



RESEARCH AND POLICY UNIT

DEPARTMENT OF FINANCE

ECONOMIC PAPER:

**Strengthening Saint Lucia's Safety Net to respond to Future Shocks**

*By*

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**ABSTRACT**

According to the Saint Lucia's 2016 Survey of Living Conditions and Households Budget, annual Social Safety Net (SSN) spending average at 1.3 percent of GDP. Despite this spending, Saint Lucia's Poverty Head Count (Poverty Rates) for three consecutive Country Poverty Assessment periods averaged at 26.3 percent. A number of deficiencies including administration, financial, infrastructural, and lack of technological application have hindered SSN system in Saint Lucia. A Granger Causality employing quarterly data from 2008 to 2019 supported that SSN spending concluded that SSN does not granger cause GDP however GDP granger cause SSN spending up to a 2 year period. Global country cases are highlighted to demonstrate how technology through the use of card based, mobile technology and biometric platforms have reduced cost and enhance operational efficiencies of SSN systems. Streamlining the SSN system and adopting global best practice can potentially enhance in Saint Lucia SSN systems.

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## 1.0 INTRODUCTION

Developing countries have implemented diverse policies and systems as Social Safety Net (SSN) programs to tackle poverty<sup>1</sup>. SSN is defined as non-contributory transfers targeted in some way to the poor and vulnerable (World Bank Group, 2011). These programs target the indigent, disabled, persons infected with and affected by HIV/AIDS, child/elderly and out-patient care. SSN are granted in varying forms including cash and in-kind transfers, social pensions, public work and school feeding programs. Despite these varying modalities of SSN, these programs are typically geared towards alleviating chronic poverty and inequality, improving earning opportunities and building human capital to better manage risk from individual and systematic shocks or for broader economic reforms (World Bank Group, 2011).

Public spending (SSN programs) represents approximately 5.7 percent of GDP in Least Advanced Countries (LAC) nonetheless, this is approximately three times in OECD countries, given the greater percentage of the population that remains below the poverty line in these states. Public social spending including other social spending categories as education, health and other in LAC, amounts to an average of 13.4 percent of GDP. However, the impact of SSN programs have been mixed particularly for vulnerable countries like Saint Lucia which tend to be impacted by adverse external shocks<sup>2</sup>.

According to the *2016 Survey of Living Conditions and Household Budgets*, of Saint Lucia, 20.3 percent of the population are classified as deprived or poor. Saint Lucia, currently, has an amalgam of social safety net programs, categorised into four main areas: Financial Assistance and Empowerment; Education Benefit of Assistance; Health Assistance; and Housing Assistance. Some of the programs include; the Public Assistance Program (PAP); Koudmen St. Lisi; and the Child Disability Grant. SSN are managed by varying agencies as the Ministry of Education, Social Equity, Saint Lucia's Social Development Fund and Ministry of Health. As such, an estimated annual average of 1.3 percent of GDP is spent on SSN in Saint Lucia.

Despite the progress made towards poverty reduction, evidenced by the reduction in the poverty headcount from 28.8 percent to 25.0 percent in 2016 compared to 2006, a large share of the "poor" population are not beneficiaries of the SSN assistance. Additionally, a poverty and equity assessment conducted by the World Bank (2019) revealed that inequality did not improve in the same period and as such, Saint Lucian households remain highly vulnerable to poverty. This vulnerability suggest that many poor persons are unable to access to basic resources as food and shelter, healthcare and education services.

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<sup>1</sup> Poverty is defined as material deprivation or insufficiency including access to education, healthcare, personal safety and information (Sen, Amartya. (1987). *The Standard of Living*, Cambridge: Cambridge University Press)

<sup>2</sup> Saint Lucia is highly dependent on tourism as a main source of revenue (speak to COVID 19) and is prone to adverse or extreme weather conditions which hamper economic growth.

Households or individuals remain deprived or are not recipient of the SSN programs because of the inherent challenges in the system. Some of these challenges include, financing difficulties, administrative issues specifically the selection process and the identification of the target groups. In some instances, relief to citizens are non-targeted, for example, the discounted prices for fuel and other food subsidies are available to the wider population. This increase receipt of subsidy to the population increases the fiscal cost for this program. Other challenges include the management of the existing SSN system and the level of monitoring and evaluation conducted. Compounding the administrative and operational challenges of the current system is the erosion of the tax base which makes financing difficult to reach the poor. It is further expected that the economic crisis brought about by the global Coronavirus is estimated to increase unemployment, poverty, widen the inequality gap and as a result raise SSN spending.

Given the importance of SSN to poverty alleviation and economic growth, specifically cash transfers, it is essential that a more effective poverty alleviation strategy be utilized in Saint Lucia. **This is supported in the research by Aldrie Henry-Lee (2004) on “Social Protection and Poverty Reduction in the Caribbean: Examining Policy and Practice; Country Case Saint Lucia”** It is therefore critical to adopt a more inclusive, integrated and efficient system which reaches a greater share of the target population and reduces on the cost and inefficiencies of the system. As such, this paper reviews the current social safety net program and highlights the key bottlenecks within the varying programs. It further explores the technology utilized around the world, through use case examples, which effectively reached the poor and reduced some of the weaknesses of the system. Ford (2017) points to the use of digital platform such as card based, mobile money and biometric technology utilized by humanitarians for effectively reaching the poor and vulnerable. The paper further examines the causal relationship between SSN spending and GDP using granger causality employing quarterly time series data from 2008. The need for cash transfers, cost-benefit analysis of digital approach and other suitable cost-effective models are discussed in the paper.

The research piece is structured as follows: The objective or motivations of this paper is highlighted in section two (2) while Section three (3) discusses the literature review. Section four (4) assesses the current public transfer programs in Saint Lucia; the role and benefits of public transfer programs; the implementation systems, the Current inefficiencies/ bottlenecks associated with the program; and the efficiency and coverage of Social safety nets. Section six (6) provides a review of the best case regional and international Social Safety Net Programs and section seven and eight (7 &8) will propose an approach to integrating best case Social Safety Net program example in Saint Lucia and evaluate the impact of social protection reform on Saint Lucia economy with the proposed approach for growth respectively. Subsequently, the final two sections include the conclusion and policy recommendations.

## 2.0 OBJECTIVES/MOTIVATION

The objective of this paper is to assess the wealth distribution in Saint Lucia by taking a closer look at its Social Safety Nets with a proposed approach the current public transfer system is administered.

### **Aims**

1. To review the role of Social Safety Nets programs (public transfer programs) in Saint Lucia
2. To determine the efficiency and coverage of social protection programs in Saint Lucia
3. To review the implementation systems of current public social protection programs in Saint Lucia
4. Review application process
5. To assess the challenges experienced by government in the delivery of the current program.
6. To identify possible inefficiencies in the current process
7. To present efficient and targeted global social net programs ... can possibly be integrated in Saint Lucia to improve the current model.
8. To propose an approach for institutionalising the recommended model/process

Changes required implement the new system (institutional including legislation, social, physical technological)

1. The role of government
2. The role of citizens
3. To assess how the proposed reforms to SSN program can lead to economic growth in Saint Lucia.
4. To propose policy recommendations aimed at strengthening social policy frameworks

### 3.0 RELATED LITERATURE

Social safety-net (SSN) program is key social protection program, that exist in many developing and least developed countries, which provides income support to the poor. The **World Bank** defines SSN as non-contributory transfers targeted in some way to the poor and vulnerable. The COVID - 19 pandemic has underscored the vital need for SSN programs in countries across the world as economic performance plummeted. More so, the decline in remittance to jurisdictions with elevated level of poverty, worsened the poverty levels. In response, governments rapidly expanded SSN programs to provide support to the increasing poor and vulnerable.

According to Sanfilippo et al. (2012) social protection helps to ensure access to social services, nutrition and education. The World Social Protection Report by ILO (2017), states that social protection plays a key role in achieving sustainable development, promoting social justice and realizing the human right to social security for all. Rawlings, Sherburne-Benz, and van Domelen (2002) indicate that these programs have improved the quality of infrastructure in participating communities. New evidence in economics also suggests that the best way to grow the economy is to strengthen the middle class and reduce inequality.

Singh and McLeish, (2013) found that SSN not only helps combat poverty but also reduces child labour as social protection addresses poverty, exclusion and vulnerability that are the root causes of child labour. The literature on human capital investment posits that if child schooling is a normal good, the increased income will result in increased levels of school participation (Behrman and Knowles, 1999). Basu and Van's (1998) 'luxury axiom' states that child labour will decrease as incomes are raised above a subsistence threshold.

In the context of famine relief, Drèze and Sen (1989, 1991) argue that greater use of cash support (rather than the direct provision of food) should be considered, since the difficult logistics of transporting food, especially through public distribution systems, often appears to cause delays, which can be costly in terms of lost lives. Notwithstanding the above-mentioned benefits of SSN, empirical evidence clearly shows that universal food subsidies are not very effective ways of transferring resources to the poor. This reflects the fact that they are very rarely progressive and are often associated with large consumption and production efficiency costs.

Using panel data for a sample of 23 OECD countries, Ccashin (1995) finds a positive partial relation between the size of the transfer program and the rate of economic growth. This was supported by Xavier Sala-i-Martin (1995) who showed that countries with larger transfers programs tend to grow faster. Emile Cammeraat (XX) also used regression analysis to evaluate the relationship between different forms of social safety net schemes and poverty, inequality and economic growth. The research concluded that social safety net needs to be more targeted to effectively reduce the poor.

Because of this importance of SSN to economic growth, humanitarians and governments in the like have modified SSN programs by utilizing modern technology. Ford (2017) highlighted the various forms of technology used by humanitarians for reaching a wider population of the poor. The researcher stated that despite the benefits of reducing cost and increasing operational efficiencies

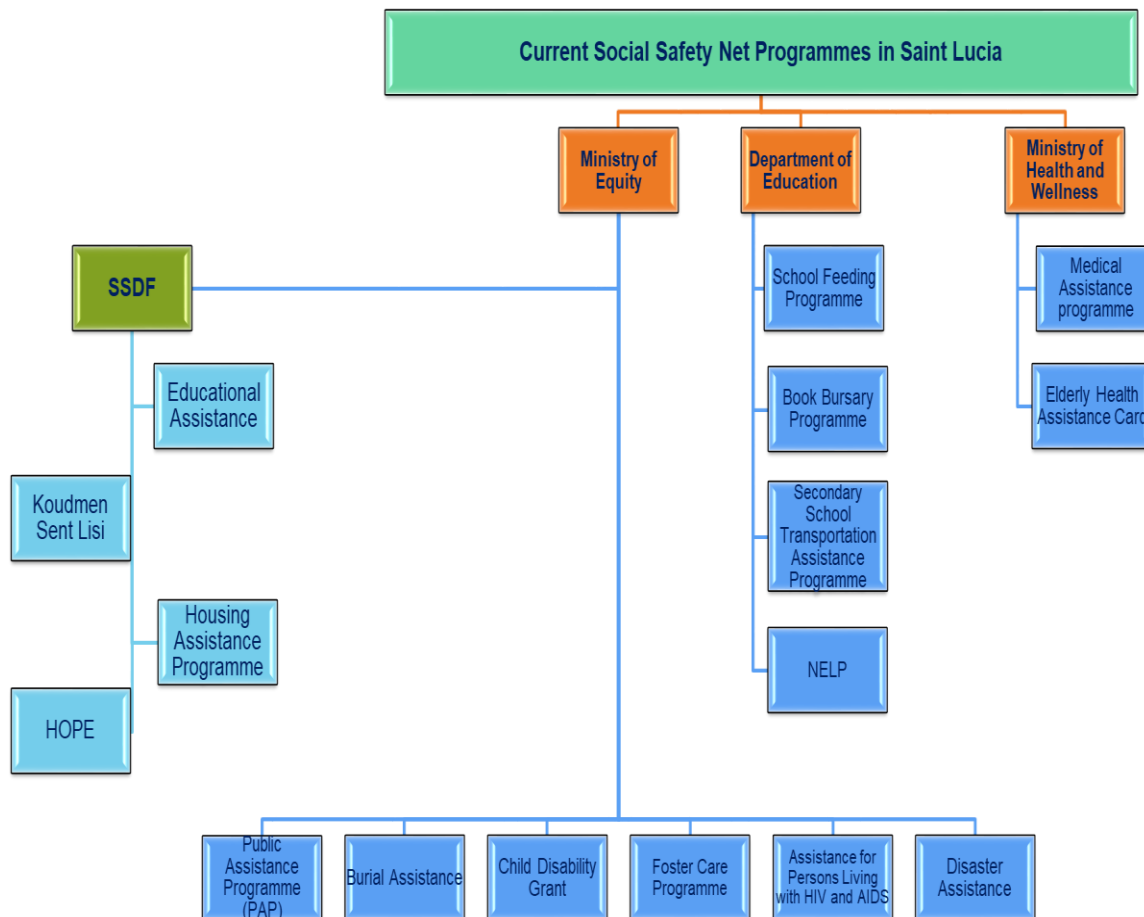
that comes with these direct forms of payment, absent basic requirements as infrastructure and regulations impacts the systems effectiveness.

Henry-Lee (2004), in a review of the policies and systems of SSN programs in Saint Lucia and the Saint Lucia's SSN report highlighted the need to stream line the existing system. Furthermore, Saint Lucia's Social Safety Net Assessment (XX) highlighted the constraints and made specific recommendations for enhancing the system. Some of these recommendations included the development a Social Assistance Strategy, strengthening the Public Assistance Programme and Rationalizing Provision of Education Based Safety Nets. This paper therefore develops on these literature by identifying various modalities of SSN payments that improves operational efficiency through the use of technology. Most importantly it assesses the causal relationship between SSN spending on poverty and economic growth in Saint Lucia. Streamlining the SSN system as proposed in previous literature will assist the government in cost saving that can potentially broaden the base for recipients. Furthermore, understanding the relationship with growth and poverty can help government formulate appropriate policy for significantly reducing poverty and inadvertently promote development.

## 4.0 SOCIAL SAFETY NET SYSTEM IN SAINT LUCIA; CURRENT SOCIALSAFETY NET PROGRAMMES: OBJECTIVES, BENEFITS, BENEFICIARIES

### 4.1 Management of Social Safety Net Program

The current cohort of Social Safety Net Programs are categorised into four(4) benefits: Financial assistance and Empowerment, Educational, Health and Housing benefits. Beneficiaries under these programs include students and other vulnerable groups such as children, the unemployed and persons with disabilities. These programs are managed by Ministry of Equity, Social Justice, Local Government, Saint Lucia Social Development Fund-SSDF, Department of Education and the Ministry of Health and Wellness. The role and function of these agencies are clearly outlined in the report on .....and would not be reiterated in this piece. Recipients received assistance via two streams; referral and self-identifying programs. Self- identifying SSN programmes are defined as programmes that are accessed by prospective beneficiaries presenting themselves to the agencies to request assistance while referral programmes the beneficiaries of these programmes are referred by other agencies, authorized officials or other recognized advocates.

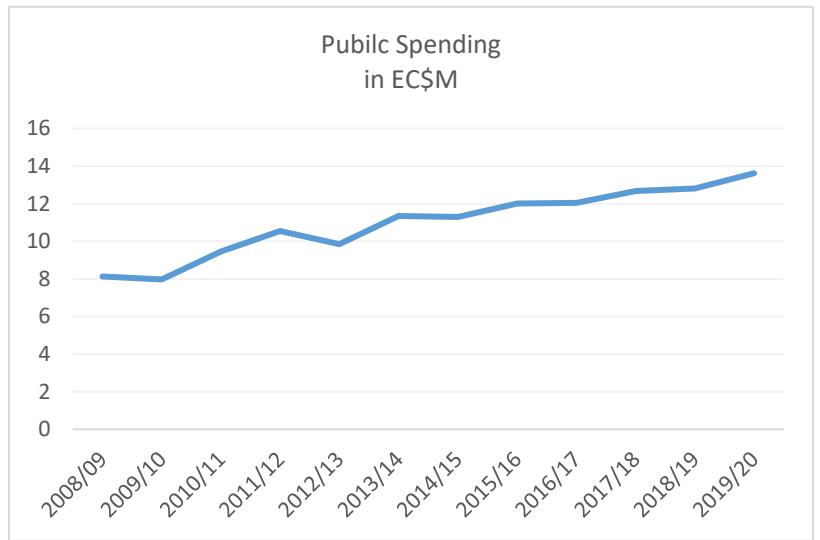




Public expenditure on SSN averages at 10.9 million annually and according to the 2016 Survey of Living Conditions and Household Budgets represents 1.3 percent of GDP. Despite the increase in spending in the recent periods, a large number of persons categorized as poor have failed to receive assistance.

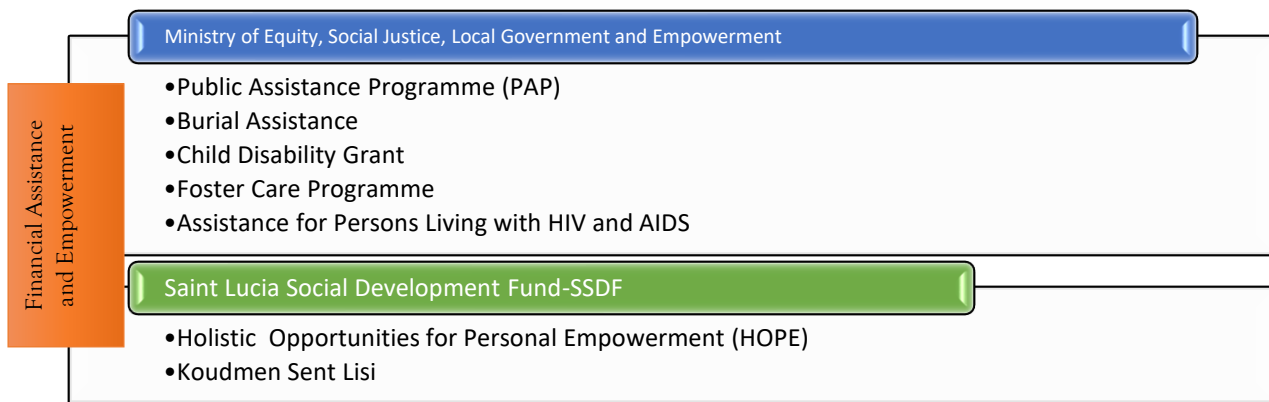
***SSN Programs By Category***

The following section highlights the SSN programs in Saint Lucia. It details the agency responsible, the offerings and the process for access to the program.



**1. Financial Assistance and Empowerment**

Financial assistance and Empowerment programs are administered by two core ministries: Ministry of Equity, Social Justice, Local Government and Empowerment and Saint Lucia Development Fund (SSDF). The Ministry of Equity is mainly responsible for: The Public Assistance Programme (PAP), Burial Assistance, Child Disability Grant, Foster Care Programme and Assistance for persons living with HIV and Aid. The SSDF is responsible for: Holistic Opportunities for personal Empowerment (HOPE) and Koudmein Sent Lisi (see figure XXX below). The objective of each program is depicted in Table XXX. (General Recap)



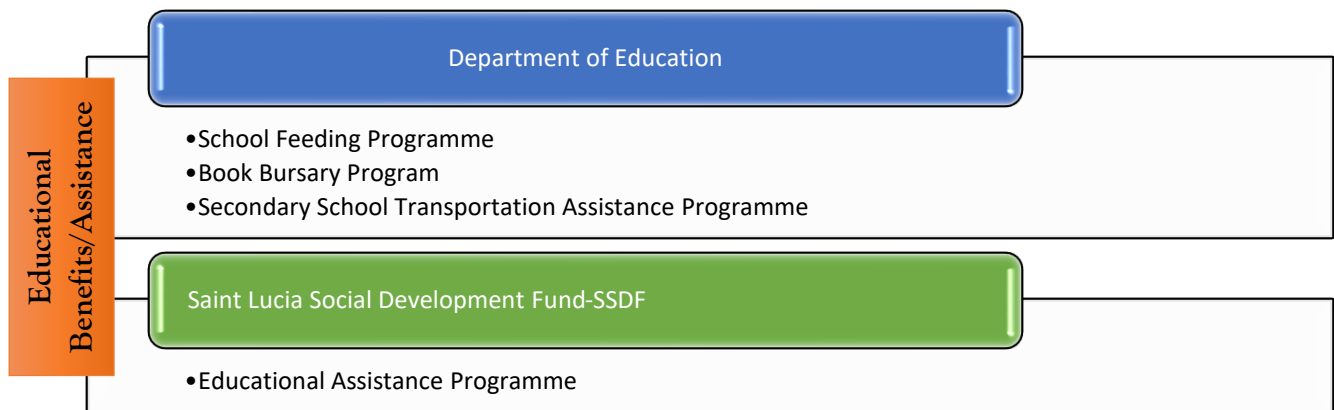
Program	Details	Process
Public Assistance Programme (PAP)	<ul style="list-style-type: none"> <li>• Intended to increase resilience to shocks with cash support</li> <li>• Means tested- SL-NET 3.0</li> <li>• \$215- \$465 monthly</li> <li>• Approx. 3,395 Beneficiaries</li> <li>• Provides basic school supplies for children of clients</li> </ul>	<ul style="list-style-type: none"> <li>• Clients visit Social Transformation Offices or Ministry of Equity to express their need/desire to receive Public Assistance</li> <li>• Proxy Means Test (SL-NET 3.0) is applied by a Welfare Officer and the applicant receives a score that determines eligibility</li> <li>• Approved applicants are registered to the programme and provide banking details if applicable to receive their benefits. Non-account holders receive benefits from sub-collectors around the island</li> </ul>
Burial Assistance	<ul style="list-style-type: none"> <li>• Assist poor households with burial expenses</li> <li>• \$150- Basic Burial</li> <li>• \$1500- Funeral home</li> <li>• Eligibility-Review and assessment of applications</li> </ul>	<ul style="list-style-type: none"> <li>• Non- PAP persons in need of assistance apply through the Ministry of Equity</li> <li>• The Ministry would then pay \$1500 to the funeral home and \$150 to the local council responsible to the burial ground</li> </ul>
Child Disability Grant	<ul style="list-style-type: none"> <li>• Available to households who provide care to children 0-21 with moderate- severe disabilities</li> <li>• Assessment and Scoring by the Child Development &amp; Guidance Centre</li> <li>• Monthly stipend of \$200</li> </ul>	<ul style="list-style-type: none"> <li>• Parents/Legal Guardians apply for this grant through the MoEq</li> <li>• Selection is guided by a Cabinet Conclusion</li> <li>• Assessment is conducted by the Child Development Guidance Centre (CDGC) and the child is given a score to determine eligibility</li> <li>• A child is considered eligible if he/she is moderately-severely disabled.</li> </ul>
Foster Care Programme	<ul style="list-style-type: none"> <li>• \$200 monthly stipend to assist foster parents</li> <li>• Applicants are assessed for eligibility and trained to be foster parents</li> <li>• Provides alternative placements for children in need of care and protection</li> </ul>	<ul style="list-style-type: none"> <li>• Interested persons register for the programme through the Division of Human Services</li> <li>• Assessments are conducted (psychological, stable relationship, recent medical report, family interviews, police certificate etc.)</li> </ul>
Assistance for Persons Living with HIV and AIDS	<ul style="list-style-type: none"> <li>• Massy Stores \$100 voucher</li> <li>• Beneficiaries referred by the Ministry of Health/ HIV Clinic</li> <li>• 88 Beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>• Patients in need of support are referred to the MoEq by the HIV Clinic</li> <li>• The MoEq reviews the referral and provides the monthly \$100 shopping voucher</li> </ul>
Holistic Opportunities for Personal Empowerment (HOPE)	<ul style="list-style-type: none"> <li>• Suite of interventions tailored to clients</li> <li>• Self- employment through micro-enterprise development (business plans, \$10,000 startup grant)</li> <li>• Job attachment</li> <li>• Short-term employment via small infrastructure works</li> </ul>	<ul style="list-style-type: none"> <li>• Persons interested in the programme approach the SSDF and their level of need/vulnerability is assessed</li> <li>• Those who meet the criteria for assistance receive the necessary training and other relevant assistance</li> </ul>

Koudmein Lisi	Sent	<ul style="list-style-type: none"> <li>Means tested- SL- NET 3.0</li> <li>2 year programme</li> <li>Current cohort- PAP clients</li> <li>7 pillars (identification, health and wellness, housing, income, employment, education. family dynamics</li> <li>Clients have co-responsibilities to satisfy to qualify for incremental benefits</li> </ul>	<ul style="list-style-type: none"> <li>PAP clients who are likely to become self-reliant at the end of this two-year program, are referred by the MoEq</li> <li>The expectations of their participation are explained and an agreement is signed between the participant and the SSDF</li> </ul>
Disaster Assistance			

## 2. Educational Benefits/Assistance

Vulnerable school-aged children receive benefits from various targeted educational assistance programmes as the School Feeding Programme, Book Bursary, Secondary School Transportation Assistance Programme and Educational Assistance Programme). These programs are administered by the Department of Education and Saint Lucia Social Development Fund (SSDF) (see Figure XXX). Students receive diverse benefits including but not limited to meals, monetary contributions, books, stationery, transportation and other educational benefits. Overall, coverage ranges from 2, 000 to 7, 000 recipients annually (see table XXX).

Figure XXX



Program	Details	Process
<b>School Feeding Programme</b>	<p>Provides under-privileged students with breakfast and a hot, nutritious meal on a daily basis to ensure and encourage school attendance</p> <p>Enrollment by Principals and Teachers</p> <p>\$1 daily contribution by students</p> <p>Students who cannot afford to pay, also benefit</p> <p>Approx. 6,700 beneficiaries (Dec 2019)</p>	<ul style="list-style-type: none"> <li>• Students are identified by their teachers and principals for enrolment</li> <li>• Students required to pay \$1 a day for meals. Students who are unable to pay still benefit from the programme</li> </ul>
<b>Book Bursary Programme</b>	<p>Provides books for Grades K-6</p> <p>2 children per household</p> <p>Referred by Principals, Teachers, Special Education- EO etc.</p> <p>Annual programme</p> <p>Books returned at the end of the school year</p> <p>2,065 beneficiaries (2019-2020)</p>	<ul style="list-style-type: none"> <li>• Students in need are referred by school principals and teachers, Special Education Officer, Clergy and Parliamentarians</li> <li>• Books must be returned at the end of the academic year for consideration for the next academic year</li> <li>• Report books must also be presented to monitor performance for eligibility</li> </ul>
<b>Secondary School Transportation Assistance Programme</b>	<p>Available to poor /low income secondary school students</p> <p>Enrollment by Principal/school-selection committee</p> <p>Subsidized transportation cost- \$20 per term</p> <p>Also available to students using complicated/multiple bus routes</p> <p>2,572 (2019-2020)</p>	<ul style="list-style-type: none"> <li>• Students are enrolled on the advice of the School's principal</li> <li>• In some cases, a 'Statement of Need' is required</li> </ul>
<b>Educational Assistance Programme</b>	<ul style="list-style-type: none"> <li>• Provides uniforms across all school levels</li> <li>• Provides books to Form 4 &amp; 5 secondary school students</li> <li>• Tuition fees for students of Sir Arthur Lewis Community College</li> <li>• School Facilities Fees</li> <li>• Examination Fees</li> <li>• 2 persons per household</li> <li>• Household needs assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Persons seeking assistance go through the SL-NET 3.0 to determine eligibility</li> <li>• Eligible households received assistance for a maximum of 2 children</li> <li>• Books limited Forms 4&amp;5</li> </ul>

### 3. Health Benefits/Assistance

The Medical Assistance Programme started in (Year). It offers beneficiaries a maximum of \$10,000 to cover extraordinary medical expenses inclusive of surgeries and overseas treatment. Individuals apply directly to the Ministry of Health through the office of the Chief Medical Officer and Permanent Secretary. On average, XXXXX individuals benefit from the medical assistance program annually.

Program	Details	Process
Ministry of Health and Wellness- Medical Assistance Programme	<ul style="list-style-type: none"> <li>Maximum benefit of \$10,000 for extraordinary medical expenses (overseas treatment, surgeries etc.)</li> <li>Persons seeking assistance apply directly to the Ministry of Health</li> </ul>	Persons in need of assistance apply with the secretary at the Ministry of Health. The application is reviewed and approved applicants get assistance not exceeding \$10,000

### 4. Housing Assistance

On average, XXXX people benefit from the housing assistance program in the form of Disaster assistance and housing assistance. The Ministry of Equity is responsible for administering and disbursing grants of \$500 to fire victims. However, as per Cabinet Conclusion XXX Cabinet on discretion, can grant assistance above this threshold or amount. The SSDF is also responsible for a component of repairs existing structures and in some case construct new houses following an assessment of structural and housing needs (see figure XXX below).

Program	Details	Process
Saint Lucia Social Development Fund- SSDF (Housing Assistance )	<ul style="list-style-type: none"> <li>Repairs to existing structures and in some cases, complete reconstruction of structures with improved bathroom facilities</li> <li>Assessment of structural and household needs</li> </ul>	Interested persons approach the SSDF who then conduct a needs assessment of the family and the household conditions
Ministry of Equity, Social Justice, Local Government and Empowerment (Disaster Assistance)	<ul style="list-style-type: none"> <li>Submission of application form and official fire report</li> <li>\$500 grant to fire victims</li> <li>Requests for larger amounts are processed through Cabinet and approved by Cabinet Conclusion</li> </ul>	<ul style="list-style-type: none"> <li>Persons in need of assistance will inform the MoEq and fill out an application form.</li> <li>Approved applicants receive a fixed amount of \$500</li> <li>Requests in excess of \$500 are reviewed and approved at the Cabinet level.</li> </ul>

The establishment of these programs indicates Saint Lucia’s recognition of the need to empower citizens and improve access to resources and opportunities. These programs strive to restore the dignity of the poor and vulnerable; the ability to walk into supermarket or community shop to purchase food to feed one’s family, giving children access to education and the equipping the family with tools for sustainability, play a vital role in laying the foundation for a wholesome life.

#### 4.2 Graduation from Social Safety Net Programs

Graduation from Social Safety Net Programmes refers to process by which beneficiaries grow out of the programs and are no longer categorized as “poor”. These persons have the necessary resources necessary to allow them to meet the needs of the family. Effective graduation strategies do not only signal the new found independence of beneficiaries, it also helps to relieve the strain on already limited resources and make it possible for more vulnerable persons to get assistance. In Saint Lucia, this has become one of the main objectives in the SSN.

The following table provides some insight into the graduation programs in Saint Lucia.

Continuous Support/Multi-cycle Eligibility Programmes	Graduation Strategy
Public Assistance Programme	<p>PAP currently uses Koudmen Sent Lisi for those clients who are likely to become more self-reliant at the end of the two-year programme.</p> <p>Under the Saint Lucia Human Capital Resilience Project, a graduation strategy for PAP will be conceptualized and may still include incorporating the tenets of Koudmen Sent Lisi.</p> <p>However, there are some clients who will probably remain on the PAP until death because of their unique circumstances.</p>
Koudmen Sent Lisi and other SSDF Programmes	<p>This programme is a two-year programme, during which time prioritized conditions of the family are expected to improve. For example, birth certificates and ID cards, family dynamics, registration at community wellness centers, household amenities, literacy levels etc.</p> <p>Generally, SSDF programmes (Micro enterprise grants, short term employment and job attachment etc.) are designed to empower beneficiaries and not create dependency.</p>
Education Programmes	<p>Consideration for continued support throughout grade eligibility under the Department of Education’s Book Bursary Programme, is dependent on a number of factors. These factors include academic performance, persistent misconduct, advice of reference, improved circumstances, condition of returned books and failure to return books.</p> <p>Secondary School Transportation Assistance Programme, will continue to provide support to students until they leave school or if the circumstances of the household have significantly improved. The same applies to the School Feeding Programme.</p>

	Considering the annual Education Assistance Programme under the SSDF is means tested, benefits are not automatically renewed for all beneficiaries. Each year, the need and circumstances will be assessed to provide support.
Child Disability Grant	This universal (i.e. irrespective of financial circumstance) grant is paid until the child in need of assistance turns 21 years old.
Foster Care Programme	Transitioning from Foster Parent to Adoptive Parent is recognized as graduation (accepting full legal responsibility for the wellbeing of the child) from the Foster Care Programme.

## **5.0 BOTTLENECKS AND LIMITATIONS OF SAINT LUCIA'S SOCIAL SAFETY NET SYSTEM**

### **5.1 General Bottlenecks**

An assessment of the current Social Safety Net System in Saint Lucia revealed five inherent or major bottlenecks which inhibit the efficiency and effectiveness of these programs. These problems were also noted in the SSN program report Saint Lucia. These bottlenecks or issues include but are not limited to 1) lack of capacity, 2) errors of inclusion and exclusion 3) resource leakages, 4) lack of a graduation strategy 5) financial and fiscal constraints. Therefore, the inefficiencies of the SSN system limit its ability to successfully protect the indigent and vulnerable groups in Saint Lucia and facilitate the enhancement of its human capital, productive inclusion and prevention of adverse social and economic shocks (World Bank, 2019).

#### **5.1.1 Capacity constraints**

##### *1) Human resource constraints*

A few core ministries lack adequate staff to ensure proper administration, management, monitoring and evaluation of programs. This result in a multitude of indirect issues such as payments being disbursed to individuals who no longer meet the criteria for which benefits were granted for instance beneficiaries accounts being credited subsequent to their death and after gainful employment.

##### *2) Outmoded systems and methodologies*

The operations of the implementing ministries responsible for SSN programs, payment and delivery systems and are analog and rudimentary. Utilising traditional methods can be onerous and restrictive and thus hinder efficiency. Lack of adequate human capacity and technological resources limit the ability of line ministries to perform necessary and standardised screening which result in other issues.

##### *3) Infrastructure:*

#### **5.1.2 Errors of inclusion and exclusion**

##### *1) Subjective selection*

Given that individuals are referred to the program (at the discretion of the person making that referral) and not based on established robust criteria, coupled with a weak verification system, indigent or underprivileged might be excluded from the program. Likewise, individuals that may not meet the criteria might be included in the program.

##### *2) Exclusion resulting from gaps in the SSN system and framework*



Given the structure of the SSN or Social Protection Framework, some groups including students and genders are excluded or not covered. Also, the use of the National Eligibility Test 2.0 (SL-Net 2.0) is ineffective in predicting Household expenditure and poverty status of potential beneficiaries, thereby excluding some underprivileged from the list of beneficiaries (World Bank, 2019).

### 5.1.3 Resource leakages

The SSN system in Saint Lucia is quite extensive. However, its fragmented nature and lack of clear and updated procedures results in inefficiencies such as unnecessary and duplicative processes and ad hoc criteria or procedures. Critical procedures such as communication and referral protocols and grievance redress mechanisms are absent (World Bank, 2019).

### 5.1.4 Graduation Strategy

Currently, there are no clear-cut strategies for graduating beneficiaries from SSN programs. While a few programs incorporate a graduation component, most beneficiaries require more TVET training to function independently following the program. In the absence of such a strategy, individuals may still require financial and other assistance or may be dependent of SSN programs for an extended period of time.

### 5.1.5 Financial and Fiscal constraints

#### *Financial*

Currently, 80 percent of beneficiaries receive financial aid via the banking system or credit unions. Given the policies in some financial institutions, some accounts may attract additional fees for instance for savings accounts below the stipulated threshold. Thus, recipients may incur a charge exclusive of all other transactions charges.

#### *Fiscal*

Given the limited fiscal space, not all vulnerable groups receive assistance. The waiting list for such programs are very extensive. Notwithstanding, the program expenses often exceed budget allocation, making the current SSN programs unsustainable.

## **5.2 Bottlenecks by SSN Programs**

### 5.2.1 The Public Assistance Program

The Public Assistance Program (PAP) is the country's main safety net program, and is implemented by the Ministry of Equity, Social Justice, Local Government and Empowerment providing cash transfers of \$200- \$500 to beneficiaries who qualify for the program.

Some of the limitations of the PAP include:

- Limited staff capacity to ensure seamless operations. There are currently four (4) Welfare Officers serving 12 regions and a total of 2, 601 clients

- This limited staff capacity also affects the monitoring of beneficiaries' status e.g.
- some bank accounts are still receiving benefits despite the death of the client/account holder
- clients who were enrolled in the program for a short term, based on their circumstances, (home destroyed by fire have remained past the designated time
- clients who have been employed for a notable amount of time, still receive benefits
- The operations of the program are still very rudimentary and analog
- Absence of an established graduation strategy. Currently, clients are referred to Koudmen Sent Lisi to receive job training and other benefits to empower them to become more self-reliant. However, since Koudmen is a two-year programme, some clients do not some clients cannot be referred as they may need more time.
- The absence of the graduation strategy also makes it difficult to intake new clients who are in need
- Approximately 80% of clients receive their benefits via direct deposit to cooperatives and commercial banks. While this is convenient, it may adversely affect access to funds for the clients. In the case of commercial banks, fees are charged for savings below a certain amount, a certain amount is held on the account to keep it active.
- The programme's expenses often exceed its budget allocation

### 5.2.2 The School Feeding Programme

At the end of the 1<sup>st</sup> school term of 2019 the School Feeding Programme had served approximately 6700 students island wide. Students on this programme are required to pay a daily contribution of \$1, however some students are not required to pay because of the severity of their financial situation. This initiative is not without its shortcomings.

- Subjective selection- Non- Paying students are determined at the discretion of the teachers and principals at the various schools. There is no verification by the Department of Education. This may lead to errors of inclusion/exclusion and resource leakage
- While the programme was designed to provide meals to under-privilege children, some children are on the programme as a matter of convenience for their parents. Additionally, some students opt to be on the programme to share a commonality with their friends.
- There is no documented assessment of students' circumstances and parents' employment status
- Department of Education lacks the capacity to do standardized screening

### 5.2.3 Book Bursary Programme

The Book Bursary Programme, implemented by the Department of Education, gives poor infant and primary school students access to textbooks and workbooks for the school year. However,

- This program only services Grades K-6 and is not available for secondary school students i.e. Forms 1-5
- Limited resources further restrict the benefit to two (2) children per household

- Subjective selection- students are referred by principals, teachers, Education Officer- Special Education, bursars, pastors and parliamentary representatives. This may lead to errors of inclusion/exclusion and resource leakage

#### 5.2.4 Secondary School Transportation Assistance Programme

This was designed to subsidize the cost of transportation for poor and vulnerable school aged children. Currently, the programme serves secondary school students, with consideration also given to students who need to travel complicated bus routes to get to school. Students are required to pay \$20 per term. Similar to the School Feeding and Book Bursary Programmes implemented by the Department of Education, this program experiences:

- Subjective selection- students are referred by principals, teachers, school counsellors, bursars, pastors and parliamentary representatives. There is suspected errors of inclusion/exclusion and resource leakage
- Department of Education lacks the capacity to do standardized screening

#### 5.2.5 Saint Lucia Social Development Fund's (SSDF) annual Education Assistance Programme

Saint Lucia Social Development Fund's (SSDF) annual Education Assistance Programme provides uniforms, books, tuition, facilities fees, CSEC examination fees, for students at all education levels (infant, primary, secondary and tertiary i.e. Sir Arthur Lewis Community College). However, some of these benefits come with some restrictions:

- School books are only distributed to secondary school seniors i.e. Forms 4 and 5
- Benefits are limited to 2 children per household
- The programme can only to support 50% of its applicants

#### 5.2.6 Other programmes implemented by the SSDF with notable limitations

- Holistic Opportunities for Personal Empowerment (HOPE) initiatives include, job placement/attachment, micro enterprise development and employment through small infrastructure projects i.e. drains, roads, footpaths.
- One of the notable challenges of this program is retention of clients by the organizations they are placed with for short term employment. More often than not, the institutions cannot afford to employ clients after the placement period. Most of these institutions are fellow organizations who serve vulnerable groups. Private sector organizations are less likely to host clients.
- SSDF pays the salaries of the clients while they work for these institutions

## **6.0 THE RELATIONSHIP BETWEEN SSN AND POVERTY/ECONOMIC GROWTH**

Understanding the challenges that exist in the current system and the continued increase in the poverty levels in Saint Lucia, it is imperative to understand whether a causal relationship exist between SSN spending and GDP.

### **6.1 Methodology**

Granger Causality approach was used to assess this relationship between SSN spending and growth using quarterly data from 2008 to 2019. The data was sourced from the Ministry of Finance, Saint Lucia and the World Bank.

### **6.2 Results**

The Granger Causality test between the two variables that GDP granger cause SSN spending and SSN spending does not Granger Cause GDP. The conclusion solidifies that SSN spending that impact GDP while GDP impact SSN spending in the medium term.

## 7.0 A CLOSER LOOK AT REGIONAL AND INTERNATIONAL SOCIAL SAFETY NET PROGRAMS

This section of paper use country case examples to highlight how countries around the world utilizing varying forms of technology to reach the poor. These technologies have enhanced efficiencies and reduced cost to government. Highlighting these use cases could provide insights into the necessary forms of technology that can possibly improve the SSN in Saint Lucia.

### 7.1 Context

Developing economies spend on average 1.5 percent of GDP on Social Safety Net (SSN) programs, consistent with global spending while Europe and Central America spend 2.2 percent of GDP (World Bank, 2018). Spending on SSN is estimated to rise over the medium term as global economic activity plummets, increasing unemployment rates and poverty levels to unprecedented levels mainly as a result of COVID-19. More so, the rise in unemployment levels particularly for single mother households is estimated to increase significantly. It is paramount, now more than ever, to establish a strong SSN delivery mechanism which builds resilience, supports a greater spectrum of the poor, reduces inequality and fosters income generating activities for the indigent and vulnerable groups in society. This is supported in the work of Lucilla Maria Bruni **which highlights** the capacity of the institutionalization of such frameworks to enhance the efficacy and efficiency in administration of Social Safety Nets (2018).

The need for enhanced SSN programs in no different for Saint Lucia. The SSN programs in Saint Lucia is characterised by numerous programs which face multiple challenges, including but not limited to poor administration and implementation. These programs are void of a coherent and targeted approach in its pursuit to eradicate poverty and aim to decrease the vulnerability of the marginal groups in society. Compounding this situation is the lack of technological infrastructure which has been utilised in most international countries to simplify and increase the efficiency and effectiveness of such programs. As such, there is a need to examine the existing systems in Saint Lucia and those instituted in other countries, to determine the best or most suitable alternative approach. More importantly, this approach should be robust, less onerous and incorporate modern or digital technology.

There exists a plethora of studies which assesses the development, inclusion and integration of modern mechanisms that allow digital cash transfers from Government to beneficiaries or Government to Persons (G2P). In response, there has been a gradual shift in SSN delivery modalities from various countries. Relatedly, countries have converted the type of assistance granted to more suitable cash transfers to allow for greater transparency, access scalability and cost reduction associated with the administration and **bureaucracy** of such programs (Donovan, 2011). The fundamental reason for such bureaucracies is the voluminous amounts of paperwork and processes that these programs entail before the beneficiary can be approved or qualify for assistance. Therefore, a closer look at global catalyst driving change in Social Safety Net Programs through the digitisation of systems, linking humanitarian assistance and social protection and the integration of new

mechanisms is needed as it can provide guidance based on lessons learnt from the transition, to countries that are looking to modify or enhanced their existing SSN programs. This section will assess the alternative programs which exist globally and discuss the benefits of using such systems.

## **6.1 Technological Adoption in Social Safety Nets and Humanitarian Assistance Programs:**

### **6.1.1 International Examples**

Streamlining SSN process by integrating Information and Communication Technology (ICT) and other digital platforms as mobile financial services (MFS) increases financial inclusion, reduces leakages and enhances operational efficiencies. These opportunities pave the way for advancing individuals and families. In a study on “*The potential of digital cash transfers to strengthen the link between humanitarian assistance and social protection*”, Ford(2017) highlights the cash transfer schemes implemented by humanitarians to facilitate direct payments to recipients and reach an even larger subset of the poor (2017). He proposed that the implementation of supportive regulatory frameworks, investment in appropriate infrastructure to facilitate payment and sensitization of recipients on the system of payment is necessary (Ford, 2017). The study also highlights digital delivery mechanisms adopted by international countries such as the card-based system; mobile phone-based system (mobile voucher and mobile money); and biometric technology. These three alternative payment systems have reformed or revolutionised the manner in which monies were disbursed and accessed by beneficiaries leading to greater operational efficiency. Therefore, there is great potential to integrate such systems to enhance the overall delivery of Social Safety Nets.

#### **6.1.1.1 Card-Based Systems**

Card- based systems are available in three forms: Magnetic Stripe (magstripe), Smart Card and Closed and Open- Loop systems. The Magnetic Stripe system allows beneficiaries to make payments and withdrawals using a card which is credited by Government through a Bank account. The smart card can function in a similar manner as the magnetic strip in that monies can be uploaded to a bank account or stored digitally on a chip embedded in the card. In an effort to promote transparency and reduce error these systems authenticate the identity of the holder by cross-checking beneficiary’s information with central database. However, the Closed and Open- Loop Systems also known as “limited -purpose instruments” and “mainstream financial accounts respectively operate differently. The Closed- Loop system limits the capacity of the account and allows access through designated agencies and Automated machines (ATM) and restricts additional savings and deposits. Conversely, the Open- Loop system is more flexible, allowing recipients to spend at their discretion.

### Use case examples

The Card-Based system has been utilised in countries like Lebanon, Turkey, Pakistan, Syria, Sudan and other countries around the world. According to Keith (2017), “Lebanon One United Inter- Agency Systems for Ecards” established one card for all cash based transactions to refugees in Lebanon which allowed the purchase of food and other items, managed by a Financial Service Provider. This program targeted 180, 000 refugee households who were able to access Point of Sale (POS) and withdraw from ATMs.

A similar system was utilized in Turkey and Iraq for refugees and in Pakistan for flood victims. Likewise, this system has yielded many benefits to beneficiaries and Governments or countries like Egypt which distributed plastic smart cards to families, allowing them to purchase a set number of loaves per family at a subsidized price. Government then pays bakeries the full price of loaves. This is an alternative to the previous arrangement where a fixed allotment of cheap flour was distributed to bakers (Fick, Maggie, 2015).

In Mexico under the Conditional Cash Transfer (CCT) program, over six (6) million households receive benefits using the magstripe cards linked to accounts and smartcards. Similarly, in northern Kenya, social pensioners are paid to the elderly through networks of local shops (agents) in remote rural areas using the a magstripe or smartcard. The same holds in countries like Columbia and Brazil which employ branchless banking over physical payment mechanisms (HelpAge International, 2012).

This approach is deemed far-reaching and cost- effective by many (Fick, Maggie, 2015). However, planning and implementing large-scale smart card systems or projects is inherently complex. As such it requires an assessment of the critical success factors necessary for an effective and efficient system before they are institutionalized (Charismathics, 2009).

#### *6.1.1.2 Mobile Phone-Based Systems*

This phone-based system utilizes mobile vouchers and mobile money. Mobile vouchers operate in a similar manner with ordinary paper vouchers but are redeemed via a mobile network which allows beneficiaries the flexibility to make payments and purchases and withdraw cash for multiple uses. Transactions are verified through a PIN created by the user. Agents pay out money and reclaim from the mobile phone provider; all transactions are made through a mobile network provider. Unlike the mobile vouchers; mobile money systems allow users to withdraw, transfer funds, pay utility bills and other transactions from a “mobile wallet”. This is possible subsequent to a top up of mobile phone by donor/provider (O'Brien & Hove, 2013).

### Use case Examples

Mobile Phones-Based Systems have been administered in countries like Afghanistan, Turkey, Nepal and other countries. E-vouchers and monthly cash transfers were provided to refugees and earthquake, drought victims, displaced and post-conflict households (Ford, 2017). Similarly, the International Finance Corporation implemented a pilot study in Colombia called the DaviPlata mobile platform to pay one (1) million beneficiaries in the program. Also in Uganda a SIM card-based cash payment system was piloted building on the existing mobile payments infrastructure, delivering bimonthly payments to over five hundred and sixty (560, 000) beneficiaries (Tullis et al, 2018).

Similarly, countries as Bangladesh and India have modernized the SSN programs and introduced Mobile Financial Services (MFS) for government to people (G2P) payment systems ( a2i- Innovate for all, 2019). Though new in its form, digitizing the processes, promises greater cost saving necessary particularly during these period of global financial constraints. Bangladesh is a casing example where the implementation of the **three (3) international** programs have significantly transformed consumer behaviour regarding digital payments which makes a strong justification for the digitization of the SSN and other government programs.

#### 6.1.1.3 Biometric Technology

This system utilizes biometric identification such as iris recognition, fingerprinting, and facial recognition to endorse transactions. It can work in isolation and as such does not require cards, SIMs and PINS. However, access is limited to POS and ATMs. This system has been trialled or piloted in several countries like Zaatari, Jordan in 2014 and 2016. This was termed the “Card-Less EyePay” system in which refugees purchased goods in authorised stores using their iris scan only (World Food Programme, 2016).

## 6.2 Regional examples

On the regional front, countries have embarked on the digitisation of process particularly government services. In 2018, Jamaica’s government announced the plan to transform Jamaica into a digital Economy. This included the passage of legislation such as the National Identification System (NIDS) Bill. The NIDS is geared to provide a comprehensive and secure structure in which the identity of Jamaicans can be captured and stored by assigning a randomised nine-digit National Identification Number (NIN) to each citizen. This is to ensure that citizens can function in a digital society which is transparent and secure (Bryan, 2018).

## 6.3 Benefits of Digital Cash Transfers

Based on the delivery modalities described above, the figure below highlights the potential benefits to beneficiaries or recipients, government, donors and private partners should digital cash systems be utilised or integrated into social safety nets and humanitarian assistance programs. Figure 2 shows



in greater detail the beneficiary's experience by identifying the possible positive and negative aspects of introducing a digital system from enrolment to allowance disbursement.

### *6.3.1 Recipients*

There are many benefits to beneficiaries

of e-payment systems such as lower transaction cost, less time taken to collect payments (travel and waiting time in traffic and queues), increased control of finances, greater financial inclusion and security checks and updates (Ford, 2017). In countries like South Africa and India, 29 percent of recipients lose their income or benefits. Also, technological enhanced (digital) cash payments take 0.5 hours or 30 minutes as opposed to 2.4 hours using physical cash payment systems (HelpAge International, 2012).

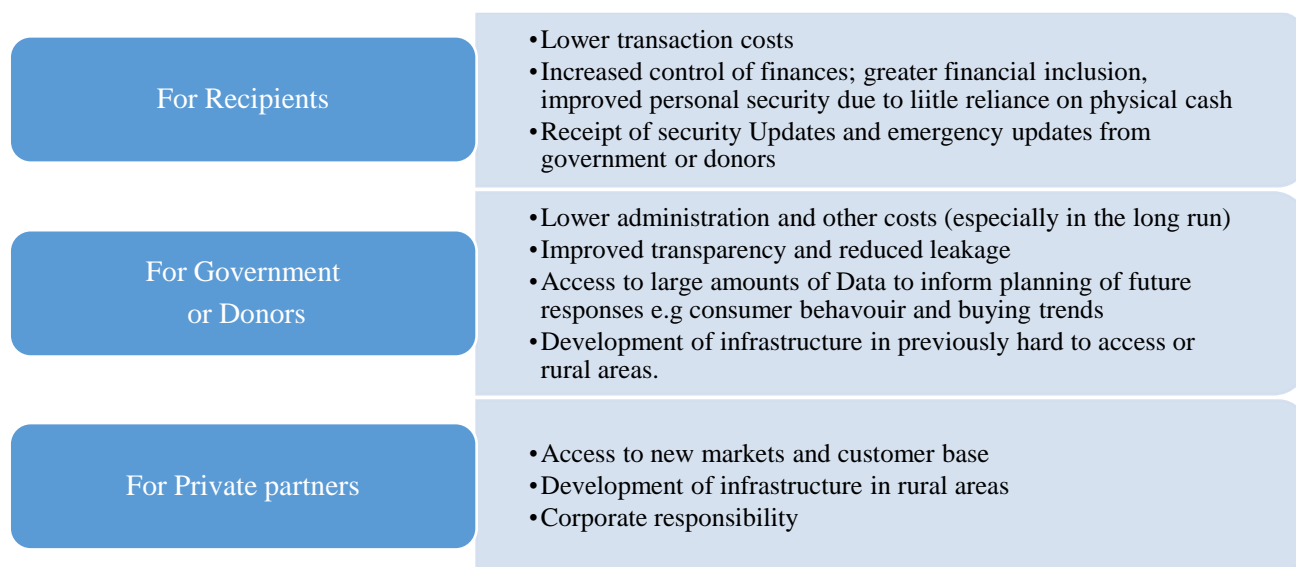
### *6.3.2 Government or Donors*

Government benefit from reduced transaction costs per payment cycle. Based on the experience in South Africa, India, Columbia, Democratic Republic of Congo and Malawi, most transactions were half of the amount paid using physical cash payment systems (HelpAge International, 2012). In addition, it improved transparency and reduced corruption and leakage to 1 - 4 percent as opposed to 4-15 percent. The time to implement the system is relatively lower. There are also indirect benefits such as access to large amounts of Data to inform planning of future responses for instance, consumer behaviour and buying trends and the development of infrastructure in areas that were difficult to access (Ford, 2017).

### *6.3.3 Private Partners*

Private partners are able to access new markets and customer base, offer additional financial services which has a more development impact (for instance infrastructural changes) as opposed to the traditional physical cash payment system.

Figure 1: Summary of Potential Benefits of Digital Cash Transfers



In sum, the technology advances (electronic) cash payment system is hassle free, immediate, requires no or little manual interventions, paperless (less bureaucratic), time efficient and cost-effective.

#### 6.4 Downside of Digital Cash Transfers

Notwithstanding the possibilities and potential of digitalizing SSN processes there are also potential risks. These risks are associated with the Infrastructure, Financial Literacy and Inclusion, Data and Privacy Regulations, Financial Regulations, Private suppliers and Costs. These are summarized in the table below. Most countries lack the regulatory or physical infrastructure necessary and most crucially, an extensive or comprehensive network of “branchless” bank agents from whom recipients can collect cash payments (HelpAge International, 2012). Investing in a suitable regulatory framework and technology, a payment agent network, training for both agents and recipients can be substantial and challenging particularly for low income countries like Saint Lucia.

Risks	Description
Infrastructure	Damaged or poor network connectivity, insufficient agent network, inadequate liquidity and a hard to access population
Financial Literacy and Inclusion	Lack of technological competence among users and possible exclusion of vulnerable groups
Data and Privacy Regulations	Speed of implementation may expose recipients to theft, fraud, errors and encroachment.
Financial Regulations	Financial regulations maybe complex to work around based on the country.
Private suppliers	Financial motivation can lead to marketing which is not to the benefit of recipients
Costs	High short term set-up costs

Table 1: Risks associated with Digital Cash Transfers

Source: (Ford, 2017)

There are multiple benefits and challenges associated with the digitization of SSN like Humanitarian Assistance programs. The technological, infrastructural and regulatory changes required to transform and replace existing structures and processes or integrate modern methodologies and delivery modalities vary based on the readiness of a country for instance, how quickly a country can make changes and their ability to afford these costly changes. However, there are numerous global examples of digital cash transfer systems which have been piloted, implemented in some instances and proven successful. Therefore, countries particularly developing countries can benefit from lessons learnt and pre-existing knowledge from international countries which successfully implemented e-platforms. Governments must weigh the initial set-up costs against the wider development benefits and the potential savings which can be derived from the development and digitalization of Social Safety Nets (SSN), and throughout the entire period of the programme implementation.

## 8.0 PROPOSED APPROACH TO INTEGRATING BEST CASE SOCIAL SAFETY NET PROGRAM EXAMPLE IN SAINT LUCIA

A closer look at SSN in Saint Lucia revealed numerous programs with some inherent weaknesses resulting in inefficiencies in reaching deserving beneficiaries of social safety-net program. Streamlining these programs requires that government address a number of these deficiencies in addition to strengthening the infrastructure and regulations to effectively meet a wide cross section of the poor. This new SSN program should consider a graduation component which encompasses skills training, coaching, asset transfers, and the promotion of savings, in addition to an electronic system for basic cash transfers. Best case examples on the varying methods of cash payments as identified in section 6 highlights that the application of direct payments enhanced SSN in many countries. **The effectiveness of any redesign of the SSN will be measured by the coverage of the poor and the reduction in administrative costs and leakages.**

### 8.1 Infrastructure

The proposed infrastructure encompasses a modern Government-to-People (G2P) payment system offering a robust cash transfer models, which makes financial inclusion integral to Saint Lucia's developmental policy and programming. This may take the form of direct deposits into bank accounts, transfers to pre-paid or stored-value cards that work as a virtual account, or mobile money transfers which may or may not be linked to a mobile money account. Depending on the type of digital payments, recipients can access the funds through an automated teller machine (ATM), at point-of-sale (POS) terminals, banking or mobile money agents, or other means. This should be supported by a single information web-portal under the Ministry of social transformation which provides detailed information on social safety-net programmes including the involvement of development partners and beneficiaries. The system should include a monitoring framework with results from a tracer study. Such a system if designed properly will provide data for multiple programmes at a relatively low cost.

### Capital

The infrastructural requirement requires significant planning and investment. The system must have clear objectives and must be updated regularly to keep the system dynamic. Such a system would involve however payment of service fees to the provider and payment gateways and third-party payment. Other shortcoming of the online payment methods is inconvenient for offline sales,

**The minimum operational functions that should be supported by an effective MIS in a social protection scheme are:**

- Application and registration;
- Enrolment of beneficiaries;
- Monitoring of compliance with conditions (if applicable);
- Production of lists of those who should receive payments and the level of payment to be given;
- Identification of those recipients who have been paid and those who have not, for payment reconciliation;
- Management and monitoring of the Grievance mechanism;
- Identification of those who should be removed from a programme when no longer eligible or deceased;
- Notification of when different

vulnerability to cybercriminals, reliance on telecommunication infrastructure, technical problems can impact access to funds.

## 8.2 Regulatory Framework

### 8.2.1 Existing Legislation.

When social protection programmes are anchored in national legislation, rights holders can use the legal system to access programmes if they are unrightfully excluded. Therefore (1) the enactment of social protection policy framework and standard operating procedures for improvement of the procedures and delivery systems will be required. (2) Cyber Security Strategy may be required to keep beneficiaries especially the elderly secure online, and ensure law enforcement agencies have the powers and technical capabilities to detect, target, investigate and disrupt cybercrime. Providing a clear and functional legal and regulatory framework for the new players will be important to ensure both a level playing field between the different actors in the digital payment space and adequate protection of consumer funds.

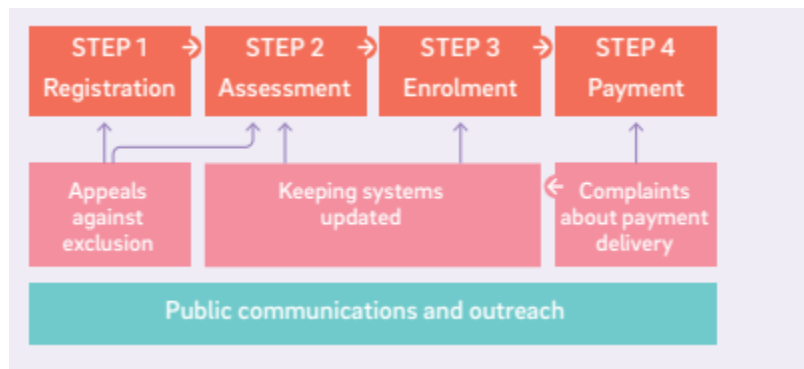
### 8.2.2 Proposed

## 8.3 Technology

### 8.3.1 Processes of Digitization

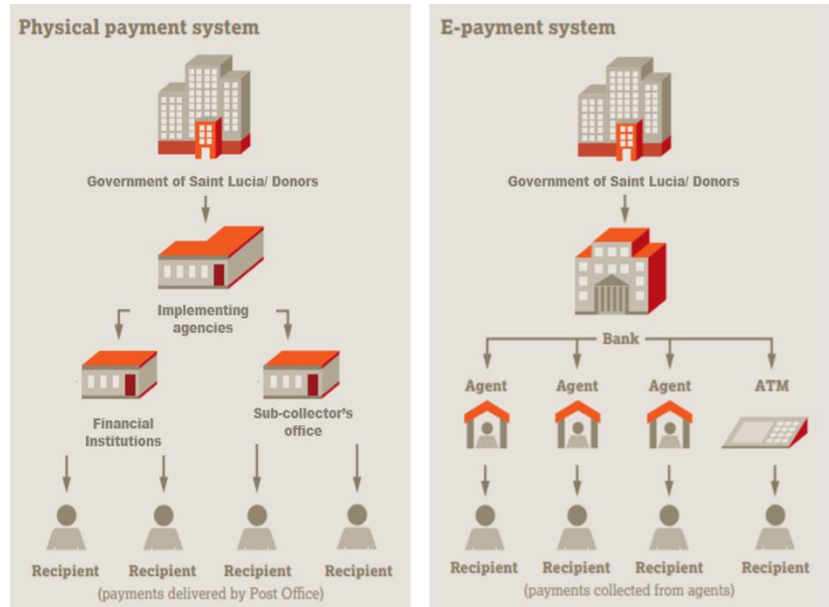
**Step 1:** Registration is the process through which the personal data of prospective beneficiaries are either submitted by applicants or collected by officials. This process is often completed through so-called proxy means testing when enumerators visit households in an effort to assess income levels by proxies, including household assets and levels of education.

**Step 2:** Valid personal data are assessed against the eligibility criteria of the scheme. It is critical that the assessment process is objective and completed by knowledgeable officials to avoid arbitrary results that differ between individuals and households.



**Step 3:** In some cases, those eligible for targeted schemes may be placed on a waiting list prior to enrolment when funds allocated to the scheme are insufficient. A social insurance number or other identification number, holding an account of personal data, can be issued to facilitate deposits into accounts.

**Step 4:** Secure and direct payments to recipients, through bank or ICT-enabled payment methods, increase accuracy and transparency in the delivery of cash benefit



### 8.3.2 Proposed...

8.3.2.1 Payment systems: The proposed system card-based system will provide cash transfers to poor households on the condition that households members participate in training programs and adhere to predetermined preventive health care measures. It is critical to ensure the efficiency and transparency of targeting and payment performance especially given the demography of St Lucia. The programmes which include cash benefits such as Public Assistance Programme (PAP) and the child disability grant will be a modernized cash transfer which will improve the transparency and efficiency of selected cash transfer programmes for vulnerable populations by modernizing service delivery.

## 8.4 Operations/administration

### 8.4.1 Targeting:

Identifying and reaching intended beneficiary groups (“targeting”) is an important component of the institutional capacity needed to design and implement SSNs which may require technical assistance from established organisations. The best case approach is to establish national rules and

targeting guidelines to access benefits under SSN. This should be combined with community participation in social safety nets to ensure that resources are allocated to the poor and vulnerable.<sup>3</sup>

#### *8.4.2 Better coordination:*

All application for entry to social safety benefits, programmes and activities should be under one Ministry which is administered by a Board which is governed by social protection policy framework. Effective administration requires having the right people implementing the schemes and building their skills to deliver. Social protection schemes are operationally intensive and require specialist competence, backed by robust performance management systems with an appropriate number of skilled staff at all levels of programme delivery

#### *8.4.3 Promoting evidence-based policymaking:*

Social protection programmes should be designed on the basis of a wide range of data collected through household surveys or by maintaining administrative records from schools, health institutions, constituency offices and non-profit organizations (NGOs).

#### *8.4.4 Efficiency and transparency of programmes:*

For the new system to work, citizens must be able to understand the eligibility criteria and the type and amount of benefits to which they are entitled. The efficiency and transparency of the programmes under the social protection system including the programmes for children, should be enhanced in order to make the best use of resources allocated for social protection. Clear established benchmarks should be developed to benefit from any programme.

#### *8.4.5 Monitoring and Evaluation:*

Building and improving M&E systems should be an important aspect of institution building. SSN systems have improved significantly when governments set up M&E frameworks to monitor and evaluate their wider SSN interventions and impacts across sectors and develop measurable indicators for assessing outcomes of interventions.

## **8.5 Financing**

Financing social protection is the responsibility of the State. Social spending in Saint Lucia averages approximately \$30.0 million or 1.3% of GDP. Of this amount the SSDF is allocated the largest share or 35.5 %. An investment of 1 per cent of GDP could never cover disability benefits for children and adults, and a child benefit, day care services, school feeding among other social programs.

### 8.5.1 Beneficiaries

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<sup>3</sup> Conning, J and Kevane, M., 2000, 'Community Based Targeting Mechanisms for Social Safety Nets', World Bank, Washington

Encourage graduation from SSN, an important component is assisting the poor and vulnerable with microfinance through established institutions as Saint Lucia Development Bank and Belfund. Microfinance has been widely recognized as an effective strategy to combat poverty by providing financial services, especially credit to the poor to allow them to become economically active. The credit programs offer a Social Safety Nets small loan to the beneficiaries for self-employment purposes that can start or enhance their income streams, and eventually making them self-reliant and move out of poverty. Micro credit should encompass a wide range of financial services such as credit, savings and insurance.

### 8.5.2 Public Sector

Investments in social protection need to be solidly grounded in domestic, primarily public financing. An effective financing framework should be consistent with the Sustainable Development Goal Target 1.3, which requires all governments to finance national social protection floors that provide income security for children, working-age adults, older persons and essential health care services, to end poverty in all its forms everywhere by 2030.

Financing options to incorporating best practices <sup>4</sup>		
Financing method	Advantages	Challenges
Increase efficiency in administration of social safety nets (consolidation of programmes)	Creates fiscal space without raising taxes	Implementation of administrative reforms can be difficult; the amount saved is often insufficient to finance the effort of bringing programs to scale
Reallocation of expenditures toward desired beneficiaries and goals (removal of subsidy on LPG and basic food items, restructuring debt to enhance fiscal space.	Creates fiscal space without raising taxes;  can increase the productivity of government outlays and efficiency by reducing unproductive expenditures;  can increase the acceptability of public spending, depending on the social contract and expectations;  feasible in the short term on a small scale, particularly if low-hanging fruit can be identified	Requires significant commitment by the government to implement changes and face trade-offs;  requires detailed analysis of public expenditure programs and medium-term commitments by the government;  may imply winners and losers among previous and new beneficiaries, leading to potential political discontent

<sup>4</sup> United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). Policy Brief: Financing Social Protection (ESCAP, 23 December 2016)



To reach the most vulnerable groups it is especially important to invest in tax-financed social protection.		Finding fiscal space and prioritizing social protection is a matter of political will rather than resources
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### 8.5.3 Private Sector

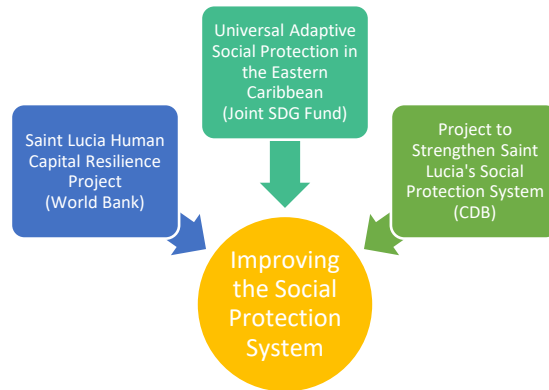
The private sector continues to play an increasingly important role in financing the country's aggregate social welfare programs especially in the areas of education and social services. However, the extension of the scope of social protection in the 1990s has meant that a number of other multilateral organisations that finance development programmes are also involved in social protection, e.g. the World Bank, UNDP, WHO, UNICEF, and others.

Private Sector Involvement (Corporate Social Responsibility)	Various corporate entities such as manufacturing, retail can focus on specific groups of poor and vulnerable and receive a tax credit.	May be cyclical due to swings in economic activity.
Leveraging alternative resources from donor agencies ( Human Capital Resilience Project)	Development partners can provide financing in the short and medium terms; usually associated with technical assistance for the design of reforms	Cyclicity of funding and downward trend can imply unreliable development partner or private sector financing; bureaucratic or policy requirements may hinder government ownership

### 8.6 Partnership for Improvement

The government should continue its efforts at strengthening partnership with regional and international agencies to meet a wider spectrum of the poor. The key on going and proposed projects have identified measures for enhancing the SSN program in Saint Lucia. Some of these projects;

1. Saint Lucia Human Capital Resilience Project- World Bank
2. Universal Adaptive Social Protection (United Nations Barbados and OECS- Joint SDG Fund)
3. 6.1.4 Project to Strengthen Saint Lucia's Social Protection System- Caribbean Development Bank (CDB)



The projects aim to:

1. Improve the labor market relevance of skills
2. Improve the efficiency of the social protection system in Saint Lucia
3. To build social resilience and social capital, including integrated approaches to poverty reduction, re-discovering and re-defining the Saint Lucian identity, building community and social capital;
4. To provide a clear framework for enhancing equity, efficiency and transparency in the delivery of social protection services;
5. To promote synergies among agencies, programmes, and interventions; and
6. To adopt life-cycle, human development and rights-based approaches in addressing the needs of poor and vulnerable groups.

## 9.0 CONCLUSION...

Saint Lucia has a myriad of social safety nets programmes that cater to diverse needs including educational, medical, housing, employment and income support. These programmes are administered by multiple government agencies, each using different eligibility criteria. Few of these programmes use an objective proxy means test; Saint Lucia National Eligibility Test (SL-NET 3.0) to accurately target beneficiaries. This fragmentation in the system results in resource leakages, and errors inclusion and exclusion. Additionally, other deficiencies such rudimentary and manual processes, limited human and financial resources, and absence of a graduation strategy limits Saint Lucia's ability to significantly reduce the poverty headcount.

The Granger causality test was used to determine impact of government SSN spending on economic growth. The test revealed that two variables had a uni-directional relationship which suggests that economic growth Granger causes SSN spending. However, SSN spending does not Granger cause economic growth. Optimally, SSN spending should influence economic growth through poverty reduction i.e. the graduation, empowerment and independence of beneficiaries. Given these results and the deficiencies identified, there is a need for reform of the current SSN system.

A closer look at international best practices, propose the use of technology to enhance the delivery of SSN programmes, specifically, cash transfer payments. These best practices place an emphasis on card-based and mobile phone-based systems, and biometric technology as the recommended approaches to improve payment systems. These systems present numerous advantages for recipients, government, donors and private partners. They promote efficiency, transparency and reduce resource leakages and administrative costs. Notwithstanding, there remains the risk of fraud, card damage, irresponsible spending and concerns relating to proper hygiene particularly given the Covid reality. Adopting these measures also requires cultural and behavioural change for successful implementation and sustainability.

To address the aforementioned deficiencies and challenges, it is recommended the existing system be reformed through digitization and digitalization of processes. This requires the establishment of a central social registry and beneficiary information management system and the adoption of a closed-loop card-based system for the distribution of cash transfers. Furthermore, the implementation of these requires modern infrastructure i.e. Government-to-People (G2P) system/database, a legislated regulatory framework, the establishment of an advisory board governed by an updated social protection policy framework. To facilitate the foregoing, the government must consider reprioritizing and reallocating limited financial resources, boost domestic revenue, leverage alternative resources and encourage private sector involvement i.e. corporate social responsibility. Such a reform will bolster efforts towards a comprehensive, targeted and effective social safety net system in Saint Lucia.



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## APPENDIX