

**Fiscal Expenditure on Services for Children in Jamaica,**  
**2003/4 - 2005/6**

**Prepared for GOJ and UNICEF**

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## **Executive Summary**

This study has been commissioned by the Government of Jamaica and UNICEF to determine the share of the budget of the Government of Jamaica that benefits children directly, and indirectly through women in their roles as care-givers. It has been based on a review of relevant studies and reports, data extracted from the government's budget, and interviews with government officers with appropriate expertise. The data has been presented in an array that highlights the expenditure on children, and forms the basis for the calculation of indicators of expenditure on children.

The study has reviewed the allocation of fiscal resources to provide services to and for children in the years 2003/4-2005/6. In doing so, it has situated the assessment in the context of the fiscal resource constraints that result from the relatively low level of GDP, the persistent low rate of economic growth, and the pre-empting of the major share of the fiscal resources for repayment of the national debt.

The trends in the principal macroeconomic indicators have been generally pointing to positive changes in the performance of the economy. The trade regime has been considerably liberalized, and the reform processes are continuing. Foreign investment inflows have been robust in recent years. The foreign exchange market has been quite orderly with gradual and predictable depreciation of the exchange rate to maintain the price competitiveness of exports. Inflation has abated, and this has allowed the government to facilitate the decline in interest rates.

Yet, apart from Tourism that has been on a secular growth path, the development of new exports to fill the earnings gaps left by the receding banana and sugar industries has been very slow. The economy has grown slowly despite the liberalization of trade and investment flows, while becoming increasingly vulnerable to sudden shifts in international economic conditions as well as natural hazards.

While unemployment rates are not as high as they were a decade or two ago, it is partly because of the rise in self-employment and the withdrawal from the formal labour

markets to informal economic activities. Poverty rates too have declined over the past two decades, owing in large part to the vibrancy of the informal economic activities and the robustness of inflows of remittances.

The slow growth of the formal economy underpins the slow growth of the fiscal revenues. The repayment of the national debt leaves little resources to fund programmes for human and infrastructural development.

The rate of natural increase of the Jamaican population has been declining over the past decade, and largely for this reason, the population is ageing. In 1975, children accounted for a little more than a half of the population; thirty years later, the share of children in the population fell to a little more than a third.

Children in Jamaica face many challenges throughout their lifecycle, birth to eighteen (18) years of age. At birth, their chances of survival for more than 70 years are very good, but there are significant risks that they face in their journeys through life. Their immunization coverage is below the average for the region and appears to have been declining. They are particularly vulnerable to HIV/AIDS both by contracting the disease, usually from a parent, and from being orphaned when the disease attacks their parents and/or guardians.

About a fifth of Jamaican children live in poverty, and the chances of being poor are greater for those who live in the rural communities. Poverty drives some children to work to support themselves and their families at the cost of their attendance at school, and at the risk of physical and psychological abuse.

As the most vulnerable social group in a society plagued by violence, there has been an increasing incidence of children as victims of violence as well as perpetrators of violence. While this study was being prepared, there was a spate of murders of children and women that elicited national outrage and re-focused public attention on the scourge of violent crime that has been plaguing Jamaica for too many years now.

The chances of a child being enrolled in educational institutions from the early childhood to the secondary levels are also good, but the quality of their education is less than children receive in other Caribbean countries that spend relatively less money on education. Further, the modern Jamaican labour force requires much more and much better training than the average school-leaver brings to the labour market.

The Government of Jamaica has made considerable progress in establishing a policy framework with the requisite legislation to protect children and to promote their development. The policy framework has been driven partly by the international commitments under the Convention on the Rights of the Child (CRC) and the companion Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). These initial international stimuli have been reinforced by the national commitment to the Millennium Development Goals (MDGs), most of which are either directly or indirectly relevant to the welfare of children.

The policy framework for children is also rooted in domestic development strategies and policies, the most recent of which is the Medium Term Social and Economic Policy Framework (MTSEPF). There is now a National Framework of Action for Children (NFAC), a Childcare and Protection Act that provides the legal basis for policy implementation, and a Children's Advocate with responsibilities mandated by the Act.

It is arguable, that the preoccupation of policy-makers with economic stability and growth – in many respects, requiring contradictory policy measures – is ultimately essential for generating the resources to address the demands for human development in general and the welfare of children in particular. However, without market-based income distribution processes that enhance equity, effective publicly funded social safety net programmes will be necessary to ensure that some of the benefits of economic growth will reach the children that are at greatest risk of being poor.

The study found that despite the pressures to service the national debt, the Government of Jamaica (GoJ) has been able to maintain relatively high levels of recurrent expenditure for social services, but that capital expenditure has been drastically reduced over the past decade and a half. The bulk of the recurrent expenditure has been on the salaries of service providers, such as education and health workers and security personnel.

In constant (1996) Jamaican dollars, total expenditure has risen sharply over the past decade, largely because of repayment of the national debt. On the other hand, the trends in real social expenditures have been at best flat, and probably marginally decreasing.

As a percentage (%) of GDP, recurrent expenditure has been rising, driven by the rising interest payments. There is also an increasing trend of wages as a percent of GDP, but much slower than the rate of increase of interest payments. On the other hand, expenditure on programmes as a percent of GDP has been constant.

Expenditure on children was dominated by spending on education and health services. The estimate in this study included expenditure on social welfare, social protection, culture and sports, and programmes for women because of their role as care-givers for children. In all, expenditure on children during the review period accounted for approximately 16-17% of recurrent expenditure, 1% of capital expenditure, or the equivalent of 10-11% of total expenditure. Alternately, expenditure on children was 6-7% as percentage of (as a proportion to) GDP.

The three (3) year period is too short to detect trends, and the data compared over the years were not identical. The study had data on actual expenditure for 2003/4, but only proposed expenditure for 2005/6. Even so, if there is a discernible change in the share of expenditure allocated to children over these years, the expenditure on children would appear to be decreasing. Not surprising, the bulk of the expenditure on children is on education services followed by health services.

In light of the significant share of fiscal resources (after repayment of the national debt) committed to supplying services to children, the study concludes that more attention should now be paid to the quality of those services and the impact of expenditure, given the resource constraints the GoJ is likely to face for many years to come. As the efficiency of administrative processes is increased, resources, particularly human resources, will be released and can be reallocated to the processes that deliver services to children. In addition, the reorganization of these services themselves will make them more effective.

There should also be room to attract some of the interest income paid to holders of the national debt into bonds floated to fund services for child development, and to encourage individual wealth holders to bequeath legacies to fund child development. Appropriate information systems need to be put in place to provide policy-makers with the data and analysis of the implementation of government programmes to meet the national and international commitments to children. Finally, there is need for research into privately funded formal and informal service delivery for child development to complement the information on publicly funded programmes.