

POVERTY ASSESSMENT REPORT

ST. LUCIA

December 1995

A SUMMARY DOCUMENT

TABLE OF CONTENTS

- 1. Introduction**
- 2. Methodology**
- 3. Summary of Main Findings**
- 4. Poverty Reduction Strategy: Recommendations**
- 5. Conclusion**
- 6. Appendix**
 - 6.1 Poverty Reduction Matrix**
 - 6.2 Tables**

1.0 **INTRODUCTION**

1.1 **SOCIO-ECONOMIC CONTEXT**

For most of the decade of the 1980s and in the early years of the 1990s, St. Lucia enjoyed relatively good, and sometimes buoyant, economic conditions. Between 1975 and 1992, the economy of St. Lucia grew by 6% per annum. Since then, the economy has faltered. The change in the marketing regime for its main primary export, Bananas, which enjoyed preferential access to the market of the United Kingdom, has dealt a major blow to the economy. The transition to more open marketing arrangements has exposed the underlying weak competitive position of Windward Island bananas in the World Market, vis-a-vis the Central American counterpart.

At the same time, the advent of the North American Free Trade Area (NAFTA), and the higher institutional wage structure of St. Lucia as compared with other Caribbean Basin countries, participating in the United Basin Initiative, have led to the evaporation of some of the employment that had been created in St. Lucia in light manufacturing and assembly operations geared towards export markets. These two factors have slowed income and employment growth in the economy of St. Lucia, and are the primary economic causes of the recent poverty that has visited some of the households in the country. While the other sector in the tripod of foreign exchange earners, Tourism, continues to perform creditably, the rate of growth has not been adequate to compensate for the decline in the other two sectors, Export-Manufacturing and Bananas.

The quick transmission of slow growth, or decline in the relatively undiversified export base to the fiscal operations of the country has reduced the expansion of the infrastructure and retarded the transformation of the economy being undertaken by the Government. Moreover, the natural disaster wrought by Tropical Storm, Debbie, has preempted under disaster relief, some of the resources that were destined for developmental objectives. Although the Government has been very sensitive to the need to observe tight fiscal management in an open economy, it finds itself fully stretched by the requirements of the mid 1990s. Moreover, the institutional structure for monetary management in the OECS countries effectively prohibits the unilateral use of monetary instruments by the individual Governments in dealing with fiscal problems: in short, a Government cannot print money and attempt to spend its way out of a crisis. All adjustments have to be managed on the fiscal side, with the Government reducing its expenditure in line with its revenue.

In the resulting scenario, it has been difficult to maintain and expand the social safety-net to deal with original conditions that were conducive to the spread of poverty, let alone to address the more recent causes. Meanwhile, the conditions necessary for the reorganization of the economy, and for the generation of new sources of export growth are difficult to establish and institutionalize: retraining of the work-force, productivity improvement, development of a competitive wage structure, encouragement of major inflows of private capital expansion of small and medium-sized domestic enterprises through high levels of domestic investment. Indeed, much of what is required has to be underwritten by greater, not less, public expenditure.

1.2 OBJECTIVES OF THE STUDY

This study, Poverty Assessment and Training in St. Lucia, sought to understand the phenomenon of poverty in St. Lucia both from impersonal data sources and from the people themselves. The findings are based on three main sources, a National Survey, a Survey of Selected Communities, and a Review of Key Institutions and Organizations. The objective was to arrive at measures to address both the immediate conditions of poverty and the underlying factors that lead to such poverty. The Terms of Reference for the study can be summarized in the following five key questions and one core task:

Key Questions

1. What are the nature, extent, geographic concentration and severity of poverty in St. Lucia?
2. What are the dynamic links between unemployment, poverty and conditions in the informal sector?
3. What are the causes of poverty in ST. Lucia, that is: What economic and social policies and/or socio cultural issues generate, sustain, alleviate, or reduce poverty?
4. In the context of (2) how do Government Agencies, Non-Governmental Organizations (NGOs) Community-based Organizations (CBOs) and Grass-roots Organizations (GROs) currently impact on poverty?
5. What actions by these groups (Government Agencies, NGOs, CBOs and the people themselves) can address the immediate conditions of poverty and its underlying causes?

Additionally, the study tackled a core task of training St. Lucians in conducting assessments and in project action such that, on the withdrawal of the consultants, the critical work of poverty reduction and socio-economic development can be sustained.

2.0 METHODOLOGY

This section provides a Summary of the key definitions used, outlines the procedures followed in developing the poverty line and the approaches adopted in analyzing macro-economic, social and institutional factors as well as the conduct of Surveys. The role of the NAT is also highlighted.

2.1 DEFINITION OF POVERTY

Much has been written on the problems of defining poverty. For the purposes of this study, and given the need to ensure some degree of comparability with other studies of poverty, an attempt has been made to utilize definitions that have been utilized elsewhere. The fundament of all definitions is the notion of a **deficiency of resources**.

2.2 POVERTY MEASURES

Four key measures were used in the study. Three of these poverty measures, the Head Count Index, the Poverty Gap and the FGTP₂ belong to a class of measures proposed by Foster, Greer and Thorbecke (FGT).

The **Head Count Index**, PH, represents the proportion of the population, whose monthly per capita income falls below the poverty line. It is based on the number of poor people in relation to the population.

The Poverty Gap, PG, measures the aggregate disparity in the incomes of the poor compared to the poverty line. It represents the amount needed to raise the income of all poor individuals to the level of the poverty line, as a proportion of the poverty line.

The FGTP₂ index measures the severity of poverty in a population by weighting each poor person according to their degree of deprivation.

The fourth measure, the **Gini Ratio**, measures the inequality in the distribution of income in the population. As the Gini Ratio, which ranges from 0-1, approaches 1, the more skewed is the distribution of income.

2.3 THE POVERTY LINE

One of the key elements of all poverty studies is the **poverty line**. A poverty line measures the monetary value of the minimum food and of non-food items that should be obtained by a household to fulfill its basic needs. The poverty line developed for this study was based on the food and non-food requirements of a family of four comprising two adults, male and female, and two children under the age of 12. The assumption of an average of four persons per household was justified by data from the last census as well as data generated from the present study which showed that the average size per household was 3.8 persons. Additionally, given the youthfulness of the population, it was thought necessary to include two children in this model family.

The **indigence line**, that is, the level below which there is an inability of households to satisfy basic food needs, was derived from estimates of food requirements calculated for adults in the Commonwealth Caribbean, by the Caribbean Food and Nutrition Institute (CFNI). The CFNI has developed a programme that identifies the composition of the food basket that would allow an average of 2,400 calories at the lowest possible cost, with selections drawn from items which are dictated by the dietary and culinary culture of the particular country.

Prices of the items comprising the selected food basket were generated from a survey of prices conducted by the Statistical Department. These prices were collected from several key commercial centres throughout the island and the average of the lowest prices in each location was used. Given a calorie requirement of 2400 per adult, and 0.3 of the adult equivalent (720 calories) for children under age 12, the estimated daily cost of feeding the family was derived.

2.4 APPROACHES TO ANALYZING MACRO-ECONOMIC, SOCIAL AND INSTITUTIONAL FACTORS

Using sectoral data, a review of the major contributors to GDP growth, and to exports, was undertaken. Discussions with key individuals in public, corporate and non-governmental organizations, as well as published reports and documents, provided insights on the operation of the society and polity of St. Lucia.

A survey was done of the main economic and social organizations that exist in St. Lucia. This was effected through the conduct of intensive interviews with key personnel of the organizations, in respect of the economic and /or social aspects of their role and functions. The analysis focussed on institutional mechanisms, regulatory arrangements, and procedures, which had some relevance to the situational realities of poverty in St. Lucia. Annual reports and other official documents were also used in the review of the work of these organizations.

2.5 CONDUCT OF SURVEYS

The Poverty Assessment exercise in St. Lucia consisted of two aspects, a National Survey of Living Conditions, hereafter referred to as the National Survey, and a series of Community Level Situational Analyses (CLSAs). The National Survey was aimed primarily at developing a national poverty line and national estimates of poverty.

The CLSAs, consisted of a Survey of Selected Committees, Focus Group Discussions, and of participant observation and transect walks by the RTT. They also provided insights into the mechanisms and processes operating at the community level which contribute to, or sustain, or reduce the poverty of households.

2.6 ROLE OF THE NAT

According to the terms of reference, the assessment exercise required the joint participation of the NAT and the RTT at every stage. The NAT comprised personnel from the social sector ministries, as well as, NGOs and CBOs. The NAT was trained to conduct comprehensive poverty assessment and to formulate national action programmes under the supervision and guidance of the RTT.

Under the supervision of the RTT, the NAT shared the responsibility of data gathering and data analysis, through the Statistical Department.

The continuity of the NAT will depend on the level of response of the Government to the report, and to the quality of its members. A coordinated approach that ensures a wider participation than Government representatives and which permits the participation of the poor themselves, would generate the intellectual capital, in quantity and quality, to find solutions. It is only in this way that the NAT would be fully institutionalized to conduct continuing assessment and to develop implementation programmes appropriate to specific, but changing conditions, over time and space in St. Lucia.

3.0 **MAIN FINDINGS**

3.1 POVERTY ESTIMATES

With the Poverty Line and the Indigence Line set at \$156.37 and \$83.55 respectively, the analysis of the data of the National Survey established that 18.7 percent of households or 25.1 percent of individual were poor on the basis of their expenditure on food and non-food items. On the other hand, 5.3 percent of households or 7.1 percent of individuals were considered to be extremely poor or indigent in that their level of average monthly expenditure was not high enough to enable them to satisfy their food requirements. The levels of poverty among the youth and elderly were 23.8 percent and 19.5 percent of individuals respectively.

For the entire country, while 25.1 percent of individuals were poor on the basis of per capita consumption and using the head count, there were significant urban-rural differences. Some 11.7 percent of urban households were poor, but almost twice that amount, 22,5 percent, of rural households were poor.

The poverty gap for the entire country was 8.6 percent. This implies that some 8.6 percent of the average consumption would need to be transferred to the poor to bring them above poverty line. The gap for the urban poor, however, was 6.1 percent as compared to 9.9 percent for the rural poor.

3.2 **CHARACTERISTICS OF THE POOR**

Poor households had fewer earners and more children and persons below working age. They also experienced higher unemployment and had a lower labour force participation. While males had a slight majority over female heads among the poorest quintile of households, they were very dominant in the two highest quintiles. The head of the poor household was likely to be older than the head in the higher expenditure quintiles. The head was also likely to have attained basic primary level education, but seldom secondary level or higher educational qualifications.

The working poor were concentrated in Agriculture and Manufacturing; in the former case, male workers were in the majority, and in the latter, female workers. These workers in Agriculture and Manufacturing were likely to constitute the new poor, affected by structural changes in the economy.

POVERTY PROFILE

BOX 1: POVERTY PROFILE

- * The Poverty Line and the Indigence Line were estimated at \$156.37 and \$83.55 respectively.
- * 18.7 percent of households and 25.1 percent of the population were poor.
- * 5.3 percent of households and 7.1 percent of the population were indigent in that their expenditures were inadequate to cover their dietary requirements.
- * 17.4 percent of male heads and 20.4 percent of female heads were poor.
- * 16.3 percent of the urban population and 29.6 percent of the rural population were poor.
- * The Poverty Gap for the country was 8.6 percent, but 6.6 percent for the urban population and 9.9 percent for the rural population
- * If the Poverty Line of the NAT, or if the non-food expenditure of the 4th decile were used, estimated poverty would have been much higher at 37.7 and 31.4 percent, which seem inflated relative to the conditions known to exist in St. Lucia as compared to countries with such higher levels of poverty.
- * The working poor were concentrated in Agriculture and in Manufacturing. The poor involved in the Agricultural Sector, particularly the Banana Industry, face the risk of loss of income resulting from a declining Banana A. Stagnated Manufacturing Sector also presents some concern among the urban poor employed in this sector.
- * High levels of teenage pregnancy exist in St. Lucia and this exacerbates poverty
- * The lowest quintile had the highest average number of children 2.7, one less than the highest.
- * The two lowest quintiles spent more than half of all expenditures on food.
- * The lowest quintile had a lower participation rate in the labour force and a higher unemployment rate than the highest quintile, but the working poor were not different in their hours of work.
- * 51.6 percent of those leaving home continued to make a contribution to the household.
- * Most heads of poor households had access to primary school education but the heads of households in the higher quintiles had a higher level of education.
- * Poor households were less likely to have their children enrolled in pre-schools, thereby setting the stage for differential educational attainment very early in life.
- * The poor did not seem to be specifically favoured by the arrangements for educational subsidies.
- * The anthropometric data suggest that St. Lucia has achieved almost universal immunization of children in respect of tetanus, polio,

tuberculosis, measles, and diphtheria; but a number of under five children were afflicted by diarrhoea.

* While family planning services were available in a number of communities, they were not fully utilised by the poor.

* Garbage and human waste disposal were major problems in a number of communities.

* There is a general lack of proper toilet facilities and potable water supply in most poor communities.

* While the poor lived in their own homes, the quality of housing was very inadequate in terms of the amenities available: 20.8 percent of households in the lowest quintile had no form of toilet facilities, and 29.2 percent of the lower quintile were dependent on kerosene for lighting.

* Twenty-one percent of the poor owned land. A higher percentage of the rural poor owned land as compared to the urban poor.

3.3 CAUSES OF POVERTY

The estimates of poverty presented above provide a snap-shot of the poverty situation in St. Lucia in the beginning of 1995. This picture is the product of a number of dynamic forces and structural conditions that have generated and sustained poverty in St. Lucia. It is possible to differentiate ultimate causes and proximate causes. The former are potent in terms of the immediacy of their effect. The latter are outward visible indicators but may exacerbate other underlying causes, and keep households and individuals locked in poverty. The primary or ultimate causes are as follows:

*The decline in the earnings from the Banana Industry;

*The decline in wage competitiveness of St. Lucia in the area of export-oriented light manufacturing and assembly operations;

*The sluggish response in:

- the creation of new viable activities or in increasing existing activities to take up the slack caused by the decline in the two main sectors; and

- the development of the capacities necessary to support the alternative activities;

*The impossibility for the Government in taking counter-cyclical action by increasing public expenditure;

*The limitations of the existing safety-net because of the inadequacy of resources; and

*Structural and institutional constraints and problems that predated the crisis of the mid-1990s

The factors identified above mediate through the political, economic and social processes of the society and generate poverty among some of its households and individuals. Differential capacities exist among the latter in their reacting to the threat or the reality of poverty. There are also gaps in the social or public goods that contribute generally to the quality of life. Some of these are part of the infrastructure necessary to complement, or are a prior requirement for production, through which the poor and other benefit by the generation of employment opportunities. There are enough communities that lack some or all of these social/public goods or amenities.

The challenge to the country has come mainly from the fall in competitiveness of two of its most important economic factors. The relative lack of diversification of the economy has resulted in the early transmission effect of the decline in the Banana Industry and in the Export Manufacturing Sector to other areas of the economy and society. A summative cause of poverty is the inability of the society to reverse the effects of any of the major predisposing factors.

3.4 THE EFFECTIVENESS OF GOVERNMENT, NGOS, CBOS AND PEOPLE IN REDUCING POVERTY

For a small export-propelled country going through the wrenching changes consequent on the structural adjustment in two of the important foreign exchange earning sectors, St. Lucia is not adequately served by organizations that would quickly create the capacities necessary for new income generating activities.

In respect of macro-economic management, the Government seems, on the available evidence, to be exploiting the leverage available to it in the context of a small open economy in a liberalizing international economy.

On the other hand, its existing machinery and the NGO, CBO, GRO structure are only moderately effective in dealing with poverty reduction and alleviation, whether these relate to:

- the groups that were already poor before the crisis because of chronic or structural factors;
- those who have been or are being empaupered by the adjustment process and
- those who are potentially at risk having regard to the economic activities that currently sustain them.

Much depends on the institutional base of the country in its ensuring that its micro-responses are efficient in the solution to the specifics of the incidence of poverty.

The country does not have the social efficiency for handling major structural economic changes, that

would ensure quick adaptation to new realities with the least dislocation possible to the income stream of the poorest groups in the society.

There are parts of the country that did not benefit from the golden age in banana export marketing. For example, the poorer south west of the country that is less suited to bananas, remained poor over the years. It has only recently been the subject of special focus from the Ministry of Planning, Development and Environment (ENCORE Projects) and from a few NGOs like the Soufriere Development Foundation, the National Trust, NRDF, the Laborie Credit Union, and the more community oriented organizations as in Belevedere, Canaries and Anse-La-Raye. All these organizations are addressing some of the capacity building and income generating possibilities of the region, to break the long term structural poverty of the area.

Even though, there are the alleviation measures to mute the effect of the more recent structural changes and to deal with the otherwise vulnerable, they are inadequate to the needs generated by the economic and social pressures in the society.

Some are poorly targeted, and there are gaps, as many groups in their special circumstances, do not have very much to turn to, whether from the State or from the NGO movement. In some cases, there is nothing or little e.g the control of drug abuse among especially among the youth. In other cases, the services do not reach the particular target group across geographic space, eg. family planning services. This also applies to groups in need of capacity building.

The operations of the Soufriere Development Foundation, NRDF and of the Laborie Credit Union demonstrate that there is a possibility consciousness in sections of the society that can realise potential not readily apparent. The challenge is to make such initiatives universal at all levels and across space.

4.0 RECOMMENDED STRATEGIES FOR POVERTY REDUCTION AND ALLEVIATION

Poverty is the result of a nexus of social cultural, economic and political factors. Action on one front alone will seldom reduce poverty. National policy, community mobilization and individual action would all need to be considered in addressing the seemingly intractable problems of poverty. The following section highlights the main strategies recommended for the reduction and alleviation of poverty.

4.1 **SECTORAL DEVELOPMENTS**

The development of certain sectors holds the key to the reduction of poverty by the provision of income generating capacity in the short to medium term. Their promotion, therefore, is the **sine qua non** of any policy proposal for the improvement of the quality of life of the poor, outside of any redistributive measures that the Government or other agencies can employ.

Interventions are required in the following sectors especially because of their importance in an export propelled economy.

Agriculture and Fisheries: Given that this sector is still the largest single employer of labour in the country, poverty reduction requires the assessment of the possibilities available through the sector. The diversification programme has to be promoted with vigor to create new foreign exchange earners and to save on imports. Marketing, the provision of credit for non-traditional agriculture and

for fisheries, the establishment of backward and forward linkages, especially between the sector and the expanding Tourism Sector with requirements for food and craft products, are some of the issues to be addressed as a matter of urgency. Also, the problem of land hunger needs to be tackled possibly by the extension of the Mabouya Valley Model of land distribution.

Tourism/Eco-tourism: The Tourism Sector has made a major contribution to the economy of St. Lucia. It can assist the process of poverty reduction if tourism/eco-tourism activities were spread throughout the country, with less concentration on the traditional areas, and if the infrastructure were so organised that small indigenous hotels, guest houses and inns could be involved in catering for an expanding clientele.

Manufacturing: While attempts must continue to be made to attract foreign investment through fiscal incentives and other arrangements, it must be recognised that there resides an important potential within the domestic small-scale sector e.g. agro-processing.

The industrial development of St. Lucia requires an infrastructure for the training and retraining of the work-force to deal with shifts in the technology that might render some types of activities suddenly uncompetitive. There is need for a country to develop a consensus on wages. The relative cost and productivity of labour would determine the attractiveness of St. Lucia for labour intensive manufacturing operations in the short to medium run.

Services: In addition to Tourism Services, St. Lucia is well advised to explore other services as the source of employment and income generation. Much will depend on the cost of the communications infrastructure. Facilities will have to be moderately priced for the country to enter the market for information processing for firms in the North Atlantic.

Small and Medium Sized Enterprises: There is need to provide support to small entrepreneurs, micro-enterprises and the self-employed by way of training, and access to credit. This is an effective means of assisting the poor to employ themselves and to contribute to the eradication of poverty.

4.2 CAPACITY BUILDING

There are some measures that are needed for the expansion to be realised, mainly in the area of capacity building, but this has to be seen for both its short-term and longer term implications, Education/Training and Health have been identified specifically in the analysis, as the fulcrum of capacity building. Programmes for the upgrading and retraining of the existing work-force, for the education and training of out-of-school youth, for the efficiency of the educational system in terms of its output, for the earliest preparation of the children of the poor in pre-schools, are all part of its portfolio.

Likewise, an effective system of primary health care such that the poor can be protected even in a

situation of declining incomes from any undermining of bodily health is a necessary condition for capacity building. In this regard, potable water, universal provision of toilet facilities, the safe disposal of garbage, family planning services, and the inculcation of improved eating habits emerge as high priority areas. There are also infrastructural supports needed which contribute to the quality of life, and also provide an environment facilitative of capacity-building: housing, water, electricity, roads, and communications are among the most notable of these. There is also the infrastructure that would afford some of the poor immediate opportunities for employing themselves: campsites, footpaths and trails would allow the involvement of communities that hitherto have not been able to offer eco-tourism services, but which have some of the other amenity resources.

4.3 INSTITUTIONAL DEVELOPMENT

In all of the above, there is need for the creation of a new ethos, which is, in itself, a new social infrastructure, of collaboration between the Government on the one hand, and the NGO/CBO/GRO Community. The greater participation of the people at the various levels, whether through formal local Government institutions or through more voluntaristic structures of citizen organizations, would allow the country to avail itself of all its minds in the solution of social and economic problems. The study has shown that the communities that lack such organisation are invariably poorer for their deficiency: they are incapable of empowering themselves to resolve problems even through there may be no need for physical and other resources from the outside. St. Lucia has been fortunate in having a few dynamic NGOs.

There is need to allow the room for these and others to develop and grow, at the same time that there is rationalization of effort to avoid duplication, especially in a situation of declining resources.

Institutional development relates not only to the NGO Sector. There is a range of governmental agencies that need to be streamlined or revamped to ensure that they provide a more effective interface with the public in general, and with other key agencies specifically.

Social Efficiency: There is need for the problems of adjustment to be recognised for their impact on the poor and the vulnerable and for their capacity to precipitate the fall into poverty of new groups and communities. Social efficiency requires that there be put in place the mechanisms to deal with the fall-out in a country which would always be required to make adjustment to its economy, given its absolute dependence on the vagaries of the international economic system.

Finally, the task of poverty reduction and alleviation will be a continuing responsibility of the social partners: Government, Private Sector, Trade Union Movement and NGO Community in all its variants, including, CBOs and GROs. The National Assessment Team, as proposed by the Caribbean Development and followed in the implementation of the poverty assessment exercise in St. Lucia in 1995, has provided useful experience. The structure that has developed ensures that the issue of poverty remains on the formal agenda of an agency that is not limited to the Government to institutionalise the National assessment Team, along with a supporting Social Planning Unit in the administrative structure of the country. In this way, poverty eradication will stay firmly on the agenda of the country, and will be consciously monitored as the nature of the problem changes. Poverty is not inevitable in St. Lucia.

Collaboration across all these agents, NGOs, CBOs, GROs, the Trade Unions, the Private Sector, and the Government Agencies would ensure that St. Lucia mobilises more of its resources, physical, financial and intellectual, in confronting its problems.

The social efficiency of the society depends on this. A minimum base of consensus is an imperative for the process.

There does exist an infrastructure that would allow some of the indicators relating to the status of the poor to be monitored on a continuing basis. At the present time, however, it is still easier to be monitored on a continuing basis. At the present time, however, it is still easier to monitor economic rather than social trends.

4.4 **ATTITUDINAL CHANGE**

There are four areas in which an attitudinal shift would contribute to poverty reduction and alleviation without major additional costs, or would result in a major expansion of capacity. These are:

- The attitude to adult education and post school training and educational upgrading;
- the attitude to the environment;
- the attitude to nutrition and diets; and
- the attitude to family planning services.

Better attitudes to adult education and post-school personal upgrading would allow the population to expand its knowledge and production capabilities thereby ensuring its greater flexibility and resilience in the face of economic change.

A population well attuned to the observance of higher standards of environmental sanitation can

reduce the public costs of environmental sanitation. Likewise, a greater sensitivity of nutritional needs allows the poor to maintain good health, even with limited budgets. Greater use of available family planning services would reduce considerably the rate of population growth, but more particularly, the pressure on members in poorer households. In all these areas, there is a need for skillful use of the mass media and of other organs of public information to induce major behavioural change.

4.5 MONITORING MECHANISM

Poverty assessment to generate programmes that reduce and alleviate the condition of poverty requires a mechanism for continuous monitoring. As the economy undergoes change or as particular sectors experience adjustment and as particular groups in the society suffer differential impact of economic and social change, the monitoring mechanism must provide early warning signals that would allow agents in the society-Government Agencies NGOs, CBO, GROs, and the people themselves to respond appropriately.

The highest social efficiency of the society in dealing with the problems of poverty dictates not only that there be such a mechanism, but that it display three characteristics:

- Understanding of the economic factors that impinge on development
- Good grounding in social and cultural reality of the society.
- Management capability to ensure effectiveness and accountability

It is proposed that such a mechanism should become an integral part of the national machinery for monitoring poverty indicators, devising strategies to ensure that the indicators always point to modalities for the sustained improvement in the quality of life of the poor.

CONCLUSION

In the final analysis, poverty reduction is about the generation of resources. A major factor in the current equation is the capacity of the country to make the transition from a major dependence on the Banana Industry and on low-skill Export Manufacturing which previously provided much employment and foreign exchange earnings, to other activities that would take up the slack. At the same time that this new capability is being developed, the Government of St. Lucia must find the resources to continue infrastructure expansion, (physical, human, and institutional), and address the fallout of the adjustment with a safety-net that protects the most recent victims, the existing and potentially vulnerable groups.

Creative measures must be found to support the revenue base that is required to deal with pressing requirements of the infrastructure and the safety-net.

The country cannot escape seeking external funding at the present time.

The fact that the government has displayed fiscal rectitude, and has avoided the wanton increase in public expenditure may serve to provide some greater receptivity in the Donor community to its current needs for external financing. On the other hand, requests for assistance must be

supported with a sheaf of bankable projects within a framework that seems structured to guarantee viability of the economy of the country in the medium term. There is need therefore, for the early enunciation of specific policies with regard to diversification of Agriculture, and to the development of the alternative foreign exchange earners. St. Lucia has to be clear in exploiting the limits to which it can engage in industrial policy and strategy in the open trading regime of the late 1900s and the early 21st century.

After a number of years of very commendable growth, the country finds itself in a difficult transition. The respectable growth performance created a reservoir of expectations that cannot be satisfied in the current realities. In other words, its past economic success has erected the major hurdle for the country in undertaking the changes that it now needs to adopt. It is in this difficult environment that the political economy of adjustment has to be transacted. There is need for social consensus on the nature of the transition that the country has to undergo. There is apparently not enough of the economic literacy to afford to the entire population the wherewithal to comprehend the enormity of the task that the country faces. Much will depend on the skills of the political directorate and of all the social partners, collectively and severally, in transmitting and translating the message. These include the effects of NAFTA, the new trade regime in bananas, the competitiveness of alternative locations in the Caribbean in respect of low skill export manufacturing, the role of the human resource base and knowledge in competitiveness, and the shift in the international economy. St. Lucia, as a small country, has no other recourse but to adjust to the above.

The final configuration of the programme of poverty reduction and alleviation will need to be elaborated by the Government in the light of the priorities it would establish with the social partners.

Continued tight fiscal management would contain any waste in public expenditures. Better targeting of resource flows, and greater coordination of services among agencies, would free up

some existing resources for deployment of other priority areas. While the recommendations will result in some expansion of the safety-net, some of the new requirements could be financed from greater efficiency and savings elsewhere, within the present current revenue base.

Important institutional shifts are likely to help considerably in the expansion of inaccessible resources. The creation of a housing bond is one example. The linking of resources in the commercial banking system to the development agencies would make available some of the existing savings of country to the process of development, at a time when St. Lucia needs to expand its productive base to restore the economy to sound health. It is not being recommended that the Government engage in directed credit. However, moral suasion, with appropriate institutional safeguards in place, would encourage deployment of some of the resources in the commercial banking system to development purposes. This may reduce the cost of the investment package to be financed through external loans. In the final analysis, the Government and the country may not be able to raise all that is needed to expand capacity which is the base of poverty eradication.

Hopefully, the valiant effort of the Government and the country may encourage external agents to be more forthcoming in assistance by way of grants and soft loans. Much of the solution to poverty reduction and alleviation in St. Lucia lies outside the traditional ambit of poverty assessment, and resides in the political economy of adjustment. St. Lucia would require great understanding from the outside in enlisting the help it needs.

TABLE 1: MINIMUM COST DAILY FOOD BASKET FOR A FAMILY OF FOUR, MARCH 1995 6240 KILOCALORIES

ITEMS	AMOUNT (GR.)	ENERGY	COST \$
Flour, counter	172	631.6	0.22
Rice, Milled, Raw, Enriched	172	621.2	0.24
Cornmeal, Wheat germ, Bolted	172	619.4	0.44
Plantain, Green	404	367.4	0.52
Green Banana	404	283.6	0.44
Breadfruit, Fresh Fruit	404	222.4	0.44
Sugar, Dark Brown, Crude	168	624.0	0.20
Split Peas	108	378.8	0.26
Dry Lentils	108	370.0	0.28
Peas and Carrots, Frozen	108	60.0	0.80
Christophine	108	26.0	0.28
Melongene	108	21.4	0.32
Pumpkin	108	17.4	0.34
Ripe Banana	62	38.2	0.68
Soursop	62	21.8	0.68
Grapefruit	62	12.2	0.68

Raisins	62	177.4	0.82
Chicken Neck and Back	60	45.2	0.18
Chicken Thigh	48	54.8	0.26
Chicken Drumstick	48	39.6	0.28
Lamb	48	78.0	0.36
Cheese	48	221.8	0.46
Beef	48	64.8	0.40
Powdered Milk	48	290.2	0.70
Evaporated Milk	48	79.0	0.18
Margarine, Fortified	48	436.8	0.34
Margarine, Net Fortified	48	436.8	0.34
TOTAL	-	6,240.0	11.14

Assuming a 30 day month, the cost of feeding the family is therefore \$334.20. This figure divided by four gives an indigence line with value \$83.55

Table 2: RANKING OF SELECTED COMMUNITIES BASED ON LIVING CONDITIONS INDEX

Name of Community	Condition of Household in Community		Number of Households in Communities	Percentage of Households that are Very Bad	Cummulative Percentage of Households that are Bad/Very Bad	District
	Very Bad	Bad				
Balca	33	11	47	70.21	93.62	Choiseul
Belvedere	32	29	66	48.48	92.42	Canaries
Roseau	33	37	78	42.31	89.74	A. La Raye
Vieux					88.46	Gros Islet
Sucreic	15	8	26	57.69	86.55	Dennery
Belmont	60	43	119	50.42	80.36	Soufriere
Bouton	28	17	56	50.00	75.14	Micoud
Anse-Ger	51	79	173	29.48	62.96	Dennery
Aux Leon	60	127	297	20.20	38.99	Castries
Cicéron	55	154	536	10.26	43.58	Vieux Fort
Vieux Fort	149	282	989	15.07	28.94	
Town						
Soufriere	75	160	812	9.24		Soufriere
Town						

TABLE 3: SELECTED POVERTY INDICES BY GEOGRAPHIC REGION

Region	% of Population	Head Count	Poverty Gap	FGTP ₂	Mean Per Capita Consumption (\$)
All St. Lucia	100.0	25.1	8.6	4.4	6,292
Castries Urban	19.0	15.2	4.4	1.7	7,929
Castries Rural	21.6	22.6	8.2	3.8	6,685
Other Urban	14.8	17.5	6.2	3.1	8,909
Other Rural	44.6	33.2	11.2	6.0	4,401
Total Urban	35.7	16.3	6.1	3.1	8,346
Total Rural	54.3	29.6	9.9	5.1	5,153

TABLE 4: CHARACTERISTICS OF HOUSEHOLDS BY EXPENDITURE QUINTILES

Households Characteristics	Per Capita Consumption Quintiles					
	All St.Lucia	I Lowest	II	III	IV	V Highest

Area:	35.7	24.1	26.0	26.0	30.0	52.3
Urban - Percentage residing	64.3	75.9	74.0	74.0	70.0	47.7
Rural - Percentage residing						
Sex of Head of Household:						
Male	56.7	51.7	49.0	49.1	58.3	67.0
Female	43.3	48.3	51.0	50.9	41.7	33.0
Average Age of Head	46.6	49.2	48.7	46.5	44.5	45.7
Average Household Size	3.8	5.3	4.6	4.2	3.7	2.6
Average Number of Children less than age 17	1.5	2.7	2.0	1.7	1.4	0.7
Average Number of Persons per Bedroom	1.9	3.0	2.3	2.1	1.5	1.2
Average Number of Earners	1.3	1.1	1.2	1.4	1.5	1.4

TABLE 5: ESTIMATES OF PERCENTAGE OF POOR AND NON-POOR HOUSEHOLDS FOR SELECTED COMMUNITIES

Selected Communities	Socio-Economic Status	
	Poor	Non-Poor
Anse-Ger	58.8	41.2
Bacadere	28.6	71.4
Balca	79.2	20.8
Baron's Drive	58.8	41.2
Belmont	63.3	36.7
Belvedere	69.2	30.8
Bouton	31.6	68.4
Cicéron	47.1	52.9
Roseau	63.3	36.4
Vieux Sucreic	25.0	75.0
Aux Leon	63.3	36.7
Soufriere Town	22.2	77.8