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**Statement by Mr. Mozhin and Mr. Tolstikov 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. The countries of the Eastern Caribbean Currency Union (ECCU) have been hit hard by the COVID-19 crisis, especially the most tourism-dependent economies. Overall, the ECCU's GDP contracted by 16 percent, its members' fiscal positions and current accounts deteriorated substantially. The near-term outlook is projected to be weak and risks are high amid the uncertainty of the pandemic outlook. The region is also one of the most vulnerable to natural disasters, including those related to the climate change. Therefore, the authorities' policies should be aimed at achieving macroeconomic stability, sustainable growth, and economic resilience. As we broadly agree with the staff recommendations, we will make a few points for emphasis.

We agree that the immediate priority is to protect lives and livelihoods of people, and the implementation of the effective vaccination campaign is critical in this respect. It will also help to revitalize the critically important tourism sector. A 20 percent coverage under the COVAX Facility is clearly insufficient. The authorities should actively collaborate with all partners to maximize access to vaccines, and additional bilateral assistance can make a difference.

We take note of the ECCU's decision to extend the 60 percent of GDP regional debt target date from 2030 to 2035. While the previous date has become unfeasible to many ECCU's economies, this decision should be complemented by strengthening the rules-based fiscal frameworks to guide the medium-term fiscal consolidation and to maintain confidence in the regional fiscal anchor.

Continued deterioration of banks' asset quality, obfuscated by a temporary regulatory forbearance, is a concern. Financial system risks are gradually increasing. We agree with

staff that crisis management plans need to be formalized expeditiously at regional and national levels to ensure that system-wide risks can be effectively contained. The authorities are also well advised to develop strategies to promote NPL reduction, including addressing funding constraints of the Eastern Caribbean Asset Management Company, while strengthening national asset recovery frameworks.

The recent introduction of the “DCash” – the central bank digital currency -- is an important step, as it became the world’s first CBDC in the currency union. *We would appreciate it if staff could provide additional information on this project.*

With these remarks, we wish the authorities success.