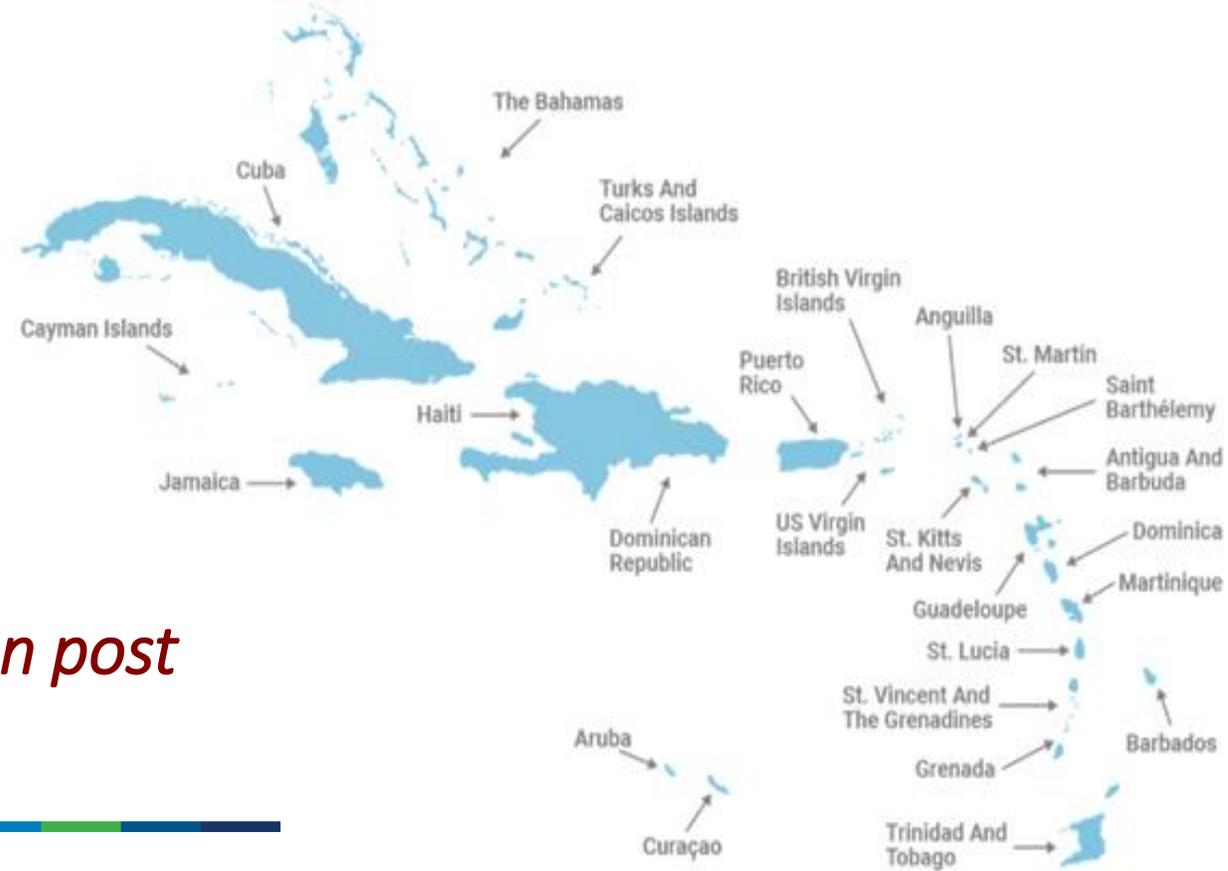


CARIBBEAN OUTLOOK 2.0

“Forging a people centred approach to Sustainable Development in the Caribbean post COVID-19”



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Economic Commission for Latin America and the Caribbean (ECLAC)

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UNITED NATIONS

ECLAC

Messages

1. Evidence of long standing structural problems, inequality, debt vulnerability, tourism and commodity dependence.
2. Enormous fiscal costs to mitigate and contain the disease.
3. Limited resources due to the sudden collapse of sectors such as tourism and decline in commodity prices.
4. Debt burden will increase.
5. Focus on resilience planning which incorporate the SDGs.
6. Source financing for DRR, climate change and other areas of development require greater international cooperation.
7. Upskilling, upgrading health, education, and addressing citizen insecurity.
8. Address knowledge generation , science technology and innovation.
9. Diversification, industrialization and upgrading the tourism sector is key to improve trade performance.
10. Harnessing the potential of integration and the ocean economy.

Impact of COVID-19 in the Caribbean

Domestic challenges

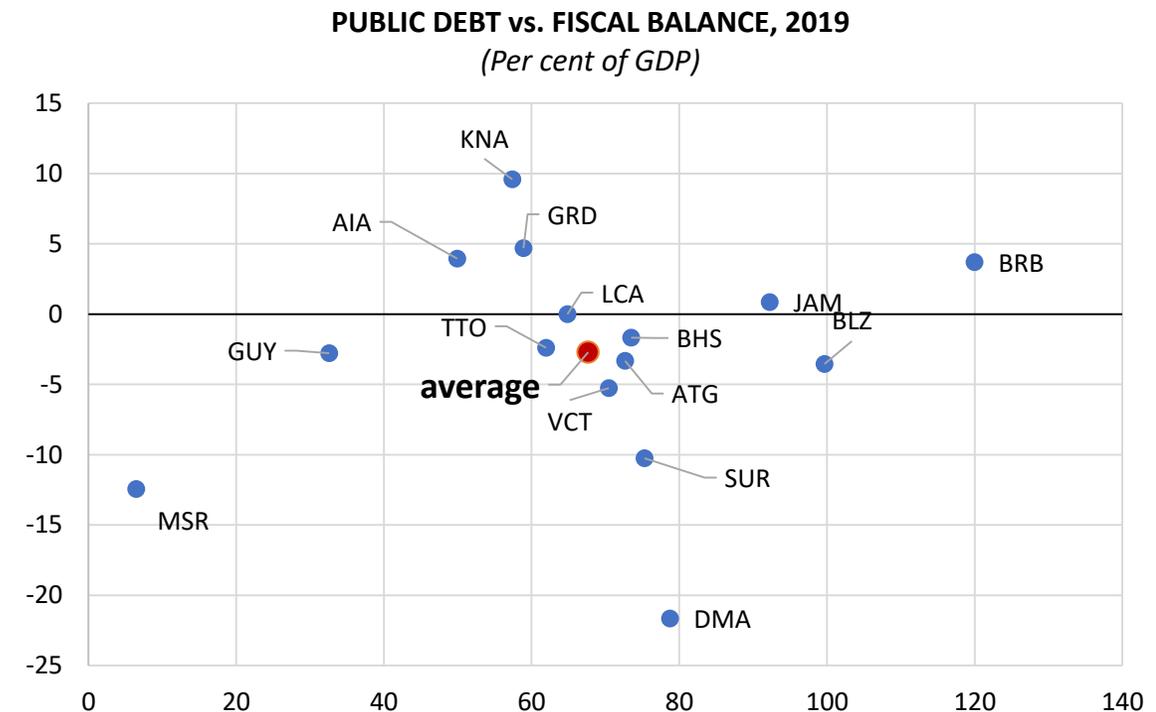
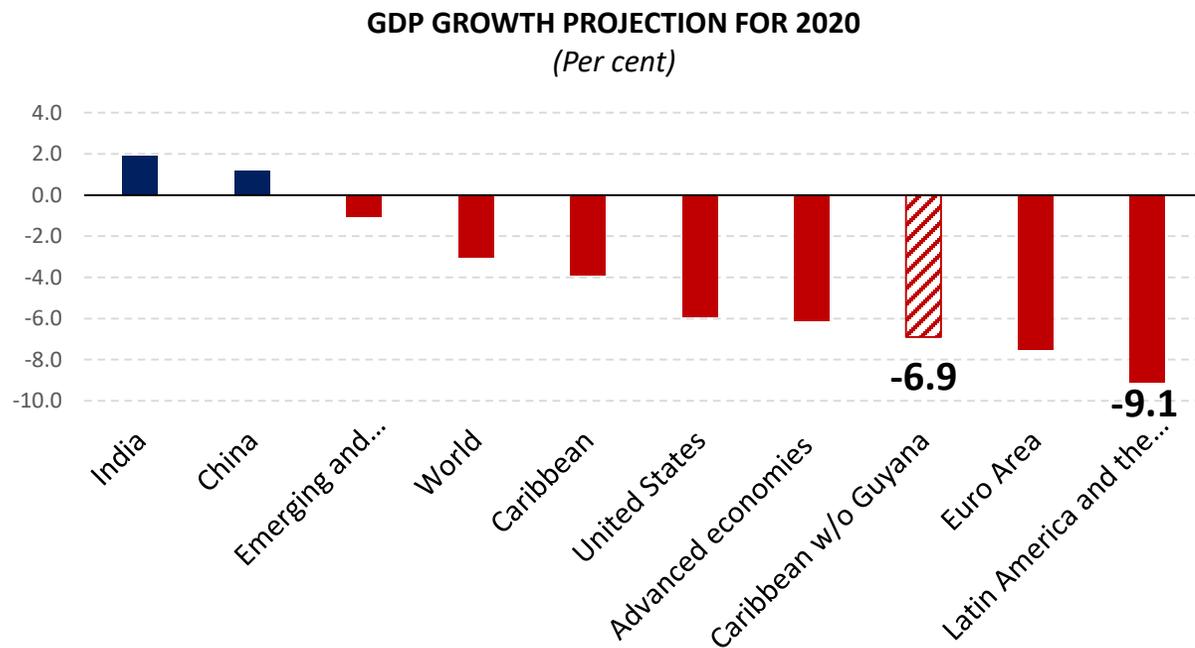
- Revenue and income losses
- Drop in investment
- Increasing unemployment
- Increased indigence and poverty
- Failure of small and medium sized businesses
- Challenges to the financial system
- Closure of schools

External challenges

- Near shutdown of air and cruise travel causing an immense blow to the tourism sector
- Stress in related supply chains: agriculture, construction, hotels, restaurants
- Sharp contraction in larger economies
- Contraction of commodity prices
- Contraction in FDI flows and remittances
- Disruption in transport and global supply chains,
- Risk aversion for external investors and financial turbulence
- Restrictions in foreign exchange availability

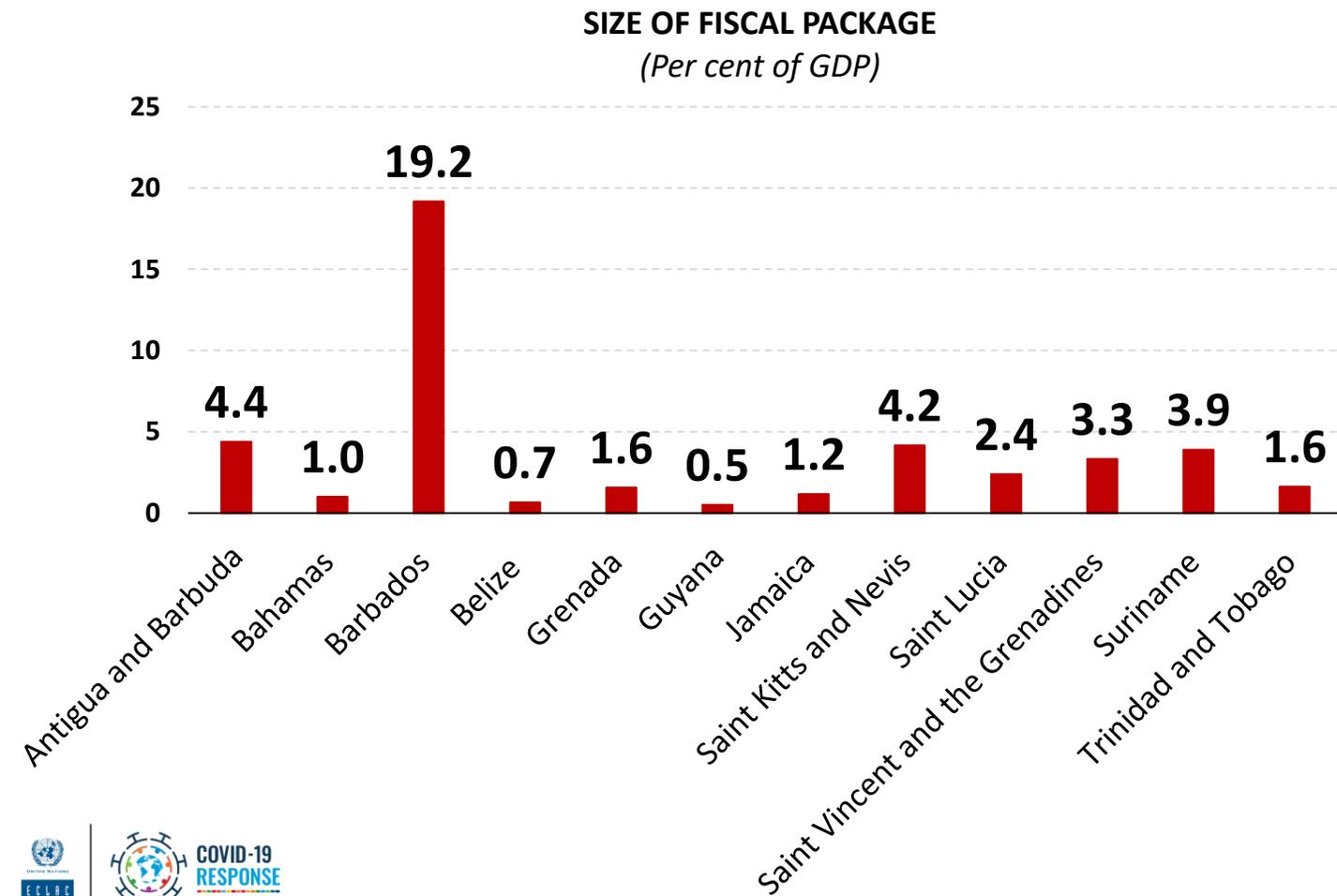
The economic impact of the Covid-19 pandemic across Caribbean economies has been severe

- Caribbean GDP growth projected to **decline to -6.9%** (excluding Guyana) ; lower than emerging and developing economies
- Fiscal deficits in 2019 (**expanded to 2.7% of GDP in 2019 relative to 2.1% of GDP in 2018**) are expected to expand further in 2020
- Unemployment rates **expected increase in 2020** after falling by 2.9 percentage points over the last five years
- Persistently high debt levels **standing at 67.6% of GDP as of 2019** are **expected to increase** as gov't's address the fallout from COVID-19 restrictions



Mitigating the Impact of Covid-19 on the Caribbean

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



Financial assistance from international donors to Caribbean countries

Inadequate international assistance by the international community to mitigate the impact of the pandemic on Caribbean economies

Jamaica, Trinidad and Tobago, Barbados and the Bahamas access upwards of \$US 190 million in loans, while the remaining countries access **no more than \$US 43 million**

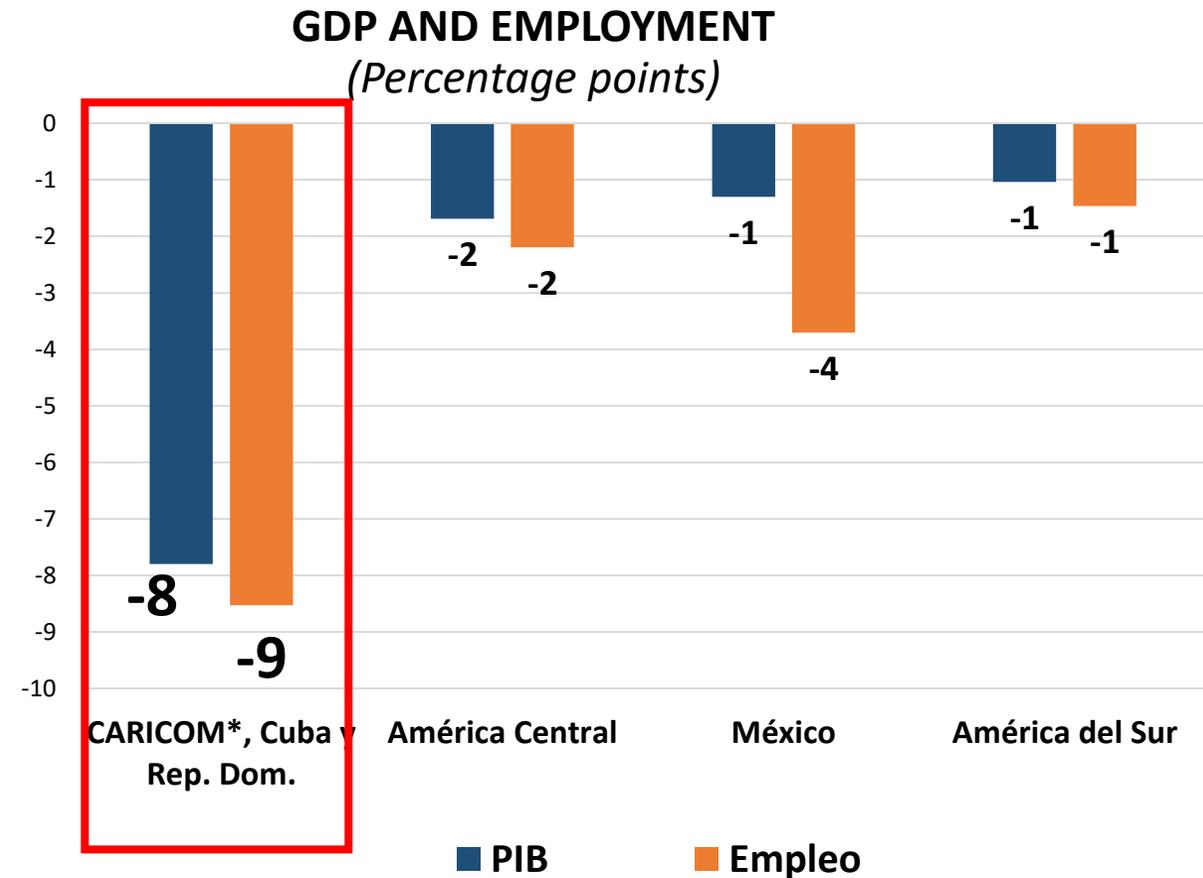
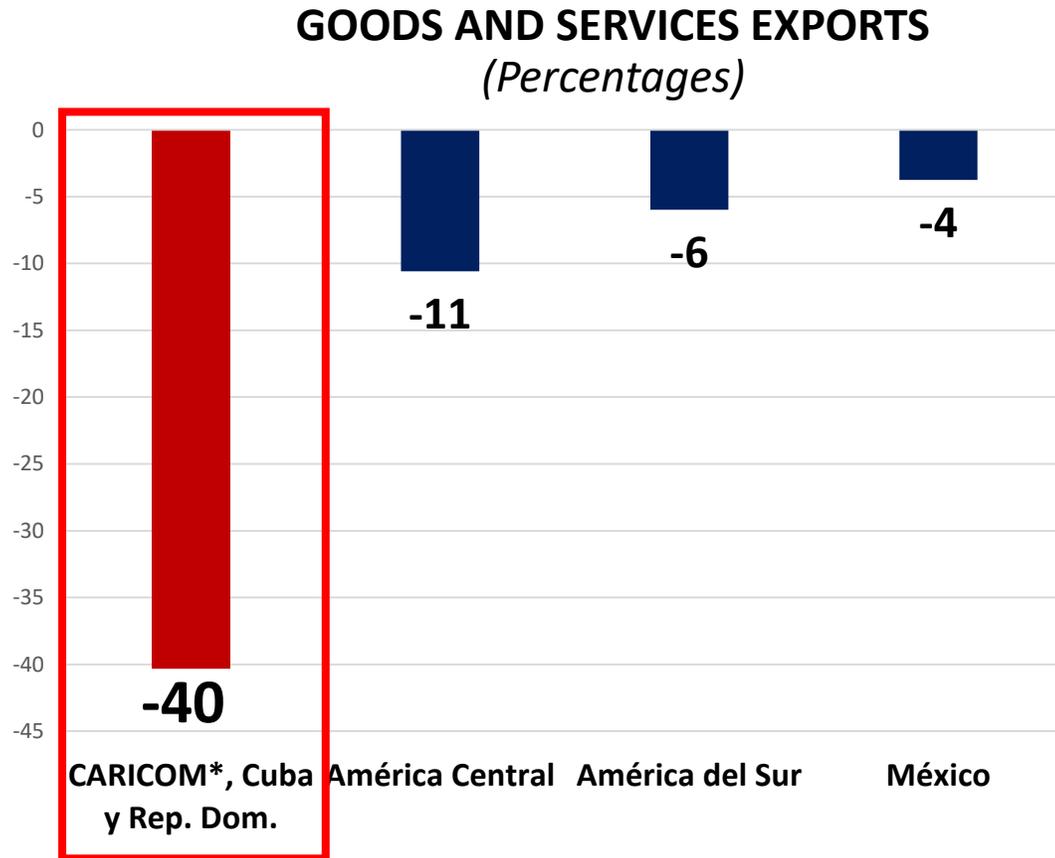
Collective **Grants/Donations** to the region, by international community, **no more than \$US 40 million**

Employment and Social Protection Costs

- COVID-19 has resulted in huge social costs in the form of fiscal stimulus for:
 - Payroll support (**US\$ 343 million**)
 - Grants to businesses (**US\$ 167 million**)
 - Unemployment benefits (**US\$ 434 million**)
 - Public assistance for those in the informal sector (**US\$ 151 million**)
 - Other forms of relief e.g. on utility bills (**US\$ 124 million**)
- The cost of the employment and social protection measures which governments have announced thus far are estimated at **US\$ 1.2 billion**

The Caribbean hardest hit by the paralysis of tourism

LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES AND SUBREGIONS): PROJECTED DECLINE IN EXPORTS, GDP AND EMPLOYMENT, 2020



Source: Economic Commission for Latin America and the Caribbean (ECLAC), *The effects of the coronavirus disease (COVID-19) pandemic on international trade and logistics*. Special Report COVID-19, No.6, August 2020.

Energy economic challenges: 6.6% to 8.5% while total impact for the energy sector expected to be 5.8% (TT) and 11% (Guyana)



Possible decline in FDI and a long-run negative impact on the economy;



Relatively large indirect impact on the non-energy sector employment;



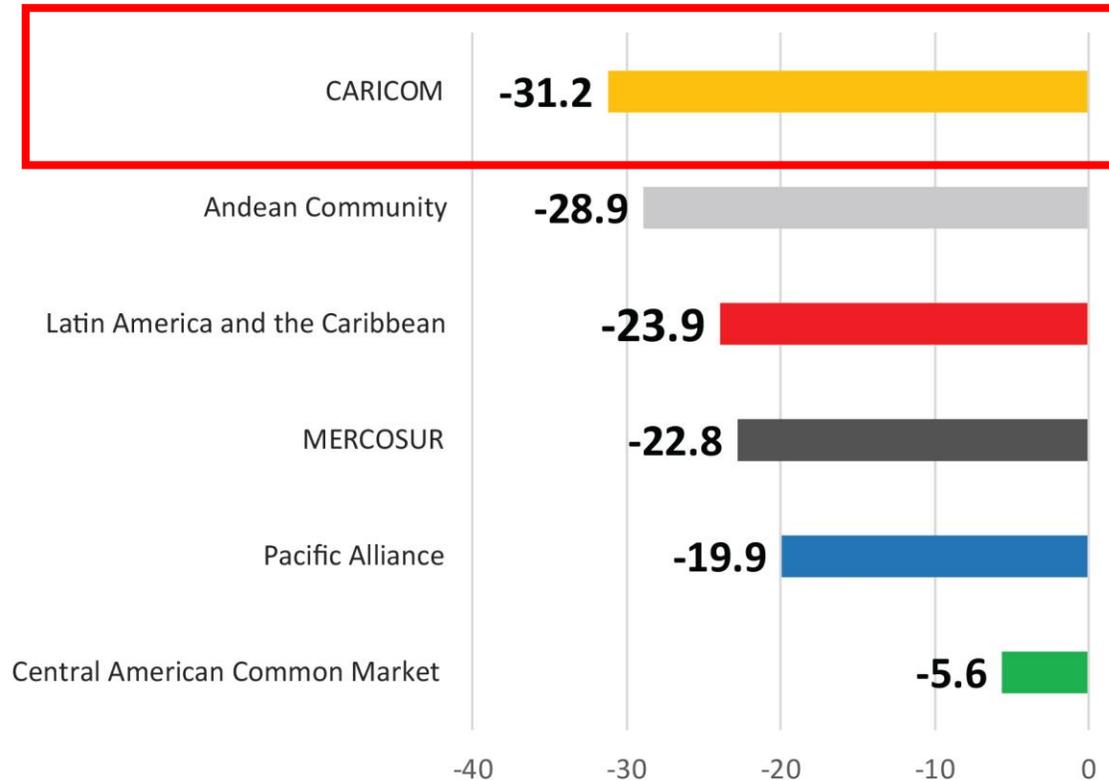
Decline in exports and attendant reduced foreign exchange availability in Trinidad and Tobago; and



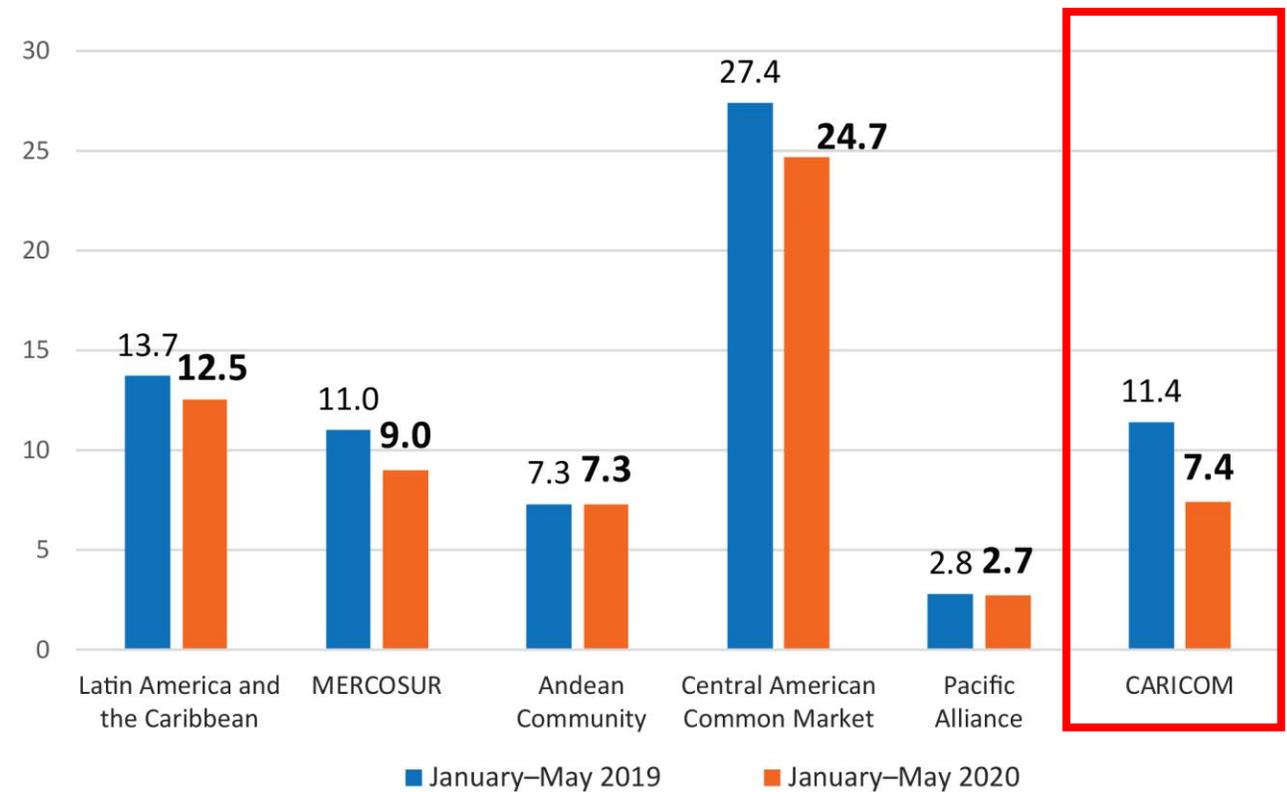
Lower fiscal revenues.

Intraregional trade contracted in all integration blocs, accounting for lower share of total goods exports

LATIN AMERICA AND THE CARIBBEAN: YEAR-ON-YEAR CHANGE IN EXPORTS WITHIN INTEGRATION BLOCS, JANUARY–MAY 2020
(Percentages)



LATIN AMERICA AND THE CARIBBEAN: TRADE RATIO MEASURED BY EXPORTS WITHIN INTEGRATION BLOCS, JANUARY–MAY 2019 AND 2020
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), *The effects of the coronavirus disease (COVID-19) pandemic on international trade and logistics*. Special Report COVID-19, No 6, August 2020.

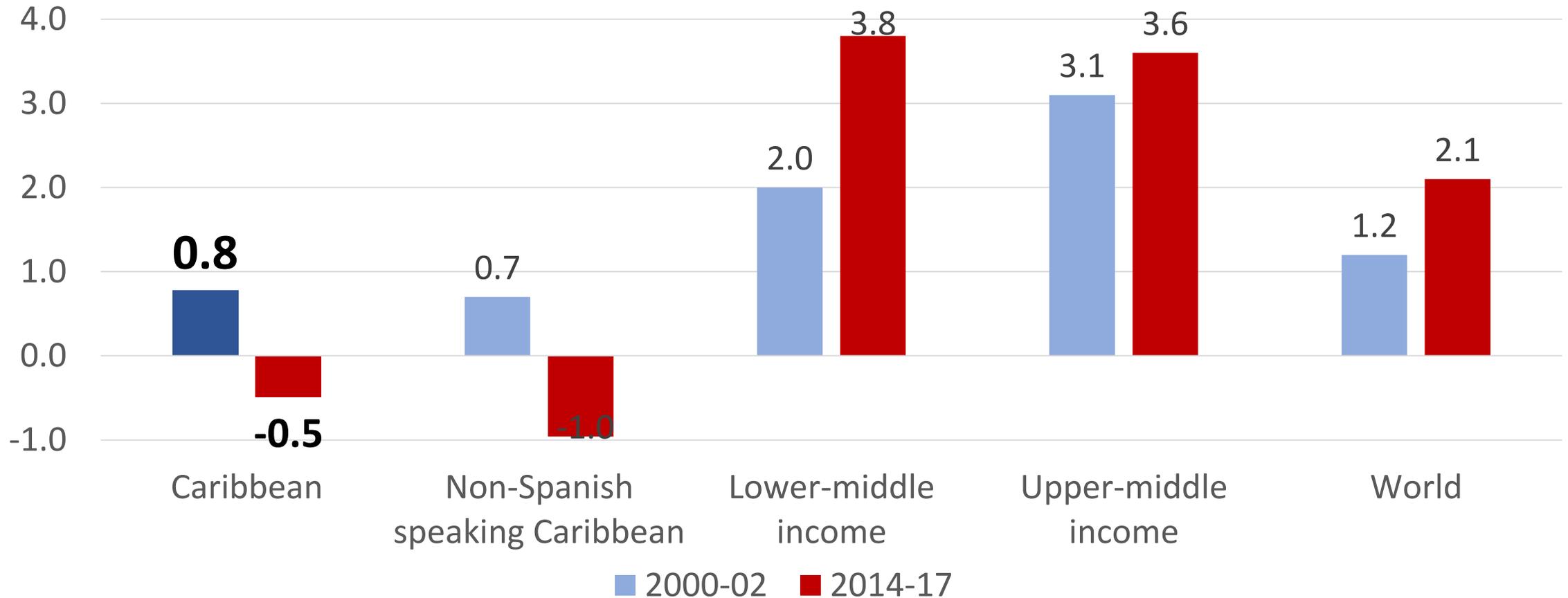
Short term urgent measures

- Temporary income support to workers and labor training
- Support business survival and improve (digital) skills for the future
- Adopt protocols to prevent contagion and ensure travelers' trust
- Strengthen public-private clusters to facilitate tourism value chain upgrading
- Diversify tourism activity, promote sustainability and reduce gender gaps
- Reinforce subregional cooperation to:
 - ✓ Keep cross-border transport networks as open as possible using digital solutions
 - ✓ Create multi-country and multi-stakeholder crisis coordination teams
 - ✓ Develop joint guidelines and protocols to restore trust in travel and tourism
 - ✓ Foster exchange of good practices among countries on crisis responses, future recovery and sustainability

How to build resilience for the medium term

Address the declining trend in productivity

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

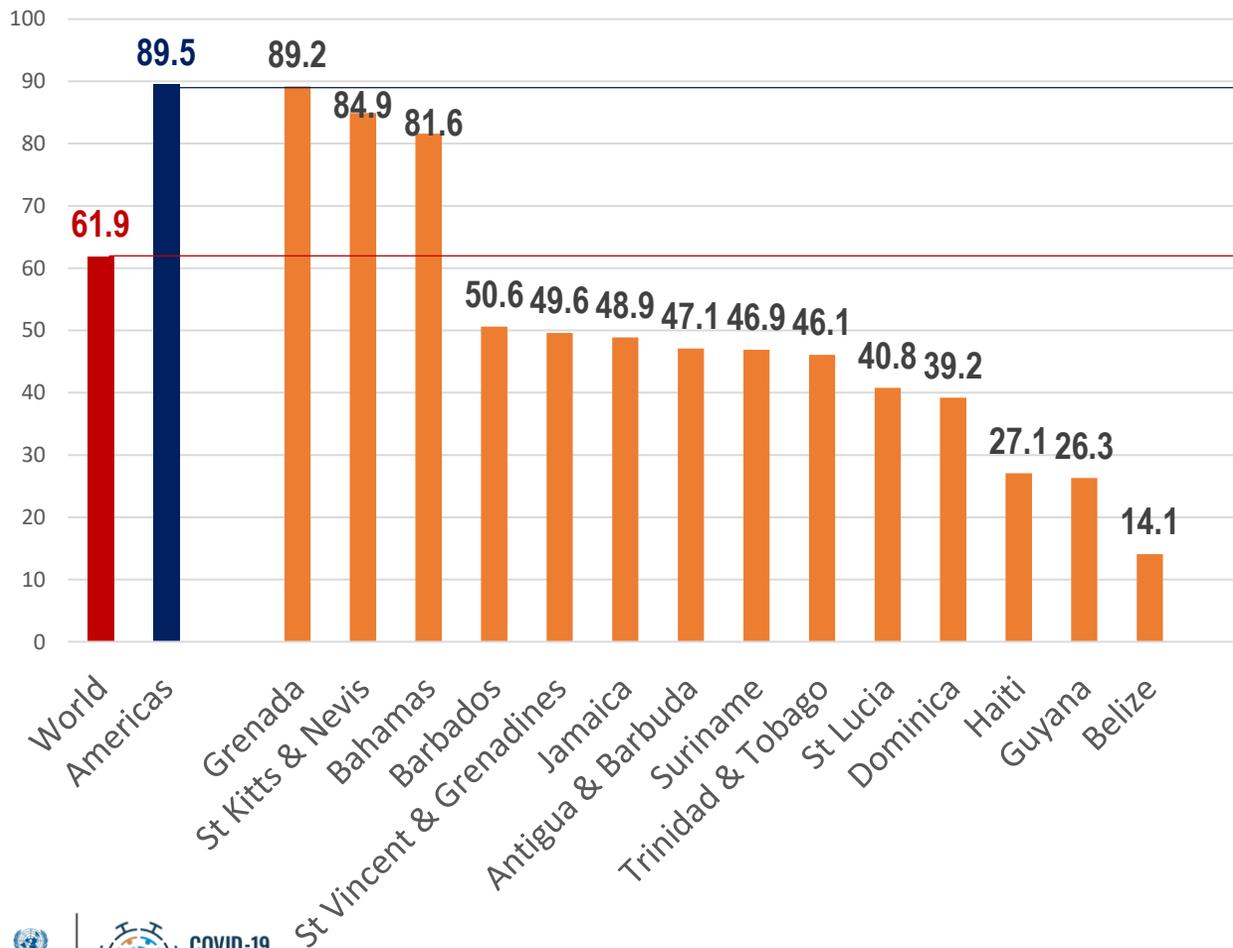


Source: The World Bank, World Development Indicators database.

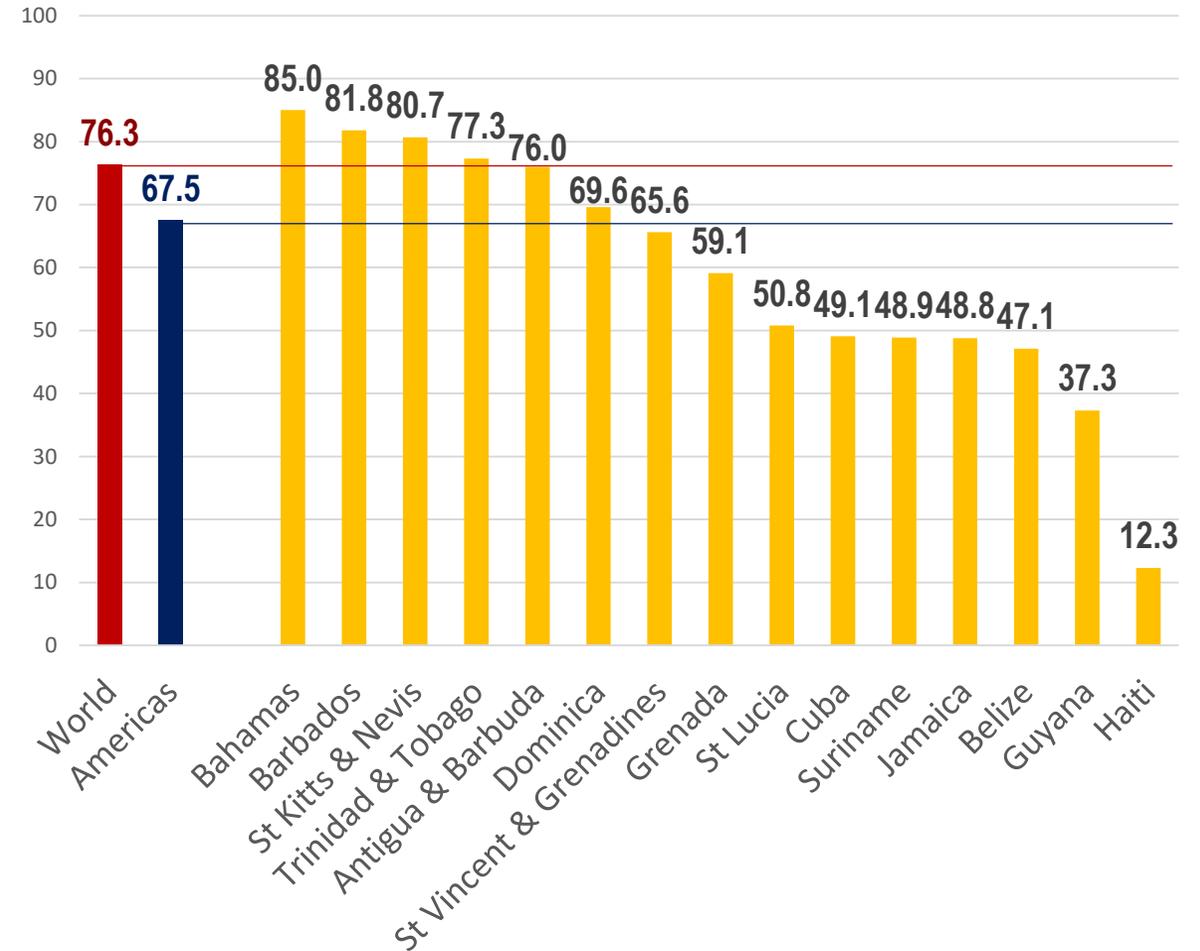
Close the gaps in broadband access and digital services

ACCESS TO THE DIGITAL WORLD ACROSS THE CARIBBEAN (2018)

ACTIVE MOBILE-BROADBAND SUBSCRIPTIONS PER 100 INHABITANTS

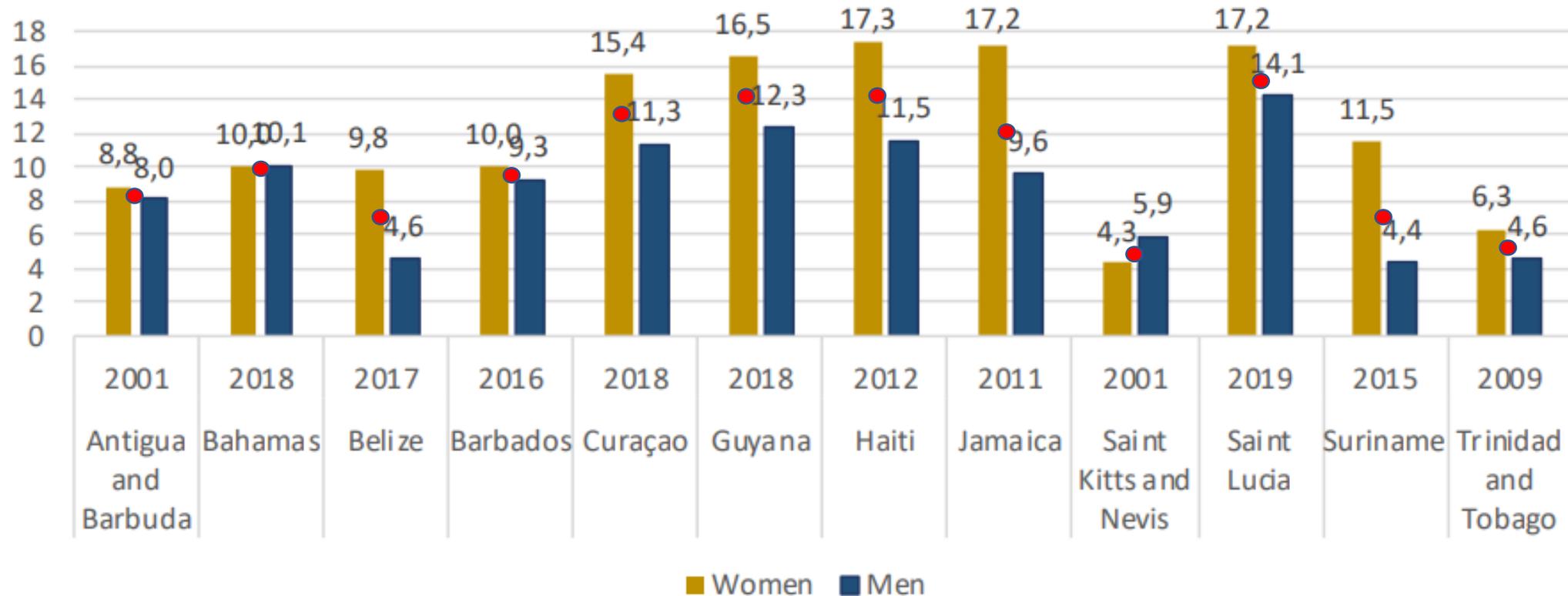


INDIVIDUALS USING THE INTERNET (%)



Close the gender inequalities particularly in labour market

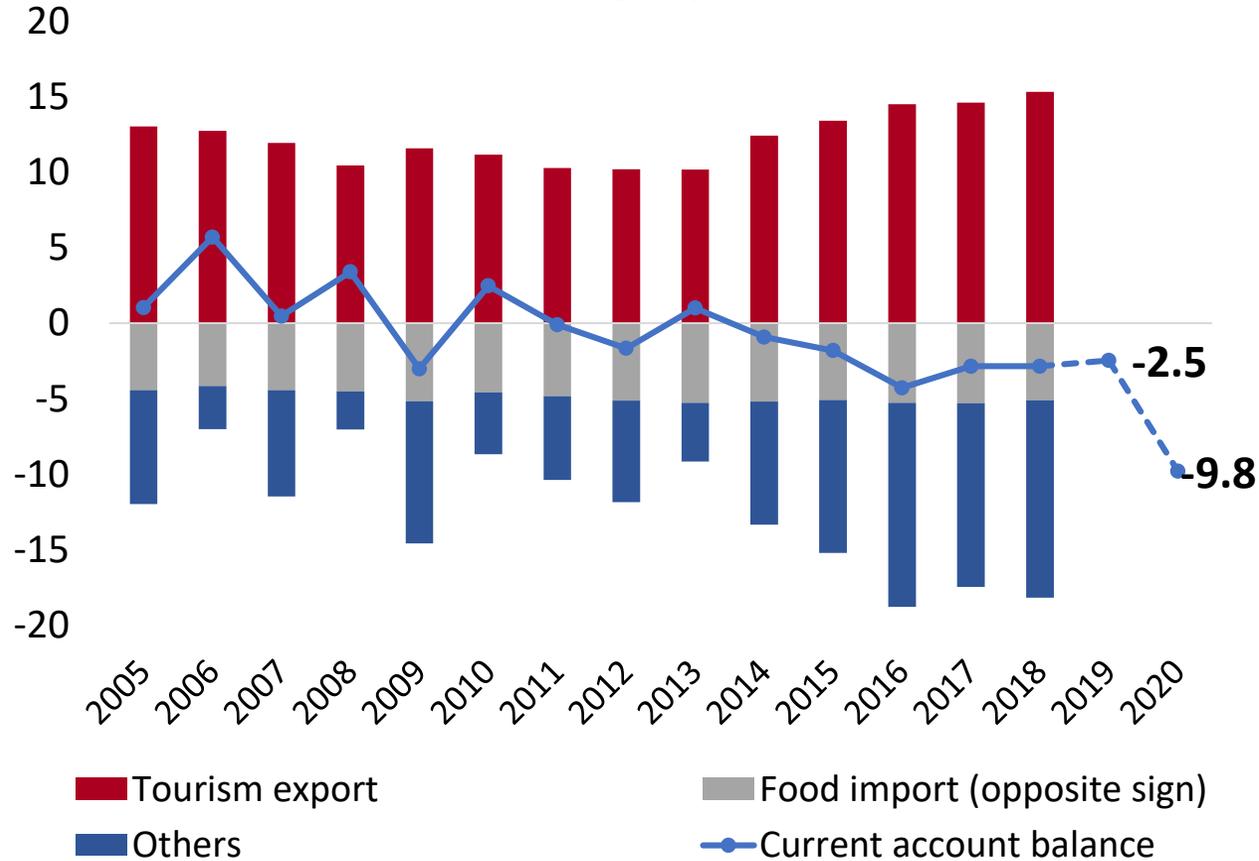
THE CARIBBEAN (12 COUNTRIES): UNEMPLOYMENT RATE
(Percentages)



Source: International Labour Organization. (2020). ILOSTAT database [database]. Available from <https://ilostat.ilo.org/data/>.

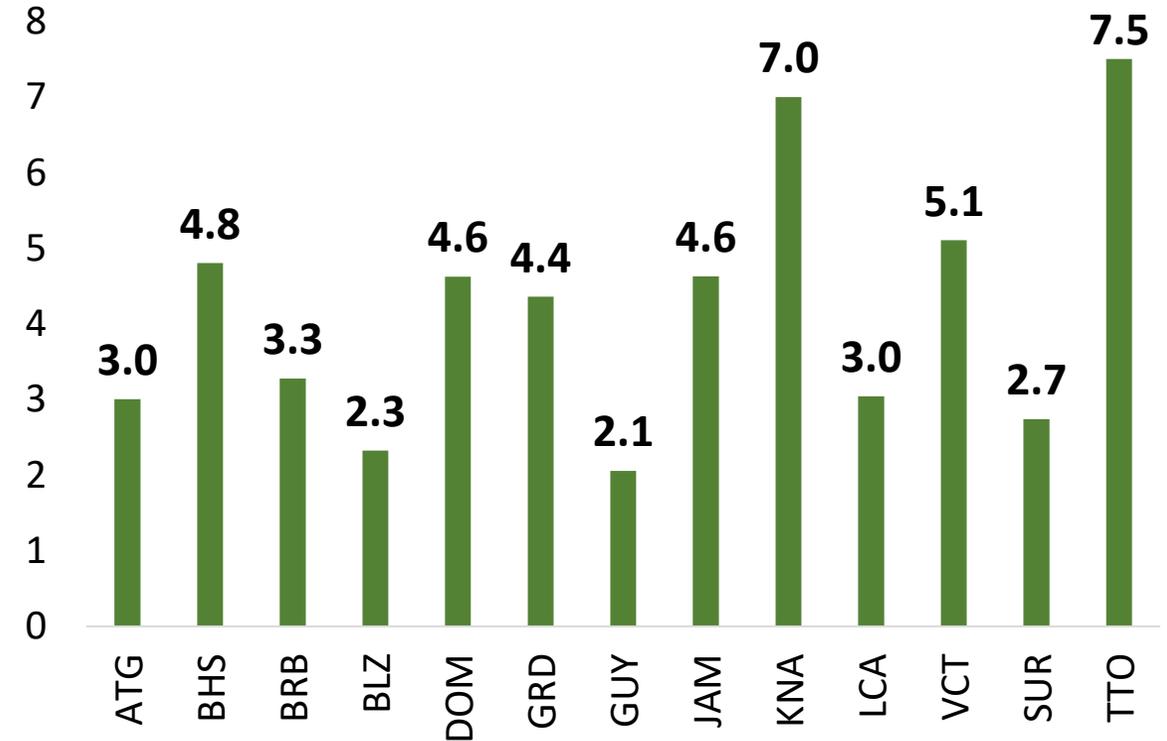
Diversify trade and expand international reserves

THE CARIBBEAN: CURRENT ACCOUNT BALANCE
(Percentages of GDP)



Note: figures for 2019 and 2020 are IMF forecast.

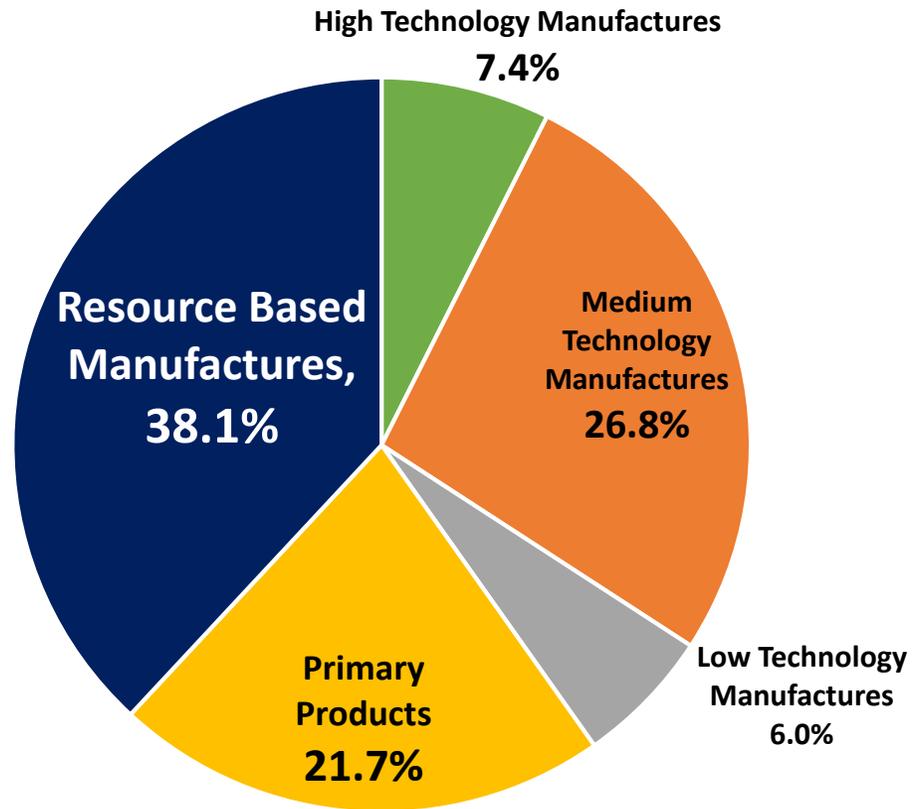
THE CARIBBEAN: NET INTERNATIONAL RESERVES
(Months of import)



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

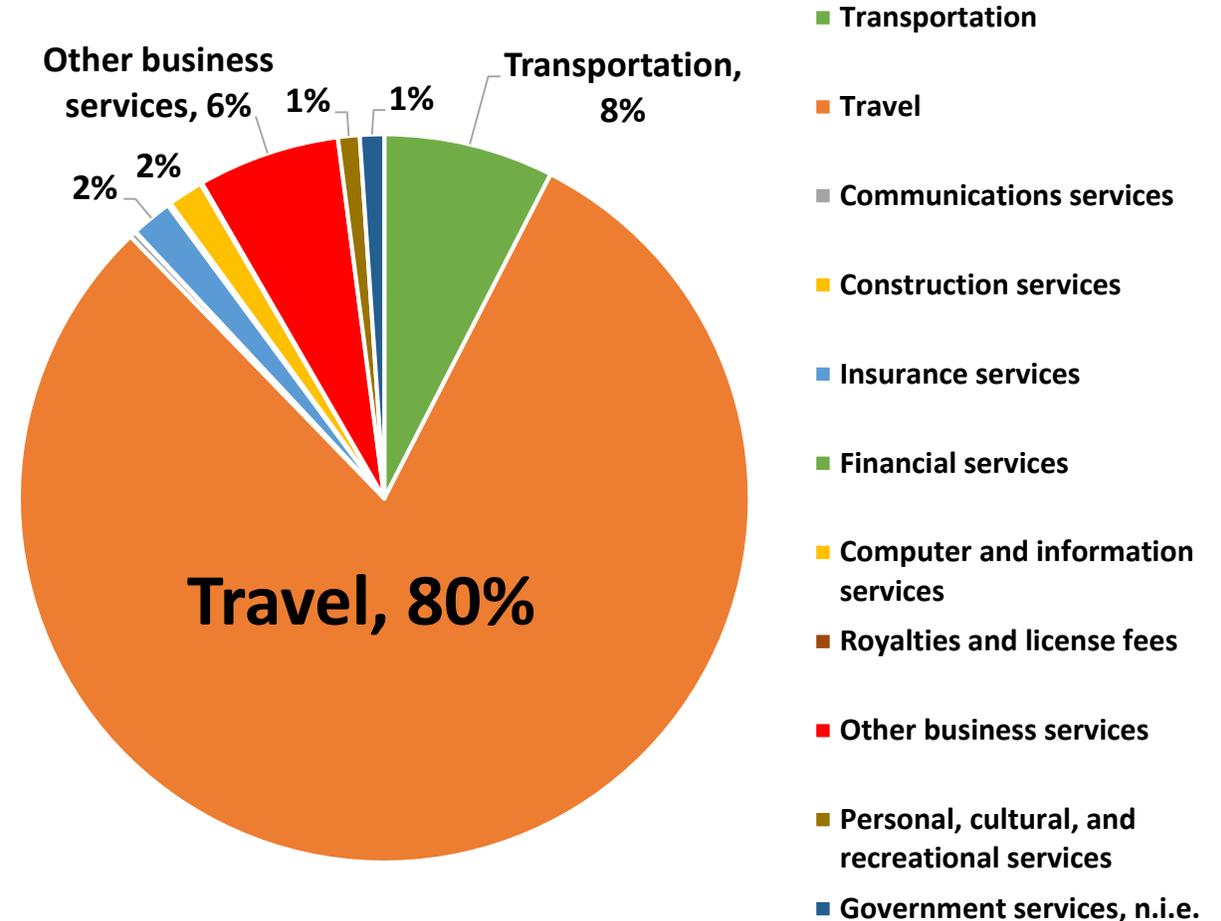
Diversification and expansion of trade both its goods and services sector or move up the value chain in any meaningful way

TECHNOLOGICAL INTENSITY OF EXPORTS FOR THE CARIBBEAN, 2017



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

COMPOSITION OF SERVICE TRADE EXPORTS FOR THE CARIBBEAN, 2016



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

Food and agriculture

- Between **80 and 90 per cent** of all food consumed in the region are extra regionally imported and with North America as the main supplier.
- Major food imports categories are: food preparations, wheat, rice, chicken, maize, soya bean, sugar and palm oil.
- The food imports for the Caribbean amounted to **US \$3.7 billion** (2018 figures). Food supplies so far have been stable and available but will be disrupted if the crisis drags on.
- **Develop domestic and regional markets for food to the tourism sectors** have collapsed and farmers find it difficult to get new markets. Many are seeking financial support.

Potential areas that benefit from upgrading



Address the digital divide, identify the innovators and generate authentic experience for millennials and generation Z through ICT platforms, creative industries, heritage tourism.



Investment in frontier technologies, big data, machine learning and artificial intelligence



Investing in domestic and regional tourism market

Supplying more agriculture inputs to tourism sector



Regional tourism should be facilitated by a system similar to the Single Domestic Space (SDS) that was used for Cricket World Cup 2007, to smooth travel across the region



Brand and market the region highlighting the minimal impact of the pandemic

Investing abroad in hotel niches. Developing interregional tourism market, invest in domestic and regional tourism market



Government and private sector work together

There are opportunities for innovation in the use of oceans: viable aquaculture sector and restoration of marine ecosystems in agriculture, manufacturing, energy, the creative industries and in the use of our oceans.

Gaining ground in the social sector

- Upgrade schooling system at all levels: problem solving skills and innovation
- Teaching as a major profession to address the quality of education
- Invest in ICT and other technology infrastructure to include all communities
- Build capabilities to improve workers' productivity and access to decent work
- Improving social services
- Programmes to support women and youth
- Provide balanced nutrition to address childhood obesity – a risk factor for many NCDs
- Promote Universal Social Protection systems and implementing the Regional Agenda for Inclusive Social Development (RAISD) in the Caribbean

Financing for development

- Align finance with longer term goals: resilience building, climate change, economic development and addressing the debt crisis.
- Negotiate collectively for better conditions for access to international finance and concessional sources
- Debt sustainability and establish a Caribbean resilience fund
- Innovative instruments: blue bonds, green bonds, diaspora bonds, hurricane clauses
- Create local capital, attract finance from local savings and remove barriers for innovation to enhance private sector participation

Towards a new regenerative development model

- Deepen regional integration and foster intra-regional trade
- Strengthen production linkages
- Relocate strategic production-related and technological processes
- Facilitate freer movement of persons
- Promoting greater resilience in production networks
- Establish a pan Caribbean ferry service for transport of G/P
- Foster increased intra-CARICOM investment

Key Development Priorities to Build Back Better



**Strengthen
Food
Security;
Address
Poverty and
inequality**



**Promote
economic
diversification
and green
investment
for resilience
building**



**Expand
broadband
access;
promote wider
use of digital
platforms for
education and
communication**



**Strengthen
risk
assessment
and disaster
management**



**Enhance
social
protection;
Address the
needs of
vulnerable
populations**



**Strengthen
health
infrastructure
for COVID
response;
Address NCDs**

