Caribbean Development Bank
Social and Economic Research Unit

Research Study on Social Protection and Poverty Reduction in the Caribbean: Examining Policy and Practice

Grenada Country Report

July 2004

Submitted by Country Consultant:

Dr. Armando Barrientos,
Institute for Development Policy and Management,
University of Manchester,
Harold Hankins Building,
Oxford Road,
Manchester M13 9QH,
United Kingdom.

Phone: +44 (0)161 275 2811
Fax: +44 (0)161 273 8829
E-mail: armando.barrientos@man.ac.uk

TABLE OF CONTENTS

		Page
Acknowledgements		iv
List of Abbreviations		v
Executive Summary		vii
I.	BACKGROUND	1
	The Regional Research Study	1
	The Grenada Country Study	
II.	INTRODUCTION	6
	Economic and social development performance	6
	Growth and development challenges for Grenada's economy	9
	Social protection and the development strategy	12
III.	RISK AND VULNERABILITY IN GRENADA	15
	Macroeconomic vulnerability	15
	Natural hazards and environmental risk	17
	Labour market risk	18
	Poverty and vulnerability	18
	Human development risk in a life-cycle context	21
IV.	SOCIAL PROTECTION IN GRENADA	27
	Macroeconomic management	27
	Labour market	30
	Social and private insurance	33
	Human development	34
	Protection against natural hazards	38
	Micro-insurance and saving schemes and informal networks	39
	Participatory governance	39
V.	PROTECTING THE GAINS AND EXPANDING OPPORTUNITY	42
	Developing social protection for growth and opportunity	42
	Matching instruments to risk and vulnerability	43
	Household strategies to address vulnerability	48
	Strengthening social protection in Grenada	50
	The role of international donor agencies	57
	Conclusion	59
	REFERENCES	61

APPENDIX ONE. Composition of the Technical Working Group 65
APPENDIX TWO. Risk, vulnerability and welfare 66
APPENDIX THREE. Main social protection instruments in Grenada 67
A. Direct Support to Government 67
B. Governance and Participation - Community Development 67
C. Infrastructure 68
D. Micro-enterprise development and Rural Poor 69
E. Natural Hazards 70
F. Human development 71
APPENDIX FOUR. Brief description of the probit model 76

LIST OF TABLES

Table 1. Indicators of vulnerability and their incidence in Grenada 20
Table 2. Vulnerability and the life-cycle 22
Table 3. Life course vulnerabilities 24
Table 4. Social protection instruments and vulnerability by area 45
Table 5. Estimates of the impact of household characteristics and social protection instruments on vulnerability 49
Table 6. Summary of key issues and recommendations 51
Table A3.1 Probit estimation results 77

LIST OF FIGURES

Figure 1. Grenada Real GDP Growth 1990-2004 7
Figure 2. Real GDP growth rates in the Caribbean region 7
Figure 3. Most recent poverty estimates (headcount rate) for the Caribbean 9
Figure 4. Agricultural Exports, Visitor Expenditure, and Private Transfers from abroad: Grenada 1990-2001 11
Figure 5. Government expenditure on basic services 1992-2000 28
Figure 6. Grenada: Annual donor contribution to national development 2000-2003 by sector 58
Figure 7. Linkages between risk, vulnerability and household wellbeing 66

LIST OF BOXES

Box 1: Stabilisation funds 44
Box 2. Monitoring the social protection dimension of fiscal policy 52
Box 3. Targeted conditional human development programnmes 54
Box 4. Developing an instrument for identifying beneficiaries 55

ACKNOWLEDGEMENTS

I would like to acknowledge the contribution of a number of people to this report. Drs. Eleanor Wint from the Caribbean Development Bank, Ralph Henry from Kairi Consultants, and Aldrie Henry-Lee from the University of the West Indies, contributed to the design and implementation of the research. The Technical Working Group provided excellent guidance, support, and advice on the research in Grenada, Mrs Margaret Belfon, and Ms Maria Lewis from the Ministry of Education, Mrs. Arlene Daniel from the Ministry of Social Development, Ms. Beryl-Ann Clarkson from the Statistics Division of the Ministry of Finance, Mr. Lennox Andrews, Deputy Permanent Secretary, Ministry of Finance, Mr. Desmond John from the Prime Minister's Ministry, Mr. Jerome McBarnette from the Grenada Conference of Churches, Mr. Anthony Cadore from the Pensioners Association, and Mr. Benny Langaigne, from the Grenada Community Development Agency. Dr. Spencer L. Thomas and Mr. Isaac Bhagwan chaired the Technical Working Group and planned its work. Ms. Jocelyn Paul and Mr. Isaac Bhagwan ensured the visits to Grenada, and my stay at the Ministry of Finance, were both productive and enjoyable. The following provided me with information, data, and advice: Mr. Lennox Andrews, Mr. Isaac Bhagwan, Mr. Leon Charles, Mr. Dorset Cromwell, Mr. Mervin Haynes, Mr. Desmond John, Mr. Benny Langaigne, Ms. Maria Lewis, and Dr. Spencer L. Thomas. Mr. Mervin Hayes PhD candidate at IDPM on leave for the Ministry of Finance, and Dr. Eleanor Wint provided valuable comments on the report. I am also grateful to the many government officials, and representatives from NGOs and the private sector who generously gave their time and provided valuable inputs into the research.

LIST OF ABBREVIATIONS

ART	Agency for Rural Transformation
CARICOM	Caribbean Community and Common Market
CDB	Caribbean Development Bank
CXC	Caribbean Examination Council
CGCED	Caribbean Group for Cooperation in Economic Development
DFID	Department for International Development (U.K.)
ECCB	Eastern Caribbean Central Bank
ECHO	Extended Care through Hope and Optimism
ECEMP	Eastern Caribbean Economic Management Program
FAO	Food and Agriculture Organisation
GDP	Gross Domestic Product
GRENCASE	Grenada Citizens' Advice and Small Business Development Agency
GRENCODA	Grenada Community Development Agency
GRENSAVE	Grenada Save the Children Agency
GREP	Grenada Rural Enterprise Project
IBRD	International Bank for Reconstruction and Development
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IMANI	Youth Work Experience Programme
MDGs	Millennium Development Goals
NERO	National Emergency Relief Organisation
NEWLO	New Life Organisation
NGOs	Non-government Organisations
NIS	National Insurance Scheme
OECS	Organization of Eastern Caribbean States
ROC	Republic of China (Taiwan)
STABEX	Commodity Stabilisation Fund (Asia, Pacific, and Caribbean countries)
UNDP	United Nations Development Agency
UNICEF	United Nations Children's Fund
WB	The World Bank

CURRENCY
Unless explicitly stated, all monetary values are in Eastern Caribbean dollars (EC$)

EXCHANGE RATE
US$ 1 = EC$2.70

Social Protection and Poverty Reduction in the Caribbean: Examining Policy and Practice - Grenada Country Report

EXECUTIVE SUMMARY

I. BACKGROUND

The Grenada country study on social protection forms part of a wider 'Research Study on Social Protection and Poverty Reduction in the Caribbean: Examining Policy and Practice'.[1] This is a joint initiative of the Caribbean Development Bank, the UK's Department for International Development, and the Delegation of the European Commission. It involves country studies from Grenada, St. Lucia, and Belize, seeking to identify the key risks and vulnerabilities faced by the population and to assess the coverage and effectiveness of existing social protection instruments. The findings from the country studies and will support a regional consultation with a view to formulating effective social protection policy in the region.

Social Protection is defined as "all interventions from public, private, voluntary organisation and social networks, to support communities, households, and individuals, in their efforts to prevent, manage, and overcome a defined set of risks and vulnerabilities".

The Grenada Country Study was directed by a Technical Working Group, with participation from a range of Ministries and other government agencies and NGOs, which supported and guided the Country Consultant. A range of activities were conducted, including meetings of the Technical Working Group; meetings at CDB Headquarters in Barbados with Technical Working Groups from the other countries involved; collection and analysis of relevant data; interviews with relevant Ministers and their officials; interviews with officials from social assistance and social insurance agencies; interviews with NGOs representatives; interviews with local key informants, consultants and researchers; visits to vulnerable communities; focus group discussions with NGOs and financial institutions; and a Consultative Workshop to discuss and review a draft country report.

II. INTRODUCTION

With a GDP per capita at US$ 3352, and ranked 54 among 171 countries in the Human Development Index, Grenada is classified as a middle income country.

[1] The research team is coordinated by Dr. Eleanor Wint, Consultant Social Researcher, SERU, Caribbean Development Bank, and Lois Crawford, Programme Coordinator, SERU, Caribbean Development Bank, and includes Dr. Armando Barrientos, IDPM, University of Manchester, Country Consultant for Grenada and Lead Consultant; Dr. Ralph Henry, Kairi Consultants Ltd., Country Consultant for Belize; and Dr. Aldrie Henry-Lee, Sir Arthur Lewis Institute for Social and Economic Studies (SALISES), University of the West Indies, Jamaica, Country Consultant for St. Lucia.

As a small open economy in an area regularly affected by natural disasters, Grenada is identified as highly vulnerable country by the Commonwealth Secretariat.[2] Grenada's main trading partners are CARICOM countries, the USA and the UK. Grenada is a member of the Organization of Eastern Caribbean States, with whom it shares a Central Bank and currency, the Eastern Caribbean Dollar maintaining a fixed rate of exchange of 2.7 with the US Dollar. Grenada is also a member of the Caribbean Community and Common Market, and the Association of Caribbean States.

The diversification of the economy has been a policy priority for successive governments. Traditionally, the economy has been heavily dependent on agricultural exports, mainly bananas and spices. Over the last two decades, agricultural exports, aside from nutmeg of which Grenada is the world largest exporter, have declined leading to a contraction of its agricultural sector. More recently, tourism, manufacturing of paper products and electronic components, offshore financial services, telephone and e-commerce have shown fast growth.

This has ensured a rapid transformation of the economy. By 2000, services accounted for 69.9 percent of the economy, industry 23 percent, and agriculture was relegated to a third place at 7.1 percent. Associated changes in the structure of employment, such as the growth in service and skilled jobs and the expansion of employment opportunities for women, will generate strong pressures on the education system, families, and social protection. Investment in human development and the strength of safety nets will be important in harnessing this change for the common good.[3]

The economy enjoyed strong growth in the 1980s averaging 4.7 percent a year. Growth slowed down in the first half of the 1990s to 2.5 percent a year, but increased again in the second half to 5.7 percent. Projections from the Medium Term Economic Strategy Paper 2003-2005 suggest growth rates will settle at 4.0 percent by 2005.

In terms of social development, Grenada has achieved a good provision of basic services such as health and education, and an improved transport and utility infrastructure. School enrolment rates at primary and junior secondary levels are close to 100 percent. Public provision of primary health care and the health status of the population have also improved over time as demonstrated by rising life expectancy. Transport and utility networks cover the whole of the island of Grenada.

Taking advantage of the opportunities from global economic change, and ensuring vulnerable groups are not left behind will require renewed efforts in ensuring further social development. Adapting to rapid change requires strong safety nets to protect the vulnerable. A review of existing support for those at risk has led to the establishment of a Ministry of Social Development.

[2] The Vulnerability Index takes account of economic vulnerability arising from lack of diversification and export dependence, as well as vulnerability to natural disasters (ECLAC 2000).

[3] The Medium Term Economic Strategy Paper 2003-2005 states that "the broad role of government is sustained economic growth in the midst of macroeconomic stability and poverty reduction. Specifically the objective is to create a diversified and flexible economy capable of adapting and responding positively to the changes in the international economic environment" (Government of Grenada 2003a, p.17)

The study on social protection should be seen as an extension of the work on poverty and poverty reduction carried out in Grenada in the past few years. The present study extends the poverty assessment by focusing on vulnerability to poverty. Social protection is grounded on the view that the limited capacity of some communities and households to protect themselves against contingencies threatening their living standards is a major factor explaining poverty. Vulnerability is also a primary factor explaining some households' limited capacity to invest in their future and to take advantage of economic and social opportunities for advancement. Social protection interventions seek to strengthen the capacity of communities, households and individuals to overcome their vulnerability, and to make the investments needed to prevent poverty from materialising.

Social Protection interventions, by focusing on vulnerability to poverty, aim to help households break with the vicious circle of poverty. Social protection includes a wide range of interventions, from macroeconomic policy, social and market insurance, social assistance, labour standards, employment generation, micro-credit and micro-insurance, education and training, disaster prevention and relief, to informal networks. These are all interventions that protect the vulnerable, from natural, economic, and social hazards. Social Protection also looks to a broad range of providers, from international organisations, government agencies, NGOs, the private sector, labour and community, and especially households, to collaborate in reducing vulnerability.

The challenge is to achieve an integrated, effective, and comprehensive social protection system, as much a safety net as a springboard. This study aims to make a contribution to this enterprise, by mapping the key risks and vulnerability facing the population of Grenada and assessing and evaluating the extent to which existing social protection interventions address these risks and vulnerabilities.

III RISK AND VULNERABILITY IN GRENADA

Macroeconomic vulnerability

As a small open economy, Grenada is highly vulnerable to changes in the global economy.[4] The negative rates of growth experienced by Grenada in 2001 and 2002 were largely the consequence of the uncertainty following September 11th. Changes in trade and trade policy by trade partners, such as the withdrawal of preferential status for bananas and other exports to the European Union, are a further source of vulnerability. Grenada's fixed exchange rate has reinforced price stability, while at the same time placing "the burden of adjustment to external shocks on income effects, thus reinforcing the risk that large shocks and misalignments may translate into recession and unemployment" (Ocampo 2002). The underdevelopment of financial markets, the fluctuations in official capital flows and development assistance, and a narrow tax base,

[4] The particular vulnerability of small island states has been duly acknowledged by international organisations (Ocampo 2002; Witter, Briguglio et al. 2002; ECLAC 2000).

significantly restrict the scope for autonomous fiscal policy. Previous studies have shown that macroeconomic shocks have a disproportionate impact on the poor and vulnerable groups.

Natural hazards and environmental risk

Although Grenada is located south of the hurricane belt, the economy is vulnerable to tropical storms, occasional hurricanes and storm waves. Given the small size of Caribbean states, damages from natural disasters could in many cases exceed GDP. In Grenada sustained and severe infrastructure damage was caused in 1999 by a storm wave from Hurricane Lenny. This had a direct impact on agriculture, and especially bananas. There is evidence that vulnerability to natural hazards may be skewed towards the poor.

Labour market risk

Measured unemployment has declined from a high of 26.7 percent in 1994 to 12 percent in 2001. This is due to an expansion of employment in construction, manufacturing and tourism. Unemployment is not equally distributed across the population, and the poor, the unskilled, and rural workers are over-represented among the unemployed. Another issue is the extent of informality in employment. Informality can be defined as employment not covered by social insurance.[5] It has been estimated that only a fraction of the labour force, perhaps as much as 40 percent, make regular contributions to the National Insurance Scheme. This implies that a large proportion of those active in the labour market lack adequate protection from short term contingencies such as work related illness, sickness, maternity, and from long terms contingencies such as retirement and disability.

Poverty and vulnerability

The 1999 Poverty Assessment Report concluded that 23.8 percent of all households, and 32.1 percent of the population had levels of expenditure below the minimum acceptable level of EC$ 3262 (the poverty line). The poverty line was arrived at by costing a basket of goods providing a basic nutrition level, and adding the average expenditure on non-food items of the poorest 40 percent. The Report also concluded that large families with children, and those in rural communities, were over-represented among the poor. The report found that poor housing, low educational attainment, and restricted access to basic services, were significantly correlated with poverty. This confirms the multidimensional nature of poverty.

Table 1 below shows estimates to vulnerability in Grenada.

[5] This is a measure of informal employment used by the ILO.

Table 1: Indicators of vulnerability and their incidence in Grenada

Indicator of Vulnerability	*% of households*	*% of individuals*
Per capita household expenditure below 125% of poverty line	29.0	39.3
Adult equivalent household expenditure below 125% of poverty line	21.5	25.7
Educational attainment: those not having passed any examination		70.5
School attendance: not attending school last week		5.0
Adult Employment I: no adult employed in the household	32.0	23.0
Adult Employment II: share of adults in employment below 0.5 (i.e. less than one adult employment for every two)	45.7	45.0
Dependency Ratio: Numbers aged 16-60 divided by the numbers aged 15 and below and 61 and above, at or below 0.5 (i.e. one person of working age for every two not of working age)	38.5	36.6
Access to safe water: if no access to piped water	5.7	4.2
Housing quality: if outer walls made of plywood or worse, or toilet is a pit latrine or worse	54.1	57.7
Assets: whether households have less than 4 of 9 possible durables (phone, tv, video, radio, gas/electric stove, fridge/freezer, washing machine, motor vehicle, sewing machine)	32.0	42.1

Own estimation based on 1998 Poverty Assessment Dataset.

For the purposes of this study, those with levels of expenditure above the poverty line, but at or below 125 percent of the poverty line are also classified as vulnerable.[6] Applying this operational measure of vulnerability to the 1998 Poverty Assessment data,

[6] This method of identifying the vulnerable has been used before in Grenada (Henry-Lee et al. 2002), and elsewhere in the Caribbean.

we can arrive at a measure of vulnerability based on household expenditure.[7] It was found that 29 percent of households and 39.3 percent of individuals are considered to be vulnerable. In addition to expenditure indicators, the following indicators of vulnerability were estimated for Grenada:

(i) Over two thirds of adults have never passed an examination, and therefore lack certified skills.
(ii) Attendance at school by those of school age is very high, only five percent were not attending school at the time of the survey.
(iii) The next two indicators focus on adult employment. Households lacking an earner, or with few adult members in employment are at risk, especially as earnings from employment are the most important source of earnings for the majority of Grenadians. Thirty-two percent of households had no adult employed, and just over forty-five percent of households had less that one adult in two employed.
(iv) Vulnerability is also associated with the demographic composition of households. Just over one third of households had less than one person of working age for every two not of working age.
(v) The provision of safe drinking water is good, as only 5.7 percent of households lacked access to piped water.
(vi) Housing quality is an important issue in terms of vulnerability, especially as living conditions determine resilience to weather and natural hazards. Over one half of households had either poor quality outer walls or inadequate toilet facilities.
(vii) Finally an indicator of assets in the household could be obtained from the number of consumer durables present. These are intrinsically important, as having a radio or tv is in most cases a requisite for political and social participation, but they are also important in indicating whether there households have assets which can serve as buffers against unforeseen contingencies. Just under one third of households had 3 out of a possible 9 durable items, and 42.1 percent of the population lives in those households.

Human Development risk in a life-course context

It is important to investigate whether vulnerability affects specific age groups, and the sources of their vulnerability. In Grenada, vulnerability is greatest for the young and the old. Estimates of vulnerability based on per capita household expenditure tend to generate higher incidence of vulnerability among larger household with children, but even if an adjustment is made for the differential expenditure 'cost' of children, the young remains

[7] Two separate estimates were done. The first uses per capita household expenditure (that is divides household expenditure by the numbers in the household). The second measure uses adult equivalent household expenditure (that is divides total household expenditure by the number of adult equivalents, treating children 0-6 as 0.2 of an adult; children 7-12 as 0.3 of an adult; and children 13-17 as 0.5 of an adult).

over represented among the vulnerable. Gender differences in vulnerability are not significant.

Previous studies have identified age specific vulnerabilities.[8] In early childhood, key vulnerabilities are associated with poor nutrition and stunting, diseases and neglect. In childhood truancy and non-attendance to school are key vulnerabilities, together with deficits in parental support and education. Poor school attainment due to poor physical and social environment is also noted as an issue. Youth are especially vulnerable to early pregnancy, behavioural problems, and a difficult transition from school to work. Unemployment among young people is a key vulnerability. Unemployment and low paid, irregular, employment are also a key vulnerability among those of working age. Unemployment is in many cases, a factor of low skills and poor lifestyle practices. Poor nutrition and low incomes, together with chronic disease and inadequate family support are key vulnerabilities among older persons.

IV. SOCIAL PROTECTION IN GRENADA.

Social protection covers a wide range of instruments from public, private, or voluntary organisations, and informal networks. This section will focus on the most important social protection instruments providing, where possible, a brief evaluation of their effectiveness.

Macroeconomic management

There are important gains in the effective coordination of macroeconomic policy and social protection. Sound macroeconomic policy is an important instrument of social protection. Successful macroeconomic policies that ensure stable economic growth and fiscal health are important in reducing the demand for social protection as well as making the necessary resources for social protection available.

Governments can support social protection in three main ways: through public expenditure, tax policy, and regulation. Public expenditure on primary education, primary health care, nutrition and rural support programmes absorb about 5 percent of GDP and 11 percent of total government expenditure. Education is the dominant component of social protection expenditure. In the context of tax policy, reduced rates of consumption tax apply to education related expenditures (books, computers, school uniforms), prescribed drugs for chronic diseases, and basic foodstuff. These tax exemptions reduce the cost of living for poor households, and non-poor households alike, but at the cost of further diminishing the tax base. Government regulation extends to many areas, but controls on the mark-up to basic goods are in place for the specific objective of stabilising the cost of living for poor households. The Government aims to review the effectiveness

[8] (Charles 2001).

of prices controls, recognising that these may have distorting effects on markets and trade.

Labour Market

As a signatory of the main ILO treaties and conventions, Grenada has in place comprehensive labour standards. It has also recently introduced a partial minimum wage. Labour standards and the minimum wage apply effectively to unionised and formal employment, but the extent to which these cover those in seasonal, non-unionised, or informal employment is an issue. There is very limited provision of skills and training to the young unemployed. Migration constitutes an important option for Grenadians.

Social and Private Insurance

The National Insurance Scheme provides Social Insurance in Grenada. It was established in 1983 along social insurance lines. The Scheme collects earnings related contributions from employers (5%) and employees (4%). It provides a range of short-term benefits: work related injuries, sickness, and maternity, and long term benefits: old age and survivor pensions. In addition, NIS provides a funeral benefit. The self-employed and those temporarily out of work, can make contributions at a reduced rate, but are only able to access short-term benefits, these constitute around 4 percent of all contributors. The Scheme operates on a funded basis. Around on third of the labour fore are active contributors. The Scheme caters mainly for formal sector employees in the public and private sectors. A small segment of the labour force may also have access to private insurance, through individual or group plans, but these will cater for those with high and stable income.[9]

Human development

This heading covers programmes and intervention in education, health and the social services. A range of programmes tackle early childhood vulnerability, mainly focusing on nutrition and day care centres. Pre-primary education is insufficient to meet demand for places. Education at primary school is compulsory and publicly provided. There is adequate provision for compulsory education, and programmes for school equipment and refurbishment are underway. The critical issue at present is the expansion of secondary school. Until recently, 40 percent of children of secondary school age were not attending secondary school, but in the last few years the enrolment rate at secondary school level has risen very rapidly, generating a shortage of facilities. The focus on secondary education has also led to a review of the curriculum and teacher qualifications.

The concern at all levels of education, but especially pre-primary and secondary, is that those most vulnerable may be precisely those experiencing the greatest difficulty in accessing education. Further improvements in the access to education of the most vulnerable will require demand side interventions instead, aimed at reducing the cost of

[9] In 2001, gross premiums for 16,411 policies under long term insurance, including ordinary life, industrial life, group life, group pension, and pension annuity plans were 0.03 percent of GDP.

schooling for vulnerable groups. The School Feeding, Necessitous Person Fund, and School Assistance programmes are good examples of demand side interventions, but are poorly targeted and the benefits provided may not be adequate to help the most vulnerable.

Health care is largely publicly provided in Grenada. As in most other countries in the world rising costs of secondary and tertiary health care are focusing attention on financing mechanisms that could also help in controlling spiralling costs. As with other countries in the Caribbean, health insurance options are under discussion in Grenada. Whatever options are adopted in future, primary health care and especially public health are of special interest to the poor and vulnerable, and these are likely to remain the responsibility of the public sector.

The Ministry for Social Development is the main provider of social assistance.[10] The Ministry manages a number of programmes specifically targeting vulnerable groups. The largest is the Public Assistance Programme for older and disabled persons. The Programme pays a EC$100 a month cash benefit to 3055 individuals (2002), and has an annual fixed budget. Issues of targeting on the poor, adequacy of the level of the benefit, and partial coverage of the poor apply to this programme. The Ministry also channels funds to homes for the elderly, and to organisations providing services for the disabled. Programmes targeted on children and the young include the Necessitous Fund providing ver small cash benefits to keep very poor children in school (about 550 children receive EC$100 a month, just about sufficient to cover bus fares), and a Youth at Risk programme. Other programmes support institutional homes for children and the elderly, and a disaster fund to support destitute households affected by fires, flooding, and other disasters (caseload in 2003 was around 15).

Overall, social assistance provision is insufficient, by a large margin, to meet current demand. The majority of the social assistance programmes cover only a fraction of the target groups, and benefits levels are inadequate. There is scope for a better use of existing resources through a better targeting of the current portfolio of programmes, but a substantial injection of resources and staffing are required to facilitate a shift in focus from social assistance to social development. A modern economy requires, as noted above, strong safety nets which also act as springboards. Reducing poverty and vulnerability requires that households are protected from risk and vulnerability, and are able to maintain and nurture the capacity to take advantage of new opportunities. This suggests the need for sustained and integrated interventions.

Protection against Natural Hazards

The National Disaster Office and the National Emergency Relief Organisation provide leadership in this area. Some improvements have come about through the recently approved Building Code, but the absence of hazard maps, and guidelines on the building

[10] There are few public assistance programmes elsewhere. The Provident Fund for ex-estate workers managed by NIS is an important example. Voluntary and Church organisations also provide some small scale assistance to vulnerable groups.

location are missing. There is a good spread of building insurance across income groups. The lead programme in this area is the Emergency Recovery and Disaster Management Project providing support for disaster preparedness and mitigation.

Micro-insurance and saving schemes, and informal networks

In addition to the support and protection provided by extended households, there is a range of informal schemes enabling saving and insurance. Mutual help and support for land preparation, harvesting, and house building and repair, is referred to as *Maroon*. In a *Maroon*, communities come and work for one person who provides food and drink. A *Sou sou* is a micro-saving scheme common in Grenada. In a *Sou sou*, groups of individuals commit to contribute cash on a regular basis, monthly say, into a pool which is withdrawn by one of them at a time. Other forms of work sharing and trade in kind have been used in the past.

Participatory governance

The Poverty Assessment Report noted an institutional deficit in the context of poverty and poverty reduction. Poverty reduction and social protection will be a priority for social policy only to the extent that society demands it. This involves participatory governance, the existence of effective channels of communication through which the poor and vulnerable can make their voices heard, and the political commitment to meet the social demands for social protection. A range of programmes aims to address this deficit. The Community Empowerment and the Community Intervention programmes, managed by ART, aim to assist community development and institutional development. A range of programmes, focusing on physical and social infrastructure, also has as an objective the development of community organisations. These include the Grenada Rural Enterprise Development Programme, the Basic Needs Trust Fund, and the Community Development Multiple Projects.

V. PROTECTING THE GAINS AND EXPANDING OPPORTUNITY: STRENGTHENING SOCIAL PROTECTION IN GRENADA

Developing social protection for growth and opportunity

Grenada is classified as a highly vulnerable country due to its size, the openness of its economy, ad its exposure to natural hazards. The successful transformation of Grenada's economy in the context of globalisation will require harnessing the capacities and resilience of its population to mitigate risk and vulnerabilities and to take advantage of opportunities. Effective social protection is key to achieving this aim. Social protection also contributes to growth and development in a number of ways:

(i) it helps correct market failures that contribute to poverty, for example the limited insurance available to the less well off.

(ii) it facilitates investment in human and physical assets that reduce the risk of future poverty, e.g. through education subsidies or microenterprise credit.

(iii) it reduces behavioural responses to vulnerability, like postponing health care or switching to poor quality foods, which are understandable in the context of the situation of vulnerable households, but restrict growth and development in the medium and long run.

(iv) it reduces incentives for unproductive and antisocial behaviour.

(v) in providing strong safety nets and fostering social cohesion, social protection also facilitates positive social and economic change.

Matching Instruments to Risk and Vulnerability

Table Two below summarises the information on key vulnerabilities and social protection instruments presented in the last two sections by area.

Vulnerability due to the openness of the economy is high for most, if not all, Caribbean countries, due to volatility in terms of trade and in the demand for agricultural products and tourism. Volatility in financial flows is also important, in terms of international aid and foreign direct investment. The social protection instruments available are few and include remittances and other private transfers. Improving the scope and effectiveness of social protection instruments addressing vulnerability arising from the openness of the economy requires regional and international cooperation. The proposed Caribbean Stabilisation Fund is precisely the type of initiatives which could be effective on this. The gap existing between the vulnerability to natural hazards and available instruments is also significant. Again, reducing this gap will involve regional and international cooperation, but also a sustained domestic effort in raising preparedness for disasters and emergencies.

Vulnerabilities arising from macroeconomic shocks were scored as medium, these to an important extent relate to the openness of the economy as well as to the conduct of macroeconomic policy. A key issue is the capacity of fiscal policy to mitigate the impact of external shocks to the economy. A range of instruments are in place to address this vulnerability, such as multi-year planning, and some are being set in place, such as tax reform. A revenue base which is too narrow and pro-cyclical reduces degrees of freedom in pursuing an autonomous counter-cyclical fiscal policy. Current levels of debt and the commitments needed to service it significantly restrict counter-cyclical fiscal policy.

The gap existing between vulnerability and social protection instruments associated with the labour market is important, especially given the central role of labour earnings in reducing poverty and vulnerability. Social Protection instruments do exist, but cover only a fraction of the labour force and population. There are acute knowledge gaps concerning the workings of the labour market in Grenada. This is a complex issue, given the employment re-structuring underway, the sense that informal employment has grown in recent times, and the influence of migration on Grenada's labour market. Effective social protection in this area requires a stronger data and knowledge base.

Table 2. Social protection instruments and vulnerability by area

Area	Vulnerability	Social Protection Instruments
Openness	High • Openness ratio is 0.642 • Volatility of terms of trade and demand for agricultural products and tourism • Volatility in ODA and FDI	Low • Remittances and other private transfers • STABEX, but access is limited • Caribbean Stabilisation Fund (not yet in place)
Macroeconomy	Medium • Narrow tax base and tax mix • Pro-cyclical revenue base • Indebtedness • Fixed exchange rate favours output adjustment	Low • Multi-year budget planning • Public Sector Reform • Caribbean Stabilisation Fund (not yet in place)
Labour Market	High to Medium • Unemployment and underemployment • Informality, precarious jobs • Low and irregular earnings	Medium to Low • Social Insurance covers a fraction of the labour force • Labour standards apply to formal workers • Migration
Human Development	Medium • School attendance and attainment, particularly at secondary level • Household size • Early pregnancy • School to work transition • Skills and training • HIV/AIDS • Old age care • Dysfunctional life-styles	Medium to low • School Feeding and Costs programmes • Youth and the law • Youth training and skills, but limited • Public assistance, but issues of coverage an adequacy, and limited insurance role • Domestic private transfers • Remittances
Natural Hazards	Medium • Tropical storms, occasional hurricanes, storm waves • But no major disaster since 1995	Low • Building Code • WB and CDB Disaster Lending Facility
Participatory Governance	Low • Weak community institutions	Medium • Community development projects emphasise infrastructure • Rural Community development projects • NGOs have limited resources

Human development vulnerabilities are ranked as medium, given Grenada good performance on indicators of human and social development. A range of instruments is in place but their coverage and effectiveness can be improved by focusing on issues of targeting and adequacy, and with the help of monitoring and evaluation. The instruments in place are overstretched, and require a higher, and more stable, allocation of resources. At the same time, gaps in instruments exist, instruments supporting the transition from school to work and improving the skills of the unemployed for example. As the report suggests, strengthening existing instruments and ensuring a stronger social protection focus are required protect the accumulated gains in human development.

As regards participatory governance, several programmes are in place seeking to encourage and support community development (See Appendix Three), but it is difficult to assess the impact these may have had to date. The Grenada Rural Enterprise Project which is beginning its implementation, will target poorer and vulnerable communities, and because it incorporates monitoring and evaluation systems, it will provide reliable information on impact. In the meantime, it can be concluded that the range of instruments in place have not shown the effectiveness required. Grenada benefits from a strong set of independent NGOs, who need to be incorporated fully in designing, monitoring, and delivering social protection instruments. These have at present very limited resources with which to implement effective social protection interventions.

Strengthening social protection in Grenada

Table 3 below summarises the key issues and recommendations.

Regional and International Cooperation to address vulnerability from covariant risk

Grenada's capacity to address the vulnerabilities arising from the openness of its economy, and from exposure to natural disasters, is limited. Effective instruments to address this gap require regional and international cooperation.[11] Similarly, capacity to prevent and mitigate covariant macroeconomic shocks is also limited. Some appropriate instruments are in place (multi-year budgeting), and others are being pursued (public sector reform, debt reduction, tax reform). Grenada's capacity to pursue counter-cyclical fiscal policy will need to be strengthened.

[11] This does not imply that domestic policies are not an important part of the equation. Among developed countries, and Scandinavian countries in particular, wage policies and a strong social protection system have been an effective and successful instrument to address the vulnerability associated with openness (Atkinson 1997; Agell 1999)

Table 3. Summary of key issues and recommendations

Area	Key issues	Recommendations
Macroeconomic environment Natural hazards	Regional and international cooperation to address vulnerability	• Strengthen capacity for counter-cyclical fiscal policy • Ensure the protection of targeted social protection public expenditure from shocks • Improve natural hazard prevention and preparedness
Labour market	Retooling for a global economy: skills and solidarity	• Improve the provision of skills and training for the young and for unemployed adults • Study measures to extend labour standards and protection to non-formal workers
Human development	Extending social insurance	• Study and implement measures to extend social protection to those outside the formal sector • Ensure sustainability of NIS
	From social assistance to social development	• Strengthen safety nets, through better resourcing, coordination, targeting, and evaluation of interventions • Develop integrated human development interventions to act as springboards
Cross-cutting	Evidence-based social protection: data, monitoring, and evaluation	• Update household data to assess progress from 1999 Poverty Assessment, including impact and management of shocks • Continuous labour market data collection and analysis, including skills • Support social protection research and policy development capacity • Develop strong, transparent, and effective monitoring and evaluation of social protection instruments with NGO participation

Retooling for a global economy: skills and solidarity?

It is widely acknowledged that education for all must extend beyond junior high at the secondary level, and even beyond that to post-school education. Further, instruments supporting skills and training beyond secondary school provision, and especially to the unemployed are limited to some programmes from NGOs and the IMANI programme. At the same time, the demand for skills will depend on the strength of opportunities available, both local and global. Investment in skills should go hand in hand with solidarity, through supporting employment creation and labour standards. This is a key area for further study and research, needed to ensure a skilled, productive, and competitive labour force.

Extending Social Insurance

The study concluded that only limited insurance, private or social, is available to cover vulnerability from idiosyncratic risk. Social insurance covers workers in formal employment and their households. There is need to consider ways in which social insurance can be extended to the more vulnerable groups in the labour force and population, while retaining the insurance principle and actuarial sustainability. As a minimum, consideration should be given to whether the package of contingencies and benefits offered by NIS to the self-employed and voluntary contributors meets their demand for social protection.

From Social Assistance to Social Development

The section on Social Assistance above identified as a key theme the need to reinforce the shift from social assistance understood as remedial and residual help to the needy, to social development in the sense of supporting communities and households invest in their future. Recent studies have identified the need to move beyond sectoral to integrated human development programmes. Supporting children, or youth, or the elderly through separate interventions may miss the fact that these live in households sharing a common experience of deprivation and exclusion. Improved coordination and targeting of interventions can help make interventions more effective. Gains could be made from standardising the criteria for referral and graduation, and from a single process of identifying the poor and vulnerable. Improvements in the effectiveness of public assistance can make a difference, but it is also the case that existing provision is insufficient to meet current need. The insurance role of safety nets is diminished where budget allocations, themselves tied to pro-cyclical public expenditure, are capped.

Evidence–based social protection: Data, Monitoring, and Evaluation

The report identified several areas where data and information are missing. This is particularly the case around labour market issues. The data on which much of this report's analysis is based is from the 1999 Poverty Assessment dataset, and there is a need to update information on vulnerabilities. Information on the impact of shocks at the household level, and household strategies to prevent, mitigate, or cope with risk and

vulnerability is also limited. An improvement in the data and information available is an important requirement for successful evidence-based policy. Strengthening monitoring and evaluation processes around social protection instruments is a further requirement.

The role of international donor agencies

There is an important role for international donor agencies in supporting the development of social protection in Grenada and the Caribbean as a whole. The report has considered the constraints the Government of Grenada faces in financing social protection interventions. The exposure of Grenada to natural disasters with a potential to inflict large scale damage to the economy constitutes an area where joint efforts by the national government, regional institutions, and international donors could have significant returns. This applies with equal force to Grenada's exposure to changes in the global economy and macroeconomic shocks. As noted by the report, the capacity of the Government of Grenada to pursue counter-cyclical fiscal policy, for example through the establishment of automatic stabilisers, is limited. The report also discussed existing instruments in these areas, such as the proposed Regional Stabilisation Plan. These social protection instruments are very important and should be strengthened

There are also some obstacles in the way of international donor agencies supporting the strengthening of social protection instruments in Grenada. To date, international donor agencies have shown a preference for supporting capital, rather than recurrent expenditure, and especially infrastructure projects. There are some indications that the mix of support for infrastructure relative to human capital investment may be changing in favour of the latter. The Basic Needs Trust Fund 5, for example, has a stronger training and skills development component than its predecessors. There is a need for the Government of Grenada to consider, in conjunction with international donor agencies, what is needed to facilitate a shift in the mix of support placing greater emphasis on human development, and within this rubric, social protection related human development.

International donor agencies also have an important role to play in supporting the shift from social assistance to social development, but the obstacles here are somewhat different. International donor agencies have generally been reluctant to support cash transfer programmes, except where these are a short term response to emergencies. To the extent that national governments and international donor agencies can achieve agreement as regards the design and objectives of evidence-based social protection programmes, donor support can be secured. The experience with establishing targeted conditional human development programmes in Latin America shows that international donor agencies, jointly with national governments, can play an important role in financing feasibility studies, start up costs, and monitoring and evaluation of these programmes.

Finally, international donor agencies can also contribute to the strengthening of social protection through ensuring that international support does not itself increase risk and vulnerability, for example as a result of employment retrenchment arising from structural adjustment; through ensuring that disbursement of existing programmes is counter

cyclical; and through facilitating the participation of NGOs and civil society organisations in the evaluation and monitoring of social protection programmes.

Conclusion

The report concludes that social protection can make a significant contribution to improving the wellbeing and resilience of all the population of Grenada and to economic growth and development strategies.

Social Protection and Poverty Reduction in the Caribbean: Examining Policy and Practice - Grenada Country Report

I. BACKGROUND

The Regional Research Study

The Grenada country study on social protection forms part of a wider 'Research Study on Social Protection and Poverty Reduction in the Caribbean: Examining Policy and Practice'.[12] This is a joint initiative of the Caribbean Development Bank, the UK's Department for International Development, and the Delegation of the European Commission. It involves country studies from Grenada, St. Lucia, and Belize, seeking to identify the key risks and vulnerabilities faced by the population and to assess the coverage and effectiveness of existing social protection instruments. The findings from the country studies, together with inputs from similar studies in Dominica and Jamaica, and a commissioned paper reviewing historical trends in social policy in the region, will support a regional consultation with a view to formulating effective social protection policy in the region.

Social Protection is defined as "all interventions from public, private, voluntary organisation and social networks, to support communities, households, and individuals, in their efforts to prevent, manage, and overcome a defined set of risks and vulnerabilities". Social protection has developed as a response to rising poverty and vulnerability in the 1980s and 1990s (punctuated by economic crises in Latin America in the early 1980s and again in the early 1990s, the Asian financial crisis in the late 1990s, the rising poverty and social and economic dislocation experienced by transition economies, and stagnation

[12] The research team is coordinated by Dr. Eleanor Wint, Consultant Social Researcher, SERU, Caribbean Development Bank, and Lois Crawford, Programme Coordinator, SERU, Caribbean Development Bank, and includes Dr. Armando Barrientos, IDPM, University of Manchester, Country Consultant for Grenada and Lead Consultant; Dr. Ralph Henry, Kairi Consultants Ltd., Country Consultant for Belize; and Dr.

in Africa). Liberalisation in trade, as well as labour and financial markets, it is often said, brings both greater vulnerability and increased opportunity. Social protection is intended to mitigate these vulnerabilities and also facilitate access to wider opportunities. Globalisation raises the demand for social protection, but at the same time restricts the capacity of national governments to respond. Reduction of tariffs and commodity taxes, labour migration, and e-commerce, all operate to reduce the revenue raising capacity of national governments.[13]

Among multilateral institutions, social protection is increasingly being adopted and developed as an effective policy framework to address poverty and vulnerability consistent with maximising growth and development objectives. Recent statements from the International Labour Organisation and the World Bank demonstrate an emerging consensus around the need for social protection.[14] This is also reflected in the development of social protection policy frameworks by regional organisations. The Inter-America Development Bank has developed a social protection framework (IADB 2000), and the Asian Development Bank launched a Social Protection Strategy in 2001(ADB 2001).

Regional factors underline the urgent need to strengthen social protection in the Caribbean. The small, open economies which make up the Caribbean are extremely vulnerable to changes in the global economy, and they are also vulnerable to high impact natural hazards. Reliance on tourism earnings, commodity exports, and remittances, ensures the economies in the region are exposed to volatility from terms of trade and from macroeconomic variables of key trading partners.[15] The exposure of Caribbean countries to natural hazards is now well understood. Hurricanes, storms, floods, volcanic eruptions and earthquakes, pose a significant threat to the livelihoods of its inhabitants, and the development of their economies. On average, one hurricane and several tropical

---

Aldrie Henry-Lee, Sir Arthur Lewis Institute for Social and Economic Studies (SALISE) University of the West Indies, Jamaica, Country Consultant for St. Lucia.

[13] (Tanzi 2000)

[14] (ILO 2001; World Bank 2001)

[15] This was reflected, for example, in the impact of September 11th 2001 on the economies of the region (CGCED 2002a; CARICOM Secretariat 2003).

storms cross the region each year, leaving behind destruction of human life and livelihoods. The 1988 hurricane Gilbert is estimated to have generated losses of 65 percent of GDP in Jamaica, while hurricane Hugo caused damage equivalent to twice the GDP in Monserrat (CGCED 2002b). Vulnerability to the global economy and natural hazards, the transformation of the economies and employment, and the need to protect social development gains in the region, add urgency to strengthening social protection.[16]

An effective social protection framework for the Caribbean needs to take account of the needs and conditions of the region. Social protection has to address the vulnerabilities affecting the populations in the Caribbean, including those that arise from economic, social, and natural hazards. At the same time, social protection should facilitate the processes of social and economic transformation currently underway. Social protection must be perceived as a central component of development and growth strategies.

Social protection contributes to growth and development in a number of ways:

(vi) it ensures basic and stable levels of household consumption and investment in human development which alone can secure improvements in wellbeing over time;

(vii) it helps correct market failures that contribute to poverty, for example the limited insurance available to the less well off;

(viii) it facilitates investment in human and physical assets that reduce the risk of future poverty, e.g. through education subsidies or microenterprise credit;

(ix) it reduces behavioural responses to vulnerability, like postponing health care or switching to poor quality foods, which are understandable in the context of the situation of vulnerable households, but restrict growth and development in the medium and long run;

(x) it reduces incentives for unproductive and antisocial behaviour;

[16] This is widely acknowledged in the region. A recent Special Heads of Government Conference held in Castries, St. Lucia, in August 2002, for example, focused their deliberations on developing a 'Framework for Stabilising and Transforming Caribbean Economies' (CARICOM Secretariat 2002)

(xi) in providing strong safety nets and fostering social cohesion, social protection facilitates positive social and economic change.

The Grenada Country Study

These are the main parameters within which the research in Grenada was conducted. The main objectives of the Grenada country study were:

i. To undertake a mapping of the key risks faced by the population as a whole, and in the process identify where possible the distribution of vulnerabilities and the main groups at risk.
ii. To undertake a mapping of the key social protection instruments, assessing where possible their effectiveness and coverage.
iii. To investigate and report on the extent to which existing social protection instruments address the key vulnerabilities.

The Grenada Country Study was directed by a Technical Working Group (See Appendix One for details of its composition), with participation from a range of Ministries and other government agencies and NGOs. The Technical Working Group supported and guided the work of the Country Consultant. The study was conducted between February and April 2004, and involved a range of activities. These included:

i. several meetings of the Technical Working Group;
ii. meetings at CDB Headquarters in Barbados with Technical Working Groups from the other countries involved;
iii. several visits by the Country Consultant, and the project coordinator;
iv. collection and analysis of relevant data;
v. interviews with relevant Ministers and their officials;
vi. interviews with officials from social assistance and social insurance agencies;
vii. interviews with NGO representatives;
viii. interviews with local key informants, consultants and researchers;

ix. visits to vulnerable communities;

x. focus group discussions with NGOs and financial institutions; and

xi. a Consultative Workshop to discuss and review a draft country report.

The rest of the Report is organised as follows. The next Section considers risk and vulnerability in Grenada. The Section that follows examines existing social protection instruments, and their effectiveness. A final Section identifies the main achievements and challenges in strengthening social protection in Grenada.

II. INTRODUCTION

The state of Grenada includes the islands of Grenada, Carriacu and Petit Martinique. It covers an area of 340 square kilometres and 121 kilometres of coastline. The population was estimated at 101,100 in 1999, comprising Blacks (90%), East Indian (3%), Whites (1%), and others (6%). One third of the population resides in the St. George's area. The state of Grenada has a well-established democratic system, universal suffrage and a parliamentary democracy with a multiparty structure. Grenada achieved independence from Britain in February 1974. Grenada does not have local government, and members of parliament are the main channel through which local issues are brought to the attention of central government, which is mainly located in the capital St. George's. Members of parliament also play a role in identifying population groups in need of assistance.

Economic and Social Development Performance

Grenada has a GDP per capita at US$ 3352, and is ranked 54 among 171 countries in the Human Development Index. For the purposes of the country classification used by the United Nations, Grenada is a middle-income country.

The economic performance of the economy has been mixed. Growth of GDP shows a declining trend over time for Grenada, from 6.16 in the 1970s, to 4.72 percent in the 1980s, and 2.53 percent in the 1990s. These are decade averages, and conceal considerable annual volatility as shown in Figure 1 below. Compared to other countries in the region, and the regional average, Grenada enjoyed above average growth in the 1970s and 1980s, but converged to the regional mean in the 1990s. Figure 2 shows the growth performance of Grenada against other countries in the region.[17] Projections from the Medium Term Economic Strategy Paper 2003-2005 suggest growth rates will settle at 4.0 percent by 2005.

[17] The variable measured is GDP, defined as gross value added by all resident producers in the country plus product taxes minus subsidies not included in the value of the products

Figure One: Granada Real GDP Growth 1990-2004

Data Source: MTESP Papers

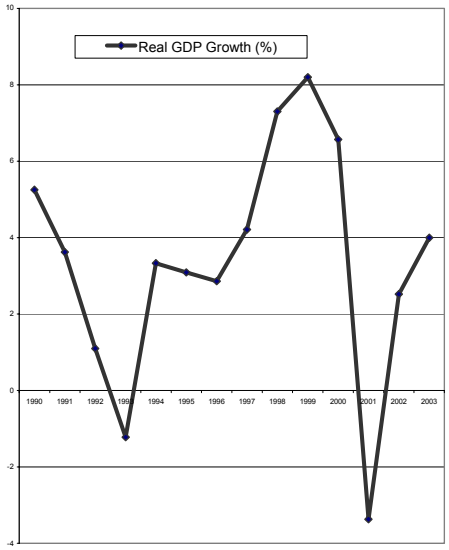
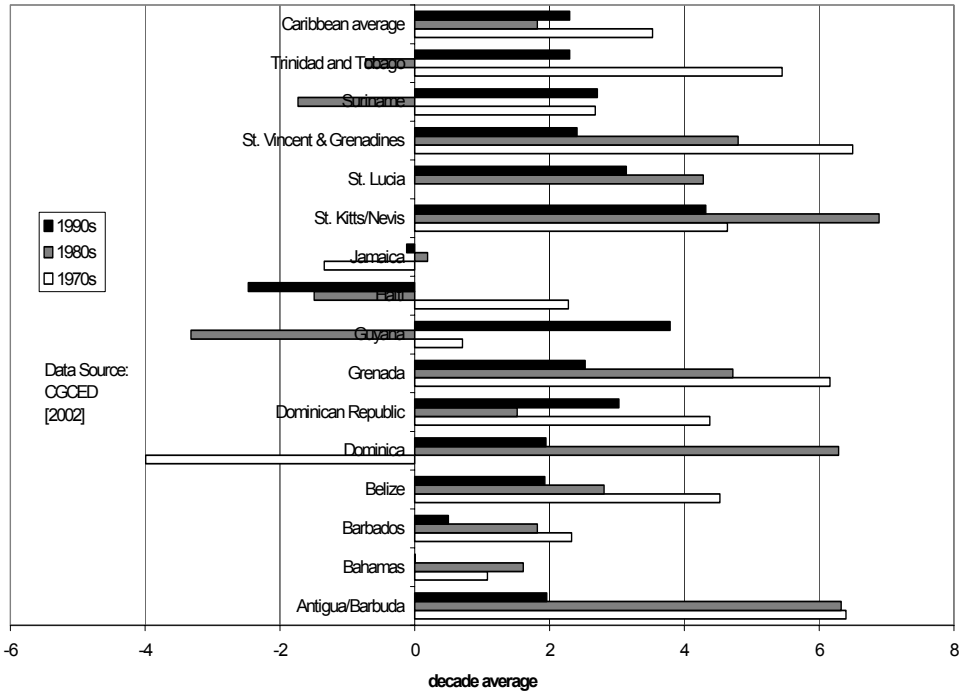


Figure Two: Real GDP growth rates in the Caribbean region

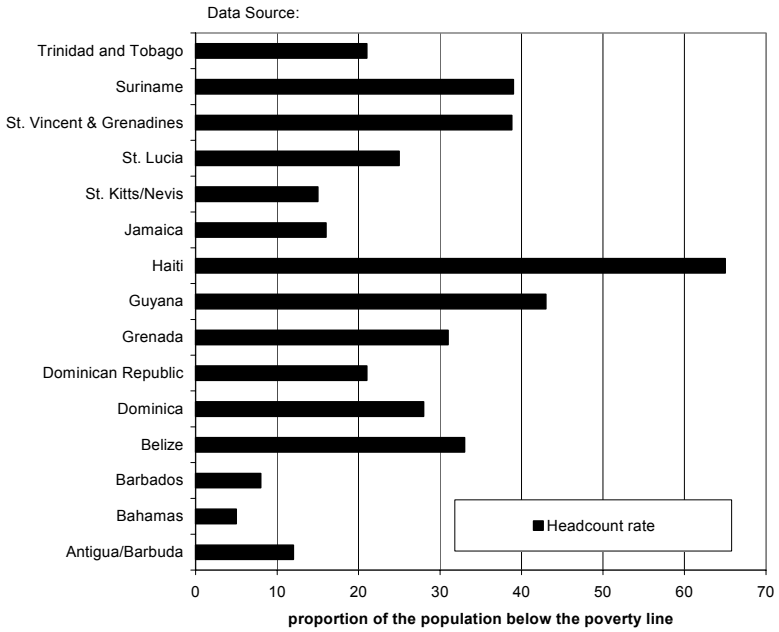


In terms of social development, Grenada has achieved a good provision of basic services such as health and education, and an improved transport and utility infrastructure. School enrolment rates at primary and junior secondary levels are close to 100 percent. Public provision of primary health care and the health status of the population have also improved over time as demonstrated by rising life expectancy. Transport and utility networks cover the whole of the island of Grenada.

Grenada's achievements and gaps in social development have been recently reviewed in the context of measuring progress towards the Millennium Development Goals (Downes and Downes 2003). The report on progress indicated that the Eastern Caribbean countries and Barbados are in a position to achieve most of the Millennium Development Goals, with the exception of three areas: gender equity, HIV/AIDS, and environmental resources. Within this group of countries, Grenada has moved forward towards gender equity, as demonstrated for example by the rise in the share of women in the National Parliament from 10 percent in 1990 to 17 percent in 2000, but further improvement is needed to meet the relevant MGD. In terms of HIV/AIDS, the patchy information available suggests that the target of reducing it will be particularly difficult to meet. Grenada shows a rise in the number of children orphaned by HIV/AIDS, although the reported cases of tuberculosis are significantly fewer than other states in the region. Regarding the goal of ensuring environmental sustainability, the Report noted that, to an important extent, livelihoods in the region depend upon the exploitation of natural environments, but that more needs to be done to ensure sustainability. The overall conclusion is that while significant gains in human development have been secured, more needs to be done to ensure that the gains are sustained and extended.

Poverty data are not sufficiently standardised across the Caribbean to support reliable conclusions, but cross-country comparisons of most recent estimates of poverty rates (headcount rates) in the region suggest that Grenada has above average poverty indicators. See Figure Three below

Figure Three: Most recent poverty estimates (headcount rate) for the Caribbean



Grenada, as most other countries in the Caribbean, has made measurable gains in social development, but weak, and volatile, economic performance together with persistence of poverty and vulnerability threatens the sustainability and extension of the progress achieved so far. This is the primary focus of growth and development strategies.

Growth and development challenges for Grenada's economy

As a small open economy in an area regularly affected by natural disasters, Grenada is identified as highly vulnerable country by the Commonwealth Secretariat.[18] In 2001, imports and exports accounted for 49.3 percent and 14.9 percent of GDP respectively. Grenada's main trading partners are CARICOM countries, the USA and the UK. Grenada is a member of the Organization of Eastern Caribbean States, with whom it shares a Central Bank and currency, the Eastern Caribbean Dollar maintaining a fixed rate of

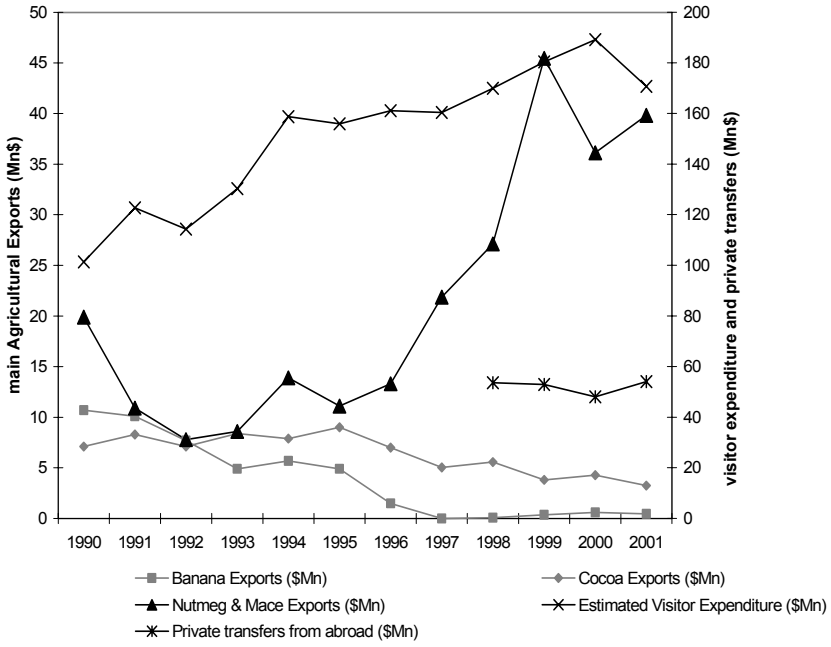
[18] The Vulnerability Index takes account of economic vulnerability arising from lack of diversification and export dependence, as well as vulnerability to natural disasters (ECLAC 2000).

exchange of 2.7 with the US Dollar. Grenada is also a member of the Caribbean Community and Common Market, and the Association of Caribbean States.

Agricultural exports of nutmeg and mace (and to a lesser extent bananas and cocoa), visitor expenditure, and remittances, are key factors in Grenada's linkages to the global economy. Figure Four provides an indication of recent trends. The values of bananas' and cocoa's exports have declined over time. Banana exports made a significant contribution to the economy in the 1960's and 1970s benefiting from preferential trading arrangements with the UK. In 1997, WIBDECO suspended the exportation of bananas from Grenada to the United Kingdom because of quality issues. In 1998, exports of bananas were restarted. By contrast, exports of nutmeg and mace from Grenada account for a quarter of the world market, and are the largest earners of foreign exchange in the agricultural sector. Tourism has been a growth sector since the 1980s as can be seen from the estimated value of visitor expenditure. Non-residential tourism has become dominant in the last few years. Private transfers from abroad are an important factor closing the balance of trade, and reflect the extent of labour migration to the USA and the UK. These factors underline both the sensitivity of Grenada's economy to changes in the global economy, and sources of vulnerability. Grenada is essentially a price taker in terms of agricultural exports. Tourism is extremely sensitive to cyclical trends in the developed world and to natural and man-made hazards, and so are remittances.

Figure Four: Agricultural Exports, Visitor Expenditure, and Private Transfers from abroad: Grenada 1990-2001

Data Source: MTESP 2005-5



The diversification of the economy has been a policy priority for successive governments. Traditionally, the economy has been heavily dependent on agricultural exports, mainly bananas and spices. Over the last two decades, these, aside from nutmeg and mace, have declined leading to a contraction of the agricultural sector. More recently, tourism, manufacturing of paper products and electronic components, offshore financial services, telephone and e-commerce have shown fast growth.

This has ensured a rapid transformation of the economy. At the end of 2000, services accounted for 69.9 percent of the economy, industry 23 percent, and agriculture was relegated to a third place at 7.1 percent. Associated changes in the structure of employment, such as the growth in service and skilled jobs and the expansion of employment opportunities for women, will generate strong pressures on the education system, families, and social protection. Investment in human development and the

strength of safety nets will be important in harnessing this change for the common good.[19]

Social Protection and the development strategy

Sustaining and strengthening the gains in human development, taking advantage of the opportunities from global economic change, and ensuring vulnerable groups are not left behind, require renewed efforts in identifying and implementing an optimal development strategy. Adapting to rapid change requires strong safety nets and springboards to protect the vulnerable and ensure they are in a position to exploit the available opportunities for advancement.

The study on social protection should be seen as an extension of the work on poverty and poverty reduction carried out in Grenada in the past few years. This reflects the joint efforts of the Government of Grenada, NGOs and Civil Society Organisations, together with the international and regional community, to understand the factors behind poverty and formulate appropriate policies. The significance of the 1998 Poverty Assessment in securing a step change in the understanding of poverty in Grenada cannot be underestimated.[20] Subsequent sectoral studies have updated this assessment in important ways, and helped formulate effective poverty reduction interventions.[21] The 2002 Social Audit mapped and evaluated poverty reduction and social development interventions.[22] Government efforts in the area of poverty reduction have crystallised in a number of initiatives and a Poverty Eradication Strategy.[23] The current social protection study builds on this body of work and policy.

[19] The Medium Term Economic Strategy Paper 2003-2005 states that "the broad role of government is sustained economic growth in the midst of macroeconomic stability and poverty reduction. Specifically the objective is to create a diversified and flexible economy capable of adapting and responding positively to the changes in the international economic environment" (Government of Grenada 2003a, p.17)
[20] (Kairi Consultants 1999a, b).
[21] (Charles 2001a; Frederick 2002; Henry-Lee, Charles et al. 2002; John 2002a, b; Kairi Consultants 2003).
[22] (Haynes, Bhagwan et al. 2002).
[23] (Henry-Lee et al. 2002; Government of Grenada 2003b, a; Thomas 2003; Government of Grenada 2004).

The present study extends the poverty assessment by focusing on vulnerability to poverty. Social protection is grounded on the view that the limited capacity of some communities and households to protect themselves against contingencies threatening their living standards is a prime factor explaining poverty. This vulnerability also contributes to explain why these households have a very limited capacity to invest in their future and to take advantage of economic and social opportunities. Social protection interventions seek to strengthen the capacity of communities, households and individuals to protect their living standards and to make the investments needed to prevent poverty from materialising in the future.

Hazards such as unemployment, flooding, loss of earnings capacity due to illness, and others, threaten the wellbeing of households. Some households and individuals face a high probability that these hazards materialise. This is because they are reliant on unskilled labour, rural livelihoods, or are poorly fed, and are therefore exposed to these risks. Many of these households have few assets and networks with which to mitigate the impact of these hazards on their daily lives. These are the main reasons explaining their vulnerability. At the same time, because of their vulnerability, dysfunctional behaviour is in many cases a necessity. Highly vulnerable households may resort to withdrawing children from school or going without appropriate food and medical care. These, regrettably typical, responses create poverty traps. (Appendix Two describes these linkages).

Social Protection interventions, by focusing on vulnerability to poverty, aim to help households break with this vicious circle of poverty. Social protection includes a wide range of interventions, ranging from macroeconomic policy, social and market insurance, social assistance, labour standards, employment generation, micro-credit and micro-insurance, basic education and training, disaster prevention and relief, to informal networks. These are all interventions that protect vulnerable household and individuals, from natural, economic, and social hazards. Social Protection also looks to a broad range of providers, from international organisations, government agencies, NGOs, the private

sector, labour and community, and especially households, to collaborate in reducing vulnerability.

The challenge is to achieve an integrated, effective, and comprehensive social protection system, as much a safety net as a springboard. This study aims to make a contribution to this enterprise, by mapping the key risks and vulnerability facing the population of Grenada and assessing and evaluating the extent to which existing social protection interventions address these risks and vulnerabilities.

III RISK AND VULNERABILITY IN GRENADA

Macroeconomic Vulnerability.

As a small open economy, Grenada is highly vulnerable to macroeconomic shocks and natural and man-made hazards.[24] It is vulnerable to hazards and shocks which affect its economy directly, but also to those affecting its trading partners. Much of the recent weak growth performance of the Caribbean economies, for example, is a consequence of the downturn in the USA and other developed economies, arising from uncertainty following September 11th . The negative rates of growth experienced by Grenada in 2001 and 2002 spring directly from the fall in exports, and earnings from tourism which followed it. Grenada is highly vulnerable to changes in macroeconomic conditions in the world economy.

In addition, changes in patterns of trade and in trade policy, also have a strong impact upon the Grenadian economy. The withdrawal of preferential status for bananas and other agricultural exports, and competition from other developing countries, have accelerated a longer term decline in these areas of agriculture, with cascading effects upon employment and the vulnerability of rural communities.

The Macroeconomic environment also adds to vulnerability in restricting the capacity of governments to respond to macroeconomic shocks in ways that can mitigate their worst effects. The scope of counter-cyclical fiscal policy is restricted by the structure of government revenues and the underdevelopment of financial markets. Grenada's revenue structure is heavily reliant on taxation applying to international trade. In 2000, 57 percent of all tax revenues were accounted for by taxes on international trade, 19 percent was accounted for by taxes on domestic goods and services, less than 20 percent originating from taxes on income (and less than 3 percentage points of that from personal income tax).[25] As the sources of government revenue are themselves directly dependent on the

[24] The particular vulnerability of small island states has been duly acknowledged by international organisations (Ocampo 2002; Witter, Briguglio et al. 2002; ECLAC 2000).
[25] Taxes on property accounted for the residual 9.3 percent.

performance of the global economy, the scope for government action to reduce and mitigate the impact of macroeconomic shocks is severely limited. The underdevelopment of financial markets, together with fluctuations in official capital flows and development assistance, also contribute to limiting the scope for autonomous fiscal policy.

Sound macroeconomic policy could do much to reduce and mitigate externally induced shocks. Macroeconomic policies have implications for vulnerability. There is an important discussion in the macroeconomics literature regarding the different processes of adjustment under alternative exchange regimes. In this literature, stylised flexible exchange rate regimes favour adjustments to shock through prices, while stylised fixed exchange rates push the adjustment mainly through changes in output. Fixed exchange rates are helpful in reinforcing price stability, but at the cost of placing "the burden of adjustment to external shocks on income effects, thus reinforcing the risk that large shocks and misalignments may translate into recession and unemployment" (Ocampo 2002).

Macroeconomic and fiscal policy must also take account of the distributional implications of macroeconomic shocks. Vulnerabilities associated with macroeconomic shocks are not evenly distributed across the population, and a range of studies have shown that macroeconomic shocks impact disproportionally on the poor. A study on the impact of macroeconomic crises in Latin America suggests that "for every percentage point decline in growth poverty rises by 2 percent" (Lustig 2000, p.3). The adverse effects of macroeconomic shocks on the poor may well persist over time because of the sometimes irreversible and cumulative impact on the human capital of these groups. In Grenada, time series data on unemployment and poverty with which to track these effects is lacking, but even the few observation points which are available show a negative correlation existing between the rate of unemployment and growth. Along similar lines, the Caribbean Economic Overview 2002 makes the important point that for a sample of Caribbean countries including Grenada "consumption volatility is higher than income volatility…This may reflect the fact that consumers in the Caribbean have less ability to protect their consumption from fluctuations in income through mechanisms such as asset

use, borrowing, or counter-cyclical public sector policies" (CGCED 2002a, p.xii). This suggests that vulnerability may have risen over time.

Natural Hazards and Environmental Risk.

Although Grenada is located south of the hurricane belt, the economy is vulnerable to tropical storms, occasional hurricanes and storm waves. Natural hazards have the potential to generate significant losses and damage to physical and social infrastructure. They also have the potential to undo long term gains in economic and social development, and to reduce the growth potential of an economy. A recent study concludes that in the "Latin American and Caribbean region, direct and indirect damages from natural hazards over the past thirty years have been estimated at between US$700 million and $3.3 billion annually"(CGCED 2002b, p.1). Given the small size of Caribbean states, damages from natural disasters could in many cases exceed GDP. In Grenada sustained and severe infrastructure damage was caused in 1999 by a storm wave from Hurricane Lenny. This had a direct impact on agriculture, and especially bananas. The immediate damage caused by Lenny on Grenada and the other countries affected has been estimated at US$268 million. An active volcano Kick'em Jenny is located 10 kilometers from the North Coast of mainland Grenada and between the islands of Grenada and Carriacou.

The vulnerability to natural hazards also impacts on economic and social development by absorbing valuable resources which could otherwise support the development process. In many cases resources allocated to development projects with high longer term payoffs must be diverted to provide relief to those affected by natural hazards, this in addition to the costs of subsequent rebuilding and rehabilitation.

There is also evidence that vulnerability to natural hazards may be skewed towards the poor. The CGCED study provides a number of examples: where limited "resources, skewed land ownership and tenure patterns can drive the poor to settle on vulnerable land. Easy access to production resources can also prompt settlement of otherwise

hazardous locations. Unsustainable natural resource use associated with poverty can exacerbate these existing vulnerabilities" (CGCED 2002b, p.viii). The cases of flooding, landslides, and other environmental degradation in Grenada fit in well within this description. The disproportionate impact of sea storms and fish kill on poorer groups is also a case in point.

Labour Market Risk

Measured unemployment has declined significantly from a high of 26.7 percent in 1994 to 12 percent in 2001.[26] This is due to an expansion of employment in construction, manufacturing and tourism. Unemployment is not equally distributed across the population, and the poor, the unskilled, and rural workers are over-represented among the unemployed. Another issue is the extent of informality in employment. Informality can be defined as employment not covered by social insurance.[27] It has been estimated that only a fraction of the labour force, perhaps as much as 40 percent, make regular contributions to the National Insurance Scheme. This implies that a large proportion of those active in the labour market lack adequate protection from short term contingencies such as work related illness, sickness, maternity, and from long term contingencies such as retirement and disability.

Poverty and Vulnerability

The 1999 Poverty Assessment Report concluded that 23.8 percent of all households, and 32.1 percent of the population had levels of expenditure below the minimum acceptable level of EC$ 3262 (the poverty line). The poverty line was arrived at by costing a basket of goods providing a basic nutrition level, and adding the average expenditure on non-food items of the poorest 40 percent. The Report also concluded that large families with children, and those in rural communities, were over-represented among the poor. It found that poor housing, low educational attainment, and restricted access to basic services,

[26] The National Consultation Workshop raised concerns about the unemployment rate being higher in 2004.
[27] This is a measure of informal employment used by the ILO.

were significantly correlated with poverty. These findings confirm the multidimensional nature of poverty.

For the purposes of identifying vulnerable groups, we should begin by including the current poor. Poverty is itself an indicator of acute vulnerability. The poor most likely find themselves in that situation because of their limited capacity to absorb contingencies such as loss of earnings, sickness, or unemployment. Moreover, poverty spells reduce their assets and capacities still further. In addition, those who are just above the poverty line must also be considered to be vulnerable. For the purposes of this study, those with levels of expenditure above the poverty line, but at or below 125 percent of the poverty line are also classified as vulnerable.[28] Applying this operational measure of vulnerability to the 1998 Poverty Assessment data, we can arrive at a measure of vulnerability based on household expenditure.[29] It was found that 29 percent of households and 39.3 percent of individuals can be considered vulnerable.

As is the case with poverty, vulnerability is also multidimensional. It is important to identify the vulnerable in the context of multidimensioned indicators. For the purposes of the study, we focused on a range of indicators of vulnerability: the educational attainment of adults; the school attendance of children, the numbers of adults employed in a household, the share of adults employed, the dependency ratio of a household, access to safe drinking water, housing facilities, and assets.

Table One provides a description of these indicators of vulnerability and estimates their incidence for Grenada again using the 1998 Poverty Assessment data.

[28] This method of identifying the vulnerable has been used before in Grenada (Henry-Lee et al. 2002), and elsewhere in the Caribbean.

[29] Two separate estimates were done. The first uses per capita household expenditure (that is divides household expenditure by the numbers in the household). The second measure uses adult equivalent household expenditure (that is divides total household expenditure by the number of adult equivalents, treating children 0-6 as 0.2 of an adult; children 7-12 as 0.3 of an adult; and children 13-17 as 0.5 of an adult).

Table 1: Indicators of vulnerability and their incidence in Grenada

Indicator of Vulnerability	*% of households*	*% of individuals*
Per capita household expenditure below 125% of poverty line	29.0	39.3
Adult equivalent household expenditure below 125% of poverty line	21.5	25.7
Educational attainment: those not having passed any examination		70.5
School attendance: not attending school last week		5.0
Adult Employment I: no adult employed in the household	32.0	23.0
Adult Employment II: share of adults in employment below 0.5 (i.e. less than one adult employment for every two)	45.7	45.0
Dependency Ratio: Numbers aged 16-60 divided by the numbers aged 15 and below and 61 and above, at or below 0.5 (i.e. one person of working age for every two not of working age)	38.5	36.6
Access to safe water: if no access to piped water	5.7	4.2
Housing quality: if outer walls made of plywood or worse, or toilet is a pit latrine or worse	54.1	57.7
Assets: whether households have less than 4 of 9 possible durables (phone, tv, video, radio, gas/electric stove, fridge/freezer, washing machine, motor vehicle, sewing machine)	32.0	42.1

Own estimation based on 1998 Poverty Assessment Dataset.

The figures in the Table suggest that vulnerability is significant in Grenada.

(viii) Over two thirds of adults have never passed an examination, and therefore lack certified skills.

(ix) Attendance at school by those of school age is very high, only five percent were not attending school at the time of the survey.

(x) The next two indicators focus on adult employment. Households lacking an earner, or with few adult members in employment are at risk, especially as earnings from employment are the most important source of income for the majority of Grenadians. Thirty-two percent of households had no adult employed, and just over forty-five percent of households had less that one adult in two employed.

(xi) Vulnerability is also associated with the demographic composition of households. Just over one third of households had less than one person of working age for every two not of working age or less.

(xii) The provision of safe drinking water is good, as only 5.7 percent of households lacked access to piped water.

(xiii) Housing quality is an important issue in terms of vulnerability, especially as living conditions determine resilience to weather and natural hazards. Over one half of households had either poor quality outer walls or inadequate toilet facilities.

(xiv) Finally an indicator of assets in the household could be obtained from the number of consumer durables present. These are intrinsically important, as having a radio or tv is in most cases a requisite for political and social participation, but they are also important in indicating whether there households have assets which can serve as buffers against unforeseen contingencies. Just under one third of households had 3 or less out of a possible 9 durable items, and 42.1 percent of the population live in those households.

These indicators of vulnerability are helpful in supplementing the information on expenditure vulnerability.

Human development risk in a life-course context

Table Two shows estimates of expenditure vulnerability across age groups and gender using 1999 Poverty Assessment data. The figures show, in common to most countries,

that vulnerability is greatest for the young and the old. Estimates of vulnerability based on per capita household expenditure tend to generate higher incidence of vulnerability among larger households with children, and the estimates on the first column of Table Two bear this. But even if an adjustment is made for the differential expenditure 'cost' of children, the young remains over represented among the vulnerable. The figures in the second column underline the over-representation of older persons among the vulnerable.[30] Gender differences in vulnerability are not significant.

Table 2. Vulnerability and the life-cycle

	vulnerability measured by per capita household expenditure	vulnerability measured by per adult equivalent household expenditure
	% of population	% of population
Age:		
0 to 4 years of age	50.0	26.1
5 to 15 years of age	47.6	28.0
16 to 60 years of age	35.9	24.1
61 and over years of age	33.4	26.5
Gender:		
Males	38.9	25.9
Females	39.0	25.5
All	39.3	25.7

Own calculations using data from the Poverty Assessment Dataset

A number of studies have identified age specific vulnerabilities and the main sources.[31] Table Three below summarises information on the main vulnerabilities associated with the life course. In early childhood, key vulnerabilities are associated with poor nutrition and stunting, diseases and neglect. As can be seen from the Table, the incidence of

[30] It can be argued that per capita measures of expenditure downplay vulnerability and poverty among older persons who tend to live in smaller households.

underweight children is low, and the rate of immunisation is high. Infant and under fives mortality rates are relatively low in absolute terms, but when compared with other countries in the eastern Caribbean, they appear to be just above average. The incidence of neglect can be gauged from the caseload of social services. In childhood, truancy and non-attendance to school are key vulnerabilities, together with deficits in parental support and education. For Grenada non-attendance to school is low although there is anecdotal evidence that truancy is an issue. There is evidence that meeting the costs of schooling - transport, books, equipment - is a problem for a large proportion of households. The number of children who are exempted from the user charges applying to school meals has been estimated at 21 percent among primary school children, and this gives a good indication of the incidence of this vulnerability. In addition a survey of secondary school children found that over one half of students did not have all the required textbooks. It can be surmised that a high proportion of these households could not provide the textbooks because of financial difficulties. Deficits in financial, attitudinal, and environmental support for schooling translate into poor attainment at school.

[31] (Charles 2001a).

Table 3. Life course vulnerabilities

Age group	Incidence of expenditure vulnerability	Other vulnerability factors and indicators
Early Childhood Age 0-4	50 %	• Poor nutrition and stunting – infant mortality rate 14.3 (2000), under five mortality rate 21.2 (2001) 1.79 % underweight among under fives (1999) • Health status – 95 % immunisation rate • Neglect – 100 in Children's Homes (all ages, 2004), but many more at risk
School Age 5-15	47.6 %	• Non-attendance at school – less than 5 percent • Household difficulties in meeting costs of schooling – 21% of children in primary schools exempted from school meal charges; 57.8 % of secondary school students did not have all the required textbooks • Household failure to support schooling – truancy • Household environment; 14.3 % of secondary school students live with a grand-mother or father, or guardian standing in for an absent parent
Working Age 16-60 Younger Adults Adults	35.9 %	 • Early pregnancy • Transition from school to work: enrolment rates for secondary schools around 60 %; higher and longer unemployment for younger adults • Unemployment and under-employment , 12 % unemployment (2000) • Insecure and low paid jobs • Maternal mortality • Fluid unions and household size; 13.6 % of household with 2 or more persons per room (2002) • HIV/AIDS and other communicable diseases • Poor housing and basic services; 15.5 % of household did not have garbage collection; 55.7 had pit latrines; 7 % had piped water into yard
Old Age 61-	33.4 %	• Insufficient income – 3055 beneficiaries of public assistance (2001) most of which elderly, receiving EC$100 per month or just above 1/3 of poverty line • Care for elderly and inform – less than 200 places available in homes for the elderly • Poor health status -

Data Sources (Kairi Consultants 1999a; Charles 2001; Henry-Lee et al. 2002; Downes and Downes 2003; Kairi Consultants Ltd. 2003)

Youth are especially vulnerable to early pregnancy, behavioural problems, and a difficult transition from school to work. A recent report indicated that around 40 percent of children of secondary school age are not accessing education due to shortage of available places. Secondary school enrolment rates have been rising fast, and the view of the Ministry of Education is that a 100 percent enrolment rate will be achieved *de facto* in the next few years due to a rise in demand. Unemployment among young people is high, and, perhaps more importantly, the length of unemployment spells appears to be longer for younger people. The transition from school to work is therefore a key vulnerability.

The main vulnerabilities of adults of working age are associated with income insecurity and household structures. Unemployment and under-employment are important sources of income insecurity, but irregular and insecure employment is also a factor in what is increasingly a service economy. Unemployment is in many cases, a factor of low skills and poor lifestyle practices. The incidence and effects of HIV/AIDS and other communicable diseases are difficult to measure reliably, but are considered by the relevant professionals to be a factor in vulnerability. Poor housing conditions and access to basic services reinforce health hazards, and other social problems. Overcrowding is an important factor in Grenada, with implications for school attainment.

Poor nutrition and low incomes, together with chronic disease and inadequate family support are key vulnerabilities among older persons. The majority of public assistance beneficiaries are older people without other sources of income and at risk of significant poverty and deprivation. The limited coverage and level of public assistance benefits implies high vulnerability for older people. The capacity of household to provide care for their elderly members will decline with an increasing integration of women in paid employment, and the institutional capacity to care for the elderly and infirm is very limited and costly.

This section has reviewed the main sources of vulnerability in Grenada. The next section maps existing social protection instruments.

IV. SOCIAL PROTECTION IN GRENADA.

Social protection covers a wide range of instruments from public, private, or voluntary organisations, and informal networks. Social protection instruments are distinguished by the facts that they seek to support human development unimpeded by external hazards. The research work mapped existing social protection instruments in Grenada. This involved updating and supplementing the mapping of instruments and programmes done as part of the 1999 Poverty Assessment, and later developed under the 2002 Social Audit and the 2004 Grenada Poverty Reduction Strategy.[32] This section cannot hope to cover all existing instruments, but will focus on the most important ones and will provide, where possible, a brief evaluation of their effectiveness. Appendix Three provides a full listing of instruments together with available information on their purpose, target group, and management and financial arrangements. To facilitate discussion the section groups social protection instruments under broad areas, which include: Macroeconomic management; Labour market; Social and private Insurance; Human development; Micro-insurance and saving schemes and informal networks; and Participatory governance.

Macroeconomic management

As noted above, there is much that sound macroeconomic policy could contribute to reducing vulnerability. An effective social protection system facilitates the achievement of macroeconomic objectives, and especially sustainable growth and economic development. This is explicitly acknowledged by the Government of Grenada. The Medium Term Economic Strategy Paper states that achieving macroeconomic targets will depend on the "ability of the country to raise internal and international resources to finance its development programmes" and on the "readiness of Grenada to take advantage of the opportunities and minimize the negative challenges presented by globalization".[33] Social protection is central to achieving this last objective in ways that enhance human development and strengthen social cohesion.

[32] (Kairi Consultants 1999a, b; Haynes, Bhagwan et al. 2002; Thomas 2003)
[33] (Government of Grenada 2003a, p.17).

There are significant gains in the effective coordination of macroeconomic policy and social protection. Successful macroeconomic policies that ensure stable economic growth and fiscal health are important in reducing vulnerability. They reduce demand pressures on social protection as well as making the necessary resources for social protection available. The Medium Term Economic Strategy Paper 2003-2005 notes, that the "broad role of government is sustained economic growth in the midst of macroeconomic stability and poverty reduction"(Government of Grenada 2003a, p17). This is especially necessary because of the strength of the macroeconomic hazards reviewed in the last section, and also because of the exchange regime adopted tends to push adjustment through output rather than prices. Reducing vulnerability should be one of the parameters shaping macroeconomic policy.

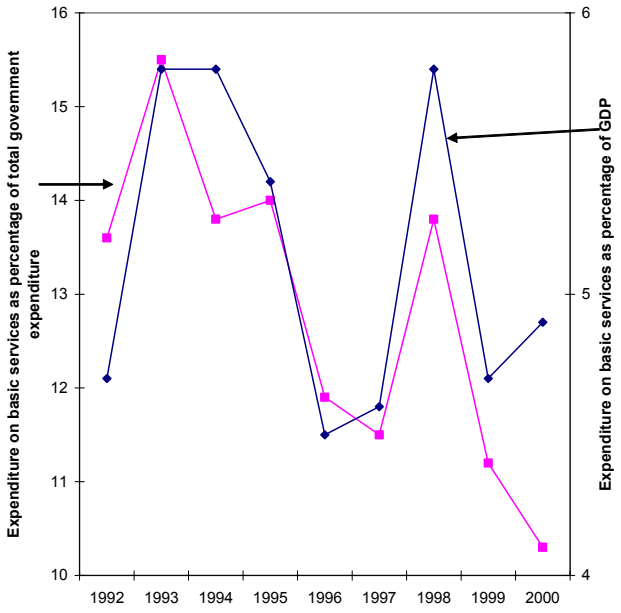
Overall, the challenge is to achieve a measure of autonomy in fiscal policy enabling the government to mitigate external shocks and natural disasters. The institutional framework needed to support stable fiscal policy is in place, through multi-year approach to budgeting, improved supervisory arrangements for the financial sector, limits on debt accumulation and servicing, and stress on achieving fiscal surpluses. Impending tax reform will add another building block.[34] However the actual capacity of the Government to pursue counter-cyclical fiscal policy, which could mitigate the impact of external shocks, is limited. The proposed Regional Stabilisation Fund, when established, could make an important contribution to strengthening this capacity.

Sound macroeconomic and fiscal policies are also important in generating the resources needed to have in place an effective social protection system. Governments can support social protection in three main ways: through public expenditure, tax policy, and regulation.

[34] Measures to strengthen tax administration have been put in place. The Government also intends to carry out a review of fiscal incentives and of the tax mix, including the introduction of VAT.

Is Grenada spending enough on social protection? The budget reporting format does not lend itself to a clear identification of social protection related expenditure, but a recent study examined the allocation of government expenditure to basic services, defined to include primary health care, primary education, nutrition and rural water. These are a large component of social protection. The general trends are shown in Figure 5 below. The larger share of basic services is accounted for by education, hovering at around 80 percent of basic services expenditure, with expenditure on primary health care accounting for a further 10 percent. Averaged over time, public expenditure on basic services absorbs around 11 percent of total government expenditure and roughly 5 percent of GDP. An assessment of the effectiveness of this expenditure would require consideration of the marginal benefits from the relevant programmes together with the marginal cost of collecting the necessary revenues. Data gaps preclude such an exercise approach. The Figure shows that public expenditure on social services is strongly cyclical, rising during periods of prosperity and declining in periods of economic stress. This is likely to accentuate the swings of the economy, rather than stabilise income and protect consumption in times of stress.

Figure Five. Government expenditure on basic services 1992-2000



Source: Henry-Lee et al. [2002]

Basic social services include expenditure on primary education, primary health care, nutrition and rural water programmes

The Government has sough to shift the financing of social protection expenditure onto loans from multilateral and bilateral donors. This raises two important issues, additionality and sustainability. International aid could have a positive impact on development where the funding provided adds to the resources available to the government, especially on capital expenditure, but may be less effective where these funds simply replace government expenditure and the alternative outlets of that expenditure do not contribute to a reduction of vulnerability. The sustainability of social protection programmes is reduced if these are solely dependent on international aid. The resources involved in negotiations with a multiplicity of donors, with different priorities and requirements must be a consideration for the Government as well. New programmes such as Grenada's Rural Enterprise Project (GREP) have the potential to make a significant contribution to the development of rural communities, and involve a range of stakeholders. Accessing international stabilisation funds such as STABEX is also important.

As regards tax policy, the emphasis has been placed on reducing income taxation, through the simplification of tax rates to one at 30 percent applying to incomes above a EC$60,000 threshold, while increasing indirect taxation, and especially taxation on international trade. The net effect of these changes is likely to have strengthened the pro-cyclical nature of tax revenues. Some tax exemptions on merit goods and foodstuff have incidence on vulnerability. Reduced rates of consumption tax apply to education related expenditures (books, computers, school uniforms), prescribed drugs for chronic diseases, and basic foodstuff. While reducing the cost of living for poor households, and non-poor households alike, these further diminish the tax base. Government regulation extends to many areas (labour standards discussed below for example), but controls on the mark-up to basic goods have the stated objective of stabilising the cost of living for poor households, and non-vulnerable households alike. The Government aims to review the effectiveness of prices controls, recognising that these may have distorting effects on markets and trade. Given the dependence of Grenada on imported foodstuff, moving away from price controls for these products is politically sensitive, but global rules-based trade regulations will inevitably force a change.

Labour Market

As a signatory of the main ILO treaties and conventions, Grenada has in place comprehensive labour standards. It has also recently introduced a partial minimum wage. Labour standards and the minimum wage apply effectively to unionised and formal employment, but the extent to which these cover those in seasonal, non-unionised, or informal employment is an issue. The provision of social protection to those working in informal employment is an urgent challenge to policy makers in Grenada.

The very limited provision of training and skills for the unemployed, and more generally to the population, is a very large gap in social protection in Grenada. Two programmes targeting these groups are the National Employment and Skills Training Programme managed by GRENCASE and NEWLO, and the IMANI programme managed by the Prime Minister's Office. The latter has since its start in 2002 provided a job placement and training programme for around 750 youngsters between the ages of 18 and 25, and a further 500 are expected to join the programme in April 2004. The programme provides nine months to a year placement with private employers or the public sector. Participants are given a EC$ 500 stipend. To date over 80 percent of participants are female. The programme was initially intended to engage the private sector in the provision of placements, but the majority of places are provided by the public sector. The sustainability of the programme has been strengthened through a budget allocation in 2004, but improvements can be made in the monitoring and evaluation of its impact.

Labour Migration constitutes an important option for Grenadians. Studies on labour migration suggest that insurance factors play a role in the decision to migrate, and also that remittances arte to an important extent a self-protection and insurance instrument. A recent study including a review of trends in remittances for the Caribbean region suggested that remittances are positively associated with GDP growth and therefore to an extent pro-cyclical, but that they also respond to natural disasters and idiosyncratic hazards (CGCED 2002a). Even if self-insurance motivated only a fraction of remittances,

this would be significant given that remittances are conservatively estimated at around 5 percent of GDP.

Social and Private Insurance

Social Insurance in Grenada is provided by the National Insurance Scheme(Government of Grenada n.d.). It was established in 1983 as a funded social insurance scheme. The Scheme collects earnings related contributions from employers (5%) and employees (4%), and provides a range of benefits in response to a specific rage of contingencies. The short-term benefits are:

- Sickness benefit: payable in the event of certified sickness lasting four days or more and to employees who are not in receipt of their normal salary and have contributed to the scheme for at least 13 contribution weeks and at least 8 contribution weeks in the last 13 weeks;
- Maternity allowance: payable to employees who have been insured for at least 30 contribution weeks, and 20 contribution weeks in the last 30 weeks.
- Maternity grant: payable to husbands whose wives are not insured, the grant requires the same contributory record as the allowance above.
- Employment injury: covers those in insurable employment who are rendered incapable to work as a result of a work related accident or occupational disease. The support covers medical expenses, a disablement pension where the loss in capacity to work is assessed at 30 percent or more, a disablement grant, and a death benefit payable to dependents.

The long term benefits are:

- Old age pension: for insured reaching 60 years of age, with 150 contributor weeks paid into the account;
- Old age grant: paid to insured with at least 50 contribution weeks.

- Reduced age pension: for insured reaching 60 years of age but with fewer credited contributions than those required for the full old age pension.
- Invalidity pension: paid to insured with at least 50 contribution weeks who are incapable of undertaking further employment because of a specific disease or bodily or mental disablement.
- Funeral grant: payable on the death of an insured person.
- Survivor pension: paid to the spouse or children of the insured person.
- Survivor grant: paid to the spouse or children of the insured person who fails to qualify for a pension.
- Provident Fund pension: payable to workers of old Estates covered by a provident fund which was assimilated into NIS.

The Scheme is in the accumulation stage and the flow of contributions exceeds benefit flows. In February 2004, there were 5,369 benefits in payment, 557 of which relating to short-term benefits, 82 covering employment injuries, 30 covering funeral benefits and grants, and 4,700 in respect of pensions (National Insurance Scheme 2004). These also include 1,553 provident fund pensions to ex-estate workers in 2003. Within short term benefits, sickness benefits are the most important (440) followed by Maternity allowances.

The Scheme caters mainly for formal sector employees in the public and private sectors. In 1988, the scheme was opened to self-employed persons aged 16 to 60, and to the unemployed who are able to make voluntary contributions. These two groups make contributions of 6.75 percent of declared earnings up to a maximum of EC$1,250 (voluntary contributors do so on the basis of their last insured earnings). These two groups are only able to access long term benefits, old age, survivor, and invalidity pensions and grants and the funeral benefit.

Gaps in data availability enable only a rough estimation of the labour force coverage of NIS. In December 2003, 7,929 individuals posted a contribution to NIS. Projecting the number of individuals active in the labour force (that is employed and unemployed) from

the 1999 Poverty Assessment data, suggests that at best only a third of active participants in the labour force are covered by NIS.[35] This is only a rough estimation because the requisites for short term and long term benefits allow for contribution gaps, and as a result the proportion of those active in the labour market covered against the contingencies specified by NIS could be slightly higher or lower than one third. At any event, NIS coverage is limited, and especially so in the case of workers in informal or irregular employment. The reasons why the scheme is not sufficiently attractive to these workers are in all probability a factor of low and irregular pay and employment. The package of contingencies coverage offered to these workers may also be a factor, in that it is precisely the short term benefits that would be of greatest interest to these workers. In terms of the contribution that NIS makes to reducing vulnerability in Grenada, it can be concluded that the range of contingencies covered by NIS is important in reducing vulnerability, but the restricted coverage of the active labour force and population narrows down that gain to specific groups of workers and their households.

A small segment of the labour force may also have access to private insurance, through individual or group plans, but these will cater for those with high and stable income.[36]

Human Development

This heading covers programmes and interventions supporting human development, more specifically, social assistance, social services, primary health care and primary education. The focus is on basic services and assistance targeted on the poor and vulnerable.

A range of programmes tackles early childhood vulnerability. A programme managed by the Grenada Food and Nutrition Council promotes breast-feeding and monitors the weight and nutrition of pre-school children, as well as the nutritional status of the elderly in geriatric homes. In 2002, it was supported by a government grant of EC$351,839. A

[35] NIS reports that there were 11,465 active insured in March 2004 (National Insurance Scheme 2004). Taking this figure instead as a measure of the insured raises the coverage rate to 44 percent, using the 1999 active labour force estimate.

recent evaluation of the programme noted that, apart from the distribution of food supplements, resources were not specifically targeted on poorer and vulnerable communities (Henry-Lee et al. 2002). A number of current programmes focus on supporting day care provision, through expansion of capacity and subsidies to running costs. Government subsidies are around EC$350,000 a year. As with the nutrition programme, there is no explicit targeting of provision on poorer and more vulnerable groups. It is generally acknowledged that existing provision is insufficient to meet demand for places, and that user charges exclude poorer groups. The government also supports institutional homes for children with a budget of EC$225,000 in 2000.

Education at primary school is compulsory and publicly provided. There is more than adequate provision for compulsory education, and programmes for school equipment and refurbishment are underway. The critical issue at present is the expansion of senior secondary schools. Until recently, 40 percent of children of secondary school age were not attending, but in the last few years the enrolment rate at secondary school level has risen very rapidly, generating a shortage of facilities. The focus on secondary education has also led to a review of the curriculum and teacher qualifications. The concern at all levels of education, but especially pre-primary and secondary, is that those most vulnerable may be precisely those experiencing the greatest difficulty in accessing education.

There are widely held, and strong, values among Grenadians prioritising education. This can be observed, for example, in the large number of private and voluntary organisations providing scholarships and in the substantial public expenditure levels and programmes on education and pupil support. These have been effective in securing a skilled and educated population. Interventions in this area have mainly focused on the supply side: school places and teachers.

[36] In 2001, gross premiums for 16,411 policies under long term insurance, including ordinary life, industrial life, group life, group pension, and pension annuity plans were 0.03 percent of GDP.

It is worthwhile discussing whether further improvements in the access to education of the most vulnerable will require demand side interventions instead, aimed at reducing the cost of schooling for vulnerable groups. Two existing programmes, the School Feeding and Necessitous Person Fund programmes are good examples of demand side interventions, but are poorly targeted and the benefits provided may not be adequate to help the most vulnerable. The Necessitous Person Fund supported 530 children families with special circumstances in 2003 with a cash benefit. Government funded the programme with a EC$160,000 grant. The programme scores well on its targeting on very poor and vulnerable households, but the available funds are insufficient to cover all children in a similar situation, and the level of the benefit barely covers transport costs. The School Feeding Programme reaches a wide number of primary school children (9226 in 2000), through supporting kitchens in schools. It is jointly funded by the Republic of China (Taiwan) (providing approximately 90 percent of the EC$2.1m. expenditure in 2002) and the Government (providing the residual 10 percent). A user charge of between EC$ 0.25 and EC$ 1 is levied on the participating children, around 48 percent of the student population. Children from poor households can be included as 'non-contributors'. It has been estimated that around 21 percent of children are in this category. Although the programme was originally aimed at poorer children, its current coverage substantially exceeds this group. At the same time, there are indications that it covers poorer children well. Another programme, the Student Assistance Programme, with a EC$50,000 annual budget provides financial support to cover the costs of books, uniforms, and examination fees for around 100 secondary school children.

Health care is largely publicly provided in Grenada. As in most other countries in the world rising costs of secondary and tertiary health care are focusing attention on financing mechanisms that could also help in controlling spiralling costs. As with other countries in the Caribbean, health insurance options are under discussion in Grenada. Whatever options are adopted in future, primary health care and especially public health are of special interest to the poor and vulnerable, and these are likely to remain the responsibility of the public sector.

Social Assistance is mainly provided by the Ministry for Social Development.[37] The Ministry manages a number of programmes specifically targeting vulnerable groups. In 2000, the total budget for Social Assistance programmes reached EC$4.28m The largest is the Public Assistance Programme for older and disabled persons, absorbing EC$3.17m. The Programme pays a EC$100 a month cash benefit to 3055 individuals (2002), and has an annual fixed budget. Issues of targeting on the poor, adequacy of the level of the benefit, and partial coverage of the poor apply to this programme. There are no guidelines on the specific criteria followed for referral, which is now done by members of parliament, nor criteria for graduating from the programme. The possibility of leakages to the non-poor, or the possibility that deserving elderly and disabled are not supported, cannot be ruled out. The level of the benefit is around one third of the 1999 poverty line for Grenada and suggests that, in the absence of other sources of income and support, beneficiaries are not able to achieve minimum living standards. The fact that the budget allocation effectively caps the number of beneficiaries substantially reduces the insurance role of this programme. The coverage of the programme, even if targeting on the poor was near perfect, will depend on government revenues and expenditure, which are pro-cyclical. The Ministry also channels funds to homes for the elderly, and to organisations providing services for the disabled.

A range of programmes target youth. The Youth Development Programme supports youth involvement in the community. The Youth at Risk and Juvenile Justice programmes support young people who are considered to be at risk, or who find themselves in conflict with the law. Other programmes support institutional homes for children and the elderly, and a disaster fund to support destitute households affected by fires, flooding, and other disasters (caseload in 2003 was around 15). A small burial programme provides assistance to very poor households with burial costs. This programme has a budget of EC$150,000 and had a caseload of 139 in 2001.

[37] There are few public assistance programmes elsewhere. The Provident Fund for ex-estate workers managed by NIS is an important example. Voluntary and Church organisations also provide some small scale assistance to vulnerable groups.

Overall, social assistance provision is insufficient, by a large margin, to meet current demand. The majority of the social assistance programmes cover only a fraction of the target groups, and benefits levels are inadequate. A recent report identified a number of issues and provided some recommendations (Charles 2001). These included reviewing the targeting and impact of current interventions, strengthening leadership and coordination within the social service sector, and strengthening capacity and management structures. The establishment of the Ministry of Social Development addressed these recommendations as regards the institutional and management structures for social services. There remains scope for a better use of existing resources through a better targeting of the current portfolio of programmes. The different programmes lack a common referral process which can accurately identify vulnerable individuals, households and communities and determine the type and level of support required. The development of a single referral procedure should be supplemented with a graduation procedure, capable of assessing when beneficiaries cease to require support.

Improvements in the effectiveness of existing programmes can help make better use of current resources, but a substantial injection of resources and staffing are required to facilitate a shift in focus from social assistance to social development. Social assistance focuses on safety nets supporting poor and vulnerable households and individuals. This report, and others which preceded it, have concluded that existing programmes provide vital support to the poor and vulnerable, but that they are also too uncoordinated and overstretched to constitute an effective safety net. Existing programmes have been introduced piecemeal, without effective evaluation and monitoring. The support they provide is, in many cases, inadequate to ensure minimum living standards. Importantly, their budget is pro-cyclical, it contracts in bad times and expands in good times. Improving the effectiveness of safety nets should go hand in hand with transforming these into effective social protection instruments. A modern economy requires, as noted above, strong safety nets which also act as springboards. Reducing poverty and vulnerability requires that households are protected from risk and vulnerability, and are able to maintain and nurture their capacity to take advantage of new opportunities. This suggests the need for sustained and integrated interventions. Supporting the elderly,

children, or youth through separate interventions may miss the fact that these live in households sharing a common experience of deprivation, exclusion, and vulnerability. The factors explaining their vulnerability are, in most cases, multidimensional, requiring coordinated support from different agencies. Improving the effectiveness of public social protection will need both strengthening safety nets and springboards.

Protection against Natural Hazards

As indicated in the previous section, natural hazards are a significant source of vulnerability in Grenada, especially among vulnerable groups. A review of practices and gaps carried out under the Natural Hazard Risk Management in the Caribbean project (CGCED 2002b)identified the coverage of existing instruments. The National Disaster Office established in 1996 and the National Emergency Relief Organisation, provide leadership in this area. A new Building Code was developed in 2000 strengthening building regulation standards, but these do not include regulations on avoiding vulnerable locations. A significant gap in resources to support natural hazard management is the absence of hazard maps to support insurer's assessment of liabilities. Notwithstanding this, most properties in the upper and middle income range have comprehensive insurance, and the same applies to around 75 percent of properties in the low income group (CGCED 2002b, vol.2, p.89).

The same is not the case with public property, where apart from key government facilities, the Government has no explicit policy to insure them. The government does not have a contingency fund facility to cover losses and reconstruction in the event of a Natural Disaster, but keeps a contingency Fiscal Tranche of EC$1.9m with the Central Bank, and contingent credit facilities are available from the World Bank Economic Recovery Facility and the Caribbean Development Bank Disaster Mitigation Facility.

The lead programme in this area is the Emergency Recovery and Disaster Management Project providing disaster mitigation support in the home and in communities of a physical and systemic nature to ensure preparedness and life protection against natural

disasters and emergencies. This project is jointly funded by the World Bank and the Government of Grenada, and managed by the Ministry of Finance. The programme covers the whole population, and is not targeted on poor and vulnerable households.

Micro-insurance and Micro-saving schemes, and Informal Networks

In addition to the support and protection provided by extended households, there is a range of informal schemes enabling saving and insurance. Mutual help and support for land preparation, harvesting, and house building and repair, is referred to as *Maroon*. In a *Maroon*, communities come and work for one person who provides food and drink. This practice dates back to the plantation era, but has a positive impact upon rural communities, where the costs of labour are difficult to meet. A micro-saving scheme called *Sou sou* is common in Grenada. In these schemes, groups of individuals commit to contribute cash on a regular basis, monthly say, into a pool which is withdrawn by one of them at a time. The savings are used to pay for furniture or other durables, but also housing improvements, or schoolbooks and uniforms. A traditional mutual help for net fishing called *J'ai hale*, the name of the in-kind payment for the labour contributed by others. Other forms of work sharing and trade in kind have been used in the past.

Participatory Governance

The 1999 Poverty Assessment Report noted an institutional deficit in the context of poverty and poverty reduction. Poverty reduction and social protection will be a priority for social policy only to the extent that society demands it. This involves participatory governance, the existence of effective channels of communication through which the poor and vulnerable can make their voices heard, and the political commitment to meet the social demands for social protection. NGOs and community based organisations can play an effective role in these respects.

In Grenada a number of established NGOs are engaged in supporting the development process through providing support for poor and vulnerable communities, and through

facilitating the growth of community based organisations. There is an Inter Agency Group for Development Organisations set up to coordinate the work of NGOs in Grenada. The Agency for Rural Transformation (ART) and the Grenada Community development Agency Ltd. (GRENCODA) have taken the lead in developing community based organisations in rural areas. The Community Empowerment and the Community Intervention programmes, managed by ART, aim to assist community development and institutional development. GRENCODA provides counselling and advice on a range of issues to poor and vulnerable communities, as well as advocacy services. Over time they have also been involved in developing day care and pre-school centres, providing parenting and nutrition training, and training for disaster management.

In addition the Grenada Conference of Churches, Grenada Save the Children Fund, Grenada National Committee for the Disables, Grenada National Organisation of Women, New Life Organisation, and the Grenada Citizen Advice and Small Business Agency, a government supported NGO, contribute to a range of development objectives which include developing community organisations.

A range of programmes, focusing on physical and social infrastructure, also has as an objective the development of community organisations. These include the Grenada Rural Enterprise Development Programme, the Basic Needs Trust Fund, and the Community Development Multiple Projects. The Grenada Rural Enterprise Project in particular was designed on the basis of a detailed assessment of community development needs. It has a Community Participation and Support Component aiming to support community strengthening and mobilisation, through assistance with the preparation of community development plans, and financial support for their implementation. As the Grenada Rural Enterprise Development is implemented, it will be important to establish, through monitoring and evaluation, whether it can make a significant contribution to participatory governance. These community development programmes have in the main a focus on infrastructure development, although like the Basic Needs Programme this has recently become more weighted towards social infrastructure development. These programmes will no doubt make a significant contribution to the development of Grenada, and to

poverty reduction, but their impact on reducing vulnerability is not directly evident. The programmes were not specifically designed to target vulnerability, or even poverty. Building assets among the poor and vulnerable could reduce their vulnerability, but the specific channels through which this may materialise are not as directly drawn out as in the case of disaster and emergency programmes. Along similar lines, building community institutions can contribute to the reduction of poverty and vulnerability, but the channels through which this is means to work are not sufficiently well specified.

V. PROTECTING THE GAINS AND EXPANDING OPPORTUNITY: STRENGTHENING SOCIAL PROTECTION IN GRENADA

Developing social protection for growth and opportunity

Grenada is classified as a highly vulnerable country due to its size, the openness of its economy, ad its exposure to natural hazards. Globalisation works to increase its vulnerability at the same time as offering opportunities to strengthen the transformation and development of its economy. The successful transformation of Grenada's economy in the context of globalisation will require harnessing the capacities and resilience of its population to mitigate risk and vulnerabilities and to take advantage of opportunities. Effective social protection is key to achieving this aim. Strong safety nets help sustain households' living standards in the face of adverse conditions, but also serve as springboards in supporting the investment in human and physical capital which is central to economic growth and the long-term wellbeing of households and communities. By reducing vulnerability, social protection helps improve the living standards of the population by supporting and facilitating socially acceptable consumption levels, and the investment needed to ensure human development.

Social protection also contributes to growth and development in a number of ways:

(xii) it helps correct market failures that contribute to poverty, for example the limited insurance available to the less well off.

(xiii) it facilitates investment in human and physical assets that reduce the risk of future poverty, e.g. through education subsidies or microenterprise credit.

(xiv) it reduces behavioural responses to vulnerability, like postponing health care or switching to poor quality foods, which are understandable in the context of the situation of vulnerable households, but restrict growth and development in the medium and long run.

(xv) it reduces incentives for unproductive and antisocial behaviour.

(xvi) in providing strong safety nets and fostering social cohesion, social protection also facilitates positive social and economic change.

Matching Instruments to Risk and Vulnerability

To what extent do existing social protection instruments in Grenada address the main vulnerabilities identified in the study? Table Four below summarises the information on key vulnerabilities and social protection instruments presented in the last two sections by area.

Vulnerability due to the openness of the economy is high for most, if not all, Caribbean countries, due to volatility in terms of trade and in the demand for agricultural products and tourism. Volatility in financial flows is also important, in terms of international aid and foreign direct investment. The social protection instruments available are few and include remittances and other private transfers. There is a significant gap existing in the extent to which available instruments can address these vulnerabilities. There is growing awareness that closing this gap should be an important policy priority. Improving the scope and effectiveness of social protection instruments addressing vulnerability arising from the openness of the economy requires regional and international cooperation. Stabilisation funds can provide effective instruments to fill this gap (See Box 1 below). Commodity stabilisation funds, such as STABEX, have helped mitigate the impact of variability in export earnings fro agriculture, although more recently Grenada has found it difficult to access these funds. The proposed Caribbean Stabilisation Fund is a very important initiative which could prove to be very effective in enabling a more counter-cyclical fiscal response to macroeconomic shocks.

The gap existing between the vulnerability to natural hazards and available instruments is also significant, but the fact that Grenada has not experienced a major disaster since 1995, and the Catastrophe Pool established under a WB-OECS-Barbados partnership, will help to reduce this gap. As is the case with the openness of the economy, reducing

this gap will involve regional and international cooperation, but also a sustained domestic effort in raising preparedness for disasters and emergencies.

Box 1: Stabilisation funds

Commodity Stabilisation Funds: STABEX is a mechanism introduced to compensate African, Caribbean, and Pacific countries' producers for shortfalls in export earnings, and through this to contribute to greater stability and predictability in the environment faced by for governments and farmers. The countries in these regions are highly dependent on commodity exports and are as a result exposed to the persistent fluctuations of commodity prices. STABEX has an automatic disbursement facility, and acts as an insurance plan. In the past, there have been occasional delays in disbursement due to the need to negotiate a Framework of Mutual Obligations. This, together with restrictions on the level and allocation of funds to recipients, has sometimes undermined the insurance cover provided.

Fiscal stabilization Funds: Countries in the Caribbean Region are highly vulnerable to macroeconomic shocks and natural hazards. Because they are small sates and these risks affect many of them at the same time (covariate risks) it makes sense to develop regional support mechanisms. At a 2002 Meeting of Heads of State of the Caribbean Community, it was agreed to establish a Caribbean Stabilisation Fund, drawing on country fiscal surpluses and international donors' contributions. The Fund will assist Caribbean countries with support for countercyclical fiscal policy and the process of economic and public sector reform.

Vulnerabilities arising from macroeconomic shocks were scored as medium, these to an important extent relate to the openness of the economy as well as to the conduct of macroeconomic policy. A key issue is the capacity of fiscal policy to mitigate the impact of external shocks to the economy. Some instruments are in place to address this vulnerability, such as multi-year budgeting, and some are being set in place, such as tax reform. The report noted that Grenada's revenue base appears to be too narrow and pro-cyclical to ensure sufficient degrees of freedom in pursuing an autonomous counter-cyclical fiscal policy. Current levels of debt and the commitments needed to service it significantly restrict counter-cyclical fiscal policy.

Table 4. Social protection instruments and vulnerability by area

Area	Vulnerability	Social Protection Instruments
Openness	High • Openness ratio is 0.642 • Volatility of terms of trade and demand for agricultural products and tourism • Volatility in ODA and FDI	Low • Remittances and other private transfers • STABEX, but access is limited • Caribbean Stabilisation Fund (not yet in place)
Macroeconomy	Medium • Narrow tax base and tax mix • Pro-cyclical revenue base • Indebtedness • Fixed exchange rate favours output adjustment	Low • Multi-year budget planning • Public Sector Reform • Caribbean Stabilisation Fund (not yet in place)
Labour Market	High to Medium • Unemployment and underemployment • Informality, precarious jobs • Low and irregular earnings	Medium to Low • Social Insurance covers a fraction of the labour force • Labour standards apply to formal workers • Migration
Human Development	Medium • School attendance and attainment, particularly at secondary level • Household size • Early pregnancy • School to work transition • Skills and training • HIV/AIDS • Old age care • Dysfunctional life-styles	Medium to low • School Feeding and Costs programmes • Youth and the law • Youth training and skills, but limited • Public assistance, but issues of coverage an adequacy, and limited insurance role • Domestic private transfers • Remittances
Natural Hazards	Medium • Tropical storms, occasional hurricanes, storm waves • But no major disaster since 1995	Low • Building Code • WB and CDB Disaster Lending Facility
Participatory Governance	Low • Weak community institutions	Medium • Community development projects emphasise infrastructure • Rural Community development projects • NGOs have limited resources

The gap existing between vulnerability and social protection instruments associated with the labour market is important, especially given the central role of labour earnings in reducing poverty and vulnerability. Social Protection instruments do exist, but cover only a fraction of the labour force and population. There are acute knowledge gaps concerning the workings of the labour market in Grenada. This is a complex issue requiring urgent and detailed research.[38] Complexity arises because of the employment re-structuring underway shifting employment from agriculture to services, the perception that informal employment has grown in recent times, and the influence of migration on Grenada's labour market. There is widespread concern that labour market trends may be increasing vulnerability, this was a strong message from key informants, but the data needed to make a considered assessment is lacking. The implications of these trends for social protection need to be identified through a dedicated study. Access to the labour market and employment can provide key social protection instruments to the labour force and population of Grenada. Effective social protection in this area requires a stronger data and knowledge base.

Human development vulnerabilities are ranked as medium, given Grenada good performance on indicators of human and social development. A range of instruments is in place but their coverage and effectiveness can be improved by focusing on issues of targeting and adequacy, and with the help of monitoring and evaluation. The instruments in place are overstretched, and require a higher, and more stable, allocation of resources. At the same time, gaps in instruments exist, instruments supporting the transition from school to work and improving the skills of the unemployed for example are insufficient. As the report suggests, strengthening existing instruments and ensuring a stronger social protection focus are required protect the accumulated gains in human development.

A more detailed disaggregation of the human development area can be done to match vulnerabilities and instruments by age groups. Social protection instruments target mainly children and the elderly. Existing instruments targeted on early childhood and primary

[38] I understand that the World Bank has commissioned a study of labour markets in the Caribbean, but the results from the study are not yet available.

school vulnerable children reach most of their target group. This is not the case with the elderly due to budget constraints. With both these groups, there is an issue whether the levels of support are adequate. The findings of this report suggest that the benefit levels in the programmes providing help with the costs of schooling targeted on poorer households, and the public assistance benefit paid to poor and vulnerable elderly people are insufficient to cover needs. This is also the case as regards coverage of the poor. Budgetary constraints imply that the programmes cover not all those in need of support. At the same time, instruments are lacking for other groups at risk. The indicators of non-expenditure vulnerability reported above suggest that young adults and adults of working age are exposed to significant levels of vulnerability, especially in terms of unemployment, and irregular labour earnings. The transition from school to work is hazardous because of the restriction in secondary school places and the paucity of financial support. Unemployment among the young contributes to vulnerability for this group. Few instruments are targeted to developing skills and capacities among young adults, but even fewer are targeted on adults who might have missed earlier educational opportunities. Aside from micro-enterprise development programmes, there are virtually no instruments targeted on unemployed adults.

As regards participatory governance, a number of programmes are in place seeking to encourage and support community development (See Appendix Three), but it is difficult to assess the impact these may have had to date. As noted above, the 1999 Poverty Assessment noted the weakness of community development as a factor in reinforcing poverty and blunting the impact of anti-poverty policy. There appears to have been little change in the situation in the intervening period. The Grenada Rural Enterprise Development Project which is beginning its implementation, will target poorer and vulnerable communities, and, because it incorporates monitoring and evaluation systems, it will provide reliable information on impact. In the meantime, it can be concluded that the range of instruments in place have not shown the effectiveness required. Grenada benefits from a strong set of independent NGOs, who need to be incorporated fully in designing, monitoring, and delivering social protection instruments. These have at present very limited resources with which to implement effective social protection interventions.

Household strategies to address vulnerability

The presence of social protection instruments cannot by itself tell us how effective these are on the ground, information is also needed on the way households access and use these instruments in response to their vulnerability. To investigate this issue, household data from the 1999 Poverty Assessment Dataset was use to examine the factors determining vulnerability, and the impact of social protection instruments, in a multivariate context.[39] The model used in the estimation can be described as follows

Vulnerability = [shocks – buffers and strategies to mitigate shocks]

Vulnerability is understood here as the extent to which hazards have adverse consequences on household consumption, taking account of the assets, entitlements, and strategies which households may deploy to mitigate the adverse effects (See Appendix Two and Appendix Four). Vulnerability is therefore the net effect of shocks after accounting for household buffers. In the dataset, vulnerable households were identified as those with levels of per capita expenditure below 125 percent of the poverty line. Unfortunately, the Poverty Assessment Dataset does not have detailed information on shocks to household consumption, but it is possible to identify individual and household characteristics which are associated with a higher vulnerability to such risks. The Dataset does include information on a range of social protection instruments.

The analysis focused on the impact of household or individual characteristics and social protection instruments on the probability that a marginal individual or household is found to be vulnerable (that is the probability of having per capita expenditures below 125 percent of the poverty line). The main findings are presented in Table Five below

[39] This enables identification of the effects of different sources of vulnerability and social protection instruments jointly.

Table 5. Estimates of the impact of household characteristics and social protection instruments on vulnerability

Source of vulnerability or social protection instrument	Change in the probability that the individual is found to be vulnerable (%)	
	All persons	Aged 16-60
Aged below 5	+ 2.0	
Aged above 60	- 2.9	
Being male		+ 5.3
An extra person in the household	+ 8.7	+ 8.7
Fewer dependants per adult of working age	- 3.3	- 3.8
Having lived abroad in the last 10 years	- 6.0	- 8.2
Receiving remittances in the household	- 11.2	- 10.4
Having an extra durable good (e.g. tv, fridge)	- 4.3	- 3.8
Receiving public assistance in the household	- 13.9	
Receiving a pension in the household	- 9.4	
Receiving domestic private transfers		- 7.4
Being covered by health insurance	- 11.1	- 12.8

The figures in the Table are the partial derivatives of a probit model estimated using the 1999 Poverty Assessment Dataset (See Appendix Four for more detail on the model and estimation results).

What are the factors increasing vulnerability? The analysis shows a strong correlation existing between household size and composition and vulnerability. Adding an extra member to an average sized household (5.2 members) increases the probability that an individual is vulnerable by 8.7 percent. Among those of working age, being male raises the probability of being vulnerable as well.

What are the factors reducing vulnerability? Linkages to the external economy, either through migration, or through the receipt of remittances, are important in reducing vulnerability. Having lived, and probably worked, abroad, and living in a household receiving transfers from abroad reduces vulnerability by 8.2 and 10.4 percent respectively for those of working age. The assets available to a household, here captured by the

number of consumer durables present in the household, are also an important factor in reducing vulnerability. Durables reflect the socio-economic status of a household but also the extent to which the household can deploy buffers to protect consumption in the event of shocks. In terms of more formal social protection instruments, public transfers (essentially public assistance) have a positive effect in reducing vulnerability. Observing households owning an extra durable good is correlated with 4.3 percent lower probability of vulnerability. This also applies to living in household with a pensioner, or someone covered by health insurance. The formal social protection instruments have a strong impact on vulnerability. By implication, this suggests that workers in informal employment who are unlikely to be covered by formal social protection fare badly as regards vulnerability.

The multivariate analysis demonstrates how different sources of vulnerability and social protection instruments jointly contribute to household vulnerability. The findings also illuminate on the type of strategies households pursue to reduce and mitigate their exposure to hazards. These provide valuable information on the determinants of vulnerability, but it is important to keep in mind that the household data used in the estimation is half a decade old.

Strengthening social protection in Grenada

A key part of the research focused on establishing whether existing social protection instruments address the main vulnerabilities. Some areas, such as education and health, appear to have good levels of provision, but important gaps can be observed in other areas. In some areas, an improvement in the effectiveness of existing social protection instruments can help reduce vulnerability, but in most areas social protection requires a higher priority in resource allocation, and a stronger engagement from policy makers. Table 6 below summarises the key issues and recommendations.

Table 6. Summary of key issues and recommendations

Area	Key issues	Recommendations
Macroeconomic environment Natural hazards	Regional and international cooperation to address vulnerability	• Strengthen capacity for counter-cyclical fiscal policy • Ensure the protection of targeted social protection public expenditure from shocks • Improve natural hazard prevention and preparedness
Labour market	Retooling for a global economy: skills and solidarity	• Improve the provision of skills and training for the young and for unemployed adults • Study measures to extend labour standards and protection to non-formal workers
Human development	Extending social insurance	• Study and implement measures to extend social protection to those outside the formal sector • Ensure sustainability of NIS
	From social assistance to social development	• Strengthen safety nets, through better resourcing, coordination, targeting, and evaluation of interventions • Develop integrated human development interventions to act as springboards
Cross-cutting	Evidence-based social protection: data, monitoring, and evaluation	• Update household data to assess progress from 1999 Poverty Assessment, including impact and management of shocks • Continuous labour market data collection and analysis, including skills • Support social protection research and policy development capacity • Develop strong, transparent, and effective monitoring and evaluation of social protection instruments with NGO participation

Regional and International Cooperation to address vulnerability from covariant risk

Grenada's capacity to address the vulnerabilities arising from the openness of its economy, and from exposure to natural disasters, is limited. Effective instruments to address this gap require regional and international cooperation.[40] Similarly, capacity to prevent and mitigate covariant macroeconomic shocks is also limited. Some appropriate instruments are in place (multi-year budgeting), and others are being pursued (public sector reform, debt reduction, tax reform). Grenada's capacity to pursue counter-cyclical fiscal policy will need to be strengthened. As indicated in the report, these can be achieved through a strengthening of revenue collection capacity and a diversification of the revenue mix; stronger fiscal rules that enable financing of counter-cyclical expenditure; reduction in debt which strengthens access to credit during economic downturns.

In addition, consideration of the distributional impact of macroeconomic shocks is an important factor in designing an effective social protection system. Every effort must be made to protect social protection expenditure through macroeconomic shocks, and especially those transfers to the poor and vulnerable.

Box 2. Monitoring the social protection dimension of fiscal policy.

Governments concerned with securing economic and social development should aim to protect the vulnerable from the impact of macroeconomic shocks and natural hazards. To achieve this, they must save in god times in order to be able to spend in bad times. Social spending on the vulnerable must be counter-cyclical. An effective development strategy requires that governments work to ensure that natural hazards or recessions do not derail the consumption and investment plans of households and communities.

What are the indicators to watch? The ratio of social spending to total government spending tells us something about whether governments are 'pro-social' or not. Governments which cut social pending during recessions are not 'pro-social', notwithstanding the fact that they may raise this spending during recovery. Even if governments manage to protect social spending from cuts during bad times, they may not be 'pro-social'. Macroeconomic crises increase unemployment and poverty. Unemployment cuts government revenue and therefore total spending, while rising poverty increases the numbers of potential beneficiaries. Even if social spending as a proportion of total government spending stays the same, lower total spending and/or increased numbers of poor and unemployed people will result in lower social spending per head of the poor or vulnerable. The latter is the relevant indicator.

[40] This does not imply that domestic policies are not an important part of the equation. Among developed countries, and Scandinavian countries in particular, wage policies and a strong social protection system have been an effective and successful instrument to address the vulnerability associated with openness (Atkinson 1997; Agell 1999)

Retooling for a global economy: skills and solidarity?

It is widely acknowledged that education for all must extend beyond at the secondary level, and even beyond that to post-school education. Further, instruments supporting skills and training beyond secondary school provision, and especially to the unemployed are limited to some programmes managed by NGOs and the IMANI programme. It is important to develop tools to assess skills requirements and to enable supply responses. Skills acquisition and training for the unemployed is essential to ensure that the opportunities afforded by the global economy are fully captured.

At the same time, the demand for skills will depend on the strength of opportunities available, both local and global. Investment in skills should go hand in hand with solidarity, through supporting employment creation and compliance with labour standards. This is a key area for further study and research, needed to ensure a skilled, productive, and competitive labour force.

Extending Social Insurance

The study concluded that only limited insurance, private or social, is available to cover vulnerability from idiosyncratic risk. Social insurance covers workers in formal employment and their households. The contingencies covered by social insurance make a valuable contribution to reducing the vulnerability of these workers and their households, but there is an urgent need to consider ways in which social insurance can be extended to the more vulnerable groups in the labour force and population. The National Insurance Scheme is still in its accumulation stage, and the surpluses generated will be needed to finance future liabilities. It is important to build on the existing scheme, and efforts to extend social insurance coverage will be effective to the extent that these retain the insurance principle and actuarial sustainability. As a minimum, consideration should be given to whether the package of contingencies and benefits offered by NIS to the self-employed and voluntary contributors meets their demand for social protection.

From Social Assistance to Social Development

The section on Social Assistance above identified as a key theme the need to reinforce the shift from social assistance, understood as remedial and residual help to the needy, to social development in the sense of supporting communities and households protect their consumption and invest in their future. This shift in approach and perspective will require changes in the scope and focus of existing programmes:

- The need to move beyond uncoordinated sectoral programmes and towards integrated human development programmes. The conclusions from recent sectoral studies have pointed in this direction as the way forward. The recent international experience with targeted conditional human development programmes in Latin America and the Caribbean would also support this recommendation (See Box 3 below).

Box 3. Targeted conditional human development programmes

In the last decade, a number of targeted conditional human development programmes have been established in Latin America and the Caribbean, Bangladesh, and more recently in Turkey. These programmes involved integrated interventions aimed at breaking the vicious circle of poverty and vulnerability. The programmes target poor and vulnerable households or communities, and provide a cash transfer which is conditional on investment in human capital, and use of basic services such as education and primary health care.

PROGRESA was introduced in Mexico in 1997, and supports poor rural households with children through a cash benefit for children of school age conditional on attendance, a cash benefit conditional on regular visits to health centres, and a cash benefit to support household consumption. The programme uses geographic, community, and household targeting, reaches 40% of rural households at a cost of 0.32% of GDP. Early evaluations of PROGRESA detected improvements in nutrition, school attendance, and health status for those covered by the programme. Based on these, the programme has been scaled up to include urban areas in 2003 as OPORTUNIDADES.

PATH (Programme of Advancement through Health and Education) was introduced in Jamaica in 2002. It targets poor households identified through a household profile, and pays a cash benefit to support better nutrition for children and pregnant mothers, and financial support for the elderly or disabled. The transfers are conditional on attendance to health centres and on children attending school. The PATH programme replaces a number of separate programmes provided by different agencies with high administrative costs and places the household as the centre. The annual costs of the programme have been estimated at 0.29% of GDP, and are financed by the Government of Jamaica and the World Bank.

- The need to focus programmes on households rather than individuals is another important element in the strategy to move towards social development. Supporting children, or youth, or the elderly through separate interventions may miss the fact that these live in households sharing a common experience of deprivation and exclusion. At the same time, the international evidence supports the view that cash transfers to individuals are commonly shared among household members.

- Improved coordination and targeting of interventions can help make interventions more effective. Gains could be made from standardising the criteria for referral and graduation, and from a single process of identifying the poor and vulnerable (See Box 4 below).

Box 4. Developing an instrument for identifying beneficiaries

An important gap in social protection in the Caribbean is the lack of an integrated instrument for identifying the vulnerable. In Grenada, for example, some social protection programmes lack guidelines for referral, and other programmes use ad hoc referral procedures. Members of Parliament nominate beneficiaries for public assistance, Heads of Schools nominate pupils for free school meals, and social workers refer households for the funeral fund. A single instrument for identifying the vulnerable in need of support is likely to be more effective in targeting scarce resources, more efficient in the use of administrative resources, and more transparent, strengthening public support for social protection.

In 1987, Chile introduced a decentralised instrument for ranking families according to their deprivation. When individuals apply for public support, they are visited in their homes by an enumerator who fills in a short questionnaire known as *Ficha CAS*. Information is collected on 13 variables, and arranged into 4 factors: housing, education, employment, and income/assets. On the basis of the information collected, and using a computerised statistical model, each family is given a score. This score ranks families according to their level of deprivation and vulnerability. Scores below a cut-off point entitle families to access a range of public programmes, including pensions, water subsidies, housing subsidies, free pre-school places, etc. The score is valid for two years, after which the questionnaire is updated.

Use of the *Ficha Cas* has enabled the targeting of social protection on those most in need. It has also led to large economies in administration. The cost of administering and analysing *Ficha Cas* has been estimated at US$3.50 per family, considerably less than similar targeting instruments in other Latin American countries. Using a single instrument also other advantages:

- It provides a single reliable referral and graduation process for social protection programmes.
- It enables the geographic and community mapping of vulnerability.
- It enables the monitoring of the targeting and impact effectiveness of programmes.
- It facilitates the updating of the instrument in response to changes in the nature of vulnerability through time.
- It helps identify potential improvements in the delivery of programmes.

- An important limitation of existing safety nets, such as public assistance, is that their financial base, government budget allocations, is pro-cyclical, rising in good times and contracting in bad times. It is important to strengthen the insurance role of safety nets, as a means of stabilising consumption, and therefore expenditure, for the poor and vulnerable. This implies that cash transfers to poor and vulnerable households should be protected in times of crises (See Box 2 above). This is closely linked to the point above regarding strengthening the capacity for counter-cyclical fiscal policy.

- Another important element in the shift from social assistance to social development is the need to establish transparent and effective mechanisms for monitoring and evaluation, involving the participation of civil society organisations. This is crucial to the effectiveness of new programmes, but also an important element in securing and sustaining public support for social protection. This is related to the next section.

Improvements in the effectiveness of public assistance can make a difference, but it is also the case that existing provision is insufficient to meet current need. Public expenditure on well targeted human development instruments has to be seen as investment rather than a handout, moreover an investment with typically high returns, and an integral part of a development strategy.

Evidence–based social protection: Data, Monitoring, and Evaluation

The report identified several areas where data and information are limited, or lacking. This is particularly the case around labour market issues. The data on which much of this report's analysis is based is from the 1999 Poverty Assessment dataset, and there is a need to update information on vulnerabilities. Information on the impact of shocks at the household level, and household strategies to prevent, mitigate, or cope with risk and

vulnerability is also limited. As noted in the report, there is a substantial knowledge gap relating to the operation of the labour market, and its role in increasing or reducing vulnerability. An improvement in the data and information available is an important requirement for successful evidence-based policy. Evidence based analysis is also important to strengthening pubic demand and support for social protection. Strengthening monitoring and evaluation processes around social protection instruments will also contribute to this objective.

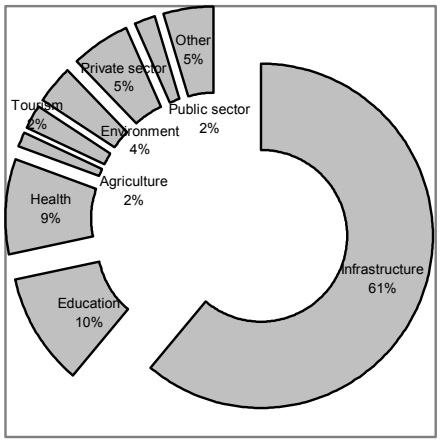
The role of international donor agencies

There is an important role for international donor agencies in supporting the development of social protection in Grenada and the Caribbean as a whole. The report has considered the constraints the Government of Grenada faces in financing social protection interventions. The exposure of Grenada to natural disasters with a potential to inflict large scale damage to the economy constitutes an area where joint efforts by the national government, regional institutions, and international donors could have significant returns. This applies with equal force to Grenada's exposure to changes in the global economy and macroeconomic shocks. As noted by the report, the capacity of the Government of Grenada to pursue counter-cyclical fiscal policy, for example through the establishment of automatic stabilisers, is limited. The report also discussed existing instruments in these areas, such as the proposed Regional Stabilisation Plan. These social protection instruments are very important and should be strengthened

There are also some obstacles in the way of international donor agencies supporting the strengthening of social protection instruments in Grenada. International donor agencies are fully aware of the key contribution of social protection to a sustained process of economic and social development. These were outlined at the start of this Chapter. To date, international donor agencies have shown a preference for supporting capital, rather than recurrent expenditure, and especially infrastructure projects. Figure 6 below provides a snapshot of international donor agencies support for the development process in Grenada by sector. As shown, infrastructure concentrates 61 percent of annual support.

Health and education follow some way behind. It was not possible to identify from this breakdown of support what proportion of the aggregate support actually targets social protection, but it is very likely that this constitutes a fraction of the support focusing on infrastructure projects. There are some indications that the mix of support for infrastructure relative to human capital investment may be changing in favour of the latter. The Basic Needs Trust Fund 5, for example, has a stronger training and skills development component than its predecessors. There is a need for the Government of Grenada to consider, in conjunction with international donor agencies, what is needed to facilitate a shift in the mix of support placing greater emphasis on human development, and within this rubric, social protection related human development.

Figure 6. Grenada: Annual donor contribution to national development 2000-2003 by sector



Data Source: European Community (2001)

International donor agencies also have an important role to play in supporting the shift from social assistance to social development, but the obstacles here are somewhat different. International donor agencies have generally been reluctant to support cash transfer programmes, except where these are a short term response to emergencies. It is understandable that donors might be concerned to commit resources for cash transfer programmes within a medium term, because of the risk that these programmes, which are specifically aimed at stabilising standards of living, may turn out to be unsustainable. There are also associated moral hazard issues, especially strong where governments are able to substitute international for domestic finance for social protection programmes.

However, to the extent that national governments and international donor agencies can achieve agreement as regards the design and objectives of evidence-based social protection programmes, donor support can be secured. The experience with establishing targeted conditional human development programmes in Latin America shows that international donor agencies, jointly with national governments, can play an important role in financing feasibility studies, start up costs, and monitoring and evaluation of these programmes.

Finally, international donor agencies can also contribute to the strengthening of social protection through ensuring that international support does not itself increase risk and vulnerability, for example as a result of employment retrenchment arising from structural adjustment; through ensuring that disbursement of existing programmes is counter cyclical; and through facilitating the participation of NGOs and civil society organisations in the evaluation and monitoring of social protection programmes.

Conclusion

As indicated at the beginning of the report, the main objectives of the Grenada country study were:

- To undertake a mapping of the key risks faced by the population as a whole, and in the process identify where possible the distribution of vulnerabilities and the main groups at risk.

- To undertake a mapping of the key social protection instruments, assessing where possible their effectiveness and coverage.

- To investigate and report on the extent to which existing social protection instruments address the key vulnerabilities.

The research study has addressed these three main objectives, and this report has presented the main findings from that research. The reports main conclusions is that social protection can make a very significant contribution to improving the wellbeing and resilience of all the population of Grenada as well as to strengthen economic growth and development strategies.

REFERENCES

ADB (2001), *Social Protection Strategy*, Manila: Asian Development Bank.

Agell, J. (1999), 'On the benefits from rigid labour markets: norms, market failures, and social insurance', *Economic Journal*, vol. 109, no. 453, pp. F143-164.

Atkinson, A. B. (1997), 'Bringing Income Distribution Back from the Cold', *Economic Journal*, vol. 107, no. 441, pp. 297-321.

Brown, D. A. V. (2002), Sociodemographic vulnerability in the Caribbean: an examination of the social and demographic impediments to equitable development with participatory citizenship in the Caribbean at the dawn of the twenty first century, Serie Población y Desarrollo 25, Santiago, Chile: Population Division, ECLAC.

CARICOM Secretariat (2002), Framework for Stabilising and Transforming Caribbean Economies, Press Release 100/2002, Castries, St.Lucia: CARICOM Secretariat.

CARICOM Secretariat (2003), Caribbean Economic Performance Report 2003, Report 2003, Georgetown: Caribbean Development Bank.

CDB (2002), Issues in Stabilising Caribbean Economies, Report, Castries, St. Lucia: CDB and CARICOM Secretariat.

CGCED (2002a), Caribbean Economic Overview 2002, Draft Report, Washington DC: The World Bank.

CGCED (2002b), Natural Hazard Risk Management in the Caribbean: Revisiting the Challenge, Report 24166-LAC, Washington DC: The World Bank.

Charles, L. (2001), Social Services: Increasing the positive impact on poverty eradication in Grenada, Report, St George's: Charles and Associates, Inc.

Downes, A. S. and D. A. Downes (2003), The Millennium Development Goals in the Eastern Caribbean: A Progress Report, Report, Barbados: United Nations Development Programme.

ECLAC (2000), The vulnerability of Small Island Developing States of the Caribbean, LC/CAR/G.588, Santiago: ECLAC.

European Community (2001), Grenada, Country Strategy Paper and National Indicative Programme 2001-2007, CAS, Brussels: European Union.

Frederick, C. (2002), Poverty Eradication through Education, Report, St. George's.

Government of Grenada (2003a), Medium Term Economic Strategy Paper 2003-2005, MTESP, St. George's: Ministry of Finance.

Government of Grenada (2003b), Poverty Reduction Action Plan, Report, Bridgetown: Basic Needs Trust Fund, Caribbean Development Bank.

Government of Grenada (2004), Budget Speech 2004, St. George's: Ministry of Finance.

Government of Grenada (n.d.), National Insurance Laws and Regulations, St. George's: National Insurance Scheme.

Haynes, M. (2002), Audit of Social Development Initiatives, Social Development Programmes, and Poverty reduction Projects, Report, St. George's: Ministry of Finance.

Haynes, M.; I. Bhagwan and T. Francis (2002), Grenada - Audit of Social Development Initiatives, Social Development Programmes and Poverty Reduction Projects, Report, St. George's: Ministry of Finance.

Henry-Lee, A.; S. L. Charles and L. Andrews (2002), Analysis of Public Expenditure on Social Services and Prospects for Pro-Poor Budgeting in Grenada, Report, St. George's: Ministry of Finance.

IADB (2000), *Social Protection for Equity and Growth*, Washington DC: Inter-American Development Bank.

ILO (2001), *Social Security. A New Consensus*, Geneva: International Labour Office.

International Fund for Agricultural Development (2001), Grenada Rural Enterprise Project, Appraisal Report Volume II: Working Papers: Latin America and the Caribbean Division, International Fund for Agricultural Development.

John, D. (2002a), Indicator Framework for Monitoring a Poverty Reduction Strategy for Grenada, Report - UNDP/OECS Preparatory Assistance Project, St. George's.

John, D. (2002b), Poverty in the Agricultural Sector in Grenada, Report, St. George's.

Kairi Consultants (1999a), Poverty Asessment Report - Grenada, Vol. 1, Tunapuna: Kairi Consultants.

Kairi Consultants (1999b), Poverty Assessment Report - Grenada, Vol. 2, Tunapuna: Kairi Consultants.

Kairi Consultants (2003), Youth at Risk - Poverty Assessment. Secondary School Students in Grenada: Improving the Assistance Programmes, Report, Tunapuna: Kairi Consultants Ltd.

Le Franc, E. (2000), Poverty in the Caribbean, Report, Barbados: SALISES, Cave Hill Campus, UWI.

Lustig, N. (2000), Crises and the Poor: Socially Responsible Macroeconomics, Sustainable Development Department, Technical Paper Series, Washington DC: IADB.

National Insurance Scheme (2004), Statistics, Research and Planning, Report, St. George's: NIS Grenada.

Ocampo, J. A. (2002), Small Economies in the Phase of Globalisation, Third William G. Demas Memorial Lecture, Cayman Islands: Caribbean Development Bank.

Tanzi, V. (2000), Globalization and the Future of Social Protection, IMF Working Paper WP/00/12, Washington DC: IMF.

Thomas, S. L. (2003), Consideration for the Finalization of Grenada's Poverty Eradication Strategy and Action Plan, Second Draft, St. George's: Ministry of Finance.

Witter, M.; L. Briguglio and A. Bhuglah (2002), Measuring and managing the economic vulnerability of smal island states, Paper prepared for the Global Roundtable on the Vulnerability of small island developing states: Exploring mechanisms for partneships, Montego Bay, Jamaica: Department of Economics, University of the West Indies.

World Bank (2001), Social Protection Sector Strategy: from Safety Net to Springboard, Sector Strategy Paper, Washington DC: The World Bank.

APPENDICES

APPENDIX ONE. Composition of the Technical Working Group

Dr. Spencer L. Thomas	Chair Technical Working Group
Mr. Isaac Bhagwan	Acting Chair Technical Working Group
Mr. Desmond John	Prime Minister's Ministry, EU Office
Ms. Maria Lewis	Ministry of Education
Mrs. Margaret Belfon	Ministry of Education
Mrs Arlene Daniel	Ministry of Social Development
Mr. Jerome McBarnette	ECHO, Grenada Conference of Churches
Ms. Beryl-Ann Clarkson	Statistics Division, Ministry of Finance
Ms. Jocelyn Paul	Ministry of Finance
Mr. Lennox Andrews	Deputy Permanent Secretary, Ministry of Finance
Mr. Anthony Cadore	Pensioners Association
Mr. Benny Langaigne	Grenada Community Development Agency

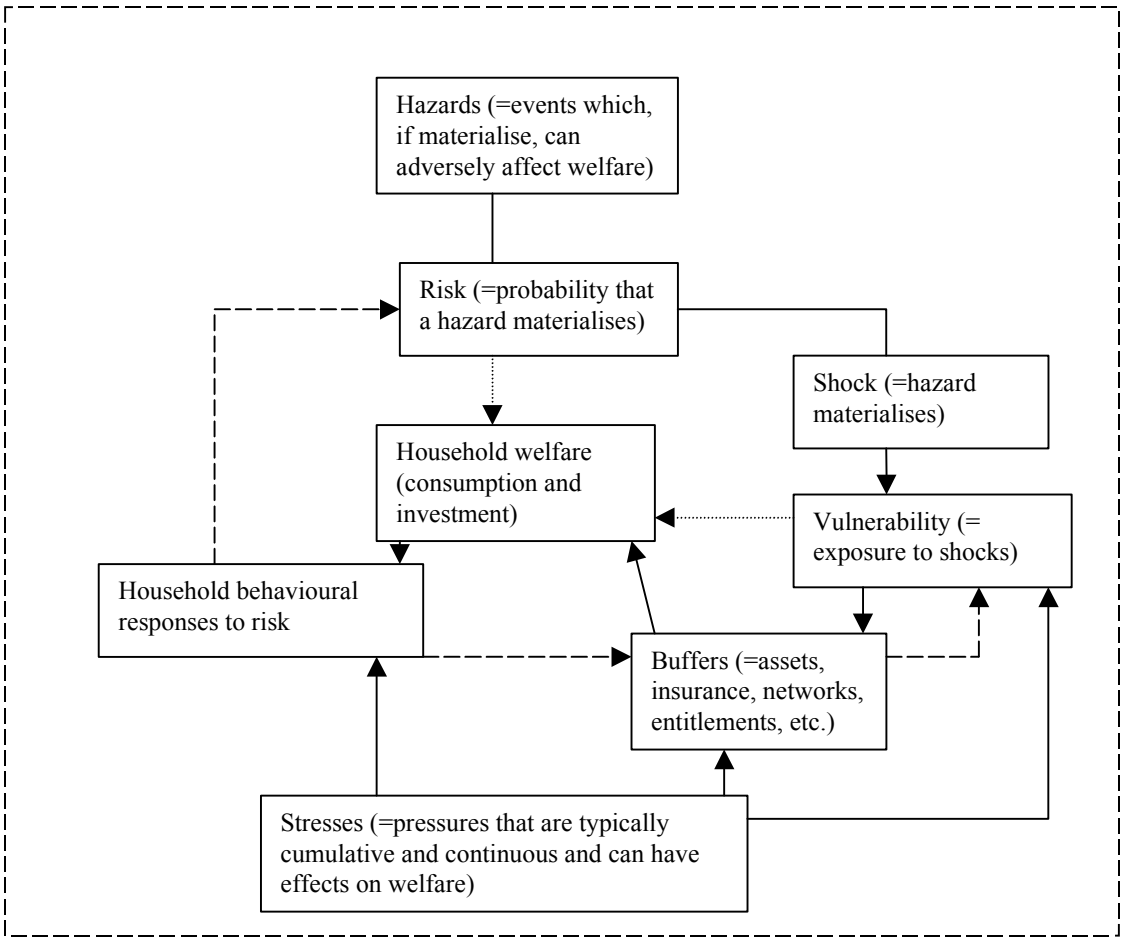
Consultants

Dr. Eleanor Wint	Social and Economic Research Unit, CDB
Dr. Armando Barrientos	Lead Consultant and Country Consultant for Grenada

APPENDIX TWO. Risk, vulnerability and household welfare

The Figure below provides a synoptic description of the linkages between risk, vulnerability and household wellbeing. The presence of hazards threatens the consumption and investment plans of households with a given probability, or risk. Risk affects households directly in reducing their wellbeing, but also, if the hazards materialise, through the adverse effects on their assets, consumption and investment; and indirectly through the household behavioural responses to the presence of risk.

Figure 7. Linkages between risk, vulnerability and wellbeing



The risk of unemployment, for example, affects individuals directly by raising uncertainty about their future and that of their dependents. When individuals become unemployed, this has an effect on their living standards, and, if prolonged, on their health and confidence. Moreover, in their efforts to avoid or cope with unemployment, individuals may opt for informal employment, or other members of the household, such as children of school age, may be diverted to the labour market instead. These behavioural responses may make it more difficult for individuals in affected households to overcome their vulnerability in the long run.

APPENDIX THREE: Social Protection Instruments in Grenada

A. Direct Support to Government

Title	Type	Target Group	Beneficiaries	Adequacy	Targeting	Coverage	Description	Assessed Impact	Total Budget	Annual Budget	Financing	Executing Agency
Strengthening of government extension services	Government capacity	Farmers					An initiative to improve on the technical competence and efficiency in management /implementation of the Ministry of Agriculture's Extension Services	Technical expertise brought by the qualified and experienced extension officers help to assure results through best practice	1,200,000	250,000	Government revenues; FAO	Ministry of Agriculture
Poverty Reduction	Government policy	All	not applicable	not applicable	not applicable	not applicable	Activities related to the analysis and development of appropriate strategies for the national poverty reduction effort	Ensures proper assessment and focus for best use of available resources in poverty reduction	30,000,000	200,000	Government revenue; UNDP/OECS	Ministry of Finance

B. Governance and Participation - Community Development

Title	Type	Target Group	Beneficiaries	Adequacy	Targeting	Coverage	Description	Assessed Impact	Total Budget	Annual Budget	Financing	Executing Agency
Community Intervention Process	Governance-community development	Rural communities / economically disadvantaged: at *Après Toute * Belle Isle					Leadership training; parenting skills programme; life skills programme, skills training, Gender awareness	Improved parenting skills of community persons; improved employability of beneficiaries from skills training; leadership development and initiative for community growth	3,000,000 (five year required)	62,000	UNICEF	Government of Grenada; ART – a co-implementing agency
Community Development Multiple Projects	Governance-community development	Rural communities; depressed and economically disadvantaged					Provides for construction of community centers, roads and drains, pipe borne water; group development and training for community leaders.	Growth in physical and social infrastructure. Enhanced community participation.	10,000,000 (projected five year required)	1,010,000	Government revenues; ROC contribution	Ministry of Community Development
Legal Aid and Counseling Clinic (LACC)	Governance – legal aid	Economically disadvantaged / women / youth	1265				Provides a window for socio-legal services to individuals and families throughout the country	A total of 1,265 "clients" utilized the clinic during 2000	216,30	54,080	GRENCODA; Annual revenue; government subvention	LACC

C. Infrastructure

Title	Type	Target Group	Beneficiaries	Adequacy	Targeting	Coverage	Description	Assessed Impact	Total Budget	Annual Budget	Financing	Executing Agency
House Repair Programme	Infrastructure	Economically disadvantaged; rural communities	698 (2001)	up to $4500 loan repaid at $50 per month	low	low	Allocations are used to meet demand from low-income and poor families for housing renovation and upkeep. Assistance with building materials, supplies and components	Programme aims to ensure minimum acceptable quality housing. Established as a revolving fund but poor repayment (10%)	25,000,000 (projected five year required)	2,500,000	Government Revenue	Prime Minister's Ministry; House Repair Programme – Housing Authority
Shelter Development Project	Infrastructure	Low-income families			high	low	Aimed at increasing the stock and quality of housing for low-income households: funds to be used for a demonstration project, mortgage financing, legal aid for formalization of title deed, skills training, and self-help building programme	Expected to significantly improve the living standard of a majority of citizens. Implementation process will bring expertise to the fund manager and on-lending retail mortgagors in the area of social development type financing.	13,500,000 (projected, total)	na	CDB	Ministry of Finance; Local Bank in the role of Fund Manager; Local finances houses in the role of retail lenders
Special Projects Programme	Infrastructure	Rural communities; economically disadvantaged					Provides for the financing of small projects such as roads, portable water to rural villages, bus shelters, waste disposal bins, community centers	Allocations have increase in the current year; positive impact on the quality of life in targeted communities	15,000,000 (projected five year required)	2,500,000	Government revenue	Prime Minister's Ministry
Farm roads Project and Farm road Rehabilitation	Infrastructure	Farmers; rural communities					Construction and rehabilitation of roads that serve estates and farmlands to ease transportation to market and of inputs.	Increased economic viability of farming activity, and improvement in the standard of life in related communities	55,000,000 (projected total required)	5,403,500	Government revenues; STABEX funds suspended	Ministry of Agriculture; Ministry of Works
Basic Needs Trust Fund	Infrastructure, skills training	Rural communities	50 communities		high, communities identified from Poverty Assessment data	low to middle coverage	Social and economic infrastructure development, road, water and other utilities, schools and medical facilities constructed and refurbished, and skills training in rural villages.	Key role in securing basic conditions, utilities and amenities to rural districts throughout the country, thereby contributing to improved standard of living.	10,400,000 (rounded, total)	2,200,000	CDB; Government of Grenada revenues	Ministry of Works and Public Utilities

D. Micro-enterprise development and Rural Poor

Title	Type	Target Group	Beneficiaries	Adequacy	Targeting	Coverage	Description	Assessed Impact	Total Budget	Annual Budget	Financing	Executing Agency
Rural Development Fund	Micro-enterprise	Rural Communities; young adults. Some forty-five communities are targeted.					Seed capital and finance for income generating projects and skills training.	Disbursements under this initiative to small and medium ventures serve to stimulate employment and motivate enterprise in the rural districts and among youth.	10,000,000	1,500,000	Government revenue	Prime Minister's Ministry
Micro Enterprise Development Programme	Micro-enterprise	Unemployed Women / rural youth / displaced workers	574 projects				Training and business infrastructure support as well as loans to entrepreneurs for self-employment and small business start-ups.	Monitoring, counseling and advice to small and medium enterprise initiative reduces unemployment and improves financial position of families. Has generated 934 jobs 1996 to 2002	26,000,000 (projected 5 year required)	500,000	Government revenue	Micro-enterprise Development Board
Rural Enterprise Development Project	Micro-enterprise	Rural communities	22 communities	good	high	high	Source of funds for income generating projects of groups and individuals, developmental training and creative community empowerment	Expected to contribute significantly to improving the opportunities available and the quality of life in rural Grenada	20,790,000	1,000,000	CDB/IFAD	Ministry of Finance
Quality of Life / Poverty Alleviation Programmes	Micro-enterprise	Rural communities / economically disadvantaged					Micro-enterprise development	Over 60 persons supported with loan funds / technical assistance	1,000,000 (projected five year)	166,000	International donors and International NGOs	ART

E. Natural Hazards

Title	Type	Target Group	Beneficiaries	Adequacy	Targeting	Coverage	Description	Assessed Impact	Total Budget	Annual Budget	Financing	Executing Agency
Disaster Fund	Natural hazard	all poor households	15 households	up to $1500, plus up to $1000 in grant, and up to $3000 credit	high	high	provides help in the event of a disaster(fire,flood, etc) to household without means		36,000	36,000	Government funds	Ministry for Social Development
Emergency recovery and Disaster Management Project	Natural hazard	all population	not applicable	not applicable	not applicable	not applicable	Provide disaster mitigation support at home and in communities, on the coast and inland, of a physical, material and systemic nature to ensure preparedness and life protection in circumstances of natural disasters or emergencies	Important component of disaster preparedness and hazard mitigation	31,685,000	4,000,000	Government revenue; IBRD	Ministry of Finance

F. Human Development

Title	Type	Target Group	Beneficiaries	Adequacy	Targeting	Coverage	Description	Assessed Impact	Total Budget	Annual Budget	Financing	Executing Agency
Care and protection of children.	Human development children	Children at risk / children in care institutions	100 (2004)	medium	high (100%)	low (25% of children at risk)	Monthly subsidies and other forms of support to institutions that house and care for children affected by abuse, neglect, and abandonment or otherwise at risk.	High impact programme, 6 homes exist – all overcrowded.	45,000	45,000	Government revenues	Ministry of Social Services; Child Welfare Authority; NGOs
Necessitous persons fund (linked to School Books and Uniform Programme)	Human development children	Economically disadvantaged / poor	550 (2003)	low barely covers transport	high (100%)	medium	Assists persons and families with special circumstances: provides transport fares/school supplies to children of large families, and for food subsidies to unemployed carers for shut-ins and children.	Plays a critical role particularly in rural communities and reduces truancy and illiteracy.	160,000	160,000	Government annual recurrent revenues	Ministry of Social Services; NGOs
School Feeding Programme	Human development children	Children in school (primary level)	9226 (2000)	good	low (21% of beneficiaries are vulnerable)	high	Food, food supplies and subsides are provided to schools' pantry for providing beverage and warm lunches to needy children	An important programme to subsidize education costs for families of economically disadvantaged communities. It plays and important role in keeping children of poor and rural families in school during their formative years	15,000,000 (five year projection)	2,100,000	Government revenues; ROC	Ministry of Education
Quality of Life / Poverty Alleviation Programmes	Human development children	Children	3000				Eat Local promotion targeting schools	11 schools involved – approximate targeted outreach of 3,000 children			International donor agencies; International NGOs	ART
Student Assistance Programme	Human development children	Economically disadvantaged; rural poor – secondary school students of low-income/unemployed parents	100				Provides financing for five years to cover books, uniforms and examinations fees. Also conduct guidance counseling, parenting skills and an annual eight-day educational/parental development camp.	Assisted over two hundred students now graduated, of which 80% attained jobs. Some 100 are currently at school.	750000 (since start of the initiative)	50,000	External donor agencies. Local solicitation/contributions (20% and growing)	GRENCODA

F. Human Development - Continued

Title	Type	Target Group	Beneficiaries	Adequacy	Targeting	Coverage	Description	Assessed Impact	Total Budget	Annual Budget	Financing	Executing Agency
Multiple Project for Disabled Persons	Human development disability	Physically Challenged	not applicable	not applicable	not applicable	not applicable	Funds transferred to finance projects and business proposals for the support of training and productive economic activities	Significant impact on the beneficiaries, their families and communities.	8,000,000 (projected, current project)	100,000	Government revenues	Ministry of social Services
Subsidy to Child Day Care Services Center	Human development early childhood	Children – infants and toddlers	not applicable	medium	low	low	Monthly transfers are made to day care centers covering operating costs and salaries.	Day care centers throughout Grenada are dependent upon this subsidy	350,000	350,000	Government annual revenues	Ministry of Social Services GRENSAVE
Douglaston Pre School	Human development early childhood	Children: infants 2.5 – 5 years old in Douglaston, Mt. Nesbit & Mt. Granby	100				Provides tuition/animation care and nutrition/diet	Some 100 children pass through the facility freeing up parents to work or to job search	200,000 approx. from start of the School	15,000	GRENCODA,Corporate citizen contribution in year 2000	GRENCODA
Grand Roy Day Care Center	Human development early childhood	Children: 6 months – 3 years in Grand Roy, Mari got, Mt. Plasir, Black Bay	100				Provides early stimulation/care nutrition/diet	Over 100 passed through, frees up parents to work, train or job search	204000 from start of the centre	24,000	GRENCODA annual revenues	GRENCODA
New Day Care Centers	Human development early childhood	Children - infants	1 new centre in 2002	medium covers 70%	low	low	Construction of an additional three day care centers in the rural districts of Carriacou, St. David's and St. Mark's	Meets demand for care centers in the respective districts, facilitates women's employment	800,000	200,000	Government revenues	Ministry of Social Services
Subsidies to homes for Senior Citizens	Human development old age support	Senior Citizens	100	low, user charges	low	low	Government budgetary provisions made annually to subsidize operating cost of institutions that care for the elderly	Institutions are dependant on this initiative to offer quality care at affordable prices	186,000	186,000	Government annual revenues	Ministry of Social Services
Provident Fund	Human development old age support	Senior Citizens, former farm estate workers	1468	low	high	high	Monthly payments to former laborers on agricultural estates received from the N.I.S. in the form of continuous life pension.	Large section of the population of senior citizens better able to purchase life needs monthly	2,580,000		NIS	National Insurance scheme; Ministry of social Services

F. Human Development - Continued

Title	Type	Target Group	Beneficiaries	Adequacy	Targeting	Coverage	Description	Assessed Impact	Total Budget	Annual Budget	Financing	Executing Agency
Senior Citizens Home Care Programme	Human development old age support	Senior Citizens	100	low insufficient funds	medium	low	Assists senior citizens unable to leave home and/or unable to provide their basic care needs through visits by District Medical Officer, nurses, or ECHO volunteers. The programme was established using start-up funds from Helpage International	Important for all shut-ins and otherwise challenged	450,000 (projected five year required)	95,000	Government revenue, Helpage International, NIS, community donations	ECHO, Ministry of Social Services; Ministry of Health.
Burial/ funeral cost assistance	Human development public assistance	Economically disadvantaged / poor	139 (2001)	good (upto$3500)	high (100%)	medium (information)	Families and/or survivors of persons unable to afford a socially acceptable burial ceremony apply for assistance paid to the Funeral Agency	Relatively stable level of use of this provision in recent years	150,000	150,000	Government annual recurrent revenues	Ministry of Social Services
Public assistance to vulnerable groups	Human development public assistance	Physically challenged, Senior citizens	3055	$100	medium	medium	Cash transfers paid monthly to elderly persons and to the physically challenged who are unable to earn an income sufficient for basic necessities.	Funding for this programme insufficient to meet demand. Applicants are greater in number than beneficiaries.	3,170,500	3,170,500	Government annual recurrent revenues	Ministry of Social Services
Quality of Life / Poverty Alleviation Programmes	Human development public health		4 communities				Health education Forum	Four communities received information to become more aware of lifestyle diseases / drug abuse / alcoholism and STDs	65,000	52,000	International donor agencies; international NGOs	ART
Social insurance	Human development social insurance	workers in formal employment and their dependents	11465 insured persons	medium	low to medium	low	Funded social insurance fund collecting contributions from affiliates and their employers and paying retirement, maternity, invalidity, survivor, injury at work, and sickness benefits	Good coverage of formal workers and key contingencies. Because in accumulation stage, most benefits are short-term.	$2.5m collected in Jan 04	$2.99m paid in benefits in year to Feb 04	Social insurance contributions	NIS
Quality of Life / Poverty Alleviation Programmes	Human development training and skills		50 households				Promotion of backyard gardening	50 households involved in planting / utilizing crops; they benefited from training in backyard gardening and nutrition education; 10 women trained	123,330; (April 1998 – March 2000)	62,165	International donor organizations; International NGOs	ART

F. Human Development - Continued

Title	Type	Target Group	Beneficiaries Adequacy	Targeting	Coverage	Description	Assessed Impact	Total Budget	Annual Budget	Financing	Executing Agency
National Employment and Skills Training Programme	Human development training and skills	Women; youth; displaced workers				Job training and placement activities implemented in consultation and coordination with employers. Mainly on-the-job training during which period a stipend is received and following which best efforts are made to assist with permanent job placement of support to self-employment initiative.	Demand for this programme is increasing with some beneficiaries reporting positive results.	1,500,000 (five year projection)	340,000	Government revenues. Programme generated income .External Grant	GRENCASE; NEWLO
Programme for Adolescent Mothers	Human development youth	Teenage Mothers	15-20	self-selection	medium	Continuing education programme. offering courses at CXC, GCE and primary school leaving levels. Activities in this programme include counseling and training in employable skills, parenting, and family life education.	Continuing education opportunities, providing support for those falling out of the formal education.	600,000 (projected five year required)	90,000	Government revenues; UNICEF	GRENSAVE and Ministry for Social Development
Youth at Risk	Human development youth	Students in the last two years to the end of primary and secondary level education	84			Twelve (12) students per school per parish assembled for a programme of activities aimed at sensitizing the pre-school leaving youth of issues pertinent to preparation for the world of work.	One such programme held to date is reported by the Youth Development Center to have been of positive influence on participants and their peers.	250,000 (projected five year required)	30,000	Government revenues; donations from private sector organizations	Youth Development Center, Ministry of Youth; Ministry of Education
Juvenile justice	Human development youth	Youth in conflict with the law / young offenders	staffing issue	in conflict with the law	medium	Subsidy to institutions and organizations dedicated to working with young offenders for rehabilitation and character reform. This programme also funds training in parenting skills.	Important programme for which limited resources have been allocated to date. A superficial appraisal gives the impact as below potential (need)	450,000	54,880	Government revenues	Ministry of Social Services, NCH, NCRC

F. Human Development - Continued

Title	Type	Target Group	Beneficiaries	Adequacy	Targeting	Coverage	Description	Assessed Impact	Total Budget	Annual Budget	Financing	Executing Agency
Youth "Learn a Skill" summer programme	Human development youth	Youth – school leavers					Programme imparts skills and expose school-leaving children to options for employment.	Fully subscribed and well attended in years when held. Though not intended to train for final employment, the programme provides a forum for productive use of time and for adult supervision during summer break.	400,000 (projected five year required)	85,000	Government revenues; donations from private sector organizations	Ministry of Youth
Young Men Empowerment	Human development youth	Adolescent and young adult male					Addresses the relationship between growth of young males in deviant social behavior and the concurrent decline of education, sport, culture and support from the family unit.	Important initiative to provide additional activity focus and positive social influence on young males, in particular those outside and on the fringes of the formal school system and employment centers.	1,500,000 (projected five year requirement)	350,000	To be identified	Youth Development Center, Ministry of Youth;
Youth Development Programme	Human development youth	Youth					Provides for advocacy, training, leadership and youth community involvement, mainly through summer programmes	Greater involvement of reached youth in decision-making. Role models are developing and speaking out on social issues.	1,200,000 (projected five year requirement)	200,000	Government revenue	Ministry of Youth; youth development centre
IMANI	Human development youth	18-25 year olds	750 since start in 2002	$500 a month	low to medium (self-selected)	medium	Training and job placements in public and private sector employment for 9-12 months for unemployed youth	153 of 750 have found permanent employment. Insufficient support from the private sector. Issues about monitoring and sustainability of the programme.		350,000	Government revenue	Office of the Prime Minister

APPENDIX FOUR. Brief description of the probit model

The basic model is:

Vulnerability = [shocks(adverse risks, hazards)] – [buffers (assets and strategies for livelihood security)]

This is estimated using household data from the 1998 Poverty Assessment Dataset.

The list of variables and their definitions is:

Vulnerability = 1 if expenditure per capita is at or below the poverty line

Male = 1 if male

Age = age of respondent

Agund51 = number of household members below 5 years of age

Agover1 = number of household members over the age of 60

Hbasic = 1 if no access to safe water (i.e. public pipe/tank/well)

Nper = number of persons in household

Hedatt = fraction of adults not having passed any school exam

Inform = 1 if the respondent worked as own account or informal in the last year

Unemp = 1 if respondent is out of work and looking for employment

Labshock = 1 is respondent is own account and cannot get a higher income due to illness, competition, or the economic situation; or if the respondent works less than 35 hours a week due to no work being available, illness or being temporarily laid off; or if the respondent didn't work last week because she was fired, retrenched, no more work was available, or due to end of seasonal employment

Inwork = 1 if respondent is in work

Durables = number of durables (0-9)

Lvabroad = 1 if the respondent has lived abroad in the last 10 years

Ysocins = 1 if the household receives income from NIS

Yremit = 1 if the household receives income from remittances

Ypubtran = 1 if the household receives income from public assistance

Ypritran = 1 if household receives income from relatives in the country

Ypens = 1 if the household receives income from public or private pensions

Healthin = 1 if the respondent stated being covered by health insurance

Creditun = 1 if household bought credit union shares in the last year

Table A3.1 below reports on the partial derivatives of the estimated probit parameters:

Table A3.1. Probit estimation results

	All in sample			16 to 60 year olds		
Variable	Marginal	t-stat	Mean of X	Marginal	t-stat	Mean of X
Constant	-0.34	-9.1	1.0	-0.34	-5.5	1.0
Age	0.001	4.3	34.1	0.002	2.5	33.2
Male	0.01	0.8	0.47	0.05	2.1	0.47
Agund51	0.02	1.8	0.57			
Agover1	-0.02	-3.4	0.73			
Inwork				-0.01	-0.6	0.52
Inform				-0.08	-2.0	0.09
Labshock				0.01	0.3	0.17
Hbasic	0.008	0.1	0.04	0.06	0.9	0.03
Hedatt	0.02	1.0	0.52	-0.03	-0.9	0.52
Lvabroad	-0.06	-2.0	0.09	-0.08	-2.2	0.11
Durables	-0.04	-10.2	4.5	-0.03	-6.0	4.7
Nper	0.08	20.9	5.2	0.08	15.6	4.9
Hdem	-0.03	-3.7	1.1	-0.03	-3.6	1.6
Yremit	-0.11	-5.5	0.19	-0.10	-3.4	0.18
Ysocins	0.002	0.0	0.05	0.00	0.1	0.06
Ypritran				-0.07	-2.1	0.12
Ypubtran	-0.13	-3.1	0.25	-0.07	-0.8	0.17
Ypens	-0.09	-2.7	0.06			
Healthin	-0.11	-5.1	0.18	-0.12	-4.6	0.29
Creditun				-0.04	-0.8	0.07
	N=4061 N0= 2462 N1=1599 LogL=-2220.7 LogL0=-2722.4			N=1872 N0=1199 N1=673 LogL=-985.4 LogL0= -1222.6		