

Caribbean Outlook

Recovery and Resilience – Repositioning the Caribbean Post COVID-19

Summary

The Caribbean Outlook chronicles the circumstances of member States as they continue to experience residual effects of the varied impact that COVID-19 has had on the subregion.

The theme—recovery and repositioning—is altogether fitting. Recovery is essential for continued development. Reopening flailing economies however, particularly those dependent on tourism, also requires keeping the population safe from future pandemics which may inevitably emerge.

Repositioning must take place at all levels, encompassing all sectors, for the subregion to thrive. COVID-19 has laid bare the vulnerability of several areas that will require thoughtful consideration. These include fragile health systems, insufficient national and regional interconnection, the need to diversify the economic base and to invest in capital services required for stimulating and facilitating decent work and self-reliance. The latter—promoting decent work—is vital for those earning their livelihoods in the informal sector.

Despite currently prevailing efforts, significant and substantial issues remain. The subregion faces converging multidimensional vulnerabilities that create a perfect storm of cumulative challenges. This convergence has occurred precisely as debt accumulation and servicing costs have narrowed the fiscal space, exacerbated by COVID-19 and unavoidable climate event-related expenditures to support the economy. Heavy rainfall during May and July of 2021 and 2022 for example had significant impact, particularly in Guyana and Suriname. The 2021 volcanic eruption of the La Soufrière volcano was another major natural event, causing major population dislocation, significant damage and losses in Saint Vincent and the Grenadines, Saint Lucia and Barbados. Similar catastrophic multi-dimensional events were experienced in Haiti in 2021, which suffered a 7.2 magnitude earthquake and the passage of a storm in quick succession. The important point to keep in mind is that additional resources had to be allocated to address these unforeseen events.

In underscoring the unique vulnerability of the subregion, its recent history of damage and losses due to extreme hydroclimatic events is worth retelling. The category five hurricane Maria left Dominica facing the equivalent of 226 per cent of its GDP in 2017. In 2019 Hurricane Dorian caused over US \$3.4 billion in damage in The Bahamas. The subregion is also annually inundated with massive sargassum blooms, resulting in significant negative impacts to coastal communities, public health, domestic sea transportation, tourism and fisheries. Moreover, the National Oceanic and Atmospheric Administration predicted an above-normal Atlantic hurricane season in 2022 with an estimated 14-20 named storms, 6-10 hurricanes and 3-5 major hurricanes.

Despite these challenges positive signs on other fronts demonstrate the subregion’s potential for resilience to these multidimensional vulnerabilities. Although economic performance has not yet returned to 2019 growth levels, the economies are beginning to open and grow. The Ukraine conflict however, has retarded prospects for rapid and robust recovery as inflationary pressures related to supply side effects of the war emerge. Such effects include energy and food cost increases, eroding the purchasing power of fixed income earners. A worsening of this situation would bring further pressure to bear on the public finances, as governments are forced to provide income support to the poor. On the positive side, the conflict has created an environment supportive of new incentives for adaptation and increased investment in renewable energy.

The limited access of the countries of the subregion to concessional finance, due largely to their so-called “middle income status”, remains a significant barrier to the governments’ efforts at investment in recovery and resilience. ECLAC therefore has been pursuing the establishment of a Caribbean Resilience Fund to leverage affordable finance for long term resilience building. Success here would mitigate the high debt service burden through the application of Liability Management Operations (LMO’s) aimed at debt reprofiling. These initiatives seek to provide a buffer, increasing fiscal space. Of note, too, is work ongoing towards the development of a Multidimensional Vulnerability Index (MVI) that hopefully, will return to the agenda, the challenges that small island developing States (SIDS) and other groups experience in attempting to access concessional funding¹. This issue continues to be relevant. It should also be linked to the pressing global debate on climate justice, which requires the advanced industrialized economies, major contributors to global warming, to support those countries that have contributed negligibly to while suffering inordinately from the ongoing climate crisis. In this regard, the principle of common but differentiated responsibilities must be made to work for SIDS.

The recommendations span a range of issues including innovations for access to finance, opportunities for increasing trade, responses to environmental challenges and ways to address the SDGs in the decade of Action.

The ‘Outlook’ contains four chapters. Chapter One examines the performance of the subregion as the economies gradually reopen. It also considers the challenge of access to finance, sources of existing finance, and strategies to bridge the financing gap through initiation of the Caribbean

¹ Motivated by the dire economic and debt situation in the wake of the COVID-19 pandemic in 2020, Belize, the then Chair of the Alliance of Small Island States (AOSIS), wrote to the UN Secretary-General reiterating the need to advance a MVI. Subsequently, the General Assembly in paragraph 8(a) of resolution 75/215, requested specific recommendations from the Secretary-General on, inter alia, the possible development and use of such an index. The interim report provides a summary of the deliberations undertaken to date by the UN High-level Panel and their initial recommendations for the development of a Multidimensional Vulnerability Index (MVI). Member States, International Financial Institutions (IFI), multilateral development banks (MDB) and other relevant stakeholders are being invited to review and provide their views and comments on the interim report to help further develop and refine the Panel’s final report.

Resilience Fund. The final section examines the subregion's economic structure, stagnation in trade performance and strategies for diversification and structural transformation.

Chapter Two explores the impact of the COVID-19 pandemic on two key sectors—fisheries which play a pivotal role in the rural economy, livelihoods and the food security of the subregion, as well as tourism; the principal tradeable sector for most. Both sectors depend on healthy environmental systems and are negatively impacted when management systems are environmentally unsound. This chapter also seeks to assess the negative externalities that both sectors generate. Because of the considerable importance of the tourism sector to growth and development, the chapter also examines the more general impact of tourism on the environment. The chapter closes by outlining policy recommendations aimed at conserving and enhancing the resilience of the natural resource base—a major source for sustained economic and social welfare of Caribbean SIDS

Chapter Three examines key socioeconomic challenges to an inclusive recovery and identifies policy measures that would promote resilient economies as countries of the subregion transition from COVID-19 health emergency measures to greater focus on socioeconomic recovery and repositioning. In addition, it analyses various socioeconomic deficits that could hamper an inclusive post-pandemic economic recovery. It makes the case for an inclusive economic recovery, propelled by the emerging digitized knowledge economy, particularly by advocating for investment in functional skill acquisition, including technical vocational education and training (TVET). The analysis illustrates the need to transition from emergency to recovery, focusing on measures that can close skills, gender and age gaps in employment thereby fostering sustainable economic recovery.

Chapter Four recognizes that launching the Decade of Action behooves governments, the people and all sectors to redouble efforts to address the SDGs. The COVID-19 pandemic has created greater challenges for member states to meet their obligation. This chapter identifies ways to redouble efforts to make the decade of Action count for the people of the subregion. It explores the various deficits in addressing the SDGs and considers strategies for implementation in an inclusive process.