Navigating an Unprecedented Crisis
Toward a Transformed and Resilient Region

“In a crisis, be aware of the danger – but recognise the opportunity.” ~ John F. Kennedy

History will record the year 2020 as a watershed moment in our time, a time like no other for our generation. This period will be examined not merely by the impact of the unprecedented COVID-19 pandemic that is currently causing pandemonium across our world, but by our response. We must adopt a growth mindset, even as we tackle the health and economic crisis, lift our economies from the abyss and emerge stronger and more resilient.

The Eastern Caribbean Central Bank (ECCB) recognises the gravity of this moment. A moment characterised by intense heartache as we mourn the loss of lives across the Eastern Caribbean Currency Union (ECCU) and in the diaspora, due to COVID-19. The health and human toll of the COVID-19 disease is compounded by its economic and financial fallout, as it continues to disrupt every facet of our everyday lives. As countries around the world and in the region moved to shut their borders and economies to safeguard lives, livelihoods became the second round casualties of the pandemic. Tourism ground to a halt, with devastating spill-over effects and our economies have been in free fall ever since. Unemployment is estimated to be as high as 50.0 per cent in some member countries. Revenues have plummeted by at least 50.0 per cent. At all levels of society, some of our best-laid plans have been confounded as we have all had to adjust to new ways of doing things and to embrace a new normal in this COVID-19 world.

At the ECCB, we have been exploring all the tools in our policy arsenal and beyond, to respond swiftly to the COVID-19 crisis and the cries for help that came from our member countries:

1. In March 2020, we provided a $4.0 million grant to our countries – $500,000 each – towards procuring critical testing and medical equipment and supplies to deal with the immediate health needs and ensure quick containment of the coronavirus.
2. In March 2020, the ECCB increased the share of the fiduciary issue allocated to governments to 75.0 per cent from 60.0 per cent. This was to assist our member governments with closing their extraordinary financing gaps – estimated to be upwards of $2.2 billion to $2.7 billion. These gaping needs result from the significant revenue shortfalls and the care and relief packages implemented to mitigate the impact of the COVID-19 crisis on livelihoods.
3. Mindful of the need to provide concessionary financing, the Central Bank recommended a reduction in the discount rate to 2.0 per cent from 6.5 per cent. The discount rate is the rate at which the member governments and commercial banks borrow from the Central Bank.
4. The Bank continued its advocacy to the international community, on behalf of the member countries, for debt standstill and improved access to concessional financing as additional means for providing liquidity support.
5. In March 2020, the Bank supported the agreement reached by ECCU commercial banks to offer a six-month loan repayment moratorium to their customers to provide some financial reprieve.
6. As part of its financial stability mandate, the ECCB prepared regulatory guidance for licensed financial institutions to help manage the COVID-19 pandemic.
7. The Bank has also focused on ensuring business continuity by deploying full telecommuting mode in March 2020: 
   - To make it more feasible to comply with the health protocols that are necessary for protecting staff lives and flattening the curve.
   - To ensure that the organisation could continue to effectively serve the region through this period of crisis.

Prior to the onset of the pandemic, the ECCB’s financial year 2019/2020 opened in a global environment that was already showing signs of a slowdown. At the time, the International Monetary Fund (IMF) had forecast a growth rate of 3.3 per cent for 2019. Indeed, global growth slowed to 2.9 per cent in 2019. Despite the slowdown in the global economy, the ECCU region recorded robust growth of 3.2 per cent in 2019 as the post-hurricane recovery continued inching towards our growth target of 5.0 per cent.

The challenges of the COVID-19 pandemic now seek to make a mockery of this and other targets, which are vital to our goal of socio-economic transformation and resilience.

Yet, prior to and even in the midst of the pandemic, your Central Bank delivered in 2019/2020 on the goals outlined in the Strategic Plan 2017-2021, supported by strong partnerships regionally and internationally.

The foremost priority for our Central Bank is to maintain a strong and stable EC dollar. In that regard, the Central Bank maintained sufficient reserves to ensure monetary and price stability. By the end of the 2019/2020 financial year, the backing ratio for the EC dollar stood at 101.07 per cent, indicating a significant buffer above the statutory minimum backing of 60.0 per cent, that could be used for absorbing economic shocks. Additionally, considerable work was undertaken in regard to development and testing of the DXCD application in preparation for the launch of the pilot. In the financial year 2019/2020, we also enhanced the security and durability of our EC notes through the issuance of a new collection of cleaner, safer and stronger notes made from polymer.

The Bank continued to press forward with reforms to ensure a strong, diversified and resilient financial sector. We provided regulatory guidance through the issuance of prudential standards on the treatment of impaired assets. We advanced our research on developing an optimal regulatory framework that closes regulatory gaps and delivers a comprehensive regulatory architecture that is fit for purpose. The Eastern Caribbean Partial Credit Guarantee Corporation (ECPGCC) has been established, with a board and staff in place. In several of our countries, we secured the passage of some key pieces of legislation that are necessary for supporting the reforms being proposed with respect to strengthening the financial sector. Also, a draft Insurance and Pension Bill was further revised and consultations commenced during the year. The initiative to create a modern credit ecosystem made progress with the ECCB’s approval of a license application by Creditinfo International Ltd to establish and operate a regional credit bureau. The Deposit Insurance project, an essential component of a new risk management infrastructure, also moved forward in its development of a policy concept and draft bill with support from the World Bank. Other collaborations under this strategic goal include the three-year project to strengthen the supervisory frameworks for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) funded by the Caribbean Development Bank (CDB), Canada and ECCB. Another collaborative initiative is the Secured Transactions/Collateral Registry project with the International Finance Corporation that commenced this financial year.

While fiscal policy is the purview of the member governments, given the importance of fiscal and debt sustainability to monetary stability and economic development, the Bank has committed to an advisory role with respect to fiscal governance and reform. Under Goal Three – be the advisor of choice to our Participating Governments in pursuit of fiscal and debt sustainability – first, we note that as at December 2019, the ECCU’s Debt-to-GDP ratio stood at 68.2 per cent. While this ratio was slightly elevated compared with the 68.1 per cent recorded for the preceding year, our debt ratio target of 60.0 per cent by 2030 was still within reach. In partnership with the member governments and the IMF, we were pleased to deliver on our commitment to provide a regional public debt website. In July 2019, we launched the ECCU Public Debt and Market Information Web Portal to disseminate accurate and timely information. With support from the Commonwealth Secretariat, the Bank launched a new debt management system, Commonwealth Meridian. The Deposit Insurance project, an essential component of a new risk management infrastructure, also moved forward in its development of a policy concept and draft bill with support from the World Bank. Other collaborations under this strategic goal include the three-year project to strengthen the supervisory frameworks for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) funded by the Caribbean Development Bank (CDB), Canada and ECCB. Another collaborative initiative is the Secured Transactions/Collateral Registry project with the International Finance Corporation that commenced this financial year.

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ECCB’s Response to COVID-19 Crisis

- Provided a $4.0 million grant to member countries
- Increased share of fiduciary issue allocated to governments to 75.0 per cent from 60.0 per cent
- Reduced Discount Rate to 2.0 per cent from 6.5 per cent
- Continued advocacy to international community for debt standstill and improved access to concessional financing
- Supported ECCU commercial banks’ agreement to offer a six-month loan repayment moratorium
- Prepared regulatory guidance for licensed financial institutions
- Deployed full telecommuting mode
productive sectors, resilience building and debt reduction.

The ECCB Agreement mandates that the Bank engage in activities that contribute to the development of the region. In the financial year 2019/2020, to meet our obligation to actively promote the economic development of our member territories, the Bank hosted the Fourth Growth and Resilience Dialogue with Social Partners in February 2020 under the theme “Regional Transformation through Innovation”. The Dialogue was organised around three themes that have since taken on even more relevance in our pandemic world: digital economy; renewable energy; and digital payment system. The thrust of the Fourth Dialogue was in keeping with a broader regional collaboration on a Caribbean Digital Transformation Programme (CARDTP) with the World Bank and regional agencies such as the Organisation of Eastern Caribbean States (OECS) Commission, the Eastern Caribbean Telecommunications Authority (ECTEL) and the Caribbean Telecommunications Union (CTU). The World Bank is providing financing for three components under this initiative: digital ecosystem; digital infrastructure, platforms and services; and digital skills and entrepreneurship. During the financial year 2019/2020, the Bank participated in consultations across the region on the CARDTP.

During the 2019/2020 financial year, our work to enhance organisational effectiveness to ensure responsiveness and service excellence included implementing an enhanced structure for the Governor’s Immediate Office to sharpen the focus of the Office in the areas of policy work and project execution. In a similar vein, the Office of Corporate Strategy and Risk Management was established to give greater institutional support to our risk management function and to provide a more integrated approach to the strategic planning and monitoring functions of the Bank. We commissioned a panel review of the Research Department with a view to strengthen the research arm of the Bank and enhance the influence of our policy work. We launched our inaugural Emerging Leaders’ Programme with the first cohort of participants, to equip our up and coming leaders with the necessary skills to be effective in their future roles.

In keeping with our commitment to be good stewards achieving carbon neutrality by 2022, in December 2019, Greening of the ECCB Campus Initiative. Part of the ECCB from renewable energy. To enhance our statistical capacity, SAS, went live in June 2019. To continue with our citizen engagement and stakeholder relations, we launched the third round of the Country Outreach Programme with missions to Saint Lucia in January 2020 and the Commonwealth of Dominica in March 2020. We enhanced our business continuity and disaster recovery plan in time for full deployment of telecommuting mode at the onset of the COVID-19 pandemic in March 2020. For a fourth consecutive year, the Bank recorded a profit – to the tune of $63.1 million, the highest ever.

Notwithstanding the achievements of the 2019/2020 financial year, we are cognisant of the very difficult year ahead for the region and the Bank as we continue to grapple with the health, social and economic challenges posed by the evolving COVID-19 crisis. While the situation remains fluid and no one knows the length and severity of the pandemic and its related economic fallout, we are hopeful that “the end of the beginning” may be in sight, to quote Churchill. In its April 2020 World Economic Outlook, the IMF projected the most dismal global economic performance in recent memory: a contraction of 3.0 per cent in 2020. With virtually every region of the world affected, in some sense, COVID-19 has proven to be the great leveller. For 2021, the IMF predicts a rebound of growth to 5.8 per cent. Going forward, depressed oil prices due to a contraction in demand and declining storage capacity will provide some relief, but the economic reality for the tourism-dependent region remains grim. The ECCB projects a contraction in real GDP of between 10.0 per cent and 20.0 per cent for the ECCU in 2020, in sharp contrast to the 3.3 per cent growth that was projected before the start of the crisis. At the time of writing, the projected growth rate for 2021 for the ECCU is 5.2 per cent but remains subject to a great uncertainty and the risk remains for a protracted U-shaped recovery. We are also mindful that while we may have escaped the 2019 Atlantic Hurricane Season, the perennial threat of hurricanes is yet upon us again.

As we look forward to the financial year 2020/2021, our focus is clarified by the urgency of our transformation agenda, which compels us to press ahead even as we continue to respond to the immediate needs associated with the COVID-19 pandemic. While no one can accurately predict exactly what this future “normal” will look like, we have an opportunity to shape that future for ourselves. That future will clearly be influenced by our ability to accelerate our digital transformation and build resilience. We will support this transition by giving impetus to the following activities in the upcoming financial year:

**MONETARY STABILITY**

- Maintain high level of foreign serves and backing of the EC dollar; and
- Implement the Digital EC Cash Pilot Project.

For a fourth consecutive year, the Bank recorded a profit – to the tune of $63.1 million, the highest ever.
Financial Stability
- Support banks and licensed financial institutions with liquidity, if needed
- Continue with the implementation of the Risk Based Supervisory Framework
- Complete research work and consultations on the optimal regulatory framework for the ECCU; and

Fiscal and Debt Sustainability
- Continue to support member governments by providing technical advice and through capacity building; and
- Continue to assist member countries through advocacy as they seek to close their financing gaps and return to a sustainable debt trajectory.

Growth, Competitiveness and Employment
- Fully operationalise the Eastern Caribbean Partial Guarantee Corporation.
- Commence implementation of the Caribbean Digital Transformation Programme in collaboration with member countries, the OECS Commission, ECTEL, IMPACS, CTU and the World Bank; and
- Host the Fifth Growth and Resilience Dialogue with Social Partners.

Organisational Effectiveness
- Complete Phase II of the Greening of the ECCB Campus Project;
- Launch the ECCB Digital Dialogues and an ECCB Blog as additional platforms for citizen engagement, and for providing thoughtful and influential policy advice;
- Implement a Change Management Project within ECCB;
- Continue work towards the publication of the ECCU Policy Handbook; and
- Launch ECCB’s 2021-2026 Strategic Plan.

Crises test our mettle and help to bring out the best in us. No finer example of this exists than among the warriors on the frontline of our war on COVID-19. I express profound gratitude to the medical professionals and allied health care workers who are risking their lives to take care of the sick and protect us. I also thank all other essential workers. The ECCB family salutes you for your courage, service and sacrifice.

I am grateful for the unwavering support the Bank and I have received from the Monetary Council and the Board of Directors throughout this year of tremendous achievement and difficult challenges. My colleagues on the Executive Committee – the Deputy Governor and the Chief Director (Policy) – have supported me as we have navigated this year of highs and challenges and I convey my thanks to them. The Management Team and the Staff of the ECCB worked tirelessly throughout the year to deliver the achievements highlighted in this Report. I am heartened by, and grateful for, how they have embraced telecommuting and rose to the challenge to serve our region in its time of greatest need.

May God continue to establish the work of our hands and guide our region towards a prosperous and more resilient future.