



MINISTRY OF FINANCE, ECONOMIC PLANNING,
SUSTAINABLE DEVELOPMENT AND INFORMATION TECHNOLOGY

MINISTERIAL STATEMENT

by

Camillo M. Gonsalves

Minister of Finance, Economic Planning, Sustainable Development and Information Technology

“Implementation of the COVID-19 Recovery & Stimulus Package”

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House of Assembly
Kingstown
Saint Vincent and the Grenadines

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Mr. Speaker, Honourable Members:

Two-and-a-half months ago, on 7th April 2020, this Honourable House approved a supplementary budget. That Supplementary Budget was required to fund many aspects of the multifaceted Recovery & Stimulus Package that was conceived by the Government of Saint Vincent and the Grenadines in response to the global COVID-19 pandemic.

The supplementary budget, itself, came a scant two-and-a-half months after the passage of the annual Appropriation Bill. It is rare, if not unprecedented, for a significant supplementary budget to be brought to this Honourable House so soon after passage of the main budget. But the fallout of the pandemic is itself unprecedented, and demanded quick and decisive action from the Government of Saint Vincent and the Grenadines to achieve three broad policy objectives, namely:

1. minimising the loss of life and strengthening our public health systems;
2. reducing as best we can the economic impacts on vulnerable Vincentians, displaced workers and most-affected sectors; and
3. keeping the economy afloat through targeted stimulus spending, while maintaining macroeconomic stability and laying the groundwork to resume growth when the pandemic abates.

Today's sitting of Parliament is an appropriate moment to update this Honourable House, and the citizens of Saint Vincent and the Grenadines, on the Government's progress in implementing the main pillars of the Recovery & Stimulus Package. However, I am advised that the Honourable Ministers of Health and Agriculture intend to make separate statements on their ministries' specific responses to the pandemic. As such, this Ministerial Statement will emphasise implementation of the Recovery & Stimulus Package beyond the scope of Health and Agriculture. However, I would urge Honourable Members and the listening public to consider all three statements as a collective summary of the Government's progress to date.

During the presentation of the Supplementary Budget two-and-a-half months ago, this Government referred to projections from the Eastern Caribbean Central Bank that predicted a regional contraction of almost seven per cent. Today, the Central Bank is estimating economic

contraction in the Eastern Caribbean Currency Union of between 10 and 20 per cent in each country. While we wait for the updated projections of the International Monetary Fund, which are due on Wednesday, the recently-published June 2020 edition of the World Bank's *Global Economic Prospects*¹ predicts a global contraction of 5.2% – the worst such decline in eight decades. Advanced economies are expected to shrink by seven per cent, and “output of emerging market and developing economies (EMDEs) is expected to contract in 2020 for the first time in at least 60 years.”

According to the *Global Economic Prospects* publication, “Current projections suggest that the COVID-19 recession will involve a 6.2 percent decline in global per capita GDP, making it the deepest global recession since 1945-46, and more than twice as deep as the recession associated with the global financial crisis.” Dr. Kenneth Rogoff, Professor of Economics at Harvard University, goes further, stating that “*the short-term collapse in global output now underway already seems likely to rival or exceed that of any recession in the last 150 years.*”²

Unlike previous economic crises, where there are winners and losers – or at least a division between “affected and relatively unaffected” countries, the Coronavirus pandemic has spurred a truly global collapse. Over 90% of countries will experience GDP contractions in 2020/21, the largest such share of countries since 1870.

Since the passage of our Recovery & Stimulus Package, the global and regional projections for economic decline have become more pessimistic. The world, and Saint Vincent and the Grenadines, is looking at a more pronounced, more severe economic fallout than was anticipated even three months ago.

Here at home, the Vincentian economy, like many others, is experiencing reduced productivity, depressed retail and commercial activity, non-existent tourism and increased unemployment as the immediate result of the COVID pandemic.

¹ World Bank. 2020. *Global Economic Prospects, June 2020*. Washington, DC
(<https://openknowledge.worldbank.org/bitstream/handle/10986/33748/9781464815539.pdf>)

² Kenneth Rogoff, “Mapping the COVID-19 Recession,” *Project Syndicate*, 7 April, 2020
(<https://www.project-syndicate.org/commentary/mapping-covid19-global-recession-worst-in-150-years-by-kenneth-rogoff-2020-04?barrier=accesspaylog>)

Within the formal private sector, data from the National Insurance Services (NIS) indicate that 395 businesses have partially or completely shut down since 1st March, 2020. These 395 businesses represent over 16% of the total active employers registered at the NIS. Over 3,000 claims have been filed with the NIS for employment benefits and Displacement Supplementary Income. In and of itself, this increase in claims suggests that an additional six per cent of the labour force is now unemployed. Considering the impact of the pandemic on the informal sector, we can safely assume that the unemployment rate has increased by more than ten percentage points over the last three months.

Government's current revenue for May declined by more than 18% relative to May 2019. Value Added Tax collections in May, which can sometimes act as a rough proxy for commercial and retail activity, fell by almost 50% when compared to the same period last year. Other relatively small, but nonetheless significant sources of revenue, like Alien Landholding Licences, Stamp Duties and Yacht Licences, all suffered the expected collapse as movement, migration and investment became more difficult during the pandemic.

During the presentation of the Supplementary Estimates 10 weeks ago, the Government cautioned that there would be "rough waters ahead" in our society and economy. Today, we are all experiencing the early swells and choppiness of COVID's economic fallout.

Nevertheless, we must give thanks that, to date, we are weathering the economic storm as well as can be expected. While our revenue has decreased 20% in May, the Eastern Caribbean Central Bank has reported that other OECS countries have experienced a 50% decline. While our unemployment rate will likely exceed 30% in the short term, the ECCB is predicting 50% unemployment rates in some of our sister nations. As indicated earlier, over 3,000 claims seeking unemployment assistance have been filed at our NIS. In Saint Lucia, the corresponding number is 22,000,³ with 43,000 seeking similar assistance in Barbados.⁴ In Antigua and Barbuda, Prime

³ National Insurance Corporation, "NIC Paid out Over \$8.5 Million in income support," 12 June 2020, (http://stlucianic.org/news/35/96/NIC-Paid-out-Over-8-5-Million-in-income-support/d,nic_news/)

Minister Gaston Browne has estimated that hotel closures and lockdowns have cost over 20,000 residents their jobs.⁵

In this context, we try to put our hardships into perspective, give thanks to Almighty God and count our blessings one by one. In the case of this pandemic, we are fortunate to not be as dependent on tourism as some other CARICOM countries. We are fortunate that we had the luxury of time to craft an appropriate response to the pandemic. We are fortunate that friends, allies and development partners responded to our calls for cooperation. We are fortunate that production continued in our agriculture, manufacturing and construction sectors. And we are fortunate that the Honourable Prime Minister charted a courageous and prudent course between complacency and hysteria, based on science, the experiences of other states, and the particular circumstances of Saint Vincent and the Grenadines. The Honourable Prime Minister sought to build consensus among citizens, target vulnerable persons or dangerous activities, and avoid draconian overreaction in addressing the Vincentian component of this pandemic. While there are still very rough waters ahead, the past three months could have been far rougher, but for the Prime Minister's resolute leadership.

Mr. Speaker,

In crafting the Recovery and Stimulus Package the Government of Saint Vincent and the Grenadines attempted to do all that was possible to promote an inclusive recovery that benefited as many segments of society as possible. This broad-based, inclusive recovery package specifically targeted the a number of defined sectors, including:

1. Persons who may be exposed to Coronavirus infection;
2. Workers displaced or laid off due to closures in the hospitality sector;
3. Workers in the formal sector laid off by business closures or cut-backs;
4. Workers in the informal sector, particularly vendors, cart operators;

⁴ Gercine Carter, "Jobless claims 'a strain' on NIS," *Nation News*, 3 June 2020 (<https://www.nationnews.com/nationnews/news/245906/jobless-claims-strain-nis>)

⁵ "PM Says 20 thousand jobless from COVID-19," *Antigua News Room*, 15 April, 2020 (<https://antiguanewsroom.com/pm-says-20-thousand-jobless-from-covid-19/>)

5. Taxi, water taxi, and tour bus operators;
6. Minibus operators;
7. Vulnerable Vincentians, especially the elderly and those facing increased financial or nutritional vulnerability;
8. Farmers and fisherfolk;
9. Creative and cultural professionals;
10. Entrepreneurs and small business owners;
11. Those experiencing difficulties in making loan payments to financial institutions; and
12. Those experiencing difficulties in paying utility bills.

I am pleased to report to this Honourable House that, over the past two-and-a-half months, each and every aspect of the Government's Recovery programme has commenced and is being implemented. With the exception of the health and agricultural sectors, which are the subject of separate Ministerial statements, the following targeted recovery measures have been implemented:

First, as of 12th June, 2020, the Government has paid Displacement Supplementary Income to **1,496** Vincentians. These 1,496 Vincentians were affected by the closures in the hospitality sector. To date, the monthly \$300 payment to these 1,496 Vincentians has cost the Government \$1.02 million.

Second, as of 12th June, 2020, an additional **1,100** Vincentians have received a similar \$300 per month via the Unemployment Benefit offered by the National Insurance Services. This programme has paid just over \$600,000 to date.

In total, therefore, 2,596 Vincentians are receiving income support through either the Displacement Supplementary Income or the Unemployment Benefit. These 2,596 Vincentians represent 82% of the 3,164 claims that have been filed to date. Many of the unpaid claims are awaiting additional supporting documentation, while some have been rejected on various grounds. The data indicate that 60% of the beneficiaries of these programmes are women, and

that 66% are under the age of 44. On average, these programmes replaced approximately 30% of the beneficiaries' pre-pandemic wages.

Further, as announced by the Honourable Prime Minister in his 25th March Address to the Nation,⁶ the NIS has provided a pre-payment of two months pension benefits for all categories of pensioners (contributory and non-contributory) so as to facilitate upfront costs of pensioners at this time. This important initiative benefited a total **8,189** pensioners.

Third, workers in the informal sector, particularly vendors in towns and those who traditionally dependent on trade adjacent to schools, are eligible for Interim Assistance Benefits of \$300 per month for three months. A special window was created to make a one-off payment of \$300 to handcart operators. In total, **1,644** informal sector workers – inclusive of 105 handcart operators – have received Interim Assistance Benefits. To date, these benefits have cost approximately \$460,000.

Additionally, a further **60** vendors who traditionally plied their trade along the sea wall were given a compensation package of \$4,500 each to remove their structures and vacate the sea wall area as a prelude to the construction of the modern port and cargo terminal. The compensation, totalling \$275,000, makes provision for three months income support of \$715 per month, in addition to amounts for the value of their structure, removal allowance and timely removal bonus. This compensation, previously agreed by the Cabinet, was timed to maximise its benefit to those vendors affected by the pandemic-related slowdown in activity.

Fourth, vulnerable Vincentians –particularly the elderly the disabled, or those experiencing increased financial vulnerability as a result of the pandemic – received another type of Interim Assistance Benefit. This benefit is a monthly payment of \$200 for the remainder of the year. **Six hundred** Vincentians are currently receiving this benefit. To date, approximately \$260,000 has been spent on this programme.

⁶ Dr. The Hon. Ralph Gonsalves, "Rising Stronger From The Ashes Of Covid-19," 25 March, 2020 (http://pmoffice.gov.vc/pmoffice/images/PDF/speech/Prime_Minister_Gonsalves_Address_to_the_Nation_on_25.3.20_Rising_Stronger_from_the_Ashes_of_Covid-19.pdf)

Fifth, a total of **451** minibus operators have registered to receive two months of income support of \$500 or \$600 for 18-seater and 25-seat or larger buses, respectively. The Government paid approximately \$180,000 to 351 operators. A further payment to the larger 451-operator cohort is expected shortly.

Additionally, through negotiations with the minibus operators, the Government agreed to accelerate the process by which changes in the price of fuel is passed on to the consumer. Taking advantage of falling oil prices, the Government dispensed with the rolling three-month average model and reduced gasoline and diesel prices twice in quick succession. While these fuel reductions benefit all automobile-owning Vincentians, they are of particular benefit to minibus operators who fill their tank multiple times per week. Indeed, some owners are saving between \$500 and \$800 per month on fuel as compared to the pre-COVID prices.

Sixth, one-off income support payments to operators of taxis, water taxis and tour busses will reach an additional **391** registrants. This includes 315 taxis, 44 water taxies and 32 tour buses. A total of 84 of these operators – or 23% – operate in the Grenadines. Taxis, water taxis and tour buses (25-seater and above), registered with the SVG Tourism Authority, receive a one-off payment of \$500, \$300 and \$2,000 respectively. To date, 380 operators have received approximately \$230,000 via this programme.

Seventh, **411** cultural and creative professionals who were adversely affected by the cancellations of Carnival, Easterval, the Bequia Regatta and the prohibitions on amplified music will receive various honoraria through the Ministry of Culture and the Carnival Development Corporation. These professions, who include calypsonians, mas men and women, steelpan tuners and arrangers, and cultural ambassadors, will receive a total of approximately \$250,000.

Eighth, entrepreneurs and small business owners are receiving grant support through the PRYME and PRYME+ programmes. The progress of this programme will be discussed more fully later. To date, **254** entrepreneurs have been approved for grants totalling \$1.75 million.

Ninth, the six-month moratorium programme announced by the Honourable Prime Minister⁷ for the payment of principal and interest on various consumer and business loans is on-going. Among local banks and financial institutions, 1,637 borrowers are utilising the moratorium on loans totalling \$141 million. Among the non-indigenous institutions, namely CIBC, RBTT and Republic Banks, approximately 800 borrowers have triggered the moratorium on \$162 million in loans. As such, **2,437** borrowers are availing themselves of the moratorium, on loans totalling \$303 million. The \$303 million in loans under moratorium at the moment represent 18% of the institutions' collective private sector loan portfolio.

Tenth, the further moratorium on water and electricity bills is also providing relief to Vincentians during this difficult period. According to data from the Central Water and Sewerage Authority (CWSA), 1,520 customers over the last three months would have been disconnected were it not for the moratorium. An additional 380 persons took advantage of the free reconnection announced by the Honourable Prime Minister.⁸ These **1,900** customers represent approximately five per cent of the CWSA's active customer base.

While the Saint Vincent Electricity Services (VINLEC) did not provide a number of customers benefitting from the moratorium, it did indicate that, between March 20 and May 20, there was a 52% increase in accounts receivable for 60 days for domestic customers and a 7% increase for commercial customers. This upsurge in past-due bills represents an increase of \$580,000 over pre-moratorium receivables.

Eleventh, with all deference to the statement to be made by the Honourable Minister of Agriculture, it is important to mention in passing the hugely successful and popular "Love Box" initiative, which utilizes church and NGO networks to distribute boxes of local agricultural produce to vulnerable families across Saint Vincent and the Grenadines. To date, the Love Box initiative has distributed 5,000 boxes to over **3,500** families nationwide. A total of **370** farmers

⁷ Dr. The Hon. Ralph Gonsalves, "Rising Stronger From The Ashes Of Covid-19," 25 March, 2020 (http://pmoffice.gov.vc/pmoffice/images/PDF/speech/Prime_Minister_Gonsalves_Address_to_the_Nation_on_25.3.20_Rising_Stronger_from_the_Ashes_of_Covid-19.pdf)

⁸ *Ibid.*

are selling their produce to Love Box aggregators, and approximately \$300,000 has been spent on the initiative to date.

Further, the Zero Hunger Trust Fund is providing input support of \$500 to an additional **200** farmers. This \$100,000 initiative will supplement other income and input supports that will be announced by the Honourable Minister of Agriculture.

Mr. Speaker,

It is impossible for the government to accurately determine how many individual Vincentians have benefitted from the various programmes in the Recovery and Stimulus Package. For example, a single individual may receive an Interim Assistance Benefit, a Love Box and a moratorium on their utility bills. However, adding up the various points of contact between the Recovery and Stimulus Package and the Vincentian public demonstrates the extent to which the Government has been inclusive and comprehensive in its outreach. In total, over 14,814 payments and donations have been made to Vincentians impacted by the COVID-related slowdown. That number balloons to 23,003 if one also considers the 8,189 pensioners that received a pre-payment of two months pension benefits at the outset of the pandemic.

By any measure, the Recovery & Stimulus Package has touched thousands of Vincentians. Even without including the additional hiring of health care and home help for the elderly workers; even beyond those currently importing duty-free barrels; even of the eve of the distribution of the first wave of 3,000 tablets to primary and secondary school students; even as local airlines and businesses that rent state-owned premises get targeted relief; even before all farmers and fisherfolk receive their multifaceted supports; to say nothing of the hundreds of Vincentians who were welcomed home when many were calling for them to be locked out; the response to date has been compassionate, comprehensive and creative. Saint Vincent and the Grenadines is not a rich country. But within the confines of our resources and our limited fiscal and policy space, we continue to work towards an inclusive response to and recovery from this economic challenge.

We are proud that, a mere two-and-a-half months after the passage of the Supplementary Budget, we have spent roughly \$6 million on over 20,000 individual acts of support and solidarity with the Vincentian people.

Mr. Speaker,

The vital “Stimulus” component of the Recovery & Stimulus Package is also hitting its stride. As Honourable Members no doubt recall, the Supplementary Budget also emphasized targeted spending on local construction projects to generate short-term employment and critical economic activity during the general slowdown. Such stimulus spending is a prudent and time-honoured mechanism to ameliorate economic contractions around the world. It has proven its effectiveness in the Vincentian context on multiple occasions, most recently in the wake of the 9-11 terrorist attacks and the global economic and financial crisis.

The Supplementary Budget appropriated almost \$30 million to accelerate the PAVE programme of village footpaths; enhance government buildings, clinics and learning resource centres; purchase additional aggregate; rehabilitate bridges and retaining walls; initiate community works projects; and conduct general road repair nationwide. These measures seek, wherever possible, to engage local contractors and tradespersons to maximise the economic impact of the stimulus on affected communities.

The Honourable Minister of Transportation and Works has worked assiduously to implement and coordinate the impact of these stimulus measures. In summary form, I am honoured to report the following:

First, that the Pedestrian Access for Village Enhancement (PAVE) programme is accelerating. Eighty of the first 121 PAVE projects have been completed, and footpaths in Buddy Gutter, Glen, Brighton and Rose Bank are currently underway. Additional PAVE footpaths are imminent, as they await the execution of contracts and the clarification of various surveying issues.

Second, that a number of community centres and Learning Resource Centres (LRCs) are currently receiving facelifts or will be spruced up during the coming week-and-a-half. These include the Sharpes Community Centre, the Doris McKie Learning Resource Centre, and LRCs at Questelles, North Union, Sandy Bay, Evesham and Golden Grove.

Third, the road repair programme, which has been stymied by the limited availability of aggregate, is now underway in earnest. While the necessary aggregate to construct asphalt roads remains scarce, the Government has imported sufficient aggregate to repair a number of concrete roads. As such, roads in Diamond, Riversdale and Revierre have commenced. Further, weather permitting, the road repair programme will expand this week to include Owia Clinic Road, Macrackin, Diamonds Village, Manawan, Dumbarton, Mary Hole, Sharpes, Sion Hill Bay, Fountain-Villa link road, Old Flour Mill Road, Lower Cotton Ground, Dorsetshire Hill, Greathouse, Pepper Village, Corner Bay, Ridge Road in Troumaca, Quarry Road in Layou, Mt. Pleasant, Bequia, and Bajan Corner and Ashton Well main road in Union Island.

Fourth, as promised during the debate on the Supplementary Estimates, the Government has met to prioritise an additional \$10 million in repairs, refurbishments and small construction projects that were approved in the original February appropriation. These small projects, when implemented in a collective and coordinated manner, will also help to mitigate the local economic impact of the COVID-related recession.

Fifth, a number of critical works projects for which money was appropriated in the original budget are on-going. These include coastal defence work at Georgetown and San Souci; river training and protection at Buccament; the Long Line and Bell Isle roads; construction of new vendor stalls as part of the Kingstown clean-up; the Athletic Track and Football facility at Diamond; and the imminent commencement of the construction of 47 homes to facilitate the relocation of residents of Rose Place as a precursor to works on the modern cargo port.

Important private sector projects also continue to generate employment and activity even in the midst of the slowdown. Allow me to single out, in passing, the relocation of the General Employees Co-Operative Credit Union Limited, and the on-going construction of The View, the

Royal Mill, and Mayah's Luxury Suites hotels. I am also pleased to report that the Rainforest Seafood facility, which suspended works at the onset of the pandemic, has recently resumed construction.

We are grateful to these and other private sector entities for persevering with their investments during this difficult period, and for helping to keep the national economy afloat. The private sector continues to play an indispensable and often patriotic role in minimizing the economic impact of the COVID pandemic in Saint Vincent and the Grenadines.

Mr. Speaker,

Nonetheless, as the medium-term economic forecasts grow more dire, and as the projected recovery time grows more lengthy, the Government has been forced to reassess the scale and scope of the challenge and our response. As originally conceived, the Recovery and Stimulus Package was premised on an assumption that we would begin to see some level of economic rebound around the middle of the year, or early in the third quarter. The stubborn persistence of the Coronavirus through the summer months, the prolonged lockdowns in many countries, and the cancellation of major local and regional events have all lengthened the forecasted recovery time. While some aspects of life in Saint Vincent and the Grenadines appear to be returning to normal, many others remain severely affected.

Some airlines are returning to Saint Vincent and the Grenadines in the coming weeks. Air Canada and American Airlines resume weekly direct flights to the Argyle International Airport on the 8th and 11th of July, respectively. However, Caribbean Airlines has yet to finalise its schedule and LIAT remains grounded. Undoubtedly, even with welcome limited improvements to airlift, the hospitality sector will continue to suffer. Similarly a number of the 395 recently-shuttered businesses may be unable to reopen and rehire as quickly as we originally anticipated.

Accordingly, the Government will find it necessary to extend certain aspects of the Recovery and Stimulus Package to support our process of economic recovery. Specifically, the Government

shall extend the Displacement Supplementary Income to hospitality workers and the Unemployment benefit to other unemployed workers for an additional three months.

Further, the Government intends to consult with employers and the labour movement regarding a further extension to the time beyond which a terminated employee is entitled to severance. While we recognise the tremendous challenges that laid-off employees are currently facing, and the legal obligation to pay severance, the fact is that the majority of the 395 closed businesses would be unable to make severance payments to their entire workforce at this time. We hope to reach an amicable and equitable solution to this issue in the coming weeks.

Additionally, Mr. Speaker, the focus on COVID-19 has not distracted us from the calamitous effects of a lengthy and unprecedented drought in Saint Vincent and the Grenadines from which we are only now beginning to recover. At the time that we took the Recovery & Stimulus Package to Parliament in early April, the drought was on-going, but its duration and impact on the agricultural sector was unknown. While the Recovery & Stimulus Package included a raft of COVID-related production supports to farmers and fisherfolk – from seeds to fertilizer to fishing vessels – many of these production supports did not fully take into account the short-term effects of the severe drought and its immediate impacts on farmers' incomes. The urgent and unforeseen nature of the drought, its severe impact on farmers, and the heightened significance of the agricultural sector amidst COVID's effect on other economic pillars, have necessitated consideration of additional supports to this productive cornerstone of Saint Vincent and the Grenadines. As such, the Ministry of Agriculture is finalising criteria and procedures through which approximately 6,000 farmers will receive additional income support.

The situation remains fluid. While our public health capacity and infrastructure have improved, and while increasing numbers of Vincentians are reconciling themselves to coexisting with COVID in the medium-term, there are a number of variables that can further alter our plans and projections. Locally, we still have 187 Vincentians in quarantine and two in isolation. Direct flights resume in July from countries still struggling with community spread in various locales. Travel and commerce remain restricted in crucial ways, and subject to further outbreaks and global economic convulsions.

We also cannot ignore the limitations in our fiscal and policy space, and our inability to indefinitely fund extended social safety responses and countercyclical stimulus spending. However, even amidst these uncertainties about the scope, scale and duration of the pandemic, this Government commits to a continuation of its inclusive, people-centred and creative approach to combatting the pandemic. Together, and with God's continued blessings, we can and shall beat COVID-19.