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***MONITORING AND EVALUATING HUMAN
DEVELOPMENT INDICATORS (HDI's) IN THE OECS***

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And Development In The Caribbean*



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INTRODUCTION

The primary objective of this paper is to make a case for the continuous monitoring and evaluation of the human development indicators put forward in the OECS Human Development Report 2002: Building Competitiveness in the face of Vulnerability.

Two key measures of human development are put forward in the Human Development Report 2002 (HDR):

- The Human Development Index (HDI) as proposed by the UNDP. This composite index reflects longevity, knowledge and access to resources.
- The Adjusted Human Development Index (AHDI). This is an adjustment of the HDI to measure three basic dimensions not captured in the composite index and which are relevant to small-island developing states like the OECS. These three components are disadvantage, resilience and sustainability. Sub-indices were developed for all of these components.

As explained in the HDR, such an approach was necessary to capture the

peculiarities of the member states and to put forward salient policy initiatives.

Discussions on Human Development Indicators in the OECS must take into consideration the development discourse, the debate over the adequacy of the GNP as a measure of development, as well as the economic social and political infrastructure of the region. The paper will venture into some discourse on the various numerical measures mentioned. However, the focus will not be on the years of debate that has ensued over their adequacies or inadequacies.

Instead, emphasis will be placed on reducing the apparent disconnect between macro-economic policies, social policy and poverty reduction. In this regard some emphasis will be placed on development paradigms that refuse to accept that inequality must be addressed alongside issues such as access and distribution. It is in such a discourse that one will understand:

- Why although the world's total economy grew over the last two

decades, the gap between rich and poor widened and the number of persons living in poverty increased.

- Why the richest 1% of the world has income equivalent to the poorest 57%.
- Why four fifths of the world's population live below what countries in North America and Europe consider the poverty line.
- Why the poorest 10% of Americans are better off than two-thirds of the world population.
- Why the richest 20% of the world population now receives 150 times the income of the poorest 20%.
- Why the share of the poorest 20% of the world's people in global income now stands at a miserable 1.1%, down from 1.4% in 1991 and 2.3% in 1960.
- Why the ratio of the income of the top 20% to that of the poorest 20% rose from 30 to 1 in 1960, to 61 to 1 in 1991 and 78 to 1 in 1994.
- Why the assets of the 200 richest people in 1998 were more than the total annual income of 41% of the world's people.¹ and

- Why the OECS cannot stop to admire the nicely presented human development indices that were produced in 2002, that is unless we want the development paradigm to continue to posit that the conditions necessary to lift people out of poverty do not effectively exist in underdeveloped countries.

This understanding will be further enhanced by an articulation of the meaning of development. Arturo Escobar in Encountering Development states, "*the development discourse inevitably contained a geopolitical imagination that has shaped the meaning of development for more than four decades.*"² Those with the power to shape such a discourse have perpetuated a meaning of development that suggest that only external expertise can fully understand what developing countries need to develop. The result has been a patronisation of the human and social capital and institutions that exist within those countries.

² Arturo Escobar. Encountering Development: The Making and Unmaking of the Third World [New Jersey: Princeton University Press (1995)]

¹ <http://www.worldrevolution.org/guide/inequality>

Yet the very international organisations whose prescriptions we have followed and for which we have been chastised whenever we strayed have also come under scrutiny. Both the IMF and the World Bank have received criticism on the impact of Structural Adjustment Programmes (SAP's) and the Poverty Reduction Strategy Paper (PRSP). The 2002 Panos Institute publication Reducing Poverty: Is the World Bank Strategy Working?, challenged these institutions to review these strategies as they believe that this review "*would show that the impacts on growth and poverty were negative*"³ in relation to the SAP's; while the PRSP do not contain "*enough measures to ensure that the poor will share in the benefits of growth.*"⁴

The OECS member states have recognised that the sympathetic disposition of the international community and the fortuitous international economic and political circumstances would not continue. During the Decade 1980 to 1990 the OECS economies grew at an annual average of approximately 6 per cent. The real growth

rates ranged from 4.4 per cent to 7 per cent (see Table 1). This growth performance was achieved in spite of two recessions in the developed countries at both ends of the decade and the passage of several destructive hurricanes.

The real growth rate in the OECS countries fell off drastically during the 1990s - averaging about 2 per cent. This was mainly due to the international recession of the early 1990s but also reflected some of the structural weaknesses of the economies:

- A narrow economic base, economic activity influenced by developments in agriculture, tourism, banking and insurance services, government services and communication services.
- Imports and exports account for over 100 per cent of GDP.
- There is a narrow production base, negative trade balances and structural unemployment.
- The trade balance is invariably negative. Trade with other CARICOM countries is limited, accounting for approximately 10 per cent of both imports and exports.
- The economies are small, open and vulnerable.

³ 2002 Panos Institute publication Reducing Poverty: Is the World Bank Strategy Working? [London 2002] 15

⁴ Ibid

- Economic performance, in recent times, has been characterised by slow growth, widening fiscal deficits and rapid accumulation of debt.

In this context, the economic performance of the currency union has been characterised by:

- Declining growth rates.
- Weak performance of the export sectors.
- Stable prices
- Deteriorating fiscal performance.
- Increasing debt obligations; and
- Stable but challenged financial systems.

The response to this deteriorating position a number of regional programmes to stabilise the public finances and stimulate growth in the currency union have been initiated:

- Fiscal Stabilisation Programmes.
- Debt Management Strategy.
- Public Expenditure Management.
- Reform of the Revenue System.
- Private Sector Development.
- Strengthening Regional Integration.
- OECS Development Strategy.
- Free movement of labour.
- OECS Court of Appeal.
- Liberalisation of telecommunications.

- Financial Sector Development - Single Financial Space.

In other words, these countries have not just reclined in their chairs to wait for Armageddon.

At a special meeting of the OECS Authority on the economy in October 2002, the Heads of Government accepted the OECS Development Strategy and Charter as a roadmap for the common development of the region. The critical imperative of this strategy is to transform these small, vulnerable and underdeveloped economies into competitive entities. This calls for deliberate policies for building capacity at all levels and for determining the right product mix. According to the Charter, the end of development is the empowerment of people by ensuring their continual access to material, emotional and spiritual comfort. Development must therefore, by definition, be people centred.

The Objectives of Development were listed as:

- Poverty Eradication.
- Employment Creation.
- Access to Education.
- Access to Social Services.

- Creation of Greater Opportunities/Choices and the Empowerment of the Disadvantaged Members of Society.
- Enhancement of Cultural Activities.
- Sharing the Gains from Development. Equitability.
- Reduction in the Level of Crime.
- Good Governance.
- Protection of the Environment.

It has been recognised that to fulfil these objectives growth estimated at 6% for the next 10 years to raise EC\$3 billion per year will be needed. In the meantime, the OECS is focusing on the development of capital markets, mobilising domestic savings, and encouraging governments to broaden their tax base, diversifying their tax structure and improving tax administration.

The OECS Development Strategy and Development Charter were developed alongside the OECS Human Development Report, which focused on building competitiveness in the face of vulnerability. But are these countries doing enough to ensure that they tackle the issue of increasing poverty in the member states? Another critical question is whether these

countries should be able to claim to have economic growth when poverty is on the increase. While this issue will occupy more time in the literature review, it should be noted that the relationship between growth and poverty alleviation is not linear. And since it is indeed impossible to isolate all the variables that will lead to development, proponents of both sets of indicators should go beyond their mathematically sound indices and measurements to find the remedy for development and eventual poverty eradication.

This paper contends that the issue of what has been called social development is a misnomer, especially in the budgets of governments, where investment in capital such as school infrastructure or the erection of a community centre, is blamed for lack of investment in the productive sector. In an attempt to control expenditure, many governments reduce spending on what are seen as expendable social investments. This has proven detrimental to development, especially because of a reduction in national capacity. Education must be seen as part of the productive sector, especially in developing countries where human capital is such a critical factor of production.

The social policy agenda must be one that matches the rhetoric and must take into consideration the efficacy of inputs and how they are strategically deployed. While inputs alone will not determine outcome, policies will become more credible when there is an attempt to match policies with efficacious inputs. This by no means suggests an accountancy-driven approach of inputs and outputs, so that activities, which cannot show a visible return, cannot justify themselves. What is key is for the political rhetoric to more closely match results. Those persons to whom resources are assigned must account for their use. Many developed countries are devising strategies to strengthen return to investment in order to increase productivity and the standard of living. In fact the literature on return to investment reinforces the view that investment must be directed at both quantity and quality.

By now governments in the OECS should have come to the realisation that economic growth has not guaranteed development. They should have also realised that investment in social development pays a big role in economic development. Stiglitz has noted that it is naïve to carry on hoping that development will materialise either

spontaneously or as a “trickle down” from investment, technology transfer or market reform.⁵

It stands to reason then that development cannot be left to chance it should be actively pursued. National budgets should be the first place where the monitoring of HDI's should start. This is the place where the macroeconomic policies translate into viable economic development. This is not to make a case for centralised bureaucratic planning. There is a place for micro financing that does not involve the state. At the same time, if national development strategies and national budgets are supposed to work in tandem, then monitoring at this level is also imperative. In fact, *“provision of social services and reduction of poverty have intrinsic value and are well served by efficient and judicious allocation of resources...social policy must be designed not only residually, to cater to social needs, but as a key component of policies that ensures the wherewithal for their own sustainability.”*⁶

⁵ Stiglitz, Joseph. “Towards a new Paradigm for Development: Strategies, Policies and Processes” [Paper given at the Prebisch Lecture, UNCTAD. (Geneva: 19 Oct 1998)]

⁶ Thandika Mkandawire. “Social Policy in a Development Context.” United Nations Research Institute for Social Development. [Social Policy and

In any event, monitoring HDI's from the national budget is only one of the monitoring mechanisms suggested in the paper.

In the Literature Review an attempt is made to focus attention on rationalisation of the use of HDI's and the debate over their deficiencies. This analysis will be done along side a critic of the use of the GDP to measure human development. In addition the literature review will consider the issue of development especially in relation to trade agreements and trade liberalisation, since these proclamations have serious implications for poverty alleviation.

The second part of the paper deals with two fundamental issues. The first centres on the notion of vulnerability. Emphasis will be placed on both economic and geographical vulnerabilities and the mitigation response to those things that seem to put us at a disadvantage. In the face of mounting economic and social problems coupled with fewer resources are these countries doing enough to prevent social exclusion at both the national and international levels?

The final section of the paper will focus on the OECS context. The recent launching of the OECS Human Development Report 2002, the adoption of the OECS Development Charter and the strategies to address economic recovery will be examined. This will be done alongside the three dimensions of the HDI, longevity, knowledge and access to resources.

At this juncture in the development of the OECS it is imperative that some attention is given to social policy development. Externally, these countries face challenges such as globalisation and liberalisation of markets that forces them to seek global competitiveness, pressures to sign international agreements or face exclusion, and "social conditionalities" that accompany development assistance. Internally, they are challenged by their physical and structural vulnerabilities, the erosion of fiscal capacity and high poverty rates. Now that some attempt has been made through the HDR to isolate some of the issues confronting these states, it is imperative that a comprehensive monitoring and evaluation strategy is developed to prevent loss on gains that have been made and to increase the sustainability of these small island states.

PART I

LITERATURE REVIEW

The debate over the adequacy of GNP as a measure of development and an indicator of better standards of living has existed for more than four decades. The debate, which is embroiled in the true meaning of development, has noted that the focus on GNP places emphasis on supply of goods and income rather than on the entitlement of people.

The plethora of research, which has resulted, has been further enhanced by the debates over poverty, globalisation and international policy. In addition, the provision of social services to developing countries by aid donors and non-governmental organisations, has raised issues over the role of the state as enabler, rather than an active participant in social development. The result has been:

- A new focus on the instruments for economic development that are contained within social development.
- A new focus on private provision for social policy in order to facilitate reduced government expenditure and activities in the social sector.

In examining the relationship between social policies and enhanced economic development, Thandika Mkandawire notes that traditionally *“social expenditure (was) seen as merely paying for social consumptions. As such it (was) considered to have a negative impact on economic development because it reduced savings and therefore investment”*⁷ However, with the rediscovery of poverty, even in the face of apparent success, new indices such as the HDI gained attention.

Mkandawire adds that the move is towards ensuring that growth is only one of a series of measures that should be used. However, emphasis is placed on the fact that *“no automatic mechanism exists to translate growth into expansion of human choices: the link between economic growth and welfare has to be created consciously.”*⁸

Unless this is recognised by policy makers, the analysis that is needed to ensure that there is greater understanding of the HDI will never be undertaken.

⁷ Thandika Mkandawire. “Social Policy in a Development Context.” United Nations Research Institute for Social Development. [Social Policy and Development Programme Paper No. 7 June 2001]

⁸ Ibid (4).

This view is supported by Paul Streeter who also noted that although certain indicators will focus attention on the problem, “ *it is clear that the concept of human development is much deeper and richer than what can be caught in any index or set of indicators.*”⁹ This sentiment is echoed in the OECS HDR, where the articulation of the definition of human development goes beyond the rise and fall of national incomes. Where the focus is on the creation of an enabling environment that can support the expansion of choices and value human life.

The case over the inadequacy of GDP as an indicator was followed by the focus on human development indicators. Streeter in “Human Development: Means and Ends,” states that “*human development puts people back at centre stage, after decades in which a maze of technical concepts have obscured this fundamental vision... to treat men and women as ends, to improve the human condition, to enlarge people’s choices.*”¹⁰

As the focus on human development broadened to include the entitlement of

people, the HDI found favour with the UNDP and its use expanded. This composite index reflects three major dimensions:

- Longevity- life expectancy at birth.
- Knowledge- educational achievement on a weighted sum of adult literacy.
- Access to resources-represented by real per capita income and purchasing power parity adjusted by average global value.

Critics of the HDI have focused on:

- Its inadequate consideration of income differentials, especially where incomes are high;
- The selection of values for its components; and
- Attaching equal weights to its components.

In spite of the criticism, Noorbakhsh’s research has shown that other indices constructed from the components of the HDI produced similar ranking results and that “*the equal weightings of the components of these indices is not a serious problem as indicated by some*

⁹ Paul Streeter. “Human Development: Means and Ends” in The American Economic Review. [May 1994 Vol. 84 No. 2(232-237)] 232.

¹⁰ Ibid.

researchers.”¹¹ He admits however, that the HDI can mask income inequalities, inequalities between men and women, as well as rural and urban disparities.

In “The Implicit Equidistributional bias of Human Development,” Luchters and Menkhoff, noted that the HDI was an evolving index and that some of the criticisms levelled at the early index no longer holds. In fact they indicate that the new HDI is more sensitive towards distribution than to income. Therefore if analysed alongside GDP, a clearer development picture should emerge.

J.N. Srinivasan in Human Development: A New Paradigm or Reinvention of the Wheel?” states that, “*in sum the HDI is conceptually weak and empirically unsound, involved serious problems of noncomparability over time and space, measurement errors and biases.*”¹² Even with these criticisms, Srinivasan is more concerned with another more critical issue,

whether “*countries with low HDI values instituted policy changes with respect to nutrition, health and education sectors.*”¹³

He surmised that there was no evidence that HDI’s had led countries to rethink their policies, neither was there any expectation that this would be done.

Monitoring of social indicators is not a new phenomenon. Developed countries have developed and monitored such indication according to their approach to welfare. While there has been a move away from comprehensive social monitoring efforts since the late 1970’s to what is now termed “multidimensional resource monitoring.”

According to Gosta Esping-Anderson in “Social Indicators and Welfare Monitoring,” the issue is how to study progress-regress utilising current social indicators such as social expenditure statistics (as a percentage of GDP). He notes, “*if a country sustains its social expenditure levels, or even raises them, it may not automatically imply progress.*”¹⁴

¹¹ Farhad Noorbakhsh. “The Human development Index: Some Technical Issues and Alternative Indices” in Journal of International Development. [Vol. 10 No.5 July-Aug 1998 (589-605)]602

¹² Srinivasan, T. N. “Human Development: A New Paradigm or Reinvention of the Wheel?” in The American Economic Review [Vol. 84 No. 2 May 1994 (238- 243)] 241.

¹³ Ibid

¹⁴ Gosta Esping-Anderson in Social Indicators and Welfare Monitoring,” United Nations Research

He adds that there are three basic dimensions in the progress-regress scenario:

- Worsening (or improving) welfare can result from a change in underlying conditions. An example of this would be a change from the preferential treatment of bananas to a liberalised regime. Such a condition can “*catalyse new risks and intensify old ones, often among populations that were previously relatively secure*”¹⁵
- A radically novel risk structure such as diminishing welfare inputs. An example of this would be the use of social security benefits to repay debts.
- Weakening welfare inputs that show-up in welfare outcomes. This may not always be the case as families may adapt and absorb the welfare consequences. For example, women may face malnourishment to ensure that children are fed and attend school.

What this discourse demonstrates is that there is not a linear relationship between welfare inputs and welfare outputs.

Esping-Anderson concludes that social risk and basic needs approach to welfare monitoring are limited in focus. The former because it views social problems in actuarial terms, leading to an assumption that insurance against such risk, such as social safety nets, is enough, when all it does is to bridge a social problem with social aid. The latter assumes that by providing basic needs people will be able to maximise their own human potential to lift themselves out of poverty.

Instead he recommends that future social indicators should lean more in favour of the multidimensional broad resources view for the following reasons:

- Given the current global volatility, there is a need to capture trends and identify where the problem lies.
- There is a need to move from “passive” to “active” social policy thinking.
- The production of statistics that monitor durations and transitions and not states.¹⁶

Institute for Social Development. [Social Policy and Development Programme Paper No 2 May 2000] 12

¹⁵ Ibid

¹⁶ Ibid [14-16]

In the OECS the production of statistics that could support effective policy making continues to be a major weakness. This inadequacy is clear in the statistics gaps in the HDR. The Report makes a very poignant appeal about *“the desperate need for data and information that can support policy analyses and the monitoring of the development processes”*¹⁷ It goes on to make its own appeal for continuous monitoring by stating that the Adjusted Human Development Index (AHDI) and Index of Exposure are only a first step and should therefore *“be treated cautiously; but even more importantly, further progress and refinement can only be hampered by the absence of data.”*¹⁸

will take governmental intervention and legislation to improve not just the collection but also the dissemination of data and information.

Monitoring and evaluation cannot take place without the requisite data. The HDR recommends a closer connection and more coordination between national and regional institutions that collect data. Unless the connection between social statistics and economic statistics on the one hand, and national statistics and regional statistics is recognised the feasibility of this occurrence will remain a distant reality. Moreover, it

¹⁷ OECS Human Development Report 2002 (150)

¹⁸ Ibid.

PART II

VULNERABILITY, SOCIAL EXCLUSION AND RESILIENCE

Vulnerability is critical to the analysis of the relationship between a country's growth and income and human development. It refers to the degree of loss due to shocks "attributable to interrelated geographic (country size and location), demographic and economic factors."¹⁹

The Commonwealth Secretariat has identified three key reasons for the vulnerability of the Caribbean:

1. The lack of diversification (as measured by the UNCTAD diversification index).
2. The extent of export dependence (as indicated by the share of exports in GDP). This is accentuated by the fact that traditional exports have become uncompetitive.

Vapus James makes the point that the OECS economies are vulnerable because they are price takers and that this is "the

main explanation of most of the poverty observed in the Region" (James 1999).

3. The impact of natural disasters (as reflected by the portion of the population affected). In the late 1980's and 1990's the OECS territories have experienced numerous hurricanes along with the eruption of the Langs Soufriere volcano in Montserrat in 1992.
4. Floods and droughts (see Table I below). These geographical factors coupled with demographic factors such as population size and density increases the vulnerability of the OECS member states.

In "Small Economies in the Face of Globalisation", Jose Antonio Ocampo notes that structural vulnerabilities also result from:

1. Trade and Capital Account Shocks. This is due to the fact that they are exposed to external shocks in price and higher terms-of-trade volatility. Moreover, the dependence of trade preferences has increased vulnerability especially as the erosion of such preferences in the OECS has been accompanied by the

¹⁹ Jose Antonio Ocampo. "Small Economies in the face of Globalisation." Third William G. Demas Memorial Lecture at the Caribbean Development Bank (Cayman Islands, 14 May 2002)

granting of preferences to competitors.

raise taxes domestically thereby making tax reform difficult.

2. Macroeconomic constraints because of the shallowness in the domestic financial sector, low domestic savings rates and international prices. He adds that while the fixed exchange rate has brought price stability, *“it has also placed the burden of adjustment to external shocks on income effects, thus reinforcing the risk that large shocks and misalignment may translate into recession and unemployment.”*²⁰
3. Fiscal vulnerability occurs because of fiscal policy is not autonomous and government income is dependent on trade tax revenue and public investment depends on official assistance. In the OECS territories, governments receive up to 60% of their revenue from international trade taxes. These revenues are vulnerable to import liberalisation. Further, the tax structure may make it difficult to

TABLE I: ENVIRONMENTAL VULNERABILITIES (1990's)

Country	Type of Disaster	Comments
Anguilla	Hurricanes Drought	
Antigua and Barbuda	Hurricane Drought	Hurricanes Luis and Marilyn inflicted \$254 million in damage
British Virgin Islands	Hurricane Floods Earthquake (2)	
Dominica	Hurricane Floods	Hurricanes Luis and Marilyn inflicted \$175 million in damage
Grenada	Floods from tropical storms	
Montserrat	Hurricane Volcanic Eruption	The cost of the volcanic eruptions has not been measured.
St Kitts and Nevis	Hurricane Floods Drought	In 1995 Hurricanes Luis and Marilyn inflicted damages of \$149 million in St. Kitts and Nevis. This was followed in 1998 by Hurricane George, which did \$484 million in damage.
St. Lucia	Hurricane Floods Drought	3% of GDP was associated with Hurricane Lenny
St Vincent and the Grenadines	Hurricane Drought	Hurricane Lenny caused \$12.3 million damage to port infrastructure for cruise ships.

4. Asymmetric access to investment finance was also cited because of the dependence on development

²⁰ Jose Antonio Ocampo. "Small Economies in the face of Globalisation." Third William G. Demas

assistance. The decline in these flows and the dependence on private capital flows has affected the ability to finance viable capital projects.

The effects of these constraints are demonstrated in the CDB vulnerability index shown below:

Country	Vulnerability
Antigua and Barbuda	High
Bahamas	High
Belize	High
Dominica	High
Grenada	High
Guyana	High
St Kitts and Nevis	High
St Lucia	High
St Vincent and the Grenadines	High
Barbados	Upper Medium
Haiti	Upper Medium
Jamaica	Upper Medium
Dominican Republic	Upper Medium
Trinidad and Tobago	Upper Medium

The impact of vulnerability on economic development was clearly articulated by the President of the Caribbean Development Bank in his statement to the Board of Governors in May 2003. According to Dr Bourne, a "large portion of investible

resources which the CDB has had to be allocated to disaster relief and recovery in 2002. He noted that:

- Hurricanes have had a major impact on tourism as many hotels had to be closed and beach erosion was severe.
- Social infrastructure was destroyed. In St Kitts and Nevis, 85% of the housing stock was destroyed in 1998.
- Countries have encountered balance of payments difficulties because of their vulnerability.
- Economic infrastructure was destroyed. For example while Port Zante in St Kitts was constructed at a cost of US\$22.5 million, it received \$10.1 million in damages from Hurricane Georges in 1998 and \$14.1 million from Hurricane Lenny in 1999.

Bourne concluded that "a great deal of policy thought and policy attention is directed towards managing and mitigating international trade vulnerability and financial vulnerability. It is high time that serious effort be also directed towards

managing and mitigating natural disasters."²¹

The focus on the vulnerability of the OECS territories reinforces the need to consider the active and continuous monitoring and evaluation of Human Development Indicators, especially as the profile of the poor reveals that "rural residents, female heads of households, elderly persons, some ethnic groups, mentally and physically challenged are more vulnerable to economic shocks.

According to T. N. Srinivasan "development almost by definition, involves a transfer of the labor force from agriculture to manufacturing and services"²² This has increased the vulnerability of these territories in two ways. Firstly, the search for employment in the services and manufacturing was not accompanied by the requisite infrastructural development in the urban areas. The result has been an increase in urban poverty, the

²¹ Compton Bourne. Natural Hazard Vulnerability and Caribbean Economic Development" Thirty Third Annual Meeting of the Board of Governors (St Kitts May 14-15, 2003) 10.

²² Handbook of Development Economics Vol. I [H Chenery and T.N. Srinivasan (ed) Elsevier Science Publishers (1998)] 7

development of slums, environmental degradation due to improper sewage disposal and the creation of a transient population. Secondly, most of the inputs into service industries such as tourism come from imports because of the fact that linkages have not been made with other domestic sectors. In addition, the relegation of domestic labour within these service industries to lower paying jobs, because of the lack of investment in human capital development.

These factors have increased the vulnerability of certain groups and have encouraged what Manuel Castells refers to as social exclusion. In his discussions on "Information Technology, Globalisation and Social Development", Castells characterises social exclusion as "*the process by which certain individuals or groups are barred from access to certain social positions that would entitle them to provide for themselves adequately, in an autonomous way, within the context of prevailing institutions and values*"²³ What is clear from the article is that not only will individuals be socially excluded, but that

²³ Manuel Castells. Information Technology, Globalisation and Social Development." [UNRISD Discussion Paper No. 114, Sept 1999] 8

with the information age many countries will be economically excluded if there is not a massive investment in technology. The vulnerability of the OECS member states therefore increases with this exclusion.

Some may argue that the caste exclusion, which distinguishes countries, does not exist in the OECS. They would however fail to admit that in plural societies, exclusion is a reality. Further, that exclusion due to poverty, exclusion from employment, and exclusion because of under-employment is present in the member states.

This is especially recognisable in what Norman Girvan refers to as an undermining of the social cohesion in the region. This occurs *"where the lines of exclusion coincide with deep rooted ethnic and social divisions."*²⁴ The resulting antisocial behaviour has manifested itself in drug abuse, drug trafficking and its associated criminal violence. Girvan cautions that this may be *"a factor contributing to the*

*waning credibility of governments and the declining confidence in political systems among populations in many countries in the region."*²⁵ In other words, insufficient attention to the link between economic and social policy will only serve to increase the vulnerability of the region and lead to further exclusion.

Further exacerbating the situation are neo liberal theoretical constructs that underpin trade agreements and which seem incompatible with sustainable development. The recent report on the benefits of North American Free Trade Agreement (NAFTA) for Mexico notes that as NAFTA's tenth anniversary nears, it had *"failed to generate substantial job growth in Mexico, hurt hundreds of thousand of subsistence farmers there and had 'miniscule' net effects on jobs in the United States."*²⁶ The Times Digest quotes John J Audley who edited the Report as saying that *"it takes more than trade liberalization to improve the quality of life for poor people around the world."*²⁷

²⁴ Norman Girvan. "Societies at Risk? The Caribbean and Global Change." (Revision) Caribbean Consultation on the Management of Social

Transformations (MOST) Programme of UNESCO, Jamaica (Feb 1997) 17

²⁵ Ibid

²⁶ "Report Finds Few Benefits for Mexico in Nafta" Times Digest Wednesday, Nov. 19, 2003.

²⁷ Ibid

Of particular interest must be trade agreements that promulgate liberalisation of goods and services but excludes the labour market. Yet, the poaching of professionals and the resulting exodus of trained persons is only met with the repatriation of criminal elements. This depletion of human capital, exacerbated by structural adjustment programmes that increase unemployment and underemployment, must be addressed in relation to the vulnerability of the OECS, especially when teachers and nurses seem to be a target. How are opportunities for new labour being created? Do we have the capacity to deal the criminal elements?

Globalisation and liberalisation are not synonymous. While it is accepted that we cannot opt out of globalisation, liberalisation is a negotiable construct and the fear of economic exclusion should not make beggars of small island economies attempting to build competitiveness in the face of vulnerability.

These questions point to the ability of these countries to cope with their various vulnerabilities. The HDR states that the resilience of the OECS is very low. Key to the building of resilience is human capital, which again is low in the member states.

The issue of human capital development is exacerbated by the burden of disease. The Caribbean has the second highest HIV prevalence after sub-Saharan Africa. AIDS is the leading cause of death among the productive population 15-44 years.

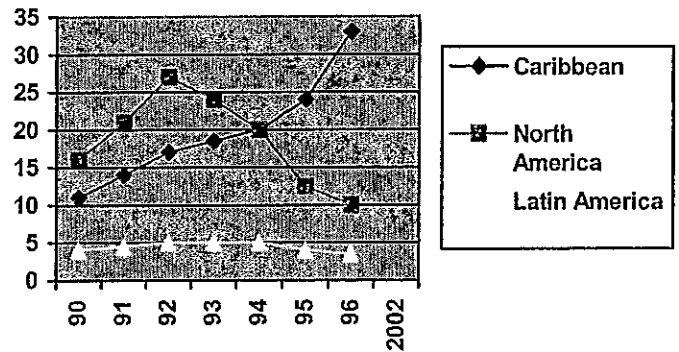


Figure I: New AIDS Cases Per Year Per 100,000 Population. (CAREC 1999)

While the impact on economic growth rates has not been quantified for the OECS territories, the economic impact on Jamaica by 2005²⁸ is expected to show:

- GDP -6.5%
- Savings -23.5%
- Investment -17.4%
- Employment -6.0%
- HIV/AIDS Expenditure +35.5%

This is the type of fore sighting that will be accomplished with the monitoring and evaluation of the HDI's and AHDI's in the OECS. To this point, these territories do

²⁸ CAREC/UWI (1999). Website www.carec.org

not understand the economic and social impacts posed by such pandemic diseases as well as epidemic.

In attempting to assess the vulnerability of these territories, the HDR had put forward the ADHI, which places some emphasis on resilience. The Index of Resilience as put forward in the HRD shows that resilience in the OECS is low, but has been relatively steady.

states and that the statistics being used are those for the 1990's. Perhaps, the critics of such HDI's such as Castells are justified in noting that they are dispensable since the focus will continue to be on income and growth.

Specific attention has to be given to issues such as vulnerability, sustainability and resilience. The OECS cannot wait until all these indicators are mathematically correct

YEAR	USA	Latin America and the Caribbean	Middle Income Countries	Anguilla	Antigua and Barbuda	Dominica	Grenada	Montserrat	St Kitts and Nevis	St Lucia	St Vincent and the Grenadines
1998	0.619	0.389	0.686	0.266	0.323	0.368	0.288	0.451	0.360	0.350	0.282
1999	0.627	0.398	0.691	0.254	0.300	0.358	0.287	0.322	0.350	0.329	0.276

Source: OECS Human Development Report 2002 (59)

It was noted that countries with higher economic diversification with their economic sectors showed more resilience. In some countries this was counteracted by low educational attainment.

What is very apparent is that at the end of 2003, evaluation of such an index has not been undertaken by the OECS member

before action is taken to address what are critical actions for the survival of these countries.

PART III

THE OECS HUMAN DEVELOPMENT REPORT AND THE HUMAN DEVELOPMENT INDICATORS.

The OECS Human Development Report 2002 states that human development in the OECS must be achieved *"within the context of a world that is becoming increasingly integrated and competitive as a result of rapid progress in knowledge and technology; especially in information and communications technology. For the OECS therefore, the existence of other social and economic weaknesses and vulnerabilities- such as high degree of production concentration, a lack of export diversification limited skilled human resources base, and a relatively small social scale of the societies- all mean that adjustment to the changing international environment is likely to be onerous and asymmetrical."*²⁹

It also notes that despite the assumption that economic growth will alleviate poverty, in terms of GDP and per capita income, this has not been the case in the OECS region³⁰

The table below shows the basic social indicators in relation to the growth rate of GDP. Of concern is the Gini coefficient, which if it accurately measures inequality, reveals income inequality that is both high and volatile. The HDR states that this may not be the case as this statistic does not take into consideration the working poor and the gaps between male and female wages. Unfortunately, labour market statistics are not easily obtained, and this makes it difficult for stakeholders to make informed decisions.

The fact that currently growth rates are falling is of even greater concern especially as higher growth rates did not reduce poverty. A major challenge for the OECS will be *"securing the levels of human development necessary to achieve both social well-being and economic growth"*³¹

Vanus James in "Human Development in the OECS: Towards a Study," proposed that *"if appropriate policies are to be designed to improve the well-being of people systematically over time, then appropriate numerical measures have to be developed to monitor opportunities,*

²⁹ OECS Human Development Report (3)

³⁰ Ibid (76)

³¹ Ibid (45)

achievements and failures, whether absolutely or comparatively. The Human Development Indexes are intended for this purpose.”³² His recommendation was based on the concern that there was a need to document the differences in human development of the member states, as this would facilitate monitoring of countries so that emphasis could be placed on specific policy initiatives to expand the choices of the society and the region as a whole.

Critical to the process of monitoring and evaluation must be “the need to secure human development, once achieved...”³³ With the deteriorating fiscal position of the OECS member states this could become a reality. The anticipated cuts in government expenditure will no doubt be directed at those areas that are considered unproductive.

TABLE 4: BASIC SOCIAL AND MACROECONOMIC INDICATORS

COUNTRY	GROWTH RATE OF GDP 1990-2002	POVERTY RATE (%)	GINI COEFFICIENT (1996)	UNEMPLOYMENT % (1996)	INFANT MORTALITY RATE	LIFE EXPECTANCY AT BIRTH	GROSS ENROLMENT RATIO
ANGUILLA	10.5	N/A	N/A	N/A	N/A	78.1	62
ANTIGUA and BARBUDA	8.9	N/A	.52	7	14.5	73.9	69
DOMINICA	4.3	33	.48	10	16.4	72.9	65
GRENADA	7.4	32	.50	26	19.2	65.3	65
MONTserrat	-0.3	N/A	N/A	N/A	7.8	76.4	79
ST KITTS and NEVIS	10.8	31	.44	12	27.8	70.0	70
ST LUCIA	6.1	19	.46	16	14.6	71.9	70
ST VINCENT and the GRENADINES	6.8	33	.44	20	22.2	69.6	58

³² Vanus James, “Human Development in the OECS:

Towards a Study. (4-5)

³³ OECS Human Development Report (vii)

Unfortunately, the requisite social safety nets and community based development groups are not in place. This occurrence is widespread in the OECS, although Girvan points out that income inequality, as shown in the Gini coefficient, has serious impacts on the rural areas. He quotes Duncan (1997) as stating that this holds true for the Eastern Caribbean states, where *“significant portions of the ...population are in a condition where without targeted and community-focused development, this goal (i.e. poverty eradication) cannot be attained.”*³⁴

This points to the need to pay closer attention to the issue of governance in the OECS. While there is a comprehensive governance structure in place, its effectiveness with regard to community-focused development must be assessed. There has not been a proper assessment of the social capital with these islands and this should be undertaken alongside the monitoring and evaluation of the HDI's. Results might show that social capital has

been responsible for arresting poverty rates in the OECS.

One of the measures of human development is longevity, as reflected in life expectancy at birth. The figures for the OECS are very comparable to those of developed countries. However, longevity must be related to issues such as quality of life, equity and access to resources.

Knowledge is based on educational achievement on a weighted sum of adult literacy. There are however some critical issues that must be confronted with regard to this variable, the first being the definition of literacy. The importance of technology to economic transformation cannot be underscored by a definition that limits itself to basic numeric skills.

Another key issue must be the concept of knowledge itself. Who defines knowledge and to whose knowledge are we referring? Surely those issues must be taken into consideration when an index for a developing country is being built. Knowledge is a value-laden construct and its inclusion must be pertinent to sustainability. *“Throughout the developing*

³⁴ Norman Girvan. "Societies at Risk? The Caribbean and Global Change." (Revision) Caribbean Consultation on the Management of Social Transformations (MOST) Programme of UNESCO, Jamaica (Feb 1997) 16

World indigenous knowledge has not been used in the development of these countries, in spite of warnings that to ignore such knowledge would probably lead to failure of external knowledge."³⁵

In spite of the high literacy rate shown in the HDI there are some fundamental issue that need to be tackled as part of the monitoring and evaluation of the HDI's. Especially as the HDR clearly states that *"the relationship between poverty and education continues to be a robust but negative one."*³⁶

What is clear from the earlier is that improvements in education alone will not lead to increases in competitiveness, unless related issues such as poverty, health, class, race and gender are not addressed. These human development issues make it clear that indicators that continue to focus on economic development simply as growth in GDP or the rise and fall of national income will not comprehensively address the issues of productivity and

competitiveness identified within the human capital development discourse. As has been stated in many places, growth alone does not benefit the poor.

CONCLUSIONS

In 2002 the OECS published a HDR for the first time. The OECS Human Development Report 2002: Building Competitiveness in the face of Vulnerability documents the human development status of its nine member states, providing a historical comparative analytical framework and a strong foundation for building on achievements.

According to the HDR, although there have been benefits achieved by the OECS countries over the last decade, they were not desired or expected. What is even more ominous is the possibility that these few gain will be lost if these islands do not quickly become more competitive.

It is with this in mind that this paper calls for more effort in relation to the monitoring and evaluation of human development indicators, and in a more understated sense, human development on the whole.

³⁵ June Soomer, "The role of Education, Knowledge Transfer and transformation in Development" ECCB Annual Development Conference 2002, St Kitts]

³⁶ The OECS Human Development Report [2002]
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Apart from monitoring within the OECS territories, there is a need to also a call from the HDR to *“involve comparison across countries within the Caribbean region, or in the rest of the world, in terms that adequately reflect vulnerability to crisis”*³⁷ The Report posits that such an approach will focus attention on assistance in building resilience and will evoke creative ways of escaping the poverty trap.

The paper also recommended like the HDR that *“if annual progress in economic development is to be accurately measured, more robust and sensitive measures and greater consistency in the quality of trends data are required”*³⁸ The information gaps within the Report are one of its weaknesses, especially as this was a foundation on which monitoring and evaluation would take place. Though out this presentation there was a call for more emphasis to be placed on statistical development, especially with regard to social statistics.

A lot of attention was given to issues such as vulnerability, social exclusion and

resilience, as these indicators, though seen, as sub-indications are critical to understanding the particular circumstances of the OECS. If we are to move forward, the AHDI soon be given special attention.

From the beginning, a case was made for national budgets to be more reflective of the social policy agenda that would move these countries towards competitiveness. The paper stressed that this was not simply an economic or accounting issue, but pointed the need for active social policy development.

A call was also made for careful scrutiny of a governance structure that did not encapsulate social capital. Perhaps a rethinking of governance is needed; perhaps there is a need to invert governance structures so that those who are truly important, that is, the citizens can be placed at the top and the servants of the people at the bottom. Maybe then there would be a greater understanding of what was needed to bring these islands towards competitiveness.

³⁷ The OECS Human Development Report [2002] 3

³⁸ Ibid 53

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