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GRAY/22/2210

July 25, 2022

**Statement by Mr. Alhosani and Ms. Hamzah on Eastern Caribbean Currency Union  
(Preliminary)  
Executive Board Meeting  
July 27, 2022**

We thank staff for the well written report, we also thank Mr. Jennings, Mr. O'Brolchain, and Ms. Edwards for their useful buff statement. We are in broad agreement with staff's policy recommendations and appraisal. Countries within the Eastern Caribbean Currency Union (ECCU) are gradually recovering from the COVID-19 Pandemic which has negatively impacted economic activity and has left scarring on key economic sectors in addition to losses of human capital and straining of fiscal and external balances. The conflict in Ukraine is also imposing new global challenges that include higher inflation and increasing food prices. Against this backdrop, we would like to make the following points:

**Global inflationary pressures accompanied by high food prices would impose further challenges that can negatively impact economic activity.** As inflation is expected to reach over 5.5 percent in 2022 due to increasing overall global inflationary pressures and economic repercussions from the conflict in Ukraine, the authorities are encouraged to provide temporary and targeted relief measures to mitigate risks and alleviate the impact of rising living costs. Improving the adequacy and efficiency of social safety nets will also be needed to help support vulnerable households. Additionally, we agree with staff that enhancing regional integration by the removal of trade barriers, can ease supply disruptions and facilitate trade to ensuring adequate food security for the region.

**Rebuilding sufficient macroeconomic buffers and strengthening fiscal frameworks are key priorities.** Fiscal consolidation and maintaining fiscal discipline over the medium term is key to preserving debt sustainability and ensuing resilient and inclusive growth. The adoption of a well-designed- rule-based fiscal responsibility framework (FRF) will also be

needed to achieve fiscal consolidation and to preserve the credibility of the regional debt regional target. However, we agree with staff that in order to minimize the impacts of climate risk, setting a lower debt country ceiling than the regional debt ceiling in addition to ensuring that operational targets are tailored to country specific circumstances, will enhance the effectiveness of FRFs. Going forward, we encourage the authorities to ensure that fiscal policy moves from income support and job retention measures to ones which facilitate labor reallocation and training.

**Advancing on structural reforms is key to strengthen private sector confidence and enhance the business climate to ensure sustainable and inclusive growth.** Digitalization efforts can be a powerful tool to help simplify processes and foster financial inclusion efforts. We positively take note of the new payment system and services act (PSSA) that is being drafted in addition to the projects currently underway with World Bank support such as the Caribbean Digital Transformation Project and the Blue Economy Project. We also advise the authorities to pay close attention to the cyber risks involved with more advanced payment system technologies to avoid disruptions that may hurt confidence in the financial sector. We therefore agree with staff that appropriate crisis management plans and pursuing a prudent approach to financial innovation will be needed to strengthen financial sector resilience.

**Finally, we encourage the authorities to continue to address vaccine hesitancy through continued public education and awareness campaigns.**

With these remarks, we wish the people of the Eastern Caribbean Country Union (ECCU) and their authorities all the best in their future endeavors.