INTERNATIONAL MONETARY FUND

ECCU CBI Programs: Regional Significance and Risks

Eastern Caribbean Currency Union

Janne Hukka

SIP/2025/067

IMF Selected Issues Papers are prepared by IMF staff as background documentation for periodic consultations with member countries. It is based on the information available at the time it was completed on April 9, 2025. This paper is also published separately as IMF Country Report No 25/105.

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Prepared by Janne Hukka

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ABSTRACT: The Citizenship-by-Investment Programs (CBI) have long been recognized in their importance to fiscal revenue in the ECCU, but there is less clarity over their broader economic contributions. At the same time, investor demand in this market can be highly unpredictable, especially as the programs have come under increased international scrutiny. This paper takes stock of recent CBI developments in the ECCU and estimates that total investments under these programs far outweigh those directly contributing to government revenue. This underscores the need for ongoing regional efforts to reduce the CBI programs' risk susceptibility as well as to strengthen management of residual risks, including through: (i) clearer provisions for CBI revenues' budget use to mitigate fiscal risks; and (ii) enhanced transparency standards and ex-post assessments of CBI projects to inform regional best practices, assessments of the program's systemic significance, and development of contingency plans.

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Eastern Caribbean Currency Union

Prepared by Janne Hukka[1]

[1] The author would like to thank Christoph Duenwald, Sami Naceur and Jongsoon Shin for helpful suggestions.

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ECCU CBI PROGRAMS: REGIONAL SIGNIFICANCE AND RISKS[1]

The Citizenship-by-Investment Programs (CBI) have long been recognized in their importance to fiscal revenue in the ECCU, but there is less clarity over their broader economic contributions. At the same time, investor demand in this market can be highly unpredictable, especially as the programs have come under increased international scrutiny. This chapter takes stock of recent CBI developments in the ECCU and estimates that total investments under these programs far outweigh those directly contributing to government revenue. This underscores the need for ongoing regional efforts to reduce the CBI programs' risk susceptibility as well as to strengthen management of residual risks, including through: (i) clearer provisions for CBI revenues' budget use to mitigate fiscal risks; and (ii) enhanced transparency standards and ex-post assessments of CBI projects to inform regional best practices, assessments of the program's systemic significance, and development of contingency plans.

1. **Over the past decade, the CBI programs have become an important source of government revenue in the ECCU.** Although globally a niche market, the scale of the investment flows can be substantial to small island state governments. For the five ECCU members with existing programs ("CBI-5", Table 1)[2], government CBI revenue averaged 6½ percent of GDP between 2019 and 2023 and increased to nearly a third of total non-grant revenue in 2023. These funds have primarily financed public capital investment, but the level of budget dependency on CBI revenue varies considerably among the individual members.

2. **Limited transparency obscures the total scale of ECCU CBI investments.** CBI investment options include donations to government-owned funds and direct investment in government-approved projects, typically in tourism real estate managed by an external developer (the latter investment is often organized through an escrow account, and the investor's share in the project, typically a new hotel development, is subject to a minimum holding period). While the ECCU members generally disclose aggregate annual government donation amounts, information on direct project investments is largely lacking. Only three members periodically publish CBI application data, with only Grenada releasing high-frequency figures that include granular breakdowns and direct investment volumes. This limited transparency, albeit common in the industry beyond the ECCU, hinders accurate assessment of the program's economic contributions.[3]

[1] Prepared by Janne Hukka.

[2] CBI programs allow investors to obtain a second citizenship by making financial contributions to a country without a residency requirement. Outside the ECCU, other notable active CBI programs include those in Turkey, Malta, Vanuatu, Nauru, Jordan, Egypt, and Cambodia.

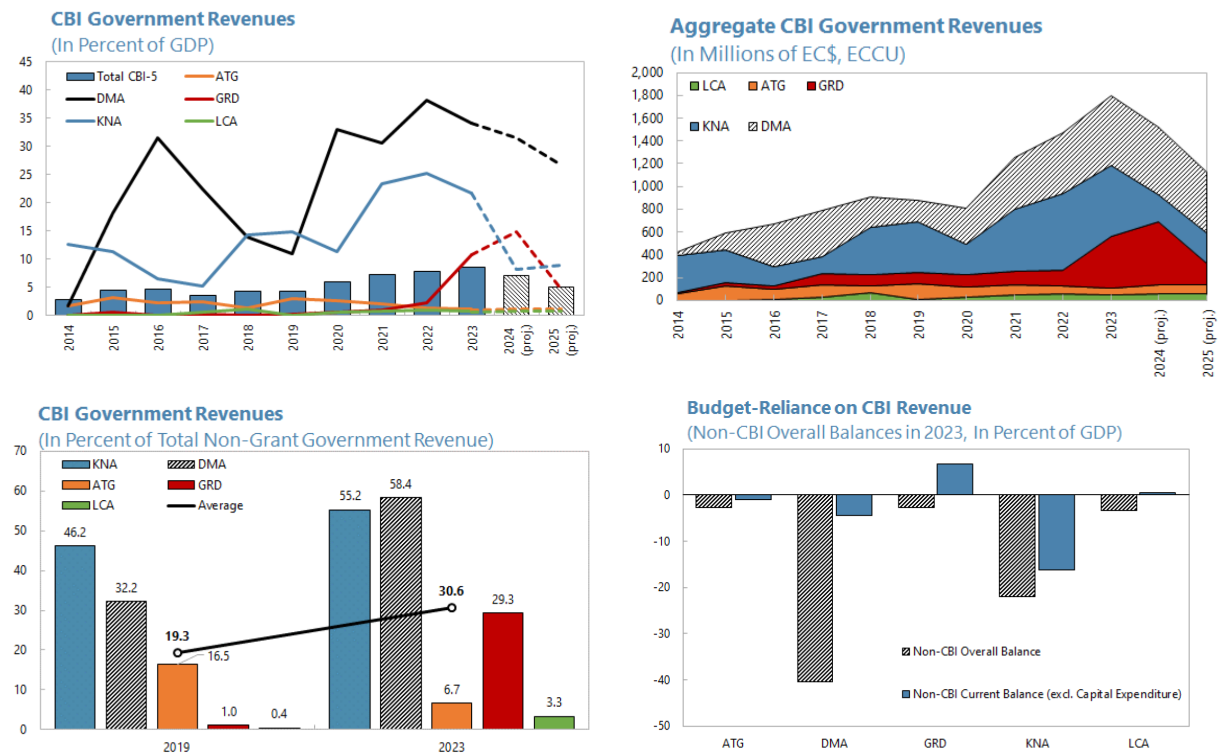
[3] Reflecting data constraints, empirical research on CBI program economic impacts is limited. A cross-country study by Clerides et al. (2025) on a panel of residency and citizenship programs finds no convincing impact on real economic variables. Xu et. al. (2015) and Surak (2024) observe that the CBI program benefits may also be outweighed by risks (such as reputational and overreliance on such volatile flows) and can depend on investment structures and how the resources are used. Negative impacts may include real estate price pressures, although in the ECCU this is likely limited due to segmentation of investments in qualifying large-scale tourism projects.

Table 1. ECCU: Overview of the CBI Programs

Country (Authority)	Year established	Government Investment Option	Direct Investment Options	Data Availability
Anituga and Barbuda (CIU)	2013	National Development Fund (NDF)	Approved Real Estate (5 year holding period); Approved Business Project; University of West Indies Fund.	Semi-annual reports on applications received, NDF investment contributions, number of passports issued, NDF government transfers, geographic distribution of applications.
Dominica (CBIU)	1993	Economic Diversification Fund (NDF)	Approved Real Estate (3 year holding period).	Fiscal accounts only
Grenada (IMA)	2013	National Transformation Fund (NTF)	Approved Real Estate (5 year holding period).	Monthly statistics on applications received and processed, passports issued, NTF and real estate investment volumes, fees, NTF government and contingency fund transfers, geographic distribution of applications.
St. Kitts and Nevis (CIU)	1984	Sustainable Island State Contribution (SISC)	Real Estate (7 year min. holding period); Private Real Estate (7 year holding period); Approved Public Benefit Project.	Fiscal accounts only
St. Lucia (CIU)	2016	National Economic Fund (NEF)	Approved Real Estate (5 year holding period); CBI Government Bond (5 year holding period); Approved Enterprise Project.	Annual reports on applications received and processed, NEF and bond investment volumes, fees, geographic distribution of approved applications and CIU unit financials.

Source: National Citizenship-by-Investment authorities.

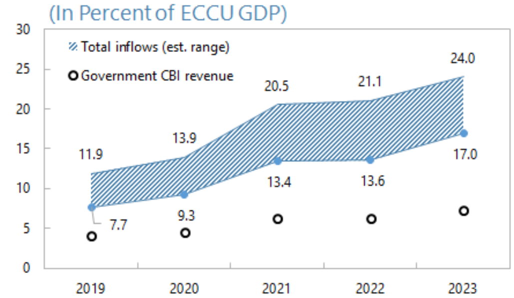
Figure 1. Historical and Projected Government CBI Revenue



Sources: Country authorities; and IMF staff calculations.

3. CBI programs appear to have become an increasingly important source of FDI and foreign exchange in the ECCU. Staff estimates suggest the total 2023 CBI inflows may have amounted to around a fifth of the union's GDP, far exceeding recorded government revenue.[4] This scale suggests a substantial contribution to private construction and tourism development, though high import-content may temper their GDP growth impact.[5] CBI inflows may have also provided important foreign exchange stability during the Covid-19 pandemic when tourism exports suffered a major shock.[6] However, lack of uniformity in CBI project investment structures and absence of information on the use of CBI project inflows precludes a precise quantification of the CBI programs' economic impacts.[7]

Estimated Range of Total CBI Inflows
(In Percent of ECCU GDP)



Sources: Country authorities; and IMF staff calculations.

4. While they have significant potential economic benefits, CBI programs are subject to risks for the host countries. The determinants of CBI demand, typically associated with international mobility, are varied and difficult to predict. Where this uncertainty is not carefully managed, abrupt demand shortfalls can expose fiscal and macro-stability vulnerabilities. For example, in St. Kitts and Nevis, the recent sharp decline in CBI revenue widened the 2024 fiscal deficit to 11 percent of GDP.[8] The programs also expose host countries to AML/CFT and financial integrity risks, where lapses in investor due diligence could have consequences to correspondent

[4] Staff estimates are based on published CBI application data from Antigua and Barbuda, Grenada, and St. Lucia, and application data, application data and estimates included in the European Commission (2024) and Surak (2024), available fiscal data on government CBI revenues, and available investment option pricing information published by the national CBI authorities. Given data gaps, the estimated range extrapolates on known shares of government donation and other investment options in total application volumes, which may give rise to estimation errors for specific years and CBI programs for which no data is available. Uncertainty over the estimated range is large also due to lack of complete record on effective prices over the period, application processing and payment delays and potential non-completed applications.

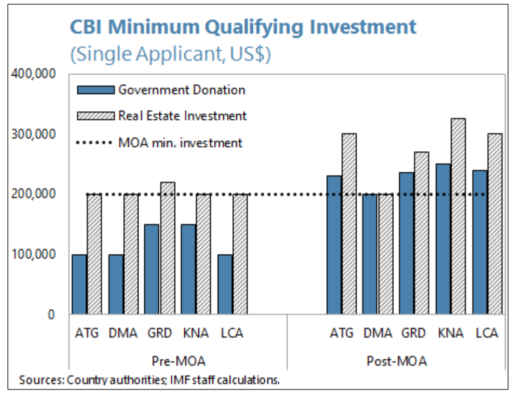
[5] Due to data limitations, the CBI inflows' contribution to FDI inflows may be only partially recorded in the ECCB's BoP statistics. On aggregate for the ECCU CBI-5, the estimated range of direct CBI project investment in 2023 amounts to about 100-170 percent of the total recorded FDI inflows. Recent CARTAC external sector capacity development recommendations have focused on challenges in recording developer escrow account in- and outflows to better capture them in BoP financing flows.

[6] In 2023, the estimated range of total CBI inflows corresponds to around 40-55 percent of ECCU aggregate tourism exports, which made up around ¾ of total ECCU exports. However, the CBI project investments' contribution to FX inflows also depends on the financing arrangements including use of developer escrows. With the tourism collapse in 2020-21, the ECCU current account deficits widened to nearly 20 percent of GDP and were largely financed by capital account (including government CBI donation) and FDI (including direct CBI project investment) inflows in addition to official sector loans.

[7] CBI investment benefits may be delayed due to temporary escrow account accumulation, including as in some instances investors may purchase project shares in the pre-construction phase. Some programs also allow re-investment in existing CBI project shares after closing of holding periods, and developer buy-back guarantees. Project valuation uncertainties can lead to project overfinancing. Surak (2024) offers a detailed analysis of how CBI investment terms can affect their economic benefits.

[8] St. Kitts and Nevis: Staff Concluding Statement of the 2025 Article IV Mission.

banking relationships. The implied risk to host citizens' international mobility, should they materialize, can also involve economic costs.



5. Recent heightened international scrutiny has prompted greater regional coordination.[9] ECCU CBI-5 countries have undertaken substantial regulatory reforms to strengthen the programs' risk management and integrity in the context of an ongoing US-Caribbean roundtable process.[10] A March 2024 Memorandum of Agreement (MoA) standardized the minimum investment amount and launched ongoing work to establish a regional CBI regulator. Some programs are also investigating past irregularities, resulting in a few cases in revoked investor passports.

Table 2. ECCU: Overview of the Recent CBI Reform Initiatives

US-Caribbean Roundtable Principles (February 2023)	Memorandum of Agreement (March 2024)
1. Collective treatment of denied CBI applications. *Implemented*	1. Harmonization of minimum investment thresholds to US$ 200,000. *Implemented in Summer 2024.*
2. Interview requirement for all CBI applicants. *Implemented.*	2. Strenghtened information sharing through the Joint Regional Communications Centre (JRCC), enhanced transparency standards and conduct of independent financial and operational audits. *Standards and audits in progress.*
3. Additional application screening through the Financial Intelligence Unit of the respective country. *Implemented.*	3. Establishment of a regional CBI regulator charged with setting standards in accordance with international requirements and best practices. *In progress. An interim regulatory commission has initiatied legislative drafting.*
4. Conduct of annual/biennial CBI program audits. *In progress.*	4. Additional due diligence assessment procedures for approved CBI citizens and enhanced cooperation to support cancelled passport retrieval. *In progress.*
5. Strenghten processes for retrieval of revoked/recalled passports. *In progress.*	5. Common standards for communicaiton and promotion and for regulation of CBI agents. *In progress.*
6. Suspend processing of new applications from Russia and Belarus from end-March 2023. *Implemented.*	6. Agreement to facilitate joint training programs and capacity building initiatives. *In progress.*

6. The outlook for CBI inflows is highly uncertain. The recent international scrutiny and member actions have dampened new investor demand in some members. However, the longer-term impact of CBI program reforms remains unclear. Unwinding of processing backlogs and

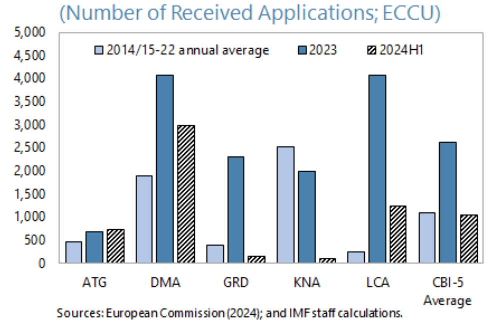
[9] FATF/OECD (2023) highlights the potential for CBI programs to be exploited for financial crime, as they can facilitate the alteration of identities, enhance freedom of movement, and enable the establishment of illegal identities in other jurisdictions. The European Union is adapting its visa suspension mechanism to potentially include CBI programs as grounds for suspending a country's visa-free access to the Schengen area.

[10] ECCU CBI countries follow a multi-layered applicant screening process, involving authorized agents, banks' assessment of the origin of funds and screenings by international due diligence firms, a Joint Regional Communications Centre (JRCC) under the CARICOM Implementation Agency for Crime and Security, and domestic Financial Intelligence Units (FIUs).

a temporary early-2024 demand increase ahead of the MoA price increases have for now mitigated the impact on recent ECCU-wide investment inflows.

7. Collaborative efforts to strengthen CBI program design and resource use would support the management of downside risks. A sustained abrupt decline in CBI inflows would substantially weigh on ECCU members' fiscal sustainability, tourism investment, and union-wide foreign exchange inflows. The authorities have undertaken and initiated important safeguarding processes to strengthen investor screening, national AML/CFT frameworks, and mitigation of security risks in collaboration with third-party stakeholders. Although these measures cannot fully mitigate CBI demand risks beyond the ECCU economies' control, these can be more effectively managed. Key measures include:

CBI Program Demand
(Number of Received Applications; ECCU)



Sources: European Commission (2024); and IMF staff calculations.

- ***Reducing budget-reliance on CBI revenues.*** Clearer provisions for CBI revenues' budget use would also help manage their potential volatility and facilitate medium-term fiscal and public investment planning.[11]

- ***Enhancing CBI investment transparency to help maximize economic benefits and plan against contingencies.*** The planned regional CBI regulator is an important opportunity to establish common data transparency standards on all CBI inflows and their use. Beyond supporting the programs' financial integrity, greater accountability can help the development of regional best practices on CBI investment option design to optimize the programs' economic benefits. This could be further informed by standardized ex-post CBI project assessments on economic outcomes. Greater data transparency would also support union-wide monitoring of the CBI flows, better identification of these investments' systemic importance, and the development of contingency plans.

[11] For recent examples regarding strengthening of fiscal management of CBI revenue, see 2024 Article IV Staff Report for St. Kitts and Nevis (IMF Country Report No. 24/126) and 2024 Article IV Staff Report for Grenada (IMF Country Report No. 25/39).

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