

**COMMUNIQUE OF THE**  
**76<sup>TH</sup> MEETING OF THE MONETARY COUNCIL**  
**OF THE EASTERN CARIBBEAN CENTRAL BANK**  
**2 AUGUST 2013**



The Seventy-Sixth Meeting of the Monetary Council of the Eastern Caribbean Central Bank (ECCB) was held on 2 August 2013, under the chairmanship of the Right Honourable Dr Denzil L Douglas, Minister for Finance, St Kitts and Nevis.

Council received the Governor's Report on Monetary and Credit Conditions which was based on developments over the first quarter of 2013 and evaluated within the context of developments over the corresponding period of 2012.

The report focused on benchmarks for money and credit in the ECCU; the current state of, and factors affecting money and credit conditions. Council was apprised of the following:

- Money and credit conditions remained generally stable during the first quarter of 2013.
- The banking sector remained sufficiently liquid. There was a steady growth in deposits and an adequate level of net liquid assets.
- In the tourism sector, stay-over visitor arrivals increased by 0.8 of a percentage point during the first quarter of 2013, relative to a 5.5 per cent increase in the corresponding period of 2012. Cruise passengers and cruise calls fell by 12.1 per cent and 4.3 per cent respectively.
- With respect to the outlook, the external sector is expected to strengthen in 2013 with the gradual recovery of the global economy and the proportionate improvement in the growth prospects of the ECCU economy. The export of goods and services is also expected to increase moderately over the medium term, conditional on developments in the global economy.

Council was further apprised that, in order to improve the current trajectory of credit growth and improve the domestic economic conditions, the establishment of a public credit bureau and the stability of the financial sector must be given priority. Credit bureaus provide essential information for loan officers on consumer debt levels and repayment histories.

Council further agreed that a harmonised regulatory and supervisory system, for effecting a Single Financial Space to safeguard the role of commercial banks would require the prompt implementation of the Resolution Trust Corporation and the Eastern Caribbean Stabilisation Fund.

### **1.0 Monetary Policy Assessment**

Council agreed to maintain the minimum savings deposit rate at 3.0 per cent; and the Central Bank's discount rate at 6.5 per cent.

### **2.0 Financial Sector Stability, Consolidation and Development**

As at 30 April 2013, there were elements of stability within the ECCU financial system, evidenced by the strength of the EC dollar, the efficiency of the payments and settlement system, increasing deposits, improvement in liquidity and the level of public confidence. In addition, efforts made towards the rationalisation of the non-bank sector have contributed to the strengthening of that sector. Notwithstanding, Council agreed that the resilience of the financial sector be strengthened, with priority given to:

- a. Strengthening the regulation and supervision of the commercial banking sector;
- b. Establishing the single financial space to facilitate the consolidation of regulation and supervision, as well as the consolidation of institutions such as the indigenous banks, insurance companies and credit unions;
- c. Harmonising the law on the realisation of mortgage collateral through consultation with member countries to approve the specific areas which require improvement in the legislation;
- d. Developing a financial and investment architecture geared towards growth, comprising institutions and markets, including the Eastern Caribbean Securities Exchange (ECSE), the Eastern Caribbean Unit Trust (ECUT), the Eastern Caribbean Home Mortgage Bank (ECHMB), the Eastern Caribbean Enterprise Fund (ECEP), a credit bureau, a foreign exchange market, the Interbank

Market (IBM), the Regional Government Securities Market (RGSM), the Eastern Caribbean Securities Market (ECSM), secondary markets in Treasury bills, bonds, equities and mortgages; and the establishment of agencies to carry out the functions of factoring and leasing, export credit and insurance and the development of financial products.

### **3.0 Growth and Competitiveness**

In keeping with its thrust to stimulate positive economic growth and the overall macroeconomic development of the ECCU member countries, Council agreed to recommend that member governments:

- a. Implement policies and foster effective institutions to deliver annual growth targets in the range of least 3.0 to 5.0 per cent in the short term and 5.0 to 7.0 per cent over the medium to long term.
- b. Adopt and implement the three-pronged growth strategy which involves:
  1. A stimulus package with attendant safety-nets;
  2. An industrial policy centered on the tourism industry as the lead transformational sector; and
  3. The seven integrated and modernising sectors.
- c. Encourage economic diversification through the promotion of small and medium-sized enterprises geared towards the export sector;
- d. Facilitate real sector growth, competitiveness and sustainable development through:
  - i. The representation and development of the domestic private sector;
  - ii. The establishment of a comprehensive policy towards foreign direct investment (FDI);
  - iii. The establishment of tripartite committees in countries they are not already established, and encourage them to be involved in discussions on wages, prices, employment and productivity;
  - iv. The strengthening of the operations of Investment Promotion Agencies;
  - v. The development of statistical capabilities to improve policy-making and planning and set targets to measure results.

#### **4.0 Fiscal and Debt Sustainability**

Council agreed that it was important for member countries to engage in deeper collaboration and that fiscal management should be pursued within the context of a multi-country arrangement, taking advantage of the relevant synergies and efficiencies which are likely to result from such an arrangement. Given the current fiscal and debt trajectory of the ECCU member states, cash flow management, expenditure rationalisation, tax collection and administration, and monitoring and assessment of country targets should be of primary focus.

In that regard, Council further agreed to:

- a. Adopt with urgency, the fiscal targets recommended in the Reports of the Commission on Tax and Tax Administration and the Public Expenditure Review Commission;
- b. Implement the institutional arrangements for fiscal policy coordination in the Currency Union through the adoption of a policy making process involving the Monetary Council, the Ministerial Subcommittee on Debt, the ECCB, the Financial Secretaries and the networking meetings of the Comptrollers of Inland Revenue and Customs, Accountants General, Directors of Budget, Directors of Audit, and Heads of Debt, Policy and Planning Units; and
- c. Establish protocols for policy coordination, information sharing and collaboration.

#### **5.0 United States Foreign Account Tax Compliance Act (FATCA)**

In order to facilitate compliance with the United States Foreign Account Tax Compliance Act (FATCA) by the deadline date of January 2014, Council agreed to the following:

- To recommend to member governments that financial institutions operating within the ECCU adopt the Inter-governmental Agreement (IGA) *Model 1A* in which the US offers to exchange information with the FATCA Partners on a reciprocal basis at an equivalent level.

- Facilitate the work of the Working Group on FATCA towards achieving compliance with FATCA.

## **6.0 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 Roosevelt Skerrit, Prime Minister and Minister for Finance, Commonwealth of Dominica
4. Honourable Reuben T Meade, Premier and Minister for Finance, Montserrat
5. Dr the Honourable Kenny Anthony, Prime Minister and Minister for Finance, Saint Lucia
6. Dr the Honourable Ralph Gonsalves, Prime Minister and Minister for Finance, St Vincent and the Grenadines
7. Mr Timothy Antoine, Council Alternate for Grenada

**2 August 2013**