SAINT VINCENT AND THE GRENADINES

Saint Vincent and the Grenadines’ economic freedom score is 66.8, making its economy the 59th freest in the 2020 Index. Its overall score has increased by 1.0 point due to a higher property rights score. Saint Vincent and the Grenadines is ranked 10th among 32 countries in the Americas region, and its overall score is well above the regional and world averages.

The economy of Saint Vincent and the Grenadines has been considered moderately free ever since its first grading in the Index in 2009. GDP growth for the past five years has been tepid.

Many fundamentals for greater economic freedom, such as flexible regulations, an efficient legal system that secures private property, and macroeconomic stability, are in place. Greater access to private financing and more openness to trade and international investment would improve the business climate as well as those Index indicators. Establishment of a specialized national anticorruption agency would improve government integrity.

BACKGROUND: Situated in the Windward Islands of the Lesser Antilles, Saint Vincent and the Grenadines gained full independence from the United Kingdom as a parliamentary democracy in 1979. Prime Minister Ralph Gonsalves of the leftist Unity Labour Party, in office since 2001 and reelected to a fourth five-year term in 2015, was one of the few Western Hemisphere leaders to maintain support in 2019 for the government of Nicolás Maduro in Venezuela. Agriculture and tourism employ a significant portion of the workforce. Although the economy remains vulnerable to global price fluctuations and natural disasters, it has grown modestly in recent years as a result of renewed growth in construction and increased tourist arrivals at the country’s new international airport.

ECONOMIC FREEDOM SCORE

POPULATION: 0.1 million
GDP (PPP): $1.3 billion 2.0% growth in 2018 5-year compound annual growth 0.9% $11,956 per capita
UNEMPLOYMENT: 19.8%
INFLATION (CPI): 2.4%
FDI INFLOW: $100.5 million
PUBLIC DEBT: 73.1% of GDP

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Although the World Bank’s 2019 *Doing Business* report ranks St. Vincent and the Grenadines very low in terms of ease of property registration, the relatively independent and efficient judicial system, based on English common law, protects property rights and enforces contracts. Judicial effectiveness is hampered by a lack of resources. The rule of law is stronger and corruption is less pervasive than in some neighboring countries.

The top personal income tax rate is 30 percent, and the corporate tax rate is 33 percent. Other taxes include property and value-added taxes. The overall tax burden equals 27.8 percent of total domestic income. Government spending has amounted to 29.6 percent of the country’s output (GDP) over the past three years, and budget deficits have averaged 0.4 percent of GDP. Public debt is equivalent to 73.1 percent of GDP.

Policies and laws in the areas of tax, labor, environment, health, and safety are clearly defined and foster competition. Accounting, legal, and regulatory procedures are generally transparent. Much of the labor force is employed in agriculture or tourism. The nonsalary cost of employing a worker is moderate. Reducing subsidies and transfers to state-owned enterprises could save more than 3 percent of GDP.