



SOCIAL PROTECTION AND POVERTY REDUCTION IN THE CARIBBEAN

DRAFT REGIONAL REPORT

Synthesis of main findings of studies for Belize, Grenada and St. Lucia
with
supplementary information for Dominica and Jamaica

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Prepared by
Dr. Armando Barrientos
Institute for Development Policy and Management
The University of Manchester
United Kingdom

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
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.)
EU	European Union
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
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IMANI	Youth Work Experience Programme
IMF	International Monetary Fund
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
PAHO	Pan American Health Organisation
PATH	Programme of Advancement through Health and Education
PROGRESA	Progress through Education and Health
ROC	Republic of China (Taiwan)
STABEX	Commodity Stabilisation Fund (Asia, Pacific, and Caribbean countries)
UK	United Kingdom
UNDP	United Nations Development Agency
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WB	The World Bank

CURRENCY TABLE

US\$1 = EC\$ 2.70

US\$1 = JMD 60.05

US\$1 = BZD 1.97

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EXECUTIVE SUMMARY

This Report summarises the main findings and recommendations emerging from a *Research Study on Social Protection and Poverty Reduction in the Caribbean: Examining Policy and Practice*, conducted in February-June 2004. The Study is a joint initiative of the Caribbean Development Bank, the UK's Department for International Development, and the Delegation of the European Commission. Country studies were conducted in Belize, Grenada, and St. Lucia. These identified the key risks and vulnerabilities faced by their populations and assessed the coverage and effectiveness of existing social protection instruments. In addition to these country studies, this Report has made use of similar studies undertaken in Dominica and Jamaica, and benefited from a paper on the evolution of social welfare provision commissioned as part of the study. This Report is intended to support a regional consultation with a view to formulating a social protection framework for the Caribbean. This should aim to:

- reduce the adverse impact of vulnerability on growth and development strategies;
- protect the welfare of household and communities, and promote their capacity to invest in their future;
- engage international donors in a partnership to ensure aid effectiveness in social protection

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*'. It is grounded in the view that vulnerability, understood as the limited capacity of some communities and households to protect themselves against contingencies threatening their living standards, is a major factor explaining poverty and deprivation. Vulnerability also explains why some households under-invest in their future, for example in health prevention or schooling, and why they adopt behavioural responses, such as child labour, dysfunctional to their long term interests.

Social protection interventions seek to strengthen the capacity of communities, households and individuals to overcome their vulnerability, by protecting their living standards and promoting the investment needed for advancement. 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. It also looks to a broad range of providers, ranging 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.

Studies measuring vulnerability at the country level, through a composite vulnerability index (ECLAC 2000; Witter, Briguglio et al. 2002), have confirmed the high incidence of vulnerability to macroeconomic shocks and natural disasters in the countries in the Caribbean. The country studies covered by this report have made use of household survey data to measure vulnerability at the household level. The studies

have identified indicators of vulnerability based on inadequate consumption levels and other indicators of households' living standards. Measuring vulnerability in terms of insufficient consumption, it was found that just over one in five households in Grenada, just under one in five in St. Lucia, and one in three households in Belize can be considered to be vulnerable. One in four individuals in Grenada, one in five in St. Lucia, and close one in two in Belize, live in vulnerable households. High rates of unemployment, especially among the young, and informal employment are key vulnerabilities associated with the labour market. Focusing on other indicators of vulnerability, the absence of employed adults in the household, the demographic dependency ratio, and housing quality identified areas of household vulnerability. A measure of the asset base of households was also found to be important to assess vulnerability. The detailed mapping of vulnerability confirms that a significant proportion of Caribbean households, individuals, and communities, face unacceptable levels of vulnerability.

This is then followed by a discussion of the main findings emerging from mapping and evaluating existing social protection instruments. Although current reporting of public expenditure does not permit an accurate identification of social protection expenditures, broad measures for the countries studied suggest their social protection related expenditure levels are in line with those of Latin America and the Caribbean region. However, social protection expenditures are strongly pro-cyclical, and insufficiently well targeted on poor and vulnerable groups. Employment offers a range of social protection, including social insurance and labour standards, for workers in formal employment, but workers in informal employment and their households are significantly more vulnerable. There are important gaps in provision of skills and training especially to the unemployed. Social insurance schemes work reasonably well, but cover only for a fraction of the population, and a subset of contingencies (in the main these do not provide unemployment or health insurance for example).

Social protection for human development shows large gaps in provision, especially for the more vulnerable groups and the poor. The coverage of existing programmes is limited, the support provided is in many cases insufficient, targeting is poor, and instruments are missing in key areas. There is evidence that integration and coordination of existing programmes is deficient.

Statistical analysis demonstrated how different sources of vulnerability and social protection instruments jointly contribute to household vulnerability, and illuminated on the type of strategies households pursue to reduce and mitigate their exposure to hazards.

Comparison of the key vulnerabilities identified with the existing social protection instruments revealed significant gaps and deficiencies in provision, and helped identify the main components of a framework for social protection in the Caribbean.

The study concluded that in order to develop a strong and effective framework for social protection in the Caribbean the following issues will need to be given close consideration:

- A social protection framework for the Caribbean needs to locate and develop social protection as an integral part of a development strategy, and maximise the contribution social protection can make to economic and social development.
- An effective social protection framework for the Caribbean must encourage improvements in fiscal management at the country level, and cooperation at the regional level, to strengthen macroeconomic and natural hazard risk management
- Improving the operation of labour markets is an essential component of a social protection framework. It involves improving demand for, and access to, education and training by vulnerable groups. Improving demand for skills requires improving opportunity. Facilitating remittances can make an important contribution to social protection.
- There is only limited insurance, private or social, available to cover vulnerability arising from risks affecting specific households, and what insurance is available does not focus on the more vulnerable groups and the poor. Extending social insurance for all is a longer-term objective, but taking steps to eliminate exclusion and develop a more attractive package for vulnerable workers might be a safer and shorter-term option.
- The essential component of a framework for social protection will be the shift from social assistance to social development. This will involve bringing together separate programmes, and refocusing them on supporting households' capacity to address vulnerability.
- Data, analysis, and discussion on social protection are essential to raising public understanding of, and demand for, social protection.
- Governments and regional bodies need to maintain a vibrant partnership with donors in light of the existing support for social protection policies.

1. INTRODUCTION

This Report summarises the main findings and recommendations emerging from a *Research Study on Social Protection and Poverty Reduction in the Caribbean: Examining Policy and Practice*, conducted in February-June 2004.¹ The Study is a joint initiative of the Caribbean Development Bank, the UK's Department for International Development, and the Delegation of the European Commission. Country studies were conducted in Belize, Grenada, and St. Lucia.² These identified the key risks and vulnerabilities faced by the population and assessed the coverage and effectiveness of existing social protection instruments. In addition to these country studies, this Report has made use of similar studies undertaken in Dominica and Jamaica,³ and benefited from a commissioned paper on the evolution of social welfare provision.⁴ This Report is intended to support a regional consultation with a view to formulating effective social protection policy in the region.

The vulnerability of Caribbean states is widely acknowledged. As small states, highly dependent on global markets, they are vulnerable to the downturns of the global economy, and to trade fluctuations. An example of this is the withdrawal of preferential market access to the European Union for St. Lucia's banana industry. This action is mainly responsible for a five-fold decline in the contribution of this sector to GDP in the last decade. These Caribbean states are also highly vulnerable to natural hazards, such as hurricanes, floods, storms, landslides, and volcanic activity. In the case of Dominica, the residual damage from one tropical storm and two hurricanes in 1995 was estimated at 35 percent of GDP. These hazards can dislocate the whole society overnight and can reverse gains that took decades to attain.

Over time, the countries of the Caribbean have shown enormous resilience in coping with their vulnerability. Their economies have sought to diversify, and tourism and off-shore financial services demonstrate some mixed results from this strategy. Labour migration and remittances have helped households respond to uncertain prospects and external shocks. Informal savings schemes, such as the *sou sou* in Grenada or the *sub* in Dominica, are widely used today. Cooperation between international donors, regional bodies, and governments has supported a range of programmes mitigating the impact of external shocks, sustaining communities, and improving infrastructure. This resilience explains the positive performance of social indicators in the region, for example in terms of progress towards achieving the Millennium Development Goals (Downes and Downes 2003).

In spite of this resilience, vulnerability remains a key factor explaining the uneven performance of the economies of the region and the persistence of poverty. GDP growth in the Caribbean halved in the 1980s compared to the 1970s, and failed to

¹ The research team was coordinated by Dr. Eleanor Wint, Consultant Social Researcher, SERU, Caribbean Development Bank, and Lois Crawford, Programme Coordinator, SERU, Caribbean Development Bank, and included 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.

² (Barrientos 2004b; Henry 2004; Henry-Lee 2004).

³ (Blank 2001; World Bank 2003).

⁴ (Daniel 2004).

recover in the 1990s.⁵ Poverty assessments carried out in a number of Caribbean states have concluded that poverty incidence is high.⁶ High levels of vulnerability in the region undermine development strategies and threaten standards of living.

The country reports and the studies carried out in Dominica and Jamaica concurred on the need to develop a social protection framework for the region. As a policy framework, social protection combines and integrates a range of programmes and policies helping households and communities address their vulnerability. Both the process and implementation of social protection involves a wide range of stakeholders and allows for prioritisation of support to the most vulnerable groups.

Reviewing the data from the study and the inputs from the stakeholders involved, it would appear that a social protection framework for the Caribbean should aim to:

- reduce the adverse impact of vulnerability on growth and development strategies;
- protect the welfare of household and communities, and promote their capacity to invest in their future;
- engage international donors in a partnership to ensure aid effectiveness in social protection

The Report is divided into four main sections. Section 2 outlines the nature and scope of social protection. Section 3 examines the pattern of risk and vulnerability in the region. Section 4 identifies and evaluates existing social protection instruments. Section 5 draws out the main elements of a social protection framework for the Caribbean. A final section summarises the main conclusions.

⁵ The region's median per capita GDP growth has been estimated at 3.53 for the 1970s, 1.82 for the 1980s, and 2.30 for the 1990s (CGCED 2002a).

⁶ Poverty rates in the Caribbean range from 5 percent in the Bahamas to 65 percent in Haiti, and average 35 percent (CGCED 2002a).

2. WHAT IS SOCIAL PROTECTION?

Social Protection: Definition and background

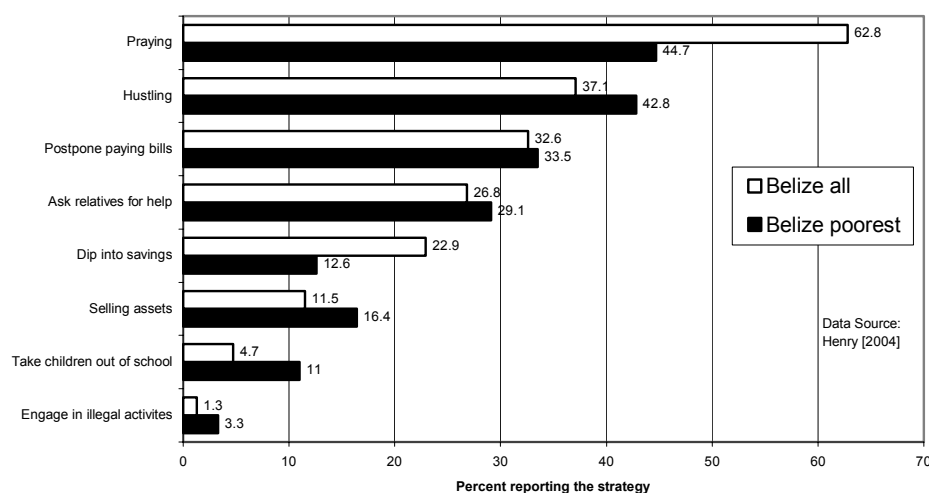
Social Protection is defined as *all interventions from public, private, voluntary organisation and social networks, to support communities, households, and individuals, in their efforts to prevent, manage, and overcome a defined set of risks and vulnerabilities*. It has developed as a response to rising poverty and vulnerability worldwide 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 economic stagnation 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.

Social protection is grounded in 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 and deprivation. Vulnerability is also a primary factor explaining why some households under-invest in their future and find themselves unable to take advantage of economic and social opportunities. Vulnerability explains why, in response to shocks, some households are forced to take children out of school, work in informal jobs, forego necessities including medical care, or get involved in illegal activities (See Box 2.1 below). Social protection interventions seek to strengthen the capacity of communities, households and individuals to overcome their vulnerability, by protecting their living standards and promoting the investment needed for advancement.

Box 2.1. Household responses to risk and vulnerability

How do Caribbean households respond to financial difficulties? Evidence from Belize shows they resort to a range of strategies, from selling assets and dipping into savings to hustling. The Figure 2.1 below compares responses reported by all households with those reported by the poorer households in Belize (2002).

Figure 2.1. Household responses to financial difficulties, Belize 2002



Households in the poorest quintile are close to three times more likely to take children out of school than the average household; and over twice as likely to take children out of school. They are also more likely to have to sell assets than the average household, probably because they have fewer savings to fall back on.

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, ranging from international organisations, government agencies, NGOs, the private sector, labour and community, and especially households, to collaborate in reducing vulnerability. This is a necessary response to the impact of globalisation on the capacity of governments in developing countries, but it is also recognition of the effectiveness of diverse providers.⁷ The challenge is to achieve an integrated, effective, and comprehensive social protection system, as much a safety net as a springboard.

Among multilateral institutions, social protection is being adopted and developed as an effective policy framework to address poverty and vulnerability consistent with 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.⁸ This is also reflected in the development of social protection policy frameworks by regional organisations. The Inter-American Development Bank has developed a social protection framework (IADB 2000), and the Asian Development Bank launched a Social Protection Strategy in 2001 (ADB 2001).

As noted, the studies conducted in the five countries covered in this Report concluded there was an urgent need to strengthen social protection in the Caribbean. The small and 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 in terms of trade and in the macroeconomic variables of key trading partners.⁹ 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 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). High levels of vulnerability, and the need to protect social development gains in the region in the

⁷ 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 (Tanzi 2000)

⁸ (ILO 2001b; World Bank 2001)

⁹ This was reflected, for example, in the impact of September 11th 2001 on the economies of the region (CGCED 2002a; CARICOM Secretariat 2003).

midst of structural change, add urgency to the development of an effective social protection framework for the Caribbean.¹⁰

Social protection and poverty policy

In supporting communities and households address their vulnerability, social protection is an integral part of anti-poverty policy. Effective social protection seeks to reduce variations in living standards, which may push households temporarily below the poverty line, and to promote investment in human development needed to overcome persistent poverty. At the same time, anti-poverty policy is wider than social protection. Policies aimed at enhancing economic growth and private sector development, for example, can be part of an anti-poverty strategy, but may not necessarily fit within the scope of social protection. Social protection can strengthen, but cannot replace, anti-poverty policy.

Social protection, growth, and development

Social protection has a role to play in facilitating processes of social and economic transformation. It must therefore be understood as a central component of development and growth strategies for the Caribbean. Social protection can contribute to growth and development by:

- (i) ensuring acceptable and stable levels of household consumption, e.g. through cash transfers supporting poor households;
- (ii) facilitating investment in human and physical assets that reduce the risk of future poverty, e.g. through education subsidies, skills provision, or credit;
- (iii) reducing or eradicating dysfunctional behavioural responses to vulnerability, like postponing health care or switching to poor quality foods, which undermine social development at the household level, and productivity and growth at the macro level;
- (iv) lowering incentives for unproductive and antisocial behaviour, for example through providing strong safety nets, and fostering social cohesion and economic change
- (v) helping correct market failures that contribute to poverty and underdevelopment, for example through promoting social and private insurance, and helping develop catastrophe insurance;
- (vi) helping secure stable economic growth, through counter-cyclical fiscal policy.

Risk, vulnerability, and household welfare

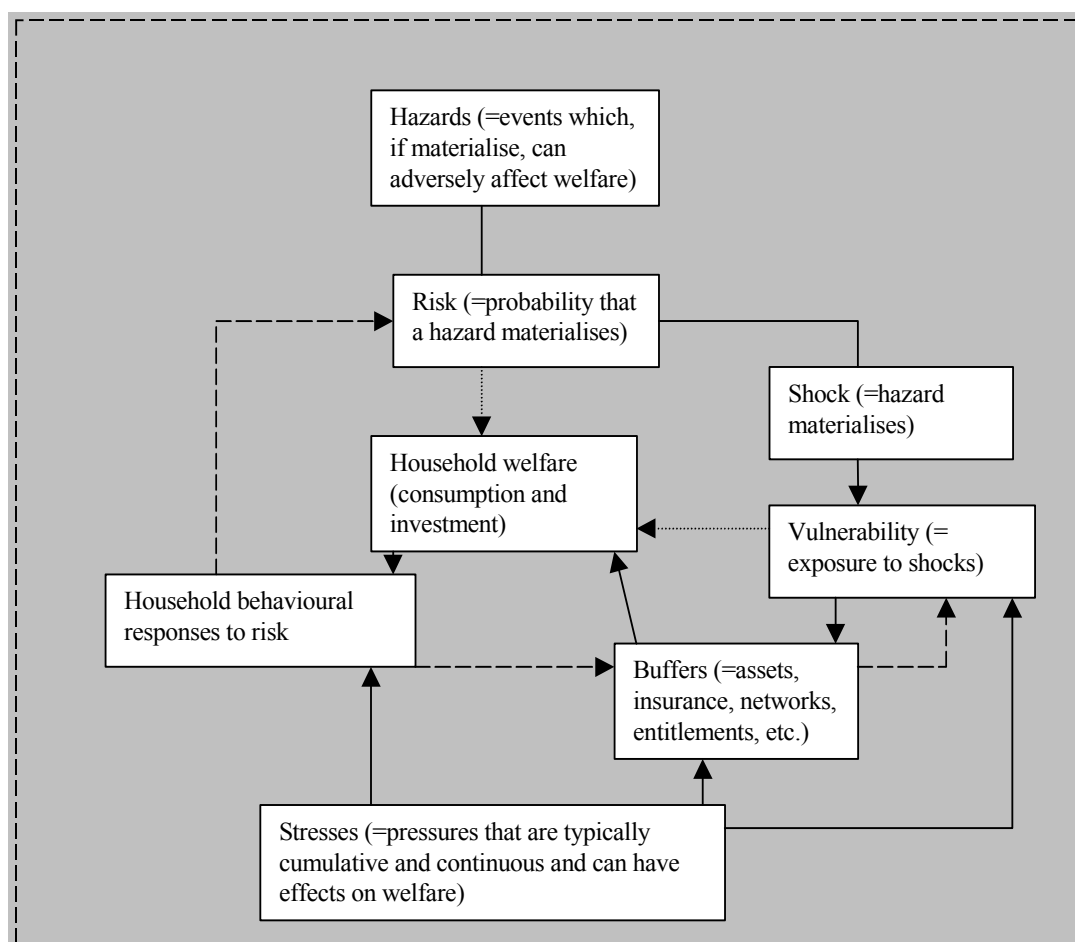
The conceptual framework underpinning social protection can be briefly reviewed. Figure 2.2 below provides a synoptic description of the linkages existing between risk, vulnerability, and household welfare. Hazards are defined as events which adversely affect welfare and threaten the consumption and investment plans of households. Hazards materialise with a given probability, or risk. Risk affects

¹⁰ 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).

households directly in two ways. Firstly, assuming that households are risk averse, the presence of risk and uncertainty will lower their wellbeing. Secondly, when hazards materialise these impact adversely on the assets, consumption, and investment of households. Risk also affects households indirectly, through the impact of households' behavioural responses to the presence of risk on their welfare. The latter are likely to persist through time if these behavioural responses impact on household investment.

Household vulnerability can therefore be defined by the extent to which the consumption and investment plans of households are disrupted by external events. A measure of household vulnerability would need to factor in the level of risk to which households are exposed, as much as their resilience. Their resilience is determined to an important extent by the buffers available to households to mitigate the impact of shocks. Households with savings or liquid assets, for example, will be in a better position to cope with shocks than households without them. Households facing high levels of risk and having few assets or buffers are a particular concern for social protection. Stresses, defined as pressures that are typically cumulative and continuous in time, can reduce the resilience of households, and therefore increase their vulnerability. Chronic illness and disability are good examples of stresses.

Figure 2.2. Hazards, risk, and household welfare



An example might be helpful in fixing the meaning of these concepts. The risk of unemployment, which has come about as a result of a decline in the banana and sugar exports, affects individuals directly by raising uncertainty about their future and that of their dependents. When individuals become unemployed, this has an immediate effect on their living standards, as their income drops and they are forced to rely on savings or help from relatives and friends. As time passes, their buffers become less effective. If unemployment is prolonged, stress undermines their health and confidence. In their efforts to avoid or cope with unemployment, individuals may be forced to resort to behavioural responses with longer term detrimental effects, they 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 short term behavioural responses may, however, make it more difficult for individuals in affected households to overcome their vulnerability in the long run.

Summary

- **Social protection interventions seek to strengthen the capacity of communities, households and individuals to overcome their vulnerability, by protecting their living standards and promoting the investment needed for advancement.**
- **Social protection has been adopted and developed by multilateral organisations and national governments as an effective response to globalisation.**
- **Social protection includes a range of instruments and stakeholders.**
- **Social protection is grounded in the view that sustained vulnerability leads to poverty and deprivation.**
- **Social protection can support, but cannot replace, anti-poverty policy.**
- **Social Protection is best understood as a key component of growth and development strategies**

3. HAZARDS AND VULNERABILITY IN THE CARIBBEAN

This section identifies key vulnerabilities in the Caribbean.

Vulnerability to macroeconomic shocks

Exposure to macroeconomic shocks is particularly strong among the Caribbean economies (See Box 3.1 below). These are open economies, embedded in global markets. The nature of their relationship to these markets is dominated by imports of foodstuff and other necessities and by exports of agricultural products, labour, and earnings from tourism. Caribbean economies have a very narrow productive base and are essentially price takers, a situation reinforced by moves to rules based trade institutions and the dismantling of preferential trade agreements with the EU. Most countries have adopted strategies to diversify their exports but, apart from a rapid growth in tourism, results have been mixed.

The performance of the Caribbean economies follows the trends in the global economy. The implementation of international policies such as the WTO rulings, or G7 and OECD's rules relating to money laundering, financial stability and harmful tax practices, can have significant effects upon the Caribbean economies. In the absence of predictable and reliable efforts by the international community to mitigate the impact of rule changes on the small economies of the Caribbean, their exposure to international policy risk is high.

Box 3.1. Macroeconomic vulnerability in the Caribbean and other regions

How vulnerable are households in the Caribbean to changes in the global economy? Many studies suggest the Caribbean is particularly exposed to changes in the global economy, and that the absence of effective social protection implies that the well being of people in the region is exposed in full to the consequences of adverse global conditions. In this context, vulnerability describes the extent to which the standards of living of Caribbean households are exposed to macroeconomic shocks.

A measure of this vulnerability is the excess variability of consumption growth over income growth. Figure 3.1(a) below shows the ratio of the variability of private consumption growth to the variability of GDP growth. If this ratio is 1, variation in consumption growth replicates the variability in economic growth. In other words, the average Caribbean household lowers their standard of living when the macroeconomy contracts, and raises it when the economy expands. If the ratio is less than 1, consumption growth is more stable than GDP growth, implying that the average Caribbean household manages to partially protect their living standards in bad times. If the ratio is greater than 1, this implies that Caribbean households are especially vulnerable to macroeconomic shocks, as changes in living standards amplify the changes in the economy. This is excess variability of consumption growth over income growth. As can be seen from Figure 3.1(a), the vulnerability of Caribbean households to macroeconomic shocks is high, in absolute terms (that is ratios are over 1) and relative to Latin America and the Pacific Islands.

This remains the case even if we factor in remittances, which are an important instrument mitigating the impact of macroeconomic shocks for Caribbean households. Figure 3.1(b) measures the excess variability of private consumption growth to the variability in the growth of Gross National Disposable Income, that is, GDP plus net receipts of factor incomes from abroad plus net current transfers from abroad. Ratios are lower than in Figure 3.1(a) showing the impact of remittances, but remain high in absolute and relative terms. The single positive from Figure 3.1(b) is the fact that excess variability appears to have declined in 1990s compared to the 1970s.

Figure 3.1(a) Excess variability of consumption growth over income (GDP) growth by region

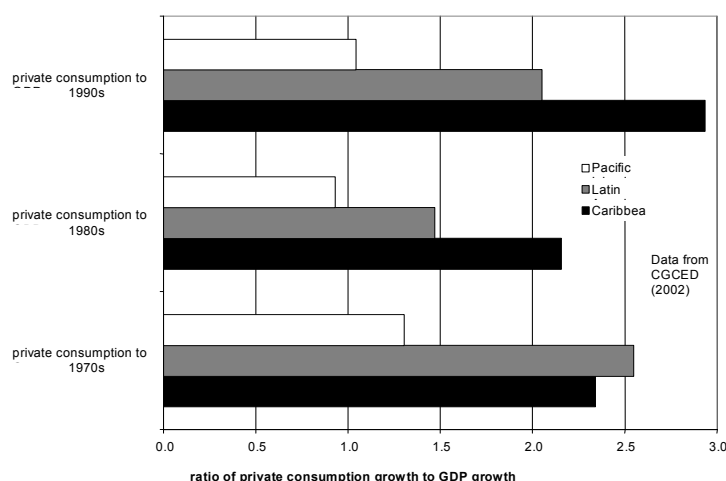
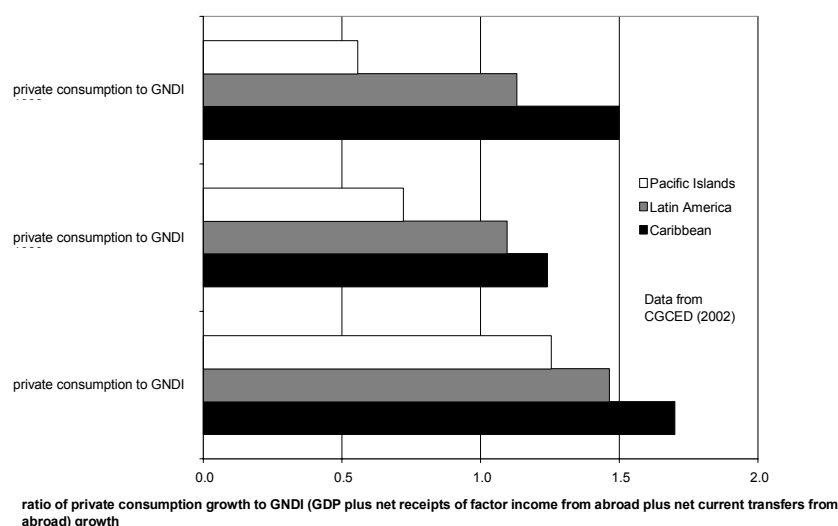


Figure 3.1(b) Excess variability of consumption growth over income (GNDI) growth by region



As the Caribbean Economic Overview 2002 states, for a sample of Caribbean countries “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).

Trends in the global economy also impact directly upon government revenues, especially as taxes on international trade and domestic consumption account for the majority of tax revenues. In Grenada in 2000, for example, 57 percent of tax revenues were contributed by taxes on international trade, and a further 19 percent came from taxes on domestic goods and services. As a large share of recurrent government expenditure is accounted for by the wage bill, there is very little flexibility on the expenditure side. A downturn in the global economy has an immediate impact upon governments’ balance sheets.¹¹ The impact of the economic uncertainty generated by September 11th 2001 was reflected in a decline in total tax revenues for that year, and a threefold rise in public sector net borrowing. The capacity of governments in the

¹¹ (CARICOM Secretariat 2003).

Caribbean to pursue counter-cyclical fiscal policy in response to macroeconomic shocks is severely limited.

Vulnerabilities associated with macroeconomic shocks are not evenly distributed across the population, and a range of studies has shown that macroeconomic shocks impact disproportionately on the poor. 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.

Vulnerability to natural hazards

The vulnerability of Caribbean states to natural hazards has long been recognised. Hurricanes, tropical storms, floods, and volcanic activity are regular occurrences in the region and can have devastating effects on tourism, agriculture, housing, and generally economic activity (See Box 3.2 below). The vulnerability to natural hazards also detracts from 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 may have to be diverted to provide relief to those affected by natural hazards.

Box 3.2 Natural disasters undermine development: Direct cost of natural disasters in the Caribbean

Table 3.1. Main Natural Disasters in the Caribbean (1988-1998)				
Year	Country	Hazard	Persons affected	Damage US\$m
1988	Dominican Republic	Flood	1,191,150	
1988	Haiti	Gilbert	870,000	91
1988	Jamaica	Gilbert	810,000	1,000
1989	Monserrat	Hugo	1,040	240
1989	Antigua, St. Kitts/Nevis, Tortolla	Hugo	33,790	3,579
1991	Jamaica	Flood	551,340	30
1992	Bahamas	Andrew	1,700	250
1993	Cuba	Storm	149,775	1,000
1994	Haiti	Storm	1,578,000	
1999	St Kitts/Nevis	Luis	1,800	197
1995	US Virgin islands	Marilyn	10,000	1,500
1998	Dominican Republic	Georges	975,595	2,193

From CGCED (2002b)

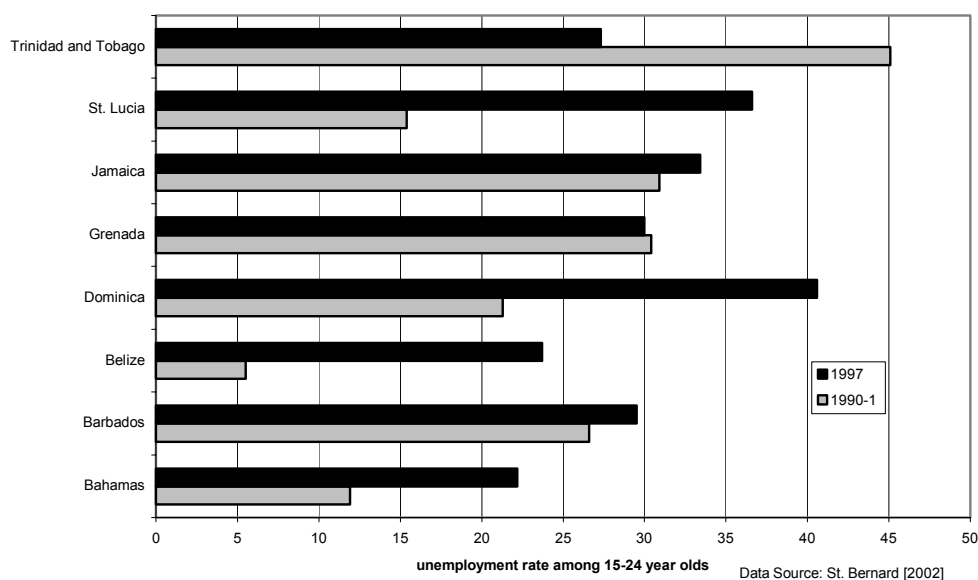
There is evidence that vulnerability to natural hazards may be skewed towards the poor. The CGCED study notes that “skewed land ownership and tenure patterns can drive the poor to settle on vulnerable land. Easy access to production resources can also prompt settlement of otherwise hazardous locations. Unsustainable natural resource use associated with poverty can exacerbate these existing vulnerabilities” (CGCED 2002b, p.viii). Instances of flooding, landslides, and other environmental degradation fit in well within this description.

Labour market vulnerability

Employment is key source of income for households in the Caribbean, and the labour market a source of both risk and protection. Access to employment can help households overcome income shocks, such as those arising from household dynamics (births, deaths or separation) or from macroeconomic factors (unemployment, inflation, business failure). At the same time, the labour market can be a hazard, through unemployment, or hazardous, precarious, or irregular employment. In common with other countries in South and Central America, labour markets in the Caribbean are segmented into formal and informal employment. Formal employment is covered by labour standards and social insurance, whereas informal employment, including self-employment and employment in seasonal, irregular, part-time, and unregulated activities, is seldom covered. There is an added complexity to Caribbean labour markets in that widespread labour migration effectively links them up with labour markets in North America and Europe.

Unemployment rates have generally risen in the region in the 1990s, in Grenada they reached 26.7 percent in 1994, and 21.7 percent in St. Lucia in 1998. Fortunately, unemployment rates have since declined and, for the countries covered in this report, these are now bunching around the 15 percent mark (See Figure 3.2 below). The main factors behind the rise in unemployment are structural employment changes associated with agriculture, and macroeconomic downturns in the global economy.

Figure 3.2 Youth unemployment rate 1990-1 and 1997 for selected countries



The key labour market vulnerabilities are unemployment and underemployment, informal, irregular, and/or hazardous employment, and restricted coverage of social insurance and labour standards.

Human development vulnerability

The goal of social protection is to protect and promote human development. Vulnerability threatens the standards of living of households, and is particularly problematic for those households around, or below, the poverty line. Vulnerability also undermines the capacity of households to invest in their future, in terms of nutrition, schooling, and access to income-generating opportunities. Social protection seeks to protect the consumption of households, and also promote their investment in the future.

An objective of the study was to develop and estimate appropriate indicators of household vulnerability in the countries studied. Household income and expenditure are commonly used to measure and compare standards of living. The poverty assessment studies in the region have identified a strong correlation existing between poverty and vulnerability. In addition those who are not poor but are just above the poverty line can also be considered to be vulnerable. For the purposes of the study, a vulnerability threshold was set at 125 percent of the national poverty line.¹²

The study also identified a range of indicators reflecting the multidimensional nature of vulnerability. Education is a good indicator of earnings, occupational choice, and more generally opportunity. Two indicators were constructed to capture the educational qualifications of adults, and the school attendance of children. Labour earnings are a key component of household income. Two indicators were constructed to exploit this fact, one measuring whether or not there are employed adults in the households and another measuring the share of adults in employment. An indicator of a household dependency ratio, the number of household members of working age relative to those not of working age, was constructed to identify vulnerability arising from household demographics. Access to safe drinking water was used as a proxy for access to basic services, which is another important vulnerability issue. Housing quality is a vulnerability issue in the context of environmental hazards, but it is also a good proxy measure of quality of life. Finally, the asset base of households was captured with a variable indicating the number of common consumer durables in the household, with a vulnerability threshold of one third or less of possible durables. The incidence of vulnerability was then estimated using the most recent household survey data for each of the three countries.

The main findings are presented in Table 3.2 below.

¹² To estimate the incidence of vulnerability in the population, two standard of living indicators were used. The first one focused on per capita household expenditure, obtained by dividing total household expenditure by the number of household members. The second, adult equivalent household expenditure, took account on the fact that there are economies of scale in household size, and that children require a fraction of adult expenditure to achieve the same standard of living.

Table 3.2. Indicators of vulnerability in Grenada, St. Lucia and Belize

Indicator of Vulnerability	Grenada		St. Lucia		Belize	
	% households	% individuals	% households	% individuals	% households	% individuals
Low per capita household consumption (below 125% of poverty line)	29.0	39.3	28.2	36.3	n.a	n.a
Low adult equivalent household consumption (below 125% of poverty line)	21.5	25.7	18.0	21.0	34.0	44.3
Low educational attainment (defined as not having passed any school examination)	n.a	70.5	n.a	37.1	n.a	51.6
No schooling (school age children not attending school last week)	n.a	5.0	n.a	5.5	n.a	n.a
No employment (no adult employed in the household)	32.0	23.0	22.3	16.0	n.a	n.a
Insufficient employment (less than one in two adults employed in the household)	45.7	45.0	52.5	55.5	n.a	30.0
High dependency ratio (less than one person of working age for every two persons not of working age)	38.5	36.6	26.3	25.5	n.a	49.1
Poor access to safe water (if no piped water)	5.7	4.2	3.8	3.9	18.8	n.a
Poor quality of housing (outer walls made of plywood or worse, or toilet is a pit latrine or worse)	54.1	57.7	55.5	56.0	52.9	n.a
Low asset base (whether household has 3 or less out of 9 possible common durables)	32.0	42.1	32.5	27.9	61.5	n.a

n.a. is not available

Estimation using data from the 1999 Poverty Assessment Dataset for Grenada, the 1995 Poverty Assessment Dataset for St. Lucia, and the 2002 Living Standards Measurement Survey Dataset for Belize.

The findings reported in Table 3.2 indicate that the incidence of vulnerability is high among the three countries studied.

- Just over one in five households in Grenada, just under one in five in St. Lucia, and one in three households in Belize are vulnerable.

- One in four individuals in Grenada, one in five in St. Lucia, and close one in two in Belize, live in vulnerable households.
- Over two thirds of adults in Grenada have never passed an examination, and therefore lack certified skills, compared to one third of adults in St. Lucia and one half of adults in Belize.
- Attendance at school by those of school age is very high, only one in twenty children were not attending school at the time of the survey in Grenada and St Lucia.
- Just under one in three households in Grenada had no adult employed, and just over forty-five percent of households had less than one adult in two employed. Equivalent figures for St. Lucia are 22.3 percent and 55.5 percent respectively.
- Vulnerability is also associated with the demographic composition of households, measured by the density of dependents. Over one third of households in Grenada, and a quarter of households in St. Lucia had less than one person of working age for every two not of working age.
- The provision of safe drinking water is reasonably good in some countries, as only 5.7 percent of households lacking piped water in Grenada and 3.8 percent in St. Lucia, but this is an issue in Belize where 18.8 percent of households are vulnerable in this respect.
- 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 in each of the three countries studied.
- Focusing on a measure of the asset base of households is important to assess vulnerability. Assets are important to households intrinsically, e.g. a stove to prepare food, but they are also important instrumentally, in that they can serve as buffers against unforeseen contingencies, e.g. they can sold or pawned. Around one third of households in Grenada and St. Lucia, but a staggering 61.5 percent of households in Belize, are below this vulnerability threshold.

Box 3.3. Predicting vulnerability in Dominica

The Social Protection Review for Dominica identified vulnerable individuals and households as those whose predicted consumption, based on their current human and physical assets and the variation in household consumption of their population sub-group, shows a strong probability (over 50 percent probability) of being below the poverty line. Their methodology is interesting because it permits disaggregating the vulnerable between those whose vulnerability arises from steady low consumption levels as against households whose vulnerability arises from high volatility in consumption. Households with few assets and poorly educated members are highly likely to be poor in the future. On the other hand, it can be predicted that households with reasonable levels of assets, human and physical, but exposed to very high unemployment or natural hazards will experience poverty. The first type of vulnerability arises from low consumption levels, while the second arises from the high variance of consumption. An elderly couple household could be a good example of the first group, whereas an informal worker or self-employed household fits into the second group. Using the 2001 Dominica Survey of Living Conditions, it was possible to predict the probability of future consumption

for the sampled households (World Bank 2003). Table 3.3 below shows the shares of the different groups.

		Current poverty status	
		Poor	Non-Poor
Vulnerable (=having a probability to be poor in the future greater than 50 percent)	Low mean vulnerable	17%	5%
	High-variance vulnerable	6%	4%
Non vulnerable		15%	53%

The findings suggest a strong correlation between the current poor in Dominica (39 percent) and the vulnerable (32 percent). The results suggest some of the current poor will manage to pull themselves above poverty (15 percent), while some of the current non-poor will fall into poverty (9 percent). Within the vulnerable, a core 23 percent (17 percent plus 6 percent) are currently poor and predicted to be poor in the future. Those who are vulnerable because of low consumption levels are predicted to be the majority (22 percent) of the poor, while those whose vulnerability is mainly due to high variance of consumption are predicted to be 10 percent.

The policy implications drawn by the report are as follows: “social protection type programmes that address consumption volatility and transient spells of poverty... play an important role alongside longer-term efforts to reduce poverty and to decrease vulnerability among the chronic poor” (p.41)(World Bank 2003).

It is also important to consider vulnerability in the context of the life course, in both its quantitative and qualitative dimensions. Table 3.4 below provides key figures on the proportion of individuals at different stages of the life course showing expenditure vulnerability, and summarises the qualitative information on the main sources of vulnerability for specific age groups.

The pattern of vulnerability across the three countries studied shows a strong similarity, as indicated by Table 3.4 below. A regional framework for social protection is therefore an appropriate and effective response. However, some areas of vulnerability are country specific. In Belize, past conflict situations in Central America have led to high levels of poverty and vulnerability among displaced populations, and have exerted considerable pressure on the capacity of the Government of Belize to respond effectively to these sources of vulnerability. Ethnicity as a dimension of vulnerability is an important issue in Belize, and it is also mentioned in the Dominica report. There are also differences across countries in the timing and depth of specific vulnerabilities, the employment restructuring arising from the decline in the banana sector, for example, is underway in St. Lucia, but it has more or less run its course in Grenada.

Table 3.4. Life course vulnerabilities

Age group	Expenditure vulnerability ^a	Other vulnerability factors and indicators
Early Childhood Age 0-4	Grenada 26.1 % St. Lucia 21.8 % Belize 49.3 %	<ul style="list-style-type: none"> • <i>Poor nutrition and stunting</i> – Infant mortality rate (per 1000 live births) 21.5 (Belize 1998), 22 (Grenada 1999), 14.3 (St. Lucia 1999). Under fives' mortality rate (per 1000) 24.5 (Belize 1998), 27 (Grenada 1999). Percent underweight among under fives 1.7 % (Grenada 1999), 1.3 % (Belize 2002) • <i>Health</i> – Incidence of diarrhoea 368 cases (St. Lucia 2002), 31.3 percent of children reported having had an illness in Belize (2002), the highest incidence across age groups. • <i>Neglect</i> – Grenada: 100 in Children's Homes (all ages, 2004), but many more at risk.
School Age 5-15	Grenada 28.0 % St. Lucia 18.6 % Belize 51.2	<ul style="list-style-type: none"> • <i>Non-attendance at school</i> – around 5 percent for Grenada and St. Lucia ; 5 percent children working in Belize (See Box 3.4 below) • <i>Household difficulties in meeting costs of schooling</i> – Grenada: 21% of children in primary schools exempted from school meal charges; 57.8 % of secondary school students did not have all the required textbooks • <i>Household failure to support schooling</i> – truancy • <i>Poor household environment</i> – Grenada: 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	Grenada 24.1 % St. Lucia 21.0 % Belize 40.0 %	<ul style="list-style-type: none"> • <i>Early pregnancy</i> – Percent of births to girls aged 10-19: 18 % (Belize 2000), 16 % (St. Lucia since 1997), 16.3 (Grenada 198 aged 13-19); 15% (Dominica). Trends have declined over time. • <i>Transition from school to work</i> - enrolment rates for secondary schools around 60 % in Grenada and St. Lucia; 74 % of males in Dominica. • <i>High youth unemployment</i> - 50 % in St. Lucia 2001; 74% among the poor and 44% among the non-poor in Dominica • <i>Unemployment</i> – rate was 12 % (Grenada 2000), 22.2 % (St. Lucia 2001), and 9.3 % (Belize 2001). • <i>Insecure and low paid jobs</i> • <i>Maternal mortality</i> (per 100,000 births) – Belize 13.4, 30 (St, Lucia 1996) • <i>Fluid unions and large household size</i> • <i>HIV/AIDS and other communicable diseases</i> – 417 confirmed cases of HIV/AIDS (St. Lucia) • <i>Poor housing and basic services</i> – 13.6 % of household with 2 or more persons per room (Grenada 2002)
Elderly 61+	Grenada 26.5 % St. Lucia 28.5 % Belize 32.2 %	<ul style="list-style-type: none"> • <i>Insufficient income</i> – Grenada: 3055 beneficiaries of public assistance (2001) most of which elderly, receive a cash transfer just above one third of poverty line; St. Lucia: 80 % lack any insurance; 73% not covered by social security in Dominica. (See Box 3.5 below) • <i>Insufficient care for elderly and infirm</i> – Grenada: less than 200 places available in homes for the elderly

^a Estimated using adult equivalent household expenditure.

Data Sources (Kairi Consultants 1999; Charles 2001; Henry-Lee, Charles et al. 2002; Downes and Downes 2003; Kairi Consultants Ltd. 2003; World Bank 2003; Barrientos 2004b; Henry 2004; Henry-Lee 2004; UNICEF n.d.)

Box 3.4. Child Labour in Belize

According to ILO Convention 138, child labour is defined as work performed by economically active persons below the age of 12, persons between 12 and 14 engaged in work other than light work, and persons aged 15 to 17 engaged in hazardous work. A Survey conducted in Belize in 2002 by the Central Statistical Office established that 6.4 percent of children aged 5 to 17 could be considered as child labourers, with an average age of entry to the labour market of 8.9. Males were three times more likely to be child labourers, and the incidence of child labour was highest among Maya children. Much of child labour was concentrated in the Toledo District, and in agriculture. Some two thirds of all child labourers should by law have been in full time education.

(Henry 2004)

Box 3.5. Coverage of social assistance is limited: A case study from Belize

Jose and Juanita now in their seventies came to Belize from Guatemala over 40 years ago and settled in the area of Jalacte with their four children. Two more children were born to them in Jalacte. They worked the land just as people around them did in that part of the country. They can understand Spanish but mainly speak one of the Maya dialects. Some years ago they came to Belmopan to escape from difficult times in the Toledo District. Jose worked as a labourer on farms in the Cayo District. The children have now moved out of the home to establish their own families, and have children to provide for. Jose and Juanita live on their own, and could not, in good conscience, expect to depend on their children for support. Times are hard for everyone.

Juanita has been fortunate to get the B\$75 a month that the government provides to elderly women. They are grateful for this support, but cannot understand why Jose, who has worked so hard since coming to Belize, gets nothing. They also get some support from the free meals provided at a HELPAGE centre in Belmopan two days a week. They appreciate this service and are usually happier on those two days. There is also a free doctors' surgery on Thursdays, and they also enjoy the opportunity to meet with other elderly people and exchange greetings and small talk.

(Henry 2004)

Summary

- **There is high incidence of vulnerability to macroeconomic conditions and natural disasters in the Caribbean**
- **High rates of unemployment, especially among the young, and informal employment are key vulnerabilities associated with the labour market.**
- **Focusing on household expenditure, just over one in five households in Grenada, just under one in five in St. Lucia, and one in three households in Belize are vulnerable. One in four individuals in Grenada, one in five in St. Lucia, and close one in two in Belize, live in vulnerable households.**
- **Considering other indicators of vulnerability, the absence of employed adults in the household, the demographic dependency ratio, and housing quality identify areas of household vulnerability. A measure of the asset base of households is important to assess vulnerability.**

4. SOCIAL PROTECTION IN THE CARIBBEAN: INSTRUMENTS, GAPS, AND EFFECTIVENESS

It is now time to consider existing social protection instruments and programmes. The country studies in Belize, Grenada, and St. Lucia identified a wide range of social protection initiatives, developed and managed by a number of stakeholders including national governments and agencies, international donors, national and international NGOs, employers, and faith or community based organisations. The studies asked similar questions, and followed, as far as appropriate, a common methodology. This facilitated a comparative assessment of social protection across the three countries.

Before considering social protection in the region, it will be useful to note briefly key similarities and some important differences in the three countries studies. There is considerable similarity in the main social protection instruments available in the three countries studied. They participate in regional efforts to address natural hazards, have social insurance schemes for workers in formal employment, and a commitment to the provision of basic services. All three countries have demand subsidies to support less well off households with school related costs. All three countries have a range of public assistance programmes focused on specific groups at risk. Another common factor is the role of NGOs in the provision of services to vulnerable groups. The differences are perhaps more marked in the extent to which macroeconomic and particularly fiscal policy addresses issues of social protection, although it was difficult to accurately identify social protection public expenditures in all three countries. There are also differences in the formulation and implementation of social protection interventions across the three countries. St. Lucia appears to have moved further in developing an integrated policy on education, skills, and training. Belize and, to a lesser extent, Grenada have a substantial NGO sector involved in the provision of social protection. Jamaica has taken significant steps towards developing a comprehensive poverty programme, and embraced a shift from social assistance to social development.

Notwithstanding these differences, there is sufficient commonality in social protection across the countries involved to support a regional assessment. In presenting the main findings, the focus will be on the key risks and vulnerabilities examined in the previous section of the report. The report will then attempt to match the key risks and vulnerabilities to existing social protection instruments, with a view to highlighting gaps and deficits.

Macroeconomic policy

There is much that sound macroeconomic policy could contribute to reducing vulnerability, and there is much that a reduction of vulnerability could do to facilitate macroeconomic policy. There are significant gains in the effective coordination of macroeconomic policy and social protection. Successful macroeconomic policies can reduce demand pressures on social protection as well as making the necessary resources available. Social protection should constitute one of the parameters of macroeconomic management. The challenge is to achieve a measure of autonomy in fiscal policy enabling the government to mitigate external shocks and natural disasters, and to secure the flows of revenue and expenditure needed to finance an

effective social protection system. Governments can support social protection through tax policy, public expenditure, and regulation.¹³

The capacity of national governments in the region to pursue counter-cyclical fiscal policy is limited. In fact, a recent study by the Caribbean Group for Cooperation in Economic Development (CGCED 2002a) of the determinants of macroeconomic volatility in the region singled out macroeconomic policy as one of the three most important sources of volatility.¹⁴ Structural factors severely constrain counter-cyclical fiscal policy in the Caribbean. Persistent deficits in public accounts, a narrow and pro-cyclical revenue structure, indebtedness, lack of flexibility in recurrent public expenditure, and issues of governance, have been identified as the key areas where improvement is needed to support counter-cyclical fiscal policy (CARICOM Secretariat 2002; CGCED 2002a; CARICOM Secretariat 2003). This is an area where regional cooperation can add degrees of freedom to national policy, for example through the proposed Regional Stabilisation Fund.

Are countries in the region spending enough on social protection? Current budget reporting practices do not permit a clear identification of social protection related expenditure. Recent studies have examined social expenditure, including education, health, housing and social security (Castañeda 2002). These suggest a 'norm' for Latin America and the Caribbean at around 10 percent of GDP (to be precise, 9.1 percent in the 1980s, 9.8 percent in the first half of the 1990s, and 12.3 percent in the second half). Of the handful of Caribbean countries included in this study, the Bahamas is below this 'norm', while Belize, Jamaica, and Trinidad and Tobago are just above it. Social expenditure is, however, an imperfect measure of social protection spending, in that it is debatable whether public expenditure on secondary and tertiary education and health do fall within the scope of social protection. A study for Grenada (Henry-Lee, Charles et al. 2002) examined expenditure on basic services, defined to include primary health care, primary education, nutrition and rural water, and found these absorbed around 11 percent of total government expenditure and roughly 5 percent of GDP (Barrientos 2004b). A similar calculation for Belize puts expenditure on basic services at 4.15 percent of GDP in 2001 (Henry 2004). The Dominica study finds social protection expenditure to have increased from 3.4 percent of GDP in 1995/6 to 4.3 percent in 2001/2 (World Bank 2003). As the reports notes this "compares with expenditures on social protection of 4.5 percent of GDP in Latin America and the Caribbean, 11 to 12 percent of GDP in Western Europe, North America and Central Europe, and 1 to 2 percent in Sub-Saharan Africa and South Asia" (p.55) (World Bank 2003). Broadly, social protection expenditure levels are in line with those of Latin America and the Caribbean region.

Trends in social protection expenditure are strongly pro-cyclical, and this severely undermines the impact of social protection expenditure as an insurance device. This comes out strongly from the Grenada and Dominica studies.

¹³ The institutional framework required includes multi-year approach to budgeting, effective supervisory arrangements for the financial sector, ceilings on debt accumulation and servicing, and efforts to achieve fiscal surpluses in good times.

¹⁴ Macroeconomic volatility is the extent to which macroeconomic variables fluctuate from period to period. This is not the same as vulnerability, which focuses on the downside fluctuations of variables affecting welfare. The study shows that public consumption growth, a measure of macroeconomic and fiscal policy, is strongly correlated with GDP growth. This suggests policy is pro-cyclical.

All the studies show that social protection expenditure is insufficiently well targeted on poor and vulnerable groups, and that coverage is patchy. They indicate that there is scope for expenditure switching to enhance the effectiveness of existing instruments.

Some countries have employed tax policy as a social protection instrument. Some tax exemptions on merit goods and foodstuff can reduce vulnerability. In Grenada, for example, 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. The low incidence of income taxes has made tax exemptions on social protection expenditures by households and employers less of an issue.

Protection against Natural Hazards

Natural hazards are a significant source of vulnerability in Grenada, especially among vulnerable groups. The catastrophe insurance market in the Caribbean has been described as “a ‘thin’ market characterized by ‘high’ prices and ‘low’ transfers of risk” (Auffret 2003). A measure of annual catastrophe insurance premia as a proportion of GDP in four countries, Trinidad and Tobago, Dominican Republic, Jamaica, and Barbados, averages 1.42 percent of GDP. By comparison, average annual losses from natural disasters in the region average 0.44 percent of GDP, suggesting the presence of market imperfections. Insurance cover is concentrated on higher income groups. It is high among residential and commercial properties, low or non-existent for public assets, and very low for private dwellings and small businesses (Auffret 2003). The more vulnerable groups are largely uninsured against natural disasters.

In terms of public policy, the Caribbean Development Bank has developed a Comprehensive Disaster Management in the Caribbean initiative which will strengthen the work of the Caribbean Disaster Emergency Response Agency (See Box 4.1 below). Contingent credit facilities are available from the World Bank’s Economic Recovery Facility, the Caribbean Development Bank Disaster Mitigation Facility, and the Emergency Natural Disaster Facility of the IMF (IMF 2003). The support is mainly directed at assistance in the event of natural disasters, and will need to target risk reduction measure more effectively. The World Bank has established a pilot study for a Caribbean Catastrophic Insurance.

Box 4.1. The Regional Disaster Risk Management Strategy

In 2001, with support from the USAID, the Caribbean Development Bank established a Disaster Mitigation Facility to assist borrowing members in developing hazard risk management activities including strengthening building standards and enforcement mechanisms and developing national level risk management policies and plans. This is also supported by the development of a Comprehensive Disaster Management Strategy supported by USAID and UNDP. The Strategy is focused on hazard reduction and strengthening institutional capacity. (Auffret 2003)

Labour Market

As noted in the previous section, unemployment is a key vulnerability in the Caribbean. In particular, high rates of youth unemployment are a source of strong concern because they compounds the risks involved in what is already a protracted and problematic transition from school to work (St. Bernard 2002).

Box 4.2. The National Skills Development Centre in St Lucia

The programme is jointly supported by the EC funded Special Framework of Assistance; Government of St. Lucia, CDB through BNTF, the Inter-American Institute for Cooperation in Agriculture, and the OAS. This programme is managed by the Ministry of Education and is aimed at providing a skilled and marketable labour force through:

- Skills training
- Counselling services
- Information provision
- Trainee placements and assistance with job search
- Childcare services to trainees
- Other support to the unemployed
- Assessment of job market demands

What has worked?

Provision of market needs based training for several hundred people in front desk operations, electrical installation and dressmaking.

Decentralised training provision.

Removal of barriers to participation through travel subsidy and child care services.

What has not worked?

Insufficient private sector response to determine market needs based training.

Problems encountered with apprenticeship programmes.

Recommendations:

Improvements in private sector involvement.

Monitoring and evaluation of the impact of the training on labour market outcomes.

Strengthening skills training as a component of the poverty reduction framework.

Development of a literacy and numeracy programme.

Extending the scope of the programme, for example by providing training for those employed in lower end jobs to improve employment upgrading opportunities.

Improvement in targeting of those most vulnerable through better agency collaboration.

(Henry-Lee 2004)

A very large gap in social protection in the region is the limited provision of training and skills for the unemployed. St. Lucia has a range of programmes addressing this gap. The National Enrichment Learning Programme and the National Skills Development Centre, set up following a training and skills needs assessment. In addition the Short term Employment Programme covers around 2000 persons a year, and two new initiatives, the Youth Enterprise Development Fund and the Youth Apprenticeship Programme target youth unemployment. In Grenada, two programmes targeting the unemployed 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 extent to which these interventions are effective remains to be determined. Among the potential weaknesses identified for these programmes, the absence of monitoring and evaluation, the lack of private sector involvement, and poor targeting, are important (See Box 4.2 above).

Improving the functioning of labour markets in the Caribbean could help improve the protection provided by employment. There are indications that labour standards are being strengthened, for example through the introduction of a Labour Code in St. Lucia, and the introduction of a minimum wage in Grenada (attempts to extend the coverage of social insurance to the self-employed are also relevant but will be discussed in the next section). It is unlikely these will apply to workers in informal employment. There is insufficient information on informality available for the countries studied, but a rough estimation would suggest around one in two workers are in informal employment (thus replicating the pattern for South and Central America) (ILO 2001a). These workers are unlikely to benefit from the range of social protection afforded by the labour market, and this is a key gap in social protection.

Labour migration constitutes an important option for workers in the Caribbean. Studies on labour migration suggest that insurance factors play a role in the decision to migrate, and also that remittances are 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.

Insurance: social and market

Social Insurance Schemes exist throughout the region.¹⁵ These are in the main defined benefit schemes financed from employee and employer contributions, and paying benefits to compensate participants for specific contingencies. A recent overall assessment of these social insurance schemes concluded that they have performed reasonably well (Osborne 2004). Most schemes are, however, in the accumulation stage and their long term sustainability is therefore untested. The coverage of contingencies varies from scheme to scheme, but it generally includes short term benefits (sickness, maternity, funeral expenses), long term benefits (disability, old age, retirement, and survivor pensions), and work-related injuries and disability. The coverage of the population is limited to workers in formal employment, and their households. Self-employed and informal workers, and the unemployed, are sometimes explicitly excluded from the scheme, or included only a voluntary basis. Social insurance schemes cover, on a very rough calculation, around 40 to 50 percent of the

¹⁵ The implementation of the CARICOM Social Security Agreement will ensure equity of treatment when moving from one member country to another, and will in time encourage harmonization in social insurance provision.

labour force (including those employed, self-employed and unemployed). Social insurance coverage is more patchy among poor and vulnerable groups.

The main challenge facing social insurance schemes in the region is how to expand their coverage of both population and contingencies, whilst remaining financially sustainable in the long run. Extending the population coverage of schemes as a first step involves eliminating existing restrictions on affiliation by self-employed and informal workers. Acting on the supply side alone may well not be sufficient to fully include these vulnerable groups. The design of existing schemes explicitly targets workers in regular and long term employment. Their pattern of contributions and benefits are unlikely to prove attractive to informal workers in irregular and precarious employment. In Grenada's National Insurance Scheme, for example, the self-employed can make voluntary contributions to access long term benefits, but are excluded from short term benefits. Arguably, their demand for social insurance is precisely the reverse of that on offer. They need cover for maternity and sickness, especially given their irregular earnings, but their long term saving will be more productively invested in their microenterprises. Reform of social insurance will be needed to ensure an extension of population coverage. Extending the coverage of contingencies is equally complex. Adding health insurance to the existing package is one of the options being discussed at present (PAHO 2002).

Private insurance markets are thin in the Caribbean, but have significant potential to contribute to social protection, especially in the context of house and building insurance and to a lesser extent occupational plan covering life and health expenses.

The main conclusion is that there are significant gaps in social insurance coverage, both in terms of population and contingencies. Social insurance schemes work reasonably well currently, but only for a fraction of the population. There is wide consensus around the need to extend social insurance, but there is no consensus on the options for reform.

Human development

This heading covers interventions supporting human development including social assistance, social services, as well as areas of health and education service provision. Most interventions in these areas have a social protection element, in so far as these seek to 'strengthen the capacity of communities, individuals and households to overcome their vulnerability, and to make the investment needed to prevent poverty'. The range of interventions is wide and some selection was required to make for a manageable discussion. Two criteria informed this selection: the level of the intervention (small, sporadic, and localised interventions will be left out), and the extent to which interventions focus on the most vulnerable groups (interventions focusing on less vulnerable households will not be considered). The range of institutions involved in social protection is also large here, but no selection was made along this dimension.

Social Assistance. Grenada and St. Lucia have social assistance programmes aiming to assist destitute individuals with cash transfers. In 2003, there were 3055 beneficiaries in Grenada receiving EC\$ 100 monthly, and in St. Lucia there were 2765 beneficiaries receiving EC\$ 60 monthly. The majority of beneficiaries in

Grenada were elderly people with no other means of support. In Grenada and St. Lucia other cash transfers were made to defray the cost of burial for indigent households, as well as rent subsidies and help with lenses. Cash transfers to help poor households with school costs will be covered below. Belize has taken a more decentralised approach to social assistance, and disburses money to government agencies (child care centres, youth hostel, family services, etc.), and to non-governmental organisations providing services for specific groups.

While public assistance delivers much needed cash to mainly poorer households, as a social protection instrument it has a number of deficiencies. The value of the benefits provided is inadequate to ensure minimum living standards among beneficiaries. In Grenada, the value of the benefit is equivalent to around one third of the minimum wage. In St. Lucia, the benefit is even lower. Focusing on individuals ignores the fact that in most cases beneficiaries share their destitution, and their benefit, with other members of their households. In Grenada most of the beneficiaries tend to be elderly, and it is therefore likely that poor households without an elderly person are unlikely to get support. The programmes have no guidelines for referral or graduation, and as a result are unlikely to be well targeted on those most in need. In Grenada, referral for social assistance has been taken over by members of parliament. The benefit levels and overall budget are set in the budget statement, and therefore reflect political economy conditions of that specific year. This ensures that spending on social assistance is strongly pro-cyclical, and significantly undermines its role as an instrument for protecting the consumption levels of the poor and vulnerable. The decentralised approach in Belize helps to make service delivery more effective, but at the expense of an integrated approach targeted on the very poor (See Box 3.5 above).¹⁶

As a social protection instrument, social assistance in the countries studied is deficient in terms of targeting effectiveness, adequacy of support, and as consumption stabilising instrument over time.

Schooling. Government support for pre-school centres has been successful in Grenada and St. Lucia in establishing a good infrastructure throughout the islands. In St. Lucia there were 152 centres in June 2003, 112 of which are pre-school centres and 40 day care centres. In Grenada, GRENCODA has established several pre-school and day care centres in poorer communities, and the government provides a subsidy for staff costs and equipment. From a social protection perspective, the user costs of the centres exclude poorer mothers in Grenada.

All three countries have programmes providing assistance with school costs and transport especially among secondary school students. In Grenada the Necessitous Person Fund assists households with special circumstances with school attendance costs. It assisted 550 pupils in 2003. The deficiencies identified for social assistance also apply in this case. Benefit levels and coverage are inadequate, although selection by the Ministry of Social Development has improved targeting. Grenada also has a school feeding programme, mainly funded by a bilateral donor, delivering food to

¹⁶ The Belize country study states that “the NGOs are the most important service provider in some parts of the country and have to be seen as an essential component of social protection, ensuring a better reach of state funded social protection to a wide range of communities” (Henry 2004)

9226 children in 2003, but targeting is poor as only 21 percent of these are poor or vulnerable.

Youth. The transition from school to work can be protracted, especially as 40 percent of those completing primary school in St. Lucia and Grenada cannot be guaranteed a place in secondary school.¹⁷ Unemployment among young people is high. In addition to programmes providing training, skills and work experience reviewed above, a new programme has been introduced in Grenada to help young people in trouble with law with legal assistance and counselling. Despite these initiatives, there are large gaps in social protection for young people.

Elderly. As noted above, the elderly poor are the main beneficiary group of social assistance. In Belize, a National Council for the Ageing coordinates the activities of a number of NGOs working with the elderly, and has been instrumental in developing policy in this area (see Box 3.5 above). In spite of these efforts, social protection targeting the elderly is limited and existing support is insufficient.

Overall, social protection for human development shows large gaps in provision, especially for the more vulnerable groups and the poor. The coverage of existing programmes is limited, the support provided is in many cases insufficient, targeting is poor, and instruments are missing in key areas. There is evidence that integration and coordination of existing programmes is deficient.

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 Grenada, St. Lucia and Belize were used to examine the impact of household characteristics and social protection instruments on vulnerability, in a multivariate context.¹⁸ 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. Vulnerability is therefore the net effect of shocks after accounting for household buffers. The model used in the estimation can be described as follows

$$\text{Vulnerability} = [\text{shocks} - \text{buffers and strategies to mitigate shocks}]$$

In the data, vulnerable households were identified as those with levels of per capita expenditure below 125 percent of the poverty line. The analysis focused on identifying 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. The main findings are presented in Table 4.1 below

¹⁷ Information collected for Grenada suggests enrolment rates for secondary school have risen substantially in the last two years or so, and the Ministry of Education is confident that places for all primary school graduates are available.

¹⁸ This enables identification of the effects of different sources of vulnerability and social protection instruments jointly.

Table 4.1 The impact on vulnerability of household characteristics and social protection instruments						
	Grenada		St. Lucia		Belize	
	All	Adults	All	Adults	All	Adults
Aged below 5	+ 2.0	*	+ 3.6	*		
Aged above 60	- 2.9	*	+ 6.5	*		
Being male	**	+ 5.3	+ 4.8	**	+ 3.0	+ 4.9
An extra person in the household	+ 8.7	+ 8.7	+ 7.3	+ 7.3	+ 17.1	+ 17.3
Fewer dependants per adult of working age	- 3.3	- 3.8	- 2.0	- 3.0	- 8.23	- 9.12
Having lived abroad in the last 10 years	- 6.0	- 8.2	*	*	*	*
In work	*	**	*	- 8.4		
Receiving remittances in the household	- 11.2	- 10.4	- 6.5	**	- 4.02	- 9.8
Having an extra durable good (e.g. tv, fridge)	- 4.3	- 3.8	- 7.9	- 6.9	- 21.2	- 21.1
Receiving public assistance in the household	- 13.9	**	**	**		
Receiving a pension in the household	- 9.4	*	**	*		
Receiving domestic private transfers	*	- 7.4	**	**	+ 23.4	+ 17.6
Receiving social insurance transfers	**	**	- 9.5	- 13.6		
Being covered by health insurance	- 11.1	- 12.8	- 15.9	- 14.8		
* variable not available/included						
** variable not significant						
The figures in the Table are the partial derivatives of probit models estimated using data from the 1999 Poverty Assessment Dataset for Grenada, the 1995 Poverty Assessment Dataset for St. Lucia, and the 2002 Living Standards Measurement Survey for Belize. The dependent variable has a value of 1 for individuals considered to be expenditure vulnerable and 0 otherwise. All reported partial derivatives are statistically significant.						

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 increases the probability that an individual is vulnerable by 8.7 percent in Grenada, 7.3 percent in St. Lucia and 17.1 percent in Belize. 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. In Grenada, 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. Households owning an extra durable

good is correlated with 4.3 percent lower probability of vulnerability in Grenada, 7.9 percent in St. Lucia, and 21.2 percent in Belize. 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. 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.

Matching vulnerabilities and social protection instruments

Matching key risks and vulnerabilities with existing social protection instruments highlights important gaps. These are presented in summary form in the Table 4.2 below.

Table 4.2. Matching social protection instruments and vulnerability

Area	Key vulnerabilities	Key social protection instruments
Macroeconomy	<p>Medium</p> <ul style="list-style-type: none"> • Volatility of terms of trade and demand for agricultural products and tourism • Volatility in ODA and FDI • Indebtedness • Narrow tax base and tax mix • Pro-cyclical revenue base • Lack of flexibility in recurrent expenditures • Transparency and accountability in the management of public finances 	<p>Low</p> <ul style="list-style-type: none"> • International Stabilisation funds, e.g. STABEX, but limited access • Caribbean Stabilisation Fund (not yet in place) • Remittances and other private transfers • Improved institutional capacity in public financial management
Natural Hazards	<p>Medium</p> <ul style="list-style-type: none"> • Tropical storms, occasional hurricanes, storm waves, and volcanic activity • Climate change 	<p>Low</p> <ul style="list-style-type: none"> • Building Code • International Disaster Lending Facilities (IMF, WB, CDB) • Regional Natural Hazard Risk Management Strategy
Labour Market	<p>High to Medium</p> <ul style="list-style-type: none"> • Unemployment • Low skills base • Informality, unprotected and precarious jobs • Low and irregular earnings • Protracted school to work transition 	<p>Medium to Low</p> <ul style="list-style-type: none"> • Labour standards and social insurance cover formal workers only • Limited training and skills provision for the unemployed and youth • Migration
Human Development	<p>Medium to high</p> <ul style="list-style-type: none"> • Persistent poverty and deprivation • School attendance and attainment • Household size • Early pregnancy • School to work transition • HIV/AIDS • Old age 	<p>Medium to low</p> <ul style="list-style-type: none"> • Social Insurance, but limited coverage • Public assistance, but issues of coverage an adequacy, and limited insurance role • School Feeding and Cost programmes • Limited youth training and skills • Domestic private transfers • Remittances • Group specific NGO support

Summary

- **Broadly, social protection expenditure levels are in line with those of Latin America and the Caribbean region, but social protection expenditures are strongly pro-cyclical, and insufficiently well targeted on poor and vulnerable groups.**
- **Employment offers a range of social protection, including social insurance and labour standards, for workers in formal employment, but workers in informal employment and their households are significantly more vulnerable. Improving the operation of the labour market, and the skills profile of the unemployed, could strengthen social protection.**
- **There are significant gaps in social insurance coverage, both in terms of population and contingencies. Social insurance schemes work reasonably well currently, but cover only a fraction of the population and a subset of contingencies.**
- **Social protection for human development shows large gaps in provision, especially for the more vulnerable groups and the poor. The coverage of existing programmes is limited, the support provided is in many cases insufficient, targeting is poor, and instruments are missing in key areas. There is evidence that integration and coordination of existing programmes is deficient.**
- **Multivariate analysis demonstrates how different sources of vulnerability and social protection instruments jointly contribute to household vulnerability, and illuminates the type of strategies households pursue to reduce and mitigate their exposure to hazards.**

5. A SOCIAL PROTECTION POLICY FRAMEWORK FOR THE CARIBBEAN

Having identified the key vulnerabilities and mapped the key social protection instruments together with an assessment of their effectiveness, the task is now to set out the key parameters of a social protection framework for the Caribbean.

Social protection for growth and development

Countries in the Caribbean are highly vulnerable due to their size, the openness of their economies, and their exposure to natural hazards. Globalisation raises vulnerability while, at the same time, offering opportunities for economic transformation and development. Social protection provides households and communities with protection against risk and vulnerabilities and promotes their access to new opportunities. It helps sustain households' living standards in the face of adverse conditions, but also supports the investment in human and physical capital, which is central to economic growth and long-term wellbeing.

Economic and social development is an imperative for countries in the Caribbean. In developing countries in particular, social protection must be understood as an important component of a development strategy. Social protection must be designed and implemented in ways that its contribution to economic and social development is maximised.

A social protection framework for the Caribbean needs to locate and develop social protection as a key component of a development strategy.

Regional cooperation to address covariate risk

Macroeconomic crises and natural hazards affect a high proportion of the population of a country at the same time, and are commonly described as covariate risk. National governments can seek ways to reduce the probability of these hazards materialising, or can seek to mitigate their impact upon those affected. Sound macroeconomic and fiscal policy and the strengthening of budgetary processes, or the development of building standards fall into this category.¹⁹

As noted in the preceding sections, there are limitations to the capacity of national governments to address these vulnerabilities, and there are significant gains in developing regional cooperation. In the context of natural hazards, the establishment of a Regional Risk Management Strategy demonstrates the advantages of this approach. A Comprehensive Disaster Management Strategy, with support from USAID and UNDP, will strengthen the institutional capacity of the Caribbean Disaster Emergency Response Agency. The Disaster Mitigation Facility for the Caribbean, established by the Caribbean Development Bank with support from USAID, is assisting member states in hazard risk management. A proposed Fiscal

¹⁹ Appropriate instruments are in place in some countries (e.g. multi-year budgeting), and others are being pursued (public sector reform, debt reduction, tax reform). There is some way to go before institutional capacity for counter-cyclical fiscal policy is in place.

Stabilisation Fund for the Caribbean suggests ways to facilitate and support counter-cyclical fiscal policy (CARICOM Secretariat 2002, 2003; dos Reis 2004).²⁰

An effective social protection framework for the Caribbean must encourage improvements in fiscal management at the country level, and cooperation at the regional level, to strengthen macroeconomic and natural hazard risk management.

Strengthening labour markets: Skills and opportunity

It is widely acknowledged that education and training are key factors in ensuring rising productivity and competitiveness. The St. Lucia country study draws out the main elements of a strategy to improve the effectiveness of education and training for all. This includes the expansion of pre-school centres, curriculum development, implementation and monitoring of teacher professional development, increased capacity in secondary school to reach full enrolment rates, and extension of post-school education and training. These will improve the effectiveness of education and training overall. But in terms of vulnerable groups, improvement in education opportunities will increasingly require demand side interventions aimed at reducing the costs of schooling. Some programmes are in place but are very poorly targeted (See the subsection on *From social assistance to social development* below for a more integrated approach).

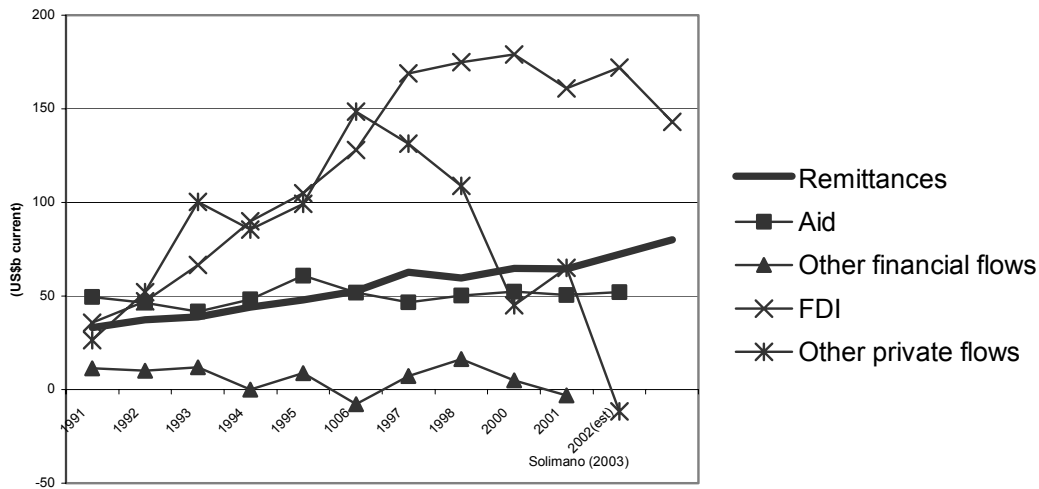
Instruments supporting skills and training beyond secondary school provision, and especially to the unemployed are a significant gap. However the international evidence on the effectiveness of these programmes is very mixed, and the absence of monitoring and evaluation of programmes in the Caribbean means that no further light will be added. 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 with solidarity, through supporting good jobs rather than poor ones and through compliance with labour standards. How to ensure a skilled, productive, and competitive labour force is a key area for further research and policy.

It is an issue whether the contribution that labour migration and remittances can make to social protection have been fully understood by policy makers. Although this is a complex area of policy, it will be useful to explore whether remittances can make a significant contribution to strengthening social protection in the Caribbean. To the extent that remittances can play a positive role, policy will need to consider ways in which to enhance their positive role, while reducing or mitigating their adverse consequences (See Box 5.1 below).

Box 5.1. Facilitating remittances and social protection

In the developing world, remittances play an important role in household strategies to address vulnerability, and contribute significantly to reducing volatility at a macroeconomic level. Figure 5.1 below shows trends in remittances and other resource flows to developing countries. The figures underline the significance of remittances in absolute terms, they are the third largest component after FDI and other private flows, and in relative terms, because their lower variability can mitigate the greater volatility shown by other components.

²⁰ Consideration of the distributional impact of macroeconomic shocks and natural disasters is an important factor in optimising these social protection instruments at the national level.

Figure 5.1. Resource flows to developing countries

Based on this evidence, Solimano argues that, from a recipient country perspective, policy should focus on “leveraging remittances and enhancing their productive use for development” (p.11) (Solimano 2003). Specific proposals to achieve these include promoting improved financial instruments to channel remittances such as bonds issued by government and domestic financial institutions; tax exempted foreign currency accounts for migrants, as well as housing and education accounts. Solimano argues against taxing remittances on equity grounds as these “are international transfers sent by low income groups”.

The Caribbean Economic Overview 2002 puts the level of remittances, measured as a proportion of GDP, at 5-6 percent, higher in the Caribbean than any other region in the developing world (CGCED 2002a). The motivations for labour migration and remittances are many, and the Overview asks whether remittances can be considered as a social protection instrument. Evidence from Jamaica suggests three facts supporting this proposition: (i) remittances appear to respond to requests for help; (ii) the incidence of remittances is higher among households with unemployed heads; and (iii) over time remittances peak in years of macroeconomic crises, or natural hazards. The Overview’s conclusion is that whilst “the evidence is not conclusive, it appears that remittances serve as a form of self-insurance in Guyana and Jamaica” (p.79) (CGCED 2002a). Even if self insurance motivated only a fraction of remittances, these would be significant because of the substantial level of remittances in the Caribbean.

The positive role of remittances in protecting Caribbean households needs to be set against some negative features of labour migration. There is concern over the impact of out-migration on labour supply and wage levels. There is also concern with adverse social consequences, such as the precarious conditions of migrant workers and the impact of separation on their families back home, and especially their children. Uncertainties over economic and migration policy in target countries may add to vulnerability.

There is understandable unease regarding remittances in the context of social protection. To be effective as a social protection instrument, policy on remittances and labour migration would need to enhance their positive role, while reducing or mitigating the adverse consequences noted.

Social insurance for all?

The studies concluded that only limited insurance, private or social, is available to cover vulnerability from idiosyncratic risk. Existing insurance instruments do not focus on the more vulnerable groups and the poor.

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 and also how a wider range of contingencies could be covered (e.g. unemployment and health insurance).

The policy options are limited, most social insurance schemes in the region are in the accumulation stage, and there is a risk that large scale reform may prove destabilising. Extending coverage at the expense of the long term sustainability of the schemes may be self-defeating. In the medium term, a safer option is to seek to build on the existing scheme, retaining the insurance principle and actuarial sustainability. At a minimum, careful consideration should be given to whether existing exclusions are warranted, and to whether the current package of contingencies and benefits offered by the social insurance schemes to self-employed and voluntary contributors meets their demand for social protection. Adding unemployment and health insurance to the existing package would require very careful analysis.²¹

In the longer run, and in the light of the experience of Latin American countries, changes in the structure of employment will inevitably place large scale reform on the discussion table, especially in the context of demographic and epidemiological trends and the shrinkage of formal employment.²²

From social assistance to social development

This is a key area for social protection. The analysis in the preceding sections suggests fundamental change is needed to effect a shift from social assistance, understood as remedial and residual help to the needy, to social development in the sense of supporting communities and households to protect their consumption and invest in their future. This shift in approach and perspective will require significant changes in the scope and focus of existing programmes. The key changes needed are:

- Moving beyond uncoordinated sectoral programmes and towards integrated human development programmes. The recent international experience with targeted conditional human development programmes in the Caribbean and Latin America would also support this recommendation (See Box 5.2 below).
- Focusing programmes on households rather than individuals. This 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 they live in households sharing a common experience of deprivation and exclusion. At the same time, the international evidence

²¹ As regards health insurance, The 26th Pan American Sanitary Conference came to the conclusion that “publicly regulated, unified funds with social control and accountability, financed by taxes, insurance premiums, and other sources and utilizing equity as the criterion for allocating these funds seek to promote financial sustainability, efficient management, and the reduction of social exclusion in health” (p.11) (PAHO 2002)

²² (Barrientos 2004a)

supports the view that cash transfers to individuals are commonly shared among household members.²³

- Improving the coordination and targeting of interventions in order to 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 5.3 below).
- An important limitation of existing safety nets, such as public assistance, is that their financial base, government budget allocations, is strongly 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 5.4 below). 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.

Box 5.2. 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 on the 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 (Morley and Coady 2003). 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 as part of its National Poverty Eradication Programme. It replaced three poorly performing public assistance programmes: Food Stamp, Outdoor Poor relief, and Old Age Incapacity. The new programme has three main objectives: to improve educational attainment among poor children through better attendance and elimination of child labour, to reduce poverty, and to act as a safety net. It is in line with the priorities set by the National Poverty Eradication Programme to ‘shift from welfare to development, from cushioning the negative impact of the economic environment to one of eliminating dependency and promoting self-reliance’.

²³ (Barrientos and Lloyd-Sherlock 2003; Barrientos and DeJong 2004)

It targets 236,000 individuals and their households, considered to be the most vulnerable of the poor. These include children, the elderly, persons with disability, pregnant and lactating mothers, and destitute heads of household living in poor households. These are identified through a household profile, contacted, and invited to enrol in the programme. Once enrolled, individual beneficiaries receive a cash benefit of around US\$9 a month via Post Offices. This is conditional on visits to health centres, and minimum school attendance for children. PATH supports the household as the key agent.

The implementation of PATH was not without difficulties. The identification of the most vulnerable individuals, the collection of the relevant data and the registration process, and the training of participating households, all imposed large demands on the institutional capacity of the Ministry of Labour and Social Security. The response to the programme was unexpected. In three months, 70 percent of the target participants were registered. The rapid implementation of the programme has resulted in greater than expected administration costs, estimated at 20 percent of transfers paid. The annual costs of the programme at full capacity have been estimated at 0.29% of GDP, and are financed by the Government of Jamaica and the World Bank for the first four years, with the Government of Jamaica providing the finances required thereafter.

Box 5.3. 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, most 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 an instrument for ranking families according to their deprivation called CAS (socio-economic characterization). 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 in Chile. 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 has 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.

(MIDEPLAN 2004)

Box 5.4. 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 good 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 that cut social spending during recessions are not 'pro-social', even if they 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 an 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.

(Hicks and Woodon 2001)

Moving from social assistance to social development will require the integration and harmonisation of existing social assistance programmes, and their refocusing on protecting the consumption of the vulnerable and poor and promoting investment in their human capital. It will involve bringing together disparate programmes, which have developed piecemeal to deal with specific issues or groups. It will also be necessary to establish the institutional capacity and data resources to ensure the effectiveness of these programmes, and include monitoring and evaluation processes from the outset. The introduction of PATH in Jamaica provides a concrete example of the kind of refocusing required. Resources supporting a well-targeted human development instruments have to be seen as an investment rather than a handout, moreover an investment with typically high returns, and an integral part of an effective development strategy.

Raising demand for social protection: data, analysis, and discussion

The report has identified several gaps in data and analysis, which will need to be plugged in order to enable the effective design and operation of a social protection system. The analysis of household survey data has been crucial to the identification of vulnerable groups and of the incidence and main determinants of their vulnerability, and to the analysis of household strategies to address vulnerability. These data will be essential to the design and evaluation of social protection instruments. There are gaps in the availability of household survey data, even in the countries under consideration here. The analysis on Grenada used data from the 1996 Poverty Assessment, no more up to date data was available. There are also limitations in access to the available data for researchers. Although household survey data are essentially a public good, are usually financed by donors and involve the time and effort freely provided by cooperating respondents, many government agencies take the view these data are a private good. Good practice would recommend cost recovery from for-profits data users, but restrictions in place for not-for-profits data users are unjustified and add to

problems of transparency and accountability of public policy. Labour market data, including occupational distribution, employment and unemployment, and coverage of social insurance and labour standards, are also scarce. There is a substantial knowledge gap relating to the operation of labour markets, and of their role in increasing or reducing vulnerability.

The Poverty Assessments conducted in several countries in the Caribbean have helped develop research capacity in social protection (See Box 5.5 below). It will be important to give consideration to this in the context of a framework for social protection.

Box 5.5. Taking Stock: Data collection and research capacity on social protection in the Caribbean

Over the last two decades, a growing interest in poverty analysis in the Commonwealth Caribbean has encouraged the development of research capacity in poverty and vulnerability. Academic researchers had broached the topic before but from time to time, but the stimulus for recent developments came from the need to examine the impact of structural adjustment measures on the populations of these countries. The World Bank became involved in studies in Jamaica, Guyana and Trinidad and Tobago, and the Inter-American Development Bank and the Caribbean Development Bank subsequently joined in, with the latter focusing on the smaller countries.

The Departments of Statistics of the various countries operate usually within a legislative framework enabling them to collect social and economic data from the population, with varying degrees of periodicity. Jamaica is perhaps one of the few countries conducting poverty assessments on an annual basis. These are based on standard data collected and published by the Planning Institute of Jamaica, which has the capacity to undertake social protection research. The capacity on the ground in the other countries varies almost directly with the capacity to undertake labour force and household surveys and on the degree to which these have been institutionalised. Belize conducted a poverty assessment in 1995 with the support of the Caribbean Development Bank, with a private consulting group in charge of the analysis. In 2001, its Central Statistical Office was able to replicate the exercise with some assistance from SALISES, and are now well equipped to undertake poverty assessment and social protection research. While St. Lucia has not replicated a poverty assessment exercise, it boasts one of the best statistical departments in the Eastern Caribbean, and its personnel would in no way be challenged by poverty assessment and social protection research. Table 6.1 below provides a summary assessment of data collection and research capacity in the region based on extensive research experience.

Table 5.1. Summary assessment of country capacity to undertake social protection research

Country	Assessed capacity
Jamaica	Excellent
St. Lucia	Excellent
Belize	Good
Barbados	Good
St. Kitts/Nevis	Good
Trinidad and Tobago	Good
Guyana	Fair to Good
The Bahamas	Fair to Good
St. Vincent and the Grenadines	Would need assistance
Grenada	Would need assistance
Antigua and Barbuda	Would need assistance
Turks and Caicos	Would need assistance
Dominica	Unable to say
BVI	Unable to say
Anguilla	Unable to say

Few Statistics Departments engage in research, which is left mainly to researchers outside of these departments. Much of the capacity to undertake research on poverty and vulnerability resides among cadres in the university system, mainly the University of the West Indies and the University of Guyana (especially through their research institutions –SALISES and IDS), and in a few private consulting groups conducting economic research in the region.

(Dr. Ralph Henry, Kairi Consultants)

Data, analysis, and discussion on social protection are also essential to raising public understanding of, and demand for, social protection. Sustainable social protection requires the consent and support of voters, both in the countries of the Caribbean, and, one step removed, those in donor countries. Ensuring sufficient political support for social protection is not an easy matter, but transparency and accountability delivered by effective evaluation and monitoring processes increases the chances it will be forthcoming.

Partnerships for social protection

Multilateral and bilateral donors have contributed to the financing of social protection initiatives in the region. The Dominica Social Protection review notes that “as much as one quarter of the resources going toward Dominica’s social assistance programmes currently comes from the donor community... Given the current economic downturn and Dominica’s tight fiscal situation, ...it is likely to continue to depend on foreign assistance to support the social protection sector in the short to medium term” (p.94) (World Bank 2003).

Securing continued donor support for social protection is likely to require developing a framework for social protection, and overcoming some potential problems. Donors have shown some reluctance to support cash transfer programmes, except where these are a short term response to emergencies, but there are signs, in the rapid development of targeted conditional cash transfer programmes in Latin America and the Caribbean, that this is changing. Some of donors involved in the region, the UK’s Department for International Development and the European Commission among them, have indicated a desire to rely to a greater extent on general budget support as a means of delivering aid to developing country partners (DFID 2004). General budget support demands a stronger partnership on aims and objectives, as well as confidence in the budgetary allocation process and in the capacity for effective implementation policies, between donors and recipient country governments. Ensuring these apply to social protection will be key to securing continued donor support and aid effectiveness.

Table 5.1 below summarises the main components of a framework for social protection in the Caribbean

Table 5.1. A framework for social protection in the Caribbean

Key Framework Components	Requirements
Social protection for growth and development	<ul style="list-style-type: none"> • Design and implement social protection to enhance growth and development
National and regional cooperation to address covariate risk	<ul style="list-style-type: none"> • Strengthen capacity for counter-cyclical fiscal policy • Protect targeted social protection public expenditure from expenditure shocks • Improve natural hazard prevention and mitigation
Retooling for a global economy: skills and opportunity	<ul style="list-style-type: none"> • 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 • Facilitate remittances
Extending social insurance	<ul style="list-style-type: none"> • Study and implement measures to reduce exclusion and develop a more attractive insurance package for non-formal workers • Ensure sustainability of social insurance
From social assistance to social development	<ul style="list-style-type: none"> • Improve funding, monitoring and evaluation, and targeting of social assistance programmes • Introduce a single referral and graduation instrument • Combine and reform social assistance into an integrated targeted human development programme
Evidence-based social protection: data, analysis and discussion	<ul style="list-style-type: none"> • Collect household data on a regular basis to assess how households address vulnerability, and the effectiveness of social protection instruments • Collect labour market data on a regular basis, including information on skills • Support social protection research and policy development capacity • Develop strong, transparent, and effective monitoring and evaluation of social protection instruments with civil society participation
Partnerships for social protection financing	<ul style="list-style-type: none"> • Sustain partnerships with donors to ensure reliable financing of social protection • Improve reporting on public expenditure on social protection

Summary

- **A social protection framework for the Caribbean needs to locate and develop social protection as an integral part of a development strategy, and maximise the contribution social protection can make to economic and social development.**
- **An effective social protection framework for the Caribbean must encourage improvements in fiscal management at the country level, and cooperation at the regional level, to strengthen macroeconomic and natural hazard risk management.**
- **Improving the operation of labour markets is an essential component of a social protection framework. It involves improving demand for, and access to, education and training by vulnerable groups. Improving demand for skills requires improving opportunity. Facilitating remittances can make an important contribution to social protection.**
- **There is only limited insurance, private or social, available to cover vulnerability from idiosyncratic risk, and what insurance is available does not focus on the more vulnerable groups and the poor. Extending social insurance for all is a longer-term objective, but taking steps to eliminate exclusion and develop a more attractive package for vulnerable workers might be a safer and shorter-term option.**
- **The essential component of a framework for social protection will be the shift from social assistance to social development. This will involve bringing together separate programmes, and refocusing them on supporting households' strategies to address vulnerability.**
- **Data, analysis, and discussion on social protection are essential to raising public understanding of, and demand for, social protection.**
- **Sustaining stronger partnerships with donors around social protection policies is key to continued financial support.**

6. CONCLUSION

This report provides a synthesis of the main findings from country studies on social protection and poverty reduction in Belize, Grenada, and St. Lucia, and incorporates some of the findings from studies in Dominica and Jamaica. These studies concur on the need to develop a framework for social protection in the Caribbean.

The report began by defining social protection 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’. It argued that social protection constitutes an effective response to rising vulnerability and poverty, and an integral part of a successful development strategy.

A consideration of the key vulnerabilities observed in the countries involved in the study then followed. Using household survey data, it was possible to measure the incidence of vulnerability with a range of indicators. The main conclusion from this section was that a significant proportion of households in the Caribbean face unacceptable levels of vulnerability. The main social protection instruments were identified and evaluated, revealing the presence of gaps and deficiencies in social protection. Matching the key vulnerabilities with the main social protection instruments made it possible to identify and discuss the main parameters of a framework for social protection in the Caribbean.

The report concludes that social protection can make a significant contribution to improving the welfare of the populations of the Caribbean as well as strengthen growth and development strategies.

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