

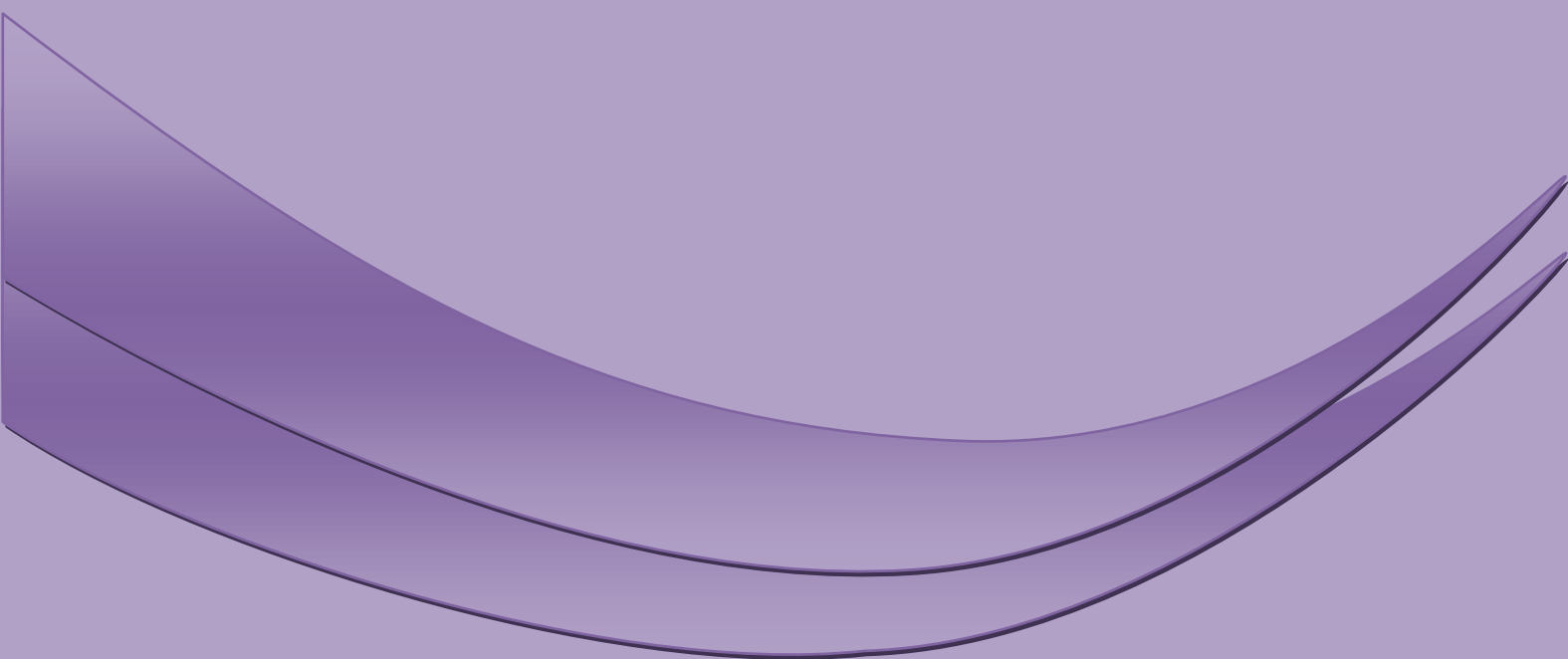
Federation of Saint Kitts and Nevis



NATIONAL POVERTY REDUCTION STRATEGY

(2012-2016)

VOLUME TWO: BACKGROUND AND ANALYSIS



FEDERATION OF SAINT KITTS AND NEVIS

NATIONAL POVERTY REDUCTION STRATEGY (2012-2016)

VOLUME TWO: BACKGROUND AND ANALYSIS



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Acronyms and Abbreviations

AVEC	-	Advanced Vocational Educational Centre
BFC	-	Basseterre Fisheries Complex
BNTF	-	Basic Needs Trust Fund
CARICOM	-	Caribbean Community
CDM	-	Comprehensive Disaster Management
CSME	-	CARICOM Single Market and Economy
CAREC	-	Caribbean Epidemiology Centre
CBI	-	Caribbean Basin Initiative
CCA	-	Climate Change Adaptation
CDB	-	Caribbean Development Bank
CCHII	-	Caribbean Cooperation in Health Initiative, Phase II
CIDA	-	Canadian International Development Agency
CPA(s)	-	Country Poverty Assessment(s)
CSEC	-	Caribbean Secondary Education Certificate
CSEP	-	Caribbean Sustainable Energy Programme
CSWs	-	Commercial Sex Workers
DARE	-	Drug Awareness and Resistance Education
DBSKN	-	Development Bank of Saint Kitts and Nevis
DRR	-	Disaster Risk Reduction
EC	-	Eastern Caribbean
ECCB	-	Eastern Caribbean Central Bank
ECCU	-	Eastern Caribbean Currency Union
EDF	-	European Development Fund
EIMAS	-	Environmental Information Management Advisory System



Acronyms and Abbreviations

EPA	-	Economic Partnership Agreement
EU	-	European Union
Ex-Im	-	United States Government's Export Import
FAO	-	United Nation Food and Agriculture Organisation
FATF	-	Financial Action Task Force
FSWs	-	Female Sex Workers
FND	-	Foundation for National Development
GDP	-	Gross Domestic Product
GIS	-	Geographic Information System
GNP	-	Gross National Product
GSKN	-	Government of Saint Kitts and Nevis
GTZ	-	German Institute for Technical Corporation (Deutsche Gesellschaft für Technische Zusammenarbeit)
HACCP	-	Hazard Analysis and Critical Control Points
HDI	-	Human Development Index
HDR	-	Human Development Report
HIV/AIDS	-	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HMP	-	Her Majesty's Prison
ISO	-	International Organisation of Standardisation
IA	-	Institutional Assessment
ICT4EDC	-	Information and Communication Technology for Education, Diversification and Competitiveness
ICTs	-	Information and Communications Technologies
IICA	-	Inter-American Institute for Co-operation and Agriculture
ILO	-	International Labour Organisation
IMF	-	International Monetary Fund



Acronyms and Abbreviations

ISCED	-	International Standard Classification of Education
LFS	-	Labour Force Survey
MDGs	-	Millennium Development Goals
MfDR	-	Management for Development Results
MoF	-	Ministry of Finance
MIC	-	Ministry of Industry and Commerce
MNS	-	Ministry of National Security
MOE	-	Ministry of Education
MOH	-	Ministry of Health
MoSD	-	Ministry of Sustainable Development
MSWs	-	Men Who Have Sex with Men
MW	-	Megawatt
MIS	-	Management Information System
MSMs	-	Men Who Have Sex With Men
MCDCGA	-	Ministry of Social Services, Community Development & Gender Affairs
MPWH	-	Ministry of Public Works and Housing
MYESIT	-	Ministry of Youth Empowerment, Sports, Information Technology
NAFTA	-	North American Free Trade Agreement
NAS	-	National Adaptation Strategy
NDMA	-	Nevis Disaster Management Agency
NEDD	-	National Entrepreneurial Development Division
NEMA	-	National Emergency Management Agency
NIA	-	Nevis Island Administration
NHC	-	National Housing Corporation
NHLDC	-	Nevis Housing and Land Development Corporation



Acronyms and Abbreviations

NHP	-	National Health Plan
NPDP	-	National Physical Development Plan (NPDP)
NPRS	-	Saint Kitts and Nevis National Poverty Reduction Strategy
OAS	-	Organisation of American States
OECD	-	Organisation for Economic Co-operation and Development
OECS	-	Organisation of Eastern Caribbean States
PAHO	-	Pan American Health Organisation
PDV Caribe	-	Petrocaribe
PLHIV/AIDS	-	People Living with HIV/AIDS
PMO	-	Prime Minister's Office
PPA	-	Participatory Poverty Assessment
PSIA	-	Poverty and Social Impact Assessment
PSIP	-	Public Sector Investment Programme
PWDs	-	Persons with Disabilities
R&D	-	Research and Development
RSS	-	Regional Security System
SALW	-	Small Ammunitions and Light Weapons
SEDU	-	Small Enterprise Development Unit
SEU	-	Special Education Unit
SIDS	-	Small Island Developing State
SIRMM	-	Sustainable Island Resources Management Mechanism
SIRMZP	-	Sustainable Island Resource Management Zoning Plan
SKIPA	-	Saint Kitts Investment Promotion Agency (SKIPA)
SLC	-	Survey of Living Conditions
SLDI	-	Special Land Distribution Initiative
SMEs	-	Small and Medium-Sized Enterprises



Acronyms and Abbreviations

SPMIS	-	Social Protection Management Information System
SSB	-	Social Security Board
SSS	-	Social Security Scheme
STIs	-	Sexually Transmitted Infections
TVET	-	Technical and Vocational Education and Training
UK	-	United Kingdom
UN	-	United Nations
UNCCD	-	United Nations Convention to Combat Desertification
UNDP	-	United Nations Development Programme
UNECLAC	-	United Nations Economic Commission for Latin America and the Caribbean
UNICEF	-	United Nations International Children's Emergency Fund
UNODC	-	United Nations Office on Drugs and Crime
UNWTO	-	United Nations World Tourism Organisation
UPR	-	Universal Periodic Review
US	-	United States
USA	-	United States of America
USAID	-	United States Agency for International Development
VAT	-	Value-added Tax
VCT	-	Voluntary Counselling and Testing
WIP	-	West Indies Power
WHO	-	World Health Organisation
WTO	-	World Trade Organisation





1 Introduction

This Volume, Volume 2, is a reference volume and supports Volume One by providing information that explains much of the context in which the National Poverty Reduction Strategy (NPRS) has to be mounted. It provides coverage of the following mainly:

- The macroeconomic framework for Saint Kitts and Nevis;
- Definitions and estimates of poverty, and its causes and manifestations in Saint Kitts and Nevis;
- The institutional framework for poverty reduction in Saint Kitts and Nevis.

Much of the data in this volume will need to be updated periodically as the Strategy unfolds and the various interventions yield results.



2 Macro-Economic and Social Review

The present state of the Macro-economy of Saint Kitts and Nevis, and the performance of the society on the basis of select social parameters have to be set in the context of the country as a externally propelled economy from its establishment as a colony of exploitation in the colonial period up to the present, as an independent island state. In this Chapter, an overview is undertaken of its recent performance as a small country hitched inexorably to the international economy and society and being influenced substantially by the nature of its engagement with the global economy and international society.

Global Perspective

The Caribbean Economies remain heavily dependent on the countries of the North Atlantic which in the latter half of 2010, showed signs of recovery. According to the International Monetary Fund (IMF), the world economy was projected to grow by 4.5 percent, with the advanced economies growing at 2.5 percent and emerging and developing economies growing at 6.5 percent. However, the IMF noted risks to recovery deriving from the disruptions in oil supply as a result of the Middle Eastern crisis that has shattered relative political stability under authoritarian regimes. More recently, the IMF has warned that the world economy has ‘entered a dangerous phase’.¹ From the perspective of the Caribbean and from that of Saint Kitts and Nevis in particular, the threat of increases in oil prices is real, not only because of the likely impact on domestic inflation but also because of the impact on airline fares and on the costs of operation of cruise liners.

The recovery in India and China has been strong with both expected to grow in the high single digit range. This has implications for food prices, especially against the backdrop of depleted

¹ IMF, 2011. Lagarde Urges Strong Leadership to Put World on Firmer Footing. Website source: <http://www.imf.org/external/pubs/ft/survey/so/2011/NEW092211B.htm>.



stocks following adverse weather conditions in Russia, Australia and other key supplier countries. Indeed, it was the escalation in food prices that triggered the Middle Eastern crisis in the first place. The disproportionate relationship between supply and demand in world food commodity markets will severely impact net importers such as St Kitts and Nevis, especially in the absence of a programme for food security, which could be disastrous, given the general prognosis of Brown (2011)².

These worrying trends in the world economy have implications for Saint Kitts and Nevis, which remains in the throes of managing a huge debt to GDP ratio. The Government has been forced to introduce drastic measures to cut expenditure in the face of continuing decline in the revenue outturn.

Local Perspective

As a SIDS in the Caribbean, the Saint Kitts and Nevis' long term economic wellbeing and security remain highly vulnerable to developments outside of its control. Saint Kitts and Nevis is highly susceptible to exogenous shocks, in the form of natural disasters as well as to any volatility of the world economic system. A rapid succession of both types of adversity has kept the economy in reactive mode over the last 20 years which requires the GSKN to intensify its commitment towards the implementation of strategic responses to effectively address the economic challenges faced by the nation.

The country has suffered a number of hurricanes and wind storms in the last decade with consequences for economic development. The islands suffered substantial damage to the building stock and key infrastructure including the air and sea ports³. Hurricane Omar (2008) was particularly devastating. It resulted in the closure of the Four Seasons Resort in Nevis which suffered flood and infrastructure damage due to extremely high storm surge. The Four Seasons Resort is the second largest employer (directly and indirectly) on the island of Nevis and occupies a dominant position in the economy by way of tax revenues. According to IMF estimates, hotel room and restaurant tax accounted for an estimated 13 percent of the Nevis Island Administration (NIA's) revenue, and the resort's closure was expected to have a direct falloff of about XCD8 million on tax revenue (0.5 percent of Gross Domestic Product - GDP) over the first 12-month period of the closure⁴.

For centuries, the country's main export was sugar cane, but beginning in the 1980s the industry suffered increasing difficulties resulting from a combination of increased labour costs, high factory operating costs and declining revenue (Adaptation Strategy in Response to the New EU

² Lester Brown, 2011. The geo-politics of Food. Foreign Policy; Bulletin May/June, 2011. Website source: http://www.foreignpolicy.com/articles/2011/04/25/the_new_geopolitics_of_food?page=full.

³ Saint Kitts and Nevis suffered six hurricanes during the period 1995 -1999, including Georges (1998) and Lenny (1999). During the period 2000 to 2008 windstorms and hurricanes continued to wreak havoc in the twin island Federation - Debbie (2000), Jeanne (2004), Olga (2007) and Omar (2008).

⁴ IMF Saint Kitts and Nevis Country Report, June 2009. Website source: <http://www.imf.org/external/pubs/ft/scr/2009/cr09180.pdf>



Sugar Regime, 2006-2013, hereafter known as the National Adaptation Strategy 2006-2013).⁵ In recent decades, the pressure of competition from large sugar producers such as Brazil, along with rising production costs and low world market prices, led to the eventual closure of the state-owned sugar company in 2005. The country has turned to private sector led investment in tourism, financial services, non-sugar agriculture and ICT development as its main adaptive strategy. Of these, tourism has been more dynamic thus far, having become a major source of foreign exchange earnings and employment generation.

Relative to its population size and the size of its economy, Saint Kitts and Nevis is the most heavily indebted of all OECS member states. The Federation's high level of indebtedness (according to the UN, over 192 percent of GDP in 2010) remains the most pervasive impediment to macroeconomic growth. This enormous accumulated debt can be attributed to two principal sources: years of Government subsidies to the country's sugarcane industry and the high capital costs associated with rebuilding the country after the hurricanes and wind storms since 1995⁶. Debt service accounted for over 24 percent of total Government revenue in 2008, crowding out development related spending and leaving little room for the Government to manoeuvre and to respond to adverse shocks, such as the global financial crisis⁷.

Like many countries in the Region, the downturn of OECD economies in the face of the global financial crisis of 2008-2009 adversely impacted the tourism, manufacturing and financial services sectors of Saint Kitts and Nevis, leaving in its wake a series of indirect impacts. A study of the social impacts of global financial crisis of 2008-2009 revealed that the main concerns of affected persons were (United Nations Development Programme Poverty and Social Impact Analysis - UNDP PSIA, 2009):

- The rise in unemployment and underemployment, as evidenced by the large numbers of layoffs and reductions in work hours in 2008 and 2009, which often resulted in increased stress levels and forced changes in consumption behaviour;


Box 2.1: Saint Kitts and Nevis Macro-Economic Fact-box: 2001-2011

❖	Population
-	50,314 (2011)
❖	Population growth rate:
-	0.823%
❖	GDP (official Exchange rate):
-	US\$526Million (2010)
❖	GDP – Real Growth Rate:
-	-1.5% (2010)
❖	GDP Per Capita
-	US\$14,400 (2010)
❖	Labour Force:
-	29,865 (2009)
❖	Unemployment Rate:
-	6.5% (2009)
❖	Inflation Rate:
-	1.9% (2009)
❖	Debt:
-	\$2443.9 M (XCD)
-	Over 192% of GDP (2010)

⁵ Ministry of Sustainable Development, 2006. Adaptation Strategy in Response to the New EU Sugar Regime, 2006-2013. Government of Saint Kitts and Nevis; 175pp.

⁶ UNDP – Poverty and Social Impact Analysis of the Global Economic Crisis (PSIA, 2009).

⁷ Saint Kitts and Nevis: 2009 Article IV Consultation and Request for Emergency Natural Disaster Assistance—Staff Report; Public Information Notice and Press Release on the Executive Board Discussion; and Statement by the Executive Director for Saint Kitts and Nevis available at: www.imf.org/external/pubs/ft/scr/2009/cr09180.pdf, accessed on 01.12.11

- 
- Increased inability to meet financial commitments, due to the sharp increase in inflation especially of food and fuel, which eroded the buying power of consumers; and
 - Increased hardship for those whose welfare was dependent on others, especially the elderly who rely on their children for remittances or on the State for healthcare, and young persons living in poor households with large numbers of children.

Box 2.2: Adaptation in the Macro-Economy

Action taken in 2009/2010 in the face of the global crisis:

- Adoption and implementation of the ECCB's Point Stabilisation Programme
- Exemptions from Value-added Tax (VAT) on a range of basic goods –interest and loan payments, selected medicines, residential rent, local farmer's produce, gasoline, diesel, cooking gas and kerosene, articles specific to the disabled, and some imported foods
- Contract hiring of civil servants passed the retirement age to facilitate knowledge transfer and the retention of important rare skills

Summary New/Increased Taxes and Imposts

- Increase in electricity tariffs for domestic and corporate a KW ranges (January 2011)
- Increase in contributions of Tier Two, Three and Four employees contribution under the Housing and Social Development Levy (December 2010)
- Customs Service Charge exemptions to come to an end in 2011
- Introduction of a VAT (November 2010)
- Introduction of a \$1000 Levy on vehicles which are not subject to the Environmental Levy (new vehicles up to two years old) (2010)
- New Duty Free Store Regime introduced to replace existing Duty Free store system

Structural and Social Policy Highlights

- Review of Revenue collection.
- The establishment of a competitiveness council to make recommendations on stimulating the economy and boosting competitiveness.
- Re-structuring of the Ministry of Finance to strengthen institutional capacity for debt management based on recommendations from the IMF.
- New Small Business Legislation passed to boost competitiveness of supported businesses while facilitating growth of new ones.
- The rescinding of twelve existing levies: the Consumption Tax, the Hotel Accommodation and Restaurant Tax, the Cable TV Tax, the Vehicle Rental levy, the Insurance Premium Tax, the Export Duty, the Public Entertainment Tax, the Lotteries Tax, the Gaming Machine Tax, the Traders Tax, the Telecommunication Levy, the Island Enhancement Fund and the Parcel Tax.
- Construction exemption from VAT (18 months)
- Youth Empowerment through skills training
- Adoption of the recent White Paper on Education Development and Policy

Striking a balance between social and economic development is a key concern for the Government of Saint Kitts and Nevis. Recognising that production and competitiveness in the 21st century have become increasingly technology and knowledge-based, the Government of Saint Kitts and Nevis has elaborated plans for continued and increased investment in human



capital – especially technical and vocational education (National Adaptation Strategy 2006-2013). Additionally, the promotion of health and wellness is a major factor for increasing productivity. In 2006, the leading causes of mortality and morbidity were diseases of the circulatory system (accounting for the majority of deaths), diabetes mellitus and malignant neoplasms (Pan American Health Organisation - PAHO, 2008).

Economic Performance and Trends

Sectoral decline was evident in the growth rates and contributions to GDP of major industries between 2000 and 2010. Manufacturing suffered severe contraction both in terms of growth and in terms of its proportional contribution to GDP between 2000 and 2010. In 2010, the sector grew at a rate of -5.01 percent and its share of GDP had contracted by 3.45 percent since 2001. The year 2010 saw the lowest output from Manufacturing in the entire decade. This is as a result of the decline in competitiveness of the country in the type of export-oriented light manufacturing and assembly operations that had grown up in the last quarter of the 20th century before the formation of NAFTA and before the elimination of the Multi-fibre Agreement.

In respect of agriculture, the closure of the sugar industry seemed to have only a temporary effect on overall agricultural output between 2006 and 2008. Increased output from fishing and forestry helped to return sectoral share of GDP to pre-2005 levels by 2009.

Non tradable sectors which also accounted for large overall shares of GDP also witnessed significant decline during the decade. One of these, Construction, declined steadily over the period from 18.59 percent of GDP in 2001 to 12.5 percent in 2010. However, the hotels and restaurants sector (with a large tradable component) benefited from a gradual but sustained positive growth path, barring some fall-off after 2007. By 2010, Government Services and Banking and Insurance had the strongest performance overall and the largest shares of GDP.

Table 2.1 provides a sectoral distribution of the economy for the period 2000 to 2010, with a projection to 2012, developed by the Eastern Caribbean Central Bank. It is evident that there has been structural change in the economy of Saint Kitts and Nevis over the last decade, and surely since the late 1970s. In 1979, Agriculture accounted for 12.7 percent of GDP, followed closely by Manufacturing with 11.9 percent. Hotels and Restaurants and Banking and Insurance accounted for 4.4 percent and 4.3 percent respectively.



Table 2.1: Percentage Sectoral Contribution to Gross Domestic Product in Constant (1990) Prices

Economic Activity	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 (Proj)	2012 (Proj)
Agriculture	4.50	4.92	5.59	4.96	5.16	4.78	3.73	3.90	4.27	4.56	4.63	4.64	4.64
- Crops	2.77	2.92	3.37	2.85	2.73	2.24	1.20	1.18	1.18	1.24	1.36	1.37	1.37
- Sugarcane	1.87	2.07	2.23	1.68	1.57	1.26	-	-	-	-	-	-	-
- Other	0.90	0.84	1.13	1.17	1.16	0.99	1.20	1.18	1.18	1.24	1.36	1.37	1.37
- Livestock	0.35	0.49	0.59	0.61	0.63	0.61	0.59	0.62	0.62	0.70	0.69	0.70	0.70
- Forestry	0.08	0.08	0.08	0.09	0.08	0.08	0.08	0.08	0.08	0.09	0.09	0.09	0.08
- Fishing	1.29	1.43	1.55	1.40	1.72	1.85	1.86	2.03	2.39	2.53	2.49	2.48	2.49
Manufacturing	12.93	13.56	13.05	13.18	12.75	12.48	11.39	11.14	10.94	10.04	9.48	9.17	8.91
- Sugar	1.23	1.51	1.44	1.11	0.90	0.65	-	-	-	-	-	-	-
- Other	11.70	12.05	11.61	12.08	11.85	11.83	11.39	11.14	10.94	10.04	9.48	9.17	8.91
Construction	18.59	19.05	18.03	15.95	15.05	14.46	15.27	15.31	15.02	12.46	12.51	12.59	12.72
Wholesale & Retail Trade	13.62	11.86	11.93	12.66	11.64	11.29	12.03	12.05	12.40	12.28	12.32	12.28	12.17
Hotels & Restaurants	4.28	4.37	4.23	5.62	6.80	7.72	7.46	6.34	6.15	5.44	5.14	5.15	5.15
Transportation	7.40	7.54	8.16	8.22	10.27	10.04	9.82	9.88	11.44	11.16	11.42	11.53	11.60
Communications	10.54	10.58	9.89	9.58	9.23	10.35	10.26	10.86	10.09	10.83	10.66	10.62	10.73
Banks & Insurance	12.70	12.37	12.63	13.07	14.29	14.82	15.65	16.18	15.29	18.25	18.48	18.59	18.59
Real Estate & Housing	2.65	2.72	2.76	2.85	2.69	2.58	2.67	2.61	2.55	2.89	2.94	2.97	2.99
Government Services	15.11	15.24	15.88	15.92	15.23	14.96	15.08	15.33	14.91	16.82	17.31	17.42	17.44
Other Services	4.00	3.83	3.90	4.27	4.11	4.10	4.45	4.73	4.69	4.98	4.90	4.89	4.89

Source: Eastern Caribbean Central Bank



Another significant feature has been the change that has taken place in primary agriculture. The closure of the sugar industry led to a fall in the share of agriculture between 2006 and 2008, but stimulation of the fisheries and livestock subsectors arrested the decline in the share attributable to the entire sector. In 2009, the share of Agriculture had fallen to 2.4 percent, however, and Manufacturing to 6.7 percent. Two important sectors in the tradable sector had experienced falling shares. Indeed, the growth and transformation of the tradable sectors with goods and services hold the key to the successful development of Saint Kitts and Nevis and to its capacity to engage in sustained poverty reduction.

Policymakers in Saint Kitts and Nevis cannot avoid focus on export capability. The paradigm shift that has taken place in the international division of labour, along with the radical impact of new technology in recent years has transformed the basis for competitive participation of small countries like Saint Kitts and Nevis. Products and services can be disaggregated in terms of their being:

1. Traditional products and services;
2. New products and services; and
3. Differentiation of traditional products and services, with the use of new technology or delivery systems.

In respect of the first, the overriding impact of technology has marginalised some of the traditional suppliers. Saint Kitts and Nevis could not compete with Australia and others in the production of sugarcane. It lacks the Research and Development and the capability to apply new technologies in producing this traditional product. Nor did it have the capability to produce a range of differentiated products that would have afforded it viable market space in sugar production.

On the other hand, in respect of the vital tourism sector, where its unique mix of natural resources and amenities allows it to retain viability, it is well recognised that there is need to continue the process of product and service differentiation including through the adoption of new technical systems. No hotel operator in Saint Kitts and Nevis can eschew online marketing, and expect to be viable, even if the target is a high-end exclusive market.

Tourism

The performance of the Tourism sector is captured mainly in the Hotel and Restaurant Sector. However, it contributes to Transportation, Real Estate and Housing and other services as well. While, by and large, the sector has grown in size since the 1980s, it is subject to fluctuations and volatility. The Hotel and Restaurant component has seldom crossed ten percent in terms of share of GDP. Despite multiple shocks between 2001 and 2010, the tourism sector showed remarkable resilience. A significant development has been the rise in cruise ship visitors and the decline or at least a more erratic performance in the number of stay-over visitors.

There was an overall increase in total visitor arrivals over the decade 2001-2010, but there has been a change in the dynamic of the sector since 2005. In 2005, stay-over visitors made up 40 percent of all arrivals. However by 2009, the number of stay-over visitors declined and in its place, cruise arrivals climbed.



Between 2001 and 2010, cruise ship passengers constituted the single largest share of total visitor arrivals (consistently above or near 60%), and in 2009 and 2010, over 80 percent of total visitor arrivals came from cruise ships. Meanwhile, stay over arrivals decreased by 12.8 percent and hotel occupancy fell seven percentage points averaging 30.4 per cent during the first quarter of 2010 (ECCB, 2010)⁸. Decreases were recorded in arrivals from all three major markets - the Caribbean (30.7 per cent), the United States of America (USA) (4.5 per cent) and the United Kingdom (UK) (5.1 per cent). The decline in Caribbean visitors resulted in part from the high cost of intra-regional travel and the reduction in disposable incomes as a result of a region-wide economic slowdown. The net effect of this is a decline in visitor expenditure.

At the end of the first quarter 2010, year-on-year tourist expenditures were 10 percentage points lower than the 2009 figure, because of lower average expenditures by cruise passengers vis-à-vis stay-over tourists. The World Tourism Organisation (WTO) forecasts international tourist arrivals to grow at between four percent and five percent in 2011, a rate slightly above the long-term average.⁹ But for Saint Kitts and Nevis the 2011 tourist season arrivals are expected to be adversely affected by a reduction in cruise ship calls, and the implementation of a Green Tax on UK visitors. Other factors which may slow recovery in the sector are the persistently high or above average unemployment rates in major source markets and an increasing tendency among Governments towards taxation on travel.

There was initially optimistic outlook on the performance of international tourism, with data from fourth quarter of 2010 showing signs of buoyancy despite high levels of unemployment and low consumer demand in the United States and Europe. However, the data also reveal that cruise ship passengers accounted for more than 80 percent of total international visitor arrivals in 2009 and 2010, suggesting that the sector might have been sustained by a change in the demographics in tourism. Prospects have become more gloomy in the course of 2011, with the crisis in the Euro-zone casting a pall over the international economy. In any event, the Government of Saint Kitts and Nevis will continue to exploit tourism as a growth industry.

Financial Services

This sector includes the offshore sector which has been promoted since the 1980s. The sector accounted for 4.3 percent of GDP in 1979, but had increased its share to 10.3 percent in 1995, and accounted for 17.9 percent of GDP in 2009. While financial intermediation would have increased in an economy that was growing rapidly, the offshore component has been a significant share in the overall sector, and, in the case of Nevis, accounted for a substantial share of Government Revenue.

The sector might have made an even larger contribution to GDP but for the impact of measures that the country has had to adopt as a result of the challenge posed by the OECD countries on offshore financial institutions in the Caribbean. For awhile, Saint Kitts and Nevis was deemed to be one of the “non-cooperative countries” according to the FATF on Money Laundering, which

⁸ Ibid

⁹ United Nations World Tourism Organisation, 2010. International Tourism. Website source: http://85.62.13.114/media/news/en/press_det.php?id=7331&idioma=E.



exposed the country to threat of sanctions on the part of the OECD countries. Saint Kitts and Nevis adopted a range of legislative measures to correct for the implied deficiencies of its institutional infrastructure, which has allowed it to escape negative listing.

However, in the wake of the global financial crisis, a number of Governments among the OECD countries where bail-outs of major institutions have had to be undertaken, have renewed their attacks on the Caribbean off-shore financial services industry. The argument is that Governments of OECD countries should not be expected to provide support to institutions that run into difficulties, while, at the same time, they have been using offshore financial operations to provide cover and an escape from taxes of the clients of these institutions. In the light of the Euro-zone crisis, in which Governments (with resources from taxpayers) are likely to have to provide cover to banks, this argument will be advanced even more forcibly. The transparency rules and other restrictions that Saint Kitts and Nevis may be required to institute may slow or even retard the growth of the industry in future.

Agriculture

The most significant event in this sector in recent times, has been the closure of the sugar industry in 2005. The country is still adjusting to the closure of the Sugar Industry that had dominated economic activity on Saint Kitts for over three centuries. A road map was developed as the National Adaptation Strategy 2006-2013. The thrust of the strategy was directed at improving food security, raising rural incomes, especially in the areas of the country that were previously under sugar, and at increasing employment options and improving foreign exchange savings.

Against the backdrop of food imports supplying 75 percent of domestic demand, in addressing food security, the country had the chance of providing much needed employment opportunities, incomes and foreign exchange savings. Vegetable production, expansion of fruit and tree crops, along with livestock production, fisheries expansion and the promotion of non-traditional products like breadfruit and rabbit production that would facilitate food security offered the possibility of a high growth in post-sugar agricultural output.

There have been a number of hurdles to be overcome, in making a successful transition to post-sugar agriculture. In the five years since the initiation of the strategy, there have been problems that threaten to be intractable. Many ex-sugar workers have had difficulty in making the transition to being productive farmers. The Agriculture sector is still dominated by an ageing labour force and persons without the necessary entrepreneurial skills to carry the sector successfully forward. However, a substantial number of young people have expressed interest in the sector, have applied for land and are keen on pursuing farming as a viable means of business and employment. What is needed are the complementary systems and appropriate infrastructure in respect of extension services, the establishment of cooperatives, improved crop production and soil management systems, and the introduction of post-harvest technologies and of marketing arrangements that would support the efforts of these new agri-entrepreneurs.

By the time the country took its exit from sugarcane production, Agriculture already accounted for just 2.5 percent of GDP. The sector has remained in that range however, largely as a result of



improved performance in the fisheries and livestock subsectors, on the one hand, and to some of the efforts in respect of crops among some sections of the farming community. ECCB projections show that the sector as a whole could surpass pre-2008 levels and its share of GDP in 2012 could approach five percent with fisheries and crops leading growth in the sector.

In the last quarter of 2010 and first quarter of 2011, a series of supply side shocks occurred on the international commodity markets, in particular, in wheat, crude oil and natural gas markets, causing global food and energy prices to rapidly trend upwards. This escalation is expected to continue for the rest of 2011, further highlighting the imperative of food and energy security in Saint Kitts and Nevis. One of the major short term objectives of the NPRS will be the development of an agricultural sector that can meet supply shortfalls for local demand during periods of high international and regional market pressure, with longer term objective to sustainably increase agricultural production with a view towards a significant reduction in the food import bill and achieving food security.

Sweet potato production has been promoted by the Ministry of Agriculture with a range of supports being put in place – training of farmers, control of sweet potato weevil and other pests, control of obsolete pesticides, and improvement in post-harvest technology. The investment on the part of the Government in a Vegetable and Tree-Crop Farm at Capisterre is designed to assist in the development of commercialised farming and to boost domestic production in exactly those areas of Saint Kitts which would have been most affected by the closure of the sugar industry, for example Saint Paul's.

Fisheries

The Fisheries Sector has shown improved performance in recent years. In 2009, and in 2010, there were setbacks because of adverse weather conditions, which led to reduced fishing time and, in some cases, to loss of equipment. In recent years with external technical assistance especially from the Government of Japan, the country has made considerable strides in lifting the sector out of artisanal fishing into a more commercial mode. The subsector is now responsible for as much as one half of the output contributed by the Agricultural Sector to GDP. New infrastructure facilities are being constructed in both Saint Kitts and Nevis to support the transformation of the industry. In Saint Kitts, there is growing interest in the establishment of aquaculture operations, for example, Old Road. Indeed, the establishment of a modern fishing depot and the operation of seafood restaurant in Old Road have provided a template for other fishing communities to follow.

Construction

The construction sector was a major contributor to GDP prior to the 1990s but the sector has faced a continuous decline since 2001. In 2009, the sector's contribution to GDP contracted by six percentage points, due to contraction of activity in both the private and public sectors. Work on several tourism related projects in the private sector continued, but at a slower pace while private residential construction is estimated to have slowed due to a decline in credit extended for home construction and renovation. In the public sector, financing constraints were among



the challenges identified in implementing many elements of the Public Sector Investment Programme (PSIP) ¹⁰. The slow-down in the sector would have impacted male employment.

Manufacturing

Although the sector has been in decline, it remains an important sector in terms of employment and in foreign exchange earnings: according to the Minister of Finance, the sector employs as many as 1,000 workers. Even in a period of decline, it has matched and sometimes surpassed the sector, Hotels and Restaurants, which is part of the Tourism Sector. Much of the demand in the sector has been driven by the US as the source market. As that economy went into recession, there were contagion effects on the sector in Saint Kitts and Nevis.

Strenuous effort is being directed at finding alternative markets in Europe and Latin America. In the latter case, there are prospects from accession to the Guyana/Brazil Partial Scope Agreement and in the former, the EPA has to be explored for whatever opportunities it offers. There are also the openings that might arise with the deepening of the OECS Union and in the wider geographic markets of CARICOM.

Sources of Income

Remittances

The CPA of 2007/2008 revealed that remittances accounted for over 30 percent of income of the poorest 20 percent in Saint Kitts, but a smaller percentage in Nevis, highlighting the fact that the poorest of Saint Kitts and Nevis show a heavy reliance on remittances as an income source. For the population of Saint Kitts alone, remittances accounted for 12 percent of household income, while for Nevis, it was 8.2 percent. As the economic fortunes worsened during the crisis years in destination countries for migrant workers from Saint Kitts and Nevis, there was some fall-off in remittances between 2008 and 2009 (Table 2.2). While estimates show a mild recovery in remittance inflows in 2010, persistently high unemployment in the US and UK could be of great concern to migrant workers who support their families at home. Remittance flows are likely to remain constrained for the rest of 2011.

Labour and Employment

The working age population in Saint Kitts Nevis is estimated to be about 36,543 (Table 2.3). Of these, 24,958 were employed and 1,736 were unemployed at the time of the Labour Force Survey (LFS, 2009). This corresponds to a labour force participation rate of 73 percent and an unemployment rate of 6.5

Table 2.2: Estimates of Remittances Inflows into Saint Kitts and Nevis: 2007-2010

	2007	2008	2009	2010
Remittances (XCDM)	96.78	107.65	104.17	105.24
As a % of GDP	6.98	6.99	7.33	7.82

Source: Eastern Caribbean Central Bank

¹⁰ Eastern Caribbean Central Bank, 2010. Annual Economic and Financial Report, June 2010 Quarterly Update. Website source: www.eccb-centralbank.org/PDF/efrjune2010.pdf.



percent. The labour force participation rate is slightly lower in Nevis (70.8%) than in Saint Kitts (73.8%), and more so among women. Another important source on employment statistics is the data from the Social Security Board. The last full year results are from 2007 which show 24,801 persons employed, slightly lower than the LFS estimate¹¹.

Table 2.3: Labour Force Participation and Employment Status by Island

Island	Sex	Employment Status			LFPR* %	Unemployment Rate %
		Employed	Unemployed	Out of the labour force		
Saint Kitts	Male	9,266	520	2,765	78	5.3
	Female	9,917	702	4,495	70.3	6.6
	Total	19,182	1,222	7,260	73.8	6
Nevis	Male	2,850	250	970	76.2	8.1
	Female	2,926	263	1,619	66.3	8.3
	Total	5,776	514	2,589	70.8	8.2
Total	Male	12,116	771	3,735	77.5	6
	Female	12,843	965	6,114	69.3	7
	Total	24,958	1,736	9,849	73	6.5

Source: Labour Force Survey 2009 - Final Report (June 2009)

Most persons of working age (68%) have at least a secondary level education (sum secondary 4th, 5th, 6th form, tertiary and university), but there is still a significant proportion of persons with less than a complete secondary level

education. Additionally, only 24 percent of persons 15 years and above have some form of post secondary level education (Table 2.4). But these findings have to be juxtaposed against the high emigration rates of nationals to OECD countries. As in other Caribbean countries, a large number of highly skilled nationals are lost to immigration having left initially either to pursue tertiary education or to seek employment.

The LFS (2009) also collected information on members of the household (nationals) that were living abroad at the time of the survey. The survey confirmed that nationals living abroad were more likely to have higher levels of education. Persons with tertiary and university education accounted for 35 percent of all nationals living abroad, while 50 percent had some form of post secondary level education (Table 2.5). This suggests that more educated persons are leaving Saint Kitts and Nevis in search of opportunities abroad. The consequence of this human capital flight is that Saint Kitts and Nevis appears to suffer a general shortage of skilled labour, which hinders its potential for development.

¹¹ The difference between the Social Security Board (SSB) data and the LFS is that SSB includes all persons that had been employed at any given time during the year since contribution to the fund is mandatory, while LFS estimates those employed at the time the survey was conducted (a snapshot). The self employed category includes employers who may contribute for their employees (which is obligatory) but not for themselves (which is not mandated by law but is encouraged). This explains the difference in the employment counts from the SSB and the LFS.



Table 2.4: Educational attainment by sex (persons of 15 years and older)

Sex	Educational Attainment									Total
	None	Primary	Secondary 1-3/ All age	Secondary 4-5	6th Form	Tertiary*	University	Other	Not stated	
Male	2.60	7.83	19.08	44.87	3.97	11.35	7.15	0.46	2.68	100.00
Female	2.34	8.39	17.51	43.91	5.31	12.43	7.18	0.59	2.33	100.00
Total	2.46	8.14	18.23	44.35	4.70	11.94	7.17	0.54	2.49	100.00

**(Tertiary = college, vocational, non-university);*

Source: Labour Force Survey 2009 - Final Report (June 2009)



Table 2.5: Nationals (15 years and over) Living Abroad by Highest Level of Education

Level of Education	Total	Share (% of Total)
None	22	3.32
Primary	11	1.66
Secondary - 1 st -3 th	33	4.98
4 th -5 th form	133	20.09
6th form	100	15.11
Tertiary - (College, Vocational, Non-University)	143	21.60
University	88	13.29
Other	45	6.80
Not stated	88	13.29
Total	662	100.00

Source: Labour Force Survey 2009 - Final Report (June 2009)

State-owned enterprises (Government and statutory boards) currently account for 30 percent of employment in Saint Kitts and Nevis (Table 2.6).

Youth unemployment is a particular concern. Young persons, between the ages of 15 and 24 years, carry the largest burden of unemployment; 35 percent of all labour force participants in this age group seeking and unable to find work, almost six

times the national unemployment rate (Table 2.7), even though the youth labour force participation rate is significantly lower than any other age group.

Table 2.6: Employed Persons by Type of Employer and Sex (Percentage of total)

Employer	Sex		
	Male	Female	Both Sexes
Central Govt. Employee	22.5	30.7	26.7
Employee in Statuary Body	3.1	3.3	3.2
NGO/NPISH*	1.0	1.4	1.2
Private employee	54.2	55.3	54.8
Self-employed	17.9	8.4	13.0
Unpaid family worker	0.1	0.0	0.0
Other	0.2	0.1	0.1
Not stated	1.1	0.8	0.9
Total (%)	100.0	100.0	100.0
Total (N)	12,116	12,843	24,958

* - Non-profit Institutions Serving Households

Source: Labour Force Survey, 2009



Table 2.7: Labour Force Participation and Employment Status by Age Group

Age Category	Employment Status		Labour Force Participation Rate (%)	Unemployment Rate (% of cohort)
	Employed	Unemployed		
15-19	1,229	366	33.9	22.9
20-24	3,134	428	84.6	12.0
25-29	3,198	178	91.8	5.3
30-34	3,247	89	91.4	2.7
35-39	2,757	178	93.1	6.1
40 – 64	10,699	451	81.6	3.9
65+	562	44	15.5	7.3
Not stated	131	0	86.0	0.0
Total	24,958	1,736	73	6.5

Source: Labour Force Survey 2009 - Final Report (June 2009)

Tourism (hotels and restaurants) accounts for 11.1 percent of workers, while Construction accounts for 13 percent (Table 2.8). The largest single category of work is classified as Public Administration (16.7 %). A relatively smaller share of workers is employed in the Agriculture Sector (1.9%).

Table 2.8: Distribution of Employed Persons by Sector (% of Total)

Economic Sector	Share of Total (%)
Agriculture and Fisheries	1.9
Manufacturing	8.8
Construction	13.0
Wholesale and Retail	9.3
Hotels and Restaurants	11.1
Transport and Communications	4.9
Banking and Insurance	5.0
Real Estate, Renting and Business Services	5.8
Public Administration	16.7
Education	9.9
Health and Social Work	5.5
Other Community, Social and Personal	8.0



The construction industry has accounted for the most number of non-nationals (on work permits) in Saint Kitts and

Services

Total

100.0

Source: Labour Force Survey (2009)

Nevis: most of these workers have been skilled craftsmen (LFS, 2009). Large numbers of non-nationals can also be found in tourism (represented here as hotels and restaurants), public administration, education and wholesale and retail trade. Most persons on work permits have been skilled-craft and related trade personnel, service workers or professionals.

In Nevis, unemployment levels are expected to fall with the re-opening of the Four Seasons Resort, restoring at least some of the jobs that had disappeared in 2008 and 2009.

Prospects for Alternative Energy Sources

Most Small Island Developing States (SIDS) depend almost entirely on imported fuel for their energy needs and are particularly vulnerable to the vagaries of volatility in world energy markets and prices. This dependence entails a major threat to their economies, since fuel imports absorb a large share of foreign exchange earnings. Many SIDS are however rich in renewable sources of energy such as the sun and wind and are thus benefit from sustainable energy policies. There is also a moral dimension in taking this approach. Many SIDS are among the countries most vulnerable to the sea-level rise and extremes of climate brought about by climate change although they are responsible for emitting only a very small proportion of the greenhouse gases that contribute to global warming. Cutting back on their use of fossil fuels would strengthen their moral position even further.

The Government of Saint Kitts and Nevis has developed a National Energy Policy, with assistance from the Organisation of American States (OAS) Caribbean Sustainable Energy Program (CSEP). This involves exploration of alternative energy sources, including biofuels, geothermal energy and wind energy.

Biofuels Initiative: While Saint Kitts and Nevis has closed its sugar industry, some consideration has been given to the possibility of growing sugarcane and other plants for the purposes of converting them into energy products, including ethanol and electricity. An OAS-funded study concluded that Saint Kitts and Nevis has good potential to grow sugarcane, sunflower, and jatropha for the purposes of biofuel production.¹² Further it was determined that the biomass to electricity option would prove more feasible than the biomass to ethanol option. After an energy stakeholder consultation in which assessment findings were formally presented to the GSKN, a land use mapping and agricultural lands assessment were done to find areas suitable for growth of the biomass.

Geothermal Energy: Nevis is aggressively pursuing the possibility of developing geothermal energy, which is projected to have the potential to provide enough power for the entire country. The Nevis Island Administration (NIA) hired a European-financed company, West Indies Power Nevis (WIP), to explore the geothermal potential on Nevis, and WIP conducted exploratory

¹² General Secretariat of the OAS, OAS, Suitability Maps for Biofuel Crops in Saint Kitts and Nevis, April 9, 2008, p. 68.



drilling in five sites. The exploratory drilling confirmed the existence of geothermal sites whose energy could be harvested. After some delays in the commencement of the project which was expected to be completed at the end of December, 2010, the NIA in February of 2011 agreed to guarantee a US\$57 million loan being sought by WIP from the United States Government's Export Import (Ex-Im) Bank for the construction of an 8.5 megawatt (MW) power plant in Spring Hill, Nevis. Once completed, this project has the potential to impact favourably on Government revenues and stabilise and reduce the cost of energy. It is also being predicted that the availability of a consistent and cheaper source of non-fuel energy will have a positive effect on prices in the business sector and may serve as an attraction to businesses on Nevis, particularly those requiring an appreciable quantity of energy. The Energy Minister recently noted that the project has the potential to open up a US\$1 billion industry (which would make it larger than all current sectors) through the export of electricity to neighbouring countries including Puerto Rico¹³. The development of geothermal energy, along with the utilisation of wind and other forms of non-carbon energy sources will place Saint Kitts and Nevis in a strategic position in terms of utilisation of green energy and put it on a green growth path.

Wind Energy: There is the potential to rely on renewable wind energy for all its electricity needs and it may be feasible to turn Saint Kitts and Nevis into the leading Caribbean nation for wind energy. In 2007, the German Institute for Technical Corporation (Deutsche Gesellschaft für Technische Zusammenarbeit - GTZ) installed wind monitoring equipment to develop a wind resource map. In 2008, private wind developers negotiated with the NIA on details of a power purchase agreement for the development of a 1,100 kilowatts wind park. In 2010, the 1.1 megawatt wind farm, coordinated by OAS, was finally opened and is operational in Nevis.

¹³ Nevis, West Indies, 2011. A Non-tourist-Trap Blog: Nevis Government Gives Green Light to Geothermal Financing. Charlestown, Nevis, April 27, 2011.



3 Poverty in Saint Kitts and Nevis

Defining Poverty and Vulnerability

Poverty

Poverty is widely accepted as a multidimensional phenomenon and while material deprivation is a major component, social, cultural, political and institutional factors add complexity to the issue, making its assessment and treatment difficult. The World Bank's definition of poverty, though closely related to material deprivation and inadequate income and consumption levels, also takes into account a lack of access to basic social services such as health and education, and decent housing and includes exposure to risk, vulnerability, lack of autonomy, powerlessness, and lack of self-respect as important considerations¹⁴.

The World Development Report 2000 defines poverty as:

“an unacceptable deprivation in human wellbeing that can comprise both physiological and social deprivation¹⁵”

The Country Poverty Assessment (CPA) takes account of the multidimensional and relative nature of poverty by providing an analysis of the socio-demographic characteristics and life experiences of those defined as poor on the basis of the estimated poverty line. The 2007/2008 CPA defines the poor as:

“persons who live in households that are consuming at levels below an estimated minimum acceptable standard”

¹⁴ It is important to note that the methodology applied to the measurement of poverty assumes equitable intra-household distribution of resources. Thus, a person is deemed to be poor if the household to which he belongs has an adult equivalent per capita consumption which falls below the poverty line.

¹⁵ World Bank, 2000. World Development Report 2000/2001: Attacking Poverty. Website source: <http://siteresources.worldbank.org/INTPOVERTY/Resources/WDR/overview.pdf>.



Poverty is manifested in at least three forms. It may be *chronic* in so far as the victim is unable and unlikely to escape the poverty trap on his/her own, and has succumbed as a result of life altering challenges. It might be *structural* as a result of challenges in the structure and performance of the economy and the entrapment of the victim in a sector in decline. It may be *transitory* in that the victim is temporarily in poverty but has good prospects of recovering with or without assistance. Poverty can become inter-generational over time as individuals and households remain trapped in a vicious cycle of poverty for many generations, unless there are direct interventions to address their situation.

Vulnerability

Formal definitions of vulnerability tend to take account of factors which expose individuals and households to certain risks. Economic shocks, environmental disasters, susceptibility to crime and violence and personal tragedy like major illness can impact negatively on a household. If an individual or a household were close to the poverty line, there is the attendant risk that any one of these calamities can push the victim fully into poverty. A good working definition of vulnerability provided by the World Bank is that it is the current risk or probability of the non-poor falling into poverty or the poor falling deeper into poverty in the future, as a result of some external and largely unanticipated uncontrollable event, such as economic shocks, disease/illness, war/violence or natural disaster event¹⁶. The emphasis is on the range of income and consumption possibilities available to the household, and how susceptible these are to shocks.

Vulnerability could be more insidious as a social risk than poverty, since it could either be manifested as a rapid onset of reduction in welfare precipitated by a shock, or there could be a gradual erosion of security as conditions change. Vulnerability, like poverty, is gendered, and is co-dependent on natural resource and environmental management, macroeconomic performance and culture, thus requiring solutions that are focused through the lens of specific policy outcomes. The practice or the convention requires an increase on the poverty line by 25 percent to establish what percentage of the population could succumb to poverty as a result of one of these eventualities.

Magnitude and Distribution of Poverty

This chapter examines the situation of poverty and vulnerability in Saint Kitts and Nevis using quantitative and qualitative information from the CPA, the 2009 review of Social Safety Net, and the 2009/2010 Poverty and Social Impact Assessment (PSIA) of the Global Economic Crisis.

The 2007/2008 CPA conducted in Saint Kitts and Nevis provides quantitative measures of poverty as well as people's perception and experiences in poor communities. The CPA also provided an estimate of vulnerability by way of an upward adjustment of the poverty line by 25 percent. Since the conduct of the CPA, there have been a number of events that could have caused individuals and households that were not poor to fall under the poverty line: the

¹⁶ Ibid.



increase in food and fuel prices in 2007/08, the global financial crisis of 2008/09, and the introduction of the VAT in 2010 would have added to the challenges already faced by residents. Closure of the Four Seasons in Nevis due to hurricane Omar in 2008 also resulted in significant losses in revenue to the Government and would have signalled greater hardships for Nevisians and other persons employed in tourism industry. The 2009/2010 PSIA supports the view of possible increased poverty resulting from the global economic crisis in Saint Kitts and Nevis which were primarily through loss of employment and reduced income in key economic sectors (tourism, manufacturing, construction) coupled with economic contraction due to reduced spending and consumption overall.¹⁷

Two CPAs have been conducted in Saint Kitts and Nevis, one in the year 1999/2000 and another in 2007/2008. During the seven year period significant gains were made in respect of poverty reduction in the Federation. The 1999/2000 CPA revealed that 30.5 percent of individuals in Saint Kitts and 32 percent in Nevis were poor (Table 3.1). Of those deemed to be poor, 11 percent in Saint Kitts and 17 percent in Nevis were deemed to be indigent – the indigent are persons living in such conditions of extreme poverty that they would have been unable to meet even their minimum nutrition requirements.

But by the time of the most recent Survey of Living Conditions (SLC) was conducted in 2007/2008, the poverty rate for the Federation was 21.8 percent, and the situation had improved on both islands. The indigence and poverty rates in Saint Kitts stood at 1.4 percent and 23.7 percent respectively, while Nevis had succeeded in eliminating indigence and had reduced poverty rate to 15.9 percent (CPA, 2007/2008). The reduction in indigence is a clear sign of improvement over the period between the two surveys¹⁸.

Table 3.1: Poverty Rates by Island, 2000 and 2007/2008

Poverty Indicators	Saint Kitts		Nevis	
	1999/2000	2007/2008	1999/2000	2007/2008
Poverty Headcount Index (%)	30.5	23.7	32.0	15.9
Indigence Level (%)	11.0	1.4	17.0	0.0

Source: Saint Kitts and Nevis Country Poverty Assessment, 2007/2008

For the Federation as a whole an additional 13.8 percent) of residents (or an additional 7000 residents) were deemed to be vulnerable based on the 2007/08 CPA; these persons would have been sufficiently close to the poverty line to be susceptible to falling into poverty in the event of an economic shock¹⁹ (Table 3.2).

¹⁷ United Nations Development Programme, 2010. Social Implications of the Global Economic Crisis on Living Conditions in St Kitts and Nevis. Final Draft Report: 56pp.

¹⁸ There is debate over the methodological appropriateness of comparisons of poverty lines over time. On the matter of indigence, however, comparisons are less subject to question.

¹⁹ The CPAs present data for Nevis and for Saint Kitts separately since the two islands are inherently different in terms of price structures and costs faced by residents as well as the economic base, income earning opportunities and many



Table 3.2: State of Poverty in Saint Kitts and Nevis (2007/08)

Socioeconomic Status	St Kitts (% of residents)	Nevis (% of residents)	Federation Total (% of residents)	Federation Total Estimate (Count)
Indigent	1.4	0.0	1.0	525
Poor	22.3	15.9	20.8	10,510
Vulnerable*	14.1	12.8	13.8	6,991
Non-Vulnerable	62.2	71.2	64.4	32,574
All groups	100.0	99.9	100.0	50,600

*Vulnerable refers to individuals below the 125% percent poverty line
Source: Saint Kitts and Nevis Country Poverty Assessment, 2007/08

An alternative way of looking at this is to consider the welfare of residents in terms of per capita consumption, based on an ordered grouping of household expenditure into quintiles. Such a grouping shows very clearly that persons deemed to be vulnerable, poor or indigent, fall primarily into consumption quintiles I and II (Table 3.3).

Table 3.3: Per Capita Consumption Quintiles by Socio Economic Status Cross-tabulation

Per Capita Consumption Quintiles	Socio Economic Status				Total
	Indigent	Poor	Vulnerable	Non Vulnerable	
I	525	9,084	507	0	10,116
II	0	1,426	6,485	2,252	10,163
III	0	0	0	10,094	10,094
IV	0	0	0	10,110	10,110
V	0	0	0	10,118	10,118
Total	525	10,510	6,992	32,574	50,601

Source: Saint Kitts and Nevis Country Poverty Assessment, 2007/08

cultural norms and trends. Thus the numerical (monetary) value of the poverty line is different for each island and a weighted average based on population must be applied to allow for discussions of the Federation as a whole.

Threshold	St Kitts	Nevis
Poverty line (XCD)	7,329	9,788
Vulnerability line (XCD)	9,161	12,235

Thus, for the purpose of this study and in light of the changes that have occurred in the macroeconomic environment since the conduct of the last CPA, the discussion on the living conditions of the poor will be in respect of the poorest 40 percent (Consumption Quintiles I and II) rather than limiting the analysis to those below the estimated poverty line. It is inevitable that most of the poorest 40 percent would have been affected by the slowing/economic decline that occurred in Saint Kitts and Nevis in the latter part of the last decade.

Who Are the Poor?

Geographic Distribution of Poverty

In Saint Kitts, the level of poverty was 37.7 percent in Saint George Basseterre-East and West and 36.9 percent in Saint Mary. Saint John is one of the more remote communities, and would have been negatively affected by the closure of the sugar industry. In Nevis, Saint John accounted for 39.3 percent of the poor, followed by Saint Paul's and Saint Thomas. Figure 3.1 provides the mapping of poverty in Saint Kitts and Nevis in 2007/08. The indigent were concentrated in two pockets - Basseterre West (43.8%) and in Saint Anne (56.2%).

By increasing the poverty line by 25 percent, it is possible to get a sense of the possible impact of recent events in Saint Kitts and in Nevis at the Parish level (Table 3.4).

Table 3.4: Headcount and Vulnerability by Parish

District	Population (2001 Census)	Household (2001 Census)	Percentage Poor within Parish 2007/2008 Poverty Line	Percentage Poor within Parish with 125% Poverty Line
Saint Kitts				
St. George-Basseterre East	7,330	2,684	13.99	23.45
St. George-Basseterre West	5,921	1,940	23.75	38.80
St. Paul's	2,453	713	26.92	54.95
St. Anne	3,167	1,057	24.14	40.52
St. Thomas	2,395	793	28.46	39.01
Trinity	1,678	586	0.00	10.56
Christ Church	2,061	707	15.06	39.15
St. John	3,248	1,097	42.86	52.97
St. Mary	3,423	1,100	36.92	53.85
St. Peter	3,541	1,171	16.44	23.96
All Saint Kitts	35,217	11,848	23.69	37.80
Nevis				
St. Paul's	1,736	582	18.18	33.87
St. John	2,901	974	21.64	29.23
St. George	2,545	850	12.50	27.08
St. Thomas	2,006	727	17.36	23.95
St. James	1,722	626	8.00	30.42



All Nevis	10,910	3,759	15.94	28.70
Federation Total	46,127	15,607	21.81	35.62

* 2001 Census of Population and Housing
Source: Saint Kitts and Nevis Country Poverty Assessment, 2007/2008

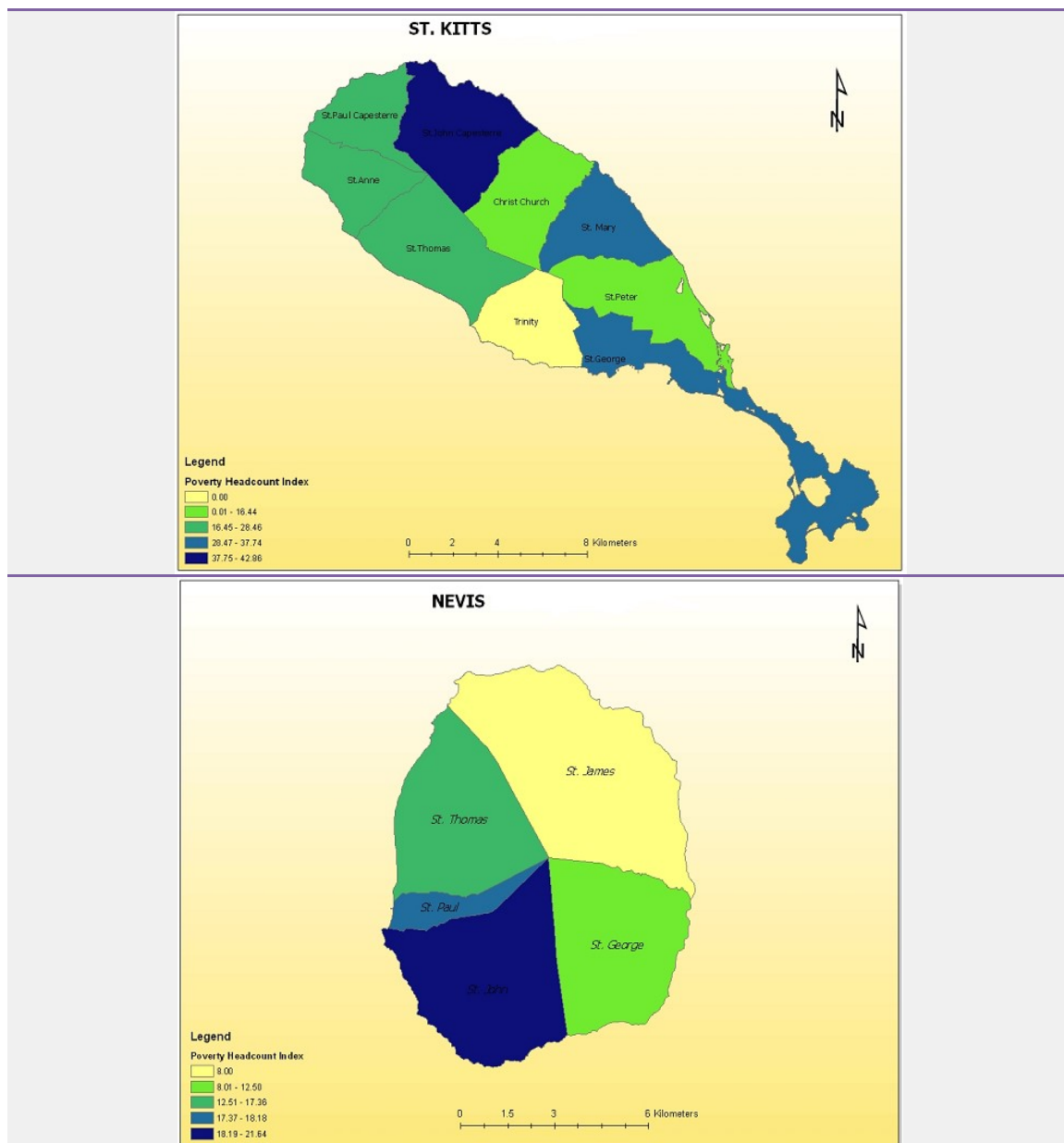


Figure 3.1: Distribution of Head Count Poverty in Saint Kitts and Nevis, 2007/2008

Despite ongoing fiscal difficulties, the Government has continued to observe certain principles of social protection through the country's social safety net. At the time of the conduct of the 2009/2010 UNDP PSIA, it was noted that the effects of the crisis had been moderate. However, given the importance of the Four Seasons Hotel to the economy of Nevis, its closure at the time



would have negatively impacted the Island with protracted unemployment and reduced income opportunities.

Gender Impact: The 2007/2008 CPA data showed that among the poor 52.2 percent were women and 47.8 percent were men (Table 3.5). In respect of indigence, female residents of Saint Kitts were more likely than males to be among the indigent: females are over-represented among the indigent since they accounted for 61.1 percent of the indigent while they represent 52.7 percent of the Island's population.

The CPA also showed that household headship was equally distributed across sexes, but female headship dominates in consumption quintiles I and II.

Table 3.5: Household Headship by Sex and Per Capita Consumption Quintiles						
Sex	Per Capita Consumption Quintiles					All Groups
	I	II	III	IV	V	
Male (%)	43.50	38.80	52.60	48.90	57.40	50.10
Female (%)	56.50	61.20	47.40	51.10	42.60	49.90
Total (%)	100.00	100.00	100.00	100.00	100.00	100.00

Source: Saint Kitts and Nevis Country Poverty Assessment, 2007/2008

The sharp decline in stay-over visitors and the heavy concentration of women in the tourism sector would

have exposed low skilled female heads to hardships related to unemployment and underemployment, while male heads would have been impacted by contraction in the construction and manufacturing industries.

Household Size: Poverty incidence increases with household size, with households in the poorest quintile having a mean household size of 4.7 compared to 1.9 for households in the fifth quintile. Indeed, overcrowding at the household level was one of the most statistically significant variables affecting the classification of a household as poor than any other factor in the Survey of Living Conditions (SLC). Logistic regression analysis results confirm that for every one percent expansion in the adult equivalent size of the household, the risk of poverty increases by three percent. Table 3.6 shows the average household size by socioeconomic status (per capita Consumption Quintile).

Table 3.6: Mean Household Size by Per Capita Consumption Quintile	
Per Capita Consumption Quintiles	Mean Household Size
I	4.66
II	3.38
III	2.96
IV	2.53
V	1.88



Age: The CPA showed that children (between the ages of zero and 14 years in Nevis and in Saint Kitts) and youths (between 15 and 24

years in Nevis only) were more likely to be affected by poverty than other age cohorts (Table 3.7). This suggests that by targeting poor households with children and youth, it may be possible to effectively address poverty reduction in Saint Kitts and Nevis.

Education: Saint Kitts and Nevis has made major progress in the provisioning of education services to its population, particularly with regard to access to primary and secondary education, and to tertiary education to a lesser extent. However, the poor have not been able to capitalise effectively on such opportunities.

Total	3.09
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Source: Saint Kitts and Nevis Country Poverty Assessment, 2007/08

Table 3.7: Population by Age Group by Island

Age group	Socioeconomic Status					
	Nevis			Saint Kitts		
	Poor	Non Poor	Total	Poor	Non Poor	Total
0-14	42.2	24.8	27.5	41.9	26.0	29.8
15-24	15.8	15.7	15.7	25.7	17.7	19.6
25-44	26.1	27.0	26.9	20.7	28.8	26.9
45-64	13.3	20.6	19.4	7.4	18.8	16.1
65+	2.6	11.9	10.4	4.4	8.7	7.7
Total (%)	100.0	100.0	100.0	100.0	100.0	100.0
Total (N)	1,960	10,335	12,295	9,075	29,230	38,305

Source: Saint Kitts and Nevis Country Poverty Assessment, 2007/2008

The CPA has shown that the incidence of poverty is highest among household heads with little education. Instead, higher educational attainment is associated with higher socio-economic status. The CPA established that 26.6 percent of heads of poor households had attended only primary school, while the majority (61.7%) had received secondary education (Form 1-5). Despite this, 61 percent of the heads of poor households had no certification (Table 3.8). A greater proportion of heads of rich households had tertiary level certification (37.8%).

Table 3.8: Highest Level of Education Attained by the Head of Poor Household

	Socioeconomic Status		Total
	Poorest	Richest	
None	61.0	24.0	43.5
School Leaving	23.4	14.8	17.7
CXC	7.4	13.0	13.1



A Level	0.0	1.8	0.9
Diploma/Associate Degree	3.6	13.2	7.0
Undergraduate Degree	0.0	8.5	3.9
Post Graduate Degree	0.0	4.6	2.4
Professional Qualification	1.9	8.2	3.5
Other	0.0	3.3	2.4
Not Stated	2.7	8.7	5.7
Total (%)	100.00	100.00	99.00
Total (N)	1,953	4,977	15,988

Source: Saint Kitts and Nevis Country Poverty Assessment, 2007/2008

Employment: At the time of the conduct of the CPA, the unemployment rate in Saint Kitts and Nevis was relatively low – 5.1 percent (Table 3.9). In fact, most individuals classified as poor or vulnerable would have been employed and therefore can be classified as the working poor.

However, the consumption levels of such individuals suggest that they would have been in situations

of employment in which they were either underemployed or which did not afford them sufficient income to escape poverty. Most of the poor and vulnerable were employed in the Services Sector (Table 3.10).

Table 3.9: Employment Status by Socio Economic Status

Employment Status	Socio Economic Status				Total
	Indigent	Poor	Vulnerable	Non Vulnerable	
Employed	62.7	87.1	95.1	96.9	94.9
Unemployed	37.3	12.9	4.9	3.1	5.1
Total	100.0	100.0	100.0	100.0	100.0

Source: Saint Kitts and Nevis Country Poverty Assessment, 2007/2008

Table 3.10: Industry by Socio Economic Status

Industry	Socio Economic Status				Total
	Indigent	Poor	Vulnerable	Non Vulnerable	
Agriculture & Fishing	0.0	2.0	2.4	3.4	3.0
Manufacturing	0.0	12.4	12.5	5.2	7.2
Construction	23.2	14.8	14.7	10.6	11.9
Wholesale & Retail	0.0	5.1	8.2	6.4	6.4
Hotel and Restaurant	0.0	10.3	5.2	7.2	7.4
Transportation	0.0	0.4	3.2	3.3	2.8
Services	76.8	31.2	26.2	35.2	33.5
Admin./Social Security	0.0	0.0	0.6	1.8	1.4
Education/Social Work	0.0	4.0	9.0	9.1	8.3
Other	0.0	14.3	14.3	14.5	14.4
Not Stated	0.0	5.5	3.7	3.3	3.7
Total	100.0	100.0	100.0	100.0	100.0

Source: Saint Kitts and Nevis Country Poverty Assessment, 2007/2008

Multi-dimensional Nature of Poverty in Saint Kitts and Nevis

A number of factors are at play, some in a complex interrelationship, resulting in the poverty levels noted in Saint Kitts and Nevis. In the causes of poverty, the interplay of economic and social factors leads to poverty. There are social conditions that have been impacted by economic factors and in turn impact economic variables that altogether exacerbate conditions for poorer people and reduce some of the non-poor to poverty. The manifestations of poverty which become evident, therefore, derive from a variety of factors.



Thus, behind the manifestations of poverty are multiple causes. Any poverty reduction strategy needs to be informed by an understanding of the causes of poverty. The following are the critical causes or manifestations of poverty noted in Saint Kitts and Nevis.

Causes and Manifestations of Poverty

Decline in International Competitiveness: Saint Kitts and Nevis is heavily reliant on the international economy: as a SIDS, its capacity to export is one of the most critical factors in its economic life. Given the inherent reliance on imports, for much of its supplies of goods, there is an inevitable dependence on its export sector in the determination of the basic quality of life of citizens. Its foreign exchange requirements have been satisfied by exports of manufactures, and up until recently, the export of sugar, and also the exports of services through its off-shore financial services sector, and through its tourism sector.

Given the relatively undiversified nature of its export sector, decline in any area is likely to hurt the country severely. The recent crises in the international economy led to a reduction in the demand in some of its major markets. However, this more immediate crisis exacerbated a structural problem of general decline in competitiveness in its export sector.

The problem posed by NAFTA in the last decade of the 20th century has been noted. The removal of trade barriers, with the various rounds of the WTO and the greater presence of China and India in the production of a range of manufactures have made countries like Saint Kitts and Nevis relatively uncompetitive except in areas where they can exploit some particular advantage or edge from an unique domestic resource.

The Tourism sector has to face up to competition from newer destinations, with Cuba in the offing now in this regard. The net impact on all of this has been a decline in key sectors of Saint Kitts and, in the absence of effective trade adjustment, unemployment and underemployment for large numbers of workers, especially female workers, and thus a high likelihood of poverty at the household level.

Trade Adjustment Difficulties: The lack of diversification is one side of the problem in confronting the economic reality of the type of SIDS that Saint Kitts and Nevis continues to be. The other side relates to the matter of trade adjustment. To the credit of the Government, once the decision was taken to close the sugar industry, measures were put in place to manage the transition from sugar production to other types of productive activity and provision was made for the ex-farm workers to be trained for alternative activities, including own account agriculture.

Unfortunately, there was failure in scheduling some of the complementary measures. Some of the ex-farm workers were not prepared psychologically for own account operations and, therefore, were ill-suited to the requirements of alternative agricultural activity: they remained essentially workers, reliant on a wage from paid employment, for their survival. There were other problems:

- The redistribution of lands for farming was not timely nor well coordinated between the Ministries of Sustainable Development and of Agriculture;



- The support infrastructure was not readily available for the proposed new crops: extension services, marketing programmes, crop protection, pest controls (monkeys, stray animals); and
- Limited access to agricultural credit in a timely fashion.

Trade adjustment in respect of other sectors has been incipient at best. The coordination between the Labour Department, training institutions and provision of credit is limited. Meanwhile, the Ministry of Trade and other agencies involved in the promotion of new industry and in respect of access of new opportunities deriving from such agreements as the EPA, have not succeeded as yet in the level of coordination such that there is an easy transition of workers in sectors shedding labour into new activities that are viable.

The net result of all of this is that workers and other operatives suffer structural unemployment, or at best are trapped in under-employment sharing work, or competing in informal sector activities, or worse resort to underground economic activities to make ends meet. Some increase in poverty would have been inevitable. The poor and vulnerable by industry status shown in Table 3.10 point to the broad dimension of the task in organising a transition that allows workers to remain out of poverty.

Fiscal Deficits: The Government has had to face one of the most severe fiscal crises in the history of the country, the makings of which predated the global recession. Given its accumulated debt, there are constraints on its capacity to respond to mounting unemployment and under-employment. In effect, the Government lacks the resources to respond adequately to all the pressing needs of the poor and vulnerable in the society.

The deficit has also forced the Government to reduce the size of the work-force in Government. Given that some would have been better paid workers and better able to provide inter-family transfers, there are some number of households that would have been affected by the reduction in the size of the public service, and in the deficit reduction exercise of the Government.

Gendered Nature of Labour Market: The gendered nature of the labour market has meant that decline in employment afflicted females more readily than males in the first instance. Given the dominance of female headship among poorer households, where there is also a higher percentage of children and young people, it was this sector that would have been hurt most severely in the earlier stages of the down-turn in the economy.

Intergenerational Sequels: Teenagers in poor households face certain risks that can trap them in poverty and prepare conditions to force them to repeat the cycle of poverty of their parents and, more so that of a poor mother. Sexual abuse of girls from poorer households in addition to the psychological scars, might result in an early pregnancy that can derail the schooling of the girl and force her into a dependence on a man or a series of men to provide sustenance.

There may be more pregnancies without that hoped for result arriving, and thus a girl is fated to become a single parent herself. The data show that women in the poorer households - quintiles I and II – were more likely to have had their first child as teenagers. Such girls as they become women are more susceptible to higher fertility and to dysfunctional mating patterns that create conditions for reinforcing the poverty for their children.



The boys fare no better in terms of educational advancement. Some gravitate to membership in gangs and to drug use and drug running, and to a style of life not conducive to the establishment of a stable nuclear family unit during the period of their lives when they are most likely to have children. The poverty script of another generation gets written. In either case, poor commitment to educational advancement leads to lack of educational and training qualifications and thus, to limited potential for entry into the labour market where the rewards are greatest.

Lack of Education and Skills: As elsewhere in the Caribbean, the lower the educational level of an adult, the higher the probability of being poor. Thus, as workers, poorer people are not equipped to secure better paying employment in the labour market, and moreover, because of conditions under which they work, may not be able to avail themselves of second chance opportunities for upgrading.

Generally, the low educational base of the labour force results in major incapacity of workers to embark on new income generating activities whether on their own, as own account entrepreneurs, or as employees in new firms or activities, assuming that there was the entrepreneurship available to tap such supplies of capable labour.

For example, it is moot point whether workers who were idled by the closure for repairs of the Four Seasons in Nevis were able to engage in alternative productive employment. Lack of skills and therefore lack of flexibility among workers would have exacerbated structural unemployment and, in turn worsened poverty levels.

Poverty and Socio-cultural Patterns

Some aspects of poverty have been the result of institutional weaknesses in the society, which might lead to reinforcement of the negatives of poverty. In the conduct of the CPA, the Participatory Poverty Assessment (PPA) and the Institutional Assessment (IA) identified emerging social problems. One such area has been in community integration, which is now engaging the focused attention of the Ministry of Community Development, Culture and Gender Affairs.

In recent years, there has been some improved infrastructure put in place by way of community centres. There are communities that have demonstrated evidence of lack of social integration, breakdown in community life, failure to treat with the integration of immigrants, and serious disenchantment among youth. This is the type of environment that seems to have bred crime and violence and created unsafe areas in both rural and urban communities: in the conduct of the present exercise, respondents alluded to the fact that some young people could not secure work outside of their communities because of inter-community gang conflicts. This means that in a very small country, the labour market is fractured by no-go zones where sub-cultural rules prevent some from securing legitimate and much needed employment.

An examination of coping strategies in the face of poverty suggested how negative pattern variables emerge. Through the PPA, it was possible to derive insights on negative coping strategies, which could lead to worsening conditions for poorer people. Male and female prostitution was identified as coping strategies from which money could be made.



When this is set against the backdrop of a high level of abuse of girls and the complicity of mothers in some poorer households, in allowing or encouraging their daughters to engage in transactional sex to make ends meet, the enormity of the task of poverty reduction comes into bolder relief. Interventions that exclude the issue of values will fall short in reversing poverty.

Another area of values orientation has to do with the perception of the role of education and training in social mobility. Respondents recognised the existence of education programmes that have been provided to assist children with their homework and also the possibility of second chance programmes. However, there was the sentiment expressed that there was need for adult education programmes addressing the social, psychological and emotional aspects of poverty, thus allowing poorer people to recover self-esteem, acquire skills, become motivated, and gain confidence to move out of poverty. Labour commitment, especially among poorer males, can be a problem as a result of sub-cultural norms.

Crime and violence have wracked the society in recent years and is reportedly a major challenge among the youth. Violence has become a challenge in the secondary school system, such that it is likely that there may be some sections of the school population, who are not psychologically engaged in the educational process, but rather in the subcultures of the respective school in contradistinction to other schools or with gangs that had penetrated the schools and could ensure allegiance among sections of the student body.

In some quarters, teaching is now seen as a high risk occupation. Teachers are required to intervene in violent combat among students, and have to develop capacity in anger management as part of their preparation. Meanwhile, Police Reports suggest the existence of links between schools and violent gangs, identified by the colours that they use to differentiate themselves.

Such could hardly be the environment for building scholarship and trained personnel for a competitive economy. In that regard, expenditures in the educational system might contribute little to the transformation of the society, and may fall short in creating the human resource base for a competitive work-force and thus, for poverty reduction in the future. While the situation is not as acute in Nevis, there are worrying signs there also.

One deliberate approach to addressing social ills has been through education policy which transcends the normal focus on facilitating teaching and learning at all levels by looking at other critical factors that also affect educational outcome. Equipping parents, especially those of delinquent students with stronger skills to better support and mould their charges is recognized as a key strategy to counter the growing wave of student under-performance, negative social attitudes and behaviours as well as to improve parental accountability.

The introduction of Mentorship programmes and after school programmes helps students to build and master those soft skills such as cooperation, teamwork, decision-making and leadership which are so important to success in a modern society. The School Safety initiative embraces the need to create the right environment for learning by improving the safety and security of students and teachers. Creating the conditions necessary for the existence of a high performing, high quality education system and a globally competitive workforce requires tackling areas previously thought to be outside the purview of education as well as forging strong partnerships with other key agencies.



Another critical area of values and orientation has to do with the level of entrepreneurship in the society. The difficulty in enlisting ex-sugar workers into own account agriculture has roots in the socio-psychological frame of plantation society which sequestered land and limited opportunity for independence among those whom it dominated. In Nevis, on the other hand, the peasant mode of production became dominant in the latter years of the 19th century, as sugar declined and plantations were subdivided. The peasant mode created a mind-set more propitious to self-employment and entrepreneurship which have been evident in the use to which resources accumulated from migration abroad have been put on the return of migrants.²⁰

The total institution that was the labour union representing sugar workers, and then when many of them became industrial workers ensured a different experience to earning a living in Saint Kitts than was the case in Nevis, where more of the labouring class was engaged peasant agriculture. Differential propensities between peasants and plantation workers have long been established in the literature, generally and in the Caribbean specifically (Frucht, 1968, Mintz, 1973).²¹ Re-orientation of large numbers to entrepreneurial endeavours will be an important complement to any programme of private sector led growth unless it is the policy to rely totally on foreign capital and foreign entrepreneurs.

Poverty Reduction through Transfers

The Government has an extensive system of transfers in place to assist the poor and the vulnerable. These range from assistance to households facing un-anticipated shocks, payments to support school attendance, support for funeral expenses of the poor, access to medical care, and care and protection of children (foster care) in addition to the traditional assistance to needy persons, the elderly and persons with disabilities.

In the latter case, the largest per capita payment is XCD 250 per month, provided to the elderly and disabled. The needy receive a grant of XCD110 per month. Both of these figures can be compared with the indigence lines calculated for Saint Kitts and Nevis in 2007/2008, respectively, XCD216 per month and XCD244 per month. Given the increases that have taken place in the price of food in the Federation based on the Index of Retail Prices, at least XCD232

²⁰

http://books.google.com/books?id=8asL17kRGToC&pg=PA128&lpg=PA128&dq=small+farming+in+Nevis&source=bl&ots=n-K9Vi4zxm&sig=w6Ucu4UPaojffnKLDDGBUb8w3CM&hl=en&ei=El-aTtDxNOHm0QG00NyhBA&sa=X&oi=book_result&ct=result&resnum=2&ved=0CC4Q6AEwAQ#v=onepage&q=small%20farming%20in%20Nevis&f=false

²¹ In respect of Nevis, see Richard Frucht, "Emigration, Remittances and Social Change: Aspects of the Social Field in Nevis, West Indies." *Anthropologica*, Vol. 10. No.2, 1968. Frucht conducted considerable Anthropological work on Saint Kitts and Nevis in the 1970s. See also Sidney W. Mintz, "A Note on the Definition of Peasantries," *The Journal of Peasant Studies* Vol1. No.1., 1973.

and XCD262, respectively, would have been required in 2010, to take account of the increase in food prices alone between the end of 2008 and 2010²².

On the other hand, if one attempted to correct fully for food price inflation dating back to 2007, much higher allocations would have been required. Food prices rose by some 16.9 percent between the end of 2007 and 2010 as compared to 7.2 percent between the 2008 and 2010, as can be derived from the food index for the periods and shown in Table 3.11. The data on the size of transfers suggest that they might be inadequate in protecting recipients from indigence, that is, not having enough to eat, let alone from poverty.

Table 3.11: Saint Kitts and Nevis Retail Price Index

	Weights	2006	2007	2008	2009	2010
All Items	1000	124.1	126.7	136.3	137.6	143.0
Food	280.5	121.26	128.28	139.9	140.5	149.9
Alcoholic Drinks and Tobacco	7.1	109.06	122.74	126.7	130.3	142.4
Housing and Utilities	129.9	115.52	115.34	132.3	121.1	120.9
Fuel and Light	43.7	104.38	104.38	104.9	104.3	102.1
Clothing and footwear	92.9	121.62	123.64	134.7	130.6	133.1
Household and Furniture Equipment	140.5	113.06	107.87	115.2	117.0	126.9
Transportation and Communication	192.7	146.90	151.21	160.5	170.3	172.2
Medical Care and Expenses	37.2	149.87	151.66	154.7	165.2	168.4
Education	21.4	121.04	124.77	127.1	135.2	143.3
Personal Services	19.9	109.08	115.16	115.2	115.2	115.2
Miscellaneous	34.2	114.23	113.39	115.8	124.0	140.4

Base January 2001=100

Source: Eastern Caribbean Central Bank, 31-May 2011 and http://www.eccb-centralbank.org/PDF/cpi/cpi_annual_2009.pdf

Out of a population of 50,601, the estimated number of indigent in 2007/2008 was 525 persons and another 10, 510 were deemed to be poor though not indigent. The poorest of the poor catered to by the Ministry of Community Development, Culture and Gender Affairs would include the elderly and disabled on the one hand and needy persons on the other. These numbered 641 and 364 respectively most recently, which bears some similarity to the estimated number of indigent in the CPA. In other words, those clients targeted as those most in need may accord with the reality of indigence in the country. However, the quantum allocated to each might not have allowed them to escape indigence, and surely might not have put them over the poverty line, if they could secure resources from some non-State source.

In respect of the rest of the poor population, much depends on the nature of the pro-poor interventions outside of the transfer mechanisms in providing opportunities for them to rise out of poverty at the individual and household level, and indeed, at the community level.

²² Indigence lines presume rationality in food expenditure: the spender seeks to maximise nutrition at the lowest possible costs. Since this is seldom the exact objective of food expenditures, most people would need more than this sum for normal food expenditures.



4 Institutional Framework for Poverty Reduction

Introduction

Institutional Development in Saint Kitts and Nevis - The Historical Perspective

Institutions for present purposes are both structures in society and as well patterns of behaviour and of the nature of operations in the society. In the former regard, formal and informal structures are part of the institutions in society. In the latter context, one can point to patterns that are dictated by culture and sub-cultural norms.

The causes and shape of poverty are determined in large measure by the nature and functioning of the institutions in society. Institutions can be categorised in terms of their being, supportive, remedial, developmental and preventative. The capacity of society for poverty reduction depends on how well the institutional infrastructure operates in preventing poverty in the first place, and in taking the poor out of poverty and/or in providing them with succour when they are in poverty, whether this is structural, transient, or chronic.

In large measure, the institutional infrastructure of Saint Kitts and Nevis has been shaped by the experience of a post-slavery plantation economy and society. The plantation economy itself, especially in Saint Kitts, represented a total institution in that the sheer character of social relations was dictated by the demands of the plantation economy, which ensured itself of a dependable labour force by eliminating any opportunity for labour to indulge in activities that could compete through creating other sources of income.

The internal tensions of such a society especially in the context of a plantation economy in decline, led to the emergence of new institutions, the most important being a Trade Union Movement and following that, political party formation representing the then voiceless masses of people in Saint Kitts.



The conflicts that erupted across the British West Indies following the Great Depression manifested in Saint Kitts and Nevis in a watershed in the body politic of the society. A local leadership emerged with a clear vision for a new society. In the post-World War II period, Saint Kitts and Nevis, like the rest of the region, created machinery to treat with the problems officially recognised in the Moyne Commission Report. While political independence was not achieved until 1983, in the evolution that took place following the post World War II years, and leading up to independence, the country put in place a range of institutional mechanisms to treat with the social conditions of the population. In the years immediately after Second World War when all the Governments addressed the recommendations of the Moyne Commission, the institutional response in Saint Kitts and Nevis would have been broadly similar.

However, on the attainment of political independence and since, it can be argued that the country has developed approaches that put it in the vanguard, in respect of the institutional arrangements. Thus, universal primary level education was soon followed by the universalisation of secondary level education ahead of other states in the English speaking Caribbean. Early childhood education under the control of the State has been worthy of emulation, and was developed with close attention to the needs of mothers joining an emerging industrial work-force. In the introduction of social security, efforts were made and have been made to ensure that the most vulnerable among the elderly receive some guarantee under the solidarity principle, even if they had not worked during the years of working life, or had a short labour force career.

The family, school, church and the community on a whole are some the main underpinnings of social organization within the society and have provided the social and cultural setting which has helped to shape the nation over time. Kittitian and Nevisian families comprise mainly of members of Afro-Caribbean descent and are diverse in structure. The mating and child rearing patterns which some see as a legacy of slavery include absent fathers, female headed households, child shifting, grandmother oriented households, serial dating and child bearing and visiting unions which most often do not lead to marriage. For that matter slavery has left an indelible mark on families, communities and other social institutions in the Region and in St. Kitts and Nevis in particular which to this day affect the quality of social interaction, how conflicts and issues are resolved and how society is organized generally.

Changes in the economic structure also have had their impact on social relations. Many communities on St. Kitts and Nevis are outgrowths of defunct sugar and cotton plantations. Further with the closure of the Sugar industry in St. Kitts many communities have become dormitory communities for persons who work in the city. Whereas historically economic life and social life intersected at the community level, many villagers leave their communities early and return late. Even with a reorientation of Community Development towards a more decentralized model, there are implications for the time and type of services to be offered.

Providing programmes during the day may meet the needs of the aged and the children who tend to spend more time in their communities but may overlook the need for services for those who work outside of the communities. Community health services which are provided also at the community level may also be service the elderly and school aged children but may be less effective in reaching the working segment of the population especially as it relates to chronic non-communicable diseases. Outreach to work places has become a critical strategy to promote healthy living among the working population.



With the increase of women working outside the home and for longer hours, some of the roles of the family have been devolved to the school and other community-based institutions or have fallen by the wayside. Children growing up with little or no supervision are a feature of the society: they become vulnerable to abuse or to be drawn into the negative aspects of neighbourhood life. The family is no longer the primary point of socialization for children and in its perceived weakened state is no longer able to fully train and discipline its members.

The Institutional Framework for Poverty Reduction – The Need for a Paradigm Shift

The Institutional Framework for Poverty Reduction in the 21st century requires a paradigm shift from what has been inherited from the immediate post World War II dispensation. Adaptability to change in a constantly changing international economy, involves mobility of workers and of the society generally from one type of productive system to another in short order. Trade adjustment is an inherent reality of a SIDS. It is seldom possible for structures to adapt quickly and smoothly in the face of exogenous changes. There is at least the possibility of transient poverty. The new institutional order has to be capable of:

1. Growing the economic pie in the face of changes in the international economy;
2. Rendering to the the poor benefits from this increased pie – by increasing opportunities for their active and meaningful participation through increased employment, entrepreneurship development, skills training and development, and consciousness raising and nation building (getting rid of the dependency ethos and a movement towards change in mindset – reorientation of individuals, households and communities to their changing role in the development process);
3. Allocating adequate social transfers to the poor among the population, who at any point in time, cannot escape current poverty; and
4. Reducing risk to the vulnerable and to the overall population and increasing sustainability in the face of social factors (such as crime), environmental risks and the event of natural disasters.



Figure 4.1: Institutional Framework for Poverty Reduction

A Pro-Poor Focus

It could be argued then that across its political administrations, the country has had a pro-poor focus. More recently, not only has there been a commitment to the achievement of the MDGs, but there has been considerable effort at monitoring poverty and at developing measures to mitigate or reduce the impact of those factors that can create poverty conditions in the society.

There have been two CPAs conducted within a 10 year period, both of which have been used as a basis for pro-poor interventions. Indeed, most indicators suggest that the measures implemented after the CPA of 1999 contributed to poverty reduction, or at very least, to the reduction of indigence in the society. The National Adaptation Strategy to treat with the adjustment of the economy following the closure of the sugar industry identified a number of initiatives geared to preventing ex-sugar workers from succumbing to poverty, and to equipping them to transition to alternative productive pursuits.

The Government has also conducted preparatory work for a National Social Safety Net Strategy, and the Social Safety Net Assessment Report of 2009 identifies the approach to be adopted: one critical element is the development of a Central Beneficiary Registry, which allows for



monitoring of all social programmes and for targeting of beneficiaries as well for the assessment of the efficiency of delivery (Blank, 2009).²³

For present purposes, one can review the existing institutional infrastructure and its impact in respect of four areas:

- The mediation of the operations of the economy and how the poor and vulnerable are located in its functioning;
- The provision of empowerment to the poorer sections of society and to others, to ensure their adaptability to economic and social change;
- The provision of sustenance to the poor and vulnerable: how well does the system administer unto their immediate needs and ensures the basic decencies of life (Social Transfers and the delivery of Basic Social Services); and
- Reduction of insecurities and vulnerability due to increased crime, risk of climatic and other natural disasters and environmental degradation.

Institutions in their role and functioning may be cross-cutting in their impact. Social transfers that have conditions attached in their provision may result in empowering poorer people, in so far that they may be required to undertake training or improve their education, while receiving the transfers. On “graduation”, they may be well equipped to contribute to the growth and development of the economy.

Institutions Involved in the Operations of the Economy

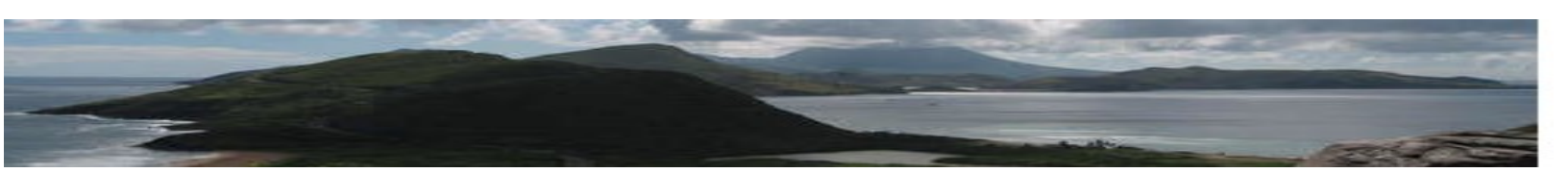
As a SIDS, the country is highly vulnerable, notwithstanding the relative success that it displayed in the last half of the 20th century and more so in final quarter, when it moved from being a pure plantation economy, in Saint Kitts, and a peasant economy in Nevis, to a vibrant small state with export oriented manufacturing, tourism and financial services emerging to create some level of diversification of the economy. The country demonstrated social and economic advance and became a middle income state, as measured in terms of GDP per capita.

Although there was no calculated HDI presented for Saint Kitts and Nevis in the latest Human Development Report (HDR), it would surely rank above Guyana and Suriname which were in the Medium Human Development and above Jamaica which was among countries with High Human Development. This is remarkable for a country that is the one of the smallest in the world and is beset with all the challenges characteristic of SIDS.

In the first decade of the 21st century, the country has had five major problems, which have stretched its institutional capacity:

1. A huge debt burden;
2. A relatively small private sector base;
3. The closing of the sugar industry and stimulating alternative agriculture;

²³ Blank, Lorraine, Saint Kitts and Nevis, Social Safety Net Assessment, prepared for UNICEF, and the World Bank, November 2009.

- 
4. A decline in competitiveness in the light manufacturing sector; and
 5. The challenge of diversification of the economy beyond tourism and financial services in the quest for new foreign exchange earnings, and in improving the capacity of these sectors to grow the economy.

Institutional Response to Managing the Debt Burden

The large debt burden has been caused by a number of factors, one of which has been the accumulated losses of the State run sugar industry, and the high cost of rebuilding infrastructure devastated by hurricane and storms. According to the Minister of Finance in the Budget Speech of 2010, debt service by way of interest payments was as high as 24 percent of Recurrent Expenditure.²⁴ The high debt burden limits its capacity to provide for the expansion and upgrade of its infrastructure, and constrains private sector growth for which it is a necessary complement.

Maintaining high commitment to the provision of social services will be challenging in the face of the debt burden, and will have an impact on poverty reduction. Slow or limited growth in the private sector results in less employment being created and thus, there are fewer opportunities for the poor to escape poverty. Secondly, with limited provision for the social services, the State has less to expend by way of transfers for poverty alleviation.

In the face of its fiscal problems, the Government established a Debt Unit in the Ministry of Finance (MoF): its work load was exacerbated by the Great Recession of 2008/2009. GSKN has been faced with the challenge of demonstrating to domestic and international creditors that there is capacity to service the debt. Even within such tight fiscal constraints, the Government has to concern itself with growing the economy and encouraging private investment and even supporting its development through fiscal incentives and loans through measures to support the Small and Medium-Sized Enterprises (SMEs), and entrepreneurship generally.

On the revenue side, there have been a number of measures that have been revenue enhancing. VAT has been introduced with due regard for exemptions on the goods that figure prominently in the diets of poorer people. A new corporation tax has also been introduced as well. On the expenditure side, the Government has been able to exercise containment through a number of measures. There have been reallocation of posts and rationalisation of work in Departments, and public servants attaining the retirement age are required to retire promptly, thus ending the arrangement by which many are retained on contract, thereby inflating the costs of operations. However, it is important to note that public servants of the NIA are not required to retire promptly on Nevis and can be granted yearly extensions after reaching age 55. Finally, Saint Kitts and Nevis has committed itself to the adoption of the Eight-Point Programme of the OECS.

²⁴ See <http://www.sknvat.com/wp-content/uploads/downloads/2010/04/St.-Christopher-and-Nevis-2010-Budget-Address-Fiscal-Measures-Tax-Reform.pdf>



Institutional Infrastructure for Business Development

Given the relative dearth of domestic entrepreneurship, the country would not be on the outer limits of the production possibility curve: in other words, there is room for output expansion which in itself is conducive to poverty reduction. The industrial expansion in the latter half of the 20th century was led, in large measure, by foreign entrepreneurs: this has permitted the jibe of 'industrialisation by invitation' given the reliance on fiscal incentives. The task in the new dispensation may well be 'industrialisation by innovation'²⁵, with new entrepreneurs from the domestic sociology rising to the challenge. However, this is hardly likely to occur without state support, especially in respect of the provision of credit.

There are agencies involved in investment promotion, but their role in respect of support for new entrepreneurs, requiring subsidised credit is limited. They find it difficult to address this clientele under conditions of straightened resources available to the state. The Investment Act under which the Saint Kitts Investment Promotion Agency (SKIPPA) operates is better geared to manufacturing establishments, and not to firms engaged in assembly operations. Moreover, the incentives for guest houses and hotels apply to facilities of ten rooms or more. Locals find themselves at some disadvantage vis-à-vis foreign investors, since they face a challenge in reaching this level in respect of room stock.

The Development Bank of Saint Kitts and Nevis (DBSKN) is another institution involved in the provision of credit. It has been relatively successful in providing loans to students for post-secondary and tertiary level programmes. However, a universal complaint is that the terms and conditions effectively lock graduates out of any possibility of establishing their own business subsequent to graduation, since they may have to spend five or more years in the repayment of such loans, before they can qualify for a business loan. In effect, potential entrepreneurs from this cadre are thwarted from embarking on business and or industrial development. This means that the institutional infrastructure for the supply of credit to those with potential for creating competitive industry starves the society of the possibility of creating new entrepreneurs.

Another example of aborted entrepreneurship is evident in a subsector of the tourism industry, namely the establishing and running of duty free shops. Port Zante is managed by the Urban Development Corporation, but there is insufficient emphasis and capacity geared to support the entrée of locals and more so, budding entrepreneurs, into the duty free business: nationals account for a miniscule percentage of ownership of such operations.

There is official commitment to the promotion of SMEs. The Government introduced the Small Business Development Act in 2009 which has a list of 14 priority areas, with the National Entrepreneurial Development Division (NEDD) as a division in the Ministry of International Trade, Industry, Commerce and Consumer Affairs, responsible for implementing the Act. Its mission is to 'Advance economic growth, diversification and competitiveness through an increased number of innovative, efficient and profitable micro, SMEs. Its role has been in 'hand-holding' and proposal writing. It may be yet too early to judge its effectiveness, at correcting the relative absence of nationals in the growth and development of business.

²⁵ A term attributable to Mr. MacDonald Thomas of the Caribbean Development Bank.



Thus, not only has the debt burden restricted the resources available to the Government to provide subsidised credit and a more facilitating environment for locals seeking to start business. The formal institutional infrastructure in place to provide a stimulus to business and industrial development is not geared to address a deep-seated structural problem of engaging large numbers in creating pathways for their own economic survival.

Institutional Infrastructure for Agricultural Development after Closure of the Sugar Industry

The closing of the sugar operations in Saint Kitts in 2005 was undertaken following countless reports and studies. There was an attempt to put in place a formal process for organising an orderly closure of the industry with the Ministry of Sustainable Development having the primary official responsibility for managing momentous change.

The country did not have, at that time, a formal process for trade adjustment. However, as a result of all the reports and studies a number of measures were put in place or were expected to be put in place. The Government developed a comprehensive adaptation strategy, one component of which was designed to treat with the social needs of ex-sugar workers, and to support social transformation through poverty reduction, human capital development and the protection of the poorest and most vulnerable in the society.

Of critical importance was the matter of the absorption of ex-sugar workers in existing or in new industries, including the Other Agriculture. Although a substantial share of unskilled labour in the Sugar Industry was supplied by an immigrant workforce, there was considerable domestic labour at the lower level among the workers in sugar-cane agriculture. Many of these workers were in the east and north of the island, for example, Tabernacle and Molyneux. These were the focus of training programmes that were mounted.

The Agricultural Training and Empowerment Programme was established for the former SSMC workers to provide for skills development through attachment in agricultural enterprises. The programme included also agricultural training workshops, supported with social development workshops to assist the ex-workers to get involved in non-sugar farming.

Under any circumstances, the Ministry of Agriculture would have had a major role to play in the post-sugar adjustment, given its official remit in the public sector of Saint Kitts and Nevis. There is also CARDI which, as a regional agency specialising in agricultural transformation, has had a long standing involvement in support of Agriculture in Saint Kitts.

Discussions with representatives of the Ministry of Agriculture cast doubts on the level of success achieved in the upgrading of ex-sugar workers into productive farmers. At the end of the programme, it was found that most of the ex-sugar workers wanted secure employment, rather than becoming involved in own account farming. Moreover, there has been limited evidence of diversified agricultural output. There seems to be some failure in inter-organisational coordination. The ex-sugar lands were under the control of the Ministry of Agriculture but then were transferred to the Ministry of Sustainable Development, with latter since allocating parcels back to the Ministry of Agriculture for distribution to the farming community.



The allocations to the Ministry of Agriculture do not seem to reflect a coherent strategy of distribution nor does the approach lend for a coherent system of crop production. Some ex-sugar workers have received land but have failed to impress. Bona fide farmers complain of lack of access or of prohibitive costs in securing access to state lands. In any event the process of distribution seems to have been very slow. Of the 1500 acres allocated to the Ministry of Agriculture, 500 have been made accessible to farmers, in various parts of the island of Saint Kitts for crops and livestock production. However, field surveys have revealed that there has been increased squatting on lands which were previously under sugar-cane.

There have been other attendant problems. Pests in the form of monkeys and stray animals, dog predation of livestock, a high level of praedial larceny, and the lack of knowledgeable labour do not paint an encouraging environment for domestic agriculture in the post-sugar dispensation. Meanwhile, much of the ex-sugar lands remain abandoned and have been taken over by Guinea grass. There was considerable elapsed time before the Agricultural Management Resource Unit was established to maintain the ghauts and the feeder roads in the lands that were under sugar, and to replace the sugar company in the effective management of this major land bank. The delay in implementation resulted in environmental problems, including devastating run-off of soil, and of major flooding in some communities.

On the other hand, there have been some steps taken in the right direction. There was other training provided to ex-sugar workers, with men being trained in construction related fields through the Youth Skills Facility, and women being offered training in agro-processing and ICTs. Specifically on the Agricultural Sector, the Government has devoted resources to sweet potato production – post harvest technology, and control of sweet potato weevil. A vegetable and tree-crop operation has been established at Capisterre Farm in St. Pauls' which provides employment for 13 former workers of the Sugar Company. There has been also an increase in the number of farmers groups.

In the 2011 National Budget, the Minister of Finance pledged to provide a number of farmers in St. Peters with irrigation. The assistance of the Republic of China on Taiwan, the Inter-American Institute for Co-operation and Agriculture (IICA) has been instrumental in this initiative. In all of this, the number of farmers/workers and the number of acres are still small relative to the lands that are available, following the closure of the sugar-cane operation. The adjustment process following the closure of the sugar industry has tested the structures in place in Saint Kitts. One of the biggest challenges is the management of monkey population and other stray animals which, allegedly, have become more problematic with the closure of the industry.

Although agriculture is deemed as a sector of great potential, the sector still carries a stigma from its colonial past and so very few individuals are encouraged to enter the sector or view it as a viable career or business choice. Therefore, even though there are some opportunities available at the DBSKN for soft loans to establish rural-based small and medium-sized agribusinesses (particularly for ex-sugar workers), very few take advantage of such prospects. Some stakeholders felt that that people's attitude, culture and history are such that the majority are risk averters and are, therefore, unlikely to enter the business arena. There is need to develop that culture of enterprise among nationals. In addition, there is need for the Ministry of Agriculture and Ministry of Education in conjunction the Development Bank to establish an incubator programme for young people that will identify and nurture their development as young entrepreneurs.



In the case of Nevis, there has been a long tradition of peasant agriculture and although domestic food production has fallen as well in Nevis, there remains the tradition of backyard gardening and this has been maintained on the island. However, as elsewhere in the region, the average age of those in full-time farming has tended to be high. Prior to its closure for renovation, the Four Seasons hotel did succeed in establishing a backward linkage to domestic agriculture and the fishing industry.

Indeed, some of its workers with access to land had become involved in part-time pursuit of agriculture, producing supplies of fresh vegetables and fruits for the hotel. Though Nevis may not be able to supply its hotel sector with the quantum and variety of produce required, there does exist some potential that remains to be exploited given the resident population and the hotel sector. In the context of a commitment to food security, there is clearly an important market possibility: since 2007, the underlying pressure on world food supplies has been very evident.²⁶

There will be need for facilitating support from the Ministry of Agriculture, given that skills and technical capacity required in the running of small but viable and technologically sophisticated operations. In addition to the hurdle of technical preparation of small farmers, there are other major challenges, namely soil protection, irrigation and control of pests, in particular, monkeys which are the bane of agricultural production on Nevis.

Institutional Infrastructure for Economic Diversification

In industrial policy and practice in the advanced economies, there has long been the recognition that economic sectors can rise and fall, with changes in competitive conditions, the advent of new players, and the development of new technologies that result in displacement of firms that fail to adapt, and/or the emergence of new products and services. The second half of the 20th century witnessed the successful industrial strategy in some countries that targeted sunrise industry and exited out of sunset industries. Some countries have created institutions supported by legislation to deal with the fall-out effects of trade adjustment: dying industries are assisted to wind down, and entrepreneurs and workers alike are assisted in making the transition to a new dispensation.

Such perspectives have been relatively new to the practice of industrial development in the Caribbean. There might have been incredulity in some quarters in Saint Kitts and Nevis, that its sugar industry was fated to disappear in the light of what was happening internationally in the sector in the last half of the 20th century. In effect, industrial restructuring, trade adjustment and diversification are all part of the same imperative in Saint Kitts and Nevis.

The closure of the Sugar Industry in 2005, in addition to the decline in offshore oriented or export-processing manufacturing that has occurred over the last twenty years has meant that greater reliance has been placed on the remaining foreign exchange earning sectors - tourism and financial services. With the rapid and drastic changes taking place in these two sectors,

²⁶ The huge hike in price of imported food supplies in 2007/08, has riveted attention of Caribbean Governments on food security as a goal to which it is no longer safe to merely pay lip-service. The 'Arab Spring' was triggered mainly by the restiveness of populations in the face of inexorable increases in basic food prices.



much depends on the capacity of the country and its institutions to adapt to a rapidly transforming international economic environment.

The Manufacturing sector employs about 1000 persons over 90 percent of whom are women, according to the Minister of Finance in the most recent budget speech.²⁷ While there are high hopes for the sector with the new trade agreements in place or in the offing – Caribbean Forum of African, Caribbean and Pacific States (CARIFORUM)-EC EPA and Guyana/Brazil Partial Scope Agreement, it is a moot point whether the capacities have been established for Saint Kitts and Nevis to take advantage of these possibilities. The Ministry of Trade has been engaged in registering professional organisations and associations in preparing the country to take advantage of the EPA. At the same time, tariffs are being reduced on imports coming into Saint Kitts and Nevis. It might well be that the latter response would predate any capacity to mount export of a new stream of goods and services to Europe.

In respect of Financial Services, the Government has established the Financial Services Regulatory Commission with branches in Saint Kitts and Nevis. The country has sought to be fully compliant with the requirements of the OECD. However, the push to create transparency in banking and financial circles following the sub-prime and other debacles of 2008/2009, there may be less appeal in off-shore financial operations and tax havens as might have existed in the past in countries like Saint Kitts and Nevis.²⁸ Recent empirical work casts some doubts on the prospects of substantial growth in the sector. Moreover, the Euro-zone crisis would exacerbate the hostility of Governments in Europe to off-shore financial centres, especially if there is need for Governments to provide bail-out of banks and other financial institutions that may have links to off-shore financial centres. Thus, although the country has done much to improve the regulatory infrastructure for the sector, the gains might be marginal in terms of revenue and employment growth for the nation.

There is official recognition and commitment to the development of Information and Communication Technology for use in Education as well as in other areas. Moreover, there is a thrust to engage the entire population in the adoption of ICTs as part of their living. The Department of Technology and the Ministry of Sustainable Development are the focal point in the implementation of a Diversification and Competitiveness Project based on ICTs. Opportunities for training are being expanded to a large public, and computers are being installed in schools to allow all students access to rich information sources in the rest of the world.

In that regard, it is recognised that ICTs can be a stand-alone industry if the country developed the mix of skills and expertise, and as well, ICTs serve as a critical platform in the production system in modern world. The small size of the country and of its population may not be a serious barrier in its involvement in ICTs: indeed, given its small size, it has no option but to take advantage of the possibilities that the technology offers. This seems to be well appreciated given the official measures being put in place. There is evidence in some communities, of residents becoming very involved in the use of ICT, with their taking advantage of community

²⁷ Dr. Denzil Douglas' 2011 Budget Address. Website source: <http://www.winnfm.com/news2.asp?NewsID=5618>.

²⁸ Williams. O, E. Suss and C. Mendis, "Offshore Financial Centres in the Caribbean: Prospects in a New Environment," *The World Economy*, 2005, and Lee, J., "The Impact of Recent Regulatory Initiatives in Small Offshore Financial Centres," *Research Journal of International Studies*, Issue 18, January 2011.



facilities: one such example is Old Road. The thrust into ICTs in various ways can complement the work of the National Competitive Council.

Tourism remains the major sector in terms of foreign exchange earnings for the country. The global downturn led to a fall in tourism receipts, as value added in the sector fell by some 28 percent between 2008 and 2009, and the country experienced the lowest hotel occupancy levels on record.

Earlier attempts to diversify within tourism seem to have paid off in stemming the decline in income from the sector: Education Tourism and the Cruise Sector have been important elements in the diversification within tourism. Nature, culture and heritage are seen as attributes that can differentiate the tourism product of Saint Kitts and Nevis. Another focus in product development and diversification has been the promotion of high end projects: one such is the Saint Kitts Peninsula Resort with three hotels, a golf course and high end residential units. This, along with other tourism developments, is expected to contribute immensely to employment and income generation in Saint Kitts and Nevis.

Institutions Involved in the Empowerment of the Poor

There are a number of institutions that have been developed that contribute to the empowerment of the poor. These relate to the areas of training and labour market placement, and to the promotion of SMEs. There is in place the National Skills Programme which has been involved the training of the former sugar workers but is geared mainly to youth as a type of second chance programme, providing on-the-job training, remedial education, life-skills training and some amount of entrepreneurship training: this is done over a period of four months.

There is also Project Strong that focuses on at risk youth and drop-outs of the secondary school system. More recently, the Youth Empowerment through Skills Programme was introduced. There is also the Advanced Vocational Educational Centre providing a two year training programme, mainly to students with incomplete qualifications. The Labour Department has been involved in job search and job placement in support of some of these programmes, and displays considerable sensitivity to the importance of this role.

The challenge for the society at large and the work-force in particular is the adoption of the notion of lifelong education and training. This has to be seen against the backdrop of a relatively low level performance in respect of the secondary school programme.²⁹ While enrolment levels at secondary schools have been high and approach universal enrolment, much less than half of students leave with full certificates (five or more passes with English and Mathematics).

A relevant country for comparison is Singapore, in which over 80.0 percent of students secure five or more passes at the equivalent national examinations compared to Saint Kitts and Nevis with under 30 percent: Singapore has been able to build a technologically sophisticated and adaptable work-force on the basis of some three decades of good secondary educational

²⁹ Blank (2009) op.cit.



performance.³⁰ Saint Kitts and Nevis has not yet achieved the human resource foundation for creating a competitive work-force for the 21st century. SIDS have little option but to rely heavily on the capacity of their human resources. The inculcation of a commitment to life-long education and training and the provision of institutional arrangements to support this have become an imperative for Saint Kitts and Nevis.

In the matter of business and enterprise development, Saint Kitts and Nevis has developed a number of initiatives to support entrepreneurship. The NEDD supports new entrepreneurs with business development training, and the Development Bank of Saint Kitts and Nevis has a window providing credit facilities to small businesses: some of the funding for this comes from external sources and is available for on lending with the Government being ultimately the guarantor.

There is also the Small Enterprise Development Unit (SEDU), the Foundation for National Development Cooperative Credit Union Ltd. and the two Credit Unions, the Saint Kitts Cooperative Credit Union and the Nevis Credit Union. There is insufficient collaboration among these agencies to ensure that all these efforts contribute to a real impact with new entrepreneurs and new businesses being created such that the landscape of private sector development is being transformed positively and the relative marginalisation of the domestic population is being corrected, in the context of the need for diversification of the economy.

Institutions Involved in Social Transfers and the Delivery of Basic Social Services

The Government has had a long standing commitment to efficient and equitable delivery of social services. The Early Childhood Programme has been noted previously. One of the more recent initiatives has been the implementation of the Institutional Strengthening of Social and Economic Development (ISSED) Programme during 2009 and 2010, which resulted in an improved targeting system for the distribution of pharmaceuticals to the poor and most vulnerable, as well as the new initiative 'Mould, Empower, Nurture, and Direct,' or 'MEND' Programme, which is being developed as a tailored initiative based on the best practices learned from the successful implementation of the Puente in Chile and a comparable programme in conditional transfers in Jamaica.

However, according to Blank (2009), there are over two dozen social protection programmes in Saint Kitts and Nevis, most providing cash-transfers, in-kind benefits and social care services. The comprehensive review revealed a number of problems with the delivery of social protection, including:

- Inefficient delivery mechanisms for key programmes;
- Lack of upper limits on the entitlements in some programmes – house repair, overseas medical assistance – and inequities;

³⁰ Ministry of Education, 2011. Results of the 2010 Singapore-Cambridge General Certificate of Education (Ordinary Level) Examination. Website source: <http://www.moe.gov.sg/media/press/2011/01/results-of-the-2010-singapore-cambridge-gce-o-level-examination.php>.



- Inconsistency in approaches to the Education Based Safety Nets;
- Stigmatisation of secondary school students in the delivery of free lunches to them;
- Exclusion of many students from access to books; and
- Uncoordinated and poorly documented health based social safety nets.

The net result is high expenditure and possibly wasteful expenditure on the social services with gaps in delivery, exclusion of potential beneficiaries, and inclusion of others who do not deserve support, or support at that level. There is need for rationalisation in social services delivery: it may well be that much more can be achieved with current allocations.

Institutions Involved in Disaster Risk Reduction, Climate Change Adaptation and Human Security

The Fight against Crime

Saint Kitts and Nevis has not escaped the crime wave that has swept across the Caribbean over the last decade. The increase in the incidence of serious crime and the rise of criminal gangs are the outward visible evidence of an increase in insecurity and a decline in the level of protection of the individual in the society. Substantial sections of the male youth in the society have become involved in gangs, with special clothing and colours to establish their allegiance to their respective gangs.

The international narco-trafficking industry has been advanced as a prime contributing factor. The region is not only a important transshipment point, given the unprotected coast line of their waters, and the relative ease of external communications to the metropolitan markets. Saint Kitts and Nevis, albeit a small market, has become involved as domestic operatives secure payment for their services in transshipment by way of product and weapons.

The heavy reliance on the tourism sector creates major risks to the society from travel advisories prompted by any spikes in serious crime, and especially in attacks on tourists. The security challenge has made it necessary for the country to invest more heavily in the Police. The country is forced into heavy outlays on avoidance costs.

While there is a recognition that crime is a cross-cutting issue, Saint Kitts and Nevis is not well equipped with the institutional arrangements to combat crime and the scourge that it has unleashed on the society.

Environmental Management

The natural resources of Saint Kitts and Nevis are the base of its socioeconomic development and careful management and protection of the environment is a prerequisite to ensuring the country is placed on a sustainable development path. Environmental degradation can easily derail the socioeconomic gains made with time. The neighbouring Caribbean country of Haiti illustrates the human health and ecological challenges that can arise from mismanagement of the environment. In most cases, it is the poor and the most vulnerable in society who bear the burden of environmental degradation. Indeed such problems suggest that the price paid for



mismanagement of the environment, which often translates into negative impacts on human health, the ecology, the socioeconomic system, and the quality of human life on the whole, far outweigh the investments made in maintaining healthy ecosystems and sustainable managing of the environment.

Sustainable management of natural resources and the environment calls for an integrated approach often requiring proactive action to avert environmental problems which have the potential for grave consequences. At present, extensive soil erosion of abundant sugar lands, coastal erosion (particularly along the southwest coast), improper waste management represent challenges to the economy and people of Saint Kitts and Nevis which must be addressed in order to reduce the risk they pose to the country's development.

Environmental management covers a number of disciplines and therefore is the responsibility of a number of agencies with the Ministry of Sustainable Development playing a pivotal role. The Ministry through several of its Divisions, carries the responsibility for Physical Planning, Economic and Physical Development, Land Development, Land Surveying, Environmental Protection and Environmental Enhancement, Marine Pollution, Forestry and Watershed Management, Soil Conservation and Wildlife Management, Management of Heritage Sites, Wrecks and Public Lands Distribution and Administration. The Ministry of Agriculture also has responsibility for management of agricultural and marine resources. However, environmental management is geared mainly at meeting international obligations. There is need to extend the effort to:

- Place environmental management high on the national agenda;
- Increase the regulation of development and harmful human behaviours through the formulation and implementation of a National Physical Development Plan, and the development and enactment of an Environmental Management Act.
- Assign responsibility for water resources management outside of the Public Utility entity which itself is a user of water; and
- Strengthen relevant departments to improve environmental monitoring, forestry management, and soil management.

Disaster and Climate Change Risk Reduction

Natural hazards³¹, which are becoming more intense and frequent as a result of climate change, can reduce socioeconomic development gains, further entrap the poor in a cycle of poverty, and increase the vulnerability³² of others. An important component of achieving environmental sustainability and poverty reduction is managing and building resilience to the risk that the Saint Kitts and Nevis populations are exposed to in the face of natural disasters. Human security in the

³¹ Hazard is defined as: "A potentially damaging physical event, phenomenon or human activity that may cause the loss of life or injury, property damage, social and economic disruption or environmental degradation. Hazards can include latent conditions that may represent future threats and can have different origins: natural (geological, hydrometeorological and biological) or induced by human processes (environmental degradation and technological hazards)" UN/ISDR. Geneva 2004.

³² Vulnerability is defined as: "The conditions determined by physical, social, economic, and environmental factors or processes, which increase the susceptibility of a community to the impact of hazards". UN/ISDR. Geneva 2004.



21st century, therefore, does not only address the challenges brought on by crime and human conflict but requires governments and people to respond to climate change and disaster risks and be engaged in activities that would reduce vulnerability and lead to greater equity, resilient and sustainable outcomes. There is growing recognition that the risks associated with climate-related natural disasters and climate change are closely linked and therefore some solutions are common to both issues. In the case of a SIDS like Saint Kitts and Nevis, a coordinated effort may be best in addressing the disaster risk reduction and climate change adaptation concerns.

Saint Kitts and Nevis is susceptible to a range of disasters including tropical storms and hurricanes, droughts, earthquakes, tsunamis, flooding and volcanic eruptions. The National Emergency Management Agency in Saint Kitts (NEMA) and Nevis Disaster Management Agency (NDMA) in Nevis are the two main agencies responsible for disaster management in the country and for management of emergency operations during times of upset conditions. Both work closely with first responder agencies, such as the Red Cross, Police Service, and the Fire Service, in providing security of residents on both islands: this includes the conduct of disaster management training programmes and workshops.

Greater attention however must be paid to the poor given their increased vulnerability and inability to recover quickly when disaster occurs. Disaster management requires that there be focus on pre- and post- disaster management processes including mitigation, recovery and reconstruction, ensuring appropriate legislation and regulatory standards are in place to improve building and infrastructure development. The necessary institutional and organisational capabilities must be strengthened to reduce response time during emergencies and to ensure better monitoring systems are in place. The public must be aware of the dangers and have plans in place to ensure the safety of their family and community.

Similarly climate change adaptation requires an overhaul of the regulatory system to ensure building codes and infrastructure are able to withstand climate change and variability. At present, national development planning processes and macro-economic projections do not cater for climate change predictions. However, the results of the United Nations Economic Commission for Latin America and the Caribbean (UNECLAC) Review of the Economics of Climate Change (RECC) project for Caribbean Island nations will provide much needed information on the economic impact of climate change that can guide policy decisions.

Also of importance is the need to incorporate climate risk-related information in land-use planning, water management, and environmental and natural resource management. This would require the collection of relevant data: in the past, this has been problematic. Climate change adaptation, in addition, requires the Ministry of Works and other relevant bodies to have the capabilities to strengthen and maintain protective works, particularly along the western coast where coastal erosion is most aggressive, despite the financial and fiscal challenges faced by the Government. Such works are expensive and must be on-going to provide protection to the neighbourhoods and critical coastal roadways. Nothing short of the retrofitting of the infrastructure to higher standards is required.

