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April 22, 2021

**Statement by Mr. Odonye and Mr. Jappah 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 informative Buff statement.

The pandemic has exacted a heavy toll on the ECCU, severely disrupting tourism receipts and other inflows to the region. The economy contracted by 16 percent in 2020 and is projected to continue amid significant downside risks, including the uncertain path of the virus. We note that the reopening of the economy since last summer failed to boost the return of tourists and has resulted to a surge in COVID-19 cases. Against this background, we broadly agree with the thrust of the staff assessment and support the near-term efforts to address the crisis, reduce economic scaring and protect the vulnerable.

We appreciate the ECCU's efforts to protect lives and livelihoods, ensure medium-term fiscal sustainability, and safeguard financial stability and the quasi-currency board. Here we welcome the approval of the regional program by the ECCB Monetary Council that outlines the Action for Recovery, Resilience and Transformation of the ECCU Economies during 2021–2026. We take positive note of the assurance in the Buff statement that aspects of the program are underway. More importantly, we support the authorities' focus on ensuring that vaccination fully reaches the population alongside the reopening of tourism markets, which is crucial to the economy.

We support the ECCU's decision to extend the regional debt target from 2030 to 2035 to create the fiscal space and maintain confidence in the regional anchor. The authorities must strengthen both regional and national fiscal frameworks to safeguard the credibility of the revised debt anchor. At the regional level, this includes instituting common standards and arrangements to guide national fiscal policy frameworks, establishing a regional fiscal oversight body, and developing incentive mechanisms to ensure compliance and lower government borrowing costs. The national authorities should accelerate efforts toward adopting full-fledged rules-based fiscal frameworks to guide the pace and composition of the medium-term consolidation toward the debt target.

Helping financial institutions to overcome the near-term pandemic impact and preparing comprehensive crisis management plans is crucial for a sustainable monetary union. In this regard, we see merit in well-designed fiscal frameworks, including fiscal rules to ensure fiscal and debt sustainability. Further, the authorities need to improve the existing regional and national frameworks for implementing transformative initiatives, particularly to enhance natural disaster management and investment in resilient infrastructure. *We would appreciate further elaboration on the authorities' more optimistic growth prospects for 2021 than staff's?*

We positively note that financial sector conditions are relatively sound with ample liquidity buffers and stable bank deposits. Nevertheless, we are uneasy that rising non-performing loans (NPLs) could upset the sector following the expiration of the moratorium on loan repayment. This warrants vigilance and supervisors should carefully balance near-term supervisory flexibility with measures to help financial institutions to weather possible upsets. We encourage the authorities to monitor and reinforce risk management measures, including for non-bank financial institutions. We commend recent efforts to implement higher standards on the treatment of impaired assets, which would ensure appropriate loan loss provisioning and reinforce national and regional crisis management frameworks. *Could staff elaborate on the status of the common infrastructure and supervisory framework for non-banks? Relatedly, we would appreciate more comments on the review of the ECCB toolkit for liquidity assistance to banks and the prospects for domestic banks to rise to the decoupling of CBRs under the recent legislative changes in the US?*

Finally, we agree that building resilience is nonnegotiable and access to funding would reinforce the drive. We support initiatives that have catalytic effects on Small Development States (SDSs), including those of the ECCU, in light of their high level of vulnerability. In this regard, Fund's collaborative work with other multilateral institutions is commendable and would continue to receive our support. We also welcome the work of CARTAC and IFIs in helping to strengthen capacity in data gathering and dissemination for local institutions.