GOVERNMENT OF
SAINT LUCIA

Medium-Term Debt Management Strategy

2023-2026

GOVERNMENT OF SAINT LUCIA

Medium-Term Debt Management Strategy FY2023/24 – FY2025/26

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ACRONYMS

ATM	Average Time to Maturity
ATR	Average Time to Re-fixing
CDB	Caribbean Development Bank
DMS	Debt Management Strategy
DIU	Debt and Investment Management Unit
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
EUR	The Euro currency
FX	Foreign Exchange
GOSL	Government of Saint Lucia
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IRP	Investor Relations Program
KWD	Kuwaiti Dinars
ROCT	Republic of China Taiwan
RGSM	Regional Governments Securities Market
SOFR	Secured Overnight Funding Rate
USD	United States Dollar
WACD	Weighted Average Cost of Debt
XCD	Eastern Caribbean Dollar
XDR	Special Drawing Rights

NOTES

Fiscal Year: April 1 to March 31 every year.

Local Currency: The Eastern Caribbean Dollar (XCD). The EC dollar pegs to the United States Dollar (USD) under the current exchange rate regime (XCD2.70 = USD1.0), a system that has been in place since 1976. Unless stated, all values are in XCD.

Coverage: The Debt Management Strategy includes only central government debt and projected borrowing. Government guaranteed debt of public entities is not part of the analysis.

Classification: This analysis classifies debt by currency. External debt consists of all foreign currency-denominated instruments. Domestic debt refers to all XCD-denominated instruments.

GLOSSARY

Average Time to Maturity (ATM) measures the timing of principal repayment. It shows the share of debt falling due within a specific period – i.e., the shape of the redemption profile.

Average Time to Re-fixing (ATR) measures the weighted average time until all the principal payments in the debt portfolio become subject to a new interest rate.

Bilateral Creditor is a donor government or agency providing loans to borrowers in other countries

Bullet Repayment is the repayment of principal in a single payment at the instrument's maturity.

Debt Outstanding is the amount disbursed from a loan not yet repaid or forgiven.

Multilateral Creditor is an international institution with governmental membership conducting all or a significant part of its activities in favour of development to aid recipient countries.

Domestic debt is the gross outstanding amount of actual liabilities that require payment of interest or principal by the debtor at some point(s) and denominated in Eastern Caribbean Dollars.

Foreign Exchange Risk is the probability of the government's debt costs increasing due to changes in the exchange rates.

Interest Rate Risk is the vulnerability of the debt portfolio to higher market interest rates at the point when the interest rate on maturing variable rate debt and fixed-rate debt is re-priced.

Refinancing-risk is the risk where maturing obligations cannot roll over.

PREFACE

This Medium-Term Debt Management Strategy (MTDS) comes against a new post Covid-19 era when the world economy as a whole is still struggling on a number of fronts. Global economic activity is experiencing a sharper-than-expected slowdown, caused by several factors such as the highest inflation in several decades, a cost-of-living crisis, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic. Global growth is forecast to decline from 3.2 percent in 2022 to 2.7 percent in 2023, the weakest growth profile since 2001 other than the global financial crisis in 2008-09 and the most acute phases of the COVID-19 pandemic in 2020. Global inflation is forecast to decline to 6.5 percent in 2023 and to 4.1 percent by 2024. Access to market debt still has not returned to pre-COVID levels, while funding from multilateral and bilateral creditors has increased within the year. The refinancing risk in the existing Central Government debt portfolio and the increase in debt servicing costs continue to be challenging due mainly to the decline in revenues and the widened fiscal deficit since the global pandemic. Other risk indicators have increased as the debt-service/revenue and debt/GDP ratios have remained high.

The MTDS articulates the borrowing activities of the Debt and Investment Management Unit (DIU) during the fiscal year 2022/23, considering the main risks embedded in the debt portfolio and the effects that the issuance choices will have on the portfolio composition. It is an opportune time to be deliberate in our approach to planning and strategizing the medium-term debt management program and the fiscal and macro-economic programs.

The DIU of the Ministry of Finance is pleased to announce that we have received the approval of the Cabinet of Ministers for the Public Debt Management Policy, which will guide us in our Debt Management activities. The MTDS and the Annual Borrowing Plan (ABP) are two of the official debt documents tabled in

Parliament at the presentation of the annual Budget Estimates and then published on the Government website.

The Government of Saint Lucia (GOSL) seeks to ensure that the levels and rate of growth in public debt remain on a sustainable path while meeting cost and risk objectives. The Public Debt Management Bill is slated for its second reading in the House of Parliament and should be passed during the fiscal year 2023/24.

FORWARD

Increased macroeconomic activity in 2022 despite local, regional and international pressures have caused an upward shift in the debt/GDP ratio. Debt to GDP for FY2022/23 fell markedly to 69.8 percent from 85.9 percent in the previous financial year FY2021/22. This shows that Saint Lucia is on the right path to meet the ECCB Monetary Council's mandate of reducing debt to GDP ratios across the region to 60 percent by 2035.

The Medium Term Debt Strategy (MTDS) for FY2023/24 to FY2025/26 is the Government of Saint Lucia's guide, which assesses the relative cost and risks in the debt portfolio for the next three financial years, from April 1, 2023, to March 30, 2026. The GOSL will implement a Debt Management Strategy, along with other fiscal consolidation measures, which will assist in re-profiling the debt portfolio, placing the debt to GDP ratio on a more sustainable path. GOSL is also aware of the increased refinancing risks due to the greater use of short-term facilities in the debt portfolio and will implement the best strategy designed to lengthen the maturity profile.

The GOSL wishes to reassure its investors and creditors that despite the uncertainties surrounding the major world economies, it remains committed to servicing its debt obligations on time and enhancing transparency and accountability to the market. Further, the GOSL will aim to publish its debt reports promptly and enact the Public Debt Management Bill in FY2023/24.

This MTDS also contains the Annual Borrowing Plan (ABP) for FY2023/24. The ABP outlines the optimal mix and composition of the debt instruments to reduce the rollover risk and lengthen the average time to maturity of the debt portfolio by engagement with key stakeholders.

I wish to extend my sincere thanks to all the Ministry of Finance staff, the Debt and Investment Management Unit, the Budget Office, Accountant General's Department, and the Research and Policy Unit for their commitment and efforts during the past year. They worked tirelessly together to overcome the many challenges of the pandemic and stayed the course during this new budget cycle.

Remain safe, and God Bless

Honorable Philip J. Pierre
Minister for Finance

SECTION I: INTRODUCTION

The key objective of the MTDS is to achieve the desired composition of the central government debt portfolio and captures its preferences concerning the optimal cost-risk tradeoff. The funding sources outlined in the MTDS guide the government's borrowing activities updated annually to increase transparency and borrowing predictability, and seek to strengthen public debt management capacity.

The GOSL has continued to raise funds from traditional sources such as the Regional Government Securities Market (RGSM) and domestic financial institutions. Access to low-risk, low cost debt financing remains a global challenge as the regional economic environment showed slow growth, increased fiscal pressure, and debt expansion exacerbated by global events and the lagging effects of the COVID-19 pandemic. The timeline of the MTDS is three years, from FY2023/24 to FY2025/26, but updated annually to reflect any changes in macroeconomic, fiscal and debt management policies.

The government’s preferred strategy is to reduce the portfolio's cost and rollover risk by lengthening the maturity of the debt due within the medium to long term alongside contracting cheaper bilateral and multilateral funds. The MTDS FY2023/24 to FY2025/26 document includes:

- The macroeconomic assumptions that underpin this MTDS;
- The cost/risk assessment of the existing portfolio;
- A review of the debt financing for 2022/23;
- The financing strategy for FY2023/24 to FY2025/26 reflects the appropriate mix of financing sources;
- GOSL Debt management policies that will minimize the inherent risks in the portfolio and enable the achievement of the debt management objectives;
- The Annual Borrowing Plan (ABP) for FY2023/24.

The Government of Saint Lucia's main debt management objective is to raise stable and consistent levels of financing for the budget and meet its payment obligations at a minimum cost, subject to prudent risk levels. The overall objective requires the following steps:

- Diversify the debt portfolio to reduce risks inherent in the debt portfolio;
- Ensure that government borrowings are consistent with the legal and regulatory framework established by Parliament;
- Ensure a stable presence in the regional market for government securities;
- Meet its payment obligations promptly.

The scope of the analysis covers only Central Government debt. Government-guaranteed debt in the public debt portfolio is negligible, amounting to 6.6 percent of the entire portfolio (December 2022), a minimal threat to the portfolio mix.

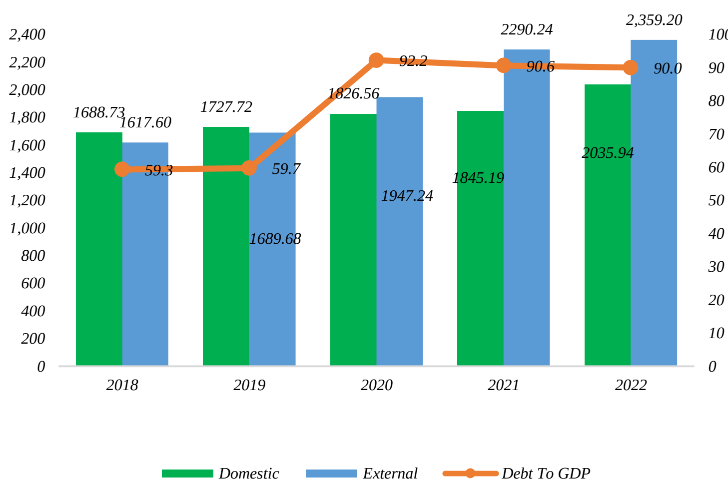
The document comprises six sections. **Section I** consists of the introduction. A summary of the existing debt portfolio is in **Section II**. **Section III** provides an overview of the cost and risk analysis. **Section IV** outlines the baseline macroeconomic assumptions for the MTDS. **Section V** discusses strategy selection for the medium-term and debt management guidelines, while **Section VI** articulates the Annual Borrowing Plan for FY2023/24.

SECTION II: EXISTING PUBLIC DEBT PORTFOLIO

Total Public Debt

Total public sector debt in December 2022 stood at $4395.14M increasing by $259.71M or 6.3 percent over December 2021. Total domestic debt was $2,035.94M or 46.3 percent of total public sector debt, while total external debt was $2,359.20M or 53.7 percent of total public debt increasing by 10.3 and 3.1 percent respectively. This increase in 2022 was mainly due to an increase in central government debt, particularly bonds & notes and treasury bills. The ongoing recovery in economic activity in 2022, led to the public debt to GDP ratio falling, from 85.9 percent at the end of December 2021 to 69.8 percent at the end of December 2022.

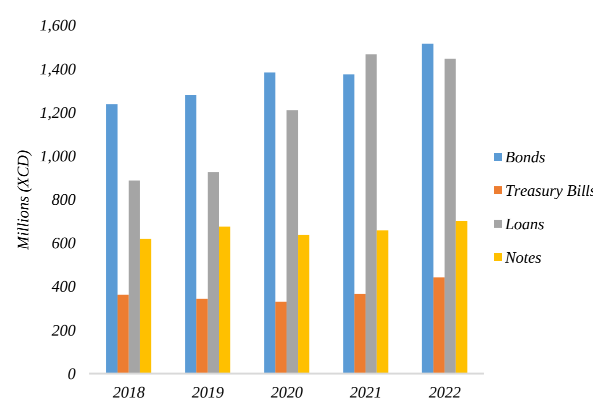
Figure 1: Total Public Debt 2018-2022



Central Government Debt

In the review period, central government debt stock rose by 6.2 percent ($239.98M) to $4,104.32M, primarily led by growth in external bonds. The total in bonds increased by 10.2 percent ($140.72M) to $1,515.19M at the end of 2022, increasing its share of central government debt to 36.9 percent compared to 35.6 percent in 2021, reflecting a shift toward medium to long terms

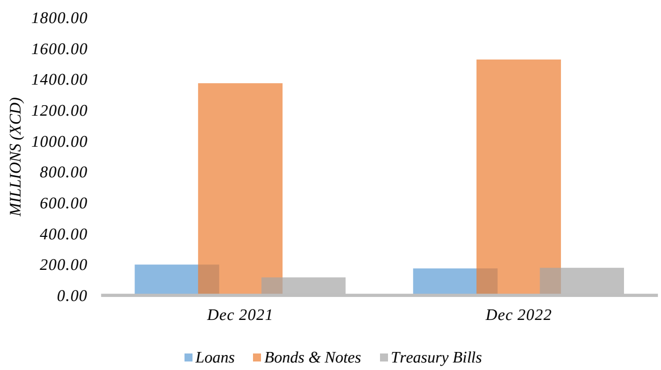
Figure 2: Central Government Debt 2018-2022



debt during the recovery from the Covid-19 pandemic. The stock of treasury bills also increased at the end of 2022 by 20.7 percent ($75.9M) to $441.17M, representing a slightly higher share of central government debt to 10.8 percent in 2022 from 9.5 percent in 2021. The stock of loans accounts for the second largest source of debt by instrument type, decreasing marginally by 1.4 percent to $1,446.89M, representing a share decrease to 35.3 percent in 2022 from 38.0 percent in 2021.

Domestic Debt

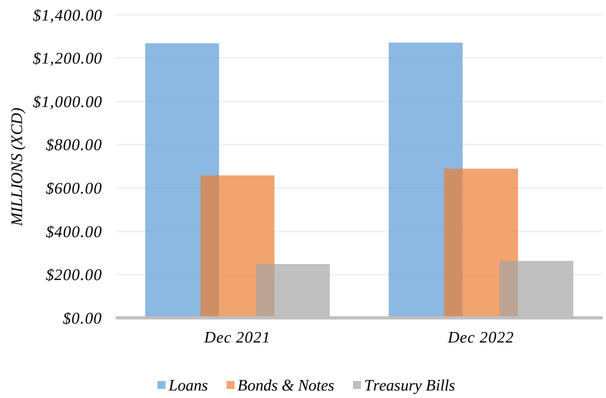
Figure 3: Central Government Debt 2018-2022



At the end of December 2022, central government debt held by domestic creditors increased by 11.23 percent to $1879.64 M, or 45.8 percent of the total debt stock, increasing $189.7M from December 2021. At the end of December 2022, bonds & notes stood at $1,527.18M increasing $152.98M or 11.1 percent over December 2021, totalling 81.2 percent of the domestic portfolio. The stock of domestic RGSM bonds and notes was $463,32M or 30.3 percent of the bond portfolio while private placement loans totaled 69.7 percent or $1,063.86M. RGSM bonds range from five to 15 years in maturity and notes, two to five years. Private placement bonds and notes have maturities ranging from two to 10 years. Loans had the second largest share with $174.55M (9.3 percent of central government debt), decreasing $24.2M over December 2021. Domestic loans from commercial banks totalled $163.82M or 93.9 percent of the domestic loan portfolio with the National Insurance Corporation contributing 6.1 percent or $10.73M of the portfolio. Treasury Bills contributed $177.91M (9.5 percent) of the domestic securities portfolio, increasing $61.1M over December 2021.

External Debt

Figure 4: Central Government External Debt 2018-2022

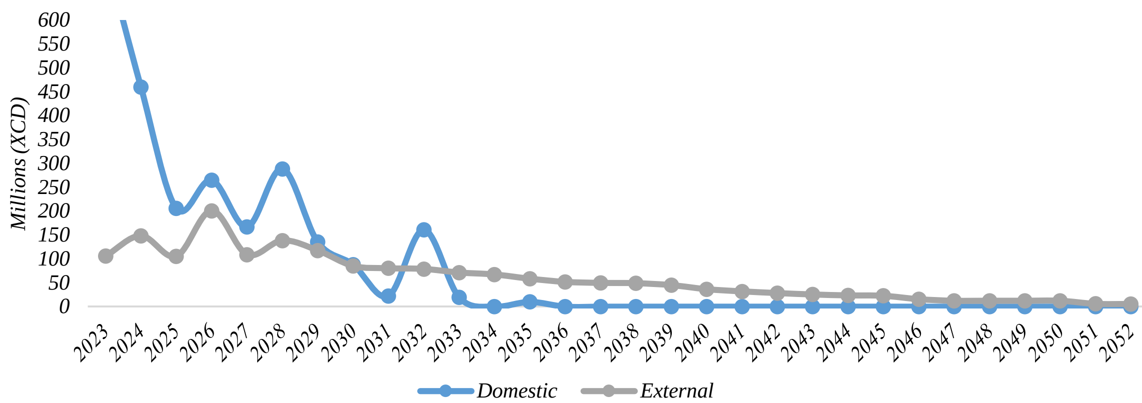


External debt stood at $2,224.68M at the end of December 2022, representing 54.2 percent of the total debt stock increasing by $50.2M over December 2021. Central government debt stock held by external creditors continued on an upward trajectory in 2022, growing by 2.3 percent led mainly by a $4.01M increase in external loans to $1,272.34M (57.2 percent of central government debt). Multilateral loans accounted for 76.9 percent of the external loan portfolio while bilateral loans accounted for the remaining 23.1 percent. The Export-Import Bank of the Republic of China holds the majority share of the bilateral portfolio with 89.0 percent or $261.83M. The CDB and World Bank account for 45.8 and 46.3 percent of the multilateral portfolio respectively. External treasury bills increased $14.7M to $263.26M (11.8 percent of the securities portfolio). External bonds increased 4.8 percent or $31.46M over December 2021 to $689.08M in December 2022. External bonds and notes accounted for 31.0 percent of the external securities portfolio. External RGSM bonds totalled $231.01M (33.5 percent) while private placement bonds accounted for $368.95M or 53.5 percent of the external bonds portfolio.

Redemption Profile

A maturity (redemption) profile shows the evolution of GOSL's debt stock based on the time remaining before the scheduled maturity. Large debt service payments during 2023 dominate the redemption profile due to the 27.7 percent of debt maturing within the year including the entire Treasury bill stock maturing. There is a more homogeneous distribution from 2024 to 2052.

Figure 5: Redemption Profile 2023-2052



CENTRAL GOVERNMENT COST AND RISK ANALYSIS

Weighted Average Cost of Debt (WACD)

The portfolio's weighted average cost of debt or the weighted interest rate increased from 4.5 percent in 2021 to 4.8 percent in 2022. This upturn is due to an increase in the interest cost of variable rate loans and the replacement of the LIBOR by the SOFR on ROCT bi-lateral loans and the OCR variable rate on CDB loans. Over the previous five years, the WACD averaged 4.9 percent peaking in 2018 and 2019 at 5.2 percent, and declined by an average of 1.6 percent.

Table 1 Weighted Average Cost of Debt 2018-2022

WACD by Instrument	2018	2019	2020	2021	2022

Treasury Bills	4.2%	3.7%	3.7%	3.8%	3.9%
Bonds	6.5%	6.4%	6.4%	6.2%	6.1%
Loans	3.3%	3.3%	2.6%	2.3%	3.1%
Total	5.2%	5.2%	4.8%	4.5%	4.8%
% Change	0.76	-2.69	-6.16	-7.23	7.11

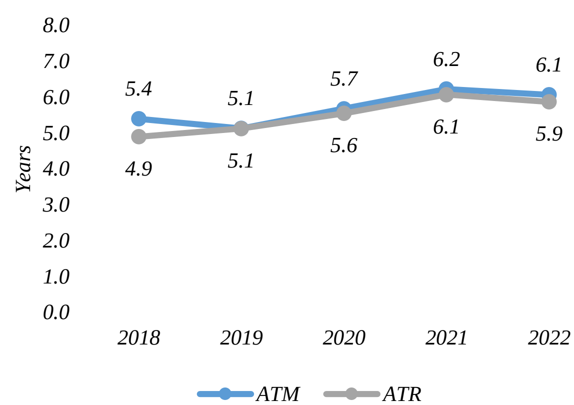
Average Time to Maturity (ATM)

The ATM is the average remaining time to maturity for each security or contract composing a debt instrument and is one of the most commonly used measures for assessing interest rate sensitivity. The ATM at the end of December 2022 decreased slightly to 6.1 years from 6.2 the previous year. The government seeks to lengthen the ATM by reissuing instruments at medium to long term, which will ease the cash flow pressure placed on the Accountant General's Department, thereby allowing the timely payments of short-term obligations, and allows for cushioning of fluctuations in the exchange and interest rates.

Average Time to Re-fixing (ATR)

The ATR measures the weighted average time until all principal payments in the debt portfolio become subject to a new interest rate. At the end of 2022, the ATR decreased to 5.9 years from 6.1 years for 2021, a slight 4.2 percent decrease. The ATR averaged 5.5 years from 2018 to 2022 and increased by an average of 5.5 percent over the previous five years. The GOSL is committed to decreasing the refinancing risk of the portfolio by increasing the ATR.

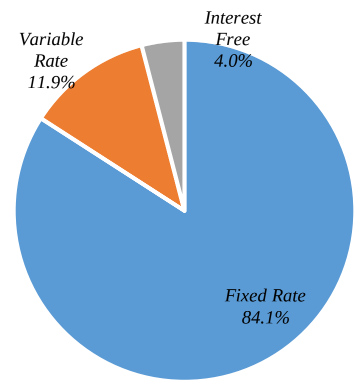
Figure 6: ATM and ATR Progression 2018-2022



Interest Rate Risk

At the end of December 2022, the interest rate risk embedded in the debt portfolio was minimal due to fixed interest rate debt accounting for $3,451.54M (84.1 percent) of central government debt. Variable-rate debt, subject to interest rate changes every six months, held by the EXIM Bank, the CDB, and the IBRD was $486.80M (11.9 percent) of the total portfolio. Interest-free instruments (CIP bonds and IMF Loans) accounted for $165.99M (4.0 percent) of central government debt.

Figure 7: Interest Rate Risk 2022



SECTION III: PERFORMANCE REVIEW OF DEBT FINANCING – FY2022/23

Fund Raising Activities FY2022/23

As of March 2023, the government contracted XCD1, 108.01M in debt financing. XCD113.14M was disbursements from bilateral and multilateral creditors (IMF, EXIM Bank, IDA, and CDB). Of the new securities issued, XCD121.51M were short-term treasury bills, while bonds and notes ranging from two to 15 years in maturity totaled XCD117.57M. Reissued bonds and notes totaled XCD328.39M of the approved XCD357.6M. The entire amount approved XCD427.40M of Treasury bills was re-issued. The financing gap at the fiscal year-end was XCD182.07M.

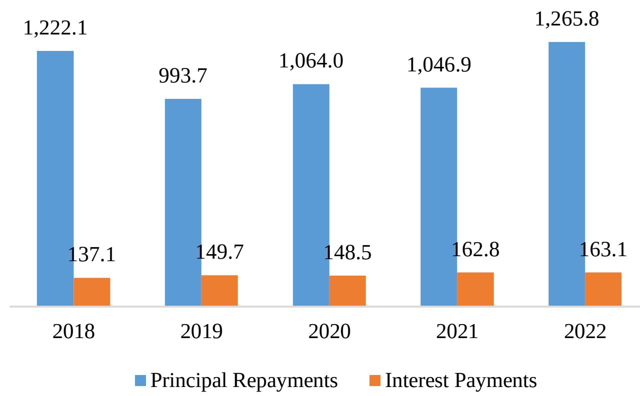
Table 2: Fund Raising Activities FY2022/23

	Approved Funding ($M)	April-March 2023($M)	Variance ($M)
New Financing			
Bonds/Notes	79.70	117.57	37.87

Treasury Bills	0.00	121.51	121.51
Loans	425.38	113.14	-312.24
Sub-Total	**505.08**	**352.22**	**-152.86**
Rollover Financing			
Bonds/Notes	357.60	328.39	-29.21
Treasury Bills	427.40	427.40	0.00
Sub-Total	**785.00**	**755.79**	**-29.21**
Grand Total	**1290.08**	**1108.01**	**-182.07**

Debt Servicing

Figure 8: Debt Servicing 2018-2022



Central Government principal repayments totaled $1,265.82M for 2022, an increase of 20.9 percent over 2021 due to increased rollovers and loan repayments. Principal repayments averaged 87.9 percent of the total debt service for the previous five years. External principal repayments increased by 73.3 percent over 2021, while domestic repayments decreased by 15.2 percent in 2022. Interest payments for 2021 were only 13.5 percent of the total debt service, increasing by 56.8 percent over 2021. External interest payments accounted for 73.7 percent of total interest payments in 2022, while domestic repayments represented 26.3 percent of total interest payments for 2022.

SECTION IV: BASELINE MACROECONOMIC ASSUMPTIONS FY23/24-25/26

The modeling of the MTDS utilizes forecasts of government fiscal balances and key macroeconomic and market variables to produce baseline estimates for portfolio cost and risk indicators under varied financing strategies over the medium term.

The following macroeconomic assumptions underpin the MTDS set for the three-year medium-term:

- An average overall Real GDP growth of 18.1 percent
- Average growth in revenue of 20.7 percent
- An average expenditure growth of 3.0 percent
- Inflation to be within 6.4 percent
- Average overall fiscal deficit of 281.4 M
- The primary balance is an average deficit of 82.4 million
- Gross international reserves of imports of goods and services for at least three months

The following provisional macro data was instrumental in formulating the MTDS:

Table 3: Macroeconomic Assumptions 2022-2025

	2022/23	2023/24	2024/25	2025/26
Total Revenues and Grants	$ 1,333.01	$ 1,451.26	$ 1,438.86	$ 1,454.01
Primary expenditures	$ 1,276.10	$ 1,379.30	$ 1,453.02	$ 1,452.84
Total expenditures	$ 1,455.80	$ 1,594.30	$ 1,676.75	$ 1,688.43
Interest Payments	$ 179.70	$ 215.00	$ 223.73	$ 235.59
GDP market prices FY (rebased)	$ 5,629.40	$ 6,017.24	$ 6,366.41	$ 6,641.60

Sources: Research and Policy Department, Ministry of Finance, World Bank

SECTION V: FINANCING STRATEGIES

The Government debt management strategy is to ensure that the nation's debt is sustainable, indicated by performance indicators that converge towards prudential levels. The government's approach to managing its sovereign debt level ensures that the current and prospective debt does not compromise its ability to service debt obligations while generating economic growth. The following principles will guide the selection of the most appropriate debt management strategy:

- Rebalancing the debt portfolio composition by reducing the share of RGSM securities, particularly treasury bills while increasing the proportion of concessionary loan financing with flexible terms.
- Altering the maturity profile of the debt stock by reducing the proportion of the debt stock carrying short-term maturities that will reduce the rollover risk associated with the debt portfolio.
- Lowering the average costs of debt by obtaining budget financing at minimum costs, wherever possible, and replacing higher interest rate debt with lower interest rate debt.
- The government will aim to negotiate better borrowing arrangements of longer maturities, grace periods, and lower interest rates.
- An increased effort through the Investor Relations Program (IRP) to broaden the local investor base who are more likely to subscribe to the Government of Saint Lucia paper.

The World Bank/IMF MTDS Analytical Tool Strategies.

The MTDS Analytical Toolkit assesses cost/risk trade-offs of alternative financing strategies to arrive at a preferred option. The strategies consider the expectations regarding domestic and external market conditions over the medium term and the likely funding sources available during three financial years. Below is a summary of the strategy that provides the most realistic scenario for the GOSL.

Strategy 1 (S1)

- Status Quo
- Rollover existing bonds at existing terms
- Rollover short term debt to longer maturities
- New debt at long tenors
- Increase share of Fixed Rate instruments
- Maintain RGSM presence

S1: Rollover of existing debt and a gradual reduction of Treasury Bills to Medium Term Instruments

Strategy 1 is the status quo that maintains the existing borrowing practice from FY2022/23 through the medium term and relies heavily on the GOSL's continued presence on the Regional Government Securities Market (RGSM). This strategy assumes a concerted effort to roll over debts from short to medium/long term maturities. Maturing bonds will roll over on existing terms with new funds raised through long-term RGSM bond issuances and concessional loans.

An assessment Strategy 1's cost and risk indicators projected for the end of the review period is in **Table 4**.

Table 4 Cost/Risk Indicators- Strategy 1 Status Quo

Risk Indicators		2022	As at end 2025
		Current	S1
Nominal debt as % of GDP		75.5	79.8
Present value debt as % of GDP		72.2	75.0
Interest payment as % of GDP		3.9	3.9
Implied interest rate (%)		5.2	5.4
Refinancing risk	Debt maturing in 1yr (% of total)	20.3	18.8
	Debt maturing in 1yr (% of GDP)	5.7	15.0
	ATM External Portfolio (years)	7.9	8.4
	ATM Domestic Portfolio (years)	3.3	3.6

	ATM Total Portfolio (years)	5.4	6.0
Interest rate risk	ATR (years)	4.5	5.1
	Debt refixing in 1yr (% of total)	32.3	32.4
	Fixed rate debt (% of total)	87.1	85.2
FX risk	FX debt as % of total	46.1	50.1
	ST FX debt as % of reserves	5.1	16.2

Strategy Selection

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 represents the most realistic tradeoff between cost and risk.

Strategy 1 Foreign Currency Risk

Strategy 1 has minimal foreign exchange risk with only 47.1 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. Foreign exchange debt to reserves is minuscule at 0.5 percent.

Strategy 1 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 FY2022/23 is 33.7 percent declining to 21.0 percent within the next three years under strategy 1.

Strategy 1 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 6.9 percent under strategy 1. The average time to maturity of the debt portfolio will lengthen to 9.7 years compared to the current 5.6 years. A longer ATM allows more fiscal space.

Debt Management Guidelines

Annual Borrowing Plan

The Annual Borrowing Plan (ABP) reflects the government strategy stated in the previous section and will align with the Estimates of Revenues and Expenditures for the FY 2023/24. See **Section VI** for more information on the ABP.

Overdraft Facility

The Accountant General's Department will manage the overdraft facility, secured under the newly enacted Public Finance Management Act between the five domestic, and commercial banks.

Communication with Market Participants

The government will continue to engage investors and market participants through conference calls and investor presentations with primary dealers and key market players. The meetings will include discussions on financing, market performance, and investor relations.

The Eastern Caribbean Securities Exchange (ECSE) website publishes the updated annual prospectus of the Government of Saint Lucia from mid-June of every year. The prospectus will provide investors with the issuance calendar for all GOSL new and rolled-over Treasury bills and Bonds on the Regional Government Securities Market (RGSM) for the year.

Publication of Debt Reports

Information related to government securities will be available on the Ministry of Finance and Government of Saint Lucia website and the ECCB Debt portal and updated regularly to improve communication with stakeholders and ensure ease of access to vital information to guide investment decision-making. These reports are as follows:

- Debt Bulletin (Quarterly)
- Investor Fact Sheet (Quarterly)
- Debt Portfolio Review (Annually)
- Prospectus (Annually)
- Medium-Term Debt Management Strategy (Annually)
- Debt Sustainability Analysis (DSA) (Annually)

Public Debt Management Policy

In 2020, the Cabinet of Ministers approved the Public Debt Management Policy. This document will develop a public debt management legislative framework and the necessary policy requirements consistent with best practices for the development of effective management of public debt in Saint Lucia. The Public Debt Management Bill has proceeded to its second reading and should pass in the parliament of Saint Lucia during the fiscal year 2023/24.

SECTION VI: ANNUAL BORROWING PLAN FY2023/24

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 FY2023/24. 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 FY2023/24, the GOSL financing requirement is projected to be **XCD1,011.9M**, representing a significant decline of **XCD358.0M** from FY2022/23 and an decrease in the proportion of debt from domestic funding to

74.6 percent totaling[1] **XCD755.3M,** and the proportion from external funding of 25.4 percent totaling **XCD256.6M**. 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. **XCD32.1M** in new funding of bonds and notes and a reissue amount of **XCD417.6M**. Treasury bill issuance will total **XCD337.7M**.

Table 5: Summary of Gross Financing Needs for FY2023/2024

Instruments	**Amount in XCD (Millions)**
Domestic	**$755.3**
- **Bonds and Notes**	$417.6
- **Treasury Bills**	$337.7
External	**$256.6**
- **Multilateral and Bilateral**	$256.6
Gross Financing Needs	**$1,011.9**

The government intends to satisfy its borrowing plan through the implementation of Strategy 1 (S1). 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. Maturing bonds will roll over on existing terms with new funds raised through long-term RGSM bond issuances and semi-concessional loans from existing multilateral and bilateral agencies.

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.gov.lc.

[1]. This includes funding from both the Regional Government Securities Market and Private Placements.

Central Government Financing Needs FY2023/24

The gross financing needs of the government consist of reissuing existing treasury bills and bonds in the sum of **XCD337.7** and **XCD385.4M** respectively, and contracting new debt in the sum of **XCD32.1M** in government bonds and **XCD256.6M** in loans. This totals **XCD1, 011.9M**.

Domestic Financing

For FY2023/2024, the Government plans to re-issue **XCD337.7** million in short-end papers through the competitive pricing mechanism at the current average yield of 3.5 percent[2]. New bonds will be issued in the sum of **XCD32.1** M through a resolution of Parliament. 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 45.8 percent of the country's total debt.

External Financing

Project financing for the fiscal year is approximately **XCD256.6M**, with drawdowns expected from a combination of eight (8) bilateral and multilateral agencies as follows. The ROCT is the largest contributor while the Caribbean Development Bank (CDB) Policy Based Loan has the lowest contribution.

Table 6: Financing from External Sources FY2023/24

Loans	Millions of XCD
Caribbean Development Bank (CDB)	36.2
Caribbean Development Bank (CDB) Policy Based Loan	0.59
European Investment Bank	3.0
Caricom Development Fund (CDF)	3.4

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

Canadian Clean Energy & Forest Climate Facility Fund (CCEFCF)	2.97
International Development Agency (IDA)	74.5
The Republic of China on Taiwan (ROCT)	135.0
IDA (Strategic Climate Fund)	0.903
TOTAL	**$256.6M**

Short-Term Instruments

The Government of Saint Lucia plans to roll over its existing short-term papers from the domestic and markets. An estimated **XCD337.7M** 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 FY2023/24 or use this facility as a last resort.

Long-Term Instruments

For FY 2023/2024, most of the new financing of the government will be medium to long term. The GOSL will issue **XCD32.1M** in bonds and notes primarily through private placements. The new bonds will have varying maturities ranging from five to ten years and a minimum fixed interest rate of 4.5 percent and a variable rate of 6-month SOFR. The SOFR 6-mth rate averaged 4.5 percent over the last 12 months.

Table 7: Central Government Financing Plan FY 2023/2024

Instruments	**Rollover**	**New Financing**	
	Millions of XCD	**Millions of XCD**	**Maximum Rate %**
Bonds and Notes	**$385.4**	**$32.1**	
RGSM	**$0.0**	**$0.00**	
5-10 yrs.	$0.0	$0.00	7.0
2-4 yrs.	$0.0	$0.00	5
Private Placement	**$385.4**	**$32.1**	
8-10 yrs.	$150.0	$15.00	7.5
5-7 yrs.	$54.0	$17.10	6.5
2-4 yrs.	$181.4	$0.00	5
Treasury Bills	**$337.7**	**$0.00**	
RGSM	**$130.2**	**$0.00**	
91-days	$30.4	$0.00	3.5

180-days	$99.8	$0.00	4
Private Placement	**$207.5**	**$0.00**	
91 day	$34.5	$0.00	2.75
180-days	$118.9	$0.00	3.5
365-days	$54.1	$0.00	4
Loans	**$0.00**	**$256.6**	
Multilateral/Bilateral Creditors	$0.00	$256.6	4.8
TOTAL	**$723.1**	**$288.7**	

Challenges to the Issuance Strategy

Some of the factors that may impede the implementation of the Borrowing Plan are:

- The likely return of higher interest rates in the short-term market since the bidding mechanism allows for fluctuation in interest rates. The maximum coupon rate on treasury bills is currently 4.0 percent. This movement is likely to have implications for the shape of the yield curve.
- Restrictions on the projected drawdowns of project funds from multilateral agencies may cause greater dependence from the government on the other financing sources, which also carry increased cost implications.
- Raising new long-term funding may prove difficult in the first quarter of the financial year since the investors may need to consider the market environment and the prevailing geo-political climate. Further, investor preference for short-term instruments might also be a hindrance to issuing longer-term securities.
- The present credit rating of the Government of Saint Lucia is CariBB-, which represents a stable outlook. The stable outlook is premised on a projected return to growth in 2023, with positive impacts on fiscal revenues, financial sector soundness, and foreign currency earnings. A new country assessment will obtain a new sovereign rating in the first quarter of the new financial year.

ANNEX 1: Proposed RGSM Issuance Calendar for FY2023/24

Auction Date	Issue Date	Instrument Type	Issue Amount	Maximum Rate (%)	Maturity Date	Trading Symbol
April 17, 2023	April 18, 2023	180-day T-Bill	EC$10.0M (10)	4.00%	October 15, 2023	LCB151023
May 5, 2023	May 8, 2023	91-dy T-Bill	EC$11.0M(5)	3.50%	August 7, 2023	LCB070823
May 16, 2023	May 17, 2023	91-dy T-Bill	EC$11.0M (5)	3.50%	August 16, 2023	LCB160823
June 28, 2023	June 29, 2023	180-dy T-Bill	EC$15.0M(10)	4.00%	December 26, 2023	LCB261223
July 19, 2023	July 20, 2023	180-dy T-Bill	EC$15.0M(10)	4.00%	January 16, 2024	LCB160124
August 8, 2023	August 9, 2023	180 day T-Bill	EC$20.0M(10)	4.00%	February 5, 2024	LCB050224
August 8, 2023	August 9, 2023	91-dy T-Bill	EC$11.0M(5)	3.50%	November 8, 2023	LCB081123
August 17, 2023	August 18, 2023	91-dy T-Bill	EC$11.0M (5)	3.50%	November 17, 2023	LCB171123
October 16, 2023	October 17, 2023	180-day T-Bill	EC$10.0M (10)	4.00%	April 14, 2024	LCB140424
November 9, 2023	November 10, 2023	91-dy T-Bill	EC$11.0M(5)	3.50%	February 9, 2024	LCB090224
November 20, 2023	November 21, 2023	91-dy T-Bill	EC$11.0M (5)	3.50%	February 20, 2024	LCB200224
December 27, 2023	December 28, 2023	180-dy T-Bill	EC$15.0M(10)	4.00%	June 25, 2024	LCB250624
January 17, 2023	January 18, 2024	180-dy T-Bill	EC$15.0M(10)	4.00%	July 16, 2024	LCB160724
February 6, 2024	February 7, 2024	180 day T-Bill	EC$20.0M(10)	4.00%	August 5, 2024	LCB050824
February 12, 2024	February 13, 2024	91-dy T-Bill	EC$11.0M(5)	3.50%	May 14, 2024	LCB120524
February 21, 2024	February 22, 2024	91-dy T-Bill	EC$11.0M (5)	3.50%	May 23, 2024	LCB230524

ANNEX 2: Summary of Debt Portfolio (2021-2022)

Particulars	2021	2022	% of Total Debt	Annual Change $	Annual Change %
Total Public Debt by Residency (XCD)	**4,135.43**	**4,395.14**	**100.0%**	**259.71**	**6.28**
External Debt	2,290.24	2,359.20	**53.7%**	**68.96**	**3.01**
Domestic Debt	1,845.19	2,035.94	**46.3%**	**190.75**	**10.34**
Total Domestic Debt by Instrument (XCD)	**4,135.43**	**4,395.14**	**100.0%**	**259.72**	**6.28**
Loans	1,738.21	1,737.71	**39.5%**	**-0.50**	**-0.03**
Bonds	1,374.47	1,515.19	**34.5%**	**140.72**	**10.24**
Notes	657.36	701.07	**16.0%**	**43.72**	**6.65**
Treasury Bills	365.39	441.17	**10.0%**	**75.78**	**20.74**
Total External Debt by Instrument (XCD)	**2,290.24**	**2,359.20**	**53.7%**	**68.96**	**3.01**
Loans	1,384.07	1,406.86	**32.0%**	**22.79**	**1.65**
Bonds	403.14	433.06	**9.9%**	**29.92**	**7.42**
Notes	254.48	256.02	**5.8%**	**1.53**	**0.60**
Treasury Bills	248.54	263.26	**6.0%**	**14.72**	**5.92**
Central Government Debt by Residency(XCD)	**3,864.35**	**4,104.32**	**93.4%**	**239.98**	**6.21**
External Debt	2,174.50	2,224.68	**50.6%**	**50.18**	**2.31**
Domestic Debt	1,689.85	1,879.64	**42.8%**	**189.79**	**11.23**
Central Government Debt by Instrument (XCD)	**3,864.35**	**4,104.32**	**93.4%**	**239.98**	**6.21**
Loans	1,467.13	1,446.89	**32.9%**	**-20.24**	**-1.38**
Bonds	1,374.47	1,515.19	**34.5%**	**140.72**	**10.24**
Notes	657.36	701.07	**16.0%**	**43.72**	**6.65**
Treasury Bills	365.39	441.17	**10.0%**	**75.78**	**20.74**
Contingent Liabilities by Residency (XCD)	**271.08**	**290.82**	**6.6%**	**19.74**	**7.28**
External Debt	115.74	134.53	**3.1%**	**18.78**	**16.23**
Domestic Debt	155.34	156.29	**3.6%**	**0.95**	**0.61**
Foreign Currency Risk (%)	**100.00%**	**100.00%**		**0.00**	
ECD	52.12%	50.49%		**-0.02**	**-3.14**
USD	38.60%	41.20%		**0.03**	**6.73**
EUR	0.12%	0.07%		**0.00**	**-41.42**
KWD	0.33%	0.25%		**0.00**	**-23.01**
SDR	8.82%	7.98%		**-0.01**	**-9.47**