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**Statement by Mr. Heller and Mr. Ahmadov on Eastern Caribbean Currency Union  
(Preliminary)  
Executive Board Meeting 15/59  
June 15, 2015**

We thank staff for the informative report, as well as Messrs. Dupont and Silston for their helpful Buff statement. We take note that the overall situation has improved since the last discussion. Nonetheless, vulnerabilities such as the high level of debt, fiscal imbalances, a weak financial sector and an over-valuated currency, persist and pose risks to the sustainability of growth. In this context we regret that the time table for the debt reduction target for the ECCU has been prolonged from 2020 to 2030.

While the economic situation has improved compared to last year, partly due to external factors such as lower prices for fossil fuel and more tourism, major challenges still remain. Thus, it is important to take the risk assessment matrix into account, which shows that of the six important sources of downside risks all have a medium-to-high likelihood to materialize and a majority of them would have a high expected impact. In particular, we acknowledge that, in some cases, the citizenship-by-investment (CBI) programs have contributed positively to growth and the fiscal situation. However, we agree with staff that the CBI programs may bear some risks and not be as successful in the future. The decision by Canada to eliminate visa-free entry for St. Kitts and Nevis citizens in late 2014 highlights the risks connected with such programs.

We encourage authorities to engage in front-loaded adjustment in order to achieve the debt target by 2025. Even though the regions' debt-to-GDP ratio declined from 85 percent in 2013 to 84 percent in 2014 and some authorities exceeded their programmed fiscal consolidation for 2014, the overall situation is far from satisfactory. The estimated primary surplus of 0.9 percent in 2014 is far from being sufficient to comply even with the prolonged time table for the debt reduction target, as the table in para 14 shows.

A further source of concern is the persistence of the weak financial sector. The delay in resolving banks under conservatorship is undermining financial stability. It also poses sizable fiscal risks, discourages the involvement of foreign investors, and continues to be a drag on the economic recovery.

We recognize that the ECCB has effectively maintained price stability by preserving the EC dollar at a rate of EC\$ 2.70 to US\$1 since 1976. At the same time, the ECCU faces a competitiveness problem by the overvalued real exchange rate. The report suggests that unit labour costs have grown by 27 percent relative to those in the United States in little over a decade. Thus, we urge the authorities to develop strategies for structural reforms and improved competitiveness.