



A Summary of Caribbean Economies' Policy Responses to the Covid-19 Pandemic

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Part II - A Summary of Caribbean Economies' Policy Responses to the COVID-19 Pandemic

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Governments have been struggling to develop fiscal and economic plans for their economies as they focus on managing the ongoing COVID-19 pandemic, mitigating further economic fall-out, stimulating domestic consumption, and preparing for a new-normal when borders are reopened. All countries are currently faced with the predicament of the need for higher spending to combat the COVID-19 virus and protect people; and lower revenue resulting from the recession triggered by all the necessary containment measures.

The policy responses of Caribbean governments to date have evolved since June 2020¹ because the measures imposed then were short-term, see Table 1. The initial reopening of borders for some Caribbean countries was curtailed by an increase in the number of COVID-19 cases. A long-term strategy is needed by Caribbean governments to cope and thrive in this new normal during COVID-19 and post-COVID-19. The policies in most Caribbean economies to date have mimicked those of the international community but are heavily constrained by the financial resources of these economies.

The policy and fiscal responses within the Caribbean region were varied while having some overlapping measures as seen in Table 1. The responses and measures adopted by the Caribbean economies are reflective of each country's government and their economic and fiscal stance. Tourism activity in the Caribbean has come to a virtual standstill² because of travel restrictions and deeper recessions occurring in key source markets in advanced economies. The tourism-based economies are actively seeking ways by which they can re-open their borders and start back their tourism industry. Countries such as The Bahamas, Barbados and Jamaica opened their borders for international flights in May 2020 but then had to close them again because of a spike in the number of confirmed cases of COVID-19. They eventually reopened their borders to international tourism again in July 2020, with improved safety protocols for travel, testing and quarantining to be observed by visitors. CARICOM has proposed a plan to promote tourism regionally. In

¹ Summary of Caribbean Economies' Policy responses to the COVID-19 Pandemic, June 2020.

<http://delisleworrell.com/A%20Summary%20of%20Caribbean%20Economies%E2%80%99%20Policy%20Responses%20to%20the%20COVID-19%20Pandemic>

² "Within the region, the Caribbean economies are suffering even more due to their high dependence on one of the most dramatically impacted sectors—tourism—which, for some, accounts for 50 to 90 per cent of GDP and employment. The approach of the hurricane season poses additional risks." (Georgieva 2020)

TABLE 1: SUMMARY OF POLICY RESPONSES IN CARIBBEAN ECONOMIES TO COVID-19 PANDEMIC

| | Bahamas | Barbados | Belize | Eastern Caribbean Currency Union | | | | | | | | Guyana | Jamaica | Suriname | Trinidad and Tobago |
|--|---------|----------|--------|----------------------------------|---------------------|----------|---------|------------|---------------------|-----------|--------------------------------|--------|---------|----------|---------------------|
| | | | | Anguilla | Antigua and Barbuda | Dominica | Grenada | Montserrat | St. Kitts and Nevis | St. Lucia | St. Vincent and the Grenadines | | | | |
| COVID-19 (as at May 28,2020) | | | | | | | | | | | | | | | |
| No. of confirmed cases | 96 | 92 | 18 | 3 | 25 | 18 | 23 | 11 | 15 | 18 | 26 | 125 | 529 | 10 | 117 |
| No. of deaths | 11 | 7 | 2 | 0 | 3 | 0 | 0 | 1 | 0 | 0 | 0 | 10 | 9 | 1 | 8 |
| COVID-19 (as of October 12, 2020) | | | | | | | | | | | | | | | |
| No. of confirmed cases | 5163 | 208 | 2569 | 3 | 111 | 32 | 25 | 13 | 19 | 29 | 64 | 3521 | 7813 | 5058 | 5116 |
| No. of deaths | 108 | 7 | 37 | 0 | 3 | 0 | 0 | 1 | 0 | 0 | 0 | 104 | 146 | 107 | 92 |
| Health and safety measures | | | | | | | | | | | | | | | |
| Curfew/ lockdown – Phase 1 | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Curfew/ lockdown – Phase 2 | ■ | ■ | ■ | | | | | | | | | | | | ■ |
| Additional funding for the health sector at the onset of pandemic | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Wearing a mask and limit to crowd gatherings – it is the law. | ■ | | | | | | | | | | | | | | ■ |
| Fiscal measures | | | | | | | | | | | | | | | |
| Tax relief for affected sectors | ■ | | | | ■ | | ■ | ■ | ■ | ■ | ■ | | ■ | | ■ |
| Seek financing from international financial institutions | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Reinforce the prioritisation of capital spending | ■ | ■ | | | | ■ | | | | | | ■ | ■ | ■ | ■ |
| Escape clause of existing fiscal rule/emergency funding | | | | | | | | | | | | | ■ | ■ | ■ |
| Freeze on annual salary wages/filling of vacancies in the public sector | | | ■ | | | | | | | | | | ■ | | ■ |
| Social measures | | | | | | | | | | | | | | | |
| A targeted increase in social spending: unemployment grants, food cards and hampers for 3 months | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Extension of social spending programmes | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Offering training and skills programmes for the unemployed | | ■ | | | | | | | | | | | | | ■ |

TABLE 1 CONTINUED: SUMMARY OF POLICY RESPONSES IN CARIBBEAN ECONOMIES TO COVID-19 PANDEMIC

| | Bahamas | Barbados | Belize | Eastern Caribbean Currency Union | | | | | | | | Guyana | Jamaica | Suriname | Trinidad and Tobago |
|--|---------|----------|--------|----------------------------------|---------------------|----------|---------|------------|---------------------|-----------|--------------------------------|--------|---------|----------|---------------------|
| | | | | Anguilla | Antigua and Barbuda | Dominica | Grenada | Montserrat | St. Kitts and Nevis | St. Lucia | St. Vincent and the Grenadines | | | | |
| Financial support for businesses | | | | | | | | | | | | | | | |
| Financial support for SMEs | ■ | ■ | | | ■ | ■ | ■ | ■ | ■ | ■ | | ■ | ■ | ■ | ■ |
| Work retention programmes | ■ | ■ | | | | ■ | ■ | | | | | ■ | ■ | | |
| Tax deferrals to companies that meet certain requirements | ■ | | | | | | | | | | | ■ | | | |
| Monetary and Macro-financial | | | | | | | | | | | | | | | |
| Lower policy rates | | | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | | ■ |
| Lower reserve requirements | ■ | ■ | ■ | | | | | | | | | ■ | | ■ | ■ |
| Halt repatriation of dividends | | ■ | | | | | | | | | | | ■ | | |
| 3-month deferral on repayments on credit facilities | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Extension for deferral of repayments on loans and credit cards | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Reopening strategy | | | | | | | | | | | | | | | |
| Presentation of strategy and timeline | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Start re-opening strategy – Phase I | ■ | ■ | ■ | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Schools closed | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ |
| Close-off of reopening strategy and borders | ■ | ■ | | | | | ■ | | | | | | ■ | | |
| Open to Tourists – Based on travel restrictions and self-quarantine. | ■ | ■ | | ■ | ■ | | ■ | ■ | | ■ | ■ | | ■ | | |
| Borders Closed | | | ■ | | | ■ | | ■ | ■ | | | ■ | | ■ | ■ |
| Notes: | | | | | | | | | | | | | | | |
| Black markers represent the strategies in place in March 2020. | | | | | | | | | | | | | | | |
| Blue markers represent the new strategies implemented by governments during June 2020 to October 2020. | | | | | | | | | | | | | | | |
| Red markers represent policies no longer in place. | | | | | | | | | | | | | | | |
| Source: Adapted from Beuermann, Álvarez and Vera-Cossio 2020, IMF Policy Tracker (The International Monetary Fund 2020) and Author's Research. October 2020. | | | | | | | | | | | | | | | |

September 2020, four member countries of CARICOM agreed to put the arrangements in place by having a Regional Travel Bubble³. The defining feature of a COVID-19 CARICOM Travel Bubble is that persons entitled to participate in the Travel Bubble are not required to take COVID-19 tests nor to undergo a period of quarantine to travel to countries that are within the Bubble. The four countries for which this arrangement exists as of September 22nd, 2020 are Antigua and Barbuda, Barbados, Dominica, and St Vincent and the Grenadines.

The commodity-based economies are experiencing a double crisis from the COVID-19 pandemic and low commodity prices. Interesting to note is that although none of the commodity-based economies - Guyana, Suriname and Trinidad and Tobago - opened their borders to international travel, they all have a significant increase in the number of confirmed COVID-19 cases, Table 1. The delays in the finalization of election results, in Guyana (March 2020) and Suriname (May 2020), resulted in delays in those governments being able to secure financing to offer fiscal support to persons and businesses. Guyana had to reapply after the new government was sworn in (August 2020) for assistance from the World Bank and are currently awaiting approval for a loan of US\$5 million (Table 2).

The Caribbean region will experience a very sharp and protracted contraction in economic activity for 2020 which will possibly spill over into 2021. Caribbean economies' policies and fiscal responses to the COVID-19 pandemic have been severely constrained by their financial resources and the ability to qualify for loans from international organisations. Table 2 and Figure 1 shows the increasing debt levels of the Caribbean economies since March 2020 which is reflective of the loans taken to aid in their responses to the COVID-19 pandemic.

| COUNTRY | | TOTAL DEBT (% OF GDP) | | INTERNATIONAL LOANS SECURED FOR COVID-19 RELIEF | | |
|----------------------------------|---------------------|-----------------------|-------|---|------------------|-------------------|
| | | 2018 | 2019 | Date | Source of Loan | Value of Loan |
| The Bahamas | | 65.6 | 66.3 | June 2020 | IMF | US\$250 million |
| | | | | September 2020 | CDB | US \$40 million |
| Barbados | | 126.3 | 120.0 | June 2020 | IMF | US \$91 million |
| | | | | July 2020 | CAF | US \$100 million |
| Belize* | | 96.6 | 99.3 | May 2020 | CDB | US \$15 million |
| | | | | June 2020 | IDB | US \$18.2 million |
| | | | | July 2020 | WB | US \$12.4 million |
| | | | | | OFID | US \$10 million |
| August 2020 | WB | US \$8 million | | | | |
| Eastern Caribbean Currency Union | Antigua and Barbuda | 78.5 | 72.9 | May 2020 | CDB | US \$13 million |
| | Dominica | 74.5 | 78.7 | April 2020 | IMF | US \$14 million |
| | | | | | WB | US\$6.6 million |
| | | | | May 2020 | CDB | US \$2.5 million |
| | | | | August 2020 | WB | US \$ 5.2 million |
| | Grenada | 66.3 | 58.9 | April 2020 | IMF | US \$22.4 million |
| | | | | May 2020 | CDB | US \$5.9 million |
| June 2020 | | | | WB | US \$2.5 million | |

³ The CARICOM Travel Bubble is now in effect: <https://today.caricom.org/2020/09/24/the-caricom-travel-bubble-now-in-effect/>

TABLE 2 continued: CARIBBEAN ECONOMIES DEBT RATIOS 2018-2019 AND INTERNATIONAL LOANS FOR COVID-19 RELIEF (OCTOBER 2020)

| Country | Total Debt (% of GDP) | | International Loans Secured for COVID-19 Relief | | | |
|-----------------------------------|--------------------------------|--------------------|---|------------------------------|------------------|-------------------|
| | 2018 | 2019 | | | | |
| Eastern Caribbean Currency Union | Montserrat | 7.4 | 6.6 | No International Loans taken | | |
| | St. Lucia | 64.3 | 64.9 | April 2020 | IMF | US \$29.2 million |
| | | | | | WB | US \$10.5 million |
| | | | | May 2020 | CDB | US \$10.8 million |
| | | | | June 2020 | WB | US \$5 million |
| | | | | September 2020 | CDB | US \$30 million |
| | St. Kitts and Nevis | 57.3 | 57.4 | No International Loans taken | | |
| | St. Vincent and the Grenadines | 75.5 | 70.5 | April 2020 | WB | US \$4.5 million |
| | | | | May 2020 | IMF | US \$16 million |
| | | | | May 2020 | CDB | US \$11.3 million |
| June 2020 | | | | WB | US \$40 million | |
| Guyana [#] | 44.2 | 40.9 | August 2020 | OFID | US \$20 million | |
| Jamaica | 100.6 | 93.8 | May 2020 | IMF | US \$520 million | |
| | | | September 2020 | IDB | US \$100 million | |
| Suriname | 126.7 | 125.1 ^e | May 2020 | CDB | US \$8.2 million | |
| | | | | WB | US \$0.412 | |
| Trinidad and Tobago ^{**} | 76.5 | 72.8 | June 2020 | CAF | US \$150 million | |
| | | | July 2020 | WB | US \$20 million | |
| | | | August 2020 | IDB | US \$150 million | |

Notes:

IMF – The International Monetary Fund; CDB – The Caribbean Development Bank; WB- World Bank

IDB - Inter-American Development Bank; CAF -Development Bank of Latin America

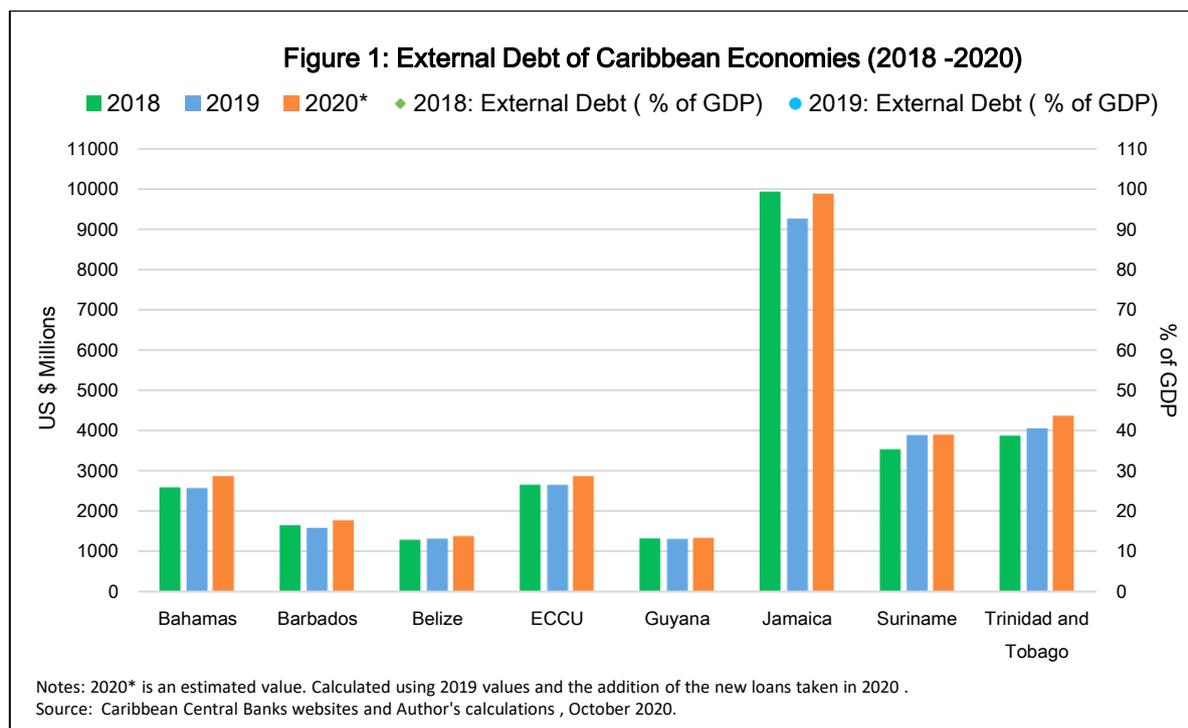
OFID - The OPEC Fund for International Development; e: estimated values

*Belize IDB Loan was in two parts (1) June 5th - US\$6.8 million and (2) June 22nd - US \$12 million

[#]Guyana has applied to the World Bank for a loan of US\$5 million, it is yet to be approved. The process was delayed because of the delay in finalisation of their election results from March 2020. The new Government of Guyana was sworn in on August 3rd, 2020.

^{**}Trinidad and Tobago IDB Loan was in two parts (1) US\$ 50 million for low-income households and (2) US\$100 million loan - a policy-based loan.

Source: Websites of the various Institutions and Ministry of Finance of the countries, October 2020.



The current accumulation of debt across all economies is unprecedented. The COVID-19 pandemic has revealed underlying conditions in economies, the most serious one being debt, (Okamoto 2020). Caribbean economies should be cautious in the way in which they attempt to increase their fiscal space. The aim should be to not incur debt burdens that are demanding on their economies given their fragile economic state. Consideration should be given to have fiscal buffers in place to deal with the effects of any other external shocks such as a natural disaster. The 2020 hurricane season has been a record-breaking season internationally but still relatively quiet for the Caribbean region to date. However, in the event that the region is affected by a hurricane or storm, Caribbean economies may not have the fiscal capacity to deal with the economic and socio-economic losses that may occur. The effects of COVID-19 were aptly described by Dr Nigel Clarke⁴ when he said, “Covid19 has done to Jamaica what no hurricane has ever achieved.” (Clarke 2020). This statement is true not just for Jamaica but for all Caribbean economies. The future growth of the Caribbean is linked to the choices and policies the governments take today, as they manoeuvre their economies in these unprecedented and unpredictable times.

“The COVID-19 crisis could, in the worst case, lead to another “lost decade” in development, with long delays in debt resolution.” (Bulow, et al. 2020). History has shown that choices made during crises can shape the world for decades to come. In this current pandemic, collective action must be taken at all levels - country, regionally and internationally - to have inclusive growth, development, and safety for all.

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⁴ Nigel Clarke is the current Minister of Finance and the Public Service in Jamaica.

Okamoto, Geoffrey. 2020. *Resolving Global Debt: An Urgent Collective Action Cause*. October 1. Accessed October 2, 2020. <https://www.imf.org/en/News/Articles/2020/10/01/sp100120-resolving-global-debt-an-urgent-collective-action-cause>.

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