

Eastern Caribbean Central Bank



**Presentation on the
Eastern Caribbean Central Bank 2012/2013 Annual Report
by the Honourable Sir K Dwight Venner, Governor
*27 June 2013***

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Good evening fellow citizens of the Eastern Caribbean Currency Union.

In keeping with the transparency and accountability requirements of the Eastern Caribbean Central Bank (ECCB), as set out in the ECCB Agreement of 1983, I am pleased to report to you on the Bank's performance for the financial year ended 31 March 2013.

This has been a very challenging year, as we are now into the fifth year of feeling the impact of the global crisis which began in the last quarter of 2007. The effects on growth, employment, government revenues and the debt of member countries have been marked and have dramatically illustrated the openness and vulnerability of our very small economies.

In light of these challenges, the Monetary Council, under its own mandate and in collaboration with the OECS Authority through the joint committee of both institutions, has responded to these circumstances through three fundamental approaches:

1. An OECS Economic Union;
2. The ECCU Eight Point Stabilisation and Growth Programme; and
3. The introduction of a work programme coordination initiative.

These initiatives are the critical responses to the structural factors of very small size, openness and extreme vulnerability of the ECCU economy.

The Monetary Council has recognised that the long term trends of the economies towards low growth, which has been exacerbated by the global crisis, must be arrested and a new broader based economy must be constructed within the single economic and financial space, created by the OECS Economic Union Treaty.

Within this context, the ECCB concentrated its efforts in the following areas over the course of the financial year:

- Financial Stability;
- Monetary Stability;
- The development of Money and Capital Markets;
- The provision of technical assistance and support in the areas of fiscal and debt management; and
- The facilitation of the balanced growth and development of the member countries as set out in Article 4(4) of the ECCB Agreement.

Financial Stability

In the area of financial stability, the Bank paid particular attention to the safety and soundness of the banking system which had been seriously affected by the global crisis. There was a significant increase in non-performing loans and a reduction in the earnings of the banking system. In response, the ECCB has increased the number of bank supervisors and intensified the supervision and regulation of the banking sector. The objective has been to stabilise and consolidate the sector as set out in Point 7 of the ECCU Eight Point Stabilisation and Growth Programme.

The Bank has been assisted tremendously by the work of a Task Force, which included the ECCB, the Ministries of Finance, the Caribbean Development Bank (CDB), the International Monetary Fund (IMF) and The World Bank.

Following a comprehensive diagnosis of the entire financial system, the Monetary Council approved a Resolution Strategy, which is now being implemented with technical assistance from the IMF and the World Bank. This initiative is being funded by the Canadian International Development Agency (CIDA) and the United Kingdom's Department for International Development (DFID).

The objectives of the Resolution Strategy are to stabilise and to consolidate the financial sector through: the creation of a single financial space and the consolidation of the regulatory authorities, the banking sector, and the insurance sector in the space.

Four new institutions will be established to implement this programme:

1. The Resolution Trust Corporation;
2. An Eastern Caribbean Stabilisation Fund;
3. An Eastern Caribbean Deposit Insurance Corporation; and
4. An Eastern Caribbean Credit Bureau.

The very important and systemic task of resolving the CLICO/BAICO collapse continued with the work of the Core Committee on Insurance guided by the Monetary Council Ministerial Subcommittee on Insurance. Substantial progress has been made with respect to restoring the value of the traditional insurance policies and policy holders have received substantial pay-outs over the year.

Monetary Stability

Monetary stability has been maintained as illustrated by the continued strength of the currency.

This can be ascertained by the following key indicators:

- The backing ratio which has averaged 96.0 per cent over the last financial year, substantially in excess of the legal limit of 60.0 per cent;
- The Real Effective Exchange Rate which is within the boundaries set out by the Bank;
- The import cover ratio which averaged five months and was in excess of the IMF's benchmark of three months;
- The inflation rate has remained within the low single digit rate; and
- The levels of liquidity in the banking system have been fairly high.

Money and Capital Market Development

In the area of money and capital market development, the highlight has been the performance of the Regional Governments Securities Market (RGSM) on which six of the eight ECCU member governments are issuing regularly at favourable rates.

With respect to debt management the ECCB continues to provide technical assistance to member governments through funding from CIDA.

Facilitation of Growth and Development

In keeping with its mandate to facilitate growth and development, the Bank addressed the broad macro-economic and strategic issues through the work of the Task Force on Growth, Debt and Development. It also participated in the Caribbean Growth Forum, a World Bank initiative.

The Bank specifically addressed private sector issues with its involvement in the establishment of an OECS Business Council, a representative body for all private sector interests in the currency union.

The Bank has also advocated a three-pronged approach to stimulating and sustaining increased growth rates over the short to medium term. These include:

1. An externally funded stimulus and social safety net programme for increased growth and employment;
2. The development of a lead transformational sector with the capacity to put the economy on a path to sustained growth and development; and
3. A cluster of major projects at the national and regional levels to lay the foundation for broad based, diversified and internationally competitive economies.

The projects will cover:

- Transportation;
- Energy;
- Environment;
- Education and Skills Training;
- Research and Development;
- Information Technology; and
- Governance.

ECCB's Financial Performance

With respect to the financial performance of the ECCB, the Bank realised a profit of \$5.2m compared with \$11.7m in the previous year. As at 31 March 2013, the Bank's total assets stood at \$3.7b, an increase of \$395.6m, when compared to the position last year.

Internal Restructuring

In its thrust to strengthen capacity and increase efficiency, the Bank is sharpening its focus on:

- Leadership and Management;
- Staff Training;
- Procurement;
- Upgrading its Information Technology Systems;
- Creating a Statistical Data Warehouse; and
- Strengthening its Policy and institutional Framework to fit the new Economic Union Environment.

Conclusion

Our success within the near and medium term will depend on the urgent completion of the OECS Economic Union project and the collective and collaborative approach to our challenges by all of our citizens.

Thank you and Good Night.