

COMMUNIQUÉ OF THE
ECCU/OECS-IMF ROUNDTABLE CONSULTATION
ON GROWTH, ADJUSTMENT AND INTEGRATION IN THE ECCU
ST KITTS AND NEVIS
FRIDAY, 25 JUNE 2010



Prime Ministers, Chief Ministers and Ministers for Finance of the Eastern Caribbean Currency Union (ECCU) held a roundtable consultation today, Friday, 25 June 2010 with the Deputy Managing Director, Mr Murilo Portugal and staff of the International Monetary Fund (IMF), at the ECCB Headquarters in St Kitts and Nevis. Also in attendance were the Governor of the Eastern Caribbean Central Bank (ECCB), the Director General of the OECS Secretariat and ECCU financial secretaries. The consultation was held under the chairmanship of Dr the Honourable Ralph Gonsalves, Prime Minister and Minister for Finance of St Vincent and the Grenadines, and Chairman of the Joint Committee of the OECS Authority and the ECCB Monetary Council, to discuss issues under the theme *Growth, Adjustment and Integration in the ECCU/OECS*. The Ministerial Consultation with the IMF officials was preceded by technical discussions on fiscal and financial sector issues with financial secretaries and senior staff of the IMF and the ECCB on 24 June 2010.

The consultation took place in the wake of the historic signing, on 18 June 2010, of the Treaty establishing the Organisation of Eastern Caribbean States (OECS) Economic Union, which when operational, would provide the ideal platform for a collective response to the development challenges confronting the region and the creation of the single economic and financial space.

Participants heard opening remarks from the Chairman of the Joint Committee, Dr the Honourable Ralph Gonsalves, who gave the conceptual framework for the proceedings. He noted that member countries were seeking to advance two sets of policy initiatives – those related to the operationalisation of the OECS Economic Union Treaty and those related to the

Eight Point Stabilisation and Growth Programme, and stressed the need for countries to be as creative as possible in finding practical solutions to the challenges being faced.

This was followed by remarks delivered by Mr Murilo Portugal, Deputy Managing Director of the IMF who expressed the Fund's keen awareness of the difficult challenges being faced by ECCU member countries, and his institution's willingness to bring to the table its experience from the lessons learnt from dealing with its broader membership. Mr Portugal supported the collective approach being used by the ECCU and looked forward to being a creative partner in developing the approach to be taken in seeking to increase the economic growth and living standards of member countries.

The meeting received presentations from representatives of member governments, the IMF and the ECCB on the following topics:

- Growth: Challenges and Opportunities;
- Fiscal and Debt Sustainability in the ECCU;
- Strengthening the Financial System.

The discussions built on the issues identified in the ECCU Eight Point Stabilisation and Growth Programme which was adopted by member governments in response to the global economic and financial crisis. Accordingly, attention was focused on the region's near-term economic and financial prospects, and the scale and scope of the adjustment necessary to overcome the fiscal, debt and financial stability challenges, and set the countries on the path to sustainable growth in the medium to long-term.

With the economic outlook for the ECCU expected to remain subdued in the near-term, participants discussed policies and initiatives to enhance growth and competitiveness. There was agreement on the importance of improving competitiveness in the tourism industry, as well as seeking to develop new economic activities. Participating ministers reaffirmed their view of the tourism sector as the leading transformational sector within the single economic space of the new Economic Union. It was agreed that in moving forward, reference should be

made to work already done and published in the following documents: *“An OECS Development Strategy”* (OECS Secretariat, November 2000); *“Organisation of Eastern Caribbean States- Towards a New Agenda for Growth”* (World Bank, April 2005); and the *“Regional Partnership Strategy for the Organisation of Eastern Caribbean States for the period 2010 – 2014”* (World Bank, June 2010).

It was noted that debt management was a critical component of the Eight Point Stabilisation and Growth Programme. Participating ministers acknowledged that reducing the debt burden through fiscal adjustment was critical to supporting the currency union. Accordingly, member countries agreed to implement measures to ensure that debt is placed on a sustainable path. In this regard, participants recognised the importance of the Canadian International Development Agency (CIDA) funded Debt Management Advisory Service (DMAS) Unit which is housed at the ECCB, and which has as its objective, the improvement of the debt management capacity of the countries of the ECCU by providing support in the form of technical assistance, training and advice. Participating ministers also highlighted the critical need for coordination on the part of member countries as well as the donor community in the support given in response to the countries’ challenges.

Noting that the recent difficulties in the European Union had highlighted the importance of supporting a currency union with coordinated fiscal policies across countries, participating ministers agreed that there was room for improvement in the coordination of fiscal policy in the ECCU. The meeting considered options for improving fiscal policy coordination including the adoption of annual fiscal targets consistent with debt sustainability analysis.

Participating ministers emphasised their support for the Expenditure Commission and recognised that its work was vital to the fiscal consolidation strategy. They acknowledged the importance of reviewing the role and size of government, improving the prioritisation of capital expenditure, implementing pension reforms, rationalising social assistance and improving the oversight of statutory bodies.

Enhancing the resilience of the financial system was deemed paramount to the stability of the currency union. The meeting noted the efforts towards stabilising the financial system and rationalising and modernising the structural arrangements in the banking sector. The participants recognised the urgent need to complete the legal and regulatory infrastructure for the financial sector and, in particular, the non-bank sector by the establishment of Single Regulatory Units (SRUs) in all the member territories and the enactment of outstanding legislation governing the sector.

The IMF was recognised as a strategic partner of the ECCU, given the level of financial and technical assistance it had provided to member states over the years, and in particular in 2009, to help mitigate the impact of the global economic recession. More recently, financial assistance had been provided to two of the member countries through formal programmes. Participants also recognised that the IMF Special Drawing Rights (SDR) allocations which totalled US\$93 million for the six IMF member countries, helped to boost the reserves of the ECCU. The meeting noted that the IMF has continued to provide technical assistance through the regional technical assistance center, CARTAC and the efforts to buttress its support in this area.

The IMF reiterated its support to member states in their ongoing efforts at adjustment and stabilisation. Such support would include technical assistance and training resources to boost the policy analysis capabilities in the ECCU and for implementation of the Eight Point Stabilisation and Growth Programme, and the provision of financial resources to those countries whose circumstances require such assistance.

Participating ministers acknowledged the ongoing assistance provided by the IMF and looked forward to continued collaboration with the Fund in their countries' efforts to overcome the challenges being faced. The meeting agreed that at the technical level, representatives of the ECCB, ECCU member states and the IMF would continue the discussions to fine-tune what could practicably be done in carrying the process forward with dispatch.

ATTENDANCE

OECS Authority and ECCB Monetary Council

Hon Hubert Hughes	Chief Minister and Minister of Finance, Anguilla
Hon Baldwin Spencer	Prime Minister, Antigua and Barbuda
Hon Harold Lovell	Minister of Finance, Antigua and Barbuda
Hon Tillman Thomas	Prime Minister, Grenada
Hon Nazim Burke	Minister of Finance, Grenada
Hon Reuben Meade	Chief Minister and Minister of Finance, Montserrat
Dr the Hon Denzil Douglas	Prime Minister and Minister of Finance, St Kitts and Nevis
Hon Stephenson King	Prime Minister and Minister of Finance, Saint Lucia
Dr the Hon Ralph Gonsalves	Prime Minister and Minister of Finance, St Vincent and the Grenadines

International Monetary Fund

Mr Thomas Hockin	Executive Director
Mr Murilo Portugal	Deputy Managing Director
Mr Nicolas Eyzàguirre	Director, Western Hemisphere Department

Regional Organisations

Sir K. Dwight Venner	Governor, ECCB
Dr Len Ishmael	Director General, OECS Secretariat

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