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SAINT LUCIA

COVID-19 HEAT REPORT
HUMAN AND ECONOMIC ASSESSMENT OF IMPACT

Based on research conducted by Dr. Indera Sagewan

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ACKNOWLEDGEMENTS

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The authors and technical team are grateful for the support of all individuals across various Government ministries, agencies and departments who provided data and feedback on the drafts.

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COVID-19 MACROECONOMIC AND HUMAN IMPACT ASSESSMENT FOR SAINT LUCIA

INDICATORS	VALUE
Demographic	
Age Dependency Ratio (World Bank Stats) 2018	40%
Labour Force (Social and Economic Review)	100,976
% of Labour Force Female (CSO Saint Lucia)	47.60%
Population (CSO Saint Lucia) (2018)	178,696
Macroeconomic	
Gross Domestic Product (2018) (USD)	1,922,000,000
GDP Per Capita (Gov't of Saint Lucia) (USD)	11,877.4
Expected GDP growth rate (Caribbean Development Bank)	1.5%
Inflation (Caribbean Development Bank)	0.2%
Fiscal	
Debt to GDP Ratio (Caribbean Development Bank)	65.9%
Primary Balance (% of GDP) (Caribbean Development Bank)	1.0%
Interest to Revenue Ratio (Gov't Budget Estimates)	15%
Social	
Unemployment Rate (CSO)	18.3%
Unemployment (female)	18.9%
Unemployment (male)	14.9%
Poverty Rate (National Development Plan) 2016	25.1%
Poverty Rate (female) 2016	54%
Poverty Rate (male) 2016	46%
Poverty Rate (children, 2016)	34.5%
Number of school-going children (2017)	32,002

Note: All data is for 2019, unless otherwise stated.

Poverty line of $6,443.0 (USD5.50 per day)

Number of school going children is calculated from the UNICEF Situation Analysis of Children in Saint Lucia 2017 and broken down as follows: pre-school (3.342), primary (15,799), secondary (12,861)

EXECUTIVE SUMMARY

Prior to the COVID-19 outbreak, the Saint Lucian economy was projected to continue along its growth path that has been ongoing since 2016. The economy was forecasted to grow at around 3.2% in 2020, building on the 4 previous years of growth. This growth was to be driven by the largest economic sector, services, more specifically the tourism industry, which is broadly responsible for 65% of output. The tourism sector accounted for 50.8% of total employment in 2018.

While unemployment has been on a downward trend, nearly one in every five people remained out of work in 2019, with females (18.9%) more likely to be unemployed than males (14.9%). Gender inequity in employment is also reflected in the wage gap that places women's average monthly wage at about 22%[1] less than their male counterparts with women overrepresented in the lower income paying sectors of the economy. There is also the issue of occupational segregation that finds women overrepresented in the services sector which is characterised by lower wages and salaries.

Child poverty is estimated at 34.5% of the child population compared to 21% for the adult population (2016) and 7.8% of the poor covered by social assistance.[2]

Saint Lucia managed to maintain a level of public debt below the regional average, with national indebtedness equivalent to 65.9% of GDP in 2019 and the related interest payments absorbing around 15% of fiscal revenue.

Since confirming its first cases of COVID-19 March 13th, the Saint Lucian Government implemented a state of emergency, closed its borders and instituted a series of curfews to contain the spread. These pragmatic actions were successful in containing the virus and ensuring that the health impacts were arguably minimal with just 19 cases and no fatalities.

Based on this economic shuttering and the expected slow recovery of the tourism industry, this report posits a possible range of GDP growth of between -11% and -17% in 2020, depending on how quickly the tourism industry recovers. As a result, around one-third of the labour force is projected to be unemployed. Under these scenarios, fiscal revenues will contract by between 37% and 46% and, with limited fiscal space and minimal options for redirecting expenditures, national debt could increase to the equivalent of 80% of GDP.

To mitigate the possible impacts of the pandemic, Saint Lucia used a three phased approach: health, social stabilisation and economic recovery, detailed in the body of the report. It's social and economic relief programme was launched on April 29th and included temporary income support of between $500 and $1,500 per month through the National Insurance Corporation (NIC) for contributors and non-NIC contributors for an initial period of three months and set to expire in July; a moratorium on bank mortgage repayments (principal and interest) for both individuals and entities for a period of six months through September; suspension of all rent payments for six months for those occupying government-owned commercial units; provision of direct support to local indigenous farmers to sustain their livelihoods, among others.

As the potential for a global second wave increases and the return of tourism is likely to be protracted, this report makes a series of additional recommendations to support the island's social and economic recovery, including the expansion of the agricultural extension services to provide agricultural inputs to encourage self-production; the implementation and targeted delivery of a "family food basket" to provide support to the most vulnerable families; the expansion of the Disability Benefit to include adults and victims of sexual abuse and gender-based violence; a strategy to designate firms processing remittances as essential services; and the expansion of home-schooling programmes to help address the gap in learning opportunities as academic recovery is an important imperative.

1 Author's own estimate
2 Scaling up Social Assistance to Mitigate Secondary Impact of COVID-19 on Children, UNICEF, 2020

CONTEXT

MACROECONOMY PRE-COVID-19

Saint Lucia is a small upper middle income open economy, highly dependent on the services sector, especially tourism. It is an island economy highly vulnerable to external shocks (natural disasters; volatile tourism receipts; foreign oil prices; global growth and demand). Saint Lucia's GDP is comprised of 82.8% services (of which tourism, both direct and indirect, contributes 65%), 14.2% industrial sector and 2.9% agricultural sector (2017 estimates). The economy is therefore heavily dependent on the tourism sector for its growth. The economy experienced a combined 8% growth between 2016-2019, though following a slower trajectory from 2.6% in 2018 to 1.7% in 2019[3]. GDP growth in 2019 resulted from expansions in tourism, manufacturing and transport which overshadowed declines in wholesale & retail, construction and agriculture[4].

Like many of its regional neighbours, Saint Lucia's main source markets are the US, UK, Caribbean and Canada and these accounted for a 7.3% rise in stay-over arrivals in 2019, after growing for a seventh consecutive year. Following double digit growth in the previous two years, cruise arrivals grew by 2.5 % in 2019 while yacht arrivals were 4.6% higher relative to 2018. Increased activity in the manufacturing sector led to growth of 8.6% in value added from the sector. Manufacturing contribution to real GDP increased from 3.2% in 2018 to 3.4% in 2019[5].

The agriculture sector contracted by 0.8% in 2019, following a recovery of 1.7% in 2018. Total banana exports to the UK and the Caribbean region declined by 19.8% partly due to the impact of Tropical Storm Kirk in September 2018. The construction sector contributed 3.7% to GDP in 2019, reflecting a 0.3% contraction from 2018 due to private sector construction decline. Inflation was 0.5% compared to 2.6% in 2018. Unemployment stood at 18.3% in 2019 compared to 24.1% in 2015[6].

The IMF in its 2019 Article IV consultation report projected that, "the commencement of large public infrastructure projects, including the redevelopment of the international airport and a comprehensive road improvement programme, is expected to substantially boost growth in 2020-22" even as it "will push up public debt and weaken the external position." The Fund did identify the downside risks to such a positive outlook to include "a deeper-than-expected slowdown in major source markets for tourism, energy price shocks, disruptions to global financial markets and loss of correspondent bank relationships." Saint Lucia's high vulnerability to natural disasters constitutes an ever-present risk to both growth and the fiscal outlook[7]. With the onslaught of COVID-19 globally, UN ECLAC in early April 2020 projected real GDP growth in Saint Lucia to fall to -8.1% in 2020 and the IMF (-8.5%) compared to the 3.2% growth projection for Saint Lucia prior to COVID-19 (UN ECLAC).

3 Saint Lucia's National Budget Statement 2019-20
4 Economic and Social Review 2019, Caribbean Development Bank
5 Economic and Social Review 2019, Caribbean Development Bank
6 Economic and Social Review 2019, Caribbean Development Bank
7 IMF Article IV Consultation 2019

FISCAL PRE-COVID-19

According to the 2019 Economic and Social Review, Saint Lucia's debt to GDP ratio fell from 67.7% in 2015 to 59.6% in 2019, reflecting a continued expansion in the GDP base and the island's capacity to carry the debt burden, rather than a decrease in the nominal value of the country's indebtedness. As presented in its Economic and Social Review 2019, public finances deteriorated in fiscal year 2019/20 as the central government recorded a larger overall fiscal deficit of ECD193.8mn (3.5% of GDP) compared to ECD 57.3mn (1.0% of GDP) in the previous year. This was due primarily to continued growth in total expenditure, reflecting both higher capital and current spending.

Revenue intake also fell relative to 2018/19, owing to comparatively lower receipts in the last two months of the fiscal year in light of the COVID-19 crisis. As a result, the primary balance moved from a surplus of ECD108.4mn in 2018/19 to a deficit of ECD 23.0mn, the first primary deficit since 2013/14. Similarly, the current account balance narrowed to a surplus of ECD 46.1mn in 2019/20, compared to ECD 103.4mn in the previous year. As a result, Saint Lucia's total official public debt stock continued to trend upwards[8].

Total revenue in 2019 was estimated at approximately 24% of the country's GDP while total expenditure was estimated at 27.5% of GDP resulting in a fiscal deficit of 3.5% of GDP. The fiscal deficit as a percentage of total government revenue amounted to 15%. The main sources of revenue as a percentage of total revenue were: taxes on goods and services 31%, corporate and personal taxes 22% and import duties 22%. The major share of the national expenditure was allocated to wages and salaries 45%, goods and services 16% and transfers 10%, interest charges on debt 15%, principal repayment 10% and capital expenditure 19%. Increased liquidity in the commercial banking system contributed to a reduction in the weighted average cost of debt which fell from 5.32% in 2018 to 5.16% in 2019. The country's interest to revenue ratio stands at 15%[9].

Pre-COVID-19, the IMF advised Saint Lucia to introduce a fiscal rule that would help anchor fiscal policy over the medium term and support consolidation efforts. To be effective, the fiscal rule should encompass a comprehensive definition of fiscal activities, including the fiscal costs of natural disasters and the lumpy expenditure associated with infrastructure investment, and should be part of a broader fiscal responsibility framework that embeds appropriate institutional and governance arrangements to ensure both the appropriate degree of flexibility as well as enforceability of the fiscal rule. It would also be used to strike the balance between credibly meeting the debt target over the medium-term and providing space for much-needed spending to build resilience[10].

The Government of Saint Lucia, like others in the Eastern Caribbean, has implemented a Citizenship-by-Investment Programme (CIP). It uses the funds raised through this programme to finance a mix of current expenditures, capital projects (including post-disaster reconstruction), and debt reduction. CIP raised some ECD 62mn in the 2018-19 reporting year, more than double the ECD 28mn it garnered the year before. China was the leading source-country for new citizens, accounting for 21% of the total, followed by Russia (9%), and Syria (8%). Saint Lucia released its Citizenship-by-Investment(Amendment) Regulations, 2020, reducing the investment amounts under the Programme's National Economic Fund option from USD 200,000 to USD 100,000 and implemented a "Limited Time Offer" under its government bonds option. This has been dubbed a "COVID-19 Offer". These programmes have macroeconomic and fiscal effects that in some ways resemble exports of natural resources. They generate potentially large inflows of revenue for governments, but these are generally unpredictable and volatile. Management of Citizenship-By-Investment revenue therefore needs to be incorporated into a country's fiscal responsibility framework. it should be noted that with the introduction of the National Economic Fund, Government cannot programme against CIP receipts but rather must request approval from board of the National Economic Fund.

8 Variables calculated using data from National Estimates of Revenue and Expenditure (2018/19)
9 Variables calculated using data from National Estimates of Revenue and Expenditure (2018/19)
10 IMF 2019 Article IV Consultation

MONETARY PRE-COVID-19

At the end of 2019, Saint Lucia's imputed share of reserves at the ECCB fell by 8% to ECD 682.7mn, equivalent to 5.1 months of goods imports. Although there was a reduction in the weighted average lending rate, business credit continued to decline. Deposits continued to rise and contributed to increased commercial bank liquidity as evidenced by a decrease in the loans to deposit ratio to 78.3% at the end of 2019 compared to 80.7% in 2018.

Poverty

Over the ten-year period 2006-2016, the poverty rate moved from close to one in three to one in four. The Enhanced Country Poverty Assessment (ECPA (2016) which incorporates multi-dimensional poverty assessment, defines the poor as persons living below the 2016 annualised poverty line of ECD 6,443.00. This amounts to approximately 43,000 Saint Lucians. This equates to below the Consumption-based poverty rates, defined as the proportion of individuals with household-level per-capita consumption lower than the international poverty line (USD 5.5 a day in 2011 PPP). The indigence line was ECD 2,123 in 2016. The ECPA (2016) also reveals increasing urban poverty due to rural urban migration, with poverty concentrated amongst single female households with children under 5 years.

Levels of poverty and indigence are very similar among women and men – 23% of women and 25% of men were considered poor, though their experiences are different. In fact, even though more women attain secondary level education, greater proportions of females rather than males end up being the heads of poor households.

According to UNICEF, in 2016, more than one in every three children was poor (16,800 children)[11], with this rate much higher in rural communities than in urban areas in 2015. The rate of child poverty was nearly doubled as the number of children in the household increases – 66% of children living in households with four or more children are expected to be poor. Further, an analysis of child well-being in the Health and Nutrition Dimension by UNICEF revealed that approximately 5% of Saint Lucian children were undernourished in 2015[12].

According to UNICEF (2019), there were around 28,700 adolescents[13] in Saint Lucia in 2016 accounting for 17% of the total population with one in three being poor (about 9,500). The adolescent poverty rate was 33%, significantly higher than the poverty rates for the older population (20+ years) at 21% and the population as a whole at 25.1%. Further, a third of adolescents are not in education, employment or training (NEET) programmes, with the great majority of those over the school age being unemployed[14]. Around one third of households in Saint Lucia contain adolescents and every house with adolescents has an average of 1.5 adolescents. Adolescents living in rural areas have a slightly higher poverty rate (35%) than those residing in urban areas (32%). However, since about three quarters live in urban areas, the majority of poor adolescents (almost 72%) are also urban residents. Thus, adolescent poverty interventions should target adolescents in urban areas. Indigence (severe poverty) among adolescents in Saint Lucia is low. In 2016, there were no more than 508 indigent adolescents, representing an indigence rate of 1.8%[15].

Employment

Overall, the level of employment in Saint Lucia is 83.7% of the average labour force (2008-2019) of 83,977. Of this 39,153 (47.6%) are women (Table 1). Further, female workers predominate in Human Health and Social Work (78%), Education (73%), Wholesale and Retail (59%) and Accommodation and Food Services (57.4%) (Table 1).

11 The Socio-Economic impact of COVID-19 on children and young people in the Eastern Caribbean Area April 2020 UNICEF
12 Mapping Of Child Well-Being in Saint Lucia Published by UNICEF Office for the Eastern Caribbean Area 2015
13 Adolescents, defined in the UNICEF Report Adolescent Well-being and Equity in Saint Lucia January 2019 as "persons in the 10–19 age group, include a number of distinct sub-groups: children and adults, persons in primary and secondary school, pre- and post-pubescent children, individuals inside and outside the labour force and individuals under and over the legal age of sexual consent"
14 UNICEF Adolescent Well-being and Equity in Saint Lucia January 2019
15 UNICEF Adolescent Well-being and Equity in Saint Lucia January 2019

Table 1: Employment by Major Sector/Gender

Sector	Total Employed	Female Employed	% Females Employed
Labour Force	**83,977**	**39,153**	**47.6%**
Agriculture	8,187	1,171	38.4%
Manufacturing	4,261	2,083	48.0%
Construction	6,726	69	0.0%
Wholesale+Retail Trade, Repair of Motor Vehicle and Motorcycle	13,439	7,912	59.0%
Accommodation + Food Services	14,000	8,037	57.4%
Public Administration	7,387	3,760	51.0%
Education	3,874	2,823	73.0%
Health and Social Work	3,104	2,427	78.0%
Administration + Support Services	5,338	2,559	48.0%

Author Compilation based on LF by Industry Group and Sex 2008-2019

According to the Labour Force Survey in the second quarter of 2019, the overall unemployment rate fell to 16.83%[16] from 20.2% in 2018. This represents a total of 16,994 unemployed persons in 2019. Contributing to these results were the reduction in the labour force along with increased employment in some key sectors in the economy. The unemployment rate for both males and females improved in 2019. Male unemployment decreased from 18.5% in 2018 to 14.9% in 2019 while female unemployment dropped by 3.2 percentage points to 18.9% in 2019, thus widening the unemployment gender gap to 4.0 percentage points in 2019, from 3.6 percentage points in 2018. On the basis of these rates, in 2019, the number of unemployed men was 7,884 and the number of unemployed women 9,074. The labour force participation rate is estimated to have inched downwards, from 71.4% in 2018 to 71.0% in 2019, its lowest level since 2013. The participation of females in the labour force grew by 2.6% to 67% (48,304 participants) in 2019.

The agricultural sector employs most of the poor (this is corroborated by the discussion of the informal sector later in this analysis) while Tourism, because of significant economic role in the economy has the potential to be the key driver of poverty reduction. Of course, the issue of introducing a minimum wage could be considered. Both these sectors are vulnerable to terms of trade shifts and extreme weather events, suggesting that the poor and vulnerable population would be disproportionately affected by the same factors. COVID-19 will create a similar impact and is therefore likely to impact these groups most significantly.

Youth Unemployment

Youth unemployment was 31.6% in the second quarter of 2019[17], representing a total of 8,453 persons, the lowest ever recorded level. Youth employment by gender reveals a male youth unemployment rate of 40.14% compared to a female unemployment rate of 28.7%. In 2019 there were therefore 5,326 male youth unemployed compared to 3,127 female youth unemployed[18]. Skills mismatch is a major problem in Saint Lucia. While 44% of job openings require tertiary education, only 7% of job seekers have been to university. More than half of job seekers have not completed secondary education but 75% of job openings require secondary education as a minimum.

16 There appears to be differing estimations of the unemployment rate for 2019. While the CSO puts it at 18.3% the country's Economic and Social Review puts it at 16.8. for the purpose of this analysis we use the CSO figure

17 CSO Labour Force Survey 2019

18 Saint Lucia Labour Force Survey 2019

According to UNICEF[19], adolescents (15–17-year-olds) have a very low labour force participation rate (LFPR) (13%) due to the great majority being in school, while adolescents (18–19-year-olds) have a much higher level of participation (62%). The combined participation for the 15–19 age group is 33%, 80% of whom are unemployed. Males are more likely to be in a NEET than females, 38% compared to 28%, which again results from the higher proportion of women who are studying. These gender differentials have important policy implications. These rates are over 50% higher than for 20–24-year-olds and over five times the rate for older age groups. These high levels imply that many adolescents are finding it difficult to secure employment. Adolescents, despite comprising around 4% of the total labour force, account for 15% of the total number of unemployed. Adolescents with no previous job experience have to compete with a very large number of older, experienced unemployed workers. This adds to the difficulties they face as they transition to adulthood. Almost 60% of adolescents live with one biological parent (mostly mothers).

Gender Wage Disparity

UN Women conducted an analysis of earnings data as part of its Saint Lucia Study in which results from the 2012 Labour Force Survey and the 2005–2006 Survey of Living Conditions were analysed. They found that women tended to earn less than men across a range of different comparisons – occupation, industry, status in employment and educational achievement. Ultimately, the study concluded that women in Saint Lucia were paid, on average, 10% less than their male peers[20]. Based on more recent data, we calculate the gender wage differential later in the paper. UN Women also found education to be the wage equaliser, although it has still been insufficient to secure wage parity.

Social Expenditure

The state of a country's Social Sector is partially reflected in the portion of its national expenditure allocated to Health, Education and Social Services. Over the period 2012-2017, the portion of the total national expenditure accounted for by health showed some volatility but remained near 10% throughout the period and 2.5% of GDP (calculated from data drawn from National estimates of expenditure). On average 14.1% of the total national expenditure was accounted for by education expenditures 2012-2017. However, this was reduced annually from 14.4% (2012) to 12.7% (2017) of national expenditure. Education as a percentage of GDP averaged 4.8%. Social Services expenditure averaged 4.8% of Saint Lucia's total national expenditure and averaged 1.7% of the GDP[21]. Government of Saint Lucia provides a total of 2,589 households with Public Assistance Cash Transfer and allocates on average ECD 32mn towards Social Protection (Social Assistance, Social Care, ALMP and Public Works).

Social Protection Delivery Mechanisms

At the policy level, Saint Lucia is committed to the eradication of poverty and expanding its social protection programmes to meet the needs of at risk population. There are a number of social safety net programmes, though there is limited coordination and rationalisation across them. While the unavailability of data makes robust, disaggregated analysis of poverty and social sector measures in Saint Lucia difficult, available data suggests that coverage of target groups is low for Public Assistance, student support schemes and programmes for vulnerable infants and young children. The Saint Lucia Social Development Fund (SSDF) accounts for the largest share of social assistance spending, Public Assistance 11%, and student welfare assistance and school feeding take up less than 5%[22].

In 2014 the Government of Saint Lucia approved the country's first National Social Protection Policy to guide the development of a framework, which promotes equity and enhances the well-being and capacity of poor and vulnerable households and populations in Saint Lucia to protect their consumption; invest in their future and contribute meaningfully to national sustainable development. It proposed a reform process and an effort to rationalise the existing interventions by merging, expanding or reducing them, based on their objectives vis-à-vis the actual needs of the population and the capacities of the implementing agencies and institutions.

19 UNICEF Adolescent Well-being and Equity in Saint Lucia January 2019
20 J. Xavier: Final report: Gender aware beneficiary analysis of Saint Lucia's Public Assistance Programme (Barbados: UN Women, 2015).
21 These percentage allocations were calculated from National Estimates of Expenditure data.
22 Saint Lucia Voluntary National Review Report on the implementation of the 2030 Agenda for Sustainable Development, July 2019

This process is ongoing and is intended to improve targeting, efficiency and effectiveness of national social protection interventions, which currently comprise a number of discrete systems. Chief among these is the Public Assistance Programme (PAP), through which qualifying households receive a monthly cash allowance and the Child Disability Grant of ECD 200 per child with severe disabilities. qualifying applicants can receive both. This programme is critical to those it reaches, providing basic income support for those living in poverty. Nonetheless, the programme has significant challenges, including weaknesses in the targeting mechanism – the National Eligibility Test 2.0 (SL-NET 2.0) – and low levels of coverage[23]. The SL-NET Verions 3.0 is approved by Cabinet and will be implemented shortly.

Saint Lucia is the recipient of the UN SDG Joint Fund geared at strengthening the social protection system towards making it more shock response. Additionally Saint Lucia recently received a World Bank loan of USD 20.0mn (Human Capital Resilience Project) geared at TVET and Strengthening the Social Protection System in Saint Lucia including dealing with the under coverage of indigent on PAP by increasing PAP by 1,000 households. This initiative is being fast tracked as part of the COVID-19 response with funding from the UN-India Fund and World Food Programme funds.

The National Insurance Scheme (NIS) provides retirement, disability, maternity, workers' injury, and survivors' benefits to subscribers and provides benefits to a small percentage of self-employed, seasonal, domestic, or informal sector workers. There is, however, no unemployment insurance and, given the high number of informal workers, the extent of coverage, particularly for the most vulnerable, is constrained.

Additionally, the Education Assistance Programme delivers educational services and support to poor families through a Book Bursary Programme and a School Feeding Programme at infant and primary schools while the Housing Assistance Programme by SSDF provides assistance to needy and indigent individuals (especially the elderly and households with children) and the Basic Needs Trust Fund (BNTF) supports housing and construction of community-based retail facilities, respectively.

Koudmein Ste Lucie which is a holistic intervention programme modelled after the Chilean Puente programme, is designed to give psycho-social support to families living in extreme poverty.

Health

In 2019 Saint Lucia had two public hospitals, St. Jude's Hospital and Victoria Hospital, with the latter being the largest. In March 2020, the GoSL transitioned to the Owen King European Union (OKEU) Hospital (a project financed by the European Union) from the Victoria Hospital, using the latter as its COVID-19 respiratory facility. There are also district hospitals at Vieux Fort, Dennery, Gros-Islet and Soufriere that offer primary health care services and limited secondary care and emergency services. There are also more than 30 health centres. Saint Lucia has one privately run hospital and a number of other private facilities that provide specialised medical and dental services. Saint Lucia imports all of its pharmaceutical requirements. The government imports pharmaceuticals through the Pool Procurement Service of the Organisation of Eastern Caribbean States (PPS/OECS) enabling it to maximise the value of health care services to Saint Lucians through the advantages of buying in bulk collectively, along with neighboring countries. Saint Lucia's small pharmaceutical industry is regulated in part by the Pharmacy Council of Saint Lucia.

In 2018 the World Bank approved a USD 20mn facility from the International Development Association for strengthening Saint Lucia's public health care system by improving accessibility, efficiency and responsiveness of key health services towards universal health coverage by improving service delivery, upgrading health infrastructure and scaling up preparedness and response for public health emergencies. The project aims to ensure that at least 100,000 people on the island of 178,000 inhabitants are registered to the National Health Scheme by the end of the project. It also ensures that at least 60% of diabetic and hypertensive patients over 18 years old are treated according to national protocols in public primary health care facilities. In addition, primary health care centers will be equipped to serve as the first point of detection for selected infectious diseases.

Universal non-contributory pharmaceutical programme. The Ministry of Health and Wellness has the primary objective to facilitate implementation, and by so doing provide free pharmaceuticals to all diabetics and all diabetics with hypertension, irrespective of income.

23 Case Study on the St. Lucia National Eligibility Test, UNICEF, UN Women, 2015

Education and Access to Learning

The 1997 Saint Lucia Education Act requires all students to remain in school until 16 years of age; the Universal Secondary School Act (2006/7) assures every student a secondary school placement where they complete five years of basic studies (Forms 1-5). In addition to the traditional secondary school programme, Saint Lucia provides vocational education through a three-year Senior Primary Programme or through the Centre for Adolescent Renewal and Education CARE School, both focus on preparing students for future technical jobs.

In the event of a second wave, a sustained transition to online learning will be challenging, as nearly half of the population does not have access to the internet.[24] Given what is known about the geographic distribution of poverty in Saint Lucia, in the absence of disaggregated internet access data, it is reasonable to conclude that most of those without access are in rural areas and are primarily the poorest households, putting this group at a particular disadvantage for accessing remote and virtual learning.

Remittances

Remittances sent by the diaspora provide income for many Saint Lucian households and contribute to reducing poverty. As in most small states, limited job opportunities and vulnerability to natural disasters are a push factor for emigration. OECS emigration rates are among the highest in the world, with most of the diaspora located in the United States, Canada, and Europe, countries hard hit by COVID-19. In 2018 remittances to Saint Lucia were USD 42.9mn. Given this level of inflows, poverty rates would have been 5 percentage points higher in Saint Lucia if recipient households had not received remittances. Global remittances to low and middle-income countries are forecast to decline by 20% in 2020: a situation that would reduce inflows to Saint Lucia by around USD 8mn and put further stress on local recipients, at a time when their dependence on these funds will be increased.

The Informal Economy

Based on the most recent data[25], 27.3% of the labour force is informally employed[26] and these workers are responsible for generating as much as 8% to GDP. These informal jobs are dominated by small farmers and those involved in service and craft occupations. These workers are highly vulnerable to shocks, as more than 80% of the related businesses are unregistered and 3/4 keep no records, making it difficult for them integrate into and benefit from formal social support systems such as the NIS.

Initial Policy Response to COVID-19

Saint Lucia approached the COVID-19 response with a three pronged triaged approach, starting with Public Health Response which included strengthening the Public Health System (Quarantine and Isolation facilities, PPE, ventilators), border closures, curfews, state of emergency and school closures. Phase 2 was the Social Stabilisation Plan which featured income support (Economic Relief Programme) by the National Insurance Corporation (NIC) for contributors and the Central Government launched an Income Support Programme for non-NIC contributors of ECD 500 monthly for 3 months (April to June 2020). Phase 3 included the Economic Recovery and Resilience Plan geared at providing support to the business sector through credit and liquidity support as well as supporting poor and vulnerable households. Saint Lucia also secured the IMF Rapid Credit Facility USD 29mn among others to support its COVID-19 Response Initiatives.

Table 2 below describes the initiatives the Government of Saint Lucia outlined as its first response to protecting livelihoods. Based on the costs provided for some items in Table 2, the initial response increases Government's expenditure by ECD 88.8mn (Cash transfers) and reduces revenue by at least ECD 20.9mn. Note: some items, for example, rental waivers, are not quantified and deferral of revenues for items such as individual and corporate taxes are also not quantified.

24 UNDP Human Development Reports Indicator Database
25 Saint Lucia Central Statistical Office Measurement of Informal Sector and Informal Employment in St. Lucia, 2009
26 Informal employment is defined as employees who have no written contract and do not have a pay slip

Table 2: Initial Policy Response to COVID-19

Classification	Initiative	Beneficiary	Amount (EC$)	Period	Cost (EC$)
Cash Transfer	Unemployment Subsistence Allowance	NIC* contributors	500-1500 monthly	April- June	65mn
	Employment Subsistence Allowance	Self-employed* non-NIC contributors	500	3-months	16.8mn
	Extension to file Corporate tax	Registered Business		1-month	
Fiscal	Extension to individual tax return	Individuals		1-month	
	Waiver of interest/penalties on taxes	Businesses/Individuals		3-months	
	Tax Credit to Companies retaining 30% staff	Businesses	30%		
	Moratorium on bank loans interest/principal	Businesses/Individuals			
	Duty free barrel concession				4mn
	Concessions for production of health and sanitation products	Businesses			5mn
	Rent waiver for MSMEs renting from Gov't	MSMEs			
	Utility Assistance	Service at cost/no disconnections		6-months April - Sep	
	Fuel Rebate	Bus Drivers			1.1mn
	Gov't Assistance to produce hand sanitisers, liquid soap and rubbing alcohol	Local Enterprises			7.4mn
	Government Support	Manufacturers of household cleaning items			3.4mn
	Bulk purchase of flu related medicines for distribution at low cost	Individuals			
	Distribution of meals	Underprivileged			
Relief from Funding Partners	Moratorium on public debt repayment, grant funding, policy based loans and budgetary support from Development Partners/regional and multilateral institutions				
Total					**102.7mn**

*NIC National Insurance Corporation

*Self-employed (taxi-drivers ,vendors, MSMEs, creative industry)

Source: Information used to construct this table was provided by Gov't of Saint Lucia

CHANNEL OF IMPACT

EXTERNAL

Saint Lucia is largely a tourism dependent economy. Tourism is dependent on growth in the global economy, in particular source markets from which its tourists come. Global growth projected at 3.3% pre-COVID-19 is now projected at -4.9% in June 2020, 1.9 percentage points below the April 2020 IMF World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecasted. WEO projects a 5.4% global growth in 2021.

The major source markets for Saint Lucia are projected to also contract significantly. According to the IMF (June 2020), the United States (Saint Lucia's leading source market, accounting for 45% of the total stay-over arrivals in 2019) projected GDP for 2020 is -8% which is 2.1% lower than its projection in April 2020; UK (accounting for 19.7% of total stay-over arrivals) is now projected to contract to -10.2% and in the Caribbean, tourism dependent economies are projected to contract to -10.3%.

The performance of the Tourism sector will also depend on the following: international cooperation on travel rules and sanitary protocols; the speed with which source markets control the virus; the internal reopening of source markets to put persons back to work; the speed with which source markets open their borders for citizens to leave on vacation and business travel; travel costs and the rate at which travelers choose to re-engage with international travel. UN ECLAC projects Tourism in the Caribbean to contract by 30% therefore impacting GDP negatively by 2.5%[27].

World Trade is also forecasted to decline by 11%, growing again by 8.4% in 2021 (IMF). The global GDP loss is estimated at USD 9bn, this is as a consequence of contracting global demand as economies lock down in order to contain COVID-19 spread. UN ECLAC estimates the Caribbean region's exports to contract by 15% and face reduced prices for exports averaging 8%.

DOMESTIC

The domestic channels of impact to the economy are centered on the mandatory shut down and restricted movement of people caused by COVID-19. This, of course, directly impacts employment, business activity, purchasing power, demand patterns in the short term and is expected to have drag on impact depending on the rate of recovery. Emerging from the transition stage, if many households and/or firms are bankrupt and if there is a second wave, then the recovery is likely to be prolonged and slow. Already many businesses are facing a liquidity crisis which has the potential of evolving into an insolvency crisis

Government's fiscal operation is also a domestic channel through which the impact is felt: loss of revenue sources; increased borrowing to address health and income needs; budgetary reallocations; draw downs on savings and stimulus financing are but some of the areas impacted. The economy of Saint Lucia was subjected to a complete shut-down save for essential services with an imposed curfew from April 1st. Partial and phased opening commenced at the end of April and by the end of May the domestic economy was re-opened, with the nightly curfew still in force. Phase 4 which commenced in early June allowed for the opening of borders to essential and approved services and saw the launch of a large stimulus to the private sector and economy. Phase 5 which was fully implemented in mid-July saw the full opening of borders to tourism with the required health protocols in place. Noteworthy, the transition from one phase to the next was premised on the realisation of pre-set health and safety targets related to COVID-19[28].

27 UN ECLAC Special Report COVID-19
28 Government of Saint Lucia official schedule

IMPACT ANALYSIS

MACRO IMPACT

In examining the impact of COVID-19 on GDP, we employ the World Tourism Organisation 3-scenario model based on projected reduction in tourist arrivals under different reopening schedules of the economy's international borders and lifting of trade restrictions. We then make reasoned assumptions with respect to contractions in the other productive sectors. These are outlined in the Appendix.

In 2019, the economy of Saint Lucia grew by 1.7% and was projected to grow by to 3.2% in 2020 (UN ECLAC). Early in April, the UN ECLAC revised the post-COVID-19 GDP growth in Saint Lucia to -8.1%, with a slightly higher contraction projection by the IMF of -8.5%. Economic modeling is time sensitive. In early March the assumptions with respect to domestic shuts downs, global demand contractions etc. would have been more conservative than 2 months later given the evolution of the COVID-19 impact on world economies.

In our model, the best-case scenario results in a contracted GDP rate of -11% and a worst case -17% in 2020. The associated contraction in employment has also been estimated to be -11% best case and -18% worst case. (Table 3 below).

Table 3: Post-COVID-19 GDP Scenario Projections 2020

Impact On	**Scenario 1:** (-58% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early July	**Scenario 2:** (-70% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early September	**Scenario 3:** (-78% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early December
GDP Growth(%)	**-11%**	**-14%**	**-17%**
Employ-ment (%)	**-11%**	**-15%**	**-18%**

It should be noted that the majority of WTO experts expect to see signs of recovery by the final quarter of 2020 but mostly in 2021 based on previous crises, which resulted in quick recovery of leisure travel, particularly travel for visiting friends and relatives rather than business travel. However, previous crises were not health related, which makes forecasting very challenging. This pandemic by all accounts is the worst global disaster since WWII and the great depression of the 1930's, and is expected to be worse given the interconnectedness and inter-dependence of the world facilitated through globalisation.

For tourism reliant economies the uncertainty is even stronger as the following factors which affect travel are yet unknown and difficult to model: increased fear of travelling in the confines of an airplane, the additional cost of health measures and social distancing requirement on airports, airlines, hotels and government institutions with the concomitant impact on the cost of travel and travel insurance, airline closures and impact on travel routes and costs, global employment and income impact of COVID-19 on tourists, the cruise ship industry response given the high incidence of positive cases reported on ships, the price of fuel, the speed with which a vaccine comes on market and cost and availability of the vaccine.

Global recovery ultimately depends on the rate at which COVID-19 is contained and the availability of a vaccine, but also heavily on the capacity of governments and international funding agencies to finance a global recovery and stimulus package never before implemented. How this is distributed will affect the pattern of recovery to positive growth, noting that small vulnerable island economies don't have the fiscal space or economic weight to replicate the massive expenditure packages of the developed nations. The possibility of a global second wave has become increasingly likely and such an outcome would further depress growth and employment beyond current forecasts.

The Monetary Unit of the Eastern Caribbean Central Bank (ECCU) of which Saint Lucia is a member, has set a ceiling target for each country's debt to GDP ratio at 60% by 2030. Pre-COVID-19, Saint Lucia's was well within this range at 59.6% in 2019. The Saint Lucian Government's Medium-Term Development Strategy (2020-2023) articulated an accelerated tourism growth plan which was projected to increase GDP by 1.9% by 2020, attract USD 3.5 bn in investments and create 4,000 jobs by 2022. These large public infrastructure projects, including the redevelopment of the international airport and a comprehensive road improvement programme (12.7% of GDP), were expected to substantially boost growth 2020-22 but would have pushed public debt up to 74% by 2023 and weaken the external position. In addition, a USD 20mn loan has been secured from the World Bank to finance the country's health sector infrastructural upgrade and the design and implementation of a National Health Insurance Scheme. The latter is still at the conceptualisation stage. Of course, the impact of COVID-19, even without this additional CAPEX may worsen the country's debt to GDP ratio as GDP contracts. The IMF Rapid Credit Facility USD 29mn among others may help to mitigate this impact.

Table 4 : Revised GDP/Debt to GDP/Unemployment

	Scenario 1: (-58% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early July	Scenario 2: (-70% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early September	Scenario 3: (-78% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early December
Revised GDP (in $US Billions)	**$1.84**	**$1.78**	**$1.71**
Revised Debt to GDP Ratio (%)	**74.1%**	**76.9%**	**79.8%**
Revised Unemployment (%)	**29.6%**	**32.2%**	**34.7%**

Based on the growth contraction due to COVID-19 projected in our model, the country's existing debt to GDP ratio under scenario 1 will increase to 74.1% and the worst-case scenario will move it to 79.8% of GDP (Table 4 above). As a consequence of the growth impact caused by COVID-19, Saint Lucia's debt to GDP ratio will in 2020 exceed the rate that was projected in 2023 pre-COVID-19, based on a massive capital investment initiative aimed at accelerating growth.

Given this reality and the uncertainties surrounding a quick tourism resurgence, the Government of Saint Lucia could rethink its investment strategy roll out. The investment in the Health sector is essential as the country prepares for a potential COVID-19 second wave as well as future pandemics. This investment will provide improved health infrastructure and affordable access through the National Health Insurance Scheme. This latter might also be fast tracked with cost and efficiency considerations guiding the process of design and implementation.

The government is likely to look to its "financing approved" package of infrastructural projects as a part response to recovery and certainly to the growth phase post-COVID. This can be viewed as its "fiscal stimulus" to provide income relief in the short term while preparing for tourism recovery and long-term growth. Even before COVID-19 however, concerns were raised that without greater private sector investment into hotel expansions, the additional capacity from the new airport may remain underutilised, diluting the impact of this investment on long-run potential growth. This caution is even more pronounced at this time and it is uncertain whether pre-COVID-19 planned private sector investments will still take place. If these are now rescheduled or discontinued, government might need to reprioritise its planned CAPEX. By focusing on shovel ready projects as is the Government's intention, it might consider prioritising those directly linked to non-tourism revenue generation in the shortest possible time given the current realities.

It should be noted that in the long term, with tourism recovery, the airport project can support the intended expansion of the country's cruise and yachting industries.

Even on ready to go projects, it could seek to renegotiate better rates, longer moratoriums and lengthened repayment period, even though it is noted that most of the borrowing are project funding from Multi-lateral Development Banks at concessionary terms. This augurs well for the government's debt strategy which seeks to move away from high interest market debt to concessionary development borrowing.

Further, it might consider focusing on projects that will support a diversification agenda to reduce the country's over-dependence on Tourism in the medium to long term. A green and blue recovery approach as part of the recovery and as a means of diversifying the economy might be considered. Before COVID-19, consideration was already being given to mobilising donor grants to fund investments in climate resilience. This may be the best option available to the government at this time as it minimises the impact on the country's indebtedness.

FISCAL IMPACT

The scenario analysis conducted in this paper employed regression analysis to determine the relationship (direct and indirect) of tourist arrivals on the tax revenue of Saint Lucia in 2020 using World Bank data. The results show that for every additional tourist arrival, total government revenue increases by USD 509, holding population and employment constant (see appendix for details). This was applied to the 3 arrival scenario contractions assumed by the WTO with the respective dates for the gradual opening up of international borders and lifting of trade restrictions.

The best-case scenario, based on a 58% reduction in Tourist arrivals and a gradual opening of international borders and easing of travel restrictions in early July will result in a 37% contraction of government's current revenue forecast from USD 443,042,889 to USD 279,289,340. The second scenario of a 70% contraction in tourist arrivals with gradual opening in early September, will result in revenue contracting by 42% and the worst case, a 78% contraction in tourist arrivals with gradual opening in early December will result in revenue decline of 46%. It is obvious that inevitable contractions in taxes from non-tourism sectors will further worsen this forecast (Table 5).

What does this mean for Government's forecasted expenditure? This is outlined in Table 6. Firstly, even prior to COVID-19, the government intended to run a current budget deficit as a percentage of GDP of 3.4%. Our best-case scenario will increase that deficit by 2.6% to 6% of GDP and the worst case will increase it to 10% of GDP. Interest to revenue ratio will also worsen, moving from 15% to 24% in the best-case scenario and28% in the worst case (Table 6).

Given that 55% of government's expenditure is on wages and salaries and transfers, in the best-case scenario, these two line-items of expenditure alone will consume 76% of government's revised revenue. Which means that government will only be left with 14% of revenue which cannot fund other expenditure items. Given the current crisis of job and income loss (discussed later), the government can hardly entertain cutting its expenditure, especially since it is governments globally that must find the resources over and beyond recurrent spending for recovery and stimulus of incomes, jobs and economy. The challenge for the Saint Lucian Government will be its capacity to find the additional 2.6% of GDP required to maintain the projected 2020 expenditure plus the resources to provide the additional expenditure needed in health, unemployment relief, social protection and business support necessitated by the COVID-related impacts.

The interest to revenue ratio becomes an even more serious challenge. It was already high (15%) pre-COVID-19 even after intentional debt restructuring (refinancing, lengthening maturities, pay-offs, negotiating better interest rates) over the previous two years. Our best-case scenario increases this rate to 24%. The silver lining is that 75% of government's borrowings is in EC dollars thus minimising potential exchange rate risks. The Government of Saint Lucia has no fiscal space within its budget to maneuver. The government's Citizenship-by-Investment programme realised growth in 2019, however as discussed earlier, even with a 50% discount, in the current circumstance, the response has been poor. In essence this is not likely to be a source of revenue to meet the budgetary shortfall consequent upon COVID-19 and alternative sources will be required.

Table 5: Revised GDP/Debt to GDP/Unemployment

	2020 Gov't Revenue Forecast ($US)*		
	Pre-COVID-19 Forecast	**Regression Model Scenarios Forecast**	**% Change**
Scenario 1: (-58% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early July	**443,042,889**	**279,289,340**	**-37%**
Scenario 2: (-70% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early September	**443,042,889**	**255,141,496**	**-42%**
Scenario 3: (-78% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early December	**443,042,889**	**239,042,934**	**-46%**

**Current Gov't Revenue Net Refunds*

Table 6: Revised Gov't Revenue and Pre-COVID-19 Expenditure Estimates

2020 Gov't Revenue & Expenditure Forecasts	Scenario 1: (-58% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early July	Scenario 2: (-70% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early September	Scenario 3: (-78% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early December
Gov't Current Revenue[1] Forecasts:			
Revised Estimates[2] ($US)	27,289,340	255,141,496	239,042,934
% Changes from pre-COVID-19	-37%	-42%	-46%
Gov't Current Expenditure Forecasts:			
Current Expenditure[3] Estimates	386,647,940	386,647,940	386,647,940
Interest Payment	67,132,912	67,132,912	67,132,912
Indicators:			
Current Deficit	(107,358,600)	(131,506,443)	(147,605,005)
GDP	2,074,000,000	2,074,000,000	2,074,000,000
Revised GDP[4]	1,844,823,000	1,777,418,000	1,712,087,000
Current Deficit as a % of Revised GDP	-6%	-7%	-9%
Interest to Revenue Ratio	24%	26%	28%

1 Gov't Revenue Net Refunds
2 Author's Estimates from Gov't Revenue Regression Model
3 Wages, Salaries, Good & Services and Interest Payments
4 Author's Estimates Based on GDP Growth Impact Model

SOCIAL IMPACT

Unemployment

Based on our scenario modeling, employment will contract by 11% best case and 18% worst case. We project a best-case unemployment of 29.6% and a worst-case unemployment of 34.7% for 2020 (Table 7). The best case will result in 29,889 persons unemployed. That's an additional 11,410 persons. This will primarily affect private sector workers and especially those involved directly or indirectly in the tourism sector as the situation of public sector workers will be largely unaffected as they will retain their jobs. Saint Lucia has no unemployment relief programme for persons unregistered with the NIC. In effect, it would cost the government ECD 44.8mn to provide a 3-month stipend (ECD 500 per month) for the total unemployed population. If we assume that the pre-COVID-19 unemployed was accessing support through other means, and that this additional unemployment is temporary, the cost to the government to provide temporary income relief to the additional 11,412 is ECD 17.1mn for 3 months. Note, ECD 500 monthly stipend is less than the monthly per capita poverty line of ECD 537.

Table 7 : Scenario Contractions in Employment and Unemployment Rate			
	Scenario 1: (-58% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early July	**Scenario 2:** (-70% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early September	**Scenario 3:** (-78% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early December
Revised GDP (in $US Billions)	**$1.84**	**$1.78**	**$1.71**
Revised Unemployment (%)	**29.6%**	**32.2%**	**34.7%**

Gender-Based Unemployment

Tables 8 and 9 below show the contraction that will take place in female versus male unemployment as a consequence of our modelling assumptions. In our best case scenario, female unemployment will increase from 18.9% post-COVID-19 to 28.5% and male unemployment from 14.9 pre-COVID-19 to 24% with a worst case contraction for women of 33.9% and males 29.7%. In effect female workers will suffer the worst employment fallout as a consequence of COVID-19.

Table 8 : Contraction in Female Unemployment			
	Scenario 1: (-58% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early July	**Scenario 2:** (-70% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early September	**Scenario 3:** (-78% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early December
Female Employment Contraction (%)	**-11.9%**	**-15.2%**	**-18.5%**
Revised Female Employment (%)	**71.5%**	**68.8%**	**66.1%**
Revised Female Unemployment (%)	**28.5%**	**31.2%**	**33.9%**

Table 9 : Contraction in Male Unemployment			
	Scenario 1: (-58% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early July	**Scenario 2:** (-70% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early September	**Scenario 3:** (-78% reduction in arrivals) based on the gradual opening of international borders and easing of travel restrictions in early December
Male Employment Contraction (%)	**-10.7%**	**-14.1%**	**-17.4%**
Revised Male Employment (%)	**76.0%**	**73.1%**	**70.3%**
Revised Male Unemployment (%)	**24.0%**	**26.9%**	**29.7%**

Incomes

The economy of Saint Lucia was shut down (except for essential services) with curfew for approximately 2 months (April-May2020). The economy opened to new norms of social distancing and health protocols and a domestic consumer base that has suffered a serious income shock under lock down conditions. Further, until the tourism sector is fully operational, incomes will be reduced either through loss of jobs, reduced number of working hours or same hours for less pay. Persons working in service industry businesses such as restaurants, hotels, and other tourism-related industries, the self-employed in the informal economy (craft, retail, agro-processing and taxi-drivers), part-time and/or seasonal employees and the underemployed will continue to be the hardest hit in terms of income loss.

Quantifying the full scope of this contraction will only be possible once the pandemic has been brought under control globally and full national assessments are carried out. In the interim, we make reasoned assumptions on which to draw some preliminary conclusions on the impact of COVID-19 on vulnerable workers and in particular women. The latter is explored under "gender" below in more detail.

Table 10 gives a sectoral breakdown of employment. We estimate that tourism alone accounts for 50.8% of the 64.5% in the services sector. Employees in the Tourism sector are the hardest hit in terms of loss of jobs or cuts in income. In industry, over 80% of businesses are sole trading MSMEs, a large percentage of which are unregistered and operating in the informal economy. 58% of informal enterprise operators are male and 42% female with the majority of the enterprises being sole proprietors.

These businesses would have been subjected to full or partial closure for the months of April and May and as the economy reopens, low sales will be expected for those with the capacity to reopen doors. Some will close permanently. The 23,000 employed in the informal sector plus a significant portion of formal service sector workers are not registered for or entitled to unemployment relief from the NIC and therefore have no access to an automatic security given the likelihood of protracted unemployment. The government might consider conducting a robust exercise to determine the real employment impact of COVID-19 as a basis for designing and implementing effective short-term interventions.

At the level of industry, the estimated 80% MSMEs would be facing severe liquidity constraints and in need of liquidity support as most have no relations with lending institutions or the normal qualifying requirements to access same. In larger businesses, employees would have been less at risk as they may have been subjected to work from home or part time work commensurate with salary cuts. They would also be part of the formal economy with employees contributing to the NIC scheme and therefore entitled to unemployment relief. However, UN Women notes that it is difficult to assess employer compliance in the absence of research in this area. Cash transfers to all but the last category of employees and self- employed would therefore be critical.

In order to get a better understanding of the numbers of vulnerable workers, we extracted from the Labour Force Survey 2019 the employment numbers for those occupations that would fall into the lower income brackets and therefore at greatest risk of slipping into poverty (Table 11 below).

Table 10: Employment Contribution by Sectors (2018)

	% Contribution to Employment	% Contribution to GDP*
Services	64.5%	82.8%
Industry	18.2%	14.2%
Agriculture	17.3%	2.9%

*Central Intelligence Agency (March 2018)

Table 11: Labour Force Employment by Some Occupation 2018

Services and Sales Workers	28%
Elementary Workers	16%
Craft and Related Traders	8%
Clerical Support Workers	5%
Managers and Professionals	17%

Approximate Calculations from data in the Labour Force Survey 2019

From Table 11, we estimate that 57% (47,867) of the employed (given a total employed of 83,977) would be working in low paying wage occupations, with the largest proportion 36% (30,231) in services and sales work and craft and related traders (occupations linked to the tourism industry).

Only 17% of the employed are managers and professionals. In effect, 47,867 low income earners are vulnerable to loss of income and or jobs as a consequence of COVID-19.

Table 12: Income Shocks to Monthly Mean Household Income by Sex and Sector

Monthly mean Household Income Disaggregated by Sex and Sector	Monthly		Monthly 25%reduction		Monthly 35% reduction	
	Male	Female	Male	Female	Male	Female
Agriculture, Hunting and Forestry	$1,758	$1,233	$1,319	$924	$1,143	$801
Manufacturing	$2,021	$1,490	$1,516	$1,118	$1,314	$969
Construction	$2,730	$1,809	$2,047	$1,357	$1,774	$1,176
Wholesale and Retail Trade	$1,954	$1,434	$1,465	$1,076	$1,270	$932
Accommodation and Food Services	$2,215	$1,853	$1,661	$1,390	$1,440	$1,205
Transport, Storage and Communication	$2,479	$2,431	$1,860	$1,823	$1,612	$1,580
Other Services	$2,046	$1,852	$1,535	$1,389	$1,330	$1,204
Public Administration and Defense	$2,940	$2,695	$2,205	$2,021	$1,911	$1,752
Education Services - Gov't/Private	$3,061	$2,628	$2,296	$1,971	$1,990	$1,708
Activities not adequately defined	$2,132	$2,237	$1,599	$1,745	$1,386	$1,512

Source: Survey of Living Conditions (2016)

Table 12 shows the results of income shocks we apply to monthly household income disaggregated by sex and sector. Even before COVID-19, with the exception of males in Public Administration and Defense and Educational Services, both men and women in all other sectors earned an average monthly income below the current estimated living wage of approximately ECD 2800. Given that monthly per capita poverty line is ECD 537, the income shocks push all categories of workers closer to poverty, particularly women employed in agriculture and wholesale and retail.

Remittances also play an important role in easing the poverty burden in Saint Lucia as it accounts for approximately 10% of the average incomes of lower income households. This comes largely from the diaspora located in the United States, Canada, and Europe who are employed largely in the services sector hardest hit by COVID-19. The World Bank expects remittances from these sources to contract by 20%. In effect, such a contraction in remittances will push recipients further into poverty.

Gender

Female unemployment has systemically outstripped male unemployment in Saint Lucia. In 2019 male unemployment was 14.9% compared to female unemployment at 18.9%. Gender inequity in employment is also reflected in the wage gap. Based on the Survey of Living Conditions data 2016 in Table 12, in all sectors with the exception of "Activities not adequately defined" women earn less than men. We calculate the wage gaps in the following sectors to be: Agriculture 30%, Manufacturing 26%, Construction 34%, Wholesale and Retail 27%, Accommodation and Food services 16% and Education 14%. This translates into a national wage gap of approximately 22%. Gender inequality is further accentuated when one considers that single female households with more than 4 children are amongst the poorest. In the short term, the post-COVID-19 response must target women particularly in the sectors in which they predominate (Accommodation and Food Services and Wholesale and Retail) and in the medium to long term, the wage gap must be closed to address poverty reduction in Saint Lucia. Income support targeted at poor single mothers with more than 4 children will result in reducing child poverty.

Table 13: Employment by Sectors/Gender and Youth Employment

	2019 Employment Data		
	Males	**Females**	**Total**
Total Labour Force	55,039	45,937	100,976
Total Employed	46,838	37,255	84,093
Employment in Services	23,997	30,341	54,338
Employment in Industry	12,608	2,660	15,269
Employment in Agriculture	10,233	4,253	14,487
Youth Employment	7,942	7,756	15,698
Vulnerable Employment	15,177	9,687	24,864

Youth defined as persons ages 15 to 29
*Author's Calculations of Data using labour Force estimation from the Saint Lucia Government's Economic and Social Review and World Bank's estimates of % breakdown

Women predominate in the services sector; 30,341 compared to 23,997 men (Table 13). An analysis of the gender breakdown of the employed provided in Table 2 (average female employment by sectors 2008-2019) shows that of the total number of women employed (37,255), 30,341 or approximately 81.4% are employed in the services sectors and allocated as follows in the various sub-sectors: Human Health and Social Work (78%), Education (73%), Wholesale and Retail, Repair of Motor Vehicles and Motorcycles (59%), Accommodation and Food Services (57.4%), Public Administration (51%).

There was an average of 15,949 women employed in Accommodation and Food Services and Wholesale and Retail alone over the period, with an additional 5,250 women employed in Education and Health and Social Services. Given that both the Health and Education sectors are state driven, it is reasonable to assume that in these sectors, workers would suffer minimal income fallout and have access to formal support through the National Insurance Corporation. However, there is a strong likelihood that most of the 15,949 women employed in the Accommodation and Wholesale/Retail sectors who already earned 22% less than their male counterparts, have no safety net in the face of unemployment due to the crisis. Government might consider targeting women in these sectors for income support as they are at high risk of falling into poverty.

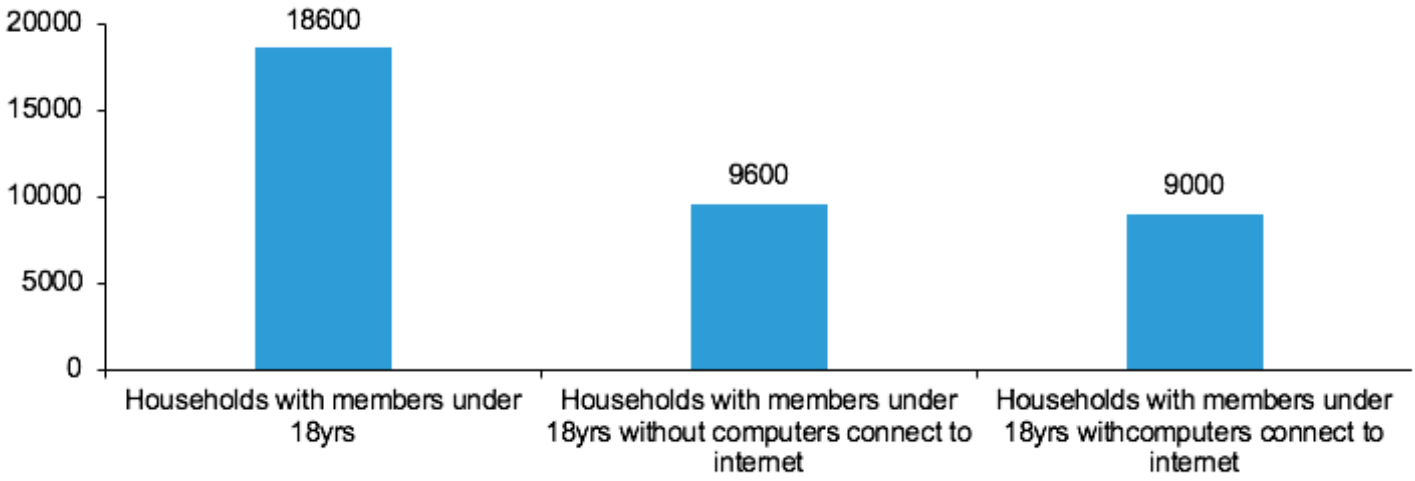
Poverty

Increases in unemployment will lead directly to sharp reductions in household incomes and concomitant increases in poverty levels. Poverty will also increase due to reductions in earnings for some of those who are able to retain their jobs due to reduced hours or pay cuts. The potential increase in severe poverty due to the pandemic can be estimated using the IFPRI35 finding that severe poverty is likely to increase by 2% for every 1% reduction in GDP[29]. Applied to the best case GDP projection from our model of -11%, poverty in Saint Lucia would increase by 22%. This would move Saint Lucia's poverty rate from the current 25.1% to 47.1%, an estimated 84,777 persons, almost half of the population. This would considerably exacerbate the issues of child and adult mental health problems and heightened risks of child abuse and domestic violence, due to increased tensions caused by poverty.

Education

Schools have been closed as a response to COVID-19 and will not be reopened until September, and then under strict social distancing with health protocols. This may mean reducing the numbers of student per class, which could mean running shift systems to accommodate this requirement. This is yet undecided. However, e-learning has become a pre-requisite of the new norm in education. To this end access to computers and internet by school aged children is a necessity.

Diagram 1: Households with or without computers connected to Internet



Source: Government of Saint Lucia

29 Taken from UNICEF The socio-economic impact of COVID-19 on children and young people in the Eastern Caribbean Area April 2020 which notes "IFPRI, 2020, How much will global poverty increase because of COVID-19?, research blogpost: https://www.ifpri.org/blog/howmuch-will-global-poverty-increase-because-covid-19."

RECOMMENDATIONS

PRIORITISE SHOVEL READY SPENDING

Saint Lucia is not subject to any internal fiscal rules but is likely to have to reimagine the phasing of its investment strategy, equivalent to 13% of GDP, which is to be financed by a combination of grant and debt resources. Government could prioritise, "shovel ready" grant funded projects linked strongly to revenue generation in the shortest possible time given the current realities. These would include construction and other capital works programmes that would stimulate growth and employment and expand the revenue base. Similarly, Government might consider front-loading construction elements of major programmes – such as the World Bank programme–to create maximum short-term employment.

PRIORITISE GREEN AND BLUE ECONOMY DIVERSIFICATION

The GoSL may consider identifying green and blue economy policy options which includes focusing on 'low-hanging fruit' that exploit policy synergies to deliver positive economic, social and environmental outcomes in the short to medium term. This can allow for the development of industries that reduce carbon emissions, increase climate resilience, and tap into emerging climate financing.

ANALYSIS AND EXPANSION OF SOCIAL PROTECTION PROGRAMME

Salaried workers most heavily impacted by COVID-19 will be those in the accommodation and food services, wholesale, retail and agriculture sectors. Except for agriculture where men predominate, women form the larger percentage of workers in the, other two. And of the total number of employed females (almost half work in these two sectors), are earning lower wages than men. Given the relatively high percentage of informal work in the services sectors, it is reasonable to assume that a large number of the workers in these sectors are not registered under the NIC scheme but were determined to be in need of income support.

As tourism is forecasted to recover slowly, the 3-month programme of support is likely to require an extension to at least 6 months. An expansion of the current COVID-19-related benefit of ECD 500 per month for a further 3 months to cover half of the workers in these sectors would require approximately ECD 84mn. A systematic approach to this is needed and the report recommends a rapid assessment of the COVID-19 social protection response to-date, including a review of its scale and scope and an analysis of whether it has been effective in reaching those most affected by the pandemic.

This could be used to inform any extension of the COVID-19 social protection response and to identify changes required to improve its efficiency and effectiveness. Medium-term, this analysis would be helpful in developing an effective, shock-responsive system that can be scaled quickly in response to a second wave of the pandemic or to other socio-economic displacement.

As the domestic economy opens and moves to recovery, the government may want to consider expanding other forms of social support to the most vulnerable that are more self-sustaining over time. This could include interventions such as encouraging self-production by expanding agricultural extension support and distributing seedlings, seeds and other inputs to small farmers and vulnerable families for growing basic products (beans, vegetables and tubers) in their own homes. This could be complemented by making available and accessible public land for communal cultivation of these same food items.

FOOD AND NUTRITION SUPPORT

The report also recommends a **targeted delivery of a "family food basket" to the most vulnerable families, who find themselves with restricted access to markets now, not because of quarantine, but due to not having the means to access central distribution locations**. Vulnerable households, particularly those with single female heads and children, should be prioritised in this latter initiative, especially since leaving children without care may not be an option. A registration process can be executed simultaneously to allow for updating the country's database on the vulnerable.

INCREASING FINANCIAL INCLUSION

COVID-19 provides a unique opportunity to shift towards electronic payments and advance greater financial inclusion, particularly among women. Given the social distancing imperatives, electronic transfers could be explored as an alternative to in-person collection of social benefits. However, such a programme may reinforce existing inequalities as many workers, particularly those employed informally, do not have bank accounts. A targeted initiative, in partnership with financial institutions, to design incentives that encourage and improve access to basic financial instruments such as savings accounts is recommended. This would facilitate rapid disbursement of income support and reduce both administrative and beneficiary costs.

EXPANDING COVERAGE OF THE DISABILITY GRANT

Saint Lucia's disability grant targets only children. However, the psychological impacts of COVID-19 on families and relationships is expected to be substantial and is likely to precipitate increases in violence perpetrated against the most vulnerable. The report therefore recommends that Government consider expanding this support to other disabled persons and victims of sexual abuse and gender based violence. This would involve dialogue and collaboration with community organisations that work directly with those living with disabilities as well as with communications firms to provide improved access to call centers for reporting instances of violence.

INCREASING ACCESS TO LEARNING OPPORTUNITIES FOR THE MOST VULNERABLE

Data provided by the government of Saint Lucia shows that currently, of the 18,600 households with members under 18 years, approximately 50% have computers connected to the internet. To address the gap in internet coverage, internet service providers can be engaged to provide low-cost options. This expands their customer base while improving internet access for the poorest families. Further, it limits the problem of educational inequalities due to moving to online learning by broadening access to the internet for children in poverty.

Nonetheless, UNICEF has noted that an over-reliance on online learning is likely to bias assistance towards better off families and its effectiveness requires teacher training in online training, uploading of course material etc. A rapid expansion of online learning (including use of smartphones for dissemination) does not appear feasible in the short-term and instead the children's advocacy agency recommends the expansion of home-schooling which could be expanded and rolled out rapidly as both teachers and materials are already available. This could be actioned through distribution of books, homework sheets and indicative timetables; weekly phone or video calls between teachers, advice to parents (many of whom are now at home) as to how they can contribute to, and participate in their children's education. However, this places a great degree of responsibility on parents to supervise and home teach, a task many lower income parents may be ill-prepared to take on and therefore is only a partial solution.

UNICEF has also identified the need for targeted catch-up classes and, as a prerequisite, the identification of students who should attend these. Gender differences in education experiences should be considered here and particular attention should be paid to the differential needs of boys and girls in the design of catch-up classes. Government has already commenced planning for the re-opening of schools should and the report recommends a continued whole-systems approach, including safety related protocols – social distancing, hygiene, shift systems, provision of meals and curricula modifications given the loss of school days due to COVID-19.

A REMITTANCE STRATEGY

Given the importance of remittances, particularly among the most vulnerable, the channels for transmission of these funds needs to be protected. Firms involved in processing remittances could be engaged, designated as essential service providers, and supported to ensure that funds can continue to flow without incumbrance. This could include the provision of fee-free transactions during periods of economic shock, supported by government incentives and contact-less access to remittances.

Annex

Regression 1: Gov't Revenue

Gov't Revenue model was run using data from the World Bank Data Bank, for the period 2000-2018.

Regression Results:

	Dependent Variable: Total Gov't Revenue			
	Coefficients	**Standard Error**	**t Stat**	**P-value**
Intercept	(1,051,808,840)	73,919,049	(14.23)	0.000
Tourist Arrivals (# of tourist arrivals per year)	509	155	3.29	0.005
Population (# of residents)	5,773	855	6.75	0.000
Employment (# of persons employed)	2,039	853	2.39	0.031
n = 18				
R^2 = 0.98				

Regression Formula:

$$Y(Total\ Gov't\ Rev) = -1{,}051{,}808{,}840 + 509\ (Tourist\ Arrival) + 5{,}773\ (Population) + 2{,}039\ (Employment)$$

All independent variables are statistically significant at 95% confidence interval (i.e. P-value > 0.5). Regression results shows that for every increase in 1 tourist arrival, total Gov't revenue increases by US$509, given that population and employment data is held constant. (Below is another method to support the $500 number)

2013 Average Daily Expenditure Per Arrival ($US)	$226.57
Inflation Factor (2013-2020)	103.60%
2019 Average Daily Expenditure Per Arrival	$234.72
Average Length of Stay per Arrival (Days)	8.7
Total Spend per Tourist Arrival	$2,042.07
Direct Contributions to Govt Rev (15% VAT)	$306.31
Indirect Contributions Through Increased Corporate Pre-tax Profit	$196.04
Average Operating profit in Tourism Industry	*32%*
Corporate Tax Rate	*30%*
Indirect Contribution in % (Operating profit X Corporate Tax Rate)	*9.60%*
Contributions to Government Revenue per Tourist Arrival	**$502.35**

Regression 2: GDP per capita

GDP Regression model was run using data from the World Bank Data Bank, for the period 2000-2018.

Regression Results:

	Dependent Variable: Annual GDP per Capita Growth (%)			
	Coefficients	**Standard Error**	**t Stat**	**P-value**
Intercept	(0.741)	0.491	(1.508)	0.154
Services, value added (annual % growth)	0.655	0.170	3.865	0.002
Industry (including construction), value added (annual % growth)	0.158	0.040	3.962	0.001
Manufacturing, value added (annual % growth)	0.043	0.087	0.498	0.626
Agriculture, forestry, and fishing, value added (annual % growth)	0.043	0.030	1.457	0.167
n = 19				
R^2 = 0.775				

Regression Formula:

$$Y(GDPP\ Growth) = -0.741 + 0.655(Services\ Growth) + 0.158\ (Industry\ Growth) + 0.043\ (Manufacturing\ Growth) + 0.043(Agriculture\ Growth)$$

The regression equation above was used to forecast the GDPP (GDP per capita) growth rate in 2020, based on authors estimation of contractions in the various subsectors.

Sector contraction assumptions are detailed in the table below:

Sector	*Scenario 1*	*Scenario 2*	*Scenario 3*
Services	-15%	-20%	-25%
Industry	-2%	-2%	-2%
Manufacturing	-2%	-2%	-2%
Agriculture	-2%	-2%	-2%

Regression 3: Employment

Employment Regression model was run using data from the World Bank Data Bank, for the period 2000-2018.

Regression Results:

	Dependent Variable: Employment Rate (%)			
	Coefficients	**Standard Error**	**t Stat**	**P-value**
Intercept	(1.188)	0.666	(1.783)	0.096
Services, value added (annual % growth)	0.665	0.230	2.892	0.012
Industry (including construction), value added (annual % growth)	0.006	0.054	0.112	0.913
Manufacturing, value added (annual % growth)	(0.060)	0.118	(0.512)	0.617
Agriculture, forestry, and fishing, value added (annual % growth)	0.078	0.040	1.917	0.076
n = 19				
R^2 = 0.419				

Regression Formula:

$$Y(Employment\ Rate\ (\%)) = -1.188 + 0.655(Services\ Growth) + 0.006\ (Industry\ Growth) - 0.060\ (Manufacturing\ Growth) + 0.078(Agriculture\ Growth)$$

The regression equation above was used to forecast employment rate in 2020, based on authors estimation of contractions in the various subsectors.

Sector contraction assumptions are detailed in the table below:

Sector	*Scenario 1*	*Scenario 2*	*Scenario 3*
Services	-15%	-20%	-25%
Industry	-2%	-2%	-2%
Manufacturing	-2%	-2%	-2%
Agriculture	-2%	-2%	-2%

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https://caribbean.unwomen.org
www.unicef.org/easterncaribbean

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