



**STATEMENT BY
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**Fourth Growth and Resilience Dialogue
13 February 2020
(ECCB Headquarters, St Kitts and Nevis)**

Salutations:

Premier of Anguilla, Hon. Victor Banks

Premier of Montserrat, Hon. Joseph Easton Farrell (newest Monetary Council member)

Minister of Finance and ICT, Hon. Camillo Gonsalves

Senior Minister Amory, Federation of St Kitts and Nevis

Other Ministers of Government

Leaders of Opposition and Other Opposition Representatives

Dr Didacus Jules, Director General of the OECS Commission

Ms Tahseen Sayed, Director for the Caribbean, The World Bank and Her Colleagues

Dr Boutheina Guermazi, Director of Digital Development, The World Bank

Development Partners – CDB, EIB, CDF

Members of the Executive Committee of the ECCB

ECCB Management and Staff

Social Partners (Labour Unions, Business, Civil Society, Faith Community, Youth)

Presenters

Participants

Growth and Resilience Dialogue Planning Committee

Students

Viewers on Facebook live (shout out)



Introduction

Slide 1

Welcome to the fourth edition of our Growth and Resilience Dialogue with Social Partners!

I am delighted to welcome each of you to the Eastern Caribbean Central Bank (ECCB). Is anyone visiting the Bank for the first time? I bid you a special welcome.

To all citizens and residents of the ECCU, I say welcome to your Bank. We work for you and it is our privilege to serve you.

Slides 2 and 3

For centuries, Caribbean society has been subject to structural changes precipitated by external movers and developments.

Ladies and Gentlemen, we cannot change our history. We cannot change our geography. But we can certainly, collectively, change our current trajectory!

Our theme for the Dialogue this year: **“Regional Transformation Through Innovation”** is inspired by our empowering realisation that we have the keys to unlock our growth potential and propel our socio-economic transformation for shared prosperity. Three of these keys will be the subject of our panels today.

The Growth and Resilience Dialogue with Social Partners is not intended to be a “talk shop”. Rather, it is intended to be a meeting of the minds of our Social Partners from which will flow clarity, consensus, collaboration and collective action on our regional transformation agenda. One example of action is the Digital Transformation Programme.



Slide 4

Today, I propose to briefly update you on the ECCU's growth prospects before sharing with you some interesting findings from our Research Department. These findings strongly support the case for acceleration of structural reforms, including the **digitalisation of our economies**. I will then close out with a brief word on **renewable energy** and our **digital currency** pilot, two imperatives in our strategy for socio-economic transformation with resilience.

Slide 5

Before I proceed any further, I offer you three key messages:

1. Socio-economic transformation is not an option but a necessity for shared prosperity;
2. The acceleration of structural reforms is essential and urgent if we desire to raise our current growth and development trajectory; and
3. Socio-economic transformation requires collaboration and collective action among all Social Partners.

Growth Prospects for the Eastern Caribbean Currency Union (ECCU)

Slide 6

Since the 1980s, the ECCU's average annual growth rate has been on a declining trajectory: from 6.1 per cent in the 1980s to 3.1 per cent in the 1990s to 2.7 per cent in the 2000s down to 1.6 per cent in the past decade.

In 2019, the ECCU economy grew by 3.2 per cent and is projected to grow by 3.3 per cent in 2020 and by 2.4 per cent in 2021. The ECCU growth performance and prospects do not meet our 5.0 per cent target. Imagine, last year, had we hit our target rate of 5.0 per cent instead of 3.2 per cent, the region would have benefited from an additional \$270.8 million in output, in real terms, which would have meant more jobs; more revenue to invest in health care and resilient infrastructure; and more progress on the Sustainable Development Goals.

Slides 7 and 8



The high debt ratios in the ECCU have been a binding constraint on the region's growth. That said, our region is making significant progress in lowering its Debt-to-GDP ratio down towards the sustainable level of 60.0 per cent. At present, four ECCU countries have attained the target.

The Case for Structural Reforms

Slide 9

Structural reforms address the impediments to the efficient functioning of markets so that an economy can reach its full growth potential. Analytical work by our Research Department has identified some potentially high-yielding structural reforms for ECCU countries¹. These measures include human capital development; financial sector strengthening; deeper trade integration; building disaster-resilience; improved business climate; and more sustainable debt levels. These reforms will improve investment, raise productivity and increase employment. These reforms, combined with key investments and technological innovations, will lead to socio-economic transformation.

The analysis shows that the average total potential gains in growth across the countries is 2.3 percentage points. Bearing in mind that our current trajectory is just above 3.0 per cent, these reforms will help us get to our growth target of 5.0 per cent.

The reforms that offer the best returns are enhancing the human capital stock, improving our business climate and strengthening our financial system.

The Digital Transformation Project (about which you will hear more in the Digital Economy session) could directly and positively impact these reforms in areas such as skills and entrepreneurship for job creation; delivery of government services; and a more conducive environment for small businesses and private sector development.

Slide 10

¹ Hodge, A., Martin, K., & Abraham, P. (2020). Structural reforms and growth in the ECCU. *ECCB Staff Paper*.



This slide offers a summary of some key ECCU reforms. We should seek to strengthen the institutional frameworks supporting political governance, fiscal governance and data governance. With respect to access to finance, there are several reform initiatives underway to help build out a sound credit ecosystem that supports entrepreneurship and growth. These initiatives include the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC) to facilitate credit to unserved and underserved small businesses; the Credit Bureau to support responsible lending and borrowing; and a Secured Transactions Project to help small businesses access finance by establishing a registry for moveable capital such as accounts receivable and equipment. Finally, resilience-building reforms are critical for mitigating and adapting to climate-related risks and safeguarding our development gains.

Renewable Energy

Slide 11

The current installed capacity for renewables in the ECCU is only about 8.0 per cent. Indeed, our renewable energy transition remains frustratingly slow, especially considering its potential to lower the cost and improve the ease of doing business. I am especially encouraged by the recent progress of the Commonwealth of Dominica and Saint Vincent and the Grenadines but we must do more to tap into the potential of our abundant renewable energy resources such as solar PV, geothermal, biomass and possibly wind. Beyond lower carbon emissions, other benefits include:

- More disposable income in the pockets of citizens, including the poorest.
- Significant savings of our foreign exchange (in 2018, ECCU expenditure on fuel imports was about **\$1.5 billion**).
- Improved fiscal space, all other things equal; and
- Enhanced energy security.

Today, I call for a tripling of renewables in our energy mix over the next 10 years.



Here at the ECCB, we have embarked on a “Greening of the Campus Initiative” geared to achieving carbon neutrality or net zero emissions by 2022. The first phase, a solar canopy project, which you passed as you entered the Campus, is completed and solar PV is powering this building. I am pleased to announce that our Dialogue today is powered by solar PV. Our investment has resulted in a 60.0 per cent reduction in our electricity bill for this building. By June of this year, the second phase of the solar canopy project will be completed, at which point we will be well on our way to our target. Moreover, we project to save about \$1 million in electricity costs this year.

Digital Currency

The issue of financial exclusion in the ECCU is real, having regard for the relatively high costs of banking services, significant frictions, the debanking of small depositors and barriers to opening new bank accounts.

Modernising our payment system and including the innovation of a digital currency is our proposal for addressing some of the daily frictions in our financial system.

Slides 12 and 13

Our value proposition with the digital EC currency, the DXCDCaribe – a fiat currency – is to provide the fastest, cheapest and safest way to send money anywhere in the ECCU.

For those who may have reservations about the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) safeguards or financial integrity of the DXCDCaribe project, I pose this question:

“Which form of cash is better positioned to combat money laundering and terrorist financing: physical cash (which offers complete anonymity) or digital cash (which offers managed anonymity)?”

The answer is digital cash.



Slide 14

For the proponents of the free market and consumer choice, we say let the competition reign in our payments space. As we see it, the consumer will exercise choice based on cost and convenience.

The benefits of our digital payments innovation will not only lower costs and reduce frictions/hassles for our people but will also help harden our financial system against crime as the use of physical cash is reduced.

Conclusion

In conclusion, I wish to thank the Planning Committee for this Dialogue. Could you please stand? Thank you for your ideas and hard work. I thank all of our staff - Research, Corporate Relations and Support Services Departments and all concerned.

Ladies and gentlemen, the task of transforming our economies and societies is formidable. Governments alone cannot deliver this enterprise of socio-economic transformation. Indeed, we need the ideas, energies and talents of all Social Partners in this collective endeavour.

Let us join hands on this journey of transformation.

I thank you.