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**Statement by Mr. Massourakis and Ms. Quagliolini on Eastern Caribbean Currency
Union
(Preliminary)
Executive Board Meeting
April 26, 2021**

We thank staff for an insightful report and Ms. Levonian and Ms. Edwards for their helpful Buff statement. Though with different intensity across countries, the Eastern Caribbean Currency Union (ECCU) has been hit particularly hard by the pandemic and its fallout on tourism with a sharp fall in GDP in 2020, which is estimated at -16 percent y-o-y. The outlook is projected to remain weak also this year in relation to the uncertainty about the evolution of the pandemic. We appreciate the multi-pronged anti-crisis response comprising monetary, fiscal, financial measures that the ECCU authorities put in place to contrast the pandemic and share the staff's policy recommendations. We recognize the context of higher fiscal and external vulnerabilities for the ECCU economy, policy trade-offs, and think that the Fund's RCF emergency programs with four countries in the currency union have helped them to navigate the crisis. We wish to offer the following comments.

- The pandemic crisis has exacerbated pre-existing fiscal and external vulnerabilities and it is critical that ECCU policy makers strike the right balance between continuing to support lives and livelihoods and rebuilding policy buffers as soon as the recovery becomes entrenched.
- As elsewhere, the deployment of effective vaccination campaigns in the ECCU economy is necessary to eradicate the COVID-19 virus and fully restart tourism activities, which are so important for strengthening the recovery in the economy.
- We agree with the postponement by 5 years, from 2030 to 2035, in the timeline to achieve the regional debt target of 60 per cent of GDP because of the impact of the pandemic crisis on top of the pre-existing effects of the GFC. We encourage the ECCU authorities to

strengthen their fiscal frameworks along the lines suggested by staff to enhance the credibility of the revised target.

- The anti-crisis measures to ease the impact of the pandemic crisis in the financial sector have been appropriate. Nonetheless, in light of the expiry of the temporary loan moratoria in September this year, the projected rise in NPLs requires authorities to put in place all the instruments that can bolster the crisis management plans to enable a faster resolution of troubled assets, including through the Eastern Caribbean Asset Management Company.
- We welcome that the currency backing ratio of the ECCB has remained at robust levels and that the quasi-currency board has continued working well. We appreciate the ECCB Program of Action for Recovery, Resilience and Transformation of the ECCU Economies adopted in October 2020 and concur with staff and authorities on the need to bolster structural reforms to improve competitiveness and boost growth in the ECCU. We encourage staff to provide technical assistance to ECCU countries where needed, including through the Caribbean Regional Technical Assistance Centre (CARTAC).
- Finally, we would like to learn more about the launch by the ECCB of the digital currency DCash on March 31, 2021, as indicated in the Buff statement. *Staff's comments would be welcome.*