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April 22, 2021

**Joint Statement by Mr. Chikada, Ms. Grant, Mr. Mochtar, Mr. Dacharux, Mr. Iona, and  
Mr. Kuretani on Eastern Caribbean Currency Union  
(Preliminary)  
Executive Board Meeting  
April 26, 2021**

We thank staff for the report and Ms. Levonian and Ms. Edwards for their helpful Buff statement.

The pandemic brought a big challenge for the ECCU economies. The tourism-dependent economies of the ECCU were heavily hit by the pandemic, following a 5-year period of strong regional economic growth. Tourist arrivals came to a standstill as strict measures, both within the region and in major source markets, were taken to curb the spread of the disease. The spillover effects on the retail distribution and services sectors, together with domestic lockdowns, led to the deep and protracted recession the region is now facing. The sharp increase in COVID-19 cases following a reopening of borders has added to the long and bumpy road to recovery, with significant uncertainty around the pandemic's trend and tourism demand. That said, we broadly concur with staff's analysis and policy recommendations to tackle the challenges and offer the following comments for emphasis.

**We agree with staff that focusing on saving lives and livelihoods is the right near-term priority for fiscal policy in the ECCU region.** Increased support for the health sector is urgently needed to enhance testing and treatment capacity, and to expedite the rollout of vaccination programs in collaboration with development partners. If done well, these efforts will also help restore confidence in the tourism sector over the medium term which can help propel economic recovery. Equally important is the need to maintain support for vulnerable households. As such, it is appropriate to postpone the regional debt target by five years to provide space to support these near-term priorities and economic recovery efforts. We welcome the authorities for seeking emergency support from the Fund early on in the crisis and encourage staff to engage with authorities on the possibility of seeking appropriate and longer term arrangements from the IMF and other IFIs.

**Preserving the credibility of the revised fiscal anchor, including to mitigate the pandemic's negative impact on public finances with elevated debt to GDP ratios, is crucial to boost confidence and ensure long-run growth benefits.** Credibility can be achieved by strengthening the fiscal policy frameworks, which as staff suggest, could include common standards and arrangements, fiscal oversight, and incentive mechanisms to promote compliance. All these initiatives aim to ensure timely implementation of fiscal adjustments and strengthen fiscal transparency and accountability. Strong fiscal transparency and accountability will help provide confidence to donors. We caution, however, against a premature withdrawal of COVID-19 related fiscal support, and the return to a growth-friendly fiscal consolidation must be carefully calibrated once the pandemic is fully under control.

**Implementing the financial sector reform agenda while carefully assessing the necessity for further loan restructuring is also important to further strengthen financial stability.**

We agree with staff on the need to formalize crisis management plans at all levels to contain broader financial stability and any contingent fiscal liability risks. At the regional level, it is important to ensure the adequacy of ECCB's tools for liquidity assistance and its bank resolution framework, including for non-banks. We also support staff's recommendation that other long-term reforms must be pursued, including a centralized AML/CFT supervision framework and transitioning toward Basel II/III regulatory regimes. We agree with Ms. Levonian and Ms. Edwards in their Buff statement that corresponding banking relationships is an ongoing risk to financial stability and urge staff to remain engaged with the region on this matter. We agree with the ECCB that some financial sector reforms should not wait until the end of the pandemic, although sequencing should be closely tailored to capacity under the crisis management scenario. We note that already elevated levels of NPLs are expected to rise sharply after crisis-response measures are lifted partly due to the ongoing tourism shock, bringing to the fore the need to adequately fund the ECAMC to support recovery and resolution efforts. *In light of the insufficient funding model for ECAMC to date, could staff comment on what are the alternative troubled asset resolution strategies available to the authorities?*

**Intensified CD support from IFIs will be beneficial for ECCU authorities as they navigate their way through this crisis.** Implementing the fiscal and financial sector policy recommendations will not be easy, even in the best of times. That said, persistent technical assistance will be needed, especially given the significant uncertainty that lies ahead. In this respect, we urge staff to closely engage with the authorities and in collaboration with other CD providers to ensure tailored and coordinated support for the ECCU authorities by utilizing CARTAC.

**Mitigating the extreme vulnerability of ECCU members to natural disasters and climate change are also important amidst the complexity of recovery challenges.** We are pleased, however, to note the authorities' determination and commitment to building resilience to natural disasters and support their call for greater and dedicated international financial support, including from the IMF, as they attempt to embed these challenges into

their medium-term investment strategies. We also note the call by authorities for greater access to concessional financing for small island countries on the basis of their vulnerability to external shocks.