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THE CARIBBEAN OUTLOOK

Towards recovery and resilience building in the Caribbean post COVID-19



UNITED NATIONS

ECLAC

Alicia Bárcena

Executive Secretary

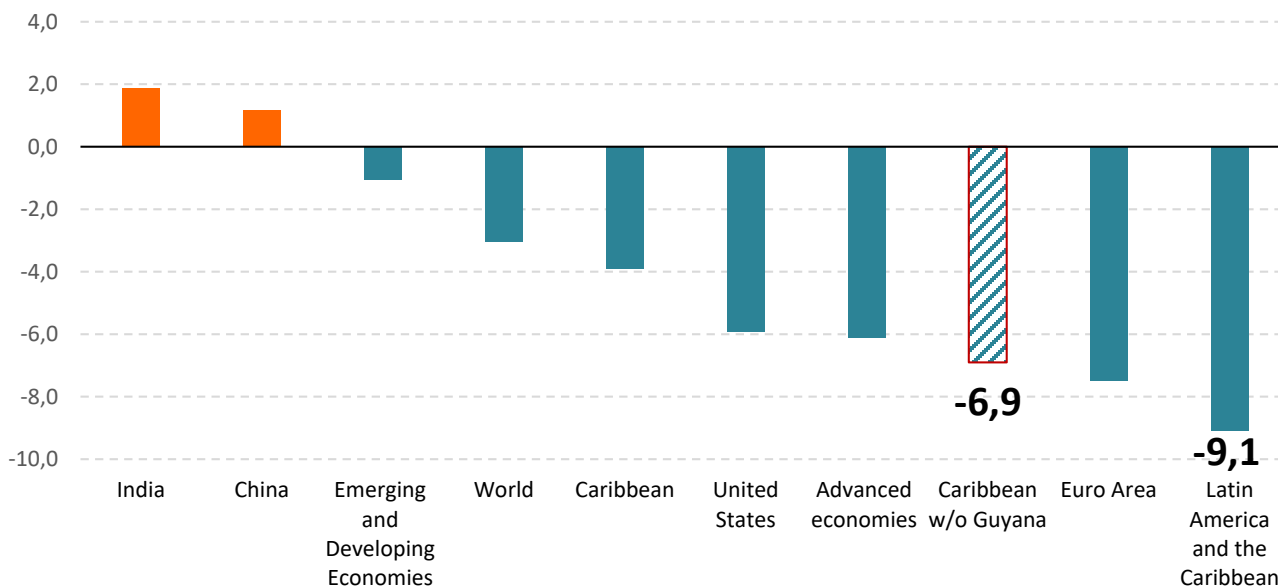
Economic Commission for Latin America and the Caribbean (ECLAC)

27 October

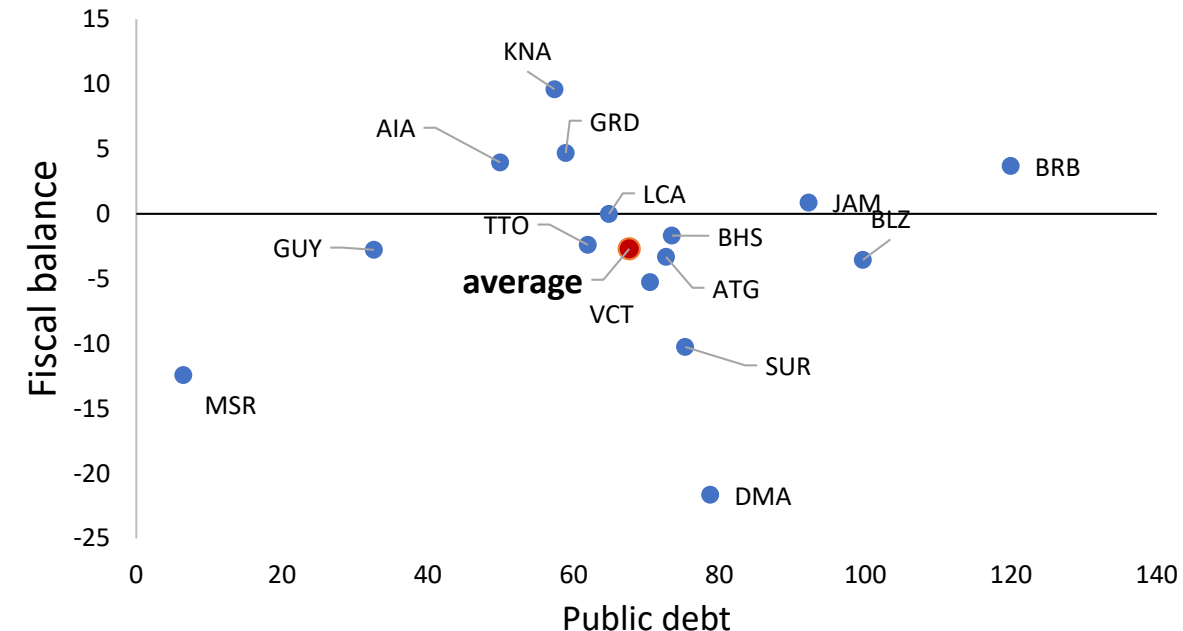
The economic impact of the COVID-19 pandemic across Caribbean economies has been severe

- Caribbean GDP growth will decline to **-6.9%** (excluding Guyana); lower than the average of the region
- Fiscal deficits in 2019: **2.7%** of GDP in 2019 relative to 2.1% of GDP in 2018 and are expected to expand further in 2020
- Unemployment rates **expected to increase in 2020** after falling to 11.7% in 2019
- Persistently high debt levels standing at **67.6% of GDP as of 2019 and expected to increase**

GDP GROWTH PROJECTION FOR 2020
(Per cent)

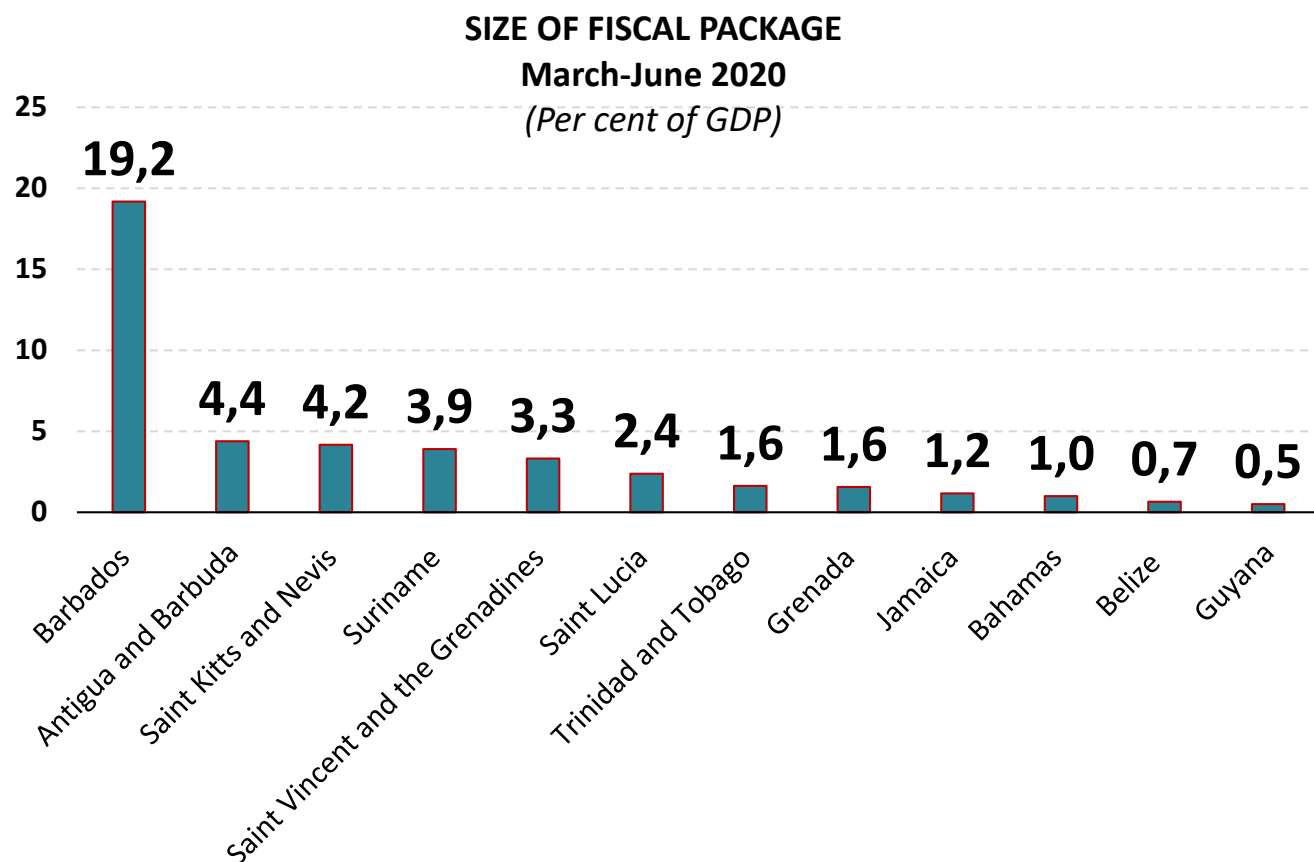


PUBLIC DEBT vs. FISCAL BALANCE, 2019
(Per cent of GDP)



Response to COVID-19 in the Caribbean

Fiscal efforts in the selected Caribbean economies ranged **between from 0.5% to 5% of GDP** (except Barbados) and eight of these countries fell beneath the LAC average of **3.9%**



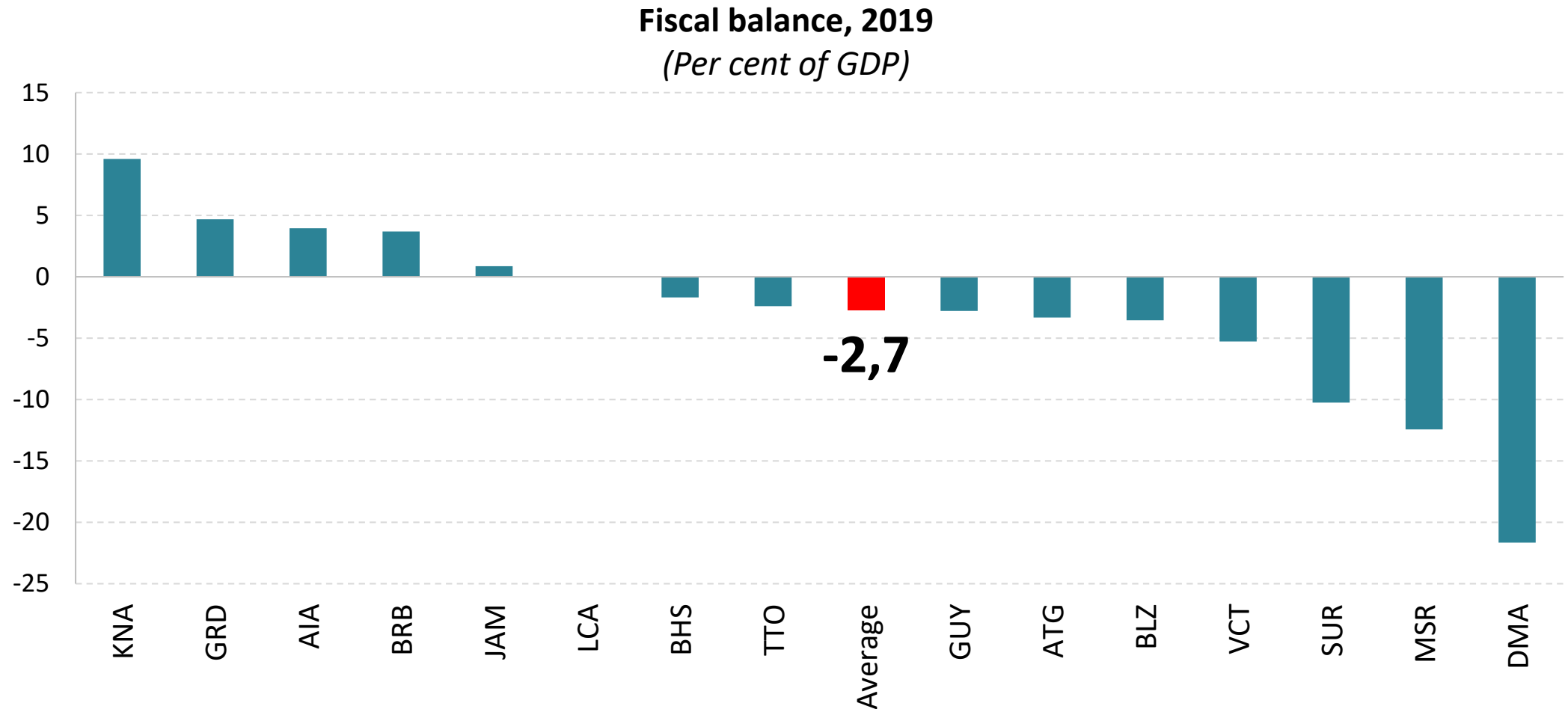
Financial assistance from international donors to Caribbean countries

Inadequate international assistance by the international community to mitigate the impact of the pandemic on Caribbean economies as Middle Income countries

In total, **over 4 Billion USD** have been channeled to the region in the past months, the majority through loans to Dominican Republic (**USD\$ 1.1 billion**), Jamaica, and Trinidad and Tobago

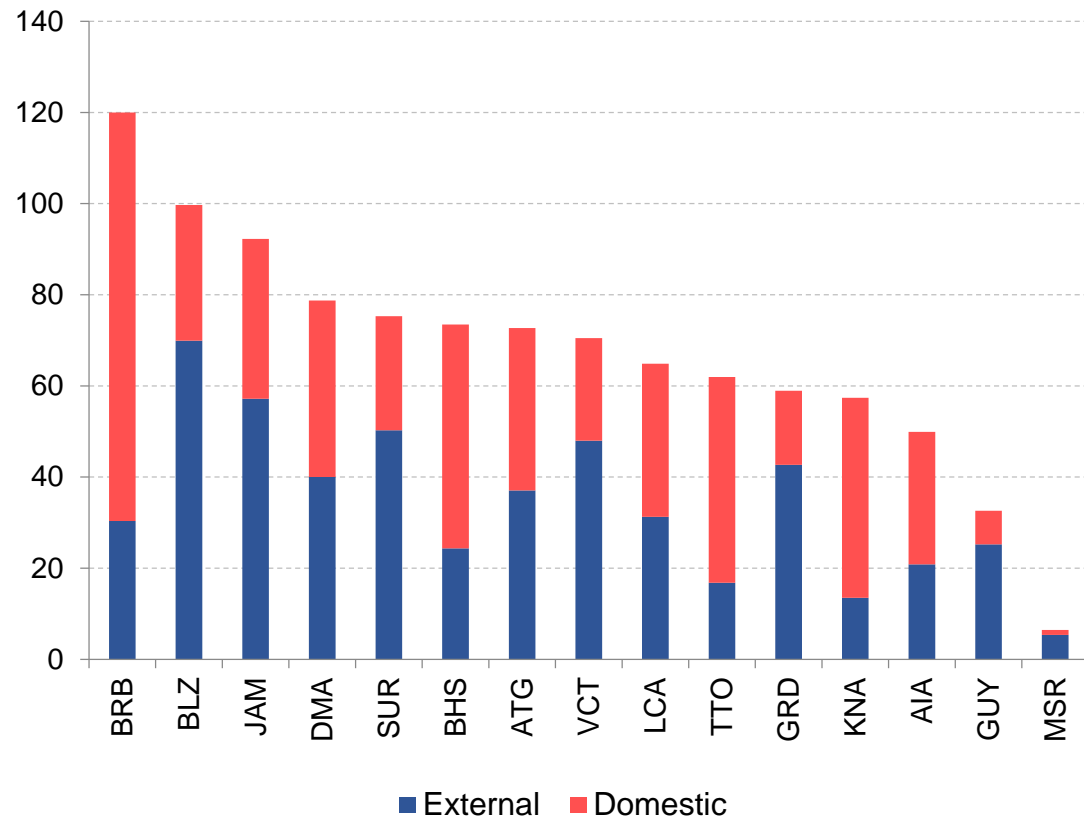
Collective **Grants/Donations** to the region, by international community, amount to **USD\$ 830 million**

Liquidity being the most urgent challenge facing the Caribbean, COVID-19 has forced an emphasis on fiscal policy

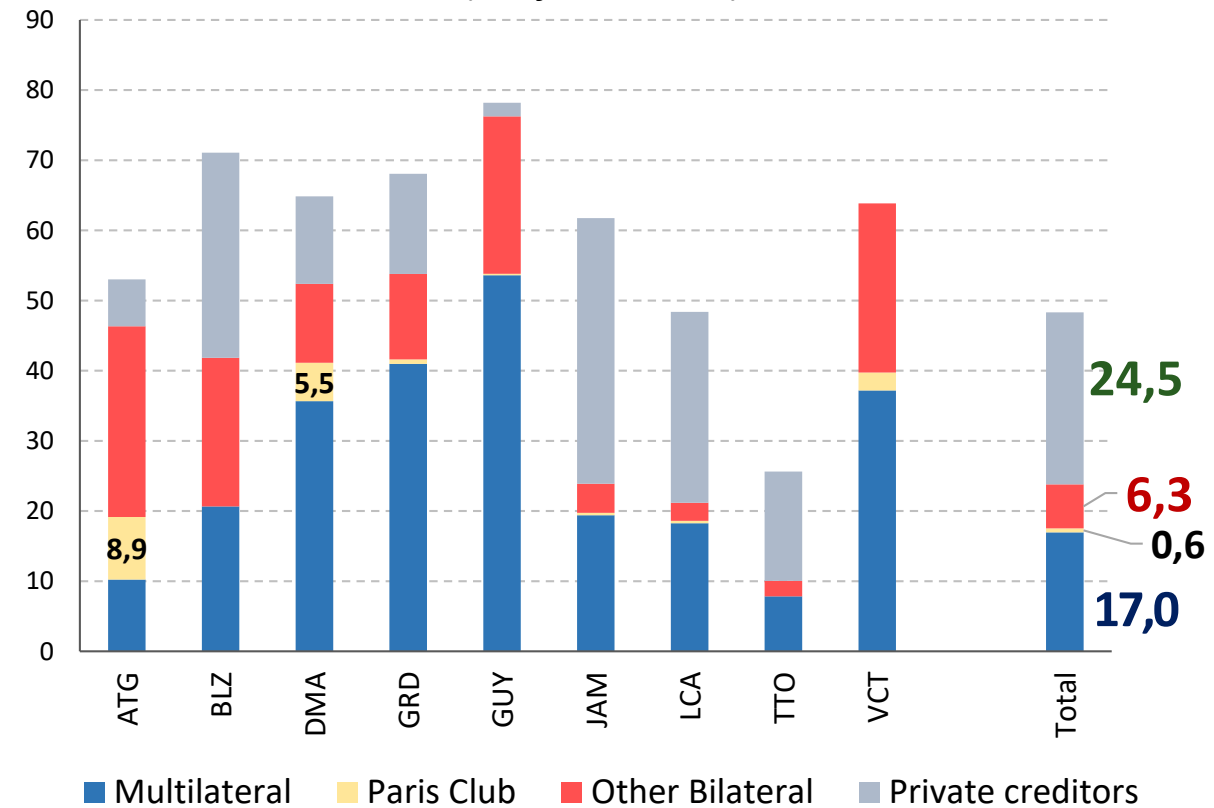


Increased borrowing to cope with the pandemic will lead to a spike in the subregion's public debt in 2020 close to 30% in 2019

Total public debt, 2019
(Per cent of GDP)



Composition of external debt, 2018
(% of total debt)

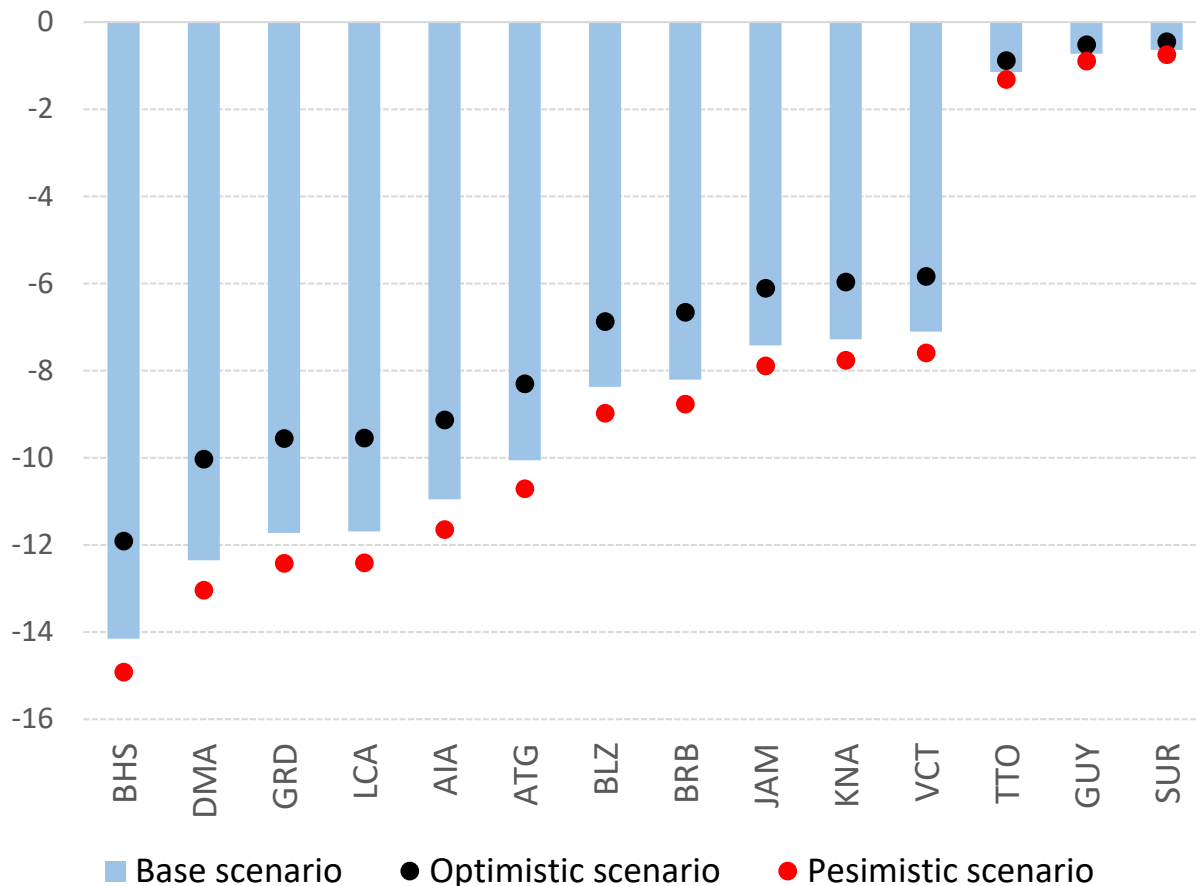


Sectoral effects

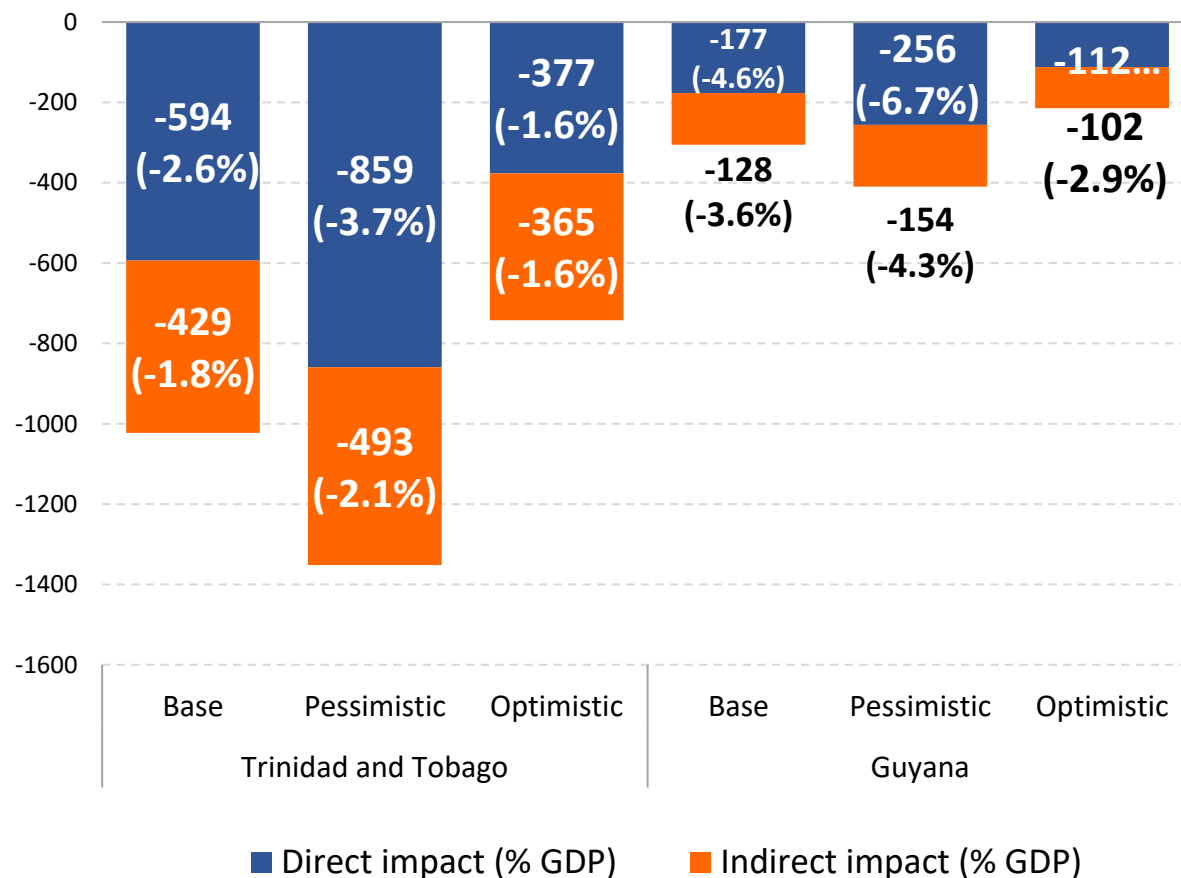


COVID-19 has had direct negative impact on GDP growth in tourism, projected to be between - 6.6% and - 8.5%. Total impact on the energy sector is expected to be - 5.8% for TT and - 11% for Guyana

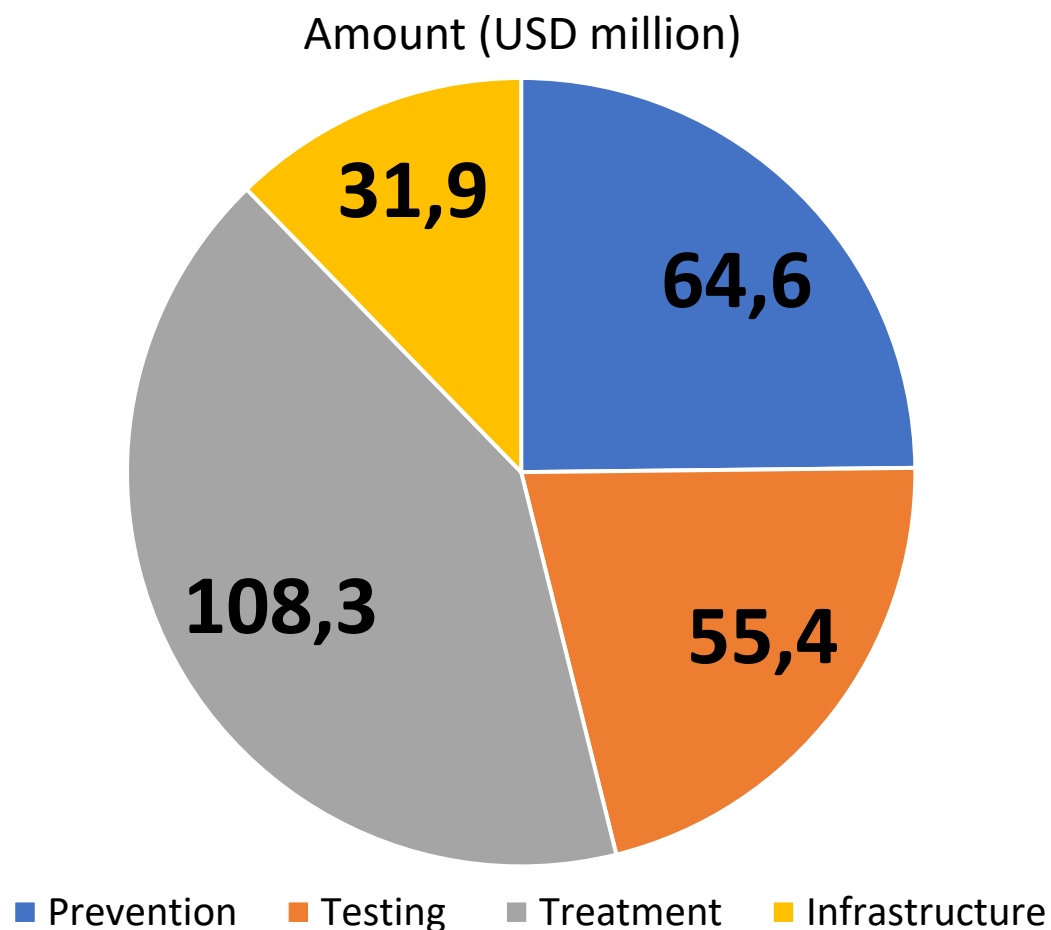
TOURISM SECTOR
DIRECT IMPACT ON GDP GROWTH, 2020
(Percentage points)



ENERGY SECTOR
DIRECT AND INDIRECT IMPACT ON GDP GROWTH, 2020
(Millions of US dollars and Per cent of Total GDP)



COVID-19 Impact on the Health Sector



ECLAC estimates the total economic impact of COVID-19 on the health sector of Caribbean countries during the first quarter of 2020 to be US\$ 260.2 million.

The cost of treating COVID-19 patients represents 42% of total expenditure, with prevention measures accounting for 25%.

Combined, prevention and testing represent just under half (46%) of the estimated cost to the health sector

These costs will likely increase over time if no vaccine is made available in the short term.

COVID-19 Impact on Transportation

- **Airlines:** Options for Caribbean governments are limited to fiscal support for regionally owned airlines; internationally owned operators may resume operations but may require subsidy in response to social distancing requirements; the unavailability of a vaccine remains a key constraint.
- **Cruise:** There are no options available to the region in the short term to revive cruise sector activity before the availability of a vaccine.
- **Commercial shipping:** Risks of route consolidation due to excess capacity has increased due to COVID-19. Restarting tourism business is critical to increasing derived demand, and cost effectiveness for commercial shipping services
- **Overall:** Given the limited options available, Caribbean governments would need to undertake greater advocacy, lobbying and brand promotion in the region to increase transportation demand and cost effectiveness



Socio-economic impacts of COVID-19 reflect underlying inequalities in access to education

THE TEMPORARY CLOSURE OF ALL EDUCATIONAL FACILITIES IS IMPACTING NEARLY 12 MILLION LEARNERS IN 29 CARIBBEAN COUNTRIES

Socioeconomic impacts on the Education sector

- Interruption in classes
- Cancellation of assessments and examinations
- Gaps in childcare and family pressures in allocating time for housework and paid work
- Greater risks of family violence
- Indirect impacts on nutrition
- Unintended strain on health-care systems
- Potential increase in dropout rates
- Inequalities resulting from:
 - Lack of parental skills to adjust to distance and homeschooling
 - Lack of access to technology
 - Unequal access to internet connectivity, and
 - Homeschooling in shared spaces with other family members in small housing units

Estimated cost

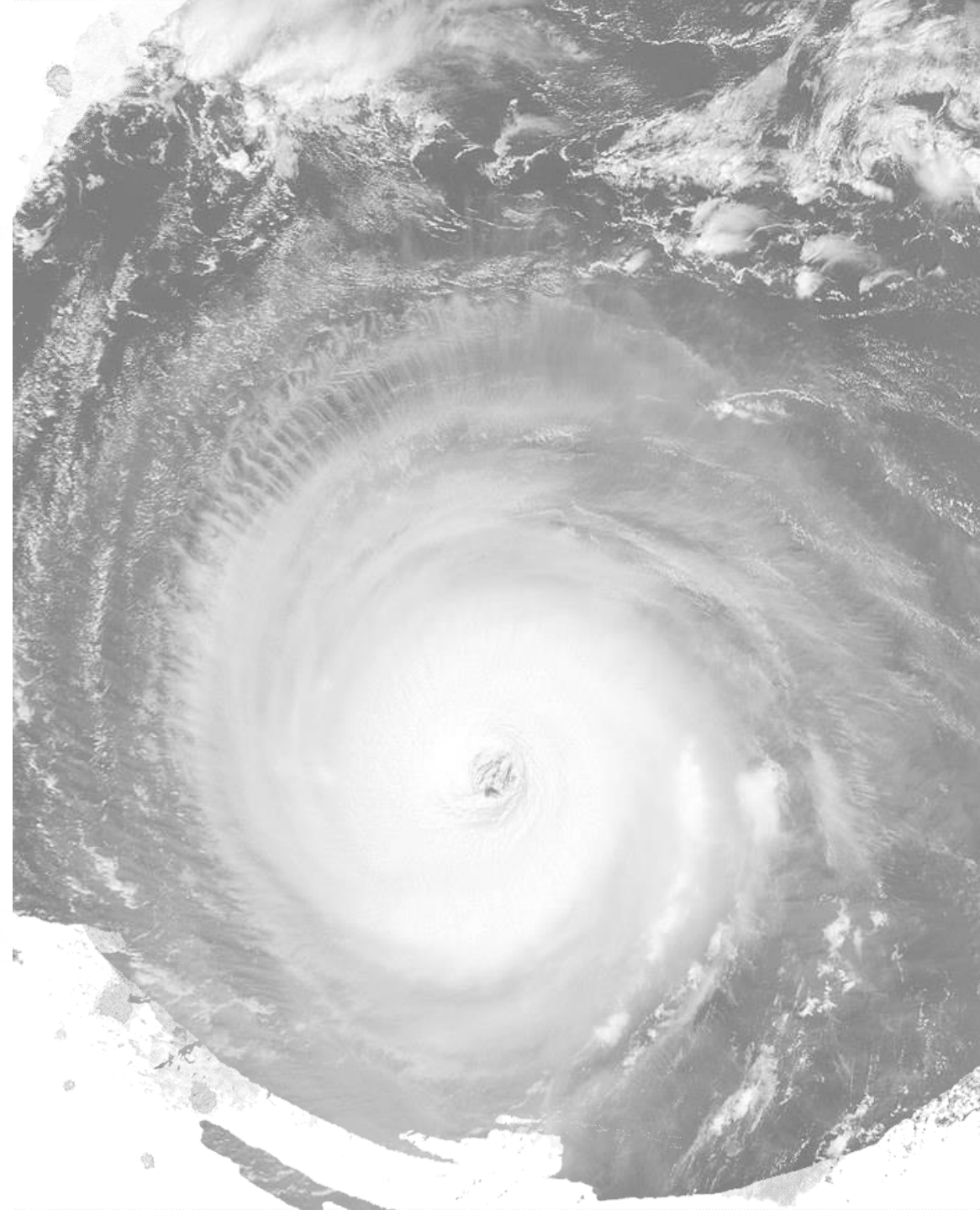
- Est. USD 119 million (26 countries)
- Est. USD 54 million (4 countries)

- Multidimensional **inequalities** reflect discrimination and impact on children's rights
- With increased confinement and other pressures on families, **risks of violence against** women and children has increased
- There is also **potential increase in dropout rates and child labour growth** among the poorest children and adolescents



Vulnerability to Climate Change and disasters

- Climate change & disaster shocks are a major challenge. Caribbean spent some **US\$3b** annually in damage and losses, increasing the fiscal burden.
- There is need to address climate financing by generating domestic and global financial resources.
- Disaster risk reduction through preparedness and risk management is crucial for building build forward better after each hurricane.
- Risk management must be a part of all strategies at the sectoral level especially in agriculture and tourism.



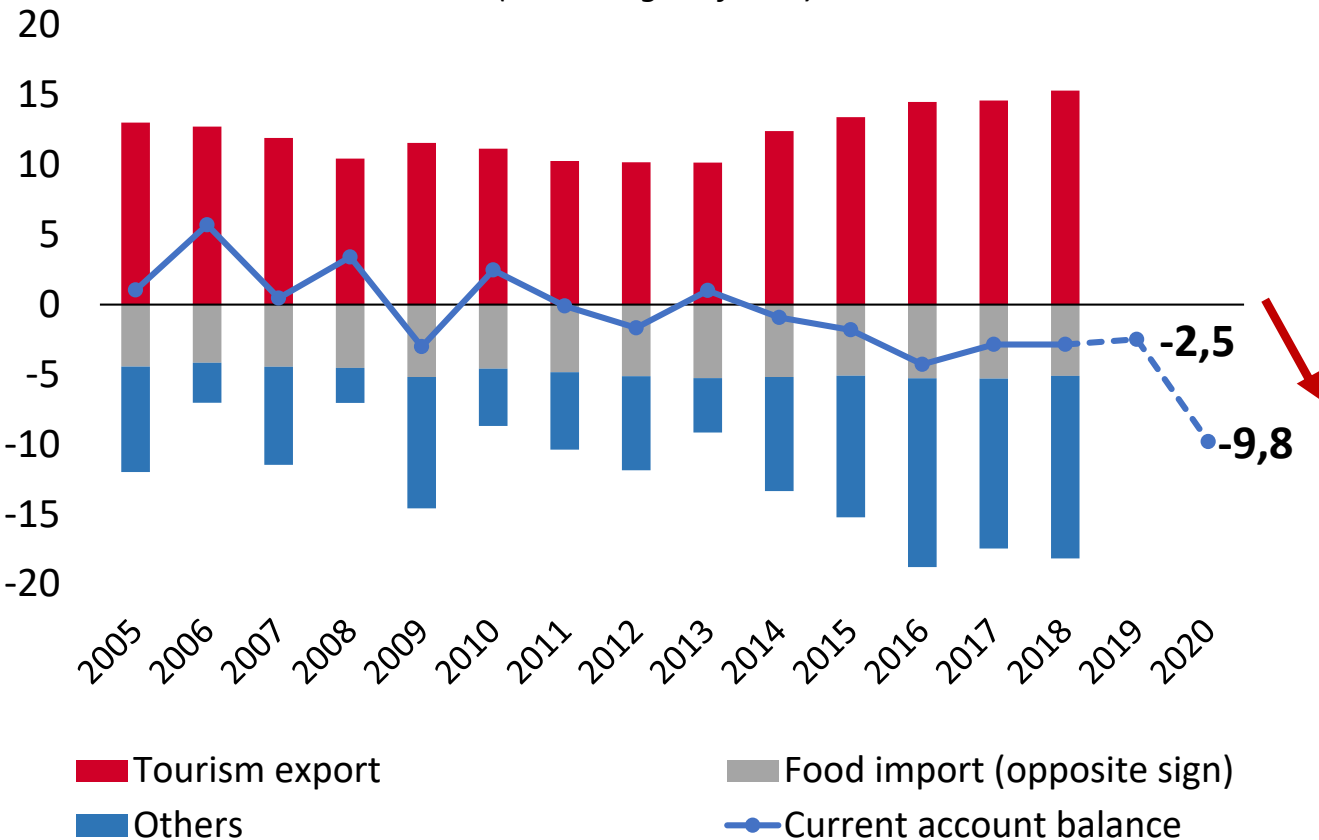
Factors required to jump start Caribbean economies post COVID-19 in the face of unrelentingly sluggish growth



Diversify exports and expand international reserves

THE CARIBBEAN: CURRENT ACCOUNT BALANCE

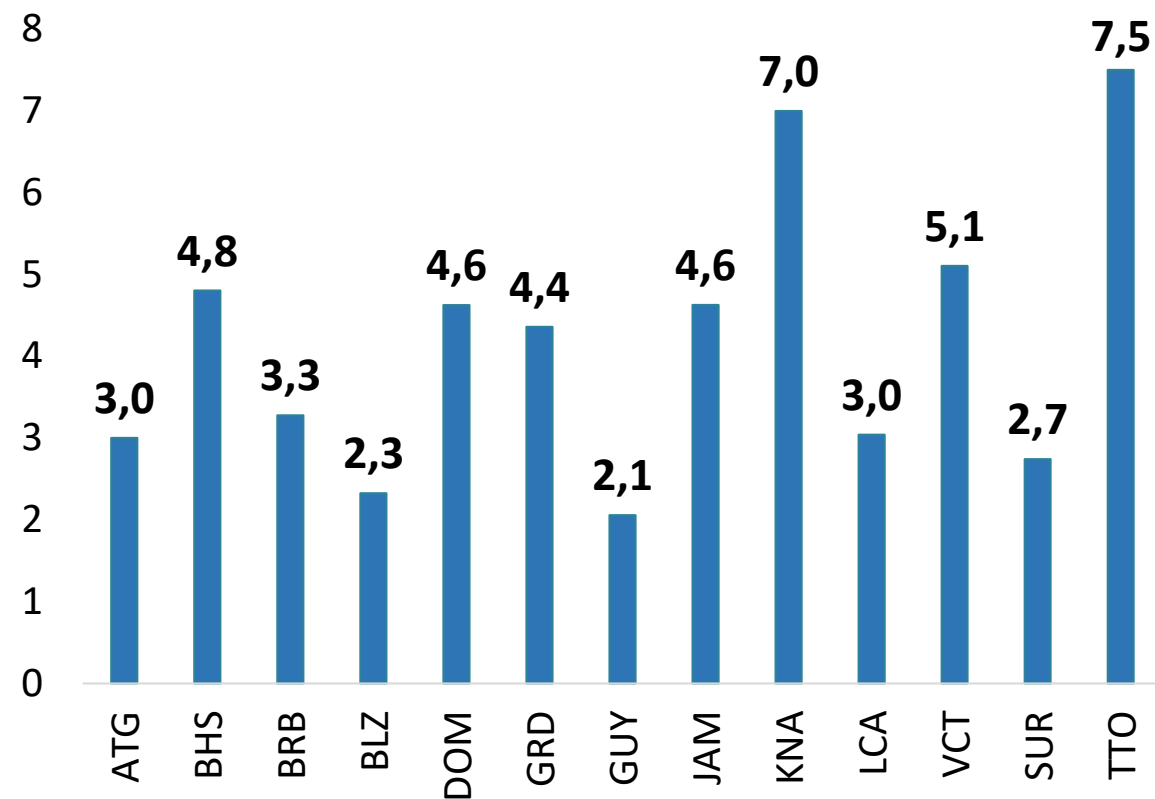
(Percentages of GDP)



Note: figures for 2019 and 2020 are IMF forecast.

THE CARIBBEAN: NET INTERNATIONAL RESERVES

(Months of import)

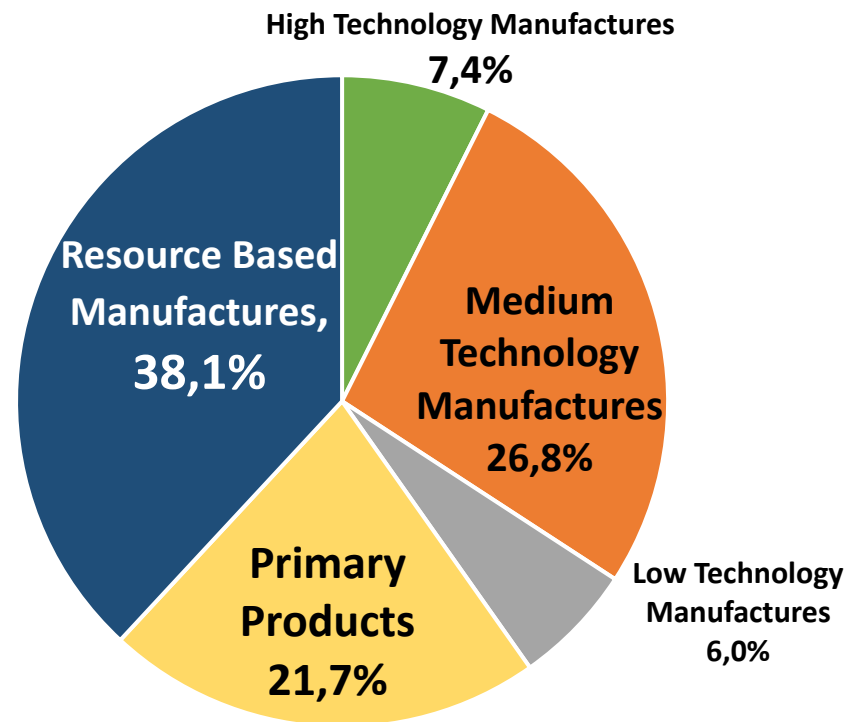


Note: the figure for Suriname is gross international reserves. Figures are at the end of 2019 for ECCU countries and Barbados, at the end of January 2020 for Guyana, at the end of March 2020 for Bahamas, Jamaica, Suriname and Trinidad and Tobago and at 18 March 2020 for Belize.



Diversify and expand trade in both the goods and services sectors and move up the value chain in a meaningful way

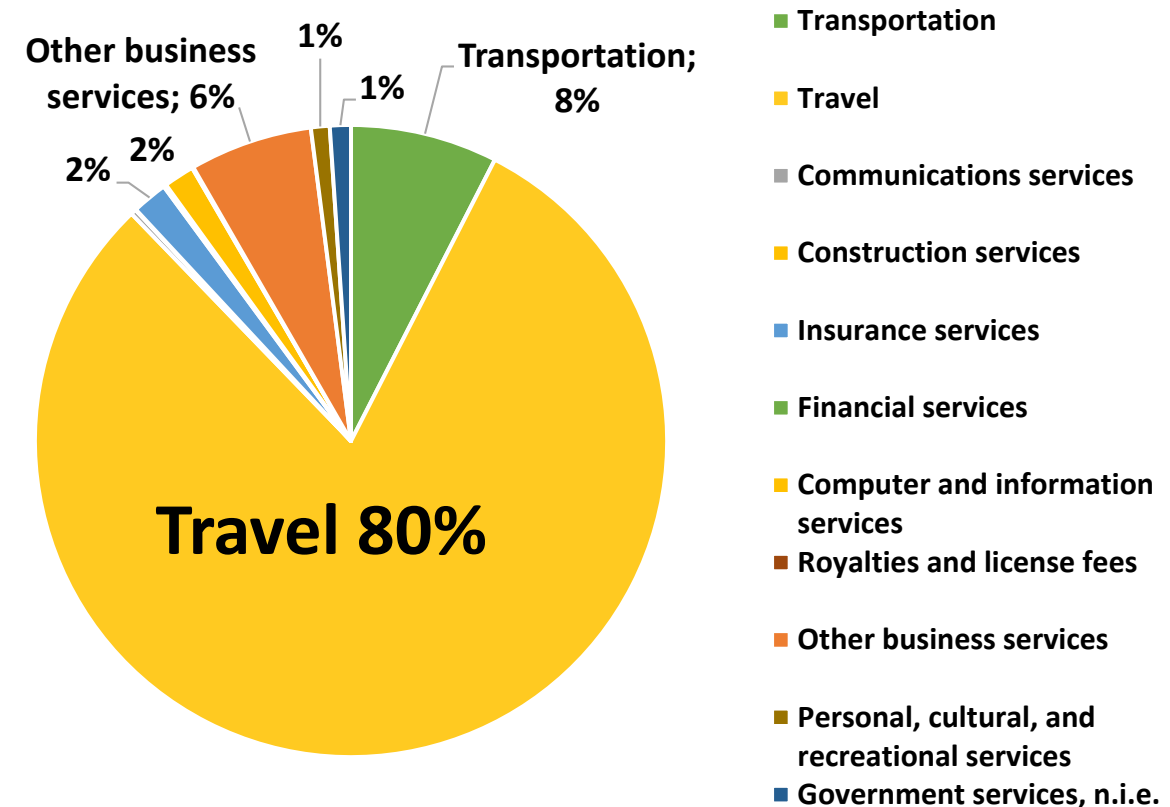
TECHNOLOGICAL INTENSITY OF EXPORTS FOR THE CARIBBEAN, 2017



Source: WITS.

Note: Caribbean includes Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago.

COMPOSITION OF SERVICE TRADE EXPORTS FOR THE CARIBBEAN, 2016



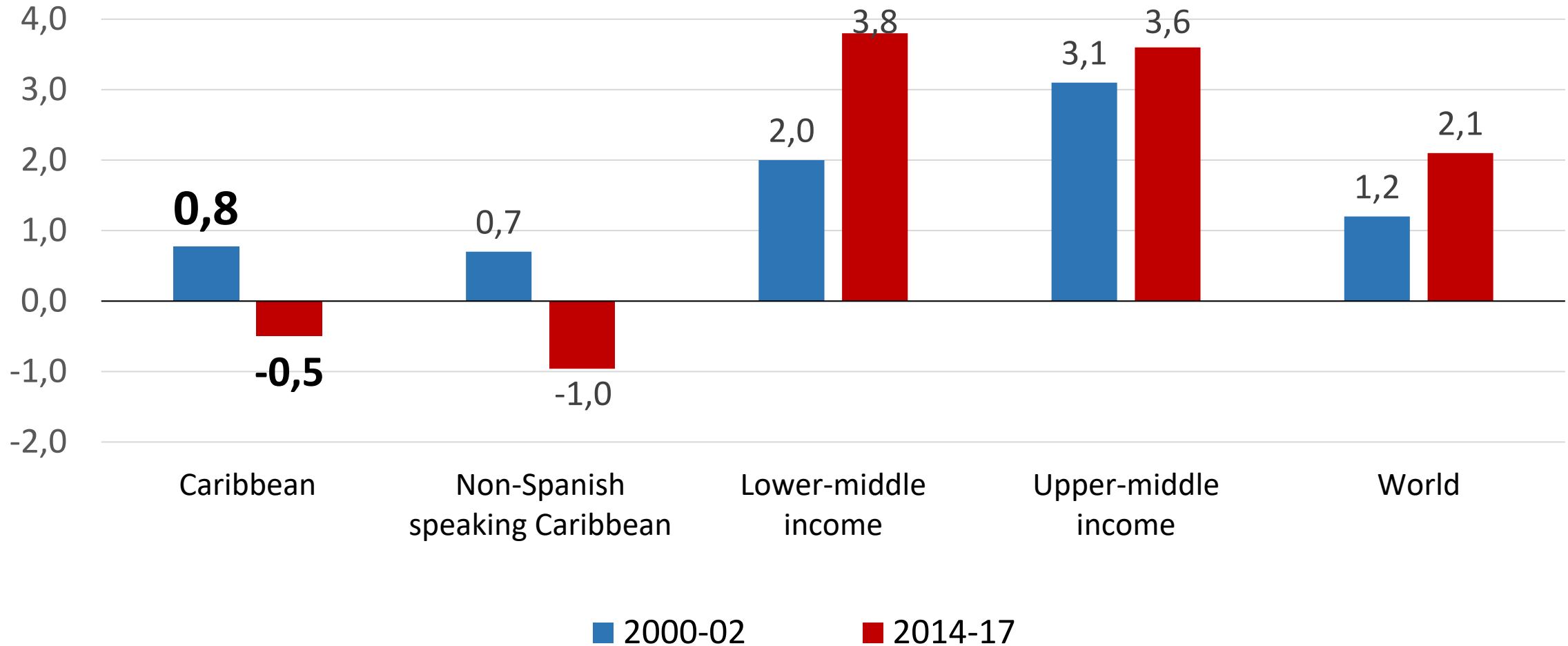
Source: COMTRADE

Note: Caribbean includes Anguilla, Antigua and Barbuda, The Bahamas, Belize, Dominica, Grenada, Jamaica, Saint Lucia, Suriname, Trinidad and Tobago.



Address the declining trends in productivity

TREND IN LABOUR PRODUCTIVITY FOR COUNTRY GROUPINGS, GDP PER PERSON EMPLOYED (%), 2000-02 AND 2014-17

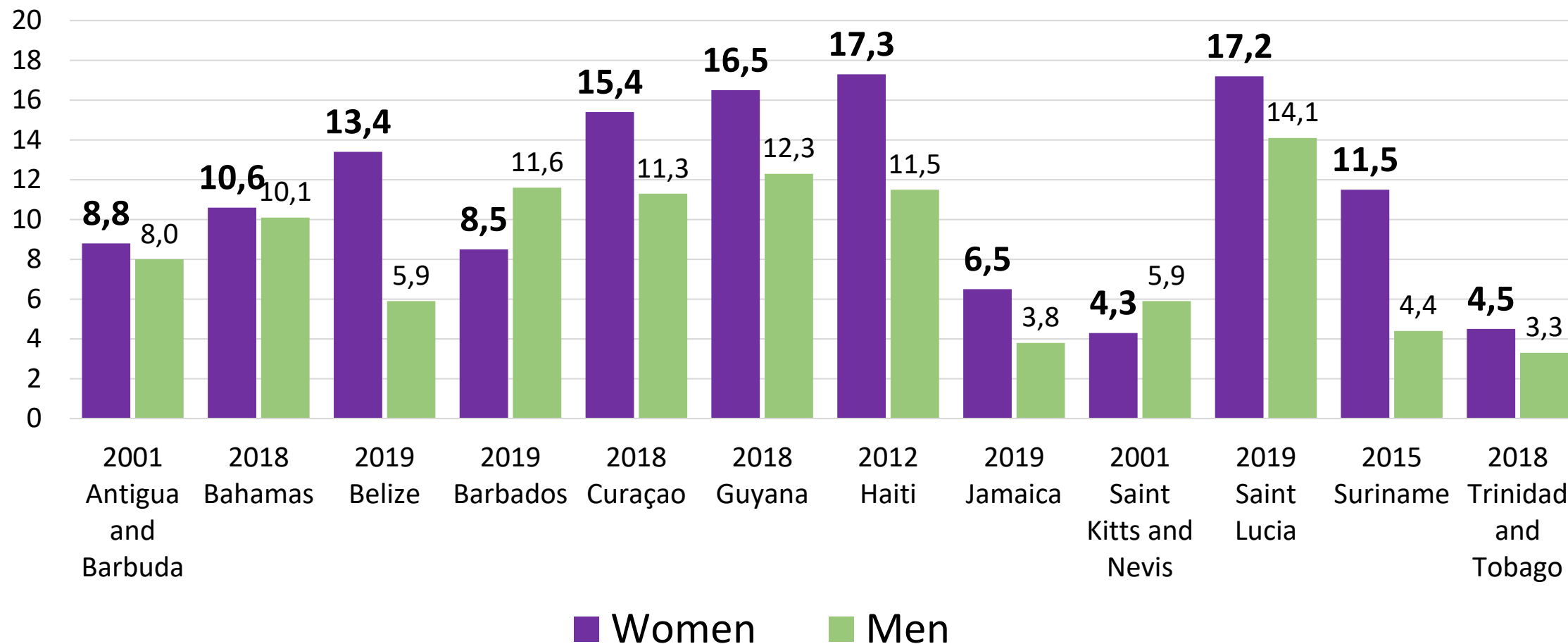


Source: The World Bank, World Development Indicators database.



Reduce gender inequalities particularly in the labour market

THE CARIBBEAN (12 COUNTRIES): UNEMPLOYMENT RATE
(Percentages)



Key Development Priorities to Build Back Better



The Way Forward: Some Recommendations



An integrated planning framework to build forward better

- Strategies for recovery will require careful **planning** if the Caribbean is to achieve sustainable development.
- Planning should be State policy to ensure continuity, **data driven, and inclusive**, with a strong institutional framework.
- Post COVID-19, **national sustainable development plans** should factor in resilience building by incorporating policies to address potential risks associated with health and other exogenous shocks.
- Strengthened **data capacity** is critical to inform national development planning and to respond to national emergencies



Improving the Enabling Environment

- Greater attention should be given to **industrial policies** focused on revitalizing trade through economic diversification and value chain engagement
- Such policies should give priority to sectors which offer comparative advantage, such as **food and beverages, cosmetics and cleaning products, cultural activities**
- Enhance the ease of doing business, including trade facilitation: **customs reform**, improved port **infrastructure** and the expansion of **market access** to Central and South America
- Pursue the employment and sustainable development benefits of **ocean-based industries**, including tourism and fisheries



Enhanced Access to Finance: Views of the Caribbean Ministers of Finance

- **Liquidity support:** urgent interventions are essential to ensure liquidity. IMF RCF is an important instrument, but it has to be free from conditionality.
- **Increasing fiscal space: Borrowing is not an option,** instead the Caribbean needs debt relief and grant support. It is time for active engagement with the IFIs; especially the IMF and World Bank for consideration of ways to ease the increasing debt burden across the subregion.
- **Eligibility criteria of IFIs:** Now is the time to press for revision of eligibility criteria for concessional aid based on the clear vulnerability of the subregion, reflecting the consequences of COVID-19 and the increased economic dislocation/middle income traps.



Enhanced Access to Finance: ECLAC Debt Swap Initiative and Caribbean Resilience Fund

- **ECLAC debt relief initiative**

- COVID-19 pandemic on Caribbean debt provides an opportunity to move forward the ECLAC debt swap initiative to **promote investments in green technology** to build climate resilience

- **Establishment of Caribbean Resilience Fund**

- Facilitate the necessary capital investment to build economic and climate resilience
- **Initial capitalization in the order of US\$6.9 billion (12.2% of regional debt)** is being sought
- Need to be a regional facility with an appropriate member-based governance structure

- **GCF's involvement in the ECLAC Debt Swap Initiative**

- Access to **concessional or grant resources** such as GCF and establishment of the Resilience Fund has been a key setback in getting traction to move the Initiative forward



Enhanced Access to Finance: ECLAC's Advocacy in the FFD Process

New SDRs issuance and reallocation to MICs

- Issuance of US\$ 500 billion would amount to **\$2 billion in extra international reserves in the Caribbean**

Expanding the G20's DSSI

- Extend the term; broaden scope of beneficiaries to include the Caribbean; include multilateral debt; enhance private sector participation

Institutionalizing SCDIs

- Provide **fiscal space for middle income countries**; facilitate the use of innovative instruments to reduce vulnerability such as hurricane clauses, resilience bonds





Thank You!

**Towards recovery and resilience building
in the Caribbean**

Alicia Bárcena

Executive Secretary, ECLAC

October 2020