



A Review of Targeted Approaches to Tackle Inflation

Introduction

In the midst of soaring food prices, the Belize Chamber of Commerce and Industry (BCCI) finds itself at a crossroads of a pivotal policy proposal. The Government intends to introduce price controls on 31 additional items at a time when businesses are still recovering from the effects of the COVID-19 pandemic, grappling with soaring commodity prices resulting from the Russia-Ukraine War, and navigating slowing global growth. As an organization committed to fostering a sustainable and inclusive business environment, the BCCI recognizes the paramount importance of assisting at-risk populations in a pragmatic and effective manner. This short paper analyzes the components of possible programs aimed at assisting at-risk populations in a manner conducive to achieving inclusive and sustained economic growth.

The Current State of Inflation

Following its peak in August 2022, attributed to responsible fiscal policies and stabilizing global markets, inflation has steadily declined to 3.3% as of June 2023. Although this marks the lowest rate since July 2021, monthly inflation in categories such as Food and Non-Alcoholic Beverages, as well as Restaurants and Accommodation Services, continue to drive inflation despite gradually decelerating.

Objective and Purpose of Targeted Inflation Relief

Considering the decelerating inflation discussed above, it is important that policy makers refrain from implementing policies that may have long term distortionary market effects. The objective of targeted inflation relief should be twofold: provide families in need with meaningful assistance and promote sustained economic growth through carefully designed interventions that maintain the efficiency of market mechanisms. The rest of this paper explores aspects and components of a pragmatic and effective policy.

The Policy Response Toolkit

The Government has many options available for protecting the livelihoods of its most vulnerable populations. This section will discuss each of them briefly, while making mention of their pros and cons and discussing.

- *One-off or Time Bound Income Support*
 - **Pros:** Provides immediate relief to households facing distress. Can be targeted or universal. Often easier to implement than In-Kind or Quasi-Cash Transfers due to flexibility, reduced overhead costs and less logistical challenges.
 - **Cons:** May not solve the underlying issue causing the high inflation. May not have an existing effective delivery mechanism.



- *In-Kind and Quasi-Cash Transfers*
 - **Pros:** Provides essential goods and services like healthcare, education, and food directly to recipients.
 - **Cons:** May not address the needs of recipients and requires robust supply chains and logistical structures.
- *Social Insurance*
 - **Pros:** Provides a predictable long-term safety net by pooling resources and ensuring sustainability if funds are used properly.
 - **Cons:** Requires significant infrastructure and may not be adequate to deal with emergencies.
- *Tax Cuts (VAT or Fuel Taxes)*
 - **Pros:** Reduces overall cost of living, thus potentially stimulating consumer spending
 - **Cons:** May lead to revenue shortfalls for the Government and increased consumer spending may have inflationary effects.

Components of a Successful Targeted Policy Response

Clear Identification of At-Risk Population

Given fiscal constraints, it is essential to pinpoint the specific demographic groups most vulnerable to the impact of inflation. Clear and transparent eligibility requirements should be established to ensure that targeted assistance is cost-effective and yields maximum impact.

Collaboration with Civil Society

Working with local businesses, civil society organizations, and non-governmental organizations (NGOs) can help to ensure that the policy is effective. Regional and community groups may be able to effectively identify at-risk populations, while leveraging local expertise during implementation.

Effective Monitoring and Evaluation

Effective oversight, monitoring, and evaluation should be a core component of any policy response. Considering the unique and infrequent nature of the problem at hand, it is especially important to well-document the implementation of the policy response and its effectiveness. This will ensure that future policy and decision makers, when faced with similar circumstances, have a better understanding of what worked and did not work, so that they can make more informed decisions.

Efficient Delivery Mechanisms



Efficient delivery mechanisms are essential for a successful targeted policy response. Quick and efficient deployment of the policy response is needed to ensure that those who need relief can get it. Ideally, the policy response should take the form of expanding an existing program or being based on a model that has already been tested. Doing so will ensure that the policy can be effectively implemented.

Time-Bound Responses

As inflation decelerates, it is essential that the policy response is strictly temporary in nature. This will ensure that any distortionary market effects are temporary and reversible, and that the program is not a long-term fiscal burden. Setting a clear time frame will also allow policy makers to better navigate the ever-evolving economic landscape and adjust strategies when needed.

Recommended Practical Policy Responses

Considering the factors discussed above, the BCCI can recommend that policymakers consider implementing time-bound income support or quasi-cash transfers as assistance measures for those in need.

One-off or Time Bound Income Support

Benefits and Precedence

One-time or time-bound income support programs offer several benefits, most notably empowering recipients to allocate their additional income directly toward essential goods and services. Conditional cash transfer programs, although their cost-effectiveness hinges on design, hold potential for providing cost-efficient and reliable aid to those requiring assistance.

Moreover, there is a precedent for employing conditional cash transfers during crises in Belize. Notably, during the COVID-19 pandemic, the Ministry of Human Development, Families and Indigenous Peoples' Affairs expanded the Building Opportunities for Our Social Transformation (BOOST) program. Concurrently, the temporary Belize COVID-19 Cash Transfer Program (BCCAT) was implemented to offer cash relief over a six-month period to new beneficiaries.

Possible Outline for Implementation:

An inflation assistance program could take the form of either a temporary expansion of BOOST or the introduction of a new temporary conditional cash transfer scheme similar to BCCAT. The Government of Belize (GOB), through the Central Information Technology Office (CITO), also possesses the capability to design effective online application portals, as demonstrated with the COVID-19 era Unemployment Relief Program. The program could be limited to a 6-month



period, allowing participants to adjust to market conditions while avoiding long-term fiscal constraints.

In-Kind and Quasi-Cash Transfers

Benefits and Precedence:

An effective in-kind transfer could involve an expansion of the existing grocery bag program to include the items outlined in the proposed price controls. Given the program's existing infrastructure, implementation would likely be more straightforward compared to a conditional cash transfer initiative. Additionally, the grocery bag program guarantees that the intended recipients receive the essential goods and services targeted by the price controls, all while avoiding potential market distortions.

Possible Outline for Implementation:

There are two practical strategies for implementing this program that could foster collaboration and consensus with the private sector:

1. Partnering retailers could offer concessionary pricing on goods for program participants.
 2. Alternatively, private sector partners could contribute funds directly to the program.
- These responses promote collaboration with civil society and other partners.

Conclusion

In summary, this paper highlights the diverse policy tools available to address rising inflation, emphasizing the practicality of time-bound income support and quasi-cash transfers. The success of past crisis interventions, such as Belize's BOOST and BCCAT programs, underscores their potential effectiveness. Expanding existing initiatives, like the grocery bag program, provides a streamlined approach to delivering essential goods. Collaboration with civil society and the private sector, through strategies such as concessional pricing and direct contributions, enhances the impact. Efficient implementation, guided by monitoring and adaptability, ensures these measures remain responsive to economic fluctuations. Adopting these insights can pave the way for inclusive, sustainable, and resilient economic growth.