



COMMUNIQUE OF THE
1ST SPECIAL MEETING OF THE MONETARY COUNCIL FOR 2013
OF THE EASTERN CARIBBEAN CENTRAL BANK
15 APRIL 2013

The Monetary Council of the ECCB held its 1st Special Meeting for 2013 on 15 April 2013 in St George's, Grenada, under the chairmanship of the Right Honourable Dr Denzil L Douglas, Prime Minister and Minister for Finance, St Kitts and Nevis.

Council addressed the very challenging economic situation in the currency union against the backdrop of continuing cautious reports on the progress of the international economy. Council reiterated that the ECCU's major trading partners - the United States, Europe and the United Kingdom - remained in a sluggish growth, high debt and unemployment phase which impacted the ECCU's low growth prospects.

Council reviewed the growth performance of the economies of the members of the currency union which experienced, on average, negative growth rates over the last four years and reaffirmed its commitment to the major instruments selected as the fundamental response to the current crisis, namely:

1. OECS Economic Union;
2. ECCU Eight Point Stabilisation and Growth Programme;
3. The Coordination of Work Programmes within and between member states and a collective response to coordination with Regional and International Institutions

Council addressed the three subject areas which were of critical importance to the ECCU's stability and development, namely:

1. Fiscal Consolidation;
2. Financial Stability; and
3. Growth and Competitiveness.

1.0 Fiscal Consolidation

Council agreed to perform the role of fiscal coordination in keeping with Articles set out in the ECCB Agreement Act 1983 and the OECS Revised Treaty 2011. Under the revised arrangement the Council will:

1. provide the forum for the review and discussion of fiscal issues, which have an impact on monetary and financial matters as set out in the ECCB Agreement Act 1983; and
2. set fiscal targets and assess them at regular prescribed intervals to ascertain member countries' fiscal performances and any threat they may pose to the fixed exchange rate regime, financial stability, and monetary and credit conditions in the currency union.

Council reaffirmed the following fiscal targets:

1. The attainment of Debt to GDP ratios of 60 per cent by 2020;
2. Revenue to GDP ratios with an upper limit of 25 per cent;
3. Expenditure to GDP ratios with an upper limit of 26 per cent;
4. Capital expenditure to GDP ratios of at least 5 to 7 per cent by 2020; and
5. Special target limits on the items comprising revenue and expenditure to provide measurable intermediate targets to measure fiscal performance.

In addition, access limits to central bank financing were reviewed and new limits and conditionalities were agreed upon.

2.0 Financial Stability

The programmes for technical assistance among the ECCB, the International Monetary Fund (IMF) and The World Bank for the resolution strategy were reported to the Council. Council reaffirmed its commitment to the resolution strategy for the financial sector and approved the sequencing of the strategy and the institutional and legislative requirements for the establishment of the single financial space.

3.0 Growth and Competitiveness

Council approved a three-prong strategy to “jump start” and sustain growth in the ECCU, as follows:

1. A specially designed stimulus package, to be funded externally, which addresses income and employment issues targeted at rural and disadvantaged urban communities;
2. The establishment of a commission to review the costs and benefits to the economies of the tourism industry and to ascertain the role it could potentially play as the lead transformational sector in the development of the currency union; and
3. A cluster of major infrastructural projects at the national and regional levels to lay the foundation for sustainable growth of the member countries of the ECCU.

These projects are:

- a. Transportation;
- b. Energy;
- c. Environment;
- d. Education and Skills Training;
- e. Research and Development;
- f. Information and Communication Technology; and
- g. Governance.

Council agreed to propose to regional and international institutions, that a special consortium of these institutions and interested development partners be established to facilitate and assist the currency union with achieving its development objectives.

Council further agreed that Prime Ministerial Teams be established to visit prospective countries and regions to solicit access to grants, soft loans, technical assistance and direct foreign investment

Council expressed its grave concern over the current trends in wage negotiations and the state of the labour markets in the currency union. Council was of the view that given the current economic environment and the impact of low productivity on the

ECCU's growth prospects, that there was a need for wage restraint and increased efforts to increase productivity and competitiveness.

Council further took the view that this was a regional matter as events in one country had almost immediate effects on the other member countries. Council therefore agreed that institutional arrangements should be put in place at both national and regional levels to address this matter and to keep the issue under constant review.

4.0 Institutional Framework to Manage the Implementation Process

Council agreed to the integration and alignment of national and regional policies and the strengthening of the institutional framework for managing the growth process, drafting and implementing medium term strategy papers and setting measurable development targets. In this regard, a technical committee comprising ECCU Financial Secretaries and the ECCB, was established and began meeting on the same day of the Special Monetary Council Meeting to prepare for the implementation of the decisions taken.

5.0 Attendance

Council members attending the meeting were:

1. The Right Honourable Dr Denzil L Douglas, Prime Minister and Minister for Finance, St Kitts and Nevis (Chairman)
2. Honourable Hubert Hughes, Chief Minister and Minister for Finance, Anguilla
3. Honourable Harold Lovell, Minister for Finance, Antigua and Barbuda
4. Honourable Roosevelt Skerrit, Prime Minister and Minister for Finance, Commonwealth of Dominica
5. Dr the Right Honourable Keith Mitchell, Prime Minister and Minister for Finance, Grenada
6. Dr the Honourable Kenny Anthony, Prime Minister and Minister for Finance, Saint Lucia
7. Dr the Honourable Ralph Gonsalves, Prime Minister and Minister for Finance, St Vincent and the Grenadines

8. Honourable Charles Kirnon, Deputy Premier and Temporary Alternate, Montserrat

15 April 2013