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**Statement by Mr. Andrianarivelo, Mr. Sylla, and Mrs. Boukpepsi on Eastern Caribbean
Currency Union
(Preliminary)
Executive Board Meeting
April 26, 2021**

We thank staff for the informative report on Common Policies of Eastern Caribbean Currency Union (ECCU) Member Countries and Ms. Levonian and Ms. Edwards for the insightful Buff statement. We broadly concur with staff appraisal and policy recommendations and would limit our comments to the following points.

The Covid-19 pandemic has severely impacted the region. As a result of the shock and the stringency of containment measures, economic activity and tourism have contracted, fiscal vulnerabilities have exacerbated, and the current account deficit has widened while unemployment levels have increased. In this context, we commend the ECCU national authorities and the central bank, the ECCB, for the swift response this crisis which have been instrumental in containing the first wave of the pandemic, protecting lives and mitigating the socio-economic impact of the pandemic.

Economic recovery in the region is projected to remain subdued, with a significant permanent output loss relative to pre-crisis projection. Uncertainty over the near and medium-term outlook remains extremely high and is subject to pandemic dynamics and vaccine developments. *In this context, we appreciate Box 1 of the report on the Access to Vaccines and would like staff to provide an update on the ongoing strategies (both at national and regional levels) to acquire and distribute vaccines across the ECCU countries?* Significant downside risks also include socio-political discontent, natural disasters, cyber-threats, and the loss of Correspondent Banking Relationships (CBRs). *On the socio-political situation, could staff also update us on the social tensions related to the pandemic and the authorities response? Is it the case in all ECCU members?* We agree with staff that near-term priorities should remain focused on addressing the health crisis. As the recovery is evident and fully entrenched, policies will need to focus on limiting the economic long-term effects of the pandemic while maintaining debt sustainability, addressing financial sector vulnerabilities, and moving ahead with the implementation of outstanding and bold reforms.

Fiscal policies should remain supportive to mitigate the social and economic fallout of the pandemic until the recovery is firmly under way. Given, the scarcity in financing resources and the elevated level of public debt, countries authorities face serious constraints in their attempt to reopen the economy and protect lives and livelihoods throughout the pandemic. In this respect, we support the authorities' call for greater access to concessional financing for small island countries considering the region's extreme vulnerability to external shocks, notably to natural disasters and climate change, and the paramount urgency to secure rapid distribution of Covid-19 vaccines. At the same time, it will be important to ensure that fiscal policy measures are appropriately targeted and sequenced to prevent deeper scarring effects of the pandemic, reinforce the regional and national macro-fiscal frameworks, and boost potential growth. We welcome the recent ECCU's decision to extend the regional debt target date from 2030 to 2035. This will help create the needed fiscal space to maintain policy support and put the economic recovery on a solid footing. We also agree that this decision should be accompanied with measures to safeguard the credibility of the debt anchor and secure market confidence.

The common monetary policy has served the region well and we note the ECCB policy objective in maintaining a strong currency. That said, the Eastern Caribbean (EC) dollar, being pegged to the US dollar, *staff insights would be appreciated on the expected effects of the recent US fiscal stimulus policies on inflation and on the monetary policy of the Union.*

Close monitoring of the financial sector is warranted to tackle emerging credit risks posed by the pandemic and the withdrawal of financial support measures. To address deterioration of asset quality, concentration of assets exposure and a surge in nonperforming loans (NPLs), we concur with staff on the need for supervisors to swiftly ensure that banks have strong risk-management framework and that the loan moratoria will cease as planned by the ECCB. Credible strategies for NPL reduction notably through the ECAMC or other alternate private solutions are also warranted. Efforts to formalize the crisis management framework at both national and regional levels should be stepped up for systemic risk monitoring and greater financial integration. Pursuing the implementation of outstanding reforms such as the harmonization of regulation for the non-banking sector, enhancement of the AML/CFT framework, the move toward Basel II/III regulatory regimes and further steps in tackling loss of CBRs when time is appropriate will be key to boost financial sector stability and build resilience.

Finally, we welcome the ECCB Program of Action for Recovery, Resilience and Transformation (PARRT) that would help enhance the region's competitiveness, including through digital transformation, boost growth, and increase resilience in the context of the quasi-currency board arrangement. The recent ECCB launch of the world's first retail central bank digital currency (CBDC) –Dcash– is commendable and positively contribute to the implementation of the PARRT as underscored in the Buff statement.

With these remarks we wish the ECCU authorities success in their future endeavors.