

**EXECUTIVE
BOARD
MEETING**

EBS/20/69
Correction 2

May 1, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **St. Lucia—Request for Disbursement Under the Rapid Credit Facility**

Board Action:

The attached corrections to EBS/20/69 (4/22/20) have been provided by the staff:

**Factual Errors Not
Affecting the
Presentation of Staff's
Analysis or Views**

Page 6

Questions:

Mr. Ding, WHD (ext. 39766)

also actively seeking concessional funding and debt relief from bilateral and multilateral sources including the Caribbean Development Bank and the World Bank. Given the large common shock to the ECCU, regional policy coordination is key to ensure resources are available for member states to respond to the crisis. To this end, the ECCU heads of government are committed that they will consult with each other on national policy decisions that may have implications for neighboring states, proactively engage with creditors to minimize rollover risks, and ~~direct~~ encourage the statutory bodies in the region to maintain and, where possible, increase their exposure to the region's sovereign bonds (so as to ensure public resources are ~~fully~~ available to sustain the fiscal policy efforts that are currently in-train or planned for the future).

9. The authorities are committed to ensuring debt remains sustainable over the medium-term and taking the necessary steps to bring the debt to their 2030 debt target. To this end, they are considering measures to widen the tax base (including by targeting the informal sector) once the economy recovers from the crisis and plans to adopt a fiscal rule that would create a clear institutional framework to guide the pace and composition of the medium-term fiscal consolidation and minimize implementation risks.³ The authorities also plan to increase public investment on health, education and resilience to natural disasters and climate change, which could enhance St. Lucia's long-term macroeconomic performance and reduce the risks around the medium-term path for debt-GDP. They will actively seek concessional financing including the global climate funds to finance increased public investment. The authorities also plan to introduce a new Public Financial Management (PFM) Bill in the near term aimed at enhancing the transparency, accountability and efficiency of PFM.⁴

10. The ECCB has announced a loan moratorium and a waiver of late fees and charges for six months and targeted supervisory flexibility. The ECCB has indicated that it will ensure earliest clarification on the moratorium measure to be subject to each bank's eligibility criteria and assessments per best practices. The announced forbearance measures are largely consistent with the IMF guidance that such measures should be transparent, temporary and combined with intensive supervision in particular of the impact of restructured loans. The ECCB also announced measures to increase members' access to ECCB lending through temporary advances to governments and purchasing of discount and rediscount treasury bills and long-term bonds and other government guaranteed bonds. In light of the potential crisis impact on the domestic credit union sector, the national supervisor (Financial Services Regulatory Authority, or FSRA) is also committed to work closely with the ECCB and the government to maintain stability in the non-bank sector, including by obtaining access to emergency liquidity assistance from the public sector.

³ The authorities planned to introduce a hotel accommodation fee which staff estimated could generate additional annual revenue of 0.7 percent of GDP (see the 2019 Article IV staff report). The authorities noted that the accommodation fee has the potential to mobilize additional revenue from the alternative accommodation sector such as Airbnb, which has grown substantially in St. Lucia in recent years without contributing directly to government revenues. The authorities also plan to expand the coverage of the social security programs to the informal sector.

⁴ See [2019 Article IV Consultation staff report](#) for details of the fiscal rule and the planned PFM Bill.