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April 22, 2021

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

We thank staff for their reports and Ms. Levonian and Ms. Edwards for their helpful Buff statement. We recognize that the Caribbean region is experiencing a persistent economic downturn from the COVID pandemic, and we welcome that emergency financing provided by the IMF, combined with support from other institutions, has helped mitigate the immediate impact from the crisis. We agree with staff's analysis and broadly support adjusting macroeconomic targets to allow for continued fiscal support while the region recovers from the crisis. Finally, we encourage staff and regional and national authorities to work closely together to on recovery going forward.

We support the authorities' decision to postpone the timeline for meeting the regional debt target to 2035, given the need to maintain fiscal support during the pandemic. We agree with staff that member countries will need to turn to fiscal consolidation once economic recovery from the pandemic is firmly underway. In order to restore credibility of the revised debt target, we agree with staff's recommendations to establish a regional fiscal oversight council to assist national authorities and common standards to guide national fiscal policies. Over the longer-term, greater regional fiscal consolidation, including coordination of tax incentives and Citizen-by-Investment programs, can help bolster revenues and avoid a "race-to-the-bottom." We agree with staff that member countries should use the fiscal space afforded by delaying the debt target to boost infrastructure investment spending to raise long-term potential growth.

We strongly encourage ECCU countries with high public debt levels and structural fiscal deficits to consider engaging with the Fund to support their plans to return to sustainability over the medium term. Where appropriate, some member states may benefit from entering into UCT programs that can provide the support and structure to while the authorities implement strong reform programs to restore fiscal and debt sustainability over the medium and longer term. We would encourage staff to work with the ECCU on securing the necessary assurances for successful programs.

We agree that widespread vaccination will be critical to recovery. We note staff's cautious baseline scenario that tourism arrivals will not fully recover until 2024. *As vaccination rates have accelerated in key tourism source markets (U.S. and UK especially) have staff adjusted their projections or seen any indications of a tourism rebound that would suggest a faster recovery?*

We urge the authorities to closely monitor the ECCB's digital currency pilot, paying particular attention to risks related to financial intermediation, cybersecurity, financial access and reputation, and third-party provider concentration. *Can staff provide an update on the CBDC project, the status of its rollout, and an assessment of how the ECCB has addressed some of the risks mentioned above?*

We encourage staff and the authorities to closely monitor the financial sector, given rising NPLs that are expected to triple to nearly 30 percent over the next three years. Improving bank balance sheets should be an ECCU priority. It is vital that banks play a role in economic recovery and expand access to credit. The ECCU should focus on regional efforts to reduce NPLs, including through both legal/institutional reforms and through Eastern Caribbean Asset Management Corporation (ECAMC) purchases.