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**Statement by Mr. Mouminah, Mr. Alhomaly, and Mr. Rawah on Eastern Caribbean  
Currency Union  
(Preliminary)  
Executive Board Meeting  
April 26, 2021**

We thank staff for the comprehensive report and Ms. Levonian and Ms. Edwards for their useful Buff statement. The COVID-19 pandemic has hit the ECCU countries hard triggering a significant slowdown in economic activity, a sharp deterioration in fiscal positions, along with an anticipation of elevated debt level for years to come. The authorities in the region have responded swiftly underpinned in part by multilateral and bilateral financing. Following the successful initial containment, however, COVID cases have surged subsequent to the lifting of restrictions, which undermines the prospect of recovery. Also, ECCU is confronting immediate challenges particularly with regard to addressing financing needs to support policy measures towards fighting the pandemic and limit scarring, in addition to longer-term issue regarding ensuring fiscal and financial stability. Although a swift dissemination of effective vaccines is an upside risk, downside risks to the outlook are exceptionally high. In this context, we see scope for deeper fiscal and financial integration and coordination of policy measures at the regional level as well as steadfast efforts towards advancing structural reform agenda and macroeconomic performance. Against this background, we are in broad agreement with staff's analysis and policy recommendations and would like to highlight the following issues.

1. **We continue to see the regional debt target as an important anchor of ECCU fiscal policies and support the ECCU's decision to postpone the target date by five years to 2035 in view of the current circumstances.** In addition to the expected difficulty of achieving the target by 2030 for some countries, this would allow some space to support policy measures towards promoting economic recovery, protecting the lives and livelihood, and cushioning the socioeconomic impact of the health crisis more generally. This should be complemented with further steps towards strengthening revenue mobilization, enhancing the efficiency of spending while relying on concessional financing, especially where large

financing gaps and debt sustainability concerns are major issues. *We wonder if the authorities have already developed contingency fiscal measures, should the pandemic proved to be protracted than anticipated. Staff's comments are welcome.*

2. **We echo staff's call for by further strengthening the fiscal framework with a view to preserving the credibility of the revised fiscal anchor.** In this connection, we see merit in the staff's proposal to adopt regional common standards as well as to establish a regional fiscal oversight entity to help guide the fiscal responsibility frameworks and fiscal reforms at the national level in a well-coordinated manner. *On the latter, we note the authorities' preference not to proceed with this matter due to legislative approval issues, and therefore, invite staff to comment whether it will be part of the authorities' future plans going forward.* Also, fiscal reforms should proceed as soon as feasible, including with regard to further improving budget processes and public investment management supported by tailored TA where required.

3. **We positively note that the financial system remains broadly resilient, however, addressing existing vulnerabilities should be prioritized together with advancing financial sector reforms.** On credit risk, we welcome the ECCB's decision to allow loan moratoria to expire by September 2021 and the ongoing efforts focusing on better assessing the banking system health which could help better identify troubled assets. We encourage concrete and coordinated efforts to reduce NPLs, including through considering sustainable funding options for ECAMC while addressing remaining shortcomings in the national legal frameworks. We echo staff's view regarding formalizing crisis management plans at both regional and national levels expeditiously, developing regional macroprudential framework, and moving towards Basel III/II regulatory regimes. The loss of CBRs remains a significant risk, and thus, we welcome the ongoing efforts to prevent further loss of CBRs, including by further improving the AML/CFT framework, as noted in the Buff. We also welcome the ECCB's strong commitment to safeguarding the currency board with a strong backing ratio.

With these remarks, we wish the authorities further success.