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What Makes Social Protection Systems Adaptive?

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WORLD BANK GROUP
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Outline

- The rise of social protection
- Social Protection and disasters: towards an adaptive approach
- Select adaptive building blocks in design and implementation

Social protection programs are present nearly everywhere

Number of countries where select programs are present...

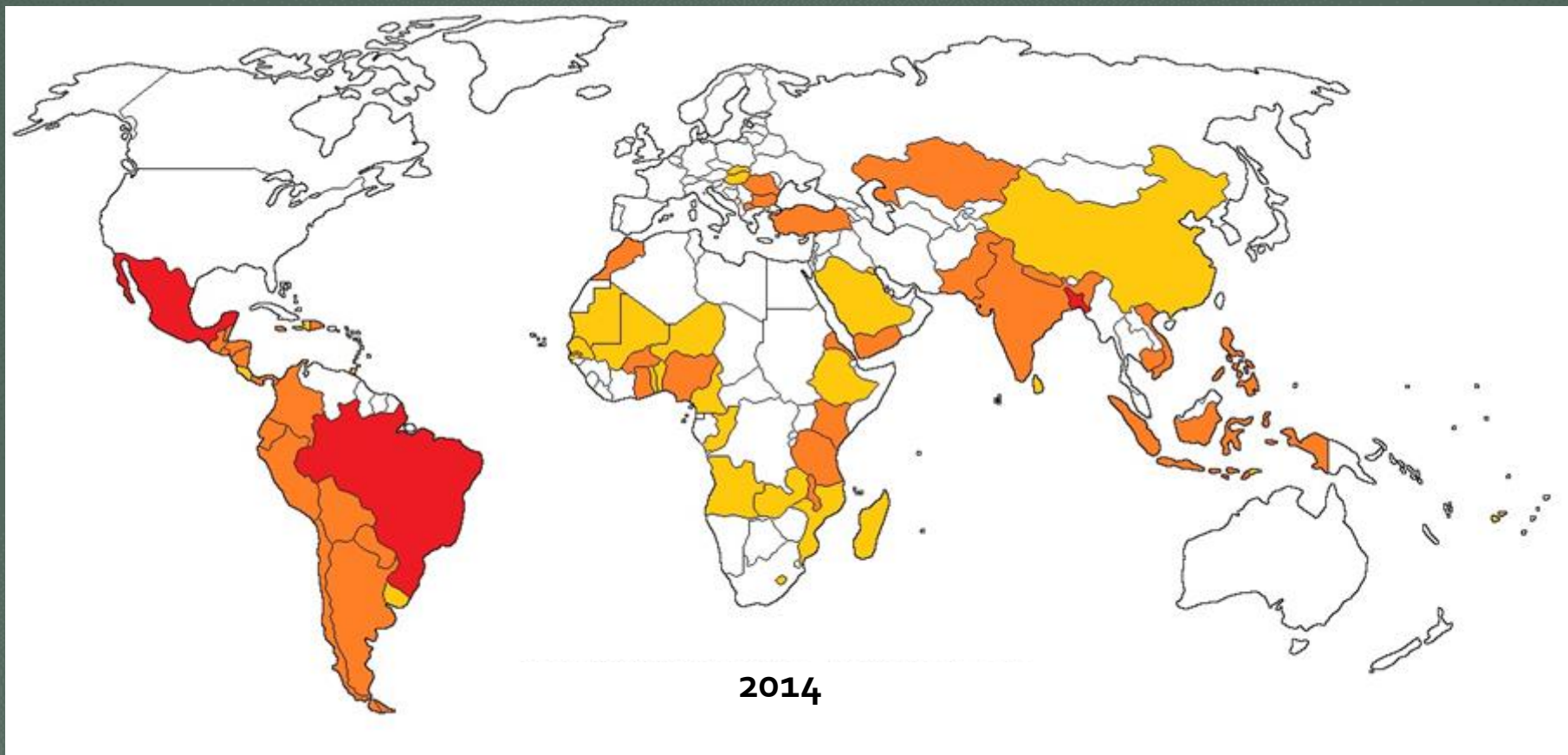


... and, on average, countries have about 20 social protection programs

Conditional cash transfers (CCTs) in the late 1990s...

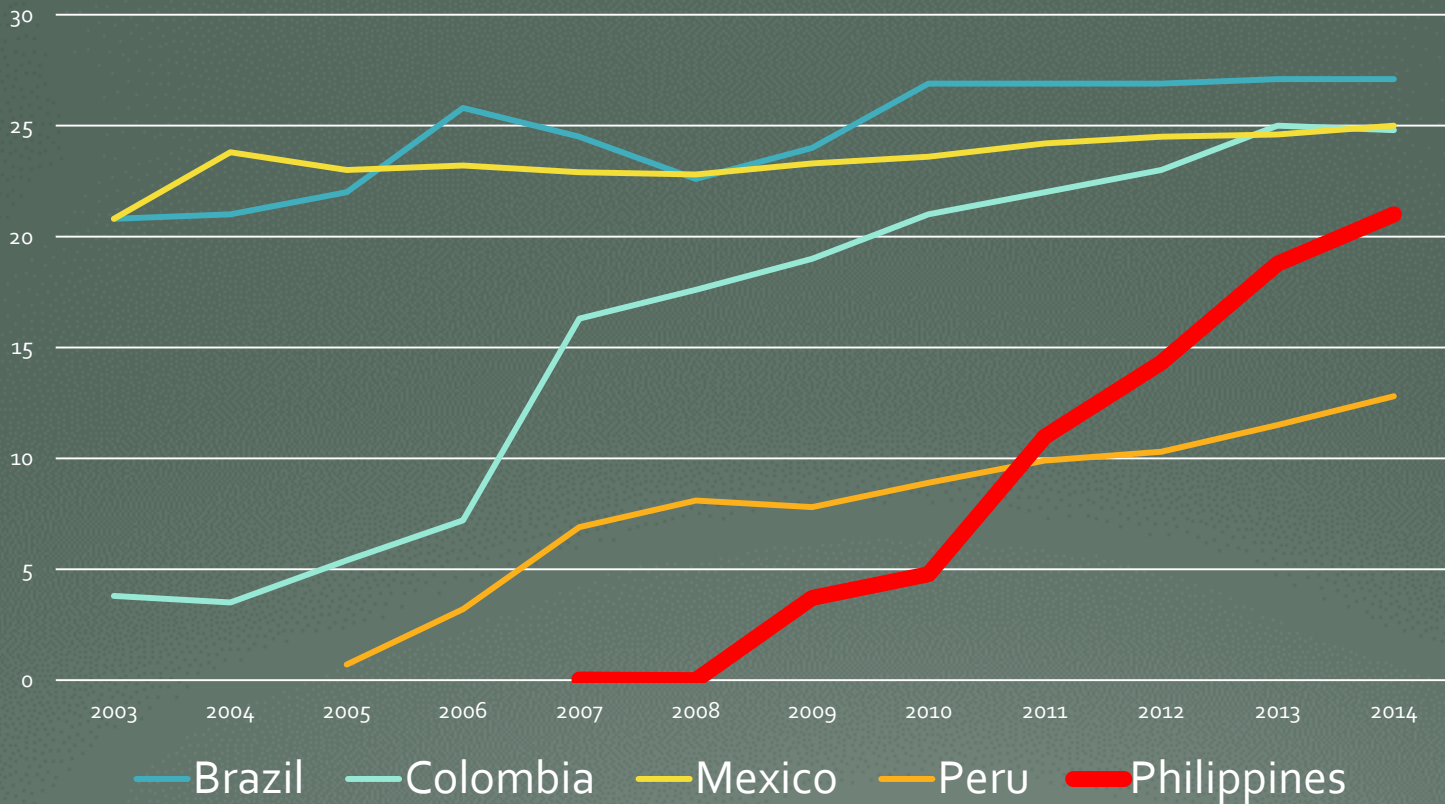


... to nowadays (64 countries)

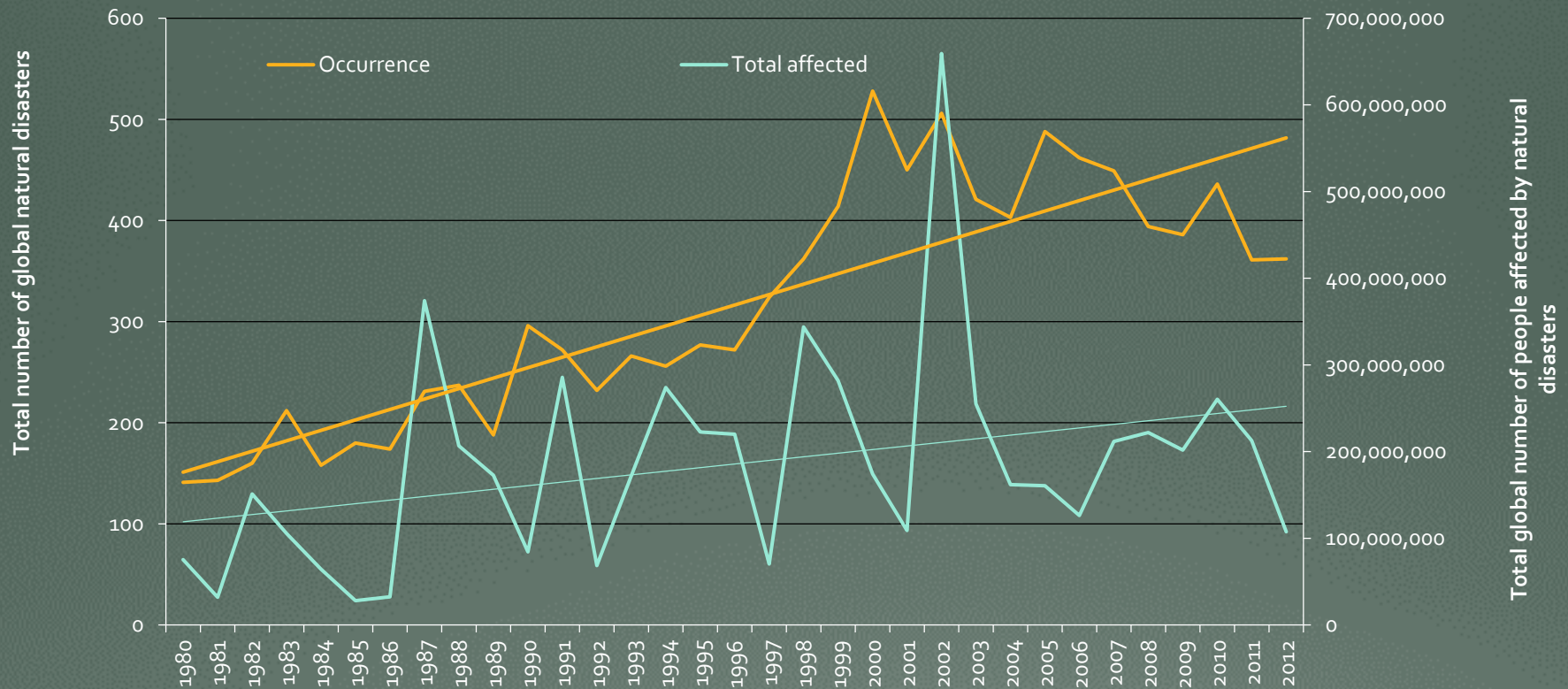


... and often introduced at impressive pace

Coverage
(% of pop.)



Despite the growth of safety nets, can they help address the increased shocks from disasters...?



Yes. This is at the core of the role of Social Protection Systems

WB Social Protection Strategy



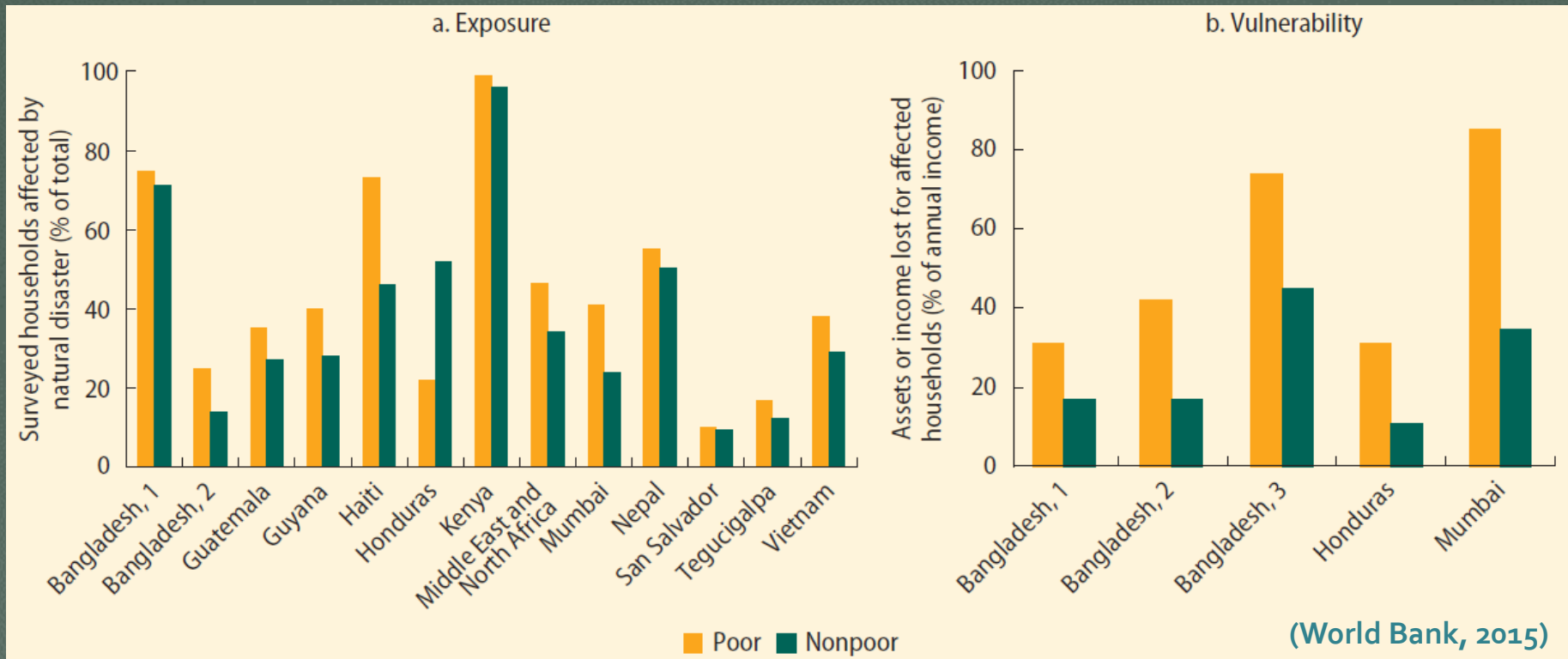
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Disasters are costly in terms of undermining development gains...

Poor households are more likely to be affected by disasters

And have been found to lose relatively more than non-poor people

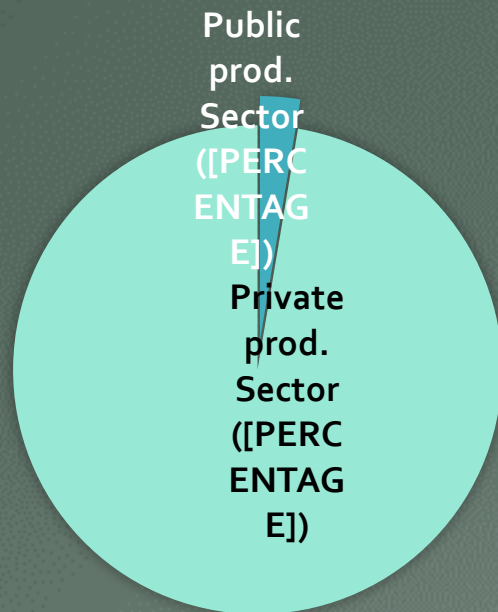


(World Bank, 2015)

... routinely impacting household wellbeing

(e.g. Philippines)

Private sector losses and livelihoods often account for the majority of losses after a disaster: Example from Ondoy-Pepeng in 2009



Source: World Bank (2010)

On average, typhoons that hit the Philippines have been found to:

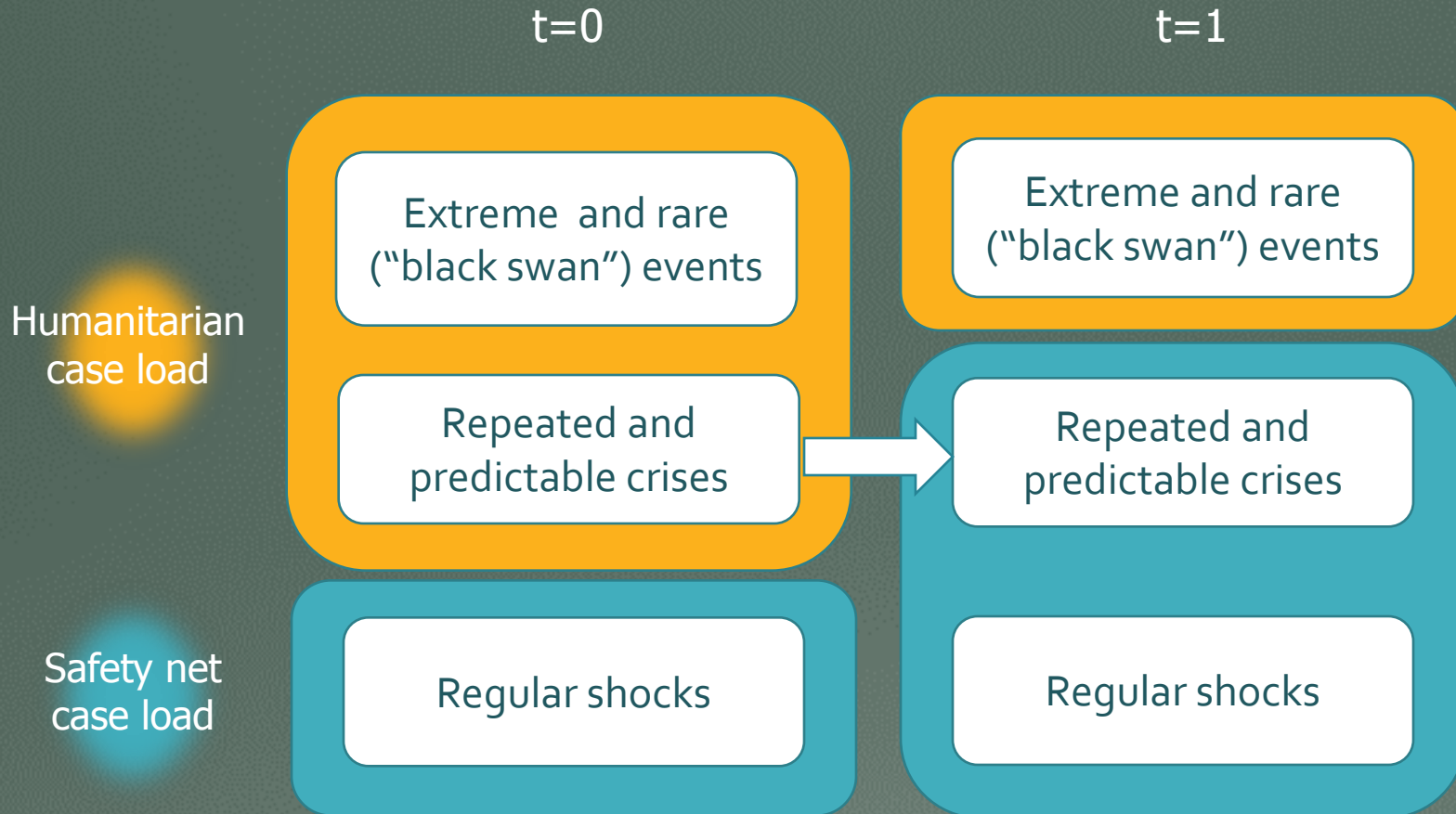
- Depress HH income by 6.7%
- Depress HH expenditure by 7.1%
- Reduce human capital investments in health by 13.3% and education by 14.3%
- Food expenditure reduced for 3 years

(Sources: World Bank, 2010; Antilla-Hughes & Hsiang, 2013)

What do we mean by Adaptive Social Protection?

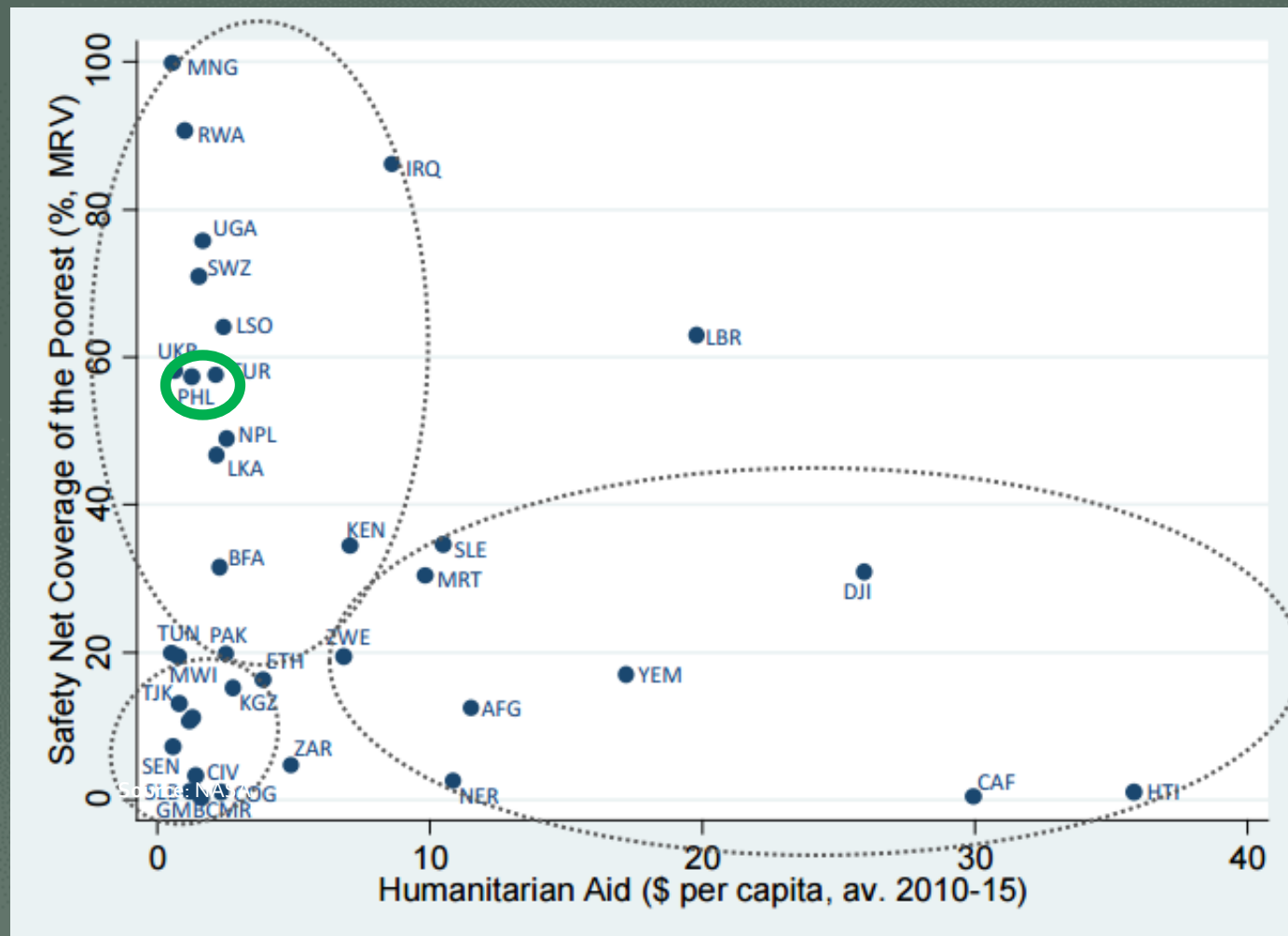
- Adaptive social protection is an integrated approach that was developed to address the challenges of adaptation to climate risk and improve the management and response to shocks
- Adaptive social protection programs are flexible programs
 - They can protect poor households from climate and other shocks before they occur through predictable transfers, building community assets, and other programs that help them build their resilience; and
 - Can be scaled up to respond to extreme events when they hit.

There is increasing attention on the role of safety nets in managing these shocks

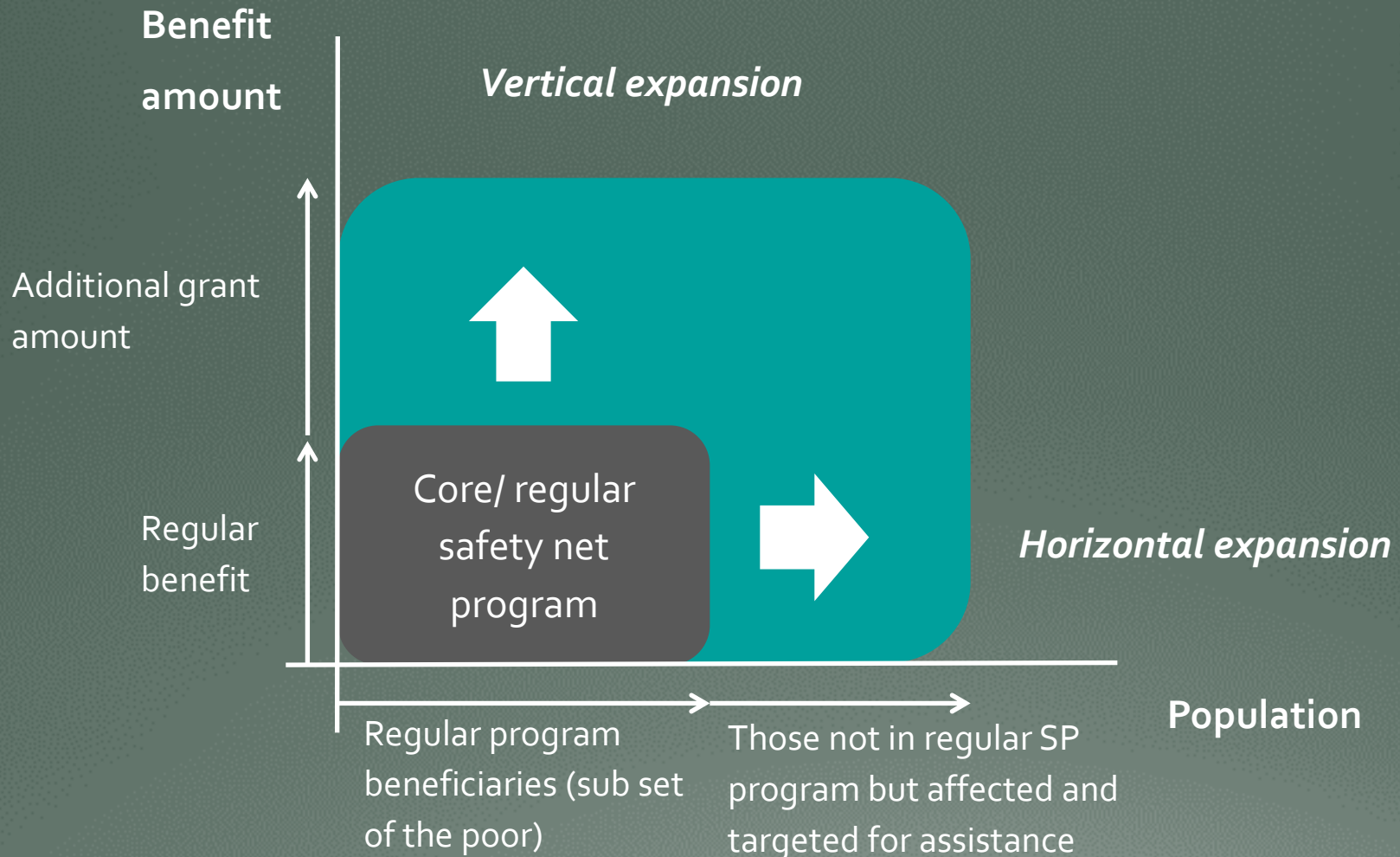


**Risk predictability and strength of existing safety net systems are the two key determinants*

And countries with sophisticated social protection systems tend to rely less on humanitarian aid



How can we make safety nets more disaster responsive? – Key features of “Adaptive Safety Nets”



Outline

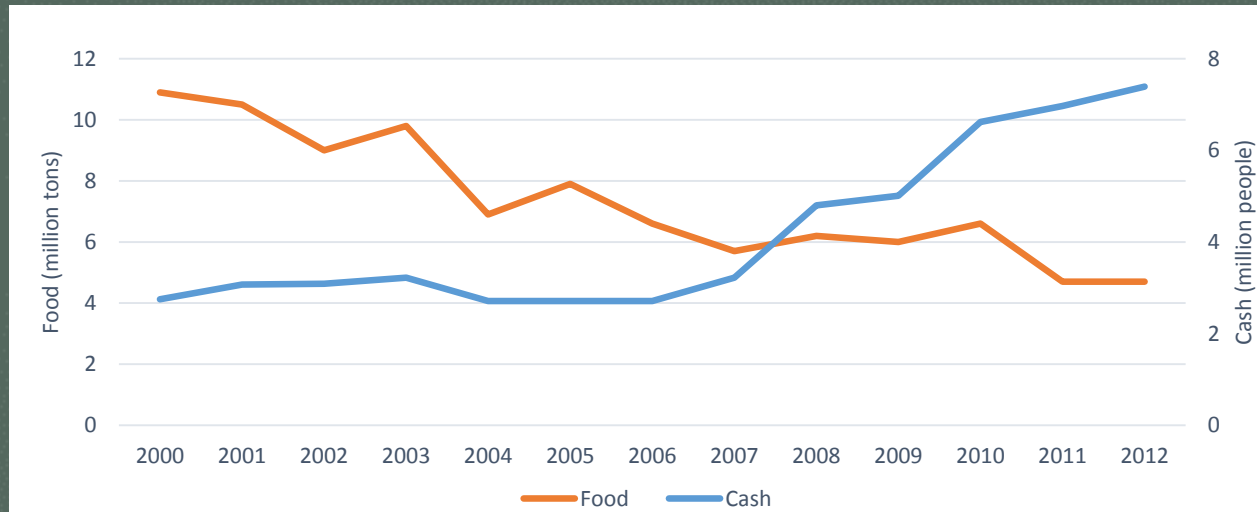
- The rise of social protection
- Social protection and disasters: towards an adaptive approach
- Select building blocks in design and implementation of adaptive safety nets

What are some of the key systems for Adaptive Safety Nets?



Payment

- Payment modality:
 - Cash transfers are increasingly used in crisis response



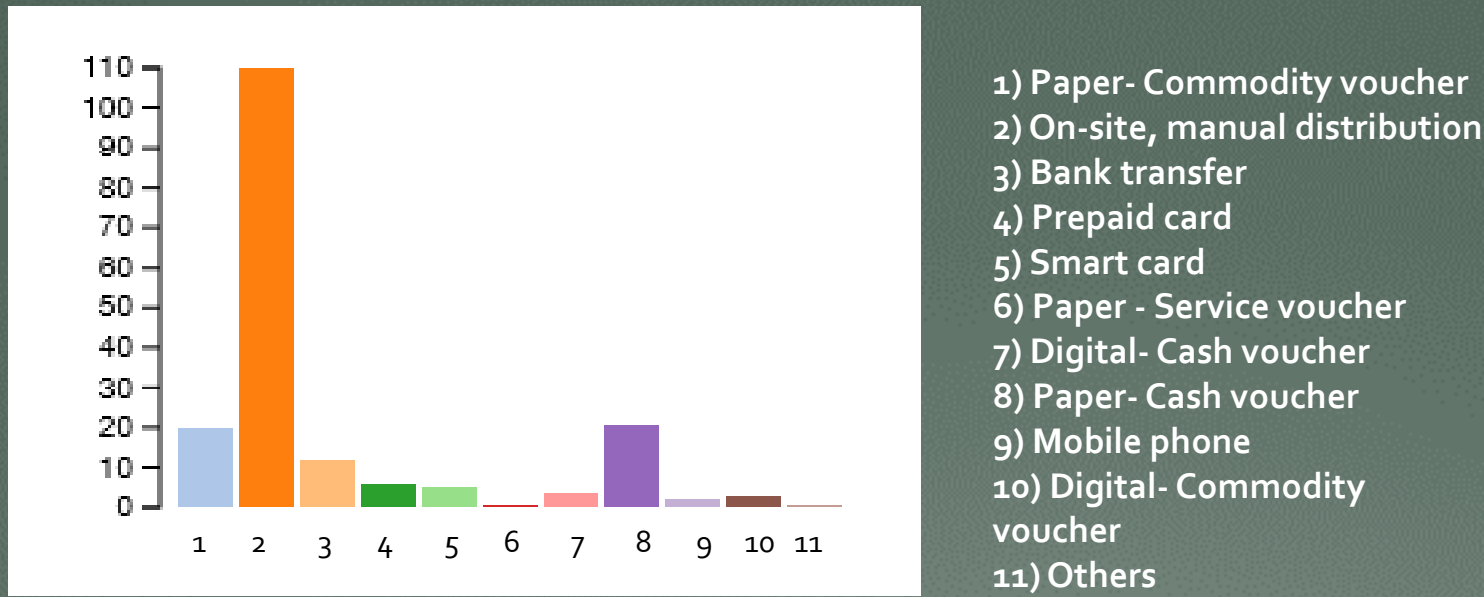
- On average, cash is more efficient to deliver in disasters, while food displays larger efficiencies in other crisis contexts (e.g., complex, man-made crises)

Context	Cash	Vouchers	In-kind	Combinations	Total
Complex emergency	2.81	2.11	1.86	2.33	2.37
Slow onset	1.64	1.54	2.44	1.96	1.81
Sudden onset	1.39	2.72	1.46	1.61	1.62
Refugees	1.15	1.81	1.48	1.40	1.44
Average	1.93	2.11	1.84	2.03	1.96
Number of cases	76	34	30	23	163

Data from 163 projects
 Index = Total Cost Transfer Ratio (TCTR) is the ratio of total program cost to value of transfers

Payment

- Selecting a cash payment mechanism:
 - “Back to basics” in disasters? Need for flexibility and mix of high-low tech options to adapt to disrupted (energy, infra, connectivity) contexts
 - Need to maintain a pragmatic approach, even if sub-optimal from an efficiency standpoint – i.e., don’t put “all eggs in a one basket”



Source: CaLP, Data for 150 projects with a total of 11.8 Mill beneficiaries and an overall amount of \$965 Mill

Financing

- For Adaptive Safety Net program, appropriate financing can be sourced and aligned, ex-ante.
- Ready financing can hasten disbursements to beneficiaries after the onset of a crisis, better protecting their wellbeing
- The contingent liability of such program needs to be defined under several scenarios, based on several the following policy decisions (already discussed):

➤ **WHO?** (Targeting)

+

➤ **WHEN?** (For all disaster types? Small scale or only large scale disasters? For how long?)

+

➤ **HOW MUCH?** (Benefit level)?

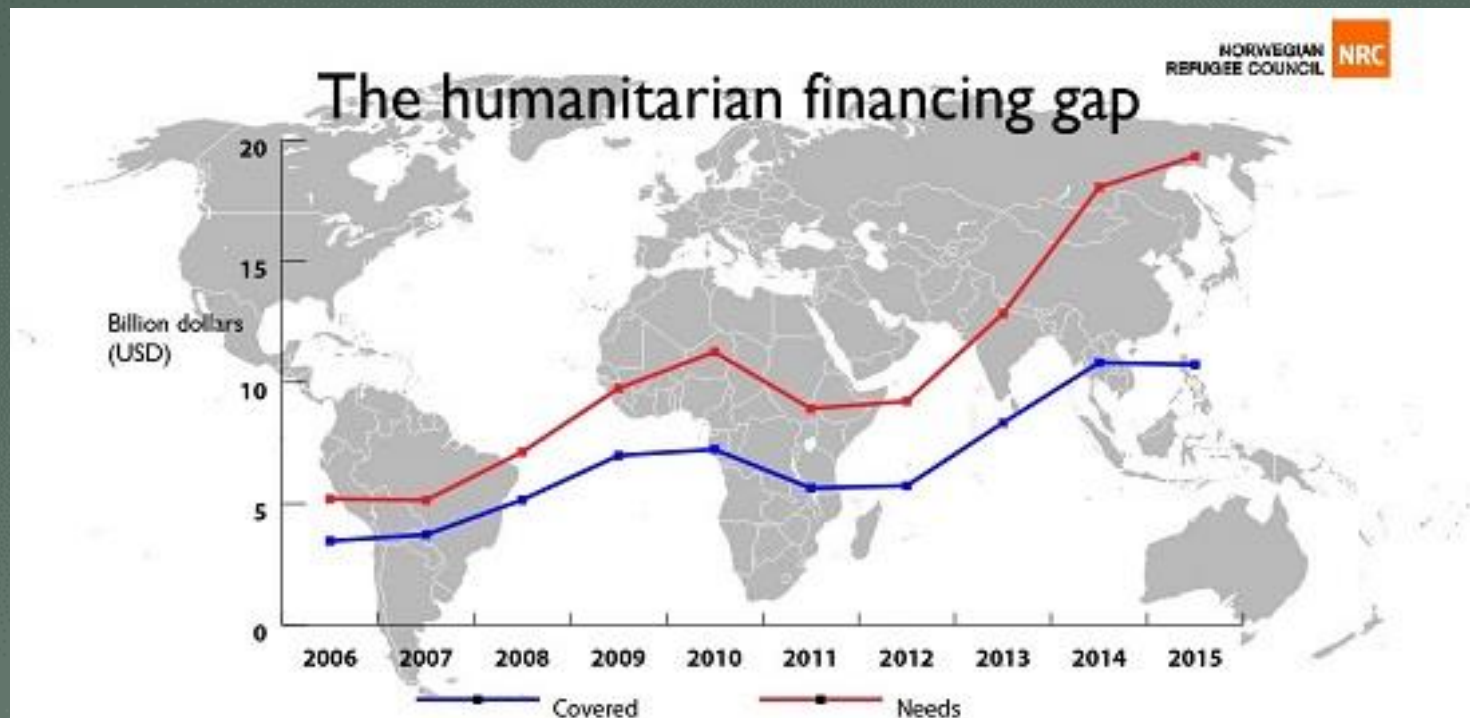
= The program's contingent liability

Modeling Kenya HSNP contingent liability of horizontal scale-up

INPUTS			
1. Exchange Rate (enter rate)			
Currency		USD	
Exchange Rate: KSH to USD/GBP		91.64	
2. Geographical Coverage (on/off option)			
Mandera		Yes	
Marsabit		No	
Turkana		Yes	
Wajir		Yes	
3. Scale Type (select one trigger or two triggers)			
Choose		Severe and Extreme	
4. Population Coverage (input scale out percentage)			
Routine Households		27%	
First Scale Out		50%	
Second Scale Out		75%	
5. Transfer Amount per Household (input number for monthly payout amount)			
		Routine Households (Core Case Load)	First Scale Additional H
		[Total Transfer Amount]	
Standard Payouts		\$27	
Payout in Severe Months (first trigger)		\$54	\$27
Payout in Extreme Months (second trigger)		\$81	\$54

There is a growing gap in humanitarian financial resources globally

- In 2015, US\$ 20 billion were needed to provide life-saving assistance to 125 million people affected by wars and natural disasters
- This is 4 times the amount that was needed 10 years ago.
- Leading to an estimated humanitarian funding gap of US \$10 billion in 2015.



Financing

- Adequate funding then needs to be prepositioned:

A layered approach may be appropriate:

1. Smaller shocks:

- Within implementing agency contingency funding

2. Larger more severe:

- Create program linkages to national reserve funds / risk financing mechanisms - especially for larger scale shocks
 - *Calamity funds* (Philippines, India, Latina America – e.g. Mexico)
 - *Contingent credit/financing* (e.g. WB CAT DDO; Ethiopia RFM)
 - *Regional insurance pools* (e.g. PCRAFI in the Pacific, CCRIF in the Caribbean, African risk Capacity Facility, ARC) – largely for particularly extreme/rare events

Usually requiring pre-defined “triggers” (severity of disaster) for dispersal

3. Additional humanitarian appeal for “black swan” events

In conclusion...

- Social protection systems are a growing mainstay globally.
- However, increasing frequency and severity of disasters is prompting the need for their adaptation to become more responsive to such shocks.
- Delivery systems developed for regular safety nets can be leveraged, but require adjustments.
- Cooperation and coordination with the humanitarian and other sectors will be key.
- This is a new area, and there is no uniform approach.