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SAINT VINCENT AND THE GRENADINES

COVID-19 HEAT REPORT
HUMAN AND ECONOMIC ASSESSMENT OF IMPACT

Based on research conducted by Dr. Ankie Scott-Joseph

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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.

TABLE OF CONTENTS

COVID-19 MACROECONOMIC AND HUMAN IMPACT ASSESSMENT FOR SAINT VINCENT AND THE GRENADINES

INDICATORS	VALUE
Demographic	
Age Dependency Ratio[1]	47
Labour Force Composition (2017)[2]	
Men	55.5%
Women	44.5%
Macro	
GDP Per Capita (USD)[2]	7,463.5
Expected GDP growth rate (2019)[3]	0.34%
Inflation (July 2019)[3]	1.0%
Fiscal (2018)	
Debt to GDP Ratio	75.5
Fiscal Balance XCDmn(2019)[4]	-332.42
Interest to Revenue Ratio	8.4%
Social	
Unemployment Rate (2017)[5]	24.9%
Men	20.7%
Women	30.1%
Poverty Rate[5]	30.2%
Poverty Gap Ratio (children)[6]	10.2%
Poverty Severity (children)[6]	4.3%
Number of school-going children[7]	29,952
Global Health Security Index Ranking	123/195

1 World Bank (2018)
2 World Bank (2019)
3 ECCB- Eastern Caribbean Central Bank
4 St. Vincent and the Grenadines Prime Minister's Office
5 St. Vincent and the Grenadines Country Poverty Assessment, 2007/2008
6 Joint Survey of Living Conditions & Household Budgets, 2007/2008
7 St. Vincent and the Grenadines Ministry of Education

CONTEXT

ECONOMIC

As a consequence of Saint Vincent and the Grenadines' vulnerability to climate-change and natural disasters, the island recorded an estimated loss of USD 83 million, or approximately 10.0% of GDP over the period 1980-2017 and a yearly average loss of 1.5% of GDP. Real GDP growth was estimated at 0.34% in 2019. Prior to the COVID-19 pandemic, growth in 2020 was expected at 1.91%.

The largest components of GDP are Real Estate (16.6%), Wholesale and Retail Trade (14.96%), Transportation, Storage and Communications (13.27%), Public Administration (11.9%), and Construction sectors (8.03%). While output in the Hotels and Restaurants category accounts for less than 3% of overall economic activity, there are strong linkages between this sector and all the major sectors. Moreover, the tourism sector is a major contributor to foreign exchange earnings. In 2019, inflows from tourism (i.e., foreign exchange earnings) amounted to XCD 672.40m. In 2019, the Eastern Caribbean Central Bank (ECCB) estimated that travel receipts accounted for 46.4% of foreign revenue, the equivalent of 30.2% of GDP in that same year.

The island's main international export markets are the United States and the United Kingdom and CARICOM. Over the last three years (2017-2019), inflation has remained around 2-3% and the rate has been primarily driven by high global commodity and fuel prices. The USD exchange rate peg, as a member of the Eastern Caribbean Currency Union (ECCU), has provided an anchor for inflation.

FISCAL

The Government of Saint Vincent and the Grenadines' overall deficit was XCD 332.42m in 2019, more than double the XCD 148.9m recorded in 2018. Total government expenditure increased to XCD 1,067.0m (of which XCD 844.8m was current expenditure). Public investments primarily consisted of the Geothermal Energy Project; the Disaster Rehabilitation and Mitigation Project, funded by the World Bank; the operationalisation of the Modern Medical Complex; an Agriculture Modernisation Project; and Banana Accompanying Measures (BAM) project. The capital programme was partially funded by capital revenue and grants totaling XCD 7.6m. Compensation to employees comprised approximately 50% of current expenditure on account of growth in both wages and salaries and National Insurance Services (NIS) contributions.

Table 2 illustrates that indirect taxes are the largest contributors to revenue, with taxes on goods and services and VAT accounting for 43% and 29% of inflows, respectively.

Total public debt as at the end of 2019 stood at USD 1.7 billion or 78.0% of GDP. Approximately 70% of the nation's debt is denominated in foreign currency. This foreign indebtedness includes a number of multi-lateral concessionary loans, including the highly concessionary Fiscal Reform & Resilience Development Policy Credit from IDA and other IDA loans for the Caribbean Regional Communications Infrastructure projects. In terms of the composition of the portfolio, most of the domestic debt is medium and long-term, with government bonds constituting nearly 50% of the debt. Domestic loans are 37.1% of the debt, while the remaining 13.9% is held in treasury bills and other short-term liabilities.

Table 2 : Selected Tax Categories as a Share of Current Revenue (2019)

Taxes on Goods and Services	43%
Taxes on Income and Profits	25%
Taxes on International Trade and Transactions	12%
Taxes on Property	6%
Value Added Tax	29%

ECCB Statistics

SOCIAL

Saint Vincent and the Grenadines population is estimated at 110,608[8], with slightly more males than females (51.3% and 48.7% respectively). The island-state has a relatively young population, with some 41.6% under the age of 25 years. Moreover, 66.2% of the entire population is of working age (15-64 years old), and 65.7% of the total female population is of working age.

The 2017 Saint Vincent and the Grenadines Labour Force Survey indicates that of a total of 41,790 individuals employed; 44.5% were women and 55.5% were men. It also shows that the distribution of women and men across status in employment varies, such that women are more likely than men to be employees, while men are more likely than women to be employers. The distribution of women and men also differs substantially across industrial groups as well. The accommodation and food services industry (a proxy for the tourism sector) engaged 11.2% of female and 5.2% of male workers. Similarly, the wholesale and retail industry employs more than 1 in every 5 female workers, but only around 15% of their male counterparts. The reverse is true in construction and agriculture, fishing and forestry which together employ nearly 40% of males and around 9% of females.

At last estimate[9], the country's unemployment rate was 23%. Unemployment is especially high among women (30.1%) and youth (ages 15-29), where joblessness is twice the national rate. Due to the difficulty of securing employment in the formal sector, a large number of residents are engaged in informal employment. This increases their vulnerability, as informal employment is often more volatile and social security coverage in this type of employment is low. The informal sector represents approximately 38.1% of the entire economy and includes family businesses and self-employed owners of the businesses. An estimated18% of women in Saint Vincent and the Grenadines are employed part-time.

According to the Compete Caribbean Public Sector Assessment of Saint Vincent and the Grenadines, in 2010 around 80% of Vincentian businesses were informal, micro or small enterprises, and 60% of all employed persons were working in micro, small and medium enterprises (MSMEs). Employment in these enterprises mirrors the wider economy; of the 37,679 persons working in MSMEs and insured by the National Insurance Services, there were 2,776 employed in Tourism and 4,277 in Retail & Wholesale.

Poverty level indicators for Saint Vincent and the Grenadines in 2008 indicate that nearly one third of the population is poor, with another 3% indigent. Nearly half of the population is vulnerable, as noted by a vulnerability Index of 48.2%. Vulnerable women tend to outnumber vulnerable men and the number of women on public assistance is higher than that of men. The country has a Poverty Gap Index of 7.5, which is notably higher at 10.2% among children up to 16 years, and a Gini coefficient of inequality of 0.4.

Based on the 2018 estimates, the total number of students in Saint Vincent and the Grenadines' educational system is approximately 29,962. This number includes 3,655 pre-school students (ages 0-4+), 13,194 primary school pupils (ages 5-11), 9,808 secondary school students (ages 11-16), 284 technical vocational students (118 males and 130 females), Saint Vincent and the Grenadines (SVG), 1946 (683 males and 1263 females), and 355 students at the University of the West Indies Open Campus (115 males and 241 females). The country's Net Enrollment Rate in Primary Education and Secondary Education is 94%. There are 341 education institutions in Saint Vincent and the Grenadines. Formal education in Saint Vincent and the Grenadines is provided at three levels: primary, secondary and tertiary education (duration of two to three years). All educational institutions in Saint Vincent and the Grenadines have internet connectivity via the National Telecommunications Regulatory Commission (NTRC). The NTRC is responsible for managing the Universal Service Fund (USF), which compensates telecommunications providers who provide universal internet service access and telecommunications to schools, hospitals, clinics, as well as community and learning resource centres. According to latest Human Development Report data, Saint Vincent and the Grenadines' internet penetration rate is 22.4% though ICT is not fully embedded in the primary school curriculum.

8 SVG Statistical Office, data for mid-year 2019

9 SVG Statistical Office, Employed Population by Industrial Group and Sex, 2015 and 2017

Teachers have been trained, but most primary schools are not fully equipped with computer labs and working computers. Three (3) major initiatives that have provided ICT infrastructure in the past are the EU-funded ICT in Education Project, The Universal Service Fund (which enhanced connectivity for school and household access to wireless broadband) and The Laptop Project. In 2009 under the 9th EDF programme, approximately 1000 computers were distributed to schools; each secondary school received 30 desktopcomputers and 2 laptops, whereas each primary school was given 8 laptop computers. Those computer systems have, however, become obsolete and non- functional. Currently, in 2020, the level of penetration of ICT in schools is below 100%, reflecting the high up-front and maintenance costs. On April 3, 2020 the government announced that it will acquire 30,000 tablets to be distributed to the student population.

Social Protection

Saint Vincent and the Grenadines' social protection programmes target indigent persons, those with disabilities, children, the elderly, and insured National Insurance Scheme (NIS) contributors.

Within central government, social protection accounts for approximately 14.5% of government expenditure in the Ministry of National Mobilisation, Social Development Local Government, Gender Affairs, Family Affairs, Housing and Informal Settlement. There are several programmes, including National Assistance Fund, Emergency and Monthly Assistance, Home Help for the elderly, single parents, teen mothers and ex-prisoners. The largest of the programmes is the Public Assistance Programme. The PAP distributes cash grants to the poor and indigent, monthly. In 2019, approximately 10,000 persons benefitted from the public assistance programme. These individuals receive a cash or in-kind transfer of XCD 275 per month. This would have cost the government approximately XCD 9.0m in 2019. the ministry's field operations and the PAP having been restructured into three grants, the Family Support Grant (FSG) for families living in poverty, the Vulnerability Grant for elderly, people with disabilities/unfit to work, and the Emergency Assistance Grant (for one-off medical/funeral/disaster assistance. Budget of XCD 806,166. Under the new PAP structure, XCD 200-500 per month being provided to families in poverty depending on the size and determined through a vulnerability assessment, initially for 6 months (before reassessment).

The NIS' social security arrangement benefits insured persons. Their financial contributions enable them to receive benefits: old age, sickness, maternity, invalidity, employment injury, funeral, and survivors' benefits. There are notable disparities in NIS coverage; in those sectors where women are highly represented – wholesale and retail, tourism – exceeded 80%, while only 1 out of every 10 workers in the agricultural sector were covered by the Fund which provides a range of benefits including old-age pension, employment injury and sickness.

There is also a student support system managed by the Ministry of Mobilisation; it covers uniforms, supplies, and examination fees for those families who cannot afford. Other programmes provide transport subsidy for students and the elderly, funeral grants for the poor, as well as food and housing assistance for the poor. The elderly can also secure help for cleaning, making meals, bathing, and other tasks through the Home Help programme (see Table 3).

The government of Saint Vincent and the Grenadines also has a School Feeding Programme (SFP) that is implemented by the Ministry of Education to address nutrition needs of vulnerable children. Specifically, the programme focuses on food delivery to primary schools and preschools and covers one-third of the daily nutrition requirement. It benefits about 60% of the primary school population and is intended to deter absenteeism due to hunger and facilitate the meaningful participation of students at school. Each child is required to pay XCD 1 or XCD 0.50 to cover the cost of the meal, which is lunch. The Zero Hunger Trust Fund (ZHTF) Initiative has been covering the cost of the school meals for a total of 2,000 students in 15 primary schools. Priority is given to students from vulnerable families; however, any student attending primary school and preschool can be a beneficiary of the programme.

In addition, the COVID-19 food producers care programme and Love Box programme both launched to support food and nutrition security among the most vulnerable families.

As with employment income, income from non-employment other sources vary by sex: 11% of males depend on non-employment income from abroad, compared to nearly 20% of females. For females in particular, remittances are the most important source of non-employment income[10]

Table 3: Social Protection Programmes

Programmes	Purpose	Institution Responsible
Public Assistance Programme Grants	Relief to familiies living in poverty, the elderly and persons living in with disabilities/unfit to work	Ministry of National Mobilisation
School Feeding Programme	Nutritional supplement to children attending primary schools and preschools	MOH
Medical Administration and Prescription Subsidy	Support and allow access to medical assistance and medication	NIS
Elderly Assistance Benefit	Financial support to older persons affected by economic issues	NIS
Non-contributory Assistance Age Pension	To provide cash to indigent older persons	NIS
Revised Unemployment (%)	To provide in-house care and assistant to the indigent elderly	NIS

Source: Current state of social protection legislation in Barbados and the OECS from a human rights perspective, FAO and the UN 2015

10 Women receiving non-employment income from abroad (19%), Public assistance (5%), government pension/NIS (7%), and other non-employment (5%).

CHANNELS OF TRANSMISSION

EXTERNAL

Tourism, Travel and Capital Inflows

Saint Vincent and the Grenadine's major tourism source markets are the United States (35%), Canada (12%), and the United Kingdom (16%) (see Table 4), implying major economic impacts from protracted travel restrictions from these countries. The island also has over 300 listings offered on Airbnb, representing over 600 bedrooms. In line with national protocols to reduce the spread of the COVID-19, major tourism activities have been cancelled. These include, Vincy Mas, the Bequia Easter Regatta, and the Union Island Easter Festival, and Kingstown Corporate Credit Union National Dance and the Gospel Festivals. The multiplier effect of reduced airlift and travel restrictions affecting travel demand and constrained product offering affecting supply, will depress output across multiple sectors and reduce travel receipts to the balance of payments.

Table 4: Stay-Over Arrivals by Country of Residence

	Market Share
USA	16%
Canada	6%
United Kingdom	16%
Other Europe	6%
Caribbean	28%
Latin America	1%
Other Countries	2%

Source: Saint Vincent and Grenadines Tourism Authority

A significant portion of the impact will be felt through cruise tourism as cruise-ship passengers account for around 3 out of every 5 arrivals to the island (see Table 5).

Table 5 : Arrivals by Visitor Type

Visitor Type	Share
Stay Overs	23.2%
Same Day	0.4%
Yacht	17.4%
Cruise Ship	59.0%

Source: Saint Vincent and Grenadines Tourism Authority

Remittance receipts will likely have also been adversely affected given that Vincentians in the diaspora also face social disruption, job losses, reduced non-essential retail shopping, and general economic disruption. This will particularly affect women given their higher dependence on remittances. Additionally, the reduction in inflows from abroad will have a dampening effect on reserves as ECCB estimates that remittances to Saint Vincent and the Grenadines in 2019 were responsible for 8.3% of total foreign inflows, the equivalent of 5.4% of GDP.

This impact will be compounded by expected reductions in foreign direct investments. The United Nations projects that global FDI will plummet by nearly 40% in 2020[11]. This decline will affect the Caribbean as well, which is expected to record declines in FDI from traditional investment markets. In Saint Vincent and the Grenadines, any declines in FDI will put a further strain on inflows, as foreign investment represents over 16% of total foreign revenue.

Net Exports will be affected both because of domestic social lockdown and social distancing measures implemented as well as similar protocols instituted by the island's main trading partners. The measures create disruptions in the supply chain; the spillover affects other sectors via the trade and production linkages. In addition, disruption in the flow of exports and imports of goods creates deferment of orders and delays in delivery. One example of this is the necessary shuttering of the Port, contributing to further delays in the clearing of goods. Similarly, the country is also a major importer of inputs to restaurants and other similar businesses, contributing to reduced outputs and closures.

11 The World Investment Report 2020, UN Conference on Trade and Development

DOMESTIC

Consumption

Consumption accounts for 84.3% of expenditure on GDP (see Table 6). As with all countries in which broad based social distancing protocols and business shuttering have been implemented, consumer confidence and spending, particularly on non-essential goods (e.g., leisure, transport, furnishings, clothes, cars, restaurants, entertainment etc.) is affected. This reduced consumer confidence will be particularly evident in services involving face-to-face contact. In fact, anecdotal information suggests that there have been substantial production disruptions as a result of forced business closures. This has been particularly evident in Micro, Small, and Medium Enterprise sector (MSME) in which businesses, such as hairdressers, barbers, wellness and beauty establishments, and spas have ceased operations and those employed have lost income, having lost their jobs.

Table 6: Expenditure on Gross Domestic Product

	Share of GDP at current market prices
Private Consumption (C)	84.3%
Gross Fixed Capital Investment (I)	18.5%
Government Consumption (G)	22.6%
Net Export (NX)	-25.3%
GDP @ Market Prices Total	100%

ECCB Statistics

Education has been disrupted due to school closure, students' examinations have been deferred and teachers' ability to complete the term's curriculum will be challenged. Examinations, such as Caribbean Advanced Proficiency Examination (CAPE), the Caribbean Secondary Education Certificate (CSEC), and Caribbean Primary Exit Examination Assessment (CPEA) have been put off by both regional and local education institutions. The closing of schools will impact the continuity of children's education. COVID-19 will create a gap in each child's educational development and will create a deficiency for all students, if they are promoted without completing the current academic year's curriculum. This gap will have to be filled.

In an effort to practice physical distancing (including school closures), the general labour force will be less productive, both due to direct business closures and other indirect impacts. Workers with school aged children have been forced to take leave to care for their young children due to the school closures. Some domestic businesses have offered workers mandatory and voluntary leave. Workers who take paid leave from work, whether forced or voluntarily, reduce their firm's labour productivity (i.e. output per worker), unless other workers can fully replace output lost due to absenteeism. Additionally, since COVID-19 can be easily spread, many workers may take their own precautionary measures and not go to work, particularly self-employed workers and those in the informal economy. Some firms have been rotating their staff on a shift system, a strategy which has already caused disruptions in supply chains.

Government Expenditure

Government spending on health, the social sector and other sectors has increased in line with its fiscal stimulus policy that has been designed to counteract the fall in consumer spending, lower productivity, and loss of jobs, and to enhance the health system to fight the COVID-19 pandemic. Government consumption expenditure accounts for 22.6% of GDP. Table 7 shows that in 2019, government expenditure amounted to XCD1067.4 (20.9% represents capital expenditure and the remaining 19.1% recurrent expenditure).

The new measures will expand this spending by the equivalent of nearly 4% of GDP. Specifically, the fiscal stimulus package amounts to XCD 74.5m and, as part of the plan, encourages banks and credit unions to offer up to 6-month moratorium on loan and mortgage payments; the provision of supplementary income to displaced hotel and other affected workers for up to three months in the first instance; a proposed USD15m job-creating stimulus package; a one-off support payment will be made to taxi, water taxi, and tour operators affected by the cancellation of cruise ships; USD 1.5m for small businesses and cultural workers; and USD 6m direct support to farmers and individuals engaged in the fishing sector. The package also offers to remove VAT on electricity for domestic hotel or guest house customers from March 30 to June 30.

Social Security is addressed in the stimulus package it states that the National Insurance Service will provide a two-month pre-payment of pension benefits to pensioners and USD 463,000 in temporary unemployment relief to displaced active registrants; assistance benefits are to be provided for vulnerable citizens including home help for the elderly.

Social assistance support is being provided, including through additional monthly support to approximately 600 elderly, people with disabilities and those affected financially with Interim Assistance Benefits (for persons not on public assistance nor in receipt of a pension) until Dec 31 2020.

Additionally, government interest payment expenditure as a share of recurrent revenue will eventually increase given that aspects of the fiscal stimuli package will be financed by incurring new debt. Specifically, the fiscal stimulus package will be financed by loans from the International Monetary Fund (IMF), the World Bank, the Eastern Caribbean Central Bank (ECCB), the Caribbean Development Bank (CDB), the United Arab Emirates (UAE), Bank of Saint Vincent and the Grenadines (BNOS), the National Insurance Scheme (NIS), and other local financial institutions; therefore, public sector debt will increase to accommodate the loan amounts.

Expenditure on healthcare has increased in line with government's COVID-19 response. Specifically, the government purchased medical supplies (ventilators, medicines, etc.) and incurred additional labour costs, i.e., wages for hiring an additional 20 nurses locally, as well as three medical doctors and 12 nurses from Cuba who specialise in handling infectious diseases, including COVID-19. The costs associated with testing COVID-19 samples are met by the government; these include, among other costs, courier service to Trinidad and laboratory cost paid to CARPHA. To date, samples for 121 persons have been collected for polymerase chain reaction (PCR) testing at CARPHA, of which 15 cases have been tested positive for COVID-19. Amongst the 121, a total of 29 asymptomatic persons were tested, four of those persons tested positive for COVID-19 (News 784, April 23, 2020). While on April 10, Saint Vincent and the Grenadines received 3,000 rapid tests from Venezuela to test for COVID-19, the government would still continue to incur testing costs going forward.

In addition, the government has incurred costs for renting and refurbishing an existing building to transform it into a government-owned isolation facility.

Table 7: Total Government Expenditure

	2018	2019
Recurrent Expenditure	**17.4%**	**23.2%**
Capital Expenditure	**59.0%**	**0.4%**

Source: Ministry of Finance Saint Vincent and Grenadines

THE IMPACT OF COVID-19 IN SAINT VINCENT AND THE GRENADINES: A SCENARIO ANALYSIS

Scenarios

Three (3) scenarios are considered based on the following factors: (1), the anticipated length of the crisis and (2) the effects of policy responses (both domestic and international). The following outlines the content and the assumptions embedded in each scenario.

Scenario 1: Mild Penetration (April-September, 2020) – assumes COVID-19 shock is persistent and lasts for 6 months. During this period domestic private consumption will be reduced. In this scenario, international borders remain closed; hence, tourist arrivals from the US, UK and Canada are predicted to be zero. Regional travel will resume gradually with slight increases in longs stay visitors and yacht passengers. In addition, loss of tax revenue, seasonal employment and productivity will fall, deepened further by the cancellation of Vincy Mas 2020, the island's major festival. Spending from the stimulus package will increase, but it will not be inadequate to compensate for the disruptions given its limited scope.

Scenario 2: Moderate Penetration (April-December, 2020) – in this scenario, the key assumption is that the main impacts of scenario 2 are extended for a 9-month duration.

Scenario 3: Severe Penetration (1 year & beyond 2020) – the impacts extend beyond 2020.

MACROECONOMIC IMPACT

The scenario analysis suggests that across the three scenarios, Saint Vincent and the Grenadine's real GDP growth would fall by between and -12% to -5.1%, with significant downside risks if the 'second wave' of COVID-19 is expansive and protracted. These estimates are much higher than the IMF WEO estimates of -4.5% (See Table 8), reflecting newer data and global expectations for a slower return to growth. The predicted COVID-19 economic contraction is driven by lower consumer spending and lower productivity. Broad based declines are expected, particularly related to discretionary expenditure, with spending in the education and health sectors expected to remain or increase above 2019 levels.

Inflation is expected to be moderate around 1.0% but will increase to around 2% in Scenario 3. The projections for inflation show that consumer prices will increase as possible declines in prices of food items will be offset by price increases of non-food items due to supply disruptions.

Table 8: Sectoral GDP Impacts COVID-19: 2020 Projections

	Baseline* 2019	Scenario 1	Scenario 2	Scenario 3
	%change unless otherwise stated			
Real GDP Growth GDP at Market Prices at constant prices (XCD mn)	0.3	-5.1	-7.0	-12
	1,767.9	1,695.1	1,603.9	1,767.9
	%change in GVA			
Agriculture	1.8%	-5	-7	-12
Construction	5%	-9	-11	-16
Wholesale Retail Trade	2%	-23	-25	-30
Hotel and Restaurants	3.4%	-20	-22	-27
Transportation	3.6%	-10	-12	-17
Education	0.9%	2	2.3	-2.3
Health	1.8%	3	5	5
Communication	1%	-1	-3	-8
SVG: Inflation Rate (end of period	0.91%	1.10	1.20	2.0

Data Source: Baseline data i.e. 2019 sourced from the ECCB and Saint Vincent and the Grenadines Statistical Office

The overall fiscal balance as a percentage of GDP is projected to widen from -27%, in the best case scenario, to -33% of GDP in the worst case scenario (See Table 9).

The recurrent revenue for Saint Vincent and the Grenadines is expected to decline in the range of 34% in the best-case scenario to 40% in the worst case scenario. The decline in revenue projected is largely hinged on declines in tax revenue expected due to the fall out in tourism, the reduction in business activities and measures such as no VAT on electricity for domestic, hotel and guest house customers for the period March 20 - June 30 and VAT and duty waiver on 13 health and hygiene products, will impact revenue. Revenues from value added tax revenue are forecast to fall by at least 16%; VAT on tourism-related services range from 10% to 11%, climate resilience hotel levy is 1%; tax receipts from these categories will also decline significantly. Moreover, the new landing fee (aircraft under 5,000 pounds XCD 20.00 (USD 7.40) and take-off fees, e.g., first hour of extension, XCD1,325 (USD 500)) will also decline commensurately with the decline in travel.

The model also assumes an increase by as much as 25% in the worst case analysis. The initial effects of the government fiscal stimulus package to curtail the effect on the business sector and household , will be compounded by higher social protection outlays and increased debt service. Lower government outlays than projected would limit the overall fiscal impact.

Table 9: Fiscal Operations COVID-19 Projections

Items	2019	Scenario 1	Scenario 2	Scenario 3
	XCD m			
Current Revenue	656.6	431.3	420.2	393.0
Current Expenditure	844.8	971.5	1013.7	1056
Overall Balance	-332.4	-463.8	-517.2	-586.6
GDP at Market Prices (S1-S4)	1,767.9	1,695.1	1,603.9	1,767.9
Fiscal Balance/	-19%	-27%	-32%	-33%

Data source (Baseline data i.e 2019 sourced from SVG Government Budget Speech 2020

Under the scenarios, public sector debt-to-GDP will increase in the range 80.1% - 83.4% for Saint Vincent and the Grenadines at least 2.4 percentage points above the ECCB projected debt (See Table 10). The expansion is associated with increased COVID-19 health related expenditures, as well as COVID-19 stimulus expenditure, overdraft facilities, and accounts payables. Rising debt levels will limit fiscal space as interest costs rise at the same time that revenue is declining. The more resources are dedicated to debt servicing, the fewer that are available for health services.

Table 10: DEBT-GDP: COVID-19: 2020 Projections

	Baseline	Scenario 1	Scenario 2	Scenario 3
ECCB Projection (2020)	**75.5%**	**80.1%**	**80.8%**	**83.4%**

Data Source: (Baseline data i.e. 2019 based on ECCB estimates)

Tourism earning is anticipated to decline in the range of 60% in the best case scenario, the worst case projected at 75% decline receipt (See Table. 11). Declines in remittances will have a negative impact of household budget spending. Other international flows, such as capital, will decline and will likely place increased pressure on international reserves and the Balance of Payments (BOP). Growth in tourism and remittances also boosted foreign exchange reserves. SVG would have seen the arrival of approximately 74,260 cruise-ship passengers during the first quarter of 2020 (January to March). As a consequence of COVID-19, the cruise industry will register a decline in the arrivals number of its cruise-ship passenger to approximately 77,000 (projected for the year 2020) from its estimated 220,000 passenger arrivals recorded in 2019.

Table 11: Impacts on Foreign Exchange Earnings in Selected Sectors

Items	Baseline 2019	Scenarios 1	Scenarios 2	Scenarios 3
	XCD m			
Foreign Exchange Earnings	1,449.42	1,372.1	1,304.5	1,260.9
Foreign Direct Investments	241.33	232.9	217.2	209.9
Tourism Earnings	672.40	268.9	201.7	168.1
Remittances	120.64	61.9	60.5	58.5

Source: for 2018 data ECCB

Assumptions behind the movement are; the expected increase of XCD 12m in transfers and subsidies for direct support to farmers, XCD 3.0m for small businesses, among others. Other expenditure assumptions relate to the cost of; one-off support payments for 540 workers, home help for 300 vulnerable citizens and the deployment of 56 health workers.

SOCIAL IMPACT

Declining incomes pose a serious challenge for poverty reduction. Pre-COVID-19, the poverty rate was 30.2% with the poorer households mostly headed by women (52% according to 2007–2008 CPA). The loss of income and jobs will push more of the population below the poverty line. Incidence of poverty is expected to worsen in the short-term from 30.1% (see Table 11) and could range from 38.5% to 43.8%. This is strongly associated with unemployment, low productivity, and the expected slowdown in key sectors (particularly tourism and its associated sectors).

The unemployment rate will increase and a significant portion of the displaced workers would be women. The unemployment rate is projected to inflate in the range 25% to 34%; the rate of unemployment among women can range between 27% and 38%. Women would be hit hard because an approximately 54.9% of women in the labour force have been employed in the sectors that are largely displaced, i.e., accommodation and food. To date, the NIS has already received over 1000 unemployment COVID-19 claims.

Table 12: Poverty Indicators

Poverty Indicators (%)	2007/08	Scenario COVID-19
Poverty Headcount Index (Proportion of Person Poor)	30.2	38.5%-43.8%
Indigence Level (Proportion of Persons Extremely Poor)	2.9	
Vulnerability Level	48.2	

Data source: St. Vincent and the Grenadines Country Poverty Assessment, 2007/2008

Unfortunately, the wages of many workers in the MSME sector are not insured. Nonetheless, women are more entitled to employment-related (social) insurance benefits; 41.8% of women employment is based on a written contract, compared to 31.6% of men. More specifically, women are more likely to benefit from social protection than men; 72% of women benefitted from the NIS where as 58.4% of men benefitted. The latest labour market statistics from the NIS, which invariably reflect movements in the wider job market, show that the number of active insured employees has increased by 1,523 persons from 2017 to 2018. This 4% growth in active insured employees was driven by expansion in the Accommodation, Construction, and Wholesale sub-sectors. Annual insurable wages also increased by 7.8% to XCD 21,653 – a XCD 1,575 rise in 2018.

Suspension of classes at all education institutions will have a significant impact on students' learning and could impact daily nutrition. Primary school students who participate in the Schools Feeding Programme will not received their usual nutrition requirement, since they will not have access to daily meals (5 days per week) through the SFP. These meals are often the only source of nutrition available for some of these children.

In Saint Vincent and the Grenadines, around 1 in 4 individuals have access to the internet. This gap in coverage is likely linked to lower income groups, increasing their level of vulnerability and reducing some students' ability to access online learning opportunities. Moreover, students with learning disabilities and challenges (academic, socio-economic, students with special/diverse educational needs, or persons with disabilities) may not effectively cope with remote learning strategies or may not have sufficient access to the resources they need to assist them in their learning.

To support the remote learning (i.e., online learning), the Government of Saint Vincent and the Grenadines has noted that education expenditure would need to increase by 32.6% to enable students and teachers to be able to benefit from this strategy. Its expenditure should address students without electricity, internet access, computers, and teacher training. Given that there are approximately 25,217 students (primary, secondary and tertiary), the government would require approximately XCD 50.43m to equip students and teachers, predicated on an estimated cost of USD 2,000 per student.

Gender-Based Violence (GBV)

For those women experiencing domestic violence, their increased inability to maintain a level of financial independence leaves them even more vulnerable. Moreover, home is often not a safe place for abused women and children, as the home is often where they are at risk of sexual and other forms of violence, including homicide, physical, psychological and economic abuse, neglect, and/or coercive control. This is likely to be exacerbated, particularly in the event of a global second wave of COVID-19 and extended national lockdowns. The existing shelter for survivors of GBV - Marion House provides temporary accommodation and receives referrals from the family court. Critically, this shelter can only be accessed through court order, limiting the extent to which it can serve survivors facing immediate crises.

RECOMMENDATIONS

RESPONSE AND RELIEF

RECOMMENDATION 1:

Expand buffering of income losses in the informal economy with increased focus on MSMEs.

This can include the offer of additional tax rebates to MSMEs in the short-run to help with the decline in demand, in order to help businesses stay afloat. In addition, Government can extend waivers on social security contributions payments temporarily for MSMEs. This would help to support MSMEs with financial difficulties and allow them to be better able to make payments of salaries and wages to workers. In addition to the support given to farmers, Government could extend guarantees for low-interest loans to farmers and agricultural businesses, including cash flow-constrained MSMEs, that have experienced a significant loss of revenue.

Government could also explore the possibility of establishing co-share office space programmes to enable cash-constrained MSMEs to maintain necessary office/work space to operate temporarily. This would allow MSMEs which commit to retaining employment levels to either rent existing government-owned spaces at a subsidised rate or receive a tax rebate to cover a proportion of their rental charges. Government can offer tax breaks to businesses who voluntary allow MSMEs to use unused spaces temporarily (i.e. 6 months) until economic activity increases. Most tax revenues are collected from VAT; hence, this initiative will not reduce tax revenue significantly.

RECOMMENDATION 2:

Help create employment for persons in the tourism sector who have lost their jobs.

This can be done by establishing Adopt-a-Worker Schemes – through government-public partnership agreements. The government can offer tax incentives to businesses in exchange for them voluntarily employing displaced workers in the tourism sector and its related industries for a temporary period. The initial loss in revenue would be partially mitigated by the buttressing of personal income taxes as well as continued support to other economic activity.

RECOMMENDATION 3:

Broaden safety protection support in the form of enhanced unemployment insurance with extended duration, increased benefits, relaxed eligibility, and expanding social assistance coverage through the establishment of a Welfare Development Fund.

This fund would be designed to respond to both immediate needs as well as future shocks. In the initial stages, an action plan could be prepared to determine how best to modify and upgrade the existing social protection system, in addition to creating an emergency social protection fund. The framework could be predicated on an increase in the Public Assistance payments to support the reduction of the poverty gap. In particular, an increase in the monthly Public Assistance payments from XCD 275 to XCD 400 would be required to meet basic needs and would support the reduction in the level of adult and child poverty. In order to meet this requirement, the allocation of resources to social assistance would have to increase by at least 30%. As such, the design of the programme will need to include a sustainable financing framework with the support of IFIs for initial capitalisation and medium-term policy reforms to support sustainability of the fund.

RECOMMENDATION 4:

Increase gender-responsiveness of COVID-19 policy responses.

Increased financial and emotional challenges may be associated with higher incidences of intimate partner violence (IPV). Recent research, including by the British Medical Journal (BMJ 2020;369:m1712), has suggested that while data on IPV is limited, initial data show an alarming increase in IPV, the establishment of trauma hotlines is recommended as a means to expand the state's capacity to provide psychosocial support. Community groups and NGOs could be engaged to develop a national programme to expand support to survivors of GBV, including training of law enforcement and other front-line personnel to identify and respond to cases of GBV.

In particular, the availability of shelters for survivors of abuse could be expanded to provide temporary accommodation to those in immediate crisis. Existing accommodation in the tourism sector which is operating well below full capacity could be engaged to provide temporary housing.

Equally, a gender review of the stimulus package is recommended to assess the degree to which the policies respond to the differential needs of women and men and to ensure that gender mainstreaming informs all of the budgeting measures included in the fiscal stimulus package. This would allow the government to understand the collective impact of the package on gender equality objectives.

RECOMMENDATION 5:

Establish a food voucher/stamp system and/or a cash option for rapid disbursement

The government of Saint Vincent and the Grenadines, could expand support to children displaced from the Schools Feeding Programme, as a consequence of school closures as these meals are often the only source of nutrition available for children. A temporary voucher/stamp system could be extended to ensure that children continue to have access to at least three meals per week. At a minimum, this support should offer coverage to all children enrolled in existing programmes. The government should remove the fee students pay to receive the meal allow each child to benefit free of cost. Direct cash transfers for this purpose should also be considered, as this would allow for faster distribution and more flexibility for the recipients

RECOMMENDATION 6:

The Ministry of Education could develop a comprehensive and effective e-leaning platform to facilitate all students and teachers access to material and the internet.

Creating/designing and investing in an effective and comprehensive online learning platform (i.e. learning management system). This must be created to allow children access to education virtually. Many teachers have been using Zoom which allow for real-time audio and visuals, but this environment has had some issues of privacy and security. Based on prevailing market rates, a one-off cost of USD 250,000 for building a system will be needed; the purchase of equipment should not exceed USD 2m. This will need to be complemented with improving access to internet at home. To achieve this, Government could consider working with Telecommunications Services Providers to offer incentives for the provision of low cost, minimum speed internet services for vulnerable families and communities to allow them to access education services.

Other skills such as programming, coding, web designing, graphic design, learning design, troubleshooting and problem solving are expected to cost approximately, USD 23,000 annually. An additionally, USD 18,000 would be required for maintenance.

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