

COVID-19 AND BEYOND

IMPACT ASSESSMENTS AND RESPONSES



Organisation of
Eastern Caribbean States



One Community · Growing Together

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IMPACT ASSESSMENTS AND RESPONSES

An economic and social impact assessment evaluating the effects of the COVID-19 crisis on economies and populations of OECS Member States.

A PRODUCT OF THE ECONOMIC AFFAIRS AND REGIONAL INTEGRATION DIVISION



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The cut-off date for data in this report was 1 May 2020.

Jacqueline Emmanuel-Flood

Director

Economic Affairs and Regional Integration Division

OECS Commission

Abbreviations

• ADR	Average Daily Rate
• BI	Business Interruption
• BSO	Business Support Organisation
• CARICOM	Caribbean Community
• CARPHA	Caribbean Public Health Agency
• CBI	Citizenship by Investment
• CBR	Correspondent Banking Relationship
• CBU	Competitive Business Unit
• CDB	Caribbean Development Bank
• CDC	Centers for Disease Control and Prevention
• CERC	Contingent Emergency Response Component
• CHTA	Caribbean Hotel & Tourism Association
• COVID-19	Novel Coronavirus Disease 2019
• DCRM	Disaster and Climate Risk Management
• EC\$	Eastern Caribbean Dollar
• ECA	Eastern Caribbean Area
• ECCB	Eastern Caribbean Central Bank
• ECCU	Eastern Caribbean Currency Union
• ECEU	Eastern Caribbean Economic Union
• EDMU	Education Development Management Unit
• EHRMS	Electronic Health Records Management System
• FAO	Food and Agriculture Organization of the United Nations
• FDI	Foreign Direct Investment
• FFPI	FAO Food Price Index
• GDP	Gross Domestic Product
• GFC	Global Financial Crisis
• GIST	Global Network of Institutions for Statistical Training
• GMP	Good Manufacturing Practices
• HACCP	Hazard Analysis and Critical Control Points
• HDI	Human Development Index
• HIV	Human Immunodeficiency Virus
• IATA	International Air Transport Association
• ICT	Information and Communications Technology
• IHR	International Health Regulations
• ILO	International Labour Organization
• IMF	International Monetary Fund
• IP	Intellectual Property
• ISIC	International Standard Industrial Classification
• ISO	International Organization for Standardization
• ITC	International Trade Centre

• LMS	Learning Management System
• Member State(s)	Country that is a member of the OECS
• MOU	Memorandum of Understanding
• MSI	Maritime Strategies International
• MSMEs	Micro, Small, and Medium Enterprises
• NCD	Non-communicable Disease
• NSO	National Statistics Office
• OAD	Official Development Assistance
• OECD	Organisation for Economic Co-operation and Development
• OECS	Organisation of Eastern Caribbean States
• OESS	OECS Education Sector Strategy
• PDNA	Post Disaster Needs Assessment
• PHE	Public Health Emergency
• PPE	Personal Protective Equipment
• PPP	Public-Private Partnership
• PPS	Pharmaceutical Procurement Service
• PRASC	Project for the Advancement of Statistics in the Caribbean
• QA	Quality Assurance
• R&D	Research and Development
• revPAR	Revenue Per Available Room
• RSDS	Regional Strategy for the Development of Statistics
• RSS	Regional Security System
• RTB	Revised Treaty of Basseterre
• RT-PCR	Reverse Transcription Polymerase Chain Reaction
• SARS	Severe Acute Respiratory Syndrome-related Coronavirus
• SBR	Statistical Business Register
• SDG	Sustainable Development Goal
• SIDS	Small Island Developing States
• SMEs	Small and Medium-sized Enterprises
• SOP	Standard Operating Procedure
• SPS	Sanitary and Phytosanitary
• UN	United Nations
• UNCTAD	United Nations Conference on Trade and Development
• UNESCO	United Nations Educational, Scientific and Cultural Organization
• UNWTO	World Tourism Organization
• US	United States
• VAT	Value Added Tax
• WASH	Water, Sanitation, and Hygiene
• WEF	World Economic Forum
• WHO	World Health Organization
• WTO	World Trade Organization
• WTTC	World Travel & Tourism Council
• XCD	Eastern Caribbean Dollar

Objectives and Methodology

The current pandemic represents an unprecedented moment in history. Many economies across the globe have come to a complete halt in an effort to protect the lives and wellbeing of populations. Additionally, the rapidly evolving nature of this health crisis has forced authorities to take policy actions, often with incomplete information, that are likely to have profound socioeconomic consequences for their respective countries. In an effort to assist Member States as they confront this fluid chapter in their history, the Commission of the Organisation of Eastern Caribbean States (OECS) has embarked on the development of this *Economic and Social Impact Assessment* (hereinafter the report).

This report aims to accomplish the following objectives: (i) provide a snapshot and forward-looking assessment of the impacts of the COVID-19 health crisis on key sectors of the economy; (ii) provide immediate-term (defined as six months) recommendations aimed at buffering the immediate impacts of the health crisis and medium-to-long-term (defined as one year and beyond) policy recommendations aimed at placing Member States on a path to economic and social recovery; (iii) assess the social impacts of a rapid decline in economic performance and provide key recommendations to safeguarding the collective wellbeing of populations; and (iv) explore cross-sectoral themes related to responding to the crisis.

This report is also structured into four parts: Part 1 provides both a global and regional macroeconomic discussion that highlights key findings from leading multilateral and intergovernmental organisations; Part 2 provides a sector-specific discussion on the current state and way forward for vital sectors such as travel and tourism, agriculture and food security, manufacturing, and the creative industries; Part 3 provides an analysis of the impact on social sectors including social protections, health, and education; and Part 4 discusses critical, cross-sectoral themes related to the overall business environment and the need for evidence-based policy formulation.

Notwithstanding the inherent difficulties in quantifying the true impact of the pandemic due to its rapidly evolving nature and a scarcity of important economic and social data, the overall objective of this report is to provide insights and recommendations to policymakers of the OECS Member States.

Quick Facts About OECS



11

Member States



1,434,212

Population



**Eastern
Caribbean
Dollars**

Currency



**XCD 18.1
Billion**

GDP

Foreword

“When everyone feels that risks are at their minimum, over-confidence can take over and elementary precautions start to get watered down”

Ian McFarlane

When the Ebola virus first emerged and appeared to constitute a grave threat to Africa and beyond, the OECS Ministers of Health, supported by the OECS Commission, acted speedily to take the necessary precautionary measures. The OECS Pharmaceutical Procurement Service (PPS) arranged to source personal protective gear and supplies, a cohort of fifty (50) medical workers from all Member States of the OECS was trained in the treatment of Ebola and other infectious diseases at the Pedro Kouri National Institute of Tropical Medicine in Havana, and a SWOT Team of experienced medical doctors was on call in Havana to assist in any part of the OECS in which an outbreak was to appear. Fortunately for us, Ebola did not reach the Caribbean and we were spared its ravages.

This experience, however, should have awoken us to the reality that pandemics are an ever-present possibility in our time and that we should never let our guard down. The preparations made yesterday, however adequate to the dangers of the moment, are no guarantee of prevention in the future. And the most dangerous perspective is the mindset that believes that precautions taken for a danger that never materialized were ultimately unnecessary.

David Deutsch posited that “No precautions, and no precautionary principle, can avoid problems that we do not yet foresee. We need a stance of problem-fixing, not just problem-avoidance.” The emergence of COVID-19 (while foreseen by some like Bill Gates) and its impact were unimaginable in the minds of many public officials. The savage rapidity of its spread, the utter finality of its shutdown of the entire global economy, and the abrupt disruption of all dimensions of modern life were truly beyond the scope of policy planning and conceivable only in the macabre works of the imagination.

In the case of COVID-19, what was required was a stance of both problem-avoidance and problem-fixing (except that the problem-fix is still a feverish work of scientific research). At the problem avoidance level, the governments of the OECS acted quickly and decisively — close monitoring of the spread on the global level, measures for early detection, early isolation, and early treatment with an escalating compendium of restrictions and precautions as the dynamic unfolded. Although not described in the public domain, the governments of the Caribbean, and the OECS in particular, took bold and firm stances against the insistence of powerful economic actors, in cruise tourism for example, that sought to maintain business as usual in the face of threats unusual. The results of this speak for themselves — as of the cut-off date of this report, the infection curve in the OECS was comparatively flat compared to international trends; there has been relative containment of imported cases (except for Martinique and Guadeloupe which, as part of France, experience a great volume of unrestricted travel between themselves and an open-borders Europe. The vast majority of COVID-19-related deaths in the OECS have occurred in these two Member States). It is encouraging to note that, as of the cut-off date of this report, six (6) of the eleven (11) Member States of the OECS had zero deaths.

Problem-fixing, however, remains a much bigger and insurmountable problem because our economic and social landscape is now scorched earth in what we fervently hope is the imminent waning phase of the pandemic. While we appear to have avoided the worst possibilities of the medical carnage, COVID-19 has been a perfect storm brewed from the sum of all our vulnerabilities. While we are still hobbled with the residual impact of the last spate of hurricanes and the consequences of climate change, other structural vulnerabilities of size and disadvantage in an unsentimental world reduce our efforts to the labours of Sisyphus. Progress on debt reduction is cut down by every climatic event, whether its onslaught is rapid or slow. COVID-19 brought it all to a surreal halt — it was Nature giving an existential exhale and the world entering a prolonged moment of stillness — no planes, no cars, no human movement; all enclosed in the entombment of our homes.

The world believes and waits for a cure or a vaccine that would “solve” this problem. Among the leaders of the OECS, while we hope for this solution, a practical and pragmatic approach to problem-fixing for us means the distinct possibility of what Prime Minister Chastanet of Saint Lucia posited as “living with COVID”. Until (or if at all) that indeterminate moment when a definitive cure arrives, we must learn to live with this contagion and life must find its balance in a “New Normal”. This study is the concerted effort by a dedicated transdisciplinary team of specialists at the Organisation of Eastern Caribbean States Commission to contribute to that adjustment of life by documenting the impact of COVID-19. We expect that this analysis will illuminate the adjustments to the New Normal that we must implement if we are to survive or even thrive.

The report also recognizes that the post-COVID-19 future for the OECS involves taking full advantage of the opportunity of its disruptions and the putting in place of nothing less than a different development paradigm characterised by the following elemental features:

- A far more diversified economy, with strong inter-sectoral linkages, that guarantees the capacity of the OECS as a region to be self-sustainable in its essential needs;
- Food security as a pillar of economic sustainability and a foundation for healthy lifestyles;
- Economic justice built on a foundation of greater productivity, entrepreneurial possibility, and wider economic participation;
- A more inclusive social safety net that guarantees against indigence and high levels of poverty;
- The reinvention of tourism in ways which enhance the visitor experience but with safeguards for health of both visitor and tourism workers;
- The reconfiguration of our healthcare systems around preventive rather than curative approaches at a primary level;
- A reimagined education system seamlessly incorporating different modalities of learning with a more comprehensive inter-disciplinary approach;
- Financial systems that are more inclusive with digital transactions, providing equitable access to capital at all levels;
- An acceleration of regional integration with stronger economies of scale, support to comparative advantages, rationalization of resource constraints, and an inclusive dynamic that ensures shared benefits to all.

It is our hope and expectation that this document will stimulate intelligent and informed debate and collective brainstorming on the future that we all want.

Dr. Didacus Jules

Director General - OECS

Executive Summary

The coronavirus disease (COVID-19) pandemic has already inflicted a high cost on populations around the world. Preliminary assessments suggest that the economic impact of COVID-19 is likely to be more severe than the 2008 Global Financial Crisis. This impact is likely to be more pronounced on developing countries. OECS Member States have already experienced considerable economic damage from the pandemic and are likely to face a challenging recovery. Against this background, the OECS Commission has prepared this report for the consideration of Member States as they adjust to the crisis and consider a path to recovery.

This report covers several important topics that will collectively affect the recovery of Member States. These topics include: international trade and investment; transportation and supply chains; travel and tourism; agriculture and food security; manufacturing; and the creative industries. Importantly, the report also takes into consideration the social impact of the pandemic, with particular focus on social protections, health, and education. Several cross-sectoral themes are also discussed such as the overall business environment in the OECS, the need for digital transformation of the public sector, and the need for prioritising data and official statistics to enhance evidence-based decision making.

With respect to international trade and investment, global merchandise trade is set to plummet; nearly all regions of the world will experience double-digit declines in trade volumes; and services trade will be impacted largely due to restrictions on travel. Certain countries have engaged in stockpiling and have placed export restrictions on key commodities such as wheat, potatoes, and sunflower oil, sparking fears that should a critical mass of countries follow suit, global food security could be compromised. Specific to investment, it is anticipated that there will be steep declines in foreign direct investment (FDI), delays in approved development projects linked to external financing mechanisms, and an increasingly high risk of financial sector contagion due to the decreased ability of businesses and individuals to meet their financial obligations.

Regarding transportation and supply chains, disruptions in the transportation of cargo to and from the region have already been observed. Many of these disruptions have resulted in higher shipping costs for buyers. For instance, the need to shift from ocean freight to faster, yet costlier, air freight was triggered by the increased demand and urgency for key supplies related to the fight against COVID-19. These supply chain shifts have resulted in substantially higher procurement costs for those items.

In terms of impacts on the travel and tourism sector, the report notes that by the end of March 2020, the entire accommodation sector in the OECS (approximately 16,000 rooms) was forced to shutter as a result of international travel restrictions and adherence to national public health protocols. While data is still being compiled, figures from Antigua and Barbuda, Dominica, Grenada, and Saint Lucia suggest that over 20,000 tourism workers have already been laid-off as a direct result of hotel closures in those countries. The immediate implication of this development was a rapid contraction in tax revenues, which has further stressed the already precarious fiscal positions of OECS Member States.

With reference to agriculture and food security, Member States have already begun efforts to mitigate the possibility of the crisis triggering an increase in food insecurity.

Relative to the manufacturing sector, there is recognition that notwithstanding its relative decline in recent years, the sector remains vital to the overall economic health of the OECS. However, due to the current crisis, manufacturers are facing difficulties related to the sourcing of key inputs, maintaining pre-COVID-19 productivity levels, and meeting their near-term financial obligations.

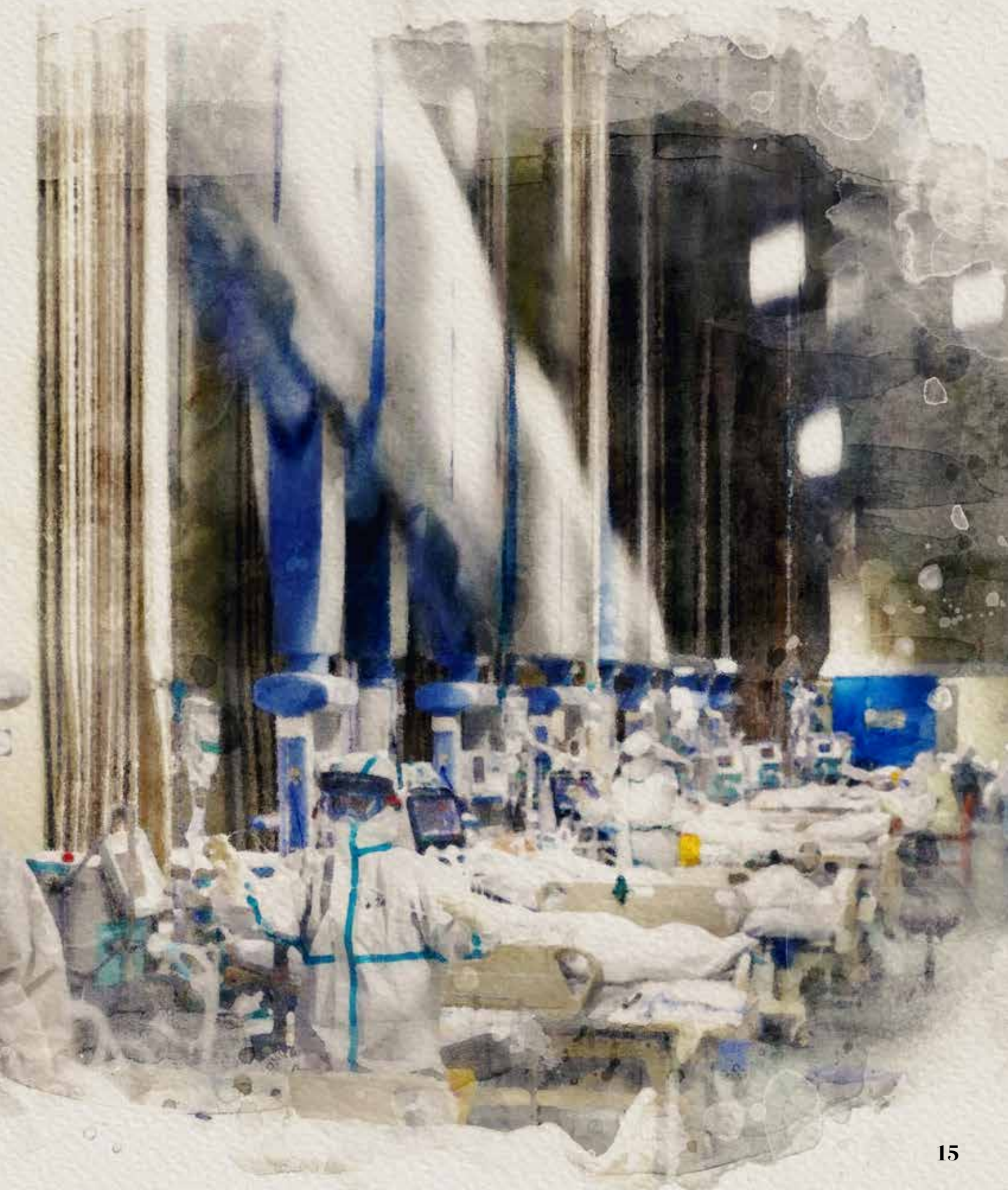
With regard to the creative industries, there is recognition that their economic potential remains largely untapped. Due to the industries' historical linkage to the performance of the travel and tourism sector, cancellations of important annual entertainment events, like carnivals and music festivals, have dealt a significant blow to the ability of creative entrepreneurs to earn an income from their craft.

The social assessment portion of the report recognises that poorer households are more likely to be affected by the associated economic fallout. Poorer households face greater difficulties in accessing basic necessities such as healthcare, proper nutrition, and education. Additionally, a faster depletion rate of household savings tends to exacerbate the already precarious situations of these households. Certain demographics of the population, including women, youth, the elderly, and indigenous peoples, will also be disproportionately affected by the pandemic in ways that may be less direct.

As the pandemic unfolds, significant data inadequacy has been exposed by the inability of Member States to quickly produce important quantitative indicators to analyse the impact on business operations, government fiscal operations, households, and individuals.

Additionally, the report calls for immediate policy measures to be taken by national authorities as well as collective and joined-up actions by Member States to build long-term sustainability and resilience. For OECS Member States, resilience is defined as a multidimensional construct – climatic, environmental, social, economic, infrastructural, and psycho-social. Of vital importance to this transition is a deep, functional integration among the OECS Member States. This will ensure policy convergence, compliance with international protocols and best practice, sharing of resources, and harmonisation of policies across a range of sectors.

Finally, the report proposes the establishment of a well-resourced 'OECS Resilience Fund' that would assist in implementing national and OECS-wide policy measures.



Introduction

COVID-19 has emerged as the most serious global health crisis in a century. At the time of writing, there have been over 2.8 million confirmed cases of COVID-19 globally and over 200,000 deaths reported across 185 countries.¹

Beyond the health and social implications of the COVID-19 crisis, the International Monetary Fund's (IMF) most conservative estimates indicate that the resulting global economic downturn will surpass the 2008 Global Financial Crisis.² The Caribbean Development Bank (CDB) has further stated that Caribbean countries, many of which are reliant on the travel and tourism sector, will experience a more severe economic contraction than developed countries and will also face a longer road to recovery.

International travel bans and strict social-distancing protocols have dealt the travel and tourism sector a devastating blow. Given the dependency of many OECS Member States on the travel and tourism sector, the immediate impact has resulted in a complete cessation of economic activity leading to a significant decline in household incomes and employment. On average, this sector alone contributes over 50% to gross domestic product (GDP) and nearly 40% to employment across the OECS region.³

Contractions in the agricultural sector have been experienced, due in large part to the collapse of the tourism industry as well as other export-related difficulties triggered by recent supply chain disruptions. Historically, local producers have been key suppliers to the hotel sector and have generated foreign exchange earnings through their export activities.

This report also details the impact of the pandemic on other sectors such as manufacturing and the creative industries. The report further details impacts on the overall business environment in the OECS, with a particular focus on start-ups and micro, small, and medium enterprises (MSMEs).



1

PART 1

REGIONAL MACROECONOMIC CONTEXT

Part 1: Regional Macroeconomic Context

OECS Member States are challenged by high levels of vulnerability due to a unique combination of economic, social, and environmental factors.⁴ Over time, these factors have hindered the attainment of sustainable economic growth and the capacity of OECS Member States to bounce back from external shocks. The COVID-19 crisis has again exposed the fragility of OECS economies.

In the months preceding the COVID-19 crisis, the economic climate in the Eastern Caribbean was characterised by sluggish economic growth, high levels of public debt, high levels of unemployment (particularly among the youth), over-dependence on tourism for foreign exchange earnings, high food import bills, and persistent trade imbalances. Additionally, many Member States have fragile and under-financed public health systems plagued by dated infrastructure and limited human resources. Importantly, significant portions of OECS populations lack any form of health insurance.

HISTORICAL ECONOMIC PERFORMANCE

Notwithstanding efforts made towards economic diversification, the Eastern Caribbean has registered subdued economic expansion over the past two decades. During this period, OECS economies have experienced critical setbacks in the areas of agricultural trade, repeated encounters with catastrophic weather events, and a challenging external macroeconomic environment for Small Island Developing States (SIDS).⁵ Notable trends over this period include a concerted reallocation of resources toward the services sector and the rise of Citizenship by Investment (CBI) programmes pioneered by St. Kitts and Nevis in 1984. Despite these efforts, the prolonged negative consequences of the 2008 Global Financial Crisis has meant that economic growth among OECS Member States has not returned to the pre-GFC levels that were characterised by sustained growth rates of above 2.5% per annum. During the more recent period of 2015 to 2019, OECS economies returned to positive growth, averaging approximately 2.6% (see *Figure 1*).

While growth of 3.3% was forecast for 2020 by the Eastern Caribbean Central Bank (ECCB), the COVID-19 crisis has all but evaporated any prospects of this growth (see *Figure 2*).

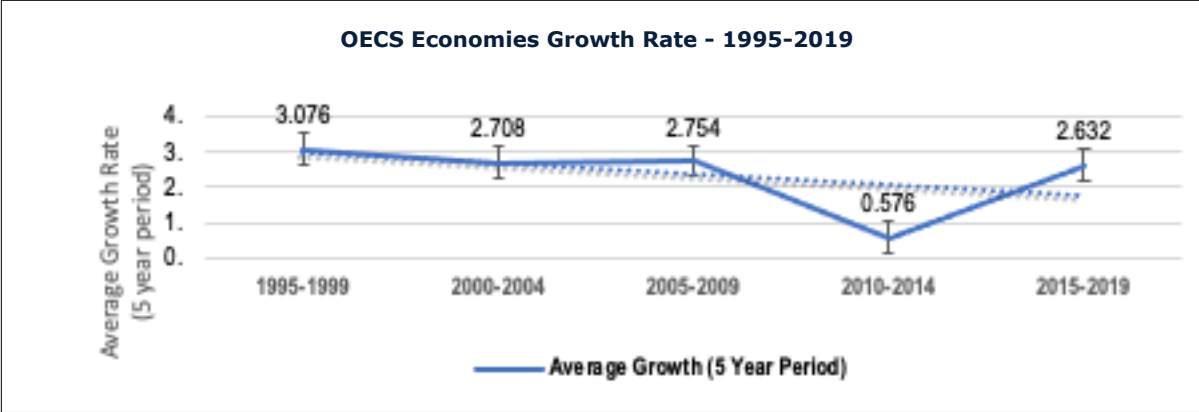


Figure 1: Source: ECCB (inclusive of all ECCU Member States and excluding Guadeloupe and Martinique) Statistics

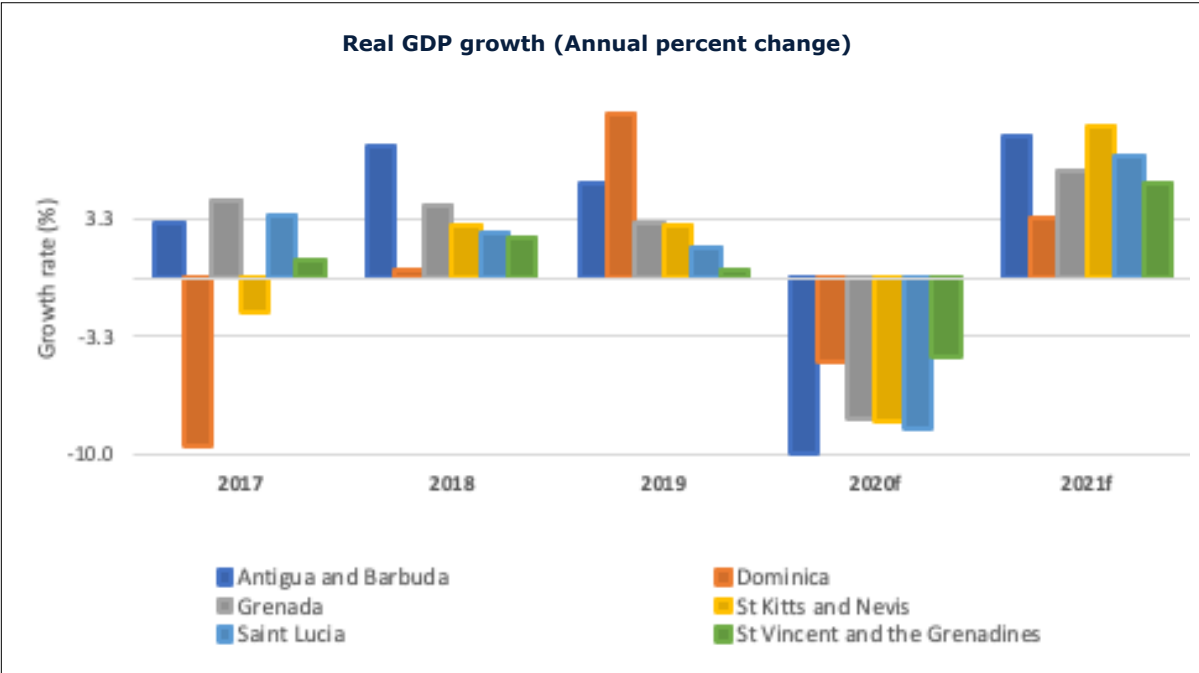


Figure 2: Real GDP growth forecasts for OECS Member States. Forecasts range from -10% in Antigua and Barbuda to -4.5% in St. Vincent and the Grenadines (Source: IMF)

EMPLOYMENT

Over the last decade, failure to restore sustainable economic growth has led to stubbornly high rates of unemployment, particularly among the youth. While data on youth unemployment remains scarce, recent estimates suggest youth unemployment rates are double the total rate of national unemployment within every Caribbean country (see *Figure 3*).⁶

COUNTRY	Unemployment (number)			Unemployment (rates)		Change	
	Pre-pandemic	Projection (with pandemic)	Increase	Pre-pandemic	Projection (with pandemic)	%age points	Ratio
Barbados	15,363	61,016	45,653	10%	40%	30%	4.0
British Virgin Islands	477	5,010	4,533	3%	32%	29%	10.5
Grenada	24,301	40,028	15,728	29%	48%	19%	1.6
Montserrat	188	683	495	7%	25%	18%	3.6
Saint Kitts and Nevis	447	6,289	5,842	2%	28%	26%	14.1
Saint Lucia	21,476	44,691	23,215	21%	44%	23%	2.1
St. Vincent and the Grenadines	11,571	22,699	11,128	20%	39%	19%	2.0
Trinidad and Tobago	20,020	202,196	182,177	3%	30%	27%	10.1
ALL COUNTRIES	93,843	382,613	288,770	8%	35%	26%	4.1

NB. Pre-pandemic data is for various years.

Source: UNICEF Office for the Eastern Caribbean Area.

Figure 3: Projected increases in unemployment due to pandemic (Source: "The Socio-Economic Impact Of COVID-19 On Children And Young People In The Eastern Caribbean Area", UNICEF)

These persistently high levels of unemployment continue to place pressure on the ability of Member States to provide adequate social protections like unemployment benefits. Nonetheless, such policies are necessary to lower the prospects of poverty and rising crime in the region, particularly when faced with the immediate and medium-term impacts of the COVID-19 crisis. Such policy measures will be of even greater importance given the expected decline in international remittance flows which will likely result from the deteriorating economic condition of the Caribbean diaspora who reside in countries like the United States (see *Figure 4*).² For instance, remittances from the United States account for nearly 50% of all remittances received by Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines.³ It is also important to note that the private sector in the Eastern Caribbean remains under-financed with a limited capacity to absorb meaningful numbers of the unemployed.²

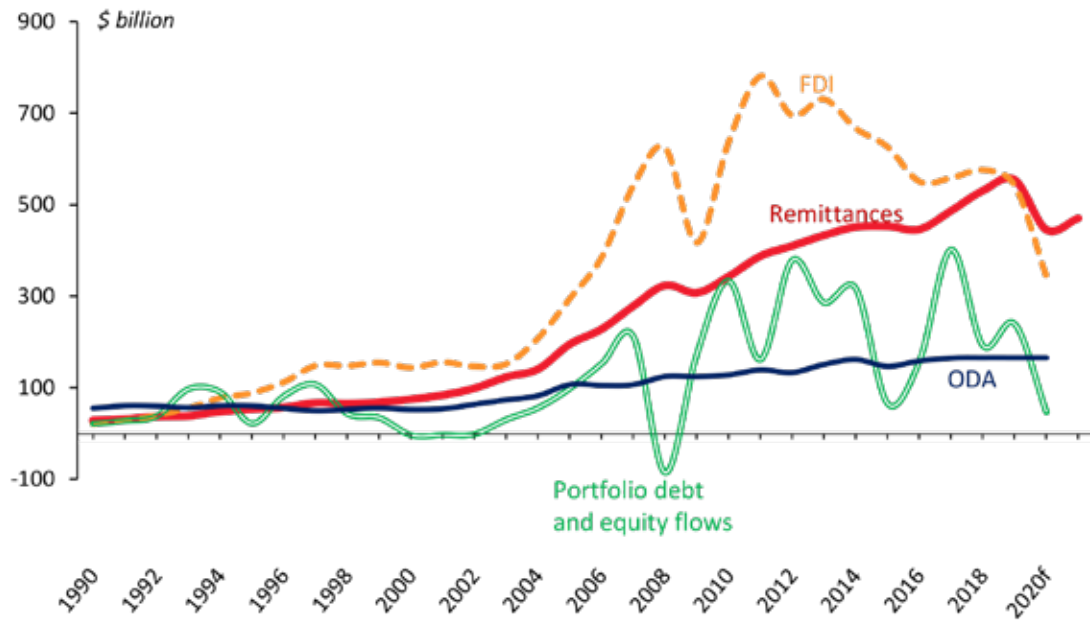


Figure 4: Figure 4: Remittance Flows to Low-and Middle-Income Countries Expected to Decline in 2020 (Source: World Bank)¹⁰

PUBLIC DEBT

Given the frequency of catastrophic natural disasters and the continuous need for OECS governments to re-invest in infrastructural and social programmes, public debt in many Member States has surpassed the prudential level of 60% debt-to-GDP ratio established by the ECCB. While the average debt-to-GDP ratio within the Eastern Caribbean Currency Union (ECCU) stood at 68% in 2018 (see *Figure 5*), without sufficient concessionary financing, the expected decline in tax revenues during the immediate period, coupled with the need for OECS governments to provide support measures to cushion the economic damage of this crisis, will most likely increase public debt in the medium-term.

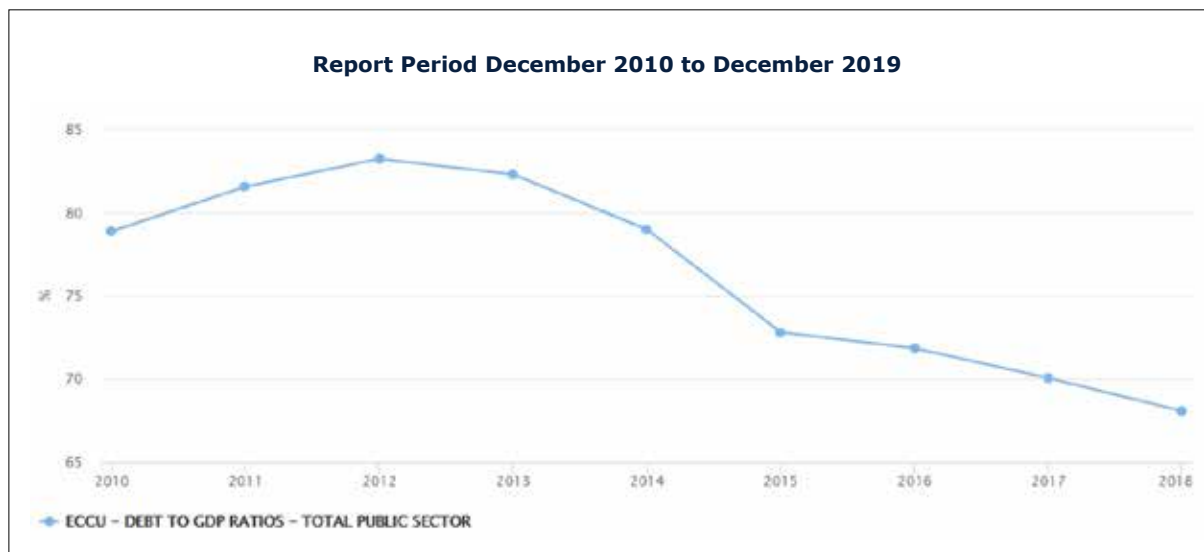


Figure 5: Debt-to-GDP Ratio of ECCU excluding Guadeloupe and Martinique (Source: ECCB Statistics)

ECONOMIC VULNERABILITIES

Due to their small size and geographic remoteness, OECS Member States suffer from “double exposure” to external economic and environmental shocks (see *Figure 6*). Member States are therefore highly reliant on trade, with tourism often being a key export sector and an important source of income and employment. In aggregate, across the region, approximately 50% of GDP and 50% of employment is derived directly from this sector.¹¹ Sectors with direct linkage to tourism, such as construction, agriculture, transportation, banking, manufacturing, and the creative industries, have historically benefitted from the positive multiplier effect associated with a robust tourism sector.

Numerous hotel closures and widespread suspension of airlift have resulted in the transmission of negative impacts to the wider economy. This has led to a spike in unemployment and a sharp contraction in GDP which is likely to continue for the foreseeable future.

Record levels of unemployment and associated decreases in spending power in major tourism source markets in North America and Europe point to a challenging road to the full recovery of the sector. While there are opportunities to expand agricultural and manufacturing output once social-distancing and other health protocols begin to relax, demand and production activities in these sectors will likely remain subdued in the absence of adequate policy support.

ECONOMIC SECTOR	ISCI CODE(S)	ILO RISK CATEGORY	ADOPTED RISK CATEGORY	ASSUMED REDUCTIONS (%AGE) ¹
• Education	P	LOW	LOW	0
• Health	Q	LOW	LOW	0
• Public Administration	O	LOW	LOW	0
• Utilities	DE	LOW	LOW	0
• Agriculture & Fishing	A	LOW-MEDIUM	LOW	0
• Construction	F	MEDIUM	MEDIUM	20
• Finance/Insurance	K	MEDIUM	MEDIUM	20
• Mining	B	MEDIUM	MEDIUM	20
• Other personal and household services	RSTU	MEDIUM-HIGH	MEDIUM-HIGH	30
• Transportation/Telecommunication	HJ	MEDIUM-HIGH	HIGH (linked to tourism)	50
• Accommodation/Food	I	HIGH	HIGH	50
• Real Estate/Business Support Services	LMN	HIGH	HIGH	50
• Manufacturing	C	HIGH	HIGH	50
• Wholesale/Retail	G	HIGH	HIGH	50

Figure 6: Economic Sector Vulnerability due to COVID-19 (Source: "The Socio-Economic Impact Of COVID-19 On Children And Young People In The Eastern Caribbean Area")

CONSTRUCTION SECTOR

The construction sector is an important contributor to economic growth and development in the OECS Member States. Over the past five years, the sector’s contribution to GDP has averaged 7.9% across the ECCU.¹² Growth in this sector during the period 2015 to 2019 largely mirrors the performance of the overall economy (see *Figure 7*).¹³ Across the region, public sector expenditures on the rehabilitation of public infrastructure, such as roads and schools, and private investments in the tourism accommodation sector, the commercial real estate sector, and residential homes, have significantly contributed to the positive performance of the sector.¹⁴ Further, construction has had strong spillover effects on other sectors such as mining and quarrying, transport, storage and communications, and wholesale and retail trade.¹⁵ Therefore, the construction sector is also a major contributor to employment and incomes across the region.

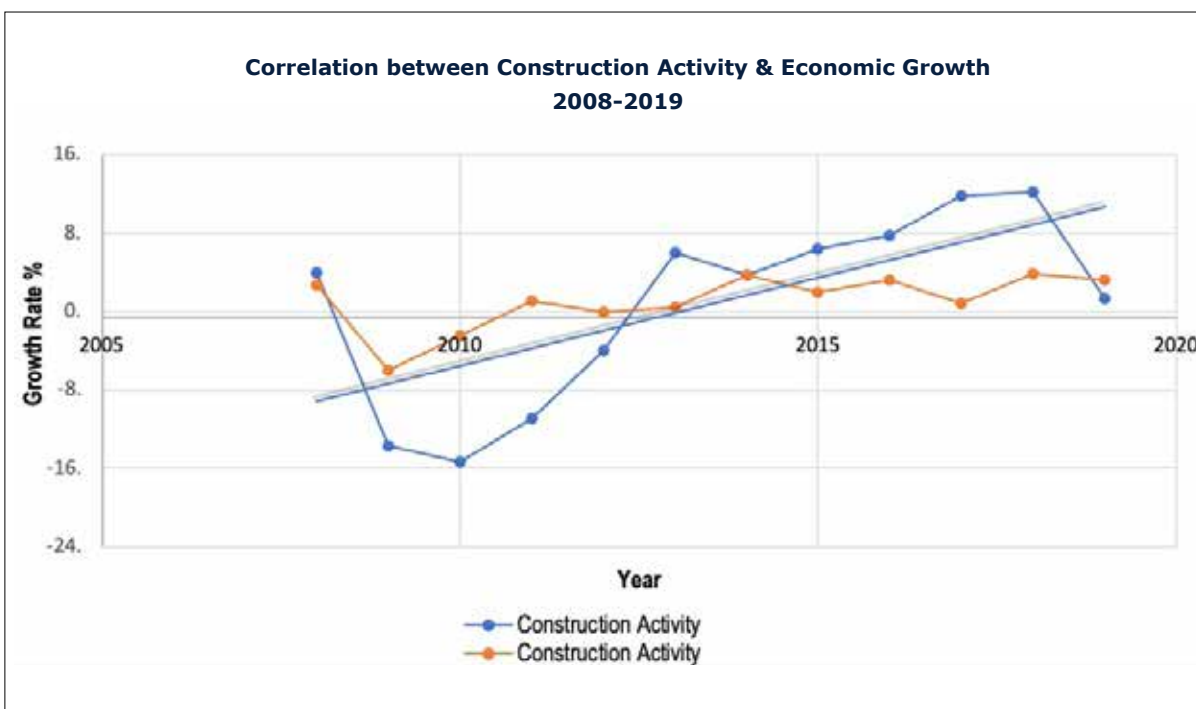


Figure 7: Correlation between Construction Activity and Economic Growth; excluding Guadeloupe and Martinique (Source: ECCB)

The immediate impact of the pandemic on the construction sector is expected to be significant due to a high reliance on tourism investment and public sector capital expenditure. During the Global Financial Crisis, the sector declined by -13.6% and -15.36% in 2008 and 2009 respectively.

The implementation of social-distancing protocols, coupled with travel restrictions and the redeployment of capital to addressing a public health emergency, has brought non-essential construction in the OECS to a complete halt. The rebound of the construction sector will likely be tied to the relaxation of travel bans, access to construction materials, accommodating capital markets, and access to efficacious medical treatments to COVID-19.

RELATED CONSIDERATIONS

As Member States design policy responses to the crisis, significant effort must be dedicated towards addressing longstanding vulnerabilities related to regional food security by increasing local and regional production of agricultural foodstuffs. According to the FAO, between 60% and 80% of all food consumed in CARICOM is imported. Increasing production and regional trade will also contribute to an improvement in the balance of payment position of Member States.

The financial sector has accounted for a significant portion of overall GDP in the ECCU over the past decade (see *Figure 8*).¹⁶ Prior to the crisis, the sector was engaged in policy adjustments in response to the threat of Organisation for Economic Co-operation and Development (OECD) 'blacklisting'. Other significant downside risks faced by the sector have been the loss of correspondent banking relationships (CBRs), a continued withdrawal of international banks from the region, and the recent trend towards financial sector consolidation. The combination of these threats has created uncertainty and increased the risk-premium for inward investments into the region. COVID-19 is expected to amplify these threats to the continued viability of the financial sector.



Figure 8: Financial Sector Contribution to GDP in the ECCU (Source: ECCB Statistics)

Implications for International Trade and Investment

While the COVID-19 crisis continues to pose an unprecedented threat to the collective wellbeing of populations around the globe, it also creates dire consequences for international trade, investment, global financial markets, and the wider economy. As global output and consumption continue to contract, the outlook for OECs Member States appears increasingly unfavourable.

According to the United Nations Conference on Trade and Development (UNCTAD), there is broad agreement that the global economy will contract sharply due to the abrupt halt to large swathes of economic activity and subsequent income losses in the manufacturing and services sectors across the world. When combined with the unfavourable effects on financial markets, consumption, investment confidence, international trade, and commodity prices, the consequences of these disruptions are likely to be immense.¹² Consequently, the volume of world trade and GDP growth have both plummeted to levels not seen since the Global Financial Crisis (see *Figure 9*).

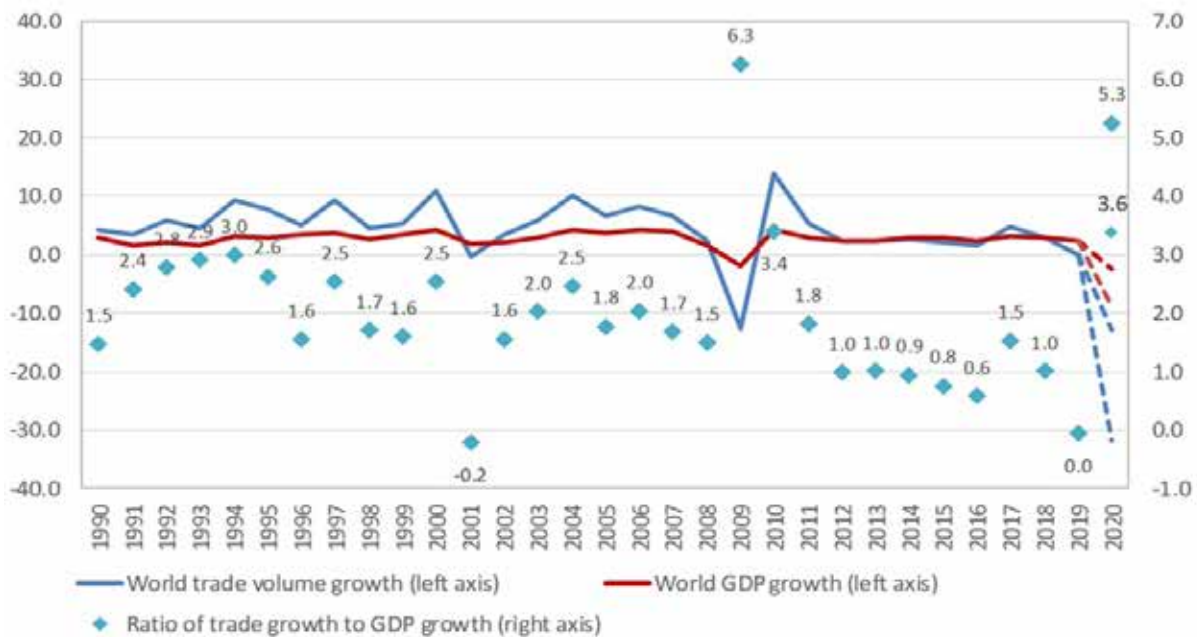


Figure 9: Ratio of world merchandise trade growth to world GDP growth, 1990-2020 % change and ratio (Source: World Trade Organization (WTO) Secretariat for trade and consensus estimates for historical GDP. Projections for GDP based on scenarios simulated with WTO Global Trade Model.)

Compared to the 2008 Global Financial Crisis, UNCTAD estimates that the actual negative implications of COVID-19 could be several magnitudes more severe and immediate in developing countries than developed ones. These impacts are likely to play out along several fronts including steep declines in FDI, delays in approved development projects linked to external financing mechanisms, and an increasingly high risk of financial sector contagion due to the decreased ability of businesses to meet their financial obligations.¹⁸

There is also evidence that some countries have started stockpiling domestic food supplies which would have otherwise been exported for global consumption. For example, Kazakhstan, one of the world’s largest exporters of wheat flour, instituted restrictions on wheat, carrot, sugar, and potato exports. Meanwhile, Vietnam temporarily suspended rice export contracts and Serbia stopped the flow of its sunflower oil and other goods.¹⁹ These types of measures are likely to place even greater pressures on the availability of key commodities around the world should they continue for an extended period (see *Figure 10*).

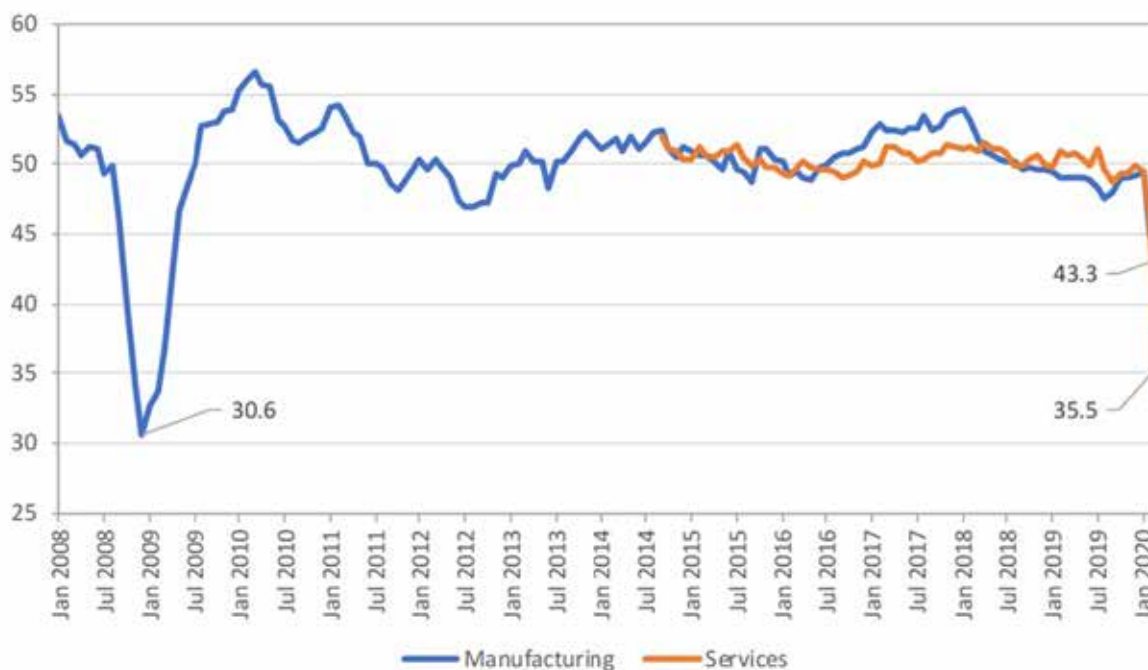


Figure 10: New export orders from purchasing managers’ indices, Jan. 2008 – Mar. 2020
(Source: IHS Markit)

SNAPSHOT OF COVID-19'S EFFECT ON INTERNATIONAL TRADE

- World merchandise trade is set to plummet by between 13% and 32% in 2020 due to the COVID-19 pandemic.
- A 2021 recovery in trade is expected, but dependent on the duration of the outbreak and the effectiveness of the policy responses.
- Nearly all regions will suffer double-digit declines in trade volumes in 2020, with exports from North America and Asia hit hardest.
- Trade will likely fall steeper in sectors with complex value chains, particularly electronics and automotive products.
- Services trade may be most directly affected by COVID-19 through transport and travel restrictions.

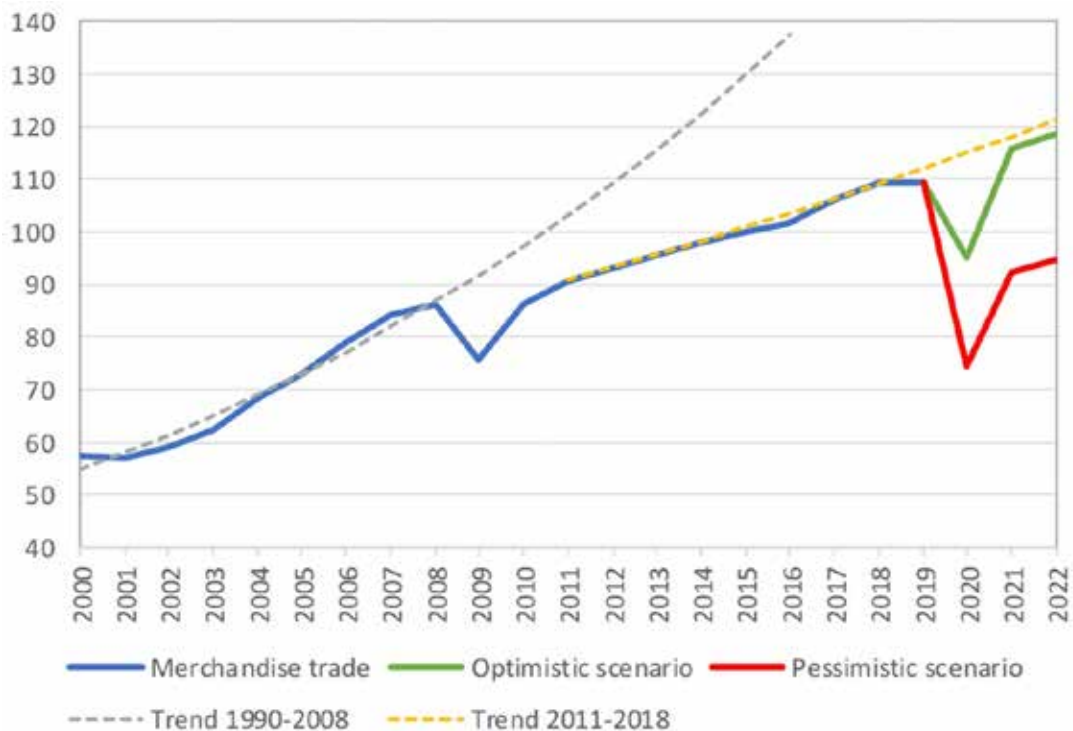


Figure 11: Trade was already slowing in 2019 before the virus struck, weighed down by trade tensions and slowing economic growth. World merchandise trade volume, 2000-2022 Index (Source: WTO Secretariat)

IMPLICATIONS FOR OECS MEMBER STATES

While China, a key manufacturing hub of the global economy, was initially the epicentre of the pandemic, the impact of the crisis has since shifted to Europe and the United States. As key trading partners of OECS Member States, disruptions to production and supply chains in these geographies have had negative effects on the delivery of critical supplies to the region.

As net importers of goods with small domestic production bases and markets, the OECS Member States engage in both inter-regional and international trade to ensure their economic sustainability. However, with interruptions in the production chains of key international trading partners, the resultant effect has been a precipitous reduction in border and trade tax revenue collection. These reductions, combined with social-distancing measures, have resulted in a dramatic decrease in consumption and sales taxes revenues, thereby placing the fiscal positions of Member States under tremendous pressure. In the case of Saint Lucia, for example, while tax collection targets for April 2020 were originally in the region of EC\$110 million, the actual collection of tax revenues amounted to approximately EC\$30 million.²⁰

Consequently, it is important for OECS Member States to re-examine the available policy tools in order to respond to the collapse of international trade.



Impact on Transportation and Supply Chains

The prevailing governmental policy response to the pandemic has been the implementation of transportation restrictions ranging from travel bans on non-essential travel to the outright closure of air, land, and maritime borders to inbound and outbound passengers. Although measures predominantly targeted the movement of persons, they have inevitably caused disruptions in the transportation of vital cargo, particularly air cargo. For example, regional carrier LIAT announced on 3 April 2020 that it would be suspending all passenger flights until 15 May 2020, representing the suspension of approximately 3,360 flights.

“Over 185,000 passenger flights have been cancelled since the end of January in response to government travel restrictions. With this, vital cargo capacity has disappeared when it is most urgently needed in the fight against COVID-19. The world’s fleet of freighter aircraft has been mobilised to make up this capacity shortfall. Governments must take urgent measures to ensure that vital supply lines remain open, efficient and effective”²¹

Alexandre de Juniac
Director General and CEO
International Air Transport Association (IATA)
16 March 2020

The combined impact of the loss of passenger flights and the substantial reduction in demand for air travel has greatly diminished air cargo capacity given that an estimated 40% to 50% of air cargo volume is carried in the belly-hold of passenger airplanes.²² This is of grave concern given the vital role that air transport plays in the movement of the most time-dependent and temperature-sensitive goods necessary for the fight against COVID-19.

As it relates to ocean freight, the maritime trade situation is just as serious. Some seaport authorities have either prohibited the disembarkation of crew members or have halted operations entirely. Furthermore, social-distancing protocols instituted by customs and border control agencies have limited the number of personnel operating at these facilities, thereby lengthening the time taken to offload, release, and deliver cargo to customers.

Although sea freight operations have shown to be less disrupted than air freight, both modes of transport face new challenges to their operations. Consequently, logistics companies have been forced to reassess their operations and better align supply chains to their new operating environment.

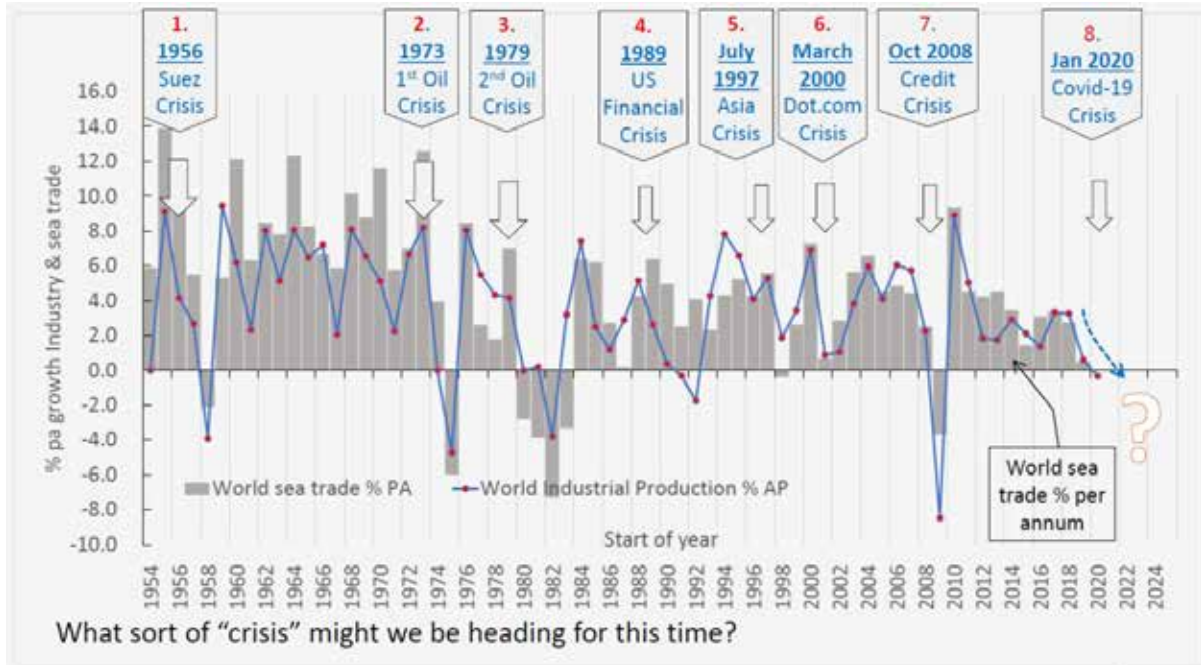


Figure 12: Global crises and effects on maritime trade (Source: Maritime economist Martin Stopford, April 2020)

IMPLICATIONS FOR REGIONAL AIR AND SEA FREIGHT

According to UK-based commercial shipping research firm Maritime Strategies International (MSI), as mainline trade decreases due to a collapse in consumer spending in Europe and North America, the total volume of cargo from March to May 2020 is forecast to fall sharply on the Asia-Europe, the trans-Pacific, and on the trans-Atlantic shipping routes (see *Figure 13*). If realised, these decreases will have negative spillover effects for both inter-Americas and trans-Atlantic trade to and from the Caribbean and will result in further supply chain disruptions and reduced transshipment cargo volumes. MSI voiced particular concern about container imports to Brazil, Mexico, South Africa, West Africa, and the Caribbean, where “the sharp slowdown experienced by tourism-focused economies will harm volumes.”²³

Shipping agents who represent these cargo vessels, as well as the customs brokers, truckers, wholesalers, and distributors who facilitate the clearance, handling, and delivery of cargo, have also been negatively impacted. Border tax revenue has also been negatively affected, adding additional pressure on already stressed government fiscal accounts.

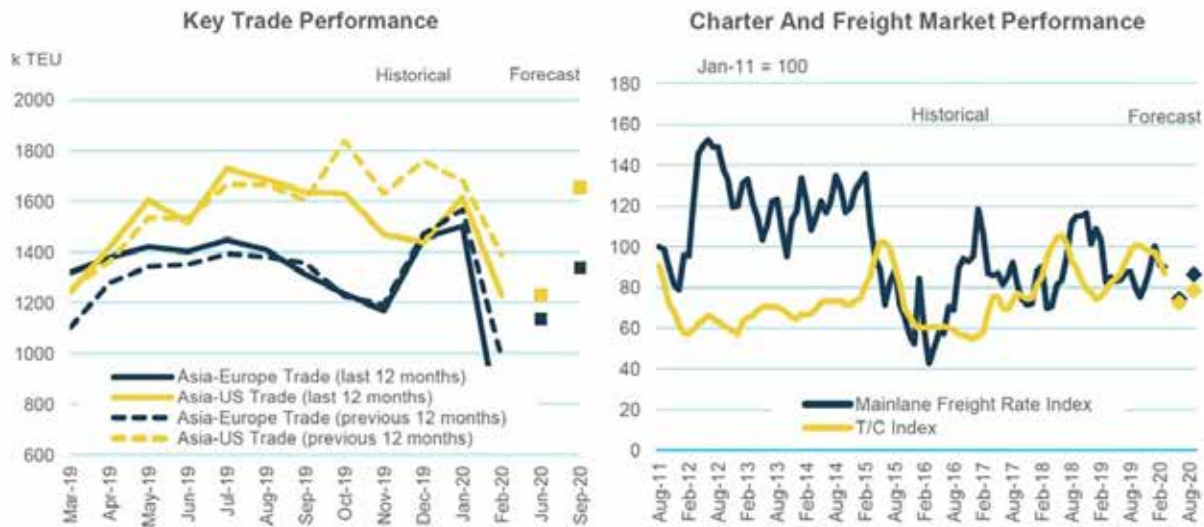


Figure 13: Mainline East-West Trade Performance and Forecast
 (Source: Maritime Strategies International)

While some regional freight-forwarders have experienced increased demand for their services due to the inability of customers to access belly-freight services as a result of travel bans faced by passenger airlines, the demand for air freight still far outstrips the capacity of regional freight-forwarders. This is mostly due to the fact that freight-forwarders in the region themselves utilise belly-freight services on passenger airlines.

Ocean freight logistics companies are also grappling with the following issues:

- Reduction in sea cargo capacity caused by blank sailings or empty runs from key ports, a reduction in vessel callings, and the unavailability of empty containers;
- Congestion at key transport hubs and ports of call due to staff shortages, the streamlining of port operating hours, and increased health and safety restrictions.

One of the key challenges is the application of different standards and protocols in different destinations. For instance, the Governor of Florida restricted the operations of companies to only the provision of essential services.²⁴ While the order designated Transportation and Logistics as an essential service, Tropical Shipping Limited, a key shipper to the OECS, informed customers that several of its local offices in the region were either closed or had streamlined operating hours. Such uncertainty is likely to have a negative impact on the region’s traders.

IMPACT ON THE COST OF GOODS

Supply chain disruptions often have cost implications. For instance, the shift from ocean freight to the more expensive air freight option triggered by the urgent need for certain supplies has increased the price of procurement for key medical supplies and personal protective equipment (PPE) vital to the fight against COVID-19.²⁵ Port congestion and the resultant delays in shipment can also result in an increase in sea freight charges and fees. Concerns over blank shipping and the shortage of global vessel tonnage from key source markets will likely cause merchants to switch their purchase patterns to more expensive alternative markets in order to mitigate extended lead times. Industry practice suggests that logistics companies are likely to pass on these additional costs to customers.

RECOMMENDATIONS

Considering the supply chain disruptions and related cost implications, OECS Member States should give consideration to the following immediate-term recommendations to mitigate the economic impact from transport-restricting measures:

IMMEDIATE-TERM RECOMMENDATIONS

- Temporary reductions in landing fees on a case-by-case basis for dedicated air cargo carrying critical medical supplies;
- Removal of cumbersome processes such as those relating to the obtaining of operating permits, in order to encourage cargo charters;
- Relaxation of unnecessarily stringent measures on air and seaport cargo services such as quarantine measures for cargo crew;
- Facilitating easy access to essential items needed by medical practitioners to assist in containing the spread of the virus;
- Take the necessary steps to protect domestic industries, including through the immediate application of the Revised Treaty of Chaguaramas' Article 164 tariff regime;
- Revitalisation of the OECS Shipping Cluster initiative in order to enhance the efficiency and effectiveness of intra-OECS trade;
- Expedite the implementation of the regime for the Free Circulation of Goods;
- Consider stockpiling of necessary COVID-19 supplies in a central location for easy transport between Member States.

COVID-19 Temporary Export Measures

Affected products include personal protection equipments (e.g. masks, gloves), pharma products hand sanitizer, food and certain other products

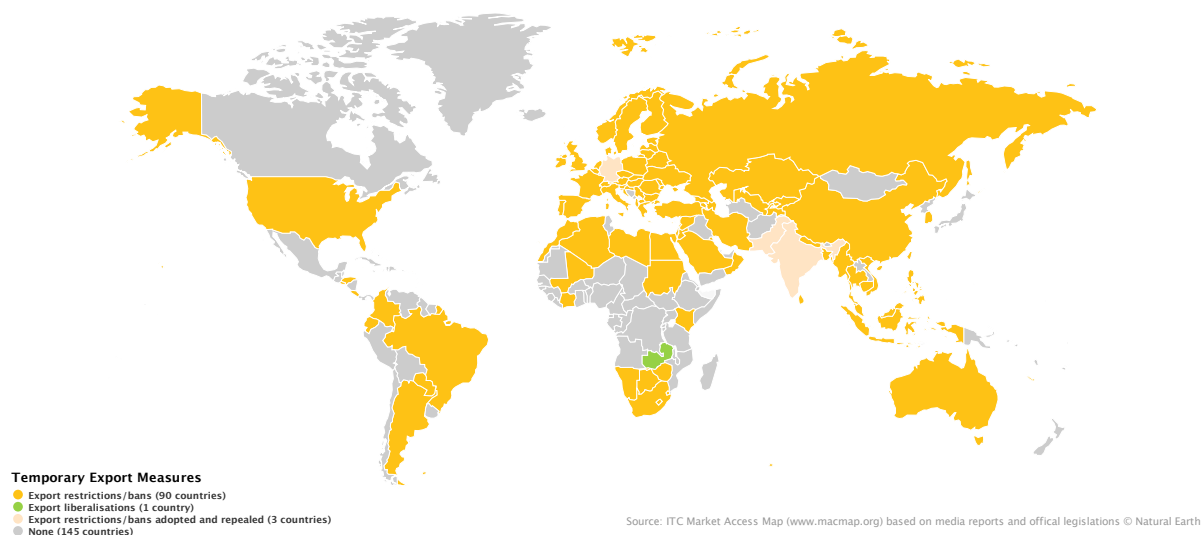


Figure 14: COVID-19 Temporary Export Measures (Source: International Trade Centre (ITC) Market Access Map)

CONCLUSION

The foregoing paints a bleak picture of the current macroeconomic impact and trade realities confronting the OECS. However, the crisis can be viewed as a critical inflection point for Member States to build resilience against future challenges.

Consequently, policymakers should confront the present challenges while also maintaining a forward-looking perspective to address longstanding policy gaps that are important to the sustainable development of the region. This will require incremental and game-changing approaches that energise regional integration through the Eastern Caribbean Economic Union (ECEU) as well as the establishment of a dedicated financing mechanism to fund resilience-building at the national level.

2

PART 2

SECTORAL ECONOMIC IMPACTS



Introduction

Part 2 of this report provides an overview of the economic impacts of the pandemic on key output sectors across the OECS region.

The key recommendations within each section are divided into immediate-term (within six months) recommendations and medium-to-long-term (one year or more) recommendations for the consideration of national and regional authorities.

With the focus of policymakers now transitioning to the phased reopening of OECS economies, an overall theme of the report's recommendations involves the development and implementation of harmonised health and safety protocols aimed at safeguarding against viral transmission while, at the same time, allowing for a sense of economic normalcy to return to the region.

To this end, the OECS Commission has formed sector-specific task forces with the shared objective of collaborating with relevant national authorities, industry stakeholders, and frontline workers to establish common, region-wide protocols that will facilitate a measured approach to reopening economies.

Impact on Travel and Tourism

The World Tourism Organization (UNWTO) — a specialised agency of the United Nations — estimates that in 2020 international tourist arrivals could decline between 20% and 30%, down from an estimated growth forecast of 3% to 4% made in January 2020. This is expected to translate into a decline in international tourism receipts of US\$300-450 billion, almost one third of the US\$1.5 trillion generated in 2019. Taking into account past market trends, this would mean that between five and seven years' worth of growth will be lost to COVID-19. Putting this into context, UNWTO notes that in 2009, on the back of the Global Financial Crisis, international tourist arrivals declined by 4%, while the SARS outbreak led to a decline of just 0.4% in 2003 (see *Figure 15*).²⁶

UNWTO contends that while it is too early to make a full assessment of the likely impact of COVID-19 on tourism, it is clear that millions of jobs within the sector are at risk. Globally, the travel and tourism sector accounts for 10.3% of GDP and supports 330 million jobs. This equates to one in 10 jobs across the globe. Critically, approximately 80% of all tourism businesses are MSMEs and serve as a major source of employment for women, youth, and rural communities.

“Tourism is among the hardest hit of all economic sectors. However, UNWTO underlines tourism’s historic resilience and capacity to create jobs after crisis situations, while also emphasizing the importance of international cooperation and of ensuring the sector is made a central part of recovery efforts.”

UNWTO Secretary-General Zurab Pololikashvili

IATA has estimated that the airline sector will suffer a US\$113 billion loss in 2020.²⁷ Notably, many cash-strapped airlines have already entered into administration as a consequence of global travel restrictions. IATA and industry analysts expect that this trend will likely continue beyond the resumption of international travel.

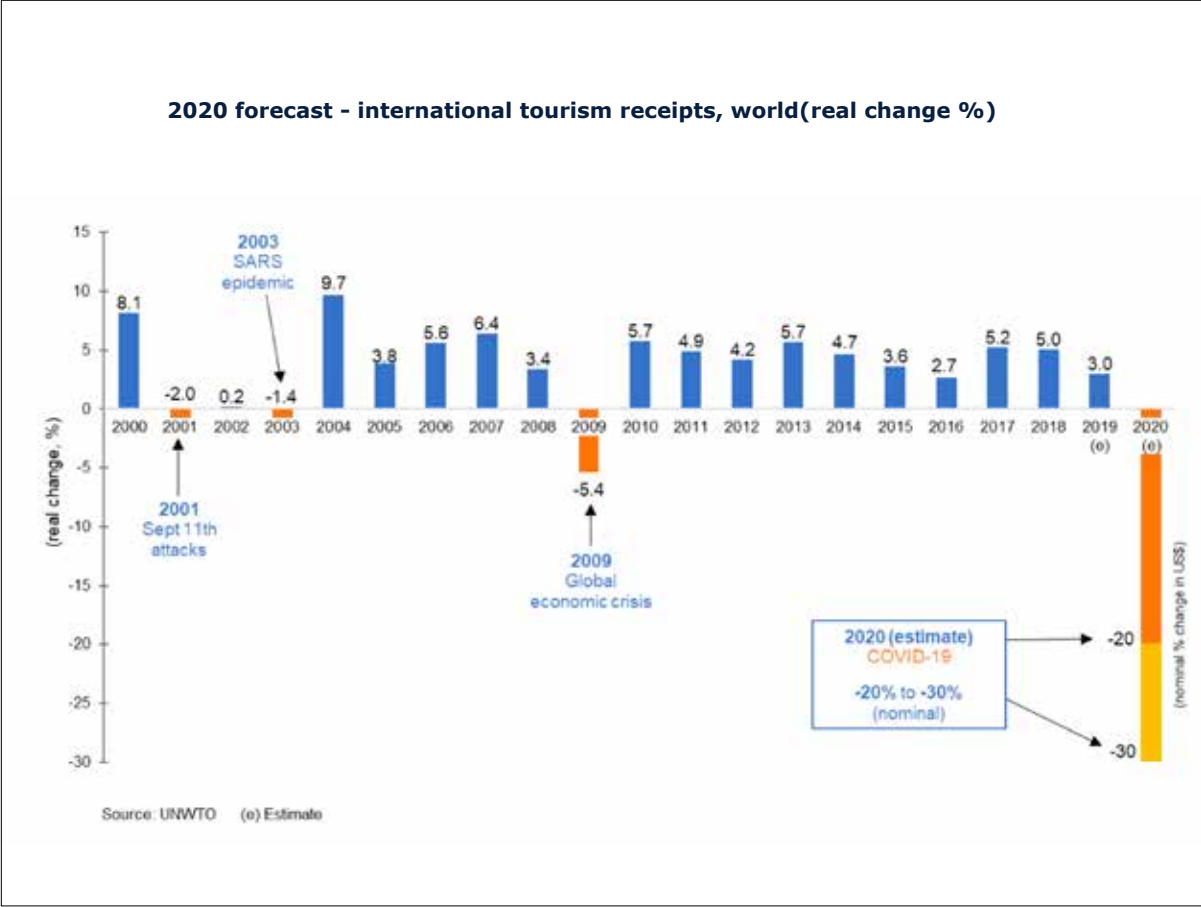


Figure 15: 2020 Forecast for International Tourism Receipts and Previous Global Crises (Source: WTO)

The cruise sector has also been severely impacted by immense negative publicity related to its questionable handling of on-board COVID-19 transmissions and the death knell “No Sail Orders” first announced by the US Centers for Disease Control and Prevention (CDC) in March and again in April 2020.²⁸ The “No Sail Order” will have a significant impact on cruise line passenger arrivals into the region given that the vast majority of port calls to Member States are from cruise lines carrying North American passengers (see *Figure 16*).

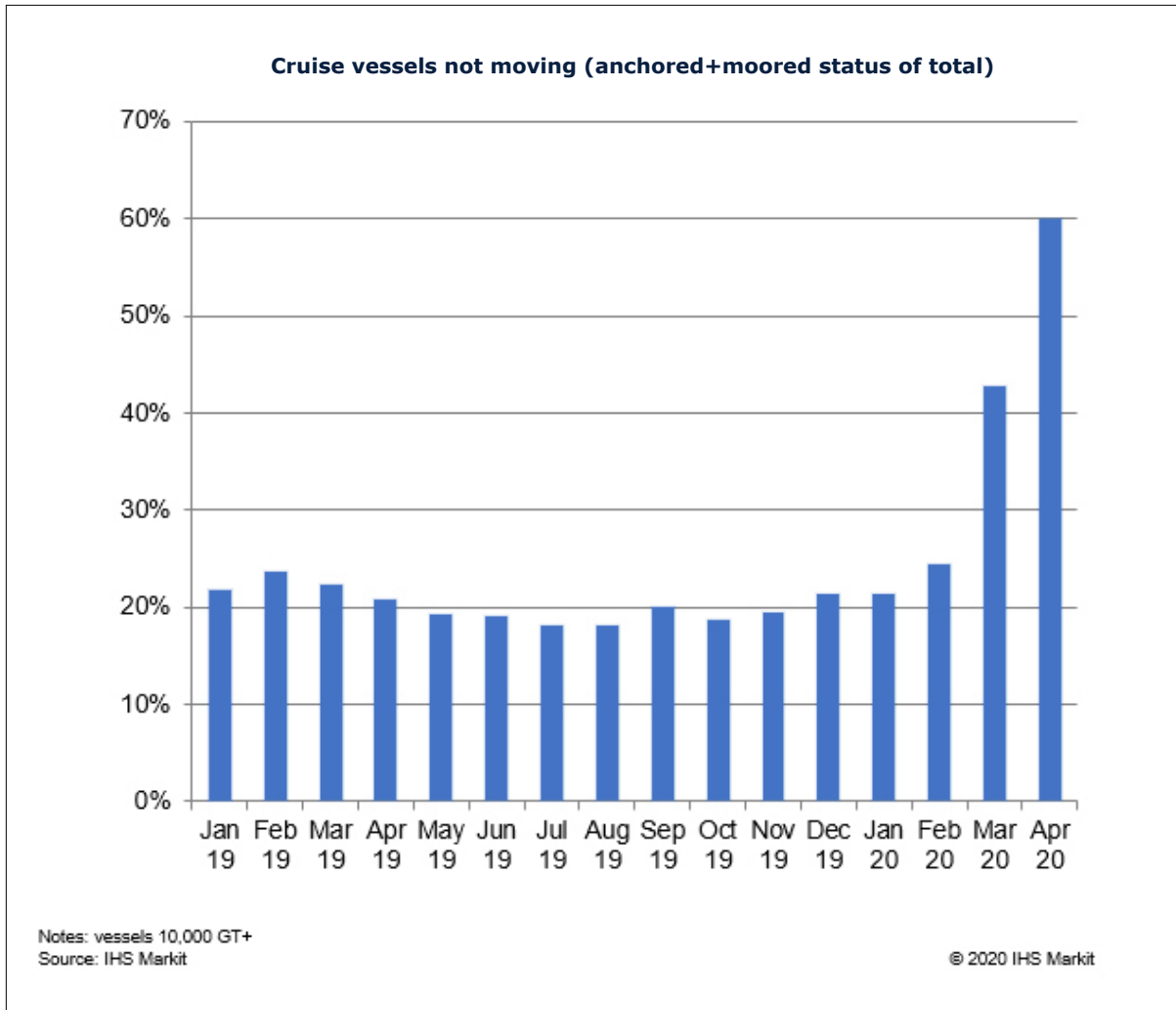


Figure 16: The percent of total time not moving has jumped from an average of 20% to more than 60% for vessels larger than 10,000 gross tonnes. (Source: IHS Markit)

IMPACT ON THE OECS REGION

According to recent data, 10 of the top 20 most tourism-dependent countries in the world are in the Caribbean.²⁹ In Saint Lucia, for example, tourism activity directly employs approximately 41.8% of workers.³⁰ The benefits from the sector, however, are felt far beyond those directly employed. Across the OECS, tourism-related industries account for 45.9% of total employment while the total contribution of travel and tourism accounted for 48.9% of GDP in 2018 (see *Figure 17* and *Figure 18*).

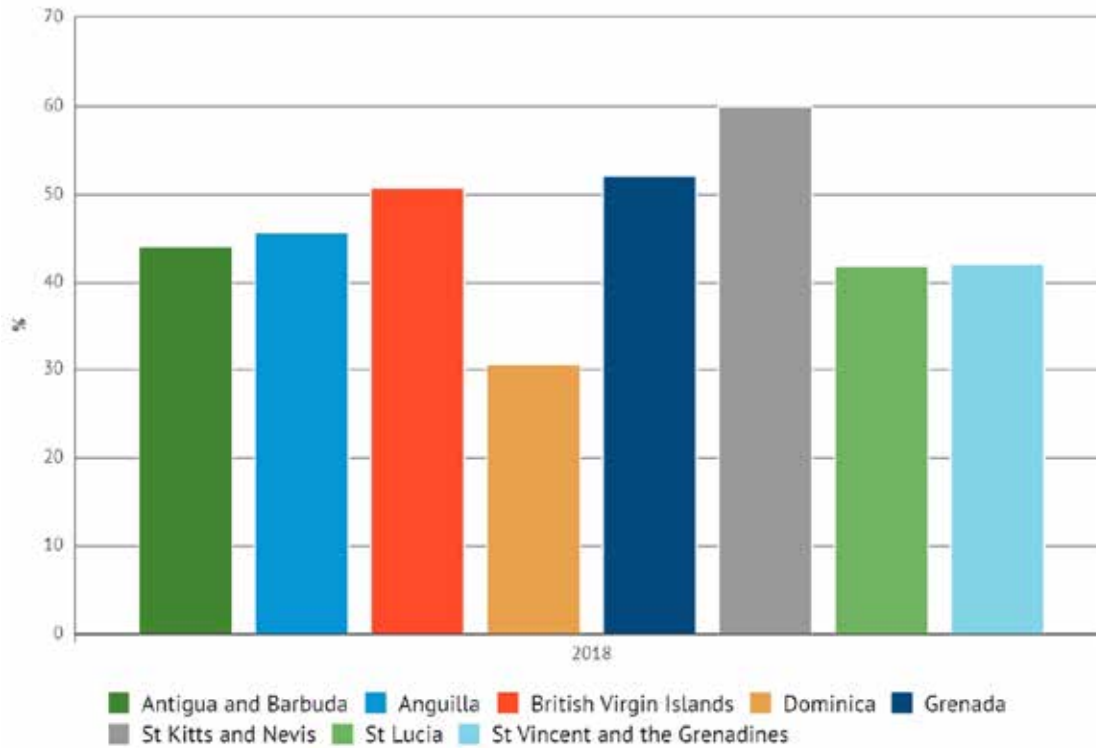


Figure 17: Percentage Share of Total Employment 2018
 (Source: World Travel & Tourism Council Data Gateway)

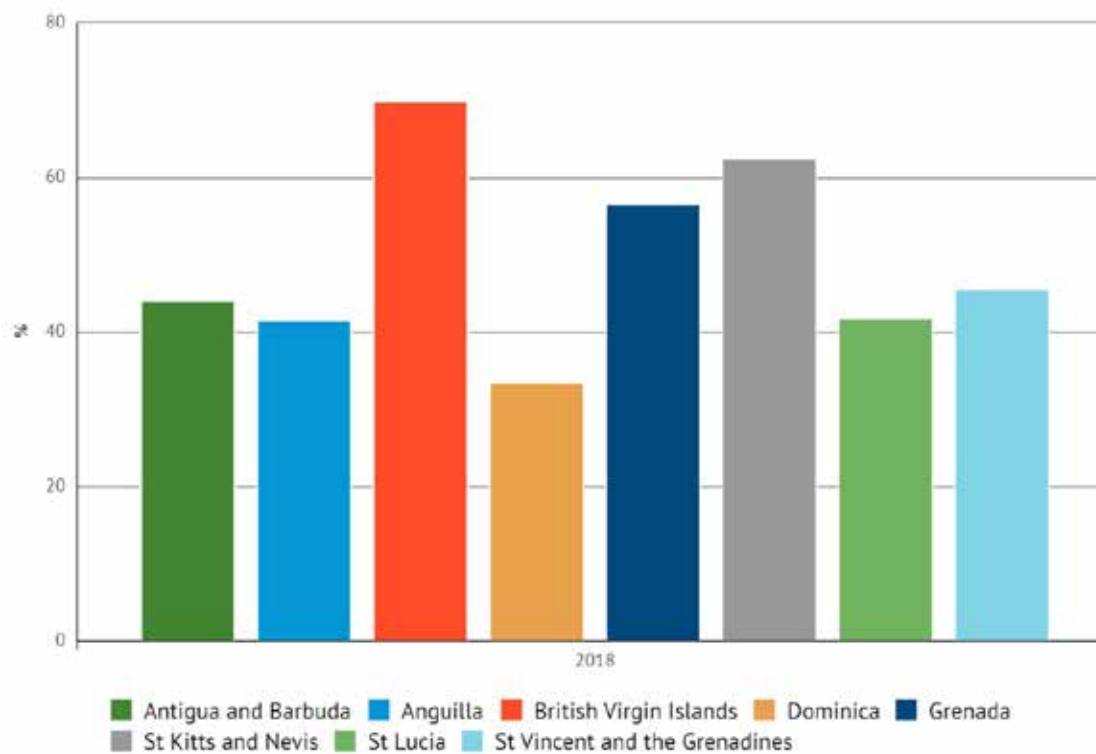


Figure 18: Percentage Share of Total Contribution to GDP 2018
 (Source: World Travel & Tourism Council)

Across the region, by the end of March 2020, the accommodation sector was forced to shutter due to international travel restrictions and national public health protocols. Most tourism businesses in the OECS are cash-flow dependent and highly-leveraged.³¹ Even though hotels are closed, some fixed costs like maintenance, upkeep, and security cannot be deferred.

The closure of tourism-related businesses has resulted in widespread unemployment and the displacement of tens of thousands of workers across the region. The reverberations of this immediate shock have already led to a rapid contraction in tax revenues which have further stressed an already precarious fiscal position across the ECCU.

This dynamic presents a multidimensional threat with wide-ranging implications on the servicing of sovereign debt obligations, meeting public sector payrolls, and implementing capital works projects, among others.

SOCIOECONOMIC VULNERABILITY

The economic crisis precipitated by the pandemic has the potential to spiral into an unstable social condition that may prove difficult to control in the absence of aggressive policy measures. The rapid rise in unemployment threatens to unravel much of the socioeconomic progress made over the past decade.

In the absence of robust income support measures deployed throughout the duration of the crisis, attendant social concerns may arise. One such concern is a likely increase in poverty levels, particularly in women-led households, rural communities, and amongst the youth. These factors threaten to increase the number of persons living in conditions of economic vulnerability. This dynamic may result in a variety of social risk-factors including health insecurity and an increase in crime.

MEDIUM-TERM CHALLENGES

The uncertain duration of the crisis poses a significant challenge to identifying adequate response measures at the firm and policy levels.

The overall recovery of the sector, however, will depend greatly on the economic recovery of tourism source markets in the United States, the United Kingdom, and Canada. However, recovery of these international source markets alone will not automatically lead to tourist arrivals in the OECS. Even after these markets have experienced some level of recovery, it is likely that travellers will avoid international travel for some time (see *Figure 19*, *Figure 20*, and *Figure 21*).

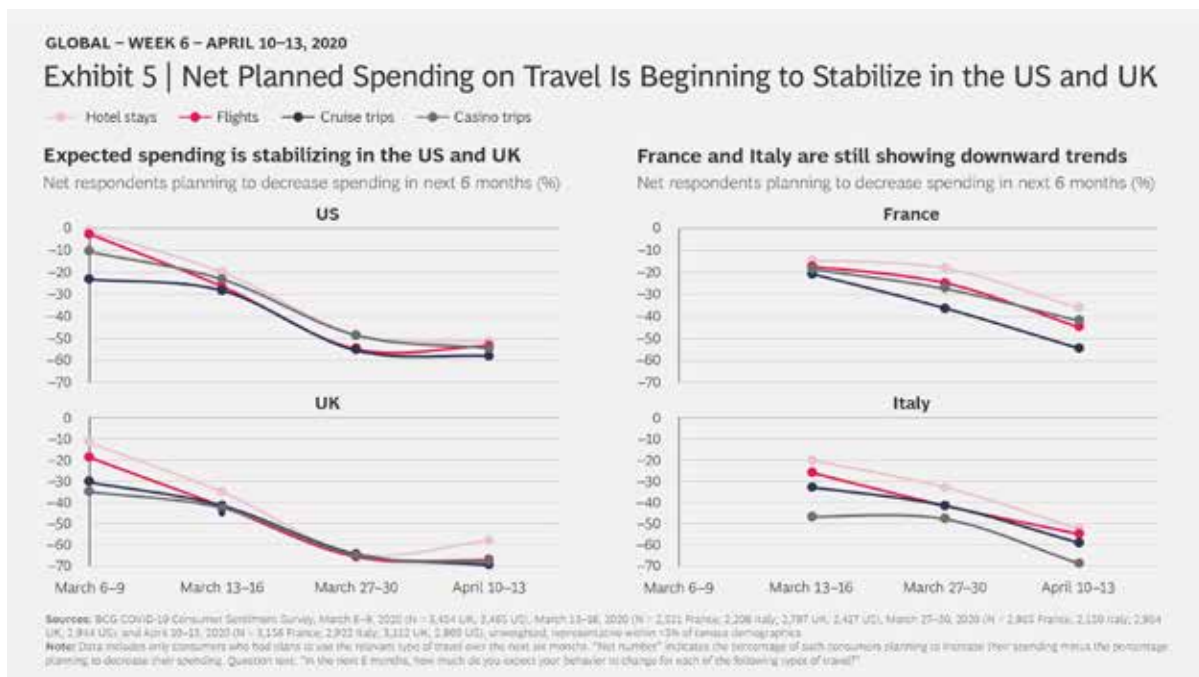
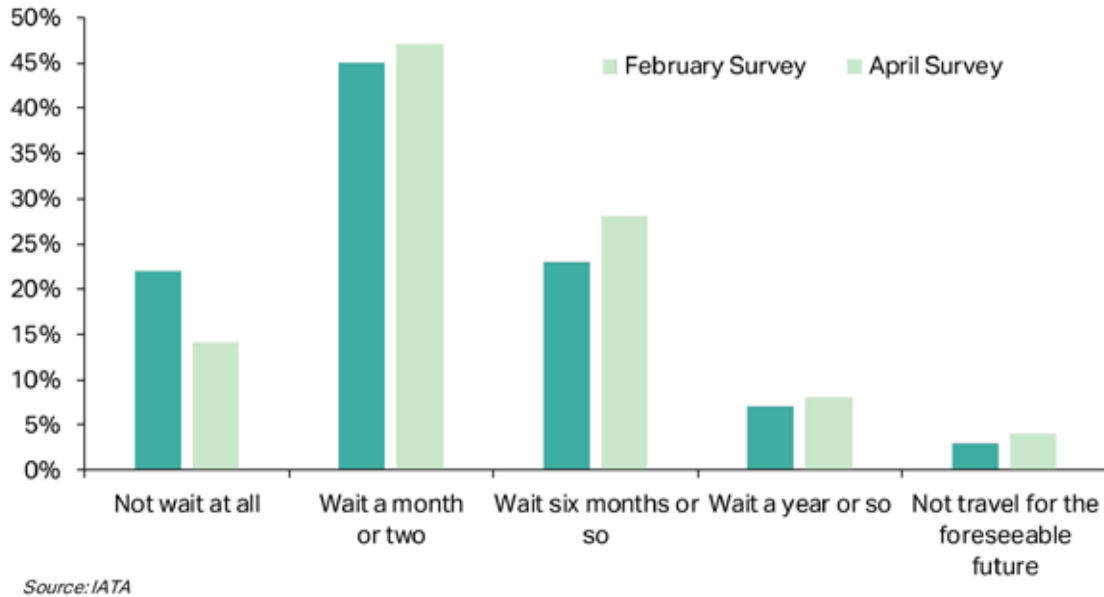


Figure 19: BCG COVID-19 Consumer Sentiment Survey. Question text: "In the next 6 months, how much do you expect your behavior to change for each of the following types of travel?"; "Net number" indicates the percentage of such consumers planning to increase their spending minus the percentage planning to decrease their spending. (Source: Boston Consulting Group)

Passenger confidence key to the post-COVID-19 recovery in air travel
Returning to Travel After Containment Announcement



Source: IATA

Figure 20: Returning to Travel After Containment Announcement; IATA's Economic Chart of the Week (Source: IATA, April 2020)



Figure 21: BCG Covid-19 Consumer Sentiment Survey; Question text: "Which of the following measures would make you fly again in the next month? Select all that apply." (Source: Boston Consulting Group)

Notwithstanding, the Caribbean is the second-largest visitor source market for the OECS (see *Figure 22*). An economic recovery in the wider Caribbean region is likely to aid an initial tourism recovery, though this is unlikely to take place in the near-term.

COUNTRY	CATEGORY	2018
• ECCU	Stay-over Visitors - Other Countries	115,635
• ECCU	Stay-over Visitors - USA	484,882
• ECCU	Stay-over Visitors - Canada	113,605
• ECCU	Stay-over Visitors - Caribbean	240,926
• ECCU	Stay-over Visitors - UK	200,432
• ECCU	Total Stay-over Visitors	1,155,480

Figure 22: Stay-over arrivals by Origin Country (Source: ECCB)

	Tourism (% GDP)	External Debt (% GDP)	Reserves (no of months of imports)	Estimated Fall in GDP (%)	Financial Assistance Needed (million USD)
Maldives	66	48	2	17%	1,150
Seychelles	66	198	3	16%	153
St. Kitts and Nevis	63	20	6	16%	92
Grenada	56	59	4	14%	137
Vanuatu	48	46	10	12%	81
Cabo Verde	46	89	5	12%	131
St. Vincent and the Grenadines	46	38	4	12%	60
Antigua and Barbuda	45	34	3	11%	243
St. Lucia	43	35	3	11%	250
Palau	43	31	na	11%	31
Bahamas, The	40	194	3	10%	846
Fiji	40	17	3	10%	343
Dominica	38	55	5	10%	28
Barbados	36	29	3	9%	369
Jamaica	35	108	5	9%	775
Sao Tome and Principe	27	59	3	7%	25
Mauritius	24	72	5	6%	540
Samoa	23	51	4	6%	48
Tonga	21	41	8	5%	12
Kiribati	19	8	na	5%	1
Solomon Islands	13	29	9	3%	23
Comoros	10	17	7	3%	19
Marshall Islands	9	52	na	2%	5
Micronesia, Fed. Sts.	8	29	5	2%	6
Trinidad and Tobago	8	30	9	2%	135
Tuvalu	6	45	na	2%	1
Timor-Leste	3	7	7	1%	20
Nauru	1	22	na	0%	0
TOTAL SIDS	29	72	6	7%	5,523

Source: UNCTAD based on data from UNCTADStat, WTTTC, World Bank, IMF and national statistics. Aggregates figures are GDP weighted averages. SIDS are defined according to the UNCTAD classification.

• Created with Datawrapper

Figure 23: Tourism, Debt, and Foreign Currency Reserve Indicators for SIDS. (Source: UNCTAD)

INDUSTRY OBSERVATIONS AND KEY ASSUMPTIONS

- As social-distancing measures are relaxed, staycations and road trips are likely to be favoured over international travel;
- The luxury accommodation segment and special interest travellers are forecast to recover more quickly than other segments of the market;
- Industry data suggests that the Caribbean remains a highly desirable destination. It is expected that demand will return (albeit at lower levels) once the travel environment normalises;
- International cruising is likely to witness the slowest recovery among all travel segments;
- Weakened disposable income in the major source markets for the OECS will likely result in shorter vacations, less bed-nights, lower spend per guest, and lower revenue yields;
- To incentivise demand, the hotel sector will be forced to provide deep discounts resulting in lower revenue per available room (revPAR), average daily rate (ADR), and overall sector profitability;
- The industry guidance is that it may take two to three years for travel to return to pre-COVID-19 levels.

OECS TOURISM TASK FORCE

Given the inherent health risks in reopening the sector, governments are taking an industry-centric approach to safeguarding against the possibility of undoing progress already made towards controlling the spread of COVID-19.

Therefore, the OECS Authority has mandated that the OECS Commission form a Tourism Task Force with the dual purpose of the development and implementation of industry health and safety protocols across the region. The OECS Tourism Task Force will be comprised of Ministries of Tourism, Tourism Authorities, National Hotel Associations, and the Caribbean Public Health Agency (CARPHA) and it will liaise with key stakeholders such as air and seaport authorities and immigration and customs authorities from each Member State.

The work of the task force will also feed into other similar initiatives being undertaken at the Caribbean Community (CARICOM) level. See below for a non-exhaustive illustration of the proposed work of the task force.

OECS Tourism Task Force



AIRPORTS

- Consider airport-to-airport health screening protocols for passengers, airline crews, and airport operations teams;
- Map new end-to-end health protocols for arriving and departing passengers;
- Accelerate digitisation of as many passenger touchpoints as possible



GROUND TRANSPORTATION

- Consider health protocols and certification schemes for transportation providers;
- Encourage industry training to achieve standards;
- Digitise payment system



ACCOMMODATIONS

- Consider new health and sanitations SOPs;
- Establish health screening protocols for guests and employees;
- Consider health certification scheme(s) for different accommodation categories;
- Encourage industry training to achieve new health and sanitation standards



TOURS AND ATTRACTIONS

- Establish reopening guidelines for attractions and standalone restaurants to be endorsed by health authorities;
- Establish new health and sanitation SOPs;
- Encourage industry training to achieve health and sanitation standards

IMMEDIATE-TERM POLICY RECOMMENDATIONS

- Establishment of harmonised guidelines and region-wide protocols for the staged reopening of the travel and tourism sector developed by the OECS Tourism Task Force in collaboration with national authorities and industry stakeholders across the entire value chain;
- Implementation of health screening measures, such as temperature screenings, should be implemented once borders reopen;
- Endorse and support the full implementation of the CARPHA Tourism and Health Programme;
- Specific protocols to be established by the OECS Tourism Task Force related to the specific operations of different sectors (yachting, cruising, accommodations, excursion providers, etc) and their service to clients;
- Extend the moratorium on mortgage and other loan payments including the extension of the term of the loans further to policy guidance from the ECCB and national authorities, ensuring that the deferment of loan payments will not result in borrowing being classified as non-performing or delinquent;
- Negotiate with utility and telecommunication companies to defer elements of the costs related to energy, water, and telecommunications on a case-by-case basis;
- Advocate for Business Interruption (BI) insurance that ensures coverage for the current pandemic to assist businesses in meeting their financial obligations and forestall a collapse of the sector.

MEDIUM-TO-LONG-TERM POLICY RECOMMENDATIONS

- Implement a harmonised and portable unemployment benefits programme for the travel and tourism sector through consultation with the relevant authorities for national social benefit programmes;
- Accelerate plans for regional integration such as the Single Domestic Space that was implemented during the 2007 Cricket World Cup;
- Incentivise regional air transportation through the rationalisation of policies aimed at creating a more conducive business environment for regional air travel operators;
- Establish and operationalise a multi-modal transportation strategy that supports the movement of persons and key agricultural inputs for the sector (including support for fast-ferry services and bolstering LIAT);
- Establish a harmonised OECS position for negotiations with the cruise sector in an effort to standardise head taxes across the region. The OECS Member States may also consider different incentives regimes in order to support the recovery of the sector;
- Implement joint-OECS marketing programmes for a multi-destination approach to marketing the region, aimed at restoring confidence and reducing the marketing costs that are typically borne by individual properties. Additional marketing efforts should aim to promote inter-regional travel and increase travel demand among the Caribbean diaspora.

Other proposed initiatives include:

- Pursue efforts to create a tourism product that highlights environmental sustainability, community-based tourism, heritage tourism, and other niche products;
- Strengthen destination management organisations through the introduction of a certification system;
- Strengthen institutional capacity of national hotel and tourism associations to enable tourism product diversification.

CONCLUSION

Tourism is the single largest contributor to domestic output and employment in the Eastern Caribbean. The sector is also a critical linchpin to other sectors such as agriculture, manufacturing, and the creative industries. Given these linkages between the travel and tourism sector and the broader economy, it is vital for policy measures to frontally address both immediate-term and longer-term responses aimed at sustainably revitalising the industry.



Impact on Agriculture and Food Security

The Food and Agriculture Organization of the United Nations (FAO) sounded the alarm in March 2020 that the COVID-19 pandemic might trigger a “food crisis”. The FAO went on to note that while disruptions to the global food supply system remained minimal, a reduction in the supply of field labourers and country-specific export restrictions had the potential to cause disruptions to global food supplies.³²

The FAO Food Price Index (FFPI), which is a calculation of 23 commodities and 73 price series, averaged 172.2 points in March 2020 (see *Figure 24*). This index, while 4.3% lower than that of February 2020, was still 2.7% higher than in March 2019. It should be of concern that the decline in March represented the second month-on-month drop in the value of the FFPI. This decline was predominantly driven by demand contractions resulting from the COVID-19 pandemic. While the latest fall in prices was most pronounced for vegetable oils and sugar, the other sub-indices also registered lower values in March.



“Kazakhstan, one of the world’s biggest sources of wheat flour has banned exports while Vietnam, the world’s third biggest rice exporter, has temporarily suspended rice export contracts.”

Source: Bloomberg

Figure 24: FAO Food Price Index fell further in March 2020 (Source: FAO Food Price Index released 4 April 2020)

The importation of major agricultural commodities, including cereals, pulses, and rice, is dependent on a reliable international shipping infrastructure. According to industry trade publication Freight Waves, COVID-19 response measures, including social-distancing and quarantines, have resulted in shipping lines cancelling scheduled sailings.³³ As a consequence, the risk of significant interruptions of regular transportation routes into the region continues to increase.

INDUSTRY OBSERVATIONS AND KEY ASSUMPTIONS

- As economic uncertainty grows, there will be greater reliance on domestically and regionally produced food;
- The nature of the health crisis will incentivise greater interest in more nutritious alternatives to imported, processed food;
- Customers will be forced to look for more cost-effective, nutrient-dense foods;
- The agricultural sector has underperformed its true potential in the region;
- Farmers have underutilised capacity, providing favourable conditions to increase production;
- High probability the region will be affected by weather-related hazards over the next 12 months.

MEMBER STATES' NATIONAL RESPONSES

OECS Member States have become cognisant that the COVID-19 crisis threatens to create far-reaching food insecurity within the region. As noted in previous sections of this report, this situation could be further affected by disruptions in international trade and production. Regionally, risks such as farmers being infected by the virus, consumers engaging in hoarding, and restrictions on the operating hours of food markets and the movement of people, among other factors, are expected to adversely affect the regional food security situation.

In anticipation of disruptions to the international food supply, many OECS Member States have developed National COVID-19 Agricultural Sector Response Plans. Additionally, a number of Member States have also started to roll out specific funding measures aimed at supporting the agricultural sector.

St. Vincent and the Grenadines has been at the forefront of this effort through the implementation of a [Coronavirus Food Security and Impact Mitigation Plan](#). This comprehensive plan — which has emerged as a model for other Member States — highlights actionable measures in several critical areas necessary to keep the national food supply at optimal levels.

Furthermore, the plan addresses food security at both the household and commercial levels. The plan also seeks to export excess production to neighbouring islands. The initiative is co-ordinated by the National Internal Food Security Council and is supported by a budget of EC\$3.1 million.

Other Member States, including Dominica, Grenada, St. Kitts and Nevis, and Saint Lucia, are also conducting rapid assessments and forecasting exercises to determine measures to meet their own food security needs. See *Figure 25* for the historical contribution of the agriculture sector to GDP in the ECCU.

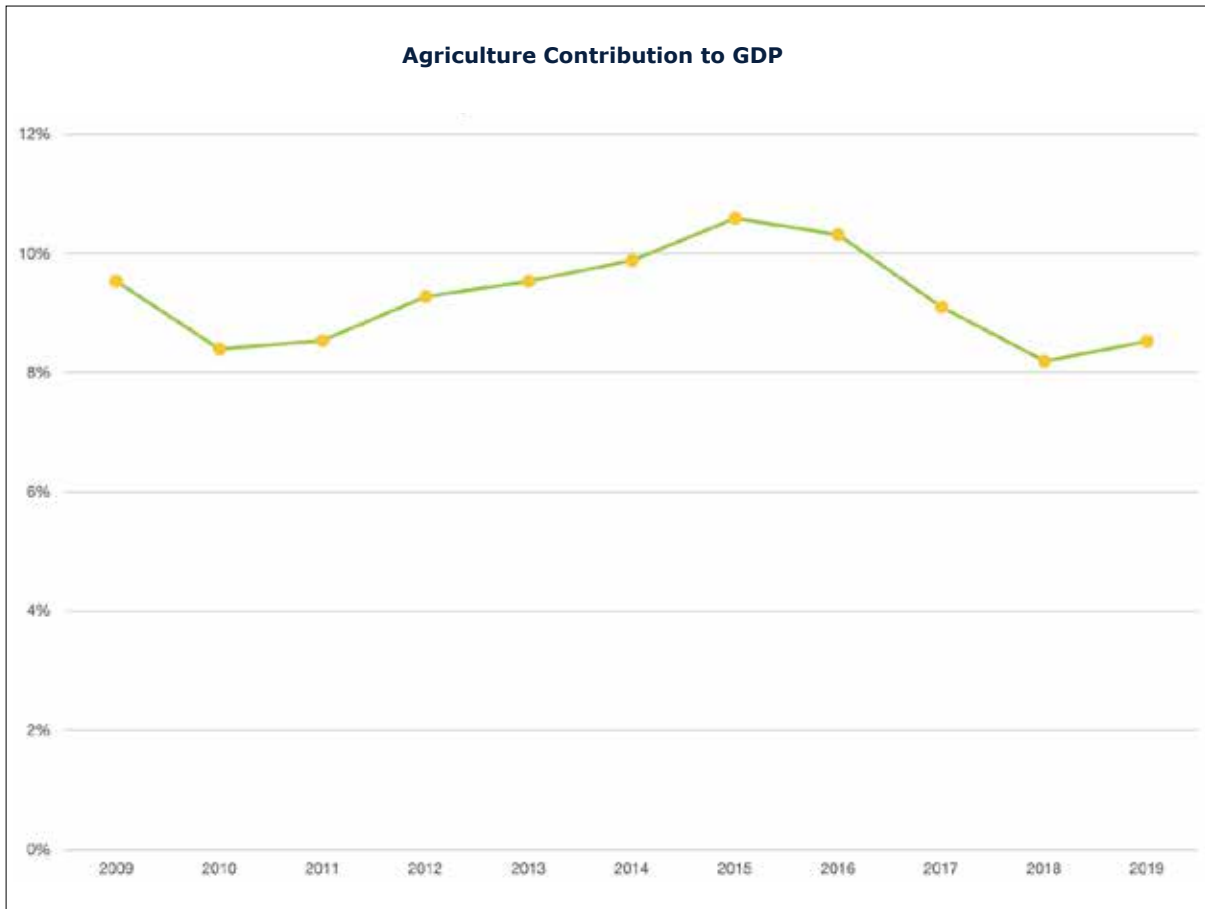


Figure 25: Contribution of Agriculture, Livestock, and Forestry to GDP in the ECCU
(Source: ECCB Statistics)

Measures mobilised as part of Dominica’s COVID-19 response include the implementation of the World Bank co-funded [Emergency Agricultural Livelihoods and Climate Resilience Project](#) which aims to provide direct input subsidies to the local farming community. The rapid production of certain root crops and vegetables (including sweet potato and cassava) has also been mobilised through the Office of Disaster Management — Food Supplies Committee. Dominica is also making investments into livestock and poultry by providing inputs to farmers.

The Government of the British Virgin Islands has approved the [Rapid Response Fishing and Farming Production Programme](#), a US\$2 million package of support that seeks to revitalise fishing and agriculture in the territory. Similarly, the Government of St. Kitts and Nevis has rolled out a [EC\\$120 million COVID-19 stimulus package](#) that includes a EC\$10 million allocation aimed at boosting production in the agricultural sector.

The Government of Saint Lucia has also provided support to the agricultural sector through its [Social Stabilisation Plan](#). The package of support includes measures to increase productivity through the provision of inputs (fertilisers, seedlings, and other key components) to farmers to help increase supply to both domestic and regional markets. The government has further pledged direct financial support to the sector through an infusion of EC\$1 million into the National Fair Trade Organisation.

MEMBER STATE	AGRICULTURE RESPONSE HIGHLIGHTS
 Antigua and Barbuda	At time of writing, the COVID-19 Package of Support had not been finalised.
 British Virgin Islands	Rapid Response Fishing and Farming Production Programme
 Dominica	Emergency Agricultural Livelihoods and Climate Resilience Project
 Grenada	Emergency Economic Stimulus Plan
 Montserrat	COVID-19 Stimulus Package
 Saint Lucia	National Stabilisation Plan
 St. Kitts and Nevis	Stimulus Package
 St. Vincent and the Grenadines	Coronavirus Food Security and Impact Mitigation Plan

THE OECS REGIONAL SUPPORT STRATEGY

Working with both the CARICOM Secretariat and OECS Member States' nationally-appointed *Agriculture Focal Points*, [the OECS Commission has advocated for an approach that harmonises national responses into a co-ordinated regional effort](#). As part of the response strategy, the OECS Commission has formed a Working Group of Agriculture Focal Points with the following mandates:

- To provide a forum for regional discussion and facilitate the sharing of best practice;
- To formulate a cohesive regional food security response to COVID-19;
- To periodically evaluate national responses to food security needs in Member States;
- To facilitate the trade and transportation of food between Member States.

Additionally, the efforts of the working group include [two critical areas for ensuring food security across the region](#):

BACKYARD FARMING	INTRA-REGIONAL TRADE
<p>Household subsistence farming has the potential to improve the food and nutritional security of households by increasing food supply variety and reducing the need to purchase food. Each Member State has been encouraged to make provisions for backyard farming in its response plans; interventions should include providing inputs such as seedlings and technical expertise to ensure that the efforts are successful. The OECS Commission has contributed to this effort through the dissemination of a library of E-learning materials on backyard farming.</p>	<p>Responding to risks in the international food supply, the OECS Commission is providing technical assistance to Member States to revitalise intra-regional trade. This requires concerted efforts to address issues such as the rapid harmonisation of sanitary and phytosanitary (SPS) measures and an adjustment of trading fees for the duration of the crisis. Also, port protocols can be enhanced to support inter-regional trade.</p>

OECS Agriculture Task Force



1

PRODUCTION

The development of national plans by Member States with an emphasis on the provision of free inputs such as seedlings to farmers. The objective is to increase access to nutritious foods such as fruits and vegetables.

2

TRANSPORTATION/ TRADE

Member States acknowledge the need to reduce food-import bills by increasing inter-regional trade in agricultural products. Supportive measures include common SPS protocols and temporary waivers of duties and charges.

3

MARKETING/ CONSUMPTION

The development of an OECS virtual marketing platform which aims to facilitate the interaction of suppliers and buyers in the region. A technical team has been established by the Commission to develop modalities for the platform.

RECOMMENDATIONS

While the current crisis has exposed the fragility of the region's economic support sectors and has highlighted key challenges to deeper regional integration, it has also presented an opportunity for regional leaders to address longstanding shortcomings and plan for the revitalisation of the agricultural sector. The recommendations below outline actions to support these efforts:

IMMEDIATE-TERM RECOMMENDATIONS

- Design and implement revised health, safety, and sanitary measures across the entire food production value chain which will take into consideration the need to adhere to social-distancing protocols and SPS measures. This work will be led by the OECS Working Group of Agriculture Focal Points;
- The completion of the OECS Free Circulation of Goods Bills (Animal Health Bill, Food Safety Bill, and Plant Protection Bill) for consideration and adoption by the cabinet of each Member State. These bills will harmonise SPS standards across the OECS;
- Strengthening of intra-regional trade to reduce the reliance on internationally-sourced food;
- Promotion of 'buy local' marketing campaigns aimed at increasing consumer demand for locally-produced, nutritious food through endorsements by cultural and brand ambassadors (sports stars, musicians, local heroes, etc);
- Assistance to subsistence farmers to maintain food production through the provision of inputs (such as seedlings and fertiliser) and technical support;
- Improved communication platforms to encourage best practices, dissemination of relevant information, and direct lines of communication with all critical stakeholders within the sector.

MEDIUM-TO-LONG-TERM RECOMMENDATIONS

- Develop and implement a public-private approach to food stockpiling;
- Increase research into more nutritious and higher-yielding crops that are suitable for a changing environment;
- Design social safety nets to protect the vulnerable during times of crisis. This would include measures to protect their access to nutritious food, for example, regulated central food distribution depots;
- Strengthening of statistical data collection and analysis in the agricultural sector;
- Capacity building of Agricultural Extension Officers to enhance the support provided to farmers.

CONCLUSION

Over the past two decades, the agricultural sector in the OECS has witnessed a secular decline owing to changing external market conditions, declining levels of competitiveness, and a rapid transition from mono-crop, agro-based economies to services.

In recent years, increased policy focus has been given to revitalising the agricultural sector. These efforts have included input support measures such as duty concessions on agricultural inputs, specialised training in farming techniques, and technical adaptation strategies in the use of ground cover and greenhouse technologies.

The COVID-19 crisis has brought the issue of food security to the forefront of national and regional attention. In light of trade restrictive measures invoked by key source markets on some staple products such as wheat, OECS Member States have commenced a process to re-establish strong production in the sector. Additionally, measures are being put in place to enable produce to be transported seamlessly throughout the ECEU. This requires a collective effort to enforce the harmonisation of SPS measures and zero-rate identified tariff lines, and the establishment of green lanes for the shipment of agro-food throughout the OECS.

In order to facilitate the objectives outlined above, harmonised measures should be established by the working group at the earliest to encourage the scaling-up of production while also responding to the need to safeguard stakeholders across the food value chain from COVID-19-related risks.



Impact on Manufacturing

Despite some successes, the manufacturing sector in the OECS has not reached its full potential. Due to a combination of various factors, including repeated brushes with severe weather events, pressures from lower-cost regional competitors, and significant structural impediments, the sector remains an underdeveloped yet a vital component of the OECS region's economic base.

Though small, the manufacturing sector can offer an alternative to boost economic activity in Member States. The sector is largely comprised of brewers and distillers, aerated drink producers (including water producers), agro and food processors, fabricators of construction materials, and producers of sanitary and personal care products.

Given the renewed focus on food security and sustainability during the pandemic, the manufacturing sector has been presented with an opportunity to help stimulate economic activity. However, to develop meaningful strategies and policies, a more granular analysis of manufacturing data is required.

The factors that constrain the performance of regional manufacturing include:

- Poor business-enabling environment;
- High energy and production costs;
- Inability to meet international standards;
- Difficulty accessing international value chains;
- Low levels of productivity;
- Narrow range of export markets;
- Limited access to appropriate financing instruments.

BACKGROUND ON SECTOR PERFORMANCE

According to ECCB data — despite the sector's recent underperformance — manufacturing in the OECS remains vital to the overall economic health of the region (see *Figure 26*).

The contribution of the sector to regional GDP has deteriorated significantly during the previous decade from a peak of 4.24% in 2011 to a low of 3.62% in 2019 (see *Figure 27*). Prior to the outbreak of the pandemic, projections for 2020 and 2021 stood at 3.58% and 3.57% respectively. However, these estimates will likely be revised downwards.

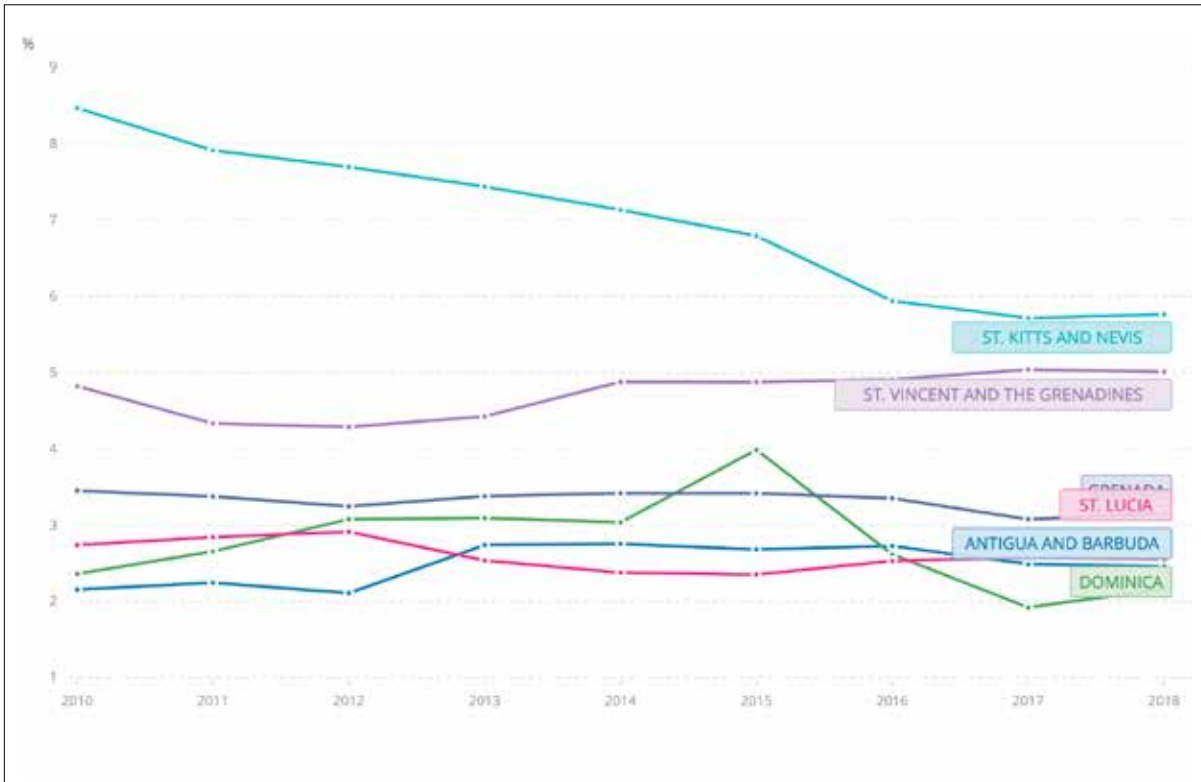


Figure 26: Manufacturing, value added (% of GDP) - Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines (Source: World Bank)

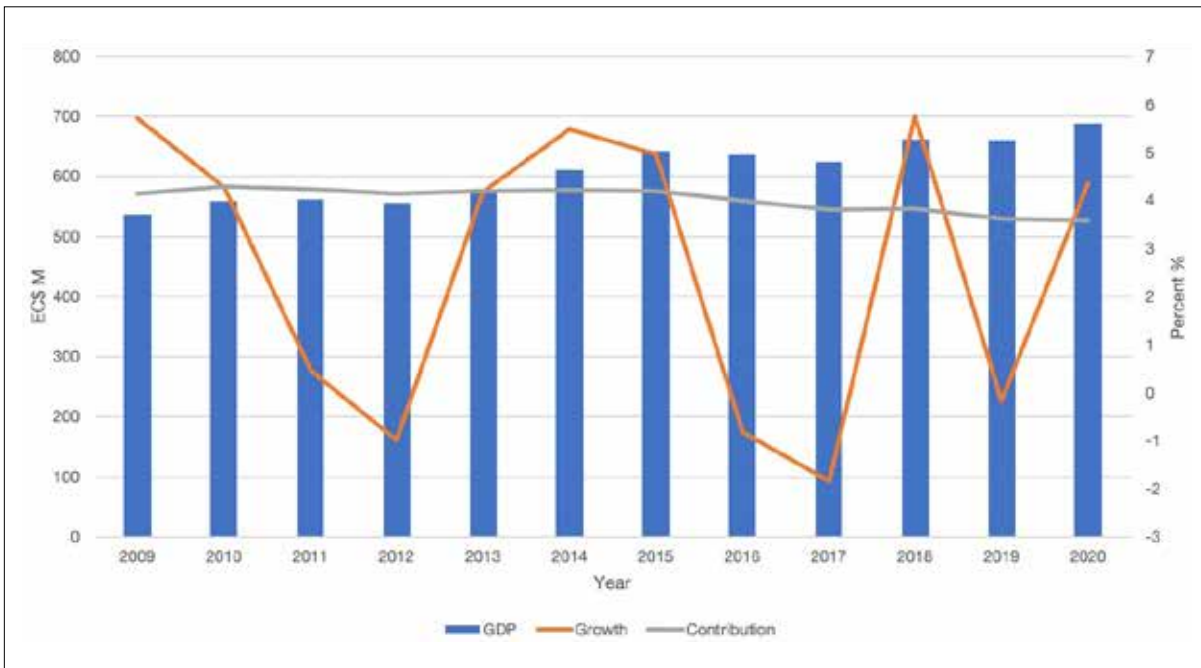


Figure 27: Economic Contribution as Percent of GDP and Growth Rate of the ECCU Manufacturing Sector 2009-2020 (Source: ECCB Statistics)

VULNERABILITIES EXPOSED

The COVID-19 crisis has exposed the vulnerability of the sector and clearly points to the need for greater resilience, particularly in the following areas:

- Over-reliance on external sources for inputs and raw materials;
- The need for increased innovation to encourage flexible manufacturing processes and platforms that are adaptable to dynamic operating environments;
- The establishment of appropriate mechanisms for effective public-private partnerships (PPPs);
- The need for business continuity and disaster management plans.

IMPACT OF COVID-19 ON THE MANUFACTURING SECTOR

Containment measures taken by governments around the world have impacted the regional manufacturing sector in several ways. These implications have been felt most markedly in the following areas:

Sourcing Complications

Given the reliance on imported inputs, the prevalence of increased border restrictions in source markets has caused a number of supply chain disruptions for the sector. These sourcing complications will likely lead to reductions in output and product diversity.

Production Implications

Though some firms have standard operating procedures (SOPs) that follow good manufacturing practices (GMP), hazard analysis and critical control points (HACCP), and International Organization for Standardization (ISO) procedures, social-distancing protocols add a layer of increased complexity to existing manufacturing processes that make maintaining pre-COVID-19 production levels challenging or altogether impossible.

Ability to Meet Financial Obligations

Despite expectations that some degree of demand can be regarded as deferred, the immediate loss of sales revenues has had a detrimental impact on the ability of firms to meet their near-term financial obligations.

INDUSTRY OBSERVATIONS AND ASSUMPTIONS

- Manufacturers will be able to find alternative suppliers for inputs and raw materials;
- There are opportunities to repurpose elements of the manufacturing sector to meet certain market gaps that have been exacerbated by COVID-19;
- Export markets will remain open despite producers facing supply chain complications;
- There will be a need to rely more on domestic products than extra-regional imports;
- OECS Member States will rely on Article 164 Treaty Provisions of the Revised Treaty of Chaguaramas to support local production.

The OECS Competitive Business Unit (CBU) recently conducted a cross-cutting survey to gauge the impact of COVID-19 on MSMEs in the region. The following summarises the responses from the manufacturing sector:

HIGHLIGHTS FROM OECS SURVEY ON MSMEs

- Interruptions to input supplies due to lockdowns, reduction in transportation logistics, and supply chain disruptions. There were also reports of dramatic increases in the cost of raw materials;
- Reduction in sales revenues due to lockdowns and decreases in production;
- Export sales have significantly decreased due to reduced demand for non-health-related products and a general disruption in transportation logistics.

Some firms reported being able to temporarily pivot their operations to serve niche opportunities presented during the crisis:

POSITIVE OPPORTUNITIES ARISING FROM COVID-19 PANDEMIC

- Filling market gaps for health and sanitation products: Many distilleries across the region, like St. Lucia Distillers and Grenada-based Blue Light Distillery, have filled market gaps for alcohol-based sanitisers;
- Prioritisation of E-commerce for sales channel diversification: Numerous supermarkets and start-ups in the region have begun offering pick-up and delivery services.

ONGOING AND PLANNED INITIATIVES BY POLICYMAKERS

Two macro-level objectives have been paramount for several years in directing policy interventions in the manufacturing sector in the Eastern Caribbean:

- **Addressing structural obstacles for the development of local industries** by providing direct support through a gateway to donor-financed programmes administered by the OECS Competitive Business Unit (CBU), aimed at addressing firm-level constraints. These interventions have been focused on the following areas: management enhancement; product development; and export-market support;
- **Regional policy objectives aimed at repositioning the sector** onto a more export-oriented and innovative footing with a specialised focus on value-added trade and the development of new sub-sectors such as biotrade.

[The OECS, in collaboration with UNCTAD, is leading this work through "Seizing the Trade and Business Potential of Blue Biotrade Products for Promoting Sustainable Livelihoods and Conservation of Marine Biodiversity in Selected OECS Member States".](#)

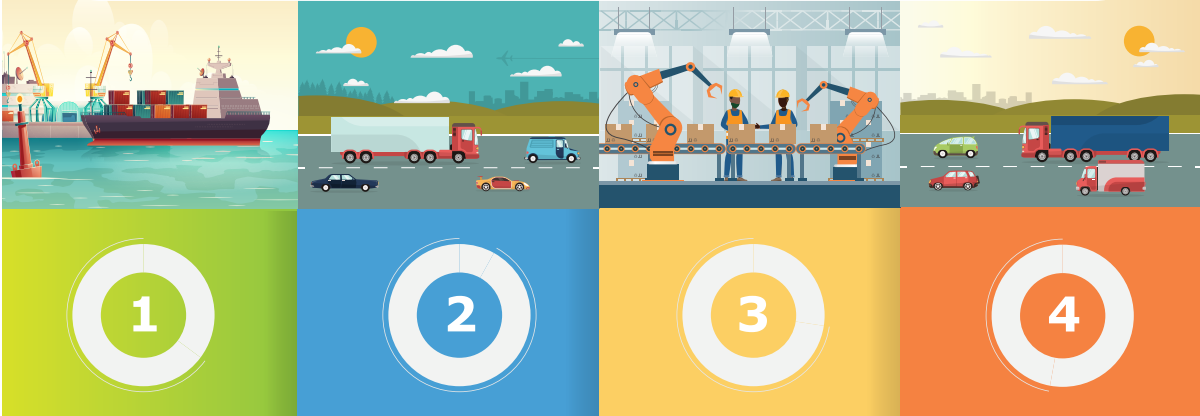
PUBLIC EFFORTS TO SUPPORT THE SECTOR

A number of actions at national and regional levels have been taken to address the negative impacts of COVID-19:

MULTILATERAL AND NATIONAL SUPPORT MEASURES

- The CDB approved up to US\$140 million to be used by its borrowing member countries to tackle the fallout of the pandemic and other shocks;
- The Government of St. Kitts and Nevis has implemented a full stimulus package which offers reductions in corporate taxes, the postponement of property tax payments from June to September 2020, and the removal of value added tax (VAT) and import duty on designated tariff lines for six months. An emergency wage fund has been created to provide relief to displaced workers;
- The Government of Grenada's stimulus plan is intended to promote business sustainability and alleviate any potential job losses;
- Some regional financial institutions have implemented loan payment moratoria for up to six months and, in some cases, special funds are available to manufacturers;
- The Government of Saint Lucia announced concessions to companies that produce sanitation, healthcare, and medical-related products; an extension of corporate tax instalment payments; moratoria on bank loan repayments for up to six months; extension of time for filing of income tax returns by one month; tax credits to companies and other entities which retain at least 30% of their staff; temporary reprieve from the payment of utilities on a case-by-case basis; and a temporary waiver of interest and penalties on all tax types for March 2020.

Reopening the Manufacturing Sector



PREPARING THE WORKPLACE:

Employers should develop an *Infectious Disease Preparedness and Response Plan* which may include:

- Incorporation of recommendations from medical authorities;
- Protocols based on the type of job tasks being performed;
- Procedures for prompt identification and isolation of sick persons;
- Communication plan for workplace procedures;
- Training materials for employees

MITIGATION PROGRAMME:

Employers should clearly document protocols to mitigate contraction and spread of the virus.

These protocols may include:

- **Pre-Test:** Employers should ensure employees are healthy, virus-free and are not asymptomatic. This could be substantiated by a medical health certificate;
- **Testing:** Measure the employee's temperature and assess symptoms prior to entering the facility. Conduct periodic temperature checks throughout the day;
- **Facial Mask:** Employees should wear a face mask at all times while in the workplace;
- **Physical Distancing:** Employers should ensure physical distancing, as work duties permit. Designated areas should be marked for guidance;
- **Sanitisation:** Regular sanitising of common areas and equipment. Workers should wear gloves and sanitise them regularly.

WORKPLACE CONTROLS:

Implement an *Occupational Safety and Health Framework*. This may include:

- Efficient air filter to increase ventilation;
- Physical barriers such as plastic sneeze guards;
- Consideration of drive-through window or curb-side pick-up for customer service;
- Encourage personal hygiene by providing no-touch trash bins, hand soap, no-touch sanitisers, disinfectants, and disposable towels;
- PPE available to employees that is properly worn and maintained.

MONITORING AND EVALUATION PLAN:

- Provide employees with an avenue for feedback on policies;
- Frequent meetings and discussions with staff;
- Review and update protocols as needed.

RECOMMENDATIONS

As seen in some of the measures being taken at the national level, the following are measures to be considered to support the sector:

IMMEDIATE-TERM RECOMMENDATIONS

- Establishment of sanitary protocols: The OECS Commission, in collaboration with national authorities and industry stakeholders, should work to develop and implement revised health, safety, and sanitary protocols to enable the reopening of the sector whilst mitigating COVID-19 risks to workers;
- Standards and conformity assessments: Establishment of support mechanisms for firms to attain international and private standards such as HACCP, GMP, and ISO standards relevant to specific markets;
- Harmonisation of support measures: The OECS Member States, through the Economic Affairs Council, may consider working with the OECS Commission towards implementing harmonised, immediate-term, stabilisation programmes to ensure policy coherence across the OECS manufacturing sector;
- Concessional financing: Low or zero interest loans, government-backed credit guarantees, and government-requested debt repayment moratoria to assist with short-term liquidity challenges.

COVID-19 presents a unique opportunity to pursue meaningful adjustments, including diversification, that improve the prospects of the sector in the medium to the long term.

MEDIUM-TO-LONG-TERM RECOMMENDATIONS

- New policy thinking: National authorities have the opportunity to revisit their incentives regimes and industrial policies. Policies should encourage and incentivise research and development (R&D) and capital investments as principal drivers of innovation in the sector;
- Better monetisation of intellectual property (IP): Consideration may be given to establishing geographical indications/certification marks that support the transition to higher value-added output from the agro-business and manufacturing sectors that are in line with emerging trade demands. The OECS Commission is currently exploring the establishment of an OECS IP Register and Certification Mark;
- Provide policy support for sector diversification: Efforts should be made to identify sectors that can improve value-added output through the adoption of biotrade principles. For example, the OECS Commission, working with UNCTAD, is piloting a blue-economy biotrade initiative that focuses on the queen conch and algae (seamoss and sargassum) value chains.

CONCLUSION

The manufacturing sector in the OECS continues to confront challenges of competitiveness. While there have been encouraging signs in exports, the expansion of the sector has not kept pace with the more dynamic services sector. Manufacturers face a host of challenges including high production costs, low labour market productivity, high transportation costs, and competition from lower-cost competitors.

Notwithstanding structural constraints, the sector has demonstrated the potential to take advantage of market gaps and changing consumer trends to diversify production. To respond to the high cost structure in the OECS, increased attention is being placed on the development of specialty and niche products including biotrade which links the collection, production, transformation, and sale of goods and services derived from native biodiversity to environmental and social principles. Such approaches support the twin imperatives of higher pay for producers and environmental sustainability.

In addition to the specific considerations noted above, there are other strategic opportunities to improve the competitiveness of OECS firms to allow better integration into regional and global value chains. These opportunities can be driven by improving the architecture for standards across sectors. Additionally, the creation, retention, and monetisation of IP provides another avenue for growth. The encouragement of evidence-based decision making in the manufacturing sector and increased investment in R&D using business incubators and virtual sandboxes would supplement these initiatives.

In order to achieve greater levels of efficiency at the firm level, policy measures that support the business environment, including access to concessional finance, need to be established. Innovative policies and market-based approaches should be considered to bridge the financing gap, particularly for start-ups and MSMEs. This could include specific envelopes opened through National Development Bank. Additional approaches to raising capital can include crowd-funding as well as the establishment of credit instruments financed by the regional capital market.

In pursuit of the above, policy considerations may be given to increasing access to relevant intermediate technologies as well as the deployment of force-multipliers that enable businesses to amplify their efforts towards generating greater output.

However, in the immediate term, what is needed is the reopening of the manufacturing sector. This will require the establishment of revised health, safety, and sanitary protocols that will facilitate a smooth resumption of business while also safeguarding the wellbeing of workers. Member States, working with the OECS Commission, should continue ongoing efforts to develop these safeguards in close consultation with businesses and other industry stakeholders. Particular attention may also be given not only to the development of new protocols, but to their enforcement by the relevant authorities.



Impact on the Creative Industries

The creative industries hold significant untapped potential for growth in the OECS. Beyond the economic potential, there is untested absorptive capacity for youth employment (see *Figure 28* and *Figure 29*). While data is scarce, anecdotal evidence suggests that large numbers of creatives are engaged in what is referred to as the creative industries through the production of goods and services which highlight the region's unique culture and heritage. Along with the tourism sector, cultural and creative sectors are among the most affected by the COVID-19 crisis.

The creative industries include visual arts (paintings, sculptures, photography); fashion and design; performing arts (music, dance, and theatre); culinary arts; media; and digitised creative content (books, film, television, radio, podcasts, gaming). The sector also includes heritage which covers museums, exhibitions, and cultural sites. Most of the practitioners are responsible for supporting livelihoods, especially those of women and the youth. In addition to these positive impacts on employment, creative entrepreneurs contribute to generating foreign exchange earnings.

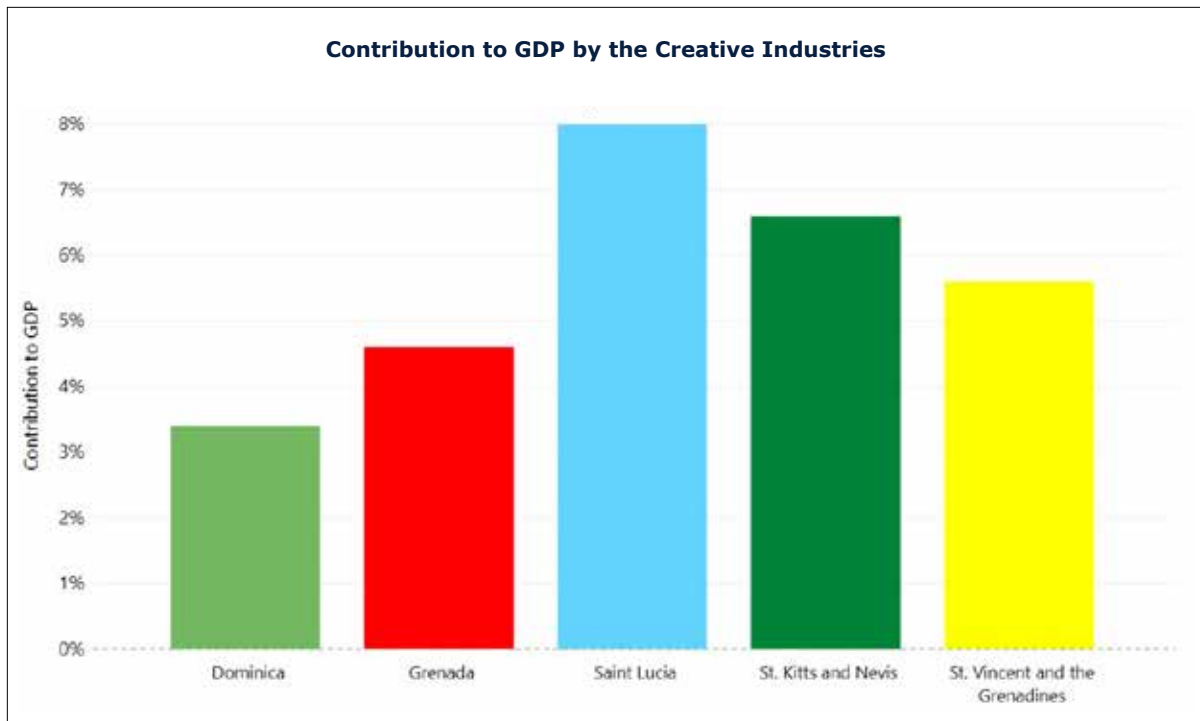


Figure 28: Contribution of the Creative Industries to GDP (data not available for Antigua and Barbuda; Source: Inter-American Development Bank, "Orange Economy - An Infinite Opportunity")

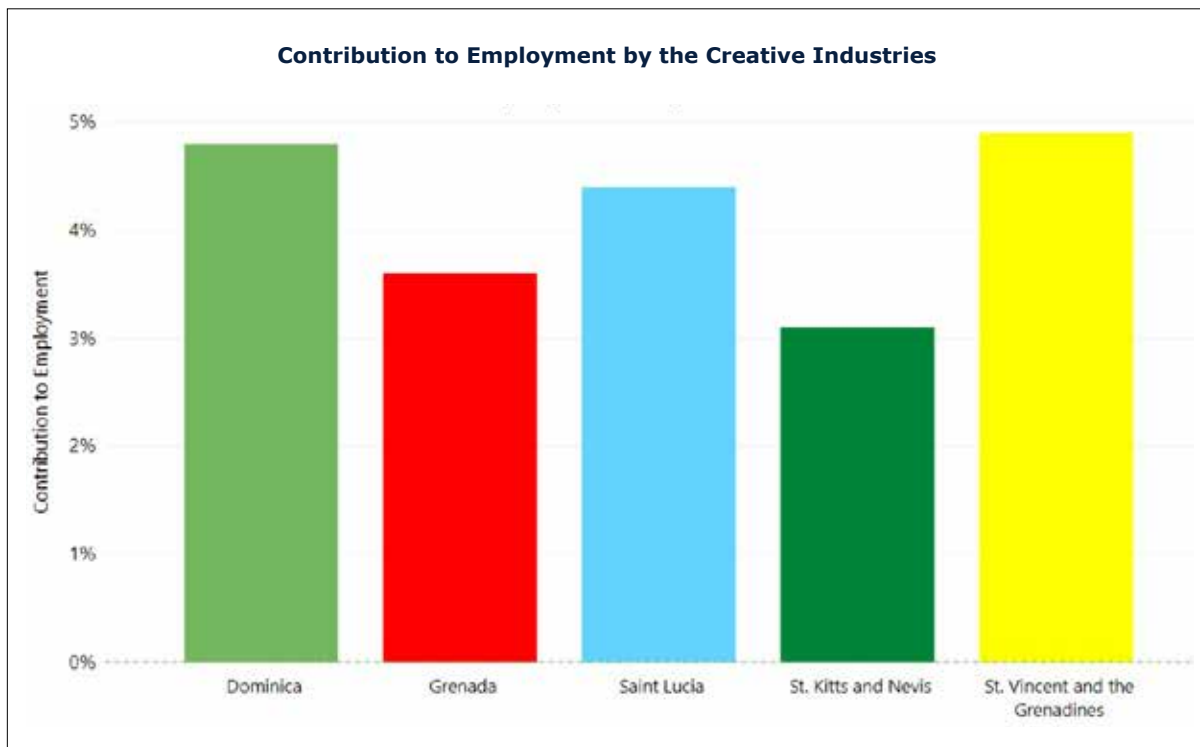


Figure 29: Contribution of the Creative Industries to Employment (data not available for Antigua and Barbuda; Source: Inter-American Development Bank, "Orange Economy - An Infinite Opportunity")

In order to enhance competitiveness in the creative sector, the OECS Commission, through the CBU, has delivered a range of strategic interventions that target MSMEs in the following segments of the creative industries: music, film and audio-visual, craft and fashion, and design. These interventions aim to address the entire value chain including capacity-building of creatives to improve production methods, monetising of IP, establishing market access opportunities, and fostering regional co-operation among creative entrepreneurs.

THE IMPACT OF COVID-19 ON THE CREATIVE ECONOMY

As referenced previously in this report, COVID-19 has had a devastating impact on numerous economic sectors but the travel, tourism, and hospitality sectors in particular have been the hardest hit. Being closely linked to the travel and tourism sector, creative entrepreneurs are experiencing immense difficulty in plying their trade. For instance, important musical and cultural showcases, such as carnivals and music festivals, have all been cancelled or postponed until next year. Annual events such as these represent an outsized portion of the annualised earnings of many of the region's artistes and entertainers.

In periods of crisis, art and cultural activities are always severely affected as consumers find it difficult to pay for entertainment and cultural services which they usually deem as non-essential expenditures. Hence, in the current environment, the fate of the creative industries appears to be reliant on the recovery of other equally hard-hit sectors like travel and tourism.

INDUSTRY OBSERVATIONS AND KEY ASSUMPTIONS

- The fortunes of large portions of the creative industries are closely linked to the broader performance of the tourism and hospitality sectors;
- Segments of the creative industries remain largely informal and risk being overlooked in national social support packages;
- Co-operatives or professional associations for creative entrepreneurs can be established to ensure that the needs of the sector are effectively articulated to policymakers and other key stakeholders;
- Creative entrepreneurs can provide branding support and public awareness aimed at bolstering demand for locally and regionally produced products and services;
- Creative entrepreneurs can tap into revenue opportunities presented by popular digital streaming platforms such as Spotify, Apple Music, Pandora, and YouTube.

MUSIC AND ENTERTAINMENT

Musicians and entertainers are currently struggling to cope financially as local shows, overseas tours, and festivals have been cancelled or postponed. Bars and entertainment venues have also been closed due to social-distancing efforts. The OECS region was just about to enter into the lucrative annual summer carnival season when the pandemic struck. The result is that carnivals in Saint Lucia, St. Vincent and the Grenadines, St. Thomas, the US Virgin Islands, and St. Maarten, which provide numerous opportunities for OECS talent, have all been cancelled or postponed. Likewise, music festivals throughout the region have also been impacted. This means that the livelihoods of musicians, calypsonians, soca artistes, songwriters, music producers, designers of costumes, mass-makers, and event promoters will all be negatively impacted.

Similarly, many of the performers, musicians, and bands who travel to diaspora communities in North America and Europe for annual carnivals and other events have also been impacted by contract cancellations.

FASHION AND DESIGN

The fashion and design sub-sector, which is particularly important for large numbers of women and youth, has been similarly disrupted by the pandemic. Many of the region's leading designers have had to cancel the introduction of new collections, are unable to attend major international fashion events, and are unable to conduct business with vendors and buyers. Many of these designers have also been impacted by their inability to provide services to regular consumers of ready-to-wear garments, uniforms, carnival costumes, and swimwear. These factors have impacted their ability to meet their near-term financial obligations, employ staff, and purchase raw materials.

The handicraft and accessories sub-sector has also been hard-hit by the early closure of the cruise season and the closures of hotels and other guest lodgings.

FILM AND MEDIA

Even prior to the outbreak of the pandemic, the film and media sub-sector was struggling due to the inability to identify sustainable market opportunities. The pandemic has exacerbated this dynamic. Producers of film, documentaries, and new media content have found it increasingly difficult to find buyers and to promote their work.

RECOMMENDATIONS

It is critical, therefore, that policymakers provide a mix of responses to address these impacts, bearing in mind that the sector requires both immediate livelihood and support to take advantage of new opportunities once the effects of the pandemic abate.

Recommended actions are two-tiered. Firstly, firm-level interventions directed at mitigating the immediate impact of the pandemic on incomes and livelihoods; while the second tier involves a mix of policy-level interventions aimed at creating sustainable support to the sector. The measures to be considered include:

FIRM-LEVEL RECOMMENDATIONS

- Redirect some of the 11th European Development Fund (EDF) monies to support early interventions for market access and export promotion activities for emerging and export-ready businesses;
- Encourage creative entrepreneurs to focus on strengthening their business models to minimise the impact of future crises. These strategies can include making greater use of digital technology;
- Encourage creative entrepreneurs to provide data to help better inform policy decisions;
- Explore areas of collaboration that aim to build interlinkages among the creative industries of each Member State, for example, fundraising concerts and telethons showcasing OECS artistes.

POLICY-LEVEL RECOMMENDATIONS

- Advocate for a mix of policies including tax waivers and lowering of import taxes on raw materials and equipment used in the production of creative goods;
- Provision of soft loans and grants to facilitate the production and marketing of creative goods.

CONCLUSION

As an important contributor to GDP and to foreign exchange earnings, it is important that this sector be factored into the development of any policy responses focused on the protection of livelihoods during the crisis period.

Cultural industries play a significant role in supporting livelihoods and boosting visibility of the cultural richness and identity of the region and its peoples. The sector has played an outsized role in the daily lives of OECS societies, yet its historical contribution has not always been fully understood. In the age of social media, many OECS artistes have achieved breakout success and have garnered international acclaim. Bouyon music, the Dennery Segment, and Jab-Jab are recent examples of genres which have gained attention far beyond our shores.

Many of these artistes have been rendered unemployed by the crisis. It is therefore important for policy measures aimed at providing income-support to also direct resources towards creative entrepreneurs. Initiatives like the CDB's [Cultural and Creative Industries Innovation Fund \(CIIF\) Emergency Relief Grant](#) can serve as a potential model for these types of initiatives. Moreover, regional support institutions such as the OECS CBU can direct attention to providing these entrepreneurs with an avenue for further skills development in areas including business management, social media management, and product marketing.



3

PART 3

SOCIAL ASSESSMENTS

Part 3:

Social Assessments on the Impact of COVID-19

As explored previously in this report, the negative economic implications of COVID-19 are deep and far-reaching. Similar to the aftermath of natural disasters, to which the Eastern Caribbean is no stranger, vulnerable populations tend to be more acutely affected by environmental and economic shocks. In this regard, the current pandemic is no different. Certain demographics, including women, children, the youth, the elderly, persons living with disabilities, and indigenous peoples, are likely to be disproportionately affected. Poorer households and other vulnerable populations will likely face greater difficulties in accessing basic necessities such as healthcare, proper nutrition, education, and social protections.

During this crisis, women have undertaken multiple roles of care provision such as caring for children and elderly family members. These additional roles place increased burdens on their time and resources in ways not typically experienced by their male counterparts.

Similarly, the youth have also been challenged by the crisis. For example, even prior to the onset of the pandemic, youth unemployment and underemployment rates were already significantly higher than national rates of unemployment. This labour market dynamic is likely to worsen in the near future.

The combined effects of economic and social displacement will also likely increase the number of individuals who require psycho-social support. The youth may grow increasingly anxious about their educational prospects and many adults are likely to experience increased levels of stress due to financial pressures and the added responsibilities of child care.

As it relates to the health sector, the region's health systems remain largely under-resourced. Considering the fragility of these systems and the limited number of intensive care beds, medical authorities have prioritised efforts on the containment of the virus. Though the pandemic has placed enormous pressure on Member States, it has also accelerated long-overdue health sector reforms.

COVID-19 has also caused major disruptions in the education system. Globally, over 1.2 billion students have been affected across 186 countries (see *Figure 30*).³⁴ In the OECS, adherence to social-distancing protocols has necessitated the closure of all schools, affecting over 150,000 students and 10,000 educators. Due to school closures, some institutions have started delivering classes online. While this transition from in-person to fully-online learning has not come without its challenges, it has led OECS education systems to rapidly reorient towards the future of the sector.

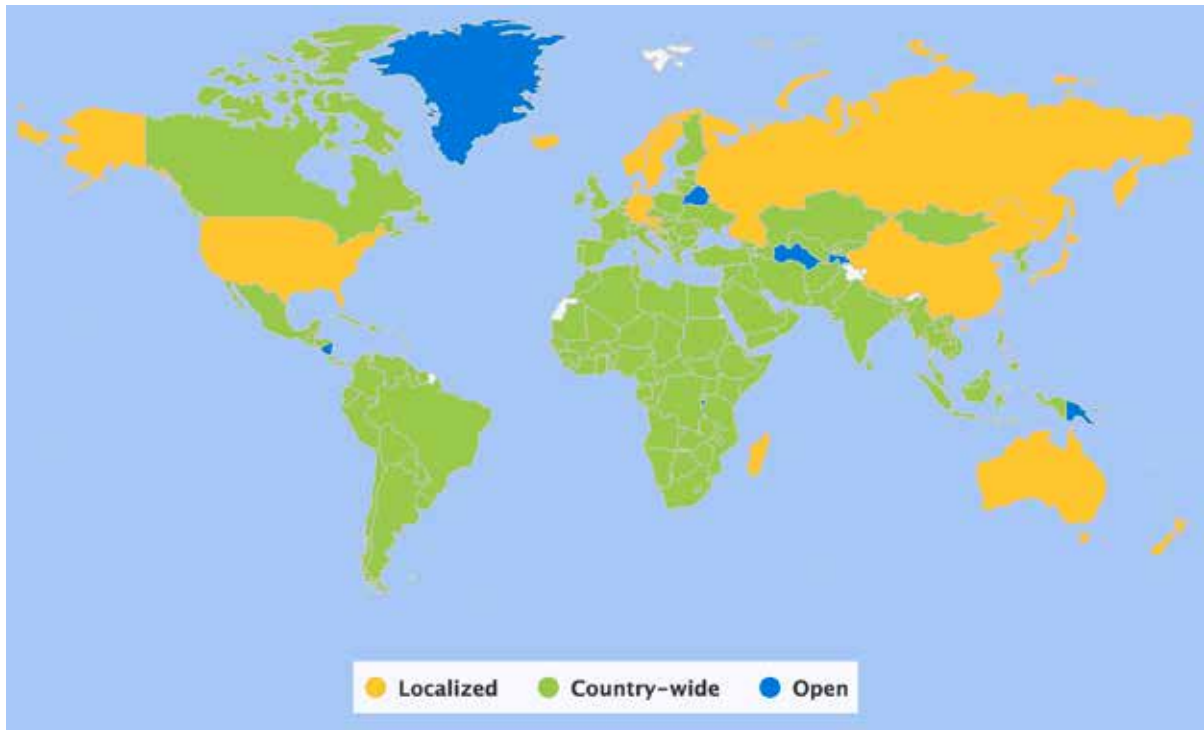


Figure 30: Global monitor of school closures caused by COVID-19 (Source: UNESCO)

The following section of this report explores the impacts to these aforementioned sectors in greater detail.

Impact on the Social Protection Sector

OECS Member States are classified as having a high human development index (HDI), ranking from 70 (Antigua and Barbuda) to 103 (Dominica) out of 189 countries (see *Figure 31*). Amidst high levels of human development, the economy of the OECS region and its economically disadvantaged households and vulnerable groups will be more acutely affected by the associated economic fallout of the COVID-19 pandemic. Vulnerable groups include persons in poverty or who can easily fall into poverty, the disabled, the elderly, children, the youth, migrant populations, and indigenous peoples (see *Figure 32*).

COUNTRY	RANK	INDEX
 Antigua and Barbuda	70	0.780
 St. Kitts and Nevis	72	0.778
 Grenada	75	0.772
 Saint Lucia	90	0.747
 St. Vincent and the Grenadines	99	0.723
 Commonwealth of Dominica	103	0.715

Figure 31: Human Development Rank and Index (HDI) for six OECS Member States
(Source: Human Development Report 2018)

Country	Programme(s)	Beneficiaries ¹ (pre-COVID-19)	Projected severe poverty due to COVID-19 ²	Coverage ³
Anguilla	Public Assistance Programme	115	na	na
Antigua and Barbuda	Board of Guardian, People's Benefit Programme	2,581	23,200	11%
Barbados	National Assistance Programme	11,599	56,100	21%
British Virgin Islands	Public Assistance Programme, Financial Assistance Programme	1,169	na	na
Dominica	Public Assistance Programme	2,200	9,000	24%
Grenada	Support for Education, Empowerment and Development (SEED) Programme	9,352	20,700	45%
Montserrat	Public Assistance Programme, Social Welfare Benefits	395	na	na
Saint Kitts and Nevis	Unconditional cash transfer/liveable wage	3,828	9,000	43%
Saint Lucia	Public Assistance Programme, Child Disability Grant	3,656	33,600	11%
Saint Vincent and the Grenadines	Public Assistance Programme	10,000	13,200	76%
Trinidad and Tobago	Food support programme; General Assistance Grant; Public Assistance Programme	43,770	143,900	30%
Turks and Caicos Islands	Social Enhancement Aid, Home Help Aid, Rent Assistance	251	na	na
Average (8 countries)		86,986 ⁴	308,700	28%

1. Assuming one beneficiary per household.

2. Derived from Table 5 and UN World Population Prospects, 2019 revision, op. cit.

3. Beneficiaries divided by projected population in severe poverty due to COVID-19 pandemic.

4. Excluding beneficiaries from ECA countries without poverty information.

Sources: Beneficiary data: UNICEF, 2019, Situation Analysis of Children In the Eastern Caribbean; Severe poverty estimates and coverage: UNICEF study team.

Figure 32: Projected Coverage of Social Assistance Programmes (Source: "The Socio-Economic Impact of COVID-19 on Children and Young People in the Eastern Caribbean Area", UNICEF)

Poorer households face greater difficulties in accessing basic necessities such as healthcare, proper nutrition, and education. Additionally, depletion of household savings can exacerbate the already precarious situations of these households (see *Figure 33*).

Poverty category	Country/ Survey Year	Antigua & Barbuda	Barbados	Dominica	Grenada	Saint Kitts & Nevis	Saint Lucia	Saint Vincent & Grenadines	Trinidad & Tobago	All country average
		2008/9	2016	2009	2007	2007	2016	2007/8	2005	-
Severe poverty rates	Children (pre-pandemic)	4.5%	6.4%	6.2%	4.0%	1.5%	2.0%	4.4%	1.9% ²	3.9%
	Children (projected)	28.5%	29.0%	24.6%	30.6%	30.7%	28.1%	18.0%	16.3%	25.7%
	All (pre-pandemic)	3.7%	4.3%	3.1%	2.4%	0.8%	1.3%	2.9%	1.2%	2.5%
	All (projected)	23.7%	19.5%	12.5%	18.4%	17.0%	18.3%	11.9%	10.3%	16.5%
Overall poverty rates	Children	24.3%	35.6%	38.0%	50.9%	31.2%	34.5%	37.6%	22% ²	36%
	All	18.4%	24.8%	28.8%	37.7%	21.8%	25.0%	30.2%	17.1%	25%

Insufficient information for Anguilla, British Virgin Islands, Montserrat and Turks and Caicos to enable projections.

Estimated by assuming the average ratio of child/ total severe poverty ratio for the other countries.

Source: Various; IMF, op. cit.; IFPRI, op. cit.; UNICEF study team (projections).

Figure 33: Projected changes in poverty rates due to pandemic (Source: “The Socio-Economic Impact of COVID-19 on Children and Young People in The Eastern Caribbean Area”, UNICEF)

Certain demographics of the population, including the differently abled, women, children, youth, and the elderly, will also be disproportionately affected by the pandemic in ways that may be less direct.

Data from the [2017 Child Poverty Report in the Eastern Caribbean Area](#) (ECA) revealed that poverty rates in the ECA varied widely. Grenada’s poverty rate, at 37.7%, was the highest in the region followed by Montserrat (35.5%) and St. Vincent and the Grenadines (30.2%). Saint Lucia (28.8%) also had a poverty rate above the ECA average of 24.5%. Notwithstanding that these rates of poverty were reported prior to the Global Financial Crisis and hurricanes Irma and Maria, the rates inform the real challenge of economic and social vulnerability in SIDS to external threats and natural disaster occurrences (see *Figure 34* and *Figure 35*).

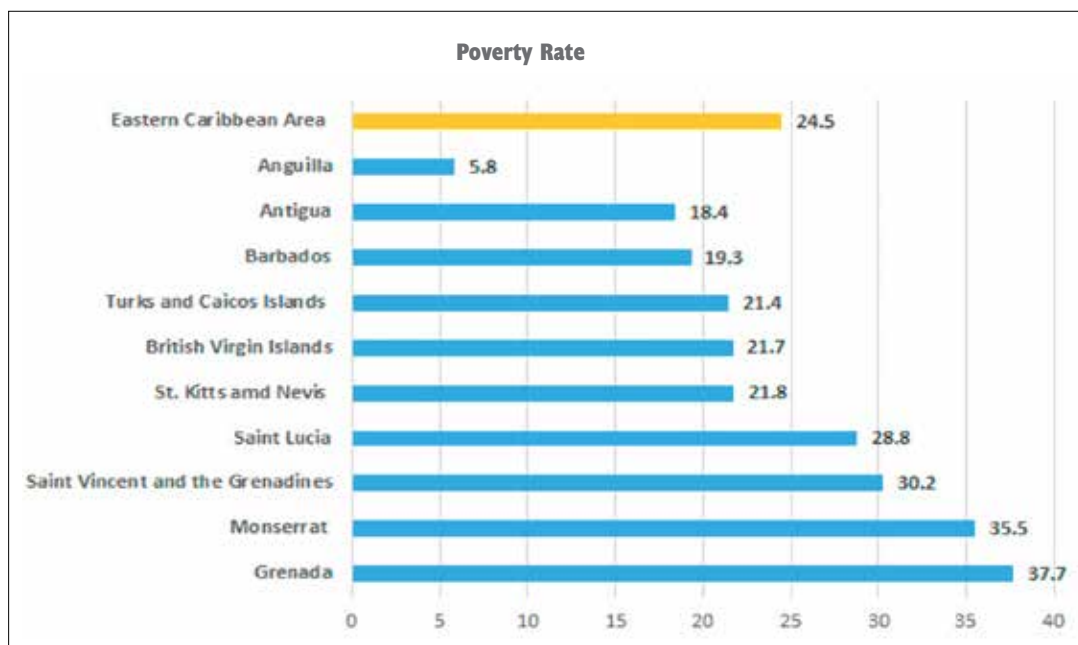
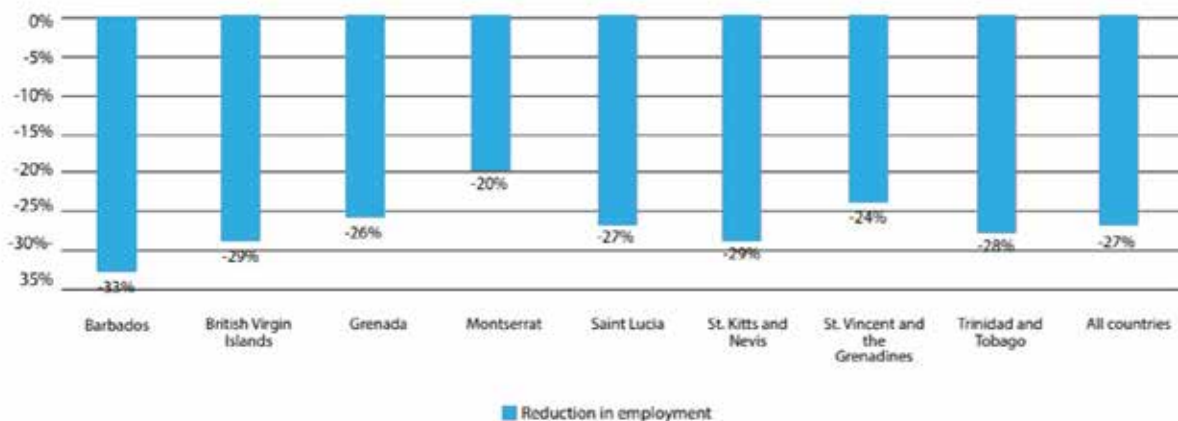


Figure 34: Poverty Rates in the Eastern Caribbean Area (Source: Child Poverty Report in the Eastern Caribbean Area, 2017)



NB. Data is not available to estimate for Anguilla, Antigua and Barbuda, Dominica, and Turks and Caicos Islands.

Source: UNICEF Office for the Eastern Caribbean Area, April 2020.

Figure 35: Estimates of Reductions in Employment (Source: "The Socio-Economic Impact of COVID-19 on Children and Young People in the Eastern Caribbean Area", - UNICEF)

Persons living with disabilities are likely to have underlying health issues that cause greater susceptibility to prolonged illness with COVID-19, or death. The situation of the disabled community is further compounded by existing social barriers including limited access to healthcare, existing stigma, and discrimination. Establishing additional social protection measures can help to ensure the continuity of support to persons with disabilities while safeguarding their rights to health, safety, and dignity.

The elderly, that is, persons aged 60 and over, comprise an estimated 13% of the total population of the OECS region.³⁵ This cohort is disproportionately affected by COVID-19 as evidenced by the high number of deaths in this population group. For this reason, it is important that health and social services are targeted to address their needs, especially those isolated without a family support system.

During periods of health and economic crises, women undertake multiple roles of care provision such as caring for children who are at home due to school closures as well as caring for family members who may have fallen ill, thereby increasing the risk of contracting the virus. Women are also disproportionately affected by domestic and sexual violence. During times of crisis, such instances of gender violence are amplified, as noted by multiple reports from within the region. For example, domestic violence reports in Trinidad and Tobago within the past three months have been double the total number of cases reported during 2019.³⁶ Saint Lucia has also reported an increase in domestic disputes.³⁷

Children can also become increasingly vulnerable to mistreatment and violence during times of crisis. Similarly, many stay-at-home orders have disallowed social workers to visit the homes of their victims as well as file new reports. Additionally, the closure of schools has increased nutritional vulnerability for many students who were beneficiaries of in-school feeding programmes (see *Figure 36*).

Country	Primary school enrolment (5-11 years)	SFP Beneficiaries ¹	Annual cost (ECS millions) ¹	Indicators ¹	
				Coverage (% of enrolment)	Cost per beneficiary (ECS per annum)
Antigua and Barbuda	9,800	4,500	4.7	46%	1,040
Barbados	20,100	20,400	25.9 ³	101%	1,270
Dominica	7,385	2,200	1.0	46%	460
Grenada	11,836	10,000	5.5	84%	550
Saint Kitts and Nevis	5,452	5,400	2.4	99%	450
Saint Lucia	16,616	5,100	3.7	31%	730
Saint Vincent and the Grenadines	13,173	7,500	3.0	57%	390
Trinidad and Tobago	127,900	87,000	93.8 ³	68%	1,080
Total	212,262	142,100	140.0	67%	990

1. University of the West Indies and FAO, 2018, A Holistic Diagnosis of the School Feeding Programs in 14 Countries of the Caribbean Community

2. UNICEF Study Team.

3. Converted from report data in BBS and TT\$ respectively.

Figure 36: School Feeding Programmes (Source: "The Socio-Economic Impact of COVID-19 on Children and Young People in The Eastern Caribbean Area", UNICEF)

Twenty-four per cent of the population in the OECS is between the ages of 15 and 29.³⁸ Young persons who already face higher rates of unemployment and underemployment are more vulnerable to falling labour demand. This trend is expected to continue post-COVID-19. Soft labour demand is also likely to affect all segments of the labour market during the recovery period of the COVID-19 crisis.³⁹

It is also likely that there will be an increase in the number of individuals who require psycho-social support. Some youth may grow increasingly anxious about their educational futures and adults may experience increased levels of stress related to financial pressures and the added responsibilities of providing care to children and elderly relatives.

Indigenous peoples, such as the Kalinago in Dominica, are likely to experience significant reductions in income levels due to the halt of tourist arrivals to the island. Numbering approximately 3,000 (roughly 4% of the country's total population), the cultural sector is a large contributor to the livelihood of many in the Kalinago village.



Members of the Kalinago Territory in Dominica
(Source: Kalinago Territory Dominica Facebook Page)

RECOMMENDATIONS

IMMEDIATE-TERM RECOMMENDATIONS

- Expand the social protection beneficiary list to include new cohorts due to the impacts of COVID-19: displaced workers, etc;
- Develop mechanisms to strengthen community access points for services to vulnerable populations, e.g.
 - delivering of non-contributory 'in-school' feeding programmes, given the closure of schools;
 - ensuring persons with disabilities and the elderly have access to support services, food, and hygiene products;
 - engaging with indigenous groups whose cultural practices differ from the mainstream society in accessing social protection resources;
- Reduce barriers to applying for, and receiving, social protection grants, including through the digitisation of the application process and through facilitating cash payment through direct deposits;
- Promote ongoing messages to mitigate various forms of violence, including promotion of public service announcements to target child abuse, elder abuse, gender violence, and other forms of domestic abuse;
- Scale up psycho-social support for victims and perpetrators of violence;
- Establish/strengthen/promote the use of a hotline for reporting cases of child abuse and domestic and gender-based violence.

MEDIUM-TO-LONG-TERM RECOMMENDATIONS

- Establishment of financial technology (fintech) solutions for social protection grants such as digital wallets to allow for frictionless transfers and receipt, and to address the needs of the unbanked populations in the OECS;
- Develop and maintain national central beneficiary lists using appropriate technology to facilitate quick responses and ease of expansion in times of emergency, without duplication of effort;
- Prioritise national data collection processes, such as living standard surveys, as well as administrative data on social challenges facing the more vulnerable populations (e.g. child abuse) so that social impacts can be better addressed.



Impact on the Health Sector

CONTEXT OF REGIONAL HEALTH SYSTEMS

OECS Member States have a strong network of government-run primary care and urgent care facilities that are free to access, as well as usually one main hospital with an attached clinical diagnostic lab that offers mostly subsidised secondary care services and very limited critical care and intensive care facilities. Due to small populations it is difficult to retain specialist health services, and specialists often serve multiple islands. Further, critical patients and those needing very specialised procedures often need to seek treatment in either North America, Europe, or nearby French overseas territories. Additionally, the health systems of several Member States are still recovering from being impacted by hurricanes Irma and Maria in 2017. For instance, the [Post Disaster Needs Assessment \(PDNA\)](#) done in Dominica estimated EC\$200 million in damage to the health sector alone.

The public health system is complemented by a network of private service providers. There are various general practitioners and specialists offering fee-for-service visits, and there are accessible private labs and diagnostic services. In addition, most Member States have one major private hospital alongside the government hospital(s). Estimates among Member States vary, but it is widely accepted that out-of-pocket payments in healthcare remain relatively high in all states and territories in the Caribbean, representing around 33% of total health expenditure in the region.⁴⁰ Most of the English-speaking OECS Member States' out-of-pocket payments in healthcare are higher than the World Health Organization (WHO)-recommended target of 20% (see *Figure 37*).⁴¹ Private health insurance coverage remains low; less than 10% of the population in Saint Lucia has private insurance, which is concentrated in the higher income quintiles.⁴²

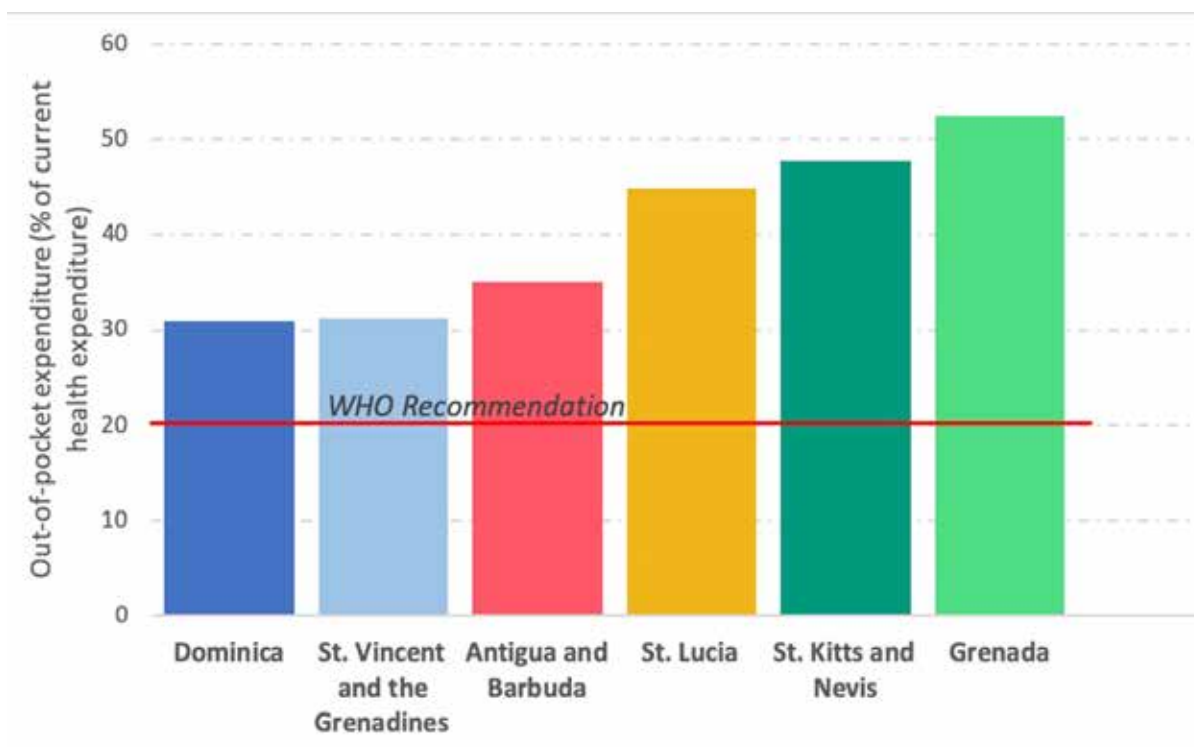


Figure 37: Out-of-Pocket Expenditures in Health, in selected OECS Member States (2017).
 (Source: World Development Indicators)

2017 saw the operationalisation of the OECS Health Unit and the [Fort-de-France Declaration on Health](#) in which Member States made 10 commitments toward OECS Regional Integration and Health for All (see *Figure 38*). The OECS Pharmaceutical Procurement Service (PPS) is a regional pooled procurement mechanism for essential medicines and supplies, established in 1986 and serving nine Member States with several hundred medicines and medical products for the public health service. The [OECS PPS allows for economies of scale and collective cost savings](#) for the benefit of Member States.

HEALTH: 10 COMMITMENTS TOWARDS REGIONAL INTERGRATION

The 4th Council of Ministers of the Eastern Caribbean States concluded with the Fort-de-France Declaration in which ten commitments to foster regional solidarity in health were agreed, especially in the light of the hurricanes that emphasised the inequality of access to emergency services in the region.

- 
- 1 **Share Health Human Resources**
 - 2 **Facilitate pooled procurement of health equipment and services**
 - 3 **Collect and share the relevant information to drive the strategic direction of health**
 - 4 **Develop and implement common policy and legislative approaches in health**
 - 5 **Develop and disseminate common messages on healthy living**
 - 6 **Create healthy environments through appropriate planning, development and community engagement**
 - 7 **Prioritise prevention and primary care particularly for non-communicable diseases**
 - 8 **Share access to specialized services**
 - 9 **Jointly prepare for and respond to health emergencies**
 - 10 **Share Best Practices and conduct common research**

Figure 38: 10 Commitments Towards Regional Integration

CURRENT RESPONSE TO COVID-19

Due to the existing constraints on the region's health systems, the immediate measures taken by authorities have so far focused primarily on containment and aggressive preventive measures such as the implementation of strict protocols for hygiene, social distancing, contact tracing, quarantine, isolation, and border control. These measures have been complemented by parallel scale-up measures including the repurposing and retrofitting of existing facilities for quarantine and isolation, re-organisation of health system flow to minimise spread, continuous capacity-building in the health sector, and building necessary testing for, and hospital and critical care management of, COVID-19.

Pre-COVID-19 diagnostic capacities for virus testing were limited. Most Member States did not have the capacity (equipment, trained personnel, standards, and quality control) nor the need to have reverse transcription polymerase chain reaction (RT-PCR) capabilities. For most states, CARPHA is the reference lab to which samples are sent for testing. To date (end of April 2020), two Member States (Saint Lucia and Dominica) have been able to get RT-PCR testing up and running since the start of the pandemic, and St. Kitts and Nevis has testing available in the private sector. Other Member States are working urgently to build this capacity. Notwithstanding, due to constraints related to reagents, supplies, and capacity, all Member States still send samples to CARPHA in Trinidad and Tobago. Samples are transported through the Regional Security System (RSS) several times a week, and results are shared electronically.

The response from the private sector has been mixed, with some institutions and private offices using telemedicine and appropriate hygiene and social-distancing protocols while others have closed their offices and refused to continue care out of fear, further decreasing access to needed services.

The OECS Health Unit and CARPHA have received grants of US\$3 million and US\$6.6 million respectively for regional mechanisms from the US\$30 million World Bank-funded [OECS Regional Health Project](#) which was approved in August 2019. The main aim of the five-year project is to improve preparedness capacities of health systems for public health emergencies (PHEs) in the OECS. Areas of focus of the project are the improvement of health facilities and lab capacity and public health surveillance and emergency management. The project also includes a contingent emergency response component (CERC). The COVID-19 pandemic has allowed the four participating OECS Member States (Dominica, Grenada, Saint Lucia, and St Vincent and the Grenadines) and the two regional agencies to fast-track existing activities and redirect funds using the CERC.

Further to the Emergency CARICOM Heads of Government Meeting that took place in April 2020, the OECS PPS is exploring the opportunity to bulk procure vital medicines, plus medical equipment and PPE, on behalf of CARICOM Member States.

The full potential health impact of the pandemic in the OECS region is not yet known. If infection rates in the OECS region are similar to, or higher than they have been, in China, Europe, or the US, then the pandemic has the potential to overwhelm the under-resourced and fragile health systems of Member States. Global data indicate clear risk factors for disease severity including age and underlying comorbidities such as hypertension, diabetes, cardiovascular diseases, chronic respiratory diseases, and cancer.

The OECS region's demographic and geographic characteristics differ from those of countries that have been most severely impacted. Put into context, 19% of Europe's population is aged 65 years or older.⁴³ Comparatively, this represents 9% for the OECS region.⁴⁴ On the other hand, it is well

documented that the Caribbean region has some of the highest levels of non-communicable diseases (NCDs) globally. NCDs (including diabetes, hypertension, heart disease, and asthma) account for 80% of all deaths in the region. According to surveys conducted in 12 CARICOM countries, 10% to 25% of adults have diabetes, and 20% to over 50% are hypertensive.⁴⁵ Studies also suggest that persons of Afro-Caribbean descent have a disproportionately higher risk of asthma.

A review of the impact of COVID-19 on the health sector must address the unintended health impacts that the aggressive public health measures may have. With the entire system focused on prevention, diagnosis, treatment, and containment of COVID-19 infection, there is increased risk for complications, worsening of disease, gaps in the continuity of care, and missed opportunities for timely diagnosis of other diseases. There may be reduced quality of life for chronic disease patients due to these gaps. Additionally, in emergency and quarantine situations, persons may engage in riskier sexual behaviours, thereby increasing the risk of spread of related diseases. Existing OECS regional health projects addressing NCDs and HIV are being reoriented to respond to these and other COVID-19 concerns.

The [graphical representations](#) of the different epidemiological curves as of the end of April 2020 show a flattening of the curve for all Member States of the OECS and most CARICOM states. All cases introduced to the Caribbean region were related to the tourism industry and returning nationals, mostly from Europe and the US. Identification of potential hot spots in industry, close monitoring of the pandemic in Europe and the US, and capacity for widespread testing and disease management must be in place before considering adjustments in public health measures, in order to mitigate a second wave. The pandemic also provides an opportunity to accelerate needed transformation and broaden the policy space within health.

RECOMMENDATIONS

IMMEDIATE-TERM NATIONAL RECOMMENDATIONS

- Minimise the spread of the virus and “flatten the curve” through national protocols and relevant International Health Regulations (IHR) protocols, including ensuring all needed resources and SOPs are clearly documented, with appropriate ongoing training;
- Implement a risk communication strategy targeting relevant sectors of the public to support recommendation #1 above;
- Increase testing capacity of OECS National Laboratories for COVID-19 and other similar viruses, inclusive of equipment, supplies, and training;
- Build capacity of the health systems to manage COVID-19, inclusive of equipment supplies and human resources, to deal with increased hospitalisations and critically ill persons. This should include ensuring staff safety and psycho-social support;
- Protect vulnerable persons from COVID-19, including older persons and persons with chronic diseases, by minimising contact with ill persons in the health system and ensuring disease control (continuity of care, telemedicine, appropriate diet, physical activity, available medicines and supplies, etc);
- Temporarily enable a digital or remote prescription for medication or perishable medical equipment that during normal times would require manual signatures, especially for stable patients with good social support, to improve compliance and lessen the burden on clinics and pharmacies.

IMMEDIATE-TERM REGIONAL RECOMMENDATIONS

- Advance the emergency supply chain management action plan for joint procurement of mission-critical medicines, medical equipment, and supplies through the PPS;
- Share information on best practice and protocols related to care and management of persons with COVID-19;
- Mobilise financial resources and ease operational barriers through the enforcement of emergency protocols, mobilisation of emergency reserve funds, and redeployment of staff, to increase support to Member States;
- Adopt and use existing telemedicine options on the national and regional level and begin to review more long-term solutions for telemedicine in the region.

MEDIUM-TO-LONG-TERM REGIONAL RECOMMENDATIONS

- Develop regional cloud-based Electronic Health Records Management Systems (EHRMSs) and secure online teleconferencing facilities to support the use of telemedicine and continuity of care across different healthcare settings, thereby ensuring a centralised repository of the health records of patients;
- Develop shared and pooled risk approaches to sustainable financing of national healthcare systems;
- Harmonise registration of health professionals, beginning with specialised and scarce human resources. This will allow for ease of surge capacity for most affected Member States in an emergency;
- Implement regional standards for persons with NCDs in public health emergencies (PHEs), inclusive of tools and standard operating procedures;
- Fast-track implementation of IHR targets for PHEs within National Disaster Management Plans to bolster country capacity to respond to PHEs and integration of health needs in disaster management preparedness and response.

Impact on the Education Sector

CLOSURE OF SCHOOLS AND TRANSITION TO ONLINE EDUCATION

The closure of schools has affected some 152,317 students and 10,859 educators in the OECS region.⁴⁶ Due to school closures, some institutions have started [delivering classes online](#). This transition to online learning, however, has not come without its challenges. For instance, many students do not have reliable access to the internet. Therefore, policy decisions around education delivery need to account for disparities in access to the internet, unproductive home-learning environments, and different learning needs of students, among other factors.

In consideration of some of these challenges, some Ministries of Education have established partnerships with telecommunications providers to bridge the digital divide between students of different means. Furthermore, Ministries of Education have begun procuring new equipment to support remote learning and have also started adopting the use of Learning Management Systems (LMSs) to better assist in classroom management and quality assurance (QA).

These new opportunities augur well for the future of the education sector. The present actions and decisions make it likely that in another crisis, online learning can be facilitated in a more seamless fashion. There is also the possibility that the current investments in online learning will result in a more blended approach to teaching and learning in the foreseeable future.

IMPACT ON EDUCATORS

Online learning is not necessarily conducive to supporting the psycho-social development of students. In this regard, the transition to this new form of learning has proven to be challenging for many teachers, as educators do not have the necessary training or skill set to support these types of student needs remotely. The situation requires a blend of data-driven policy decisions and implementation, evidence-based principles of learning, and creativity in meeting the needs of parents, teachers, and students to realise the ultimate aim — student learning and achievement.

The lack of preparedness for this pandemic, and its far-reaching consequences, has resulted in a scramble to meet the needs identified and establish online learning. The situation is the same in many other parts of the world. Many agencies have provided free access to their products and services, from software to E-books and other resources. Deciding on the best choices in this context is difficult, and QA becomes a challenge. QA is also an issue due to the lack of a coherent approach to meeting individual student needs. In some cases, principals and teachers are left to their own devices, while administrators struggle against time to develop a quality plan. As educators seek to respond to these needs, online meetings have become the order of the day, placing a burden on the absorptive capacity of the Member States and their education systems.

On the other hand, some educators are meeting the challenge and coming up with innovative solutions to the problems experienced. For example, some Ministries of Education are using technology tools



like Google Forms for surveying educators, students, and parents, providing valuable data to inform decision making. Ministries of Education are also collaborating with telecommunications providers to address equity and provide devices and Wi-Fi access to students unable to afford these. In addition, teams of educators have also been designing guiding documents to support the transition to online learning.

IMPACT ON PARENTS OF CHILDREN IN SCHOOL

Parents have been impacted in various ways. Many of them face economic challenges with job loss or reduced revenue brought on by curfews imposed.

While teachers are trying to provide instructional support to students at home by virtual means, most parents are not teachers and many are at a loss in guiding their children through tasks provided by teachers. The limited contact with teachers means heavier dependence by children on parents. This may place additional pressures on parents.

IMPACT ON THE EDUCATION OF CHILDREN

While some children are independent learners, some depend heavily on their teachers and cannot cope with the online environment. For some children, the school is their haven, with teachers as substitute parents. Access to learning materials and libraries is now limited, except for electronic material. Further, some children face multiple distractions at home with several siblings in a small space, limited or no technological tools, and noisy neighbourhoods, none of which makes for an ideal atmosphere for learning. With the aforementioned disparity between the support provided by well-informed parents and others who are not capable or are too severely affected to provide the needed support, there are real fears that the gap between high-performing and struggling students will widen. This will create multiple challenges for teachers when these students eventually return to school, placing serious demands on teachers' differentiation skills.

CURRENT REGIONAL RESPONSE

Proposed Immediate Regional Response Strategy to COVID-19 "Improving Resilience in the Educational Sector"



Taking into consideration the challenges and opportunities that exist in fighting this pandemic, the Education Development Management Unit (EDMU) of the OECS Commission, in collaboration with its Member States, developed the [OECS Education Sector Response and Recovery Strategy to COVID-19](#). This strategy, through partnership with civil society and the private and public sectors, places emphasis on the following areas:

- Harmonising responses in education policy shifts: This pillar will focus on streamlining education policy formulation and procedures across all Member States. It will build upon the spirit of collegiality that has been achieved with both the development and implementation of OECS Education Sector Strategy (OESS). This convergence in policy and practice is critical to the OECS pursuit of a harmonised education system across Member States;
- Transitioning to a digital education system: Strengthening the capabilities of education systems to provide flexible education delivery through capacity-building of stakeholders such as educators and administrators, and the formulation of data-driven education policies;
- Ensuring the wellbeing of students both in and out of school: Schools have always had a responsibility for the physical, psychological and socioeconomic needs of students and educators, in and out of school. The extent of the issues being faced has been exacerbated by the COVID-19 pandemic. Hygiene and sanitation in schools remain of critical importance for the health and wellbeing of whole school communities and attention should be paid to all water, sanitation, and hygiene (WASH) and kitchen facilities;
- Promoting Engagement: Facilitating the co-ordination of education system interventions to increase awareness and partnerships to mitigate the impact of the COVID-19 pandemic. Work under this component will be guided by the [OECS COVID-19 Response Communications Strategy](#).

The Education Sector Response and Recovery Strategy is anchored firmly in the OESS, which seeks to address disaster risk reduction as a cross-cutting theme to reduce inequalities and build resilience to crises and shocks in its Member States.

RECOMMENDATIONS

IMMEDIATE-TERM RECOMMENDATIONS

- Support transition to online learning and a broader online education ecosystem, including the development of regional guidelines, encompassing specifications for the adoption of services and facilities. Improving access to broadband and devices, development of content to guide online teaching and learning, and the development of a teacher training course for upskill/retooling of teachers with a focus on pedagogy, resilience in education, and online learning;
- Strengthen safety nets for students. This should also address disparities in internet access with consideration of zero-rated sites and provision of devices. This will also include strengthening Ministries of Education capacity, response, and continuity of operations, to include for pandemics;
- Establish systems for continuity of learning to facilitate distance learning, with adequate provisions for access, teacher training, and support;
- Consider common approaches to the administration of assessments and examinations;
- Adopt proposed protocols to guide the reopening of schools. This will include ensuring the continuity of learning, improving hygiene and sanitation, and school-based interventions to better support students who may have been further left behind due to the digital divide.

MEDIUM-TO-LONG-TERM RECOMMENDATIONS

- Identify and adopt a harmonised LMS that meets the needs of education systems across the OECS region;
- Develop and implement relevant policy frameworks and mechanisms to facilitate digital education systems. Consideration should be given to areas such as digital student record management systems;
- Identify alternative education pathways that are flexible and career-aligned, in collaboration with the private sector;
- Train teachers and teacher educators with a focus on retooling/upskilling participants on pedagogical skills, use of E-platforms, and resilience in education, for transitioning to online education.

CONCLUSION

The unique nature of the COVID-19 pandemic has focused attention on the ability of the social sector to respond to an unprecedented crisis. Unlike previous crises, the social sector in OECS Member States has been at the forefront of the response to this externally generated threat. Despite constraints, frontline workers have demonstrated a strong capacity to implement effective measures to safeguard populations against the health and social impacts of the pandemic. In many cases, Member States have been exemplars in their ability to handle this pandemic, particularly when assessed on a per capita caseload basis.

Notwithstanding cogent actions taken at the policy and implementation levels, Member States continue to face a host of immediate and longer-term challenges. Taken together, the human and social sectors play an indispensable role as guardrails for the protection and preservation of the wellbeing of all citizens. This section highlights the need to embrace and accelerate innovations for the provision of social services. These innovations principally aim at increasing access, expanding and increasing service quality, reducing transaction costs, and ensuring that no one is left behind.

4

PART 4

CROSS-SECTORAL ISSUES

The Impact on the OECS Business Environment

The preceding sections of this report bear evidence that all sectors face significant challenges from the pandemic. These challenges carry serious implications for the overall business environment in the OECS. While sustaining business operations will undoubtedly be difficult for OECS firms of all sizes, this section aims to provide a particular focus on the region's start-ups, MSMEs, and business support organisations (BSOs).

IMPACT ON START-UPS

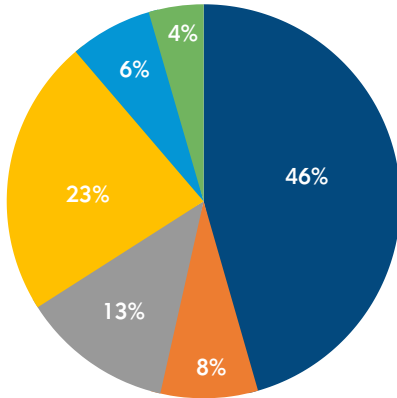
By definition, start-ups are in the most vulnerable stage of the business maturity cycle. Even the slightest disruption in their business operations can cause serious consequences. The threat and uncertainty of this pandemic has forced most early-stage entrepreneurs to shift their attention towards personal needs at significant cost to their business. Moreover, most of these enterprises are managed by owners who perform multiple, cross-functional roles. This reality, coupled with the need to adhere to strict social-distancing protocols, makes maintaining normal business operations very difficult. Other adverse factors include: (i) the inability of many start-ups to perform key business services virtually; (ii) difficulty in accessing alternative revenue streams; and (iii) the increased cost associated with implementing COVID-19-related sanitary protocols.

IMPACT ON MSMEs

COVID-19-related disruptions have affected both demand and supply-side operations. According to UNCTAD, these types of businesses will face disrupted supply chains and experience cash flow constraints. Many small businesses will be unable to rapidly pivot to new business models and adapt to a rapidly changing business environment. It is expected that MSMEs will face a combination of threats to their viability such as collapsing demand and its impact on liquidity, as well as difficulties procuring inputs and managing inventory. Overall, these businesses will find it difficult to adapt to the "new normal".

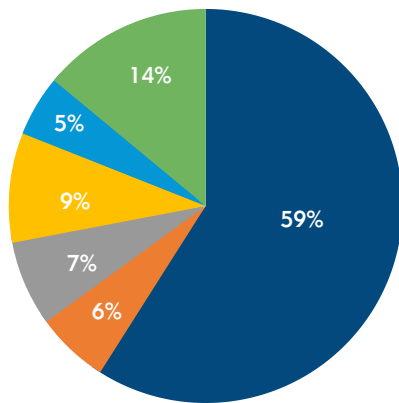
In an attempt to gauge business sentiment, the OECS Commission conducted an online survey that was launched at the end of March 2020. Eighty (80) respondents from across the OECS completed the qualitative survey which sought to gain a better understanding of the impact of COVID-19 on the following areas of their operations: procurement of raw materials, access to trade logistics services, the production of goods, and sales (see *Figure 39*).

Impact on Supply of Inputs



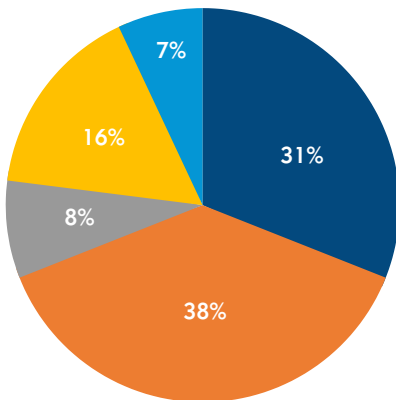
- Reductions or Interruptions in the Supply of Raw Materials
- Price Decrease
- Price Increase
- No Impact
- Not Applicable
- Other

Impact on Sales



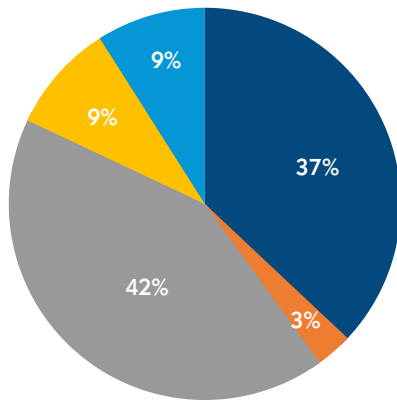
- Reductions Demand
- Increased Demand
- Price Increase
- Price Decrease
- No Impact
- Other

Impact on Trade Logistics



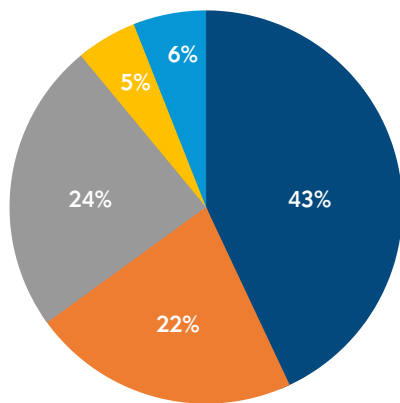
- Disruptions/Interruptions in Sea Transport Service
- Disruptions/Interruptions in Air Transport Service
- Increase in the Cost of Transport Services
- No Impact
- Other

Impact on Production



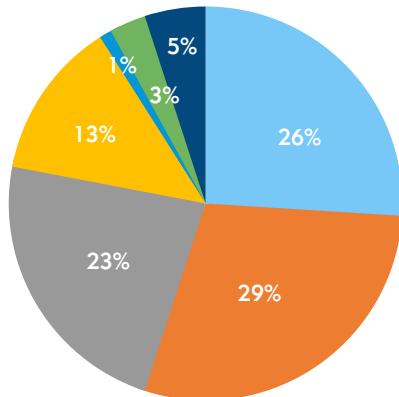
- Reductions in Volume
- Increase in Volume
- Reduced Productivity
- No Impact
- Other

Impact on Finance



- Reductions in Working Capital
- Inability to Make Loan Payments
- Reduction in Access to Capital
- No Impact
- Other

Impact on Labour



- Redundancies/Lay Offs
- Reduced Hours/Shifts
- Salary/Wage Cuts
- Delay in New Hires
- Additional Staff
- Quarantine/Social Distancing/Sick Leave
- Other

Figure 39: OECs CBU Business Impact Survey

IMPACT ON BSOs

Business support organisations, such as trade promotion agencies, industry associations, and co-operatives, are key stakeholders in the business environment. BSOs, like many other organisations, have had to contend with adherence to social-distancing protocols. Many BSOs have reported that they have been significantly limited in their ability to provide services to their clients, many of whom are start-ups and MSMEs.⁴² This has resulted in the cancellation of scheduled activities such as important capacity-building interventions and delays in the implementation of various projects.

INVESTMENT FACILITATION

Due to decreases in FDI flows that will likely be experienced by OECS Member States, there will be a need to structure investment regimes and design investment facilitation strategies that are geared toward directing capital to sectors of national priority. These areas may include:

- Tourism and hospitality
- Food production (agriculture and agro-processing)
- Digital infrastructure
- Transport and logistics
- Other economic activities which complement national development strategies of individual Member States.

UNCTAD has developed a non-binding [Global Action Menu for Investment Facilitation](#) which Member States may consider as part of their overall approach to investment facilitation.

To spur economic activity, government stimulus alone is likely to be insufficient. Therefore, Member States will need to focus on improving investment frameworks to encourage domestic and external investment.

RECOMMENDATIONS

While most of the current disruptions in the business environment are direct results of the crisis, policymakers may consider the following measures aimed at reducing the impact of the pandemic on the business community:

IMMEDIATE-TERM RECOMMENDATIONS

- **Taxation measures:** Immediate and temporary tax measures such as tax credits and moratoria should be considered to alleviate the financial challenges brought about by the pandemic;
- **Unlocking access to finance:** Governments should encourage financial institutions to provide moratoria on commercial loans as well as lower the thresholds and relax the criteria for concessionary finance facilities;
- **Simplification of business incorporation and company administration:** COVID-19 will present some new business opportunities. Therefore, support measures should be extended to facilitate the incorporation and administration of companies through digital portals. Company registrars and IP offices should be encouraged to streamline their operations through the use of digital technologies as part of an overall E-government initiative.

MEDIUM-TO-LONG-TERM RECOMMENDATIONS

- **Revitalisation of the OECS Business Council;**
- **Fast-tracking all E-government initiatives;**
- **Risk management and mitigation:** Consideration should be given to insurance schemes, the promotion of private sector training, and the encouragement of the adoption of cloud-based technology for data management and storage;
- **Taxation reform measures:** The streamlining and simplification of client-facing tax procedures aimed at increasing tax efficiencies and business cash flow;
- **Strengthen entrepreneurship ecosystems:** Fast-tracking existing initiatives and supporting business incubation and accelerator programmes for entrepreneurs to energise investments in priority sectors. Policymakers can consider opportunities aimed at linking start-up ecosystems across the OECS.

CONCLUSION

OECS Member States have the potential to be world-class investment destinations both for foreign enterprises and local entrepreneurs, yet critical elements of the business environment remain somewhat cumbersome and underdeveloped. Attracting inward investment in a highly competitive global environment requires best-in-class administrative support and limited friction related to the establishment and conduct of business. Despite progress made in recent times, OECS Member States maintain procedures and formalities that have failed to keep up with global trends that support improved efficiency. Given the inherent structural constraints of OECS Member States, including the high cost of transportation, energy, and labour, reducing the frictions associated with administrative processes is critical to improving the competitiveness of OECS-based firms. This notwithstanding, Member States do have advantages that set them apart from their peers. Their strategic geographic location, a common currency, well-established legal systems, stable democratic traditions, as well as an educated, English-speaking workforce, offer a strong foundation for the rapid improvement of their competitive positions.

The COVID-19 crisis has necessitated the expedited implementation of measures that can unlock administrative efficiencies by reducing frictions related to the administration of business. Noted examples include the establishment of portals to facilitate taxation, compliance, and the submission of forms related to employment-related benefits. The pandemic has acted as a forcing-function for the transition to a more responsive, client-facing business environment. The insights and recommendations outlined above provide additional guidance on areas that could serve to improve the business ecosystem in OECS Member States.

Digital Ecosystem and E-Government

The world is being transformed by new technologies that are redefining customer expectations and the ability of businesses to increase quality and the scale of service delivery. On a fundamental level, digital transformation is changing the way people live, learn, and work. Digital transformation has immense potential to enhance the relationships between government, businesses, and their clients.

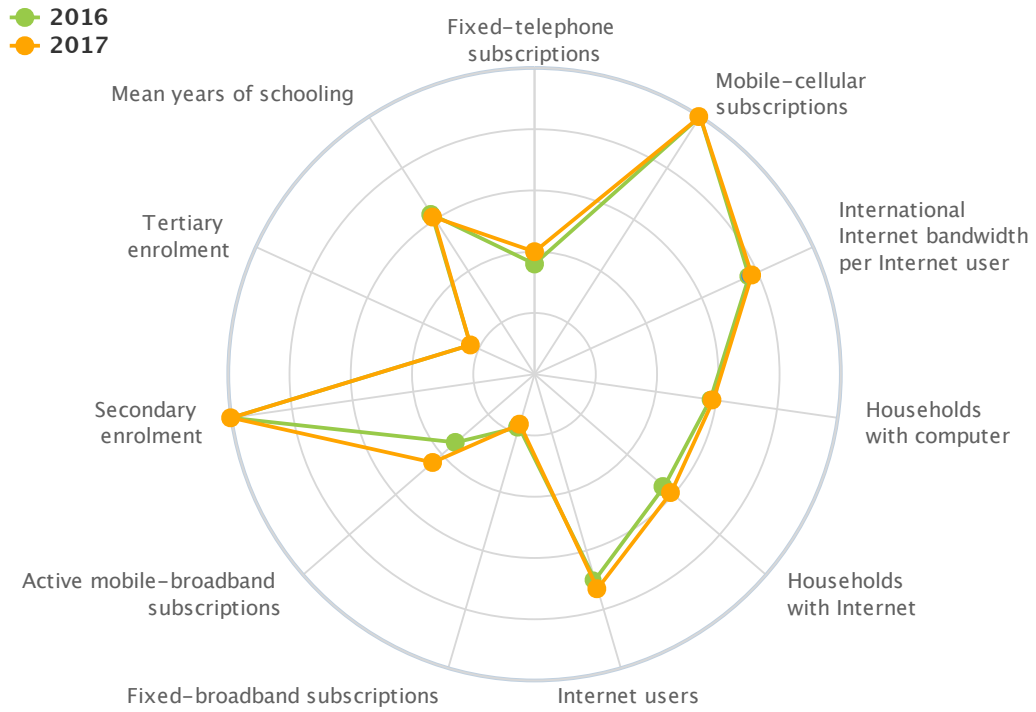
More precisely, digital transformation can positively impact the access and delivery of healthcare, education, social services, and other public goods. In the real economy, digital transformation will impact how products and services are consumed. According to the World Economic Forum (WEF), digital transformation has the potential to help unlock an estimated US\$100 trillion in value over the next decade.

REGIONAL CONTEXT

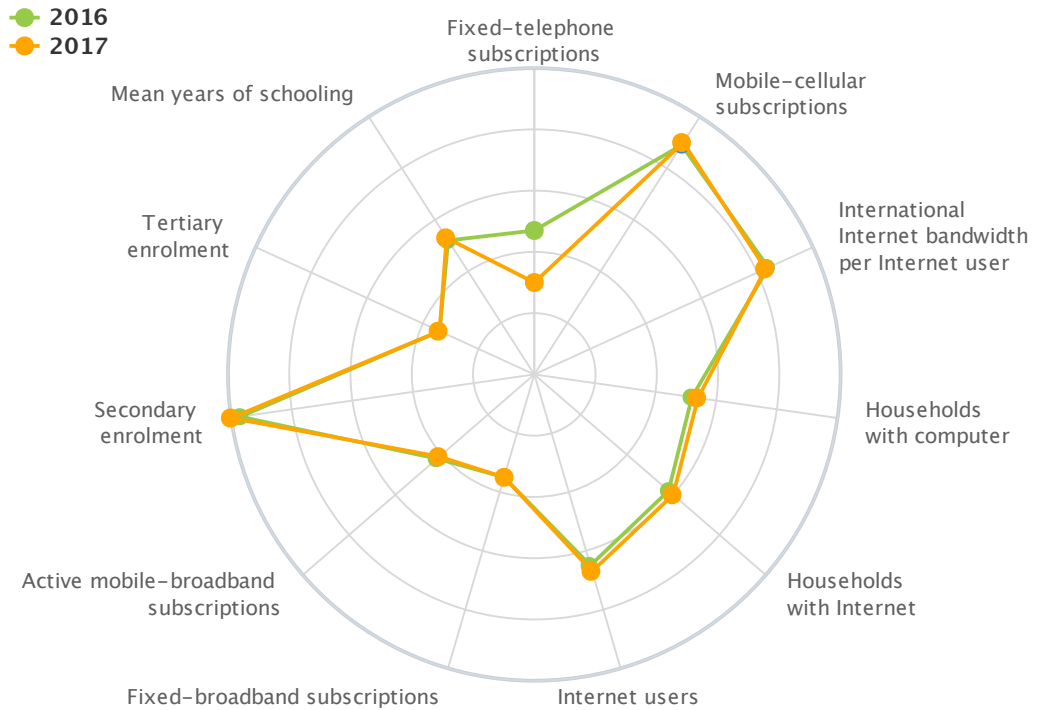
According to the CDB, digital transformation can help drive progress towards addressing the developmental challenges in the region and, by extension, the attainment of regional and national policy development objectives. The CDB further contends that these benefits extend beyond the traditional notions of industry, as they affect almost every facet of daily life.

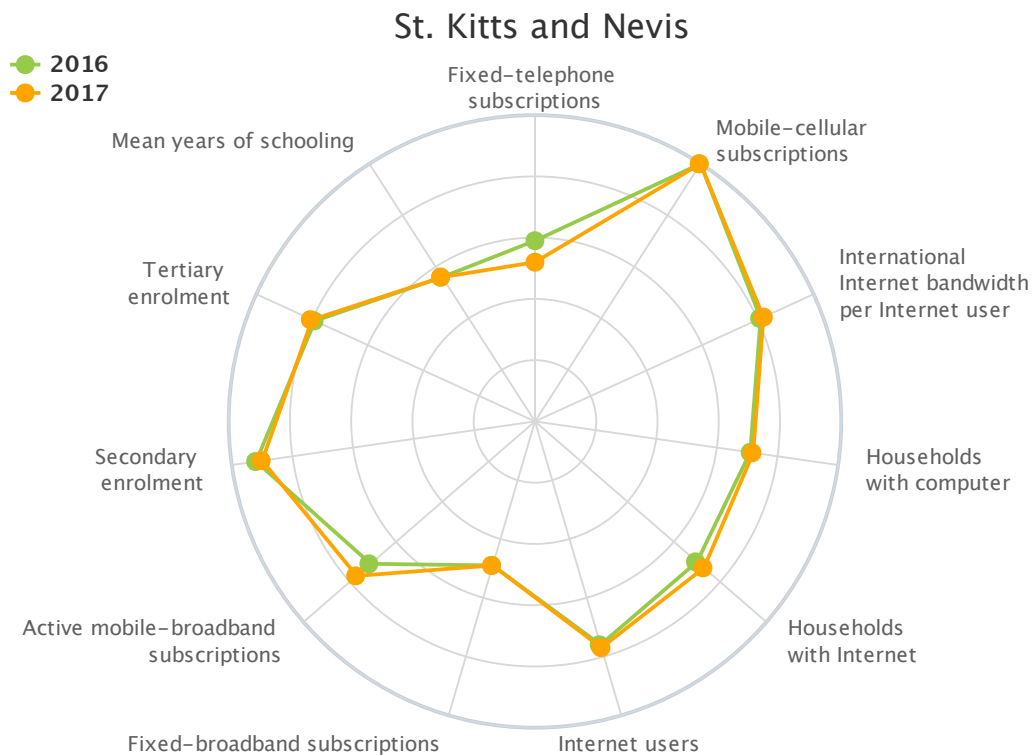
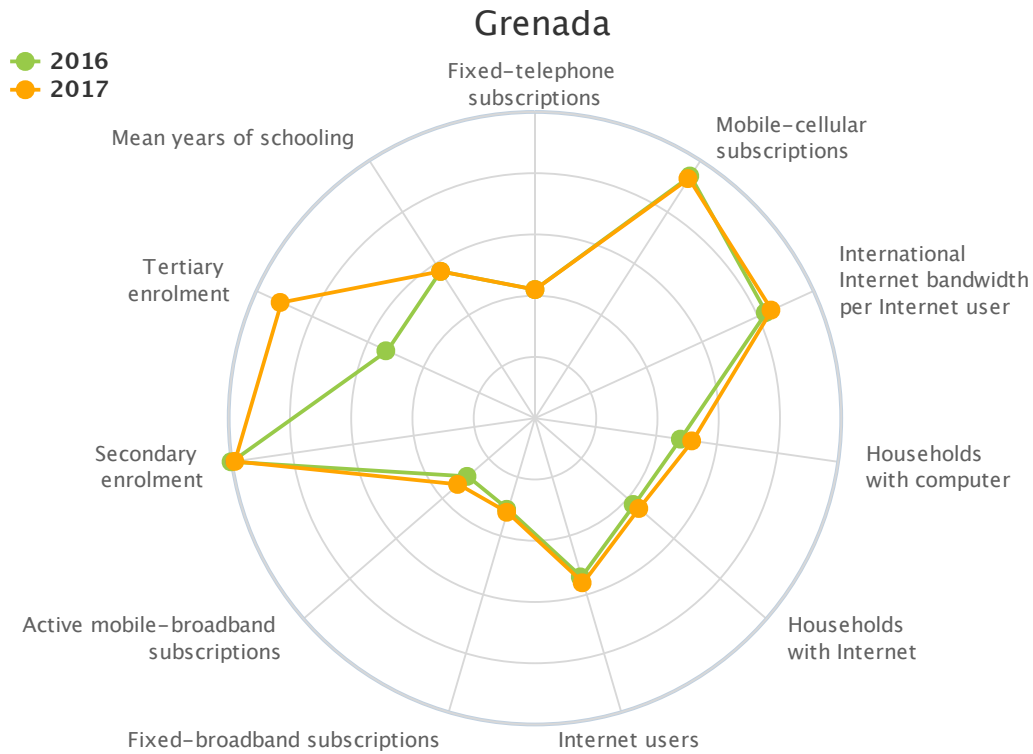
Despite the immense potential of digital transformation, the World Bank has indicated that the Eastern Caribbean lags behind on all foundational elements of the digital economy.⁴⁸ These foundational elements include digital infrastructure (access to high-speed, low-cost, and reliable broadband), digital platforms (infrastructure, software, and institutions), digital financial services (E-payments and transaction accounts), digital entrepreneurship and innovation, and digital skills. Member States are also said to lack comprehensive policies, legislation, standards, and capacity in cross-cutting enablers of the digital economy, namely cybersecurity, data use, open data, and privacy (see *Figure 40*).

Antigua & Barbuda



Dominica





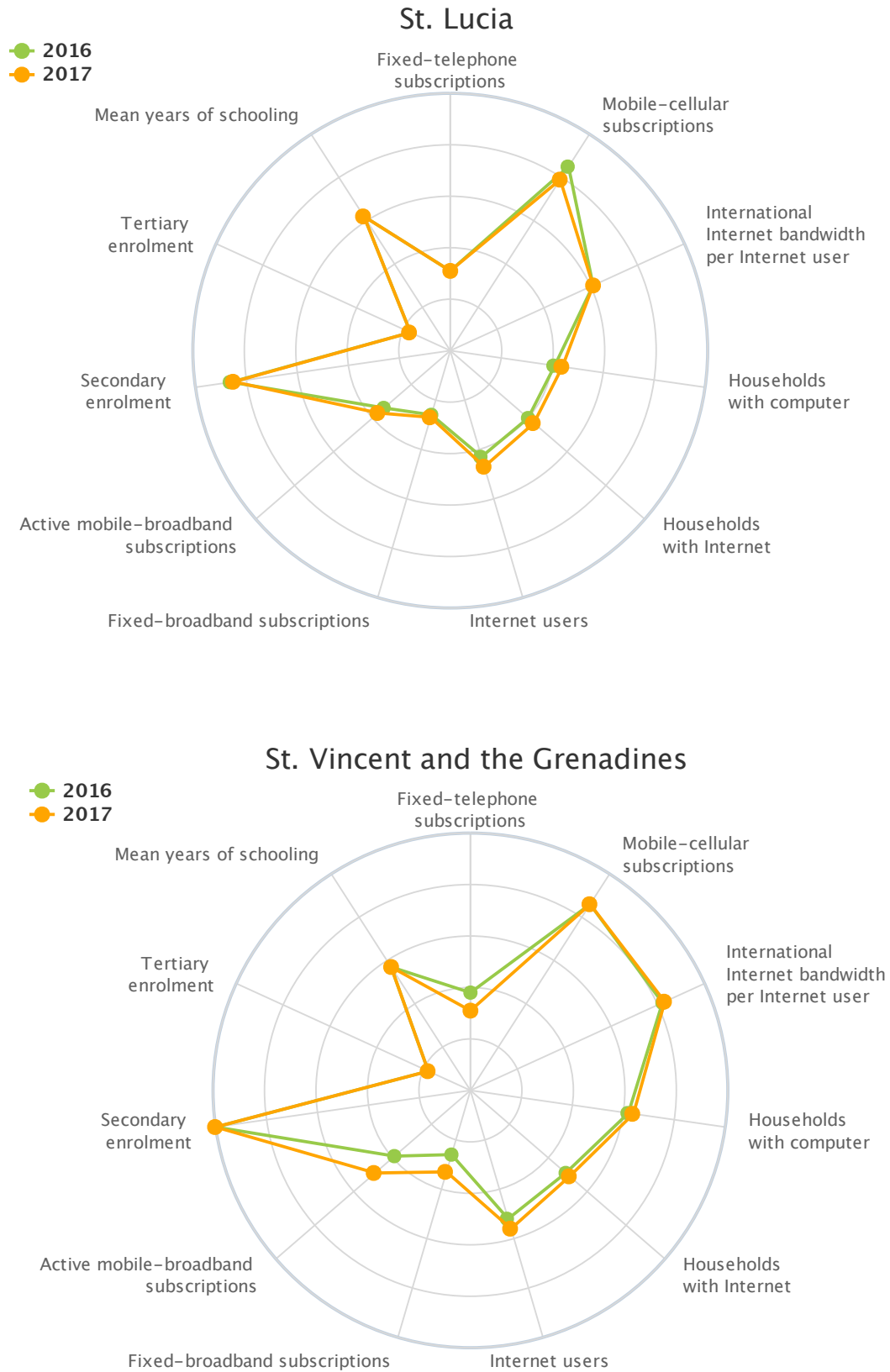


Figure 40: ICT Development Index 2017 (Source: International Telecommunications Union-Telecommunication Development Sector)

RECOMMENDATIONS

The pandemic has reinforced the need for Member States to prioritise the digital transformation of the public and private sectors. In particular, Member States should focus on fast-tracking existing digital transformation work programmes, with specific priority given to “on-line” client-facing government services, particularly in the areas of health, education, and social benefit programmes (see *Figure 41*).

COUNTRY	Digital Infrastructure		Digital Platforms	
	REGULATORY ENVIRONMENT	BROADBAND PENETRATION	CYBERSECURITY INDEX	E-GOV INDEX
Antigua and Barbuda	●	●	●	●
Dominica	●	●	●	●
St. Kitts and Nevis		●	●	●
St. Lucia	●	●	●	●
St. Vincent and the Grenadines	●	●	●	●
Grenada	●	●	●	●

Figure 41: Eastern Caribbean Countries are lagging on key elements of the digital economy.
Legend: green: performing; yellow: performing with gaps; orange: lagging (Source: World Bank)

In light of recent disruptions, Member States can focus on the following fundamental pillars of an inclusive digital economy: *financial inclusion; E-government; business readiness; digital skills and entrepreneurship; and laws, policies, and regulations specific to E-commerce and the digital economy.*

Policymakers may also consider the below recommendations to enhance the trade in services throughout the region and beyond:

TRADE IN SERVICES

IMMEDIATE-TERM RECOMMENDATIONS

- Operationalise Article 26 of the Revised Treaty of Basseeterre (RTB): Freedom of Movement of Services Providers to enable Mode 4 Supply of Professionals Services within the category of “Essential” to enhance regional co-operation and promote effective use of the factors of production;
- Fast-track the “ECCB 2017– 2021 Digital Economy and Transformation Project” and develop holistic approaches to E-commerce, E-government and the facilitation of trade on an electronic platform in the OECS region;
- Develop knowledge series for OECS BSOs on business continuity and strategies to address disruption in supply chains, including through the use of E-commerce solutions and geographic diversification strategies.

CONCLUSION

While Member States have made commendable efforts during the pandemic to provide social benefits to those affected by the crisis, the absence of integrated, client-facing digital solutions has again exposed the need to establish robust national and region-wide E-government platforms. The heightened vulnerability of the Eastern Caribbean to climate-related risks supports the need for concerted regional efforts to advance digital transformation.

In regard to the private sector, business continuity and the provision of services through online-based platforms provide an opportunity for businesses to build resilience to exogenous shocks. These efforts should be aimed at delivering cost-savings to businesses while enhancing their ability to expand service delivery and quality to customers. Greater efforts to grow the digital ecosystem are likely to support financial inclusion through innovations in payment systems which can ultimately benefit established businesses, start-ups, and end-consumers.

Evidence-Based Decision Making

THE SUSPENSION OF DATA COLLECTION

Prior to the outbreak of COVID-19, OECS Member States were “data poor” and characterised by a paucity of data and indicators to describe and understand their respective economy and society.

This inadequacy was gravely exposed by their inability to quickly produce quantitative indicators to interpret the impact of the pandemic on business operations, government fiscal operations, households, and individuals. Furthermore, measures to mitigate the spread of the disease meant the national statistics offices (NSOs) were powerless to collect data to produce the indispensable official statistics that are required and relevant at this critical time. Social-distancing protocols meant the public sector was reduced to providing only essential services, businesses trimmed or ceased operations, and households were inaccessible. Thus, the NSOs were unable to adjust to the increased data demanded by policymakers and public health officials while trying to re-engineer to be able to continue regular data production that would be essential in the aftermath of the crisis. Their inflexibility to effectively co-ordinate with line ministries (such as the Ministry of Finance or the Ministry of Health), conduct face-to-face interviews for household surveys, and administer business surveys means they have been hamstrung to fulfil snap data requests.

Another constraint is that the sparse data available are out of date or are quickly becoming out of date as the baseline is changing daily; and concepts, definitions, classifications, and frequency are likely to be augmented post-COVID-19. For instance, a pre-COVID-19 unemployment rate cannot be compared with a COVID-19 “unemployment rate”, as being *unemployed* means one is *willing, available and looking for work*, which is not the case during this public health crisis. Some people are out of jobs because they were forced into the situation, and not because it was triggered by an economic crisis.

With NSOs’ operations suspended, it will be exceedingly difficult to acquire accurate data on unemployment, demography, living conditions and wellbeing, household expenditure, economic activity (GDP), and inflation. Among the statistical undertakings that also had to be suspended are labour force surveys, surveys of living conditions, household budget surveys, population and housing censuses, annual surveys of economic activity, and balance of payments surveys. Compilation of government financial statistics, merchandise trade data, and tourism statistics are also affected as the public sector has reduced the number of persons in office owing to social-distancing protocols.

The COVID-19 policy questions that could not be answered with evidence, and for which action was taken regardless, include:

- What is the country's profile for persons with pre-existing conditions by age group and geographic location?
- In which locations is community spread likely to be pervasive?
- How many individuals and households need social protection support; and how much?
- What is the employment size and wages for the most productive sector?
- What should be the size of a national recovery plan?
- How will government revenue be impacted?
- Can farmers produce the foods, quantities and at the frequency required during and post-COVID-19?
- How many jobs will be affected by industry, sector and size of business?

NEW DEMANDS FOR DATA

Notwithstanding the interruptions to the NSOs' operations, COVID-19 has brought about opportunities that will undoubtedly revolutionise the data and official statistics landscape. New data types, new data sources, new modalities and technologies for data collection, and new uses of data will combine to marshal tremendous investment in the production and dissemination of data and official statistics. Complementing these triggers are enablers such as increased user demand, enhanced data literacy, potentially stronger legislation and regulations to enforce data provision, and improved data consistency and data sharing among data producers in the national statistical system. Data on COVID-19 casualties were sliced in many ways and presented with attractive visuals and simulations, such that the expectation henceforth will be for actionable and useful data and official statistics in consumable nuggets for easy and quick interpretation.

THE GLOBAL STATISTICAL COMMUNITY'S COVID-19 COMMITMENT

The development partners for statistics understand that NSOs in some countries will be particularly affected by COVID-19 since they do not have the capacity, agility, and resources to respond to the added data demand combined with the pressure to deliver on the *2030 Agenda for Sustainable Development*. National stimulus and recovery plans will narrow the fiscal space and, without hesitation, budget allocations for planned surveys and statistical undertakings will be redirected to where it matters most, e.g. social safety nets, support to small businesses, and unemployment benefits.

Partners and stakeholders in the global statistical community stand ready to support countries to navigate a multiplicity of challenges while at the same time exploiting the opportunities for statistical development. *The OECS Regional Strategy for the Development of Statistics (RSDS) 2017 to 2030* is the OECS Commission's master plan for statistical development. It describes initiatives that are suited to data and official statistics for the 21st century and in times of change.

This assessment of the impact of COVID-19 on the availability of and access to data and official statistics in OECS Member States offers recommendations for immediate actions and long-term strategies for statistical development.

IMMEDIATE-TERM RECOMMENDATIONS

- **Legal and governance:** All Member States have statistical legislation with enactment dates ranging from 1960 to 2005. The legislative provisions are generally consistent with those of other countries. However, given the innovations and trends for data production, dissemination, and access, plus the demand for higher frequency and more disaggregated data, legislation must be revised to provide for these changes. Among these changes are: using tablets, telephone, and web-based questionnaires for data collection; using cloud platforms for data storage; and the use of big data to integrate with official statistics. COVID-19 has exposed and heightened the imperative to strengthen statistical legislation to allow NSOs to trigger appropriate modalities for business continuity during a crisis. In that regard, Member States will be encouraged to use the *OECS Minimum Requirements for Statistical Legislation* to revise their respective national statistics law. The requirements include extractions from the *UN Generic Model for Statistics Legislation* and the *CARICOM Model Statistics Bill* to identify the absolute provisions Member States should consider when drafting or amending their statistical legislation. Additionally, the legislation must reference the RTB. This response can be achieved by the end of 2020.
- **Statistical business registers:** A statistical business register (SBR) is a tool the NSOs use to extract samples for business surveys. SBRs have comprehensive coverage of all enterprises operating in a country, with characteristics such as ownership type, employment size, industry, product/service, and average annual sales. In addition to being a source from which to select respondent samples for surveys, SBRs are used to produce business demography statistics. This includes, for example, data on the structure of enterprise population; the number of small and medium-sized enterprises (SMEs) by industry, product/service, ownership type; rate of start-ups; rate of deaths; and number of female-owned enterprises. The action triggered by COVID-19 is to accelerate the installation of a statistical business register in each NSO. Support for the design is already being provided under the Government of Canada-funded *Project for the Advancement of Statistics in the Caribbean* (PRASC). The imperative now is for businesses to provide the information to the NSOs. The COVID-19 crisis can be used as an occasion to make information provision mandatory through a cabinet directive that includes measures aimed at addressing non-compliance. In that regard, Member States will be encouraged to build or update their respective SBR using the *OECS Minimum Requirements for Statistical Business Register*. These requirements would ensure country-comparable business demography statistics are produced. If these data were readily available, they would have been used to estimate the impact on SMEs (appropriately disaggregated) and inform the requisite COVID-19 support; and to estimate impact on tourism using tourism satellite accounting. Member States can be reasonably expected to each have a functional SBR by the end of 2020.

- **Employment data:** Data on the impact of COVID-19 on employment is a precious commodity at this time. Since NSOs are unable to conduct labour force surveys to estimate unemployment, it falls upon the administrative sources to fill the gap with data on actual employment, and which is more useful representative data for the purpose for which it is needed. In that regard, social security organisations should be called upon to share aggregated data on employment by industry (using the international standard industrial classification (ISIC), sex, age group, and income (using a specific range). Additionally, data on the number of enterprises by industry and employment size would be useful to analyse the impact and provide the government with needed insights for structuring a national recovery plan. For instance, income data would inform the government on the dollar size of employment support based on the percentage of wages they can reasonably cover viz. 100%, 80%, or 50% of income, over a specified period. The OECS Commission will encourage the social security organisations to share the requisite aggregate employment data.
- **Respondent advocacy:** Continuous messaging and broadcasts about the importance of not just data, but of the imperative for each business, household, and individual to be responsible and to respond comprehensively and accurately to statistical undertakings, is a lesson learnt. NSOs can use this occasion to appeal to potential survey respondents about their responsibility to participate in statistical undertakings by demonstrating that the data from them will be useful to them in their work, business, education, or everyday life. This is what the obsession with COVID-19 exposed and what NSOs can learn from a seemingly insatiable appetite for data, particularly if it affects people's livelihoods. The Commission can support the Member States with enhanced statistical advocacy and communication using a variety of virtual and online tools.
- **Public-private partnerships:** Analysing mobility patterns using data from mobile devices is an innovative way to track citizens. For instance, in a COVID-19 situation, the data can be used to geographically "model" the spread of the disease. The data would help in understanding the impact of quarantine and isolation measures on the intensity of person-to-person contacts, and hence the risk of infections, and to assess the protocols adopted to contain the pandemic. To be able to perform this modelling and tracking, data from private sources would have to be shared. Telecommunication companies should be amenable to sharing anonymised mobile data with the NSOs so that the data can be integrated with other administrative data and official statistics. NSOs can begin to forge these relations using Memoranda of Understanding (MOUs) so that they are in a state-of-readiness when the COVID-19 crisis abates. The OECS Commission will prepare template MOUs to accelerate this action so that they are enforced by the end of 2020.
- **Professional development:** This is an opportune time for NSO staff and staff of other data producing agencies in the national statistical system to undertake online learning to enhance statistical knowledge and skills. The *UN's Global Network of Institutions for Statistical Training* (GIST) offers a rich variety of online courses covering topics such as the Sustainable Development Goals (SDGs), statistical information processing software, and design of graphs and statistical tables. The OECS Commission will compile an appropriate list of topics from GIST and other sources, and work with international development partners to waive fees where applicable. NSOs would be expected to put measures in place to incentivise staff to enhance their talent, such as tying certificates of completion to salary increments.

LONG-TERM STRATEGY FOR STATISTICAL DEVELOPMENT

Development partners for statistics have traditionally invested in statistical areas that form part of the mandate of their respective organisations. This approach resulted in a series of small (in terms of funds) demand-driven initiatives that sometimes overlapped, were duplicated or untimely. Using the OECS RSDS as the policy, the OECS Commission will pursue a comprehensive package of support that represents a pooling of resources from a variety of statistical development partners. Moreover, SDG indicator 17.19.1 *Dollar value of all resources made available to strengthen statistical capacity in developing countries* increases the urgency and imperative for financing statistical development in the OECS Member States. The resources will be expected to provide immediate support and a long-term buffer to produce data and official statistics over a period of five to 10 years. The desired key features of the initiative are as follows:

MEDIUM-TO-LONG-TERM RECOMMENDATIONS

- Demonstration of the OECS Member States' commitment to statistical development expressed in a charter that signals ownership and intent to facilitate and enable implementation of the initiative;
- Formulation of a multi-donor basket fund that demonstrates collective agreement to align support for statistics that is consistent with the five principles of the *Paris Declaration on Aid Effectiveness*: ownership, alignment, harmonisation, results, and mutual accountability;
- The package will cover nine OECS Member States and the OECS Commission will be the executing agency with responsibility for overall management and implementation, with co-ordinated implementation through a national oversight entity in each country;
- Designed to support production of data and official statistics to monitor achievement of the SDGs;
- Provision of resources to cover phases of the statistical business process such as data collection (especially fieldwork) that were not customarily financed by international development partners but rather by public funds. Narrow fiscal space means data collection will be compromised, further perpetuating the data-poor situation that describes the Member States;
- Use of conditions that obligate Member States to put in place the appropriate mechanisms to facilitate production and dissemination of data and to implement the initiative; for instance, revised legislation, a national strategy for development of statistics, a national governance arrangement for statistical development oversight, MOUs, and qualified staff;
- An overarching development goal to create and nurture societies where citizens are empowered such that they are at the centre of data initiatives; and they have meaningful influence on the decisions that affect their daily lives and the kind of development they collectively envision.

CONCLUSION

Looking beyond the crisis, a consistent and predictable supply of high quality, disaggregated, country-comparable data and official statistics will be essential to interpret and respond to the long-term effects of COVID-19 on citizens, businesses, and the governments' resources. To be sustainable, continued government support is a necessary, but not a sufficient, condition. It is equally important to foster a tradition for evidence-based decision making by creating the incentives and conditions for data users to demand solid, relevant, and timely statistical information on a regular basis for their own use and to keep their government accountable.

The background is a watercolor illustration of a sunset or sunrise over a body of water. The sky is filled with soft, blended colors of purple, pink, orange, and yellow. A bright yellow sun is positioned in the center, casting a shimmering reflection on the water below. The water is depicted with horizontal brushstrokes in shades of red, orange, and yellow, mirroring the colors of the sky. The overall texture is soft and painterly.

FINAL

CONCLUSION

Conclusion

The spread of COVID-19 has had a devastating impact on the global economy and has rapidly transmitted economic upheaval to the shores of OECS Member States. This situation has exposed the region to unprecedented levels of economic uncertainty with GDP projections for 2020 ranging from -4.5% to below -10% in some Member States.

The IMF has forecast shrinking per capita incomes in over 170 countries across the globe. The -3% growth projected for 2020 reflects the fastest contraction in global growth since the Great Depression. Beyond the headline macroeconomic indicators, a COVID-19-induced global recession poses a threat to livelihoods across the globe and portends a backsliding of key social advances made over the past two decades.

For OECS Member States, the pandemic has seen the confluence of two crises: a public health crisis and a bruising collapse of key economic sectors across the Eastern Caribbean. The public health threat is amplified by uncertainties surrounding the infection and mortality rates of the virus, its transmission dynamics, the efficacy of medical treatments, the duration of immunity, and the capacity of critical healthcare systems to cope with a potential spike in caseloads.

The unknown nature of the virus has made it necessary for governments to introduce pandemic containment interventions including travel restrictions, curfews, and strict social-distancing and sanitary protocols. While these measures have generally been successful in containing the local transmission of the virus, their economic impacts have had a deep and damaging effect on critical economic sectors across the region. The shuttering of businesses has made it near impossible for firms to generate revenue and, in turn, governments have been starved of much-needed tax receipts, necessary to meet current commitments.

Consequently, what started as a health crisis has quickly morphed into an economic crisis with attendant downside social risks. In order to track and give visibility to the evolving health, economic, and social impacts of the pandemic, the OECS Commission has produced this report to provide insights on the macro and sectoral fallout of the crisis, as well as offer recommendations on immediate and medium-to-long-term response measures available to policymakers.

At the time of writing, the containment and prevention measures employed by authorities across the OECS have, by and large, proven to be successful in constraining the importation and spread of the virus. As a consequence, the caseload of infections and mortality rates within the OECS compares favourably with the Latin American and Caribbean region as a whole, as well as other geographical regions, in both absolute and per capita terms.

Though preliminary in nature, the overall findings of this report confirm that the effects of COVID-19 are pervasive with possible long-lasting effects on the functioning of central government, businesses, institutions, and person-to-person engagement.

The tourism and hospitality sector, which is the linchpin of OECS economies, has been particularly hard hit with all tourism-related economic activity coming to a halt. This is as a direct result of both

domestic and international travel restrictions imposed in March 2020, aimed at slowing the spread of COVID-19 across the globe. In turn, the impact of the closure of the tourism and hospitality sector has rapidly transmitted to downstream sectors such as agriculture, manufacturing, and the creative industries.

Beyond tourism, the introduction of trade restrictive measures imposed by some systemically relevant exporting countries on staple agricultural products could lead to widespread food insecurity with potential for disruptions in global agricultural trade supply chains. These developments reinforce the need for OECS Member States to expand food production.

The report also provides a snapshot of the business ecosystem and the significant feed-through effects of national containment measures on the functioning of business. These measures have caused many start-ups, and even established larger firms, to buckle under mandated forced closures. Smaller businesses have been severely challenged by the crisis given their limited financial buffers and access to credit. In addition to adapting to the new ways of conducting business, businesses have been forced to contend with supply chain disruptions, difficulties sourcing critical inputs, a collapse in consumer demand, and rapidly changing consumption patterns.

The spillover effect of the health and economic crises has transmitted to the social sector. For instance, the education sector has been hard-hit as schools were forced to close. This situation has obliged schools to temporarily transition to full-time online learning. This has come with a number of challenges ranging from inconducive home-schooling environments to the lack of reliable internet access and unavailability of digital learning enabling devices.

Overall, while governments have responded swiftly and decisively to the pandemic, the crisis has again exposed the fragility of the OECS economies and their susceptibility to externally generated threats. The crisis has further laid bare the need to enhance inter-regional co-operation on a host of economic and social agendas.

Firstly, COVID-19 has further exposed the need to accelerate digital transformation policies across the OECS. This will require collective and joined-up efforts to establish the infrastructural and legislative underpinnings required for this transition.

Secondly, it has revealed a myriad of deficiencies in the collection and availability of, and access to, data. A consistent and predictable supply of high quality, disaggregated, country-comparable data and official statistics will be essential to interpret and respond to the long-term effects of COVID-19 on citizens, businesses, and the governments' resources. The scarcity of reliable information can lead to decision making that does not properly take into account critical information. Hence, the national and regional statistics infrastructure should be bolstered to better respond to the need for evidence-based decision making.

Finally, the COVID-19 pandemic has again exposed the delicate fiscal position of Member States and the general absence of emergency resources which can be immediately accessed. It is now imperative for the region to establish a home-grown mechanism to deliver on its integration agenda as well as the imperative of building infrastructural, economic, and social resilience.

This financial and economic vulnerability suggests that over the medium term ex ante measures should be developed and implemented to respond to externally generated shocks. In this regard, an OECS Resilience Fund can be developed to achieve the following:

- Finance response measures to external hazards;
- Support infrastructural development that builds resilience;
- Support health and social resilience through regional programmes of support;
- Empower the private sector, particularly start-ups and MSMEs;
- Provide a financial backbone for the activation of a multi-modal transport network which includes bolstering the financial position of LIAT and the introduction of a fast ferry service;
- Provide sector support for catalytic initiatives in tourism, manufacturing, and agriculture.

The fund will support the functioning of the OECS Commission which will be charged with the key oversight responsibilities for the implementation of the regional agenda, including the ECEU.

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