. However, there is a notable improvement in the Average Time to Maturity (ATM), rising from 6.82 years to 7.94 years, and a decrease in the percentage of debt maturing in one year from 15.31 percent to 12.60 percent. This strategy strikes the most realistic balance between cost and risk, representing a prudent tradeoff.

Strategy 3 Foreign Currency Risk

Strategy 3 increases foreign exchange risk minimally from the current 56.9 to 60 percent of the total debt portfolio denominated in foreign currency. The majority of foreign exchange debt in the portfolio is USD, which pegs to the EC Dollar at USD1 – XCD2.7, mitigating the foreign exchange risk to the portfolio.

Strategy 3 Interest Rate Risk

The current interest rate structure of the portfolio does not pose any imminent interest rate risk over the medium term. The percentage of the debt portfolio facing interest rate resetting in FY2025/26 is 39.8 percent and is likely to declining to 29.8 percent within the next three years under strategy 3.

Strategy 3 Refinancing Risk
New issuances of new bullet bonds and treasury bills will align with revenue flows during the fiscal year to avoid the bunching of debt service obligations or rollover risk. The expected share of short-term debt as a percentage of the total debt stock is 12.6 percent under strategy 3 compared to 11.5 and 12.0 under the alternative strategies 1 and 2 respectively. The average time to maturity of the debt portfolio will lengthen to 7.9 years compared to the current 6.8 years. A longer ATM will allow more fiscal space.

ANNUAL BORROWING PLAN 2025/26

The Annual Borrowing Plan (ABP), comprising the sources of funding that government intends to use to satisfy its programmed financing needs, will support the central government fiscal gap for FY2025/26. The ABP indicates the amount and composition of the funds, particularly the government securities reissued during the year. The plan includes existing and new funding and papers traded on the RGSM and private placements.

For the financial year FY2025/26, the GOSL financing requirement is projected to be XCD987.58 M, representing a decrease of XCD129.6 M or 13.1 percent from FY2024/25. As per the approved budget 2025/26, the overall balance is a deficit of XCD233.67 million. The principal and interest repayment for domestic and external debt totals XCD372.8 million.

The proportion of debt from domestic funding decreased to 74.0 percent totalling XCD 730.9 M, and the proportion from external funding of 26.0 percent totalling XCD256.7 M. Funding is projected from the capital market through the issuance of bonds and treasury bills in both the local and regional capital market, RGSM. This amount will be raised using the medium to long-term bonds on the RGSM and through private placements. XCD78.2 M will be raised in new funding of bonds and notes while XCD337.48 M will be reissued at similar terms. Treasury bill issuance will total XCD315.20 M.

Table 11: Summary of Gross Financing Needs for FY2025/2026

INSTRUMENTS	AMOUNT IN XCD (MILLIONS)
DOMESTIC	**$730.90**
- **BONDS AND NOTES**	$415.71
- **TREASURY BILLS**	$315.19

EXTERNAL	**$256.68**
- **MULTILATERAL AND BILATERAL**	$256.68
GROSS FINANCING NEEDS	**$987.58**

The government intends to satisfy its borrowing plan through the implementation of Strategy 3 (S3). This strategy maintains the status quo by reissuing new debt consisting of bonds and notes of up to 10 years and rolling over debts short to medium/long term maturities in this current fiscal year. The subsequent years is expected to be funded using funds under the climate financing framework, the details of which are being finalized.

In addition, the GOSL intends to publish the Annual Prospectus of the GOSL on the ECSE website at www.ecseonline.org and the Department of Finance website at www.finance.govt.lc.

Central Government Financing Needs FY2025/26

The gross financing needs of the government consist of reissuing existing treasury bills and bonds in the sum of **XCD315.2 M and XCD337.5 M** respectively**.** New debt in the sum of **XCD78.2 M** will be contracted in government bonds and **XCD256.7 M** in loans. This totals **XCD987.6 M**.

Domestic Financing

For FY2025/2026, the Government plans to re-issue **XCD315.2** million in short-end papers through the competitive pricing mechanism at the current average yield of 3.5 percent[3]. New bonds will be issued in the sum of **XCD78.2** M through a resolution of Parliament under the Public Debt Management Act 2023. The government seeks to increase the average time to maturity of the portfolio and therefore will seek to issue mostly new long-term instruments with tenors of up to 10 years. The domestic debt market has been very responsive to the financing needs of the government with the domestic debt consisting of 50 percent of the country's total debt.

External Financing

Project financing for the FY2025/26 is approximately **XCD256.7 M**, with drawdowns expected from a combination of nine (9) bilateral and multilateral agencies as follows (See Table 12).

---

[3] Rates on Treasury Bills are capped at 4.00%

Most of these loans are already in the pipeline for projects which have begun, while a few were newly negotiated last financial year. They are mainly concessional at fixed rate ranging from 0.75% to 5.16%. There are a few variable rate loans which is at 6-month SOFR+1.00%.

Table 12: Loans from External Sources FY2025/26

LOANS	Millions of XCD
ROCT	136,022,664
INTERNATIONAL DEVELOPMENT AGENCY (IDA)	35,873,377
GOSA	27,200,000
CDB SPECIAL DEV. FUND - SDF10	925,000
CDB LOAN	17,552,146
CARIBBEAN DEVELOPMENT FUND LOAN	2,894,300
CDB PBL LOAN	12,150,000
WORLD BANK (DPC)	6,914,900
CANADIAN CLEAN ENERGY CLIMATE FACILITY FUND	827,107
AFRICAN EXPORT-IMPORT BANK	8,200,000
KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT (KFAED) LOAN	2,500,000
EIB - EUROPEAN INVESTMENT BANK	2,950,000
CDB (IADB)	2,667,050
TOTAL	**256,676,544**

Short-Term Instruments

The Government of Saint Lucia plans to roll over its existing short-term papers from the domestic and external markets. An estimated **XCD315.20 M** of Treasury Bills will roll over using the RGSM and Private Placements. In keeping with the strategy of reducing refinancing risk embedded in the portfolio, the government plans to issue no new Treasury Bills in FY2025/26 or use this facility as a last resort.

Long-Term Instruments

For FY 2025/26, most of the new financing of the government will be medium to long term. The GOSL will issue **XCD78.3 M** in bonds and notes primarily through the Private Placements. The new bonds will have varying maturities ranging from five to ten years and a minimum fixed interest rate of 4.0 percent and a maximum 7.5 percent. (See Table 13)

Table 13: Central Government Financing Plan FY 2025/2026

INSTRUMENTS	Rollover	New Financing	
	Millions of XCD	Millions of XCD	Maximum Rate %
BONDS AND NOTES	**337.48**	**78.20**	
RGSM	**90.43**	**20.00**	
5-10 YRS.	77.52	20.00	7.5
2-4 YRS.	12.91	0.000	5
PRIVATE PLACEMENT	**247.05**	**58.20**	
8-10 YRS.	15.00	30.00	7.5
5-7 YRS.	46.90	28.20	6.5
2-4 YRS.	185.15		5
TREASURY BILLS	**315.20**	**0.00**	
RGSM	**127.00**		
91-DAYS	32.00		3.5
180-DAYS	95.00		4
PRIVATE PLACEMENT	**188.2**	**0.00**	
91 DAY	15.20		2.75
180-DAYS	8.00		3.5
365-DAYS	165.00		4
LOANS	**0.00**	**256.68**	
MULTILATERAL/BILATERAL CREDITORS	0.00	256.68	4.8
TOTAL	**652.68**	**334.88**	

ANNEX 1: Proposed RGSM Issuance Calendar for FY2025/26

Table 14: Treasury Bill Calendar FY2025/26

AUCTION DATE	ISSUE DATE	INSTRUMENT TYPE	ISSUE AMOUNT	MAXIMUM RATE (%)	MATURITY DATE	TRADING SYMBOL
MAY 30, 2025	June 2, 2025	91-dy T-Bill	EC$11.0M (5)	3.50%	September 1, 2025	LCB010925
JUNE 4, 2025	June 5, 2025	91-dy T-Bill	EC$11.0M (5)	3.50%	September 4, 2025	LCB040925
JUNE 30, 2025	July 1, 2025	180-dy T-Bill	EC$15.0M (10)	4.00%	December 28, 2025	LCB281225
JULY 16, 2025	July 17, 2025	180-dy T-Bill	EC$15.0M (10)	4.00%	January 13, 2026	LCB130126
AUGUST 6, 2025	August 7, 2025	180-day T-Bill	EC$20.0M (10)	4.00%	February 3, 2026	LCB030226
SEPTEMBER 2, 2025	September 3, 2025	91-dy T-Bill	EC$11.0M (5)	3.50%	December 3, 2025	LCB031225
SEPTEMBER 5, 2025	September 08, 2025	91-dy T-Bill	EC$11.0M (5)	3.50%	December 08, 2025	LCB081225
OCTOBER 13, 2025	October 14, 2025	180-day T-Bill	EC$10.0M (10)	4.00%	April 12, 2026	LCB1204426
DECEMBER 4, 2025	December 5, 2025	91-dy T-Bill	EC$11.0M (5)	3.50%	March 6, 2026	LCB060326
DECEMBER 9, 2025	December 10, 2025	91-dy T-Bill	EC$11.0M (5)	3.50%	March 11, 2026	LCB110326
DECEMBER 29, 2025	December 30, 2025	180-dy T-Bill	EC$15.0M (10)	4.00%	June 28, 2026	LCB280626
JANUARY 14, 2026	January 15, 2026	180-dy T-Bill	EC$15.0M (10)	4.00%	July 14, 2026	LCB140726
FEBRUARY 4, 2026	February 5, 2026	180-day T-Bill	EC$20.0M (10)	4.00%	August 4, 2026	LCB040826
MARCH 9, 2026	March 10, 2026	91-dy T-Bill	EC$11.0M (5)	3.50%	June 9, 2026	LCB090626
MARCH 12, 2026	March 13, 2026	91-dy T-Bill	EC$11.0M (5)	3.50%	June 12, 2026	LCB120626
APRIL 13, 2026	April 14, 2026	180-day T-Bill	EC$10.0M (10)	4.00%	October 11, 2026	LCB111026

Table 15: RGSM Bonds Calendar FY2025/26[4]

AUCTION DATE	Issue Date	Instrument Type	Issue Amount	Maximum Rate (%)	Maturity Date	Trading Symbol
APRIL 07, 2025	April 08, 2025	7-year Bond	20,000,000.00	6.25%	April 08, 2032	LCG070432
JULY 28, 2025	July 29, 2025	2 yr Note	12,909,000.00	4.50%	July 29, 2027	LCN290727

[4] Please note that the Schedule is subject to change. The actual amounts and dates may change at the time of invitation to tender

AUGUST 22, 2025	August 25, 2025	5 yr Note	20,000,000.00	6.00%	August 25, 2030	LCN250830
OCTOBER 24, 2025	October 27, 2025	6-year Bond	20,000,000.00	6.25%	October 27, 2031	LCG061031
DECEMBER 09, 2025	December 10, 2025	5-year Note	25,000,000.00	6.00%	December 10, 2030	LCN101230
FEBRUARY 3, 2026	February 4, 2026	10-year Bond	25,000,000.00	7.50%	February 4, 2036	LCG100236

ANNEX 2: Summary of Debt Portfolio (2020-2024)

Table 16: Debt Portfolio Summary (2020-2024)

PARTICULARS	2020	2021	2022	2023	2024	% OF TOTAL DEBT	ANNUAL CHANGE %
TOTAL DEBT BY SOURCE (XCD)	**3,773.81**	**4,135.43**	**4,395.14**	**4,783.50**	**5,156.56**	**100.0%**	**7.80**
EXTERNAL DEBT	1,947.24	2,290.24	2,359.20	2,847.61	3,141.27	**60.9%**	**10.31**
DOMESTIC DEBT	1,826.56	1,845.19	2,035.94	1,935.89	2,015.29	**39.1%**	**4.10**
TOTAL DEBT BY BORROWER CATEGORY (XCD)	**3,773.80**	**4,135.22**	**4,395.14**	**4,783.50**	**5,156.56**	**100.0%**	**7.80**
CENTRAL GOVERNMENT DEBT	3,561.12	3,864.35	4,104.32	4,489.25	4,799.19	**93.1%**	**6.90**
GOVERNMENT GUARANTEED DEBT	211.85	270.87	290.82	294.24	357.37	**6.9%**	**21.45**
NON-GUARANTEED DEBT	0.82	0.00	0.00	0.00	0.00	**0.0%**	
TOTAL EXTERNAL DEBT BY INSTRUMENT (XCD)	**1,947.24**	**2,290.24**	**2,359.20**	**2,847.61**	**3,141.27**	**60.9%**	**10.31**
LOANS	1,055.59	1,384.07	1,406.86	1,755.09	2,026.25	**39.3%**	**15.45**
BONDS	681.46	657.62	689.08	875.51	900.30	**17.5%**	**2.83**
TREASURY BILLS	210.19	248.54	263.26	217.00	214.72	**4.2%**	**-1.05**
TOTAL EXTERNAL DEBT BY BORROWER CATEGORY	**1,947.24**	**2,290.24**	**2,359.20**	**2,847.61**	**3,141.27**	**60.9%**	**10.31**
CENTRAL GOVERNMENT DEBT	1,880.96	2,174.50	2,224.68	2,710.42	3,000.61	**58.2%**	**10.71**
GOVERNMENT GUARANTEED DEBT	66.29	115.74	134.53	137.19	140.66	**2.7%**	**2.53**
TOTAL EXTERNAL DEBT BY INTEREST TYPE	**100%**	**100%**	**100%**	**100%**	**100%**		**0.00**
% FIXED RATE	81.9%	84.4%	85.0%	87.6%	86.1%		**-1.78**
% VARIABLE RATE	18.1%	15.6%	15.0%	12.4%	13.9%		**12.59**

TOTAL DOMESTIC DEBT BY BORROWER CATEGORY (XCD)	**1,825.75**	**1,844.98**	**2,035.94**	**1,935.89**	**2,015.29**	**39.1%**	**4.10**
CENTRAL GOVERNMENT DEBT	1,680.17	1,689.85	1,879.64	1,778.84	1,798.58	**34.9%**	**1.11**
GOVERNMENT GUARANTEED DEBT	145.58	155.13	156.29	157.05	216.71	**4.2%**	**37.99**
NON-GUARANTEED DEBT	0.82	0.20	0.00	0.00	0.00	**0.0%**	
TOTAL DOMESTIC DEBT BY INSTRUMENT (XCD)	**1,826.57**	**1,845.19**	**2,035.94**	**1,935.89**	**2,015.29**	**39.1%**	**4.10**
LOANS	367.27	354.13	330.85	307.24	350.39	**6.8%**	**14.04**
BONDS	1,338.74	1,374.21	1,527.19	1,513.31	1,549.29	**30.0%**	**2.38**
TREASURY BILLS	120.56	116.85	177.91	115.33	115.62	**2.2%**	**0.24**
GOVERNMENT GUARANTEES BY SOURCE (XCD)	**212.68**	**271.08**	**290.82**	**294.24**	**357.37**	**6.9%**	**21.45**
EXTERNAL DEBT	66.29	115.74	134.53	137.19	140.66	**2.7%**	**2.53**
DOMESTIC DEBT	146.40	155.34	156.29	157.05	216.71	**4.2%**	**37.99**
TOTAL DEBT SERVICE (XCD)	**1,211.59**	**1,208.02**	**1,396.19**	**1,392.50**	**1,343.68**	**26.1%**	**-3.51**
EXTERNAL	587.70	298.16	192.83	158.39	171.89	**3.3%**	**8.52**
DOMESTIC	623.89	909.86	1,203.36	1,234.11	1,171.79	**22.7%**	**-5.05**
INTEREST	148.15	161.34	165.31	191.41	173.23	**3.4%**	**-9.50**
PRINCIPAL	1,063.44	1,046.68	1,230.88	1,201.09	1,170.45	**22.7%**	**-2.55**

Key Terms in Debt Management

This glossary provides clear definitions of essential terms used in debt management, offering insights into their meaning and relevance in financial strategies.

Amortization

Amortization refers to the repayment of loan principal in portions, typically as fixed amounts or percentages of the total borrowed amount.

Average Time to Maturity (ATM)

ATM measures the timing of principal repayments, showing the proportion of debt falling due within a specific timeframe, effectively shaping the redemption profile.

Average Time to Refixing (ATR)

ATR calculates the weighted average time until all principal payments in a debt portfolio are subject to new interest rates.

Bilateral Creditor

A bilateral creditor is a government or agency providing loans to other countries.

Bullet Repayment

Bullet repayment refers to a single principal payment made at the maturity of the debt instrument.

Contingent Liabilities

Contingent liabilities are obligations that arise if a specific event occurs. These can be:

- **Explicit:** Contractually acknowledged obligations.
- **Implicit:** Moral obligations where the government is expected to act due to high opportunity costs of inaction.

Committed Undisbursed Balance (CUB)

CUB is the amount of committed funds available for disbursement at a given time for loans, equity investments, or other debt securities.

Debt Outstanding

Debt outstanding refers to the disbursed portion of a loan that remains unpaid or unforgiven.

Debt Service Payments

Debt service payments cover loan interest charges. In some contexts, they may also include amortization.

Domestic Debt

Domestic debt represents the total liabilities denominated in Eastern Caribbean Dollars (XCD) that require principal and interest repayment.

Foreign Exchange (FX) Risk

FX risk refers to the likelihood of increased government debt costs due to exchange rate fluctuations.

Government-Guaranteed Loans (GGLs)

GGLs are debts of public entities for which the Central Government assumes repayment obligations if the borrower defaults.

Interest Rate Risk

Interest rate risk describes the debt portfolio's exposure to rising market interest rates, affecting variable-rate and maturing fixed-rate debt.

MTDS Analytical Toolkit

This toolkit, developed by the IMF and World Bank, helps governments analyze the cost-risk trade-offs in various financing strategies, supporting sound debt management decisions.

Multilateral Creditor

A multilateral creditor is an international institution with government members that promotes development through loans to recipient countries.

Refinancing Risk

Refinancing risk occurs when maturing debt obligations cannot be rolled over into new financing.

Special Drawing Rights (SDRs)

SDRs are international reserve assets created by the IMF to supplement member countries' reserves. They serve as the IMF's unit of account.

Treasury Bills

Treasury bills are short-term government-backed debt instruments with maturities under one year. The Government of Saint Lucia (GOSL) issues T-bills with tenors of 90, 180, and 365 days. These bills are issued at a discount and provide returns through appreciation rather than fixed interest payments.

Yield Curve

The yield curve plots interest rates across various maturities of securities with the same risk level. Often used as a benchmark, it helps price other debt and serves as an indicator of macroeconomic conditions.