

FLOODING

DROUGHT

SEA-LEVEL RISE

FOOD INSECURITY

PANDEMIC

ECONOMIC CRISIS

# RESPONSIVE *by* DESIGN

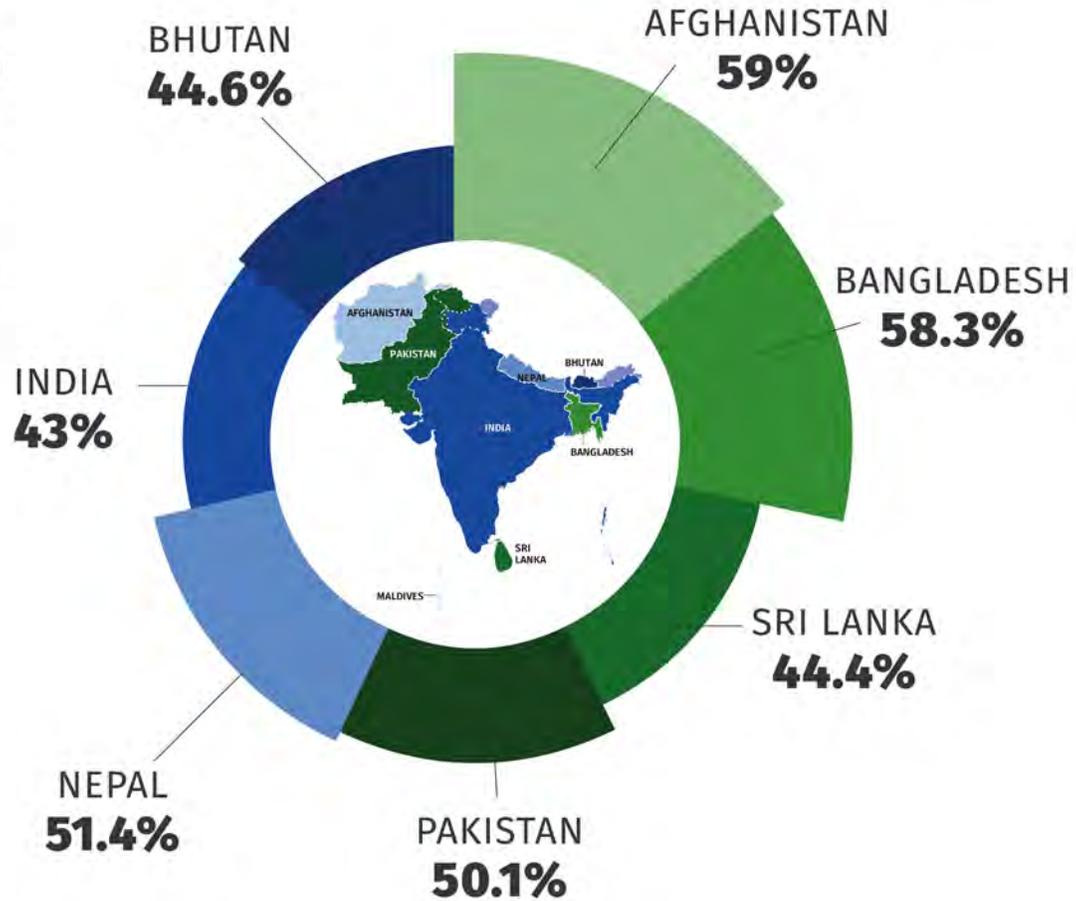
BUILDING ADAPTIVE  
SOCIAL PROTECTION  
SYSTEMS IN SOUTH ASIA

REPORT LAUNCH | MARCH 2023

By Kelly Johnson and Thomas Walker

# South Asia faces increasingly frequent and severe shocks.

## Population Exposure to Climate Hazards, South Asia



Agarwal et al. 2021

## Major events by country, 2001-present Number affected and year



### EARTHQUAKES

Afghanistan- **166** (2002), **1,150** (2022)  
 Pakistan- **825** (2005)  
 India- **13,805** (2001), **75,000** (2005)  
 Bhutan- **11** (2009)  
 Nepal- **8,969** (2015)



### LANDSLIDES

Sri Lanka- **101** (2016)  
 Bhutan- **10** (2021)



### TSUNAMIS

India- **16,269** (2004)  
 Maldives- **108** (2004)  
 Sri Lanka- **35,322** (2004)

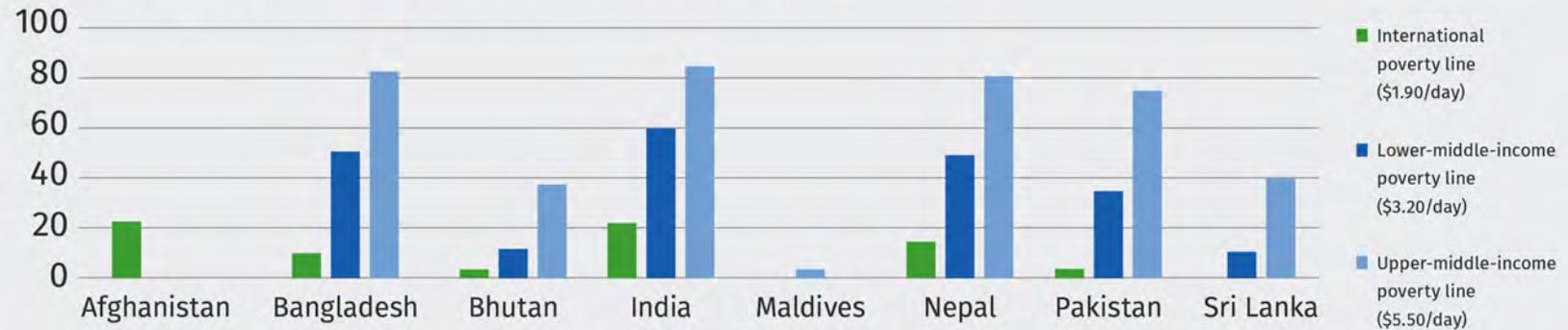


### FLOODS

Pakistan- **1,985** (2010), **1,717** (2022)  
 India- **6,453** (2005)  
 Sri Lanka- **208** (2017)  
 Bangladesh- **150** (2022)

## Many South Asians are at risk of falling back into poverty

### Poverty Headcount Ratios, South Asia, 2020

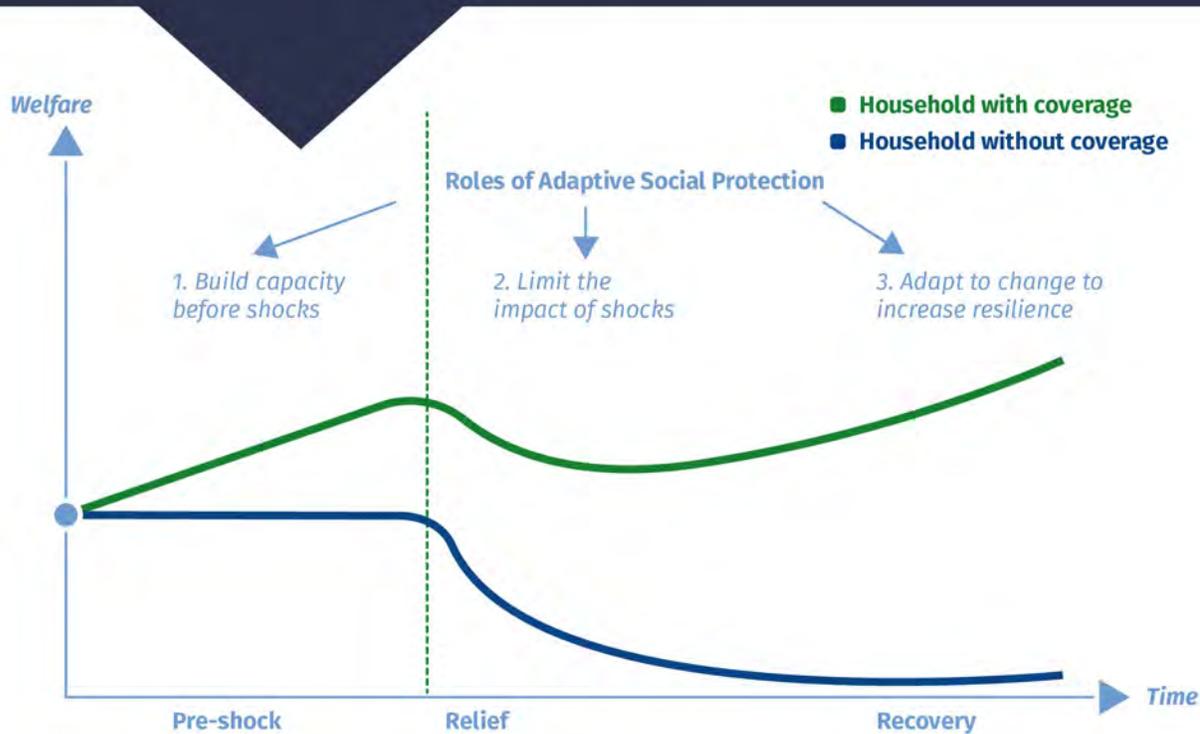


Source: World Bank Open Data portal. Data on lower and upper middle income poverty rates for Afghanistan were unavailable.



- ▶ While extreme poverty in South Asia has fallen significantly in the past 30 years, more than half of South Asian households are at risk of falling into poverty if hit by a shock.
- ▶ Without assistance, households can be forced to adopt negative coping strategies such as selling assets, stopping children's schooling, and eating less.

# What is Adaptive Social Protection?



The purpose of Adaptive Social Protection (ASP) is to ensure governments can provide appropriate and timely assistance to all citizens in need before, during, and after shocks, in a fiscally sustainable manner.

ASP comprises cash and in-kind assistance, access to services and productive inclusion programs that:

- 1 Build households' resilience to shocks.
- 2 Provide timely assistance once shocks occur.
- 3 Help households rebuild and recover from shocks.
- 4 Scale back after shocks have passed.



For most households, this assistance need only be temporary.



# RESPONSIVE by DESIGN

A guide to building ASP  
systems in South Asia

In 2021, the World Bank published a flagship report introducing the fundamentals of an adaptive social protection system.

**RESPONSIVE by DESIGN** looks at the state of adaptive social protection in the South Asia Region, and provides guidance on how to strengthen existing programs and systems.



It contains new and updated information on ASP based on developments since the publication of the flagship report.



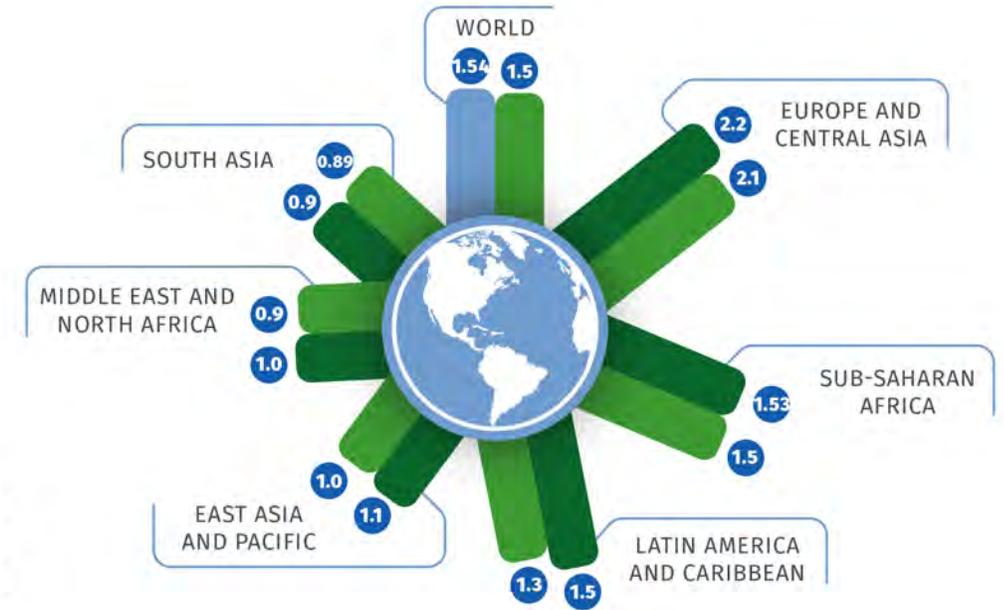
## Social Protection Coverage and Adequacy are Low

- ▶ South Asian countries spend an average of 0.9 percent of GDP on social safety nets.
- ▶ Coverage of social protection (SP) programs is also the lowest across all regions.
- ▶ Consequently, the impact of SP programs on poverty is low.
- ▶ South Asian countries rely mainly on categorical SP programs that cannot easily be expanded to reach disaster-affected households.
- ▶ Effective ASP does not require broad coverage of SP programs in normal times, but programs and systems should be scalable to enable governments to reach those not normally covered if a disaster occurs.

## Average Regional and Global Spending on Social Safety Nets

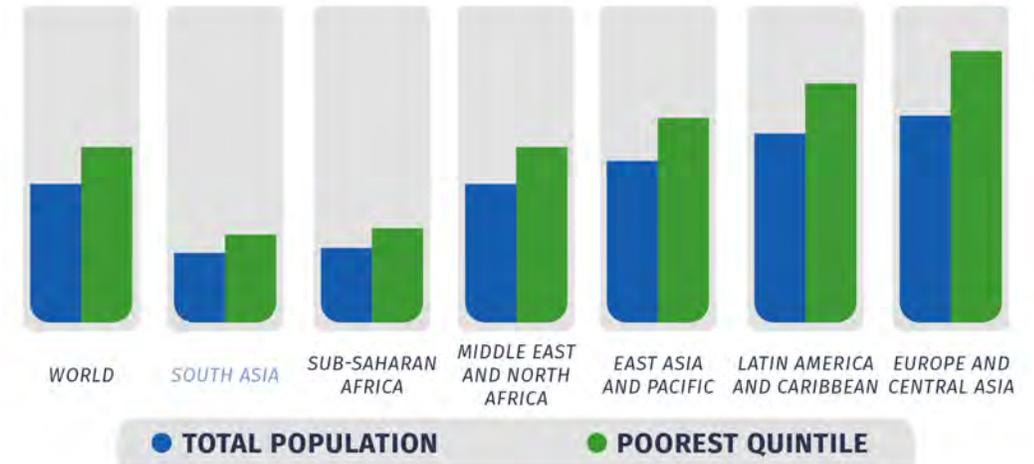
Source: World Bank 2018.

- Social safety net spending
- Social safety net spending without health fee waivers



## Coverage of all social protection or labour market programs by region

Source: ASPIRE (Atlas of Social Protection Indicators of Resilience and Equity) (dashboard), World Bank, Washington, DC, <https://www.worldbank.org/en/data/datatopics/aspire>.



# Elements of the ASP Framework

1

## Institutional Arrangements

- Which shocks do we prepare for?
- Which agencies are responsible?
- How is the response coordinated?

2

## Financing

- How much is needed?
- How will it be financed?
- What if funds are insufficient?



## Data and Information Systems

- How do people register?
- How are they informed?
- How are they selected?
- How is the assistance delivered?
- How are grievances and appeals handled?
- How is learning captured and reflected in future program design?

4

3

## Programs

- Who needs assistance?
- What sort of assistance?
- When is it needed?
- Which programs to use?





# 1 Institutional Arrangements

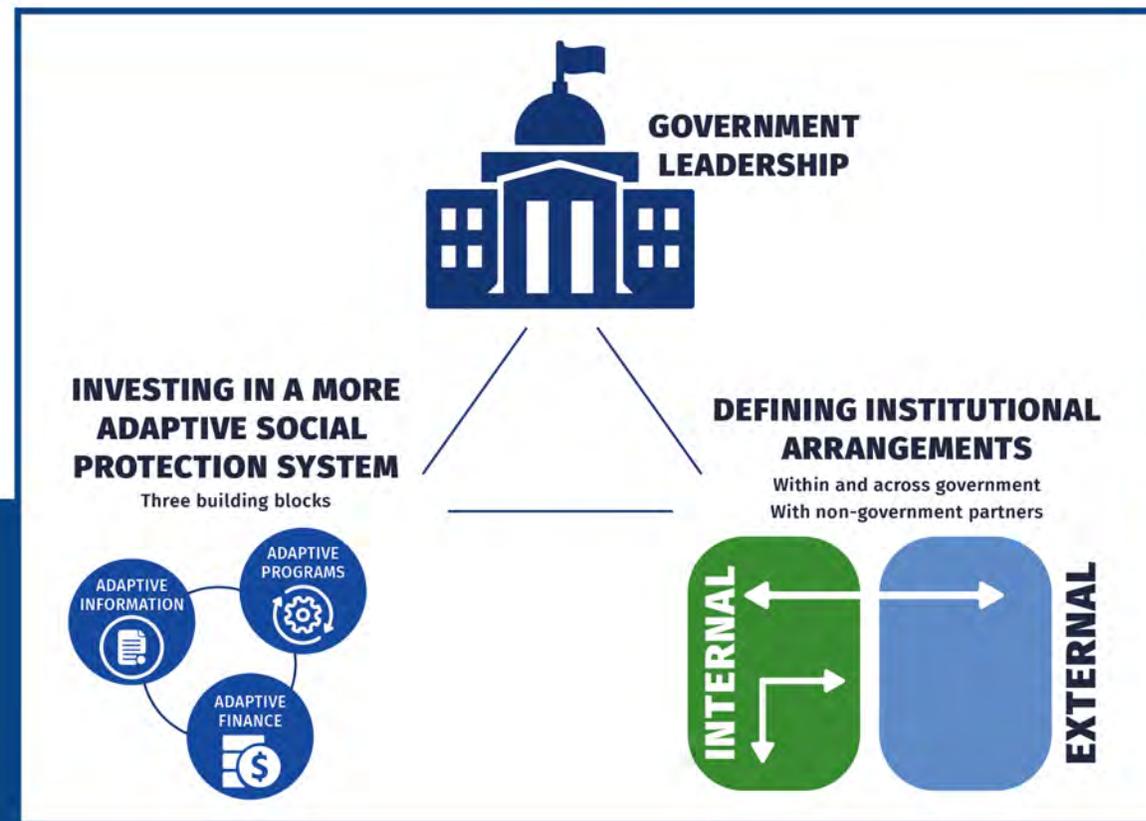
Most DRM policies in South Asia do not formally lay out the role of SP, which may result in an ad hoc response to disasters.

Many countries are now developing ASP policies or frameworks that identify how SP programs can help households prepare for, respond to, and recover from shocks.

An ASP framework should promote collaboration among government programs, and clearly define the roles and responsibilities of non-governmental and humanitarian actors.

The role of SP in disaster response should be formalized clearly in DRM policy.

- ▶ This allows governments and other actors to channel assistance through existing programs and delivery systems in the event of a shock.
- ▶ It also ensures timely assistance and avoids duplication of efforts.





# 2 Financing

Prearranged financing for emergencies can lead to faster and more cost-effective responses, with disbursement of resources made more predictable.



The book includes worked examples for Pakistan and Bangladesh showing how the costs of various shocks can be projected.

## EX-ANTE FINANCING INSTRUMENTS

- 1 DISASTER RESERVE FUND**  
A dedicated disaster response fund, where undisbursed funds can be rolled over.
- 2 CONTINGENCY BUDGET**  
A separate budget line that is drawn down in the event of a disaster shock.
- 3 CONTINGENT CREDIT**  
A loan arranged in advance that provides immediate liquidity once a predetermined trigger is met.
- 4 (SOVEREIGN) RISK TRANSFER INSTRUMENTS**  
Instruments such as insurance and catastrophe bonds that allow governments to transfer disaster risks to the markets and rapidly access payouts in the event of a major disaster.



By predicting the financing required for specific shocks, and earmarking funds according to the expected need, resources are readily available if a shock hits.

## EX-POST FINANCING INSTRUMENTS

- 1 BUDGET REALLOCATION**  
Redistribution of funds from other programs to cover emergency response and recovery needs
- 2 BORROWING**  
Raising of funds by issuing bonds or contracting loans from recovery and reconstruction.
- 3 TAX INCREASE**  
Temporary or permanent tax increases as a last resort to finance post-disaster activities
- 4 INTERNATIONAL AID**  
External development partners' assistance, which is often unpredictable.

Crisis and disaster risk financing strategies can leverage private sector instruments to supplement on-budget reallocation and contingent budgets.

**Risk layering** allows for the mobilization of different financial instruments based on the nature and scale of the shock. There are three layers—risk retention, contingent financing, and market-based instruments.





# 3 Programs

Adaptive social protection programs need to sustain their normal functions during a shock, as well as scale up to assist those affected by disasters.

Shocks may affect many groups, including individuals and households that are not typically considered poor or vulnerable.

Regular social protection programs build the resilience of the poor and vulnerable, and can be scaled up to temporarily increase support before and after a shock.

Public works programs such as India's Mahatma Gandhi National Rural Employment Guarantee Scheme can help address structural vulnerabilities, supplement incomes and mitigate climate risks.

PROGRAMS	Livelihoods & Empowerment		Disaster risk reduction & resilience building interventions		Access to finance for asset rebuilding		Livelihood reconstruction, retaining and reintegration		
			Regular (conditional or unconditional) cash transfers to poor						
						Conditionality waivers			
Cash transfers						Temporary top-ups to existing beneficiaries			
						Temporary CT expansion to other affected			
Shelter				Emergency shelter					
						Emergency shelter			
Relief & Emergency Assistance				Relocation	Food aid				
					Non-food items				
	Preparedness	Early warning		Immediate aftermath		Early recovery	Recovery	Reconstruction	
	Pre-shock			Shock onset		Post-shock			

Political choices and history can determine choices in terms of shock response:

- ▶ India has preferred to scale up existing programs
- ▶ Pakistan has introduced new (temporary) programs
- ▶ During COVID, countries without scalable programs introduced new ones (e.g. Maldives)

Ideally a country will have an ASP toolbox, with a range of programs that can be used to build household resilience before shocks occur, respond to various types of shocks, and support recovery of affected households.

These may include livelihoods programs, shelter, and emergency relief, as well as cash transfers. During COVID, for example, countries used various instruments to support households during lockdowns, gradually scaling them back as economies reopened.

Robust delivery systems expand the scope of tools available to governments to respond to shocks.



## Data and Information Systems

Governments require data to identify who needs help, determine eligibility, and facilitate payments.

Reliable data and robust information systems are both required to facilitate a timely response to shocks. Both are lacking in most South Asian countries.

Social registries are key, providing governments with pre-existing data on the socioeconomic status of households and a clear means of identification that can facilitate the selection of beneficiaries for disaster relief.

- ▶ In South Asia, social registries typically have low coverage or are based on outdated information
- ▶ Some South Asian countries (e.g. Maldives and Pakistan) are moving to a dynamic social registry to help address this.

Linking early warning systems to social protection programs can also allow for more timely shock responses by offering a sense of the number of people likely to be affected, where they are, and the expected level of payments.

Electronic information systems are increasingly being used to facilitate rapid benefit payments to households, including through direct debit and mobile money methods.

In the absence of a means to accurately identify households needing assistance, or in the case of a covariate shock, geographical targeting may be needed. This typically comes at greater expense and lesser precision.



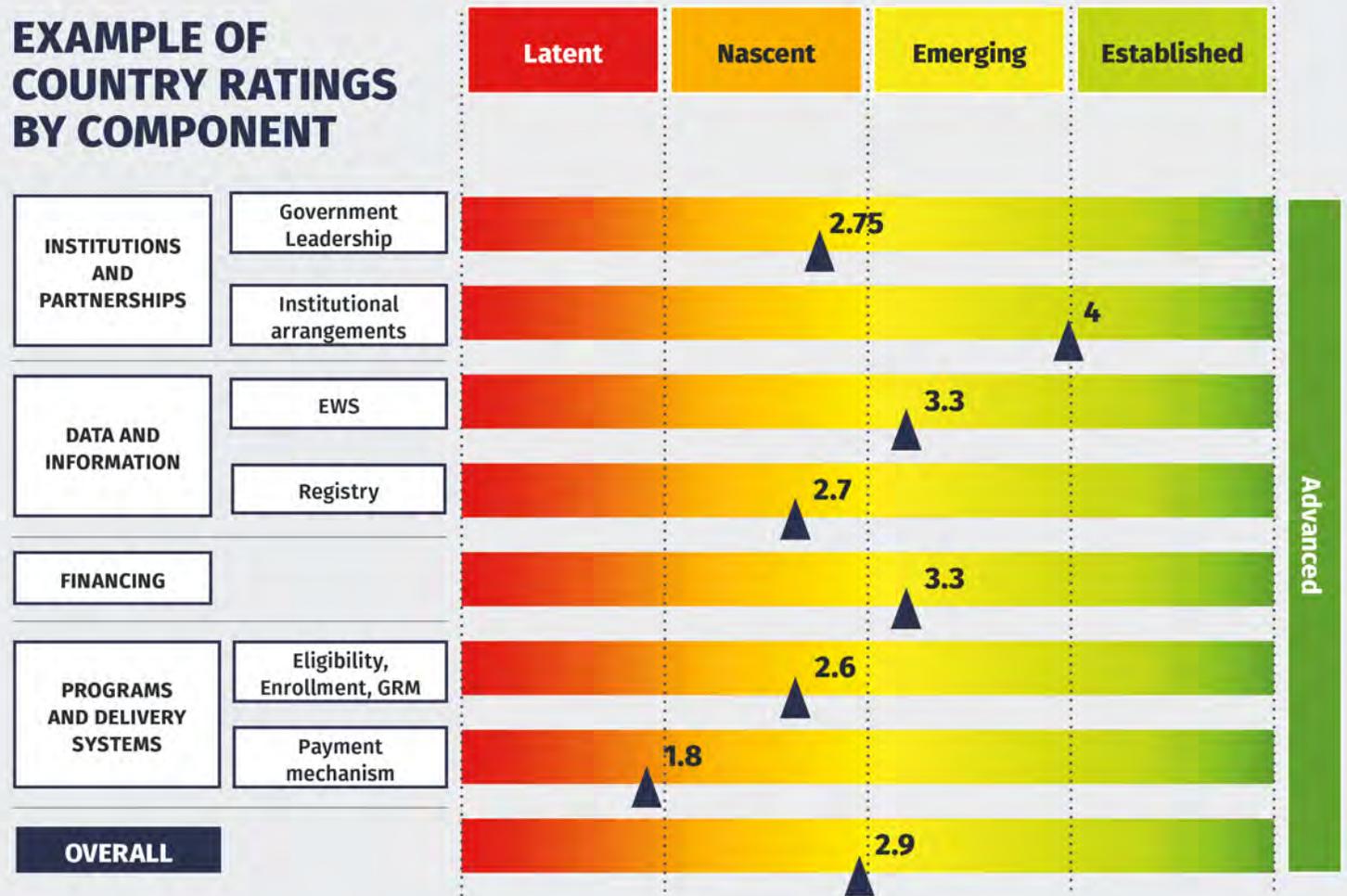
# Measuring Adaptive Social Protection?



In the report, we piloted a new stress test methodology developed by the World Bank.

The stress test is a *questionnaire-style diagnostic tool* that assesses the level of development of the various elements of a country's ASP system against an 'ideal benchmark'.

## EXAMPLE OF COUNTRY RATINGS BY COMPONENT



World Bank country teams completed the stress test between March and June 2021 by desk review, to get an overall sense of the status of ASP systems.

The tool is also being applied in more detail in some SAR countries, in collaboration with government officials and sector experts.

# How Adaptive Are South Asia's Social Protection Systems?



The stress test indicated that each country had both strengths and weaknesses.

- ▶ **Bangladesh** has a well-defined institutional structure but lacks a financing strategy, leading to delays in payments.
- ▶ **Bhutan** has a well-developed payments system but lacks a social registry.
- ▶ **India's** rating conceals significant variation among states. Overall, the country has a strong financing policy and a digital national ID, but limited interoperability of data systems for the over 440 schemes hampers disaster response.
- ▶ **Maldives** has strong payment systems but needs to broaden the base of its safety nets.
- ▶ **Nepal** is building its data and information systems, but needs to work on establishing adaptive financing.
- ▶ **Pakistan's** programs are relatively well developed. There is potential to improve institutional arrangements and financing.
- ▶ **Sri Lanka** has broad program coverage but underdeveloped delivery systems and institutional arrangements.

## Building Blocks

## Overall country ASP system score

	Institutional arrangements	Financing	Programs	Data and information	Overall country ASP system score
Afghanistan	Nascent	Nascent	Latent	Nascent	Latent-Nascent
Bangladesh	Emerging	Latent	Nascent	Nascent	Nascent-Emerging
Bhutan	Emerging	Nascent	Emerging	Nascent	Nascent-Emerging
India	Emerging	Established	Emerging	Nascent	Emerging
Maldives	Nascent	Nascent	Emerging	Latent	Nascent
Nepal	Nascent	Latent	Nascent	Nascent	Nascent
Pakistan	Nascent	Nascent	Emerging	Emerging	Emerging
Sri Lanka	Nascent	Emerging	Emerging	Emerging	Emerging

### KEY



### KEY TO OVERALL CLASSIFICATIONS

Latent	Nascent	Emerging	Established	Advanced
The government has some SP programs and limited coverage, but these remain uncoordinated and have limited capacity to build resilience	The government has some SP programs and limited coverage, but these remain uncoordinated and have limited capacity to build resilience	The government has relevant programs at the national level and some basic coverage which can promote resilience	Significant coverage through SP, through national safety net programs, and livelihood ones ensuring strong resilience of population	Strong coverage of safety net and livelihood programs providing a suite of interventions with complementarities ensuring population is resilient to shocks

The ratings for Afghanistan were conducted in 2021, and may have changed based on the country situation. It is included in the report for reference purposes.



# Institutions

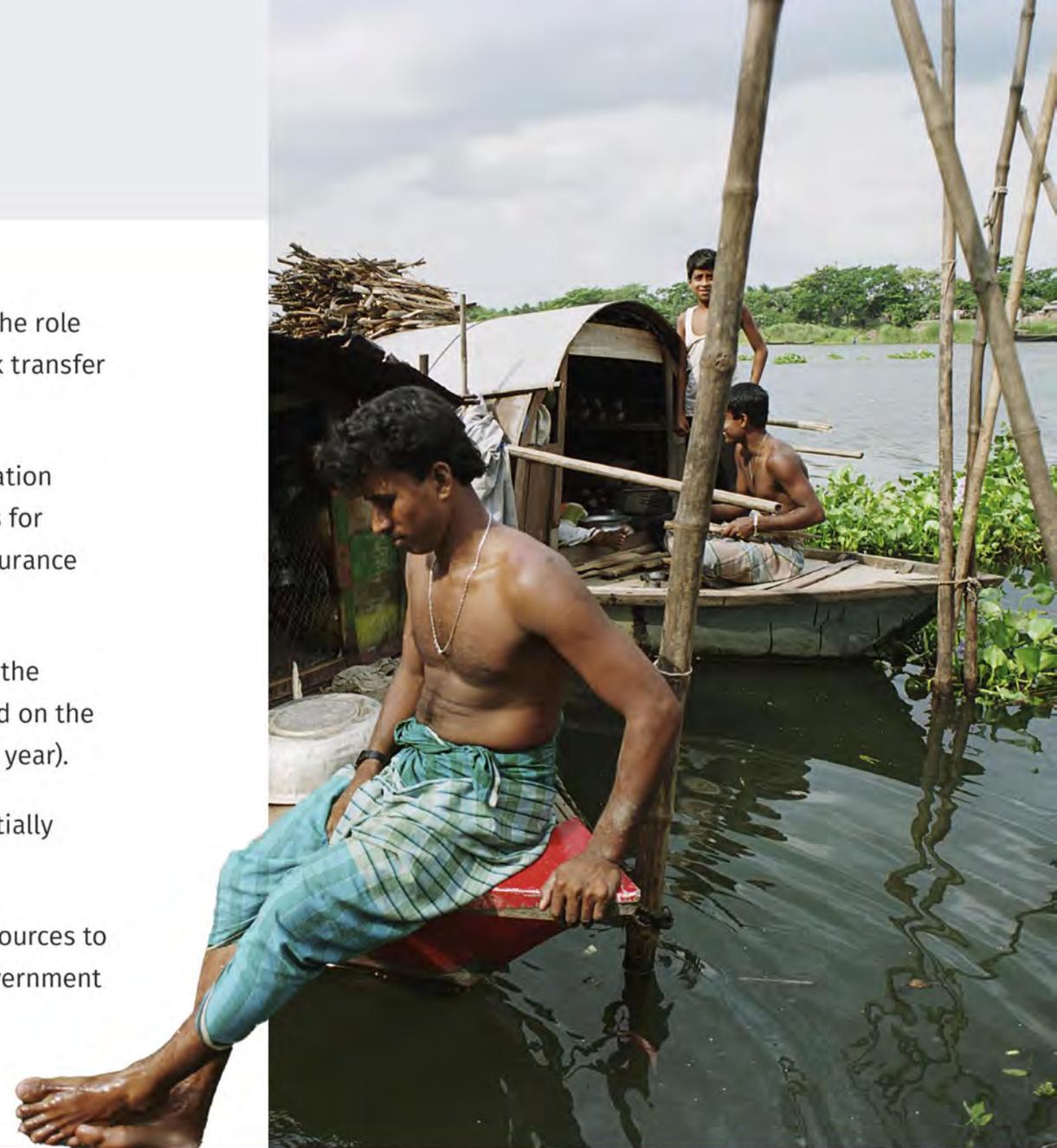
- 1** **Make social protection a central part of national disaster management legislation.** National disaster plans should specify the delivery systems and programs to be used to provide post-shock assistance to households.
- 2** **Fully integrate social protection delivery systems** with disaster management systems and procedures at an operational level.
- 3** **In the absence of actual disasters, conduct periodic simulated exercises** to assess the joint capacity of the ASP and DRM systems and commit to addressing weaknesses found through these simulations.
- 4** **Build the human, material, and outsourcing capacity** needed to carry out a shock response even under difficult conditions, and identify which actors will have responsibility for each task.
- 5** **Promote vertical coordination** to facilitate decentralization of shock responses between central, mid-level, and local units of government administration.
- 6** **Clearly define the roles and responsibilities of nongovernmental and humanitarian actors** during shock response, and foster collaboration with government programs to improve the effectiveness of the response.





# Financing

- 1** **Develop crisis and disaster risk financing strategies** that clearly define the role of ASP systems, and which enable the private sector to play a role in risk transfer provision relative to implicit contingent liabilities.
- 2** **Prepare annual contingency budgets** to finance asset damage compensation and immediate relief costs (like food, temporary shelter and basic needs for shock-affected households), with supplementary financing through reinsurance arrangements as required.
- 3** **Add a contingency line into social protection program budgets** to cover the cost of predictable temporary expansion of coverage (for example, based on the expected number of households hit by recurrent shocks like floods each year).
- 4** **Complement existing ex-post financial instruments** with ex-ante (potentially market-based) instruments in order to reduce disbursement delays.
- 5** **Strengthen national payment systems** to facilitate faster transfer of resources to affected households. This includes both the regular banking system (government to person transfers) as well as transfer of resources within government.





# Programs

- 1** **Build robust social protection programs and systems** during normal times to serve as the foundation for shock response.
- 2** **Develop adaptive toolboxes with multiple tools** to be deployed for different groups and types of shock.
- 3** **Make sure all core social protection programs are responsive by design** by putting in place mechanisms for shock response before shocks occur.
- 4** Carefully design responses to shocks to reach the right beneficiaries with **simple and harmonized support**.
- 5** Ensure shock response **does not undermine the regular social protection system**.
- 6** **Establish strong communications processes** within programs, and mitigate any potential sources of exclusion.





# Data & Information Systems

- 1** The ASP policy framework should include a **data system strategy**, built around the concept of **interoperable social protection systems** to improve the delivery of social assistance and labor market programs across government.
- 2** **Develop social registries and national identification systems** to enable rapid registration and cross-verification of information about shock-affected households.
- 3** **Expand the availability and use of data** (such as household surveys, social registries, national identification system, early warning systems, and so on) to aid ex-ante shock response planning and damage mitigation.
- 4** **Strengthen national payment systems** to facilitate faster transfer of resources to affected households. This includes both the regular banking system (government to person transfers) as well as transfer of resources vertically within government (government to government).

