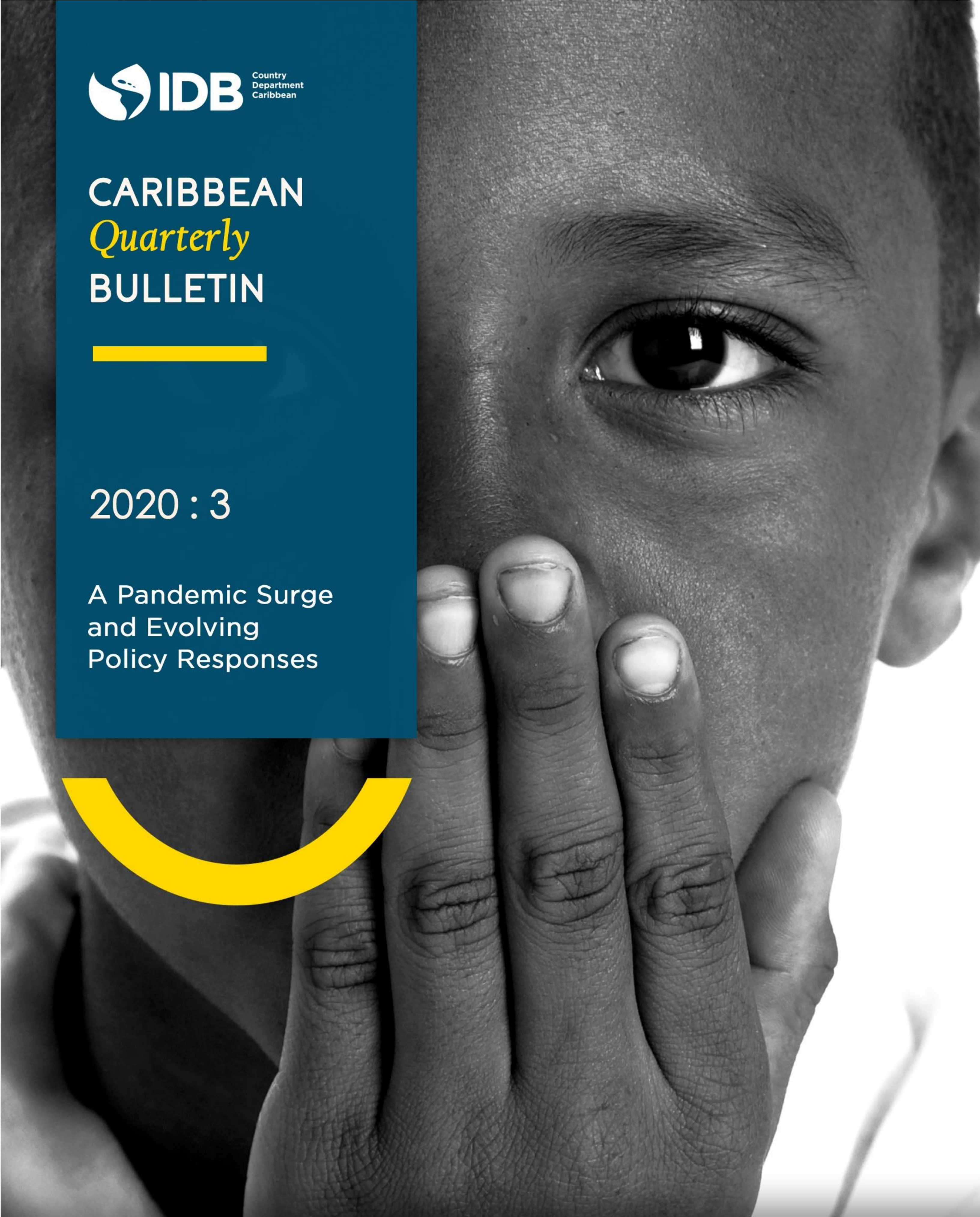
IDB Country Department Caribbean

CARIBBEAN *Quarterly* BULLETIN

2020 : 3

A Pandemic Surge and Evolving Policy Responses



NOVEMBER 2020

VOLUME 9 | ISSUE 3

CONTENTS

REGIONAL OVERVIEW FIGURES

REGIONAL OVERVIEW TABLES

Quarterly Bulletin

Fall 2020

A Pandemic Surge and Evolving Policy Responses

REGIONAL OVERVIEW

Henry Mooney and David Rosenblatt

I. Introduction

Except for Barbados, the Caribbean region experienced a new surge of COVID-19 cases toward the end of the summer.[1] Several factors contributed to this unfortunate situation: a rise in imported cases as borders opened, an increase in community transmission as domestic social distancing measures were eased, and elections with in-person voting in three countries—Suriname, Trinidad and Tobago, and Jamaica.[2]

Governments are adjusting their health and sanitary precautions and social and economic policy responses to the evolving situation. In addition to these current events, "pre-existing" conditions in terms of poverty and inequality—along with the pre-crisis institutional situations in the countries—have an effect on how governments can, and should, respond to the current crisis.

This third special edition of the IDB Caribbean Quarterly Bulletin provides an update of health and economic conditions in the region. It also focuses on the policy response from both comparative and institutional perspectives, the latter referring to the "pre-existing conditions" alluded to above. Key messages emerge:

- **The surge in new cases further complicates the prospects for recovery as the recession grinds on.** Health and sanitary restrictions and social distancing measures are being re-imposed or strengthened in some countries, as are border restrictions. Even as they are necessary to contain the pandemic, the measures have an inevitable impact on prospects for an economic recovery. One positive sign is that in recent weeks, the rate of new identified infections has slowed in several Caribbean countries, bringing some relief.

- **In addition to creating new instruments to address the crisis, governments have drawn on existing programs to ramp up social assistance programs.** For example, The Bahamas and Barbados entered the crisis with a well-established unemployment insurance mechanism to provide a social and economic "automatic stabilizer." Jamaica increased the scope of its conditional cash transfer program (the Program of Advancement through Health and Education – PATH). Governments across the region also created new programs to help businesses in hard-hit sectors—especially small and medium-sized enterprises (SMEs)—, survive the ongoing recession. The size of overall fiscal packages varies from about 1½ to 11 percent of GDP, substantially smaller than in some of the largest economies in the world, but broadly in line with the policy packages in middle-income countries.

[1] The Caribbean region refers to the six member countries of the Inter-American Development Bank's Caribbean Country Department: The Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago.
[2] Elections were held much earlier in Guyana on March 3.

- **Governments have allowed revenue shocks to be passed through to fiscal deficits as part of the overall fiscal stimulus.** In addition to the expenditure stimulus measures outlined above, governments have let the decline in revenues associated with the recession be passed through to deficits. Revenue declines were responsible for between 42 and over 90 percent of the change in deficits between 2019 and 2020.

- **A well-designed public investment program can help stimulate the economic recovery, and several governments are already considering the options.** Fiscal space will remain an important constraint, but as a nascent economic recovery emerges, additional resources could be channeled to high-productivity infrastructure products to further stimulate growth.

As is the tradition for this bulletin, the regional overview is followed by country-specific sections that provide more details on these issues in each of the six Caribbean countries, as well as sovereign members of the Organisation of Eastern Caribbean States (OECS).[3]

II. Reversals in "Job 1": Stopping the spread of the virus

Figure 1 shows that cumulative coronavirus cases began surging late this summer in five of the six Caribbean countries. The exception is Barbados. The mid-summer bulletin reported that the only country that was showing a sharp rise in cases was Suriname, following its May 25th general elections. Subsequently, Trinidad and Tobago and Jamaica also held elections, on August 10 and September 3, respectively. There is not sufficient information to quantify the effects of specific events such as the elections in contributing to the increase in cases, but other factors that likely contributed to the rise in cases in the second half of the summer were the opening of borders to travelers (with a variety of sanitary restrictions) in The Bahamas and Jamaica, along with the relaxation (at least temporarily) of domestic lockdown measures.

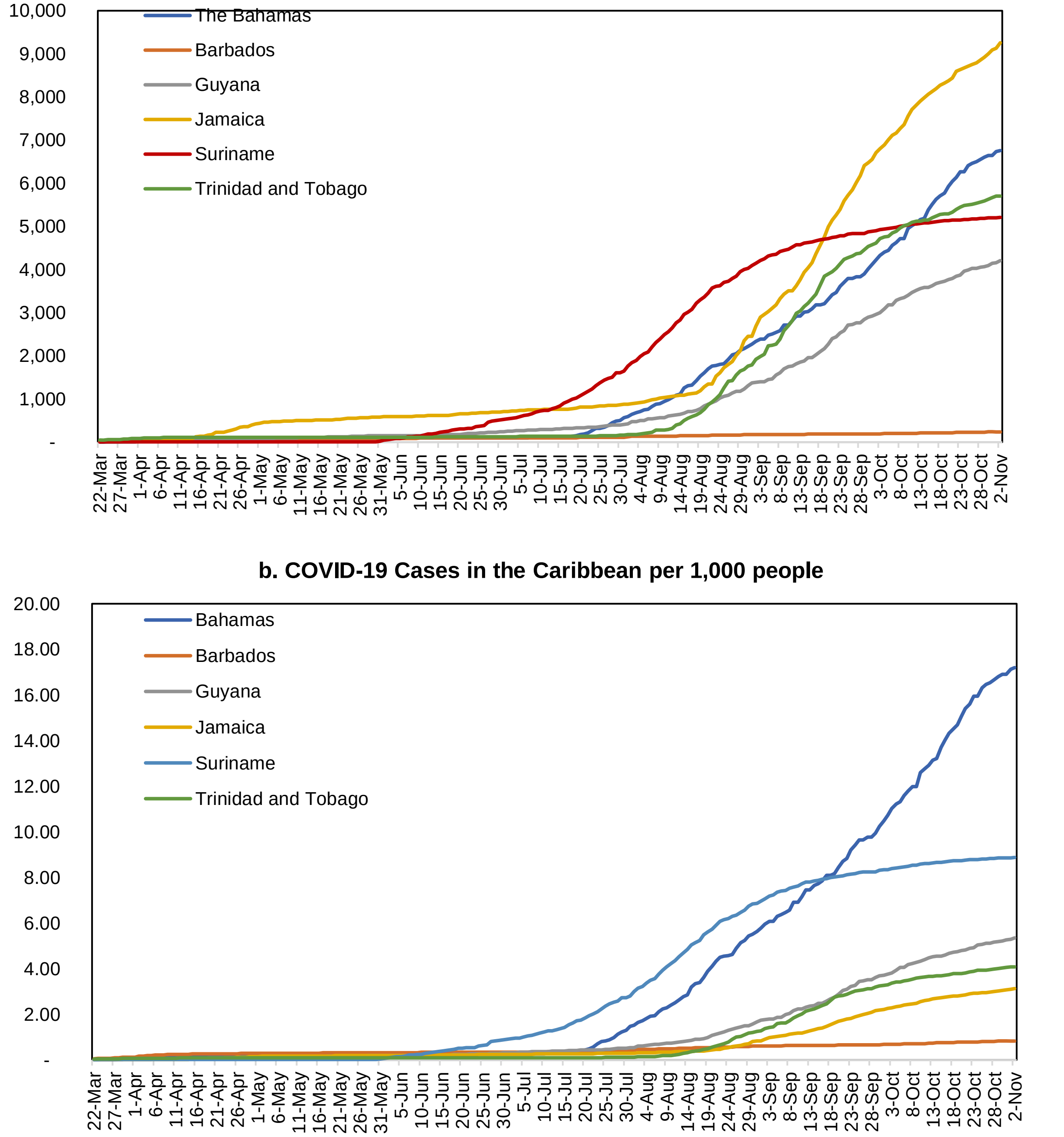
Note that cumulative case rates per 1,000 population in the six Caribbean countries analyzed here are still substantially lower than for the Latin America and Caribbean (LAC) region as a whole. That said, with cumulative cases of 17 per 1,000 population, The Bahamas is catching up with several of the LAC countries: Peru and Panama have cumulative cases of 27 and 30 per 1,000 population, respectively.[4]

[3] OECS countries covered by the IDB's Caribbean Department are Antigua and Barbuda, Dominica, Grenada, St. Lucia, St. Vincent and the Grenadines, and St. Kitts and Nevis.
[4] See the IDB COVID-19 dashboard at https://www.iadb.org/en/topics-effectiveness-improving-lives/coronavirus-impact-dashboard (accessed November 4, 2020).

Figure 1. Cumulative COVID-19 Cases in Absolute and Per Capita Terms

a. Cumulative COVID-19 cases in the Caribbean

b. COVID-19 Cases in the Caribbean per 1,000 people

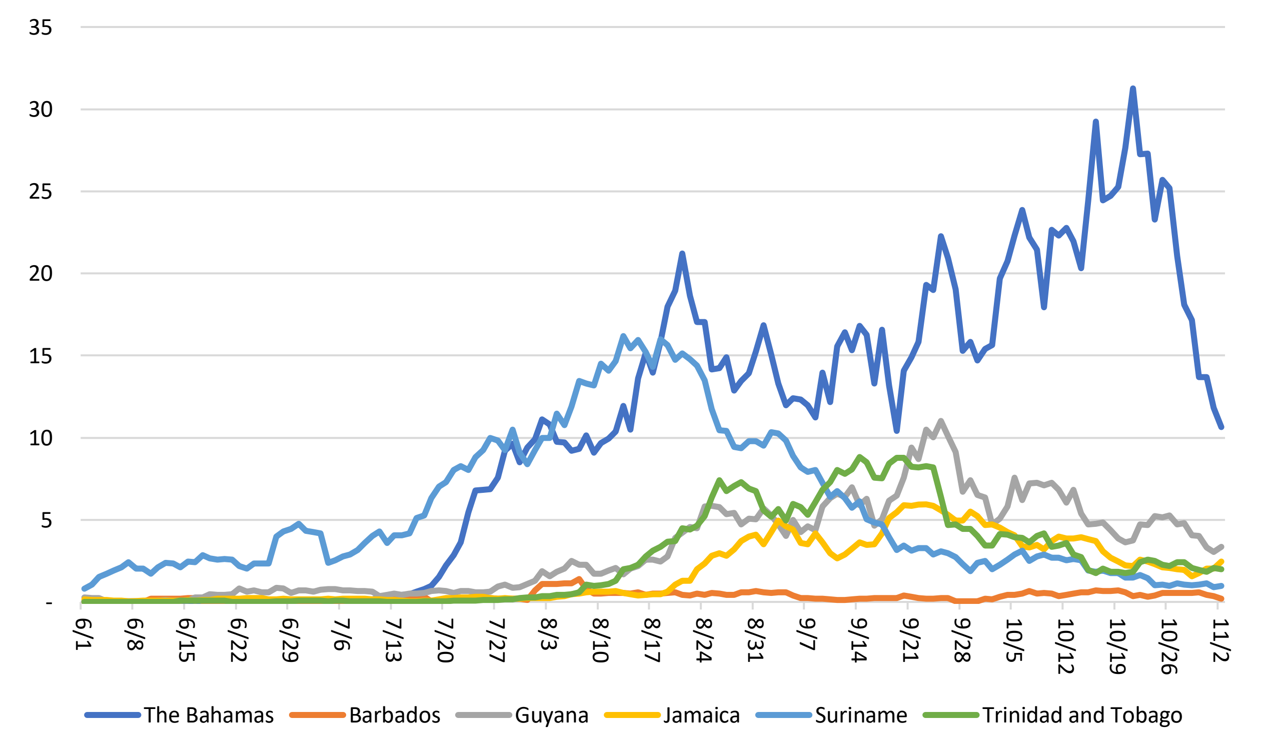


Source: Authors' calculations based on data from national authorities and WHO database.

The Bahamas is also suffering from a high rate of new daily cases. Since new cases constitute a smaller number, experts generally use the new cases per 100,000 population, rather than per 1,000 population. In addition, they generally take an average over the previous seven-day period. Figure 2 presents the curves for six Caribbean countries. It is important to consider, for comparison purposes, that the figure for the United States has been stuck at 12 per 100,000 or higher since the middle of this summer, and it has recently surpassed 20. In the Caribbean, an encouraging sign is that the rolling average is now well below 10 per capita for all countries except The Bahamas, and even in the Bahamas has in early November.

The persistently highly daily case rate in the United States is of concern, since it is such an important source of tourist arrivals in the Caribbean (see Box 1). While there are a wide variety of case counts across U.S. states, only about 2 or 3 states are currently experiencing new case rates below 10 per 100,000 population.[5] The Country Summaries will provide more details on the evolution of the health crisis, and the preventive measures taken, in each country.

Figure 2. Daily New Cases per 100,000 Population, Seven-Day Rolling Average

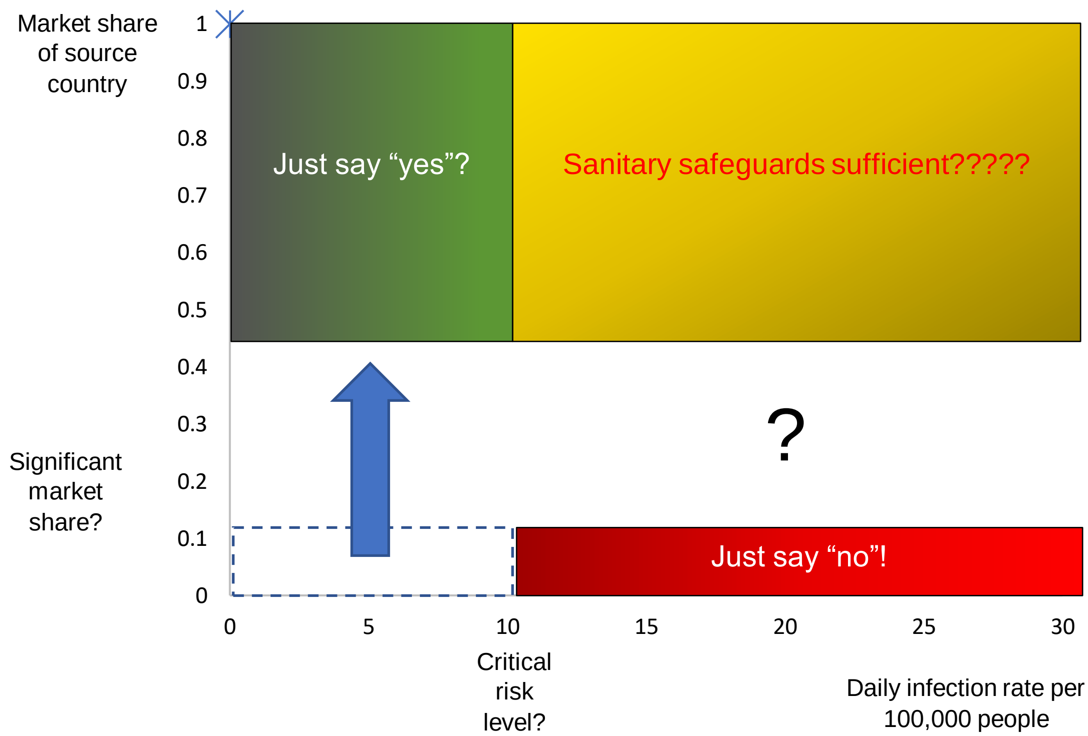


Source: Authors' calculations based on data from national authorities and WHO updates for recent weeks.

[5] One readily available daily source is the coronavirus tracker updated daily in the *Washington Post* (https://www.washingtonpost.com/graphics/2020/national/coronavirus-us-cases-deaths/?itid=hp_pandemic-guide-box).

Box 1. Risk and Reward Factors for Opening to Tourism

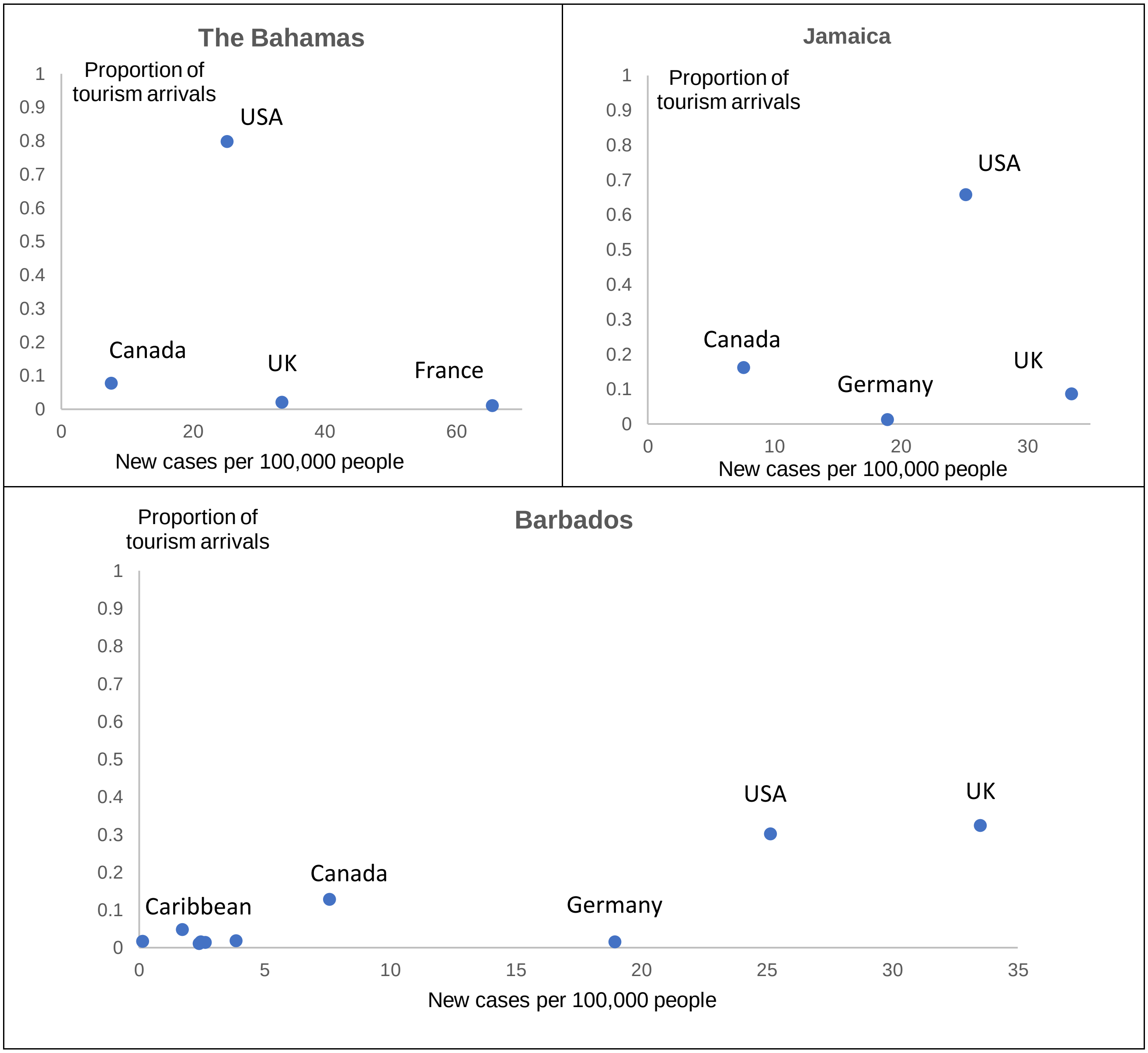
A key risk consideration when reopening to tourism is the new daily case rate in likely source countries. That begs the question: what are likely source countries? Geographic distance affects the cost of travel, flight availability varies across source markets, and tourists' knowledge of different destinations. As a result of these considerations, the historic market share may be a strong indicator of from where the tourists will arrive. Countries in the Caribbean and elsewhere are applying differentiated restrictions to different sources, depending upon the status of infections in that source country. But the historical market share implies a risk-reward tradeoff summarized in the following figure:



The WHO provides the following guidance ([https://www.who.int/news-room/articles-detail/public-health-considerations-while-resuming-international-travel)](https://www.who.int/news-room/articles-detail/public-health-considerations-while-resuming-international-travel):

- "When the country of departure and the country of arrival share a similar intensity of SARS-CoV-2 virus transmission, there is no substantial risk of potential impact on the current epidemiological situation.
- When the country of departure is experiencing a more intense transmission of SARS-CoV-2 virus than the country of arrival, the risk of adversely affecting the epidemiological situation in the country of arrival is higher.
- When the country of departure is experiencing transmission of lower intensity, then the risk of adversely affecting the epidemiological situation in the country of arrival is lower."

What do the data tell us about these trade-offs for the tourism dependent countries covered in this Bulletin? See the figures below that include all countries with at least 1 percent tourism share in 2018:



Sources: World Tourism Organization, Johns Hopkins University and UN Population Agency. Source country market shares are for 2018, and new infections per 100,000 are the 7-day average from October 29-November 4.

The framework presented here is an extreme over-simplification on a variety of fronts. Epidemiology is not restricted just to daily infection rates: standard "SIR" models include recovery rates, death rates, and contact rates between susceptible and infected groups. The demand for tourism is influenced by a variety of factors: the

evolution of the disease in both source and destination markets, the effect of the overall global recession on income, and the general "fear factor" associated with getting on commercial airplanes or ships. Finally, sanitary measures are a function of available technology. Reliable rapid testing, for example, could be extremely useful in screening passengers. Widespread vaccination, of course, would be a game changer.

Luckily, more sophisticated modeling is now underway by a team of IDB sector specialists and academic researchers, as summarized in this blog. A simulation tool is at an advanced stage that looks at closure/reopening decisions based on SIR (Susceptible, Infected, Recovered) models for both source and destination countries. This is a much more sophisticated way of measuring the risk of importing a case. The simulation tool also models demand in a more sophisticated way by estimating how income and health conditions in the source country impact that demand. Stay tuned to the IDB Publications webpage this fall for new papers as they come out. The first country application, for Barbados, is presented in this paper.

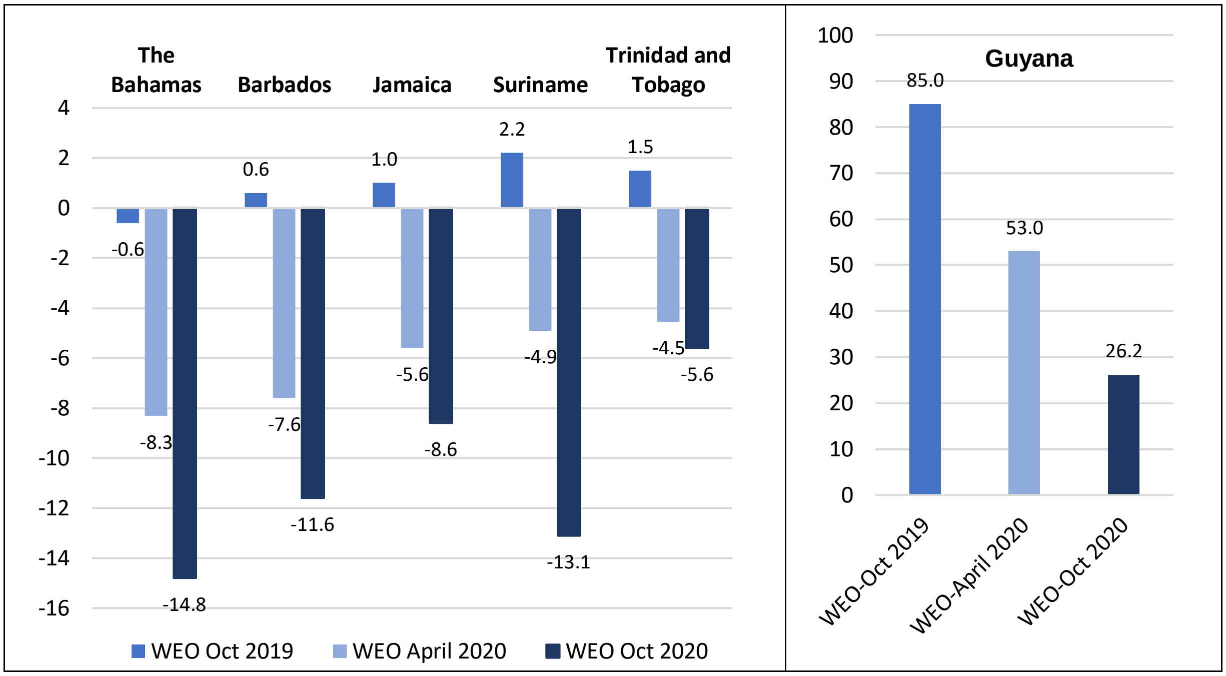
This discussion focuses on some painfully difficult choices. At the same time, the current crisis can inspire us to think about new approaches to tourism in the Caribbean with a focus on environmental sustainability and broader social inclusion. Innovation is key, as noted in this Op-Ed. Fortunately, many ideas are emerging, including from the private sector, that can form the basis for a post-Covid recovery (for example, see this blog). Creativity, combined with concerted global health efforts, bring hope for a brighter tourism future, with fewer painful choices to make.

III. Evolving Economic Prospects

This fall, the International Monetary Fund (IMF) yet again revised economic growth forecasts downward for countries in the Caribbean. This is not surprising given the domestic and external shocks analyzed in the last Caribbean Quarterly Bulletin, which presented simulations showing that the tourism-dependent economies—The Bahamas, Barbados, and Jamaica—could experience double-digit contractions, depending on the assumed depth and duration of the tourism shocks (Mooney and Zegarra, March 2020). The previous bulletin also outlined the effects of commodity price shocks on Guyana, Suriname, and Trinidad and Tobago, as well as the transmission channels that could lead to a synchronized contraction in the Caribbean.

As an illustration of how quickly and significantly growth assumptions have deteriorated over the past few months, Figure 3 presents the growth forecasts for 2020 published by the IMF in October 2019 compared to those published in April 2020 and October 2020 (IMF 2019, 2020a, 2020b). With partial year data, it is now possible to have a clearer picture of the depth of the recession in these countries. For example, in the first half of the year, the Jamaican economy contracted by 10.2 percent relative to the first half of 2019. In Barbados, the Central Bank recently released an estimate of GDP for the first three quarters of the year, registering a decline of 16 percent relative to the previous year, despite some improvement in the third quarter. What is less clear is how much of a recovery is occurring now in the second half of the year.

Figure 3. Evolving IMF Growth Forecasts for 2020 (real GDP, percent)



Source: IMF (2019, 2020a, 2020b).
Note: WEO: World Economic Outlook (IMF).

For the tourism-dependent economies, what might 2021 bring in terms of a recovery? One source of information is future travel search and bookings data. Internet search data suggest that future travel for the rest of 2020 and through 2021 will remain 40 to 75 percent below 2019 levels in Barbados, The Bahamas, and Jamaica.[6] A major caveat, however, is that people might respond with last-minute bookings as health circumstances evolve in both source and destination countries. The response is likely to depend on the evolution and distribution of a vaccine and a better understanding of how sanitary measures reduce the risk of infection, particularly in airplanes and airports. As noted in Box 1, there are other modeling efforts under way at the IDB to predict the evolution of tourism demand. However, it should be noted that these are particularly difficult times to make such forecasts: hotels and airlines themselves are rapidly adjusting their revenue forecasts and survival strategies as this unprecedented shock to the industry evolves.

For oil producers in the region, oil prices have recovered somewhat and stabilized at around US$40 per barrel (WTI), after reaching historic lows.[7] This compares to an average WTI price of US$57 per barrel in 2019.[8] Future prices set for the next 6 to 12 months have also stabilized at around US$40 per barrel or slightly higher. That said, there could be substantial volatility because the future evolution of the economies

[6] See https://www.sojern.com/covid-19-insights/. The data represent the year-over-year change in airplane booking searches for those travel months on online platforms in the previous 14 days.
[7] Short-term oversupply even led to negative WTI prices for delivery this spring. Brent prices have been less volatile in recent months and have stabilized at just over US$40 per barrel.
[8] According to the World Bank's April 2020 *Commodity Markets Outlook*.

of major oil-consuming countries is highly uncertain, and oil demand is closely linked to economic conditions in those countries. In addition, even with the regained stability of oil prices at present, the drop compared to last year continues to affect the value of production for Trinidad and Tobago, Suriname, and the new oil exporter, Guyana. Suriname is suffering a balance of payments and financial crisis that has been brewing since the start of the year. In late September, the government devalued the official exchange rate by 90 percent following months of persistently high black-market premia (see the Suriname Country Summary for more details on the evolving situation).

Natural gas prices have recovered recently. After the Henry Hub price dropped below a new low of US$1.50 MMBtu in late June, the price is now over US$2.75 MMBtu. Future prices now indicate an expected price of around US$3 MMBtu throughout 2021. The natural gas price is critical for Trinidad and Tobago, given that its natural gas production is tenfold larger than its oil production.

Gold prices remain buoyant as a safe haven asset during global financial turbulence. This serves to support export values for Suriname and Guyana.

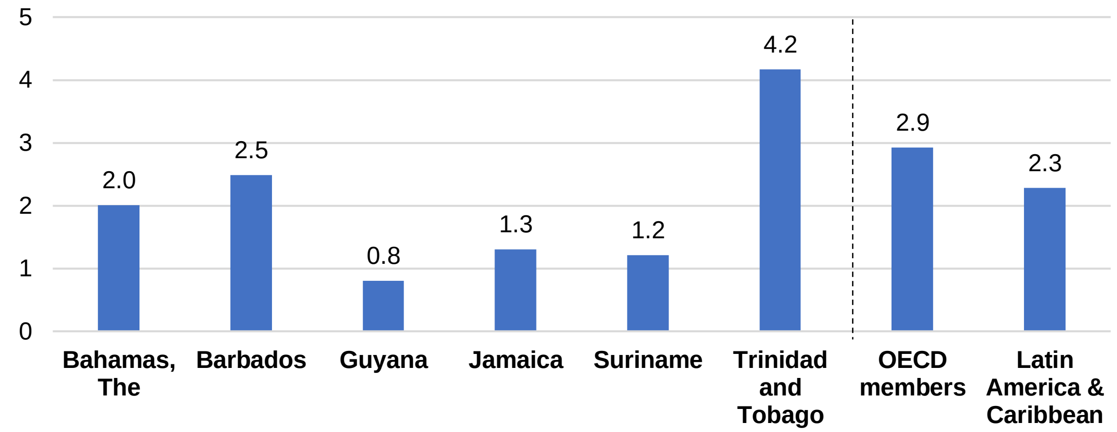
On the domestic front, in all countries other than Barbados, the pandemic surge creates additional uncertainty about economic recovery, as renewed lockdown measures, already under way in some cases, remain a possibility. "Job 1"—stopping the spread of the virus—continues to be the top priority for policymakers in terms of protecting lives and creating the basis for a recovery.

IV. "Pre-existing" social conditions and social policies prior to the pandemic

This section provides a brief overview of the social conditions prior to the COVID-19 pandemic and the social policy institutions that were already in place to provide a social safety net. This is important in that countries were able to build upon existing programs. In addition, social challenges during the crisis are shaped by the pre-existing social conditions, as noted in the last Quarterly Bulletin and evidenced in the Cornell-IDB social survey conducted in the spring (Arteaga Garavito, Beuermann, and Giles Alvarez 2020).

On the health front, two issues are highlighted here without getting into too many details. One is that the health sector capacity in the Caribbean varied widely before the crisis. For example, one summary indicator is the number of physicians per 1,000 population. Figure 4 reveals that only Trinidad and Tobago fares better than the average for member countries of the Organisation for Economic Co-operation and Development (OECD), while two others (The Bahamas and Barbados) fare comparatively well but still lag OECD averages and the other three countries lag the LAC regional average. A second issue is the high prevalence of non-communicable diseases in the Caribbean that can complicate the treatment of patients infected by COVID-19. One study of 10-year mortality rates in the English- and Dutch-speaking Caribbean shows that the region has the highest burden among developing countries in the Americas, and that about 70 percent of deaths are associated with non-communicable diseases (Razagghi et al. 2019, 2).

Figure 4. Physicians per 1000 Population

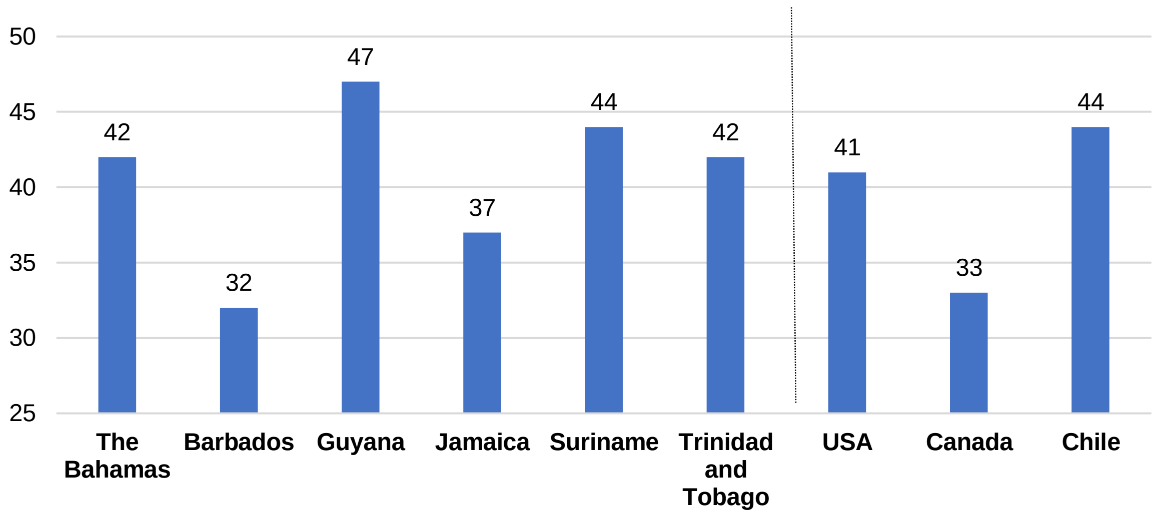


Source: World Bank, World Development Indicators.
Note: Data are for the most recent year available—2017 for The Bahamas, Barbados, and Jamaica; 2018 for Guyana, Suriname, and Trinidad and Tobago, and for comparator groups. OECD: Organisation for Economic Co-operation and Development.

In 2018, The Bahamas had a national poverty rate of 11 percent of the population, and Jamaica had a rate of 12.6 percent. On the other extreme, the national poverty rate is just over 51 percent in Guyana. The other countries have poverty rates that range from 21 to 26 percent (see Country Summaries for more details). These poverty rates are not strictly comparable across countries, as they are nationally determined based on a minimum consumption basket for households. Also, some of these measurements of living standards are dated, given that, with the exception of Jamaica, surveys of living conditions are not regularly conducted. This also makes it impossible to look at recent trends, except for the case of Jamaica, where the Statistical Institute of Jamaica (STATIN) conducts annual surveys of living conditions, and the Planning Institute of Jamaica (PIOJ) calculates annual poverty estimates. In Jamaica, poverty was on a sharply declining path from 2016 to 2018, from 17.1 to 12.6 percent.

One standard measure of inequality is the Gini coefficient, which ranges from 0 (perfect equality) to 100 (all income in the hands of the richest) (Figure 5). Again, Guyana is an outlier with a Gini coefficient of 47. Basic arithmetic indicates that relatively low average incomes combined with high inequality lead to the high poverty rate reported for Guyana. Barbados and Jamaica have relatively low Gini coefficients of below 40. Meanwhile, other countries have Gini coefficients that fall roughly between the level in the United States and Chile. Chile is mentioned as a comparator because it was a flashpoint for Latin American social protests last year. An analysis of the factors driving those protests is well beyond the scope of this bulletin, but it does point to the observation that a combination of social institutions and political traditions may serve the Caribbean well in resolving social concerns going forward.

Figure 5. Gini Coefficients



Source: Authors' calculations based on the following: The Bahamas: 2013 Household Expenditure Survey; Barbados: 2016 Survey of Living Conditions; Guyana: 2017 Labor Force Survey; Jamaica: 2017 Survey of Living Conditions; Suriname: 2017 Survey of Living Conditions; and Trinidad and Tobago: 2014 Survey of Living Conditions. For other countries, data were obtained from the World Bank's World Development Indicators online database.

In fact, social policy institutions are well developed in the Caribbean, as compared to much of Latin America. Most of the six Caribbean countries analyzed here have a National Insurance Board (NIB) or a National Insurance Scheme (NIS) that collects funds for contributory pensions and receives government funds for means-tested non-contributory pensions and disability benefits. All countries have either universal public health insurance or health programs targeted to the poor and/or elderly. In addition, all countries have cash and in-kind transfer programs for vulnerable populations. In some countries, another form of household support is subsidized tariffs for water and electricity. In brief, social safety nets are broad-based in these countries, by international standards. The Country Summaries provide greater detail on each country. As is the case in many countries, including OECD countries, challenges remain regarding the scale of such programs and fragmentation of the institutional framework.

V. Combatting the Crisis: Official Stimulus and Support Measures

The pandemic's impact on economies in LAC is without precedent, particularly for Caribbean countries. The long tail of this crisis is also likely to extend well into this nascent decade, particularly for countries in the Caribbean that depend so crucially on external demand, including for tourism and commodities exports—both sectors that may take years to fully recover. As the IDB and other institutions have advocated since the outset of the pandemic in March, this is a crisis like no other in terms of its policy implications. Many traditional policy levers and stimulus measures have been less effective for a number of reasons, particularly the fact that domestic demand management initiatives can do little to influence foreign consumption, and that authorities themselves have had to prohibit many commercial activities to stem the spread of the virus. In this context, governments around the world have had to rewrite policy playbooks in an effort to effectively protect households and key enterprises in the face of considerable uncertainty and fiscal headwinds.

As the crisis enters a third quarter, it is important to consider policy measures that have been successful across the world, with a view to mapping objectives to available tools. Governments have tremendous flexibility with respect to the design and modalities of policy interventions. The most significant limitation for most countries tends to be fiscal or policy space. For this reason, it is crucially important that countries facing large and increasingly binding financial constraints—Caribbean countries are a good example—ensure that their interventions are well-targeted, appropriate to the objective, and adequately dimensioned.

The COVID-19 crisis has seen governments around the world deploy a broad spectrum of measures, focused primarily on three key objectives: (i) maintaining financial stability, (ii) supporting households through the crisis, and (iii) ensuring that corporates remain in operation and viable—particularly SMEs. While many of these objectives are mutually reinforcing, achieving them requires careful calibration of a number of policy tools and related implementation modalities. The former range from broad use of fiscal and/or monetary policy tools to stimulate the overall economy, to more targeted actions aimed at specific sectors, households, or corporates. While not an exhaustive list, Table 1 maps general objectives to specific policy tools and mechanisms.

Table 1. Primary Objectives and Modalities of Crisis Policy Interventions

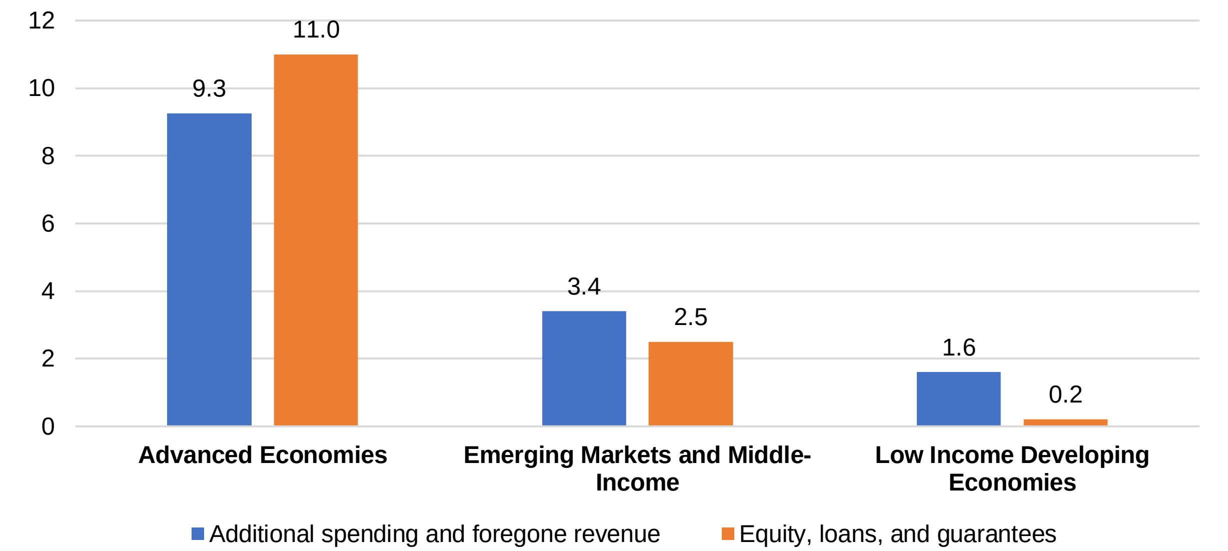
Objectives	Policy Tools/Actions	Implementation Modality
General Economic Stimulus	**Fiscal stimulus**	• Expenditure measures • Public investment • Revenue measures
	Monetary stimulus	• Quantitative easing/liquidity injections • Reduce interest rates
Financial Stability	**Monetary stimulus**	• Quantitative easing/liquidity injections • Reduce interest rates
	Prudential and financial measures	• Relax capital adequacy requirements
Household Welfare	**Supporting critical needs**	• Income support for households • Provide in-kind support • Ease household expenses/financial obligations
	Employment measures	• Relax labor-market regulations • Carry out job redeployment
Support Corporates	**Liquidity/Cash-flow improvements**	• Postpone government fees/receivables • Accelerate government payables • Ease nondebt obligations
	Balance sheet interventions	• Provide equity interventions • Restructure debt and defer loans • Guarantee funds
	Value transfers to companies through revenues	• Government purchases of goods and services • Transfer cash to companies
	Value transfers to companies through cost reduction	• Reduce/eliminate government fees • Compensate/reduce salary costs • Stabilize supply-chain costs

Source: Prepared by the authors based in part on Mckinsey (2020) and IMF (2020c).
Note: This table is not an exhaustive exercise, and some objectives/measures are not mutually exclusive.

One of the most crucial categories of intervention outlined above relates to fiscal policies. Governments in the region have responded with appropriate and targeted expenditures to alleviate the social and economic impact of the recession. Following the IMF's *Fiscal Monitor* (IMF 2020c), one can break down this fiscal policy into several categories: direct expenditures to combat the health crisis, direct expenditures or tax reductions to households and firms ("above the line" from a budget classification perspective), accelerated

spending or deferred revenue (“above the line”), and, finally, liquidity support via equity or loans to firms or guarantees (all “below the line” from a budget classification perspective).[9] Advanced economies generally have better access to finance, and it is not surprising that they have responded to the crisis with larger discretionary fiscal policy responses as a share of GDP (Figure 6).

Figure 6. Discretionary Fiscal Policy Response to the COVID-19 Crisis by Country Category (percent of GDP)



Source: IMF (2020c).

Countries covered in this bulletin have announced overall discretionary spending packages that range in size from around 1 to 11.5 percent of GDP. The measures range from support for health systems to support for households and firms. Most expenditure is direct spending or tax reductions “above the line,” thus contributing to measured fiscal deficits. Note that this contrasts with the averages reported in Figure 6, where even among emerging markets, about half of the policy packages took the form of “below the line” measures or off-budget guarantees. Several Caribbean countries did announce targeted lending programs for businesses and small enterprises in affected sectors (Barbados, The Bahamas, Suriname, and Trinidad and Tobago). There are also programs to support homeowners through below-the-line or off-budget means (Barbados, Jamaica, and Trinidad and Tobago).

Health spending components of the fiscal packages are relatively small, on the order of 0.9 percent of GDP in Barbados and 0.2 percent of GDP in Trinidad and Tobago, for example. Countries have also lowered tariffs and/or internal taxes on medical equipment to reduce costs to the sector. The fiscal cost of these tax measures for medical supplies is not generally quantified.

[9] “Below the line” does not affect the fiscal deficit, as these expenditures create a financial asset (in the case of equity injections or loans) or are off-budget contingent liabilities (in the case of guarantees).

Unlike Latin America, some Caribbean countries have well-structured unemployment insurance programs with reasonably high coverage rates. For example, so far this year, both Barbados and The Bahamas have already spent on the order of 1 to 1.5 percent of GDP on unemployment insurance. This is not a discretionary policy, but rather part of the institutional social policy structure in these countries.

Table 2 provides examples of the types of programs announced. More details are provided in each Country Summary. A few caveats are in order. The policy packages may straddle fiscal years, and actual expenditures may not add up to the policy announcements in every case, or in every detailed program. In addition, it should be noted that new measures are being announced from time to time as governments respond to the ongoing social demands created by the prevailing difficult economic and health conditions.

Table 2. Examples of Discretionary Fiscal Policy Announcements in the Caribbean

	Above the Line		**Below the Line**	**Contingent Liabilities**	
Categories and Definitions	Additional spending and foregone revenue in areas other than health	Accelerated spending and deferred revenue in areas other than health	Equity injections, asset purchases, loans, and debt assumptions, including through extra-budgetary funds	Guarantees on loans, deposits, etc.	Quasi-fiscal operations (non-commercial activity of public corporations on behalf of government)
Support to Affected Households	All countries have targeted household support programs ranging in size from 0.2 to 5 percent of GDP (about 1.5 percent in Barbados, 0.75 percent in The Bahamas, 5.2 percent in Suriname, 1 percent in Jamaica, and 0.5 in Guyana)	Student loan deferrals (Jamaica); income tax deferrals (Suriname); accelerated tax refunds (Trinidad & Tobago)	HOPE housing program in Barbados (about 2 percent of GDP)	None detected	National Housing Trust actions to lower cost of mortgages and provide mortgage relief (Jamaica); Mortgage payment moratoria (Trinidad & Tobago)
Support to Affected Firms	All countries have some small business support programs, tax reductions, targeted sectors (tourism, creative industries, small enterprises, etc.)	Tax deferrals in Suriname; accelerated value-added tax refunds in Trinidad & Tobago	Loans for targeted industries (e.g., hotels in The Bahamas); short-term loans to small and medium-sized enterprises in The Bahamas; loan program in Suriname (0.8 percent of GDP); soft loans to business owners through credit unions in Trinidad & Tobago (0.25 percent of GDP); Support package for tourism (Jamaica)	None detected	
Automatic Spending	1 to 1.5 percent of GDP on unemployment insurance so far this year (The Bahamas, Barbados)				

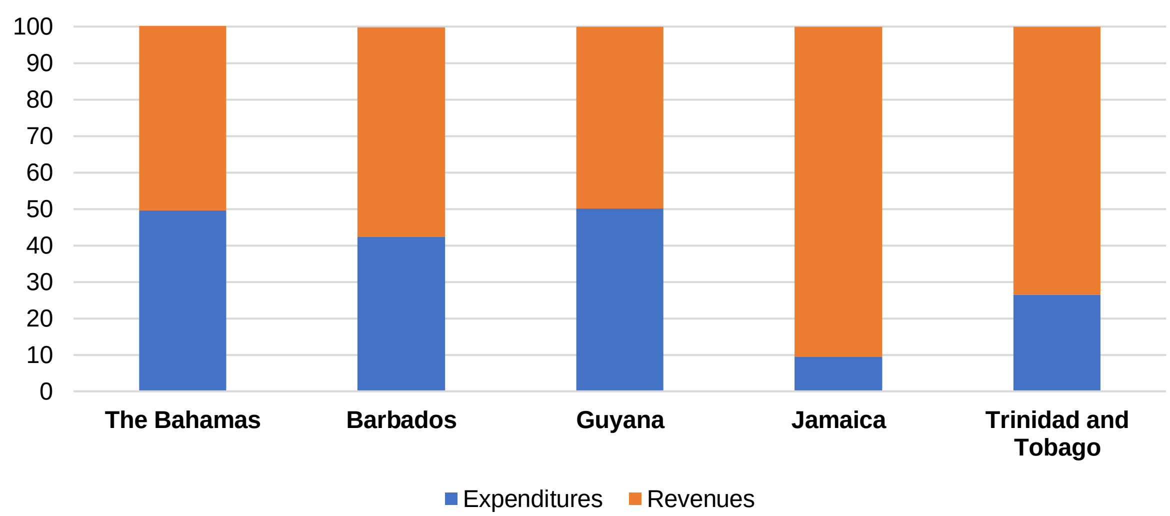
Note: Prepared by the authors.

Monetary authorities across the region have also taken action to ease credit conditions within the constraints of their existing monetary policy frameworks. The central banks of Barbados, and Trinidad and Tobago, along with the Eastern Caribbean Central Bank (ECCB), have all lowered policy rates. Central banks in Barbados, Guyana, and Jamaica have lowered reserve requirements. Governments and central banks have also worked together to coordinate forbearance measures to ease the strain on indebted households and firms (see the Country Summaries for more details).

VI. Overall Fiscal Stimulus: Accommodating the Revenue Shock

Governments around the world are allowing fiscal deficits to grow in response to the economic and health shock. The Caribbean is no exception, and details on each country are provided in the Country Sections of this report. In addition to the expenditure stimulus measures outlined above, governments have let the decline in revenues associated with the recession be passed through to deficits. In fact, Figure 7 below shows that revenue declines were responsible for 42 to over 90 percent of the change in deficits between 2019 and 2020. (Suriname is excluded from the figure due to higher inflation numbers that make the comparison distorted.) It should also be noted that some of the revenue decline is also due to discretionary policies, as noted in Table 1.

Figure 7. Expenditure and Revenue Shares of Change in Fiscal Deficit, 2019 to 2020 (percent)



Source: Authors' calculations based on WEO October 2020 Database. Nominal local currency values were used.

VII. Public Investment to Spur the Recovery?

Attempting to track and break down the dozens of fiscal policy measures deployed around the world and across Caribbean countries would be a daunting exercise beyond the scope of this publication. But one crucial policy option with considerable potential for both near-term stimulus and long-term development impact is public investment. Nowhere is this more true or relevant than for developing and emerging market economies. Standard economic theory and related evidence suggests that public investment multipliers—that is, the influence that public investment has on national output—can be quite large, particularly when compared with government primary expenditure and other forms of public consumption.[10]

By increasing an economy's productive capacity—for example, better roads or airports facilitate the transport of goods and services to market, improved water and power infrastructure enables industry to operate at lower costs, etc.—public investment increases the marginal product of capital and labor. Over time, that in turn drives higher levels of private investment, incomes, and consumption. Importantly, both economic theory and empirical evidence suggest that countries with relatively less public capital, or where the stock of capital is in need of improvement, stand to benefit most. Those are also the countries where every additional dollar of appropriately designed and executed public investment can have the highest potential returns (Izquierdo et. al., 2019).

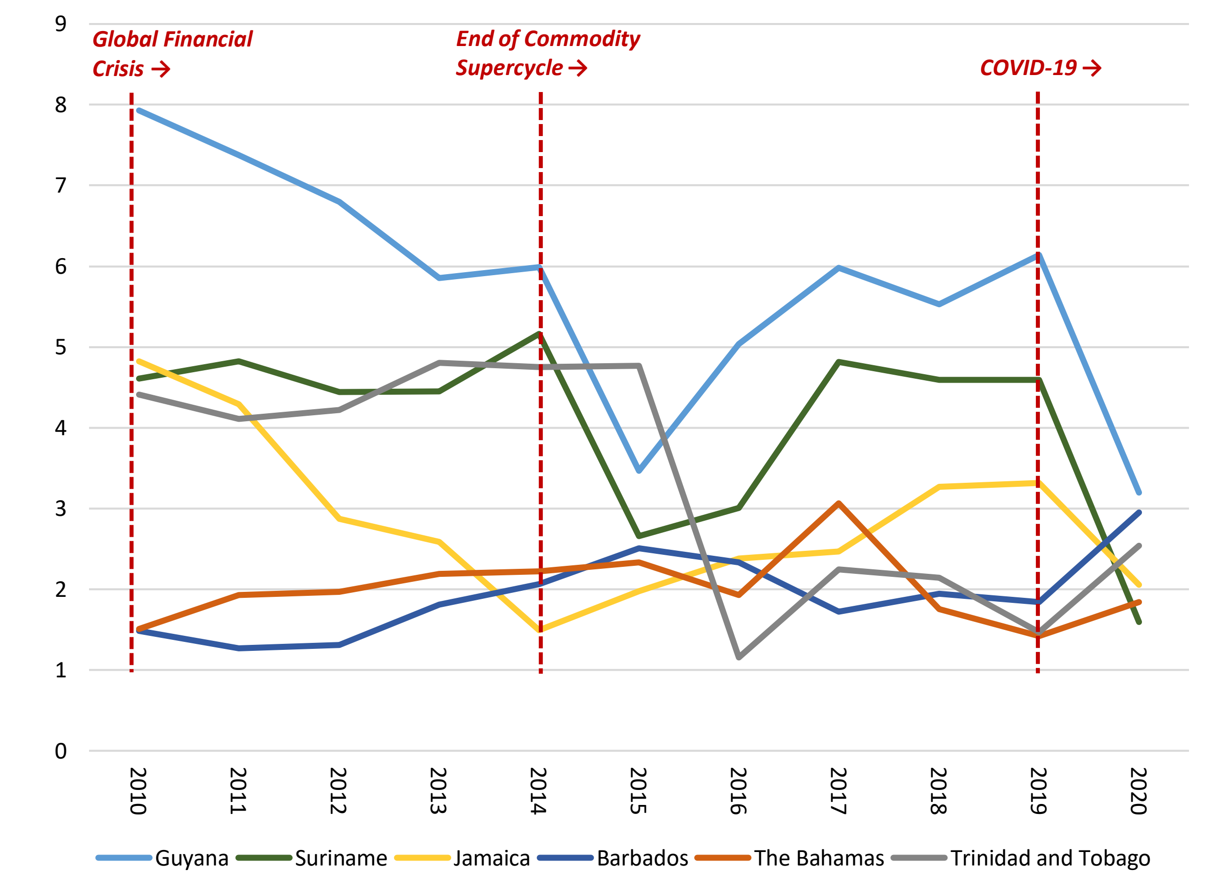
An important caveat is that emergency health measures and other forms of critical support for households and business undertaken thus far during the COVID-19 crisis have been necessary and effective, and it is difficult to think of them through the lens of comparative fiscal multipliers. But given that the implications of this crisis are likely to persist for months and possibly even years to come, governments will have to think beyond emergency measures and consider longer-term options that can provide near-term support for economic activity, while also driving longer-term productivity and development goals.

Caribbean countries are particularly well placed to benefit from increased or accelerated public investment, in part because of the region's significant needs. In this context, the past decade has seen declines in public investment levels across Caribbean economies. Beginning in 2014, and coinciding with large declines in global commodity prices, levels of public investment in commodity exporters Guyana, Suriname, and Trinidad and Tobago—measured in terms of the general government's net acquisition of nonfinancial assets relative to GDP[11]—saw single year contractions of over -40 percent, -50 percent, and -75 percent, respectively (Figure 8). For The Bahamas, Barbados, and Jamaica, whose economies rely heavily on the tourism sector, the global financial crisis and related shocks to external demand precipitated appreciable decelerations in public investment. In Jamaica, for example, these annual outlays fell by over 60 percent from 2010 to 2014.

[10] See theoretical work by Aschauer (1989) and Baxter and King (1993) and more recent empirical evidence (Auerbach and Gorodnichenko 2013; Leduc and Wilson 2012; Eden and Kraay 2014; Calderon, Moral-Benito, and Serven 2015; Furceri and Li 2017). These studies and related work are nicely summarized in Izquierdo et. al. (2019).

[11] The net acquisition of nonfinancial assets is defined as gross fixed-capital formation, less consumption of fixed capital (i.e., depreciation), plus changes in inventories and transactions in other nonfinancial assets. This variable is used because it provides a useful measure of investment, and because of its availability in comparable form for countries across the region.

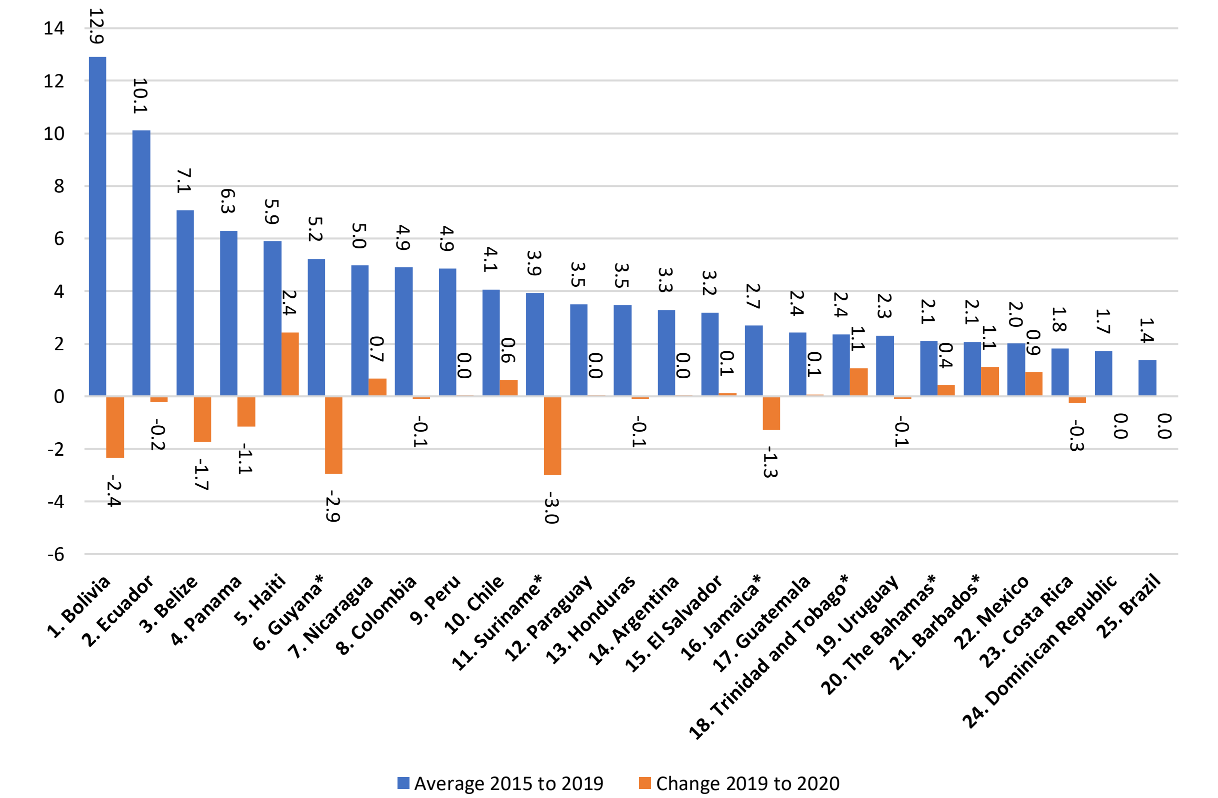
Figure 8. Public Investment in Caribbean Economies (percent of GDP)



Source: Authors' calculations based on national data and IMF (2019, 2020a, 2020b).
Note: Public investment is defined as general government net acquisition of nonfinancial assets.

Against this backdrop of recent shocks to public investment across countries in the region, the pandemic has created further challenges. When comparing public investment levels (relative to GDP) across LAC countries over the past five years, one sees a wide range of outcomes. Guyana ranked 6th out of 25 countries across the region for which comparable data were available, but other countries like Barbados, The Bahamas, and Jamaica ranked in the bottom half of the distribution (Figure 9). Importantly, the COVID-19 crisis forced many countries throughout the Americas to reprioritize budgetary outlays, and in some cases to compress investment spending relative to previous years and pre-crisis expectations. Of the 11 countries that are expected to see public investment levels contract between 2019 and 2020, the two largest compressions will take place in Caribbean economies—Guyana and Suriname, each with a fall of about -3 percentage points of GDP.

Figure 9. Public Investment in Latin America and the Caribbean, Average over 2015–2019 and Change from 2019 to 2020 (percent of GDP)



Source: Authors' calculations, based on national data and IMF (2019, 2020a, 2020b)
Note: (*) Refers to CCB countries. Public investment is defined as general government net acquisition of nonfinancial assets. Countries are ranked based on average annual levels of investment in GDP terms, largest to smallest. The digit preceding each country name indicates this rank out of 25 countries for which data were available.

Looking forward, the reprioritization of public investment should be a central objective for countries throughout the Caribbean. It will be important to ensure that related outlays are appropriate in terms of the prioritization of critical needs, and that projects are undertaken in a cost-effective and efficient manner. Similarly, making sure that government financing for such projects is undertaken in a way that minimizes risks to the public balance sheet will be important to ensure that the benefits of public investment outweigh the costs.

SELECTED REFERENCES

Arteaga Garavito, M., D. Beuermann, and L. Giles-Alvarez, editors. 2020. “COVID-19—The Caribbean Crisis: Results from an Online Socioeconomic Survey.” Inter-American Development Bank, Washington, DC. Available at: https://publications.iadb.org/publications/english/document/COVID-19-The-Caribbean-Crisis-Results-from-an-Online-Socioeconomic-Survey.pdf.

Aschauer, D. 1989. “Is Public Expenditure Productive? Journal of Monetary Economics 23: 177–200.

Auerbach, A., and Y. Gorodnichenko. 2013. “Fiscal Multipliers in Recession and Expansion.” In Fiscal Policy After the Financial Crisis, edited by A. Alesina and F. Giavazzi. Chicago: University of Chicago Press.

Baxter, M., and R. King. 1993. “Fiscal Policy in General Equilibrium.” American Economic Review 83: 315–34.

Hale, T., S. Webster, A. Petherick, T. Phillips, and B. Kira. 2020. “Oxford COVID-19 Government Response Tracker.” Blavatnik School of Government, University of Oxford, United Kingdom.

International Monetary Fund (IMF). 2014. “International Monetary Fund (IMF). 2019. World Economic Outlook. IMF, Washington DC.

International Monetary Fund (IMF). 2019. World Economic Outlook (October). IMF, Washington DC.

International Monetary Fund (IMF). 2020a. World Economic Outlook (April). IMF, Washington DC.

International Monetary Fund (IMF). 2020b. World Economic Outlook (October). IMF, Washington DC.

International Monetary Fund (IMF), 2020c. Fiscal Monitor (October). IMF, Washington DC.

Izquierdo, A., R. Lama, J. P. Medina, J. Puig, D. Riera-Crichton, C. Vegh, and G. Javier Vuletin. 2019. “Is the Public Investment Multiplier Higher in Developing Countries? An Empirical Exploration.” IMF Working Paper No. 19/289. International Monetary Fund, Washington DC.

McKinsey & Company. 2020. “The $10 trillion rescue: How governments can deliver impact”. June.

Mooney, H., and M. A. Zegarra. 2020. Blog Post: “Covid-19 Tourism-Based Shock Scenarios for Caribbean Countries”. Caribbean DevTrends (March 16). Available at: https://blogs.iadb.org/caribbean-dev-trends/en/covid-19-tourism-based-shock-scenarios-for-caribbean-countries/

Razzaghi, H., D. N. Martin, S. Quesnel-Crooks, Y. Hong, E. Gregg, G. Andall-Brereton, V. Gawryszweski, and M. Saraiya. 2020. “10-year trends in noncommunicable disease mortality in the Caribbean region”. Pan-American Journal of Public Health. Pan-American Health Organization. Washington DC.

RECENT PUBLICATIONS FROM CARIBBEAN COUNTRY DEPARTMENT ECONOMICS TEAM (2020)

January 2020	Publication or Blog Link
Maria Alejandra Zegarra and Juan Pedro Schmid Impact of Hurricane Dorian in The Bahamas: A View from the Sky Technical Note	Hurricane Dorian was among the most devastating natural disasters ever to hit The Bahamas. The estimated damage and losses from it amount to US$3.4 billion, a number equivalent to a quarter of the country's GDP. Dorian's effects also resulted in the revision of The Bahamas' economic growth forecast. The IMF reduced GDP growth estimates for 2019 to 0.9 percent, and the economy is expected to contract in 2020. Under these circumstances, this paper proposes a methodology to track the economic recovery of The Bahamas on a monthly basis. The results suggest that the GDP growth rate in most of the 19 islands that make up The Bahamas suffered a sharp decrease because of Hurricane Dorian. The islands that suffered the most from this event have recorded significant decreases in their economic activity. Abaco showed a reduction in monthly economic activity of 54 percent comparing September 2019 to September 2018, and Grand Bahama registered a 34 percent decrease. These estimates were obtained by comparing the spatial variation of satellite night lights as an indicator of the country's economic activity before and after Hurricane Dorian. Satellite night lights observed from space are publicly available and have been used before to measure economic activity. This study also presents a new annual series of regionalized GDP estimates by island from 1992 to 2018, and on a monthly basis, from January 2012 to September 2019.
Jeetendra Khadan, Eric Strobl, and Theophiline Tuffour Poverty and Intra-Household Resource Allocation in Surinamese Households Working Paper	This paper examines poverty rates within households in Suriname. To this end it employs a bargaining model estimation framework that allows for identifying the allocation of resources across adults and children. The analysis, using the Suriname 2016/2017 Survey of Living Conditions, shows that there are considerable differences between men and women, but that there is no gender bias among children. The analysis also finds that children are the least poor members of households.
Jeetendra Khadan Tax Buoyancy in the Caribbean: Evidence from Heterogeneous Panel Cointegration Models Working Paper	This paper provides long- and short-run tax buoyancy estimates for a group of 12 Caribbean countries over the period 1991–2017. By using panel regressions, the paper finds that the tax buoyancy estimates are statistically significant and exceed one. However, the results vary by tax categories: with respect to indirect taxes—which account for almost 65 percent of total tax revenues—the buoyancy of the long-run coefficient is significantly less than one (0.35), while for direct taxes it is significantly higher than one (1.33). For taxes on goods on services, the single most important tax for most countries, the long-run buoyancy coefficient is lower than one. The analysis also found that long-run tax buoyancy was lower in the post-global financial crisis period. With respect to short-run buoyancies, corporate and trade taxes were found to be the most buoyant for Caribbean countries.
Laura Giles-Álvarez and Henry Mooney Financial Access and Inclusion: A Diagnostic for Barbados	This paper presents an assessment of financial market development, access, and inclusion for Barbados. Based on a review of indicators, survey data, and other metrics, the analysis suggests that recent fiscal and macroeconomic stability concerns, as well as increasingly stringent administrative requirements, have negatively affected financial access and inclusion, particularly for smaller firms. For some firms, high collateral requirements, administrative and documentation-related hurdles, and

Policy Brief	shortcomings in the institutional and regulatory framework are key impediments to greater financial access. Policy recommendations that flow from this analysis include the importance of durably addressing macroeconomic imbalances, reinforcing the regulatory and institutional frameworks, supporting the availability of information regarding credit and related counterparty risks, and developing a coordinated approach to institutional and policy reform aimed at promoting financial inclusion (e.g., via development of a national financial inclusion strategy).
Kimberly Waithe Four Key Reforms to Bring Back Economic Growth to Barbados Blog	https://blogs.iadb.org/caribbean-dev-trends/en/four-key-reforms-to-bring-back-economic-growth-to-barbados/
February 2020	**Publication or Blog Link**
Laura Giles-Álvarez and Henry Mooney Barriers to Financial Access in Barbados: Key Challenges and Focal Areas for Reform Blog	https://blogs.iadb.org/caribbean-dev-trends/en/barriers-to-financial-access-in-barbados-key-challenges-and-focal-areas-for-reform/
Kimberly Waithe Crying Out for Credit: Improving Access to Finance in Barbados Blog	https://blogs.iadb.org/caribbean-dev-trends/en/crying-out-for-credit-improving-access-to-finance-in-barbados/
David Rosenblatt Caribbean Potential Takes Center Stage as Caribbean Governors Meet Blog	https://blogs.iadb.org/caribbean-dev-trends/en/caribbean-potential-takes-center-stage-as-caribbean-governors-meet/
March 2020	**Publication or Blog Link**
Lode Smets What Determines the Adoption of Fiscal Rules in Resource-rich Developing Countries? An Empirical Investigation	Over the past three decades, fiscal rules have increasingly been used as a tool to promote fiscal responsibility and macroeconomic stability. In principle, fiscal rules have numerous benefits, especially for resource-rich economies. Many countries, however, still opt to leave fiscal policy unconstrained. This paper investigates the reasons for this by determining the economic, institutional, and political factors that influence the likelihood that a country will adopt a fiscal rule. It focuses on resource-

Discussion Paper	rich countries and accounts for the role of development agencies. Results from a conditional fixed-effects logit model indicate that strong macroeconomic fundamentals and government stability are associated with the adoption of a fiscal rule. Furthermore, the evidence shows that the presence of more development partners, especially multilateral agencies, increases the likelihood of adoption, even when controlling for the volume of aid and the presence of an IMF program. Generally, these results are robust to the use of different estimation techniques, an alternative measure for commodity dependence, and a restriction on the estimation sample.
Maria Alejandra Zegarra Hurricane Dorian from the Sky Blog	https://blogs.iadb.org/caribbean-dev-trends/en/hurricane-dorian-from-the-sky/
Henry Mooney and Maria Alejandra Zegarra Covid-19 Tourism-Based Shock Scenarios for Caribbean Countries Blog	https://blogs.iadb.org/caribbean-dev-trends/en/covid-19-tourism-based-shock-scenarios-for-caribbean-countries/
April 2020	**Publication or Blog Link**
Henry Mooney, David Rosenblatt, Laura Giles-Álvarez, Maria Alejandra Zegarra, Victor Gauto, Jason Christie, Edmund Amann, and Jeetendra Khadan Caribbean Region Quarterly Bulletin Bulletin	This special edition of the Caribbean Quarterly Bulletin focuses on the evolving economic and human consequences of the ongoing COVID-19 outbreak for countries in the Caribbean region. The IDB team of economists based in countries across the region has been working to assess the situation and advise senior management and stakeholders from member countries about the potential implications of the shock and policy responses best suited to mitigate its effects. First and foremost, the focus is on reducing the human impact of the crisis. Lives are at stake, but that said, so are livelihoods. As a result, it is important to try to understand the economic forces at work in order to think through appropriate policy responses.
May 2020	**Publication or Blog Link**
Jeetendra Khadan COVID 19: Socioeconomic Implications on Suriname Technical Note	As of May 5, the Surinamese authorities had confirmed a total of 10 COVID-19 cases, including one COVID-19-related death, nine people who had recovered, and 69 people are in quarantine. The country confirmed its first imported COVID-19 case on March 13, 2020. The authorities acted swiftly to contain further importation of the virus by closing all borders (land, sea, and air) indefinitely. The authorities also limited social gatherings, closed all schools and universities, and restricted in-restaurant and bar dining services to prevent community spread. While these measures would have contributed to "flattening the curve," they are having adverse socioeconomic implications. This note examines the forecasted macroeconomic impact and the vulnerability of households and firms to the ongoing shock.

Diether W. Beuermann, Laura Giles-Álvarez, Bridget Hoffman, and Diego Vera Cossio Covid-19: The Caribbean Crisis Blog	https://blogs.iadb.org/caribbean-dev-trends/en/covid-19-the-caribbean-crisis/
Henry Mooney, David Rosenblatt, and Maria Alejandra Zegarra Caribbean Economies in the Time of the Coronavirus Blog/Podcast	https://blogs.iadb.org/caribbean-dev-trends/en/caribbean-economies-in-the-time-of-coronavirus/
June 2020	**Publication or Blog Link**
Diether W. Beuermann, Diego Ubfal, Irani Arraiz, Michael Frese, and Alessandro Maffioli The Impact of Soft-Skills Training for Entrepreneurs in Jamaica Working Paper	A randomized controlled trial with 945 entrepreneurs in Jamaica showed positive short-term impacts of soft-skills training on business outcomes. The effects were concentrated among men and disappear 12 months after the training. The main channel was increased adoption of recommended business practices, exclusively observed in the short run. Persistent effects were observed on an incentivized behavioral measure of perseverance after setbacks, a focus of this training. An intensive course on soft-skills was compared to one that combined soft-skills with traditional business training. The effects of the combined training were never statistically significant.
Henry Mooney and Maria Alejandra Zegarra Extreme Outlier: The Pandemic's Unprecedented Shock to Tourism in Latin American and the Caribbean Policy Brief	The COVID-19 crisis will have devastating implications for countries around the world, particularly tourism-dependent economies. This paper highlights the vulnerability of many Latin American and Caribbean countries that are among the most dependent in the world on the tourism sector. Using shock simulations applied to tourism activity, it highlights how potentially damaging the pandemic could be for output, employment, and the balance of international payments across the region. The analysis suggests the pandemic is likely to imply an unprecedented shock, and that governments will have to look beyond traditional policy tools to safeguard their economies and citizens. They will need to ensure that both operators and those employed by the tourism sector will be in a position to resume their substantial contribution when the crisis dissipates. COVID-19 represents an unprecedented extreme outlier event, and governments' efforts to protect the sector and their citizens must be equally unparalleled.
Victor Gauto and Henry Mooney Review of Financial Development and Inclusion for Guyana: Assessment and Options for Reform	Guyana's economy is on the verge of a historic transformation owing to recent oil discoveries. In this context, maximizing the benefits of faster growth and increased revenues will depend crucially on the financial sector. This paper presents an assessment of financial development, access, and inclusion for Guyana. Policy recommendations that flow from this analysis include the importance of durably addressing macroeconomic imbalances, reinforcing regulatory and institutional frameworks, supporting the availability of information regarding credit and

Policy Brief	related counterparty risks, and developing a coordinated approach to institutional and policy reform aimed at promoting financial inclusion (e.g., via development of a national financial inclusion strategy).
Henry Mooney and Maria Alejandra Zegarra Extreme Outlier: The Pandemic's Unprecedented Shock to Tourism in Latin American and the Caribbean Blog/Podcast	https://blogs.iadb.org/caribbean-dev-trends/en/extreme-outlier-the-pandemics-unprecedented-shock-to-tourism-in-latin-america-and-the-caribbean/
Victor Gauto and Henry Mooney Six Recommendations to Ensure Guyana's Oil Wealth Is More Financially Inclusive Blog	https://blogs.iadb.org/caribbean-dev-trends/en/six-recommendations-to-ensure-guyanas-oil-wealth-is-more-financially-inclusive/
July 2020	**Publication or Blog Link**
Henry Mooney, David Rosenblatt, Laura Giles-Álvarez, Maria Alejandra Zegarra, Victor Gauto, and Jeetendra Khadan Caribbean Region Quarterly Bulletin Summer 2020 edition	Governments in the Caribbean region have been relatively successful in flattening the infection curve of the coronavirus in their countries. Geographical isolation is a contributing factor, but decisive and determined government action has been effective in reducing community transmission. Many potential deaths have been prevented. Yet this accomplishment has yet to be compensated with an economic reward. As these countries begin to open their domestic economies, they are still battered by external shocks. This is particularly the case for the tourism-dependent economies that experienced a virtual shutdown of the sector during the second quarter of the year. The natural-resource-based economies are also suffering from the lingering effects of the decline in commodity prices and related external demand. This second special edition of the IDB Caribbean Quarterly Bulletin provides an update of economic conditions in the region. It also focuses on important evolving issues, including the potential impact of the COVID-19 crisis on countries' balance of payments, and on new data from the IDB on the real-time social effects of the crisis.

August 2020	**Publication or Blog Link**
Maricruz Arteaga Garavito, Diether Beuermann, Laura Giles-Alvarez, Victor Gauto, Jeetendra Khadan, Henry Mooney, and Lodewijk Smets COVID 19: The Caribbean Crisis—Results from an Online Socioeconomic Survey Policy Brief	COVID-19 has triggered a severe and unprecedented economic crisis in the Caribbean region. The combination of the halt in tourism arrivals, the fall in international oil prices, and a widespread rollout of curfews is having a severe economic impact on the region. All six countries in the IDB's Caribbean Department – The Bahamas, Barbados, Guyana, Jamaica, Suriname and Trinidad and Tobago – are now expecting a worse economic outlook than that forecast in January 2020. Most of these economies are forecast to contract in 2020, their fiscal out-turn has worsened, and their debt is growing at a faster pace than had originally been forecast for 2020. This paper presents the results of these online surveys by country. The hope is that the evidence presented on livelihoods will inform policymakers and add to the body of research being produced during these unprecedented times.
Juan Carlos de la Hoz, Laura Giles-Alvarez, and Francisco Javier Urra When Facing a Black Swan, Let's Work Together Blog	https://blogs.iadb.org/caribbean-dev-trends/en/when-facing-a-black-swan-lets-work-together/
David Rosenblatt and Henry Mooney The Pandemic Saga Continues: Caribbean Quarterly Bulletin Blog/Podcast	https://blogs.iadb.org/caribbean-dev-trends/en/the-pandemic-saga-continues-caribbean-quarterly-bulletin/
September 2020	**Publication or Blog Link**
Marcos Allende López, Antonio Alleyne, Laura Giles-Alvarez, Jeetendra Khadan, and Kimberly Waithe A Caribbean Settlement Network: Can Blockchain Ease Intraregional Trade in the Caribbean?	This paper analyzes the potential effects that distributed ledger technology (DLT) could have on intraregional trade volumes in the Caribbean. Using a two-step panel regression gravity model for 15 CARICOM countries, the analysis finds that nontariff barriers, such as distance and culture, bilateral exchange rates, transfer fees, and required documentation, have negative effects on trade. There are a rising number of pilot projects across the world that apply DLT for payment settlements and trade facilitation. These are starting to generate encouraging evidence that the application of DLT could indeed help reduce the prevalence of some of these nontariff barriers and thus promote trade.
October 2020	**Publication or Blog Link**
Jeetendra Khadan Suriname in Times of COVID: Navigating the Labyrinth	Suriname is facing severe macroeconomic disequilibrium characterized by large fiscal and external imbalances and a sharp decline in economic growth. Although the country is in a precarious economic situation in the short term, there are high expectations that recent developments in the oil sector will make an important contribution to economic recovery over the medium term. However, much work on policy reforms is needed to

	put Suriname's economy on a sustainable path. In the coming years, policymakers have the salient task of strengthening the country's macroeconomic policy framework and related institutions to prudently manage any proceeds from the oil sector as well as the country's natural resource wealth. This will be important to restore and sustain macroeconomic stability, advance on socioeconomic outcomes, and stimulate competitiveness in the private sector. The COVID-19 pandemic has also elevated longstanding issues such as the lack of digitalization and Fintech and inadequate infrastructure, all of which have become even more critical to inclusive growth and development as the pandemic continues. This note examines the ongoing impact of the COVID-19 pandemic on Suriname and highlights some opportunities to achieve macroeconomic stabilization and prepare the private sector to navigate the pandemic and support inclusive and sustainable socioeconomic recovery for Suriname.
Diether W. Beuermann, Veronica Frisancho Laura Giles Álvarez Financial Literacy in the Caribbean: the case of Barbados Blog	https://blogs.iadb.org/ideas-matter/en/financial-literacy-in-the-caribbean-the-case-of-barbados/
Maricruz Arteaga Garavito; Diether Beuermann; Laura Giles Álvarez; Ariel McCaskie The Consequences of COVID-19 on Livelihoods in Barbados: Results of a Telephone Survey Policy Brief	A telephone-based nationally representative survey of Barbados was conducted between May and June 2020. The main objective was to quantify the early consequences of the COVID-19 pandemic. The survey documents significant labor market disruptions with relatively more severe consequences among low-income households. In addition, it presents for the first time objective financial literacy measures. The findings suggest that increased financial literacy is correlated with more resilience to the detrimental consequences of the pandemic. In terms of policymaking, the results point to several recommendations. First, job protection and business support will be important to bridge the gap that the country will experience until it can completely reopen and tourism can safely start again. Existing measures to promote employment should be maintained and further prioritized going forward. Second, means to support financial resilience are important for households to better cope during the period, whether in the form of savings or greater financial literacy. These two issues should be further prioritized in the government's strategy going forward to cushion people from shocks. Finally, the social protection system has been the most vital tool to support the population during these hard times. Despite some leakage, the new programs showed signs of better targeting and are the most important lifeline for many in the country. Maintaining these programs and improving their efficiency and targeting will be of the utmost importance in this crisis. Going forward, it is important to generate more evidence on the severity and length of the shock, as well as improve the understanding of how to better target social assistance programs to provide efficient and sustainable support to the citizens of Barbados.

COUNTRY SUMMARIES

I. The Bahamas

Laura Giles-Álvarez

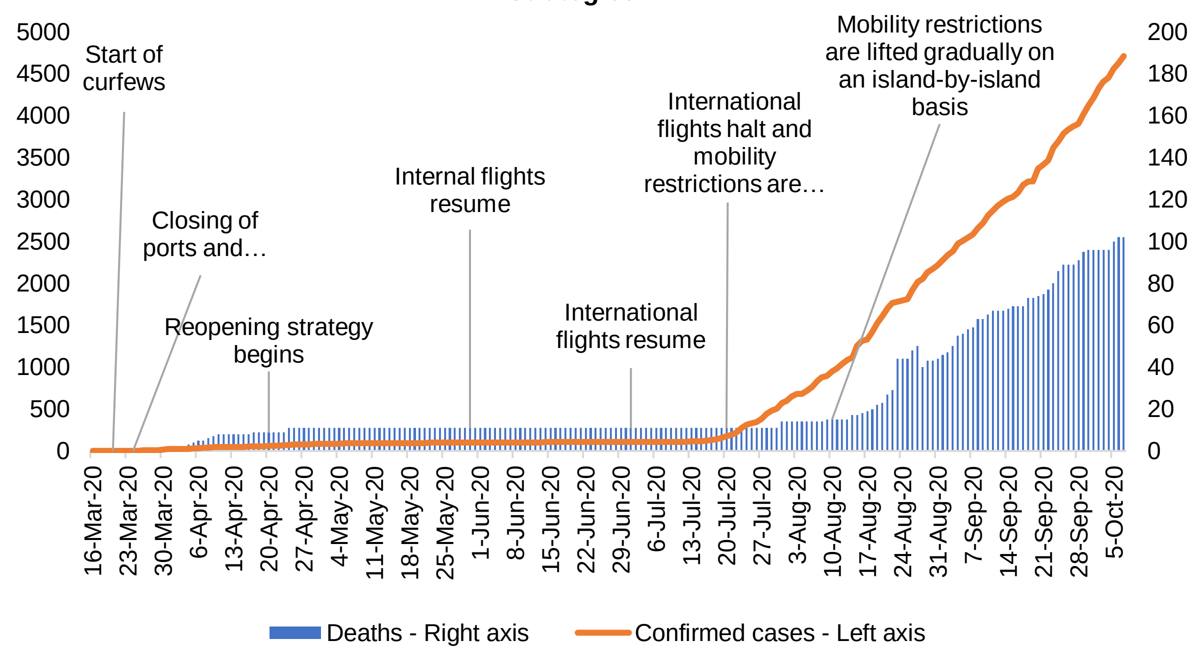
1. COVID-19: The Late Summer Surge

Despite signs of a flattening the epidemiological curve in June 2020, cases of COVID-19 have surged since mid-July 2020. The Bahamas, one of the countries that had seen the curve flattening, reopened both the domestic economy in May/June and international borders to tourists on July 1. Since mid-July, cases have started to rise rapidly again, surpassing 6000 confirmed cases in October. There are now 6790 recorded cases on over 14 islands, and the death count has increased more than sevenfold in the past four months and reached 149 as of November 2.[12] The Bahamas is also conducting widespread testing, with 56.8 tests conducted per 1,000 population as of October 6, 2020.[13]

Closing and reopening strategies have been rolled out in two distinct phases. During the first outbreak of the pandemic, the authorities responded swiftly. Upon recording of the first cases of COVID-19, schools were closed on March 15, 2020 and a set of response measures were announced on March 18. A series of curfews and lockdowns was put in place on March 20 and into April, which included a range of night curfews, 24 hour curfews, and a full lockdown. On April 20, a six-phase reopening strategy was launched, rolled out between April 20 and July 20, and on July 1 international flights resumed. Following the second surge of cases starting in mid-July, the authorities closed public spaces once again and reinstated a set of curfews and lockdowns. Between July and October, restrictions were set and eased on an island-by-island basis, based on the number of confirmed cases (Figure 1). The authorities planned to reopen borders to tourists in mid-October and a new set of travel protocols has been developed for this purpose.

[12] Ministry of Health, The Bahamas.
[13] Compared to Jamaica (27.7 tests per 1,000 population), Guyana (19.4), Suriname (25.4), Trinidad and Tobago (23.4), and Barbados (86.5).

Figure 1. The Bahamas: Confirmed COVID-19 Cases and Deaths and Closing and Reopening Strategies



Update on Social and Economic Impact

COVID-19 is having a severe impact on the Bahamian economy. The pandemic has resulted in a major fall in tourism arrivals since March 2020. Total tourism arrivals contracted 61.9 percent on a year-to-date basis as of August, compared to a 13.2 percent increase in the same period of 2019, while total room nights sold fell by 70.5 percent in August 2020 compared to August 2019.[14] The economy is expected to contract at least 12.5 percent in 2020 (Figure 2). However, the contraction will likely be more severe and will depend on the successful control of the pandemic, when tourism activity can resume, and how quickly the domestic economy can reopen. The severity of the shock has also been an important reason behind Moody's credit downgrade of The Bahamas from Baa3 to Ba2 in June 2020.

The fiscal deficit has widened and continues to worsen. At the close of FY2019/2020, the government of The Bahamas recorded a fiscal deficit of US$788.1 million (6.5 percent of GDP). Total revenues fell 13.9 percent due to a combination of slower economic activity on the islands affected by Hurricane Dorian and a reduction in business activity in the last quarter of the fiscal year. Expenditure outlays increased 8.8 percent, buttressed by additional spending linked to reconstruction activities from Hurricane Dorian and COVID-19-related expenses. The FY2020/2021 budget was approved and came into effect on July 1, 2020. The Budget Communication, "Resilient Bahamas: A Plan for Restoration," aims to maintain economic stability during COVID-19 and promote policies that accelerate economic recovery. The newly approved budget outlines a wider fiscal deficit, reaching US$1.3 billion (11.6 percent of GDP) (Figure 3). However, revenue collection for the first two months of the fiscal year has been below projected levels and spending

[14] Data provided by AirDNA.

has been higher than anticipated. In response to this worsening fiscal outturn, the FY2020/2021 budget set a US$1.3 billion envelope for borrowing (11.6 percent of GDP). The Inter-American Development Bank approved a US$200 million policy-based loan and a US$20 million labor market loan in August 2020, the Caribbean Development Bank approved a US$40 million policy-based loan, and the International Monetary Fund approved a US$250 million Rapid Financing Instrument in June 2020. In addition, US$600 million was raised in international debt capital markets in October 2020. The government is also looking into issuing bonds with a guarantee from the Multilateral Investment Guarantee Agency.

Figure 2. The Bahamas: Real GDP Growth

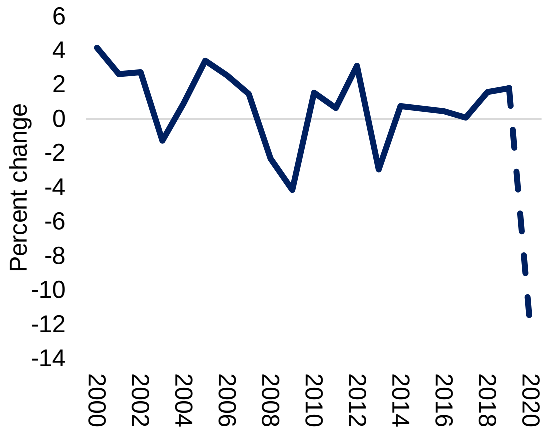
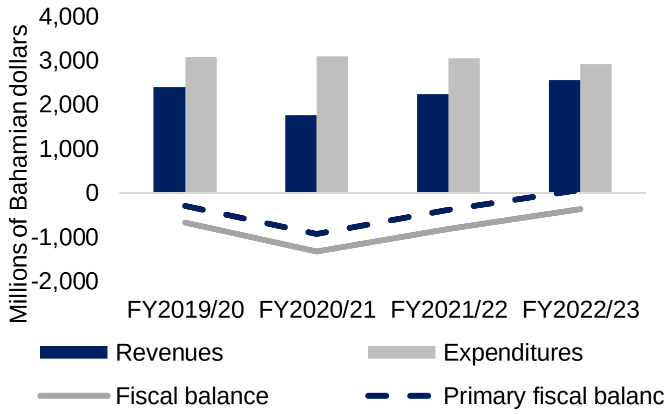


Figure 3. The Bahamas: Key Fiscal Indicators in the Budget



Sources: International Monetary Fund, April 2020 *World Economic Outlook* and June 2020 Update; and Ministry of Finance of The Bahamas
Note: FY2019/2020 budget figures are the revised approved estimates.

Rising unemployment and worsening livelihoods have been dramatic consequences of the pandemic in The Bahamas. Claims to the National Insurance Board (NIB) have soared throughout 2020 as the pandemic has affected industries that are key for employment. As of September 2020, 38,598 persons had applied for unemployment benefits from the NIB and US$93.3 million had been disbursed. In addition, the government funded a special extension of unemployment benefits for persons who had exhausted their standard NIB benefit, transferring a total of US$37.9 million to 28,478 beneficiaries. Unemployment assistance has also been expanded to self-employed persons who would not have ordinarily qualified for unemployment benefits under the NIB. There are 28,478 persons who have benefited from the initiative, with payments to date totaling US$37.9 million.

The level of international reserves remains adequate, despite the external sector shock. The level of international reserves stood at US$2,128.1 million in August 2020. Lower travel tourism receipts in 2020 are contributing to reducing the level of reserves, which are being counteracted by lower international oil prices and reduced import demand from sectors such as tourism. COVID-19 has also triggered an external shock, with an expected current account deficit in the range of 15 percent of GDP, compared to a current account surplus of 0.6 percent in 2019.

The domestic financial sector remains solvent. The impact of COVID-19 on the financial sector is still uncertain, as loan deferral schemes remain in place. During the second quarter of the year, liquidity

increased due to the net proceeds from external borrowing. Credit quality indicators continued to be adequate, but the impact of the pandemic is still not accounted for, as loan repayment deferrals and moratoriums are still in place. Data for the first quarter of 2020 show that bank profitability indicators worsened, as banks' net income fell, and in the second quarter of 2020 the weighted average interest rate spread declined, with a fall in the average loan rate that outpaced the decrease in the corresponding average deposit rate.

Social Programs Before COVID-19

A broad institutional framework provides social services in The Bahamas. The framework includes the Ministry of Health, Ministry of Education, Ministry of Labor, and Ministry of Social Services. The Ministry of Social Services manages cash and in-kind transfer programs, including food assistance (permanent, temporary, and emergency modalities), financial assistance (rent, water, electricity, gas, clothing, building repairs, burial assistance, and others), school uniforms and footwear, the National Lunch Program, the disability allowance, and medical care assistance. However, challenges remain regarding the scale of such programs and the fragmentation of the institutional framework.

The NIB provides benefits relating to sickness, maternity, funeral costs, retirement, invalidity, survivorship, unemployment, injury, disablement, and death. Retirement benefits are based on a defined-benefit, pay-as-you-go system, with estimated coverage of 72.3 percent of the elderly.[15] The NIB also provides means-tested non-contributory pensions, as well as disability and survivor benefits targeted to the elderly poor who do not meet the requirements for a contributory pension or other contributory benefits.

All Bahamians and legal residents can receive public healthcare through the National Health Insurance (NHI). The NHI is overseen by the National Health Insurance Authority. The country's healthcare model has been changing in recent years and now consists of a multi-payer system, including a public insurer run under private administration. The NHI Act approved in 2016 has since been rolled out, providing access to a range of medical services that are free of charge at the point of service. Covered services were initially only primary care services,[16] but subsequent implementation stages aim to provide coverage for catastrophic conditions as well as secondary and tertiary care.

This broad social protection system buttresses high social outcome indicators. The Bahamas is classified in the very high human development category, scoring 0.805 on the 2018 multidimensional Human Development Index (HDI) and ranking 60th out of 189 countries. However, despite The Bahamas having a much higher level of GNI per capita, its HDI score lagged behind other regional peers, such as Barbados (which ranked 56th), although The Bahamas improved its HDI score from 0.787 in 2000 to 0.805 in 2018. This improvement was mostly the result of an increase of 3.6 years in life expectancy at birth, a rise of 0.6 years in the mean years of schooling, and an increase of 0.7 years in expected years of schooling. With regard to gender parity, The Bahamas scored 0.353 on the 2018 Gender Inequality Index (GII) and ranked 76th out of 162 countries. This was below the average 0.175 score of other very high HDI scoring

[15] Calculated based on the number of covered persons in the NIB as a share of the total population age 65 and over.
[16] The primary care package includes medical services, medications, and imaging and laboratory services.

countries and above Jamaica (93rd). However, the country scored below other regional peers such as Trinidad and Tobago (72nd) and Barbados (55th).[17]

High average incomes have allowed The Bahamas to virtually eliminate extreme poverty, measured in terms of the US$1.90 a day purchasing power parity (PPP) poverty threshold. As seen in Table 1, inequality, measured in terms of the Gini coefficient, averaged 0.5 over the period, slightly declining to 0.49 in 2014.[18] This was much higher than the average Gini coefficient of 0.34 recorded in high-income countries during the same period. Between 2011 and 2014, extreme poverty (those earning below US$1.90 a day) hovered in the range of 1 to 2 percent of the population and fell to 1.1 percent in 2014 (compared to 1.4 percent in 2011 and 2 percent in 2012). Poverty levels (those earning below US$5 a day) also decreased from 5.3 percent of the population in 2011 to 4.4 percent in 2014. Poverty levels ranged between 4.4 and 6.6 percent over the period. Although poverty levels are low compared to other countries in the Caribbean region, they are more than twice the poverty rate typically recorded in other high-income countries.[19] Vulnerability (those earning between US$5 and US$12.40 a day) declined more modestly, from 17.6 percent in 2011 to 16.7 percent in 2014. In other words, the bottom quintile of the population in The Bahamas was either in poverty or at risk of falling into poverty. On the upper end of the income distribution, approximately 16 percent of the population was consistently living on more than US$62 per day over the period of study. This is substantially higher than other high-income countries in the Caribbean. For example, these shares were 4.2 percent in Barbados and 1.2 percent in Trinidad and Tobago in 2014. This overview is based on the most recent data, which are available until 2014. Developing updated values for socioeconomic indicators thus remains an increasingly pressing goal to better assess and understand poverty and vulnerability in the country, particularly given the looming threat of natural disasters.

Table 1. Poverty and Inequality in The Bahamas

	2011	2012	2013	2014
Extreme poverty rate	1.4	2.0	1.5	1.1
Poverty rate	5.3	6.2	6.6	4.4
Vulnerability rate	17.6	14.5	16.7	16.7
Percent of middle-class population	60.2	62.6	62.3	63.1
Percent of high-income population	16.9	16.7	14.4	15.8
Inequality	0.51	0.48	0.48	0.49
High-income countries: Poverty rate	1.9	1.9	1.9	1.8
High-income countries: Gini	0.33	0.33	0.36	0.33

Sources: IDB Social Department, Central Database; and IDB Caribbean Country Department staff calculations.
Note: All thresholds are adjusted for purchasing power parity. The definitions used in the table are the following: Extreme poverty: percent of population with income below US$1.90 a day; Poverty: percent of population with income below US$5 a day; Vulnerability: percent of population with income between US$5 and US$12.40 a day; Middle-class: percent of population with income between US$12.40 and US$62 a day; High-income: percent of population with income above US$62 per day.

[17] http://hdr.undp.org/en/content/2019-human-development-index-ranking
[18] The Gini coefficient ranges from 0 (complete equality) to 1 (complete inequality).
[19] World Bank income categories are used as a reference. High-income countries are those with a GNI annual per capita income of US$12,376 or more.

The Bahamas' Policy Response to COVID-19

The package of reforms announced by the government of The Bahamas is estimated at US$278.9 million (2.5 percent of GDP). Table 2 presents the announced fiscal measures following the IMF's Fiscal Monitor classification. The authorities have approved US$15.5 million in additional spending for the health sector and US$243.4 million (US$150.1 million excluding NIB unemployment payments) in additional spending and forgone revenues other than health. Key measures include assistance for vulnerable households in the form of food assistance (US$27.5 million), temporary and extended unemployment relief (US$53.8 million), social assistance (US$ million), and additional COVID-19-related spending in the Family Islands (US$1.8 million). Support for businesses has also been a key component of the government's COVID-19 measures, focusing on maintaining liquidity and promoting employment. This has included a tax relief program (US$60 million), short-term loans to small and medium-sized enterprises (SMEs) (US$20 million), and SME payroll and support grants (US$5 million). Finally, as mentioned in previous sections, unemployment insurance payments paid by the NIB reached US$93.3 million.

A series of additional non-fiscal measures are being carried out by the authorities. These include (i) temporary suspension of dividend approvals and outward remittances by foreign-owned supervised financial institutions; (ii) suspension of access to foreign exchange for investment currency purchases and financing of Bahamian depository receipts; and (iii) a request for the NIB to repatriate its external assets, excluding any exposures to Bahamian and Caribbean domestic issuers. Domestic commercial banks and credit unions are allowing a 3 to 6 month payment deferral against the repayment of loans for borrowers in good standing who have been negatively impacted by COVID-19. The Minister of Finance announced in September 2020 that the authorities are also making a concerted effort to reduce non-essential recurrent spending and will prioritize key capital investments for growth and employment promotion. In addition, an oil price hedge has been established to make the best use of low oil prices. The government has also established a National Food Committee and Economic Recovery Committee, which is coordinating some of the support to households and informing the recovery strategy for the country.

Table 2. The Bahamas: General Government Fiscal Support Measures in Response to the COVID-19 Crisis

	Above the Line		Below the Line		
	Additional spending and foregone revenue in the health sector	Additional spending and foregone revenue in areas other than health	Equity injections, asset purchases, loans, and debt assumptions, including through extra-budgetary funds	Total (millions of U.S. dollars)	Total (percent of GDP)
Health Sector Response	Direct National Ministry spending (US$15.5 million)			US$15.5	0.15
Support to Affected Households		Food assistance and additional social support (US$27.5 million) Temporary unemployment relief (US$15.9 million) Social services assistance (US$2 million) Extended unemployment relief (US$37.9 million) Family Island Relief (US$1.8 million)		US$85.1	0.73
Support to Affected Firms		Tax relief (US$60 million) SME payroll support grants (US$5 million)	Short-term loans to SMEs (US$20 million)	US$85	0.75
Automatic Spending		Unemployment insurance (US$93.3)		US$93.3	0.82
Total	**US$15.5**	**US$243.4**	**US$20**	**US$278.9**	**2.46**

Source: Author’s estimations based on information from The Government of The Bahamas
Note: SME: small and medium-sized enterprise.

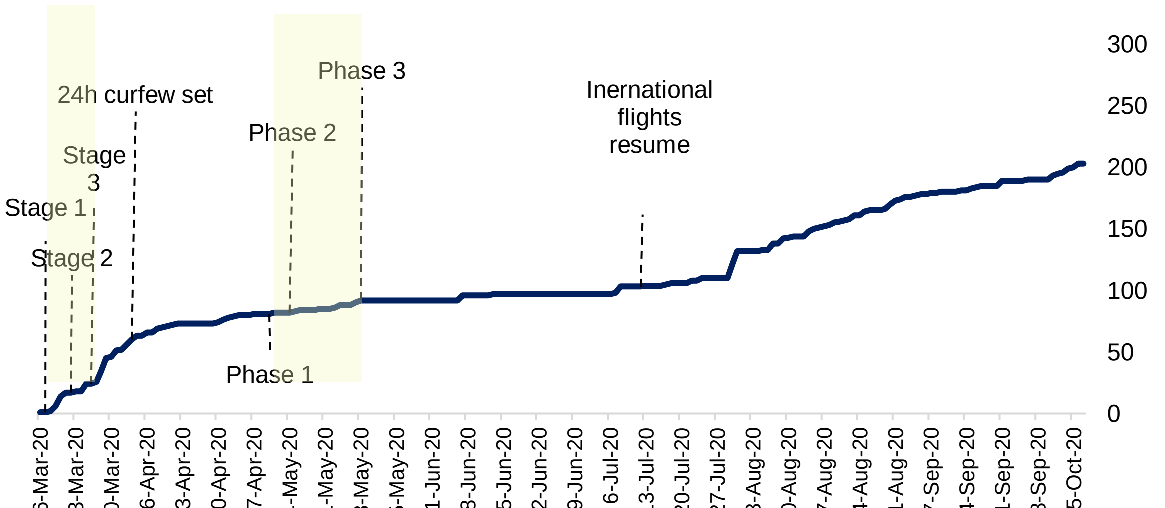
II. Barbados

Laura Giles-Álvarez and Ariel McCaskie

The Evolution of the COVID-19 Outbreak

The authorities in Barbados have been effectively managing the COVID-19 health crisis. The government of Barbados reacted swiftly upon registering the first cases of COVID-19 in March 2020. As seen in Figure 1, the closing strategy took place in three stages starting in the second half of March. Once there were signs of flattening the epidemiological curve, the authorities started implementing a reopening strategy at the end of April that is taking place in four phases.. The current phase, phase 3, began at the end of May, and phase 4 is set to start when a vaccine is widely available. As of November 2, 2020, Barbados had recorded a total of 238 confirmed cases, 222 recoveries, and 7 deaths due to COVID-19 (Figure 1). The country has prioritized contact tracing and testing as part of its ongoing re-opening strategy and has one of the highest testing rates by regional standards. As of October 6, 2020 Barbados had conducted 86.5 tests per 1,000 population.[20] Since the resumption of international commercial air travel on July 12, 2020, health protocols for tourists have been continuously updated and remain in place. Commercial air travel has led to a slight increase in the number of cases, albeit at a stable rate.

Figure 1. Barbados: Recorded COVID-19 Cases and the Reopening and Closing Strategies



Source: Government Information Services.
Note: Figures up to October 8, 2020. The periods of closing and reopening are highlighted in yellow.

[20] In comparison, The Bahamas had conducted 56.8 tests per 1,000 population, Jamaica 27.7, Guyana 19.4, Suriname 25.4, and Trinidad and Tobago 23.4. Information is as of October 6, 2020 from each relevant Ministry of Health and the Worldometer Coronavirus website.

Economic and Political Context

The economic downturn resulting from COVID-19 is lengthening and deepening in Barbados. The economy contracted 14.9 percent in the first semester of 2020 and is projected to decline at least 11.6 percent by the end of the year (Figure 2). Both the traded and non-traded sectors have been negatively affected by the closing of international borders, mobility restrictions, and reduced demand. Tourism output declined by more than 50 percent in the first six months of 2020, reflecting an estimated 54 percent decline in long-stay arrivals.[21] Activity in non-traded sectors fell 6.3 percent in the same period. This was offset by a 3.7 percent output increase in agriculture, which reflected an improvement in fisheries (due to the abatement of sargassum), crop yields, and chicken production. Reduced demand from the tourism sector, however, led to excess chicken supply and an eventual 40 percent cut in production in June 2020. Finally, drought conditions contributed to higher prices in the past year. The 12-month moving average of domestic prices reached 5.2 percent in June 2020, compared to 4.1 percent recorded in 2019.

Figure 2. Barbados: Real GDP Growth

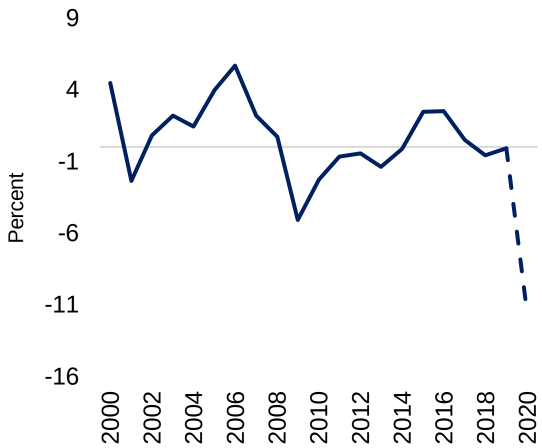
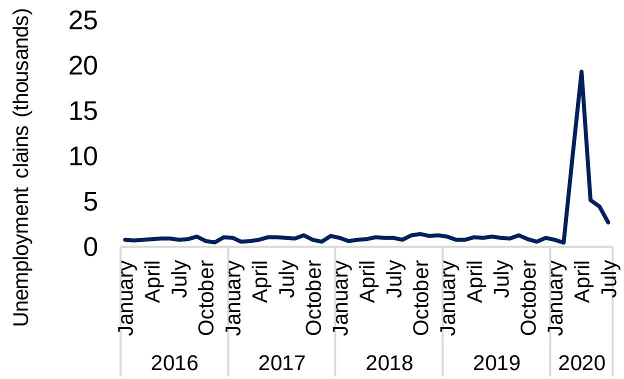


Figure 3. Barbados: Unemployment Claims to the National Insurance Scheme



Sources: International Monetary Fund, April 2020 *World Economic Outlook* and June 2020 Update; and the Barbados National Insurance Scheme.

Between March 23 and September 25, 2020, the National Insurance Scheme (NIS) paid BBD$114 million to cover 31,600 unemployment claims (approximately 20 percent of the workforce).[22] This is roughly five times the total amount of claims received during the same period in 2019 (5,645 claims).[23] As seen in Figure 3, unemployment claims spiked during the first months of the pandemic. Table 1 shows that the most affected sectors have been tourism, accommodation and food services (38 percent), wholesale and retail trade (19 percent), and construction (12 percent), which are among the sectors with the largest share of employment. In response to the lengthening and deepening economic contraction, the government

[21] Central Bank of Barbados. Review of Barbados' Economic Performance (January to June 2020).
[22] Marlon Madden, "NIS pays out $114 million in unemployment benefits," *Barbados Today,* October 2, 2020 (https://barbadostoday.bb/2020/10/02/nis-pays-out-114-million-in-unemployment-benefits/).
[23] See NIS website at https://www.nis.gov.bb/statistics/.

extended the Severance Payments Act period from 13 to 22 weeks to continue providing support to the unemployed.[24]

Table 1. Barbados: Employment Share and Loss by Sector, June 2020 (percent)

Sector	Share of Employment	Percent of Laid-Off Workers
Tourism, accommodation, and food services	23	38
Wholesale and retail trade	19	14
Construction	12	13
Transport, storage, and communications	7	6
Finance and insurance	8	5
Manufacturing industry	4	4
Agriculture, livestock, hunting and fishing	3	2

Source: https://publications.iadb.org/en/consequences-covid-19-livelihoods-barbados-results-telephone-survey

Due to the worsening fiscal outlook, the fiscal targets set under the Barbados Economic Recovery and Transformation Program (BERT) and the IMF Extended Fund Facility (EFF) have been revised. Barbados passed its third review under the program (triggering a fourth disbursement in June 2020 for US$139 million). To date, US$283 million has been disbursed under the program. At the end of August, 2020, the IMF completed a quarterly update mission that concluded that the country remained on track with the reforms. However, the primary fiscal balance targets set under the BERT/EFF have been revised from 6 percent of GDP to 1 percent in FY2020/2021 and 3.5 percent in FY2021/2022. The deadline to achieve five structural benchmarks set for 2020 under the EFF has also been extended to accommodate the impact of COVID-19.[25] During the first quarter of FY2020/2021, revenues fell by 10 percent, reflecting lower economic activity, while expenditure increased by 6.4 percent mainly due to higher capital outlays.[26] Moreover, on October 6, 2020, the European Council reintroduced Barbados on to its blacklist of non-cooperative jurisdictions for tax purposes. Despite the country's efforts in recent years, which included a comprehensive review of the corporate income tax regime, Barbados has been effectively downgraded to a "partially-compliant'' rating.[27]

The growing financing gap is being mainly financed by borrowing from international financial institutions. The IMF expanded the EFF envelope by US$91 million in June 2020 to a total of US$381 million. The IDB is set to provide US$200 million in policy-based loans in 2020,[28] The Corporación Andina de Fomento (CAF) is set to provide US$100 million in budget support, and the European Investment Bank also approved a US$12 million investment loan for the water and sanitation sector in June 2020. The government also launched the Barbados Optional Savings Scheme (BOSS) in July 2020, which is an 18-

[24] According to the Severance Pay Act, an employee who has completed 104 weeks of continuous employment and has been laid off or kept on short time for 13 weeks or more consecutively, has the right to claim severance. See https://www.nis.gov.bb/severance/.
[25] These include the adoption of the Central Bank Law by Parliament rescheduled from December 2019 to December 2020; the completion of an actuarial review of civil service pensions rescheduled from June 2020 to September 2020; a new public pension law rescheduled from September 2020 to December 2020; development of plans to recapitalize the central bank and address medium- and long-term challenges for the NIS stemming from the debt restructuring, rescheduled from June 2020 to December 2020; and the resetting of the fiscal rule benchmark rescheduled from December 2020 to June 2021.
[26] The fiscal year in Barbados runs from April 1 to March 31.
[27] See "Cayman Islands and Oman delisted, Barbados and Anguilla added to the EU list of non-cooperative jurisdictions," KPMG, October 6, 2020 (https://home.kpmg/xx/en/home/insights/2020/10/etf-435-eu-blacklist-update.html).
[28] A US$80 million sustainability policy-based loan and a US$120 million fiscal policy-based loan.

month partial payment deferral scheme for civil servants with the purpose of raising BBD$100 million (1 percent of GDP) for capital spending.[29] The debt-to-GDP ratio is thus forecast to rise to 133.6 percent of GDP in FY2020/2021, compared to 122.2 percent in FY2019/2020.

International reserves remain adequate, primarily supported by borrowing from international financial institutions. International reserves increased by US$218 million in the first half of 2020 to reach over US$1 billion (or 26.9 weeks of import cover).[30] The current account deficit also continued to widen, as tourism output remains subdued. Barbados recorded a current account deficit of 8 percent of GDP as of June 2020, compared to a deficit of 0.7 percent of GDP in the same period last year. However, a widening trade deficit is being offset by lower imports of goods, reflecting lower international oil prices and subdued demand for consumer goods.

The financial sector continued to be stable during the first half of the year, but the impact of COVID-19 on the sector is yet to take effect. The banking system remains well-capitalized and with high liquidity levels, despite a moderate increase in non-performing loans in the first six months of 2020. Neither banks nor licensed finance companies required access to the Central Bank of Barbados' temporary liquidity facility between April and June 2020. However, private sector credit contracted by a 1.5 percent in the first six months of 2020, compared to a 0.7 contraction in the same period of 2019. Loan deferrals and debt-payment moratoriums for individuals remain in place, which will delay the impact of COVID-19 on the financial sector.

A Throne Speech was delivered on September 15, 2020 that outlined the government's policies and programs until the next election. This included the announcement of the intention to remove Queen Elizabeth II as the head of state by November 2021, transforming the island into a republic. This speech follows the July 22, 2020 announcement of a cabinet reshuffle by the Prime Minister, which reduced the number of ministers from 26 to 24. Four ministers were removed, eight ministers had their portfolios reshuffled, and two new appointments were announced. On October 2, the Prime Minister announced that by-elections will be held on November 11, 2020 to fill a vacant seat in the House of Assembly.

Pre COVID-19 Social Context

Barbados has a broad social protection system in place. Total budget expenditure on social programs in FY2019/2020 reached approximately 34 percent of total government spending. The organizational structure that promotes social development in government is also wide but fragmented, including the NIS, Ministry of Education, Technological and Vocational Training, Ministry of Health and Wellness, Ministry of People Empowerment & Elder Affairs, Ministry of Labour and Social Partnership Relations, and the Prime Minister's Office. The Social Partnership has a direct mandate relating to social inclusion, specifically aiming to take into account all segments of society in policy formulation and implementation.[31] Programs that foster social inclusion and tackle inequality in Barbados can be broadly divided into social insurance, social safety net programs, and public health and education services. The education and health sectors and the NIS provide the bulk of social spending. Spending on higher and non-higher education accounted for around

---

[29] BOSS issues a four-year bond with a 5 percent interest rate per annum. For July 2020, US$4.6 million in bonds were issued.
[30] Central Bank of Barbados. Review of Barbados' Economic Performance (January to June 2020).
[31] The Social Partnership is a tripartite social dialogue mechanism created in the 1990s and composed of government, employer, and trade union representatives. It has been a key structure for social buy-in during fiscal adjustment programs in the past three decades. See https://labour.gov.bb/social-partnership/.

30 percent of the approved FY2019/2020 budget estimates, while health and the NIS stood at 15 percent and 40 percent, respectively (Figures 4 and 5).

Figure 4. Barbados: Central Government Social Spending, including the National Insurance Scheme, FY2019/2020

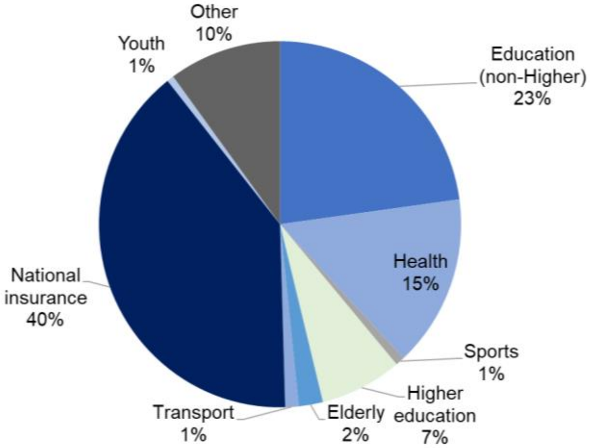
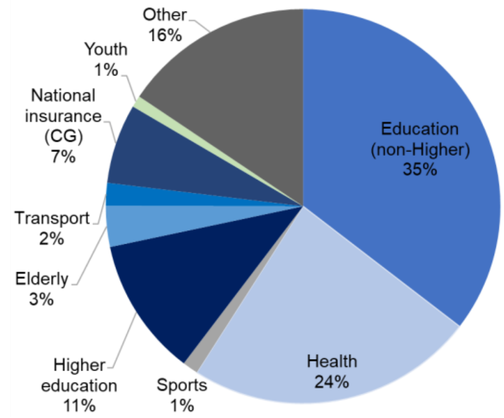


Figure 5. Barbados: Central Government Social Spending, excluding the National Insurance Scheme, FY2019/2020



Source: Barbados government estimates, FY2019/2020.

Barbados has two entities providing social insurance. The first is the NIS. The second is the government, which directly pays public service pensions and some non-contributory pensions. The NIS is a partially funded, pay-as-you-go, defined-benefit system that provides benefits for retirement, unemployment, invalidity, maternity, severance, sickness, and funeral services. The government also offers defined-benefit arrangements for its employees. The central government, a selection of statutory bodies (including, for example, the Queen Elizabeth Hospital), the Defense Force, and the Transport Board all operate their pension arrangements on a pay-as-you-go basis based on wage and years of service. Pension benefits are paid out of the Consolidated Fund as they fall due. Other statutory bodies such as the Central Bank of Barbados, the National Petroleum Corporation, and the Barbados Water Authority have pension assets set aside to meet their pension obligations. Finally, the government pays non-contributory pensions for persons who have reached the national insurance pension age but do not qualify for benefits from the NIS or from the government.

Social safety net programs are mainly administered by the Welfare Department, Child Care Board, and National Assistance Board. The Welfare Department provides a monetary assistance grant, food, rental and education assistance, family services, and welfare to work. The National Assistance Board includes programs related to bereavement support, assistance to the elderly and people living with disability, shelters for the homeless, and fire recovery. The Child Care Board includes adoption and foster care services and residential and day care for minors. Additional social services are provided by the Bureau of Gender Affairs, Barbados Council for the Disabled, and Agricultural Development Management Corporation (which runs the land for landless program). The Ministry of Social Care also runs a family case

management program for the poor and the ISEE Bridge Program to alleviate poverty,[32] which began with a 30-household pilot and is now working to increase coverage to 250 households. Finally, throughout the duration of the four-year EFF program with the IMF signed in October 2018, the government has set a floor on spending on social programs with the aim of limiting the impact of the stabilization program on low-income households. Despite such a broad range of social safety net programs, most of the programs are small in scale and rely on self-reporting for the identification of beneficiaries. There is a need to improve institutional coordination as well as data and information availability.

Barbados has universal access to free health and education services at the point of delivery. All Barbadian citizens are insured through a public health insurance scheme that guarantees access to healthcare. Barbados has a higher share of public health spending (around 12 percentage points higher) than the average for either member countries of the Organisation for Economic Co-operation and Development or countries in the Latin America and Caribbean region, and this share increased from 39.8 percent of total health spending in 1995 to 63 percent in 2014. This trend has been paralleled by an increase in out-of-pocket spending and a reduction in prepaid private spending.[33] Education services, from primary to tertiary, are also free at the point of delivery, and underpin high education outcome indicators by international standards.

This wide web of social protection programs results in good social outcome indicators by international standards. Barbados ranks 56th out of 189 countries on the Human Development Index (with a score of 0.813), above other countries in the region such as Jamaica (96th), The Bahamas (60th), and Trinidad and Tobago (63rd). Despite this ranking, however, inequality continues to hinder social outcomes in Barbados. The country scores 0.675 on the inequality-adjusted Human Development Index (HDI),[34] a 17 percent decline to Barbados' HDI score (not inequality-adjusted). The country's Gini coefficient declined from 0.43 in 2010 to 0.32 in 2016.[35] Gender disparities also persist. Barbados scored 0.256 on the Gender Inequality Index (55th out of 162 countries). This was better than the Latin American and Caribbean average regional score of 0.383 and that of other regional peers such as The Bahamas (scoring 0.353).[36]

Despite a reduction in extreme poverty between 2010 and 2016, overall household poverty increased from 15.1 to 17.2 percent. Extreme poverty decreased from 6.8 to 3.4 percent during the same period.[37] Poverty levels are highest in the east and center of the country, most notably in the parishes of Saint Joseph, Saint John, and Saint George. Poverty is also gendered. Overall poverty for females in 2016 stood at 21 percent compared to 14 percent for males. In addition, vulnerability reached 12.9 percent of females compared to 9.5 percent of males. The June 2020 COVID-19 telephone survey for Barbados found that pre-existing vulnerabilities remained present during the pandemic. Households that were classified as poor or extremely poor in 2016 reported higher rates of job loss, as well as lower living standards and

[32] The ISEE Bridge Program is concerned with reducing risks in seven critical pillars for social and human development: (i) personal identification; (ii) education and human resource development; (iii) health promotion; (iv) family dynamics; (v) housing conditions; (vi) employment; and (vii) income/social benefits.
[33] The share of out-of-pocket spending in Barbados has grown from 24 to 29 percent. In contrast, out-of-pocket spending has decreased on average across Latin America and the Caribbean from 37 to 33 percent.
[34] This is similar to the average HDI loss for high human development countries (17.9 percent) and below the loss in the Latin America and the Caribbean region (22.3 percent). The inequality-adjusted HDI is the HDI, discounted for inequalities.
[35] The Gini coefficient ranges from 0 (complete equality) to 1 (complete inequality).
[36] See http://hdr.undp.org/en/content/2019-human-development-index-ranking.
[37] Households categorized as extremely poor are those that spend below BBD$300 a month. Poor households spend between BBD$300 and BBD$636 a month. Vulnerable households spend between BBD$636 and BBD$3,000 a month.

financial resilience (measured in terms of going to bed hungry and being unable to meet their financial commitments).[38]

Overview of Policy Responses to COVID-19

In response to the pandemic, the government of Barbados has outlined a two-year Economic Stabilization Program to support firms and households. The program involves a total prospective cost of BBD$2.3 billion (approximately 11 percent of GDP per year).[39] During the third quarter of 2020, the government also announced some additional programs that will be rolled out in the next few months. Key measures outlined to date include the (i) Household Survivor Program (BBD$20 million) to protect vulnerable households; (ii) Business Cessation Benefit (BBD$20 million) to provide unemployment benefits to self-employed persons; (iii) Value-Added Tax Loan Fund (BBD$40 million) to buttress businesses' cash flow; (iv) Small Business Wage Fund (BBD$20 million) to assist small businesses; (v) Agricultural Development Fund (BBD$25 million) for planting 6- and 12-week crops; (vi) HOPE program (BBD$250 million), a housing initiative that aims to provide over 1,000 affordable homes to selected households earning below BBD$4,000 a month; (vii) COVID-19 Relief Program (US$20 million) designed to foster employment for a 12-month period; (viii) Barbados Employment and Sustainable Transformation Program (BEST) (up to BBD$300 million), which provides tourism-sector training and a stimulus package via grants and public investments in hotel and tourism facilities that retain a share of their workers;[40] and (viii) the creative industries stimulus (BBD$1 million). Table 2 summarizes the general government's fiscal stimulus package following the IMF Fiscal Monitor classification. Based on this breakdown, the fiscal stimulus package is estimated to reach BBD$835.6 million (9 percent of GDP). Including automatic spending for unemployment insurance raises the total package to BBD$936.6 million (10.1 percent of GDP).

Beyond the fiscal stimulus measures previously mentioned and presented in Table 2, the authorities have launched a series of additional support policies. First, as outlined in the economic context section, the authorities are aiming to raise BBD$100 million (1 percent of GDP) for capital spending through the BOSS. Second, the government is injecting up to BBD$250 million of liquidity into the NIS by buying back bonds held by the pension scheme. Third, the Central Bank of Barbados implemented monetary policy measures by (i) reducing the bank's discount rate from 7 to 2 percent; (ii) lowering the securities ratio for banks from 17.5 to 5 percent; (iii) eliminating the 1.5 percent securities ratio for non-bank deposit-taking licensees; and (iv) offering collateralized loans for up to six months to licensees. Fourth, the country opened applications in July for its new 12-month Barbados Welcome Stamp—a special visa for remote workers who wish to stay longer on the island. Fifth, the government announced it will prepay individuals all of the restructured bonds with values less than US$5,000 by December 15, 2020. Finally, the authorities announced a series of non-fiscal measures to stimulate economic activity, including cutting red tape and proceeding with government service digitalization.

---

[38] The 2016/2017 Barbados Standard of Living Conditions' vulnerability categories are as follows: Households categorized as extremely poor are those that spend below BBD$300 a month. Poor households spend between BD$300 and BD$636 a month.

[39] See https://www.sba.bb/sba/index.php/news-research/news/624-barbados-economic-stabilisation-programme.

[40] See https://gisbarbados.gov.bb/download/graphical-highlights-throne-speech-sept-15-2020/?wpdmdl=539983&refresh=5f7d134f948221602032463.

Table 2. Barbados: General Government Fiscal Support Measures in Response to the COVID-19 Crisis

	Additional Spending and Foregone Revenue in the Health Sector	Additional Spending and Foregone Revenue in Areas Other than Health	Equity Injections, Asset Purchases, Loans, and Debt Assumptions, including through Extra-budgetary Funds	Total (millions of BBD dollars)	Total (millions of U.S. dollars)	Total (percent of GDP)
Health Sector Response	Spending on medical supplies (BBD$78.8 million), purchase of medicines (BBD$7.8 million)			**86.6**	**43.3**	**0.9**
Support to Affected Households		COVID Relief Program (BBD$40 million); Household Survival Program (BBD20 million)	HOPE (BBD$250 million)	**310**	**155**	**3.3**
Support to Affected Firms		Business Cessation Benefit (BBD$20 million); Small Business Wage Fund (BBD$20 million); Agricultural Development Fund (BBD$25 million); creative industries stimulus (BBD$1 million)	Valued-added tax Loan Fund (BBD$40 million); Small Hotel Investment Fund (BBD$20 million); BEST (BBD$300 million)	**426**	**213**	**4.6**
Automatic Spending		Unemployment insurance paid by NIS (BBD$114 million so far this year)		**114**	**57**	**1.2**
Total	**86.6**	**240.0**	**610.0**	**936.6**	**468.3**	**10.1**

Source: Authors' calculations based on information from the Government of Barbados

Note: The BEST program includes a combination of grants and investments. NIS: National Insurance Scheme.

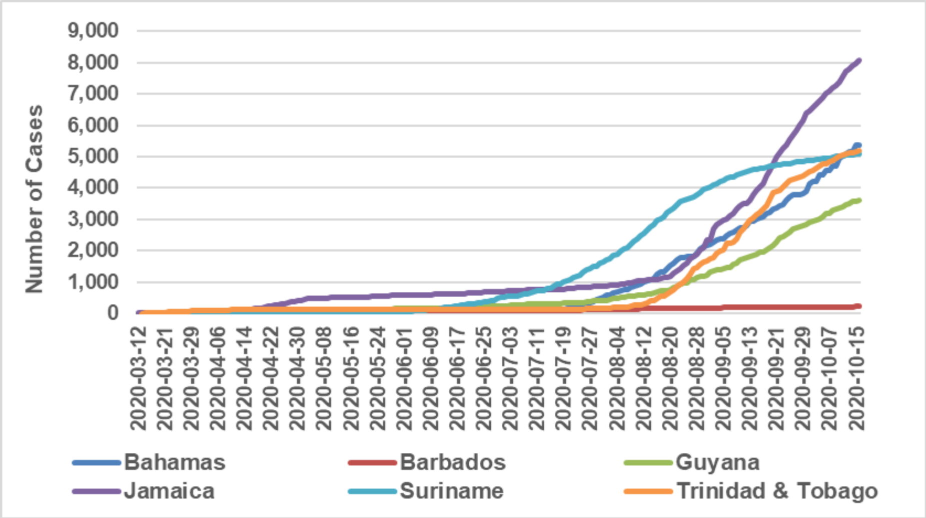
III. Guyana

Victor Gauto and Elton Bollers

COVID-19: The Late Summer Surge

As of October 16, 2020, Guyana has a total number of 3,620 COVID-19 cases, including 107 deaths. The average number of daily new cases increased from 3 and 5 in June and July to 27 and 54 in August and September, respectively. Though increasing, the number of cases in Guyana rose at a lower rate than in Jamaica, Suriname, Trinidad and Tobago, and The Bahamas (Barbados has had fewer than 250 cases) (Figure 1). A significant development in terms of restrictive measures has been the government's decision to reopen airports on October 12 to commercial flights, which had been closed since March.

Figure 1. Total Number of Coronavirus Cases in Caribbean Countries



Source: ourworldindata.org.

Update on Social and Economic Impact

The International Monetary Fund (IMF) has now revised Guyana's GDP growth estimate down twice, first from 85.6 to 52.8 percent and now to 26.2 percent, still a remarkable growth figure and the only positive one among the 26 Latin American and Caribbean countries. In the medium term, GDP growth is expected to average 14.9 percent over 2020–2025.[41] While oil production is driving these growth figures, authorities estimate that non-oil GDP contracted by 4.9 percent in the first half of 2020 and is projected to fall between 1.4 and 4.3 percent in the full year.[42]

The pandemic has had varied outcomes on different sectors of the non-oil economy. The largest productive sector of the economy, agriculture (17.6 percent of GDP), suffered a contraction of 4.1 percent in the first half of 2020. However, rice production is expected to expand by around 3 percent in 2020, which would contribute to mitigating the contraction in agriculture. The mining industry, Guyana's second largest sector with 14.9 percent of GDP (and which now includes oil production), expanded by 343.7 percent in the first semester, after oil production began in December 2019. Gold production, representing almost 10

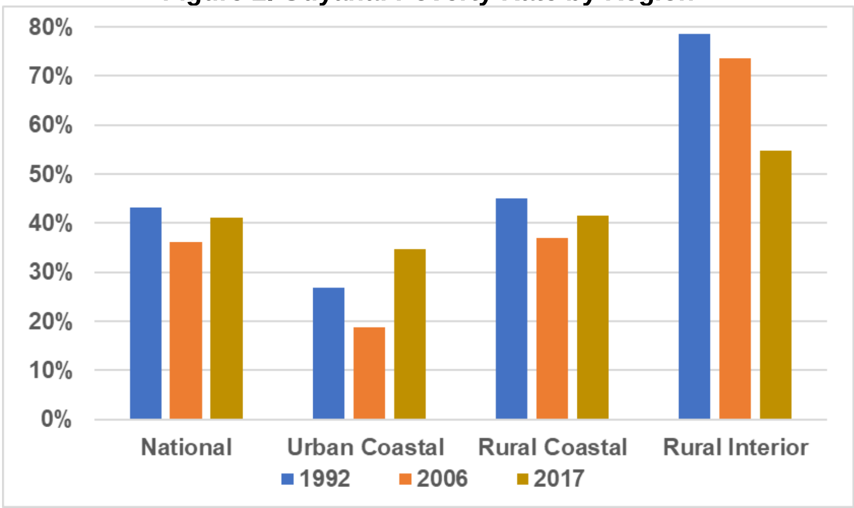
[41] See the October 2020 edition of the International Monetary Fund's *World Economic Outlook.*
[42] Ministry of Finance Budget Speech 2020.

percent of GDP, grew by 2.1 percent in the first half of the year, bolstered by historically high prices of gold. The services sector, which makes up 45 percent of the economy, is potentially the most exposed sector to social distancing policies. This sector declined by 3.8 percent the first half of the year, with wholesale and retail trade falling by 14.7 percent, transportation and storage by 25 percent, and accommodations and food services by 32.9 percent. The construction sector, which had been growing at relatively high rates prior to the pandemic, fell by 5.6 percent.[43]

"Pre-existing Conditions" and Social Policy Institutions Before COVID-19

As GDP per capita is relatively low, poverty rates in Guyana are relatively high and suggest important regional disparities. Guyana's GDP per capita increased from approximately US$950 in 1990 to US$6,600 in 2019, moving up from 20th to 13th out of 26 countries in the region.[44] The poverty rate in Guyana declined from 43.2 percent in 1992 to 36.1 percent in 2006, the last year of available data from household surveys.[45] These measures of poverty were based on a poverty line of approximately US$1.90 per day. The measure for 2017 was estimated from the Guyana Labor Force Survey of that year, based on a poverty line of US$5.50 per day. The updated measure was estimated at 41.2 percent, suggesting declining levels of poverty. Nevertheless, poverty rates in Guyana exceeded the Latin American average of 26.5 and the Caribbean average of 25.2 percent.[46]

Figure 2. Guyana: Poverty Rate by Region



Sources: Poverty values for 1992 and 2006 are from the "Guyana Poverty Reduction Strategy Paper 2011–2015" (2011), Ministry of Finance. Data for 2017 are from Guyana's Labor Force Survey and *Nurturing Institutions for a Resilient Caribbean (*2018), edited by Diether Beuermann and Moises Schwartz, Inter-American Development Bank.

The poverty data captures large disparities within Guyana. According to the 2012 census, approximately 89 percent of the population lives in the administrative regions along the coast, which includes the capital city of Georgetown, with approximately 26 percent of the population. The remaining 11 percent of the population resides in the rural interior, also known as the hinterland. The urban coastal areas have generally had lower levels of poverty ranging between 27 percent in 1992 and 35 percent in 2017,

---

[43] Ministry of Finance Budget Speech 2020.
[44] See International Monetary Fund, October 2020 *World Economic Outlook.*
[45] "*Guyana Poverty Reduction Strategy Paper 2011–2015*", 2011. Ministry of Finance
[46] See Diether Beuermann and Moises Schwartz, *Nurturing Institutions for a Resilient Caribbean (*2018), Inter-American Development Bank.

while rural coastal areas have levels of poverty similar to the national levels (Figure 2). The rural interior areas recorded poverty rates greater than 70 percent in 1992 and 2006 and 55 percent in 2017. This is indicative of regional disparities, but it also suggests important ethnic disparities, since about 65 percent of the population in hinterland areas is indigenous.[47]

In this context, the government of Guyana has several social protection programs to support vulnerable populations, including both contributory and non-contributory social assistance programs. The more far-reaching non-contributory social programs are administered by the Ministry of Health, Ministry of Education (MOE), and Ministry of Social Protection (MOSP). The main contributory programs are the pension programs for both public and private employees and self-employed persons in Guyana.

For the early life stages of pregnancy and infancy, the Ministry of Health administers several programs. These include pre-conception and post-conception care and training for pregnant women, the Immunization Program providing universal vaccination coverage, and the HIV Prevention of Mother-to-Child Transmission Program. For the childhood stage, there are two more universal programs, the National School Feeding Program (NSFP) and Uniform Voucher Program (UVP) run by the MOE. The NSFP has provided varying types of breakfasts in public schools for nursery, first, and second grades since 2010. The UVP targets nursery and primary school students and annually distributes approximately 150,000 uniform vouchers in six of Guyana's 10 regions. The MOSP's Child Care and Protection Agency (CPA) provides social safety net functions such as shelter, food, and education for vulnerable children suffering abuse, orphans, or victims by HIV/AIDS. The CPA's specific programs include adoption services, foster care, and the Mahaica Children's Home, where about 80 female children reside.[48]

In the case of working-age adults, there are programs focusing on supporting entrepreneurial development and vocational training. The MOE runs the Technical Vocational Skills Program (TVET), which includes seven institutes throughout the country, and the MOSP administers the Sustainable Livelihood and Entrepreneurial Development (SLED) Project. The SLED Project's main objective is to create income-generating and employment opportunities at the community level throughout Guyana funded by the MOSP budget. The projects consist of building facilities and equipment for activities such as rearing animals or producing garments and fruit preserves. Since 2017, 49 projects have been funded, benefiting 1,200 households and operating on a growing budget that reached approximately US$ 1.2 million in 2019. Finally, the MOSP also administers the Central Recruitment and Manpower Agency, which provides job search and placement services.[49]

For retirement-age adults, the largest programs include the National Insurance Scheme (NIS) and Old Age Pension. The NIS is a contributory program for employees and self-employed workers. NIS pension benefits vary depending on the amount and duration of contributions made during one's working life. The NIS has approximately 74,000 beneficiaries. The Old Age Pension is the largest non-contributory social program, established in legislation in 1944. It is a universal pension for all resident Guyanese over the age of 65 and provides a monthly payment of approximately US$98. It benefits approximately 56,000 people, and expenditures represented about 1.7 percent of GDP in 2018. It is targeted at the poor elderly population.[50] Several organizations estimated its coverage at 151 percent of the population over 65.[51] Although there is no impact evaluation of this program, stakeholders suggest it has improved the lives of

[47] Census 2012, Bureau of Statistics.
[48] According to the "Social Safety Net Reform Strategy, 2019" and "Assessment of Alternative Payment Schemes, 2019" prepared by IDB consultancies.
[49] Ibid.
[50] Ibid.
[51] OECD/IDB/The World Bank (2014), Pensions at a Glance: Latin America and the Caribbean, OECD Publishing, Paris.

the elderly and their families, and that poverty would be even greater without it. Finally, the Ministry of Finance provides pensions to public servants who served at least 10 years in public institutions and reach the age of 55. There are currently approximately 8,000 beneficiaries.

Some vulnerable populations are served by programs run by the MOSP, including residential services and cash transfer programs. The residential care facilities cover the homeless and elderly, with a total capacity of 300 and 240 people, respectively. The main cash transfer program in this category is the Public Assistance Program, the second largest cash social assistance program in Guyana. The program provides vulnerable families with a benefit of approximately US$43 per month. There were over 11,000 beneficiaries in 2019.[52] Overall Guyana's total expenditure on social protection programs represented 2.32 percent of GDP in 2017, lower than the regional averages of 4.26 for Latin America percent and 2.83 percent for the Caribbean.[53]

Guyana's Policy Response to COVID-19: Breakdown and International Comparison

Since the outbreak of the COVID-19 pandemic in Guyana on March 11, 2020, the government has been in transition, with new authorities taking office in August. Initially in March, the government's policy response focused on containing the spread of the virus by introducing restrictive measures that included closing schools, non-essential businesses, and both international airports, and by supporting the health sector with equipment and hospital facilities, tax relief, and distributed food supplies. More recently, the authorities introduced additional tax policy measures and extended flexibility in the financial sector, support to the health sector, and relief to vulnerable households.

With respect to the fiscal response, the new government introduced a series of tax measures to provide relief and support to the private sector. The main policy developments include the removal of the 14 percent value-added tax (VAT) on electricity and water, medical supplies, building and construction materials, inputs for the poultry sector, domestic travel, and mobile phones. In addition, both the VAT and import duties were removed for machinery and equipment in sectors such as mining, forestry, agriculture, and manufacturing. Authorities estimate these measures will generate savings of approximately US$96 million (G$20 billion) for the private sector.[54] Additionally, the government announced the allocation of US$21.6 million (G$.5 billion) to support household welfare with cash transfers of US$120 (G$25,000) per household. The government also announced plans to obtain US$60 million in loans from multilateral organizations that would potentially be used to fund these programs.

In terms of the financial sector, the Bank of Guyana has extended the relief period and introduced measures to support liquidity and lower financial costs. The Bank of Guyana had originally encouraged commercial banks to defer loan repayments to customers and companies in good standing and adjust corresponding account classifications to cushion non-performing loans through the end of the year. To support liquidity, the central bank reduced a series of policy rates such as reserve requirements, liquid asset requirements for demand deposits, and savings and time deposits. Finally, commercial banks agreed to provide short-term loans at concessional rates between 5 and 6 percent, lower than the prime lending rate of 10.3 percent.[55]

---

[52] "Assessment of Alternative Payment Schemes, 2019" prepared by an IDB consultancy.
[53] See the Economic Commission on Latin America and the Caribbean's Social Investment Portal. The Latin American average includes 17 countries with available data, while the Caribbean average does not include Suriname.
[54] Navendra Seoraj, "$20 billion in pockets of Guyanese," *Guyana Chronicle,* September 8, 2020 (https://guyanachronicle.com/2020/09/08/20b-in-pockets-of-guyanese/).
[55] See https://dpi.gov.gy/address-by-his-excellency-dr-mohamed-irfaan-ali-president-of-the-co-operative-republic-of-guyana/.

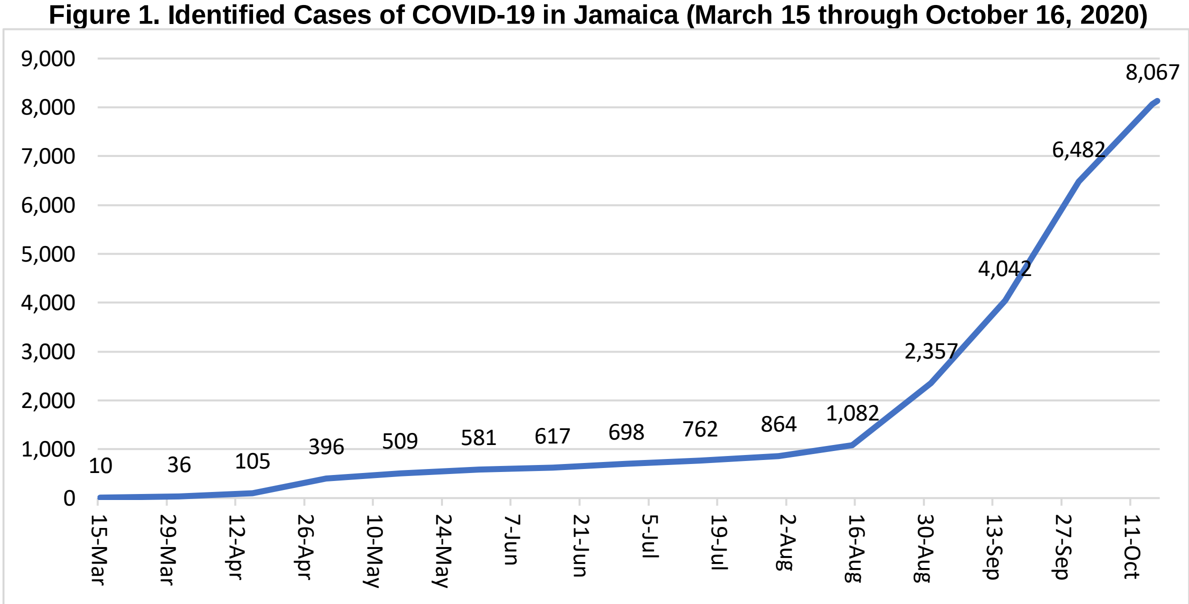
IV. Jamaica

Henry Mooney

1. Covid-19 in Jamaica

The total number of COVID-19 cases identified in Jamaica began to increase rapidly in late August of 2020—doubling from just over 1000 cases over the course of one month. By October 16, over 8,000 cases had been identified. This represents a rate of confirmed infection of about 281 cases per 100,000 citizens. These rates of infection are based on about 87,000 tests performed, equivalent to about 30 tests per 1,000 persons. As of October 16, there had been 160 deaths attributed to COVID-19 in Jamaica.

Figure 1. Identified Cases of COVID-19 in Jamaica (March 15 through October 16, 2020)



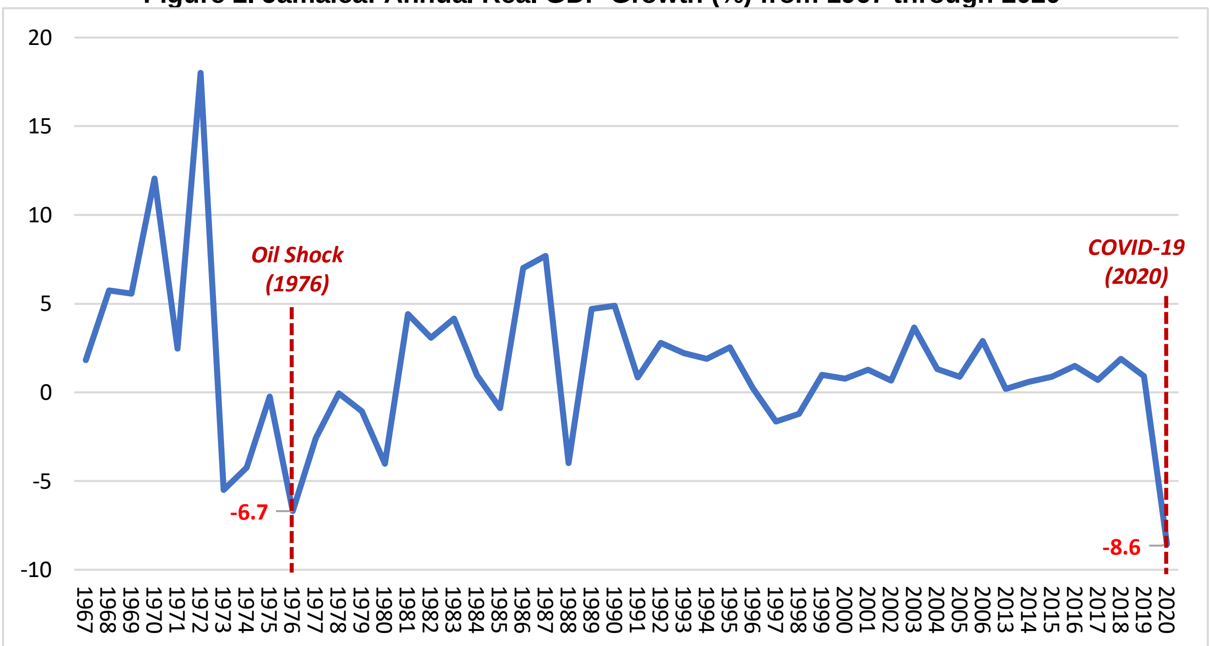
Source: Jamaica Ministry of Health and Welfare.

2. Economic Situation

The shock to Jamaica's economic output in 2020 is likely to the largest on record. The IMF has now revised Jamaica's real GDP growth estimate down from a contraction of about -5% initially projected in April 2020, to an expected shock of nearly -9% in its October World Economic Outlook (Figure 2). This compares with an estimated positive growth rate of about 1% for 2020 prior to the crisis. To put this in perspective, the largest single year contraction of real economic output for Jamaica took place in 1976[56], following the global oil crisis and the ensuing international recession. In this context, the combined shock to global demand for tourism and other Jamaican exports, as well as the curtailment of domestic economic activity from health measures and economic uncertainty, have had significantly adverse implications for near term prospects.

[56] Note that owing to data availability, the time series represented in Figure 2 for real GDP growth combines two sources—World Bank Development Indicators data from 1967 through 1980, and data from the IMF World Economic Outlook databases from 1980 through 2020.

Figure 2. Jamaica: Annual Real GDP Growth (%) from 1967 through 2020*



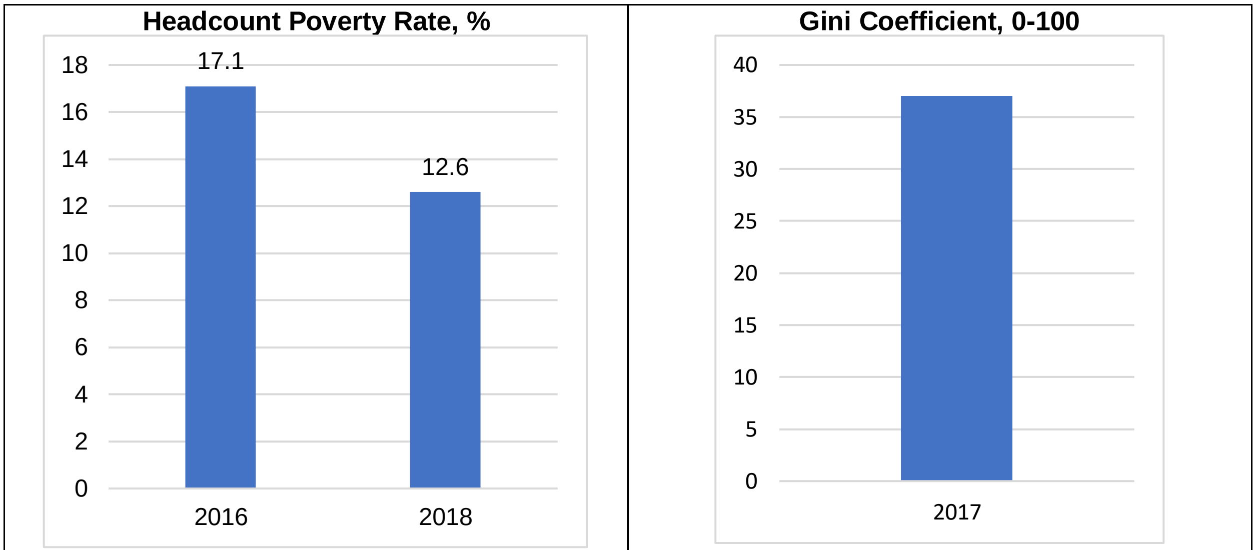
Note: (*) Real GDP growth for 2020 is an estimate.
Source: IMF World Economic Outlook (October 2020) from 1980 through 2020, and World Bank Development Indicators for 1967 through 1979.

3. "Pre-existing Conditions" and Social Policy Institutions pre-COVID

Social conditions have been improving in recent years. In the years preceding the COVID crisis, a combination of modest but steady economic growth, combined with strong social polices (described below), resulted in a sharp decline in headcount poverty, according to the national poverty line (Figure 3).[57] As noted in the Regional Section, the Gini coefficient of 37 is relatively low by regional standards.

[57] The poverty line ranges from approximately J$170,447 per capita in rural areas to about J$192,067 in urban areas in 2016, and J$183,104 to J$206,329 in 2018. In purchasing power-adjusted US dollars, that would be PPP$7.07 to PPP$7.96 in 2016, and PPP$7.23 to PPP$8.14 in 2018.

Figure 3: Poverty and Inequality in Jamaica



Source: Jamaica Survey of Living Conditions

There has also been a modest improvement in the Gender Inequality Index (GII) between 2010 and 2017—where, like the GINI index, a coefficient of zero implies perfect equality, and 1 implies perfect inequality. While causal factors and relationships are difficult to identify, improvements in economic stability and performance in Jamaica since 2013—e.g., stronger growth, lower inflation and interest rates, and record low levels of overall and youth rates of unemployment—are certain to have contributed to improved outcomes. This period has also coincided with increases in government social expenditures, as fiscal consolidation and lower debt service payments have released resources for other priority expenditures.

Policies and Programs Linked to Poverty Reduction and Inequality: Inequality is related to a number of factors, including economic performance, policies, and programs of the government. As noted above, improved fiscal outcomes have provided additional resources for social programs. For fiscal year (FY) 2018/19, a total of JM$10.4 billion was allocated to social programs (up from JM$7.9 billion in FY 2917/18). These programs include:

- The ***National Insurance Scheme*** (NIS), which has been designed to meet International Labor Organization (ILO) social security standards.
- The ***National Insurance Fund*** (NIF) that houses and manages resources of the NIS, with a view to ensuring both liquidity and solvency of the system, while avoiding undue risks.
- ***Public Assistance Programs***, including those managed by the Public Assistance Department (PAD), focused on the most vulnerable populations, including those who fall below the poverty line, the elderly, persons with disabilities, pregnant women, and victims of disasters. Once such program is the Program of Advancement through Health and Education (PATH)[58]—a conditional cash transfer program—that has benefited over 360,000 recipients since 2002.
- The ***Social Investment Programme*** (SIP), providing short-term employment, as well as educational and entrepreneurial grants to foster independence and self-reliance, leveraging partners with various private sector organizations, while also targeting 'at risk' age groups (16 to 40 years old).

[58] The PATH program focuses on educational and health, reducing child labor, and serving as a safety net by providing resources to poor persons affected by adverse shocks.

- The ***Jamaica Council for Persons with Disabilities*** (JCPD) is responsible for programs benefiting, including protecting rights of the disabled and facilitating education.
- The ***Early Stimulation Programme*** (ESP), an early intervention program for young children (up to 6 years of age), with various types of developmental disabilities.
- The ***National Council for Senior Citizens*** manages programs and activities to enhance social, cultural, spiritual, educational, mental and physical stimulation in the later stages of development thereby, reducing loneliness and making life more meaningful after retirement.

4. Jamaica's Policy Response: Breakdown and International Comparison

The government of Jamaica has been proactive and steadfast in terms of its policy response to the COVID-19 crisis. As detailed in previous editions of this publication, Jamaica acted early in terms of robust efforts to stem the crisis and its propagation locally, including via measures at the border, as well as domestically to curb community transmission. Similarly, the government's first supplemental budget announced in March 2020 outlined additional measures aimed at shoring up the health system and addressing the health implications of the crisis for citizens. It also outlined stimulus and support measures across the entire spectrum discussed in Section 1, particularly aimed at broad economic stimulus, ensuring financial stability, supporting households, and assisting enterprises through the downturn.

The Government of Jamaica has just announced its intention to undertake a second broad update of the budget and related fiscal priorities for 2020 and 2021. On the expenditure side, the new budget will increase spending on health and crisis containment measures, efforts to support Jamaicans who have lost jobs or whose incomes have been adversely affected, as well as increasing public investment. Notable measures will include an increase in public capital expenditure on roads and other infrastructure needs; extending unemployment support; cash transfers to needy families; and efforts to increase medical personnel available to address crisis-related needs. Additional resources will also be made available to the Ministry of Education, including to facilitate virtual classroom requirements (e.g., procuring electronic devices for those children in need).

Expenditure increases are expected to be financed by revenue over-performance (relative to the most recent estimates) and a reduction of the primary balance target. This further loosening of the primary balance target is expected to remain consistent with the objectives of the fiscal responsibility framework and its revised targets for debt reduction. Should economic and fiscal outturns prove worse than currently expected, the fiscal framework should provide the flexibility to ensure that near-term priorities linked to the crisis can be accommodated in a manner consistent with longer-term fiscal and debt reduction objectives. The table below does not include all the measures announced recently, nor does it quantify all the measures undertaken.

Table 1: Examples of Announced Fiscal Measures, Jamaica

	ABOVE THE LINE			BELOW THE LINE			
FISCAL Support Measures	Additional spending and forgone revenue in the health sector	Additional spending and forgone revenue in areas other than health	Accelerated spending and deferred revenue in areas other than health	Quasi-fiscal operations (noncommercial activity of public corporations on behalf of government)	Size local currency (billions)	Size: USD (millions)	Size: Share of GDP
Health Sector Response	Waived import duties on face masks and waived consumption tax on alcohol for hand sanitizers (J$ NA)				NA	NA	NA
Support to Affected Households		General reduction of GCT from 16.5% to 15% (J$ 14 billion); SET program for unemployed (part of CARE); Increase in PATH transfers (J$ 1.1 billion); COVID Compassion grants ($150 million); COVID grants for Self-employed informal sector (J$ 1 billion); Consituency Development Fund (community development J$200 million)	Student loan deferrals for 14 months (J$ NA)	National Housing Trust actions to lower cost of mortgages and provide mortgage relief (J$ NA)	16.45	116.0	0.75
Support to Affected Firms		BEST business grants (J$ 5.9 billion for both BEST/SET); Assistance to small farmers (J$ 200 million); MSME Tax Credit (J$ 1 billion); Tourism Sector Grants J$4.2 billion			11.3	79.7	0.52
Total		Total "Above the Line":	23.55	J$ NA	27.75	195.7	1.3

Sources: IMF Covid Policies Monitor, Various newspaper announcements; Government Press Releases; KPMG Covid Policy Monitor.

The Central Bank has also enacted stimulus measures in terms of liquidity support, prudential measures and forbearance measures. The policy rate has been maintained at the low 0.5 percent level and a systemic liquidity injection of J$57 billion. The Central Bank is encouraging commercial banks to not make dividend payments, and they are also being encouraged to defer mortgage payments for customers when needed.

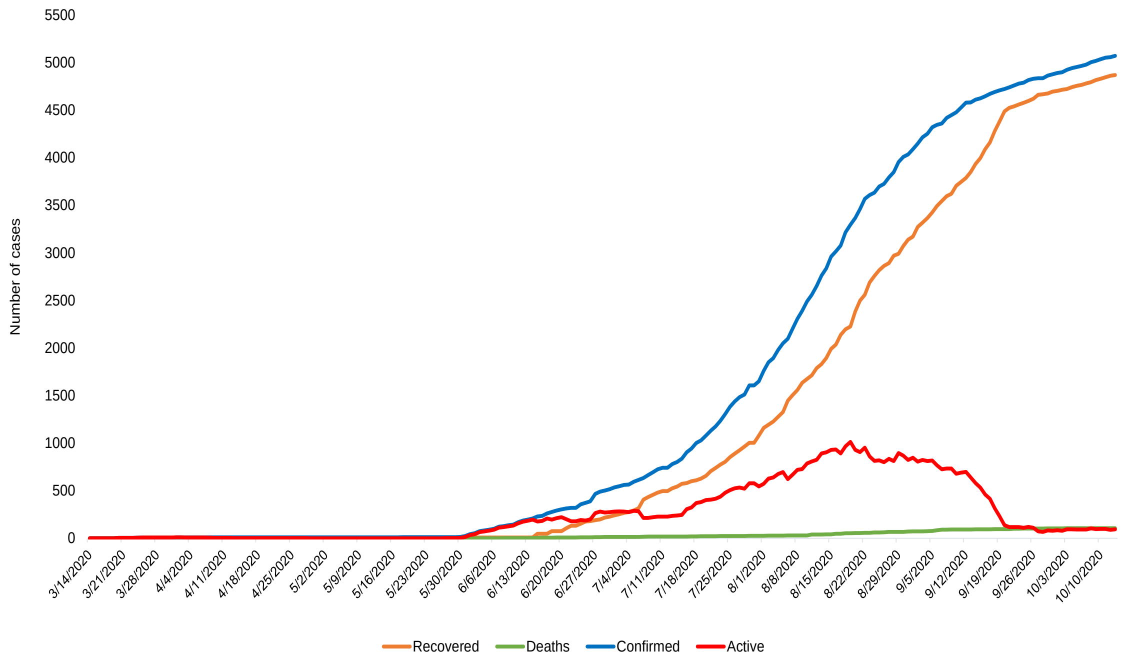
V. Suriname

Jeetendra Khadan

1. Covid-19: The Late Summer Surge

Suriname confirmed its first imported COVID-19 case on March 13, 2020. As of October 13, the authorities confirmed a total of 5,072 cases (0.86 percent of the population) and 95 active cases, the second lowest number of active cases among the Caribbean countries (Barbados had 16, Guyana 1,024, Trinidad and Tobago 1,667, The Bahamas 2,077, and Jamaica 4,407). Also on October 13, Suriname reported a total to date of 107 COVID-19-related deaths and 4,870 recovered cases (Figure 1). Since March 2020, the authorities have continuously implemented and enforced numerous social distancing measures and restrictions to curb the spread of the virus. The most recent set of restrictions introduced (and some reinforced) in September included (i) mandatory wearing of a mouth and nose cover, maintaining a physical distance of 1.5 meters and regularly disinfecting the hands; (ii) a curfew from 9:00 pm to 5:00 am; (iii) restrictions on gatherings (both private and public spaces); and (iv) limited opening of restaurants and human contact professions, but closure of entertainment venues.[59]

Figure 1. Suriname: COVID-19 Cases



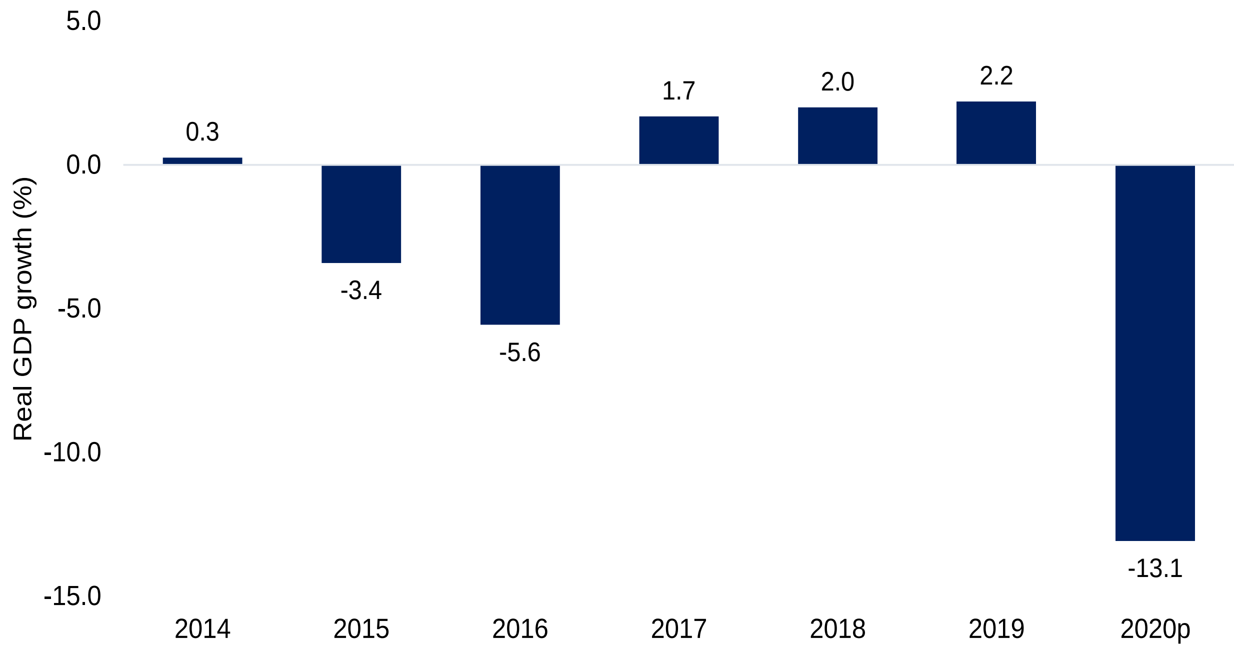
Source: Country authorities.

[59] See https://bit.ly/3mjLkeG.

Social and Economic Impact

Suriname's real GDP is expected to contract by 13.1 percent in 2020, according to the International Monetary Fund (IMF). Prior to the COVID-19 pandemic, Suriname's economy was already in a precarious position. The country was recording large fiscal deficits, rising debt levels with a high share of foreign-currency-denominated debt, low growth, disequilibrium in the foreign exchange market, low and declining international reserves, and banking sector vulnerabilities. The pandemic is expected to exacerbate that situation in the short term. The impact of the pandemic would mostly affect economic growth through the commodity sector (both prices and production) and a slowdown in economic activity in human contact industries because of measures taken to curb the spread of COVID-19.

Figure 2. Suriname: Real GDP Growth



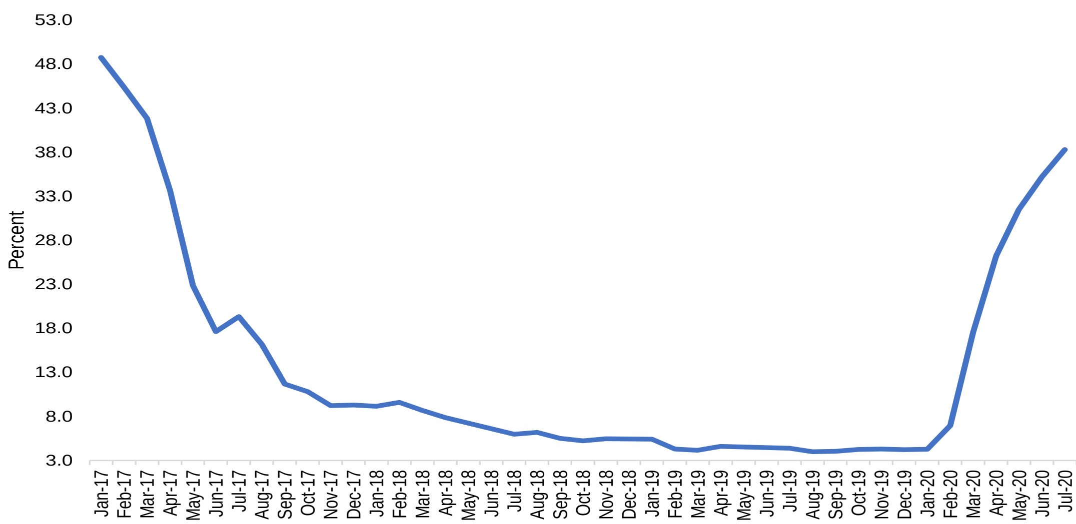
Sources: Country authorities; and International Monetary Fund, October 2020 *World Economic Outlook.*

Devaluation of exchange rate. The *de jure* exchange rate arrangement in Suriname is classified as floating. However, since early 2017 the bilateral U.S. dollar exchange rate has been remarkably stable at US$1=SRD7.52 implying a de facto stabilized arrangement. Over the last two years, there has been an acute shortage of U.S. dollars in the domestic economy, contributing to a precipitous increase in the parallel exchange rate, with a parallel market premium ranging from 80 percent to as high as 126 percent within a multiple exchange rate system. The Central Bank of Suriname (CBvS) officially devalued the country's exchange rate by 90 percent on September 22, 2020.

Inflation increased from 4.2 percent in December 2019 to 40 percent (year-over-year) at the end of August 2020 (Figure 3). Inflation is expected to further increase in the coming months as fuel prices rose by roughly 50 percent after the currency devaluation and prices of other basic goods and services are

expected to increase in the short term. The IMF's October 2020 *World Economic Outlook* projects that inflation will reach 105 percent at the end of 2020.

Figure 3. Suriname: Inflation



Source: General Bureau of Statistics, Suriname.

The banking system faces important vulnerabilities, and COVID-19 could exacerbate them. The capital adequacy ratio of the banking system stood at 11.7 percent (above the 10 percent minimum requirement) as of June 2020. However, the ratio of non-performing loans to gross loans increased to 13.5 percent in June 2020 from 10.6 percent in December 2019.[60] Profitability of primary banks also fell, with the return on assets declining from 1 percent in 2019 to 0.3 percent for the first half of 2020. Firm-level data show that more than half of the firms in the transportation sector and 38 percent of firms in the retail sector have a loan from a financial institution.[61] If COVID-19-related restrictions persist, the asset quality and performance of banks could be further affected in the short term.

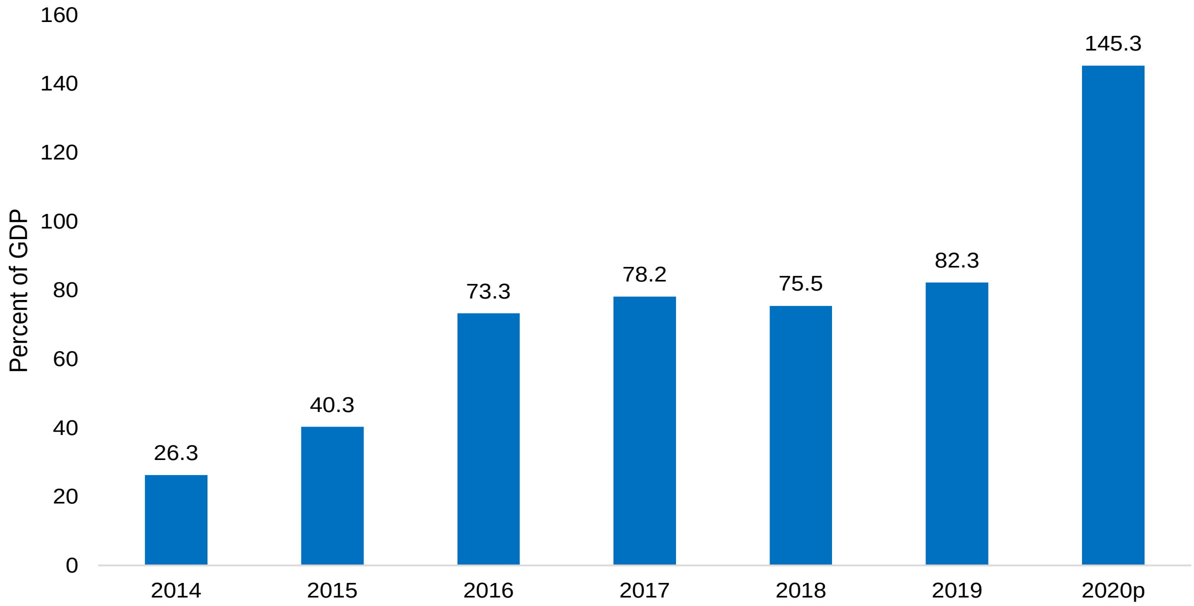
The budget for FY2021 was presented to the National Parliament in October 2020. According to the draft version of the budget, the fiscal deficit for 2020 is estimated to reach 20.5 percent of GDP, and a fiscal deficit of 10 percent of GDP is projected for FY2021. Also, central government debt increased to 109 percent of GDP at the end of June 2020. The IMF's October 2020 *World Economic Outlook* projects a further jump in the debt-to-GDP ratio to 145.3 percent of GDP at the end of 2020 (Figure 4).

Suriname was downgraded to a negative outlook by Fitch, Moody's, and Standard and Poor's. Suriname's sovereign credit rating was downgraded to selective default by Standard and Poor's, restricted default by Fitch, and Caa3 by Moody's in July 2020, but those ratings were subsequently raised by Standard and Poor's and Fitch to CCC and CC, respectively. The main reason for the slightly upward revision was

[60] Preliminary data from Suriname's 2021 draft budget.
[61] See Jeetendra Khadan, "COVID-19: Socioeconomic Implications on Suriname," IDB Technical Note No. 1920, Inter-American Development Bank, 2020.

the consent from bondholders to restructure the amortization schedule of Suriname's four-year US$125 million 2023 bond. The government announced that it will be seeking to issue a US$400 million seven-year bond in the coming months to pay off expensive external debt with future earnings from the offshore oil discoveries serving as security.[62] The aim is to raise at least US$400 million from investors in Suriname, the Surinamese diaspora in Europe, the United States, and the Netherlands Antilles.

Figure 4. Suriname: Central Government Debt



Sources: Suriname's Debt Management Office; and International Monetary Fund, October 2020 *World Economic Outlook.*

The current account balance improved slightly in the first half of 2020. The current account deficit had increased to 10.7 percent of GDP in 2019. Preliminary data show that the current account balance was US$37.1 million in the first half of 2020, compared to a deficit of US$206.7 million in the first half of 2019. The small surplus reflected a larger merchandise trade deficit mainly arising from higher mining exports and lower imports. International reserves marginally increased from US$519.6 in May 2020 to US$564.3 million in August 2020.

In September 2020, the new administration announced its first set of policy measures to restore economic stability. The new measures include the rationalization of energy subsidies; a solidarity tax of 10 percent that will apply to persons with an annual income of SRD150,000 and above; an increase in the sales tax by 2 percentage points to 12 percent; an increase in royalties from 2.75 percent to between 5 and 7.5 percent for the small-scale gold sector; a hiring freeze in the public sector; a reduction in expenditure by government ministries of 10 percent; an adjustment of the foreign exchange rate (which has been implemented) as part of an integrated economic and social policy response; determining the country's debt

[62] Rystad Energy estimated that the recent oil discoveries in offshore Suriname could be about 1.4 billion barrels of oil equivalent. Suriname's proven oil reserves in 2018 were estimated at 87 million barrels.

position and negotiating a repayment schedule with creditors; amending legislation to give greater independence to the CBvS; and immediate implementation and enforcement of the Anti-Corruption Act.

“Pre-existing Conditions” and Social Policy Institutions Before COVID-19

Poverty levels in Suriname before the pandemic were relatively high. In 2017, poverty was estimated at 26.2 percent, while 13 percent of households were at risk of poverty. Inequality in the distribution of per capita income (the Gini coefficient) was estimated at 0.44.[63] Poverty spikes are expected as a result of the ongoing pandemic and macroeconomic adjustments.[64] In fact, the results of a Cornell University-IDB online survey conducted during April-July 2020 found that the percentage of Surinamese households reporting income below the minimum wage increased from 23.2 percent in January 2020 to 31.7 percent in April-July 2020.[65] Low-income households were most severely impacted, particularly from employment loss (35.9 percent), compared to middle- and high-income households (27 percent and 14.9 percent, respectively). The online survey also found that most low-income households would not be able to afford basic necessities for one month: 64.7 percent of low-income households reported having enough resources to cover basic necessities for one week, and only 16.7 percent reported having enough savings to cover one month or more of basic expenses.

Pre-pandemic social protection programs were mostly targeted towards poverty alleviation and human capital development. The country has several programs, including cash (near cash) programs, in-kind transfers, social care, community-based programs, labor market programs, and social insurance. For example, children are provided with financial assistance, general child benefits, school clothes and footwear, social assistance, daycare, training, free medical provision, and nutritional support. Persons with disabilities have access to free medical assistance and vocational training. Homeless persons are provided with financial assistance and free medical care. Senior citizens are provided with general old-age benefits and free medical benefits. People and families with low incomes are provided with financial assistance and free medical services. Home seekers are provided support to pay rent (or buy) homes and receive financial support for home renovations. The targeting mechanisms for the programs are mostly self-targeting (29 percent), categorical targeting (21 percent), means-tested targeting (17 percent), and mixed targeting methods (17 percent). There is no limit on the duration of assistance for most programs (48 percent), particularly for in-kind transfers and social care services. Citizens also benefit from generous subsidies on water and electricity: for example, the average water tariff in 2014 and 2015 was approximately US$0.57 per cubic meter of water, the lowest of all utility costs in the Caribbean region and at least four times lower than the regional average of US$2.37 for other Caribbean utilities.[66]

[63] The poverty thresholds were calculated using consumption data from the 2017 Suriname Survey of Living Conditions. For the overall poverty threshold, an adult needs SRD733.10, SRD590.23, and SRD533.27 a month to purchase essential food and non-food items in the Paramaribo district, other coastal areas, and the interior region, respectively.

[64] For example, the CBvS devalued the exchange rate by 90 percent in September 2020 and the authorities have indicated their intention to undertake austerity policies in the short term.

[65] For more details on the survey, see https://publications.iadb.org/publications/english/document/COVID-19-The-Caribbean-Crisis-Results-from-an-Online-Socioeconomic-Survey.pdf.

[66] See https://bit.ly/34YtZ41

Suriname's Policy Response to COVID-19

The authorities established a SRD400 million Emergency Fund in May 2020 to finance social support measures in response to the pandemic. A separate SRD300 million Production Fund was also established to support small and medium-sized enterprises. Both funds were financed by international financial institutions and borrowing from the domestic market. The resources in the Emergency Fund were increased by SRD1.5 billion in August 2020. The resources announced thus far in response to COVID-19 are estimated to be 6 percent of GDP (see Table 1 for a breakdown of these measures).

The authorities have increased support to vulnerable groups and businesses through existing social protection programs. In September 2020, the government announced that it will continue to support vulnerable groups by increasing the following social benefits: General Old Age Pensions (AOV) will be increased from SRD525 to SRD750 per month; the General Child Benefit (AKB) will be increased from SRD50 to SRD75 per month; financial assistance for people with a disability will be increased from SRD375 to SRD500 per month; and SRD200 million will be provided for food packages for vulnerable households. The government announced that it will maintain a tax credit of SRD750 per month, intensify the control of prices of goods and services, and set maximum selling prices for 30 basic goods. In June 2020, the CBvS temporarily lowered the local currency cash reserve requirement from 35 to 27.5 percent. This measure will enable commercial banks to provide new short-term loans to private sector companies and individuals affected by the COVID-19 pandemic at an interest rate of 7.5 percent.

Table 1: Suriname: Fiscal Support Measures in Response to the COVID-19 Crisis

	Above the Line			Below the Line			
	Additional spending and foregone revenue in the health sector	Additional spending and foregone revenue in areas other than health	Accelerated spending and deferred revenue in areas other than health	Equity injections, asset purchases, loans, debt assumptions, including through extra-budgetary funds	Size: Local currency (billions of SRD)	Size: Millions of U.S. dollars	Size: Share of GDP
Health Sector Response	Temporary exemptions of import duties and sales tax on hygiene and medical supplies.				NA	NA	NA
Support to Affected Households		Emergency fund of SRD400 million to support vulnerable groups and those affected by COVID-19. The amount in the fund was increased by SRD1.5 billion in August.	A temporary increase of tax credit from SRD125 to SRD750 and temporary postponement of the income tax submission (SRDNA).		1.9	133	5.2
Support to Affected Firms				Production fund of SRD300 million to support eligible entrepreneurs with low interest rate loans.	0.3	21	0.8
Total					2.2	154	6

Source: Author's calculations based on publicly available information from the government of Suriname.

Note: SRD:Surinamese dollar; USD:United States dollar; NA:data not available.

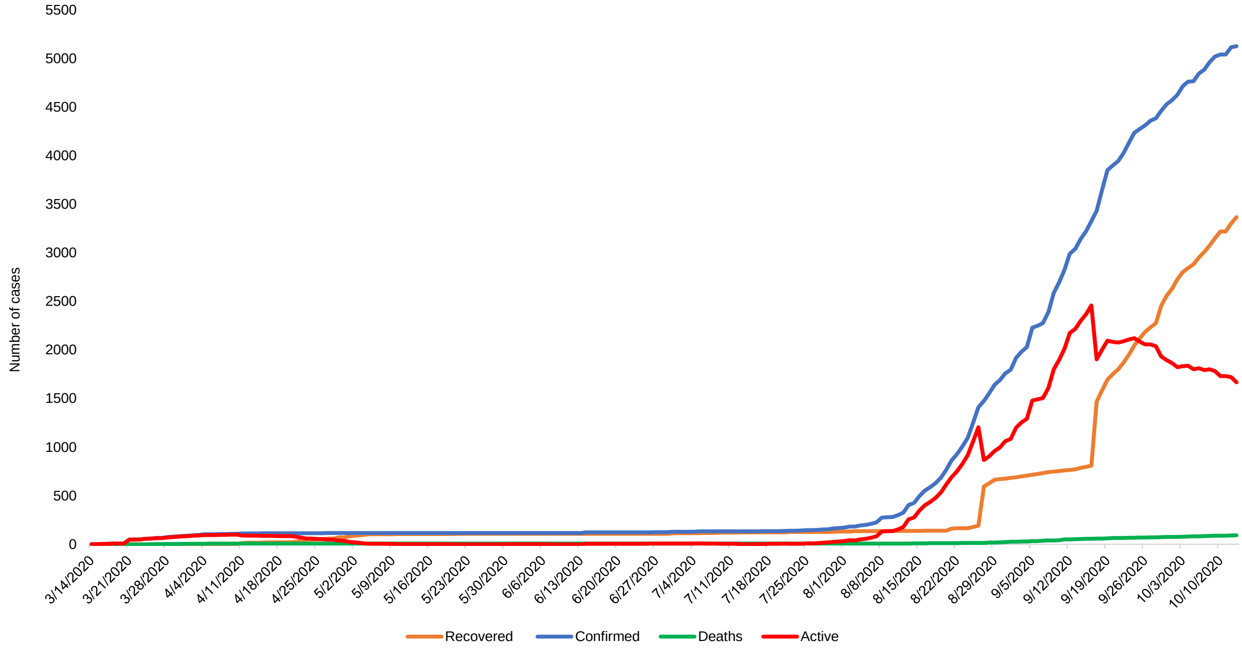
VI. Trinidad and Tobago

Nazera Abdul-Haqq and Jeetendra Khadan

Covid-19: The Late Summer Surge

Trinidad and Tobago entered its second wave of the coronavirus in late July 2020 due to local spread. The number of COVID-19 cases increased from 141 on July 23 to 5,127 cases on October 13. Of the 5,127 cases, 93 died and 3,367 recovered, leaving the country with 1,667 active cases (Figure 1). Trinidad and Tobago's rate of COVID-19 testing is also decreasing. The authorities attribute this to fewer persons presenting with the illness, as well as asymptomatic persons refusing to be tested. By comparison, as of October 13 Trinidad and Tobago had performed 23,568 tests, Barbados 97,942 tests, Jamaica 28,778 tests, and Suriname 26,709 tests per 1 million population.[67] The Ministry of Health reported that the parallel healthcare system organized to respond to the pandemic was at 28 percent capacity by the end of September.

Figure 1. The Evolution of COVID-19 Cases in Trinidad and Tobago



Source: Ministry of Health, Trinidad and Tobago.

The government responded to the spike in cases by rolling back public health regulations and introducing new legislation. The specific measures implemented between August 17 and September 12 included (i) restrictions on in-house dining at restaurants and bars and on competitive sports, (ii) closure of places of worship, beaches, rivers, cinemas, and gyms, (iii) introduction and enforcement of mask-wearing

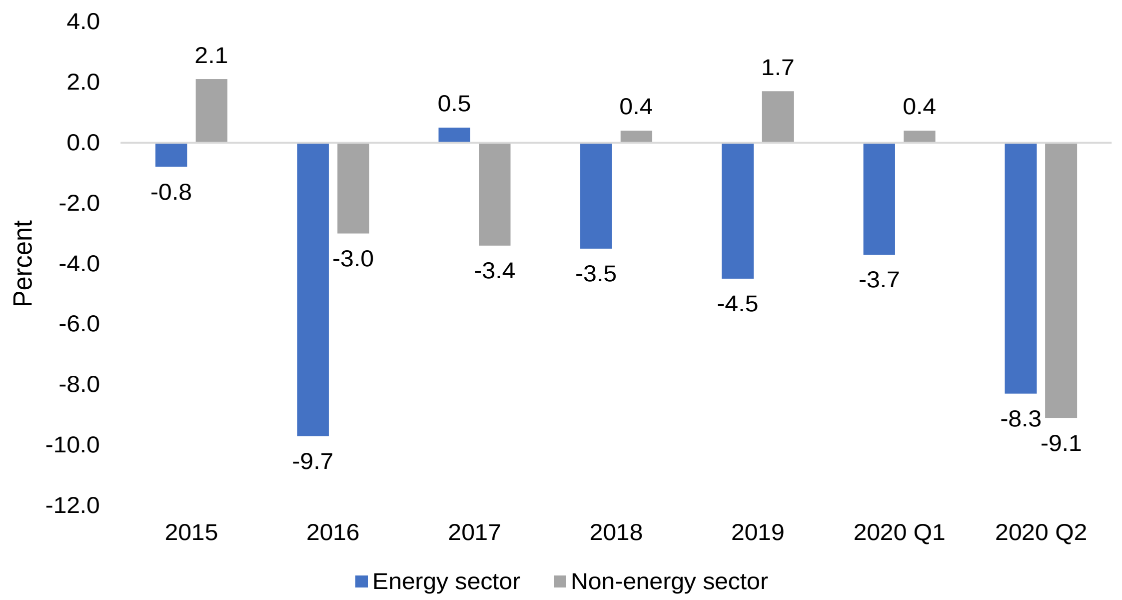
[67] See https://www.worldometers.info/coronavirus/#countries

legislation, (iv) reduction of the public sector's operating capacity from 50 percent to "essential only," (v) new policies for those seeking entry into the country, and (vi) reopening of schools on digital platforms. On October 11, the government relaxed the restrictions on the size of gatherings for funerals, allowed tour boats to operate (with swimming prohibited) and increased from 2 daily flights to six daily flights to Tobago. Restrictions on bars, restaurants, and places of worship were to be relaxed by October 24, once there was no significant increases in positive cases.

Social and Economic Impact

Real GDP is projected to contract by 5.6 percent in 2020, according to the International Monetary Fund (IMF). Economic growth in 2020 is being adversely impacted by lower oil and gas prices and COVID-19 restrictions on economic activity. In the first half of 2020, economic activity in the energy sector contracted by 5.9 percent owing mainly to lower output in the natural gas industry.[68] The crude oil exploration and extraction sector also declined 2.2 percent, associated with unfavorable global supply and demand conditions. The non-energy sector contracted in 2020:Q2 by 9.1 percent, following marginal growth of 0.4 percent in 2020:Q1 (Figure 2).

Figure 2. Trinidad and Tobago: Real Output Growth



Source: Ministry of Finance, "Review of the Economy, 2020."

The COVID-19 pandemic and related restrictions on business activity have had a negative effect on the labor market. Official labor statistics from the Central Statistical Office are only available up to 2018. However, data from the Ministry of Labour and Small Enterprise Development reported by the Central Bank

[68] Atlantic LNG was down for maintenance while a number of petrochemical plants on the Point Lisas Industrial Estate were shutdown/shut-in because of weak market conditions as a result of COVID-19.

show that 363 persons were retrenched during January–June 2020, with the manufacturing sector accounting for 64 percent of the retrenchments. The Central Bank of Trinidad and Tobago reported a 43.4 percent decrease in job advertisements in the press (year-over-year) during the first six months of 2020, which signals a reduction in labor demand. Further, based on the findings of an IDB-Cornell University survey,[69] roughly 56 percent of the households indicated that they closed their businesses due to the authorities' requirement or a lack of demand, while 46 percent of households reported at least one job loss. Importantly, low-income households were disproportionately affected, with 68 percent of low-income groups recording job losses.

Inflation has continued at very low levels. According to data from the Central Bank of Trinidad and Tobago, headline inflation measured 0.4 percent year-over-year in March 2020, unchanged from January. The government is targeting low inflation rates between 1 and 2 percent up to 2022. However, the removal of fuel subsidies announced in the October 2020 National Budget may result in inflationary pressures in the transportation sector, as well as on goods and services if business owners pass on the higher costs.

The fiscal deficit increased to double digits in FY2020, but the 2021 budget aims to consolidate public finances. A fiscal deficit of 11 percent of GDP was reported for FY2020 compared to a budgeted deficit of 3.2 percent of GDP. The larger deficit reflected lower revenues and increased spending on COVID-19 support. The decline in revenues was mostly attributed to lower energy sector receipts (equivalent to roughly 3.7 percent of GDP) while the government increased spending on social support measures for vulnerable households (Table 1). The 2021 budget, which was presented to the National Parliament in October 2020, is projecting a budget deficit of 5.6 percent of GDP. The main measures to achieve this target include liberalization of the liquid fuels market and removal of fuel subsidies, implementation of the property tax regime, operationalization of the Trinidad and Tobago Revenue Authority, broadening of the value-added tax (VAT) base to include luxury imported foods, and increased taxes on demerit goods. The budget also outlines incentives to stimulate growth in the non-energy sectors of the economy.

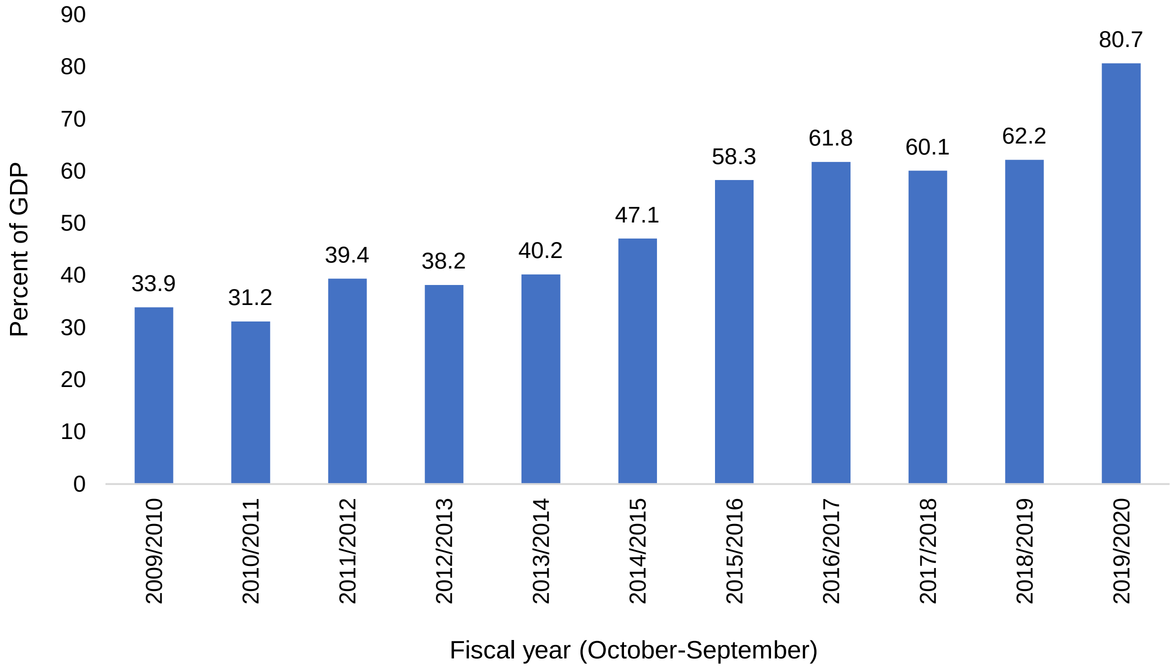
Debt levels are expected to increase in the short term. At the end of FY2020, net public sector debt stood at 80.7 percent of GDP, up from 62 percent at the end of FY2019 (Figure 3). Central government debt reached 58.7 percent of GDP at the end of FY2020 and contingent liabilities totaled 22 percent of GDP. In response to COVID-19, the government took a US$150 million loan from the Development Bank of Latin America and issued a US$500 million 10-year bond at an interest rate of 4.5 percent in June 2020. Financing was also sourced from the Inter-American Development Bank (IDB) (US$20 million) and the World Bank (US$20 million), while TT$1 billion was raised on the domestic capital market under the Development Loans Act. Moreover, with technical assistance from the IMF, the country is developing a multi-year fiscal framework with annual targets for deficits and borrowings. In that regard, the government noted that policies will be implemented to return the public-debt-to-GDP ratio to around 63 percent of GDP by 2023.

The most recent indicators in June 2020 showed that the banking system was still well capitalized, liquid, and profitable, and had low non-performing loan rates. However, COVID-19 poses challenges to the financial sector and the quality of banks' portfolios. The banking sector's capital adequacy ratio of 24

[69] Available at: https://publications.iadb.org/publications/english/document/COVID-19-The-Caribbean-Crisis-Results-from-an-Online-Socioeconomic-Survey.pdf.

percent exceeded the minimum statutory requirements, its return on equity stood at 10 percent, and non-performing loans were 3.5 percent of total loans. However, the IMF's August 2020 Financial System Stability Assessment (FSAP) stress tests concluded that under adverse COVID-19 economic scenarios banks could breach their capital requirements by 2022 and face significant liquidity pressures if there is a run on investment funds. Rising household debt, sovereign credit exposures, natural disasters, and contagion risks between investment funds and banks are among the main vulnerabilities that may lead to potential financial imbalances.[70]

Figure 3. Trinidad and Tobago: Net Public Sector Debt



Sources: Central Bank of Trinidad and Tobago; and the Ministry of Finance.

The education sector and student learning are being affected by COVID-19. The transition to learning using digital platforms is being affected by low Internet connectivity and a lack of access to digital devices such as laptops. In September 2020, an estimated 65,000 students (or 29 percent of the total student population) did not have devices to access online learning. Also, low Internet connectivity and the lack of electricity in some instances make it difficult for vulnerable groups to access educational material streamed on TV and radio stations. Encouragingly, the country's telecommunications authority and private sector groups have provided some devices to close the gap.

[70] See IMF Press Release No. 20/310 at https://bit.ly/3j6LWS4.

"Pre-existing" Conditions: Social Policy Institutions Before COVID-19

Poverty in Trinidad and Tobago is estimated at 24.5 percent, using data from the 2014 survey of living conditions. This rate is marginally lower than the average for Latin America (26.5 percent) and the rest of the small economies (ROSE) of the world (27.5 percent).[71] The Gini coefficient was estimated to be 42.5 in 2014, which puts the country between the average for ROSE (40.48) and Latin America (47.85) in terms of income inequality.

Social programs are administered through six key social sector ministries: Social Development and Family Services; Community Development, Culture and the Arts; Education; Health; and Housing and Urban Development and Sport and Youth Affairs, as well as the Tobago House of Assembly Social Services Division. Spending on the main social programs represent roughly 36 percent of total budgeted social sector allocations. These programs include the public pension program; disability grant; grants for vulnerable households; food support for students and indigent households; assistance for tertiary education; an unemployment relief program; and a community-based employment program. In early FY2019/2020, the government added new measures to increase social inclusion and extended social support to reduce the impact of the pandemic on households (Table 1).

Trinidad and Tobago's Policy Response to COVID-19

A range of fiscal measures implemented by the government in response to the COVID-19 pandemic sought to (i) ensure that the healthcare system is not overburdened; (ii) maintain the economic welfare of households; and (iii) support companies during the crisis. Based on available data, it is estimated that roughly 3 percent of GDP was spent on these measures. The health sector response (0.19 percent of GDP) broadly involved the development of a parallel healthcare system, the purchase of protective equipment for the police and the public, and the creation of a special foreign exchange window to ensure that the supply of essential items is uninterrupted (including pharmaceuticals and medical supplies). Meanwhile, the government provided an extensive social support package estimated at 0.11 percent of GDP that included food cards, salary/income relief grants, rent support grants, accelerated income tax refunds, and grants to support nationals stranded abroad. Commercial banks and other financial institutions also offered a moratorium on loan and mortgage payments, increased credit card limits, and waived penalty interest on overdrawn accounts and on late credit card payments. Fiscal support for the corporate sector was estimated at 2.3 percent of GDP and included initiatives to improve companies' cash flow (e.g., soft loans through credit unions, hotel upgrade grants, small business grants, and accelerated VAT refunds).

[71] The poverty thresholds were calculated using annual per capita adult equivalent expenditure of TT$956.6 per month for Trinidad and TT$1,014.8 for Tobago. This is equivalent to US$7.15 and US$7.58 per day in 2014 purchasing power parity for Trinidad and Tobago, respectively.

Table 1. Trinidad and Tobago: Fiscal Support Measures in Response to COVID-19								
	Above the line			Below the line	Contingent liabilities			
	Additional spending and foregone revenue in the health sector	Additional spending and foregone revenue in other areas	Accelerated spending and deferred revenue in areas other than health	Equity injections, asset purchases, loans, debt assumptions, including through extra-budgetary funds	Quasi-fiscal operations (noncommercial activity of public corporations on behalf of government)	Size local currency (millions)	Size: USD (millions)	Size: LCU Share of GDP
Health Sector Response	Parallel health care expenditure (TT$25 million); Distribution of free face masks (TT$5 million); Personal Protective Equipment for police (TT$18.3 million); Sanitization of public places (TT$16 million); Import duty and VAT waived or remitted on certain imported medical and emergency supplies to mitigate the pandemic (TT$n/a).					289.3	42.5	0.19
Support to Affected Households		TT$30 million disbursed to religious bodies to provide food hampers; Food support to pensioners (TT$4.2 million); Food relief for children on school feeding program and food vouchers (TT$n/a); Salary/ Income Relief (TT$130 million); Income support to beneficiaries of public assistance and disability assistance (TT$n/a); Rent Support Relief Grants (TT$n/a); Cultural Relief Grants for artists and creative persons (TT$0.5 million) and Grants for nationals stranded abroad (US$0.3 million/TT$2.04 million).	Accelerated income tax refunds (TT$n/a)		Trinidad and Tobago Mortgage Finance Company offered moratoriums on mortgage payments and waived penalty fees (TT$n/a)	166.7	24.5	0.11
Support to Affected Firms		MSME grants (TT$4.8 million); Tobago hotel upgrade grant (TT$50 million); Tobago Enterprise Development Programme assistance to small business assistance (TT$5 million).	Accelerated VAT refunds (TT$460 million) and VAT arrears settled through the issuance of bonds (TT$3,000 million).	COVID-19 Emergency Income soft loans to business owners through credit unions (TT$0.382M).		3,520.20	517.7	2.31
Total (millions of TT dollars)	289.3	226.54	3460	0.382		3976	584.7	2.6

Note: MSME: micro, small, and medium-sized enterprise; VAT: value-added tax.

Sources: Ministry of Finance Review of the Economy and The National Budget Statement 2021.

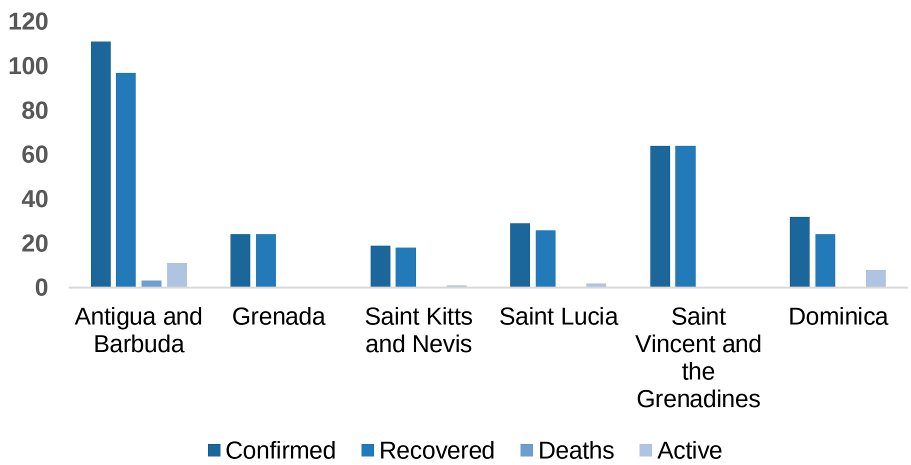
Organization of Eastern Caribbean States (OECS)

Ariel McCaskie

The Evolution of the Pandemic

Since the onset of the COVID-19 pandemic, the total number of confirmed cases in the Organisation of Eastern Caribbean States (OECS) region has remained relatively low.[72] As of October 12, 2020, the OECS had recorded 279 confirmed cases, 253 recoveries, and 3 deaths (Figure 1). St. Lucia and Grenada have recorded no active cases, no fatalities, and a 100 percent recovery rate since September 1 and early August, respectively.[73] On September 29, the OECS authority issued an urgent call to government officials to establish a rigorous testing regime at all source airports, cruise ports, and ferry ports into the Caribbean in an effort to restore the viability of the tourism and travel industry. However, the testing capacity throughout the OECS has been low compared to other Latin American and Caribbean countries. To date, total testing capacity is 29,064 per 100,000 population, ranging from a total of 3,439 tests conducted in Antigua and Barbuda to 5,558 tests conducted in Grenada.

Figure 1. Organisation of Eastern Caribbean States: Confirmed COVID-19 Cases, March 11-October 12, 2020



Source: Eastern Caribbean Currency Union, "Tracking COVID-19 in the ECCU," October 12, 2020.

Despite the limited testing capacity, the OECS countries have implemented strict testing procedures since reopening. They have maintained a collaborative approach in responding to the pandemic and have continued implementing strategic measures to reopen their borders. The reopening strategies have been phased and were rolled out on a country-by-country basis. The first was in Antigua and Barbuda, which reopened on June 1, 2020, and the most recent was in Dominica on August 7. St. Kitts and Nevis is the only country that has not yet reopened, but it was set to resume air and sea travel on

[72] Antigua and Barbuda, Dominica, Grenada, St. Lucia, St. Vincent and the Grenadines, and St. Kitts and Nevis.
[73] On August 17, 2020, a healthcare consulting company (MJS & Associates), released a chart announcing that St. Lucia has the lowest number of COVID-19 cases in the Caribbean, with just 1.4 cases per 10,000 population

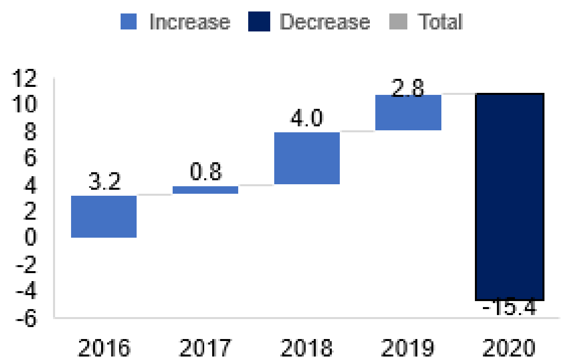
October 31. Testing remains a core component of reopening.[74] On September 11, the Caribbean Community (CARICOM) Heads of Government held a Special Emergency Session to institute a travel bubble among the member states. Countries within the bubble would be allowed entry without being subject to PCR testing prior to arrival and would not have to undergo quarantine restrictions. The agreed-upon criteria were met on September 18 by the OECS countries, and four days later three member states (Antigua and Barbuda, Dominica, and St. Vincent and the Grenadines) commenced operating in the travel bubble.[75]

Economic Context

Economic conditions in the OECS have worsened sharply because of the COVID-19 crisis. The Eastern Caribbean Central Bank (ECCB) projects an overall economic contraction of -15.4 percent in the region compared to the pre-crisis forecast of 3.3 percent (Figures 2 and 3). The decline in real GDP has been mainly attributed to the cessation of international travel for both long-stay and cruise passenger arrivals. Linkages to other sectors that are reliant on the tourism industry, such as restaurants, retail, and wholesale, are also recording subdued economic activity and fueling rising unemployment levels, which were already high before the COVID-19 crisis: Grenada (29 percent), St. Lucia (21 percent), St. Kitts and Nevis (2 percent), St. Vincent and the Grenadines (20 percent).[76] The closure of borders and the implementation of lockdowns have also led to lower consumption levels. The combined effect of the halt of economic activity has exacerbated fiscal and macroeconomic challenges in the OECS with ripple effects across other sectors.

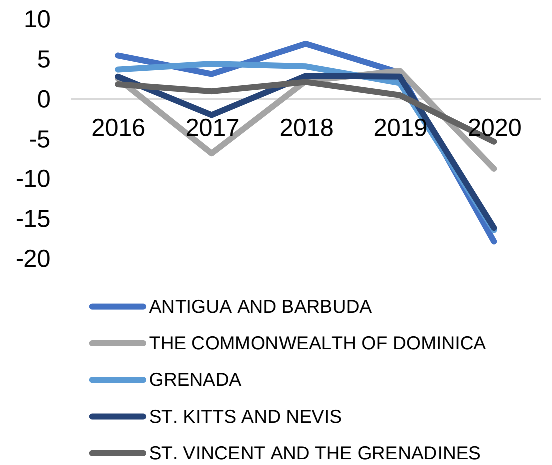
[74] See www.pressroom.oecs.org.
[75] See https://today.caricom.org/2020/09/24/the-caricom-travel-bubble-now-in-effect/
[76] The source for the pre-pandemic unemployed rates is a UNICEF report entitled "The Socio-Economic Impact of COVID-19 on Children and Young People in the Eastern Caribbean Area."

Figure 2. Organisation of Eastern Caribbean States: Cumulative Real GDP Growth Rate (percent)



Source: Eastern Caribbean Central Bank dashboard (https://www.eccb-centralbank.org/statistics/dashboard-datas/).

Figure 3. Organisation of Eastern Caribbean States: Real GDP Growth Rate by Country (percent)



Source: Eastern Caribbean Central Bank dashboard (https://www.eccb-centralbank.org/statistics/dashboard-datas/).
Note: Data not available for St. Lucia. However, recent Caribbean Development Bank estimates indicate the growth rate for St. Lucia to be -9.1 percent for 2020.

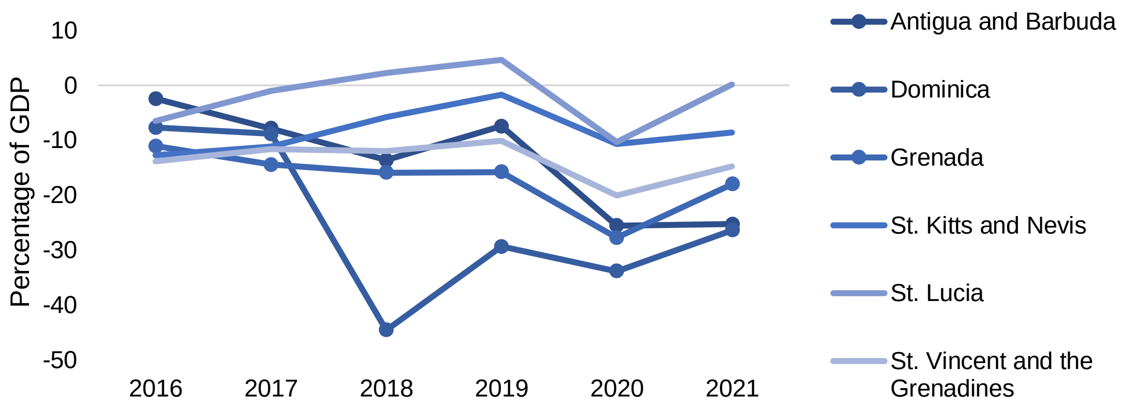
The prolonged decline in real economic activity exacerbated already challenging fiscal positions. The OECS is experiencing increasing fiscal risk as a result of the protracted COVID-19 pandemic. The primary fiscal balance is expected to widen to -3.5 percent of GDP. This is the result of both subdued revenues due to lower economic activity, and increased spending on health, social, and private sector support programs. This includes the approval of fiscal packages ranging from 3.8 to 11.5 percent of GDP.[77] In order to meet rising liquidity needs, OECS countries are carrying out debt-led financing strategies. The debt-to-GDP ratio is estimated to rise from 65.1 percent in 2019 to 79.1 percent of GDP in 2020.[78] The International Monetary Fund (IMF) has approved four Rapid Credit Facility instruments (RCFs) totaling US$81.6 million for the region since March.[79] The Caribbean Development Bank also allocated US$100,000 for COVID-19 Emergency Relief Grants through its Cultural and Creative Industries Innovation Fund, and the World Bank provided St. Lucia with financing of US$10.5 million to support its COVID-19 response.[80] Finally, public sector debt in the OECS is expected to continue on an upward trajectory both in nominal terms and as a percentage of GDP towards the end of 2020. A reversal of this trend going forward

[77] International Monetary Fund, "Key Policy Responses – August 27, 2020."
[78] See https://www.eccb-centralbank.org/statistics/dashboard-datas/.
[79] 1 U.S. dollar = 2.70 EC dollars.
[80] The financing aims to strengthen St. Lucia's efforts to address the health and economic impact of the pandemic.

will require a substantial acceleration in growth and/or the generation of substantial primary surpluses over the medium to long term.

The external balance of the OECS region is expected to further deteriorate. The effects of the COVID-19 pandemic have led to a substantial widening of the external current account deficit from an average of -10 percent of GDP in 2019 to a projected -21.4 in percent of GDP in 2020 (Figure 4). The protracted nature of the pandemic shock will result in the largest annual percentage change in the deficit in the last five years, with Grenada and Antigua and Barbuda projecting the most significant widening. The current account deficit is also projected to remain above -10 percent of GDP in 2021. Remittance flows have declined sharply given the severe hit to the key source markets, the United Kingdom and United States.

Figure 4. Organisation of Eastern Caribbean States: External Current Account Deficit



Source: International Monetary Fund.

The foreign reserves backing ratio is projected to stand between 97 and 99 percent at the end of 2020. Over the last five years, the ECCB has maintained an average backing of 97.6 percent, far exceeding the minimum statutory benchmark of 60 percent and the operational target of 80 percent.[81] The ECCB's monetary policy stance is to maintain a strong reserve backing to support the fixed exchange rate parity at EC$2.70 to US$1. Despite the COVID-19 shock, the foreign reserves of the currency union remained strong, with the backing ratio standing at 98.68 percent as of July 31, 2020.[82] On December 31, 2019, the backing of foreign reserves had stood at 99.1 percent. The sudden halt in tourism and travel is having adverse effects on the foreign exchange earning capacity of the OECS economies. The Citizenship-by-Investment Program, which has been an important revenue source of foreign direct investment, is at increasing risk of falling as investors lose confidence during times of uncertainty.

[81] See International Monetary Fund, *"Eastern Caribbean Currency Union—Staff Report for the 2019 Discussion on Common Policies of Member Countries."*
[82] See https://www.eccb-centralbank.org/statistics/dashboard-datas/.

Pre-COVID-19 Social Programs

Prior to the onset of the health crisis, the introduction of National Health Insurance (NHI) for the OECS countries was already a high priority. In April 2017, Dominica launched a pilot national health insurance scheme for single mothers. In the 2020 Budget Speech in Grenada it was announced that the government had contracted a U.S.-based firm to complete the process of developing a NHI program for implementation. The OECS dedicates a high share of public spending to health. In 2016, public expenditure on average accounted for 55 percent of total expenditure on health across the OECS, with the remainder financed privately. In comparison, the Latin America and Caribbean average stood at 47 percent. At the same time, an average of 40 percent of total health expenditure was financed through out-of-pocket payments, which stood above the Latin America and Caribbean average of 37 percent.

Since the 1970s and 1980s, National Insurance Schemes (NIS) have been established in the OECS region. The schemes currently in place are pay-as-you-go and defined-benefit arrangements. These schemes provide a comprehensive range of benefits, typically including invalidity and survivor pensions, benefits for sickness, funeral costs, maternity, and employment injury. Old-age pension coverage is high in Antigua and Barbuda (70 percent), Dominica (59 percent), and St. Vincent and the Grenadines (77 percent) compared to the Latin America and Caribbean average (56 percent).[83] However, coverage is lower in St. Lucia and Grenada, with around 30 percent of the elderly receiving a pension—both contributory and non-contributory.

The social safety net portfolios of the OECS countries are serviced in part by cash or in-kind transfer programs. These social safety net programs are primarily implemented by governments, with additional support from civil society. Grenada is the only OECS country that has transitioned from an unconditional cash transfer to a cash transfer conditional on education attendance and the use of health services. In-kind transfers include school feeding programs, home repair/home improvement, medical care assistance programs, and the provision of school uniforms and textbooks for students from low-income households. Updated household surveys could improve the targeting accuracy of current social protection programs in OECS countries.

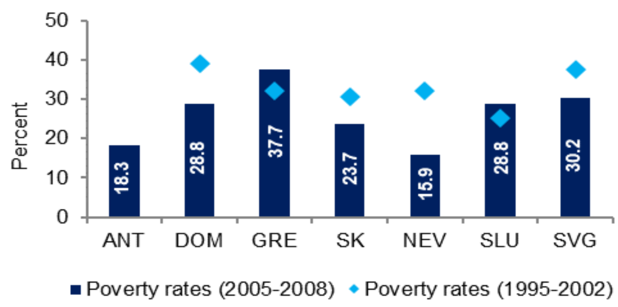
This broad range of social protection in the OECS supports high human development indicators. On the United Nations Development Programme's 2019 Human Development Index (HDI)[84], OECS country rankings ranged from 73rd for St. Kitts and Nevis to 98th for Dominica out of 189 countries. With HDI scores ranging between 0.724 and 0.777, Antigua and Barbuda, Grenada, and St. Kitts and Nevis rose above the Latin American and Caribbean average regional score of 0.759. However, poverty and inequality remain a challenge. OECS countries are particularly susceptible to economic shocks and natural disasters, which can have adverse socioeconomic implications. Official poverty rates in the OECS region vary from 18 to 38

[83] World Bank, "Organisation of Eastern Caribbean States Systematic Regional Diagnostic," June 27, 2018. See http://documents.worldbank.org/curated/en/300861530819875538/pdf/OECS-Systematic-Regional-Diagnostic-P165001-1.pdf.

[84] The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and have a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions.

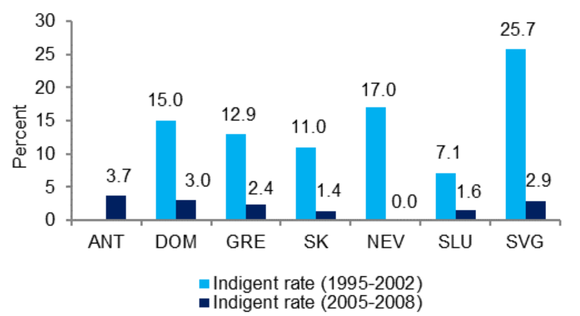
percent (using each country's national poverty line). Poverty data for most countries in the OECS dates to 2005–2008, before these economies were affected by the global financial crisis.[85] Since then, poverty rates are likely to have varied. This is very likely the case in Antigua and Barbuda and Dominica following the adverse impact of extreme weather-related events in 2017. Existing evidence from poverty assessments from 2005 to 2008 indicates diverse poverty rates across the region, with lower poverty incidence in St. Nevis (15.9 percent) and Antigua and Barbuda (18.3 percent) and higher rates in St. Vincent and the Grenadines (30.2 percent) and Grenada (37.7 percent) (Figure 5).[86,87] Indigence levels (extreme poverty) have declined from previous levels and are relatively low within the OECS region, with the lowest rates recorded in St. Kitts and Nevis and St. Lucia (Figure 6).[88]

Figure 5. Poverty Rates in the Organisation of Eastern Caribbean States



Source: Country Poverty Assessment Reports for the OECS. Note: No data available for Antigua and Barbuda for 1995–2002.

Figure 6. Indigent Rate in the Organisation of Eastern Caribbean States



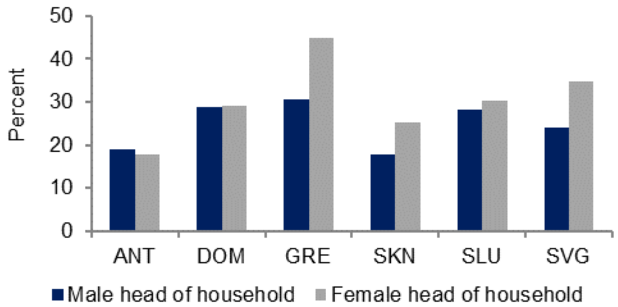
Source: Country Poverty Assessment Reports for the OECS. Note: No data available for Antigua and Barbuda for 1995–2002.

Poverty in the OECS region is gender skewed, but there has been a reduction in inequality. Poverty statistics suggest that the poor are more likely to live in female-headed households. With the exception of Antigua and Barbuda, the data indicate that a larger share of female-headed households were poor compared to their male counterparts. Moreover, wider gender gaps were seen in Grenada, St. Vincent and the Grenadines, and St. Kitts and Nevis (Figure 7). Inequality as measured by the Gini coefficient decreased for most OECS countries with the exception of St. Kitts and Nevis and Dominica. This fall in inequality was especially significant for St. Vincent and the Grenadines, where the Gini coefficient fell by 0.16. In the mid-

[85] An exception is St. Lucia, which produced a National Report of Living Conditions in 2016.
[86] Caribbean Development Bank, "The Changing Nature of Poverty and Inequality in the Caribbean: New Issues, New Solutions," May 2016.
[87] The 2016 Survey of Living Conditions for St. Lucia suggests that the poverty level fell during the 10-year period from 2006 to 2016 from 28.8 to 25 percent. The indigent population declined from 1.6 to 1.3 percent over the same period.
[88] The poverty line represents the minimum level of per capita consumption required to meet the basic food and non-food requirements of an average adult. The extreme poverty line (or the indigent line) is the cost of a basket of food that contains the minimum nutritional requirement of 2,400 Kcal a day at the lowest possible cost.

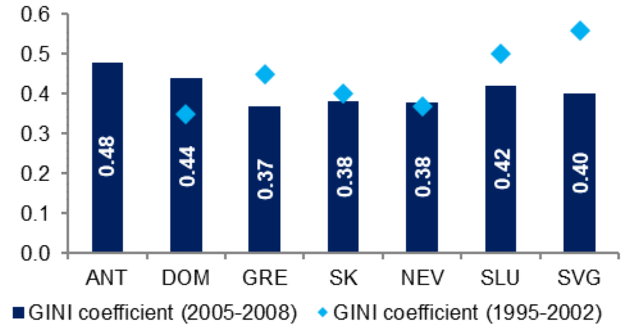
2000s, inequality in the OECS was highest in Antigua and Barbuda and lowest in Grenada, with Gini coefficients of 0.48 and 0.37, respectively (Figure 8).[89]

Figure 7. Organisation of Eastern Caribbean States: Poverty by Sex of Head of Household



Source: OECS Commission and UNICEF, “Child Poverty in the Eastern Caribbean Area, Final Report,” 2017.

Figure 8. Organisation of Eastern Caribbean States: Gini Coefficient



Source: Country Poverty Assessment Reports for the OECS submitted to The Caribbean Development Bank.
Note: No data available for Antigua and Barbuda during 1995–2002.

COVID-19 Policy Response

As seen in Table 1, OECS countries have announced a series of fiscal stimulus measures to tackle the COVID-19 shock. On July 12, the government of St. Lucia announced an Economic Recovery and Resilience Plan totaling 11.5 percent of GDP, which included an electricity assistance program, an expansion of public assistance, and the provision of grants and loans to enterprises. Additional support measures throughout the sub-region included (i) grants and payroll support to affected sectors (tourism, transport, and agriculture), (ii) tax exemptions for new construction projects, (iii) deferred payment of personal income taxes and various license fees, and (iv) credit support to micro, small, and medium-sized enterprises.

The ECCB has also announced a series of monetary policy measures. On July 24, 2020, the ECCB Monetary Council decided to maintain both the central bank’s discount rate (was reduced from 6.5 per cent in April 2020) and the minimum savings rate at 2 percent. The council also approved grant funding to the ECCB member governments totaling EC$4 million (EC$500,000 each), to help combat the COVID-19 pandemic. On March 20, the ECCB and ECCU Bankers Association announced a support program for customers and residents. The program includes (i) a loan repayment moratorium for an initial period up to six months, with a possible extension upon review; (ii) a waiver of late fees and charges to eligible customers; and (iii) targeted supervisory flexibility. On March 27, the ECCB decided to increase credit line limits for governments (by reducing those for banks), and on April 3 it reduced its discount rate from 6.5 to 2 percent.[90]

[89] The Gini coefficient ranges from 0 (complete equality) to 1 (complete inequality).
[90] See https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#E.

Table 1. Summary of Fiscal Measures in Response to the COVID-19 Crisis

	Antigua	Dominica	Grenada	St. Kitts & Nevis	St. Lucia	St. Vincent & the Grenadines
Tax relief for affected sectors	x	x	x	x	x	
Seek financing from international financial institutions	x	x	x	x	x	x
Moratorium on loans and payments				x	x	
Government assistance to local entrepreneurs (small and medium-sized enterprises, agriculture, hygiene products)		x	x		x	x

Source: International Monetary Fund, “Key Policy Responses – August 27, 2020.”

IDB Country Department Caribbean