



**EASTERN CARIBBEAN CENTRAL BANK**  
**STATEMENT ON THE INTERNATIONAL MONETARY FUND'S PUBLICATION OF**  
**THE 2018 REPORT ON THE EASTERN CARIBBEAN CURRENCY UNION**  
**COMMON POLICIES DISCUSSION**

The Eastern Caribbean Central Bank (ECCB) welcomes the publication of the “*Eastern Caribbean Currency Union – Staff Report for the 2018 Discussion on Common Policies of Member Countries*” by the International Monetary Fund (IMF).

The 2018 Common Policies Mission provided an opportunity for fruitful dialogue between the ECCB and the IMF, the IMF and member countries as well as other stakeholders across the Eastern Caribbean Currency Union (ECCU). The discussions focused on policy issues of relevance to the ECCU, at this juncture, and included the following issues:

- Fiscal responsibility frameworks;
- Building ex-ante resilience and investing in resilient infrastructure;
- Enhancing the regulatory framework for the financial sector; and
- Improving the competitiveness of the ECCU countries through structural reforms in key areas such as energy, the labour market, and education and skills.

The IMF’s findings from the regional consultations were presented to the Fund’s Executive Board for discussion on 28 January 2019.

The ECCB concurs with the IMF’s assessment that the economic recovery of the ECCU countries following the devastating 2017 hurricanes – Irma and Maria – continues apace. This recovery has been bolstered by a sound monetary framework that is enshrined in the fixed exchange rate regime, and ongoing efforts towards strengthening the financial sector and building resilience on all fronts. While the ECCB forecasts economic growth over the next two years, these projections are not without risks. Downside risks to the region’s economic prospects include continued slowdown in the global economy and climate change-related risks.

The Bank wishes to underscore the need for support from the international community to assist with the resilience-building efforts in our region. The Bank is appreciative of the IMF's balanced presentation of the strides made with respect to the reform agenda for the financial sector and the ECCU member governments' progress towards fiscal and debt sustainability.

The ECCB highlights, under the rubric of the Bank's strategic priorities, the following economic and financial developments that have contributed to the positive outturn observed over the review period covered by the common policies discussions:

### **1. Monetary Policy**

The Central Bank upheld the exchange rate with a high level of foreign reserves that resulted in the backing for the EC dollar closing 2018 at 98.3 per cent (6.8 months of import cover). The international reserves of the ECCB remain an important source of confidence in the stability of the EC currency. Furthermore, the fixed exchange rate regime provides a stable monetary environment that is conducive to investment and ultimately promotes the economic growth and development of the ECCU countries.

### **2. Financial Sector Stability**

Significant progress has been made in reducing the vulnerabilities in the financial sector, including continued declines in the level of non-performing loans in the banking sector and enhanced capital buffers of commercial banks. However, the Bank readily acknowledges that there is unfinished business in respect of the risk-based supervisory framework. Efforts at strengthening the institutional framework for the regulation and oversight of the financial sector, including for the non-bank financial sector, are now underway. Ongoing research at the ECCB has identified the systemically important credit unions as the cooperatives sector has risen in prominence in the financial sector in recent times, becoming an increasingly significant source of credit to the private sector.

### **3. Fiscal and Debt Sustainability**

The overall trend in the ECCU debt-to-GDP ratio has been downward over the last few years. The debt-to-GDP ratio declined by 10 percentage points over the past five years to 71.7 per cent as at the end of 2018. As the countries approach the 60 per cent debt-to-GDP ratio targeted for 2030, it becomes imperative that the necessary institutional frameworks be firmly in place to ensure that progress is sustained. To that end, the ECCB continues to be a strong advocate for these fiscal responsibility/resilience frameworks in member countries.

### **4. Growth, Competitiveness and Employment**

The Bank remains a committed partner with respect to the agenda for elevating the growth trajectory of the ECCU economies. The ECCB continues to collaborate with the World Bank Group and regional development institutions - including the Organisation of Eastern Caribbean States (OECS) Commission - in the thrust to improve the region's competitiveness and the member countries' positions on the World Bank's Ease of Doing Business rankings.

### **Acknowledgements**

The Bank wishes to thank the IMF staff who participated in the regional consultations and prepared the Staff Report and accompanying documents for our productive engagement. The ECCB also appreciates the support provided by the Office of the Executive Director for Canada, Ireland and the Caribbean, and for the interventions of other Executive Directors of the IMF. The Bank takes this opportunity to express its desire for a continuation of the fruitful dialogue, joint research and technical assistance between the ECCB and the IMF on the pertinent policy issues impacting the ECCU in particular and small states in general. These issues include resilience building, de-risking (loss of correspondent banking relations) and FinTech developments.

The IMF's "*Eastern Caribbean Currency Union—Staff Report for the 2018 Discussion on Common Policies of Member Countries*" is available on the [IMF website](#).

**Eastern Caribbean Central Bank**

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