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COVID-19 | HEAT Series



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EASTERN CARIBBEAN**

ANTIGUA AND BARBUDA

COVID-19 HEAT REPORT

HUMAN AND ECONOMIC ASSESSMENT OF IMPACT

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COVID-19 MACROECONOMIC AND HUMAN IMPACT ASSESSMENT FOR ANTIGUA AND BARBUDA

INDICATORS	LATEST
Demographic	
Age Dependency Ratio ¹	44.7
Labour Force Composition ² (October 2018)	51,931
Men	47.2%
Women	52.8%
Macro	
GDP per capita (USD) ¹	USD\$16,726.98
GDP growth rate ³	5.3%
Inflation ² (July 2019)	1.4%
Fiscal⁵ (2018)	
Debt to GDP ratio	78.5%
Primary Balance to GDP	-138.57
Interest to Revenue Ratio	13.1%
Social	
Unemployment (sex-disaggregated) ² (October 2018)	8.7%
Men	9.9%
Women	7.3%
Poverty rate (sex-disaggregated including child poverty) ⁴	18.4%
Adults	15.6%
Children	24.3%
Number of school-going children ⁵	20,360
Global Health Security Index rating	29.0

1 World Bank (2018)

2 [Antigua and Barbuda Statistics Department](#)

3 Central Statistics Office of Antigua and Barbuda, and ECCB

4 [UNICEF - Child Poverty in the Eastern Caribbean Area report 2017](#)

5 [Living Conditions in Antigua and Barbuda: Poverty in a Services Economy in Transition \(2007\)](#)

EXECUTIVE SUMMARY

Like many of the small, open economies of the Caribbean, and perhaps more than others, Antigua and Barbuda is heavily dependent on international tourism as the key driver of growth and income generation. When both the direct and indirect impacts of the sector are considered, tourism is responsible for 47% of annual output and is a major contributor to government revenues and employment. Following the unprecedented damage caused by Hurricane Irma in 2017, construction and public policies related to the recovery efforts have also become critical to restoring output growth. In 2018, the combined expansion of the construction and tourism industries led to an overall growth of 7.4%.¹

In line with the expansion in output, unemployment levels have declined over the past few years, falling to just over 8% according to recent national estimates. While up-to-date data on poverty is not available, previous estimates point to a poverty rate of just under 1 in 5, which moves to almost 1 in 4 among children. At the same time, the country is fiscally constrained; the national debt is equivalent to 78.5% of domestic output and just over 13% of all fiscal revenues are absorbed by the related interest payments. A fiscal deficit of 3% of GDP was estimated for 2019.

By creating a sudden stop in the global travel industry, the COVID-19 pandemic has already led to significant economic and social dislocation in the twin-island nation, pushing unemployment back into double-digits, putting downward pressure on output, widening the fiscal imbalance and increasing social vulnerabilities. Specifically, as major declines in economic activity in the country's main tourism source markets are already projected for 2020, the forecast is for Antigua and Barbuda's economy to reverse the growth achieved in 2019 and record a decline in excess of 10%, with an associated increase in the fiscal deficit to 9% and a widening of the rate of unemployment to above 30%.

In response, Government has implemented a series of measures designed to respond to the health, economic and social impacts of the virus. These interventions include a substantial increase in health-

sector expenditure equivalent to 0.5% of GDP, the deployment of international disease specialists and a robust testing and quarantine programme, which has contributed to significant containment of the spread. Additionally, several monetary measures,⁶ were announced, including a 20% reduction in electricity costs to the public and fuel costs to fisher-folk for 90 days; a one-year investment incentive framework for home renovation and construction; suspension of the common external tariff on food imports and all new tax measures announced in the 2020 budget;⁷ and expansion of social safety net programmes.

Following the success of the containment measures that limited the spread of the disease, on June 4, the Government was the first of the region to re-open the national borders, with strict protocols at ports and hotels to reduce the risk of transmission. This move is crucial not only for Antigua and Barbuda, but for the region, as the country is a critical hub for international travel in the Eastern Caribbean.

Nonetheless, many of the social and economic impacts of the pandemic will persist and, with increasing forecasts for a global second wave, this report argues that a series of additional measures will be needed to combat the current and future impacts, particularly on the most vulnerable. These include the re-introduction of a loan guarantee scheme to support businesses in securing financing for capital investment; expansion of the One Stop Employment Center prioritising digitisation and business model redevelopment; broadening the definition of vulnerable persons under the National Board of Guardians Scheme and increasing the monthly payouts to EC\$300 (which would require a 30% increase in Government outlays); engagement with internet service providers and retailers to provide low-cost access and technology for remote education and the promotion of local products and services to help hotels and restaurants stay afloat – as tourism slowly restarts – a proactive expansion of the programme to house GBV survivors in hotels, during the period while tourism is still gradually resuming, designating firms involved in processing remittances as essential service providers, and support to ensure that funds can continue to flow without incumbrance.

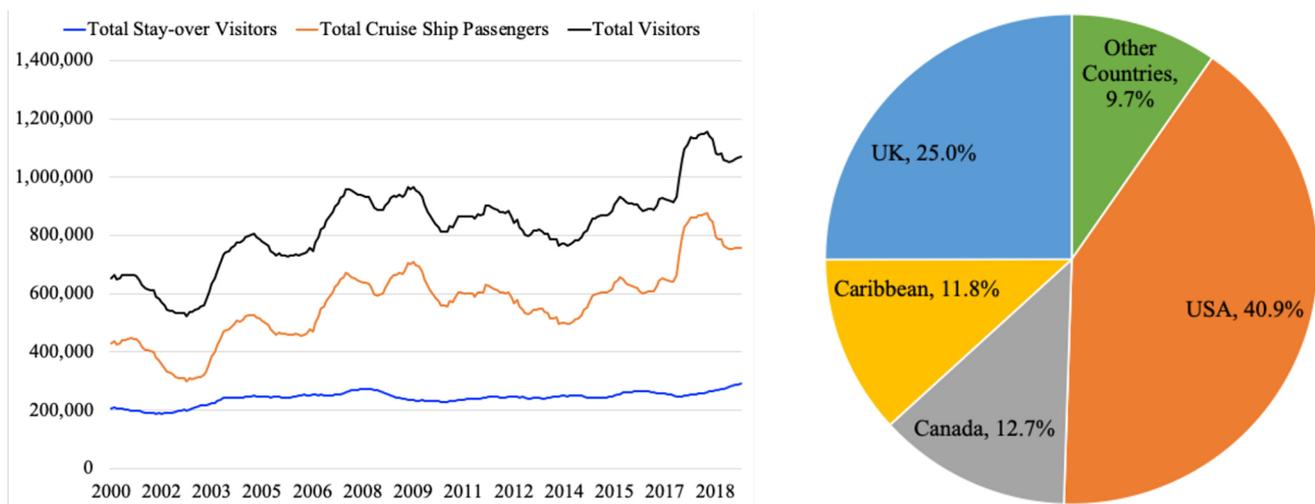
⁶ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-toCOVID-19>

⁷ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-toCOVID-19>

Antigua and Barbuda is the second largest economy in the Eastern Caribbean Currency Union behind Saint Lucia. The economy of Antigua and Barbuda is focused on tourism, with estimates by the Eastern Caribbean Central Bank (ECCB) suggesting that the Hotels & Restaurants industry contributed 15% of GDP at constant prices in 2019,⁸ while the Statistics Division of the Government and Antigua and Barbuda reported that Hotels & Restaurants accounted for 16.3% of the employed workforce in 2015 (or 6,922 persons).⁹

When indirect contributions are considered, travel and tourism generate as much as 42.7% of GDP and employs 9 of every 10 workers.¹⁰ Data for the 12 months to September 2019 showed that total stayover arrivals were growing while cruise passenger arrivals had started to stabilise after falling sharply between October 2018 and June 2019. Data on arrivals from the top source markets highlights a high dependence on the US, UK and Canadian markets, with visitors from these markets accounting for a combined 78.6% of total arrivals.

Figure 1: Recent Tourism Trends



Source: Eastern Caribbean Central Bank and authors' calculations

⁸ <https://www.eccb-centralbank.org/statistics/gdp-datas/comparative-report/2>

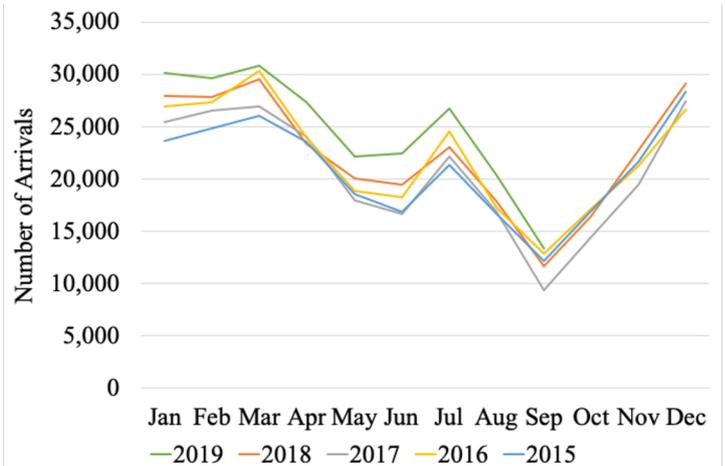
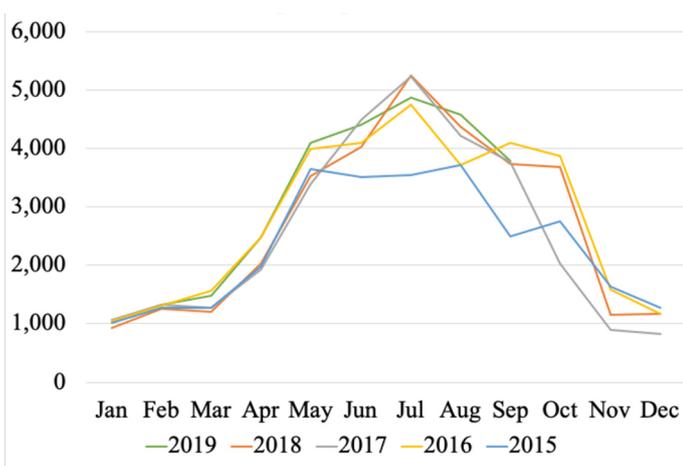
⁹ <https://statistics.gov.ag/subjects/economic-accounts/>

¹⁰ World Travel and Tourism Council, 2019

Antigua’s tourism is highly seasonal, with well-defined peaks associated with the winter months between October and March and an increase in arrivals during the summer festival period between July and August. More critically, average visitor spending peaks during the summer period, associated with the island’s Carnival season.

Analysis by the World Travel and Tourism Council (WTTC) points to the importance of tourism-related earnings to the current account of the island’s balance of payments, with visitors spend – both direct and indirect – equivalent to 47.5% of total exports.¹¹

Figure 2: Tourism in Antigua and Barbuda



Source: Eastern Caribbean Central Bank and authors’ calculations

Remittances

Remittances have also become an important source of income and foreign exchange revenue to Antigua and Barbuda in recent years. Except for the precipitous drop in inflows owing to the impacts of 9/11, remittance inflows have grown consistently since 2013 to US\$25 million by 2018. This strong

growth in remittances is largely linked to economic growth and opportunities for employment among migrants to the USA and Canada. Aside from shoring up the foreign exchange position in the currency union, remittances are also critical sources of income for the most vulnerable. For the most part, these resources are used to support basic consumption, education costs for children and medical care.

¹¹ <https://wttc.org/en-us/Research/Economic-Impact>

FISCAL

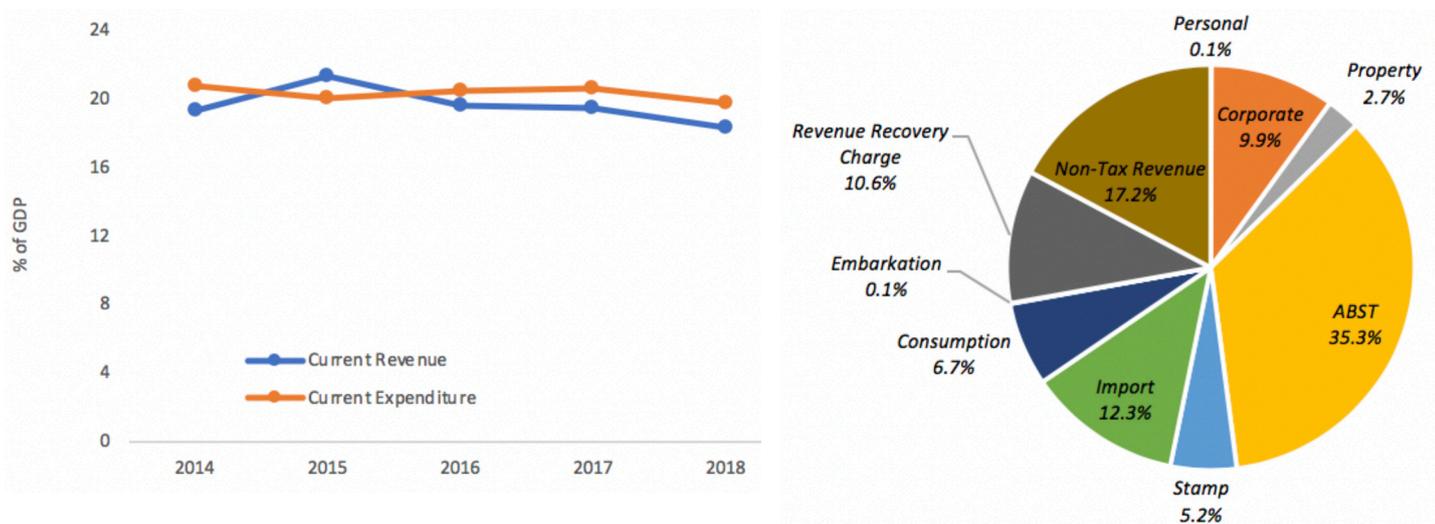
The fiscal deficit in Antigua and Barbuda widened to \$139.2 million in 2019, an expansion relative to one year earlier, though when expressed as a percentage of GDP, the deficit was virtually unchanged.¹² Increases in expenditure reflected higher post-hurricane outlays on goods and services and capital spending, that overshadowed the reductions in interest payments and pushed total expenditure above the 2018 outturn.

While disaggregated data on revenue for 2019 is unavailable, data from 2018 indicate that the Antigua and Barbuda Sales Tax (ABST)¹³ was the best

performing tax category and was responsible for just over one-third of all tax revenues collected. Other major sources of tax revenue include import duties (12%) and corporate taxes (9.9%).

The main revenue category for Antigua and Barbuda, tax on goods and services, has been quite buoyant in recent years. In 2018, this category rose by 10% or almost 31.1 million the largest increase of any revenue category in that year. Most of the other revenue categories were relatively flat; the only other category to report any significant growth was taxes on income which increased by just \$4 million.

Figure 3: Government Operations and Revenue Disaggregation (% of GDP)



Sources: ECCB Economic Review, 2018; IMF's World Economic Outlook

¹² Budget Estimates, 2020, Antigua and Barbuda

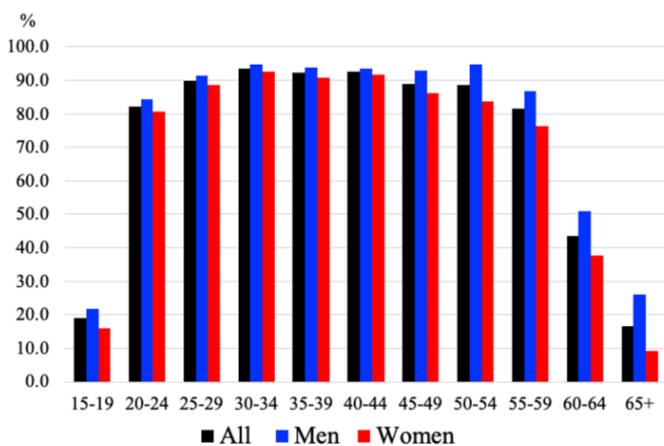
¹³ Antigua & Barbuda Sales Tax is applied on imports and the value added to the supply of goods and services at each stage in the production and distribution chain. It is a tax on consumption and is therefore included in the final price the consumer pays for goods and services.

SOCIAL

The last estimate of poverty available for Antigua and Barbuda indicated that 18% of the population could be classified as poor, with 3.7% of this considered indigent. In addition to those considered poor, a further 10% of the population was considered vulnerable due to downturns in the economy. At the same time, the current level of spending on social services is less than 10% of total expenditures, or approximately EC\$182 per person.

National labour force statistics for 2015 show that the labour force in Antigua and Barbuda represents 70.9% of the working age population of the country. The participation rate is lower for women at 68.5% compared to 73.9% of men, a situation that gets more pronounced in older age groups.

Figure 4: Labour Force Participation Rates by Age and Gender



Source: Government of Antigua and Barbuda

Women were more likely to be employees than men (91.1% of women were employees compared to 79.7% of men), making them more vulnerable to losses in income as companies layoff staff. The most recently available labour force survey data also points to a total unemployment rate of 13.7%, though national estimates suggest that the rate has fallen to below 10% prior to the COVID-19 pandemic.¹⁴

The survey data revealed that women had higher rates of unemployment compared to men, with unemployment among the former at 14.5% compared to 12.9% for the latter. It could therefore be inferred that as companies reduce hours, shutdown and/or lay off staff, female workers would be more at risk.

Social protection in Antigua and Barbuda is delivered across a range of agencies and gaps in coordination have undermined the system’s efficiency and effectiveness. The Social Protection Act¹⁵ (2019) is designed to, among other things, address these challenges by creating a more robust institutional and administrative framework to bring greater coherence and direction to the initiatives.

Currently, there is no unemployment insurance programme in Antigua and Barbuda, leaving individuals to rely on savings or other government social protection systems to ensure they can continue to meet their basic economic needs in the face of income shocks. There are three main social protection mechanisms available in Antigua and Barbuda: (1) the Board of Guardians Scheme; (2) Peoples Benefit Programme; and, (3) Social Security Scheme. The Board of Guardians division provides direct income support to vulnerable families, with amounts paid ranging from EC\$163.50 to EC\$268. In 2019 there were 590¹⁶ beneficiaries of the Board of Guardians programme; approximately 42% of beneficiaries were children, with females accounting for 53% of all beneficiaries. The Peoples Benefit Programme, on the other hand, is aimed at vulnerable families, persons with a monthly income below EC\$800 and persons with severe disabilities. In 2018, 2,028 persons/families benefited from the programme, each receiving EC\$218 per month on their debit card. The Social Security Scheme targets a broader range of beneficiaries, namely those formerly employed persons who have retired from the workforce. These individuals receive payments in the range of EC\$350 to EC\$3,500 per month. The number of beneficiaries of this programme in 2018 was 10,973.

¹⁴ Estimates presented in the Antigua and Barbuda 2020 Budget Statement point to an unemployment rate of approximately 8%.

¹⁵ The National Social Protection Act, 2019 was designed to “promote and advance the social and economic well-being of vulnerable persons by (a) establishing a legal framework for the development, implementation and maintenance of social protection programmes that are accessible, efficient, sustainable and responsible; (b) promoting poverty reduction; and (c) employing exit strategies to beneficiaries who are able to be retrained and are employable to create an enabling environment for independence”.

¹⁶ Antigua and Barbuda National Budget, 2020

The Social Security scheme also provides a range of other benefits, including invalidity, sickness, maternity, survivors benefits and funeral grants, all dependent on the level of contributions to the scheme. Additionally, the One Stop Employment Centre (OSEC) is a public employment service that offers free support to job seekers and employers, including monthly workshops, computer training, career counselling and, through the Antigua and Barbuda Skills Training and Empowerment Programme (ABSTEP), also provides temporary work and training opportunities in communities and government departments. Data on the programme's beneficiaries are not available, though anecdotal information suggests that each phase reaches around 100 direct beneficiaries.

Over the years, Antigua and Barbuda has made notable progress in improving citizen security to protect its most vulnerable, including the passage of UN conventions on the rights of children, women and persons with disabilities. The twin-island nation has effectively achieved both universal primary and secondary education. Robust current citizen security data, particularly as it relates to gender-based violence, is very limited. Nonetheless, according to data from the Directorate of Gender Affairs¹⁷, 130 cases of violence were referred to the Support & Referral Centre (SARC). And, while the SARC provides victims of sexual violence with psychosocial support, there are no formal shelters for survivors or those threatened by domestic violence and victims are offered placements with volunteers or temporarily housed in hotels and guest houses.

CHANNEL OF TRANSMISSION

EXTERNAL

Interruption of Supply Chains

According to World Integrated Trade Solutions (WITS) data, the United States is the principal provider of all imported commodities in Antigua and Barbuda: approximately 50% in 2018. Similarly, 40% of travel was attributable to US inbound tourists in 2019.

This is particularly relevant in the context of the supply chain disruptions experienced in the US to-date and the potential for these to be protracted as data to mid-July pointed to continued expansions in the prevalence of the disease in the US.

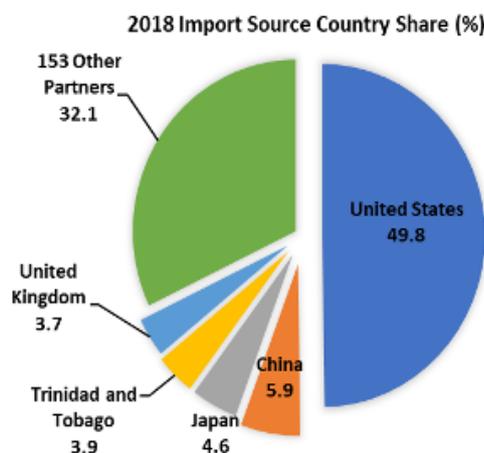
continues to expand this will likely increase the demand on those that remain and lead to operational backlogs in some instances. Antigua and Barbuda can expect to see extended lead times in business transactions. Preemptive steps will be needed to ensure reliable delivery.

Impact on Travel and Tourism

The potential fallout from the reduction in tourism activity in Antigua and Barbuda will be significant. From March 26, 2020, the V.C. Bird International Airport was closed to all incoming commercial traffic, effectively suspending international tourism in the country. This closure was the final stage of restriction of international travel that first started March 12, 2020. Both the airport and the seaport remained open for cargo shipments and outgoing traffic. On occasion, the Government had also opened the airport to allow returning nationals to enter the country. The Antigua Cruise Port has also stopped receiving cruise passengers, as major cruise lines voluntarily ceased sailing. On June 4, Antigua and Barbuda joined Aruba in leading the efforts to reopen the region to international tourism by announcing it would begin welcoming extra-regional flights, with strict health and safety protocols in place at the ports of entry as well as a series of strict requirements for accommodation services. The re-opening coincided with efforts to revive the sector, including new marketing efforts by the Antigua & Barbuda Tourism Authority intended to catalyse the revitalisation of the sector.

Nonetheless, many of the tourism-related activities had already been cancelled until 2021, including Antigua Classic Yacht Regatta (originally scheduled for 1st – 8th April), Antigua Sailing Week (originally scheduled for 23rd April – 3rd May) and Antigua and Barbuda Sport-Fishing Tournament (originally scheduled for 28th – 31st May). The national carnival was also cancelled. This is particularly noteworthy because recent tourism statistics show that the July peak in stayover arrivals is second only to the traditional Winter Season (November to April), and that average visitor spending is also higher during carnival.

Figure 5: 2018 Import Source Country



From a domestic perspective, while some economic activity continues throughout periods of lockdown, these supply chain challenges coupled with the slowdown in the tourism and travel industry will mean significantly reduced growth potential. In the immediate months to follow, connections with international markets will likely pose even greater challenges in various sectors of the Antigua and Barbuda economy, requiring a paradigm shift in operations for business and Government alike.

Despite any likely improvements or mitigating progress from local efforts, the twin-island will likely face deteriorating conditions of its international supply chains in both production and services. As the number of firms shutting-down their operations

The postponement of the carnival will therefore have a substantial impact on both arrivals and average spend. These additional measures are expected to further depress growth beyond the IMF projections.

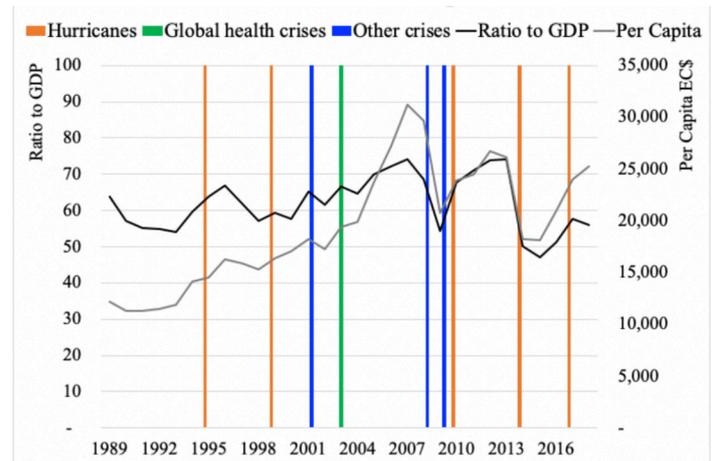
Even before the closure of the international airport, the Antigua & Barbuda Tourism Authority had reported that hoteliers were suffering due to cancellations and that hotels had adjusted some staff members’ hours of work from 40 hours per week to 20-24 hours per week.¹⁸

All full-time permanent employees whose companies are under the Collective Agreement of the Antigua Barbuda Hotels and Tourism Association that have passed their probationary period are enrolled in the health insurance plan developed by the association. This plan provides employees with medical coverage where they would only pay the excess over and above the coverage as well as 20% discounts on prescriptions, once the medical service provider is within the insurance company’s network. The association also offers a retirement fund – currently through Eastern Caribbean Amalgamated Bank – where staff of its member companies under the Collective Agreement receive a pension upon retirement. Unfortunately, there is no unemployment benefit for tourism workers. Not only is one not available through the association, the government also does not offer a national unemployment scheme.

Impact on Consumption and Investment

In recent years, household consumption in Antigua and Barbuda had been rising and reached EC\$25,287 per capita by the end of 2018. These gains, however, are expected to be eroded in 2020 due to the massive decline in tourism activity. Media analysis suggests that persons working in personal services – such as hairdressers, barbers, gardeners, and the like – had already been feeling the impact of the cancellation of tourism-related events. While there will be some increase in activity in these sectors following the ending of the curfew and the border reopening, return to pre-COVID levels will be constrained by the persistence of the pandemic and the slow return of domestic activity.

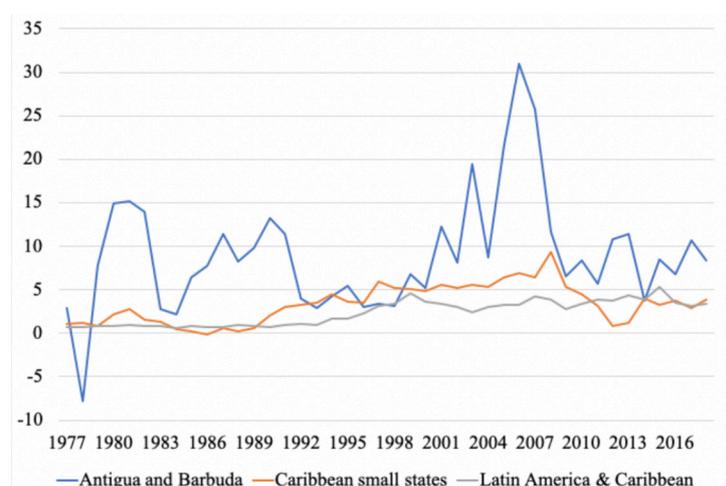
Figure 6: Household Consumption Trends



Source: International Financial Statistics, various newspapers and authors’ calculations

For businesses, one of the key areas of concern is the threat to the country’s ability to attract foreign direct investment (FDI). Antigua recorded 8.4% of GDP in FDI in 2018 compared to 3.9% of GDP for the Caribbean Small States¹⁹ and 3.4% of GDP for Latin America and the Caribbean.²⁰ It has historically averaged higher rates of FDI than its peers in the region and was ranked 20th in the world in terms of FDI as average of GDP in 2018. The only Caribbean countries to rank higher in 2018 were Guyana (3rd), St. Vincent and the Grenadines (11th) and Grenada (13th). Most of this investment appears to be directed towards the tourism industry, which suggests that it too would have been negatively affected by the COVID-19 pandemic.

Figure 7: Foreign Direct Investment Trends



18 <http://www.loopnewsbarbados.com/content/antigua-barbuda-hotel-industry-affected-coronavirus-4>

19 Includes Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago.

20 World Bank Indicators

SOCIAL AND MACRO-FISCAL IMPACT

ECONOMIC ACTIVITY

With more than 3 in every 4 stayover visitors arriving from the U.S.A, U.K. or Canada, Antigua and Barbuda's tourism activity is expected to decline throughout the remainder of 2020 and possibly into early 2021 in line with the slow return of tourism coming from these countries. In the case of the USA, sustained increases in COVID-19 cases being experienced in this market will have a sustained dampening effect on propensity to travel. Interest in Antigua and Barbuda for travel purposes declined sharply worldwide from December 2019 (though recent Google searches in the U.S.A. and Canada suggest that interest may be returning in April 2020). **Even if domestic tourism increased significantly, with average domestic spending estimated at 5% of total spending compared to 95% for international tourism, it would be dramatically insufficient to compensate for the expected fall-off in overseas visitors.**

The April 2020 edition of the IMF's World Economic Outlook projected a decline in GDP for Antigua and Barbuda of 10.0% in 2020, rebounding by 8.0% in 2021. This is a significant downward adjustment from its October 2019 projections of 3.3% growth in 2020 and 2.5% growth in 2021. Nonetheless, this decline should be regarded as a lower bound, as these estimates would not account for the cancellation of major tourism-related events and, moreover, the possibility of a second wave. **As such, taking account of the likely contraction in tourism over the July – November period, declines in excess of this 10% are more than likely. Even with its April 2020 assumption of 8.0% growth in 2021, the country is not expected to recover the ground lost in 2020. If its April 2020 projections are compared to its October 2019 projections, the loss in GDP at current prices by the end of 2021 is projected to be \$0.3 billion (purchasing power parity, international dollars).**

In line with the expectation that COVID-19 will lead to a major slowdown in the global economy, the World Bank²¹ is predicting that global remittances will fall by approximately 20% due to a fall in wages and employment of migrant workers. These workers, unfortunately, are more likely to lose their jobs due to

an economic slowdown. The prediction is that remittances to Latin America and the Caribbean will fall by 19.3% in 2020 but will recover somewhat in 2021. During the last global recession, remittances to Antigua and Barbuda fell by almost 60%. **If a similar decline in remittances were to occur, remittances would fall to US\$15 million, less than half the amount received in 2014.** More than its impact on reserves, this decline would represent a further reduction in income among the most vulnerable groups and increasing the upward pressure on the level of poverty.

FISCAL IMPACT

Given the declines in economic activity in the island's main tourism source markets of between 6 and 10%, the concomitant fall in domestic output is forecast to reduce the tax base and constrain tax revenue from goods and services. This category is **projected to decrease by between 5-10% due to the national shutdown and delayed restart of tourism.** This will be compounded by expected expansions in fiscal outlays as part of Government's response. Given these impacts and the prevailing tax buoyancies, **the fiscal deficit could jump to between 9 and 10 % of GDP – in line with IMF forecasts – which would be the largest deficit in over 10 years.**

LABOUR MARKET

Information obtained from the Government suggests that more than 10,000 additional persons have become unemployed as a result of the pandemic, an estimate that represents 20% of the labour force, **putting the total unemployment rate at nearly 30%.** An estimated 3,600 hotel workers have lost their income due to the closure of the hotels²² (or 52% of the total working in accommodation and catering at the time of the 2015 labour force survey).²³

The Government has committed to maintaining employment levels within the public sector, which would ensure that the 6,000 persons employed in public administration and defence (assuming the same levels as in the 2015 labour force survey statistics) would not be added to this total.

21 <https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history>

22 The Antigua and Barbuda Hotels and Tourism Association and the Antigua and Barbuda Workers Union, March 30, 2020

23 https://ab.gov.ag/pdf/ABHTA_ABWU_Thrift_Fund.pdf

The high level of unemployed persons is of particular concern because of the absence of an unemployment benefit programme, which implies that the newly unemployed would have to rely on savings and other government social protection programmes.

The Government has committed to not laying off public sector workers at this time, but this approach may not be sustainable if the macro-economic and fiscal shocks are protracted. Government's initial estimated reduction in tax revenue collections is in the range of EC\$300 million to EC\$400 million, which is on par with its current annual spending on wages and salaries. **The slow return of the tourism industry, and any potential second wave, would therefore put jobs of public sector workers at risk**, including those employed by the Government but captured in the statistics for other industries such as education.

SOCIAL IMPACT

Prior to COVID-19, the island's main health challenges were in relation to non-communicable diseases as well as vector-borne diseases such as dengue and leptospirosis. The country's health system is particularly challenged in the area of primary care and there is a very high incidence of cardiovascular disease. It is estimated that 37% of persons had diabetes and 69% had hypertension. Healthcare in Antigua and Barbuda is provided through a network of 26 community health clinics and one public hospital. Infant mortality in the island is relatively low, falling from 24 per 1000 deaths in 1990 to 6 per 1000 deaths in 2015. There are critical staff shortages in relation to nursing, laboratory personnel, radiology as well as environmental health. These are all critical to supporting persons impacted by COVID-19 and reducing the spread of the virus.

Additionally, while the Government's immediate response to the pandemic was swift and should be credited with keeping the spread well contained, **as the country re-opens amid growing numbers of COVID-19 cases in the island's major source markets, the potential for a second wave has increased**. Given the relatively high prevalence of cardiovascular diseases in Antigua and Barbuda, any spread of COVID-19 could put significant pressure on the healthcare system. Any significant spread can, therefore, result in rapid stress on the existing healthcare system.

IMPACT ON CHILDREN

Data from the most recent survey of the labour force suggests that approximately 60% of employees within the tourism sector are women, implying that this group would have been disproportionately affected by the shuttering of hotels and ancillary businesses. Moreover, when the knock-on effects of the slowdown in tourism on other related service sectors are considered, nearly 1 in every 3 women could potentially be directly affected by the slowdown.

Single parent headed households are disproportionately women and, moreover, women generally support larger households than men. As such, any substantial impact on women's income will have direct and severe impacts on the children in their care.

With the reopening of the borders to international travel, the tourism sector is currently expected to begin a gradual recovery toward end of 2020, though this could be significantly delayed in the event of a global second wave. These shocks to tourism, the knock-on effects on other sectors and the resultant impact on unemployment will translate into a significant impact on children, since they already represent a substantial portion of those in poverty and the disproportionate impact on single mothers will further reduce their capabilities.

The social impact on children will be exacerbated by the shifting realities of education in the COVID-19 environment due to school and business closures. Even if classes are all migrated to an online platform, 76% of the population has access to the internet, and this proportion is lower among the poor. The use of online classes will, therefore, need to address the gap in relation to access to computers and the internet.

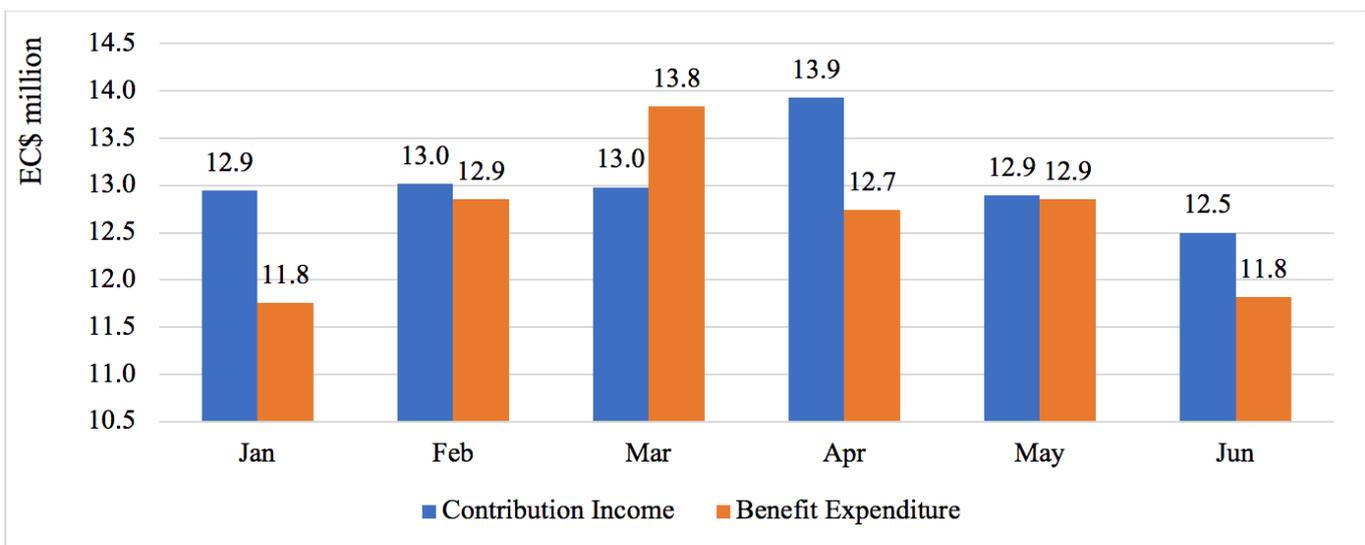
At the same time, with children spending more time in their homes and the stress-related COVID-19 impact on the entire household, it is expected that cases of physical and other forms of child abuse could rise.

SOCIAL PROTECTION SYSTEM

The Antigua and Barbuda Social Security Board has also come under severe pressure as a result of the pandemic. Although there is no unemployment benefit to be paid out, since the number of employed persons has fallen so drastically, the contributions to the various funds also appears to have declined significantly. If similar income levels are assumed as that of the January to June period of 2019, April would be a peak period in the first half of the year for the receipt of contribution income. According to its 2019 Half Year performance report²⁴, the active insured population was 41,307: 9,761 working in central government; 3,762 in statutory corporations; 25,810 in private companies; and 1,974 as self-employed. These workers were employed in 4,723 companies and contributed EC\$78 million, which could have been EC\$156 million by the end of 2019, assuming similar contribution levels in the

second half of the year. The report further noted that the approximate total benefit payments for the six-month period amounted to 3.2% of GDP, and 16,300 persons received at least one benefit payment during the period. The national curfew that has been in place for the entire month of April is therefore likely to have resulted in a substantial reduction in contribution income, with negative implications for benefit payments. For example, if we assume that contribution income in April fell by half, or EC\$7 million, but all other months' levels of contributions and benefit expenditure levels for all six months remained unchanged, **the difference between contribution income and benefit expenditure moves from a surplus of EC\$2.4 million to a deficit of EC\$4.6 million.** The reduction is likely to be more severe, as the economy was being affected by the pandemic long before the imposition of the curfew.

Figure 8: ABSSB Contribution Income vs. Benefit Expenditure, Jan – Jun 2019



Source: Antigua and Barbuda Social Security Board Performance Highlights January – June 2019

ABSSB's ability to continue to pay other benefits – such as sickness, maternal, invalidity, funeral, survivor's and pension/age grant – is therefore under stress, though

the extent of that stress is unclear as current data on the current financial levels and/or solvency of these funds is not available.

²⁴ http://www.socialsecurity.gov.ag/_content/publications/statistics/abssb-performance-highlights-jan-to-jun-2019.pdf

POLICY OPTIONS

To date, Government has implemented several measures to reduce the spread of the disease and to mitigate the impact on the economy and the society. These have included the following:

- A substantial increase in health-sector expenditure equivalent to 0.5% of GDP directed toward the purchase of critical medical supplies, equipment and personnel. The country enlisted the medical expertise of 29 Cuban Doctors and Nurses specifically trained in disease infection prevention and control. In addition, Antigua and Barbuda will no longer have to rely solely on the Caribbean Public Health Agency (CARPHA) to test persons who are suspected to have the virus since the COVID-19 testing equipment reached the island. Fifteen hundred testing kits have been provided by the People's Republic of China.²⁵
- Implementation of up to 25% reduction in electricity rates to the public and fuel costs to fisher-folk for 90 days, leading to reduced demands on household budgets and lower operating costs for fisherfolk.
- The introduction of a one-year investment incentive framework for home renovation and construction designed to stimulate growth and employment in the labor-intensive sector.
- A suspension of the common external tariff on food imports to further reduce the cost of living and ensure food and nutrition security; and all new tax measures announced in the 2020 budget;²⁶ and expansion of social safety net programmes.
- The implementation of a COVID-19 Government Assistance Food Voucher Programme – an expansion of the GAP programme to provide cash assistance to those with children who have been made unemployed by the pandemic.
- Direct funding to support for business model transformation and the digitisation of MSMEs.

These and other rapid interventions have significantly reduced the spread of the disease, such that the health-care impact of the pandemic has been well contained. Nonetheless, many of the social and economic impacts of the pandemic will persist and, with increasing forecasts for a global second wave, a series of additional measures will be needed to combat the current and future impacts, particularly on the most vulnerable.

²⁵ <https://antiguaobserver.com/covid-19-testing-now-available-in-antigua/>

²⁶ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#A>

RECOMMENDATIONS

RESPONSE AND RELIEF EFFORTS

SUPPLY-CHAIN MEASURES

Privately-owned operations will be instrumental in ensuring timely product delivery to avoid unnecessary panic and the development of any needed contingency plan. Therefore, **the establishment of a Supply Chain Operational Risk Management (SCORM) framework is recommended.** This SCORM mechanism will work across Government and the private sector to optimise processes to support better planning and reduce demand fluctuations, determine possible product and supplier (country options) shortlists in case alternate supplies are required and foster more innovative approaches within the logistic management process. The Committee will also lead on exploring relations with less traditional source markets, and airlines in the case of tourism, to increase alternative products and suppliers.

LABOUR MARKET SUPPORT

In Antigua and Barbuda, the main economic fallout of the pandemic has been through the closure of the tourism industry and the knock-on effect of this on household consumption, business activity and private investment. As such, immediate response and relief efforts should be focused on supporting this industry and its workers. In addition to support provided by Government through the social protection system, the Antigua and Barbuda Hotel and Tourism Association and the Antigua and Barbuda Workers Union have also provided a cash relief payment every two weeks to qualifying employees in the industry for the period April – June 2020. It is unclear precisely how many workers could potentially receive this payment. The ABHTA's membership includes hotels, restaurants, airlines, retail companies, tour operators, attractions and other tourism-focused entities. According to the ABHTA's website, there are 60 hotels in the country, with more than 3,000 rooms, and more than 90 bars and restaurants. 17 hotels currently contribute to the Thrift Fund that is being used to facilitate these payments, which suggests that less than one-third of

the total number of hotels' workers could potentially access this benefit. It should also be noted that since the ABHTA and ABWU estimate that 80% of hotel workers were single women, these women would be receiving a disproportionately larger amount of the available support.

The fortnightly amount – EC\$640 – is less than half of most estimates of average national incomes, and is therefore unlikely to cover the basic needs of those that receive it. Furthermore, the payment is currently envisaged for a period of 3 months, which will not be long enough for the industry to return to its normal employment levels. In announcing the benefit, the ABHTA and ABWU stated that they would release up to 50% of available funds in order to provide the benefit for the 3-month period, which implies that the maximum amount of time that they would be able to continue to provide this support would be an additional 3 months to September 2020. This initiative currently costs EC\$2 million.

Additional income support would therefore be required for workers in the remaining 43 hotels and those in the other non-accommodation sectors. To estimate the cost of providing a similar level of support as that currently being provided by the ABHTA and the ABWU, the following assumptions were made:

- Provision of cash benefit of EC\$640 every two weeks
- There were 6,922 workers employed in the hotel and restaurants industry (2015 Labour Force Survey statistics)
 - This assumption underestimates the total number of affected workers because it does not include those working in support services such as personal services and retail
- The support would be available to all hotel and restaurant workers, including those that already receive support through the ABHTA/ABWU initiative
- The support would be provided from June 2020 to November 2020, assuming hotels restaff in December 2020 in time for the traditional start of the peak of the winter season

With these assumptions in mind, the Government would incur a cost of EC\$53 million to offer a similar level of support. This programme could focus on identifying and prioritising support for women in the sector, as the most heavily impacted group. **A rapid survey of those unemployed in the sector to determine where impacts are concentrated, and the scale and scope of needs, should be undertaken to inform a targeted, multi-dimensional response.** The proactive development of this framework is particularly critical in the context of a looming second wave of the pandemic to ensure that support can be rapidly deployed.

Following the suspension of the curfew and the resumption of activities in most industries including construction, hardware stores and auto parts retailers. Nonetheless, these sectors will remain depressed for some time due to the loss of revenue during the lockdown coupled with the slow recovery of tourism. With limited fiscal space to provide direct cash support to these businesses, Government could consider **the re-introduction of a loan guarantee scheme²⁷ to support businesses in securing financing for capital investment.** This would serve the dual purpose of stimulating growth and employment while helping to preserve the tax base and reducing the fiscal impact of the pandemic. The scheme would build on existing programmes that support the private sector, and prioritise businesses in the tourism sector that have been directly impacted by the pandemic and can use low-occupancy periods to undertake reconstruction and rehabilitation of their plant and equipment.

This support could also be linked to the re-orientation of MSMEs toward more sustainable business models that allow them to be more flexible and respond to changing customer needs. A shift toward more contact-less, data-driven digital operation would increase the resilience of businesses not only to a potential second wave, but to a wide range of external shocks, including hydrometeorological events. **The scope of the OSEC could therefore be expanded, with priorities for training focusing on opportunities for building more resilient livelihoods, particularly in the context of a potential second wave.** In particular, the OSEC could prioritise training and retooling of local businesses in the restaurant, agricultural and retail industries to contact-

less business models, facilitated by e-commerce platforms. This capacity building programme would utilise the existing OSEC platforms, leveraging expertise from the financial sector and development partners, to build capacity among micro, small and medium-sized businesses to transform the way they market, produce and deliver their products and services as well as receive payments.

SOCIAL PROTECTION

Of the three main social protection systems in place - the Board of Guardians scheme, Peoples Benefit Programme and the Social Security Scheme – the People's Benefit Programme represents the one that is most practical for scaling. Payment is a standard amount of EC\$215 per month and is paid by debit card. This programme has a broader reach than the Board of Guardians, and less discretion on the part of decision-makers, but its reach is still small in relation to the likely impact of COVID-19. The fixed amount, if set by family rather than individual, will discriminate against poorer families, which tend to be larger. Further, if the income question is applied only to the income of adults, households with children will be disadvantaged. This will, indirectly, disadvantage women, who are more likely to be living with children. An expansion of this Board of Guardians Scheme is recommended by broadening the definition of vulnerable persons from those earning less than EC\$800 to less than EC\$1200 and the monthly payouts increased to \$300. **Financially, this would result in the cost to the Government rising from EC\$442,104 per month to EC\$608,400 per month if the same number of persons file, and approximately EC\$1,508,400 when taking account of additional filings in line with those wage earners who remain employed, but are facing reduced hours.**

²⁷ The Antigua and Barbuda Development Bank included this as a mandate

REDUCING AND RESPONDING TO GENDER BASED VIOLENCE

Evidence suggests that globally, the social and economic impacts of COVID-19 will contribute to greater domestic tensions in households and the probability of increases in the prevalence of gender-based violence as well as abuse of children. Increased surveillance will be critical and further sensitisation and training efforts should be prioritised, particularly among front-line staff in hospitals and the police force, to ensure that the needs of victims are identified, and the relevant referrals can be made. **With several hotels still closed/with low occupancy, the current programme to house GBV survivors could be expanded proactively** to ensure that housing support can be delivered rapidly in response to any increases in referrals to the SARC.

INTERNET ACCESS FOR SCHOOL

Children who live in the 25% of households without computers or access to the internet will be severely disadvantaged as online, remote learning will be critical to the continuity of education in response to the current, and future, shocks. **To begin to address this inequality, internet service providers can be engaged to provide low-cost options and retailers, whose revenues have already been negatively impacted, engaged to provide low-cost technology.** This approach would expand their customer base, while improving the livelihoods and capabilities of the most vulnerable and limiting the reality of educational inequalities due to moving to online learning by broadening access to the internet for children in poverty. Immediate response and relief efforts should provide all families that are accessing online education platforms with quality internet access to ensure learning is not disrupted for children. Where the cost needs to be absorbed by the Government, it can first be treated as a social transfer and later designed as a government subsidy. The monthly costs of the basic internet service should be factored into the payments to be made under the Board of Guardians scheme.

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, as well as the expansion of the MSME digitisation programme to include digital solutions that will allow faster, contact-less access to remittances.**

RECOVERY AND RESILIENCE

MACROECONOMICS

ECONOMIC ACTIVITY

The initial focus of the recovery effort should be on ensuring the rebound of the tourism industry, through increased marketing support to boost brand Antigua and Barbuda and encourage pre-bookings wherever possible (particularly for activities like yachting and sports fishing). Discounting of hotel rates might be expected to attract the limited visitors that will brave international leisure travel when borders start to re-open, therefore, hotels should be supported with subsidies and tax waivers wherever feasible to ensure they can offer attractive rates and maintain some level of profitability. **While the industry waits for the return of overseas arrivals en masse, staycations should be encouraged to help hotels and restaurants stay afloat and ensure that they retain workers.**

LABOUR MARKET

The lack of an unemployment benefit has proved to be a critical gap in national shock response capacity during the pandemic. In the event of future unexpected shocks of this magnitude, this challenge would once again be of concern. **As a first step in developing and operationalising an unemployment insurance fund, a macro-economic feasibility analysis, including an assessment of labour market dynamics, income variability, potential benefits and costing is recommended.**

Beyond this, the proposed reform of the ABSSB will also need to be undertaken in multiple, simultaneous phases. Regarding the existing benefit system, actuarial reviews of the Social Security Fund recommend that with a combination of contribution rate increases, the pensionable age moving to 65 years, and the conversion of property and government debt to cash, long-term costs can be reduced. Prioritising these adjustments will be critical to ensuring the sustainability of the current

benefits, particularly to the elderly, as support for this group is critical to meet their needs and also indirectly reduces the financial burden on family members who would otherwise have to provide direct financial support to their elderly relatives.

DATA COLLECTION FOR IMPROVED PLANNING AND DECISION-MAKING

This report has benefitted from timely data on fiscal outturns and output estimates and the national, publicly available data in these areas is among the most robust in the region. Nonetheless, current labour force data and data on poverty levels, cost of living and other social indicators is dated, making adaptive planning and management more difficult. Critically, gender-disaggregated data is also limited, making it challenging to design targeted interventions that account for differential labour market, social protection and citizen security impacts.

To ensure better planning would also be possible, investments should be made to strengthen the infrastructure to support the collection, collation and publication of statistics. In the case of labour market data, the collection of quarterly data would ensure that the seasonality present in its dominant industry, tourism, is captured in the labour market statistics, which in turn would ensure that the statistics can be better used for forecasting purposes. The statistics should be disaggregated by both age and sex and include income estimates.

FINANCING RECOVERY AND RESILIENCE

It will be impossible to overcome this COVID-19 crisis without some level of borrowing. The forecasts provided by the IMF suggest that the Government might require an additional EC\$259 million in financing just to cover the negative impact of the pandemic. It will be challenging to source such a large amount from the domestic market only and could push the island's debt to a more unsustainable level. At present, banks in Antigua and Barbuda hold 2.1% of their assets in securities issued by governments throughout the Eastern Caribbean Currency Union. At the end of 2019, the loan to deposit ratio at the banks was 69.2% and the excess liquidity ratio was above 45%.²⁸

While this surface assessment suggests that there are funds available to support a short-term stabilisation and social support programme, it does not take into consideration the existing risk tolerance of the banks nor the fact that the banks themselves will also be dealing with their own recovery efforts post-COVID-19 and may not have the appetite for this type of investment. **A rapid de-risking analysis of the banking sector is recommended**, to assess both the capacity and the needs of the domestic financial services sector to support the design and implementation of a suite of options, including development bonds, **that would allow government to make the necessary investments to build resilience in the health sector and to expand opportunities in education, business development support and social protection.**

²⁸The Antigua and Barbuda Development Bank included this as a mandate



www.bb.undp.org
<https://caribbean.unwomen.org>
www.unicef.org/easterncaribbean
COVID-19 | HEAT SERIES