



**COMMUNIQUE OF THE
2ND SPECIAL MEETING OF THE MONETARY COUNCIL
OF THE EASTERN CARIBBEAN CENTRAL BANK
FOR 2013
4 SEPTEMBER 2013**

The Monetary Council of the Eastern Caribbean Central Bank (ECCB) held its 2nd Special Meeting for 2013 on 4 September in Castries, Saint Lucia under the chairmanship of the Honourable Dr Kenny D Anthony, Prime Minister and Minister for Finance, Saint Lucia.

Council deliberated on the ongoing impact of the global crisis on the member countries of the Eastern Caribbean Currency Union (ECCU) and the immediate actions that are required to strengthen the ECCU Financial System; achieve a sustained rate of growth and development; and coordinate fiscal policy at the currency union level.

1.0 Financial Sector Stability, Consolidation and Development

Council reviewed the report on Financial Sector Stability, Consolidation and Development, which presented an evaluation of the state of financial stability in the ECCU and identified the major challenges to the stability of the ECCU financial system.

Council was informed that the challenges posed by the continued slow global growth, coupled with the underlying structural weaknesses of the islands' economies namely, size, openness, fragmentation and vulnerability to external shocks, continued to limit growth in the ECCU. Council therefore underscored the need to continue to build on its efforts by strengthening financial integration through the development of strong and well capitalised financial institutions and modern, liquid and dynamic markets as well as the necessary supporting infrastructure to improve the efficiency of the financial system.

Council agreed to recommend that member governments establish a legislative Task Force at the national level to determine the legislative requirements for implementing the Resolution Strategy for Strengthening the Resilience of the ECCU Financial System and to facilitate the passage of the legislation.

2.0 Growth, Competitiveness and Sustainable Development

Council agreed to recommend that member governments pursue the three-prong approach for achieving 3.0 per cent growth by the end of 2015 and an average annual growth of 5.0 per cent during the period 2016 to 2027. The approach includes:

1. Focused Stimulus and Safety Net Programmes geared towards providing employment for communities modelled after the Basic Needs Trust Fund (BNTF);
2. Industrial Policy – big push with tourism as the lead transformational sector, including a study of the sector to:
 - a. Examine the feasibility of establishing a planning and regulatory body;
 - b. Determine the critical mass required for tourism to be the lead transformation sector; and
 - c. Examine the costs and benefits of the incentives granted to the tourism sector; and
3. Seven (7) great modernising sectors:
 - a. Transportation

The development of a comprehensive ‘Action Plan’ for implementation of the strategic plans for modernising the transport industry to facilitate the easy movement of goods and services, and people across the ECCU, consistent with Article 19 of the Revised Treaty of Basseterre;
 - b. Energy

The development of an energy policy, where necessary, and implement existing strategies for the institutionalisation of the use of renewable energy, (solar, wind and geothermal), geared towards lowering the cost of production of goods and services and improving competitiveness;

c. Environment

Development and implementation of a public education and awareness campaign on environmental sustainability issues – land resources, coastal and marine management;

d. Education and Skills Training

Advancement of the reform of the education system by aligning the curriculum and improving technical vocational programmes to facilitate the implementation of the three-prong growth strategy;

e. Research and Development

Engagement in research and development in the lead transformation sector as well as other niche sectors;

f. Information Technology

Increasing the use of Information and Communication Technology (ICT) to improve, inter alia, customs processes, registration of properties, ease of obtaining basic goods and services; and

g. Governance

Engagement in public sector modernisation and adoption of international standards to improve the governance framework of the region.

3.0 Fiscal Consolidation and Debt Management

The ECCU member governments continue to face fiscal imbalances as a result of depressed revenues and high expenditure outlays in an environment of low growth. Structural reforms, in addition to a resumption of positive growth, are required to address issues of persistent deficits and increasing debt levels.

In keeping with this, Council agreed to recommend that member governments develop and implement a medium-term fiscal strategy and the medium-term debt strategy to guide the fiscal operations of the member governments in the context of the need to achieve the following approved fiscal targets:

- a. Debt to GDP ratio of 60 per cent by 2020;
- b. Tax revenue of 25 per cent of GDP;
- c. Recurrent expenditure of 22-26 per cent of GDP; and
- d. Capital expenditure of 5-7 per cent of GDP.

Council also agreed to recommend that member governments institutionalise the policy making framework to facilitate the formulation of policy at the national level and the coordination of fiscal policy at the regional level through the establishment of:

- a. Policy Units to conduct macroeconomic surveillance of the economy through the financial programming framework; conduct research and analysis on issues related to the functioning of the economies and other economic issues that may arise; and provide policy advice and support to the Financial Secretary and the Cabinet.
- b. Planning Units to coordinate the preparation of the Medium-term Economic and Social Strategy Programme (MTESP) and the Public Sector Investment Programmes (PSIP) and to undertake sector planning/analysis, prepare the Medium-term Economic and Social Strategy and prepare and monitor the implementation of the PSIP.
- c. Debt Units which are structured along functional lines: Front Office, Middle Office and Back Office with the Front Office responsible for the sourcing of funds, the Middle Office for debt analysis and the Back Office for data management and reporting.

Regional Government Securities Market (RGSM)

Council agreed to encourage member governments to support the development of an action plan between the governments and the ECCB for the RGSM that incorporates the development of the secondary market, promotion of regular issuance of securities with a wide range of tenors and improvement of the investor climate.

4.0 OECS Economic Union

Given the significance of the OECS Economic Union as a platform for the economic development of the ECCU member countries, Council agreed to recommend that member governments accelerate the implementation of the OECS Economic Union by:

- a. Removing all the remaining legal and administrative restrictions to the free circulation of persons and goods;
- b. Ensuring the rights of establishment of business enterprises;
- c. Providing efficient, reliable and reasonably priced air and sea transportation; and
- d. Coordinating economic policies in addition to monetary, such as trade, international economic relations, fiscal, incomes, and development.

5.0 Date and Venue of the Next Meeting

Council approved the date for the 77th Meeting of the Monetary Council as Friday, 15 November 2013 via videoconference.

6.0 Attendance

Council members attending the meeting were:

1. The Honourable Dr Kenny D Anthony, Prime Minister and Minister for Finance, Saint Lucia (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, the Commonwealth of Dominica
5. Dr the Right Honourable Keith Mitchell, Prime Minister and Minister for Finance, Grenada
6. Honourable Reuben T Meade, Premier and Minister for Finance, Montserrat
7. The Right Honourable Dr Denzil L Douglas, Prime Minister and Minister for Finance, St Kitts and Nevis

8. Dr the Honourable Ralph Gonsalves, Prime Minister and Minister for Finance,
St Vincent and the Grenadines

Saint Lucia, 4 September 2013