



## Responding to a crisis:

### The design and delivery of social protection

Francesca Bastagli

#### Abstract

One of the primary objectives of social protection is to help households cope with adverse events, including shocks that affect entire communities, known as covariate shocks. Three policy features are critical to the effectiveness of social protection in such circumstances: timeliness, adaptability and adequacy in terms of levels and resources. Policy needs rapid implementation at a large enough scale to reach the high number of people affected. However, social protection provision in the aftermath of covariate shocks faces a number of challenges. The regulation of existing policies to address vulnerability and risk in non-crisis times may contrast with the need for a rapid and adequate response in a crisis context. The complexities and challenges already encountered in policy delivery in regular times are commonly aggravated by the disruption resulting from a shock. Furthermore, policy financing mechanisms used in non-crisis times come under strain as tax revenues and social security contributions decline and the demand for social protection increases. Drawing on the experience of a wide range of countries and social protection policies in the aftermath of different shocks, this paper identifies the policy design and implementation details that enable timely and adequate shock response. It also examines developments in securing adequate social protection financing and crisis preparedness.

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# Abbreviations

Abbreviation	Description
ACF	Action Contre La Faim (ACF)
ADB	Asian Development Bank
ARC	African Risk Capacity
CCT	Conditional cash transfer
CILLS	Comité permanent Inter-Etats de Lutte contre la Sécheresse
CMP	Child Money Programme (Mongolia)
CRS	Catholic Relief Services
DECT	Dowa Emergency Cash Transfers (Malawi)
DFID	Department for International Development (DFID)
DRR	Disaster risk reduction
EDR	Emergency Drought Response (Swaziland)
EWS	Early-warning system
FA	Familias es Accion (Colombia)
FAO	Food and Agriculture Organization of the United Nations
FACT	Food and Cash Transfers (Malawi)
FEWSNET	Famine Early Warning System Network
GIEWS	Global Information and Early Warning System
HIC	High-income country
HIPC	Highly-indebted poor country
HSNP	Hunger Safety Net Programme (Kenya)
IMF	International Monetary Fund
IMSS	Social Security Institute (Mexico)
LIC	Low-income country
MIC	Middle-income country
OECD	Organisation for Economic Co-operation and Development
PDPL	Programmatic Development Policy Loans
PET	Programa de Empleo Temporal (Mexico)
PINE	Programa Integral de Nutricion Escolar (Philippines)
PMT	Proxy means targeting
PRAF	Programa de Asignación Familiar (Honduras)
PROGRESA	Programa de Educación, Salud y Alimentación (Mexico)
PSNP	Productive Safety Net Programme (Ethiopia)
PWP	Public Works Programme
REPRO	Programa de Recuperacion Productiva (Argentina)
RFM	Risk financing mechanism (Ethiopia)
RSR	Rapid Social Response
SHARE	Supporting the Horn of Africa Resilience
STW	Short-term work
UCT	Unconditional Cash Transfer (Indonesia)
UNHCR	United Nations High Commissioner for Refugees
USAID	US Agency for International Development
WFP	World Food Programme

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# 1 Introduction

One of the primary objectives of social protection is to help households manage risk and cope with adverse events, including shocks that affect entire communities, known as covariate shocks. These include economic crises, disasters associated with extreme weather, climate or geological events and conflict-related shocks.

Three policy features determine the effectiveness of social protection response in the context of a covariate shock: timeliness, adaptability and adequacy in terms of levels and resources. In the aftermath of a covariate shock, policy needs to be mobilised and implemented quickly and at a scale large enough to reach the large number of people typically affected by this type of shock. However, social protection provision in such circumstances faces three sets of key challenges. First, the structure and regulation of existing social protection policies designed to address vulnerability and risk during regular, non-crisis, times, may contrast with the objective of timely and adequate response in the context of a shock. The challenges and complexities encountered in social protection transfer delivery and service provision in regular times may be further aggravated by the disruption brought about by a shock. Furthermore, the policy financing mechanisms relied on in non-crisis times become strained as government budgets face fiscal consolidation pressures while the need for support increases.

Against this background, this paper examines the policy design and implementation features that facilitate social protection responsiveness when a crisis hits. Based on a comprehensive literature review and drawing on the experience of a wide range of countries and social protection policies in the aftermath of different shocks, it examines the policy or programme design and implementation details that enable timely and adequate response.

The paper is structured as follows. Following this brief introduction, the second section identifies the main issues under investigation and provides the background for the remainder of the paper. The third section examines a range of different social protection instruments and the ways in which these have been scaled-up and adapted in the context of different crises. The fourth section focuses on programme delivery and operational feasibility. It examines the ways in which delivery challenges in the context of a shock have been addressed in practice and identifies lessons for social protection implementation that emerge from the delivery of humanitarian and emergency response. The fifth section turns to social protection financing and specifically to the challenges faced when the fall in government revenue and other fiscal pressures conflict with the need to maintain or increase public spending and the need for rapid disbursement. The sixth section examines the role of social protection planning and preparedness, including efforts to strengthen the coordination between social protection and disaster-risk reduction and emergency response sectors. The final section summarises the key findings and concludes.

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# 2 Social protection and shock response: main issues

## 2.1 Shocks: type, scale, frequency and impact

Covariate shocks affect entire communities, unlike idiosyncratic shocks that are commonly experienced over the course of a life-cycle and that include illness, old age and loss of employment. Covariate shocks include rapid and steep fuel and food price increases, natural or climatic disasters and political and conflict-related crises that lead, for example, to mass displacement. Such shocks can have catastrophic economic and social impacts on large parts of a country's population and can be a cause of impoverishment (Shepherd et al, 2013).

Looking ahead, studies suggest that the frequency and intensity of certain shocks are likely to increase. Heavy precipitation, drought and high sea levels associated with extreme weather and climate events are likely to increase (IPCC, 2012). Shepherd et al. (2013) show a strong likelihood of an increase in the severity and length of droughts in some regions. Moreover, the impacts of such events are exacerbated by recent demographic dynamics such as urbanisation and migration. The frequency and impact of economic volatility and related crises are also likely to persist or intensify as globalisation fuels greater economic and financial interdependence. Economic crises over the past two decades alone include more than 40 episodes of growth decline of 4 percentage points or more between 1980 and 1998, the East Asian financial crisis of 1997/98 and the global financial crisis of 2009 (Lustig, 2000; Marzo and Mori, 2012).

Covariate shocks vary depending on their frequency, predictability, slow or sudden onset, scale and duration. These determine the extent to which they can be anticipated and the types of instruments that are used to track them, their impact on the population and the financing resources required to provide social protection support in their aftermath. Some food crises, for example, occur regularly and tend to be slow-onset disasters. They may emerge over a period of months and are routinely tracked and anticipated by famine early-warning systems. Flash floods and earthquakes may be more difficult to anticipate and, of course, occur suddenly.

The characteristics of shocks have important implications for social protection in terms of the appropriate instrument and design details and the priority challenges encountered once the crisis hits. Different crises require different interventions, tailored to the particular shock and the coping strategies of the affected populations. For example, appropriate interventions to mitigate the impact of job losses in an economic crisis might include training programmes and reduced work hours. In a humanitarian emergency, more appropriate interventions might include food distribution and emergency infant nutrition programmes and health care.

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Crises are also frequently concurrent or sequential, each one reinforcing the impact of the others and making it difficult to assess the impact of any single specific shock. The 1997 Asian financial crisis, for example, came on top of a severe drought that undermined the availability of basic food stuffs in many of the worst-affected countries (AusAID, 2009). Similarly, the effects of the recent 2007/08 food and fuel price crisis in several sub-Saharan African countries were compounded by local floods and drought, as was the case in Ghana and Mali.

This paper identifies different shocks and makes a distinction between them in some places when discussing the appropriateness of different measures and policy design features. In general, however, it refers to ‘shocks’ as a single category of covariate shocks, given its focus on the policy instruments and features – timeliness, adaptive capacity and adequacy – that are required in the face of most crises.

The effects of a shock on people’s livelihoods and well-being depend on a wide range of factors including the type of shock and a country’s demographic and labour market structure as well as its public policy arrangements. The poorest may be the most adversely affected and have the most limited coping capacity. Indeed, the coping solutions available to them commonly risks further aggravating their situation (Skoufias, 2003). Research shows that the poor tend to be the most vulnerable to the effects of natural-hazard shocks and that disasters have long-run economic consequences for those in the lowest wealth quintiles (Shepherd et al., 2013).

Yet crises can also have an adverse impact on groups that were initially better off and on those who are just above the poverty line generating ‘new poor’ and newly vulnerable groups. This potential mismatch between the existing or chronic poor, those targeted by social protection programmes in non-crisis times, and individuals affected by a crisis is one of the challenges confronting social protection crisis-response.

## **2.2 Social protection, emergency and humanitarian response**

Social protection can strengthen people’s ex-ante risk-management capacity, provide support during a crisis and promote recovery once the crisis is over. It can promote economic opportunities for people and reduce vulnerabilities through asset and livelihood diversification and human capital development. Social protection also provides support during a crisis through relief and assistance that prevent households falling into poverty or into deeper poverty. Cash and in-kind transfers, public works programmes and other work-related initiatives can help prevent losses in human capital. Finally, it also serves during the stage of recovery through pro-poor counter cyclical public investment, skill-building and risk diversification programmes that build new opportunities.

This paper focuses on the second of these objectives, on social protection during a crisis and on the design and implementation details, including policy financing and planning, that facilitate effective crisis response. This focus on the operational dimension of social protection planning and delivery, alongside the emergency nature of shock response to disasters and mass displacements, implies a direct link to disaster risk reduction (DRR) and to emergency and humanitarian response practices and literature. For this reason, the paper draws on information from these fields and identifies policy implications that are relevant to social protection, aiming to bridge the gap between these different areas of work. Studies in the area

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of DRR and humanitarian response provide particularly useful examples of solutions to the delivery and financing challenges encountered in social protection crisis response implementation. These are examined in this paper's sections on delivery and financing.

In addition to yielding lessons for social protection programme-specific delivery and financing challenges, the consideration of DRR and humanitarian interventions is critical for shock preparedness. Traditionally, DRR and humanitarian interventions have been considered separately from social protection and all three sectors continue to have separate planning and administration processes, despite overlaps in their objectives, their reliance on common instruments and the similar challenges they encounter.

More recently, and particularly in light of the likely increases in frequency and intensity of impacts of covariate shocks, there has been a growing recognition of the need to consider these sectors in a more coordinated and integrated manner (e.g. Johnson et al, 2013; Vincent and Cull, 2012). Increasing efforts to expand the availability of resources for social protection in the poorest countries, coupled with a shift in disaster risk reduction beyond humanitarian relief towards preventing and reducing the risk of disasters have further strengthened the potential for integration and joint planning across these sectors (Arnall et al., 2010). This issue will be explored in the paper's section on planning and preparedness.

Finally, evidence indicates that social protection can play a powerful role in responding to a wide range of shocks. Impact evaluations of targeted cash transfers in different Latin American countries highlight their critical role in protecting against shocks. For example, in a study on the impact of shocks and the role of cash transfers in buffering shock on children in Mexico, De Janvry et al. (2004) show that shocks are important in pushing children out of school and that Mexico's national cash transfer, PROGRESA, largely or fully compensated for these shocks in keeping children in school. PROGRESA beneficiaries were less likely to respond to shocks by withdrawing their children from the classrooms.

Similarly, Maluccio (2005) shows that the Red de Proteccion Social (RPS) cash transfer in Nicaragua played an important part in the risk-coping strategies of beneficiary households in the aftermath of the 'coffee crisis' (coffee price decline), particularly for the households affected most severely by the downturn. It provided a cushion for per capita expenditures, protected children's school enrolment rates and helped coffee labourers to intensify their activity in alternative agricultural activities (Maluccio, 2005).

### **2.3 Challenges to effective social protection shock response**

A careful review of the literature undertaken for this study highlights three main challenges to shock-responsive social protection: lack of policy flexibility and little or no adaptive capacity; lack of financing schemes that permit scale-up and rapid response; and weak preparedness. These challenges determine the three main sets of issues addressed by this paper.

- *Social protection policy design and delivery in a crisis*: the three features that determine the effectiveness of social protection crisis response are, as mentioned, timeliness, adaptability and adequate levels of support. Such features may contrast with the priorities that underpin social protection development in non-crisis times and have several implications for the design and delivery of responsive social protection. These are explored in



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Sections 3 and 4, which review examples of the ways in which different policies have been scaled-up or adjusted in practice in the aftermath of a shock, the tensions and trade-offs with regular social protection planning and the design and implementation details that facilitate timely, adaptable and adequate social protection programmes.

- *Social protection financing in a crisis*: typically, social protection programmes are under pressure to expand in the event of a shock as the demand for assistance increases. Moreover, in the event of a shock, disbursements need to be rapid. Section 5 examines the tension between the demand for higher social spending and budgetary constraints in times of fiscal pressure and consolidation and what has been done to address this tension. It also provides examples of initiatives and instruments to speed up disbursement and payment procedures.
- *Social protection planning and crisis preparedness*: the main lesson learned from previous crises is that having a system already in place that can be expanded and adapted to accommodate increased needs in the event of a shock is critical to effective social protection provision. Studies reviewed for this paper point unanimously to the difficulty of setting up functioning systems and even individual programmes once a crisis has struck. Responses to shocks are most effective and easiest to scale-up in the face of changing circumstances if they build on existing programmes and on institutional capacity established prior to a shock. Section 6 examines how countries are addressing social protection shock preparedness and what can be done to support such efforts still further.

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# 3 Social protection design and shock response

Social protection responses to a crisis can take many forms and can be grouped broadly into those that are part of an expansion or scale-up of coverage and transfer levels as spending is increased, and adjustments that are made in a context of cuts. Examples of adjustment measures made as part of a broader cost containment strategy include the rationalisation and further targeting of safety nets, the reduction or elimination of subsidies, wage bill cuts/caps and the promotion of labour flexibility.<sup>1</sup> This paper considers efforts to scale-up social protection provision and, in the case of adjustments in the context of cuts, those aimed at protecting the poorest or groups most adversely affected by the shock. Examples of the latter include the enhancement or ‘fine-tuning’ of targeting. The paper does not cover other austerity measures.

The social protection adjustments and reforms considered here include:

- the introduction of new policies
- the extension of coverage and duration of existing programmes
- the adjustment of transfer amounts or values
- the introduction of extraordinary payments or transfers
- modifications to programme rules and the relaxation of requirements to facilitate participation.

This section examines the ways in which countries have, in practice, made such adjustments in the context of shocks and covers a range of social protection instruments that can be classified as social assistance or safety nets, social insurance and work/employment policies. Although establishing a clear link between specific policy reforms and a crisis can be tricky – reforms may have been planned in advance of a shock or motivated by a range of other factors – information on the timing of changes and reasons for the changes outlined by policy documents provide an indication of such linkages.

As well as identifying the types of measures taken in the context of a crisis, this section highlights the policy design details that have facilitated responsiveness to permit either the scale-up of programmes or adjustments to protect the poorest and the main trade-offs involved in alternative policy options.

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<sup>1</sup> For example, Ortiz and Cummins (2013) provide a comprehensive list of the austerity measures implemented by countries in the aftermath of the 2008 global financial crisis.

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### 3.1 Social assistance and safety nets

Social assistance programmes include cash and in-kind transfers and are non-contributory, commonly financed out of general taxation or external aid. For simplicity, subsidies are also included under this heading here. Programme design details for each of these tools can vary significantly and determine the extent to which policy responds in a timely fashion to changing circumstances, is adaptable and permits an adequate response. Like other social protection instruments, these can be designed to include elements of automation, expanding as demand for assistance increases and contracting in regular times when they return to act primarily as tools that address chronic poverty or risks faced by vulnerable groups.

#### *Cash transfers: extension in coverage and duration and value adjustments*

Social assistance cash transfers vary depending on their degree of targeting, the targeting methods adopted, their benefit amounts, their duration and whether they are conditional or not. They are seen as less paternalistic than other social protection instruments, in principle allowing beneficiaries to decide how to spend money and, therefore, allowing them greater choice. Yet their effectiveness depends on functioning markets and the availability of goods. It also depends on the purchasing value of benefits and how it changes over time. This is of particular relevance in the context of crises associated with steep increases in prices, which lead to the erosion of the real value of transfers if benefits are not adjusted adequately.

Initiatives to scale-up cash transfer programmes in the context of a shock include: the introduction of new programmes; the expansion of population coverage of existing programmes; the extension of the duration of programmes with a maximum time limit; upward benefit value adjustments and the introduction of extraordinary payments.

New cash transfers have, in some countries, been introduced in response to shocks. In Colombia *Familias en Accion* was launched in 2001 in response to one of the country's worst recessions. Similarly, the *Programa de Asignación Familiar* (PRAF) initiative in Honduras was introduced in 1990 as a transitional programme to alleviate the burden of macroeconomic adjustment on the poor. Both were devised initially as compensatory programmes and later evolved into longer-term measures that have become part of national safety net systems (Bastagli, 2009). More recently, in relation to the recent food, fuel and financial crisis, Guatemala's *Mi Familia Progresá* programme was launched in 2008 and scaled-up rapidly, with about 448,000 families or 24% of the population benefitting from the programme by 2009 (Grosh et al., 2011).

The expansion of population coverage by existing programmes is another common response and leads to the inclusion of additional households in an existing programme. This can involve both the acceleration of the planned expansion of recently implemented programmes and the expansion of more established programmes.

In the Philippines, the 4Ps cash transfer programme covered 6,000 households in 2008 and its expansion accelerated to reach over 321,000 beneficiary households by 2009. By 2012, the programme had been further expanded to cover a total of approximately 3 million households (ASEAN, 2010). More established cash transfers, such as the *Bolsa Familia* in Brazil or *Oportunidades* in Mexico, have also expanded coverage in response to shocks. In 2008, following the high food

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prices and the riots of 2007, the Mexican government increased the *Oportunidades* budget and the number of beneficiaries increased by 1 million. The total number of Mexicans assisted by the programme reached 5 million households, or one out of four Mexican families, in 2008 (Demeke et al., 2009).

Another option to step up support involves extending the duration of cash transfer programme participation where maximum time limits exist. For example, in Ethiopia, where the Productive Safety Net Programme (PSNP) typically delivers unconditional cash transfers and public works projects for six months each year, it has been proposed that support to PSNP beneficiaries should be extended to 8-9 months in years when harvests fail or food prices rise (Devereux, 2012).

In relation to transfer amounts, extraordinary payments are made in some countries as top-ups to existing benefits. Chile, for example, gave one-time extraordinary payments to those who were already benefitting from a number of its social assistance programmes (Grosh et al., 2013). In contrast to the extension of coverage or permanent adjustments in benefit levels, such measures give temporary relief to existing programme beneficiaries and do not provide longer-term support to households.

Another option limited to the existing beneficiaries of a programme is that of adjusting the benefit value. This can be a very quick policy response, although its restriction to existing beneficiaries is a concern where coverage rates of the poorest or of the new poor are incomplete or low.

Two central issues are by how much the benefit is increased and how the adjustment takes place. In the case of steep price increases, does the value of the transfer keep up with the price hikes or is purchasing power eroded despite the adjustments? Cash transfer value adjustments vary according to whether transfers are uprated automatically in line with a specific price index or adjusted on an ad hoc basis. Adjustment through indexation leads to a degree of automatism and timeliness in response. However, it does not necessarily guarantee an adequate response and may require considerable budgetary flexibility.

The erosion of the purchasing power of cash transfers over time is common in many programmes. In Kenya, the Hunger Safety Net Programme (HSNP) cash transfer could buy only one-third of the food basket against which it was calibrated within just 18 months of the programme's inception in 2007 (Devereux, 2012).

In Malawi, transfers via the Food and Cash Transfers (FACT) project in 2005/06 and Dowa Emergency Cash Transfers (DECT) project in 2006/07 were index-linked to a basket of basic food and non-food items, and were adjusted before each monthly disbursement (Sabates-Wheeler and Devereux, 2010). In other countries, adjustments are made in an ad hoc fashion, as is the case for Brazil's *Bolsa Familia*. In the aftermath of the recent food, fuel and financial crisis, *Bolsa Familia* benefits were raised by 10%. In Mexico, *Oportunidades* monthly payments to the poorest families increased by 24% in 2008 (Grosh et al., 2013).

Such adjustments can provide valuable support to beneficiaries. However, they do not always protect them entirely from the increases in commodity prices. A comparison of the increase in the *Oportunidades* transfer with the rate of inflation shows that beneficiaries were not protected in full from food inflation (Demeke et al., 2009). In Ethiopia, by mid-2008, the average retail cereals price was almost three times higher than it was when the PSNP was launched in 2005 but the PSNP cash payment had increased by only 33% (Devereux, 2012).

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Indexing requires a degree of budgeting flexibility. Sabates-Wheeler and Devereux (2010) estimate that the PSNP cash transfers budget would have had to treble in two years, just to keep pace with food price inflation in Ethiopia between 2006 and 2008. However, if cash transfers aim to act as a buffer against shocks such as high food prices, then indexation is one tool that can be used. The implementation of automatic uprating schemes is facilitated by inflation forecasting, assessment of local markets and building a contingency fund into programme budgets.

*Food transfers: extension in coverage and duration and value adjustments*

Food transfers may present some advantages over cash in the context of a shock. For example, cash transfers are vulnerable to price inflation of the commodities they are intended to purchase, while in-kind transfers distributed to households are not. Indeed, in contexts where supplies are constrained and traders are slow to respond to increased demand, an injection of cash transfers might even exacerbate inflation (Sabates-Wheeler and Devereux, 2010). The potential disadvantages of food aid, when compared with cash transfers, are that food aid is expensive to store and distribute and may be viewed as paternalistic.

Food transfers vary depending on the mode of delivery, which includes direct and emergency food aid, school feeding, food stamps or vouchers and food rationing. In a crisis, the reliance on existing channels and infrastructure is crucial for scale-up. Scale-up adjustments to food transfers include: the introduction of new programmes; the expansion in coverage of existing programmes; the extension of duration and increases in the amounts transferred.

The distribution of emergency food aid was a common strategy in poorer countries in response to the recent fuel, food and financial crisis. Several African governments introduced ad hoc emergency food-based programmes: Benin, Burkina Faso, Mali and Niger responded to increased food insecurity by initiating emergency food distribution in affected areas and using cereal banks to sell food staples at reduced prices (World Bank, 2013a). In Bangladesh, various rapid response food programmes designed to help different groups in the aftermath of natural disasters have played an important role. The government's food transfers to about 4 million poor households helped to limit the impact of the 1998 flood and avoid a food crisis, in stark contrast with the 1974 floods (Marzo and Mori, 2012).

In both low- and high-income countries (LICs and HICs), school-feeding programmes have emerged as one of the preferred options for the delivery of food assistance in the event of a shock. In some LICs, school feeding is the largest and often the only direct transfer programme used for quick response. In some cases, this is because school feeding is the main social protection instrument in place that operates in non-crisis times. School feeding programmes display some advantages over other social protection measures as they rely on existing infrastructure and human resources – schools themselves, plus the teachers and parents involved in the school system – that provide a point of entry to communities where other social protection instruments may be absent (Bundy et al., 2009). In times of food crisis, in addition to providing food directly to children and their families, these programmes may discourage parents from taking children out of school (FAO, 2009). They have potential both to address hunger and support nutrition through micronutrient- fortified food and deworming and provide an incentive for poor families to send their children to school.

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School feeding programmes that were launched as a result of a crisis include El Salvador's programme, introduced in 1984 during a national crisis and which expanded from about 200,000 students to 870,000 children. It was further expanded in 2008 in response to high food prices and to reach about 60 percent of the total number of children enrolled in basic education (Bundy et al., 2009). In the Philippines, the government launched the 'enhanced' Food for School Feeding Program (SFP) in 2008 to provide public elementary students from pre-determined areas with porridge every day they attend classes after food prices led to increases in school drop outs and reduction in enrolments (Demeke et al., 2009). In Nicaragua, an increase in school feeding was the main social protection response to the 2008 food, fuel and financial crisis (Grosh et al., 2013). In the absence of a significant poverty targeted cash transfer and with scope for scale-up, the *Programa Integral de Nutricion Escolar* (PINE) was scaled up to cover approximately 263,000 additional children. Since December 2007, the government of Madagascar has expanded the World Food Programme's school feeding in the south, more than doubling the number of children from 60,000 to 150,000 (Demeke et al., 2009).

Despite displaying some clear advantages, school feeding programmes have potential limitations. For a start, they typically only reach households with children of school age. Furthermore, they may not reach the poorest areas or households, those that are not covered by school services or for whom the lack of infrastructure curtails their programme participation.

Lack of infrastructure, possibly exacerbated by disruption in the event of a shock, may lead to the exclusion of vulnerable groups and affect the speed at which a programme is rolled out in the shock's aftermath (WFP, 2013). In terms of programme mechanics, school feeding programmes require signed agreements between different actors and the large-scale procurement of foods. Even the scale-up of a functioning school feeding programme is not immediate. Challenges to timely and inclusive scale up were seen in Burundi, where programme implementation was affected by the time required to select schools and inform communities. Those schools selected initially as priorities because they were small rural primary schools were later dropped because they did not have all the necessary infrastructure, including water supply, storage and latrines (Ambrosio et al., 2012).

#### *Subsidies: introduction and extension*

Subsidies are widely used during crises, often to lower the prices of basic consumption or productive goods such as food grains, fuel, fertilisers or medical treatment. They are favoured by relative administrative simplicity and have been effective in alleviating poverty in the aftermath of a crisis. A common criticism voiced is that universal subsidies can be regressive, favouring higher income groups in practice. Their total costs can be high compared with smaller, targeted interventions.<sup>2</sup> Yet both the costs and targeting performance of subsidies can vary significantly depending on, among other things, the commodity that is being subsidised and patterns of consumption. Initiatives to scale-up subsidies in the context of a shock include the introduction of new subsidies and the expansion of existing subsidies to new goods.

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<sup>2</sup> Moreover, energy subsidies promote the overconsumption of fossil fuels, contributing to increases in global carbon emissions and raising environmental concerns.

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In many countries, the reliance on subsidies results from the absence of other programmes and the relative simplicity and speed with which this instrument can be implemented. For example, in Indonesia, in the aftermath of the 1997 financial crisis, the system of generalised subsidies was used as a safety net, partly because of the absence of alternative policies. During the more recent 2008 crisis, the limited progress made on establishing adequate social assistance led the Indonesian Government to rely on the fuel subsidy once again, despite the problems this had led to after the 1997 crisis, when attempts to scale-back subsidies after their expansion were met with public discontent. The Government returned to these instruments in order to protect the vulnerable population as quickly as possible (Bender and Rompel, 2010).

In Haiti, rice subsidies implemented in 2008 appear to have been comparatively well-targeted and not particularly costly. Though not as well targeted as most other safety net programmes, the rice subsidy was still less regressive than other commodity subsidies and had lower errors of exclusion than other programmes, which often failed to reach the poorest households (Marzo and Mori, 2012).

In Egypt, the food subsidy programme expanded to include 15 million additional people in the aftermath of the 2008 food and fuel crisis (Jones et al., 2009; Wiggins and Keats, 2013). This had a significant impact on poverty and prevented some of the worst effects of the 2008 food crisis. A World Bank (2011) report estimates that food subsidies lifted about 9% of the Egyptian population out of poverty and that the incidence of poverty in Egypt in 2008/09 would have increased from 22% to 31% in the absence of such programmes.

#### *Other examples of policy adaptation and fine-tuning*

In addition to policy expansion, the extension of transfers and increases in their value, crises have been addressed with other changes in programme regulation to adapt to changing circumstances. These include: introduction of in-kind transfers alongside or in place of cash transfers; relaxing participation requirements (e.g. through the suspension of conditionalities) and the fine-tuning of targeting.

One of the options adopted in practice to tackle the vulnerability of cash transfers to inflation is combining or replacing cash with a food transfer component. Under Swaziland's Emergency Drought Response (EDR) of 2007/08, implemented by Save the Children, 40,000 drought-affected people were given a half ration of food, plus the equivalent in cash, each month for six months. Ethiopia's PSNP implemented the 'cash first principle' in an effort to move away from food aid, but when this objective was compromised by food price inflation in 2007/08, the decision was taken to make more strategic use of food, particularly in areas most affected by high food prices (Devereux, 2012).

Other programme adjustments made in the aftermath of a shock aim to facilitate participation in a situation that may jeopardise participation under existing eligibility rules. One example is the suspension of behavioural requirements attached to safety net programmes. In an attempt to minimise the risk of exclusion and additionally penalising beneficiaries, several conditional cash transfers (CCTs) waived their conditionalities in the aftermath of a shock. For example, in Colombia, the *Familias es Accion* (FA) suspended programme conditionalities temporarily in 2008 to accommodate the shortfalls in service provision as a result of damaged infrastructure. The FA also adjusted benefit levels and allowed people affected by flooding to claim their benefits at different locations (World Bank, 2013b).

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Crises are often associated with cuts in public spending, as falling revenues and other pressures lead to fiscal consolidation processes. In some cases, such cuts are accompanied by initiatives to protect the poorest through, for example, the tighter fine-tuning of targeting. In Mongolia, the universal Child Money Programme (CMP) was initially maintained amid cuts following the 2008 crisis and the transfer was made more progressive by providing marginally more money to successive children, given the higher poverty rate among families with more children. The programme was eventually discontinued and is now being replaced by a targeted anti-poverty benefit (Walker and Hall, 2010).

### 3.2 Social insurance

In contrast to social assistance, which tends to be financed through general taxation and international aid, social insurance is mainly financed through employer and employee contributions. In principle, it is designed to act as an automatic stabiliser in the aftermath of a shock and to expand as the number of recipients increases as a result of higher demand for support. For example, unemployment insurance can respond to the need to protect the income of dismissed workers if coverage grows in response to an increase in the number of eligible unemployed.<sup>3</sup>

In practice, however, revenue from contributions also shrinks in a crisis, as contributions and wages decline, and funding for increased expenditure is not guaranteed, beyond existing reserves held by social insurance systems (ILO, 2011). Beyond this financing issue, which is addressed in section 5 on social protection financing in a crisis, social insurance has, by its very nature, an element of automation and crisis responsiveness that has proved extremely effective in crisis contexts. In general, countries with formal social insurance schemes are better equipped to respond to crises than countries without such schemes: the routine collection of contributions and the provision of income replacement over time give countries greater scope and flexibility around the timing and scale of anti-crisis measures than countries that offer little or no social insurance.

One main shortcoming is that social insurance coverage and benefits continue to be low in LICs and the required administrative structures, including programme rules, are rarely in place (McCord, 2013a; Scholz et al., 2010). This is the result, in part, of the structure of the economy and labour market in many LICs, with high informality, for example, posing a challenge to social insurance expansion. It is also the result of the persistence of weak institutional and administrative capacities and the associated reluctance to promote social insurance in these countries.

In many middle-income countries (MICs), however, higher social insurance coverage and benefit levels have been achieved through policies that aim to expand such programmes (e.g. in Brazil and China; see Midgley and Piachaud, 2013), demonstrating ways in which higher social insurance coverage and levels can be achieved. As a result, social insurance plays an important role today in buffering shock impacts in these countries.

As with cash transfers, food transfers and subsidies, initiatives to scale-up and improve participation in social insurance programmes in the context of a shock include: the extension of benefits coverage and duration, expanding the eligibility and coverage of partial unemployment benefits and relaxing the requirements for

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<sup>3</sup> Moreover, unemployment insurance may provide more effective income security and consumption smoothing than other forms of insurance or non-contributory instruments because it depends on collective contributions and not on the capacity or willingness to pay on the part of, for example, individual employers whose businesses may be in financial difficulty (van Ginneken, 2001).



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participation. They also include the introduction of additional payments and reductions or exemptions in employer and employee contribution rates.

Countries have extended unemployment benefit payment periods in response to crises. In Uruguay for example, a 2008 reform to its unemployment insurance system led to the extension of benefit payments from six to eight months if/when the country experiences a recession. In Brazil, the period of benefits was extended temporarily by two months for workers laid off in December 2008 and January 2009 from jobs that appeared on a list of ‘most affected sectors’ (Grosh et al., 2013).

Another approach involves modifying full unemployment schemes to become partial unemployment schemes, allowing workers to stay in their jobs, but with reduced working hours. Also called reduced working hour compensation, benefits are paid to employees who work in enterprises that have shortened their working hours as a result of a shock. The loss of income from fewer working hours is compensated for, in part, by either the unemployment scheme, the state budget or both (ILO, 2011).

Partial unemployment benefits aim to prevent the loss of skills and the discouragement of workers – risks that are more likely if they become fully unemployed. In Turkey, partial unemployment benefits were extended from three to six months and payments were increased by 50% in 2009 for workers in firms that adopted reduced working hours and that met the conditions for unemployment insurance (Bonnet et al., 2012; World Bank, 2013d).

The extension of access to full or partial unemployment benefits in some countries has been accompanied by the introduction of new training facilities for the unemployed. In Bulgaria, the unemployed who voluntarily take up vocational training opportunities get an extension of benefits for three months. In Barbados, a Retraining Fund of US\$5 million was established in 2010, with resources taken from the Unemployment Fund, to give eligible unemployed people an opportunity to strengthen their employability in anticipation of new job opportunities at the end of the crisis (Bonnet et al., 2012).

In the aftermath of the recent global crises, some countries have modified other social insurance laws to extend support to workers and their families. Costa Rica extended the grace period for health insurance coverage after loss of employment from three to six months. El Salvador allowed workers to maintain social security coverage for six months after being fired. Similarly, Mexico’s Social Security Institute (IMSS) extended health insurance coverage for up to six months for dismissed workers and their families (Grosh et al., 2013).

Some countries have also opted to change contributions or implement exemptions (usually temporarily) in response to a shock in order to reduce costs for employers and, therefore, stimulate employment or raise the net earnings of low-income workers (ILO, 2011). In the aftermath of the global economic crisis in 2009, Thailand’s Social Security Fund reduced contribution rates to generate savings for employers, employees and the Government. Contributions were reduced from 5% to 3.5% for all employers and employees and plans included a reduction of the state’s contributions from 2.8% to 2.3% (Asher, 2010). China and Japan also adopted exemptions to unemployment insurance contributions (Hagemejer, 2009). One concern about such adjustments is that they need adequate compensation both in terms of financing the benefits currently paid and the future benefit entitlements of contributors.

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An example of how adjustments in a crisis can include both relaxing requirements for worker participation in contributory programmes and the introduction of additional payments is provided by a 2009 reform in Chile. This allowed fixed-term workers to access a solidarity fund by relaxing the fund eligibility requirement, which was transformed from a continuous contribution requirement (12 months) to a minimum density requirement (12 of the previous 24 months, with the last three continuous and with the same employer). It also raised the minimum and maximum solidarity fund benefits and allowed two additional payments during periods of high unemployment. As a result, the number of beneficiaries increased from about 10,000 per month by the end of 2008 to about 30,000 month in the end of 2010 (Grosh et al., 2013).

### 3.3 Work and labour-market interventions

Work and labour market interventions pursue a range of objectives in the context of a shock, including keeping people in jobs, creating new jobs to support incomes, and maintaining and improving the employability of workers and the match between changing demand and supply. Policy instruments include direct public employment and wage subsidies to create new jobs; reduced working hours (also called work sharing) and on-the-job training to sustain labour demand and to reduce labour costs for employers without having to dismiss workers; and training and job search assistance for the unemployed.

#### *Public works programmes: expansion, extending duration and wage adjustment*

Public works programmes (PWPs) directly create paid employment through labour-intensive projects such as road construction, maintenance, irrigation infrastructure, reforestation, and soil conservation. They can be self-targeting because non-eligible beneficiaries are reluctant to take up the type of work offered, remunerated at below market wages (Cazes et al., 2009). This ‘self-targeting’ component is associated with low administrative requirements. Such programmes also allow for a large number of participants. While PWPs have the potential to compensate for income loss, they tend, by definition, to exclude labour-constrained households that are often the poorest (McCord, 2013a).

PWPs may represent an appropriate crisis response tool when there is high unemployment after the collapse of labour markets in the aftermath of a shock, particularly in countries with high informality and weak alternative social protection measures. In practice, PWPs have been used as an important counter cyclical safety net instrument in several countries. According to Mitra and Ranjan (2011), PWPs were probably the single most important measure to mitigate the consequences of the 1997 crisis in East Asia, given the large size of the informal sector in most countries in the region. All East Asian countries launched massive PWPs to transfer income to the large number of unemployed during the 1997 financial crisis. In Indonesia, these PWPs were expected to generate 300 million person-days of work in 1998. In the Republic of Korea they generated 440,000 jobs in 1998 and 1.2 million jobs in 1999, providing work to 70% of the country’s unemployed in 1999 (Mitra and Ranjan, 2011).

Another example is Mexico’s scaling up of the *Programa de Empleo Temporal* (PET), introduced in response to the 1995 ‘Tequila’ crisis to reach a peak of one million temporary jobs in 1999 and 2000. The programme was then scaled back sharply by 2007, but was scaled up again in response to the global financial crisis,

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covering 285,000 beneficiaries in 2008 and 894,000 in 2010. The wage paid is just below the official minimum wage (Grosh et al., 2013).

PWPs are also used in response to post-conflict and disaster situations. In Côte d'Ivoire, the Government launched the Highly Labour Intensive PWP to reinsert 35,000 ex-combatants in the socio-economic life of the country via road building and rehabilitation, following repeated political and military crises. In Timor-Leste, a cash-for-work programme, implemented a military crisis of 2006 that displaced large parts of the population, targeted women and young people and included the rehabilitation and maintenance of roads (Marzo and Mori, 2012).

Like other social protection programmes, PWPs may act pro-cyclically. Peru's *Construyendo Peru* for example, increased coverage in 2007 and 2008 when the economy was growing strongly and then cut its 2009 budget to a third of its 2008 budget (Grosh et al., 2013).

Two issues are critical for PWPs if they are to support incomes: wage setting and potential excess demand.

In order to be self-targeted, wages are set at a low level to ensure that only the poorest households will choose to participate. Yet wages may be set so low that the cash earned is insufficient to enable participants to meet even their most basic needs. In addition, project selection criteria in some countries exclude some population groups, such as women, from programme participation. Programme rules can help to ensure broader participation. In the Republic of Korea, for example, women accounted for 50% of the participants in PWPs in 1999 (Mitra and Ranjan, 2011).

Excess demand can occur where the lack of employment opportunities in a crisis or shock situation means that the supply of workers exceeds demand, even at low wage rates. This can lead to tensions and accentuate the risk that the most vulnerable will remain excluded from programme participation. Harvey and Bailey (2011) describe how a cash-for-work project set up by Action Contre La Faim (ACF) in Haiti to clean drainage channels encountered the problem of excess demand: many more people wanted to participate than could be accommodated, causing tensions and complaints that ineligible people were included. Many people tried to get on the lists after the lists had already been validated and work had started. In Tajikistan, the evaluation of a Food for Work project found that participation was monopolised by stronger households.

Harvey and Bailey (2011) also cite another cash-for-work programme in Haiti that demonstrates efforts to ensure fairer participation. Following the 2010 earthquake, a small-scale cash-for-work programme to promote flood mitigation run by Catholic Relief Services (CRS) rotated participants out of the programme every two to three weeks in an effort to increase the number of people taking part. While this option may promote fairer participation it further limits the support provided to participating individuals, pushing the low wages provided even lower.

#### *Work-sharing, short- and part-time employment schemes and training*

Other measures to promote job creation and/or protect jobs are designed to reduce labour costs and include wage/hiring subsidies or the lowering of social security contributions, making it more attractive to hire new workers or to keep existing ones. One example is provided by Argentina's *Programa de Recuperacion Productiva* (REPRO) launched during the convertibility crisis in the early 2000s

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and operating at low levels until 2008 when it expanded in response to the global financial crisis. The number of participating workers jumped from about 14,000 in 2007 to 144,000 in 2010. The programme provided a monthly income support to workers who might otherwise be laid off in qualifying firms. Companies could deduct this government-paid subsidy from the salary needed to comply with collective bargaining agreements, and then needed to pay social security contributions only on the portion of wages they paid. In return, firms promised to refrain from layoffs (Grosh et al., 2013).

Another instrument used to protect jobs and limit the permanent dismissal of workers in the aftermath of a shock include work-sharing and short-time work (STW) programmes, mentioned above in relation to partial unemployment schemes. Work-sharing is a labour market instrument, based on the reduction of working time, to spread a reduced volume of work over the same or a similar number of workers to avoid layoffs. In times of economic crisis, work-sharing helps to avoid mass layoffs, allows businesses to retain their workforces (employee contracts with their firms are maintained during the work-share or STW period), minimising firing and (re)hiring costs and preserving functioning businesses (Messenger and Rodriguez, 2010).

STWs were the most common type of support to labour demand in OECD countries in the aftermath of the global financial crisis and have proved effective in preserving jobs and limiting the social costs of the crisis (Hijtzen and Martin, 2013). Most OECD countries already had schemes for work-share, STW or partial unemployment schemes before the crisis and extended their coverage or generosity or relaxed eligibility or administrative requirements to encourage take-up. The take-up was much larger in countries with well-established STW programmes than in countries with new schemes (World Bank, 2013b).

Two critical aspects of STW schemes concern their coverage and timing. First, these measures are targeted mainly towards workers who have permanent contracts, rather than the temporary, agency and fixed-term workers, who are predominantly women in most countries (Messenger and Rodriguez, 2010). Efforts to address this challenge include the extension of eligibility for work-sharing benefits to non-standard employees. Second, their timing is crucial. Hijtzen and Martin (2013) find that STW schemes had a significant impact on preserving jobs and played an important role in limiting the social costs of the crisis during the global financial crisis in OECD countries. However, they also find that the continued use of STWs during the recovery had a negative influence over the job-content of the recovery. Approaches that could help to ensure that take-up does not persist for too long during a recovery include requiring firms to participate in the cost of STW, to limit the maximum duration of STW schemes and to require workers to search for a job whilst participating in STW (Hijtzen and Martin, 2013).

Another instrument that has been used to buffer the impact of a shock and minimise its effects over time is the introduction of training and retraining activities for the unemployed or for those in work-sharing schemes. In Uruguay, the Employment Preservation through Reduction of the Working Week programme gives workers the chance to spend the time in training activities when they are not at work. In Chile, workers in a work-share programme can agree on a training period of up to five months with their employers, during which they do not provide services or receive wages but are paid a benefit equivalent to 50% of the average of their last six months' income (Messenger and Rodriguez, 2010). In Mauritius, the National Employment Foundation established a 'Work cum Training' scheme to enable companies in the manufacturing and tourism sectors, facing a reduction in their

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turnover, to send their employees for training instead of laying them off. The government-funded scheme was expected to save some 6,000 employees from retrenchment while improving their skills and was planned to run for a maximum period of 18 months (Cazes et al., 2009).

Other training programmes aim to maintain and improve the employability of the unemployed through skills enhancement and tend to focus on vocational skills training. In the context of the global financial crisis, China's US\$586 billion economic stimulus package for two years, announced in 2008, included a nationwide vocational training scheme to assist laid-off and migrant workers, aiming to ease pressure on the Chinese job market (Cazes et al., 2009).

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# 4 Social protection delivery and shock response

In the context of a crisis, it is critical to secure a quick and effective response. Programme implementation and delivery details determine the extent to which programmes reach those affected by a shock in a timely fashion. The delivery of a speedy response that is adequate to rapidly changing circumstances requires particular attention because it may contrast with the policy priorities of social protection planning and implementation during regular, non-crisis times. Furthermore, in the context of a shock, the everyday challenges to effective delivery encountered in non-crisis times may be further exacerbated by the crisis circumstances.

Two implementation phases are central to social protection implementation and are examined in this section: targeting and delivery. Targeting activities include the monitoring of shocks and their impacts and the identification of potential beneficiaries or beneficiary areas. Delivery concerns the transaction and receipt of cash, goods or services.

The main challenges encountered in the targeting and delivery of social protection in the context of a shock are:

- the identification and management of new caseloads, arising from the need to rapidly reach additional households to existing beneficiaries or new, previously excluded or underserved, areas;
- weak infrastructure, arising from both the existing circumstances before the shock (as the result of the absence of a unique identification system for example) and brought on by the shock itself.

## 4.1 Targeting

### *Targeting methods and information requirements*

Social protection programmes can rely on a variety of targeting mechanisms, including geographic or area-based targeting, household or individual-level targeting and self-targeting, when programme design details incorporate rules that encourage the participation of the most vulnerable through, for example, the setting of low wages in PWPs. Some programmes rely on a combination of these mechanisms.

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Within these broad targeting approaches, methods vary depending on the type of information required, the data collection instruments used and the frequency with which information is updated or recertified. In the context of a shock, these parameters determine the extent to which programmes are able to identify those affected and the ‘new poor’ at the individual or household level, and the areas affected at the geographic level.

In practice, shock-responsive targeting requires information that reflects sudden changes or that has the potential to capture shock-vulnerability in advance of a shock. However, targeting mechanisms set up for regular social protection provision may not reflect this priority in, for example, social assistance to the chronic poor, failing to capture rapid changes in circumstances.

Targeting information requirements may be more or less suitable for capturing rapidly changing circumstances. In many countries, social assistance programmes that target the chronic poor rely on information that may not reflect the impacts of a sudden shock. For example, proxy means targeting (PMT), a common means of allocating transfers, uses coefficients of regressions based on assets recorded in household surveys to estimate household poverty. PMT proxies tend to correlate with long-term poverty measures and may not reflect short-term or intermittent risk and vulnerability.

When this is the case, PMT proxies are not appropriate for measuring rapid changes in welfare as a result of sudden shocks (Alderman and Haque, 2005; Grosh et al., 2008). To be relevant to targeting households that are vulnerable to shocks, proxies need to correlate with vulnerability factors related to covariate shocks. In addition, PMT often relies on household survey data that are not collected frequently enough to capture rapid changes in people’s circumstances, limiting its ability to reflect their rapidly changing needs. Similarly, small-area poverty mapping predicts the poverty rate of an administrative unit based on information obtained in censuses that are implemented with a lag of several years. This may restrict the relevance of such mapping in the event of sudden, unpredictable covariate shocks (more on the implications of the frequency of data availability is given below).

Particular targeting approaches may be more applicable than others in securing a social protection response to certain types of shocks and shock impacts. For example, given that disasters tend to affect specific areas more severely than the country overall, geographic targeting is often used in response to such shocks (Harvey and Bailey, 2011; Kuriakose et al., 2012).

The need for information for shock-responsive targeting to reflect sudden changes has led systems to rely on multiple data sources and targeting mechanisms. For example, climate-responsive targeting commonly uses area and household level data on climate exposure to inform targeting, in combination with other targeting mechanisms. One example of a social protection programme that combines different targeting mechanisms in practice is provided by Ethiopia’s PSNP. The targeting for all four PSNP food-security programmes is based on the food security status of regions, districts, and households in a combination of geographic and household targeting. The information used to target these programmes includes the number of food aid recipients at district level, the household area of activity, community-level identification of the poorest households and household self-identification (Kuriakose et al., 2012).

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### *Data collection tools and frequency*

Shock-responsive targeting demands particular types of information. It also depends critically on the frequency with which such information is made available. Data collection instruments include: administrative records, household surveys, early warning monitoring systems and, increasingly a host of tools that rely on new technologies, including crowd sourcing.

Administrative registries used to administer benefits and public services can be an important tool for crisis monitoring. When these regularly collect information on household income or expenditures and on employment, they may be a precious source of information on changing circumstances.

Such registries vary depending on population coverage (the rules of eligibility for entering the registry) and the frequency of claimant registration and information updating. These features have important implications for shock response. If the population covered by the registry is restricted to social assistance or other social policy beneficiaries, then shock effects will only be captured for this group. This may provide an indication of effects on programme beneficiaries. If the registry is expanded to include non-beneficiaries it could also reflect the changing circumstances of other groups. In addition, such registries can capture information on the ‘new poor’ – those newly driven into poverty – depending on the frequency with which the registries are updated. If registration is ongoing and the eligibility threshold is maintained or lowered, then a crisis should lead to increasing numbers of entrants, providing an indication of the scale and profile of those affected by the shock.

In Brazil, the *Cadastro Unico* administrative registry collects information on all those with a per capita household income below half the national minimum wage, although the income eligibility threshold of social programmes is lower. This means that the registry contains information on social protection programme beneficiaries and groups that do not qualify for such programmes but who can, nevertheless, be considered as vulnerable. Registry entry is open on a rolling basis and individuals can register at any time. Information on those registered is updated regularly with a maximum time lapse of two years (Bastagli, 2009). This design allows the *Cadastro Unico* to act as a useful source of information on rapid changes in circumstances and has been critical in facilitating social protection shock response in Brazil.

The rules of entry to the registries and the frequency with which information is updated are crucial in defining the extent to which such instruments can be used to detect changes in need and increased demand for social protection. In many countries, the irregular and rare opportunities to enter an administrative register and to update information, limits the potential of such registries to detect sudden increases in need. This is the case in Viet Nam, for example, where for those who became poor in 2008 or 2009, only those who had already been registered as poor could be reconsidered as poor. This is the result of the slow screening procedures for social assistance policies, with lists of the poor re-established only when a new poverty line is issued, usually every five years (Castel, 2010).

Another instrument used to detect changes in well-being is household surveys. Such surveys also vary depending on the type of information collected, population coverage and frequency. Living standards and labour force surveys tend to collect information that is crucial to monitoring and understanding the effects of a crisis. However, these are sample-based surveys. Nationally representative surveys may



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permit the estimation of figures that are valid nation-wide, but rarely permit the identification of individuals for the purpose of social protection administration. Moreover, their infrequent implementation does not yield information in the timely manner required. In some countries, special surveys have been launched in the aftermath of a crisis: in Indonesia, a special three-round panel survey was launched post crisis that supported the examination the impact of the crisis and informed plans for future crises, but was only partially useful in the administration of transfers.

Clearly, the use of administrative registries and household surveys has its limits in the context of emergencies and sudden crises. The sudden onset of change may be difficult to detect with these tools, although specific properties make this possible. The challenges are especially severe in LICs with weak administrative capacity. It is here, in particular, that new information technology has been used in recent years to monitor the effects of shocks and identify the affected areas and households.

Examples include the development of early-warning systems (EWS) that rely on a range of data and information sources, including weather-based data from satellite and rainfall stations, used to monitor vulnerability correlates and assist in geographic targeting systems. In the field of food security, a variety of EWS exist at the international, regional and national levels. At the international level, the Famine Early Warning System Network (FEWSNET), funded by USAID, produces detailed warnings and situation reports on food security within 25 different countries, while the Global Information and Early Warning System (GIEWS), which is based within the FAO, produces regular reports on crop production and trade in 190 FAO member countries. At the regional level, an example is given by the intergovernmental early-warning system for the Sahel, coordinated by the Comité permanent Inter-Etats de Lutte contre la Sécheresse (CILSS). At the national level, Ethiopia and Niger have well-established and effective systems that provide regular reporting to central government on the national food security situation (Bailey, 2013).

Another example is the use of crowd sourcing and telephones to track sudden changing circumstances. For example, a major innovation in the aftermath of the 2010 Haiti earthquake and the resulting cholera outbreak was the use of mobile phones to track population movements. Data from Haiti's mobile phone network were used to estimate and map population movement based on location data from two million handsets. The location of concentrations of displaced people was determined on the basis of such data and shared with aid coordinators working in the field, so that the numbers of evacuees could be verified and supplies targeted to specific locations. That information allowed aid organisations to channel relief supplies to those areas in greatest need (Smith et al., 2012).

Crowd sourcing of early-warning data is in its infancy and while studies suggest it holds some promise, the technique presents some shortcomings. While crowd-sourced early-warning data may be available faster than other sources, it is harder to validate, making it less robust. It may also be intermittent and subject to sample bias. Finally, reliable crowd sourcing of early-warning data depends upon sufficiently high mobile-phone penetration among vulnerable populations (Bailey, 2013; Smith et al., 2012).

### *Individual identification*

Formal identification is a prerequisite for access to a range of services and is critical to social protection administration. The inability to prove that you are who

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you say you are inhibits access to basic rights and services, including social protection (Gelb and Clark, 2013a). Unfortunately, a lack of documentation is pervasive in low-income countries. Civil registration systems are often absent or cover only a fraction of the population.

Ideally, the provision of a unique identifier would happen before a crisis. Efforts to expand coverage and develop unified databases could be important contributions to social protection delivery both in regular times and in times of crisis. Recent examples include India's Unique Identification project, launched two years ago to provide every resident of India with a unique, secure identification or *Aadhaar* number (Gelb and Clark, 2013b).

In the context of a crisis, a comprehensive and unique ID system is vital to identify those who have been affected, including the 'new poor', to manage responses, target policy and emergency response and verify policy delivery and monitoring. Even if policy is targeted geographically or by locality rather than on individuals, individual identification is a key part of any social protection crisis response. Yet ID systems themselves may be weakened by infrastructure and institutional loss in the event of a crisis. Where administrative systems are weak and administrative document-based registries with individual identifiers are not in place, a shock may warrant alternative means to identify individuals.

Individual identifiers can be issued to individuals in different ways. In many countries, these are issued at the moment of birth, through birth registration and the provision of a birth certificate. Individuals in some countries may have more than one number used as an identifier but these will be unique to the person, enabling the management of a wide range of services through a series of databases such as voter, civil and driver registries. More recently, biometric identification, that is individual identification through fingerprinting and iris registration, is being used in a number of countries.

The growing reliance on biometric information is motivated by the potential advantages in terms of administration and management over card-based registries. Emergency responses provide examples of the use of iris and fingerprint identification-based systems. The Indonesian Red Cross experimented with using the iris as the identifying biometric to ensure that households did not register more than once for assistance in the aftermath of the 2004 Tsunami, but found that the technology was not reliable enough in the field, and was time-consuming to implement (Smith et al., 2012). Fingerprint recognition has been used in Malawi's DECT programme, which provided drought relief to rural farming families and took fingerprints for both initial registration and verification for payments. The system appears to have worked smoothly and been welcomed by recipients (Gelb and Clark, 2013a).

One concern associated with these techniques is that some population groups may be excluded (Gelb and Clark, 2013a, 2013b; Harvey et al., 2010). Not everyone is able to provide biometrics, particularly fingerprints. Those who may have difficulty – infants, the elderly and manual labourers – are often already marginalised within society. At the same time, the technology used is increasingly sophisticated and the failure rate is usually low (Harvey et al., 2010).

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## 4.2 Delivery

Social protection delivery involves many sets of activities and actors. Delivery agents may include central and local governments, aid agencies, banks, post offices, mobile phone companies, micro-finance companies, security companies, local traders or a combination of any or all of these. Delivery methods include direct delivery (manual or envelope cash delivery or direct food transfers), delivery through the banking system (either over the counter, from ATMs or other mobile-banking technologies) and delivery via smart cards, debit cards, pre-paid cards and point of sale devices and/or mobile-phone technologies. These different delivery methods and agents have been used in various combinations.

In the context of a shock two issues, in particular, determine the capacity of delivery mechanisms to respond quickly and to address some of the challenges encountered (such as infrastructure collapse), the coordination of responsibilities among actors and regulation of institutional response and the delivery modality.

### *Coordination and regulation of responsibilities*

In non-crisis times, the allocation of roles and responsibilities among different actors is favoured by clear regulations and agreements that allocate responsibilities to different actors and the establishment of incentives and accountability mechanisms. In a crisis, social protection delivery is complicated by the surge in demand for support and, depending on the type and extent of shock, the potential disruption of infrastructure and existing delivery systems. It is in these circumstances, in particular, that advanced planning is helpful including contingency plans based on alternative crisis scenarios.

It is useful to ensure that the planning and regulation efforts and documents outlining social protection delivery in non-crisis times include a plan to respond to shocks. Changes in existing programmes to accommodate changing needs and circumstances can be documented and outlined clearly in regulations to avoid confusion and mismanagement. In Colombia, for instance, the *Familia en Accion* CCT operation manuals spell out emergency-related programme adjustments and related implications for implementation. This includes defining the role of the programme in disasters within the framework of a disaster response plan or legislation, and linking it to the network of institutions involved in disaster response and contingency financing, as well as the specific regulation and procedures for particular programme adaptation, such as the waiving of conditionalities (World Bank, 2013b). Alderman and Haque (2005) highlight the benefits to response capacity generated by the preparation of contingency manuals in hurricane-prone countries such as Saint Lucia.

In some cases, shock response requires the establishment of new institutions and additional staffing measures to enhance the coordination of response efforts. In Burundi, in response to the 2008 food and fuel price crisis, measures to expand the school feeding programme included setting-up a steering/monitoring committee with eight representatives of central government departments and carrying out orientation seminars for committee members. In Liberia, to support the response to the 2008 crisis, the Government established a School Feeding Unit within the Ministry of Education, appointing a Director and staff to support implementation, including regional, county and district-level coordinators (Ambrosio et al., 2012).

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### *Delivery modality*

In recent years, the modality of delivery of cash and in-kind transfers in the context of emergencies has relied increasingly on new information technologies and systems. Although these remain weak in many LICs, they are improving and hold the potential to address some of the challenges encountered in delivery, including in the event of a shock (World Bank, 2013a).

Electronic payment (e-payment) systems have the potential to provide more efficient and reliable delivery of cash than manual cash-in-envelope systems. The four electronic payment systems that are being used by aid agencies are pre-paid debit cards, smart cards, mobile money transfer systems and electronic vouchers (Smith et al., 2012). Several commentators and evaluations have underscored that e-payment systems are a promising way to deliver aid to recipients with speed, precision and flexibility, even in challenging environments and this may explain the expansion of such instruments, particularly in emergency-related and low-capacity environments. Some claim that these systems could reach huge numbers of people rapidly in a way that is not feasible with manual approaches.

One example of the use of magnetic stripe cards and vouchers to deliver transfers during a shock is provided by Cotabato City in the Philippines, where, in response to rapid-onset floods in 2011, ACF established a voucher programme with local supermarkets to provide flood-affected residents with essential food and non-food items, and piloted the first humanitarian use of magnetic stripe cards. According to evaluations, the cards allowed beneficiaries to shop multiple times following the distribution of a single card that was reloaded electronically, greatly simplifying the process. The cards also reduced security threats and the potential diversion of funds through point-of-sale restrictions, as cards were only valid at selected supermarkets (Sossouvi, 2013).

In Pakistan, 1.3 million *watan* cards were distributed in less than three months for the distribution of cash in response to the 2010 floods. Similarly, in Kenya, the expansion of the HSNP cash transfer programme has benefitted from smart cards. Recipients have their fingerprints scanned and receive a smart card that they take to a local trader or agent to get their cash. The local trader or agent uses a point-of-sale device to verify recipients' identities (Harvey et al., 2010).

In Jordan, the United Nations High Commissioner for Refugees (UNHCR) has been providing cash grants to refugees and asylum seekers each month through a private banking partnership since 2008, with 14,887 refugees and asylum seekers benefiting from the scheme in 2013. Because refugees are not allowed individual bank accounts in Jordan, UNHCR holds a master account with multiple users (refugees and asylum seekers). UNHCR channels funds to the bank each month and the bank alerts beneficiaries by SMS when they can withdraw their e-transfer. Until 2012, all refugees used traditional smart cards with PIN. Now, newly registered refugees use a retina-scanning facility offered by the bank to all its customers. This new system eliminates the need for a smart card or a PIN. The transaction is based on the recipient's physical presence at the ATM, which is equipped with a retina-scanning facility (Sossouvi, 2013).

In countries with limited banking and telecommunications infrastructure, mobile phones are being used increasingly for the payment of transfers. In response to the 2009/2010 drought in Niger, Concern Worldwide targeted households to receive monthly cash transfers using different modalities. One-third of targeted households received an e-transfer via a mobile money service, one-third received manual cash

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transfers plus a mobile phone, and the remaining third received manual cash transfers only. The delivery mechanism using the mobile transfer and phone reduced distribution costs considerably, as well as cutting programme recipients' costs of obtaining the cash transfer. Mobile transfers were considered the most cost-effective way to provide cash transfers to remote rural populations, especially those with limited road and financial infrastructure (Sossouvi, 2013).

Similarly, evaluations of mobile phone transfers in Kenya's Post Election Violence Recovery programme in 2007 found that the delivery system was cost-effective and highly valued by recipients. However, people unable to use mobile phones or collect the transfer themselves had to send nominees to collect it on their behalf. The evaluation found that the nominee system was open to abuse and nominees did not always give the full value of the transfer to the intended recipient (Harvey and Bailey, 2011).

The adoption of e-payment and mobile-phone transfer systems takes time and faces challenges linked to emerging technologies and branchless banking-agent networks (Smith et al., 2012). In the case of the flood response in the Philippines, the use of the magnetic swipe card cost more than paper vouchers and prevented the reallocation of unspent funds because of usage limits. In addition, implementation was complicated by the lack of community awareness about payment cards. A key lesson learned was that the use of new technology needs to be accompanied by training and support to beneficiaries (Sossouvi, 2013).

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# 5 Social protection financing and shock response

Times of crisis are characterised by falling government revenue and increased demand for social spending and assistance. In such circumstances, governments may opt to cut social spending just at the moment when their citizens need more support and social protection spending is pro-cyclical rather than counter-cyclical (Hicks and Wodon, 2000). In the aftermath of most of the recent crises that preceded the 2008 food, fuel and financial crisis, social protection spending followed pro-cyclical patterns. For example, the share of GDP devoted to targeted social spending decreased in both Argentina and Mexico during economic downturns in the mid-1990s, despite increasing poverty rates (Alderman and Haque, 2005). A central challenge to shock response is securing financing for social protection and ensuring that spending levels are maintained or increased.

A second challenge concerns the timing of funding availability and the speed of disbursement. Particularly in the context of certain shocks, such as disasters, the rapid availability of resources is a critical component of shock response. At the same time, the regular financing and disbursement mechanisms that are in place may require lengthy processes and timeframes that counter the immediacy of crisis response financing needs.

## 5.1 Macro-economic stability and fiscal space

Improving macroeconomic frameworks and stability in non-crisis times is a key step to secure resources for future shock responses. The experience of the recent food, fuel and financial crisis provides a case in point. In marked contrast to the 1997-98 Asian financial crisis and other past shocks, which were met with immediate fiscal consolidation, a high number of countries responded to the more recent crisis by initiating fiscal stimulus packages. Most countries surveyed in a study by Chandrasekhar and Ghosh (2010) initially responded to the crisis by initiating fiscal stimulus packages. This counter-cyclical, expansive fiscal policy was adopted across all income categories, low-, middle- and high-income countries, in the first instance at the onset of the crisis (and was followed by the adoption of spending cuts and consolidation measures in subsequent stages).<sup>4</sup>

A study by Ortiz and Cummins (2013) confirms this trend and reports that approximately one quarter of the total fiscal stimulus package was invested in social protection measures. One reason for this shift in initial crisis response mode

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<sup>4</sup> Ortiz and Cummins (2013) show how in the first phase of response to the global financial crisis most governments introduced fiscal stimulus programmes and increased public spending. However, expenditure contraction became widespread in 2010 and public expenditure consolidation intensified after that.

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was the improved macroeconomic foundations of countries at the onset of the crisis, which allowed governments to respond, at least initially, with increases in spending (Chandrasekhar and Ghosh, 2010; Marzo and Mori, 2012).

Building the fiscal space to secure social protection financing in advance of a shock is critical to the maintenance or expansion of social protection and governments that have built such space are better equipped to respond to crises. Options include: additional domestic resource mobilisation, reallocating spending, restructuring debt, increasing borrowing and improving the financial management of public expenditure (Heller, 2005; Handley, 2009). Which option or combination of options is preferable depends on a country's situation. Some may have no way to increase aid financing; some are so heavily indebted that further debt financing would be unwise; and some have tax rates well above the average. At the same time, however, most countries have some flexibility on one or more of these dimensions (Grosh et al., 2008).

It is possible to increase domestic revenues by broadening tax bases, creating new taxes or increasing taxes on sources that are undertaxed and by strengthening the efficiency of tax collection and compliance, including efforts to combat tax evasion. Domestic resource mobilisation for social protection financing can also rely on social contributions. In practice, many countries have expanded social protection financing through efforts to encourage participation in contributory programmes and the expansion of formal employment (Duran-Valverde and Pacheco, 2012).

Reallocation of spending implies the reduction of expenditure on less effective and/or low priority spending areas and channelling resources to areas that are now top priority. For example, introducing an element of targeting to general subsidies on the products and services consumed predominantly by the poor can result in greater efficiency and possibly considerable fiscal savings (Harris, 2013a).

For those countries in high debt distress, restructuring existing debt may be possible and justifiable if the legitimacy of the debt is questionable and/or the opportunity cost in terms of worsening growth and living standards is high (Ortiz and Cummins, 2013). International action on debt relief has played a crucial role in freeing up resources for social policy and social protection financing through, for example, the Highly Indebted Poor Countries (HIPC) Initiative. Relying on additional international assistance and aid is another option. In times of crisis, donor assistance has been crucial to fill the gaps in resource-constrained countries and prevent public expenditures from becoming excessively pro-cyclical in damaging reductions of social spending (Marzo and Mori, 2012). But official development assistance (ODA) too is often a pro-cyclical non-expandable resource and it can be slow. Improving the financial management of public expenditure by increasing the efficiency of public administration and reducing wastage can be achieved by enhancing the coordination of social programmes and promoting public financial management reforms.

Despite efforts to generate fiscal space, governments typically face pressure to contain or reduce spending in the context of a crisis and may not have savings or any other options to help them maintain spending levels. In this case, certain categories of social spending, such as social protection, have been protected explicitly from cuts (Lustig, 2000). Arrangements include the protection from budget cuts of spending that targets the poor or broader categories of social spending such as education and health. Peru and Mexico, for example, have published a list of programmes that are to be protected from budget reductions

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during a crisis (IEG, 2012). In Indonesia, a budget revision that came into effect in March 2009 protects certain categories of spending, including spending on education and poverty reduction programmes, such as the subsidised rice programme for the poor (Raskin) and the Unconditional Cash Transfers (UCT) programme (Bender and Rompel, 2010).

## 5.2 Shock response financing mechanisms and innovative instruments

Several financing instruments facilitate the mobilisation and timely disbursement of resources for social protection and emergency spending in the context of a crisis. Governments may rely on saving instruments, spending reallocation, borrowing and insurance mechanisms with features that promote timely and adequate resources in the event of a shock. These include contingency funds and contingent credit facilities. In insurance, recent developments include the establishment of regional risk pools. Innovations cutting across these instruments include the use of index-based triggers to promote rapid response and minimise risks such as moral hazard in insurance.

Governments that save in preparation for a shock can hold contingency reserves that they can draw on in a crisis. Examples include catastrophe funds held in the event of a disaster. Funds set up to provide humanitarian relief and early recovery after a shock in disaster-prone countries in Asia and the Pacific include India's Calamity Relief Fund, which covers emergency repairs to approved items of physical infrastructure and statutory personal compensation (ESCAP and UNISDR, 2010). The main shortcoming faced by this instrument is that any significant reserve is likely to become the focus of a political struggle as a result of competing claims for alternative uses from ministries or sectoral interests (Bailey, 2013; Linnerooth-Bayer et al., 2012).

Contingency funds have also been incorporated into individual social safety net programmes. About 20% of Ethiopia's total PSNP budget is held as contingency funds, used by districts and regions to respond to unpredictable increases in demand for assistance in PSNP districts. In 2008, these funds were used to provide additional transfers to 4.43 million beneficiaries in the context of severe drought and rising food prices (Slater and Bhuvanendra, 2013).

Spending reallocation is facilitated by zero-allocation contingency budget lines that allow for programmed money to be reallocated in crisis circumstances, such as post-disaster response or reconstruction, within allowed categories. For example, a school improvement project may allow available funds to be re-allocated to school reconstruction (Kuriakose et al., 2012). The government of Cambodia meets relatively small-scale disaster-related repairs by drawing on regular line agency funding, particularly maintenance budgets (ESCAP and UNISDR, 2010).

Borrowing mechanisms used by governments to finance post-crisis liabilities, when rapid response is needed, include contingent credit facilities. Contingent credit agreements between governments and either commercial banks or international financial institutions give governments guaranteed access to funds after a shock, and are triggered only when the agreed trigger point is struck. Governments pay a fee for the option of a guaranteed loan at a pre-agreed rate that is contingent on the occurrence of a particular risk event (e.g. using a rainfall index in the case of drought). This tool can be faster and more predictable than ad hoc borrowing in



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response to a crisis. The main disadvantage of these instruments is that they increase debt (Bailey, 2013).

In the aftermath of the recent fuel, food and financial crisis, the World Bank provided faster responses thanks to new lending instruments. These included Programmatic Development Policy Loans (PDPL) which were used to accelerate disbursement while easing the transition from emergency planning to longer-term social safety net programmes and investment loans. PDPLs provide budget support, minimising administrative burdens linked to the loan, while being more suited to finance longer-term recovery plans. Investment loans are typically used to finance cash transfers and CCTs. In practice, such lending remains highly concentrated in MICs, leaving LICs behind (Marzo and Mori, 2012).

With the objective of providing fast-disbursing grants and additional support on social protection development to LICs and fragile states, the multi-donor Rapid Social Response (RSR) programme was launched in 2009. The RSR was ‘designed to assist countries to address the urgent social needs stemming from the crisis and build up capacity and institutions to better respond to future crises’ (World Bank, 2013d). More recently, donors have approved the RSR’s extension to June 2018 and its shift from crisis response to supporting social protection system building. The RSR focuses its interventions on improving access to basic social services, particularly maternal/infant health and nutrition and school feeding programmes, scaling up targeted safety nets and expanding labour market initiatives. Operations are designed to be delivered faster than standard programmes from the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD), with rapid project preparation, processing and disbursement characteristics.

The reserves and credit line financing options outlined above provide crisis finance without the transfer of risk, which is retained by the government. Additional borrowing implies growing indebtedness. In contrast, insurance involves the pooling of risks or the transfer of risks to a third party, the insurer. Innovations in this area include regional risk pools that aggregate risk across highly exposed countries to reduce their costs of risk transfer.

One example of regional risk pooling across countries is the African Risk Capacity (ARC) Initiative. The African Union, with assistance from the WFP, launched the ARC with the objective of establishing a pan-African insurance pool to diversify drought risk across the continent and reduce costs. An initial fund will be capitalised with contributions from participating governments and donors. Pay-outs will be triggered by a satellite-measured rainfall index and will occur when rainfall is below a drought threshold defined by the participating country. The ARC will also provide rapid financing for early action. Governments will have to develop pre-agreed contingency plans that identify how pay-outs will be used to protect those affected by drought and the pay-out will happen as soon as the drought threshold is triggered (Bailey, 2013).

Index-based triggers are also being used increasingly in different social protection programmes. The risk financing mechanism (RFM) in Ethiopia’s PSNP, managed at the federal level, aims to facilitate the rapid mobilisation of additional resources in the event of an emergency and depends on an established early-warning system that triggers the RFM when needed. Contingency planning occurs at the district level to expediate implementation. The RFM was triggered in 2011, support was provided to an additional case load of 3.1 million beneficiaries and funds were dispersed comparatively quickly (Slater and Bhuvanendra, 2013).

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The potential advantages associated with index- or trigger-based mechanisms are the comparatively lower transaction costs incurred and their potential to address moral hazard concerns in insurance, given that losses are determined according to a formula and are independent of both the insurer and the insured. A major drawback is the risk that the index is not correlated with actual losses. Imperfect correlation between the index used and the outcomes means that risk transfer is incomplete and a degree of risk remains with the insured party (Linnerooth-Bayer et al., 2012). In practice, weak information quality and technical capacity may lead to misleading information and the absence of reliable and timely information may prohibit the trigger to function as intended.

Different instruments may be more suitable in response to different types of shocks, depending on the latter's frequency and scale. According to Kuriakose et al. (2012), writing on disasters, the funding for low impact, frequent disasters tends to be managed by 'on-balance sheet' funding mechanisms, such as national disaster relief/calamity funds. Finance to respond to medium-impact disasters can be generated by having contingent lines of credit in place, such as the World Bank and IMF Catastrophe Drawdown Option, reallocating budget lines in the wake of the disaster, or restructuring existing loans to finance disaster reconstruction. Funding to address more severe disasters tends to come from more expensive mechanisms, such as insurance or catastrophe bonds that can transfer the risk out of the country (Kuriakose et al, 2012).

One example of how different mechanisms may be used in a single initiative that takes variations in types of shocks into account is provided by the joint World Bank, Secretariat of the Pacific Community and ADB Pacific Catastrophe Risk Assessment and Financing Initiative (PacRIS), which helps the Pacific Island Countries (PICs) design and implement an integrated national disaster risk financing strategy that relies on a combination of reserves, contingent credit, insurance and donor grants. The approach includes self-retention, such as a contingency budget and national reserves, to provide finance to respond to small but recurrent disasters, a liquidity mechanism for less frequent but more severe events, such as contingent credit, and disaster risk insurance to cover major natural disasters (World Bank, 2013e).

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# 6 Social protection planning and shock preparedness

Lack of preparedness is one of the main challenges to effective social protection shock response. Setting up new programmes and adopting new technologies for implementation after the onset of a shock can be difficult and limit an initiative's effectiveness. Studies of past shock impacts and policy responses agree that having social protection systems in place that can be expanded, adapted and deepened to accommodate greater needs and larger numbers of people in need is critical to effective shock response (Ferreira et al., 1999; Wiggins and Keats, 2013).

Previous sections of this paper have examined the design and implementation properties of specific social protection programmes that facilitate shock responsiveness. This section discusses the initiatives that aim to develop responsive social protection at the system level and takes into account national, regional and international initiatives that promote preparedness.

A central and promising development has been the adoption and expansion of social protection where it was once absent or where coverage and levels of support are low, in social assistance, social insurance and work-related measures. Initiatives that support steps in this direction include the elaboration of national social protection plans, improved national and international information platforms and the development of tools to assess shock preparedness. These developments have been accompanied by a growing recognition of the potential benefits of strengthened integration across different sectors addressing different types of shocks and risk management.

## 6.1 Social protection systems development

The persistence of low coverage and generosity of social protection programmes in many countries remains one of the main challenges to effective social protection shock response. Recent analyses of social protection shock response preparedness in Mozambique and Zimbabwe, for instance, identify the limited geographical reach and population coverage of existing programmes as a critical constraint (McCord and Fidalgo, 2013; McCord and Zvobgo, 2013).

Efforts to expand coverage and strengthen social protection systems represent a step in the direction of improved provision of support in the event of a shock. At the national level, initiatives to promote the extension of social assistance and social insurance are promising. Examples include countries that have recently begun integrating social protection reform initiatives – social insurance, health care, and social safety nets – into their development strategies, such as China, India, Indonesia and Viet Nam. Indonesia has embarked on a plan to achieve universal

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social protection coverage, primarily through social insurance mechanisms. Viet Nam also has adopted a goal of universal coverage mainly through social insurance, complemented by means-tested social assistance and transfers (Asher, 2010).

Such efforts are supported by both regional and international initiatives. At the regional level, in 2008, members of the African Union endorsed the Social Policy Framework for Africa, which encourages member states to extend coverage and provide a minimum package of services to serve as a platform for broadening social protection as fiscal space is created. It also provides recommendations on how to strengthen coordination between national and regional policy initiatives in this area (African Union, 2008).

At the international level, the Social Protection Floors Initiative, adopted by the UN in 2009, provides a framework within which countries can build basic social security guarantees that ensure access to essential health care and income security over the course of the life cycle (International Labour Conference, 2012). This approach to social protection development emphasises the range of risks individuals face over the life course, promotes the expansion of sustainable policies beyond residual safety nets and, in doing so, also contributes to improved country preparedness to covariate shocks.

Other recent initiatives related to social protection systems-building aim to strengthen information availability, quality and comparability on the design, coverage, adequacy and distribution of social protection programmes. The World Bank's Atlas of Social Protection – Indicators of Resilience and Equity (ASPIRE) data portal, based on household survey data, now permits the monitoring and analysis of social assistance, social insurance and labour market programmes in 69 LICs and MICs.<sup>5</sup> This data platform provides a useful tool for social protection programme monitoring and system-building. In a similar vein, the ADB's Social Protection Index for Asia provides information on the design and effectiveness of programmes across countries in the region.<sup>6</sup>

The recent development and implementation of analytical and planning tools for social protection shock readiness assessment reflects the growing importance of this issue and these have proved useful where implemented. Grosh et al. (2011), for example, assess social safety net readiness to the food price crisis in 13 vulnerable countries using four criteria: presence of safety net programmes, programme coverage, administrative capacity and targeting effectiveness, and identify the steps that could be taken to promote better preparedness in these countries.

McCord (2013b) develops a social protection shock response readiness assessment toolkit based on: assessing the range and likelihood of potential shocks to which a country is at risk, identifying the potential impacts of different types of shocks, identifying vulnerable populations, reviewing current social protection provision and previous shock responses, appraising shock-response capacity, and the identification of priority actions to feed into national social protection strategy development.

International agencies have also produced their own guides for social protection planning in the context of crises, including in disaster and conflict situations. These can be especially illuminating regarding the policy and programme options for

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<sup>5</sup> See the ASPIRE database here: <http://datatopics.worldbank.org/aspire/>.

<sup>6</sup> See the ADB's Social Protection Index: Assessing Results for Asia and the Pacific report: <http://www.adb.org/publications/social-protection-index-assessing-results-asia-and-pacific>.

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ensuring responsiveness. The ILO's (2010) guide on promoting employment, social protection and international labour standards in post-conflict and post-disaster situations is an example. It provides a guide to response in situations characterised by weakened institutions, disrupted social services, poor and malfunctioning economies and wide-range devastation and destruction to human, physical, social and natural assets (ILO, 2010).

## **6.2 Promoting the coordination across risk management and crisis response sectors**

Traditionally, social protection, humanitarian response and disaster risk reduction have operated as separate sectors, reporting to different and weakly linked line ministries, and employing staff trained in different technical disciplines. Each sector typically runs its own programmes, drawing on distinct lines of funding, and focuses on different sets of risks and target groups.<sup>7</sup> These factors can make integration across domains difficult and are obstacles to the planning of effective social protection shock response (Kuriakose et al., 2012; Vincent and Cull, 2012).

At the same time, there has been growing commitment to integration between these sectors. The United Nations World Food Programme (WFP), Food and Agriculture Organization (FAO), World Bank, and the UK Department for International Development (DFID) have all released policies, strategies or position papers encouraging integration of the concepts (Vincent and Cull, 2012; Arnall et al., 2010).

An example of an initiative based on coordinated planning across sectors at the regional level is provided by the EU Supporting the Horn of Africa Resilience (SHARE) initiative, which aims to build the resilience of vulnerable populations to drought through joint planning between humanitarian and development staff and the use of development cooperation and humanitarian funding instruments. The multi-sector programme includes support for life-saving activities, for recovery and for investment in longer-term development, such as livestock health and natural resource management.

At the national level, countries are increasingly developing plans that include a combination of social protection and disasters and humanitarian response measures. Niger, for example, has developed a national contingency plan that includes ensuring access to food, helping to protect household assets (mainly through public works and food distribution) and developing early warning indicators (World Bank, 2013a). Niger's risk preparedness through the national Programme for Climate Resilience (PPCR), administered by the World Bank, includes investments in sustainable land and water management as well as in social protection measures (including weather index-based insurance mechanisms for agricultural and pastoral production) with the objective of improving the resilience of local populations to climate variability (Harris, 2013b).

Within individual sectors too, shifts in emphasis point to improved opportunity for inter-sectoral coordination for shock preparedness. In the area of disaster preparedness, for example, shocks and risks are receiving more attention and inclusion in national plans. This trend also reflects a shift away from 'assistance for

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<sup>7</sup> Vincent and Cull (2012) review existing planning toolkits in three domains - social protection, climate change adaptation and disaster risk reduction - and find that while a number of toolkits and 'how to' guidelines exist to support the process of planning projects and programmes in each of the three domains, only a very small number of these integrate two of the three domains.

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disaster victims' to efforts to improve disaster preparedness through investments in flood control, disaster risk management, and rehabilitation, rather than relief alone. For example, the Philippines' Medium-Term Development Plan (MTDP) in 1987-1992 only mentioned natural hazards in the context of assistance to victims. Following losses in 1991 and then again in the 1997/98 El Nino, the MTDPs that followed increasingly included initiatives for shock preparation and rehabilitation, including enhancing the resilience of the poor via training and education (ESCAP and UNISDR, 2010).

Despite these promising developments, another challenge that remains, concerns financing for preparedness. Preparedness requires resources, yet in some sectors, funding to develop preparedness remains limited. Harris (2013b) points to the inadequacy of funding for disaster preparedness in humanitarian responses. In 2009, for example, such aid accounted for just 1.8% of overall humanitarian expenditure to the top 40 recipient countries (Harris, 2013b). According to Bailey (2013), NGO and UN staff make frequent reference to a lack of dedicated funding lines or financing mechanisms for preparedness activities and a lack of mechanisms to revise, adapt or scale-up long-term development programmes as being a major obstacle to effective shock response.

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# 7 Conclusion

This paper has identified the main measures that can be taken to scale-up programmes or protect the poorest in the aftermath of a shock and has discussed the trade-offs between different social protection tools and response measures. Timely implementation requires appropriate targeting and delivery mechanisms. Financing mechanisms and innovative tools can help to ensure that resources are available when a crisis strikes and even promote counter cyclical funding. Advance planning and preparedness help to ensure that social protection will be responsive.

## *Social protection policies: options and trade-offs*

Social assistance and safety net responses to a shock include the extension in coverage and duration of cash and in-kind transfers and the upward adjustment of their values. Where targeted transfers have low coverage or incomplete coverage of the poor, value adjustments and extensions in duration continue to exclude vulnerable groups, including people who may have been adversely affected by the crisis. Targeted programmes that rely on information systems with broad coverage (i.e. beyond existing beneficiaries) and rolling or on-going registration processes are particularly suitable in ensuring that new caseloads are reached. In crisis contexts, programmes of a more universal nature are more easily scaled up. This is the case, for example, for universal food subsidies. At the same time, such programmes can display high total financial costs and leakages and their design requires careful consideration of ways to minimise such costs.

Other adjustments to safety nets include the shift in the type of transfer in response to changing circumstances. For example, in the event of rapid increases in prices, several cash transfer programmes have opted to include an in-kind transfer component alongside the cash component or have replaced the cash with food to address the loss of purchasing power to which cash transfers are vulnerable. Other adjustments include the relaxation of participation requirements, such as beneficiary behavioural requirements, and the modification of eligibility rules to facilitate participation. In the context of cuts, the fine-tuning of targeting has aimed to protect the poorest.

Social insurance transfers have responded to shocks through the extension of coverage and duration of benefits, including unemployment benefits. Initiatives to promote participation when times are difficult include expanding eligibility and relaxing requirements for participation through reductions or exemptions in employer and employee contributions. The latter will need adequate compensation both in terms of financing the benefits currently paid and the future benefit entitlements of contributors.

Work-related initiatives that have been implemented and expanded in the aftermath of a shock include PWPs, wage subsidies, work-sharing practices and training. PWPs can provide support to households with working members and display advantages in terms of the potential for self-targeting and their comparatively low administrative requirements, although, like other social protection programmes,

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their effectiveness during a crisis depends on whether they were established prior to the shock. They are especially suitable in contexts with high informality and weak alternative policies. However, the objective of guaranteeing good targeting when setting low wage levels may conflict with the objective of guaranteeing an adequate wage. Part-time employment schemes and employment protection can also play an important role in preventing individuals from slipping into full unemployment and in maintaining a link to labour markets throughout a crisis.

In the context of a crisis, securing the quick and adequate scale-up of social protection is critical. The programme design details that facilitate flexibility and rapid response were examined in relation to two implementation stages: targeting and delivery. The three main challenges encountered in scaling-up social protection in a shock are: identifying and reaching those affected by the crisis including those who are not current beneficiaries; weak existing infrastructure such as the absence of a unique ID system and additional infrastructure, and administrative disruption brought about by the shock.

### *Social protection targeting and crisis response*

Shock-responsive targeting requires information that reflects sudden changes and that has the potential to capture shock-vulnerability before the shock hits. The two key factors that determine whether this is possible are: the type of information used by the targeting mechanism and the frequency with which it is available.

Targeting mechanisms in regular social protection provision may not reflect shock response concerns. In the case of targeted social assistance, for example, the objectives of reaching the chronic poor and minimising disincentives may lead to the adoption of proxy means tests that capture household assets correlated with long-term poverty. To facilitate shock responsiveness, PMTs need to take into account variables that reflect vulnerability to shocks, when the latter display some degree of predictability. The PMT's weak suitability to targeting in crisis contexts also stems from its reliance on household survey data, which rarely permit the capture of rapidly changing household circumstances.

In addition to household surveys, relevant data collection instruments include administrative records, early-warning monitoring systems and, increasingly, a host of tools that rely on new technologies, such as crowd sourcing. Such instruments may be designed to ensure that the information collected facilitates social protection scale-up. The parameters that really matter are coverage and the frequency with which information is collected.

Administrative registries of targeted social assistance programmes collect information on claimants and beneficiaries to verify their eligibility and administer the programme. Registries that collect information on vulnerable groups on a regular basis and that capture individual or household-level information beyond that of existing programme beneficiaries can be powerful tools for shock monitoring and response. Household surveys vary depending on their sample size and frequency. Established large-scale surveys may be suitable for capturing relevant changes but tend to be implemented at long intervals and may not be suitable for capturing rapidly changing circumstances. Lighter surveys have been designed and carried out to capture and assess shock impacts.

Both types of instruments require strong administrative capacity and functioning infrastructure. These may be lacking in LICs and may suffer from additional setbacks in the event of a crisis, such as a disaster. The development and expansion



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of early-warning systems to support geographic targeting have had success in providing advance warning of food crises. Other types of shocks may be more difficult to predict. Developments in new technology have also been used to detect shocks and their effects, with the use of data from mobile phone networks to map population movements in the aftermath of a shock representing just one example. While these techniques hold some promise, issues such as information validity and consistency still need to be addressed with care.

### *Social protection delivery in a crisis*

The delivery of social protection in crisis contexts has benefitted from advance planning in the form of contingency plans that outline the allocation of roles and responsibilities among relevant actors in the event of a shock. It has also benefitted from the development of new delivery modalities that rely on technologies that hold the potential to circumvent some of the implementation and infrastructure shortcomings associated with traditional and manual forms of delivery. Examples of alternative delivery modes that address challenges encountered in social protection delivery also arise from emergency and humanitarian response programmes. They include the use of electronic payment systems, magnetic stripe cards and mobile phones in the delivery of cash and in-kind transfers.

While the expansion of mobile phone coverage and the development of smart cards and ID systems that rely on new technologies hold the potential to address administrative bottlenecks where capacity is weak and/or faces disruption in the context of a crisis, they must be in place in advance of a shock to enable an effective shock response. In addition, they need to be accompanied by training and support to potential beneficiaries and the public more broadly to promote knowledge of these tools and to minimise risks of exclusion.

### *Social protection financing*

Two critical challenges to social protection shock response are the availability of adequate resources for policy scale-up and their timely disbursement. These requirements are in stark contrast with trends that characterise times of crisis, particularly those of falling government revenues and mounting budgetary pressures with increasing demands for assistance. A key element to securing the resources needed to respond to a shock when it occurs is improved macroeconomic stability in non-crisis times. Countries with stronger macroeconomic foundations at the onset of a crisis are better equipped to provide resources for shock response. Linked to this, it is critical to build fiscal space for social protection financing through additional domestic resource mobilisation and saving, spending reallocation and possibly external borrowing, in order to facilitate the maintenance and expansion of social protection spending.

A wide range of financing instruments facilitates the mobilisation and timely disbursement of resources and includes government saving through contingency reserves and borrowing through contingent credit facilities. Insurance mechanisms include instruments to pool risks across countries, such as the Africa Risk Capacity initiative. At the micro-insurance and programme level, index-based insurance can be built into programme financing. In principle, this would incorporate a trigger for spending increases when the index meets a certain value, as well as reducing transaction costs and the risk of moral hazard. In practice, it is critical that the index is correlated with actual losses.

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### *Social protection crisis preparedness*

Lack of preparedness is one of the main challenges to effective social protection shock responses. The expansion and strengthening of social protection systems in countries that have traditionally displayed patchy and low coverage and benefit levels is a promising step towards improved shock preparedness. Efforts to extend and improve social assistance and social insurance provision and coordination are being implemented at national levels and are backed by a range of international initiatives, including the ILO's social protection floors.

Another promising development, looking ahead, is the growing commitment to the integration of social protection, disaster preparedness and humanitarian responses. The likely increases in the frequency and impact of shocks require closer coordination between these sectors. In the areas of programme delivery, financing and planning, in particular, social protection has much to learn from disaster risk management and humanitarian interventions.

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**Overseas Development Institute**  
**203 Blackfriars Road**  
**London SE1 8NJ**  
**Tel +44 (0)20 7922 0300**  
**Fax +44 (0)20 7922 0399**