INEQUALITY AND POVERTY IN THE EASTERN CARIBBEAN

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The opinions expressed in this paper are the authors’ and not necessarily that of the Caribbean Development Bank.
1.0  THE SOCIAL AND ECONOMIC CONTEXT

1.01  The history of territories in the Eastern Caribbean is like that of other countries in the Region; it has been one in our experiences of poverty and inequality. Commenting on the Caribbean, Carlson (1999) points to two key factors which have greatly impeded the spread and potential for economic growth and development; inequity in the distribution of income and wealth and the access to social development; and high rates of poverty. Much has however, been done to improve the social and economic conditions of the Region since independence. We have seen significant improvements in levels of employment and per capita income which originally derived from the production of sugar, banana, and in more recent times from tourism and light manufacturing. In addition, due in part to advancements in medical science and greater investments in the health and social sectors, there has been a reduction in infant mortality, improvement in life expectancy and increased control or elimination of fatal and debilitating diseases. The region also records a reduction in illiteracy rates, and the expansion of water, electricity, and telephone services. Interestingly, we have also witnessed significant declines in fertility rates with consequent changes in size and age structure in a population showing growth trending downwards since the nineties.

1.02  In spite of noticeable improvements in the overall quality of life of our societies, inequality and deprivation continue to challenge these developments in the Region. Some have attributed this situation to imperfections in the labour market, continued stratifications based on class, status power, education, income and the characteristics of the “culture of poverty”, while others, like Ramos (1996) and Beckford (1972) have seen it as stretching back to the birth of the region, with its initial condition of a highly concentrated distribution of income and an equally concentrated and cheap labour supply linked to the development of a mentality influenced in its thinking by a lingering ‘dependency syndrome’ inherited from the experiences of the plantation system. However, in order to survive the vagaries of the renewed globalisation of the 1990’s, OECS states are now pressed to examine the importance of integration and the establishment of the Caricom Single Market (CSME) as an instrument for successful integration into the international trade markets.

2.0  THE EFFECT OF INEQUALITY

2.01  Reference to social and/or income inequality usually speaks of the differentials, within a particular social context, in people’s quality of life. A comparison of the income share of the richest 10% to that of the poorest 10% places the Latin America and Caribbean region in a particularly isolated position, as the ratio of 46 to 1 in this region is twice that of 24 to 1 of sub-Saharan Africa and three times the overall ratio of 15 to 1 in industrial countries. As economists of the 1970s posit, one must refute those arguments which see a critical
relationship between the extent of income inequality and its effect on savings and future growth. This refutation has led to what is termed ‘new growth theory’ which while acknowledging that economic growth does help to reduce poverty, also sees a state of large income inequality as being harmful to growth. As Ralph van der Hoeven (2002) points out:

“reduction of inequality can greatly reduce that number of households in poverty and that efforts to reduce poverty mainly by stimulating growth are not sufficient and need to be complemented by efforts to reduce inequality”.

2.02 The ‘new growth theory’ further, points out that the various economic models since the 1990’s which seek to explain capital market imperfections, are built around an understanding that the effects of income distribution on taxation and government expenditure are not the only mechanisms through which to exert an influence on economic efficiency Ferreira (1999). Thus where the economy struggles with a large number of poor, their life experiences leave them severely handicapped, and national growth is slowed due to the inability to maximize productive potential. Simply put, lack of human capital maximisation and persistent asset inequality particularly amongst the poor, lessen their ability to contribute to growth and where this inequality is severe, the effects are almost twice as great for the poor as for the population as a whole. Clearly the negative effect of inequality on growth is most significant for poorer countries, diminishing only as the per capita threshold reaches higher levels. The position is therefore, that stable, sustainable economic development cannot be achieved unless and until social development also takes place.

2.03 In the Organisation of Economic States (OECS), governments exhibit a new realization of the complexity of poverty reduction seeing its success as dependent on the combination of sustained economic growth, price stability and a higher labour force participation rate. Thus as governments seek new innovations at reducing inequality, the path is not without opposition as we have seen recent attempts at measures to improve competitiveness and enhance growth being challenged by coalitions of certain interest groups (eg. flight of capital, changes in production). In addition, in a situation where such agendas as land titling and poverty eradication remain high on the Government’s agenda generating fodder for political campaigns, it would appear that we need new thinking regarding the target and thrust of development policies.

3.0 THE STATE OF POVERTY

3.01 The Caribbean Development Bank (CDB) recognises that although “poverty is a complex, dynamic, multi-sectoral, multi-dimensional human phenomenon that is difficult to define, measure and eradicate”, work in the region demonstrates that it is a condition where people “lack ...essential assets and opportunity to
improve their living conditions and to achieve a quality of life they consider acceptable.” Hence, consistent with contemporary thought, CDB recognises that poverty is not just an economic condition, nor do international indicators, such as the United Nations Human Development Index (HDI) or Physical Quality of Life Index (PQLI) represent it in totality. Rather, it involves human and social elements set within the context of the particular country, that contribute to the lack of capability and the absence of opportunity to change one’s conditions.

3.02 In order to assess poverty, the Bank accepts that poverty can be classified into two groups, viz. **income poverty** and **non-income poverty**. Income Poverty is related to the notion of economic deprivation and is based on the inability of a household to access the resources required to maintain a socially accepted standard of living. The indicators for this type of poverty include a) the **critical or indigence poverty line** and b) the **absolute poverty line**.

3.03 In addition to these country-specific poverty measurements, the World Bank uses incomes of US$1.00 and US$2.00 per day per individual as standards for severe and absolute poverty respectively.

3.04 **Non-income poverty** deals with non-economic issues. These include individual and / or group feelings/demonstrations of low self-esteem, lack of self-confidence and lack of access to political power. These factors along with structural socio-economic conditions that affect, for example access to health care,

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1 As has been shown by the Adjusted Human Development Index (AHDI) developed by the OECS Secretariat in 2002, in the case of the OECS countries, the variation in orderings of the countries is not significantly different from the HDI where the OECS value is 71% of the USA value, 74.5% of the Middle Income Countries and 94% of the LAC region. (OECS Human Development Report 2002).

2 The **indigence poverty line** is the market cost of a nutritionally adequate diet for a reference family of four - two adults and two children under the age of 12 years. This is based on a 2400 calorie requirement for the adults and 720 calories for children under age 12. The items making up the food basket to attain the caloric requirement are estimated as the lowest cost to satisfy the nutritional level needed and most importantly reflect the cultural eating habits in the respective countries. An indigent household’s expenditure is less than that of the indigence poverty line.

The **absolute poverty line** represents the monetary value of satisfying the household’s caloric requirements plus the cost of satisfying other basic non-food requirements such as education, housing and transportation. The average non-food expenditure of the lowest 40% is added to the critical poverty line to arrive at the absolute poverty line. A household with an expenditure that is less than the absolute poverty line is considered to be poor.

3 While these measures are convenient and comparative-friendly, their use is severely hampered by inherent cultural biases. The use of such measures also is based on the assumptions that all countries are equally integrated into the market system and are homogenous in their consumption practices. In addition if average household income is high, then there is little capacity to realize the needs of those in the lowest consumption deciles. These concerns influence CDB’s non-use of such measures of poverty.
education, water and sanitation, and political decision making, all come together to create conditions of deprivation and serve to retard the development of people’s and communities’ capabilities.

3.05 Since 1995, CDB with support from CIDA, DFID and UNDP, has assisted 9 Borrowing Member Countries (BMCs) conduct Country Poverty Assessments (CPAs) as a critical mechanism for measuring and characterising poverty. The CPAs provide the most current information on living conditions in the BMCs, as well as create a conduit through which citizens, institutions and agencies can contribute their own perspectives on and solution to the experience of poverty. Six of these have been completed and the remaining three are currently on the way.

3.06 The objective of the CPA is to determine the characteristics, extent, geographic concentration, severity and causes of poverty in the countries identified. In addition to seeking respondents’ views as to possible solutions, they are also intended, inter alia to identify and analyse possible relationships between:

1. Employment / unemployment statistics in both the formal and informal sectors and estimates of poverty,
2. Rural poverty and issues affecting development of the natural resources sector;
3. Urban poverty and issues related to urban growth and violence and
4. Macro-economic policies and consequent structural changes in the societies which continue to create and/or maintain conditions of poverty.

3.07 The methodology used in the CPAs combines quantitative and qualitative measures in an attempt to document both income and non-income poverty. They are comprehensive in both method and analysis as the National Survey of Living Conditions (SLC) now provides comprehensive household-based demographic and economic data. The qualitative data are generated using participatory community-based poverty assessments, institutional agency assessment and analysis of macro social and economic policy.

3.08 The CPAs provide statistics on the proportion of the households or population living below the poverty line. This is referred to as the head count index. The CPAs also indicate the depth and severity of poverty in

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4. CPAs have been conducted in Belize (1996), Grenada (1999), St. Lucia (1996), St Kitts and Nevis (2000), St. Vincent and the Grenadines (1996) and Turks and Caicos Islands (1999). Assessments are currently being conducted in Anguilla, the British Virgin Islands and the Commonwealth of Dominica.
each country. The **depth of poverty** is indicated by the poverty gap while the Foster-Greer-Thorbecke (FGT) P2 measures the **severity of poverty**.

### 3.09 Table 1 lists these indicators in the 11 Caribbean countries in which country poverty assessments have been conducted. As is shown in the table, six of the eleven countries cited reported over thirty percent of their population below the poverty line with St Vincent having twenty six percent below their estimated indigence line. The Poverty Gap also ranges between six and fifteen in six countries (in 2 of the 4 OECS territories).

**TABLE 1: POVERTY INDICATORS FOR SELECTED CARIBBEAN COUNTRIES**

<table>
<thead>
<tr>
<th>Country</th>
<th>Year CPA conducted</th>
<th>% below Poverty Line</th>
<th>% below Indigence Line</th>
<th>Poverty Gap</th>
<th>FGT P2 (Severity)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barbados*</td>
<td>1997</td>
<td>13.9</td>
<td>-</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Belize</td>
<td>1996</td>
<td>33.0</td>
<td>13.4</td>
<td>8.7</td>
<td>4.3</td>
</tr>
<tr>
<td>Grenada</td>
<td>1999</td>
<td>32.1</td>
<td>12.9</td>
<td>15.3</td>
<td>9.9</td>
</tr>
<tr>
<td>Guyana*</td>
<td>1999</td>
<td>35.0</td>
<td>19.0</td>
<td>12.4</td>
<td>na</td>
</tr>
<tr>
<td>Jamaica*</td>
<td>2001</td>
<td>16.8</td>
<td>n.a</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td>Nevis</td>
<td>2000</td>
<td>32.0</td>
<td>17.0</td>
<td>2.8</td>
<td>1.0</td>
</tr>
<tr>
<td>St. Kitts</td>
<td>2000</td>
<td>30.5</td>
<td>11.0</td>
<td>2.5</td>
<td>0.9</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>1996</td>
<td>25.1</td>
<td>7.1</td>
<td>8.6</td>
<td>4.4</td>
</tr>
<tr>
<td>St. Vincent and the Grenadines</td>
<td>1996</td>
<td>37.5</td>
<td>25.7</td>
<td>12.6</td>
<td>6.9</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>1992</td>
<td>21.2</td>
<td>11.2</td>
<td>Na</td>
<td>na</td>
</tr>
<tr>
<td>Turks and Caicos Islands</td>
<td>1999</td>
<td>25.9</td>
<td>3.2</td>
<td>5.7</td>
<td>2.6</td>
</tr>
</tbody>
</table>

n.a not available

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3CPAs conducted by CDB

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5 The head count index only provides information on the proportion whose level of consumption is less than that of the poverty line. It does not to indicate the extent to which those persons are poor. This is provided by the poverty gap, which is based on the aggregate poverty deficit of the poor relative to the poverty line. It indicates the depth of poverty and shows distances of the poor to the poverty line. The severity or intensity of poverty is provided by the Foster-Greer-Thorbecke P2 (FGT P2), which assesses aggregate poverty. This measure is not as easy to interpret as the other two, but can “be thought of as the sum of two components: an amount due to the poverty gap, and an amount due to inequality amongst the poor” (Le Franc et al, 2000).
4.0 INEQUALITY

4.01 The CPAs also estimated the level of inequality in income distribution in each country by assessing the Gini Coefficient. In order to further discuss the relationship between inequality and poverty, it might be useful to refer to the use of the Gini Coefficient, as inequality is a phenomenon that can be defined in relation to income and/or in relation to social factors.

4.02 The Gini Coefficient, a measure of the extent to which actual income distribution in a country differs from a hypothetically uniform distribution, goes from 0 for absolute equality, with each individual or household receiving an identical share of income, to 1, which indicates that one person or household receives all the income. Gini Coefficients should be estimated using data from nationally representative surveys, data that covers the entire population rather than just urban centres, from data which includes non-wage income and income from household production. In the last instance where actual income might not be forthcoming, such proxies as tax records and labour force statistics are used. Internationally, Gini Coefficients are usually computed by using the data referred to above, including data on distribution of land holdings. Coefficients are, therefore, computed for land distribution (assets) and income.

4.03 Looking at Table 2, the use of the Gini Coefficient points to enormous income inequality in the countries in the BMCs, with only two OECS countries reporting a ratio of less than 0.40. As has already been stated this leaves us amongst the highest in the world. For the OECS territories, the assumptions underlying the estimation of such a coefficient, present a challenge, especially in light of general data inadequacies as well as particular cultural/traditional land practices as influenced by ethnic membership. No one to date has attempted to estimate gini coefficients based on land holdings. It would appear that there are also other contributing influences peculiar to the region to be borne in mind, such as:

- Validity of recall on income and savings, particularly for the top 20% of the population;
- Inclusiveness of the population particularly in those countries with significant ethnic disparities in terms of opportunities and location.
- Validity of housing estimates and consequent assumptions as to asset ownership.
TABLE 2. ESTIMATES OF GINI COEFFICIENT BY COUNTRY

<table>
<thead>
<tr>
<th>Country</th>
<th>Year Conducted</th>
<th>Gini Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MDCs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guyana*</td>
<td>1999</td>
<td>Not available</td>
</tr>
<tr>
<td>Barbados*</td>
<td>1997</td>
<td>0.39</td>
</tr>
<tr>
<td>Jamaica*</td>
<td>2001</td>
<td>0.38</td>
</tr>
<tr>
<td>Trinidad and Tobago*</td>
<td>1992</td>
<td>0.42</td>
</tr>
<tr>
<td><strong>LDCs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anguilla*</td>
<td>2002</td>
<td>0.31</td>
</tr>
<tr>
<td>Belize*</td>
<td>1996</td>
<td>0.51</td>
</tr>
<tr>
<td>British Virgin Islands*</td>
<td>2002</td>
<td>0.23</td>
</tr>
<tr>
<td>Turks and Caicos Islands*</td>
<td>1999</td>
<td>0.37</td>
</tr>
<tr>
<td><strong>OECS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comm. of Dominica*</td>
<td>2002</td>
<td>0.35</td>
</tr>
<tr>
<td>Grenada</td>
<td>1999</td>
<td>0.45</td>
</tr>
<tr>
<td>St Kitts*</td>
<td>2000</td>
<td>0.40</td>
</tr>
<tr>
<td>Nevis*</td>
<td>2000</td>
<td>0.37</td>
</tr>
<tr>
<td>St Lucia*</td>
<td>1995</td>
<td>0.50</td>
</tr>
<tr>
<td>St. Vincent and the Grenadines*</td>
<td>1995</td>
<td>0.56</td>
</tr>
</tbody>
</table>

¢CPAs conducted by CDB

4.04 In discussing inequality in the OECS countries therefore, the need for combined measures of poverty becomes evident, especially as the experience of poverty remains relative. In this way, the formulation of social policy, which impacts directly on micro-level indicators, such as shelter costs, occupational wages, needs of the aged, etc., should rely more extensively on findings emanating from the qualitative assessments as part of the CPAs.

5.0 CHARACTERISTICS OF POVERTY

5.01 The CPAs have shown several common characteristics amongst the poor. While these could be considered characteristics of the poor, caution must be exercised in ascribing causality to them. The difficulty that arises in analysing the characteristics is illustrated in attempts to answer questions such as “are persons considered poor, poor because of their characteristics?” Or “do they display such characteristics because they
are poor?” The answer to these questions will depend on the definition of poverty adopted and the theoretical perspectives that seek to explain it.

5.02 Poverty is a condition resulting from social and economic structural weaknesses. Hence the characteristics associated with poverty are not merely personal deficiencies that need to be repaired or reformed, but are rather products of the economic and social forces within which poor people function that require institutional and structural change. These characteristics associated with poverty do not exist in isolation but relate to each other in very dynamic ways, thereby creating conditions that contribute to the complexities associated with poverty. Support for this is provided by some of the main characteristics associated with poverty in the Eastern Caribbean, identified below.

5.03 The OECS Human Development Report (2002) sees a critical characteristic being the high incidence of agricultural-based households. As the CPAs have shown, poverty is predominantly a rural phenomenon. The CPA in St. Lucia indicated that the proportion of urban and rural populations in poverty were 16% and 30% respectively. Rural poverty was also prominent in Grenada, St. Vincent and the Grenadines and St. Kitts and Nevis. This situation is influenced by both the living conditions in rural communities, the low levels of educational attainment, the larger household sizes and the types of activities that rural residents engage in for their livelihoods. Rural areas tend to have poor roads; the residents live in poorer quality housing, and have inadequate access to basic services such as potable water, electricity, sanitation, transportation, education, and health care. Rural poverty is also closely related to the type of production in which persons engage, as most are in primary production (agriculture and fishing), which does not generate sufficient earnings, but on which a significant proportion depend for their livelihood. As export markets for bananas, coffee and staples decline, many of these households experience food poverty as they are unable to find the income to purchase groceries in the local shops.

5.04 Because of this situation, young people particularly are constantly leaving rural communities in search of employment, education skills/training and a hoped-for better quality of life in the towns and cities. This increases the population of urban areas, places a strain on the availability of housing and social services and, as a consequence, contributes to rising levels of urban poverty. Although the proportion of poor people in urban communities is less than that of rural areas, urban poverty is more visible. It is characterised by significant over-crowding, unstable tenure arrangements, inadequate housing and
5.05 The CPAs indicate that poor families are larger and have more dependents and, as a result, the youth, i.e., persons between 15 and 24 years, are over-represented among persons living in poverty. In St. Kitts for example, the proportion of the population living below the poverty line is 35.5%, yet 65% of the youth is poor. Although youth unemployment, particularly that of females, tends to be higher than for the rest of the population, the relationship between educational attainment, employment and youth poverty is even more complex. This situation is illustrated in Box 1.

5.06 CPA data show that the poor are likely to be less educated, with most heads of households below the poverty line not being educated beyond primary level. Young men in particular, from poor households also tend to drop out of school early. As a result, they are often unprepared for the labour market and find it difficult to function in that environment. Faced with this difficulty they are, for the most part, excluded from mainstream economic activities, and resort to activities in the informal sector either as a means to earn an income or to supplement low-wage employment. Because of this, members from poor households either seek employment in the informal sector or in low-paying jobs in agriculture, construction and light manufacturing, thereby making up a significant proportion of the working poor. In St. Kitts for example, with an unemployment statistic of 4%, 31% of the population are living below the poverty line. The data indicated that a large number worked in low-paying occupations and were not earning enough to meet their basic food, plus non-food necessities. Similar situations were observed in St. Lucia where men formally employed in agriculture and women in manufacturing were among the poor.
6.0 **INEQUALITIES AND POVERTY**

6.01 Income inequality is accompanied by social inequality, an experience well articulated in the construct, **social exclusion**. This situation suggests a chronic scarcity of opportunities and access to basic and quality services, labour markets and credit, physical conditions and adequate infrastructure and the judicial system. Clearly, there is a high correlation between poverty and social exclusion, but as Sen (2000) explains, “if poverty is seen in terms of income deprivation only, then introducing the notion of social exclusion as a part of poverty would vastly broaden the domain of poverty analysis”. Social exclusion helps to explain considerable differences experienced in the share of total income received by individual groups especially when overall inequality may seem stable. It captures the notion of institutionalised deprivation where persons find their rights as citizens eroded/disregarded, with a lessening of self-esteem, a reinforcement of class and ethnic distinctions and most critically shows a direct link to the removal of potential capacities. In this scenario, human capital is both unproductive and untapped, social capital is eroded and, as we see in the Caribbean, levels of criminal and violent behaviour begin to rise.

6.02 The perspective of social exclusion helps to clarify our perspective, both in terms of diagnosis and policy. Reflections on issues around educational content and curriculum force us to examine such questions as the relevance of schooling in preparation for the labour market. Social exclusion in the social sector is demonstrated most noticeably in education, health, housing and employment, where youth seem to be the target rather than the beneficiaries of our societies. (If youth unemployment were eliminated, the increase in gross domestic product would range from 1.36% in Barbados to 7.54% in Jamaica, CGCED 2001). Health, education and housing are not simply ‘sectors’ nor the responsibility of a Ministry. Differential access and quality of service in these areas cannot depend on income as economic growth and productivity will be instantly hampered by poor social policy formulation and implementation.

6.03 Institutionalisation of the practice of social exclusion contributes to gender inequality. This is manifested by situations where youth unemployment rates are higher for females than males, labour participation rates are lower amongst women, high drop out rates in schools are recorded for young males and the very large proportion of males in penal institutions. When coupled with factors like poor educational attainment and poor social skills, it opens up young people in particular, to the risks of becoming involved in criminal and/or violent behaviours. This therefore impacts directly on the types of violence we observe in the society.
6.04 Violence, however, is observable at three levels, viz, the individual, the societal and the structural/cultural. Increasingly, one becomes concerned with the increase in crimes across all three levels, with domestic violence presenting for increased treatment, increased drug related killings and kidnappings and the continued institutionalisation of traditional disciplinary practices in institutions such as prisons, the courts, schools and detention centres. While many young people and other members of poor households achieve some success in legitimate informal commercial activities, others are attracted to illegal activities, which, in many instances, translate to crime and violent behaviours.

6.05 The issue of crime, particularly urban crime is taking on greater significance in the Caribbean. At 22.9 per 100,000 people in 1990, homicide rates for the Caribbean were almost double the world average. What is clear, however, is that crime statistics for the Caribbean are showing a rise in homicide rates (mainly men) and violent crimes such as those associated with drug use and drug trafficking.

6.06 In addition to understanding the impact of social conflict on the larger society, countries’ political stability may well be threatened by such violence/conflict, thereby leading to poor sector performance and a reduction in investment levels and effectively crippling the ability of political systems to respond effectively to external shocks. In examining inequality therefore, one will need to reflect on both the interplay between income inequality and social inequality, as well as inequality and poverty. This situation creates difficulties for the formation of human capital and places additional responsibilities on the society, resulting in long-term impacts that contribute to the exacerbation of poverty.

6.07 More detailed examination of the relationship between poverty, educational attainment and labour market status have shown that unemployment is very high among low skilled elementary and craft occupations. As this is a common characteristic of those often socially excluded from the society, the challenge is how to address these specific needs in a time of slow economic growth. All research points to the fact that reduction in inequality leads to reduction in the percentage of people living in poverty. At the same time, where inequality is low, growth will reduce poverty faster than when inequality is high. Efforts by the OECS countries therefore to reduce poverty must also be accompanied by similar efforts to reduce income and social inequality.
7.0 STRATEGIC FRAMEWORK

7.01 CDB’s response to the challenge posed by poverty in the Region is indicated in its mission:

“to be the leading Caribbean development finance institution, working in an efficient, responsive and collaborative manner with our Borrowing Members, towards the systematic reduction of poverty in their countries, through social and economic development”

It is also stated explicitly in one of the five strategic objectives. These are:

1. Fostering more rapid (sustainable) economic growth of the economies of BMCs;

2. Helping to reduce poverty and improve the status of the most vulnerable in the Caribbean society;

3. Promoting good governance and efficiency in public policy formulation;

4. Promoting improved environmental management as an integral part of programme and project planning within BMCs when CDB’s resources are being utilized;

5. Fostering closer economic integration of the BMCs.

7.02 In satisfying the second objective above, CDB has incorporated social analysis in the preparation and appraisal of all projects it finances. This is to ensure that the social dimensions of the project and their potential impacts on the poor and vulnerable are adequately addressed. It has also adopted a Strategic Framework for Systematic and Sustained Poverty Reduction based on an approach involving the following:

(a) An emphasis on poverty reduction, which realistically sees a process of incremental improvement in people’s quality of life. In this way, specific medium-term development objectives can be set and pursued within the broader socio-economic growth targets. Thus funding interventions are designed to achieve immediate project outcomes as well as stimulate an atmosphere for the sustainable development of human, social, financial and physical capital.
Addressing the root causes of poverty. “The root causes of poverty are not its correlates such as unemployment and under employment, low educational attainment, low productivity and high dependency ratios. These are manifestations of more deep-seated processes that are shaping the life chances of poor people in their society - processes that have to be effectively addressed before the proximate causes and poverty can be eliminated (CDB, 2001).” Among the root causes, we find macro-economic instability and weak fiscal management, non-competitiveness of the production sector and institutionalised social and income inequalities (mainly through discriminatory labour market policies and poor human capitalization), all of which threaten and undermine sporadic attempts at growth.

Utilising its comparative advantage and influence to help countries not only to chart a healthy, productive growth path, but also to recover from the two critical external shocks with which our region is plagued, viz., oppositional trade agreements in the sugar and banana industries and natural disasters. Those areas of comparative advantage and influence are:

- Lower appraisal and supervision costs
- Accumulated experience and understanding of development issues and the social dynamics of the BMCs
- A more culturally sensitive response
- Close relationship and geographic proximity to BMCs
- Well established partnerships with other donors and development agencies

Focusing interventions for poverty reduction on the following objectives:

(i) enhancing the capability of the poor
(ii) reducing vulnerability to economic volatility and disasters
(iii) promoting good governance

Studies carried out on Best Practices in Poverty Reduction internationally, (Øyen et al. 2002) agree that seeking to improve physical and social infrastructures as a strategy towards poverty reduction tends to be a chosen route for most Funding agencies. However, (still needing more impact evaluation), some evidence suggests that the impact and reach of these initiatives are both very limited and the numbers benefiting relatively few. “Greater success would seem to require not only considerably more resources than those
currently devoted to these initiatives, but also less emphasis on a “welfarist approach” to social development and less segregated and isolationist strategies (2002:139)”.

8.0 PROGRAMMES PRESENTLY FINANCED

8.01 The programmes currently being financed by the Caribbean Development Bank with the objective of enhancing the capability of the poor, have attempted to bring together capacitation with social infrastructure development. Thus one finds for example, Rural Enterprise Development Projects implemented specifically in the poorer rural areas. These projects facilitate the strengthening of communities for participation in the development process, enhance the capacity of rural service providers in the production and marketing services and provide credit and technical assistance to improve access to financial resources by rural entrepreneurs. These interventions also provide an option to the practice of urban bias, which has characterized development programmes and contributed to, rather than ease, the problems associated with rural/urban migration.

8.02 Contributing to the building of human capital in the Region, the Bank also provides resources for Human Resource Development, including student loans and skills training, settlement development and other projects which address basic health care and disease prevention. It also provides lines of credit that facilitate the development of small and micro enterprises, and through technical assistance from the Caribbean Technology Consultancy Services Network, it helps to meet the need for essential technical skills required for efficient operation and expansion of these businesses.

8.03 Social infrastructure such as roads, water, drainage and sanitation are usually lacking or are in poor conditions in rural communities and depressed urban neighbourhoods. The Basic Needs Trust Fund (BNTF) and Social Investment Poverty Reduction Funds, provide resources for communities to participate in the provision and improvement of such infrastructure. In this way, the Bank does not only help with improving the physical conditions under which the residents live and work but, because of their active involvement in the preparation and implementation of these projects, contributes to building capabilities of the individuals involved and the communities as a whole.

8.04 Poor households are highly vulnerable to several risks. Among these are natural disasters and sudden loss of income. The Banks’ disaster rehabilitation programme and its recently established Disaster Mitigation Facility for the Caribbean, help in pre- and post-disaster situations towards the reduction of the impact of disasters on societies. Vulnerability to the risk of income failure is however addressed by several of the Bank’s
financed projects, viz, the abovementioned Human Resource Development projects and Rural Enterprise Development projects.

8.05 The sustainable reduction of poverty requires an approach to development administration that addresses the socio-economic factors that facilitate inequality and social exclusion. Pro-Poor Governance therefore, is necessary as this involves both a national commitment to poverty reduction and the development or maintenance of appropriate institutional arrangements to facilitate this objective. The Bank sees this as encompassing essential and integrally related principles: effective targeting, public participation, and ownership.

8.06 These principles are incorporated in the CPAs conducted with assistance by the Bank, but they must also be enshrined in a holistic poverty reduction process. To this end, the Bank has included the preparation of a Poverty Reduction Action Plan as part of BNTF programming and is providing technical assistance for countries in the OECS to prepare Poverty Reduction Strategies. On examining CDB’s response to poverty reduction, it therefore becomes apparent that there has been a decision to integrate poverty reduction interventions into socio-economic development programmes. Consequently, interventions such as the Rural Enterprise projects, BNTF have focused not simply on infrastructure and human capital initiatives, but also paid attention to sustainable economic expansion and widening of income—adequate job opportunities. Thus improving rural livelihoods, addresses immediate and long-term policy initiatives, which will afford both economic and social improvements in peoples’ lives. Issues such as access to good quality facilities, human capital development, both in terms of opportunities and rational choice, as well as proper targeting of those disproportionately disadvantaged are all equally important. These interventions must be accompanied by appropriate policy reform and supportive macro development programming in order for the countries to effectively address the macro-social and economic factors that create income and social inequality, and which contribute to the persistence of poverty.
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